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AN AGRICULTURAL PRODUCTION AS A SIGNIFICANT AREA OF A STRATEGY OF ECONOMY DIPLOMACY OF SERBIA

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Summary

Contemporary trends and objective circumstances in the global level condition a need for changes and adaptation of social and political systems, so as human abilities would be used in an optimal way. Economy diplomacy as the main aim of its functioning positions an international approach in promotion of all positive values of a country, where affirmation of our agricultural products represents an essential possibility and chance in the world market. Current international challenges implicate the essential position of a man and having made a personality of a business diplomat, capable to implement reforms in all levels of management. The contemporary world is being faced with huge issues in securing production of enough quantities of healthy safe food, especially of animal origin. A number of factors directly, but also indirectly, endanger the health of people through food. Vet management of livestock health and production related to the increase of milk industry and public is to improve two areas in the livestock production, and these are safety of food and animals' benefit. A strategic approach of the Republic of Serbia involves all relevant subjects of the country, especially economy diplomats who represent and affirm Serbian national, and production resources, firstly.

Key words: *economy diplomacy, agricultural production, safety of food, strategy, Republic of Serbia*

JEL: *Q12, Q13*

Introduction

The economy diplomacy secures progress of social subjects in all economy works and works out of it. "Economy diplomacy represents a specific sophisticated connection of diplomacy in a classical sense, economy sciences and management ones, methods and negotiation techniques with foreign partners, public relations and collection of economy information of the interest for the economy of a country, or a company, in the aim of break through to the world market".² In a process of strengthening of the economic role of an

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2 Prvulović, V. (2010): *Economy diplomacy*, Belgrade, Megatrend University, pp.19.

undeveloped or backward country, there is a special place of practice of encouragement and support of domestic business subjects to enbroad the market and increase capital, being related to the agriculture subjects, either.

The increase of influence of para-state business systems onto the country is being a characteristic in the transition from communism to capitalism, being suitable to a syntagm of business diplomacy of para-state companies but not in a positive sense, but it can be normal for a country to take care of its huge business systems, especially of those that cross a border and appear in the international market. When the interests of a private capital and the country close to one another, the business and spreading of companies is being stimulated by the country itself, and this is a frequent practice in the countries where the economy is a primary one. The economy diplomacy in the agriculture starts from diplomacy and accomplishes top results in the agricultural production of a country.

The economy diplomacy means vitality, flexibility and reproduction of capital. A businessman creates, maintains and protects, but the country has the interest to support this in the highest level, especially when domestic capital from this area is being invested into abroad. It means that diplomatic relations of a country understand more content and formal contacts of the state with big capital owners, especially with those who invest their capital out of the country. The support is different: legal one, contacts, information, communicational, financial, guaranteed one. The economy diplomacy takes care on profit, but also performs complex processes of business diplomacy.

Economy Diplomacy and Agricultural Production

The economy diplomacy or bodies and representatives of a country include a diplomatic activity of big companies, among the other areas of agriculture, that introduce the business diplomacy of bodies and representatives of the state with the market, business and development of its great business systems of the interest for the national economy. It sublimates complex activities in the economy sphere, where it connects and makes closer economic interests of companies and diplomatic aims of a state, with the usage of the available diplomacy methods and economic resources.³ A value system of an economy diplomat influences onto the structure of personality of the one and it is clear to change depending on concrete conditions. The organisation (a state or company) and even the one influence onto the value orientation of the economy diplomat. Even with no influence of the state and company, the business diplomat changes depending on the set aims that the one accomplishes, and the interests, either.

The economy diplomat should perform business successfully, functions, tasks and assignments, and this means to have an appropriate and strong personality and an optimal political, economical, theoretical and religious orientation. The role of the one is extremely significant when it is under the issue on making closer the interests of the company from

3 Орнатски. И. А. (1985): *Экономическаја дипломатија*, Москва, Международные Отношения, стр. 9.

the area of agro complex and diplomatic aims of the state. Since the agricultural production has a significant influence onto the economy of the country, in the conditions of the entire agricultural production, livestock is a leading branch of it. In developed countries of Europe, as Denmark and Holland, beef production participates with 60-70 % in the entire agricultural production. In our country, beef production participates with around 33% in the entire agricultural production.

The international trade of dairy products has been considered less significant since suffice of the products, but this view is being changed. A fast increase of a number of countries with less production of milk, confirms the countries exporters in a conviction that the international trade is a good business. The increase and direction of the global milk trade depend on a variance between domestic production of milk and reduction of production in certain countries, and also the level the variance is being changed. The increase of options in the international trade of milk is obvious in the example of New Zealand, and it clearly emphasises the development direction of this trade. In EU countries, USA, Canada, Australia and New Zealand, a technology advance in all production areas has been the fastest, and thus it has brought significant changes in the milk production.

The participation of the world milk production in the entire world trade fell for 7 percentages (it is now 10%) in 2004, and comparing it with other participation of the farm products, such as wheat, coffee, soya or banana, it is 30 to 40 percentages. The improvement of cooling and transportation technologies has made milk trade more practical, compared to previous years, although a high price is a permanent limitation. Almost each country produces enough milk for local spending, but the production price depends from factors such as labour price, genetic potentials, farm technology and available quantities of food and water for animals. Thanks to low production costs, and also a comparatively smaller population, the countries with the excess of milk become huge producers of milk in the world level, as New Zealand is.

Switzerland, Norway and Japan are countries with high costs of milk production since they do not have enough soil fields for production of bush plants. Poland with its wealth of soil fields for food production and low wages, secures the best conditions for milk production compared to all European countries. Regarding costs, Canada and countries of the European Community are in the middle of the level, while the USA has changed the structure of milk production, are trying to reach the leaders in low cost production. It would be logical that milk trade performs from the regions with low to the regions with high production prices. In formation of demand and trade flows, differences in products and consumers' demands have a significant place. The countries of high living standard, including big milk producers, as it is New Zealand, import cheese from the EU countries. A huge trade route is also cheese selling from EU to the USA. The most developed countries of Europe, regarding development of agricultural production, are Holland and Denmark, and they accomplish more than 70 % of the entire agricultural income from livestock. The economists claim that underdeveloped countries are those whose income from livestock brings less than 50% of the entire production income. Our country is somewhere in the border, since livestock part in the entire agricultural production is around 55%.

A construction of economy-diplomatic model of each country in the agricultural area represents a multilayer challenge, and thus for Serbia, and the one is not a short-term, therefore it is necessary to have in mind the following:

- 1) Economy-diplomatic activity of each country is based on a complete expression and accomplishment of priority national economic interests;
- 2) Together with strengthening of the role of economy diplomacy in foreign-economy activities of the country, it is necessary to strengthen its scientific, educational and professional base;
- 3) Having in mind the interests of different hierocratic, economical and political groups, a try of vulgarisation of the very term, role and aims of economy diplomacy is an expected one;
- 4) The economic diplomats must be persons selected on the base of their professional knowledge and abilities being directly related to international business and international economic relations;
- 5) For the functioning of a new economy-diplomat system of our country, it is of special significance securing of needed financial resources, infrastructure and appropriate organisational design, where the solutions of the most successful economy-diplomatic models in the world are to be used.

The economic occasions in the last few years were completely justified the orientation of our economy. The strategy has been defined as extremely export one and numerous challenges stand before beef production in our country. The entire foreign trade balance is positive, and unit production is a low one, and it tells us that products of low value are numerous in this (raw and half-processed one). There has been a fall in physical scope of production, and the part of agriculture in GDP in foreign-trade is approximately 30%. These emphases that Serbia has a challenging potential, and it has not been realised in an apocopate degree, since there is no developed export strategy and developed systems of stimulation measures especially related to livestock. Serbia is in a process of euro integration, where a mutual agricultural policy is ahead. The European Union has contributed with its mutual policy to a higher cooperation of member countries, in all segments of agricultural production.⁴

The EU markets (53,8% export, 45% import in 2005), are of great significance to us, but also of a special significance the region markets of free trade of south-east Europe (44% of the entire export in 2005), and the market of Russian Federation having an agreement on free trade. From livestock products being the most dominant one in exporting are half-processed meat and fresh and cooled meat. The export is now being directed towards live bullock and its meat, live sheep and sheep meat and their final products. A flexible export quota for 2005 for bullock meat was determined by EU to 9.985 t.

4 Cvijanović, D., Simonović, Z., Mihailović, B. (2011): *Focus and Objectives of the Recent Reforms of CAP EU Regional Policy*, Economics of Agriculture, Vol. 58, no. 3, IAE Belgrade, pp. 360.

Serbia has 5, 7 million ha of agricultural soil, 4, 2 million ha is cultivating one, and 87% is in private possession. All inhabitants do agriculture in some way, but only 30% as their basic work. Demographic variables in our rural areas are very negative. The number of villages is getting smaller fast and in 68, 8 % there is a fall in number of inhabitants, and the average old age is getting higher. 700 000 of household do production and have around 3 ha in the average in their possession. Still, 44% of the entire a number of inhabitants live in villages in Serbia. Beef production is the main branch of livestock breeding in Serbia, and pursuant to the official list from 2002, there were 776 755 of bullock. The production of cow milk per milking cow is negative and very low, and the average is 2585 liters, and this is less than the world average for 50%. Pursuant to the data of RSZ, in the beginning of 2010, 586 000 cows were recorded and bullock, and this represented a reduced figure compared to 2008 for 6, 3% i.e. the figure was smaller than the average from 2000-2008 for 18, 9%.

In type content, Simmental is a dominant one; there is a high percentage of Mestizos, while Holstein type is slightly above 10%. In 2009, production of cow milk was 1 515 million of litres, and there is a several years stagnation in it, and regarding of all this, a higher productivity (milk per a cow) has been gained in the conditions of a reduced number of cows. It was calculated that the production of 206 litres was accomplished per an inhabitant in 2009. The realized production of cow milk in 2009 was smaller for 1, 2 % compared to the average in the previous 2008, and it was smaller compared to the average from 2000-2008 for 3, 6%. The entire period of 2000 was characterised by a smaller number of cows and bullocks and also a stagnation of production of cow milk.⁵ In Serbia, there are still around 80 000 of households that bring less than 10 litres of milk a day, and 35 000 bring 10 to 30 litres. In these conditions, the production is unprofitable. The climate conditions for bullock breeding are suitable and divided into three climate-geographical areas with certain specifics regarding their breeding tradition and bullock feeding.

In huge commercial farms, there is only 8% of the entire number of bullocks, while in small family farms with over 10 bullocks, there is around 44 %. These households make a base for development of bullock breeding with us. The age structure of inhabitants in all households is extremely negative, and there is a fall in number of livestock in all transition countries, and it shall happen with us due to a gradual extinguishing of these households. The Simmental type of livestock has a strong genetic base for milk production.

The level of specialisation of households for certain forms of production is very low, due to a lack of educated labour, and the additional one is property divided into small parts. The issue of specialised production has started to be solved in the areas where educational programmes of producers have begun. The facilities and machines are dysfunctional and old.

5 The production of milk and dairy products in Serbia was in total of 827 432 hectoliters for the first two months of 2010 and 30 387 tons, and this was similar to the production accomplished in the same period last year. It was produced 638 673 hectoliters of pasteurized milk and 188 759 hectolitres of a sterilised one, it was announced by PKS. Also, 490 tons of powder milk was produced, 402 tons of butter, 2 843 tons of cheese and 26 652 tons of sour-dairy products.

The associations of livestock producers still function in selective bases, and not in economic needs for increase of investment capital. The selection services function symbolically, and artificial insemination is being conducted with no clear selection plan.

A special issue represents buying and processing of milk. The great capacities have been inherited from the previous period in milk and meat production, but they have been significantly degraded and allocated in an unbalanced way. Very few numbers of facilities fulfil conditions of high EU standards. Mini dairy production plants fulfil high EU standards in a difficult way. On the other side, huge processing capacities in the country have been mostly privatised by foreign capital.⁶ With all doubts of the way of privatisation, there is a positive fact is that in all privatised capacities the health safety systems have been introduced fast (HACCP). Significant credit means have been invested into modernisation of production of cooperative households, healthy reproduction bull flocks have been secured under suitable conditions, cooling systems and education of farmers have been improved, either. The production of these dairy production plants has been based on selling of small commercial households.

New owners have done a lot regarding quality improvement, development of farming and fulfilment of the European standards, but they have also kept low buying prices and this has influenced onto production fall. Having privatised the milk industry and markets, a new tendency of pushing back of small milk producers has been indicated, since big dairy production could be produced only by farmers with a number of cows. There are dairy facilities where the process of privatisation has meant a collapse or bankruptcy. Having analysed current flows of privatisation of Serbian dairy facilities, it can be concluded that it has not brought a benefit to all. It is obvious that there is a monopoly in the market of milk production. Producers still have low prices, consumers pay milk in expensive prices, and monopolists do not lack arguments and economic power to keep a seized part of the market.

A Normative Framework and Food Production Perspective

Ten percentage of population of developed countries become sick of diseases related to food per year. In the last two decades, food industry in the world has been faced with significant issues related to BSE, genetically modified organisms (GMO), for having dioxin, residual means for protection of plants and vet medicine, and together with globalisation of food trade and well-known affairs in the world; there is a danger of bioterrorism. The international community has found a solution for these issues in application of

6 The highest number of big Serbian dairy plants have been bought by Investment Fund from the Great Britain "Salford", and it has become the owner of 65% of milk industry and dairy products in Serbia. The main office of "Salford" is in London, and it has been registered in Gibraltar. The establisher is Eugene Jeffrey, a Russian Jewish, in 2001, who immigrated to the USA in 80s and received his PhD at the most prestigious university of investment banking, and he returned to Moscow in the second half of 90s, as an American (Radojičić, B. (2011): *Action Plan on the Status of BSE in the Republic of Serbia and International Trade Exchange*. Collection of Works, Boook VI, Safety in Postmodern Ambient, CESNA B).

new technologies, improvement of consumers' information, defining and application of international standards and introduction of a traceability system (traceability-information in a production chain and food distribution, ISO 8402, 1994, EC/178/2002, US Bioterrorism Act, 2004), as a principal condition for creation of possibilities for additional confirmation of food origin fast, mistakes in production, location and withdrawal of items with minimal financial losses.⁷

The principal condition is the existence of adequate documentation, and marking of animals (1,4 million in 2005/06) has been the first step in this sense in Serbia. Starting from 01.01.2006, in the market of EU and WTO, the application of standards on food safety has become obligatory one, firstly in HACCP, so as the companies that do not possess certificates on business pursuant to all these standards, cannot sell their items out of borders of Serbia. The Law on Vet, besides having defined the role of vet service, has confirmed the law obligation of all food producers of animal origin to implement these standards.

A strategy on food safety and the Law on Food are a part of harmonisation measures of legal acts being a part of the integration demands of EU for accomplishing conditions for signing an Agreement on Association and Joining of EU⁸ (the Law on Feeding, Law on Animals' Food, Law on Agriculture, Law on Phitosanitary, Vet and Sanitary Lab Agency, Law on Agricultural Property, Law on Organic Production and Organic Products also belong to this corpus). The Law on Food is the second key legal act that arranges the area of food safety. The principles of food safety have been defined from a field to a table, protection of consumers' interests, risk analyses, precaution, responsibility, persistence and transparency, either. The implementation of law is obligatory in all phases of production, processing and distribution of food and food for animals, except in primary production for own needs. The law includes food safety and food for animals (health proof and food quality). The responsibilities of all participants have been precisely defined in the chain and especially related to safety (a producer), risk analyse and communication (a national body for food safety), and also risk management (authorised ministries). The official control and monitoring programmes have been defined based on a risk evaluation (it includes animals, plants, subjects, processes, materials, activities, records, programmes, plans and others).

The entire law changes being partially stated have in their final aim a general benefit of costs-a maximal protection of health of people and animals, but also introduction of

7 The system of fast exchange of information RASFF related to food for people and animals has been based onto the regulations of the European Parliament and European Commission Council where the basic principles and assumptions on laws on food have been exposed. The information being exchanged among countries have been classified into three levels- it is necessary to keep a balance between the public and protection of commercial interests on the site, where the name of producers and companies have not been published, except in cases when protection of health of people demands it.

8 Serbia has accepted to do business pursuant to the regulations of EU and WTO before signing the Agreement on Stabilisation and Joining, i.e. joining to WTO. CEFTA represents the market with around 30 million people today, and its creation has been initiated by Commerce Chambers in the region.

civilisation standards through caring on animals' benefit and protection of environment, and keeping production profitability. The coordination shall be accomplished through an integral system of food safety and it shall include: protection of animals' health, control system of zoonosis, animals' benefit, hygiene and technical standards of production plants, HACCP concept in production and monitoring, control programmes of residual in the national level, certification of animal origin products.

The introduction of a new integrated approach of management- risk management has marked the end of 90s. After decades of mess in milk industry, it definitely has marked a turning point in the role of vet practice in milk production. In the 80s, a state was a main one in bringing decisions and the owner obeyed it with no objections. The appearance of big farms has brought vets to the position of adjustment in farm management. They have to discuss with farmers on certain measures, and thus they have become only one of the advisers in the farm management. A classical practice has lost its sense, although a part of classical procedures have stayed necessary until nowadays. Dairy stores have had a greater significance onto the farm management, and thus onto the work of vet practice, and the level of services and abilities has been increased, either.

The appearance of disease and food poisoning and the pressure of public onto the introduction of standards in food safety has been an additional factor, with a crucial influence onto the entire management in the industry of dairy products. Therefore, the definition and introduction of standards have been reached (GMP, GHP, GAP, HACCP, ISO), and having brought new legal regulations in Europe (EC/178/2002 and others), some of the standards have become the obligatory ones⁹. A vet profession has accomplished a certain role in the procedures of their implementation and control. Vet management has experienced new changes and has become a part of the integrated support programmes to farm quality.

The health of animals is an aspect of quality and it must be united within health programmes of flocks into a general concept of management of farm quality, as HACCP is. Under HACCP concept, it has been understood the system that identifies, evaluates and controls risks being significant for food quality. The essence of this concept is securing of food safety, prevention through the integrated form of control, and the main responsibility is on the very producer. The base of this integration is in monitoring of animals, farms, management and physical factors in the production process. Having determined constituent elements of the production process, it is possible to identify places where critical points of production could appear. When these critical points have been identified, it is simpler to direct action towards accomplishing aims in reaching an optimal health condition of a flock and control of production quality.

9 In the European Union, these documents have been recorded as EUGAP (EU Good Agricultural Practices). It is especially significant to note the initiative of great European retailer chains EUREP (Euro-Retailer Produce Working Group) for development sufficiently accepted standards and the procedures of the international certification adjusted with the EUGAP that appeared onto the increased concern of consumers for food quality.

A Strategic Approach of the Republic of Serbia

The economy is a sector that needs time for development, and like in no other sector, a long-term prediction policy is needed, either. Therefore, the Ministry of Agriculture, by its National Programme wants to: send a clear signal where it shall be visible a readiness to implement reforms, define activities and supporting measures that shall be overtaken, and to set clear and real aims to be accomplished in the period from 2010-2013. This is the first National Programme of Agriculture, currently in a draft version, devoted to a numerous users that need to have a predictable and stable politics, starting from individual agricultural producers, companies to other ministries, non-governmental organisations, foreign investors and donators. The short-term and long-term aims of agricultural politics have been determined, ways and deadlines for their accomplishments, and also a type and scope of state stimulations.

In the part related to aims and agricultural measures of the politics, it has been emphasised that one of the aims is an increase of competitiveness, and it means a sustainable and efficient agricultural sector, that can be competitive in the world market, making the increase of national product. The agriculture of Serbia has been faced with numerous issues that are the result of a low investment mostly, and this has conditioned a low competitiveness in the market. There are the examples of successful individuals that are competitive with their products thanks to their skills and creativity to adjust to new conditions. The very new conditions for the agriculture of Serbia mean a transfer from a central planned economy, where the highest responsibility is in the state apparatus, towards a market one, where in the centre of responsibility is an individual. New integration processes (joining to the World Trade Organisation and European Union) shall change the conditions of business even more, and it shall be reflected in a higher liberalisation of agriculture, and thus it demands a higher competitiveness.

The specific priority aims in the period 2010-2013:

- Improve the work of institutions for support-Agricultural Payment Administration and advisory services;
- Increase investments in the agricultural and rural sector;
- Improve cooperation and create mutual programmes with local institutions, so as to support agricultural producers and attract investors into a processing sector;
- Create conditions for commercial-credit financial sector to answer onto the needs of agricultural producers for credits;
- Stimulate competitiveness in the aim of quality increase of agricultural inputs;
- Improve the efficiency of usage of state agricultural property.

One of the priority aims related to food safety should bring to: increase of consumers' safety, higher profitability and competitiveness of food industry, increase of export by fulfilling demands of importing countries, change of exported products by domestic ones of the same safety level, reduction of control costs, and thus a cheaper production, securing international integration (membership in the EU and WTO).

The base of keeping health of animals, plants, people and environment is building of an integrated national system of monitoring upon diseases of plants and animals, and the highest responsibility is in the institutions, that having established legal regulations and improved the capacities of inspection services, should bring to the completely safe food. Also, the accomplishment of this aim can be supported by different structural measures in a direction of support towards investments into modern facilities that secure a higher level of food safety and introduction of standards.

The strategic approach of the Republic of Serbia includes numerous activities in the aim of improvement of life conditions and agricultural production in a village: investments into means for agricultural production and processing, building and renovation of village infrastructure, expert improvement of rural population, improvement of rural tourism, promotion of traditional and cultural values, protection of environment and similar. The basic issues that slow down development of the rural areas are: migration of rural population into urban areas, negative age structure of rural population, insufficient investments into village development, a permanent recognition of agriculture as business that is identical with development of villages, neglecting of other activities that contribute its development, capacities, infrastructure, rural tourism and similar. In the next period, it is certain to have in mind a fact that different regional areas are placed in different level of rural development, and thus they demand different systems of support measures.

Having increased the number of countries that have become members of EU in the previous period, it has been created a bigger market and new development chances for agriculture. Serbia has been already competitive with some products in the international market, but it is necessary to follow trends and adjust to market demands. Adjustment to the entire set of EU regulations in practice-a joined set of laws, regulations and procedures of functioning in EU, known under its name *Acquis Communautaire*, covers in its area on agriculture three groups: legal standards, mutual agricultural policy and so-called “structural funds”. Legal standards relevant for agriculture are voluminous and include a number of areas, from animals’ health, plants’ health and food safety to marking of products and protection of consumers. A mutual agricultural policy of EU regulates mechanisms of functioning of the central agricultural budget of EU. Although Serbia does not have an obligation to implement MAP, it is needed to work in development and structural funds, thus it is necessary to work fast in establishment of these mechanisms.

Besides, the changes in the agricultural policy of EU are being reflected in reduction of support of market measures, minimal influence of support in production and increase of support in rural development. The activities the Ministry of Agriculture of Serbia shall work on in the next period until a full membership to EU are: adjustment of legislation, building of new institutions, personnel reorganisation, a permanent training of the employees. The adjustment of legislation of the Republic of Serbia and EU represents the most serious work in the process of European integration of Serbia. Having in mind that around 10 000 regulations are related to agriculture (agriculture, rural development, food safety, vet and phitosanitary policy, fishing), from the total of 27 000 of all regulations, it is clear how much it serious and voluminous work is. The National Programme for Integration of the Republic

of Serbia into EU (NPI) is a leading document in the process and represents a several year plan of adjustment of our legislation with the European one.

Together with the process of joining of EU, Serbia is in negotiations related to membership into the World Trade Organisation. The significance of joining to WTO lies in undisturbed market access of 153 member countries, where the entire world trade of goods and services of 97% is being performed. After accomplishing a full status of membership to WTO, Serbia expects a significant increase of level of direct foreign investments, and it shall be obliged to liberalisation of access to domestic market, and also limitations of agricultural budget, having the measures that are not pursuant to the policy of WTO (subvention of prices, exporting subventions and similar). The membership in WTO shall demand a few significant changes in the trade regime of Serbia, directed to: reduction of external protection and level of domestic support directly related to production, and also revoking of export subventions and certain out of customs barriers that Serbia applies. In the aim of adjustment of domestic agriculture and industry in new conditions, all predicted changes shall be implemented in phases. Since the implementation period of this Programme overlaps with duration of negotiations on joining to WTO, the implementation shall be determined with the negotiation results. The measures and policies contained in this Programme are pursuant to the policy of WTO.

The financial means for accomplishment of the Programme are being secured from the Budget of the Republic of Serbia, as means to the position of the Ministry of Agriculture, Forestry and Water Economy and additional donation means. The role of the budget is to assist a faster accomplishment of set aims, thus it is necessary to adjust the agricultural budget to the real needs of agriculture and country's abilities. Within the next four years, the creators of agricultural policy, producers, processors and consumers in Serbia shall face with numerous challenges. The changes that increase of competitiveness brings with the liberalisation process within WTO shall change in largely the business environment in agriculture. The most significant challenges that are to be in the development of business chains are: involvement of small producers into modern market chains, increase of competitiveness in the level of production and processing, creation of an active environment for investment, implementation of EU standards.

One of the most significant agricultural branches in Serbia is milk production, and it would be logical to be a turning point of agriculture and rural development of Serbia, as a part of mutual agricultural policy of EU. It is a sector where Serbia has significant potentials for its further development. Milk production is among the sectors with the highest value of primary production from over 500 million Euros a year, and it is being significantly increased with processing. Also, since the quantities and nutritive significant spending, this sector is very significant for food safety of the country. At the same time, it is the most demanding one for its standards to fulfil during joining to EU, and thus it can be the biggest obstacle. Trends in the area of dairy production do not promise that Serbia shall be in the list of the most significant milk producers and dairy products after joining EU, and it is necessary to make serious reforms so as to increase its competitiveness and allow starting a sustainable growth from all previous negative trends.

For development of milk production, it is necessary the time and a long-term predictability of the country, and by this Programme, the aims have been defined, and activities to be overtaken during 2010-2013 with the aim of improvement of milk sector and introduction of a higher predictability of the production. The specific aims for this period include the improvement of genetic content and increase of milk production, making of flocks into larger ones and strengthening of competitiveness of producers, improvement of milk control, gaining of permission for export of pasteurized and sterilised milk into EU.

Serbia has a dynamic milk trade and dairy trade, especially among CEFTA countries. The most exporting one is a long-term milk and sour milk, while powder milk was the most imported one during 2007, whose import was almost insignificant, but since revoking of import during the end of 2007 and beginning of 2008, this was the first importing product. The values of import and export are in a permanent increase, but import is increasing faster than exporting. By signing the Agreement on Stabilization and Association, these trends shall be increased more since lowering the customs onto export of the products that have the origin of EU. Since the fact that the highest importing comes from EU countries, it is expected that consumers shall get cheaper products, but a trade balance shall worsen.

Conclusion

The economy diplomacy connects several scientific areas, firstly economy, politics, diplomacy and management, securing a unity of interests of certain entities and a national state. The economy diplomacy in agriculture starts from diplomacy and comes to top results in agricultural production of a country. The agriculture is a sector that needs time like in no other sector, and the long-term predictability of the politics. Thus, the Ministry of Agriculture of the Republic of Serbia with its National Programme, wants to: send a clear signal where the readiness for reform implementation shall be visible, define activities and measures to be overtaken, set clear and real aims to be accomplished in the period from 2010-2013.

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EKONOMSKA DIPLOMATIJA I POLJOPRIVREDNA PROIZVODNJA – STRATEŠKI PRISTUP REPUBLIKE SRBIJE

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Rezime

Savremeni trendovi i objektivne okolnosti na globalnom planu uslovljavaju permanentnu potrebu za promenama i adaptacijom društvenih i političkih sistema, kako bi se ljudske mogućnosti iskoristile na optimalan način. Ekonomska diplomatija kao glavni cilj svog funkcionisanja pozicionira međunarodni nastup u promociji svih pozitivnih vrednosti zemlje, pri čemu afirmacija naših poljoprivrednih proizvoda predstavlja esencijalnu mogućnost i šansu na svetskom tržištu. Aktuelni međunarodni izazovi impliciraju esencijalnu poziciju čoveka i izgradnju ličnosti poslovnog diplomate, osposobljenog da sprovede reforme na svim nivoima upravljanja. Savremeni svet se suočava sa velikim problemom u obezbeđenju proizvodnje dovoljne količine zdravstveno bezbedne hrane, naročito animalnog porekla. Brojni činioci direktno, ali i neposredno preko hrane ugrožavaju zdravlje ljudi. Veterinarski menadžment zdravlja stada i proizvodnje u skladu sa porastom uticaja industrije mleka i javnosti u smislu zahteva da se dve oblasti u stočarskoj proizvodnji značajno unaprede, a to su bezbednost hrane i dobrobit životinja. Strateški pristup Republike Srbije uključuje sve relevantne subjekte zemlje, posebno ekonomske diplomate koji reprezentuju i afirmišu srpske nacionalne, prvenstveno privredne resurse na međunarodnom planu.

Ključne reči: ekonomska diplomatija, poljoprivredna proizvodnja, bezbednost hrane, strategija, Republika Srbija

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