SHOULD RE-INDUSTRIALISATION REPRESENT THE FINAL STAGE OF TRANSITION THE CASE STUDY OD SERBIA

DA LI REINDUSTRIJALIZACIJA TREBA DA PREDSTAVLJA ZAVRŠNU ETAPU TRanzICIJE – STUDIJA SLUČAJA ZA SRBIJU

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Abstract: The initial thesis in this paper is the basic condition for completion of (economic) transition in Serbia through incapacitating of enterprises for business activities within the Internal European Union Market. The second thesis is that the solution of this problem is based on the paradigm of reindustrialisation in the context of: (1) enhancement of all forms of management, in particular in the field of export clusters, business networks and alliances and sector of production of public goods and services of public administration. (2) observing of principles of participation and consensus of economic and social partners, and (3) precise and transparent professionalisation and decentralisation of functions of public regulation of economy and economic development. The third thesis is that for realisation of the project of reindustrialisation it is necessary to create conditions for constituting of good business environment in the function of stimulation of (private) production investments into exporting industries. The fourth one is that the development of good business environment depends much more on internal factors than on the external surroundings. In accordance with the above, the appropriate solutions for constituting of good business environment in the function of reindustrialisation of Serbia should be looked for in: (1) the development of stimulative market and institutional environment for the development and more complete employment of available economic, technological and human potentials with the optimum allocation of production factors and development based on cooperation of all stakeholders of modern industry, supplemented with harmonised and efficient public regulation of economy and economic development, and (2) intensification of structural changes in market, technological, organisational and cost performances of agricultural estates, industrial enterprises, business activities and complexes.

Key words: Transition, Reindustrialisation, Good Business Environment, Macro-management, Development Oriented Coalitions, Industrial (Production) Entrepreneurship

JEL Classification: L10, L22, L51 D83, F41

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1. Introduction

Within the last seventeen years Serbia has not managed to develop the appropriate social-economic environment that would reply positively and regulatory to the challenges of: (1) decentralised management of business and development undertakings, and (2) co-ordination and mobilisation of group and individual development initiatives and means. The problem of the method of completion of the process of economic transition shall be considered in the light of three phenomena which mark the economic reality of Serbia and life of its citizens as entrepreneurs or workers.

The first is a generally known fact, although analytically insufficiently observed, that the last twenty-seven years have been practically lost for Serbia. According to the key macro-economic indices, such as gross national product, employment, productivity and real export of goods and services, national economy is at the same place where it used to be in the beginning of the seventies of the last century.

The second results from extrapolation of the current development trends on development streams in future. Judging by the average economic growth rate, which was recorded from 2001 to 2007, Serbia will need ten to fifteen years to raise the level of production up to the pre-transition maximum. Even if Serbia would record the economic growth rates equal to those recorded in its most successful period of industrialisation, which lasted from 1950 to 1980, it could reach the current average of the European Union only between 2040 and 2050.

The third is the fact that radical changes of the social-economic system and state-legal framework, large human and material sacrifices and dynamic development in certain periods within the last hundred years have resulted with the fact that all this disproportional social and economic effort kept Serbia at an equal development distance from the developed European economies.

There is neither a unique recipe nor safe mechanism of realisation of successful planning and realisation of projects of completion of (economic) transition. According to the author's opinion, the solution should be searched in two directions. One is the development of stimulative market and institutional environment for the development and more complete employment of available economic, technological and human potentials and optimum allocation of production factors and development based on co-operation of all stakeholders of modern industry supplemented with harmonised and efficient public regulation of economy and economic development. The second is searching for the optimum solutions for realisation of structural changes in market, technological, organisational and cost performances of agricultural estates, industrial companies, business activities and complexes. The content of objectives and actions of such a complex strategy depends on finding the right answers to a very simple question: "What shall Serbia live on?". According to the author's opinion, searching for answers should be based on the paradigm of re-industrialisation in the context of: (1) enhancement of all forms of management, in particular in the field of export clusters, business networks and alliances and sector of production of public properties and services of public administration. (2) observing of principles of participation and consensus of economic and social partners, and (3) precise and transparent professionalisation and decentralisation of functions of public regulation of economy and economic development.

In this context, the analysis of problems of setting the objectives and actions of the strategy of completion of the process of (economic) transition shall be carried out based on synthesis of the research on five topics: (1) more precise setting of contents of re-industrialisation paradigm in the context of the current social-economic moment of Serbia, (2) analysis of the basic determinants of re-industrialisation strategy in Serbia - so that more precise setting of the contents of good business environment could be executed based on that, (3) attempt to define concrete contents of objectives and actions of public regulation within the strategy of development of good business environment as the basis for realisation of the project of re-industrialisation of Serbia, (4) analyses of interests of key stakeholders at the social-economic scene of Serbia aimed at setting of barriers that block the development of good business environment, (5) more precise setting of factors that block the development of industrial (production) entrepreneurship as the basic phenomenon that should initiate the process of essential enhancement of micro-economic performances.

2. Re-industrialisation as the basis of strategy of structural approximation and development of Serbia

The term re-industrialisation denotes the process of transformation of economic structure based on the development of heavy mechanical industry and application of industrial methods and means for work in other production and on-production activities and, in certain way, in non-economic activities.
as well (Adžić 2006, ss. 421-2). In accordance with this, industry includes the following, in addition to traditional activities: extraction industries, processing industries, water, electricity and gas production and distribution and activities such as financial industry, agro-industrial complex, industry of business services and tourist industry1. Their inclusion has changed the understanding of the essence of industrialisation. The phenomenon of re-industrialisation is connected, primarily, with the change of development paradigm according to which the phenomenon of successful development is not in possessing of natural resources and capital in the function of mass processing of natural materials in standardised products any more but it depends more and more on available technology, education and motivation of entrepreneurs, managers, experts and employees, efficiency of investments and skills in providing co-operation with the key partners in the reproduction chain (suppliers of energy, raw materials, intermediary products and business services, distributors and consumers) - Bošnjak 2006, ss. 24-28. Re-industrialisation is marked with the following social-economic phenomena:

The first - social-economic changes have to provide conditions for implementation of requests for permanent improvement of functions, qualities, reliability, serviceability and other usable values of properties in accordance with differentiated needs of consumers (that are subject to constant changes – author’s remark). The basic implication is that political, economic, social and cultural obstacles to innovative behaviour of individuals, organisations and institutions have to be eliminated if internationally competitive and economically rational development is desired. Moreover, social-economic changes in Serbia should go even a step further and punish highly severely those who attempt to maintain the status quo status or market goods that threaten life, health and other legitimate interests of users and consumers.

The second - social-economic conditions should provide for the increase of participation of knowledge (research and development, design, marketing, financial engineering, process organisation) in total costs of simple and extended reproduction of (national) economy. The main implication is the increase of the role of industrial (production) entrepreneurship and education in relation to all other elements of production super-structure (arable land, permanently planted parcels, buildings, equipment, means of transport).

The third – revitalisation and development of real economy is conditioned not only with changes in its structure, organisation, technical and staff components but also with the corresponding changes of all other economic and non-economic activities. That is why the role of banking and generally of the entire financial system is radically different for a contemporary market economy than it used to be in the past (its main task today is to widen the spectrum of collecting and allocating of free/available resources of the population and economy in the function of extended reproduction and stability of business activities conducting – which is why the term financial industry is used as well!). Similar can be said for trade (it should be based on commercial and not on the borrowed (financial) capital) and it also has to dispose with the appropriate physical and labour resources for successful realisation of turnover in global proportions. The change of the role of education and health care are of special significance as well as the institution of national representational, executive and judicial power, administrative infrastructure, interest based associations, trade unions etc. The basic implication is that the state, as the main holder of changes in this sphere, has to eliminate all forms of support to the survived production technologies (for example, of favourite national paradigms – stimulating of export at any cost and subsidising of outdated industries aimed at preservation of the employment level) and define several (non-addressed?) programmes that would act synergistically on revitalisation and development of national economy.

The fourth component of re-industrialisation implies absolutely and relatively high/large expenses for development and implementation of high technologies and the needs for access to large markets aiming at their economic valorisation. The operationalisation requires, on one hand, the concentration of scientific-research potentials in economy, their specialisation, inclusion in international programmes of co-operation for certain types of business undertaking and, on the other hand, deconcentration for daily, most diverse and unpredictable business and technological innovations – up to the level of the smallest business units and their executors. The current situation in Serbia is such that there is no definition of relevant factors in terms of creation of

general social-economic framework for implementation of this request. Actually, the impression is that concrete commitment is being given up and it is thought that this problem shall be resolved on its own, through the current European integration project.

The fifth, significant specific characteristic of re-industrialisation is creation of conditions for privatisation of development and, based on that, the increase of efficiency of investments in new technologies in relation to traditional ones. Unfortunately, even after seventeen years since restoration of capitalism in Serbia, the basic conditions for the growth of efficiency of new technologies have not been created yet, and therefore there have been almost no projects of revitalisation of the existing capacities and equipment - through modern technologies and reconfiguring of available production factors based on industrial (production) entrepreneurship and mass innovative activities. On the other hand, it is obvious that public factor has limited, due to different less or more visible and invisible restrictions and privileges, the circle of holders of development privatisation (let us take only one obvious example - two largest trade companies in the field of distribution of daily items deal with the high profit margins that reach up to 100%). On the other hand, it is often emphasised that development requires direct foreign investments and growth of participation of equipment in import. Both of the above-mentioned make no sense in economy where the capacities are used with only 30 to 40% and in many fields even below 20%. This implementation certainly means giving up the concept of "playing with zero amount", namely practical application of philosophy defined as follows - if someone is to win (which in our case refers to public finances, financial sector and commerce) someone else has to lose (export industries and agriculture).

The above-mentioned proves that re-industrialisation of Serbia is governed, primarily, by social forces and social system. The biggest barriers are the forces that have oriented their entrepreneurial inclinations/aspirations and ambitions in the directions of conservation of the relationship of power created in the stage of unclear, misty and manipulative transition. In this context the attempt was made to define more precisely the contents of the basic determinants of re-industrialisation strategy in Serbia.

3. Basic determinants of re-industrialisation strategy of Serbia

The starting background for defining of re-industrialisation strategy of Serbia is definitely made up of long-term development trends and processes connected with: (1) globalisation of the world economy and culture of living and work, (2) European integration processes in the function of firmer linking of national economies and their production systems, (3) liberalisation of commodity, financial and technological trends and methods of organising and directing of economic activities, (4) privatisation of development, (5) increase of the role of services and information technologies in creation of added value, and (6) implementation of the concept of sustainable development (Adžić 2003, s. 99). In this context, national re-industrialisation strategy should provide for:

- **One**, opening of national industry (in its wider meaning - author's remark) towards the world market and increase of participation of export propulsion productions (on at least 2/3 of production of real economy) based on rising of their competitiveness.
- **Two**, fostering of mobility of production factors and economic development, re-orientation or winding up of production programmes and companies that have no perspective on the market with minimising of subsidies from public funds and provision of measures of active social policy in the function of successful accomplishment of structural changes and protection of a large number of people who shall be left without their jobs in that process.
- **Three**, the increase of participation of larger craft workshops, small and medium-sized enterprises in generation of national product in industry.
- **Four**, the reform of national, regional and local public administration and public services in the function of harmonisation with the requirements of public regulation according to the European Union standards and possibilities of industry itself to finance their expenditure.

The main goal of re-industrialisation strategy of Serbia designed in such a way is to stimulate the development of such forms of production that can reach the efficiency and competitiveness levels in terms of prices, quality, design and provision of after-sale support in conditions of severe international competition based on the available production factors and those that shall be developed in future. Only the intensive international competition
can force national companies, entrepreneurs, managers and their expert teams to improve production continuously, raise the quality of goods and accompanying services aiming at their placement in export, which shall provide for economically rational reproduction process. The significant role in all that should be played by larger craft workshops and small and medium-sized enterprises, which would direct themselves towards specialised production and generating of organisational, marketing and technological innovations aimed at finding the unexploited market niches within the unique European economic space under the influence of competition and based on economic motivation and their own capital.

Having in mind the lack of operating and investment capital, the priority in short-term sense should be given to activities generating the most favourable net foreign currency effect. This refers primarily to faster growth of production and export of agro-industrial products, non-electrical and electrical machinery, means of transport, chemical products, clothes and footwear. In parallel, the process of establishment and development of larger craft workshops and small and medium-sized industrial enterprises should be stimulated as they could provide for revitalisation and development of branches that would contribute the most to the growth of export in future while the non-prosperous reproduction process. The significant role in all that belongs to creation of capable management teams and companies should be wound up.

The main role of re-industrialisation strategy in the medium-term period is creation of system conditions for increase of profit in business activities of companies and revival of investment activities. Only the combination of effects of increase of profit rate based on increase of export, new investments and increase of their efficiency can provide for better allocation of resources and inflow of national/domestic and foreign capital in the function of revitalisation, modernisation and increase of capacities and provision of operating capital. The key role within this belongs to creation of capable management teams (composed of entrepreneurs, managers and expert teams) in companies. The role of public regulation in this field consist of modernisation of physical infrastructure, creation of the system environment, development of institutions and constituting of mechanisms that provide for market oriented business activities and independence of economic entities.

4. Re-industrialisation, good business environment and economic policy

The main condition for realisation of re-industrialisation project as the final stage of (economic) transition in Serbia is incapacitating of companies for conducting business activities in conditions of open market economy. Unfortunately, the relevant facts point to the fact that reactions and actions to adjustment of national companies to challenges of market economy is still, after seventeen years since the beginning of transition, far from their behavioural patterns and modern market economies. In the beginning of transition the prevailing opinion was that macro-economic stabilisation, liberalisation and privatisation shall move automatically the existing companies to re-structuring in the direction of higher efficiency and new ones to behaviour appropriate to market oriented business activities. However, it proved that the connection between these two phenomena is not either simple or unilateral and that in a large number of cases modern globally oriented companies have not been created (namely, that there are only a few such companies and that they are currently owned mainly by foreign capital). Before the analysis of the (scientific-public) method of resolving of this problem it is necessary to give the outline of the current status. Generally speaking, most companies in Serbia are characterised by the following key economic, organisational and staff aspects:

- **First**, low economic, marketing and technological performances that cumulative result with: (1) small added value per employee (from four to twenty times smaller than the one in analogue companies in the EU member states), (2) high consumption of raw materials, energy, production and operating capital per product unit (there are no reliable data on this and estimates range from 30% up to 100%), (3) poor quality of goods, (4) low ecological performances of processes and products, etc (Adžić 2005, ss. 341-2).

- **Second**, financial performances of companies still depend mainly on general economic and social characteristics of external national environment and not on individual efforts. The monopolistic and oligopolistic position and conjunction with centres of political power is often the main factor that ensures good financial results.

- **Third**, the undefined approach to implementation of changes. Measures for radical personnel, organisational and motivational re-structuring have been undertaken in most companies after
privatisation but it is not clear up to which extent have those changes been in the function of real adjustment to market oriented business activities conducting. There is a very small number of empirical researches on this issue, but, generally speaking, weak impulses of privatisation stimulating the enhancement of competitiveness in Serbia on a relative scale of its measuring in global framework suggest indirectly that those changes were in the function of some other objectives of new owners and directly that their entrepreneurial performances are very low.

- **Fourth**, foreign investors were interested primarily in companies having monopolistic and oligopolistic position on fast growing internal markets. Due to that, radical changes in the management structure, organisation and motivation in the function of their harmonisation with those that exist in parent companies did not have any synergistic effect on changes in behaviour of other companies.

- **Fifth**, the effects of (partially) realised programmes of re-structuring of public companies aimed at adjustment to new institutional and market conditions of conducting of business activities are not clear and they are mainly counter-productive in developmental sense. The political factor that stands behind certain public companies and management appointed in that way have mainly strived to implement changes that were in the function on acquiring of their privileged position or realisation of some other individual or group objectives and not of their placing in the function of public service that provides efficient market business.

- **Sixth**, the undeveloped specialised institutional and market infrastructure (primarily, the financial market that is oriented towards financing of import, current reproduction and physical persons, undeveloped and incomplete labour markets, managers and companies) for the needs of re-structuring of companies and their mutual relations in the reproduction chain as well as the lack of political will for courageous opening of processes of integration, divestment and liquidation (which can best be seen in concrete solutions for preparation of companies for privatisation) have acted as limiting on the direction and intensity of their adjustment to market conditions for business operations.

In the above-mentioned context we can also define the key limiting factors for enhancement of performances of companies according to the open market economy criteria. The key problem is certainly the fact that instead of the invisible market arm there is actually the existing (still less than in the period prior to the year 2000) visible managing of commercial companies and lucrative business undertakings by distribution oriented coalitions under the control of dominant political options in power. The competition is undeveloped and deformed. The suppliers of entrance inputs are small in numbers and with low economic and technical performances. Trade unions are disorganised and without negotiation power, tradition and culture. Entrepreneurship and management are conservative, passive and insufficiently productively motivated. Due to weak legal protection and in transparent arbitrarity of political factor - economic and non-economic risks act as limiting on private investments into revitalisation, modernisation and development of export industries.

The above-mentioned factors emphasise that the essence of problem of low efficiency of national companies is in the fact that there is no set complementarity between the role of the state in economy and private stakeholders. This brings us to the essence of public intervention in the field of development of good business environment. There is no doubt that global market (namely, in the case of Serbia, the Internal European Union Market - author's remark) confirms or does not confirm the justification of certain intervention prone politics. The competition pressure on the global market is the main and most important mechanism that moves economic entities in the direction of adjustments to the changed conditions for business operations conducting. However, market is not a sufficient mechanism for ensuring of necessary direction and dynamics of changes. Re-structuring of production capital, business processes and production programmes depends primarily on a complex information system in which market competition is only one of the sources of motivation. Economic entities have to behave in a co-operative manner because their inter-dependence provides them, through the effects of learning, co-operation and shared investments, the missing resources and performances necessary for rational business operations in conditions of intensive international competition and dynamic changes in political, economic, social and demographic sphere. Actually, a successful (national) company, namely agricultural estate is the product of the total social-economic efforts that they employ, as basic stakeholders of business operations conducting in
contemporary market economy, to integrate themselves into a complex hierarchical system divided in four levels:

The first level includes individual companies (and agricultural estate unified in co-operatives or linked directly with the appropriate processing companies) unified in export clusters or business networks and alliances (speaking in old terms: business reproduction units) in the way that provides for economically and technologically efficient business operations in conditions of global competition and other rigidities imposed by the protectionist oriented foreign-economic policy of the developed market economies.

The second level includes individual companies unified in macro-reproduction units that provide for the optimum (national) social division of work and its supply with all necessary physical inputs (in particular with: energy, raw materials, basic reproduction materials, intermediary products, business services, services in transport and telecommunications) under the most favourable economic and technical conditions. In a wider sense, those macro-reproduction units also include (large) commercial/trade companies, both on the side on entrance inputs and intermediary products and on the side of marketing, placement and provision of after-sale support on the target segments of the global market.

The third level includes individual companies in institutionally arranged framework of the national social-economic environment. Its main task is the supply of companies with human capital, public properties and public administration services in the way that acts stimulatively on their behaviour in the sense of satisfying of wider social-economic objectives - based on the criteria of increase of competitiveness of products, processes, companies, business and macro-reproduction units. The contents of institutional set up should be provided to each company: (1) development motivating environment, (2) business motivating environment, (3) enhancement of management, (4) participativity and decentralisation, and (5) consistent, transparent and precise vision of economic, social and technological development.

The fourth level includes individual companies in institutionally arranged framework of the Internal European Union Market, namely of other segments of the global market (primarily of the USA, Russia, other countries of Commonwealth of Independent States (CIS countries) but also of China, Japan and India). Its task is to provide for the economy of scale and enhancement of development of such forms of production that can reach the efficiency and competitiveness levels in terms of prices, quality, design and provision of after-sale support in conditions of severe international competition based on the available production factors and those that shall be developed in future.

The establishment of the above-mentioned structure is the result, primarily, of intelligent public regulation of economy and economic development, which is defined, first of all, by good contents of the current economic social and educational policy (Adžić 2006c, ss 315-39). This fact points to the following key moments:

- **First**, measures and instruments of economic policy in the function of development of good business environment intertwine with the contents of the key sectoral (development) policies, primarily with the strategy of development of agro-industrial complex, industrial, commercial/trade and educational policy, policy of development of entrepreneurship, "small" business, small and medium-sized companies and strategy of technological development and policy of sustainable development. That is why there is no need to define the explicit strategy of development of good business environment, but rather its objectives, measures and instruments should be included in all key sectoral policies, with the emphasis on activities for fostering of diffusion of organisational innovations and development of business and work culture oriented towards the global market (for agro-industrial complex) and Internal European Union Market (for other processing industry) in the direction of satisfying of needs of concrete consumers and development of co-operation bringing benefit to all as the basic sources of existence of each economic entity and business undertaking.

- **Second**, the reach of measures and instruments of economic policy in the function of development of good business environment is limited when: (1) there is no developed system of automatic

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2 For more details see: Adžić, S. (2006), Kako poboljšati izvođenje performanse produkcije u institucionalno neuređenom okruženju?, Monograph (edited by Rosić, I. and Leković, V) “Institucionalne promene kao determinanta privrednog razvoja Srbije”, Ekonomski fakultet, Kragujevac, ss. 118-131. At the level of agro-industrial complex one more (zero-basic) level should be added. This level should include economically sustainable agricultural estates (in the form of family farms) in specifically institutionally arranged frameworks of national social-economic environment. Its main task is to initiate and support the process of development of the world competitive primary agricultural producers through a complex package composed of public properties and public administration services.
stimuli, namely different market and non-market forms of motivation, (2) general economic climate, namely general economic structure shortens significantly the time horizon of the key business decisions, (3) fiscal and parafiscal liabilities from regular operations are high, and (4) the gains from introduction of business innovations and intensification of international co-operation are marginal in relation to other possibilities of acquiring of economic and other status related gains. In this case, measures based on financial instruments usually do not result with real actions in enhancement of performances of entrepreneurs, managers and companies according to the criteria of open market economy because they are used as compensation for business activities in conditions of dissimulative macro-economic environment.

Third, in the case of Serbia, we have the situation that (most) entrepreneurs, managers and companies, namely agricultural estates, are not able to conduct screening of an actual internal situation and its evaluation in the direction of opening towards the European environment and administration is not able to correct those shortcomings (which is reflected, primarily, in the absence of explicit version of national industrial policy and (export oriented) strategy of development of agro-industrial complex!). This narrows significantly the manoeuvring space for implementation of development strategy for a good business environment and it can be placed, speaking on a short-term basis, in the domain of measures and instruments for: (1) fostering of development of new business and work culture, (2) implementation of production-technological standards, introduction of the product and process quality assurance system (according to ISO 9000:2000 standard) and (3) implementation of the concept of sustainable development in current business activities (according to ISO 14.000 standard and other applicable international recommendations).

5. Good business environment and interests of the key participants in industrial sector of Serbia

National and business environment are parts of wider framework within which the national economy functions, with highly complex and conflictingly defined contents (national and European legislation, rule books and other regulations, international, European and national production-technological standards, institutions of national and European representational, executive and judicial power, national, European and global political and economic organisations and their institutions, national and European administrative, financial, NTIOK infrastructure (Adžić 2006, ss. 199-204), different national and international interest associations, trade unions etc.) that determine the behaviour of all the participants. Each element of business environment defined in such a wide way reflects the position of concrete interest group, which is included, either directly or indirectly, in industry and setting of economic system institutions and contents of objectives and actions of development, economic, educational and social policy. However, the development of good business environment depends much more on internal factors than on external surroundings. The argument in favour of this thesis is the fact that we should analyse the internal factors in order to find the cause for: (1) hesitation of the private sector to enter into some key sectors of real economy (primarily in the existing companies of electricity-metal complex and the complex for consumers' goods production), and (2) its orientation towards the activities with the existing monopolistic or oligopolistic position on the national market (production of existential food products, beverages, tobacco processing, cement production etc.), often in combination with strong public impact (in the sense of non-economic protection of conditions for conducting of their business activities and preservation of the existing market position, as it has become obvious in tobacco processing industry). On the other hand, privatisation of companies with oligopolistic or monopolistic positions on the national market and wild privatisation of development of new industries has resulted with a significant decline of quality of products, phenomenon of threatening lives, health and other legitimate interests of consumers and employees, massive number of tax evasion cases and other negative social phenomena.

In this context and based on re-industrialisation criteria, in addition to the public factor and private sector, the strategy of development of good business environment has to include external partners in reproduction chain and consumers and employees linked based on the "bottom down" and "bottom up" principles. Let us see the key partners and interests in the reproduction chain defined in such a way:
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<th>STAKEHOLDERS</th>
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| INDUSTRY     | High profits.  
               As easy and cheap access to inputs as possible (low prices and high quality of energy, raw materials, intermediary products and business services, reliable and timely supply, high level of freedom in selection of suppliers from the country and from abroad).  
               Cheap financial support in export and investments.  
               Public support in provision of access to foreign markets.  
               Low fiscal burdens.  
               Stable external conditions for business activities conducting.  
               High protection against internal and international competition.  
               Dislocation of business, health, security and other risks in business operations on employees and the state.  
               Low level of public regulation of prices and quality of final products.  
               Low level of regulation of environmental protection and exploitation regime of public and natural resources.  
               Wide freedom in selection of production scope and structure.  
               Wide freedom in selection of employment scope and structure.  
               High protection against internal and international competition.  |
| EXTERNAL FACTORS IN REPRODUCTION CHAIN | Favourable (internationally competitive) prices of final products.  
                                           Appropriate quality of products (the most favourable relation between prices and quality).  
                                           Wide assortment.  
                                           Economically efficient and profitable production.  
                                           Wide freedom in selection of co-operation scope, method and duration.  |
| CONSUMERS     | Quality, life and health safe products.  
               Low prices.  
               Wide assortment.  
               Reliable and timely supply.  
               Reliable information on products.  |
| EMPLOYEES     | High safety in employment.  
               High standard of living.  
               High level of protection of life and health at work place.  
               Precisely and transparently regulated promotion conditions.  
               Precisely and transparently regulated working hours.  
               Possibility for vocational training and education.  |
| PUBLIC SECTOR | Setting of an environment for internationally efficient production.  
               Balanced foreign economic relations in short, medium and long-term sense.  
               Reliable supply of the market with existential industrial products under acceptable prices for all categories of consumers.  
               High and stable fiscal revenues.  
               Protection of lives and health of consumers.  
               Protection of lives and health of employees in industry.  
               Environmental protection.  
               Sustainable economic development and rational exploitation of natural and public resources.  
               Minimising of conflicts between industry and external reproduction factors, industry and consumers, employers and employees.  |
| EUROPEAN UNION | European integration of input market.  
                   European integration of output market.  
                   Harmonisation of regulations, technical-technological standards, regulations on environmental protection, protection of lives and health of consumers and employees, sustainable development, exploitation of natural and public resources.  
                   Minimising of conflicts between the states caused by different interest structure in maintaining and developing of national industrial structures.  |

The following operational conclusions that are relevant for defining of the contents of development strategy for good business environment in the function of re-industrialisation of Serbia can be drawn based on the structure of interests of stakeholders of modern industry presented above:

- **First**, the adjustment of functioning of social-economic framework that determines the business environment which shall reply more efficiently to challenges of re-structuring and renewal of development of national industry in the function of establishment of the status of rela-
tive (business) cohesion according to the European standards assumes its institutional, personnel, organisational and technological re-structuring. This re-structuring is achieved, primarily, through processes of harmonisation of the structure and organisation of market infrastructure (Ibid., ss. 55-7), production of public properties and public administration and public services and regulation of their functioning with analogue European Union recommendations, regulations and standards and needs to introduce the system of managing the total quality in the activities towards third persons (economic entities and citizens as entrepreneurs, managers, experts and employees).

- **Second**, if constituting of good business environment in the function of re-industrialisation is seen as the method of operationalisation of individual economic preferences (of entrepreneurs, managers and expert teams) in the conditions of functioning of market criteria and internationalisation of business activities – in shaping of concrete model of organisation of national super-structure for regulation of behaviour of industry, it is necessary to observe the rules of democratic communication that shall provide for co-ordination of individual entrepreneurial initiatives, activating of all forms of human, financial and production capital and undisturbed flow of technical and business innovations.

- **Third**, the operationalisation of concrete contents of reform of national (both concrete and abstract) institutions should be based on activistic approach which would place, on one hand, the problem of efficient (non-addressed) stimulation of re-structuring of production companies and enhancement of knowledge and skills of entrepreneurs, managers, experts and employees and, on the other hand, the overcoming of internal and external limitations in the sense of (partial) substitution of administrative mechanisms in favour of strategic development co-operation and elimination of excessive impact of agreement between distribution oriented coalitions in the centre of regulation of behaviour of (national) industry.

- **Fourth**, the strategy of re-structuring and renewal of development propulsion based on re-industrialisation and establishment of relative cohesion in conducting of business activities according to European standards should not be treated as partial, with its own objectives and instruments. Its objectives and mechanisms have to be included, as it has already been pointed out, in all forms of development, economic, educational and social policy, first of all, in the functions of elimination of all forms of political, economic, personal and social barriers for the development of private sector and affirmation of the market mechanism. Due to that all forms of development, economic, educational and social policy should undergo, prior to operationalisation, the process of ex ante evaluation – «How shall the selected objectives and instruments affect diffusion of organisational and business innovations and development of (new) business and work culture and ethics in industry directed towards the market in the sense of satisfying the needs of consumers and development of business co-operation?». Considering that direct financial support to the industrial sector should be avoided in policies, public funds should be directed into the development of educational systems, enhancement of standardisation and metrology, provision of protection of lives and health, elimination of negative impacts on the environment. Direct financing should be provided only for the costs of regular and continuous education that is in the function of incapacitating of young people entering the labour market, entrepreneurs, managers and experts, namely employees who lost their jobs or being threatened by such possibility, in the sense of development of their internationally acknowledged competence in execution of their activities. The main vision of development of education in Serbia should be derived from the postulate that in global environment structured according to the neo-liberal concept everyone has the right to determine the place and conditions for work him/herself. The basic task of the educational system is to provide quality to its users that will enable them to be equal competitors on the European and other key segments of the global labour market. This type of education is the only one that provides the basis to national companies to obtain knowledge and skills from the (national) labour market that are necessary for the survival and development in conditions of severe and unequal market competition.

- **Fifth**, for enhancement of all active elements of national business environment it is necessary to provide the system integration of learning paradigm, which is defined as mass and mainly informal communication between individuals (in
the sense of internationally competent entrepreneurs, managers and experts, on one hand, and politicians and public officers on the other hand), economic, non-economic and public (institutions of representational and executive power and administration) stakeholders that ensures the division of work and specialization based on flow of information and exchange of experiences necessary for timely and (economically) efficient action of operationalisation of individual preferences in conditions of severe, open and unequal market competition.

After reflection of the above-mentioned conclusions onto the operational plain it can be seen that the solution to the problem of development of good business environment in the function of re-industrialisation of Serbia should be looked for in the following mechanisms: (1) promotion and development of business culture where timely fulfilment of all contracted and legal obligations would be given the key position, (2) promotion and development of new techniques for evaluation of business and credit capacity of each economic entity based on precise and clear standards, (3) finding of new solutions for (highly risky) financing of export projects based on generating and implementation of high technologies, (4) integration, divestment and liquidation in the function of clusterisation and networking of industry of Serbia, (5) encircling of legal-institutional infrastructure for implementation of the technique of collateral financing of equipment and reproduction material, and (6) promotion of new forms of associating and networking of companies through capital and consistent observing of all forms of private property right aimed at supporting higher investing of small individual funds in production purposes. It is obvious that operationalisation of these mechanisms is based on large-scale industrial (production) entrepreneurship.

6. What blocks the development of industrial (production) entrepreneurship in Serbia?

Let us see: «What blocks the development of industrial (production) entrepreneurship in Serbia? ». The author placed this problem in the context of creation of social-economic framework for restructuring and development of export industries that has been described above. The state of affairs is such that there is practically no actual private initiative for revitalisation and development of new export industries in Serbia. The fact of poor self-organisation of entrepreneurs and managers is of particular concern. Namely, the highest development of export industries in contemporary market economies has been registered in places of concentration of complementary (production, trade, financial, research, designing and educational) and competitive small, medium-sized and large companies, non-production and public stakeholders founded based on individual or group initiative of entrepreneurs themselves in narrower local, possibly sub-regional frameworks. Contrary to that, social and economic space of Serbia is marked by small, disorganised and sporadic activities in creation of good local (sub-regional) business climate and general regulation framework for business activities of private sector in industry. The fact is that in the period from 1990 to 2000 a significant corps of small private banks has been established, which should have the key role in establishment and development of local and sub-regional financial markets due to their size and possibility to set and create the contents of direct contacts with their clients. However, in the context of their actual activity, which exceeds the scope of this paper, the question is raised whether it was the matter of banks or something else, in particular in the light of their fast and painless disappearance from the financial market after the announcement for introduction of stricter regulation of their business activities. The experiences in the period from 2001 to 2007 show that not even the implementation of institutional reforms according to the European Union model with the emphasis on acquiring of trust of foreign investors resulted with explosive growth of new production companies because it has been proven that servicing of import of goods from highly developed countries is more attractive and certainly less risky alternative for foreign capital than investing into the development of export industries. Why have there been no real private initiatives for the development of export industries and, accordingly, no stronger pressure for enhancement of business environment in Serbia within the last seventeen years? According to my opinion, the reply should be searched for in domination of distribution oriented coalitions on the social-economic stage of Serbia (Adžić, Popović 2005, ss. 173 – 200).

Although small and underdeveloped country, Serbia is full of distribution oriented coalitions that cover all levels of its social-economic being in the form of pyramid. Let us start from the fact that ruling parties are the key distribution oriented coalitions. Such orientation is expressed with party affiliation as an exclusive criterion for the execution
of influential jobs in economy and public sector. This phenomenon is spread, according to the principle of concentric circles, in such a scope that practically all resources, forces and political powers are directed towards the division of the existing, which can also explain the largest part of development blockade in Serbia. It is understood that not all distribution oriented coalitions dispose with the same power in appropriation of gross national product and inherited wealth. Those that are on the very top of the society are the most powerful and merciless. Similar to a hierarchised bureaucratic system, there are other distribution oriented coalitions at each following lower level of social-economic organisation, which serve to justify or hide, in political and any other way, those placed at higher levels. Naturally, a large number of stakeholders in industry are included in the appropriate distribution oriented coalitions because the belonging to the appropriate one is the basic condition for non-sanctioned business activities in transition zone between the official and «grey» economy.

Changes in the system of values in Serbia are among the most difficult effects of this social-economic commitment. The main property of this system is the fact that the culture of capacity to grab at any cost is valued and respected more than the capacity to generate gross national product and wealth. In compliance with this, radical changes have been made in total life commitments (decrease of interest for learning and professions that are directed towards production and increase of inclination for professions dealing with distribution of what has been created, including the «inflation» of diplomas!) all up to the level when any kind of obligation in terms of positive results of work and successful completion of tasks is being given up. That is how work, creative activities and trust, which have not been at a high position in hierarchy of the national value system, have been replaced by the model of resolving of key business and life problems through speculation, evasion of fiscal obligations, fraud, grabbing, criminal etc. Naturally, in such a value system it makes no sense to talk about the need for diligent work in development and enhancement of international competitiveness of individuals and competitiveness of any social-economic unit – from business or public functions (services), through companies, export clusters, business networks or alliances all up to states.

The existence of distribution oriented coalitions is not the only one, but it is still sufficient reason for the total development regression, the gravest external form of which is a continuous reduction of competitiveness of economy of Serbia and, along with that, the essential narrowing of conditions for work of the most propulsive segment of modern industry. It is certain that a part of the above-mentioned value system and culture supporting such orientation are very old in historical sense, but I am of the opinion that we should be very careful in the sense of validity of theses that links their shaping explicitly with the attempted socialist experiment, because we should not neglect the fact that a solid economic growth rate and significant social-economic steps forward were recorded within its frameworks and during a relatively long period of three decades, that Serbia is currently at a long distance from the previous maximum in production and standard of living and that during seventeen years of capitalistic restoration practically nothing has been done in revival of development propulsion and creation of culture of living and work according to the criteria of contemporary market economy where industrial (production) entrepreneurship as the foundation of culture of trust and self-regulation based on it play the key role in defining of concrete contents of transactions between certain private sector stakeholders.

7. Conclusions

The main condition for completion of the process of (economic) transition of Serbia is incapacitating of agricultural estates and companies for business activities in conditions of open market economy. That is why the entrepreneurs and managers with their expert teams, in co-operation with the state and science, have to set highly ambitious (macro-economic and business) objectives and find the original ways for their realisation. This is going to be very difficult, primarily due to exceptionally strong impact of distribution oriented coalitions, corruption and incapable public administration. In that sense, the listed taxonomy is the attempt of descriptive interpretation of what should be done in Serbia in the field of economic policy in the function of completion of the process of (economic) transition. However, the following operational conclusions can also be drawn, which would be relevant, according to the author's opinion, for the current political and economic situation:

One, the inefficient (business, mezzo and macro-economic) policy is only the expression of misty and manipulative transition in Serbia. Its essence is periodical phenomenon of different change structures, which are carried out, changed or
given up partially, in the way that does not enable recognising of actual objectives, directions and contents of changes that is being carried out without deeper understanding of things. The reforms that have been carried out within the last twenty seven years created a marvellous (and dynamic) mixture of different quasi-market institutions and mechanisms of pseudo-manipulative planning and administrative management in Serbia, all in the function of maintaining concrete distribution oriented coalitions in power as the main source of their power in (re)distribution of gross national product, wealth and foreign aid, naturally, under the price of development blockade, counter productive economic-social satisfaction and demographic regression.

Two, the main causes of weak performances of economy of Serbia are located in the domain of the so-called «x-(in)efficiency», namely they are the consequence of poor development, economic and technological performances of agricultural estates and companies. Fundamental changes in strategy and re-designing of business processes in the function of creation of conditions for the maximum satisfaction of buyers on the Internal European Union Market or some other segments of the global market (primarily of the USA, Russia, other countries of Commonwealth of Independent States (CIS countries) as well as China, Japan and India) are necessary for the increase of efficiency of business policy. Only the need to provide existence in conditions of the global competition and dynamic changes in the social-economic system shall force companies to a planned business, in particular development and investment policy. In all that, each company, namely agricultural estate, has to find the appropriate solutions for itself depending on development vision, available internal and external resources, concrete situation and natural of the adjustment process.

Three, for completion of the process of (economic) transition based on re-industrialisation of national production structure it is necessary to finalise faster and more efficiently the creation of an integrated market system and re-structuring of infrastructure for public regulation of economy and economic development. However, the project of re-industrialisation cannot wait for completion of market institutions and structural adjustment of infrastructure for public regulation of economy and economic development according to the European Union standards. It is necessary to realise the development of market and public institutions and re-industrialisation of Serbia in parallel.

Four, the main goal of re-industrialisation strategy in short-term sense, should be the placing of what has left from production capital into production and economic function based on increase of export – through implementation of new technologies in the existing processes and products. In compliance with this, the stimulative conditions should be created for higher and more efficient investing in the function of enhancement of competitiveness of the existing agricultural estates and companies, processes and products and establishment of larger craft workshops, small and medium-sized (production) companies. In order to supplement for weaknesses in the existing market infrastructure and institutional deregulation, the solutions should be looked for in defining of the appropriate stimulative contents in the complex composed of: (1) fiscal policy, (2) set of revitalisation strategy, modernisation and newly built physical and social infrastructure, (3) educational policy, (4) technological policy, (5) development strategy of agro-industrial sector, (6) industrial policy, (7) development policy of entrepreneurship, «small» business, small and medium-sized companies, (8) environmental policy, (9) regional policy, (10) rural policy, and (11) local (economic) policies. Having in mind that Serbia is located in neo-liberal surroundings of firm monetary restrictions, the basis for successful strategy of development of good business environment is made up of good fiscal system and good fiscal policy and efficient strategy of revitalisation, modernisation and building of new physical and social infrastructure, supplemented with the objectives and different, mainly non-economic, mechanism of policies referred to in (3), (4), (5), (6), (7), (8), (9), (10) and (11).

Five, the problem of development of good business environment in the function of re-industrialisation of Serbia should be considered, first of all, in the context of development of industrial (production) entrepreneurship based on: (1) promotion and development of business culture where timely fulfilment of all legal and business obligations would be given the key position, (2) promotion and development of new techniques for evaluation of business and credit capacity of each economic entity based on precise and clear standards, (3) finding of new solutions for (highly risky) financing of export projects based on generating and implementation of high technologies, (4) integration, divestment and liquidation in the function of clusterisation and networking of industry of Serbia, (5) encircling of legal-institutional infrastructure for implementation of the technique of collateral financing of equipment.
and reproduction material, and (6) promotion of new forms of associating and networking of companies through capital and consistent observing of all forms of private property right aimed at supporting higher investing of small individual funds in production purposes.

Six, measuring of efficiency of strategy of development of good business environment in the function of re-industrialisation of Serbia should also contain the component that would aggregate the implementation results of: (1) empirical models of functioning of economic entities and companies for production of public properties in contemporary market economies, and (2) shared (legal) inheritance of the European Union (Acquis communautaire). On one hand, these factors represent the exact basis for defining of successfullness of business and development policy, in particular in the field of defining the standards for measuring of quality of the built structures and capacities, namely institutional building, as well as creation of stimulative environment for innovative behaviour of companies for production of public properties and holders of local, sub-regional, regional and central public administration in the sense of public, precise and transparent setting of individual and group responsibility for the undertaken development, business and investment activities. On the other hand, their implementation is connected with high economic and social expenses that affect directly the increase of public expenditure and operating expenses of micro-economic entities reducing directly the space for realisation of other tasks of economic policy in the field of revitalisation, modernisation and building of new physical and social infrastructure that represent the higher priority at the moment, as well as the development and re-structuring of agricultural estates, companies, processes and products.

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