DOES SERBIA NEED A NEW TRANSITION?

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Abstract
Starting from the well-recognizable factuality of the social and economic reality of post-socialistic countries and their historical involution and entropy, the work evaluates development results of the Serbian economy. This development, in its contemporary times, passed through the double discontinuity of intensive process of organizational devastation of the human life from 1991 to 2000 and from 2000 on, with the challenge of the need for the complete country reconstruction. The unused advantages at the end of the 1980-th, economic openness, reformist government, balanced economic structure; human resources with expressed entrepreneurial sensibility were turned to the “lost decade”, resulting in the slow and late transition.

At that time, the realized GDP was $163 billion less in relation to the potential product, and it was the price of interrupted transition processes started at the end of the 1980-th. Production capacities were settled to less than 40% of operative capabilities relating to 1989. To stop this long-range trend of declining investment activities, even with good management and much luck, a very scientific-technological and development policy and abundant “seed money” were necessary for a complete turnabout in the economy.

What are the results of the second decade that was met with great expectations of the true transformation of the society to its developmental transformation, as catharsis of the previous economic collapse? Is it about the “cosmetic changes” or another “lost decade”?

Under effects of many endogenous and exogenous influences, we can say that the Serbian economy functioned in the first decade under conditions of absolute isolation, and in the second decade in the circumstances of relative isolation. It caused that the permanent production of economic weaknesses became constant chaining the development trajectory on the periphery of modern trends in a very dynamic environment. As an indicator of unsuccessfulness of reform processes, we can take the fact that GDP fell on 50% in relation to its level in 1989. This fact shows the synthesis of all consequences of accumulated difficulties in the previous decade. It is the same in the indicator of the global international competitiveness of our country, as a synthetic indicator of quality of the overall socio-economic ambient. Paying tribute to some well-done structural changes in the first years of transition, some questions were put if progress could go faster and why some steps were not made to strengthen the institutional frameworks for more powerful support to the impulses of the started transition. At that moment, almost ten years after the huge beginning enthusiasm for creating good society and economy that will provide the people a dignified life, there are more reasons to ask such questions. In the years to come, after politically and economically critical 2003, the absence of needed political to continue economic reforms are often quoted.

The work will give the recapitulation of the main weaknesses and negative repercussions of the former transition way. The author’s opinion that prospects for good future and exit from the existing development can be based on the complete opposite matrix of the economic, political organizational and cultural transformation through the new way of behavior and differently seen reality. It is not in the function of evidence or critical previous evaluation, as it is sometimes done, but just as the key argumentation about it. In addition, the view of desirable elements for development in this direction will be given.

Key words: transition, competitiveness, investment, employment, cooperation, education.

JEL Classification: E 20; P 20;
1. Evaluation of the state and the key deformities in the economy of Serbia

It would be terrible to answer what circumstances we can take into account in the future, i.e. what effects the previous events will show. Of course, in so dramatic time of the GDP gap, there appears a question on possible growth scenario in the coming year, and which would cause surmounting or, we had better say, reducing this high gap of GDP. It is evaluated that the constant production growth on the annual level and at the rate of 10% could turn back Serbia for 21 years, at the beginning 1089, with the additional loss of $550 billion. With some less optimistic scenario with the growth rate of 8% per year, the “meeting with a potential development curve would be postponed for additional nine years, and the future damage from the previous events would be materialized in sum of $1150 billion [1]. Such a design of economic activities would look for a complex reform, favorable solving of our debt and a relatively abundant capital inflow with some generally accepted principles, firstly the open economy model, liberalization and reintegration of the country in the economic environment.

To the repeated deep crisis from 2001 to 2008, Serbia succeeded to realize the high economic growth of 5.4% on the average, but significantly under the initial prognoses on a powerful rise of economic activities and the need to compensate the suffered loss. Today, in spite of some success, we can state that reaching the targeted development level is pushed into the future and it is started from the low level. We started from the deeper crisis because, in the last four years, except the negative growth rate, the “recession growth” has been reported.

When we talk about transition and economic programs at the beginning, there were not finished, ordinary solutions. It was known that economic policy had to represent discontinuity with the previous one, and, in 2001, it was put in the function of transition. The mechanisms of economic policy and the beginning steps of transition should primarily contribute to creating conditions to exit the closed and isolated economy and leave the distributive and by the state managed economy. The state should have developed macroeconomic instruments of indirect economic management of the country and apply it in practice.

The transition in Serbia has passed several cycles in managing economic policy as follows: a) Reform, b) Reform slowdown in the middle of 2003, c) Inauguration of the new government and systematic populist moves during 2004, d) Announcement of good reform moves in 2005, after MMF intervention, the World Bank and report of EU to start the process of stabilization and joining, and e) The global crisis and recession in Serbia during 2008–2012.

Significant transitions moves at the beginning of 2001 were radical changes in the fiscal system, passing the Law on Privatization, passing the Labor Law, concluding standby arrangement with IMF, favorable arrangement with the relationships with bilateral and multilateral investors. In the period of 2001-2003, reform acts were shown in attaining the macroeconomic stability: stabilization of the local currency, price liberalization together with inflation restrain and reduction, foreign-trade liberalization, fiscal reforms and privatization. In this period, GDP grew per 4.5% rate on the average (Drakulic, 2007, p. 68). The foreign exchange rate was successfully stabilized in the system of controlled fluctuation and convertibility in current transactions and conditions of high foreign-trade deficit and current transaction deficit of the balance of payment. These positive results were significantly enabled by trends that were synergic supported by the reform transition spirit: donations, credits under concession conditions, increase of new foreign currency savings, high net inflow of exchange transactions and money orders of our citizens working abroad. In 2003, the exchange rate policy was somewhat more elastic, the rate of Euro to RSD (Serbian Dinar) increased for 10%, with the price rise of 7%. Foreign exchange reserves amounted to $4.5 billion at the end of the year. Inflation was reduced to 8% in 2003, from 113% in 2000, thanks to well-done monetary policy. Real earnings increased, poverty rate was reduced, and the so-called Gini coefficient measuring the relative inequality regarding to available resources fell. Unem-ployment, which usually measures transition processes, was only 4%, and the real unemployment rate was 13% at the end of 2002, according to the data of the Labor Questionnaire.
The trend of non-investment lasting for many years continued more than two technological cycles, which the European countries passed in the meantime. Direct consequences of this were growth slowdown, aggregate offer fall and competition lagging. Unfavorable growth trends started the negative spiral in the form of the possibility to start new investments. Our economic and aggregate development, then and further, was restricted in investments. Because of insufficient home accumulation, foreign capital influx was necessary, especially in the form of direct investments. The experience of successful transitional countries showed that direct foreign investments powerfully increased productivity twice or three times in the enterprises where they were oriented. The best results in transition were realized in the countries with most direct investments per capita, as Czech Republic, Poland and Estonia. Regarding to the fact that investment were on the low starting level, 16% in GDP, in 2001, optimistic prognoses were that their share were to be 25% of GDP. Such a level of investment activity is necessary for sustainable development and growth of GDP, as well as on this growth based accumulation increase to sustain and accelerate economic development. The necessary level of investments included the supposition about the necessity of constant inflow of direct foreign investments of about $1.2 billion. In addition, all the positive and synergic effects of direct foreign investment for the economy of Serbia were expected. It was taken into consideration both for economic growth, better competition, employment growth and the standard of living. That means servicing the current macroeconomic problems and accelerating development and growth to compensate the missed years. Direct investments give the so-called dynamic effects that include intensifying competition through trade liberalization, which is the basic condition to increase direct foreign investment through the development of economy of scale, offer to develop market culture and market institutions, as well as through the appropriate legal protection of these institutions. A very important positive effect of direct foreign institutions is destroying the monopolistic economic structure (8). This first developmental factor of transition in Serbia came to a halt in 2003 already. The political crisis, caused by the murder of the prime minister, had significant consequences in the economic field.

It was evaluated, at the beginning of the transition program, that the private sector growth should be followed by the growth of small and medium enterprises. It was regarded as the second development component with the deciding attitude on the necessity of increasing share of small and medium enterprises in GDP for more than half a participation in creating GDP, following the experiences of successful transitional countries.

Paying tribute for well-done structural changes in 2003, the critical year from the standpoint of political and economic development, there appeared some questions as whether we could go faster in progress and why the steps in strengthening institutional frameworks for more powerful support to the impulses of started transition were not done. In this period, as well in the following years, the absence of necessary political will to continue efficient reforms were reported. After the real GDP growth of only 3.1% in 2003, in the next year, 2004, after the Government was inaugurated, favorable economic trends were recorded. The real GDP growth of 4.1% was realized and 4.5% in 2005. However, the sound economic growth of Serbia and the need to service foreign debts in the medium-term meant the average GDP growth of 5-6% per year. To enable this growth, investment growth was necessary, and to keep it, saving was also necessary. In 2003 and 2004, the current domestic saving was still negative; it meant that part of the foreign capital was poured into consumption. The goal, which were to be attained, was opposite, to raise the level of investments which dictates slower consumption in relation to the growth of GDP. Significant results from the standpoint of domestic consumption restraint were realized in the fiscal field, thus the fiscal surplus was 2% of GDP in 2005. In 2006, the growth of GDP was 5.2%, and 6.9% in 2007. Analyses also showed that Serbia realized a significant economic growth in the first six years of transition, regarding to the fact that GDP increased for almost 50 per cent (Drakulic, 2007, p. 70).

Thus, in these years Serbia recorded a solid growth of GDP, until the start of the World crises in 2008. The average growth rate from 2001 to 2008 amounted to 5.4%. The biggest contributions to this growth had the financial sector, services, transport and trade. The industrial part
constantly fell and the economic structure changed, from dominantly production to dominantly transaction economy, not to development based on innovation and technological progress.

Graph 1: The real GDP growth in the period from 2001 to 2011

The whole this period recorded the constantly bigger consumption growth than the GDP growth. It is evaluated that $125 billion went to the current consumption from 2001 to 2010. In the period from 2008 to 2011, the GDP growth rates were negative or some “recession growth” was recorded. The last prognosis of EBRD for 2012 points to the possibility of biggest recession in relation to the beginning predictions and it gives the estimate of only 0.1% of the economic growth for Serbia (12).

In 2001, GDP was 47% of GDP in 1989, in 2005 it was 56%, and in 2010 GDP reached the level of 73% of that in 1989. At the same time, transitional countries in the environment as Hungary, Slovenia, Croatia and Romania crossed the level of GDP in 1989 long ago.

Graph 2: Participation of the regions in creating GDP in the Republic of Serbia in 2010

Source: The Serbian Economic Council
Participation of some regions in creating GDP in Serbia in 2010 shows that the Belgrade region has the biggest share of 40%, the Vojvodina region 26%; that is two thirds, while other two regions realize 34% of GDP.

GDP per capita in relation to the Republican average is 180% for Belgrade region, Vojvodina region is 97%, Sumadija and Western region is 70%, and Southern and Eastern region 64%. If we consider the trend of domestic products, employment and productivity, relating to the world average in a long-term time series from 1995 to 2010, when Serbia passed several phases, the dramatic discontinuity, break of development boom in 1989 and an evolution in relation to contemporary societies can be noticed.

Graph 3: Movement of domestic GDP, employment and productivity relating to the world GDP from 1955 to 2010

As for the results of transition, the lost GDP income is taken into consideration, while the biggest loss is weakening the orientation toward modernization of the country in the whole transition period (Matejic, 2007, p. 12).

Table 3: Unemployment trends in Serbia in the period from 2002 to 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment Rate</th>
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<tbody>
<tr>
<td>2002</td>
<td>13.3</td>
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<td>2003</td>
<td>14.6</td>
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<tr>
<td>2004</td>
<td>18.5</td>
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<td>2005</td>
<td>20.8</td>
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<td>2006</td>
<td>20.9</td>
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<td>2007</td>
<td>18.1</td>
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<td>2008</td>
<td>13.6</td>
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<tr>
<td>2009</td>
<td>16.1</td>
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<td>2010</td>
<td>19.2</td>
</tr>
<tr>
<td>2011</td>
<td>23.7</td>
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</tbody>
</table>

Source: NBS (National Bank of Serbia)

The high unemployment rate, being 24.5% in May 2012, is probably the most characteristic indicator of reform failure and aggravating the social position of the population. The key characteristics of the domestic labor market are:
- Relatively low level of active working people,
- Low labor mobility,
- Low participation of employees in the private sector,
- High unemployment,
- High level of hidden unemployment,
- High participation of the long-lasting unemployed and the so-called discouraged workers,
- High participation of the young in the informal economy,
- Perception of job as social, not economic category,
- Low level of earnings,
- Big disparities of earnings of the employees with equal or similar qualifications,
- Fall of the standard of living and poverty increase.

Economic stagnation, where the society is now, is the reflection of economic reforms stoppage. Analogue to this, labor market reforms, as one of the most crucial questions of fundamental reforms in general, have not yet begun. The problem of necessary adaptation level and employment structures remained open for the whole transition decade. Generally, the labor market remained expressively rigid, especially labor adaptation. The labor market practically does not exist in the dominant part of our economy. We face establishing the labor market and solving very unfavorable trends of employment and unemployment. The current market state shows that employment, although very low, is significantly reducing. The employment rate, in relation to 2008, reduced from almost 45% to near 35% in 2011; it is certainly the lowest in Europe. In the crisis period, market flexibility was expressed more in the informal sector. This labor market reacted immediately by the fall of employment, even for 5.5%. The rate of informal unemployment, as the percentage of the “black market” labor, was 17.8% in the total number of employees at the end of 2011. Since the crisis started, the informal employment rate fell from 23.3% in 2008 to 17.8% in 2011; it was the consequence of the total contraction of economic activities, the fall of real earnings and poverty increase, certainly not the regulated tax policy and carrying out the laws.

The low rate of activities and the high unemployment rate point to the high degree of unused human capital in Serbia. In the whole transition period from 2001 to 2011, the average net incomes increased from €90 to €360, nominally four times. Having in mind the low start level, constant inflation and periodical depreciations of the national currency, real earnings are falling and poverty is increasing.

Social dissatisfaction and social insecurity increase. It is evaluated that 650,000 citizens are under the limit of poverty (€ 1 per day), or 9.2% of the populations. There are 30,000 of users of poverty kitchen; it 50% more than in 2010. the minimal income in 2011 was 16.320 RSD. About 90,000 and 100,000 of employees in Serbia do not receive their earnings.

As the third key indicator, being taken as a measure of the Government competence, is inflation. Similar to other national banks, NBS orients toward the stability of retail prices, as a primary goal. Price stability does not mean that prices are unchangeable, but only a moderate price rise. Price stability in the economy of Serbia means a long-term rate of net inflation ranging from five to 10%. To fulfill this goal, NBS uses appropriate monetary instruments. Empirically considered, the basic inflation is a better indicator, but more difficult acceptable for the public and reporters. Eliminating price disparity, the inflation in Serbia was constantly falling. The inflation of consumer prices fell from 113% in 2000 to 40.7% in 2001 and 7.8% in 2003, in spite of adjusting food prices and electric energy. This was possible thanks to well-adapted monetary policy, but also the high deficit in the exchange of goods and services with other countries, and it represented additional resources for distribution. It enabled price stabilization, although consumption rose to the approximately double bigger rate than GDP.

However, pretty inefficient economic policy in 2004 brought to the inflation of two digits 13.7% stirred by domestic demand, cost increase for petrol import and the increase of regulated
prices at the end of 2005. It amounted to 17.7%, but we should notice that the effect of introducing VAT at the beginning of 2005 was very effective, which, at the beginning of application exerted strong influence on all the countries leaving the inflationary trail. In the period from 2006 to 2011 inflation rate moved in the range of 10%, thanks to carrying out a firm monetary policy.

Graph 4: Movements of income

The source: The Serbian Statistical Office [5]

Table 4: Inflation trends in the period from 2001 to 2011, in %

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
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<th>2008</th>
<th>2009</th>
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<th>2011</th>
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<tbody>
<tr>
<td>Inflation, ent of the period</td>
<td>40.7</td>
<td>14.8</td>
<td>7.8</td>
<td>13.7</td>
<td>17.7</td>
<td>6.6</td>
<td>10.1</td>
<td>6.8</td>
<td>6.6</td>
<td>9.0</td>
<td>7.0</td>
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Source: Republican Bureau of Statistics, NBS

Besides controlled inflation, the exchange rate, as the key component of monetary policy in Serbia, was considered as controlled flexible. The exchange rate was successfully stabilized at the beginning years of transition. It was in the system of controlled fluctuation and convertibility under conditions of high foreign trade deficit and the deficit of current transactions in the balance of payment. This was possible firstly thanks to donations, credits under concession conditions, increase of new exchange savings, high inflow level of exchange jobs, exchange influx from our citizens working abroad. At the same time, by appropriate exchange reserves, the so-called internal Dinar (RSD) convertibility was established with the controlled flexible exchange rate, in the situation when the home inflation was much higher than in western European economies, and the real RSD depreciation happened. The competitiveness of home products was suddenly reduced on foreign markets. In 2007 and 2008, significant strengthening of home currency in relation to Euro happened; it was harmful and unreal for the home economy. The trend of RSD growth was harmful for export. The high rate of RSD stimulates import, slowing down export with the danger of accelerating inflation. Inflation rose because of increased money inflow in the form of Euro and other foreign currencies. Since the end of 2008, at the beginning of crisis, the trend of RSD depreciation has gone on and the value of home currency has been reduced for 6.5% only in the first six months of 2012. The foreign exchange trade, as the fourth quality indicator of the Government, in this transition period, shows some constant in its manifestation, and it is the best synthesis of the level of global international competitiveness of Serbian economy, i.e. the completely social and economic state. Until 2003, import rose faster than export and it was reflected in the fall of weighing up import and export. Since 2004 to 2008, import had negative growth and at the end of the period, it was lower than the highest value reached in 2008, for about € 1.5 billion. In that period, the rate of RSD depreciated about 25% compared to Euro, the
economy came into recession, inflow of foreign capital and consumption was reduced. Foreign
deficit, i.e. deficit on the current account of balance of payment has been big, on average of 7.5% of
GDP, in the last three years.

Table 5: Exchange rate of SRD to Euro from 2002 to 2012

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<tbody>
<tr>
<td>Jan.</td>
<td>60.89</td>
<td>83.13</td>
<td>82.78</td>
<td>81.39</td>
<td>81.44</td>
<td>80.93</td>
<td>80.93</td>
<td>83.04</td>
<td>99.80</td>
<td>101.95</td>
<td>106.10</td>
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<tr>
<td>Feb.</td>
<td>60.89</td>
<td>83.13</td>
<td>82.78</td>
<td>81.39</td>
<td>81.44</td>
<td>80.93</td>
<td>80.93</td>
<td>83.04</td>
<td>99.80</td>
<td>101.95</td>
<td>106.10</td>
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</table>

Source: NBS

Table 6: Foreign trade in US$ billion

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<tbody>
<tr>
<td>Export</td>
<td>1720</td>
<td>2074</td>
<td>2756</td>
<td>3523</td>
<td>4480</td>
<td>6431</td>
<td>8824</td>
<td>10972</td>
<td>83445</td>
<td>97945</td>
<td>117767</td>
<td>124411</td>
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<tr>
<td>Import</td>
<td>4260</td>
<td>5614</td>
<td>7477</td>
<td>10795</td>
<td>10461</td>
<td>13174</td>
<td>18555</td>
<td>22999</td>
<td>15582</td>
<td>18734</td>
<td>20139</td>
<td>46108</td>
</tr>
<tr>
<td>Trade</td>
<td>balance</td>
<td>-2540</td>
<td>-3540</td>
<td>-4721</td>
<td>-7232</td>
<td>-5981</td>
<td>-6743</td>
<td>-9731</td>
<td>-12027</td>
<td>-7237</td>
<td>-69399</td>
<td>-83627</td>
</tr>
<tr>
<td>Cove-</td>
<td>rage of</td>
<td>imp. %</td>
<td>40.4</td>
<td>36.9</td>
<td>36.9</td>
<td>32.8</td>
<td>42.8</td>
<td>48.8</td>
<td>47.6</td>
<td>47.7</td>
<td>53.6</td>
<td>58.5</td>
</tr>
</tbody>
</table>

Source: Republican Bureau of Statistics

Foreign debt, amounting more than €24 billion now, was especially large between 2004 and 2008 (2). Foreign debt endangers external liquidity and solvency of the country, therefore it is necessary to increase competitiveness of the economy and export and bring it to the level of sustainability of foreign exchange, export of about 50% of GDP, i.e. to pay import by export.

At the beginning of transition, the public debt of Serbia in 2000 was about $11 billion; at the end of 2011, it was €14.5 billion. The last Government in its mandate from July 2008 to May 2012 got into debt for €5.7 billion.

Table 7: Public debt in billions of euros

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
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<td></td>
<td>14.1</td>
<td>13.4</td>
<td>11.5</td>
<td>11</td>
<td>9.6</td>
<td>10.2</td>
<td>9.3</td>
<td>8.8</td>
<td>8.7</td>
<td>9.8</td>
<td>12.1</td>
<td>14.5</td>
</tr>
</tbody>
</table>

Source: Bllic.rs, NBS

Graph 4: Relationship of the public deficit to GDP of Serbia in the period from 2000 to March 2012

Source: mfin.gov.rs
Serbia is threatened by the crisis of public debt and it amounts 50% of GDP now, with the tendency to grow. The growth generator of the public debt is the growth of fiscal deficit over planned RSD153 billion in 2012. It is estimated that it will reach RSD200 billion to the end of 2012. Instead of planned 4.25%, budget deficit increased to 6.2% of GDP, and the public debt could reach 55% of GDP (13). If we considered it in the short-term, the fiscal deficit is the most expressed problem in the economic policy, with the danger to become the long-term problem if we do not take some measures of economic policy to return it to the legal framework.

2. Why does Serbia need a new transition?

After the series of involution moves in carrying out non-development and short-term economic policy with serious development implications for the future of the country, Serbia started in 2000 a process of discontinuity in the direction of establishing market economy and private property. Then, the value of synthetic transition indicator was 1.625. The state transition process, i.e. progress in the structural and institutional reforms was evaluated 2.93 in 2010. This deficit of transition capacity was the index that our transition was slowly and lagged behind other countries in the environment.

In evaluating the level of development attained by transition in the whole transition period, authorities of the Government regularly express optimistic prognoses and satisfaction by the reached results, while independent economic experts are critically distance themselves and with reserve receive evaluations generally offered in the function of political marketing. One group of economists outlined a new model of economic growth in the document called the “Proposal of the long-term post-crisis strategy of development of Serbia” (2010). The key economic reforms are still waiting for the political will and, therefore, some warnings come abroad, EBRD for instance, that recovery and the long-term growth in transitional countries will be endangered if governments disapprove of introducing and carrying out the key reforms.

Permanent absence of the whole view of transition and economic program during these years is one the main causes why more was not reached. The lack of consensus on the goals of social development and the ways to attain them turned out in humble transition results. Findings of one EU study shows that the most successful development has those EU members, which are the society of consensus in the real sense of the word, and it is of great importance to understand the development way of Serbia (Socan, 2006, p. 6).

The global international competitiveness is a synthetic quality indicator of the total socio-economic ambient of every country, as well as Serbia.

The picture of domestic economic competitiveness is illustrated by several important measures:

The index of global competitiveness, according to the data of the World Economic Forum, shows that we rank 95th of 152 countries (9).

The perception indexes of corruption, according to Transparency International, show that Serbia ranks 78 of 178 countries.

The index of economic freedom, according to Heritage Foundation, shows that Serbia ranks 101 of 179 ranked countries (10).

The easiness of doing job, in the report of the World Bank on DBA list (Doing Business As) ranks Serbia 89th of 183 countries (11).

Economic closeness and political resistance to its opening is evaluated as the biggest Balkan economic problems. As for Serbia, the usual characteristic is a weak cooperation with the environment. Reintegration in the economic environment and big regional systems is necessary, and with the intention that access to integration should seek through the factors that are expensive, insisting that part of strategic development is domestic.

It is necessary to finish the process of privatization and recognize what influence the changes exert in the property structure on the economic activity.

The economic structure is radically changed, from dominantly production to dominantly transaction economy.
The long-lasting absolute isolation of the country in the 1990th and relative isolation during transitional phase, the changed value system in the society produced serious deformities in the education system. Therefore, we can say that the lack of qualitative, educated and competent are the main limiting factors of progress (Srica, 2010, p. 160).

The key question originating from the results of the former transition are the conditions for increasing competitiveness of the Serbian economy and accelerating economic activities, especially production, thus for the increase of employment and the standard of living.

Creating the generally favorable climate to increase the level of competitiveness and competence of the institutional segment become the condition, not sustainable development but survival of our society. Solving this problem exceeds the standard macroeconomic analysis. There is a permanent dissatisfaction with the previous results of transition in the economy and other segments, too. Slow and inefficient transition asks for the identification of causes and limitation of such a state. After two lost decades and bad transition policy, it is necessary to plan a new economic policy, critically recognize available resources for a thorough transition turn. The new transition should be a function of the long-term orientation of Serbia toward transformation and getting into the development environment.

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