SOME ASPECTS OF INDUSTRIAL POLICY IN THE NEW MODEL OF ECONOMIC DEVELOPMENT OF SERBIA

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Abstract

The industry in Serbia suffered a collapse after the beginning of the transitional period of transition from the socialist self-management in the capitalist socio-economic system. The authors in this paper aims to show how the collapse of industry in Serbia took place not only because of the lag in technological innovation, but primarily due to the wrong policies in the broader sense, and therefore economic policy and politics of transition. One of the key research questions that we have tried to answer is whether it is possible to build a dynamic model that simultaneously prevents negative impacts of self-regulatory free market on the one hand and the problems that economic development creates bureaucracy, often corrupt and inefficient states, on the other side. Authors will confirm that the only export-oriented industrialization as soon as possible can significantly solve some of the key problems (economic and social). Since the new industrialization of Serbia can not happen spontaneously, it requires a state activist approach, which certainly does not mean more state control and the development of industry, but the effective implementation of industrial policy, which would have to be in a more indirect with many different measures and procedures. Work consists of research of theoretical character which is implemented in accordance with the modern techniques of the methodology of scientific research. Theoretical analysis of the research is supported by the findings of international and national scientific and professional literature, and knowledge of the authors who in their works analyzed the issues that are subject of this investigation.

Keywords: Industrialization, Re-industrialization, Industrial Policy, Development Model, Export Industry.

Contact: vladam338@gmail.com. The authors declare that they have no relevant or material financial interests that relate to the research described in this paper. Also, the authors declare that the submitted paper is their original work and that, upon publication, nothing contained in it will not constitute an infringement of any copyright. Paper received 15.03.2017. Approved 30.06.2017. This paper is licensed under the Creative Commons Attribution-Non Commercial-No Derives 3.0. License. This paper is published with Open Access at www.socioeconomica.info.
1. Introduction

Serbia is predominantly extensive agricultural land, as it was before 1945, for a period of three decades became a moderately developed industrial country with a significant share of industry in GDP, employment and exports. However, the period of transition from socialism to capitalism, which began from the 1990 of the last century and continues to this day, characterized by a decline in GDP growth rates, unemployment, modest export and huge foreign trade deficit, high and growing external debt, high public spending and the state budget deficit, and constantly threatening inflation. Due to low production and low capacity utilization, lack of exports and lack of competitiveness in the industry of Serbia and the low profitability because the net financial result of our industry to the capital, in the last 6 years below the level of profitability in the industry competing countries. An even bigger problem is that our industry has lost a greater share of the domestic market, due to the large concentration of foreign goods, after the rapid liberalization of the domestic market and lowering tariff rates on imported products and services without the necessary preparation for the introduction of such harsh measures. Logically key question that arises today before science and economic policy relates to the identification of real possibilities for rehabilitation of the industrial sector in Serbia, with the assessment of the real sources of investments, market opportunities and selecting a new model of industrialization. The applied concept of liberal market fundamentalism, according to which the market, private property and economic liberalization in itself solve the problems of development, has proved that it is at first glance a logical and elegant theory, but in reality, that the empirical level, expressed as disastrous for most countries in transition. Thus, in the case of economic transition in Serbia took place paradox that both the state and private sector development has become inefficient. Thus, after a decade of transition, noted with dismay that the consequences of global and national economic crisis only just shown how vulnerable economic structure in which the weak real sector, and the industry's only a metaphor of the collapse of all previously existing. With the change of government in October two thousand and new development strategy, it was believed that Serbia opens a new and successful phase of development, but instead of saving, production and exports forced consumption, services and exports. In addition, extremely estimated value of the dinar, which is practiced for several years with unexpectedly rapid liberalization of foreign trade and perverted model of privatization, directly and indirectly, had very unpleasant consequences for the economy as a whole, and of course industry. Despite a very modest economic performance to the economic crisis development model makers believed that our economy going forward. Manipulation of financial markets and the introduction of new financial instruments, have created the illusion that the financial inflows from the world of virtually unlimited and that the development of transitional countries including Serbia in the long term based on a large inflow of foreign capital. However, the global economic crisis has led to a painful disillusionment. Very quickly is realized that "virtual" model of development that is relied on by high rates of GDP growth and wage growth and standard of living was not the result of real economic progress, rather than selling our economic treasures from the past (privatization) and a result of increasing borrowing and spending that was not accompanied by
making our new values. Simply, for the period after 2001, we can say that the strategy and policy of transition, "added fuel to the embers" in which the economy and the industry has not come out, and there is every possibility that we will be with the economic crisis even more painful to face. This adds to what is now paying off foreign debt of Serbia reached as much as 13-14% of the estimated GDP, which is particularly a burden for the economy and the population and represents a serious limitation for further development of Serbia. Serbia's external debt has grown since 2004, when it stood at around 10 billion euros to 26.308 billion euros (80.8% of GDP) in 2015. Available from <http://www.economy.gov.rs/wp-content/uploads/2015/12/site-APK-11-nov-2015.pdf> [Accessed 19 january 2015].

When it became certain that the crisis will be felt in our economy is part of the scientific laborers came to focus on the detection of the fact that there are problems related to sustainable growth and development and production of material goods. As the professional community so they and policy makers, to address the issue of industrial development. After 2010, in addition to the earlier sporadic and individual critics model of economic development of Serbia, once again in the spotlight the question of the industrial sector and the need for its revitalization or development of a new industrial sector in Serbia. During 2010 he made "The strategy and policy of development of industry of the Republic of Serbia from 2011 to 2020" [Strategy and Policy Development Industry of the Republic of Serbia 2011-2020, 55/2011]. Then, on the same starting points by the dominant neo-liberal economic experts made (Post-crisis model of economic growth and development of Serbia 2011-2012, 2010) in which, above all, it was reckoned in a far better future performance of the real sector, especially industrial and agricultural production, energy, mining ... as well as the realization of the increase of production in order to export and all this in a scenario very dynamic economic development during the second decade of the XXI century. However, it is not mentioned any more numerical projections of the document, which is assumed to average annual growth of industrial production as much as 6%, as well as doubling GDP during the second decade of the XXI century, where even the creation of 400 thousand new jobs. In 2013, professional and scientific public is offered a third document entitled "Draft strategy of reindustrialization of Serbia," which was drafted by a working group for reindustrialization in the framework of the National Council for Economic Recovery of the Government of the Republic Serbian [Dimitrijevic, B. et al. 2013]. Unfortunately, this document is not much more advanced than the previous ones. Neither the proposed exchange rate fixing, as one of the possible solutions was not the answer for reindustrialization in Serbia. These concepts have one common characteristic, faithfully and correctly interpret statistical data showing the breakdown of the industrial sector. The rate of GDP growth in Serbia in the period 2008-2014.godine, averaging around zero, which is associated with stagnation of industrial production. Although the successful implementation of fiscal consolidation measures and to take reform steps in the economy in 2015 by the current Government contributed to a certain revival of economic activities and the country's emergence from the severe recession into which it fell due to the long-term negative impact of the effects of the global economic crisis (growth of the manufacturing industry of 5 8% compared to 2014), there is still no serious rehabilitation and recovery of the industrial sector. In the new conditions of globalization of world economic flows, especially not answer the question of sources of funds which would be used to invest in the development of industrial sector, which is one of the basic preconditions to initiate significant domestic economic activity and start dynamic extraction industry and economy of Serbia from economic backwardness and crisis. These findings let us add that the net FDI inflow in the period January-June 2015 amounted to only 675 million euros,
which is 4.3% less compared to the same period of 2014. Also, the net inflow of portfolio investments was lower by 6.8% compared to the first half of 2014. Available from <http://www.economy.gov.rs/wp-content/uploads/2015/12/site-APK-11-nov-2015.pdf> [Accessed 19 January 2015].

As can be observed, no matter what it brought more development documents no one gives a clear concept of revitalizing the industrial sector in the new conditions of globalization of world economic flows, especially not answer the question of sources of funds which would be used to invest in the development of the industrial sector, and it is one of the basic preconditions to start domestic economic activity and begin drawing the industry and economy of Serbia from the economic crisis and backwardness.

Thus, as already mentioned, the past few years, Serbia is faced with a very difficult economic crisis, and because many of difficult economic, social and societal problems, reindustrialization Serbia looks simply like an impossible feat. But it is not quite so, as many positive experiences of many countries in the recent past shows that it is still feasible. In this sense, the authors analyzed relevant literature in the work besides the evaluation of the importance of industrialization to the overall economic and social development proposed and the basic elements of the conceptual framework of the strategic development of Serbian industry, in which a reformed, responsible and activist oriented economic policy of the state in the future must take leverage industry development in Serbia, bearing in mind the ineffective market regulation and the private sector. The question is not whether it means our country needs a new industrial policy, but the question is more about how you should design and implement industrial policy measures. Notwithstanding the adverse circumstances of restructuring should be to conduct a transparent and consistent.

The paper is structured as follows. First to provide arguments and lessons from the history of industrialization in Serbia. After that, given the conceptual model of the new industrial structure - especially for the most significant export industrial products. The following is a view of the authors that are successfully directing economic flows and channeling the process of change of industrial structure can achieve a new model of industrial policy. Finally, a summary of the most important conclusions of this ongoing discussion.

2. Arguments and lessons from the history of industrialization Serbia

Growth Industry of Serbia in the period 1944-1955 was very impressive, but it is nevertheless at the end of this period its level was very modest. After this decade of continued very dynamic growth until eighties years, when they recorded negative growth rates in industrial production. The dramatic collapse of the country, interruption of relations between Serbia and its industrial companies with some of the former republics and a significant reduction of sales of industrial products of Serbia to the former republics, the introduction of UN sanctions, hyperinflation in connection with this dramatic decline in purchasing power and companies and the population in Serbia, a multi-year process divestitures and significantly reduced the possibility of importing the equipment and knowledge and aggression of NATO undermined the industrial production in Serbia, and its physical volume in 2000 amounted to only 43% of the level in 1990.

After a significant social upheaval generated in early October 2000 Serbia has started implementing neoliberal transition type, but instead of industrialization, it has its economic development directed towards tertiary. The analysis of the GDP structure showed clearly that a
positive balance of the economy is on the side of services, not manufacturing. As early as 2003 the physical volume of industrial production was 1% lower than in 2000. In addition, power consumption is for the quarter was higher than production and imports was twice that of exports. Let us add to this that the privatization as a majority sale brought only some examples of successful transition to show that the company (companies) could adapt to new market conditions and in a sustainable way to promote the economic and technological position, despite legal possibilities, privatization was carried problematic contradictory, income is not aimed at the revival of industry and economy, but mainly on current consumption.

What happened to the industrial sector was outside the focus of analysis dealing with economic policy in the period until exercised sellout social and public capital, which resulted in temporary and economically unfounded GDP growth in the period 2002-2008. To a certain disenchantment comes after 2009 when the part of proponents of the theory of market fundamentalism in Serbia, suddenly finds that economic growth is unsustainable without growth in the production of tradable goods and it is not possible that it is based only on the services sector and the financial sector. Due to the sharpness of the crisis and its extended duration, the collapse of output and rapidly rising unemployment and the most developed economies have failed for decades built up a mechanism of free trade and started various measures to intervene to protect and help the national economy. Thus, the industry found itself the focus of anti-crisis measures governments of most countries of the world.

When in 2003 and ending with 2007 a year, there was a relatively high rate of GDP growth, politicians, and a number of academic economists stressed that Serbia has emerged from a "transitional recession" promising continued dynamic growth. It’s like no matter what important considerations relevant ministers in early October 2008, argues that Serbia will have more benefit than harm from the global economic crisis, their claims were quickly refuted, the global economic crisis has strongly hit the Serbian economy, especially industry, confirming Warning few academic experts that the model of development based on services, influx foreign capital and privatization revenues in the long run there is no sustainability. Indeed, a significant reduction of world trade and world levels of foreign direct investment, in no small measure contributed to the drop in exports Serbia in 2009 from 19.8% fall in GDP of 3.5%, and industrial production came to 12.6% [Kovacevic, 2014, p. 24] overvalued dinar value, or undervalued of foreign currencies continued to suffocate the economy of Serbia in particular its industry, but lower intensity than was the case from 2000 to October 2008. With overvaluation dinars, additional effects of the same type had a sudden and excessive liberalization of imports. Let us add that the substantially reduced and revenues from privatization and that the slowdown in the influx of foreign capital, an increase in the public debt and in particular the cost of servicing, increasing losses and debts of the economy and most importantly reducing the number of employees and the decline in living standards for a large part of the population, so that the "old" model of development had not its sustainability. This was necessary to ascertain, but there were also clear that the Serbian economy is not its industry will not be able to get out of the grave crisis if it does not create an original that is appropriate to our terms of social and economic system.

Given that the European orientation was present in all planning documents, post-October Serbia it was strange why all of the Government after the year 2000 applied economic policies that led to the collapse of the Serbian industry. Today, how to explain but simply as "blindly" believing the then management structures of the Serbian economy that market forces and free competition, to create a modern and efficient economy and industrialization, which will be easily
included in the global competitive market. Unfortunately, before you could say that it is so accepted concept was used as a curtain for robbery or overflow of social wealth in the hands of a small number of selected and privileged. The applied model of privatization has led, in most industries, a reduction in some cases even complete withering industrial production, were destroyed Serbian executives are plumes, which were traditionally the locomotive of development of underdeveloped and poor areas. The privatization model is favor change in ownership structure, which resulted in the increase in government revenue from the transfer of possessions, but no incentive for investment in industrially sector of the economy. Occasional minor cosmetic changes and state interventions were very helpful, and the general lack of liquidity as a cancer destroys the tissue flagging Serbian economy.

From the standpoint of topics should be reminded of the fact that like other countries of Central, Eastern and Southeastern Europe that after World War II developed under the policy and ideology of communist dictatorship party and Serbia as part of the "socialist" Yugoslavia went through a process of rapid and relatively successful "socialist industrialization". However, unlike last 25 years when the Serbian industry in crisis it is in the period 1948 to 1984, together with the industry, the AP had an average ANNUAL growth rate of 8.2%. In the same period, the share of industry in GDP was between 36 and 47% [Yugoslavia from 1945 to 1985, statistics show, 1986, p. 181].

In Serbia, a transitional political and war-shock was 217 large companies, complex manufacturing systems with more than 1,000 employees per company. After a period of industrial growth for 30 years in the coming period of transition Serbian industry in the last decade of the twentieth century fell into a deep crisis, and its physical volume in 2000 amounted to only 43% of the level in 1990. For example, production of transport equipment in 2000 amounted to only 7%, manufacture of other transport equipment 15%, and production of electronic and optical equipment 25% of production in 1990 [Kovačević, 2014, p. 13]. Let us mention that in the period 1952-1981, the average share of foreign sources of accumulation in relation to GDP amounted to 6.9%. In the same period, the average share of foreign sources of accumulation in gross fixed investment amounted to 23.55% (Hungarians, 1990, p. 188).

Unlike most transition countries, the pace of growth for the industrial production of Nature 2000-2008.godine, despite extremely low statistical base and the promise of spectacular growth was increased by only 16.8%, ie. the average growth rate was only 1.95%. Next, ie. 2009. Serbia's GDP decreased by 3.5% and industrial output by as much as 12.6%. In 2010, industrial production is very modest increased - only 1.2%. And as result all this, it is in 2010 amounted to only 88.6% from 2008 levels. As a consequence, it is the year 2010 was only 3.11% higher than in 2000 [Kovačević, 2014, p.16],which was in stark contrast to the trend of world industrial output, particularly with the growth in developing countries. The pace of growth of our industrial production in the period 2001-2011 was very modest, amounting to only 0.7%, and from 2009-2011 the industry has recorded a declining annual rate of -2.7%. Let us add that the level of the manufacturing industry in 2012 was as much as 3.8% on a lower level than it was in 2000. What is particularly disastrous is the fact that the physical volume of industrial production in 2012 reached only 38.4 % of its level in 1989, which is not only the result of external influences, but also a number of internal factors. That is due to negligence, failure of the restructuring, indiscipline, most industrial centers of Serbia, who three decades were the leaders of growth in production, employment and exports has become "bottomless barrel" that swallows the money of the citizens of Serbia.
When we take into account all the previously mentioned very unpleasant and catastrophic data on industry Serbia, not for a great self-congratulation is not achieved its growth in 2013, which was 6.2% higher compared with the same period of 2012. Manufacturing, the largest part of the domestic industry, in the same period increased by 5.7%. But it should be remembered that in 2013 the total industrial production in Serbia amounted to only 44% of industrial production in 1990 and that in 2013 the industry created only 18.1% of gross domestic product. With all this should be borne in mind that this growth was accompanied by the continuation of a careless, higher borrowing abroad and the country, which must have long-term consequences. In her part of the dominant use of capacity does not exceed one-half and one-third of installed capacity. Available from< http://www.economy.gov.rs/wp-content/uploads/2015/12/site-APK-11-nov-2015.pdf > [Accessed 19 january 2015]. Let us add that because of the impossibility of a larger increase in exports of a range of products that have a high share in the structure of merchandise exports in 2014 was not possible on this basis to increase industrial production. Finally, the necessary reduction in subsidies to a number of industrial companies and the announcement of a possible shutdown of some who are in the process of restructuring, had negative effects on the growth of the industry in 2014.

And as a result of the aforementioned data is that the current government has finally become aware of the situation that in the absence of industrial development of material goods and a dynamic increase in exports, economic growth based on a model of higher imports and a further external borrowing sooner or later lead Serbia against economic and financial collapse. In addition, Serbia is in the ranking of countries by competitiveness, which expresses the state of health of the country and its economy, fell to 101 place and found a "third tier", and a special problem is that there is no formulated either theoretically or practically political concept of revitalization the industrial sector and "what virtual development" of our economy depends largely on the size and further imports, which determine the available foreign currencies and the possibility of further borrowing. country. Here also point out that the great burden of the fact that it is now paying off the external debt of Serbia reached as much as 13-14% of GDP, which is particularly a burden for the economy and the population and represents a serious limitation for further development of Serbia. This especially as the real GDP growth in the previous period 2008-2012. amounted to an average of only 0.2% per year, so we have a huge gap between debt service and GDP growth. The situation has not significantly changed even in 2015 because of the gross domestic product grew by 0.8%. Available from< http://www.economy.gov.rs/wp-content/uploads/2015/12/site-APK-11-nov-2015.pdf > [Accessed 19 january 2015].

Data suggest an obvious erosion of intensive technological basis of industry. In Serbia, no longer produces machine tools, industrial robots and transfer lines for the automotive and other industries. Tertiarization contributed to the deformation of the economic structure, causing huge imbalances. Almost permanently after 2000 were exacerbated by the overall balance of trade with foreign countries. The share of tradable goods in exports has decreased and the share of services increased, which led to the viability of the international liquidity crisis, especially during the second wave of the crisis in 2012. According to official statistics, in the period from 2002 to 2012, the current account deficit amounted to 31.2 billion euros [Šojić, 2014, p. 70].

A special place in the decades-long decline of Serbian industry had a model of privatization. After a very problematic model of the majority of insider privatization according to the law in 1977 in the course of the new wave (of 2001) far more decisive, that started in the privatization sale of the majority. However, the model in practice was not sufficiently designed because privatization is not used for the revitalization of the major industrial systems, in
particular for the so-called heavy industry base of industrial production which in the postwar period were carriers of economic and social development of the country. And in the local direct investments dominated those related to services, or those that are still taking place, but with the major financial incentives of the Government, in order to preserve jobs and up to 10 000 euros per worker.

Of course, the percentage of unsuccessful privatization is not measured only by the number of terminated contracts, but also the quality of firms in the subsector. In the manufacturing industry, as the biggest part of the total industry privatization process is almost complete since been privatized so far, nearly 900 enterprises [Strategy and Policy Development Industry of the Republic of Serbia 2011-2020. 55/2011], and the rest is for the privatization of around forty, not including 258 companies that have in the meantime void contracts. In 2015, using the model of sale of capital and assets were privatized 37 companies. Available from<http://www.economy.gov.rs/wp-content/uploads/2015/12/site-APK-11-nov-2015.pdf>[Accessed 19 January 2015]. Everything is done in the privatization happened very quickly and not transparent enough, and the crisis seemed to put an end segments in the industry who were not preferred by economic policy, textile and footwear, not only because of global restructuring and the shift to the East, in Serbia virtually disappeared from the scene. The rest is set to only what might in any of the countries in the region. The current state of industrial production shows that it is more than other sectors vulnerable to external impacts of the crisis. Finally, the fate of re-privatized companies is very poor, so it is not realistic to expect that they become effective, given that to them in the past poorly managed by.

So, if the transition should be completed then the current time should be that when the economic structure should function on the basis of made the transition, which is to say in terms of the open competitive market economy. However, the model of economic reforms, implemented on trust in almighty rational choice which gives belief in market fundamentalism with full and rapid privatization, deregulation and liberalization in the empirical level proved economically and socially unsuccessful. And it is known that empiricism often cruelly suggests that doctrine in real life, does not give the brief, and, even in the long term, positive effects. Does this also means that the failure of private capital to effectively run the privatized companies placed under doubt one of the core beliefs, which from the beginning reveals the current privatization model-that private property is more efficient than public and state and whether it is justified solution by force of law Liquidation of unsold socially-owned enterprises, rather than to try to find other solutions. Obviously, the economy and the citizens of Serbia ahead right strategic decisions and difficult measures to recover the real sector and the transformation of industry in accordance with the model of a modern and sustainable economic structure and to the extent that is possible.

3. A new industrial structure - the foundation of a new model of development Serbia

The process of transition in Serbia is still going on, even though it represents an economic and social necessity. The most important result of the transition process is, without doubt, in the sphere of property relations, because of the predominantly social resulted mostly privately owned. However, the change of ownership has not contributed to the fact that Serbia has achieved the necessary level of competitiveness and exports. As a result of this development, we now have an uncompetitive economy, with the share of exports in GDP is below 20%. Serbia
has for several years unsuccessfully struggling with the economic crisis and rapidly search for a new model of development that would not only be stopped but also offer solutions for solving the most pressing problems, with which it faces. In this respect, the very positive experience of a number of countries that are in the distant and recent past have met with very difficult and often severe economic and social crisis of this in Serbia, would have to be a milestone for Serbia, and that means that only the export-oriented industrialization in shorter significant time may solve some of the key issues, and accelerate the growth of GDP, employment and exports, which would create the necessary conditions to consolidate public finances and reduce the fiscal deficit. Without these industries that form the backbone and foundation of any industrial development in Serbia is difficult to count on sustainable industrial development and these industries will soon be destroyed if the professional staff with whom Serbia still has in these industries. No doubt, the export of which to a greater extent was based on a technology-intensive products, would drastically improve the economic prospects of the country due to the rapidly growing global demand for these products, and due to the high added value which can be realized from their sale.

Serbia today can not choose whether to join the world of globalized economy, or whether to continue with reforms. However, Serbia can and should be chosen, ie, to carefully trace the strategic coordinates of its economic and social development, in accordance with the present circumstances and the needs of future generations. Serbian economy is small, but can be set so that the movement advantage of her kindness. When it comes to the strategic priorities of industrial development Serbia them should be determined solely on the product level (only in exceptional cases at the level of some groups), on the basis of a thorough evaluation of our comparative advantages either (i) competitive advantages and analyzes of global demand for these products (Savic, 2014, p. 53). Of course, policies and macroeconomic reforms can be implemented subordination (top-down) provided that certain strategic priorities need to have the maximum support of the Government, through well formulated and effectively enforced industrial policy.

One must leave a static concept, according to which particular industries protected from short-term political interests. In other words, it must be made clear analysis of potential industries that would contribute to the development of competitiveness and greater efficiency. The defined priorities should include the smaller part of the total production, ie those products where the effects of direct and indirect state support, will be a multiple of the incurred cash or (and) other expenses and allowances. In accordance with this understanding, in order to effectively achieve the objectives of industrial growth and development, we have to change its view of the world and the role of the state, which until yesterday we considered the creator, director and perpetrator change, and this means that the Government should work on establishing a healthy market environment, which will create the necessary conditions for the development of other industrial and commercial activities. In terms of the revitalization of the "big industry" is necessary to perform in-depth analysis of all remaining and determine what is required of these industries should adequately support and go to the rescue of those industries that can be saved and survive independently.

With regard to global changes in the structure of production factors demonstrate the increasing dominance and superiority of the so-called. intangible factors of economic growth, such as knowledge, information, organization, culture, education. Serbia has no choice but to accept the strategy of relying on the development of human capital and technology-intensive industries, with the involvement of an educated workforce, should become an important part of
the industrial structure and it is primarily related to the production, equipment, plant and
equipment from the scope of medium and lower technology, which are not necessary big series.
That's according to experience economic technologically advanced countries yields the highest
value added per unit of labor input and capital. In this regard, it is necessary to establish and
implement an industrial policy, which must be in the function of stimulating and supporting
selected development directions. Our scientific and professional staff should be trained and to
ensure the smooth transfer of appropriate technological solutions and conducts research and
development of those technologies for which the country has appropriate institutions, and the
resources of staff. Our country as an example could serve Finland which, after the great crisis of
the last decade, has become one of the world leaders in the development and application of high
technology, so that the economy driven by investment to the phase of the economy driven by
innovation.

As Serbia has a qualified, educational, and also the relatively low labor costs, production
whose development needs to support the production of motor vehicles. The importance of this
sector is reflected in the fact that he can be one of the pillars of technological development of the
economy and can integrate the work of a large number of subcontractors. In the field of motor
vehicles and components is the most important automobile production, and includes the
production of business of commercial vehicles, engines, spare parts, aggregates and automotive
components.

Manufacture of machinery should provide an increase in export capacity and the supply
domestic components and machines other parts of the economy and industry. The main groups
of products that can be exported are: machine tools, agricultural and construction machinery,
power machinery and equipment, machine tools, specialized machinery and equipment for
particular industries, as well as maintenance and overhaul.

Serbian traditional industries with a restructuring and modernization of technology and
training can have a significant role both in terms of labor costs with lower qualifications, as well
as in the direction of achieving significant export results. Thus, the textile industry in Serbia is a
special opportunity in the production and satisfying the exclusive needs of the middle class
population in high-income and upper class in middle income countries. Significant export
opportunities exist in the processing operations of the world's leading manufacturers. The
formation of Serbian garment clusters would enable the joint appearance of domestic textile
producers in the EU markets and the Russian Federation, and this in turn would lead to the
improvement of their competitiveness, business and export performance.

The future development of Serbian industry a significant number of products can be
developed for their own needs, and to simultaneously be both important export products. This
applies particularly to: products from the scope of the timber industry, non-metal products and
construction industries. In this sense, for example, potential entry of Ikea on the Serbian market
could affect the formation of clusters in the Serbian furniture industry, in which the network of
local manufacturers and suppliers to operate at best satisfaction of needs Ikea system, assuming
of course that instead of just opening trade centers, the world's largest companies achieve
production cooperation with a local company (example Simpo) and a set of small and medium-
sized suppliers.

Production of agro-industrial complex, and food products should also have adequate
support from the state, given that these products can become a significant exporter of organic
food, but with recognizable national brand of quality and excellence. This is particularly so
because the Republic of Serbia in terms of favorable climatic conditions, the size and quality of
arable land and geographical diversity, has all the prerequisites for development and increasing competitiveness in the agricultural sector

On the basis of common interests with multinational companies Serbia should its chemical industry to move toward a higher degree of finalization and export finished products, given that the installed capacity significantly exceed domestic needs. The EU market is one of the biggest product placement chemical industry. Of course, the placement of chemical products on this market subject to meeting the requirements whose purpose is to ensure the necessary level of safety and environmental protection. Reference advantage of the chemical industry could be a potential domestic scientific and professional knowledge which, according to standard scientific indicators for evaluation, should not be underestimated.

The products of our pharmaceutical industry could also be affirmed on the world market, because this industry sector compared to other sectors, the last decade shows a much greater vitality. For a more dynamic development of this sector in addition to the need to encourage greater investment in N and R, it is necessary to create conditions for fulfillment especially strict requirements and standards for quality systems.

With the existing production capacity, modern equipment, qualified personnel and technical expertise, can produce and export price competitive and produces electrical industry such as electronic machinery, apparatus, process equipment, circuits, radio and TV and telecommunications equipment and products precision and optical instruments

Information technology represents an industry sector that can provide high propulsive growth of Serbian industry and its profitability. Exports of products of information technology can be implemented via the internet. Development in the field of software could do the dominant part of the sector, since it is very important for a number of products, particularly in the electronics industry and telecommunications.

Serbia is able to realize much higher exports than it currently manages in the ferrous metallurgy sector, but it is needed to raise the level of finalization of their production. Essential revitalization of capacity would create a high-quality resource base, which could lead to the finalization of the mechanical engineering sector, production of transport means and boats create high value export products that could compete on the international market. By stimulating the transfer of new technological solutions, through cooperation and joint ventures with foreign partners, to improve the competitiveness of this industry sector

Completion of the export structure is possible with products from the scope of non-ferrous metallurgy, where the higher level of finalization much easier to aim to accomplish, because of domestic raw material base. Funds needed for the recovery of production of non-ferrous metals should be provided through joint ventures with foreign partners, state or through the granting of concessions and the like. It is particularly important to the production and processing of non-ferrous metals reconcile national standards with EU standards, especially in the field of environmental standards and energy consumption. The decrease in exports of lower processing stages can be through the creation of comprehensive reproductive chain.

Let's say at the end of this issue in order to improve export performance, the development of these activities is to facilitate the influx of foreign investments and other stimulus conditions. You must make a turn, as far as export strategy, which should be based primarily on the improvement of qualitative factors of competitiveness, and not to the low prices. The importance of the development of Serbian industry competitive in the future, reflected in the fact that the dynamic economic growth and macroeconomic stability properties Serbia unsustainable without a stable industrial growth and exports. If foreign capital, which is a significant inflow realistic in
the coming years will be invested to a greater extent in activities with a higher level of applied technology (propulsive activity), then in the near future can expect more important qualitative change in domestic exports and its faster growth.

4. Industrial policy in the new model of industrial development Serbia

Industrial policy is necessary to promote economic development of the country, seen as the transformation of the traditional economy to an economy based on industry and advanced services. Successful directing economic flows and channeling process changes the structure of the industry without adequate industrial policy is no longer possible or in Serbia due to the very poor state of its industry and a large number of serious problems it faces. The new industrial policy in Serbia must be general but sufficiently selective and focused on specific areas of industry (and the company as their components) in order to achieve results that were identified by the State as efficient for the economy as a whole. It is very important and that it is based on activist approach which will have clearly defined goals, the role of individual institutions and their mechanisms that will be used for boosting the road of growth and development.

The disadvantages of market mechanism, which are manifested with the global crisis, but also the specific conditions and position in which Serbian industry, primarily in the export sector caused by the destruction of the industrial sector for a long period and the fact that Serbian exports in the sector of manufacturing industry is dominated by products with a low level of processing with a small newly added value, necessitate that the modern concept of development should be a reflection of the combined and sophisticated approach to the traditional (vertical) and modern (horizontal) industrial policy. And in terms of the growing instability of the global economy when random events have different effects between economies (two oil shocks have hit much earlier and stronger economy addicted to power), industrial policy needs to exhibit rapid and efficient responses. Economies of the first to feel the effects of random events can be a fight with them.

The real model for industrial policy lies somewhere between the two extremes of strict autonomy of the state, on the one hand and the private sector on the other. This is necessary because the private sector (business) knows better than the state in which direction should be developed, and the state has at its disposal mechanisms and resources (investment subsidies, incentives, monetary and credit policy, tax policy, tariff protection, exchange rate, etc.) that affects the quality of the realization of the priority objectives (Rodrik 2004, p.37). The passive role of the economy and the expectation that the state will only be responsible for the development of the industry, its an efficiency, competitiveness and increase exports, is wrong. In the literature it is stated that although the East Asian countries and Latin American countries have used subsidies to develop their young industries while East Asian succeeded in disciplining companies, Latin American countries have failed to discipline members of incentives and benefits.

Properly understood and defined industrial policy has to ensure that other policies (with which it is associated and with which it overlaps in different ways) contribute to the efficient development of Serbian industry, its specialization based on comparative advantages and raising its international competitiveness. In particular, it is necessary that the policy development of the business environment, active policy of industrial restructuring, trade policies, competition policy, investment policy, development policy labor and capital markets, environmental policy, the policy of technological development and transfer of benefits, be a function or an integral part of
industrial policy. Measures of industrial policy through adequate tax system should specifically stimulate domestic and foreign investment, with joint ventures, concessions and the like. More than ever under the measures industrial policy is necessary to encourage reinvestment of profit in the domestic industry.

Given that industrial policy of Serbia must be harmonized with EU industrial policy, industrial policy measures needs to work on the quality system and its continuous improvement, because it is an essential condition for the development of economic links with the developed world. Traditional ways to achieve high-quality products are no longer acceptable. More modern, better and more efficient way that is nowadays applied is to establish a quality management system according to ISO standard. Standardization is part of the business strategy of companies that are located in markets that are globalizing. Serbia should strive to become a brand of quality and excellence, and for this very important foreign direct investment and the revival of production based on high technology and cooperation with multinational company already mentioned, the past few years, Serbia is faced with a very difficult economic crisis, and because many of difficult economic, social and societal problems, reindustrialization Serbia looks simply like an impossible feat. But it is not quite so, as many positive experiences of many countries in the recent past shows that it is still feasible. In this sense, the authors analyzed relevant literature in the work besides the evaluation of the importance of industrialization to the overall economic and Measures of industrial policy should encourage technical and technological modernization of production in order to provide the necessary structural changes and the acceleration of growth and development. In this regard, it is necessary to actively stimulate the transfer of modern technology solutions, which will create the necessary conditions for growth in efficiency and competitiveness of our industry. In addition, adequate measures should encourage companies to significantly participate in the creation of innovative solutions and to take responsibility for their own technological development. Governments in many countries today are increasingly abandoning passive role in the innovation process, which is tantamount to the creation of effective framework conditions necessary for the development of innovation and increasingly take an active role, which involves direct investment in various innovation projects, financing public research, carried out direct assistance to public and private research organizations, conducting public procurement based on knowledge, as well as making direct assistance to improve linkages and cooperation between the various actors involved in the innovation process.

It remains indisputable means that industrial policy has become one of fundamental choice for efficient industrial development. A modern approach to industrial policy gives substantial role in sustainable industrial development and progress. Understood thus is in line with the best practices and experience, a concept that is focused on the objectives to be pursued, the necessary changes to be achieved, the mechanisms and means of achieving the desired results, the process of monitoring the development and problems, as well as harmonization of all actions in relation the existing problems or approaching at certain time intervals, in order to respond rapidly to stochastic processes.

In this regard, the State or Government of Serbia to its activist approach can help industrialization, re-industrialization, creating an environment tailor-made sustainable industrial policy and channeling process changes the structure of the industry, following the experience of developed countries and the EU, so as to be:

- To thoroughly consider the need to set up the Ministry of Industry, which would eventually encompass energy as it is in agriculture as a strategic sector.
To focus on resolving major problems and implement the plan to revitalize the industry with the priority objectives, mechanisms and resources for their implementation.

- To provide an enabling business environment for the growth of production and business, providing cheap and efficient administration, modern and simple rules, their effective implementation and equal for all.

- To ensure that measures relating to incentives for recovery and sustainable development of the industry in the short term, through logistical support, expanding the network of knowledge and information, and in the long term on tax and other incentives.

- With the help, chambers of commerce initiated research projects in which to empirically examine the current economic and technological image in the industrial sector, registered the most important problems in the field that statistics do not record and take common positions of strategic sectors of the industry in the process of revitalization.

- To seriously support products that have natural comparative and competitive advantages, particularly in the global market.

- To form a separate financial institution (Development Bank), which should provide favorable sources of financing and support export-oriented production.

- In using the mechanisms and instruments of monetary policy so that production and exports are significantly more profitable than imports, and the realization of the internal market.

- To encourage investment in non-traditional areas, but also to eradicate the projects and investments that do not meet the set objectives.

- To direct help in raising the quality of education of professional staff for the new industry structure.

- To ensure that every request made by companies in the industrial sector for public assistance will be made publicly available.

- To support the innovation policy, and research activities in industry and cooperating with scientific institution in the joint commercial projects.

- To discipline the companies through: conditionality, monitoring, audit and control programs, periodically evaluating the results achieved and checking whether they are in accordance with the objectives set.

So, for the implementation of the model of industrial development with export orientation and change its basic directions of development, based on knowledge, innovation and entrepreneurship, is necessary to define and lead a new, active and sophisticated industrial policy. Settling for modern trends in economy and channeling the process of changing economic structures, without an effective industrial policy is no longer possible. An effective industrial policy must receive appropriate place, considering that it has become one of the main choices for efficient industrial development and one of the most important economic policy that consciously influence and encourage economic development. Crucial that the new industrial policy is to make the industry more flexible and versatile and to create a structure of the product with which it will be a competitive advantage.

5. Conclusion

The aim of this study was to point out the importance of industrial policy for the development of the industry, to indicate the challenges in designing and implementing these policies and to introduce conceptual principles on which the concept and implementation of policies should be based. In this paper, we pointed out that it is demanded by modern industrial
policy because the Serbian industry more than two decades in a serious crisis. Reindustrialization project which was officially implemented (officially since 2010), more or less like a political campaign, retains all the weaknesses of the previous policy, which increasingly resembles the practice and principles of planned economy, with rare positive and very well-known negative consequences such as low productivity, technological backwardness and lack of competitiveness in the new conditions of global business. The global crisis has demonstrated that such a model of development in the long run unsustainable and that has caused very serious economic and social problems, which is now Serbia and its government does not have adequate answers. Any news that went on the air any Fabrice drive, and any economic and financially manner, the people and the country experienced and seen as "salvation". Of course, individual cases of attracting foreign investment in certain industrial sectors with significant tax breaks and other incentives are not a guarantee imminent return of industrial production in Serbia in the pre-transition level and because Serbia has to seek a new development strategy, which will in the short term to stop the negative economic trends, and in the longer term to fundamentally solve the most pressing problems faced by their industries. In short, the arguments that we put forward in this paper we have tried to point out that the recovery and development of the industry Serbia necessary active role of the state in the creation and implementation of industrial policy, as a conscious effort by the government to encourage and promote export-oriented industry, which in the short term can ensure the dynamic growth of production, employment and exports.

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