

U- M - F Training

Shtip - Republic of Macedonia

BUILDING OF INTERNATIONAL COMPETITIVENESS OF TEXTILE COMPANIES IN THE BORDER REGION

MK – BGSV006.1.31.146

CREATION OF VISION OF THE REGION FOR DEVELOPMENT OF THE POSITIONING STRATEGY

Shtip / Kuystendil 2017

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Introduction

The purpose of this document is to present the process of development of the vision for the first regional cross-border cluster within the textile industries of the Republic of Macedonia and the Republic of Bulgaria. The cluster is conceived as the main result of the implementation of INTERREG IPA CBC first call No 2014TC16I5CB006 - 2015 - 1, priority axis - competitiveness, CB006.1.31.146 of the Textile Trade Association - textile cluster from Stip, the Republic of Macedonia and the partners from the Republic of Bulgaria BOTO - branch organization for textile and clothing from Kyustendil. The overall objective of this part of the whole project is to define the image of the textile industry in the cross-border region among the population, the national business sector and other relevant stakeholders on the national and international market.

The total requirements of the Terms included:

- Development of materials and implementation of two two-day workshops and two one-day work sessions with 38 participants from Macedonia and Bulgaria (with materials for work, exercises, etc.);
- Development of the strategic documents - the vision of the region, action plan, organization and operational structure, etc.);
- Planning and coordination of activities with the project team; logistics of the events (agenda, list of participants, feedback from sessions with assessments about the situation, etc.)
- Establishment of the Regional Development Board (RDB)
- Defining points of differentiation of the region
- Development of the vision statement
- Develop an action plan for the first year of work

The following main parts are placed in this document. First of all, the introduction gives an overview of the changed methodology during the start of the project according to the Call for condition. It is followed by a review of terminology in order to avoid all possible dilemmas with stakeholders and stakeholders about business associations and their forms in practice. A review of similar such initiatives and various types of regional associations in the documents of the European Union is given. The first working part is devoted to the activities of developing the vision for the region and the results of the session to define the vision. The second working part is devoted to the activities and the results of defining the points of distinction in the region and how it will try to differentiate itself from the competitiveregionsin the Balkans and beyond, worldwide.

Next, the results of the session for setting up the regional development board of the future cross-border cluster and the results of the action planning session are presented.

At the end of the document are the attachments to the basic document. Here are the results of a study by consultants on the movements of national economies on both sides of the border, i.e. assessments of

the horizon and the expectations for the development of the national economy of the Republic of Bulgaria and the estimates for the movement of the economy of the Republic of Macedonia. Furthermore, there is an analysis with forecasts the main trends in the development of the textile industry worldwide, as well as a detailed overview of the development and the situation in the textile industry in the Republic of Bulgaria and the Republic of Macedonia.

Methodology

When developing strategic documents, there are two basic approaches. The first or traditional method is the top-down method, where management defines the basic strategic statements for mission and vision, quantifies goals and ultimately develops a strategy for their achievement. In doing so, management often engages external consultants who analyze them for the wider and narrower environment, identify market opportunities and challenges, and create strategic statements and define a strategy. The advantage of this approach is that it results in a completely correct technical document. His disadvantage is that he does not feel that document for himself or his own contractors. The result of the up-and-down process is ignoring many stakeholders, as well as the future implementers themselves. A good document is obtained, but poor or poor implementation. The second approach to developing strategic documents is the bottom-up approach. The idea is to engage in the process of the future implementers of the strategic document, which is certainly a better solution than ignoring them. Ideas are collected in a formalized way, through joint meetings, focus groups, recently through social networks and the like. The result of this process is a document that all stakeholders will accept as their own and will want to implement it. The disadvantage of this approach is that such a document is often a suggestion of a list of wishes of the individual stakeholders, and the provisions in it often know to be even contradictory to one another.

As a result, a third approach has been developed that combines the first two and results in a theoretically good document that will be both accepted by the stakeholders at the same time. According to this methodological approach, a facilitator is selected who first makes a detailed desk study of the situation in the environment that can significantly influence the outcome of the strategic action. Then the entity is analyzed for whom the strategic document will be intended. The results will be used by this facilitator as an entry in one or more planning conferences in which he will try to guide the discussion and the dynamics towards a comprehensive analysis of the results of the desk study by the future implementers of the strategic document. In doing so, many goals are achieved. Firstly, the participants will accept the result as their own, making the chances of its successful implementation grow. Secondly, through the exchange of their points of view, points will be identified where additional engagement will be required in order to train the management and the teams in the areas that will be seen that they do not have enough knowledge how to deal with the challenges and dangers or how to use the chances that are given to them, and will also see points of possible conflict of interest that will have to be resolved through processes and appropriate policy in order to successfully conduct the entire document.

The second approach was adopted in the development of this vision document. It is consistent with the Call for Condition Document which explicitly requires that consultants must use the participative method and actively act and direct the discussion to the general purpose of the activity. In that sense, the consultant first carried out a study on the latest trends in and about clusters, the situation in the economies of both countries and the situation with the textile industry in both countries. Part two of this paper contains the findings of this study.

Thereafter, two two-day planning strategic trainings were organized and held, led by the consultant himself. They are attended by the carriers of the idea, the members of the two clusters - initiators and their leaders, and the more important stakeholders from both sides of the border (the state, the chambers, the local self-government, the media). Together with the consultant, the participants in the trainings went through the whole process of developing the idea and vision of a common cluster, the activities in which the cluster will have advantages, the weaknesses of that common cluster, and how they will decrease them, as well as the necessary internal architecture of the cluster, its organs and bodies. Furthermore, opinions were exchanged and the list of activities and projects that should be implemented for the common cluster to be affirmed, branded and recognized by the very target audience, the main textile buyers from Western Europe.

Terminology

In their original form, regional industrial agglomerations are "geographical concentration of interconnected companies and institutions in a particular activity" or "a group of firms linked to economic actors and institutions located close to one another and which generate productive advantages from their mutual proximity and connections". They allow companies in such regional agglomerations to be more productive and more innovative than if they were acting alone. In such agglomerations, that by the rule occur spontaneously, original knowledge and skills are being developed that are hard to copy and replicate from other companies and in some other region. It is therefore considered that such agglomerations help to develop a sustainable competitive advantage for participating companies, as well as for the regions themselves and for the countries in which they operate.

In the original form, business regional agglomerations were in the form of geographical regions known for a given product. Textile from Manchester is the best example of such traditional agglomeration. Within such closed units, information and knowledge, including tacit knowledge, are circulating in a very efficient way. That's why these centers have served as one of the main drivers of innovation and prosperity, helping in the entire region in which they work to create unique profiles of specialized skills that will recognize the region from the outside. In other words, a concentration in the given industry or area in order to be globally more successful, as originally stated by Porter, remains to be the most recognizable feature of the traditional understanding of business associations and clusters.

This closed understanding of business regional agglomeration encounters many difficulties in its integration into the modern trends of the openeconomy in the world. Namely, the traditional models of regional cooperation rarely or at all did not stretch across the national borders. This is quite contrary to

the global trends of regionalization of the economy. According to the World Trade Organization, in 2017, there were 270 regional trade agreements active. The global business knows no boundaries and is trying to link itself to the logic of supply, not to limit itself to state borders. The concept of the supply chain and the elements that make up, the globalization and the complex and dynamic international networks require to overcome all organizational, cultural and technological barriers before joining the best players in the chain, regardless of their spatial location. In other words, business association today must respond to these trends by opening it to the same. Also, such agglomeration should be the source of the competitive advantages of the region and in the new conditions of free trade and globalization of the world economy and global supply chains.

The second challenge before associating in regional business agglomerations is the fact that industry restructuring introduces many informal networks and a completely new entrepreneurial mentality that refuses any framing in any solid concepts. In general, this means that modern business associations will be more informal and composed of fast growing small and medium-sized enterprises, and not some formal institutions with slow changes, such as traditional chambers of commerce. The specific forms of agglomeration will also be very different. They are far from being static with any kind of universal organization. The specific forms of agglomeration today vary by the level of specialization and sophistication. Although the first association of regional clusters is the innovation of the same, in reality highly innovative clusters, closely specialized and focused exclusively on certain market segments, are rare. In reality, many successful clusters are product-oriented and create products for the mass market. These clusters achieve a competitive advantage with the help of practical tools and tools such as: semi-professional social business networks for joint purchases and joint appearance in markets, providing highly qualified staff and business development services, providing informal but professionally focused training and the like.

Despite contemporary trends in the world economy to which regional groups and associations will have to respond appropriately, it is no doubt that state support at all levels remains to be one of the main instigators of regional association and co-operation. Only now is the emphasis placed on informal association and cross-border initiatives. This is quite logical, given that economic policy makers around the world are turning to creating conditions for including their economies in the global supply chains, which, on the other hand, do not recognize national borders as an obstacle.

The problem of how to spell global supply chains to include a region is no longer a decision related to technology and tradition, but on some often non-economic, but equally important criteria such as political stability and even the tourist attractiveness of the region in wants to find a place in some part of the global supply chain. Today's technology has become easily accessible and much cheaper than before. Knowledge got rid of the guild clips and placed on the Internet. Anyone can produce everything, if he wants. However, on the other hand, entire regions are politically unstable, often with war turmoil or with great corruption. From there, the decision of the directors of the companies from the big world supply chains, especially when it comes to products with greater value and price, where to order or produce the goods, is determined by the estimates for the political stability, but also for the general attractiveness of the region in which they will very often travel and win.

Regional associations in documents of the European Union

The European Cluster Observatory systematically monitors and publishes the best practices of the European Union in the field of clusters, including regional ones, which are otherwise listed on the Union's strategic priorities, in particular in the field of innovation promotion. Appropriate cluster support policies are set up at national and euro-area level. As a result of this Union policy, the number of clusters is growing and more than 2,017 active clusters have been identified so far, many of which are cross-border. The European Union invests heavily in raising the expectations for cross-border cooperation. The economic policy makers of the Union believe that the innovative and creative capacity of the national economies and companies from the member states of the Union lags behind the fast-growing economies of the so-called BRIC countries and the United States. In addition, European countries are small, and even their largest national groups do not have the critical mass needed for global bidding. Therefore, the countries of the Union are constantly looking for opportunities to achieve: (1) excellence and innovation in operations, (2) mobility of skilled workforce and knowledge, (3) joint research and development, and (4) regional business networking. Even overall business development support is gradually shifting to the clusters in place of the former location approach. The demand for business development services adapted to the specifics of an industry or service is growing at the expense of general and non-focused measures. This, as well as the demands of enterprises to cooperate transnationally if they wish to access the European Union funds will form the Union's support for the business sector for a long time.

The European Cluster Observatory is the only point of access to statistical information, analyzes and mappings of clusters and cluster policies in Europe, targeted at European, national, regional and local policy makers as well as to cluster managers and business representatives. It aims to promote the development of multiple clusters of the world class across Europe in order to strengthen competitiveness and entrepreneurship and facilitate the access of small and medium enterprises to clusters and the internationalization of their activities through the clusters themselves. The ultimate goal is to help Member States and regions in designing smart strategies of specialization and developing the globally competitive advantage of industry in Europe as part of the Europe 2020 Strategy. In addition to the various policy makers and policy makers, the European Cluster Observatory offers access to a specialized platform for identifying areas with similar priorities in their development policies. In its second phase (2014-2016), the European Cluster Observatory focuses specifically on cross-sectoral ties and opportunities for fostering competitiveness and entrepreneurship in new industries. For textile industries, the observatory's initiative for greater internationalization of clusters is particularly important. This initiative aims to promote international cooperation by intensifying various business networks for cooperation across national and sectoral borders within and outside Europe. Promoting strategic partnerships and facilitating international co-operation as well as facilitating the integration of European small and medium-sized enterprises into global value chains. In this sense, a European cluster platform for access to international markets, exchange of experiences and search of potential partners for transnational cooperation has been launched. The database counts more than 950 registered cluster organizations from all over Europe. The textile industry is also an important initiative for holding events such as B2B meetings to offer opportunities for cooperation between European cluster organizations as

well as with partners outside Europe. These events are also organized in third markets in order to establish links with cluster representatives and regions from Europe with those from third countries and to promote business opportunities, to initiate partnerships in strategic areas of common interest and to form a brand new value chains, in and around Europe.

Development of the vision for the region

The idea for the development of the first cross-border regional cluster of textile industries of the Republic of Macedonia and the Republic of Bulgaria arose from the successful multi-year engagement of the two organizations, Textile Trade Association - Textile Cluster from Shtip and Boto - the textile and clothing organization of Kyustendil. These two clusters have been working closely for several years in the development of their cluster functions and abilities, with a high degree of interaction and synergy. As a result of the fact that these two clusters have established themselves as successful providers of various types of business services for their members, individually and jointly imposed the need for raising the profile of the organizations and the regions on both sides of the border in order to jointly approach the markets procurements and to the main clothing contractors mainly from the countries of the European Union Europe, but also more widely. Namely, the members of the two clusters, together with the management of both parties, meanwhile realized that the joint performance as a regional cluster would be favorable not only for achieving the capacity for larger orders in a unit time but also for significantly increasing the competitive advantage of the members due to the effect pooling and complementing each other's technological and human resources on both sides of the border, as well as due to the appropriate reduction of the weaknesses of individual clusters.

The overall goal of the project for the development of the vision of the region involved insight into the situation with the textile industry in the border region and how it is seen and understood by the local population, the business sector and other relevant factors at the regional and national level and on the international markets themselves. For this purpose, the consultant developed appropriate materials and conducted two two-day workshops and two one-day sessions with required materials and interactive exercises. The expected results of the process were to develop a strategic document (a vision for the region, then an appropriate action plan, set up an organizational and operational structure and bases for further panning and coordination of activities with the project team). An important task was to establish a Regional development that should further work on the definition of governance and the operational structure itself and set a plan for the long-term sustainability of the new regional cluster. The board is conceived as an informal body composed of The objective of this body is to define and establish development criteria and help the sector to position itself in accordance with the established vision of the desired textile industry in the region. This body should then be the main instigator for achieving the regional The main task was how to define regional points of diversity, which would significantly differentiate this region from other regions where major Western European buyers place textile products. In doing so, particular attention has been paid to identifying the role and responsibilities of each of the stakeholders in achieving such a visionary vision and developing the first action plan that the Board will need to implement to promote the desired vision for the region among all regional and international participants and partners, local and national authorities, the local population, etc. Two workshops were held in Stip and Kyustendil, with the participation of representatives from the middle

and top management of the members textile sector and the associations from both sides. The consultant was provided with two experts with expertise in long-term strategic planning and documents, for organizing successful workshops, working in groups and facilitating debate. As a result of the activities, a working version of the vision of the region was developed and the Regional Board was established, with a draft of the management method and an operational plan of action with a time horizon of at least one year.

Results of the session to define the vision

According to the Conditions, a universal vision for the region should have been developed in the form of a 5 to 10 year strategic document that will define and share how the region is seen up to that period, what goals should be achieved on the idea of achieving and which milestones are to be met and what elements the region will be distinguished from other similar regions in Europe, as well as generally point out the role and responsibilities of each of the stakeholders in achieving such a conceived vision. Starting from this, the consultant organized a session to define the vision of the region to offer the following statements in the first phase as possible:

- Regional Center for cooperation of textile industry companies for creating innovative products, modern and effective production of highly motivated people!
- The only point of connection with first-class and quality textile manufacturers in the region!
- Through modernization of production and satisfied staff to delivery of quality and competitive product for the European markets!
- Border region with innovative, modern and clustered organized textile production!

The participants in the iterative procedure at the end of the session agreed to state the vision to be as follows:

A regional cluster with recognizable, branded and innovative products, with high technology and modern organized production, with developed infrastructure and in which textile is a prestigious profession!

In the course of the session, the participants were divided into four groups in order to develop in detail the elements of the vision statement, in the sense that they see the region in a horizon of 5 to 10 years, which goals will have to be achieved for that vision to be realized in reality and what and how the region will offer it different from other textile regions in Europe, and to point out the tasks of all concerned in the realization of such a conceived vision. The four groups resulted in the following general views:

- Regional cluster
- Innovative and modern

- Recognizable as a regional brand
- Textiles in the region are a prestigious profession

The group dealing with the cluster regionality points to the following strengths of the new cluster:

- A clearly organized concept of a regional cluster
- Tradition in cluster organizing of project carriers
- The environment around the textile enterprises themselves is improving day by day
- Strong logistics in and out of the cluster, availability with business support services
- Developed infrastructure across the cross-border region

The group that was concerned with innovation and modernization of production in the cluster pointed to the following strengths of the new cluster:

- High automation
- Trend of modernization
- Introducing computer support
- Introduction of robotics in the drives
- Introduction of non-cutting technologies
- Ability to quickly and timely market response
- Acceptance of many small orders and series

The Group recognizing and branding the region as textile points to the following advantages of this region:

- Consumers in Europe still prefer quality, not just low cost
- The region is recognized as recognizable for the supply of textile products
- The region gradually integrates vertically and introduces ready-made products
- The participation of CMT is gradually decreasing

The textile profession group points to the following situations about how to make the textile profession in the region as attractive as possible to young people:

- Gradual increase in earnings in the branch
- Motivation of workers with financial and non-financial measures
- Organize promotional events for young people to choose the profession as attractive for their future career
- Development of modern educational and training centers for the development of human capital in the entire border region

Defining the points of distinction in the region

In order to define the points of differentiation of the cross-border region, as foreseen by the vision of the same in the time horizon of 5-10 years, first the merging of the strengths of the textile industry on both sides of the border is made. Strengths can be summarized as they complement each other. Furthermore, we compared the weaknesses of the two industries. If a given weakness appears on one side of the border, and not on the other, such a weakness will not enter the common matrix for the cross-border region. A completely equal procedure is used for both opportunities and threats and so is the common SWOT matrix for the region as seen in the vision. Then an appropriate scoring of the weight of the individual strengths of the joint was carried out in order to select the three most important points of distinguishing the region from others similar in Europe or beyond.

Bulgaria	Macedonia	Region	Point of difference
Fully private initiative and ownership	Yes	Yes	Weak
High flexibility and possibility for fast delivery	Yes	Yes	Strong
Long-lasting established partnerships with west companies	Yes	Yes	Weak
Competitive price of workforce	Yes	Yes	Weak
Large number of educational institutions with textile programs	No	Yes	Weak
Good relations among business and Trade unions	No	Yes	Weak
Stable relationship with EU	Yes	Yes	Силна
Macedonia	Bulgaria	Region	
Closeness to the West Europe	Yes	Yes	Strong
Good image of the local producers	Yes	Yes	Strong
Tradition on EU markets	Yes	Yes	Strong
Good quality and professionalism	Yes	Yes	Weak
High level of flexibility	Yes	Yes	Strong
Readiness for adjustments on a	Yes	Yes	Strong

base of the clients requirements Подготвеност за прилагодување кон барањата на клиентите			
Timely execution of contracts	Yes	Yes	Strong
Accepting short sewing and delivery deliveries	Yes	Yes	Strong
The favorable relationship quality-price of labor	Yes	Yes	Strong
High skilled and educated personal with long tradition	Yes	Yes	Strong
Relatively modern equipment	Yes	Yes	Weak
Stabile logistic, easy approach from and toward EU	Yes	Yes	Strong
Weak macroeconomic stability	Yes	Yes	Weak

Unfortunately, not all the strengths of the region have a strong impact on the region's distinction in relation to other potential points of direction of procurement. Therefore, after the proper evaluation of the individual strengths of the region from the aspect of their influence on the definition of the common space as unique in relation to other common points of supply of textiles and the three most important points of differentiation of the region from all others are defined:

- (1) The proximity to the markets of Western Europe, which allows manufacturers in the region to offer high process flexibility, short sewing periods, fast delivery and adaptation to the specific requirements of customers.***
- (2) Good image of local producers and traditional presence on the EU markets.***
- (3) Highly qualified staff with a long tradition of work and very favorable quality and productivity in terms of labor costs.***

Namely, only these strengths are difficult and practically impossible to replicate from any other region. Modern equipment, good schools and trainings may or may already have many other regions. The only thing that can be added to these three points of distinction in the region is that it extends to the EU space or to the territory of a candidate country for membership. The decision of the executives of the

big world textile supply chains to order and produce goods depends on the estimates of the economic and political stability and the overall attractiveness of the region in which they will often travel and win. In that sense, the cross-border region can be said to have a certain advantage compared to many other unstable regions of the world. But this only on condition that the region really reigns political stability and high standards of ethics and integrity of political and business elites, and the phenomena of corruption are kept to a minimum.

Results of the session on the formation of the regional development board

In accordance with the requirements of the Terms of Reference, the consultant was also required to facilitate the activities and the session about the establishment of the Regional Development Board. The purpose of this board is to define and establish development criteria for the textile industry which will help the sector to position itself in accordance with the established vision and to promote the textile industry in the region. Furthermore, its goal is to implement the activities defined in the relevant action plan and to find forms for engagement of other entities from the region, acting as the main instigator for the fulfillment of the mission of the region.

The composition of the Regional Development Board was set up at a special session where all proposed and elected members committed themselves to take an active part in the activities of this body. In it came Natasha Sivevska, Jordan Belovodski, Marijana Perkovska, Ventsislav Filipov, Ilija Petrov and Aleksandar Andonov.

Results of the action planning session

The Action Planning Session, which was to define the main activities and the respective bearers (responsible persons), began with a plenary session in which the main methodological framework - the logical matrix - was introduced, defining several smaller projects and their corresponding activities that subsequently entered into action plan. Namely, from the abundance of possible activities, three main domains of action and engagement were selected: Achieving recognition of the region as textile, then achieving the textile as a prestigious profession by everyone in the region, especially the youth and the third activity - reaching the textile to be a modern industry. All three teams have developed the following Logical Frameworks for their under-engaging domains.

	LOGIC OF THE INTERVENTION	INDICATORS	SOURCES OF VERIFICATION	ASSUMPTION
ANGLE OF THE ENGAGEMENT	The region recognizable as textile	Increase in orders	State Statistical Office, Customs	
RESULTS FROM THE ENGAGEMENT	4 Promotional events 8 B2b Meetings Operational portal	Number of participants Number of visits to the portal	Lists of participants Analytics report to visit the portal	The region remains attractive for business
ACTIVITIES	Promotional events B2B Meetings Portal	RESOURCES: Clusters	BUDGET: 60,000 EUR	Interest in companies
CHALLENGES FOR THE ENGAGEMENT				Interest in companies Provided finances

	LOGIC OF THE INTERVENTION	INDICATORS	SOURCES OF VERIFICATION	ASSUMPTION
ANGLE OF THE ENGAGEMENT	Textile prestigious profession	Increase in enrollment Increase in employment	State Office Statistical	
RESULTS FROM THE ENGAGEMENT	4 events in schools 4 Video programs 6 Social networks	Number of participants Number of visits to the portal	Lists of participants News on TV Analytics report to visit the portal	The region to stay attractive Salary raising in textiles Young people decide to stay
ACTIVITIES	4 events in schools (creations of student audiences Medical TV coverage Blogging on social networks	RESOURCES: Clusters Textile schools TV House IT house	BUDGET: 25,000 EUR	Interest in companies Interest in schools Interest in TV stations Opportunity for career advancement
CHALLENGES FOR THE ENGAGEMENT				Interest with partners Provided finances

	LOGIC OF THE INTERVENTION	INDICATORS	SOURCES OF VERIFICATION	ASSUMPTION
ANGLE OF THE ENGAGEMENT	Textile prestigious profession	Increase in enrollment Increase in employment	State Office Statistical	
RESULTS FROM THE ENGAGEMENT	Modernization Robotization New technologies	Growth of investment in new	State Statistical Office Banks Issued intellectual	The region remains attractive for

	Higher managerial knowledge and skills	technologies Reported innovations Registered products and brands Number of trainings	property certificates Issued diplomas for completed trainings	business
ACTIVITIES	Modernization Programs Establishment of a technological center Establishment of a training center	RESOURCES: Clusters Faculties Companies	BUDGET: 50,000 EUR	Banks to follow the program Universities want to cooperate
CHALLENGES FOR THE ENGAGEMENT				Interest in companies Appropriate funds and loans

Based on the work of the three teams, with the assistance of the consultant team, a detailed action plan was compiled, with a budget, deadlines and bearers.

ACTIVITY	TERM	RESPONSIBLE	BUDGET
<i>PURPOSE OF THE ENGAGEMENT - the region recognizable as textile</i>			
4 Promotional events	12 months	Natasha Sivevska	12.000
8 B2B Meetings	12 months	Marjana Perkovska	32.000
Operational portal	12 months	Ilija Petrov	10.000
			54.000 EUR
<i>PURPOSE OF THE ENGAGEMENT Textile is a prestigious profession</i>			
4 events in schools (creations of student audiences)	12 months	Yordan Belovodski	8.000
TV coverage	12 months	Vencislav Filipov	12,000
Blogging on social networks	12 months	Ilija Petrov	2.000
			22.000 EUR

PURPOSE OF THE ENGAGEMENT - Textile modern industry			
Modernization program	12 months	Yordan Belovodski	5,000
Establishment of a technological center	12 months	Vencislav Filipov	20.000
Establishment of a training center	12 months	Marjana Perkovska	20,000
			42.000 EUR

The responsible members in the realization of the planned activities will form teams consisting of experts from the companies themselves and from outside experts. Also, when budgeting the activities, they will be able to seek other forms of funding, including partnership with private providers and partners who have the appropriate expertise to fulfill the task.

Addition

Estimates for Bulgaria

Republic of Bulgaria in 2014 had a GDP of 49 billion and 7.18 million people. The per capita GDP for the country is about 7,000 dollars. According to Euler and Hermes, economic growth in the country is expected to slow down, but remain stable. Strengths for the country are

- EU membership and good international relations
- Relatively low systemic political risk
- The Currency Board has weathered the global turbulence since 2008
- National currency - Lev is not overvalued
- The state shows a history of prudent fiscal policy
- The current account shows surpluses since 2013
- An appropriate business environment is generally governed

The weaknesses of the Republic of Bulgaria according to Euler and Hermes include:

- Slow progress in judicial reform and anti-corruption measures
- The public's dissatisfaction with the low standard of living
- Limited credit markets (although gradually improving)
- High debt stock
- Vulnerability of the banking sector to potential crises in the Euro area

Real GDP is expected to continue to grow. The growth in 2016 was 3.4%, which is slightly below 3.6% in 2015. In 2016, growth was driven by most of the net external demand, but also an increase in stocks, unlike 2015, when domestic demand was a key driver of growth. The growth of personal consumption in 2016 slowed down and was only 2.1% in relation to 4.5% growth in 2015. The increase in public spending has been reduced to only 0.6% in 2016/15 relative to the increase of 1.3% in 2015/14. Concerns that investment in fixed assets declined by 4% after a 2.7% increase in 2015. According to Euler and Hermes, this is due to a slowdown in the absorption of EU funds after the end of the programming period 2007-2013. The stocks grew by 0.9%.

Export growth remains stable at 5.7% (unchanged from 2015/14), while imports declined to 2.8% (from 5.4% in 2015), thanks to low oil and energy prices. Net exports grew by 1.9% in 2016. Looking ahead, domestic demand, in particular fixed investment, is expected to consolidate, and import growth should also be accelerated so that net exports will be more balanced. At the same time, a decrease in inventory growth is expected. Generally, Euler and Hermes expects Bulgaria's annual growth to decrease to around 2.8%, both for 2017 and 2018.

Estimates for the Republic of Macedonia

Euler and Hermes do not follow the Republic of Macedonia. The data on the economic horizon of the Republic of Macedonia are from sources such as the World Bank, the Davos Forum and the CIA Fact Sheet. According to these sources, the Republic of Macedonia has a GDP of 10.49 billion dollars (2015). GDP growth shows a steady decline of 3.5% in 2014 to just 2.2% in 2016. The country has about 2.1 million residents. The gross domestic product, per capita, is about 5,232 dollars.

According to the World Bank, the Republic of Macedonia belongs to the group of countries with higher to medium income, which has made great progress in the reforms of its economy over the past decade. After the strong economic growth in the period 2002-2008 with an average of 4.3%, the average GDP growth declined by 2.1% annually from 2009, and then again intensified and finally again stagnated.

The main drivers of growth remain construction (supported by fairly large public investments), industry (in particular production) and wholesale and retail trade. While the country has made significant progress with regard to its economic development, further efforts are needed in a number of areas to generate economic growth that will create jobs and improve living standards. Real GDP growth will have to accelerate to around 4.5% of the living standards in the Republic of Macedonia to come close to that of the new members of the European Union (EU) over the next 20 years.

EU accession remains to form the government's reform agenda. The Republic of Macedonia became a candidate country in 2005, and since 2009, the European Commission (EC) has recommended the opening of accession negotiations. However, the decision continues to be postponed in part because of the dispute with Greece over the name of the country.

The EC has an active program to assist the Republic of Macedonia, including pre-accession assistance (IPA) funding, the country's largest source of funds. Economic growth did not significantly affect the reduction of poverty in the Republic of Macedonia before 2008, but poverty seems to be decreasing in recent years. As a small open economy, the Republic of Macedonia should rely on further export growth and increased competitiveness in order to respond to the long-term challenges of growth. The political situation remains the primary risk for the economy in the near future. Prolonged political insecurity can affect investment decisions and the slowdown in economic activity. In addition, the country faces growing fiscal risks due to the accelerated increase in public debt. Such dynamics if not adequately treated can endanger stability and undermine the growth prospects of the economy in the medium term.

As strengths of the country, we can cite: the proximity of European markets, competitive though insufficiently productive labor, relatively good infrastructure for business especially in special trade zones, minimal administration and ample state aid to foreign capital. From the aspect of the textiles, of course, the good tradition and the established trade relations.

The weakness of the structural unemployment and lack of capable young professional staff from the technical professions can be a weak side. Low productivity of labor, conservative banks, poor legal protection of the business.

How likely are you to indicate the favorable trade arrangement with the EU, the growth of business in the region, and how dangerous the political instability and the power struggle is the country that can slow down the flow of EU funds and divert foreign businesses from the country.

Forecast the development of the textile industry worldwide

The consulting company Euler and Hermes deals with estimates of trends, short-term and long-term as well as trends in individual national economies. According to this reference source, textile companies should pay particular attention to the following global trends:

- Choosing the best distribution channels having in mind that the trend towards "fast fashion" and online shopping increases exponentially
- To develop the capability of increasing the prices of incoming raw materials to a higher price to customers in order to prevent further erosion of earnings margins in the branch
- It is likely that the world will again turn to regional bilateral agreements, especially if the US really withdraws from the Trans-Pacific Partnership
- The most advanced segment of the industry that will soon be developed is the production of highly valuable special industrial textiles intended for technical use

According to Euler and Hermes, last year proved to be more challenging than expected for the textile and clothing sector. This is because the world economy has failed to evolve with a growth rate of GDP greater than 3%. As a result, the total textile sales worldwide decreased by 1.5%. This decline is mainly attributable to the low demand that has resulted in general deflation. In China, output prices remained stable, but in the United States, the consumer price index declined by 1.2% on average in 2016, and in India by as much as 1.8%. As a result, international trade, which represents one-third of the total turnover of the industry, lost businesses worth around \$ 40 billion. However, the outlook for the year 2017 for the textile industry suggests recovery. The price increase will continue due to the prospect of growth in demand. But output prices are also projected to increase from 0.5% in the United States to 1.5% in China.

As a result, Euler and Hermes expect world textile exports to grow by 3.5% and keep them at around \$ 925 billion, but only if there are no major disruptions to international trade. The danger is that the rise in the protectionist behavior and mood of the national economies and the cessation of the Trans Pacific Partnership can pose a real danger to the textile sector. Customs and extensive regulations on licenses and the like are already significantly impeding the growth of the sector. The largest textile manufacturer in the world will remain China. The second largest will be India, and third Italy.

The strengths of the sector are:

- Resilient long-term demand thanks to a rising middle class standard in developing countries.
- Stable purchasing prices thanks to the greater use of artificial fibers whose prices are less unpredictable than those of cotton or wool

The weaknesses of textiles as an industry in the coming period will be:

- Profitability is additionally jeopardized by the pressure from the prices of the more expensive raw materials and the rising salaries of workers
- Strong competition based on low prices will additionally be boosted by the growth of electronic commerce that will additionally reduce prices
- Changes in consumer behavior (for example, "fast fashion") will force the sector to become even more flexible

Generally, in textiles, the price of cotton will increase, and product prices will stagnate at best (China) or decrease as in India. In clothing, the return to controlled inflation in the economic policies of certain Western countries is expected to boost trade and move the margins of companies upward, but only on condition that if their market power is sufficient, it can shift the input prices the traders.

Textile industry in the Republic of Bulgaria

The textile industry in the Republic of Bulgaria is a respectable business branch, which, thanks to the large structural funds from the EU, has developed into a modern, flexible and internationally competitive business branch. The strategic document referring to the position of the branch and the country regarding the textile is "Focus 2020 - Strategy for the development of the sector" Clothing "in Bulgaria.

The industry contributes about 2% of the country's total GDP, but its contribution to exports is maintained at a respectable 15% of the country's total exports. The branch shows a clear geographical concentration towards the southwest, southern and central regions of Bulgaria.

Trends in branch development are the flexibility and rapid migration of orders to new customers, the occurrence of orders from different and higher categories compared to China or the Middle East. Namely, the country is considered to be incalculably less risky than distant destination orders and such a lower risk of doing business helps the country to achieve higher prices for traders. They are continuously raising their quality requirements and delivery speed that drives firms to modernize and automate. On the other hand, the domestic market is saturated by many foreign brands that are procuring in China or Pakistan and strongly competing with domestic textiles in the country.

As the strengths of the industry according to the Specialized Cluster and the Institute for Clothing and Textile, it is that the branch is a basic employer especially in the border region with Macedonia, that the industry is based on completely private ownership and initiative, high flexibility and opportunity for fast delivery, long-term established partnerships with Western firms, competitive labor costs, many educational institutions with textile programs, good connections and business-syndicate relationships.

Stable relationship with the EU and practically minimal risk of any drastic changes in this regard in the short or long period.

As a weakness of the Bulgarian textiles The specialized cluster and the Institute for Clothing and Textile states: insufficiently high productivity and poor organization of the production process, dependence on a small number of key clients, insufficient qualification of the middle and top management, low level of energy efficiency of the processes and buildings. Great investment in workplace safety and security is needed and healthy working conditions. The allocations for scientific, research and development activities in textiles are low. The education system does not adequately meet the needs of the companies. In terms of business services in Bulgaria, it is considered that there are insufficient trade meetings and business for business fairs, as well as other specialized organizations such as training centers and the like.

As opportunities for Bulgarian textiles, the potentials for developing their own brands and trademarks are listed, the market is turning to small series and quick reaction, and Bulgarian textiles do better than competitors from the east. Increase in the purchasing power in the country, the return of the Russian market and of course even greater presence on the EU markets. Bulgaria has the advantage of active and effective regulation of the internal market and adherence to "clear rules of the game", a strong restriction on illegal imports and a shadow economy policy of the government clearly focused on the sector, business cooperation in it, innovation and exports in general and in the sector . Good utilization of EU funds for the transfer of knowledge and skills, technologies and modern design.

As a threat to the Bulgarian textiles according to the Specialized cluster and clothing and textile institute, often incomplete and ineffective compliance with the EU regulations, difficult and slow restructuring of the sector due to lack of long-term vision, insufficient attractiveness for young people and motivated personnel due to the bad image of the sector, and still present illegal import of textiles from the east. Continuing the trend of loss of the internal market at the expense of world brands, making the industry highly dependent on foreign customers, the loss of potential workers who oppose opening a border to an EU country rather than seeing the future at home . As measures to improve the position of the textile industry, more business is proposed for business meetings, textile fairs, trainings for raising the capacity to apply and applying to the European funds, raising the capacity of the teaching staff in textile schools and business advisors, opening one or more specialized vocational training centers, the creation of a database of quality management experts, organization of the production process and leadership, forms of lifelong learning and retraining OTA in textiles, modernization of curricula in textile schools, active dialogue with the state to reduce bureaucratic barriers. As measures undertaken and should be undertaken by the enterprises themselves, it is proposed to introduce forms of training for work for modern production methods, introducing tests for employment and a clear salary structure with a bonus for good performance, introducing information systems at all stages and parts of the organization, ergonomics at the workplace, automation, CAD CAM systems in order to raise labor productivity. General measures for better management mention training at the high level of management for communication and leadership and social responsibility of their companies, workplace protection, ecology, care for young people, mothers with children, disabled people.

Textile industry in the Republic of Macedonia

Production in the Republic of Macedonia has a long tradition. During the nineteenth century, textile trade and tailoring were marked by boom. Textile firms traded with modern fabrics from Istanbul and Thessaloniki. It was locally produced modern for that time clothing for the rich urban class, while the rural population itself produced wool, linen and silk products suitable for their everyday needs, ordered by local tailors of traditional costumes. After the Second World War, Macedonia, as part of the Yugoslav Federation, built important facilities for the production of textile fibers, yarns and clothing. Stip was called Makedonski Manchester, and Teteks from Tetovo once employed about 7,500 in the whole value chain from raw wool to ready-made items, sold in many stores in Germany, Sweden, the United States and other countries.

The slow and inefficient transition left the country practically without locally available yarns and fabrics. That's why the Macedonian textile industry had to specialize in lightweight clothing and t-shirts and to limit the CMT business model.

Today, thanks to tradition and rich heritage, this industry is the second largest exporter. its competitiveness is due to the rapid reaction, short delivery times, flexibility in order size and low cost of quality work. The textile industry accounts for 17% of the industry's GDP and 17% of the total country's exports. It employs 35% of all employees in the industry and about 7% of all employees in the country. Basin textile production has lagged and recorded only about 1.5% of the total industrial production, while the finished goods sector accounts for 11.32%. The total export is around 750 million euros, with the largest part being the finished textile products (clothing) with about 90% of the total textile exports. The net foreign exchange inflow on the basis of textile trade ranges from 100 to 110 million euros each year, which is a significant contribution to the country's foreign exchange inflows. The final destination of the Macedonian textiles is now Germany (60% of the entire exports, Greece (12%), the Netherlands (7%), Switzerland (5%), the countries of the former Yugoslavia (7%), Italy (5%), Austria 3%) and the United Kingdom (3%).

The spatial layout of the textile industry is practically all over the country, but with clear concentrations around Stip (50% of the capacity), in the central part (30%) and 20% in the western part of Macedonia. The total number of production capacities is around 800. In terms of the number of employees and size, companies can be divided into large (with more than 250 employees, a total of 2.6% of the companies but employing as much as 38.5% of the total employees in the branch), medium (50 to 249 employees, a total of 9.5% of companies employing 39.2% of the total employees in the branch), small enterprises (10 to 49 employees, 18.8% of companies and employing about 16 , 1% of all employees in the branch), micro (1 to 9 employees, a total of 68.9% of the companies, but they are employed 6.2% of the total employees in the branch). Total industry in 2014 employed about 38,000 of which 33,000 were in clothing production and about 5,000 in base production. Since 2006, when employing around 46,000 people, this industry has seen a decline in the number of employees, due to low wages, poor working conditions, lack of attractiveness for young people. However, this decrease is a result of the introduction of modern production capacities and the replacement of unskilled labor with automatics.

The advantages of the Macedonian textile industry are usually stated:

- Proximity to Western Europe
- Good image of local manufacturers
- Tradition - presence on the EU markets
- Good quality and professionalism.
- High degree of flexibility
- Preparedness to adapt to customer requirements
- Timely execution of the contracts
- Accepting short sewing and delivery deadlines
- Favorable relationship quality - cost of labor.
- Highly qualified staff with a long tradition of work
- Relatively modern equipment
- Stable logistics, easy accessibility from Europe and towards it.
- Stable macroeconomic situation

The weaknesses of the Macedonian textile industry include: disorganization and mutual competing on the basis of price, low productivity and training of workers, lack of young people - young professional staff from textile professions, poor managerial skills, conservatism in terms of modernization and automation.

As opportunities that stand in front of the Macedonian textile industry here is certainly a favorable trade arrangement with the EU, the country's proximity to the main EU markets, tradition and confirmed ties with agents from Europe. Dangers include instability in the region that can deter buyers, slow down, or even stop the flow of EU funds into cross-border regions to divert foreign businesses from the country.