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Privatisation, development and a changing economy among grape growers in Macedonia's Tikveš wine region

The current state of Macedonia is one of clashing modernizing tendencies. With the end of the Ottoman Empire and then of communism, the 20th century saw a discontinuation of the traditional at the national and local levels and henceforth an acceleration of institutional development and activity. In particular, the nation state and Fordist, or systematic capitalist style production, came to the fore.

Rapidly industrialized, the Republic of Macedonia was born out of complex aspirations by the communist party and former Yugoslav lifelong president and ruler, Josip Broz Tito. Tito sought to make the entirety of the Western Balkans, including present day Albania and northern Greece ("Aegean Macedonia") part of his Yugoslav federation. When such aspirations were deemed unachievable, he made it his priority to solidify the national identity of those within Yugoslavia's borders. This resulted in the creation of ethno-nationalist groups, and the first ever [socialist] republic called Macedonia. Prior to this, Macedonia was a region of SE Europe which was only geographical and not a federally administered national unit (except when considered "southern Serbia" under the Kingdom of Yugoslavia in the inter-war years). On the contrary, it was divided under Ottoman rule as it is divided today (only with different borders), and in the 20th century was often occupied by foreign powers. Post World-War II, however, saw the development of towns, industries and therefore an entirely new standard of living.

As a social anthropologist, my work has been one focusing on a particular issue—privatization and development in and around the wine industry in the Tikveš region, and its effect on the grape growers and local economies within it. Spending nearly a year and half in the Tikveš town of Kavadarci, my Title VIII grant funded my official research period from January through August 2011, helping me better understand growers' perceptions of the situation and the effect of privatization on the local economy. In conducting my research I read the main newspaper daily, got to know scores of growers, families, and other individuals, and entrenched myself within the “*katastrofa*” that has come to characterize the wine industry. I spoke and worked with the grape and wine producers both, visiting dozens of villages, towns, and wineries in the Tikveš region.

I had set out with the thesis that privatization was a scourge and leading to a “return to the peasantry”, as many anthropologists have seen elsewhere in rural Eastern Europe. I was partially right on both fronts, but wrong as well. I learned that unlike the past, there is now no direct government involvement in grape growing, pricing, selling, and buying. However, with government subsidies for the growers and for the buyers (*vizbi/vinariji*) based on how many kilos of grapes they buy (and with better subsidies if they buy 65% more than the previous year), there is a complex situation occurring and the government *is* involved, just in a drastically different way than they were during socialism and even just five to ten years ago. Instead of buying all of the grapes at relatively good prices, the government now only intervenes in terms of subsidies—for the amount of land grown on, the amount of grapes sold to official buyers, and for new vineyards that have been planted. And this is one part of the problem.

The problem with subsidies for growers who plant new vineyards is that the subsidies are encouraging growth for the long term but without concern for the present—they are stretching the industry very thin, all because *when* the country joins the EU (assuming they ever do) they

will not be able to plant any more vines. The upside is that once this happens, Macedonian exports to the EU (the annual quota which is now quite quickly filled) will be limitless as well. The government's policy thus seems to be to flood the EU with very cheap wine, yet this is actually not good for the wine industry in Macedonia for a couple of reasons. One, it will drive down the reputation and value of Macedonian wine, and two, as at present—many wineries want to export the more profitable bottled wine instead of bulk wine. Thus the government is involved with the industry from a legislative standpoint, but they do little to nothing to help promote the country's wine abroad at wine fairs, for example (a complaint often heard from wine producers) and may be ill preparing the industry for the EU at best, and driving it into the ground, at worst.

There is a shift in who are the power holders as well, as formerly socialist owned wineries are now privately owned, and many new private wineries have opened (there are over 80 in the small country). Profits are being made by the winery owners (making some individuals very wealthy), though some more than others—the majority of the wineries are hobby or small family owned enterprises which do not keep clear accounting of their production and sales. But the former have taken on a label by the grape producers who are suffering from this aspect of the transition. They have labeled them *vinskamafija*, or “wine mafia”. The wealthiest of such “mafia” run grape buying, wine production, and trade like a cartel, maximizing on government subsidies and profits by secretly cooperating with each other and then doing all they can to avoid paying the growers for their crop. They tend to be run by the rich and connected, if not the magnates in the country. These include but are not limited to: Sveto Janevski (owner of Tikves Winery, the largest brewery—Skopsko, as well as franchise rights for McDonalds and Coca-Cola); Menche Jordanov—owner of Stobi Winery, and steel and metal magnate; and the owner of the Dzumajlija winery—whose brother is a Member of Parliament and whose winery which has bought a significant amount of grapes, taken the lion's share (ie, majority) of government

subsidies, and yet has not paid growers for several years (and probably won't because last I heard he plans to declare bankruptcy, take the money, and run).

As atrocious as their behavior sounds, whether they are mafia or just opportunistic (albeit slightly criminal) businessmen is debatable. As one frank representative from the wine industry answered when I asked about the supposed "wine mafia":

"No, it's not mafia because nothing is prohibited! This is a "free market" economy now—no one has to do anything anymore [such as buy all the growers' grapes]. There's understandable confusion among growers because of the transition—they were used to selling their grapes based on quantity, not quality, so when Tikveš Winery—which was built with local money in the 1960s—was privatized and introduced sugar content levels it almost caused a revolution! With older growers it's understandable, they're not used to it. But younger growers need to learn that quantity isn't important, but factors of quality —*terroir*, brix, variety and age of the vines, are. But the winery is private now, it's no longer theirs as they claim. It produces based on the market and pays its growers when it can."

Thus buyers have the clear upper hand, and there's a shift on the ground for the growers—the thousands of them who since socialist times maintain small vineyards (from 0.5 – 5.0 hectares) and grow in order to sell their crop to wine producers. During socialism they received payment regardless of quality and for all of their crop, it going to the state-owned wineries. Yet in recent years something is indeed amiss and they're not getting paid. The result is that they are either suffering from a lack of income or digging up their vines and planting crops they can actually sell or consume. Both constitute the aforementioned "return to the peasantry", as growers must plant crops which they can actually eat and therefore are building up a more subsistence-based lifestyle.

To better understand the situation though, we must consider the vast and complex socio-cultural history of the country and wider region. The national identity of today's inhabitants of Macedonia differs from a century, a decade, or even five years ago. What was a country

characterized by multi-ethnic trade towns in the valleys with a Slavic peasantry in the hinterland for centuries before WWII, has been transformed into a *modern* but ailing industrial economy and nation-state. Forms of modernization are constantly occurring through political, economic, and institutional change, so that the identity of this country's citizens changes concurrently. It is not quite de Tocqueville's statement that "in a democracy every new generation is a new nation" but more precisely that in a post-socialist Southeast European country in transition such as Macedonia, every new generation is creating a new national identity. Economic and political factors contribute greatly to this identity transition, however.

Indeed, there are many subtle aspects to this transition that my fieldwork has revealed to me. Some are positive and some are negative, but there are implications for policy. Although I can only speculate, I have good reason to believe that there are powerful individuals in government, business, and elsewhere in the country who do not wish for Macedonia to join the EU. There has been much hype surrounding EU entry, no doubt, but a reluctance to actually join is quite evident in the government's lack of progress toward a solution with Greece which would allow it to enter NATO and/or the EU. Instead, the government, ruled by Nikola Gruevski and his party VMRO-DPMNE, has nearly thumbed its nose at the international community, and has certainly only played along with negotiations, but with little intent on finding a resolution. On the one hand I don't blame them—Greece has been an irredentist bulldog and the euro-zone looks to be a floundering project. But Gruevski and VMRO-DPMNE have proceeded with the well known Skopje 2014 project, spending hundreds of millions of taxpayers' euros on monuments and buildings which, although contributing to constructing a modern Macedonian identity, call on an abbreviated, adulterated, and controversial past. Greece may be wrong to have the position it does over possession of the name Macedonia, but Gruevski's party is dancing along. Indeed, it takes two to tango.

The government is also enacting arbitrary, illogical policies and, as one gentleman from USAID I met said, is “practicing rule by law rather than rule of law” when convenient; a sort of selective justice. As many international organizations have stated, the country’s media is not free to operate but subject to intense pressure, and with a corrupt judiciary, political opponents are sought out for prosecution while allies go free. Indeed, connections trump all in Macedonia, and the wealthy businessmen involved in much of the wine industry are closely connected to the political apparatus. Thus the dilemma: growers no longer receive the guaranteed good prices for grapes (which tended to run the European average of €0.20-.30 per kilogram) that they did for decades under socialism and into the new millennium, and wine producers claim the wine market is competitive yet are given free rein to produce and pay for their product’s main ingredient however they see fit.

Indeed, wine producers are building their businesses on the backs of growers, using their labor, crop, and income to subsidize their businesses. This occurs quite simply when grape buyers take growers’ grapes, give them an IOU, sell the grapes elsewhere or produce wine for sale from them, and then don’t pay the growers for six to twelve months—if they are paid at all. Even the largest fruit and vegetable trading companies in Kavadarci, who buy table grapes and sell them within a couple of months (unlike wine, which does take longer to give a return in investment), then use that income to buy citrus and other winter fruits to sell at local markets. When do they pay the grower for his autumn crop? Usually in the spring, after they’ve bought, sold, and profited off their winter produce—all without using hardly any of their own finances to drive their business.

One problem with grape producers though, like most farmers in Macedonia, is that they individually own and work small plots of land. Families work the land together, but even a few

pairs of brothers come to mind who own vineyards next to each other, but except for buying pesticides or making infrastructural investments together, work them separately. That is, there is little collaboration, not to mention trust, among Macedonian agriculturalists, so little that the government and foreign development agencies have programs going to better understand the situation and stimulate the growth of cooperatives. The country director for the Dutch development agency, SVN, racked my brain for explanations of the phenomenon. My immediate conclusions are that in a Balkan and Southern European rural region such as Tikveš, family reigns supreme and there is a significant distrust of the state and others in society. Some of this boils down to history: only during the Socialist Federative Republic of Yugoslavia was there a semi-legitimate, hegemonic state in power. Prior to that and particularly since then, the state has been seen as corrupt and ineffective at best, and abusive, terrorizing, and criminal at worst. Not to mention the growing discrepancy between urban and rural wealth, access to technology and education, local opportunities, and thus drastically different standards of living.

Having spent several years in Macedonia prior to conducting my recent doctoral research, first going as a Peace Corps volunteer in 2002, I have seen this decline in the state and its legitimacy. But the situation is somewhat exacerbated by the international presence in the country. Creating projects to help Macedonia transition to a “free-market economy and democracy” (as well as prepare for EU entry), international agencies, ministries and governments have brought in their own grades of “experts” who consult and influence the country’s development. This is exciting on the one hand, as it potentially allows Macedonia to take the best practices from several places. Yet it is problematic as well, as are several aspects of EU preparation, because current EU member states tend to have various bureaucratic structures within them, which when shared with a pre-accession country such as Macedonia, only serve to lead the country’s institutions astray or into a labyrinth of confusion. Further, their motives for sending specialists and experts to help

formulate Macedonia's agricultural objectives, judiciary, political apparatus, private business, etc., are questionable—they might very well be doing so only to take the project money from Brussels, or in order to personally or collectively (ie, the state) gain from the enterprise.

Regardless, a variety of development organizations have been long running in Macedonia, and looking at them was a part of my research project. Overall, these organizations include those explicitly focused on “sustainable development” and a variety of projects aimed at reforming everything from the judiciary to the market. On the one hand this work is good—it provides jobs, stimulates new and more compatible ways of functioning, and therefore helps the country move along with its “transition”. On the other hand, it has transformed Macedonia in contradictory ways unintended and unforeseen. In the wine sector, for example, one of USAID's largest development projects was the Macedonian Competitiveness Activity (MCA). Hailed as a multi-tiered project intent on stimulating competition in several sectors of the Macedonian economy, one of these has been the development of wine tourism and a free market model to the grape and wine industry. I met individuals who had participated in it, and they said they greatly benefited from the trip to California wine country and the week they spent at UC-Davis working with oenologists and those involved in the California wine industry. One winery owner even pulled out his USAID manual to show me how vines should be setup differently for more efficient grape growing and picking. Yet no such vines exist in Tikveš because these winery owners don't own the vineyards they get their grapes from, nor are there hardly any wineries setup for wine tourism as we imagine it. This is one example of the disconnect in the goals of a program and the outcomes.

Further, the Macedonian agricultural sector differs quite considerably from that in the US. While in the US farms have gotten larger and more corporatized, there has been the concurrent

development of other jobs. In Macedonia, as in much of the world, however, the shift to private, large farms is much more difficult; Tikveš has been a grape region for centuries, with people farming small plots and living off of the land. The “development” therefore, of such an old industry is wrought with complications and injustices. In Tikveš, the technology gap, ability to invest, and allocation of wealth are resulting in an increasingly destitute lot of grape growers who feel their integrity is being violated and their hard work in vain. Therefore, looking at the situation from the other side, as my research does, creates a clearer understanding of the system’s structure and should help policy-makers reconsider what economic development measures they take and what result they might have. Indeed, when an entire industry protests or rebels, problems quickly multiply and the political system is often left to blame.

Therefore, I come to the policy aspect of my paper. The country has problems with its political leadership, as I’ve mentioned but the implications for policy are manifold. My particular focus here is on the recognition of Macedonia by Greece and the former’s accession into the Euro-Atlantic clubs of NATO and the EU. There are two problems with this development. One is the problem with Greece’s reaction to Macedonia’s independence and provocations—namely, the two decade long name dispute (over use of the name “Macedonia”) based on significant misinterpretations of history and propaganda. Such issues’ relevance to the present are seemingly irrelevant from a US perspective, as the past is generally not our primary consideration in planning for the future of our foreign relations and policy. Yet the Western Balkan’s populations have been subject to a century of political propaganda that has sought to divide rather than unite them. Regarding the name issue and linking it with notions of identity a century ago, anthropologist Keith Brown has noted that to be Greek then was to be in a merchant class who used the Greek language as their prime form of communication. One could be born a Slav or Vlach, however, and be a “Greek” at the same time. Such notions precede the modern notion of

nation-state and its modernizing tendencies, such as irredentist reformulations of history under an ethno-nationalist umbrella.

The second problem is with powers within the country which seek to inhibit EU accession in order to maintain a monopoly on power and control. As I mentioned, part of the problem here lies with Macedonia, part with Greece, and part with the international community which play along in an attempt to negotiate the name dispute. Athens is compliant in it, but in reality there are domestic power holders that seek to perpetuate the name issue to keep Macedonia and its people in a state of liminality—an ongoing middle zone and state of transition which allows the powerful to keep their firm grip on the political-economic structure.

The international community's role is through its at times misguided development policy directives. I do not mean to derail all or even the majority of such policy, but given the turbulent economic and politic events of recent years, I do have my reservations about the path that the Euro-Atlantic international community is on. In particular, I question the privatizing, free-trade oriented nature of Western policy. I do so because in Macedonia, as well as many wealthy countries (such as the US), the gap between rich and poor has risen considerably compared to two to three decades ago. As much research has shown, such inequality is not healthy for society. It creates more tension, greed, crime, poorer health and education, and even discontent among the wealthy upper-classes. Better are locally and democratically governed regions, where economies and development programs overlap and strive to create equality for citizens. I say economies because the notion of one economy, such as so often heard in the news, is not reality. Any group of people producing, trading, and consuming are creating an economy—a socio-cultural system in which they act. I think this is very important to keep in mind, and is a positive thing in my opinion: smaller, local economies are better insulated from the dangerous

depressions brought about when large, international economic systems falter. Yet we must also take care to not perceive urban and rural Macedonia as a whole, just because it is one country. In fact, rural regions have very different problems that stem from their economic condition, their local production, ethnic and cultural issues, and other factors. One region may have factories and industry which provide work and which demand a level of understanding that another region may not have, and this affects the social life of production in that area—regardless of what is being produced.

In conclusion, my broad aim in this paper is to accelerate Macedonia's entry into the Euro-Atlantic club so that the predominance of 20th century Balkan nationalisms can be laid to rest. EU member countries have their own politics of course, but borderless yet regulated trade, the free movement of people, and a supra-national political body will unequivocally help the Republic of Macedonia in overcoming two decades of stagnation and corruption, issues which in turn inhibit the enforcement of regulations such as those related to labor rights, innovation and economic development, and last but not least, an effective judicial system.

In terms of how to do this, there is a significant spectrum shift which needs to be made on the American and international global agenda; we must emphasize that when “free market democracy” is spoken about and practiced, it includes the notion of fair play, regulation, and an effective judiciary to ensure its proper functioning. Yet development priorities should also be reassessed by specialists and the results shared with others. As I mentioned with the USAID MCA project, for example, project goals should logically match up with realistic outcomes. Training wine producers about how to produce grapes does the industry little good. Better might have been to teach those producers how to lobby their government to market and foster the development of wine tourism in the country.

On the Balkan political front, there are several avenues through which a resolution to the dispute with Greece must be made, as well as relieving Macedonian power players of their firm grip on the domestic political economy. Policy makers should proceed by encouraging diplomats to intervene in domestic power structures to reduce the influence of monopolizing powers—powers which would lose out with Macedonia's EU entry and their loss of control over the domestic market. Internationally, Greece's ill-will toward its neighbors must be denounced, a move which should come more easily given the country's debt crisis and loss of face. Measures should be taken to bring to light the historical reality of the region—it's multi-ethnic diversity—and the fact that modernization means the development of new states and institutions. That is, neighboring former kingdoms and nation-states may have preceded the modern Macedonian state, but it is now a sovereign democratic country, recognized by the US and the majority of the Western world. While its name and the issue of who were the ancient Macedonians may stir emotions between the two south Balkan nations, it should be deemed moot and its relevance continually cast in a negative light.

These suggestions of course aim to unite the region, not divide it. Only open borders, movement of people, and free yet regulated trade will help continue to (as it has already begun) make Macedonia a multi-ethnic region of constituent multi-lingual and multi-cultural, not multi-[ethno]national, groups. This project must be ongoing but be aggressively pushed forward in the following five years, as the country cannot stand to allow its power structure to deprive its citizenry the rights of an equal and progressive 21st century Europe.