

COMPETITIVENESS IN THE SERBIAN ECONOMY IN THE PERIOD OF CRISIS

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ABSTRACT

Globalization and high capital mobility, followed by a partial influence of internal factors, directly contributed to the transformation of the economic system in the world. Among others, significant changes included the fiscal system, under which, the fiscal authorities seek to tax, financial and other incentives and build competitiveness. In times of crisis, stable economic, financial and political system, as well as provided legal security of property, are essential prerequisites for the creation of an enabling environment for investment. Today, foreign direct investment main mechanism of globalization of the world economy. They are primarily an economic phenomenon, based on the assumption, and proved in practice to their optimal actions contribute to the overall economic growth. The presence and size of certain factors foreign investment depends on the type of foreign investment and capital importing countries open to receive foreign capital. Serbia's strategic goal is to increase their competitiveness and to join the group of the most competitive European countries. To achieve competitiveness it is necessary to strengthen the key competitiveness factors, primarily to establish a stimulating investment climate for investments, primarily in education and infrastructure and improving the strategic management and leadership.

Keywords: Competitiveness, Fdi, Economy, Crisis

INTRODUCTION

Dealing and measurement of domestic production subject to international competition affects the creation, in each of the industries and activities, absolute standards for measuring their economic performance necessary for successful inclusion in the competition in the global market. The relative standard economic indicators taken separately are not sufficient for assessing the competitive performance. Especially not enough comparison to the local level with other industries and economic activities within the area of a state. There are no properties competitiveness of the economy that can be realized and recognized in all industries and their segments. International economic relations and international exchanges allow each country to provide all the necessary products and services that do not produce itself, and that in the competitive domestic industries and raise the rate of productivity growth, specialization in those industries and their segments in which the focus of the competitive position given economy. The flow of international economic relations and the dynamics of international competitiveness caused by the change or loss of the old, and the adoption, development and improvement of new competitive positions. It is a requirement that the economy of a country as a whole, maintain and enhance the competitive position in the world economy. Global Strategy, which is a necessary condition for the competitive advantage of enterprises, and means the sale and purchase under the most favorable conditions in the global market.

COMPETITIVE POSITION OF SERBIA IN THE PERIOD 2010-2012.

Despite contrary to announcements of economic policy makers, the competitiveness of the Serbian economy since the financial crisis and economic decline, both in absolute and relative terms. In recent years, some of the reforms in Serbia, with a view toward enhancing competitiveness, have started but have not been followed to the end, which decreases as the current growth potential and growth prospects in the medium / long term since it lost valuable time for taking concrete measures and that other countries, particularly those in the region, to properly exploit the moment to increase the competitiveness of their economies.

Of the 16 transition countries of Central and Southeastern Europe, Serbia, the competitiveness on the penultimate 15th place, ahead of Bosnia and Herzegovina. Since 2008. year, which coincides with the start of the financial crisis, Serbia has lost its position as the absolute - was a fall grade point average competitiveness with 3.90 in 2008. to 3.84 in 2010. year - and relatively, since it fell to the list of competitiveness of transition countries with 13 of the 2008th at 15 2010th year. Serbia on the list ahead of Macedonia and Albania, and Bosnia and Herzegovina has significantly narrowed the gap, threatening that she achieved. Grouped factors of competitiveness, in the period 2008-2010. years, competitiveness has deteriorated in most other factors besides infrastructure, health, basic education and higher education and training.

Table 1. The competitiveness of the Serbian economy by groups of competitiveness (2008-2010)

	2008		2009		2010		Growth reviews	
	Rank (od 134)	Rank score 1-7	Rank (od 133)	Rank score 1-7	Rank (od 139)	Rank score 1-7	2010/ 2009	2010/ 2008
Institutions	108	3,4	110	3,2	120	3,2	0,0%	-5,9%
Infrastructure	102	2,7	107	2,8	93	3,4	21,4%	25,9%
Macroeconomic Stability	86	4,7	111	3,9	109	4,0	2,6%	-14,9%
Health and primary education	46	5,8	46	5,7	50	6,0	5,3%	3,4%
More education and training	70	3,9	76	3,8	74	4,0	5,3%	2,6%
Goods market efficiency	115	3,7	112	3,7	125	3,6	-2,7%	-2,7%
Labor market efficiency	66	4,4	85	4,2	102	4,1	-2,4%	-6,8%
Development of financial markets	89	3,9	92	3,9	94	3,8	-2,6%	-2,6%
Knowledge and use of technology	61	3,5	78	3,4	80	3,4	0,0%	-2,9%
The market size	65	3,6	67	3,7	72	3,6	-2,7%	0,0%
The successful functioning	100	3,5	102	3,4	125	3,2	-5,9%	-8,6%
Innovations	70	3,1	80	3,0	88	2,9	-3,3%	-6,5%

Source: World Economic Forum (2010)

Since 2008., the macroeconomic factor group in Serbia, the most deteriorated. However, this is partly the result of changes in methodology - this year introduced a factor rating credit rating in which Serbia is ranked poorly (83rd place) - which to some extent reduces the average grade of macroeconomic factors. However, it must be pointed out two important trends: (1) almost all other macroeconomic factors in Serbia are recorded in the period of crisis worsening, which was within acceptable limits given the adverse external circumstances, and (2) the rate of national savings is in Serbia very low levels - from 136 countries for which the national savings rate is known, Serbia is at 131st place. Low national savings is particularly important in the current external circumstances, bearing in mind that during the crisis period and the first years after the crisis is expected to significantly lower the movement of international capital and domestic savings is a key source of financing for economic growth and development. From the above said, it appears that national saving is increasingly becoming a bottleneck competition, and economic development in the whole of Serbia.

In addition to macroeconomic factors, it is necessary to pay special attention to institutional factors, goods market efficiency and business sophistication in Serbia, which, according to the World Economic Forum, the main bottlenecks for improving the competitiveness of the Serbian economy. The essence of failure related to the institutional framework and the efficiency of goods markets is reflected primarily in the fact that the institutional framework in Serbia is still not good enough for the investment, and that comes from too much government regulation, poor efficiency of the judiciary and the legal system inadequate.

Table 2. Analysis of progress in competitiveness (SEE countries)

	Index value			Absolute growth		The relative growth	
	2008	2009	2010	2010/2009	2010/2008	2010/2009	2010/2008
Albania	3.55	3.72	3.94	0.22	0.39	5.9%	11.0%
Montenegro	4.11	4.16	4.36	0.20	0.25	4.8%	6.1%
Bosnia and Herzegovina	3.56	3.53	3.70	0.17	0.14	4.8%	3.9%
Macedonia	3.87	3.95	4.02	0.07	0.15	1.8%	3.9%
Hungary	4.22	4.22	4.33	0.11	0.11	2.6%	2.6%
Serbia	3.90	3.77	3.84	0.07	-0.06	1.9%	-1.5%
Croatia	4.22	4.03	4.04	0.01	-0.18	0.2%	-4.3%

Source: World Economic Forum (2010)

On the other hand, Serbia has certain advantages that would in the future be able to rely, such as tax rates - especially in the aftermath of the crisis when it come to the fore cost competitiveness factors - the quality of math and science education.

COMPETITIVE POSITION OF SERBIA IN 2012.

According to the World Economic Forum in 2012. Serbian year ranked 95th position on the list, which includes 144 countries with a recorded value of the Global Competitiveness Index (GCI) of 3.87. In the previous year the value of GCI for Serbia is almost negligible declined by 0.01, which did not lead to the displacement rank of Serbia. In fact, if one takes into account that the list of countries expanded compared to the previous year (adding the two countries) Serbia is still at the 95th position, despite the depreciation of the IGC, and stagnation can be considered on the same level of competitiveness.

Table 3: Global Competitiveness Index 2007-2012 (SEE countries)

	Albania	Bosnia and Herzegovina	Montenegro	Greece	Croatia	Hungary	Macedonia	Serbia
2007	3,48	3,55	3,91	4,08	4,20	4,35	3,73	3,78
2008	3,55	3,56	4,11	4,11	4,22	4,22	3,87	3,90
2009	3,72	3,53	4,16	4,04	4,03	4,22	3,95	3,77
2010	3,94	3,70	4,36	3,99	4,04	4,33	4,02	3,84
2011	4,06	3,83	4,27	3,92	4,08	4,36	4,05	3,88
2012	3,91	3,93	4,14	3,86	4,04	4,30	4,04	3,87

Source: World Economic Forum (2007-2012)

The highest value of GCI's (5.72) and first place in 2012. Switzerland were recorded, while the lowest value (2.78) Burundi noted that at the last, 144 place. It should be noted that the theoretical value of the IGC in the interval from 1 to 7. Historically the highest value of 3.90 GCI Serbia made before the first wave of the crisis in 2008. year, but next to, 2009. The value of GCI declined markedly to 3.77. The decline in the value of GCI is compatible with the fact that the competitiveness of the economy has declined due to the negative expectations of businessmen affected by the first wave of severe crisis worldwide scale.

Table 4: Ranking of countries according to the Global Competitiveness Index 2007-2012, (SEE countries)

	Albania	Bosnia and Herzegovina	Montenegro	Greece	Croatia	Hungary	Macedonia	Serbia
2007	109	106	82	65	57	47	94	91
2008	180	107	65	67	61	62	89	85
2009	96	109	62	71	72	58	84	93
2010	88	102	49	83	77	52	79	96
2011	78	100	60	90	76	48	79	95
2012	89	88	72	96	81	60	80	95

Source: World Economic Forum (2007-2012)

The following table shows the structure of the GCI, by supporting pillars of competitiveness in 2011. and 2012. year. Since we have concluded that in 2012. there was no significant change in the value GCI, based on what certainly can not be concluded that neither Serbian nor regressed progressed in terms of overall competitiveness, showing competitiveness pillars for two consecutive years may indicate changes in the composition of Serbia's competitiveness.

Table 5. Value at GCI pillars of competitiveness (2011-2012)

	Poles of competitiveness	2011	2012
1	Institutions	3,15	3,16
2	Infrastructure	3,67	3,78
3	Macroeconomic Stability	4,18	3,91
4	Health and primary education	5,82	5,73
5	More education and training	3,98	3,97
6	Goods market efficiency	3,49	3,57
7	Labor market efficiency	3,94	4,04
8	Development of financial markets	3,74	3,68
9	Knowledge and use of technology	3,63	4,10
10	The market size	3,61	3,64
11	The successful functioning	3,08	3,11
12	Innovations	2,90	2,81

Source: World Economic Forum (2012)

In the framework of institutions and infrastructure segments (first and second pillars), Serbia has a competitive advantage only in fixed telephony. Low values of sub-administrative infrastructure and implementation of the state, many point to the weaknesses that reduce competitiveness. In the area of macro-economic environment (third pillar) Serbia has no competitive advantage, which can not be said for the segment of health and primary education (fourth pillar). In the area of higher education and training (fifth pillar), there is a competitive advantage when it comes to the number of those enrolled in higher education institutions and the quality of math and science education, while an alarming percentage of highly educated people leaving the country. In the field of goods market efficiency (sixth pillar), Serbia is competitive in the segment tax rates, as well as the time required for starting a business. On the other hand, despite the booming demand of what we saw in the past few years, the sophistication of buyers has remained at a very low level. In the field of labor market efficiency (seventh pillar), Serbia has a competitive advantage, which applies only to the cost of firing workers, making this entire segment of the market makes it uncompetitive, as evidenced by the high rate of unemployment. The lack of competitive advantage is present in the capital market. Marketability in Serbia is very vulnerable, because there is a monopoly in many areas of business (eighth pillar). This can be attributed to the low efficiency of competition policy, which affects the reduction in the intensity of local competition. Regarding the level of technical equipment (ninth pillar), competitive advantage exists only in the field of Internet bandwidth, while the perceived weaknesses in the areas of access to new technologies and the number of foreign direct investments in the field of their transfer, which directly affects the low absorption of new technologies by the company. Weak technological capacities resulting in uncompetitive products

difficult to find their way to consumers, causing a decrease of the market and makes it uncompetitive (tenth pillar). Another logical consequence of the lack of competitive advantage in the areas of business sophistication (eleventh pillar) and innovation (twelfth pillar). The low level of investment in research and development of innovative capacity reduces and prevents the improvement of operational efficiency and the implementation of differentiation strategy.

FOREIGN DIRECT INVESTMENT AS A FACTOR OF DEVELOPMENT OF SERBIAN ECONOMY

Of particular importance to increase the competitiveness of the Serbian economy are the system of incentives for the mobilization of savings and the credibility of financial institutions, which should contribute to increasing the competitiveness of companies and the economy as a whole. Competitiveness of exports depends on the lending institutions and export insurance. Macroeconomic policy has multiple effects on the competitiveness of enterprises, namely: policies that over the course of maintaining the exchange rate at a certain level affects the competitiveness of the economy, monetary policy through interest and control liquidity affects the competitiveness of the economy through fiscal policy that revenue, expenditure and deficit / surplus affects the competitiveness of the economy, foreign policy and competition policy through the protection of domestic production and employment, strengthening competitiveness and liberalization of capital transactions affect the competitiveness of the economy, a policy that income through administered prices and wage bill over the impact on the competitiveness of the economy.

Tax incentives have the greatest effect in those countries where tax rates are high and were just obstacles to investment, while in other countries that have a vision barriers, tax incentives will not have such a big effect. The most important tax incentive, which has just achieved the greatest effect, is the exemption from a certain time period. It is the most attractive because of the potential losses that usually occur in the first year of operations. However, investors often make decisions based on the transparency of the tax system, ease of administration and payment of taxes, which sometimes plays a much larger role than tax incentives. The effectiveness of the policy of introducing tax incentives is often very uncertain. The introduction of incentives directly affect the decision-making system of foreign investors. As a group of foreign investors is very heterogeneous, tax incentives will have the same effect on all investors. The problem of measuring the efficiency of the tax incentive is increased by the fact that the implementation of FDI investors achieve different goals. Most developing countries extensively use tax incentives to attract foreign direct investment, but in many countries the incentive is limited. However, a major drawback of this type of attracting foreign direct investment to our foreign investors rely more on fiscal elements when deciding on mobile capital investment and actual economic conditions left in the shadows.

By creating a single market, Customs duties and barriers to crossing of goods, services and financial assets of individuals, which leads to mutual competition between countries. Every country is trying to offer better tax conditions in order to attract more investors and labor relative to countries that are in the immediate surroundings. Through investment, attracting a great deal of money and capital, and thus strengthens the economy as a whole. In terms of attracting investment, some countries have gone so far as to have their tax rates closer to zero-rate or even abolish them. Much lower levels of investment in Serbia in recent years clearly show that Serbia is unable to use his investment potential because there is no clear strategy. Moreover, an aggravating factor in this case the state has created with his unnecessary bureaucracy and, in addition, slow and expensive. Even when investors deal with it and start up a business, any dispute brings him in an unfavorable situation of waiting and wasting time and money because there is no strong and effective rule of law. If you want to achieve a higher level of attractiveness, these are the areas where it is necessary to make efforts to bring the level of international practice. It should be noted that in the last year and there are positive developments for us to see whether they will continue in the coming year, and what effects it will bring.

As the only way out of the bad situation in which Serbia is the attraction of foreign direct investment at any price. It will have a positive effect on our problems such as unemployment and balance of payments deficit. Adoption of long-term development strategy based on FDI is certainly imperative in this regard. Doing so will be institutionalized Serbia's commitment to planning your environment and create a consistent policy to attract investment and that will depend on the change of government and thereby changing conditions as in our case very often. As the latter, it should be noted that there is no better way of attracting and retaining investment of stable and orderly environment in which it operates.

CONCLUSION

Competitiveness has become a dominant economic theme. Its importance, in addition to the traditional need to be more competitive, thus better than others, and contributed to the global economic crisis through which all economies. It is certain that a Serbian model of growth and prosperity, which, until now, have to implement the changes, leaving the expansion of domestic demand as a key driver of growth. The basis for growth in the future must be much greater extent domestic savings and investment, as opposed to the current model, which is dominated by domestic consumption. Irreversible process of globalization of the world economy has led to a situation where states are becoming competitors in an effort to offer the most productive business environment. Competitiveness of the business environment has a direct impact on the quality of the companies that will be present and determine the performance of the overall economy of a country. The economic prosperity of an economy depends on the ability of companies to achieve and maintain a high level of productivity and to continually innovate. Can easily be seen that the underdeveloped countries today is characterized by uncompetitive business environment and that is the main engine of the future development of these countries to raise the level of competitiveness (by Serbian competitiveness today occupies 95th place out of 144 countries). Backlog for the region, although there is definitely not impossible, but the region imposes a faster pace of progress that Serbia does not follow the same intensity. State of the national business environment can not be fixed overnight, and it must be the fruit of a long-term work to achieve the goal. The best solution is the adoption of a national strategy that would serve as guidance for all of the changes that are necessary to stimulate the competitiveness of Serbia.

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