ECONOMIC ANNALS, Volume LXV, No. 225 / April – June 2020
UDC: 3.33 ISSN: 0013-3264

https://doi.org/10.2298/EKA2025033U

*Milica Uvalić**
Božidar Cerović†
*Jasna Atanasijević***

THE SERBIAN ECONOMY TEN YEARS AFTER THE GLOBAL ECONOMIC CRISIS***

ABSTRACT: *The global financial crisis hit the Serbian economy severely in late 2008. The subsequent decade has been characterized by negative or very modest economic growth and Serbia is now just slightly above the development level of ten years ago. This paper analyses the most important economic milestones during this decade and investigates why only modest progress has been made, despite various measures implemented by the Serbian government. It examines the background to Serbia's delayed transition and analyses the effects of the global economic crisis on the Serbian economy. It outlines the policy responses and their results, focusing on public finance, foreign trade, reindustrialisation, FDI, the labour market, and sources of growth. The paper sets out the key challenges to accelerating Serbia's economic growth and identifies the main elements of a new long-term development strategy.*

KEY WORDS: *Serbia, Western Balkans, Transition, Global economic crisis*

JEL CLASSIFICATION: O11, O20, P20, P27

* University of Perugia, milica.uvalic@unipg.it
† Deceased 11 September 2018.
** University of Novi Sad, Serbia, jasna.atanasijevic@dmi.uns.ac.rs
*** An earlier version of this paper was presented at the 15th bi-annual EACES conference in Warsaw on 6–8 September 2018; this was the last paper Božidar Cerović worked on. A revised version was presented at the Economic Annals/EACES Workshop in memory of Professor Božidar Cerović on 20 September 2019 in Belgrade. The authors would like to thank participants of both conferences for useful comments, in particular Saul Estrin, Martin Myant, and Mario Nuti (Warsaw), as well as Sonja Avlijaš, Ivana Popov Prica, and Saša Ranđelović (Belgrade).

1. INTRODUCTION

The global financial and economic crisis has had very strong effects on the Serbian economy, starting from the last quarter of 2008. More than ten years later Serbia is just slightly above the development level of 2008, since the whole decade has been characterized by negative or very modest growth. This paper addresses the question of why Serbia's growth record during the past decade has been disappointing, and worse than in the other Western Balkan countries, despite various government measures devised to combat the effects of the crisis. In trying to answer this question the paper takes a long-term view in order to highlight the roots of key structural weaknesses in the Serbian economy that are found in specific economic and political problems inherited from the pre-crisis period. Although government measures implemented after 2009 have led to notable improvements in some of the most important economic indicators, up until the end of 2018 these positive results had not contributed to faster GDP growth. The key challenge for Serbian policymakers remains how to devise more efficient policies to speed up economic development. These are the main issues that are addressed in the paper, with a view to proposing measures to facilitate faster economic growth in the future.

The paper is structured as follows. In section 2 the most important features of the transition to a market economy in Serbia (during 1992–2006 part of the Federal Republic (FR) of Yugoslavia, with Montenegro) are revisited in order to provide the historical context. Section 3 discusses the effects of the global economic crisis on the Serbian economy and the government's response to the crisis. Section 4 highlights the main results of recent government policies and discusses some main achievements and remaining problems. Section 5 presents the most important current challenges for Serbia's future economic development based on the paper's analysis, and section 6 concludes.

2. BACKGROUND: SERBIA'S DELAYED TRANSITION

Serbia's transition to a market economy was greatly delayed, to a large extent due to the political and economic instability that prevailed throughout the 1990s. All the successor states of the Socialist Federal Republic (SFR) of Yugoslavia were negatively affected by political instability in the early 1990s, primarily the 1991 break-up of SFR Yugoslavia, which resulted in the loss of a common market and the advantages of a monetary union, and strong disruptions in internal trade. These negative consequences of the break-up of the Yugoslav federation were amplified by the military conflicts that accompanied it, substantially delaying transition-related economic reforms. This is why in the literature on the Western Balkans the 1990s have often been called the "lost decade" (Svejnar & Uvalić, 2016). However, Serbia's transition has been additionally hampered by particularly unfavourable circumstances (Uvalić, 1993, 2010, 2013). In order to understand the specific problems that delayed Serbia's transition in the 1990s, three groups of factors must be addressed: the government's political priorities, the severe international sanctions, and the extreme economic instability.

(1) *Political priorities.* The political regime in Serbia in the early 1990s and the government's agenda effectively interrupted the economic reforms that the Yugoslav federal government had initiated in 1988–1989. Despite economic stabilisation (disinflation) and successful initial privatisation based on the insider model, which introduced privately owned capital in around 33% of firms from mid-1990 until the end of that year (Cerović, 2000), Serbian politicians strongly opposed the federal government's transition programme. The main political priorities of that time overshadowed most transition-related economic reforms: the Serbian leadership was focused on mobilising and homogenising the people and territories of former Yugoslavia where the Serbian population represented a relative majority, even at the risk of provoking armed conflict. There were some changes in the economy's ownership structure, but in an unexpected direction: around 6% of capital became privately owned, mostly by *de novo* firms; some 9% was in firms with mixed ownership; 47% remained social property; and, most surprisingly, 38% was transferred into state ownership, which had been abandoned in SFR Yugoslavia in the 1950s (Cerović, 2000). Although in the second half of the 1990s there was some space for substantial improvements, a new wave of ill-judged politics deepened the conflict with Kosovo and with a large part of the international community.

(2) *International sanctions.* The country's political objectives and its involvement in the wars in Croatia and in Bosnia and Herzegovina led to the introduction of European Union (EU) and UN sanctions against FR Yugoslavia in Spring 1992, imposed, as internationally broadly recognised, due to Serbia's aggressive politics. These sanctions were reinforced several times and officially removed only in

1996, some months after the signing of the Dayton Peace Accords in December 1995 that ended the war in Bosnia and Herzegovina. However, due to the undemocratic nature of the political regime – essentially the permanence of Slobodan Milošević in power – what remained was the "outer wall of sanctions", which prevented the country to fully normalise political and economic relations with the rest of the world (Uvalić, 2010). International sanctions were again imposed against FR Yugoslavia in 1997 due to the Kosovo crisis and were reinforced in 1998. Punitive measures against FR Yugoslavia were taken to the extreme by a NATO bombing campaign that lasted for more than three months in 1999, when real GDP fell by 19%, pushing GDP down to around 30% of its 1990 level. FR Yugoslavia was fully freed from international sanctions only after political changes in October 2000. Therefore, if we exclude a short period in 1996–1997, FR Yugoslavia was practically subject to international sanctions throughout the 1990s. The international embargo disrupted the country's trade and economic relations, causing the country's extreme isolation, which under conditions of military conflict facilitated the flourishing of illegal trade, criminal activity, and war profiteering. The international sanctions against FR Yugoslavia indirectly benefitted the political and economic elites at the expense of the population at large, contributing to increased social polarisation.

(3) *Extreme economic instability.* The specific political circumstances in FR Yugoslavia in the early 1990s had disastrous economic effects. The disintegration of the Yugoslav monetary union in 1991 had a particularly strong inflationary impact on the Yugoslav economy, since after Slovenia and Croatia introduced new currencies the Yugoslav market was flooded by quickly depreciating dinars that the northern republics wanted to get rid of (Uvalić, 1993). This initial impact was accompanied by the National Bank of Yugoslavia's highly expansionary monetary policy in 1992–1993 which was necessary to finance the war. Such policies led to a world record in hyperinflation and rapid currency depreciation. Although hyperinflation was a characteristic feature of all the countries of former Yugoslavia in the early 1990s, in FR Yugoslavia inflation was much higher and lasted much longer than in the other countries (Uvalić, 2012). Monetary instability reached its peak at the end of 1993/early 1994, when the monthly inflation rate was 330 million per cent, while the 1993 annual rate was 116.5 trillion per cent (Uvalić, 2010). Hyperinflation lasted for 22 months (from early 1992 to January 1994), when it was stopped by Central Bank Governor

Avramović's stabilisation programme, which introduced radical monetary reform based on a currency board.

In addition to galloping inflation, during 1990–1993 the FR Yugoslav economy experienced a 60% drop in GDP (of the former Yugoslav republics, only Bosnia and Herzegovina registered a stronger fall; see Uvalić 2012). The initial GDP reduction was caused by the multiple effects of the 1991 break-up of the Yugoslav Federation (monetary disintegration, the loss of a large market, disruptions in internal trade), and not by a halt in federal transfers (Uvalić, 1993).[1] After 1992 the production of many goods also suffered and was frequently interrupted because of the international embargo that blocked imports of many indispensible inputs. Shortages were exacerbated by the very rapid depreciation of the dinar, which led to almost full currency substitution: worthless dinars were being exchanged for whatever goods were still available in shops or changed into scarce foreign currency. During the early 1990s there was almost full employment due to a law prohibiting worker layoffs, although effectively they were often jobless. Since not even regular wages were paid, many workers earned their living on the black/grey market and through smuggling (Cerović, 2000).

The 1990s is a period in Serbia's history that has often been forgotten or intentionally marginalised, which is understandable in view of its profound political, economic, social, and psychological consequences. This period brought notable economic decline, a substantial drop in living standards, loss of citizens' foreign currency savings through pyramid schemes organised by state-sponsored banks, loss of human lives due to military conflict, massive emigration of young people and of the best qualified professionals, general ruin of institutional capacity, and the country's exclusion from membership in major international organisations. The roots of Serbia's economic underdevelopment are to be found in the political and economic instability of the 1990s.

1 Serbia proper (without its two autonomous regions, Kosovo and Vojvodina) was among the net contributors to the Federal fund for the development of less developed republics and regions, together with Croatia, Slovenia, and the region of Vojvodina, so these parts of the country could only have gained from the interruption of federal transfers. Within Serbia, only Kosovo was a main beneficiary of the Federal fund, but the impact of the end of federal transfers is likely to have been negligible given their small size (annual contributions represented less than 2% of the republics' GDP) (see Uvalić 1993).

More radical political changes occurred after the September 2000 federal presidential elections, when the defeat of Milošević by Vojislav Koštunica enabled the formation of a more democratic government in early October 2000. Some months later, Serbia's elections led to the appointment of a new Serbian government led by Prime Minister Zoran Đinđić. These political changes facilitated a radical turn in the government's policies, accelerating the processes of democratisation and transition-related economic reforms, although the new policies were heavily constrained by a totally ruined economy and high external debt, making the country extremely dependent on financial support from international organisations (Uvalić, 2010).

The new direction in economic policies brought some important achievements during the 2001–2008 period. Macroeconomic stabilisation policies enabled a substantial reduction in average inflation, from over 90% in 2001 to a one-digit figure in 2002, along with maintenance of a relatively stable exchange rate, while the average GDP growth rate in 2001–2008 was over 5%, ranging between 4.4% and 9% (see Figure 1). The government re-launched important economic reforms, with a focus on privatisation, foreign trade and financial liberalisation, and measures to attract Foreign Direct Investment (FDI). Trade liberalisation and the renewal of political and economic relations with countries worldwide facilitated a strong revival of foreign trade, which increased particularly fast with the European Union (EU). A new privatisation law was adopted in mid-2001, based prevalently on the sales method in order to attract strategic foreign investors and privatise the still dominant social and state sectors of the economy. A large part of the banking sector was also privatised from 2003 onwards, mainly through sales to EU member states' banks. Foreign debt was restructured and significant relief was negotiated with the Paris and London club of creditors.

These systemic reforms led to a gradual integration of Serbia with the EU economy through increasing trade, FDI, and financial and banking integration. Financial integration was, however, much faster than real sector integration. The slow pace of privatisation according to the new 2001 law and the later cancellation of some 30% of privatisations (Cerović, 2017) had greatly delayed the restructuring of large segments of the Serbian economy. In addition, many important microeconomic reforms were postponed, including effective competition policy, a more transparent business environment, efficient corporate governance mechanisms, and restructuring of the most important state-owned firms (Uvalić, 2010). It was hoped that the standard package of transition-related economic reforms, focusing on macroeconomic stabilisation, liberalisation, and privatisation, designed similarly as in other transition countries according to the mainstream economic doctrine, would bring a radical break with the past and quickly deliver the benefits of a market economy.

The shortcomings of Serbia's economic transition strategy were not fully evident until the global financial and economic crisis hit the economy in the last quarter of 2008 (see Uvalić, 2010; Bartlett & Prica, 2012). Economic recovery during the 2001–2008 period was sustained by a strong credit boom and substantial inflows of foreign capital – FDI, foreign loans, donor assistance, workers' remittances – which diminished abruptly in 2008–2009. The global crisis brought to the surface many structural weaknesses in the Serbian economy that had been accumulating since the early 2000s, including rising external imbalances derived from increasing trade and current account deficits; continuous deindustrialisation due to a lack of modernisation of key manufacturing sectors and privatisations that had attracted foreign investors primarily to the non-tradable service sector (banking, telecommunications, wholesale and retail trade, real estate); and 'jobless growth', until 2006 characterised by increasing unemployment and stagnation or even a decline in employment rates (Uvalić 2010). The growth model implemented in Serbia in 2001–2008 was based on increasing consumption and imports, rather than on increasing exports and speedy integration with the global economy.

Another major shortcoming of Serbia's transition strategy in the early 2000s was the postponement of broader institutional reforms. Policymakers grossly underestimated the institutional weaknesses inherited from a decade of political and economic instability – the highly non-transparent business environment, weak rule of law, ineffective judiciary, diffused corruption, and inefficient public administration. Without the modernisation of key government and non-government institutions, economic liberalisation and the re-launch of privatisation proved insufficient to restructure many segments of the Serbian economy.

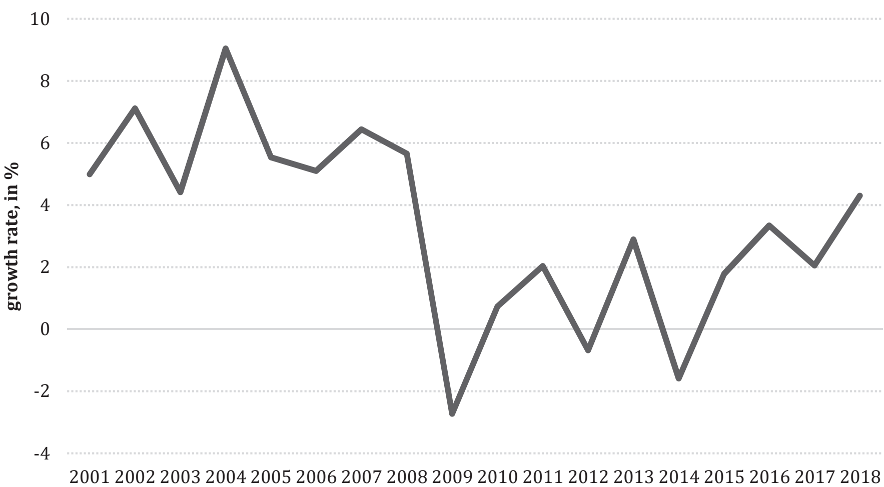
Moreover, even during this period of relatively successful economic recovery, Serbia was not entirely free from political instability. The first shock came in 2003 when the Serbian prime minister Zoran Đinđić was assassinated, presumably by the secret police forces, an event that had destabilizing effects on Serbia's political system, causing a slowdown in economic growth. Soon after, Serbia went through further statehood changes. Montenegro's strive aspiration for independence led to the transformation of FR Yugoslavia into the State Union of Serbia and Montenegro in 2003, but the popular referendum organised in Montenegro in May 2006, when 55% of its population voted for independence, led to a definitive split between the two republics. Serbia's southern province of Kosovo has been a further source of continuous political instability. Although the UN Security Council Resolution 1244 of 1999 established that Kosovo was to remain part of Serbia, since then it has effectively been governed by international forces (UNMIK, EULEX). After various failed attempts to find a solution mediated by the international community, Kosovo unilaterally proclaimed political independence in February 2008, but more than ten years later (as of mid-August 2019) Kosovo has still not been recognised by 48% of UN members (including five EU member states). The ambiguous status of Kosovo represents one of the main obstacles to Serbia's full integration with the EU, since no mutually acceptable solution has been found to date. The Brussels-mediated talks between Belgrade and Priština did lead to an agreement in 2013, but its implementation has been abandoned. These problems have also delayed Serbia's EU integration process. After 2006, Montenegro pursued its own political objectives and started EU accession negotiations in 2010, opening all chapters of the acquis and closing most of them by mid-2019, whereas Serbia's pace to EU integration has been much slower. In 2014 Serbia also started EU accession negotiations and by mid-2019 had opened 17 Chapters of the acquis (two of which have also been closed), but the issue of Kosovo (Chapter 35) risks hampering further progress in concluding accession negotiations (Bonomi & Uvalić, 2019).

In the recent economics literature and influential reports of international organisations on the Western Balkans, these political problems have frequently been overshadowed by Serbia's economic achievements, although they have inevitably diverted policymakers' attention from economic to political questions, slowing down economic transition. Moreover, due to the persistence of political risk, the region has attracted less FDI than can be explained by the standard variables of a gravity model (Estrin & Uvalić, 2014). The political and institutional problems inherited from the 1990s have fundamentally influenced Serbia's long-term economic development and they partly explain why Serbia has lagged behind other transition countries regarding some economic indicators, such as recovery of pre-transition GDP. Just before the severe effects of the global crisis in late 2008, Serbia had reached only 72% of its 1989 real GDP, the lowest of all 17 Central and Southeast European countries.

3. EFFECTS OF THE GLOBAL ECONOMIC CRISIS IN SERBIA AND POLICY RESPONSES

After 2008 Serbia experienced a whole decade of no or very slow GDP growth and was the only country in the region that has had a triple-dip recession (in 2009, 2012, and 2014), which has to a large extent nullified the pre-2008 economic recovery. As can be seen from Figure 1, Serbia's pre-crisis annual GDP growth rates were substantially higher than those recorded after 2008.

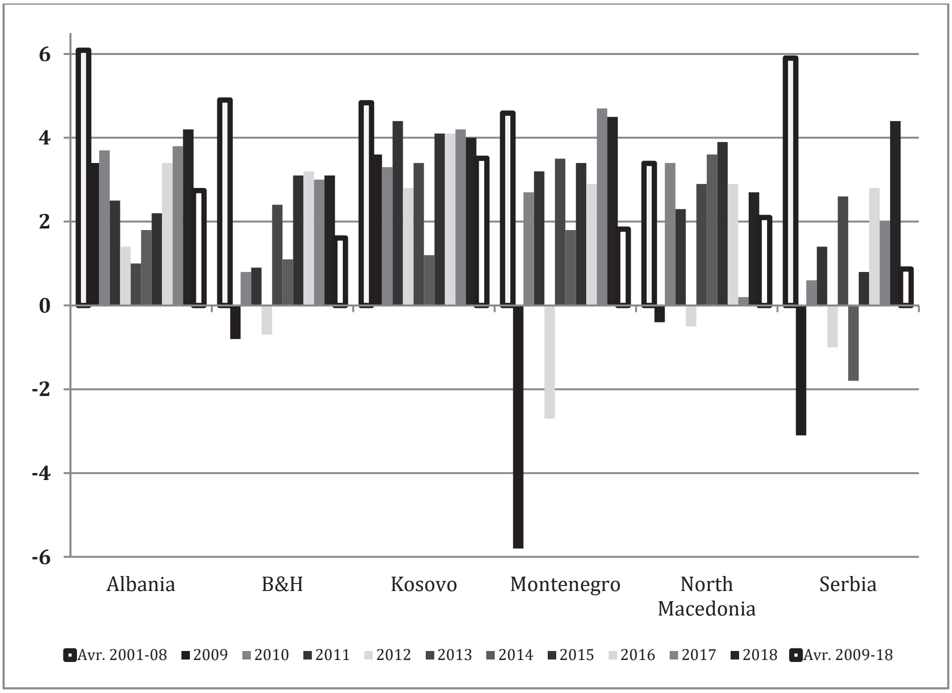
Figure 1: Serbian pre- and post-crisis GDP growth rates (in %)



Source: Authors' elaboration based on national statistics (Zavod za statistiku Republike Srbije).

Serbia's GDP growth rates during the post-crisis years have been lower than in the other Western Balkan countries (see Figure 2). A comparison of average real GDP growth rates during the pre-crisis (2001–2008) and post-crisis (2009–2018) periods shows that Serbia has achieved the lowest average real GDP growth rate of all the Western Balkan countries over the past ten years, corresponding to only around one-sixth of the average GDP growth rate registered in 2001–2008.

Figure 2: Real GDP growth in the Western Balkans: 2009-2018 annual growth rates, pre-crisis (2001–2008) & post-crisis (2009–2018) averages (% change)



Source: Authors' elaboration based on IMF statistics.

The Serbian government implemented various measures in response to the economic crisis, which came in two phases (Atanasijević, 2018; Bajec, 2018). After the strong effects of the global economic crisis in late 2008/early 2009, a first stimulus programme was implemented in 2009–2011, consisting of active support for both the financial and the real sector. Measures included banking guarantees for enterprise loans and savings deposits, promotion of export-oriented firms, attracting FDI, and expansionary fiscal policies. Subsidies were given to large state-owned companies operating mainly in infrastructure and utilities that were unable to cover their costs and fulfil their liabilities (including credits) and had not undertaken any restructuring and/or could not increase the price of their services (or products) as the crisis unfolded. These measures prevented a stronger GDP fall in 2009, but also led to a substantial deterioration in public finances. Serbia requested support from the IMF and concluded a stand-by arrangement (SBA) in 2009, and also benefitted from the 'Vienna initiative' launched by the IMF and EBRD to prevent major capital withdrawals by commercial banks active in the region (Bartlett & Prica, 2012).

Although there was a major change in the government after the 2012 elections, which brought a coalition of parties that were in power during the 1990s (Socialist Party of Serbia and the Serbian Renewal Party, an offshoot of the Serbian Radical Party), macroeconomic policies remained similar to those implemented by the previous government. By 2014, expansionary fiscal policies had led to a 6.6% increase in the fiscal deficit and an increase in public debt of 72% of GDP. External debt increased to 82% of Serbia's GDP (Bajec, 2018).

The second phase of government policy measures started in 2014. Threatened by economic destabilisation due to the deteriorating fiscal position, the government enthusiastically adopted a more liberal approach in some areas. The labour law was radically changed in order to introduce more flexible labour legislation, including changes in minimum wage contracts as to allow businesses to pay workers a wage of less than €200 per month. Serbia also signed a new three-year SBA with the IMF. The main goals of the IMF-agreed stabilisation programme were fiscal consolidation, strengthening the financial sector (primarily measures to reduce non-performing loans and stimulate 'dinarisation' of the economy), and structural reforms designed to increase competitiveness, employment, and growth (see Bajec, 2018; Bartlett, 2019).

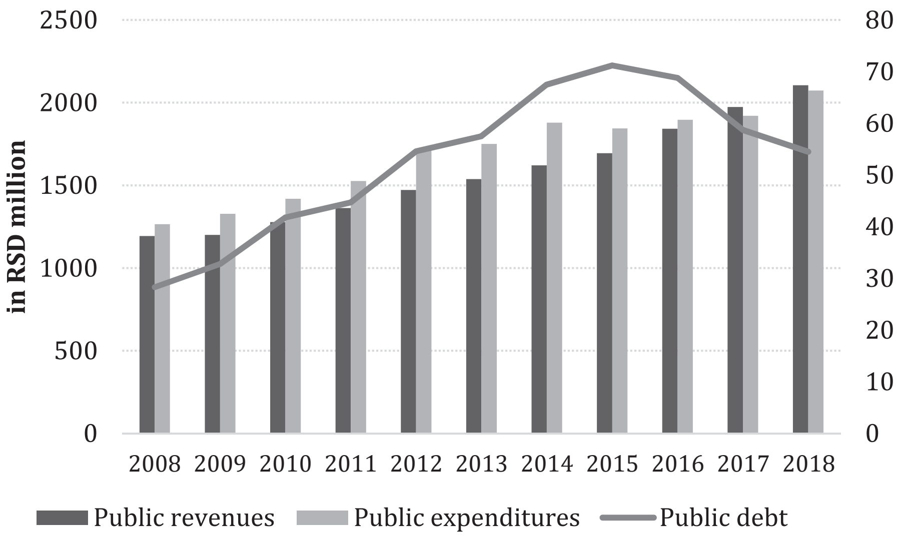
The austerity programme implemented thereafter was fairly simple. Fiscal consolidation was to be achieved through cutting wages in the public sector (by 10%); reducing pensions (depending on the pension level – up to 25% for the highest pensions); and reducing the number of public sector employees (including a ban on new employment in the public sector). Since Serbia still had a number of firms that had not been successfully privatised (part of the public sector), cuts in public sector employment were easy to implement through new legislation declaring these firms bankrupt. Additionally, new employment was frozen in all public institutions, while many employees left their jobs due to retirement or because of reduced salaries. Although this brought good results regarding the number of employees it was at the cost of efficiency, since the most competent and experienced workers left their jobs, usually without the right replacement. Thus, along with somewhat more effective control of taxpayers, a remarkable fiscal improvement was achieved (discussed further below). However, the programme's structural reforms have not been effectively implemented. The fiscal space created through fiscal consolidation has not been used to tackle key structural problems, which could have resulted in stronger economic growth (Bajec, 2018).

4. THE RESULT OF POST-CRISIS POLICIES IN SERBIA: TOWARDS A MORE SUSTAINABLE ECONOMIC RECOVERY?

Over the past decade economic growth in Serbia has been remarkably slow; yet some positive results have been achieved, particularly during the 2015–2018 period, sustained by a more favourable global environment. General improvements have been attained in some aggregate indicators, primarily in six areas: public finance, foreign trade, production structure, FDI, labour market, and main sources of growth. However, substantial problems remain within each of the mentioned areas, raising doubts as to whether the positive trends can be maintained.

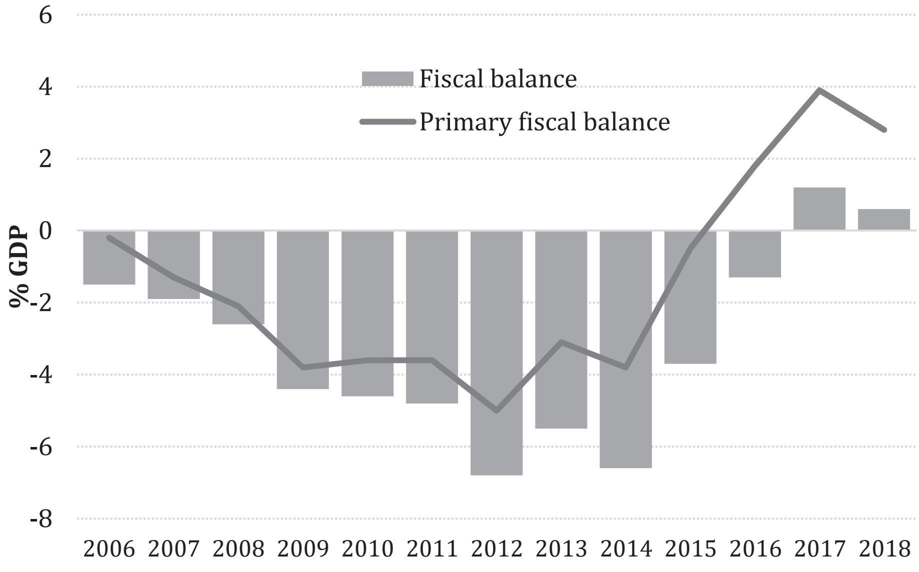
(1) *Public finance.* Restrictive fiscal policies focusing mainly on expenditure cuts have enabled fiscal consolidation, turning a high public deficit into a primary surplus in late 2015, which has been maintained for three years (see Figures 3 and 4). This allowed a reversal of the trend of increasing public debt after 2015 (in line with the IMF-agreed SBA), which was reduced to less than 55% of Serbia's GDP by 2018.

Figure 3: Serbia's public revenues and expenditure, 2008–2018



Source: Authors' elaboration based on data of the Ministry of Finance of the Republic of Serbia.

Figure 4: Serbia's fiscal accounts, 2015–2018



Source: Authors' elaboration based on data of the Ministry of Finance of the Republic of Serbia.

Despite these excellent results, the Serbian government has been heavily criticised for having a budgetary surplus for so long, especially given that public investment has been particularly low. During 2011–2015 public investment was 2.3% of GDP on average, rising only slightly to 3.1% in 2016 (Bajec, 2018). In recent years Serbia's public investment rates have been among the lowest in the whole transition region (see Serbian Fiscal Council 2017). Despite announced government plans to increase public investment, in 2017 it declined again to 2.8% of GDP. Only in 2018 was there a more substantial increase in public investment, to 3.9% of GDP.[2]

One of the main consequences of low public investment is that Serbia's infrastructure is generally of poor quality. The deadlines for completing Corridor 10 and the Belgrade–South Adriatic highway (E763) have been continuously postponed; large parts of the railway tracks have not been modernised and the speed of trains is extremely low; while local infrastructure regarding water supply, canalisation, and wastewater is of very poor quality. Large international loans have been secured for infrastructure projects in Serbia (from the World Bank, European Investment Bank, EBRD) that have not been implemented, mainly due to bureaucratic problems related to disagreements between the various ministries over the division of resources and concrete responsibilities.

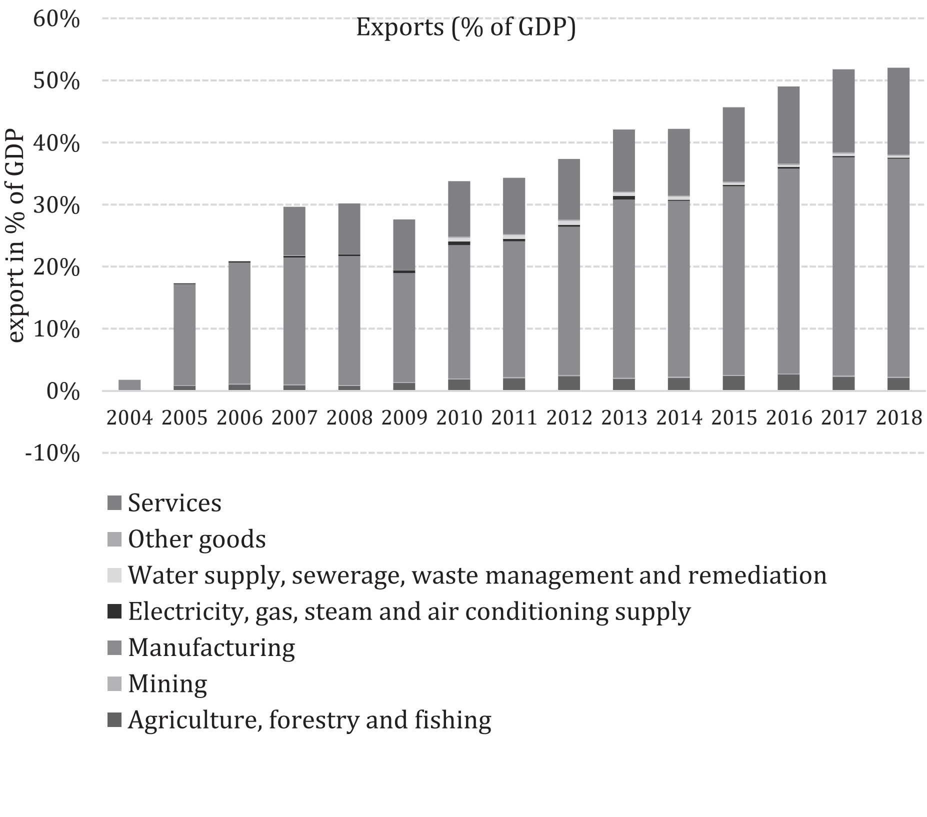
(2) *Foreign trade.* During the 2015–2018 period Serbian exports grew faster than imports, facilitating a substantial reduction in the trade deficit. Export growth has also been stronger than GDP growth, suggesting there may be signs of a switch to an export-led growth model. Exports of services have registered particularly strong growth, indicating the potential of a new segment of the economy in the ICT sector (see Figures 5, 6).

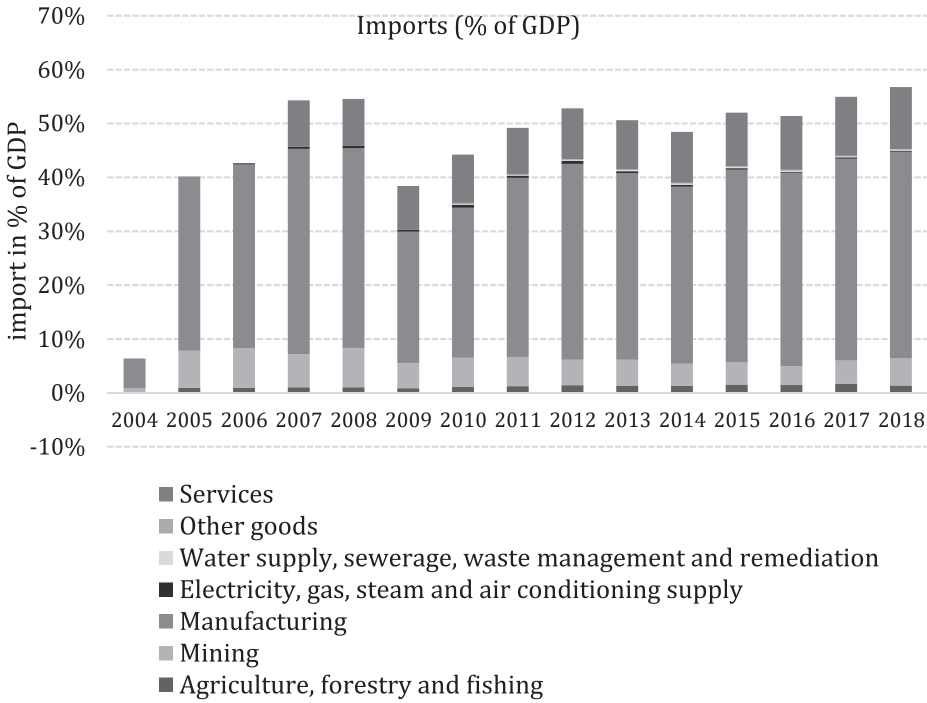
Strong export growth in Serbia is the result of a combination of three groups of supply-side factors. Due to the domestic market's low purchasing power after the implementation of austerity measures, local firms looked for new markets abroad (Cerović & Mitić, 2018). In addition, substantial FDI has arrived in the low- and mid-tech sectors – attracted primarily by low labour costs (since 2013 average wages in Serbia have been lower than in China) and high government

2 Based on annual reports of the Parliamentary Budget Commission compiled with data from the Statistical Office of the Republic of Serbia.

employment subsidies – which have mostly been producing products for export (spare parts or similar) (Cerović, 2017). The recently set up free zones in Serbia, established as export-processing zones within duty-free areas, have attracted a relatively large amount of new FDI, mainly in the motorcar and components industries, which are often aimed at export markets (see Bartlett et al., 2019). Export growth has also taken place thanks to local entrepreneurship with a strong IT component, (see Figure 6), often by innovative SMEs (Atanasijević & Uvalić, 2017). The exchange rate has not had a significant effect on export growth due to the still high degree of euroisation of the Serbian economy and minor fluctuations of the real effective exchange rate after 2011 (see Figure 7).

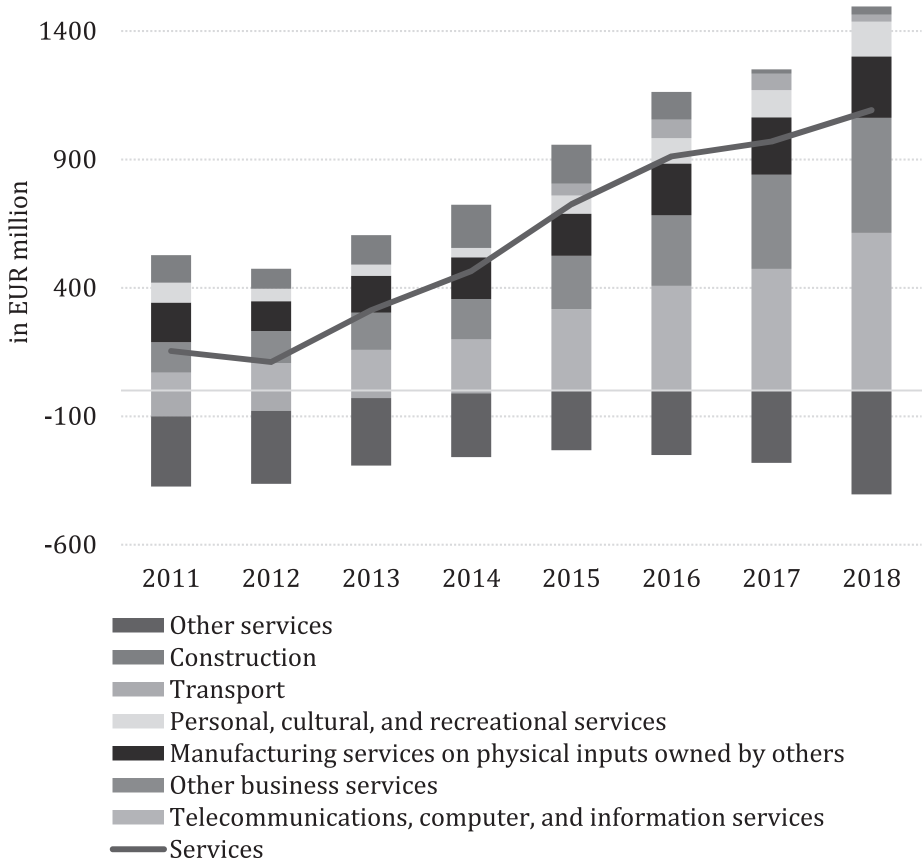
Figure 5: Serbia's trade structure and dynamics, 2004–2018





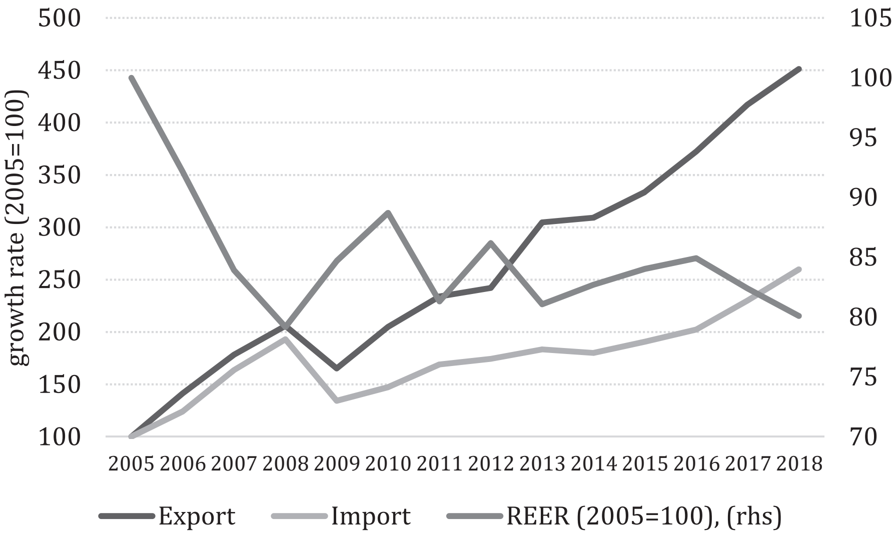
Source: Authors' elaboration based on national statistics (Zavod za statistiku Republike Srbije).

Figure 6: Serbia's net exports of services, 2011–2018



Source: Authors' elaboration based on national statistics (National Bank of Serbia).

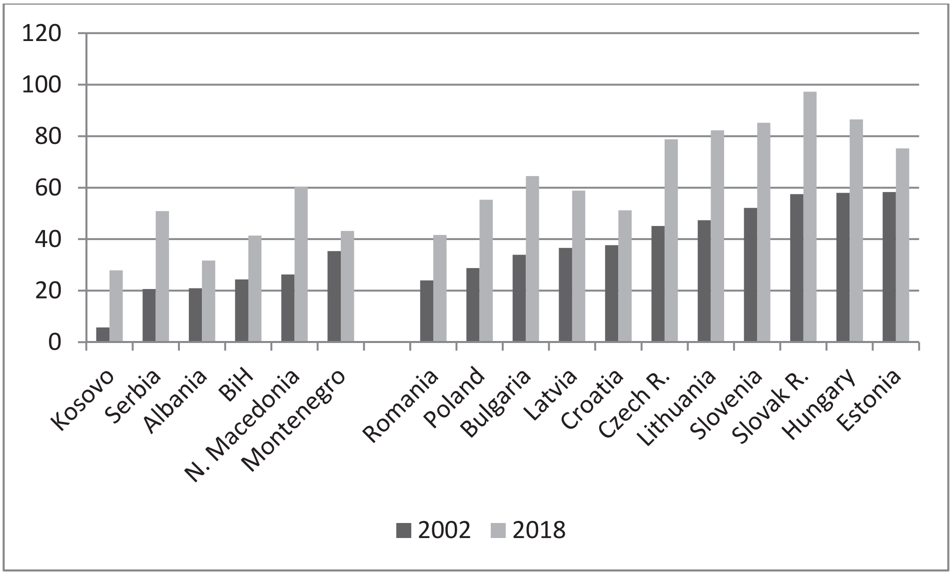
Figure 7: Serbia's exports, imports, and the Real Effective Exchange Rate (REER) growth rates, 2005–2018 (2005 = 100)



Source: Authors' elaboration based on national statistics (Zavod za statistiku Republike Srbije and National Bank of Serbia).

Thanks to improved export performance, Serbia has registered a remarkable increase in its export of goods and services/GDP ratio, from around 20% in 2002 to around 51% in 2018. Nevertheless, Serbia still has a lower export/GDP ratio than 10 of the 11 EU new member states (all except Romania, see Figure 8).

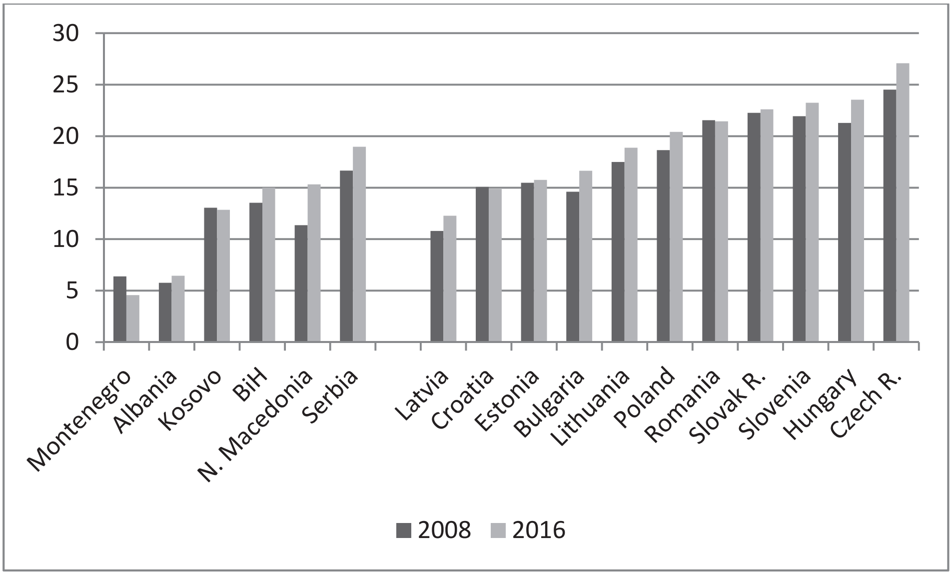
Figure 8: Exports of goods and services/GDP ratio in Western Balkans and EU new member states, 2002 & 2018



Source: Authors' elaboration based on World Bank's World Development indicators.

(3) *Reindustrialisation.* Serbia has experienced a further increase in manufacturing value added over the last ten years and is the most industrialised country in the Western Balkans, with manufacturing contributing almost 20% of GDP (comparable to levels in some of the EU new member states, see Figure 9). After more than two decades of continuous deindustrialisation, the positive trend towards some reindustrialisation ought to sustain faster economic recovery, since manufacturing products are the dominant part of Serbia's exports.

Figure 9: Manufacturing value added (% of GDP) in Western Balkans and EU NMS, 2008 & 2016



Source: Authors' elaboration based on World Bank's World Development Indicators.

However, manufacturing growth has often taken place in low-tech sectors, suggesting limited technological upgrading of the Serbian economy. During 2012–2016 the structure of Serbia's manufacturing value added by technology level improved slightly, but still lags substantially behind the average technology level in the EU. In 2016 as much as 64% of manufacturing value added in Serbia was in low-tech sectors (twice as much as in the EU28), while only 3.2% was in high-tech sectors (less than half of the share in the EU28) (see Figure 10).

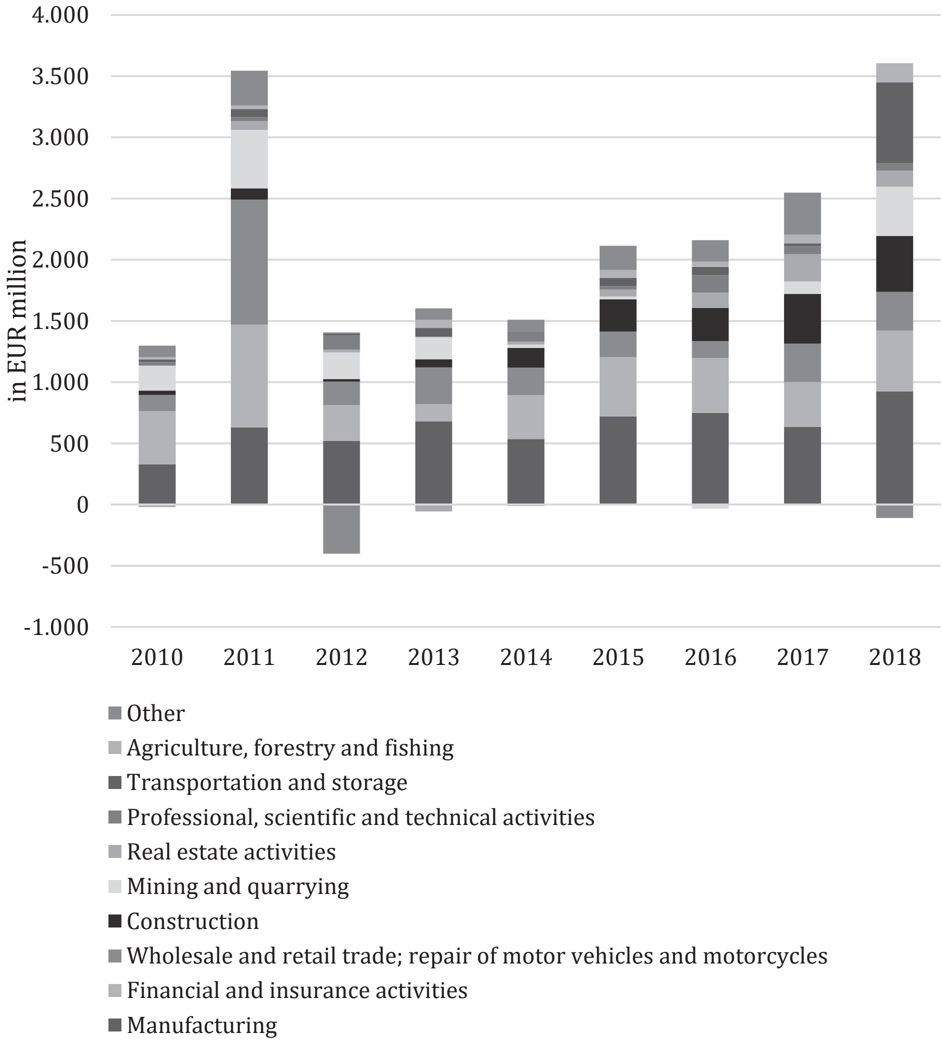
Figure 10: Serbian manufacturing value added by technology level, 2012 and 2016

Source: Authors' elaboration based on national statistics (Zavod za statistiku Republike Srbije).

(4) *Level and structure of FDI*. In recent years the Serbian government has devised various measures to attract FDI, including large subsidies to firms (ranging between €3,000 and €12,000) for every new job created and the establishment of free zones (see Bartlett et al., 2019). Unlike most other countries in the region, Serbia did not experience a huge drop in FDI inflows after the 2008 global financial crisis, so by the end of 2016 Serbia's stock of inward FDI was US$ 30.3 billion. FDI penetration (measured as inward FDI stock as a percentage of GDP) was 80.4% – the third-highest level among the 16 Central and Eastern European economies and far above the 54.6% average for the region (Kekić, 2018).

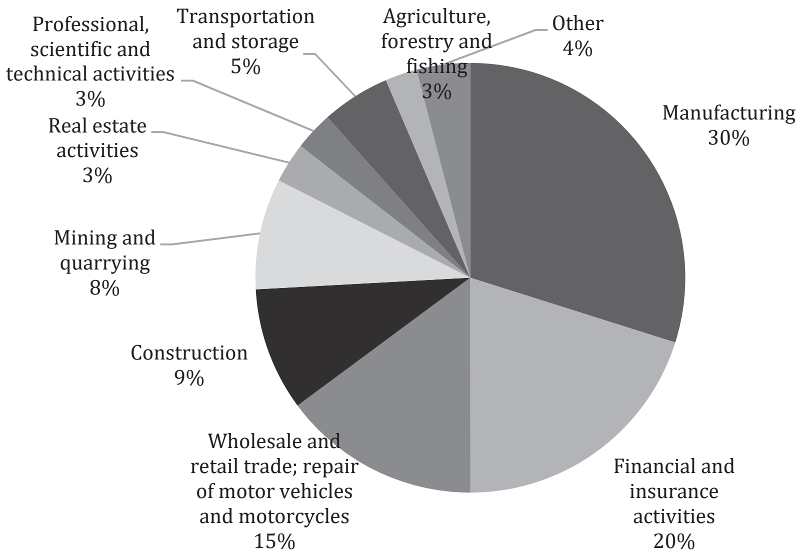
Compared to the pre-2009 period, the structure of FDI has been more balanced across sectors, with a relatively larger share of FDI going into manufacturing (see Figure 11). During the 2004–2007 period more than 78% of total inward FDI in Serbia went into various service sectors – financial intermediation (33.9%), transport and telecommunications (20.1%), wholesale and retail trade and repairs (12.8%), real estate and renting (11%), hotels and restaurants (0.6%) – and only 18.6% into manufacturing (Uvalić 2010, p.187, based on SIEPA data). By contrast, during 2010–2018 the manufacturing sector attracted 30% of total FDI on average for the whole period (see Figure 12) – much more than before the global crisis, which probably helped the restructuring of some vital manufacturing sectors.

Figure 11: Annual sectoral structure of FDI in Serbia, 2010–2018



Source: Authors' elaboration based on national statistics (National Bank of Serbia).

Figure 12: Sectoral structure of FDI in Serbia, average for 2010–2018 period



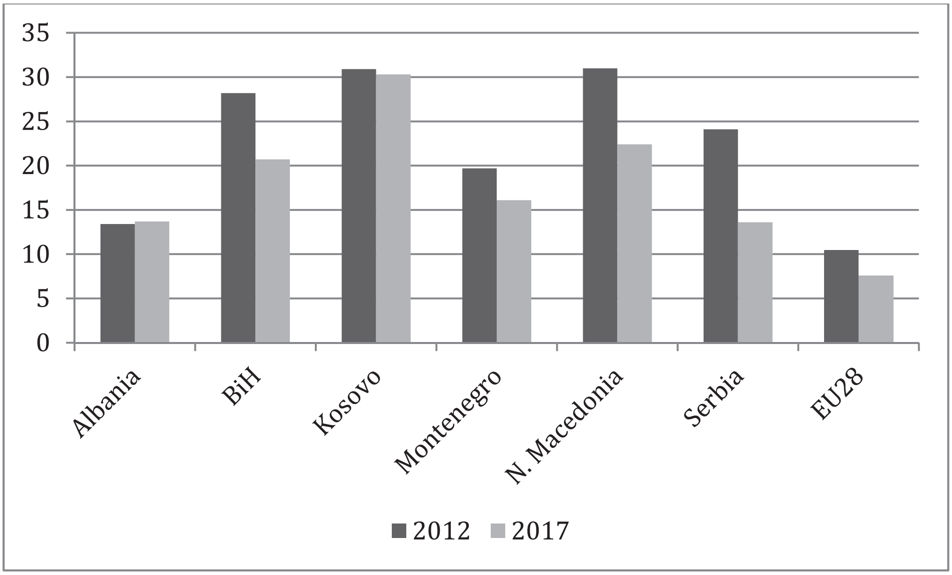
Source: Authors' elaboration based on national statistics (National Bank of Serbia).

Foreign-owned companies in Serbia show higher profitability and productivity than domestic companies and have also boosted exports (as stressed earlier), but they are also heavy importers. The import intensity of production (measured by the import/export ratio) in foreign firms operating in free zones in Serbia is extremely high (96.8% in 2017), implying few linkages to the local economy (Bartlett et al., 2019). As in other countries in the region, the spillover effects of FDI on the economy appear to have been modest at best (Estrin & Uvalić, 2016; Kekić, 2018). Government employment subsidies have attracted large investments, primarily in labour-intensive sectors (particularly those employing low-skilled labour), not taking into account investment quality or national strategic priorities (Cerović, 2017). These government measures have therefore not facilitated technological upgrading of the Serbian economy. Given that foreign companies operating in free zones in Serbia have relatively few local suppliers, technology transfer and technological upgrading of local firms through knowledge spillovers has been limited (Bartlett et al., 2019).

(5) *Labour market.* New regulations that have introduced greater flexibility regarding hiring and firing of workers, along with changes in the methodology of

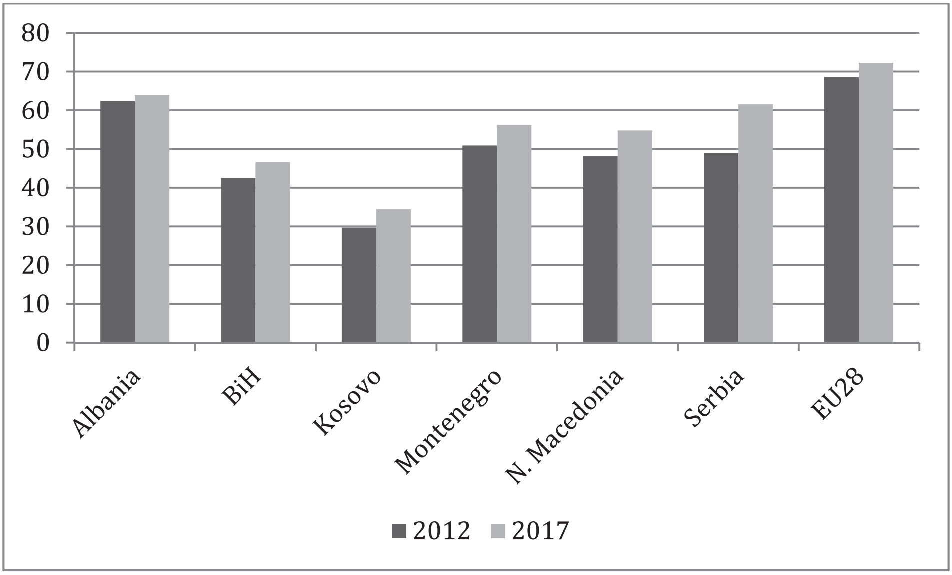
reporting statistics, have contributed to improvements in the most important labour indicators (see Figure 13 and 14). In only six years the unemployment rate has been reduced by 10 percentage points, from over 24% in 2012 to 14% in 2017. The employment rate in Serbia has also substantially increased over the 2012–2017 period, from 49% to over 61%. Serbia is still lagging behind the EU average regarding key labour market indicators, but it has registered better overall results than the other Western Balkan countries. In 2017 Serbia had the lowest unemployment rate and second highest employment rate (after Albania) among the Western Balkan countries.

Figure 13: Unemployment rate in Serbia, Western Balkans, and EU, 2012 and 2017



Source: Authors' elaboration based on Eurostat data, 2019.

Figure 14: Employment rate in Serbia, Western Balkans, and EU, 2012 and 2017



Source: Authors' elaboration based on Eurostat data, 2019.

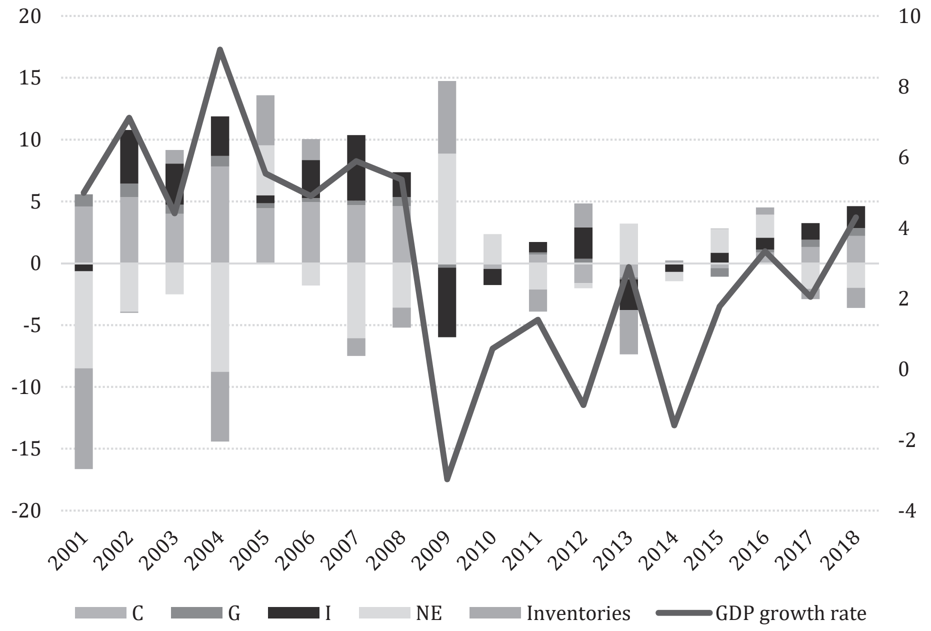
These results are encouraging, but more detailed statistics reveal the persistence of deeply rooted long-term problems in the Serbian labour market, including diffused youth unemployment and a very high structural unemployment rate. High youth unemployment has led to a massive brain drain, especially of the best-qualified graduates and those with specific skills. 'Brain waste' is another serious problem due to the persistence of large skill gaps, both horizontal and vertical (see Bartlett & Uvalić, 2019). The grey economy continues to contribute an important share of GDP – 31% according to recent estimates – with many negative side effects.

Although the government has been particularly proud of improvements in key labour market indicators, considering the modest changes in the technology level of industry and the structure of FDI driven by state subsidies and low labour costs, the newly created jobs have often been of poor quality, frequently offering precarious work. During the observed period, particularly after the introduction of austerity measures, low-quality employment – temporary, informal, and short-term – has risen: 20.7% of employees (580,000) were informally employed without any type of contract, a figure that is even higher (770,000) if we take into account workers that have no pension insurance. In addition, around 13% (350,000) worked part-time (Labour Force Survey – ARS 2017), while over 21% worked at very low intensity (compared to 10.5% in the in EU) (Žarković-Rakić, 2017).

Serbia has also experienced rising income inequality. According to the Eurostat Silk survey, Serbia has the highest Gini coefficient among all surveyed European countries (38.2). Income inequality in Serbia increased particularly during the period of government austerity measures, since in 2009–2010 the Gini coefficient was much lower, between 31 and 33 (Krstić, 2016). Under such deteriorating conditions it is not surprising that people have looked for any type of income, accepting low quality jobs that pay less or are part-time and insecure. Wealthier segments of the population need new services, which are increasingly being offered on the informal market. If we also recall that new labour regulations in Serbia have introduced a very flexible relationship between enterprises and employees, it is easy to understand why so many informal, part-time, and other low-quality jobs have emerged during the post-crisis period (Cerović, 2017).

(6) *Changes in the sources of growth.* In recent years there have also been changes in the sources of growth, on both the demand and supply side (Atanasijevic, 2018). On the demand side we can observe a switch from predominantly consumption-driven growth fed by a fast increase in imports that featured before the global economic crisis, to much stronger export-led growth (see Figure 15).

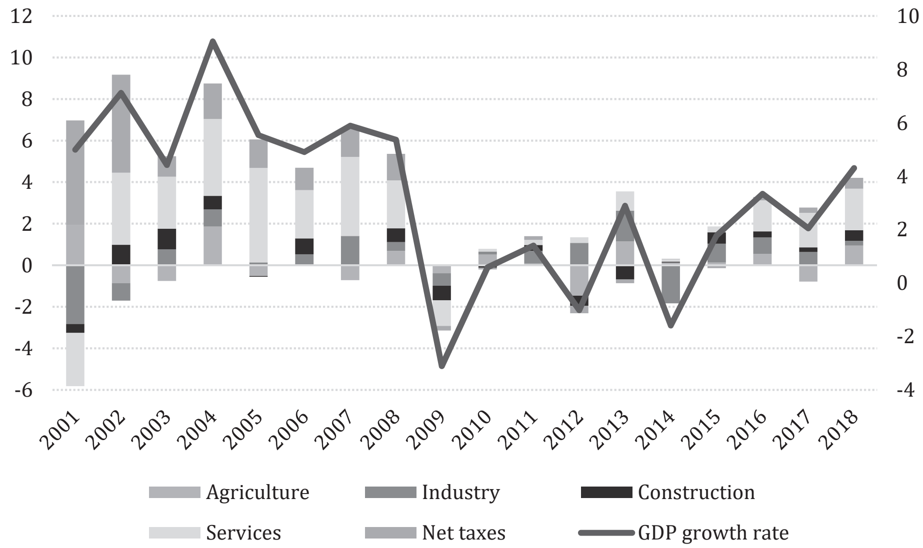
Figure 15: Changes in the sources of growth in Serbia (demand side)



Source: Authors' elaboration based on national statistics (Zavod za statistiku Republike Srbije).

On the supply side Serbia has also experienced a shift from a production structure dominated by services, typical during the 2002–2008 period, to a more balanced growth pattern, more evenly distributed across sectors (see Figure 16).

Figure 16: Changes in the sources of growth in Serbia (supply side)



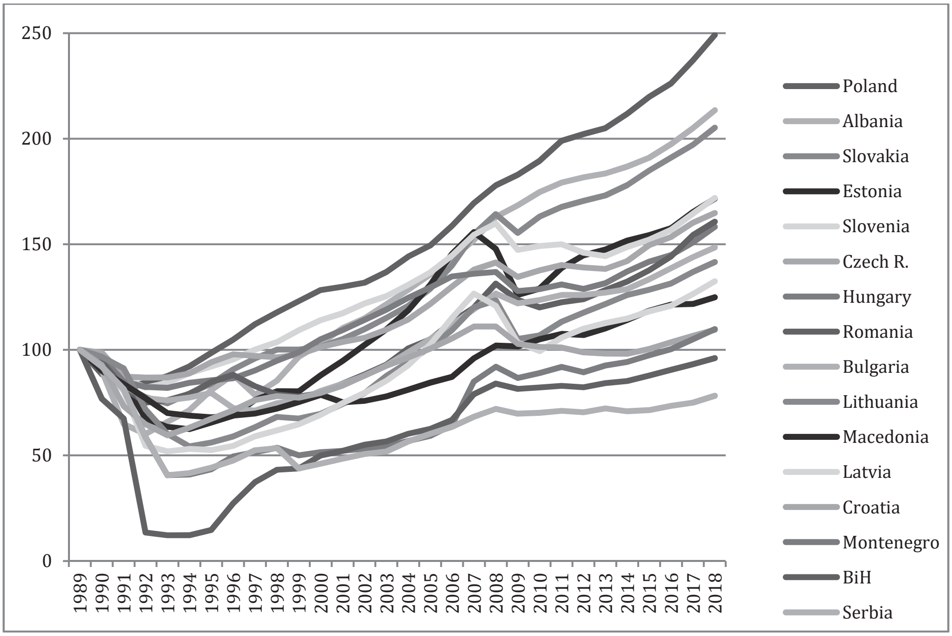
Source: Authors' elaboration based on national statistics (Zavod za statistiku Republike Srbije).

These are encouraging signs of a switch in Serbia's growth model, but it is far too early to determine whether they can be sustained in the medium-to-long run.

5. KEY CHALLENGE: ACCELERATING SERBIA'S ECONOMIC GROWTH

The ongoing analysis suggests that the main structural problems of Serbia's economy that emerged in late 2008 – rising external imbalances, continuous deindustrialisation, slow labour market adjustments – have been somewhat attenuated in recent years. However, the improvements in some key indicators have not contributed, for now, to a notable increase in Serbia's level of economic development. Due to the strong effects of Yugoslavia's disintegration in 1991 and the very slow economic growth during both the 1990s and the post-2009 period, Serbia has still not reached the level of production it had in 1989. In a long-term perspective, Serbia is the country that has least recovered its pre-transition production level of all 17 Central and Southeast European countries, reaching only 78% of its 1989 real GDP by 2018 (see Figure 17).[3]

Figure 17: Real GDP growth - Annual growth rates (Indices, 1989=100)

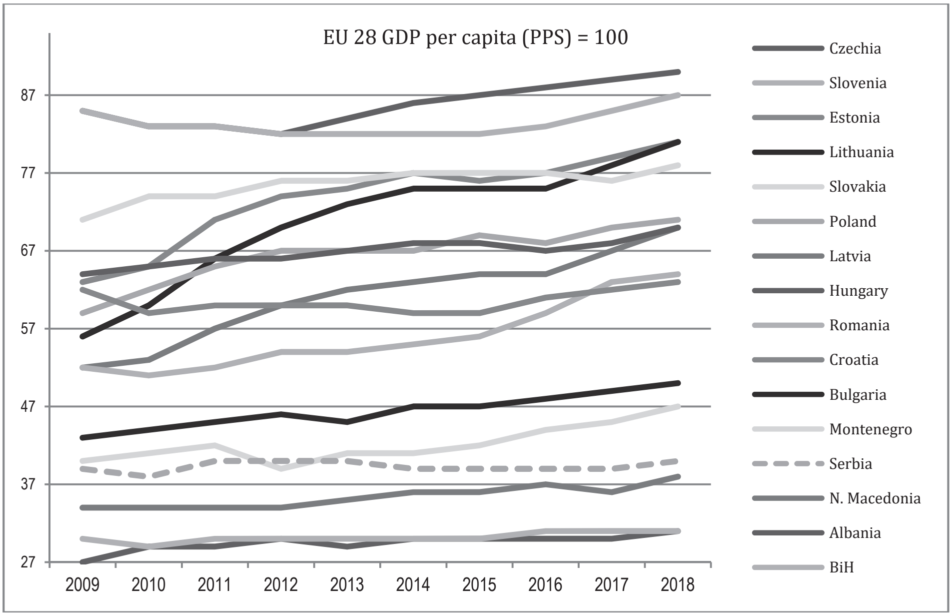


Source: Authors' elaboration based on EBRD, IMF and national statistics.

During the post-2009 period the Western Balkans have been growing at a slower rate, on average, than the EU new member states. The average real GDP growth rate during 2009–2017 in the Western Balkans was 1.1%, or about half the average rate in the EU11 of 2.0% (Kekić, 2018). In 2018 Serbia had a GDP per capita (in Purchasing Power Standards) that was 40% of the EU28 average, slightly ahead of the other Western Balkan countries (except Montenegro) (see Figure 18).

[3] These figures are approximate, since for some countries, particularly Bosnia and Herzegovina, only growth rate estimates for the early 1990s are available, but they are the best statistics we have. Statistics for the 1990s were taken from the EBRD database, which for years has been publishing this indicator in its Transition Reports (level of real GDP in a given year, 1989 = 100), showing how much a country has recovered its pre-transition (1989) level of GDP. More recent real GDP growth rates are from the IMF, based on national statistics.

Figure 18: GDP per capita (PPS) in the Western Balkans and the EU NMS (in % of EU28 average)



Source: Authors' elaboration based on Eurostat statistics.

These comparative indicators suggest that the key challenge for Serbia today is to achieve much faster economic growth in order to be able to make up for the lost decades and converge towards the living standards of more-developed countries. Many economic reforms in Serbia have not been seriously addressed, including radical tax reform, more efficient labour market policies, restructuring of state-owned enterprises, and effective competition policy. In what follows, instead of giving an exhaustive list of reforms that need to be carried forward, we stress only the most important areas for accelerating Serbia's long-term economic growth.

(1) The first step is to device *a national development strategy* in line with Serbia's comparative advantages (Uvalić, 2010). The lack of consensus on development-related longer-term objectives in Serbia has led to major inconsistencies in economic policies over the past decades. The government's stop-go policies have moved from hyper-liberalist measures to policies introducing excessive regulation, without a clear vision of what the country's long-term objectives are and what are the best policy instruments to achieve them. A more focused pro-

growth development strategy that targets key sectoral priorities, technological upgrading, and diversification of the industrial base would help attain the country's national objectives.

In line with such a policy focus, Serbia needs to transform itself from a "predatory state" (Shleifer & Vishny, 1998) to a "developmental state", in which the state's pursuit of economic growth and international competitiveness is guided primarily by national interests (see Estrin, 2019). One reason for the limited results in many areas of reform is the poor quality of reform design, but the most fundamental reason is poor implementation due to a lack of strong political will to eliminate deeply rooted vested interests. The preservation of the status quo has reinforced a system in which economic activities perform within a long-established and developed network of close links between firms and the state structures, motivated by rent seeking rather than by competition in a fair market playing field.

(2) *Increasing the investment rate.* According to traditional growth theories and many theories of economic development, the key condition for faster economic growth is to secure a minimal amount of investment. Increasing the investment/GDP ratio in Serbia is a necessary condition for accelerating economic growth. Serbia's investment/GDP ratio during 2010–2015 has been 18% on average, reduced from 25% of GDP in 2005 to 19% in 2016, which is among the lowest in the region and well below the 25% of GDP that is considered to be the threshold for sustained high growth, and below the 30% recorded by emerging markets at similar levels of development (Kekić, 2018).

Relying primarily on foreign investors to increase Serbia's investment rate has been a risky policy that has only partly delivered the expected results. Bearing in mind the volatility of FDI after 2008, which has still not returned to its peak pre-crisis level, and reduced privatisation opportunities in Serbia, major reliance on domestic savings and investments is fundamental. A further increase in public investment to at least 6% of GDP could be secured from the state budget by cutting other expenditure (e.g., subsidies to loss-making public enterprises), in combination with increased investments by good standing local firms, provided they are offered adequate incentives to enter into public-private partnerships (especially at the local government level). An increase in public investment would support private sector growth, as opposed to recent government measures that have shifted the costs of adjustment to low-paid public sector workers and pensioners (Bartlett 2019). These measures should be supplemented by more efficient use of international resources provided by the Western Balkan Investment Framework, which requires better management of public investment in order to speed up the implementation of planned projects (another reform that has begun but has not been fully implemented). As mentioned earlier, Serbia badly needs more investment in infrastructure (roads, highways, railways, energy), which could have a strong multiplier effect on its GDP growth and economic development.

A further step to increase the investment rate in Serbia would be to develop the financial sector. Since access to finance in Serbia has become more difficult since the global crisis, the relatively underdeveloped financial system represents a major constraint on private investment by the new class of entrepreneurs, especially SMEs. A more elaborate set of development finance instruments and institutions is needed, together with targeted policies to develop the still almost inexistent capital market.

(3) These objectives would need to be sustained by *a different type of industrial policy*. Transition economies such as Serbia that have gone through a severe process of deindustrialisation can achieve stronger export-led growth only if they implement a more focused pro-growth industrial policy. The role of exchange rate policy in this endeavour is limited, since Serbia is still a highly euroised economy and the pass-through of exchange rate changes to prices is still significant (see more in Atanasijević & Božović, 2016). Therefore, industrial policy ought to consist of a coordinated set of measures not only to improve the overall business environment but also to stimulate structural changes in the economy, technological upgrading, local supply chains, private sector growth, and absorption of the still-unemployed labour force. Such an industrial policy would need to encompass not only horizontal measures to improve the general conditions of firms' competitiveness, but also measures to support concrete industrial sectors and positive structural changes, as a crucial component of the new approach to development (Cerović et al., 2014). Instead of continuing to subsidise loss-making state-owned enterprises, scarce budgetary resources should be directed towards promoting national priorities – potentially fast-

growing sectors that are prominent in terms of competitive advantage and the potential to drive a rise in productivity.

The smart specialisation strategies recently promoted by the EU could be useful for choosing priority sectors based on comparative advantage, competitiveness, and export potential. Some sectors that have been identified in Serbia in recent studies as having growth and export potential are the agri-food industry, mid-tech manufacturing (metal processing, machine construction, rubber/plastics), ICT (high-knowledge content services), and creative industries (Government of the Republic of Serbia, 2020; Udovički, 2018; OECD, 2019). An economy like Serbia's that still strongly depends on agriculture and various light industries should also leverage these potentials, rather than focusing on classic high-tech sectors alone (Kroll et al., 2017). In order to implement a more articulated, encompassing, and efficient industrial policy, geared towards long-term national priorities, the Serbian government needs to apply additional measures, particularly regarding FDI, investment in human capital, and SMEs.

(a) FDI policies in Serbia cannot be limited to attracting foreign investors irrespective of their sector of activity. Improving the business environment and measures to increase FDI has proved to be insufficient to restructure and industrially upgrade large segments of the real sector of the Serbian economy. Government policies need to influence the quality of FDI and its sectoral distribution in order to channel potential investment into priority and higher-value-added sectors, instead of primarily sectors employing low-qualified labour (Cerović, 2017). Recent findings suggest that sector targeting doubles FDI flows into the chosen sectors and results in higher unit-value exports (Moran, 2014; Estrin & Uvalić, 2016). It is also important to stimulate the creation of local supply chains through stronger networks encompassing foreign and domestic firms (OECD, 2019), in order to facilitate technology and skill transfers to the local economy and improvements in overall labour productivity. Foreign firms operating in free zones in Serbia have relatively few local suppliers due to their low technological level and high prices (Bartlett et al., 2019). Stronger linkages between foreign and domestic enterprises in Serbia would greatly facilitate the integration of domestic firms into global supply chains.

(b) Increasing investment in human capital (R&D, education, innovation) has become a key instrument for increasing competitiveness, productivity, and economic growth. Economic theory (particularly endogenous growth models) strongly supports the benefits of 'smart growth', which is the basis of the long-term EU strategies, the *Lisbon Strategy* and the *Europe 2020 Strategy* ("A strategy for smart, sustainable and inclusive growth")

'Smart growth' is important for increasing competitiveness not only of the EU but also of those countries that need to catch up and develop faster, such as Serbia. Smart growth could facilitate a 'jump' in economic development, moving the Serbian economy closer to the technological frontier. Contrary to neoclassical growth theories, recent evidence suggests that there is no tendency for low/middle-income countries to converge towards the development level of high-income countries.

Regarding R&D and innovation, Serbia should make efforts to further increase R&D expenditure. Although R&D spending has increased in recent years (to 0.9% of Serbia's GDP), this increase came almost entirely from the private sector, while public expenditure has remained roughly stable at 0.4% of GDP (European Commission 2019, p. 49).[4] Smart specialisation strategies could help integrate Serbia with the EU research area, leveraging existing R&D capacity and excellence to contribute to innovation, technological progress, and further export growth. Programme targeting commercialisation of public and private R&D are also needed to build on the achievements of the initiated reforms of public R&D and innovation, in order to promote more advanced phases of the innovation ecosystem and support technologically advanced segments of the economy that have high growth and export potential.

In the field of education, further reform of the higher education sector and graduate labour market is needed in order for the higher education system to better contribute to building human capital and the competitiveness and growth of Serbia's economy (Bartlett & Uvalić, 2019). It is necessary to introduce merit-based funding of public universities based on performance indicators that are no longer based solely on the number of students (to avoid excessive enrolment in

4 This is clearly far below the EU objective of 3% R&D expenditure, but is higher than in the other Western Balkan countries for which this indicator is currently available.

some fields), and to offer more scholarships for priority study fields. Another serious challenge in Serbia is to implement policies to combat corruption in the entry process and awarding of degrees. In order to reduce skill mismatch, more training and obligatory work experience during studies should be provided, along with institutionalising cooperation between universities and employers (Bartlett & Uvalić, 2019).

(c) Major support for SMEs has been a long-standing recommendation, yet SMEs in Serbia still face various barriers to growth and expansion. SMEs need to be offered better access to finance, technical assistance, market information, and other forms of support (European Investment Bank, 2016; Atanasijević & Uvalić, 2017; Cerović & Mitić, 2018). Programmes must be devised to support particularly those SMEs providing higher value-added products that have been developing in the post-crisis period and have significantly contributed to export growth (agri-food industry, machinery, ICT) (see World Bank, 2019; Udovički, 2018). Given that foreign firms operating in Serbia usually keep their R&D functions in their home countries, SMEs also need support in the commercialisation of their products, intellectual property rights, and foreign trade-related procedures. More adequate instruments offered to SMEs in Serbia could stimulate the expansion of the private sector and increase productivity and improvements in the technological structure of the economy.

(4) *Further reform of key government and non-government institutions* is another fundamental area for accelerating Serbia's future economic development. The ruined institutions inherited from the 1990s – the non-transparent business environment, ineffective judiciary, lack of rule of law, inefficient public administration – have deteriorated further with the dissolution of the federal state.[5] The importance of these broader institutional reforms has been largely underestimated ever since the early 2000s, yet they continue to represent a major obstacle to faster overall change in Serbia's economy and society.

5 When Serbia was part of the Federal Republic of Yugoslavia the state administration at the federal level was better skilled and possessed more policymaking capacity. With the disintegration of the federal state many competent employees left their positions, while the Serbian state relied on the remaining republic and local-level administration.

The slow implementation of judiciary reforms and the related weak rule of law in Serbia is of particular concern, as amply documented in many studies. The importance of an efficient judiciary and the rule of law was confirmed in a recent survey of members of the American Chamber of Commerce in Serbia: for 74% of respondents this was the priority for improving the business climate in Serbia. Eighty-two per cent considered the biggest obstacle to be the length of court proceedings, while lack of adequate knowledge and shortage of judges specialising in more complicated business and financial litigation was also stressed (see AmCham, 2019).

Further reform of the public administration is needed to increase the government's efficiency and capacity to plan and implement policies, as well as to manage the provision of public services using modern managerial tools. Serbia has elaborated numerous strategies that have often remained on paper due to weak public administration: poor implementation capacity and lack of policy coordination combined with bureaucratic inertia and traditional formalism to protect vested interests and postpone bolder substantive changes. Additional efforts have been made since late 2014, leading to improvements regarding policy coordination, impact analysis (results-based management and programme budgeting), and digitalisation of certain public services and administrative procedures (related to obtaining citizens' documents, various permits, payment of taxes, etc.). However, the results are not very evident in terms of overall improvement in the efficiency of public services, management capacity, and fulfilment of specific policy objectives. What still seems to be missing in Serbia is a cultural transformation, the wider adoption of the ethics and values of a market economy that would encourage entrepreneurship, risk-taking, and life-long learning.

6. CONCLUDING REMARKS

This paper assesses Serbia's economic problems after the profound impact of the global economic crisis in a longer-term perspective, since economic stagnation during the past ten years is intrinsically linked to flaws in pre-2008 economic policies. It revisits the legacy of the 1990s responsible for the pressing political problems, the strong economic decline, and the weakening of institutions, as well as the post-2001 political changes that facilitated a radical break with the past, an acceleration of the transition to market economy, and multiparty democracy.

Despite progress in many areas of reform and specific policies implemented by different governments after 2009, Serbia's economy has stagnated during the past ten years, putting at risk catching up with more developed countries. In addition to slow growth, Serbia continues to be burdened by a lack of fundamental institutional changes, government inefficiency, and unresolved political issues. The paper recommends accelerating Serbia's economic development through a long-term development strategy based on comparative advantages, a much higher investment/GDP ratio, a more articulated industrial policy (including different FDI policies; investments in R&D, education, and innovation; major support of SMEs), and further reforms of major government and non-government institutions, especially the judiciary. Unless these fundamental issues are better addressed, Serbia will not be able to accelerate its growth rate and converge to the income levels of the more developed parts of Europe.

REFERENCES

Atanasijević, J. (2018). Serbia's experience in economic development [Conference presentation]. Belgrade: University of Belgrade.

Atanasijević, J., & Uvalić, M. (2017). Performance of *de novo* firms in Serbia after the recent crisis [Conference presentation]. St Petersburg: Conference of Associations for Comparative Economic Studies.

Atanasijević J., & Božović, M. (2016). Exchange rate as a determinant of corporate loan defaults in a euroized economy: evidence from micro-level data. *Eastern European Economics*, 54(3), 228–250.

American Chamber of Commerce in Serbia. (2019). *The Sixth Lap Time: Unlocking the Reforms*. Belgrade: American Chamber of Commerce in Serbia.

Bajec, J. (2018). A coherent growth policy for Serbia. In M. Brandle and M. Weichert (Eds.), *A New Economic Agenda for Southeast Europe (pp. 81-90).* Zagreb: Friedrich Ebert Stiftung.

Bartlett, W., & Prica, I. (2012). The variable impact of the global economic crisis in South East Europe. *Economic Annals,* 56(191), 7–34.

Bartlett, W. (2019). Economic reforms in Serbia and prospects for economic recovery and growth. In R. Osbild and W. Bartlett (eds), *Western Balkan Economies in Transition. Recent Economic and Social Developments.* Berlin: Springer, pp. 147–164.

Bartlett, W., Krasniqi, B., & Ahmetbašić, J. (2019). Attracting FDI to the Western Balkans: Special economic zones and smart specialisation strategies. *Croatian Economic Survey*, 21(2), 5-35.

Bartlett W., & Uvalić. M. (2019). Higher education and the graduate labour market in the Western Balkans. In R. Osbild and W. Bartlett (Eds.), *Western Balkan Economies in Transition: Recent Economic and Social Developments.* Berlin: Springer, pp. 47–59.

Bonomi, M., & Uvalić, M. (2019). Serbia and the European Union. *Oxford Research Encyclopaedia of Politics*. Oxford University Press. https://oxfordre.com/politics/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-1052.

Cerović, B. (2000). Economy of FR Yugoslavia: Transition or pre-transition economy? *Working Paper Series No. 97.* Ljubljana: University of Ljubljana, Faculty of Economics.

Cerović, B. (2017, June 9). Pletenje kablova je posao za najnerazvijenije afričke zemlje [Cable knitting is a job for the least developed African countries]. *Istinomer.* https://www.istinomer.rs/analize/pletenje-kablova-je-posao-za-najnerazvijenije-africke-zemlje/

Cerović, B., & Mitić, S. (2018, 29-30 June). *Export barriers as perceived by Serbian firms – some lessons for export supporting policies [Conference presentation].* LSEE-CEFTA Academic Network Workshop. Belgrade: Faculty of Economics.

Cerović, B., Nojković, A., & Uvalić, M. (2014). Growth and industrial policy under transition. *Economic Annals*, 59(201), 7–34

Estrin, S. (2019, September 20). *The emergence and impact of state capitalism [Conference presentation].* Economic Annals/EACES Workshop on Comparative Economics in memoriam of Professor Božidar Cerović. Belgrade: Faculty of Economics.

Estrin, S., & Uvalić, M. (2014). FDI into transition economies. Are the Balkans different? *Economics of Transition,* 22 (2), 281–312.

Estrin, S., & Uvalić, M. (2016). Foreign direct investment in the Western Balkans: What role has it played during transition? *Comparative Economic Studies,* 58, 455-483.

European Commission (2019). Serbia 2019 report. *Commission Staff Working Document SWD(2019) 219 final*. Brussels: European Commission.

European Investment Bank (2016). *Serbia: Assessment of Financing Needs of SMEs in the Western Balkans Countries.* Luxembourg: European Investment Bank.

Government of the Republic of Serbia (2020). *Smart Specialisation Strategy of the Republic of Serbia for the Period 2020 to 2027.* Belgrade: Government of the Republic of Serbia. https://pametnaspecijalizacija.mpn.gov.rs/wp-content/uploads/2020/09/Smart-Specialization-Strategy-of-the-RS-for-the-period-2020-to-2027.pdf

Kekić, L. (2018). *Serbia's Economic Underperformance*. London: Economist Intelligence Unit.

Kroll, H., Schnabl, E., & Horvat, Dj. (2017). *Mapping of economic, innovative and scientific potential in Serbia.* Brussels: European Commission's Joint Research Centre.

Krstić, G. (2016). Why income inequality is so high in Serbia: Empirical evidence and a measurement of the key factors. *Economic Annals*, 61(210), 23–46.

Moran, H. T. (2014). Foreign investment and supply chains in emerging markets: recurring problems and demonstrate solutions. *Working Paper 14–12*. Washington DC: Peterson Institute for International Economics,.

OECD (2019). *Unleashing the Transformation Potential for Growth in the Western Balkans*. Paris: Organisation for Economic Cooperation and Development.

Shleifer, A., & Vishny R. W. (1998). *The Grabbing Hand: Government Pathologies and Their Cures.* Cambridge, MA: Harvard University Press.

Svejnar, J., & Uvalić, M. (2016). *Are the Western Balkans catching up after a lost decade*? 14th Biannual Conference of EACES, University of Regensburg, Germany.

Udovički, K. (2018). Serbia's Economic Structure: Challenges and Opportunities for Accelerating Growth. Belgrade: CEVES. https://ceves.org.rs/wp-content/uploads/2019/02/Serbias-Economic-Structure-Challenges-and-Opportunities-for-Accelerating-Growth.pdf

Uvalić, M. (1993). The disintegration of Yugoslavia: Its costs and benefits. *Communist Economies & Economic Transformation,* 5(3), 273–293.

Uvalić, M. (2010). *Serbia's Transition. Towards a Better Future.* Basingstoke: Palgrave Macmillan. [Serbian 2012 enlarged edition: *Tranzicija u Srbiji. Ka boljoj budućnosti*, Beograd: Zavod za udžbenike].

Uvalić, M. (2012). Transition in Southeast Europe: understanding economic development and institutional change. In G. Roland (Ed.)*, Economies in Transition: The Long Run View.* Basingstoke: Palgrave Macmillan, pp. 364–399.

Uvalić, M. (2013). Why has Serbia not been a frontrunner? In P. Hare and G. Turley (Eds.), *Handbook of the Economics and Political Economy of Transitions*. London: Routledge, pp. 365–375.

World Bank (2019). Serbia's New Growth Agenda. *Serbia Country Economic Memorandum*. http://pubdocs.worldbank.org/en/782101580729358303/Serbia-CEM-Synthesis-web.pdf

Žarković Rakić, J. (2017, April 27). Kako se Srbiji dogodila visoka nejednakost u raspodeli dohotka? [How did the high inequality of income distribution come about in Serbia?] Belgrade: *Monitoring socijalne situacije u Srbiji* (*Mons)* http://mons.rs/kako-se-srbiji-dogodila-visoka-nejednakost-u-raspodeli-dohotka

Received: February 25, 2020
Accepted: August 01, 2020