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## PROBLEMS OF THE DEINDUSTRIALIZATION OF THE SERBIAN ECONOMY<sup>1</sup>

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### Abstract

*The paper analyzes the process of the industrialization, i.e. deindustrialization of the Serbian economy in the time period after the Second World War until today. In the observed period, two contrary processes have been recorded. Until the beginning of the 1980s, the process of the accelerated industrialization of the economy was taking place. In the structure of the GDP, industry increased its share to around 44%.*

*At the beginning of the 1990s, East European socialist countries and Serbia commenced the process of the transition of the economy and the economic system. In the starting phase of transition, all countries recorded a negative rate of their economic growth, a fall in the GDP and a reduction in the share of industry in the structure of GDP of the economy. Differently from the countries in which the negative tendencies of the economic growth were stopped in the mid-1990s, and which became the EU member countries in 2004 and 2007, the negative trend of the economic growth and the deindustrialization of the economy in Serbia continued during the first decade of the 21<sup>st</sup> century.*

*In the previous twenty-year period, the GDP of the Serbian economy was reduced to 60% of the level of the 1990s. The 15.9% share of industry in the structure of the economy in 2009 is lower than the share of Yugoslavia's industry immediately after the Second World War (around 20%).*

**Key words:** *industry, deindustrialization, reindustrialization, Serbian economy.*

**JEL:** *O012, L16*

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## Introduction

Industrialization as a method and policy of economic development became again the subject matter of the economic theory when a route of the accelerated development of the backward socialist countries established immediately after the Second World War was being sought. By choosing industry as the bearer of their future economic development, these countries turned from backward agrarian countries into mid-developed industrial countries in a very short time. More or less intensively and with stagnations, industrialization continued until the disintegration of the USSR in 1989, the fall of the Berlin Wall and the commencement of the transition process which all the East European socialist countries entered. A similar thing happened to the industrialization of the Serbian economy, too.

By initiating the transition process, all the countries entered the phase of the recession of the economy and deindustrialization<sup>1</sup>. In the majority of the countries, that phase lasted until the mid-1990s, when the process of transition was ended and when the pre-transition level of the development of the economy was reached. Out of this group of countries, 10 of them fulfilled the conditions necessary for membership in the European Union in 2004, and yet two countries did so in 2007, when they formally as well brought the process of the transition of the economy and the economic system to an end. Serbia entered the transition process, accompanied by the disintegration of the SFRY, the UN SC sanctions, the civil war and the bombing by NATO in 1999. In a period of only five years, the level of the GDP of the Serbian industry was reduced to around 30% of the one of 1990, accompanied by high inflation unrecorded in the comparatively recent history. With the exception of two shorter sub-periods, the deindustrialization process continued in the period after 2000 as well.

The subject of the research in this paper is the deindustrialization of the Serbian economy during the transition process.

The goal of the paper is to perceive the degree and consequences of deindustrialization in the Serbian economy during the transition process as well as to find out a way to commence the process of the reindustrialization of its economy.

### The development of industry in Serbia from the Second World War to 1990

The dilemma which the then SFRY/Serbia was faced with immediately after the Second World War related to the choice of a route of a future development of the economy. Just like the majority of the East European countries and the USSR, the SFRY was a backward

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<sup>5</sup> The term **deindustrialization** denotes a reduction in the share of industry in the creation of the gross domestic product, a newly-created value and ensuring employment of a country. In the case of contemporary market economies – deindustrialization is a regular trend of development, which should be leading towards the so-called postindustrial society, as (currently) the highest phase of the (industrial) development of mankind. In that phase, in the creation of the gross domestic product, a newly-created value and ensuring employment, the service sector is predominant, while at the same time the significance of industry in the total development is not reduced. This phenomenon is, first of all, a consequence of powerful scientific-technical progress in the field of industry and new forms of the organization of industrial enterprises. Unfortunately, the deindustrialization of Serbia has no common ground with this model (Adzic, 2011:404-405).

economy in which agriculture had an over 40% share in the structure of the GDP. Although agriculture was a dominant economic activity, it could not have been the bearer of a future development for several reasons. Firstly, agriculture had low productivity which can only be increased by introducing contemporary technical means originating from industry. The undeveloped domestic industry could not have provided that, so contemporary means of agriculture would have to be imported, which would understand the export of agricultural products for providing means for purchasing industrial products. With a low level of the development of agriculture, that was impossible. Secondly, the introduction of contemporary technical means in agriculture reduces a need for a workforce, which would understand that the surpluses of such workforce are engaged in non-agricultural activities, for the most part in industry. That is impossible without a speeded up development of industry. Thirdly, due to the underdevelopment of the market and low demand for agricultural products, a problem of the absorption of an increased volume of the production of agricultural products would have occurred.

The stated indicates that the modernization of agriculture is impossible without the development of industry. That is why, in the strategy of a future development, industry became the priority of the economic development of the then Yugoslavia and the other socialist countries headed by the USSR. The policy of an accelerated development had a goal to make changes in the economic structure in favor of an increase in the share of industry and other non-agricultural activities in the GDP of the country, i.e. of the economic activities in which greater labor productivity is achieved compared with agriculture. With the development of industry, its secondary<sup>1</sup> effects on the development of the economy are manifested. First, heavy basic industry, especially the branches producing a new technique, more quality means and objects of work, was being developed. Such a development had as a goal to, in a very short time period, ensure the growth of general and branch productivity of labor as well as the growth of the income of the population and own accumulation of the economy, which would lead to an increase in the degree of employment and the raising of the living standard of the population in the country.

Industrialization as the method and policy of development used to have positive effects on the development of the socialist countries' economies. This can best be illustrated by the high rates of the industry growth from the Second World War to the beginning of the 1990s (the fall of the Berlin Wall in 1989), when the process of the transition of socialist economic systems and of the industrialization of these countries' economies. They have commenced an "accelerated development and the modernization of their economics by applying the so-called socialist<sup>2</sup> method of industrialization. The application of that model was basically supposed to lead to the achievement of two goals: to speed up the economic development – mostly by new investments in industry; and to alter the economic structure

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<sup>6</sup> The development of industry stimulates a further economic activity, creates conditions for the higher productivity of an economy, the employment of the labor-capable population and the development of activities closely connected with industry.

<sup>7</sup> This model of development is basically focused on the priority development of production means, which understands making greater investments and a relatively longer time period of for them to activate.

by increasing the share of industry in it. This was more or less achieved in all the socialist countries" (Bozic, 2009:425).

**Table 1.** The DP indexes and the growth rates of the industry and mining of the FR of Yugoslavia<sup>1</sup> in the 1955-1990 period

Years	Index 1955=100	Years	Rates of growth of DP of industry (%)
1955	100	1953-1960	14.0
1965	375	1961-1970	8.5
1975	722	1971-1980	8.2
1985	1224	1981-1990	1.0
1990	1 154	1953-1965	13.4

Source: SGSCG 1992, p. 124, SZS Belgrade 1994

By centralizing accumulation and by redirecting it through an increased volume of investments in industry, a high growth rate of the GDP of industry and the volume of industrial production is ensured. As early as in the mid-1950s (in only 15 years), once a prevalently agrarian country (with the dominant – over 70% – share of the agricultural population in the total population), Serbia turned into an industrial country (with less than 50% of the agricultural population). The accelerated development of industry enabled a "huge transfer of the workforce from agriculture to industry, i.e. from villages to towns. Industrialization importantly modified the economic structure, encouraged the division of work, specialization and diversification, ensured a very high pace of employment growth, created conditions for the dynamic development of scientific-technical progress, improved the structure and increased the volume of foreign-trade exchange, created conditions for the development of other economic branches (primarily agriculture) and radically improved the total living standard" (Savic, 2009:2).

Although the results had been good in the beginning, in the mid-1960s, the first problems emerged in the further industrial development of Serbia. The economic reform only mitigated the problem, but no proposal was made for an efficient model of a future industrial development. "Developing itself within the framework of the former Yugoslavia, Serbia is an example of a country that retained the strategy of import substitution as its basic strategy of its industrial development for too long. All the way to the Economic Reform of 1965, such a strategy had been producing positive effects. After that, there was a period of wandering in searching for an appropriate strategy of a further development of industry, marked with efforts to achieve the central stage of industrialization (as known as the development balancing stage), within which the necessary requisites or the application of the strategy of export expansion were to be created. However, such a strategy of the development of industry was not realized. The 1970s and the 1980s can be labeled as a

<sup>8</sup> The share of Montenegro in the DP of the industry of the FRY is around 4.5%, while Serbia's share is around 95.5%, the implication being that Serbia is the one to have had the key role in the tendencies of the indexes and growth rates of the FRY. Due to the lack of a series of data for a longer time period on the DP of Serbia at permanent prices, it is not a big mistake to have the tendencies of these features for FRY identified with Serbia, which is exactly what has been done in this paper.

period of an illusory growth, during which a conservative and inadequate economic, and in particular industrial, structure was formed (a high share of traditional, labor-intensive, raw-material and energy branches with a low degree of processing). That was the economic growth which was not self-affirming on the market, especially not so in a conflict with foreign competition”, (Gligorijevic, Boskovic, 2007:41). In that way, the growth rate of industrial production was further being slowed down until the beginning of the 1980s, when for the first time a negative value was recorded (-0.5% in 1981-1983). Although the rates of industrial growth were high (7.5% in the 1953-1988 period), industrialization also had a larger number of contradictions. All the way to the 1980s, the significant percentage of the total investments had been made in industry. However, the trend was halted by the approaching debt crisis, by the IMF<sup>1</sup>’s dictating of the conditions during the implementation of the stabilization program, by the conditions made more difficult in obtaining new loans, which significantly reflected on the efficiency of the economy of the SFRY.

At the beginning of the 1990s, the war conflicts erupted on the territory of the former SFRY. The UN Security Council imposed sanctions against FRY, which additionally exacerbated the situation in the economy by limiting foreign-trade exchange. That led to an increase in the costs of operations of economic subjects and a hyperinflation recorded never before. Irrespective of the foregoing, it is thought that there would have been a collapse and a crisis of the Serbian economy but with smaller consequences. “The efficiency of the industrial development was very low and the formed industrial structure was conservative, i.e. rather unsuitable as the basis for a future development of industry. In the last decade of the 20<sup>th</sup> century, there was a definite breakdown of the applied model of industrialization in Serbia. There is a generally accepted view that the collapse of the Serbian industry occurred due to the difficulties Serbia was going through in the last decade of the 20<sup>th</sup> century. Acknowledging these circumstances, we consider that the Serbian industry would have fallen into a crisis even if there had been no sanctions imposed by the international community and the merciless destruction of its capacities in 1999, but such a crisis would probably not have been so deep”(Savic, 2009:2).

### **Deindustrialization in Serbia after the 1990s**

Until the beginning of the transition process in Serbia, the Serbian industry (with its over 40% share) had been the dominant economic area in the structure of the GDP and foreign-trade exchange. The second most significant area had been agriculture, with an around 20% share, whereas services had been treated as a third-class component of the development of the economy, although it is known in the economic theory that the significance of services grows and the significance of the primary and secondary ones (agriculture and industry) declines with economic development. After 2000, the share of the service sector in the structure of the GDP of the Serbian economy has been increased. First of all, there is domination by banking and financial mediation services. If that were observed without perceiving the structure of the total GDP, it could be concluded that Serbia has moved into a

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<sup>9</sup> Without their own strategies for development, the countries accepted foreign experts and recipes for overcoming the crisis which they were prescribed by international financial institutions headed by the International Monetary Fund.

higher phase of its economic development, the phase which highly-developed capitalist countries such as Germany, the USA, and other are in. After 2000, however, the service areas have only been the ones to have been recording a high rate of economic growth while industry has had either a zero or low growth rate. That has changed the structure of the GDP. In order to more significantly increase the share of industry in the structure of the GDP of the Serbian economy, it is necessary that the state should play a more active role and that the macroeconomic environment should be stable.<sup>1</sup>

After the successfully conducted industrialization phase and reaching a high level of economic development (a high level of the GDP/per capita), developed countries entered the phase<sup>2</sup> of deindustrialization. Germany, Japan, the USA and other developed European countries went through that phase. However, what has been happening with Serbia in the period after the 1990s does not represent the deindustrialization phase which highly-developed countries went through. To the contrary, it is about the radical deindustrialization which all post-socialist countries went through in their transition process. Differently from other countries in transition, in which in the majority of the cases the deindustrialization phase lasted till the mid-1990s, the deindustrialization phase in Serbia has incessantly been lasting until today, with the exception of the 1995-1998 and 2000-2005 periods. The period of the growth of industrial production in the second half of the 1990s was brought to a halt by the bombing of Serbia by NATO in 1999, when significant industrial capacities were destroyed. In the 2000-2007 period, the Serbian economy recorded a relatively high rate of economic growth of around 6%, while at the same time the rate of growth of industrial production was around 1%. It should be mentioned that the high rate of economic growth was achieved at a very low starting base of 2000. If we take into consideration the period from the beginning of transition in 1990, Serbia lost 20 years in the process of industrial development. So, “production and employment in the Serbian industry in 2010 was only around 36% of the pre-transition maximum achieved in 1987/1988. The industry became reduced to practically three activities – energy, food and beverages production and the production of basic materials (the chemical industry, black metallurgy and the production of construction materials), on which it is impossible to build the basis for including Serbia in the economic and social part of the process of the European integrations. The key causes of the deindustrialization of Serbia should be sought in the fact that, after the restoration of capitalism, the initial ownership restructuring was carried out in the frameworks of the “gray” economy. After radical political changes in the late 2000, its key protagonists legalized their business doing and ownership – which resulted in the closing of the market for the other players in the market game. The following are the consequences: (1) a lack of motivation for the development of productive (production) entrepreneurship, (2) a slow and

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<sup>10</sup> The creation of a precondition for a stable macroeconomic environment which is reflected in the support by the state via favorable loans, a stable foreign exchange rate and foreign-trade protectionism when importing industrial products.

<sup>11</sup> At the beginning of the period of the development of the economy, agriculture has the biggest share in the creation the GDP. In the central stage of economic development, the most dynamic development is the development of industry, whereas in the epoch of the so-called “mature” economic development, the tertiary sector, i.e. the service sector, takes over the leading position.

uneven increase in the efficiency of the real economy and the infrastructural comfort for private investments in export-oriented business and (3) the weakening of the performances of human capital" (Adzic, 2011:405).

As it has shown during the transition, Serbia has experienced complete deindustrialization, by which the level of industrial development has been reduced to 30-60% of the level of the 1980s. The 1999 NATO bombing of military and, to a significant extent industrial, capacities was an introduction into the headlong fall of the industry at the beginning of 21<sup>st</sup> century, when its share was reduced from 20.2% in 2002 to merely 15.9% in 2009 (*Table 2*).

"In the short run, the deindustrialization of Serbia will have the following consequences: (1) a further deterioration of foreign-trade exchange, i.e. an impossibility of intensifying the export-oriented offer of industrial products of a greater added value, (2) the stagnation of and a further real fall in employment, (3) the slow substitution of flowing labor with past labor, because the largest number of workers are engaged by industrial enterprises, where the degree of automation is relatively limited, (4) the real sector is increasingly at a loss, and the accompanying activities (traffic, services, consulting, trade) are increasingly intensified etc." (Boskovic, 2011:242).

**Table 2.** The share of industry<sup>1</sup> in the Serbian GDP in the 2002-2010 period

Year	% of share	Year	% of share	Year	% of share
2002	20.2	2005	18.8	2008	17.5
2003	19.0	2006	18.7	2009	15.9
2004	18.7	2007	18.2	2010	...

*Source:* Statistical Yearbooks of the Republic of Serbia for 2007 and 2010, Statistical Office of the Republic of Serbia, Belgrade

Differently from the other East European countries, on the eve of the world financial crisis in 2006, Serbia had the smallest share of industry and building construction in the structure of the GDP of the economy (*Table 3*). While, during the mid-1990s, industrial facilities from developed industrial countries were being opened in East European countries, the same was sporadically done in Serbia no sooner than after the changes in 2000. According to the volume of the foreign direct, especially Greenfield investments, per capita, Serbia is lagging far behind the other East European countries. This has led to Serbia being even more technically lagging and to its low competitiveness in comparison with countries in transition, developed countries in particular.

"After the known events of the October of 2000, the reform authorities accepted a new concept of development – the *Washington Consensus*<sup>1</sup>. Its goal was to achieve

<sup>12</sup> The share of industry, as the sum of Sectors B, G and D (B-Mining and Quarrying, G-Processing Industry and D-Production of Electrical Energy, Gas and Water), in the total GDP, in the 2002-2009 period was calculated on the basis of the data in the Statistical Yearbook of the Republic of Serbia at permanent prices of 2002.

macroeconomic stability in as short a time period as possible. The concept was based on the most important principles of the transitional economy, namely deregulation, liberalization and privatization. The market was completely liberalized, the borders for free competition of foreign companies were opened, there was an enormous import of consumer goods and capital as well as an accelerated transformation of social property into private property. Those were the most important levers of the construction of a new model of the industrial and economic development of Serbia. In such circumstances, the economy and the market were sent a false signal on the lucrative or non-lucrative of the whole activities. The import of all kinds of things was being favored and there was great lagging of export. All that reflected on the movement of industrial production as well as on the share of industry in the creation of the GDP" (Boskovic, 2011:237-238).

**Table 3.** The share of industry and building construction in the structure of the GDP of transition countries in 2006<sup>2</sup>

Country	Share in %
Czech Republic	38.3
Slovakia	35.0
Romania	34.5
Slovenia	34.1
Poland	31.7
Bulgaria	31.5
Hungary	30.7
Serbia	29.1

Source: Eurostat and the Statistical Yearbook of the Republic of Serbia, 2008, p. 104.

Apart from the achieved initial results of privatization in Serbia after 2000, the expected results of the growth of the GDP and export failed to appear. During the privatization process, no account was being taken of the origin of the capital of the owners who took part in the privatization of domestic enterprises or of the profile of the capital owners' enterprises. So it was frequently the case that domestic enterprises were bought by a capital owner with bad business results. The reason for the low growth of the GDP after the

<sup>13</sup> The Washington Consensus is a coined term introduced in 1990 by John Williamson, an economist, unifying the basic principles which the economic policy of Latin American states should lie on. (The same group of recommendations was later applied to the rest of the world.) In the formulation of these principles, the International Monetary Fund, the World Bank for Reconstruction and Development and the US Treasury Department had the key role. All three institutions have their seats in Washington, so that is what the term was coined after. In ten points, the Washington institutions recommend: 1) Budgetary (fiscal) policy; 2) Redirection of public spending toward the fields providing a high rate of economic return and have a potential for a more just redistribution of income, like investing in primary health care, primary education and the infrastructure; 3) Tax reform reducing tax rates and broadening the base for taxation; 4) Abolishing the limitations related to the forming of interest rates, i.e. their liberalization; 5) Policy of competitive foreign exchange rates; 6) Trade flows liberalization; 7) Liberalization of foreign direct investments; 8) Privatization; 9) Market deregulation; 10) Private property protection (Katic, 2010).

<sup>14</sup> Taken from the deindustrialization (Kacarevic, 2009).

privatization, too, is in the structure of the FDIs in Serbia. “In front of all of us, ‘the development model’ in Serbia was dominantly reduced to the opening of banks, shopping malls and betting places and for building luxurious business and residential buildings. In the structure of the added value, almost 60% originates from services, and just 29% from industry and building construction. In comparison with the EU countries, which are closer to Serbia according to the level of the GDP per capita, they are seen to be having a far higher percentage of the share of industry and building construction (Table 3) than it is the case in Serbia” (Soskic, 2009:31).

The low volume of investments in industry in the past 20 years has had an impact on the drastic decrease in its share in the structure of the GDP and export today. According to Vučković, “in the previous ten years, the Serbian industry has lost the game”. At an average annual growth of the GDP of 5.4% (in the period prior to the crisis, 2001-2008), services had been growing at 6.6% and industry at 1%. A small positive contribution of industry to the growth of the GDP was completely obliterated in the crisis year of 2009, so that, from the point of the creation of a new value, it comes out that it would have been better for the industry in the previous ten years not to have been operating at all! In the pre-crisis year of 2008, too, industry produced just slightly more than in 2000, however still less than one-half than twenty years ago. The number of the employed in industry during the 2000s was halved. The share of industrial production in the creation of the gross domestic product was (only) 13%, and is the lowest in the region, structural changes are modest and are slowing down, losses are accumulating” (Vuckovic, 2010).

Differently from the other countries in which the process of reindustrialization began in the mid-1990s, deindustrialization in Serbia continued during the first decade of 21<sup>st</sup> century as well and has continued till today. “That would not have been much of a problem had the service sector been capable of developing itself faster and annulling the negative trends in industry. Yet, there is a problem impossible to bridge: 95% of our exports accounts for the products of the processing industry. Even if those services which can be exported (e.g. software designing) had been developed faster, the significance of goods in exports would still have been dominant, too. The then ongoing crisis meant a stoppage in the inflow of foreign capital (loans and FDIs) and left us without foreign currency we could earn on our own. Since currently it is impossible for us to earn a lot of foreign currency, the only thing we have been left with is to “learn our lesson” and return to goods and industry” (Vuckovic, 2010).

The backbone of the export from Serbia in the period yet to come could be the increased production of food, the production and not only the assembly of cars (Zastava automobile Srbija) and car components (JURA-Rača and Niš), the production of electronic equipment and devices and information technologies. “The food processing industry can become a significant exporter of healthy (organic) food with the nationally recognizable origin. The export of these products, especially to the EU market, requires that the domestic regulation in production and the control of food be adapted to the requests of a new market. Apart from export, the food industry determines the food security of the country ensures the production of raw materials for other branches and has a multiple impact and significance

for the complementary development of agriculture and for intensifying production in it" (Micic, Zeremski, 2011:63).

Apart from its stagnation during the financial crisis, the significance of the development of the car industry is mirrored in the fact that it setting an example in introducing the most contemporary technologies and engaging a large number of inputs and sub-contractors. On the other hand, it has a big multiplier effect on the development of the domestic economy as well as the fact that the world's leading car producers import almost one-half of components or dislocate their production to countries with low-salaried employees. What could be the obstacle impossible to bridge when export is concerned is the low competitiveness of the domestic industry, which is the consequence of the low degree of the utilization of the capacities and the low labor productivity in industry. The problem of low productivity can be overcome by the successful completion of the started process of transition. Some researches indicate that "privatized industrial enterprises have not improved the effectiveness of their business operations (as a logical consequence of the change in the ownership structure) as well for the reason of, among other things, the fact that new owners were not interested in intensifying the existing production. The turnover of capital is slower in industry and requires incomparably more knowledge and managerial skills, which domestic private owners neither have nor can acquire in a short time. Only a small number of privatized enterprises have produced significantly better results than before privatization and thanks to entering the ownership of foreign capital (e.g. Slovenian and Croatian) because those companies, mainly, have no problems of bad privatizations (a fall in production, facility discontinuance, firing employees and so forth)" (Boskovic, 2011:242).

It is a fact that the process of reindustrialization is necessary in Serbia in this phase of its economic development. This is also confirmed by the experiences of the East European countries (the example of Czech Republic, Slovakia and Hungary) which have already gone through the phase of development which Serbia is currently in. Which way is it to be achieved? The state should have a significant role by reaching a clear long-term strategy of industrial development. In the starting phase of reindustrialization, the state should ensure a healthy economic environment for the inflow of FDIs for capital investments by simplifying administrative procedures. By creating a safer business environment, conditions are provided for a greater inflow of investments. By decreasing public spending and by reducing it to realistic frameworks as well as by privatizing the public sector, which in Serbia is a large user of budgetary funds, realistic conditions are created for increased investing in all economic areas, including industry, too, from own sources.

After what happened after the World Financial Crisis, there have been more and more advocates of the "balanced" state administration. "Today, the social-market economy, the socially responsible state and so on is what is more and more often spoken about. After 2007, the USA and Great Britain made a turn towards the development of industry because they freed themselves from the illusion that, instead of an industrial society, a service society has developed". Industry is still the backbone of the German economy; it is also the basic lever of the development of the states which belong to the so-called fast-growing economies (the BRIC countries). What is common to all new ideas is that a pathway

towards economic stability is not sought in ever-increasing refutation and restrictions but rather in reforms which encourage the growth of production" (Korak, 2008).

### **Conclusion**

The process of industrialization/deindustrialization in Serbia was carried out in two phases. Until the beginning of the 1980s, a high rate of the development of industrial production and an increase in the share of industry in the structure of the GDP of the economy from 20% to 44% were recorded. The period from the beginning of the 1990s until today has been marked by the absence of investments in the economy, industry in particular, accompanied by radical deindustrialization. Today, the share of industry (16.0% from 2009) in the structure of the GDP is at the level of the share of more than 50 years ago.

After the twenty-year-long deindustrialization of the Serbian economy, the level of industrial production is around 40% of the one in the 1990s. The continuation of this process will lead to further structural disturbances and to the yet more difficult restoring of the role which industry used to have during the post-war development of the SFRY. It is a fact that the process of reindustrialization is necessary for Serbia in this phase of its economic development. This is also confirmed by the experiences of the East European countries (Czech Republic, Slovakia, Hungary) which went through the phase of development Serbia is currently in.

There is a dilemma on how the process of the reindustrialization of the Serbian economy should be carried out. The key role must be given to the state by creating a safer economic, political and legal environment through the simplification of the administrative procedure for the inflow of FDIs as well as by reaching a long-term strategy for industrial development with clear goals, priorities and bearers of a future industrial development of the Serbian economy. The key goal of the strategy of industrial development must be the identification of a future development of the industrial branches in order to modernize and raise its competitiveness on the international market. Increased state administration, however, has as a consequence getting away from the market model of the functioning of the economy.

A successful industrial development can be achieved through structural reforms and increased infrastructural investments. The privatization of the government sector should be conducted and public spending should be reduced to realistic frameworks as soon as possible in order to create conditions for increased investing in the economy and industry from own sources. The efforts to carry out reindustrialization in Serbia that have been made so far have failed and have been without a clear policy of the development of industry.

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## PROBLEMI DEINDUSTRIJALIZACIJE PRIVREDE SRBIJE<sup>1</sup>

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### Rezime

*U radu je analiziran proces industrijalizacije, odnosno deindustrijalizacije privrede Srbije u periodu posle Drugog svetskog rata do danas. U posmatranom razdoblju zabeležena su dva suprotna procesa. Do početka osamdesetih godina u Srbiji se odvijao proces ubrzane industrijalizacije privrede. Industrija je povećala svoje učešće na oko 44% u strukturi BDP.*

*Početkom devedesetih godina Istočnoevropske socijalističke zemlje i Srbija su započele proces tranzicije privrede i privrednog sistema. U početnoj fazi tranzicije sve zemlje su zabeležile negativnu stopu privrednog rasta, pad BDP i smanjenje učešća industrije u strukturi BDP privrede. Za razliku od zemalja u kojima su negativne tendencije privrednog rasta zaustavljene polovinom devedesetih godina, a koje su 2004. i 2007. godine postale članice EU, u Srbiji je negativan trend privrednog razvoja i deindustrijalizacije privrede nastavljen i tokom prve decenije XXI veka.*

*U prethodnom dvadesetogodišnjem periodu BDP privrede Srbije je smanjen na 60% nivoa iz devedesetih godina XX veka. Učešće industrije u strukturi privrede 2009. godine od 15,9%, niže je od učešća industrije Jugoslavije neposredno posle Drugog svetskog rata (oko 20%).*

***Ključne reči:*** *industrija, deindustrijalizacija, reindustrijalizacija, privreda Srbije.*

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