



INSTITUTE of ECONOMIC SCIENCES

IMPACT OF ECONOMIC POLICIES ON ATTAINING RESILIENT GROWTH

Book of abstracts

Editors

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ROSSITSA CHOBANOVA



INTERNATIONAL SCIENTIFIC CONFERENCE:
IMPACT OF ECONOMIC POLICIES ON
ATTAINING RESILIENT GROWTH

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RESILIENT GROWTH**

BOOK OF ABSTRACTS

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Mirjana Radović Marković
Marko Malović
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Rossitsa Chobanova

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Dušan Pavlović

PREFACE

We are proud to present the “Book of Abstracts” for the annual international conference. The 2016 publication gathers all abstracts that are accepted for presentation at the conference on ***Impact of economic policies on attaining resilient growth.***

The aim of the conference was to provide a clear presentation of the main facts, figures, theories, and practices required for a full understanding of:

- Evaluating Effects of Economic Policies
- Building Risk-Resilient Environment for Economic Growth
- Policy Challenges of New Realities in the E(M)U

Thus the participants have been invited to share their insights on a wide variety of topics. All of them are covered in this publication, and that is perhaps its main value.

EDITORS

INVITED PAPERS

SMES RESILIENCE THROUGH INNOVATIVE BUSINESS NETWORKS DEVELOPMENT¹

Rossitsa Chobanova²

Economic Research Institute, Bulgarian Academy of Sciences, Sofia, Bulgaria

Abstract

The forest-based industries are currently facing several challenges. This paper attempts to summarize the current common resilience challenges to be jointly addressed by SMEs in the case of forestry such as the limited access to sustainably-sourced raw materials, the high cost and complications of harvesting wood, price increases driven by competing demand, comparatively higher energy costs and a more complex and demanding policy environment. In this respect it has suggested developing innovative SMEs business networks applying some standards for business excellence among which are the Supply Chain Operational Reference (SCOR), as well as the newly launched Design-Chain Operational Reference (DCOR). Incorporating the both – challenges and solutions is in the core of the new ideas for SMEs resilience.

Key words: *forestry, SMEs, innovative networks, business*

1. INTRODUCTION

The grassroots for defining the problem of innovating SMEs business networks are the major cross-border problems identified by IPA Cross-border cooperation programme 2014 – 2020. Among them are: loss of competitiveness, which is a consequence of the ongoing restructuring process, loss of traditional markets and lack of managerial skills in forestry sector. In this respect developing and innovating SMEs business networks in forestry through virtual office for forest industry support (VOSIF) and virtual educational platform (VEP) in cross-border cooperation between Bulgaria and FYROM, developed by the Bulgarian academy of sciences (BAS) and Macedonian academy of sciences and arts (MASA), have

¹ This paper in different forms has been presented on several conferences

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required defining common challenges to be met and conditions for and best practice solutions.

2. THE CHALLENGES

The forest-based industries are currently facing several challenges. The 2013 Communication “A New EU Forest Strategy” and the accompanying “Blueprint for the EU Forest-Based Industries” (F-BI) define following challenges: global competition, the availability of energy and wood supplies, the role of the sector in limiting climate change.

The both documents confirm the persistence of these challenges and their impact on the overall competitiveness of EU F-BI in a global context. The provided arguments are that all segments of the value chain, including the furniture sector are affected by the access to sustainably-sourced raw materials, the cost and complications of harvesting wood in the EU, price increases driven by competing demand (e.g., from the bio-energy sector), comparatively higher energy costs in the EU and a more complex and demanding policy environment. Because of some of these challenges have also an impact on consumption patterns, the degree of information available to the final customers becomes of relevance.

The policy problem to be solved is related to a specific type of market failure, i.e. incomplete information, which triggers a problem of adverse selection due to the following features of the furniture industry: Most of the quality features of furniture products belong to the categories of experience and credence attributes: this means that consumers might not always be entirely equipped to fully incorporate quality features in purchasing decisions, as well as to distinguish between high- and low-quality products. This can generate problems of adverse selection, in which consumers do not fully adjust their willingness to pay to the difference in quality of products available on the market. The adverse selection problem is further exacerbated by the fact that retailers that sell both high- and low-quality furniture might not have the same incentives as manufacturers in making quality differences crystal clear for customers. The problem is also aggravated by emerging trends such as increased competition from non-EU countries, growing price-sensitivity of furniture demand generated by reduced disposable income, and the rise of online furniture stores, which make the quality features of furniture even more difficult to test in practice before purchase. It must also be recalled that online interaction between consumers might, in

principle, fill some of the information gaps on experience qualities (e.g. through rating of specific pieces of furniture by other consumers), but not on credence qualities, and not for all furniture products existing on the market.

Other problems have been highlighted in EU Forest Strategy and to be addressed are as follow: Existing product guarantees only partially address the issue as, in the case of furniture, quality problems can become visible after a guarantee has expired and when complaints cannot be enforced. Several factors including the globalization of value chains, new sourcing strategies, and in particular the growing diffusion of new retail formats have altered vertical relations between manufacturers and retailers and made competition on “quality signalling” fiercer. In addition, due to the structure of furniture production in the EU, manufacturers are more likely to be the side with less bargaining power in the vertical relationship, which also affects the type of product information that is ultimately communicated at the point of sale. As a result, consumers receive confusing messages, as different actors at different levels of the value chain may be interested in providing different types of product information to the consumer.

Another problem is the provision of information on materials used. As regards information on wood and woodworking products, the EU Timber Regulation³ entered into force in March 2013, represents a momentous breakthrough because it forbids the placing on the Internal Market of illegally harvested timber or timber products⁴ derived from illegal timber and requires operators who place timber and timber products on the market to exercise due diligence.⁵ Moreover, to enhance traceability, traders are obliged to keep records of their suppliers and customers. Although this Regulation does not directly affect the amount of information provided to consumers, its enforcement has some clear informational effects: i) it ensures that all wooden furniture products put on the EU market employ wood that was legally logged, thus creating a level playing field

³ Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market

⁴ Wooden furniture as well as furniture component materials, with the exception of recycled products, are covered by the EU Timber Regulation

⁵ To exercise due diligence, an operator has to collect information about timber and timber products as well as about his suppliers and other context details (complexity of the value chain, rules in force in the country of harvest, level of enforcement in such a country, etc.), thus being able to conduct a full risk assessment and, when needed, to take risk mitigation measures

Impact of Economic Policies on Attaining Resilient Growth

in the Internal Market; ii) it foster the collection and transmissions of information at different levels of the value chain, thus enhancing B2B information flows; iii) it allows traceability of wood and woodworking products, thus facilitating the identification of the country of origin of these materials. Conversely, it is worth stressing that the EU Timber Regulation does not address sustainability unless rules applied in the country of harvest take account of this specific issue⁶.

Another challenge is the company size structure impact. Firms designing, manufacturing and shipping products in large quantities (particularly, but not only, in the low and middle-price ranges) are leading players and took advantage of their large scale and the availability of huge capital resources to invest in organizing their production and logistics in order to penetrate foreign markets. On the other hand, larger firms find it convenient and profitable to outsource and fragment their activities into many functions carried out by different actors in different locations, and small and medium-sized enterprises are increasingly relying on them for their access to markets.

The EU furniture sector is predominantly made of SMEs, with around 85% being micro enterprises (fewer than 10 employees) and another 12% of companies being small (10 to 49). Medium-sized companies account for 2%. The semi-finished wooden products represent the upstream segment of the value chain. In 2010, this forest-based manufacturing industry in EU included 184,000 enterprises and employed 1.05 million people, i.e. 0.8% of total non-financial employment. The importance of SMEs is relatively high in niche market segments, primarily for high-end, custom made and design-led products. Overcoming difficulties related to small company size was one of the factors underlying the development of cluster experiences in the furniture sector.

⁶ The definition of legality applied by the EU Timber Regulation strictly depends on the scope of the laws in force in the country of harvest. Factors that are central in sustainable forest management such as biological diversity or forest productivity are not always embedded in national laws regulating logging. As a result, timber complying with the EU Timber Regulation is not necessarily sustainable. Similarly, sustainable timber is not automatically compliant with the Timber Regulation insofar as the definition of sustainability might not include compliance with laws in force in the country of harvest (note that products made of FSC or PEFC certified timber do not automatically comply with provisions included in the EU Timber Regulation).

3. CONDITIONS TO MEET CHALLENGES

The Report of the World Wildlife Fund (WWF) „Living forests”⁷ discussing how to meet future demand for wood products within the finite resources of one planet has defined the following *conditions for transformation* “...the manufacturing sector in the timber sector of the economy, positively affecting the planet health:

- improving forest management (e.g., providing legal and sustainable forest management, forest planning effective zoning based on a landscape approach, improving the sustainability of forest plantations, the introduction of responsible purchasing policies);
- improvement of technologies (e.g., more efficient use of raw materials and recycling efficiency, the development and introduction of new wood-based materials with a smaller ecological footprint);
- improvement in management (e.g., strengthening social safety nets, more effective implementation of policies and practices);
- improvement of policies (for example, the creation of incentives for reducing the rate of forest lands in the land for other purposes, and unsustainable forest management by implementing public policies that support responsible forest management, which provides a more efficient carbon sequestration, biodiversity and water resources);
- improvement of scientific information database (for example, the implementation of long-term environmental impact studies of different approaches forestry in natural forests and creation managed plantations);
- sustainable consumption (e.g., the development of reusable timber, the new psychology and consumption strategy that would fit the needs of the poor and excluded to irrational and excessive consumption of the rich, which fully applies to wood products, and to food and energy as well as to all the resources and products where land and water are needed) ...”.

4. POSSIBLE SOLUTIONS

Developing and managing a supply chain in forestry is a solution recommended by many organizations. The Supply-Chain Council, a global trade consortium in operation with over 700 member companies, governmental, academic, and

⁷ WWF Living Forests Report: Chapter 4. Forests and Wood Products, 2012. 41 p.
http://d2ouvy59p0dg6k.cloudfront.net/downloads/living_forests_report_ch4_forest_products.pdf

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consulting groups participating in the last 10 years, manages the Supply-Chain Operations Reference (SCOR), the de facto universal reference model for Supply Chain including Planning, Procurement, Manufacturing, Order Management, Logistics, Returns, and Retail; Product and Service Design including Design Planning, Research, Prototyping, Integration, Launch and Revision, and Sales including CRM, Service Support, Sales, and Contract Management which are congruent to the Porter framework.

The SCOR framework has been adopted by hundreds of companies as well as national entities as a standard for business excellence, and the U.S. Department of Defense has adopted the newly launched

Design-Chain-Operations Reference (DCOR) framework for product design as a standard to use for managing their development processes. As the Booz Allen Hamilton special report, "Money Isn't Everything"⁸ on the R&D spend by companies argues, the more R&D spend means better business results for companies. DCOR is about the innovation processes – ideation, project selection, development, and commercialization. It is a process reference model that has been developed as the cross-industry standard diagnostic tool for all stages of research and development. DCOR enables users to address, improve, and communicate product engineering practices within and between all interested parties. By describing design-chains using standard process building blocks, the model can be used to describe design-chains that are very simple or very complex, using a common set of definitions. As a result, disparate industries can be linked to describe the depth and breadth of virtually any design-chain.⁹

5. CONCLUSIONS

The forestry based industry is affected by challenges such as the limited access to sustainably-sourced raw materials, the high cost and complications of harvesting wood, price increases driven by competing demand (e.g., from the bio-energy sector), comparatively higher energy costs and a more complex and demanding

⁸ Everything Barry Jaruzelski, Kevin Dehoff, and Rakesh Bordia. 92005 Money Isn't Everything Barry Jaruzelski, Kevin Dehoff, and Rakesh Bordia. strategy+business, Winter 2005. Booz Allen Hamilton, reprint No. 05406

⁹ Caspar Hunsche, 2006, Introducing the Design Chain, BPTrends September 2006 <http://www.bptrends.com/publicationfiles/09-06-ART-DoesDesignReallyChain-Hunsche4.pdf>

policy environment. Because of some of these challenges have also an impact on consumption patterns, the degree of information available to the final customers becomes of relevance. The size structure of enterprises also is a problem to be considered.

The conditions to meet such challenges include improving forest management; improvement of technologies; improvement in management; improvement of innovation policies; improvement of scientific information database; sustainable consumption.

On the firm level such conditions concern application of standards for business excellence among which are the Supply Chain Operational Reference (SCOR) the newly launched Design-Chain Operational Reference (DCOR).

Incorporating the understanding for challenges and solutions SMEs business networks in tools like a virtual office for forest industry support (VOSIF) and a virtual educational platform (VEP) could contribute to increasing innovation and respective competitiveness of the cross-border cooperation, in our case - between Bulgaria and FYROM.

Acknowledgements: I wish to thank the joint projects of the Bulgarian academy of sciences and Macedonian academy of sciences and arts: "Bulgarian-Macedonian scientific and innovative cooperation: Balkan and European perspectives" and "Innovation Cooperaiton Initiatives".

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4. Communication from the Commission: Industrial Renaissance COM(2014) 3 NACE Rev. 2 Division 16 ("Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials")
5. Communication from the Commission: innovative and sustainable forest-based industries in the EU, COM (2008)113, February 2008

Impact of Economic Policies on Attaining Resilient Growth

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7. European Commission: A Blueprint for the EU Forest-based Industries (woodworking, furniture, pulp & paper manufacturing and converting, printing), SWD(2013)343;
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http://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/bulgaria/2014tc16i5cb006

U.S. ECONOMY AT A CROSSROAD

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Herzing University, Orlando, U.S.A

A BRIEF HISTORY NOTE

- “LEARNING FROM HISTORY ISN’T ABOUT DIVINING PRECISE PREDICTIONS: IT’S ABOUT *REGAINING PERSPECTIVES*” (Goldin & Kutarna 2016)
- **USA SINCE WORLD WAR II**
- MARSHALL PLAN
- COLD WAR
- “END OF HISTORY”
- “HONEYMOON” DECADE
- SEPTEMBER 11
- GREAT RECESSION

ROAD TRAVELLED

- War
- Diplomacy
- Hard power
- Soft power
- Bipolar world
- Unipolar world
- Multi polar world

IT IS ECONOMY...

JOBS, JOBS, JOBS!

¹ PhD

WHAT WENT WRONG?

- ECONOMIC AND POLITICAL PERFECT STORM:
 - SOUTH EAST ASIAN CRISIS AND AFTERMATH
 - PRESIDENTIAL ELECTIONS OF 2000
 - SEPTEMBER 11
 - GREAT RECESSION 2007

IT IS POLITICS ...

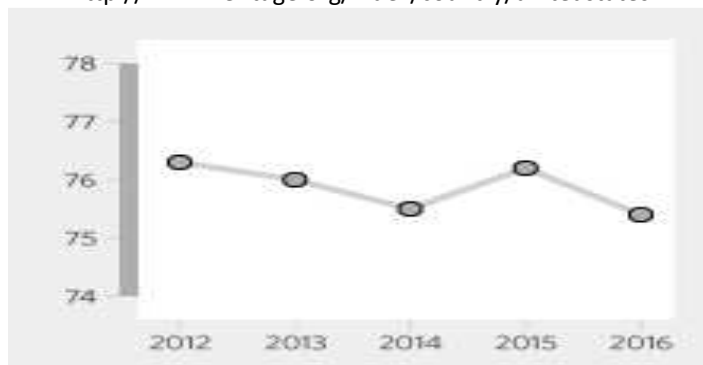
- “We believe that **the nation’s political system** has now become America’s **greatest competitive weakness**, and that the situation continues to deteriorate,” Harvard professors Michael Porter, Jan Rivkin and Mihir Desai wrote in a report titled “Problems Unsolved and a Nation Divided.”

FEW OUTCOMES

- The **American people’s trust in their government is the lowest** it has been in the past 10 years,
- **75 percent believe corruption is widespread** in the government and in government regulation of business.
- **The regulatory burden continues to increase.**
- **The top corporate tax rate remains among the world’s highest at 35 percent.** The overall tax burden equals 25.4 percent of total domestic income. <http://www.heritage.org/index/country/unitedstates>

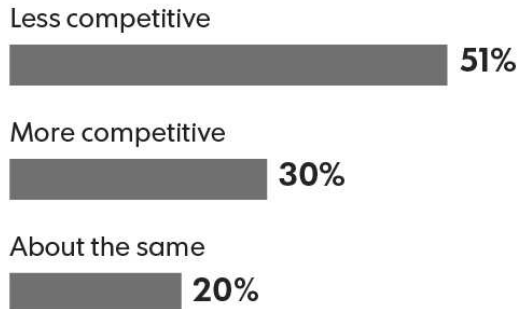
ECONOMIC FREEDOM SCORE OVER TIME

<http://www.heritage.org/index/country/unitedstates>



ECONOMIC OUTLOOK

A 2016 survey of Harvard Business School alumni showed a majority believe U.S. firms will be less competitive in the global economy in the next 3 years:



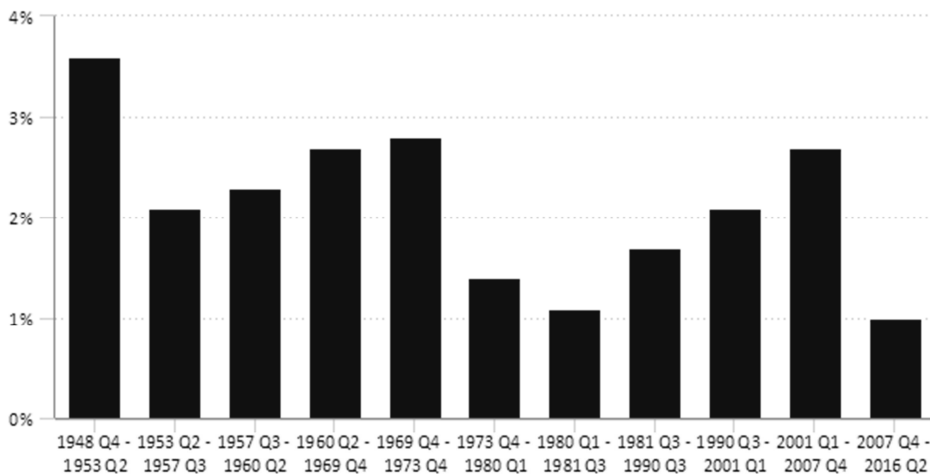
NOTE Percentages may not add up to 100 due to rounding
SOURCE Harvard Survey on U.S. Competitiveness

Veronica Bravo, USA TODAY



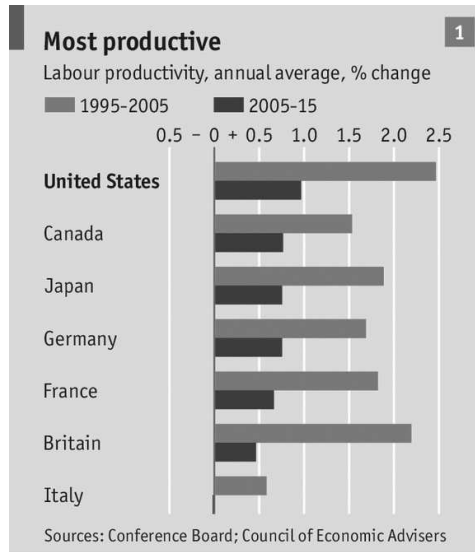
PRODUCTIVITY IS GOING DOWN

Chart 1. Average annual percent change in labor productivity in the nonfarm business sector during business cycles



Note: Each business cycle begins at the start of a recession, as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.

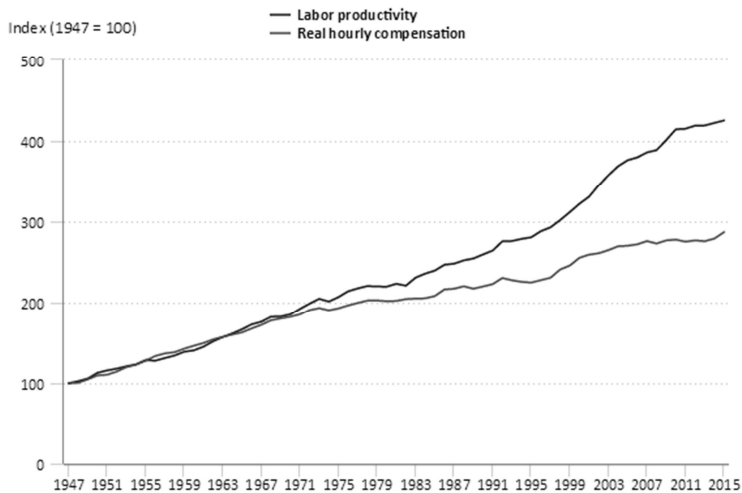
PRODUCTIVITY IS GOING DOWN: GLOBAL COMPARISON



Economist.com

WAGE GAP IS WIDENING

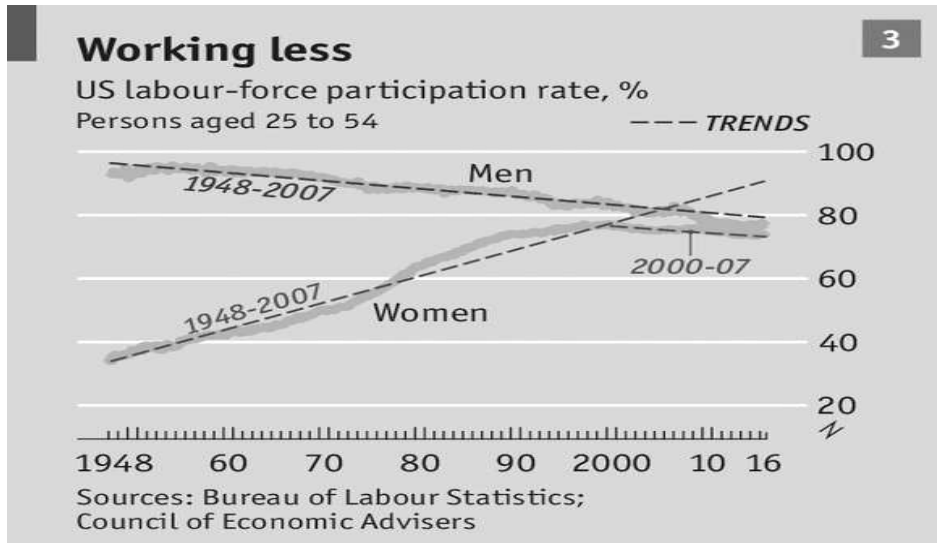
Chart 2. Labor productivity and real hourly compensation in the nonfarm business sector, 1947-2015



Source: U.S. Bureau of Labor Statistics.

MORE PEOPLE ARE OUT OF WORKFORCE

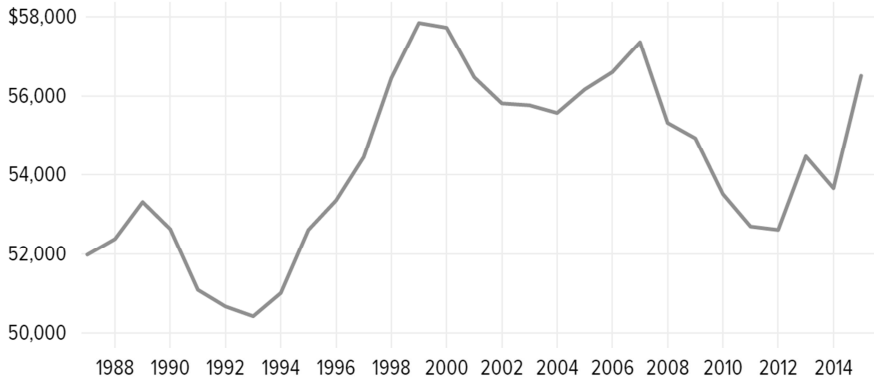
<http://www.economist.com/news/briefing/21708216-americas-president-writes-us-about-four-crucial-areas-unfinished-business-economic>



Economist.com

REAL MEDIAN HOUSEHOLD INCOME SWINGS

Real Median Household Income in the U.S. (1986 - 2015)



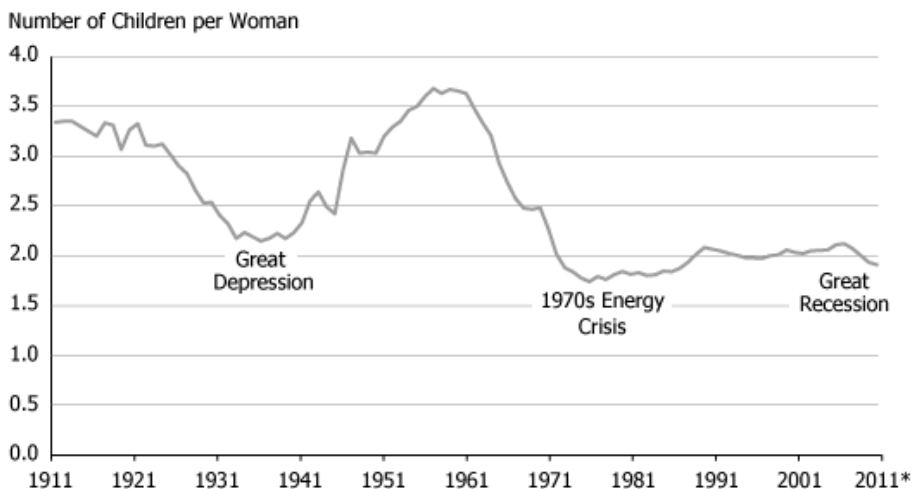
NBC NEWS

U.S. Census Bureau

IS RECOVERY IN SIGHT OR...

- “SECULAR STAGNATION” In 1938 Alvin Hansen suggested that **slower population growth and a lower speed of technological progress will prevent economic expansion**
- “This is the essence of secular stagnation,” he explained, “sick recoveries which die in their infancy and depressions which feed on themselves and leave a hard and seemingly immovable core of unemployment.”
<http://time.com/4269733/secular-stagnation-larry-summers/>

<http://www.prb.org/publications/datasheets/2012/world-population-data-sheet/fact-sheet-us-population.aspx>



IS IT HAPPENING AGAIN?

- “Slow or negative growth in the working-age population means low demand for new investments,” Nobel prize winner Paul Krugman explained in a 2014 article
- “Growing inequality means those most likely to spend their money, the middle class and people with lower incomes, have seen their wages grow the least”
- “Recent innovations have failed to increase productivity in the same way running water, the combustion engine, and indoor plumbing did for the

Invited Papers

previous generation. As a result, economic growth has been comparatively sluggish—especially now that the gains from the internet boom have largely been absorbed”

- <http://time.com/4269733/secular-stagnation-larry-summers/>

WHAT HAS BEEN CHALLENGED?

- IDEOLOGICAL DOMINANCE
- ECONOMIC DOMINANCE
- *“Years from now, historians may well point to the financial crisis as the end of American economic dominance in global affairs.”*
<https://www.foreignaffairs.com/articles/2011-02-16/post-washington-consensus>

RISING PHOENIX

“You can always count on Americans to do the right thing - after they've tried everything else.”

Winston Churchill

Part I.
EVALUATING EFFECTS OF ECONOMIC
POLICIES

1.1. THE EFFECTS OF TRADE POLICY ON POVERTY - MACEDONIAN CASE

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OBJECTIVES

The relationship between trade liberalization policy and poverty represents one of the most debated issues in the economic research field. Although trade liberalization is not considered a specific policy for poverty reduction, given the severity of poverty issue in developing countries, the present study attempts to examine the relationship between trade liberalization and poverty reduction in Republic of Macedonia, with special emphasis on the possible vehicles that can effectively help in attaining the goal of poverty eradication.

METHODOLOGY

In order to determine the impact of trade liberalization on poverty in the Republic of Macedonia, this research relies on the descriptive approach which collects a vast amount of qualitative and quantitative information on changes in economic and social indicators. Data gathering will regard GDP, unemployment, employment, wages and poverty rates for the period 1998, when trade liberalization started to be implemented, to 2014. These data are then analyzed to understand the impact of the policy reforms on the welfare of the countries under investigation. The choice of using such approach in this paper is justified by the fact that it better fits the aim of this research and its relative constraints.

RESULTS

This research shows that the transition towards a modern market economy characterized by greater openness has benefited the country: it has experienced in the last decades a sustained economic growth, but that economic growth have not been accompanied by decreasing levels of poverty in Republic of Macedonia. Mainly, the lack of improvements in terms of poverty can be ascribed to the fact

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that the reforms implemented have generated job destruction in key sectors of the economy but without job creation.

IMPLICATIONS

This paper is important not only for academics and researchers but also for policy makers. In order to enable the poor and the whole population to take advantage from trade liberalization, it is essential that local institutions enhance active labour market policies and facilitate the requalification of the workforce through ad hoc-programs.

ORIGINALITY VALUE

The key contribution of the paper is in the fact that until now there is no research in the country, which has been done on this subject in this way and by using descriptive method of research.

KEY WORDS

Trade liberalization, policy, growth, poverty, employment, unemployment

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Part I.

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1.2. TO WHICH EXTENT DID THE FDI CONTRIBUTE TO EMPLOYMENT GROWTH IN TRANSITION COUNTRIES?

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OBJECTIVES

Objective of this research is to empirically analyze effects of FDI on unemployment in transition countries. Analysis is aimed to enhance general understanding of the transmission channels and effects of FDI on unemployment, with particular focus on countries in transition. We include countries in transition according to UN classification (Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia and FYRO Macedonia, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan and Georgia).

METHODOLOGY

Our research methodology is based on the quantitative estimation of the role of FDI in unemployment on aggregate country level. It applies panel regression analysis, aimed to empirically estimate model that relates unemployment to FDI and other control variables. In order to examine robustness, we will use several alternative specifications of the baseline model. Regression model will be estimated based on annual macroeconomic data for the period 2000–2014, retrieved from international sources.

RESULTS

Preliminary results of regression estimation for the sample of only European transition countries suggest that the effect of FDI on unemployment is insignificant and this result appears to be robust for all regression' specifications

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considered. However, sample need to be extended for non-European countries to reconsider robustness of this result.

IMPLICATIONS

Positive effects of FDI on growth are usually taken as granted by policymakers of the host country, especially if the country is short of domestic capital accumulation. Findings of the analysis would be beneficial to policymakers in countries in transition, in order to understand under which circumstances FDI can have positive or detrimental effects on unemployment. Consequently, it will be useful in improving policies of investment promotions.

ORIGINALITY VALUE

The most of the studies examining effects of the FDI in transition countries uses GDP-wise variables as the main measures of economic activity. Empirical studies that analyze effects of FDI on employment are usually country-specific or based on samples of smaller group of countries. This research should contribute to the existing academic empirical work tackling the issues of FDI effects on economic activity, by having clear focus on complete sample of transition countries and unemployment as the measure of economic activity.

KEY WORDS

FDI, transition countries, unemployment, panel analysis

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1.3. ORGANIZATIONAL APPROACHES AND PRACTICES FOR CORRUPTION PREVENTION IN DIFFERENT TYPES OF ORGANIZATION

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OBJECTIVES

The primary goal of this study is to analyze the organizational approaches and practices for corruption prevention in the different types of organization - state, private and non-governmental. It is assumed that, there are some differences in the factors, forms and manifestations of corruption according to the type of organization. The ethical climate in three types of organization influences the forms of corruption and the effectiveness of approaches applied for prevention and reduction of corruption behavior.

METHODOLOGY

The survey data was collected from 303 employees of public, private and non-governmental organizations. For the purpose of the study were used and adapted the scale for measuring corrupt practices in organizational environment and the forms of corruption in it. The second one was part of a scale, which was developed by K. Demmke (2004) to study the existing corrupt practices and the organizational approaches to deal with them. This scale was used by the European Institute of Public administration. For the purposes of the current study was developed scale to measure the factors that contribute to the appearance of corruption in the organizational environment. The questionnaire for the measuring of ethical climate in organization was applied to establish the specifics and types of ethical climate in the state, private and non-governmental organizations.

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RESULTS

The type of organization leads to a significant difference in the perception of corruption in the organization, which employs respondents. For instance, employees from the NGO sector and state administration, more than workers in private companies believe that in their organizations exist corrupt practices. There are the differences in perceived effectiveness of organizational approaches applied to reduce the corruption practices. The differences in following organizational approaches for the prevention of corruption were established: recruitment, training, rotation of personnel, distribution of roles and responsibilities among employees, increased control, evaluation of integrity and loyalty, introducing ethical codes of conduct. The results show that the ethical climate impacts the applicability and effectiveness of approaches to preventing corruption.

IMPLICATIONS

The main implication of this study is that it try to find working approaches to preventing of corruption and it overcoming in organization environment. In practice, the fight against corruption is limited primarily to the introduction of regulatory mechanisms, sanctions and punitive actions are legally based, but in practice it turns out that they treat the consequences of corruption, not its causes. In this regard, this paper is an attempt to investigate corrupt behavior as a manifestation of counterproductive behavior and to suggest appropriate ways of its prevention.

ORIGINALITY VALUE

The key contribution of the paper is the established differences according to type of the organization (public, private and non-governmental) in the instances of corrupt behavior, which make it possible to offer effective mechanisms and approaches for preventing and fighting corruption in line with the specifics of the organization and its culture.

KEY WORDS

Organizational approaches, corruption practices, prevention, ethical climate, counterproductive behavior

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1.4. INDIVIDUAL AND ETHNIC DIFFERENCES IN OCCUPATION AND WORK MOBILITY ATTITUDES OF BULGARIAN EMPLOYEES

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OBJECTIVES

All European countries still undergoing dramatic change in their populations, pattern of employment, etc. Traditionally, Bulgarian society is culturally diverse and there are significant social inequalities between the majority and ethnic minorities often associated with discriminatory attitudes in different areas of life, including access to education and labor market. The main objective of the study is to establish an occupation sphere of the representatives of the three largest ethnic groups in Bulgaria and their work mobility attitudes.

METHODOLOGY

The method and the results presented are part of a larger study of ethnic tolerance in a business environment, which includes attitudes towards work and occupation, ethnic distances, etc. Between 2012-2013 were collected quantitative and qualitative data by specially prepared survey questionnaires and focus groups carried out across the country. For accomplishment of representative survey was realized sample of 1307 participants aged between 16 and 60, of which 717 were women and 586 men. In terms of ethnicity 684 persons identified themselves as Bulgarians, 288 persons as Roma and 335 persons as Turks. Work mobility attitudes were measured through specially designed 5 items questionnaire. Respondents use a 4-point Likert scale to indicate: a) openness to change their profession; b) openness to learn/enhance education; c) openness for internship/apprenticeship; d) openness to change residence; and e) openness to leave Bulgaria to find a job. Also, check out their current occupation, gender, age, ethnicity, education level, etc.

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RESULTS

The results presented significant individual and ethnic differences in work mobility attitudes of Bulgarian employees, as the lower the education the higher was openness to change profession, whereas higher educated and women were more open to apprenticeship and enhance education. To find better job Bulgarians were open to enhance education, to change occupation or participate in apprenticeship, whereas Roma ready to apprenticeships and to change residence. Turks declared positive attitude to change profession and negative to internship compared to other two groups.

IMPLICATIONS

The results may be useful for Bulgarian labor market researchers by providing new data on employment of different ethnic groups; their openness to enhance education, to participate in apprenticeship programs, etc. The results can be used by the state administration for the development of ethno-specific, educational and age-oriented programs to attract or retain employees in the labor market.

ORIGINALITY VALUE

The results added new data about Bulgarian labor market as shaping an ethno-specific niches, where minorities members (Turks, Roma) mainly works in areas as Production (Manufacturing), Agriculture & Forestry, and Construction, while Bulgarians are in areas as Education, Science & Culture, Health, State and Local Administration. There are outlined significant differences in work mobility attitudes of Bulgarian employees depending on age, education, gender and ethnic origin.

KEY WORDS

Age, gender, educational and ethnic differences, work mobility attitudes, Bulgarians, Turks, Roma

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1.5. ACCULTURATION AND COPING IN CONTEMPORARY ORGANIZATIONS

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OBJECTIVES

The paper presents empirical study of the level of organizational acculturation and the choice of coping strategies in Bulgarian sample. The relationship between them and their dependence on socio-demographic factors were also examined. The main objectives of the research conducted were to verify the hypotheses that certain socio-demographic factors have a statistically significant impact on the phenomena studied, and that the choice of control-oriented coping strategies is related to higher levels of acculturation in organization.

METHODOLOGY

For the purposes of the empirical research were used the ***Coping Strategies Questionnaire (Latack, 1986)*** - standardized for Bulgarian conditions by Ilieva (2008) and the ***Organizational Acculturation Scale*** – subscale of the Organizational Assimilation Index (Gailliard, Myers & Seibold, 2010).

The ***Coping Strategies Questionnaire*** measures preferences to certain actions and cognitive assessments aimed at avoiding a stressful situation or exercising control over it. It consists of 28 items divided into seven factors: *Increasing efforts, Escape from situation, Confidence in success, Seeking social support, Change of the situation, Time management, Reconciliation with the situation*, which, as a result of a factor analysis applied to this study, explain 63.54% of the total variance. In this sample, the questionnaire showed good psychometric properties ($\alpha = 0.74$).

The ***Organizational Acculturation Scale*** includes 5 items relating to the acceptance and adoption of organizational norms and practices. In this sample, it showed very good reliability ($\alpha = 0,86$). When applied, factor analysis

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differentiated a general factor that covered all the items and explained 63.79% of the total variance.

RESULTS

The results obtained when applying analysis of variance indicated statistically significant differences in the level of acculturation and the choice of coping depending on certain socio-demographic factors, confirming the first hypothesis formulated.

The second hypothesis was also confirmed. The findings of correlation analysis indicated that high levels of acculturation in organization correlate statistically significant with the coping strategies of *Increasing efforts, Confidence in success, Change of the situation and Time management*, all of which are part of the control-oriented coping.

IMPLICATIONS

The results of this study imply that the increasing levels of organizational acculturation occur together with the choice and application of control-oriented coping, highlighting the strategy of *Increasing efforts* as particularly the most important in that context.

These results can be used to inform future research on significant factors in determining the effectiveness of both acculturation and coping strategies in multicultural settings, and empower managers and employees to more effectively cope with cultural diversity and distance between individual and organizational values and practices.

ORIGINALITY VALUE

This paper offers practical suggestions on ways to more effectively cope with cultural diversity and distance between individual and organizational values and practices, which can lead to improvements not only in organizational performance, but also in employees' health and wellbeing in the increasingly difficult work conditions of the contemporary workplace. As such, it is my hope that these results can be of use to both future research and practical applications within multicultural organizations and a variety of occupational contexts.

KEY WORDS

Acculturation, Coping, Acculturative stress, Control-oriented coping, Escape-oriented coping

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1.6. JOB SATISFACTION IN THE PUBLIC AND PRIVATE SECTOR IN SERBIA

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OBJECTIVES

Although it is well established that the wages in the public sector in Serbia are higher than in the private sector, little is known on the differences in the overall quality of work between the sectors. This paper aims to fill this gap by analyzing the difference in subjective job satisfaction between the sectors as a way to study the gap in the overall quality of work, as it predicts employees resigns, absenteeism, productivity and other worker performance indicators.

METHODOLOGY

To analyze the job satisfaction gap we use micro data set from the Survey on Income and Living Conditions (SILC) from 2013. Job satisfaction is measured as a response to the question "How do you assess your current job?", on a eleven-point scale, ranging from 0 (not at all satisfied), to 10 (completely satisfied). We apply the Blinder-Oaxaca decomposition which enables us to go beyond the simple difference between the sectors. The main idea of the decomposition is that the difference in job satisfaction can partially be explained by different characteristics of public and private sector workers. The decomposition statistically controls for these differences and calculates the adjusted gap in satisfaction which represent sector differences in satisfaction "for the same job", i.e. for the job with the same job characteristics, in terms of wages, occupation, etc., performed by "the same" workers, in the terms of sex, education and working experience.

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RESULTS

Public sector workers, on average, have higher job satisfaction than workers in the private sector by 1.2 points on the scale (15.6%). On the other hand, when controlling for the differences in characteristics that, *ceteris paribus*, increase the job satisfaction, such as: higher wages, lower working hours, etc., the gap still remains significant, indicating independent source of job satisfaction for working in public sector that is not due to the differences in characteristics.

IMPLICATIONS

This research suggests that, in addition to the higher wages, public sector workers have lower working hours, work in better positions and have a higher share of permanent contracts. They also, *ceteris paribus*, have higher levels of job satisfaction, that according to previous research may be due to greater security and stability of work, lower work stress, but also due to different motivation for work, particularly in education and health, where the public sector accounts for the majority employees.

ORIGINALITY VALUE

This study is one of the first studies to analyze job satisfaction in Serbia on a nationally representative sample. The study shows that in addition to higher wages, public sector workers also enjoy better working conditions and are more satisfied with their jobs. This discrepancy between the sectors could contribute to labor market distortions, which lead to workers “waiting in line” for the job in the public sector, while less skilled labor force remains to work in the private sector.

KEY WORDS

Job satisfaction, wages, public and private sector, Serbia

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1.7. RELATIONSHIP BETWEEN COURSE PERCEPTIONS, CAREER PREFERENCES AND EMOTIONS DURING PROFESSIONAL TRAINING IN UNIVERSITIES

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ABSTRACT

This article presents data from a large study, which included 663 students from 6 Bulgarian universities. With Course perceptions Questionnaire (Entwistle & Ramsden, 1983) 6 Course perceptions are differentiated - Clear objectives and standards, Openness to students, Professional sense of training, Workload, Social climate, Organization of work. By Revised Approaches to Studying Inventory (RASI) (Duff, 1997) 4 approaches to the Bulgarian students' learning are differentiated - surface, deep, strategic, self-reflection and self-preparation. We also applied two other instruments - The Positive and Negative Affect Schedule (PANAS) (Watson & Clark, 1988) and Questionnaire for career preferences (Manual for employed and unemployed people seeking career development in the tourism sector - BG/ 06/ B/ Fa/ PP - 166 001 - Programme Leonardo da Vinci). After performed statistical processing with SPSS program there was discovered a statistically significant relationship of the course perceptions, career preferences and emotions during professional training in universities.

OBJECTIVES

The main aim is to establish whether there is a statistically significant correlation between course perceptions, career preferences and emotions during professional training in universities

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METHODOLOGY

There are attached several research tool like Course perceptions Questionnaire (Entwistle & Ramsden, 1983), Revised Approaches to Studying Inventory (RASI) (Duff, 1997). The Positive and Negative Affect Schedule (PANAS) (Watson & Clark, 1988), Questionnaire for career preferences (Manual for employed and unemployed people seeking career development in the tourism sector - BG/ 06/ B/ Fa/ PP - 166 001 - Programme Leonardo da Vinci).

RESULTS

There was discovered a statistically significant relationship of the students` course perceptions, career preferences and emotions during professional training in universities.

IMPLICATIONS

The results may be useful to improve the quality and the organization of learning and professional training in universities

ORIGINALITY VALUE

This paper has successfully examined empirically the relationship of the course perceptions, career preferences and emotions during professional training in different Bulgarian universities

KEY WORDS

Course perceptions, career preferences, emotions, professional training, universities

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1.8. THE ROLE OF SMALL AND MEDIUM ENTERPRISES AND ENTREPRENEURS IN THE REDUCTION OF UNEMPLOYMENT IN THE REPUBLIC OF SERBIA

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OBJECTIVES

The sector of small and medium enterprises and entrepreneurs (SMEE) in the Republic of Serbia is gaining more and more importance each day. The fact is that this sector is considered the initiator of economic growth and development because most business activities start within this sector. Small and medium enterprises and entrepreneurs in the Republic of Serbia are the most significant generator of competitiveness, innovativeness and dynamics of economies because, besides of the fact they are making an influence on the reduction of regional inequality, around 60% of the total number of employees is employed in that sector. In the EU, the SME sector takes 99.8% of the total number of enterprises in which roughly 75 million people, or 66% of the total number of employees, is employed. The objective of this paper is to give an answer to the following questions: What is the rate of employment in the sector of small and medium enterprises and entrepreneurs in the Republic of Serbia? Does this sector help in the reduction of unemployment? What are the measures we should take in order to increase employment in the SME sector?

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METHODOLOGY

In order to gain an insight into the influence of small and medium enterprises and entrepreneurs on employment, we carried out a synthesis and quantitative processing of the available secondary data. By analyzing the movements of quantitative indicators, we reached good-quality conclusions about the influence of small and medium enterprises and entrepreneurs on the reduction of unemployment in the Republic of Serbia.

RESULTS

Numerous empirical studies have pointed out to the importance of the SMEE sector in creating new work places and to their credit in increasing the employment rate. Today, this sector is ensuring around two thirds of work places in the Republic of Serbia, which is very important if we take into consideration the fact that the rate of unemployment in Serbia is greater than the average rate of unemployment at the EU level.

IMPLICATIONS

Employment in Serbia today is not at an enviable level, which is a consequence of a low economic development, but also of the process of economic reforms which are being implemented. The SMEE sector is employing around 60% of all employees, so in accordance with that, this paper provides implications for researchers and creators of the development policy of the SMEE sector.

ORIGINALITY VALUE

By analyzing employment in the SMEE sector, we emphasized the importance of these subjects for the employment rate in the Republic of Serbia and at the same time we provided the basis for further studies in this field.

KEY WORDS

The sector of small and medium enterprises and entrepreneurs (SMEE), unemployment, economic development

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1.9. CHALLENGES AND SUCCESS FACTORS IN THE ICT INDUSTRY

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OBJECTIVES

The aim of the paper is to analyze the challenges and success factor in one of the most dynamic industries in the world – the Information and communication technology industry with focus on European market. It faces different challenges related to organizational culture, structure and strategy. The industry relies on the people as an asset but in the same time has to cope with the challenge to find and retain the right experts, motivate and develop their skills while keeping the dynamics of the business clients and the economic reality.

METHODOLOGY

The scientific approaches that are used for the purpose of the article are analysis, synthesis and abstraction. The analysis of the current specialized literature expands the knowledge on the industry; the synthesis gives opportunity to focus on the important aspects. In addition, the abstraction makes the collected data type easier to work with.

RESULTS

Results show that organizations that operate in this sector are characterized by relatively stable economic performance, good levels of employment and working conditions. However, according to the results one of the key assets of the industry are the people and having a tight alignment between strategy, structure and culture allows the companies in the industry to grow and contribute to the economic development. The limitation of the paper is the lack of empirical evidence for the culture and the strategic orientations but we overcome this by a bigger research that we conduct in 2016 and 2017.

IMPLICATIONS

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The ICT industry has good business results, fast dynamics and good prospects for development. If it invests more in the human capital and aligns effectively its strategy to the other economic industries the growth can be expanded.

ORIGINALITY VALUE

The paper gives recent analysis of the current situation and challenges in the ICT industry. An overview is provided on the success factors of the industry – financial parameters, culture, values, strategy of the companies. It also gives perspective how to overcome the challenges in order for the industry to be more sustainable and effective for the economy.

KEY WORDS

ICT industry, business strategy, culture, human capital

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1.10. SERBIAN ECONOMY AND NEW DIGITAL BUSINESS ENVIRONMENT

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OBJECTIVES

Advanced digital technologies are currently driving so called “fourth industrial revolution”, with the potential of transforming EU industries and a significant social, economic and environmental impact. In order to provide dynamic growth potential and to position its products and services more competitive on global world market, EU highly position the task of digital transformation in all their member states.

With the aim of becoming the EU member state, Serbia has to raise awareness about economic potentials of information-communication technologies and their ability to generate new international market opportunities. Disruptive business models and improved production processes empowered by digital investment will enable Serbian enterprises to perform better and become more competitive for European and world market.

The aim of this paper is to point out the fact that Serbia is currently lagging in the digital transformation of its economy and industry comparing to EU and even some countries from the South-East European region. Serbian enterprises are slow to change and to adopt any of the new advanced digital technologies including mobility and mobile apps, social media, cloud, big data analytics and the Internet of things.

METHODOLOGY

In order to estimate the Serbian economy readiness level for new digital business environment some key infrastructure development indicators are collected and analyzed such as fix and mobile telephone subscriptions, fix and mobile broadband subscriptions, individuals, households and enterprises using the

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internet. This data are compared with data of some selected SEE countries and EU targets and global average values. Except Republic of Croatia who has become the full EU member state since 2013, all analyzed countries (Republic of Serbia, FJR of Macedonia, Montenegro and Bosna and Hercegovina) have been taking part in an ongoing process of the enlargement of the European Union. The collecting and comparing these data was possible as selected countries base their statistics in information society area on Eurostat methodology. The aim was to follow the progress in the development of digital economy and society in this part of SEE region in the framework of European digital agenda tasks.

Position of Serbia is analysed also within network readiness index framework. This is complex measuring ICT index and it represents one of the first attempts to make conceptual sense of the complex ICT reality, identifying the common factors that enable countries to use technology effectively. The performance of countries in the overall NRI rankings largely mirrors their position on the development ladder: a higher level of income is typically associated with a higher NRI score. High-income economies dominate, taking the first 31 places in the overall NRI rankings in 2015. Looking at the trends since 2009 reveals that Serbia has improved its overall performance to some extent, but it is still positioned in the middle of the 2015 list taking 77th position (in 2013 Serbia was at 87th place). This is completely in line with Serbian 94th position on the Global Competitiveness Index List 2014-2015, as ICT implementation is one of the key contribution factor to the country's competitiveness level.

RESULTS

Under the current economic situation characterized by the short-term concerns of financial instability and budget constraints, as well as long-term structural growth deficit, it is not easy in Serbia to create conditions for digital transformation and proper use of ICT potentials. Although the country has created a good base for digital economy development and ICTs are becoming increasingly affordable in its economy, Serbian enterprises are more or less lagging in efforts and commitment to fully develop and leverage ICTs to boost their business transformation and development for reaching higher competitiveness level. Serbia continues to suffer from low rates of e-business, a weak political and regulatory framework and a poor business and innovation environment. These factors affect Serbian capacity to further leverage ICTs to boost its economy and benefit from higher rates of products and service innovation.

IMPLICATIONS

One of the primary tasks for Serbian government should be the accelerating digital transformation as it presents enormous growth potential for Serbia and the condition for EU membership.

The key pre-conditions for reaping the ICT growth benefits need to be secured by a high-quality and affordable infrastructure in all sectors, capable of supporting the growing cloud, big data, and including high-speed fixed and mobile broadband. In fact, Serbia still needs to further develop hard infrastructure (broadband, broad access, interoperability).

In order to use infrastructure in a proper way Serbia also needs to provide the skills able to exploit this infrastructure and all the opportunities ICT can create. Government and business can work together to develop and foster the skills and willingness to use ICT.

The complexity of regulatory frameworks ill-adapted to new technologies and innovations is also a huge barrier to reaping the benefits of ICT. This is the reason why Serbia urgently requires some measures related to reducing regulatory barriers, improving market integration, simplifying administrative rules and procedures, and improving the allocation of funding budgets already available.

ORIGINALITY VALUE

An attempted is made to show that digital technologies are one of the most important sources of growth for Serbia in the years to come. By collecting and comparing important measuring data for Serbia, selected SEE countries and EU all important barriers on the road to digital transformation of Serbian industries are identified. Performed analysis show that while important, access is only one ingredient in the recipe for success. Improving the ecosystem for spurring entrepreneurship and strengthening the conditions that enhance innovation are also crucial to boost competitiveness and well-being, to enhance economic growth, and to create jobs in Serbia.

KEY WORDS

Information-communication technology, digital economy, economic growth, competitiveness, digital platforms, Internet, market opportunity, business transformation.

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1.11. IMPROVING THE BUSINESS ENVIRONMENT IN SERBIA THROUGH TAX INCENTIVES FOR FOREIGN INVESTORS¹

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OBJECTIVES

Serbia's competitiveness in attracting foreign capital depends on the tax incentives granted to investors. For this reason, the aim of this study is to obtain data on opinions, values, expectations and perceptions of foreign investors regarding the importance of tax reliefs in the areas of their business in Serbia. The research will be focused on tax incentives in certain areas, depending on the size of the business units of foreign investor in Serbia, while the results of the study may be used as valid guidelines for Serbian economic policy makers in the field of attracting foreign investment and improving the business environment.

METHODOLOGY

The methodology of empirical research in this paper is based on a quantitative approach to primary data collection through interviewing relevant subjects, comparison of data collected and the analysis of causality of researched phenomena. We used the methods of testing and survey techniques based on a structured questionnaire, which was distributed to foreign investors via e-mail. The choice of this method resulted in a relevant response from foreign investors, which will ensure adequate coding, analysis and interpretation of data. The survey was conducted on a sample of 300 of the largest foreign investors who have

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invested their capital in Serbia in the last 15 years. In order to determine the possible existence of significant differences in the evaluation of the investigated issues among different groups of foreign investors, we used factor analysis of variance of different groups and t-test for independent samples.

RESULTS

According to the results of empirical research performed, the most significant tax incentives for foreign investors who do business in Serbia, relate to the corporate profit, hiring new workers and companies that export, while the importance of other incentives is far less important. To make the business environment in Serbia in line with the expectations of foreign investors, it is necessary to adequately highlight the importance of these of tax reliefs.

IMPLICATIONS

For policymakers in Serbia is extremely important to adequately carry out the implementation of the preferred business incentives expressed by foreign investors within this survey. Analyzing the results it is evident that there are good prospects for increasing the inflow of foreign capital. In order to fulfil that, it is necessary to offer a wider range of tax reliefs to investors as soon as possible, while taking into account the other variables that have an impact on investors when choosing Serbia as an investment destination. This would improve the business environment as a factor of the Serbian economy competitiveness.

ORIGINALITY VALUE

Given that the survey results indicate that tax incentives may to some extent contribute to the improvement of the business environment in Serbia, clearly showing the direction in which further cooperation between Serbia and foreign investors should stir, the contribution of the conducted research is far more important as it will adequately lead to the information that can be useful for any future reform of the tax system of Serbia and improvement of competitiveness of Serbia as an investment destination..

KEY WORDS

Tax incentives, competitiveness, foreign investments, Serbia

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1.12. ANALYSIS OF LABOUR FORCE MIGRATION IN THE EUROPEAN UNION AND THE CONSEQUENCES ON THE ROMANIAN ECONOMY

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OBJECTIVES

The main objectives of this research are to determine the migration directions and international flows of labour within the European Union and explain a few of the effects of labour migration from Romania at the macroeconomic level taking into account the fact that Romania is one of the most important suppliers of labour for the European market. Moreover, it was envisaged to identify determinants factors of labour migration from Romania on the basis of the application of statistical methods.

METHODOLOGY

The research methodology used is specific to the descriptive statistics, believing that it helps at the easier, clearer and easier to remember presentation of the main features of the information obtained, so that it can be quickly identified the followed objectives.

The empirical analysis is based on data collected from the National Institute of Statistics of Romania and Eurostat. Series of data were processed in Excel (Oprea, 2011).

RESULTS

Net migration and negative natural spore have determined a demographic decline in Romania, with negative impact on long-term on the labour market and default

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on the country's economic development, a fact illustrated in the article through the two macroeconomic indicators: GDP and Gini coefficient.

IMPLICATIONS

The paper results are useful both for academics and for policy makers.

ORIGINALITY VALUE

The paper present the effects of labour force migration from Romania at the macroeconomic level taking into account the fact that Romania is one of the most important suppliers of labour for the European market.

KEY WORDS

Labour force, migration, EU, economic effects

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Part II.
BUILDING RISK-RESILIENT
ENVIRONMENT FOR ECONOMIC
GROWTH

2.1. A THEORETICAL INVESTIGATION OF SUSTAINABLE DEVELOPMENT AND RESILIENCE¹

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OBJECTIVES

The problems contemporary societies are facing on a global level, such as low or negative economic growth, polarization of the world's wealth, growth of poverty, terrorism, migration, etc. have intensified the development of different concepts designed to overcome these problems. The aim of this paper is to highlight the importance and interconnectedness of two concepts that basically have the same purpose: to create a long-term stable society that is developing in a sustainable way, and create a society that is sufficiently elastic and ready to quickly return to a state of equilibrium after a certain shock.

METHODOLOGY

The research methodology used in this paper combines several basic methods characteristic for social sciences: descriptive and historical analysis and synthesis, abstraction and concretization, specialization and generalization, inductive and deductive methods. Graphics, schematic and table views are used, with accompanying interpretations, to facilitate the understanding of the pillars of sustainable development, depending on the approach to the concept: economic, ecological, social and cultural versus economic, environmental and social. Since the resilience of an economy is a relatively new field in domestic literature,

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authors predominantly used foreign literature, scientific papers, reports and other relevant documents. A comparative analysis provides insight on the similarities and differences, as well as the mutual relationship between sustainable development and resilience. Studies in individual countries are still scarce, but this paper provides the analysis of an important document which was published by the OECD in May 2014.

RESULTS

Sustainable development has not been adequately implemented in practice, at least not to the extent that was expected at the global level. During the last decade through the trend of green growth, sustainable development has transformed into a new form of sustainability, understood in the broadest sense, and that is resilience. Based on the research authors concluded that developing a clear awareness and knowledge of all four pillars of resilience is a precondition for it to be implemented in all spheres of society.

IMPLICATIONS

Of great importance for decision-makers is to truly accept the sustainable use of resources, renewable energy and environmental protection. On the other hand, the development of resilience, particularly economic resilience, imposes the task for economic theorists to provide sufficient amount of comprehensive guides, policy briefs, recommendations and algorithms. These can clarify for decision-makers how to make an economy more resilient in terms of preparation for any unexpected shocks from the environment. This is a (pre)condition for the survival and growth in today's global economy, where conditions are unexpected and shocks are occurring more and more often.

ORIGINALITY

The concept of resilience in our literature is insufficiently elaborated. Furthermore, in practice this approach has not even been taken into consideration. Since this paper is among the first in the field of resilience, that makes it thought-provoking and original. Issues related to cyclical fluctuations in an economy and the ability to create a system in a way to reduce the sensitivity of uncertainty is of great importance. Essentially, it is about creating a society that is able to return to a state of equilibrium, regardless of the nature of the shock. This concept is aimed at making economies, societies and institutions more resilient to negative surprises by learning from their own experience. For the Serbian

Part II.

economy, which is in many respects dependent on import, the development of new, sustainable and resilient growth is of paramount importance.

KEY WORDS

Resilience, sustainable development, economic resilience, elasticity, pillars of growth

2.2. THE ROLE OF SOCIAL CAPITAL IN STRENGTHENING THE RESILIENCE OF THE SERBIAN ECONOMY

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OBJECTIVES

Contemporary economies are exposed to various shocks, that increase the risk and uncertainty for households, governments and investors and, in certain circumstances, may cause long-term crisis or stagnation. Characteristics of social relationships, such as trust, learning and the exchange of information, can play an important role in enhancing resilience. This study investigates to what extent characteristics of social capital can help to reduce economic vulnerability and thus strengthen the resilience of the Serbian economy.

METHODOLOGY

Analysis of the level of available social capital, in terms of the intensity of social contacts, the density of social networks and the level of trust, will be based on data from the Third European Quality of life Survey (Eurofound, 2012), conducted in EU27 member states, as well as seven of the nine countries which at that time were involved in the enlargement process (Croatia, FYR Macedonia, Iceland, Kosovo, Montenegro, Serbia and Turkey). The European Quality of life Survey is a representative survey conducted by the European Foundation for the Improvement of Living and Working Conditions, which is a rich source of data on living conditions, housing, local environment, health, public services, social cohesion and quality of the society, as well as subjective well-being. At the national level, we will use generalized trust as indicators of aggregate stock of social capital. At the individual level, we will use a set of indicators that measure pattern and intensity of people's social interactions (networks) through strong

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and weak ties, as well as the resources that individuals can access through these interactions.

RESULTS

Our research has shown that Serbian citizens rely on family and friends in solving important problems in life. Strong ties are important, but weak ties produce more valuable outcomes because such ties provide access and connection to power structures and institutions and secure development of new ideas, values and perspectives. Serbian society has the characteristics of homogeneous communities that exhibit more bonding, but less bridging and linking social capital. These characteristics increase vulnerability risk and do not strengthen the resilience of the Serbian economy.

IMPLICATIONS

Analysis of the contribution of social capital to individual and community resilience is vital for the design of policy measures, oriented towards resilience building. If policy measures are not in accordance with existing social capital it may have numerous negative effects and even destruct existing social capital. Results of our analysis provide insight into the existing social capital and institutional arrangements in Serbia and ways to build up coping, adaptive and transformative capacities in order to strengthen individual and economy resilience.

ORIGINALITY VALUE

Originality/value – The paper adds value to the existing research of the role of social capital. The relationship between social capital and resilience of the Serbian economy has not been investigated before. The analysis of the role of various forms of social capital in building economic resilience is instructive. Results of this study can provide valuable information for policy makers in designing and planning of appropriate economic policy measures.

KEY WORDS

Social capital, resilience, social networks, adaptive capacity

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2.3. BUSINESS ACCELERATORS AS CHAMPIONS TO ACHIEVE RESILIENT GROWTH: A REVOLUTIONARY TREND IN A DEVELOPING COUNTRY

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OBJECTIVES

Today, startup companies are an integral part of any emerging economies. Despite their high failure rates, recently their success stories revealed that there might be some critical points behind such achievements. A variety of support bodies are playing a critical role in this success stories. However, among these, business accelerators are of paramount importance. In the last three years, just after removing sanctions against Iran, tens of such accelerators were established in the country. Thus, this paper attempts to clarify the trend, as well as to introduce the main accelerators in the country. Also, a critical discussion is offered of the strengths and weaknesses of these entities, as well as the opportunities and threats.

METHODOLOGY

In order to do so, a multiple case study research design is employed, and cases are selected based on convenient sampling techniques. Moreover, data triangulation is used along with pattern-matching to shed more light on the findings, and to present a more structured view of the existing status. Expert views, as well as a unified database is designed along using a specific protocol in order to ensure the reliability and validity.

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RESULTS

Results revealed that among the existing accelerators, only four of those entities were able to accomplish their proposed plans. These accelerators work closely with venture capital firms and business angels in order to facilitate the startup phase for startup companies. Most of these accelerators are focusing on new technologies, especially ICT based startups.

IMPLICATIONS

Despite the success of accelerators in a variety of countries, it seems that their emergence and resilient growth is greatly affected by contextual factors. Moreover, success of these entities is highly dependent on their approach, including their tendency to take risks, evaluating business opportunities, providing business services to startups, as well as their vision.

ORIGINALITY VALUE

These entities that have been firstly introduced in 2005, in the United States and spread extensively around the Globe, are becoming an integral part of the startup ecosystems in both developing and developed countries. This research is among the first studies conducted in a developing country, i.e. Iran. Moreover, the present study provides insights about their strengths and weaknesses, as well as the opportunities and threats.

KEY WORDS

Business accelerators, trend, Iran, developing countries

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2.4. MANAGING ORGANISATIONAL RESILIENCE IN CHANGEABLE BUSINESS ENVIRONMENT

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OBJECTIVES

Organisations today should rapidly adapt to business environment dynamic changes. In this context, to achieve success organizations should think and act outside the traditional framework. This implies using new knowledge in the application of the best practical experience, as well as the experience of other organizations which are involved with the same or similar services. In line with this, successfully managing diversity is increasingly recognized as an imperative for the contemporary business world. Namely, managers might find themselves in foreign assignments; managing a workforce that differs in needs and attitude. In line with this, managing global companies pose many opportunities and challenges for the leadership of the company. Namely, resilience begins with enterprise leadership setting the priorities, allocating the resources and making the strategic decision to establish organizational resilience throughout the enterprise. The objective of this paper was to reply on following questions: How should the practice of business continuity evolve to manage the opportunities faced by contemporary organisations? How leadership is applied in different settings and cultures? How much resilience is enough?

METHODOLOGY

We used a number of research methods during the course of this study. These included a literature review and case studies.

RESULTS

The key findings showed that most companies and organisations define and use one preferred leadership model and set of competencies – which is, typically, strongly influenced by western management theory and practice. However, while western leadership knowledge and practices have been effective in many parts of

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the world in the past, this approach has limitations in today's global business environment. In line with this, there is a need for a new vision of leadership as one "based on eastern, western and tribal wisdom ". In addition, the main results of the study pointed out that boosting resilience to the risks of economic, social and environmental shocks should be a top priority and goal. It requires, a defensive resilience posture, consisting of recovery, hardening and redundancy – that are widely recognised as vital ingredients for successful business continuity plans. Those organisations that are highly resilient are therefore more adaptive and able to respond rapidly to unforeseen change. Also, based on our research, the winners in changeable business environment will be the unbridled firms that are responsive to challenges and adroit in both creating opportunities and capturing them.

IMPLICATIONS

Because the economic resilience needs to be strengthened, achieving economic resilience should be one of the overriding goal of the implementation of long-growth promoting government macroeconomic policies. In line with this, this research should have implications for researchers and policy-makers.

ORIGINALITY VALUE

This paper has successfully examined empirically the effect of economic resilience on private sector in Serbia.

KEY WORDS

Organizational resilience, managing diversity, leadership, business continuity, business environment

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2.5. ESTABLISHING AN ENVIRONMENT FOR THE EXCHANGE OF BUSINESS TRANSACTIONS INFORMATION ON THE COUNTRY LEVEL

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OBJECTIVES

The aim of this paper is to show the importance and possibilities of efficient integration of heterogeneous business systems and their addressable messages through the clearing house as an incentive of economic growth. The system of clearing houses as a technological solution enables the transmission of standard messages between systems and their processing. Managing a multitude of disparate business systems in the economy should be guided by the strategy initiated by the occurrence of knowledge.

METHODOLOGY

Analysis of business systems carried out in this paper, includes operational rules, formats and messaging purposes, the term work plan, technical guidance, business rules, schemes and examples messaging messages. The analysis also includes the creation of analogies diverse phenomena in the form of clearing house system promotes industrialization in IT, enables faster data flow and promotes the functioning of business systems. In addition, the standardization of modeling has been carried out in order to achieve the efficacy of multiple business systems. To determine the elements of the system is necessary to deliver the stakeholders and other artifacts: XML schema, cases with defined messages, user manuals and models with corresponding sets of messages for a particular business use. Finally, authors deals with the analysis of the registration body role, as the common core of all analogical system for e-commerce.

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RESULTS

Results of the analysis will be presented through the functionality of the direct debit system, which is a function of the Association of Serbian Banks. All proposed models are the basis for the standardization of the system of clearing houses and bodies for registration and exchange of data defining the overall strategy of system development in the country and proof that the process of mass production of such systems possible. The results emphasize the need for investment in training staff for the appropriate implementation.

IMPLICATIONS

Research on achieving interoperable payment systems model shows that the introduction of global standards to expanding range of innovative products of electronic commerce. Semantic interoperability of business systems is achieved at the level of information, services and business processes. Domain ontology of e-commerce payment system provides the basis for future research in the field of automation of translating information into common ontology models of electronic commerce.

ORIGINALITY VALUE

In this paper, the authors propose the common core operating system, the original definition of the structure of information organization system of clearing house, which is reflected in the implementation of industry standards in all areas related to the standardization of business structures and business processes. The proposed model follows the rapid development of modern information technology and component development dictates, provides the ability to perform rapid implementation of the components in the existing information systems.

KEY WORDS

Clearing house, clearing house system, the register authority, systems based on messages, interoperability, electronic commerce, business systems

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2.6. HOW TO SUCCESSFULLY NEGOTIATE PRICES IN BUSINESS TRANSACTIONS

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OBJECTIVES

You can't do business without negotiation. Knowing your goals and the goals of the other party, a "win-win" negotiation is ideal in any business, especially in the long term partnerships. The companies can gain more if they know how to create value. One of the most important parts in business negotiation is price negotiation. The focus though, should not be on the price negotiation only: concentrating on a single issue, the negotiation becomes distributive or "win-lose" type, and the business partners might fail in creating value for both of them. This is why the price negotiation should be integrated in the negotiation strategy as a whole, but the main issue is: how to obtain the best prices you can get in any deal? Whether it is a simple car price negotiation or a million dollar deal, we are all looking for the best prices and usually tend to confuse the whole negotiation process with the price negotiation. This article points out the best strategies in business negotiation regarding prices, based on real life business negotiation, cases and experiences of entrepreneurs, salespeople, managers and negotiators in any field

METHODOLOGY

Being a negotiator, a negotiation consultant and a trainer myself, this article is based not only on literature but also on my own experiences in negotiation and on the real life case analysis and interviews of some of my clients and friends working in different fields like: sales people, entrepreneurs, managers, all of them being involved in various kinds of price negotiation.

I also took into consideration some of my trainee reactions while training role-play price negotiation, the analysis of negotiation research in literature, scientific articles on the subject and even online forums regarding debates between buyers and sellers on the subject of price negotiation in different fields.

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Part II.

My purpose is to concretize the main aspects that one has to consider in order to negotiate better prices, especially in business and sales

RESULTS

Price negotiation in business transactions occurs in different contexts, such as price negotiation in business to business transactions (acquisitions, mergers or other manager to manager deals), sales (price negotiation from the point of view of the sellers or suppliers and from the point of view of the buyers) or simply buying and selling individual goods for business purposes like real estates, machines, cars or renting places.

From each of these perspectives the price negotiation can have some particularities, but there are some general issues to price negotiation as a whole. These issues I want to refer to in this article concern: how do actually the people involved in negotiation look at the process, which are the most common mistakes they make, which are the most important aspects to take into consideration for negotiating a good price, and getting the best deal.

I will generally refer to the “negotiator” as the person involved in negotiation (entrepreneur, manager, seller or buyer).

Over 80% of the negotiators I interviewed or observed:

- said that negotiations have become increasingly more complex in the latest five years;
- reported that they had to face more professional buyers in the marketplace;
- reported that customer relationships are becoming increasingly long term rather than short term.

Analysing the specialist literature, scientific articles and other case-studies, I found out that these reports were true for the most part

IMPLICATIONS

This research is very important for the entrepreneurial environment, managers, sellers, buyers as well as for the psychology researchers, economic researchers, and academic environment for that: 1. It provides the information about the psychological attitude of people in front of money negotiation; 2. It provides the

reasons why people usually don't negotiate good prices in business transactions;
3. It gives important steps in good business prices negotiation.

ORIGINALITY VALUE

This research is very important for the entrepreneurial environment, managers, sellers, buyers as well as for the psychology researchers, economic researchers, and academic environment for that: 1. It provides the information about the psychological attitude of people in front of money negotiation; 2. It provides the reasons why people usually don't negotiate good prices in business transactions; 3. It gives important steps in good business prices negotiation.

KEY WORDS

Negotiation, business, price, deal, value, entrepreneurs

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2.7. THE EFFICIENCY OF TAX EXPENDITURES IN BOOSTING ECONOMIC GROWTH – A COMPARATIVE ANALYSIS

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OBJECTIVES

In the recent years, the effectiveness of tax incentives, aimed at attracting FDI in developing countries, on the growth of economy have been much discussed in the scientific literature. The scope is to examine, on the basis of academic research, whether international investment incentives are justified and whether they cause the economic growth. This paper will analyze the incentives for foreign investments provided by governments, targeting countries' economic growth, in order to compare the similarities and differences in tax incentives in Croatia and Serbia, and its implications on the economic growth.

METHODOLOGY

In obtaining qualitative and quantitative current research data the authors shall review the original scientific papers, as well as several secondary data sources (World Bank, INCTAD, data of the Agency for investments and competitiveness of Croatian and Serbian Development Agency, Law on Investment Promotion and improvement of the investment climate of the Republic of Croatia and Republic of Serbia) and by applying desk methods, methods of content analysis for the collection of relevant research data, descriptive and comparative research methods, the general and specific research hypotheses shall be defined. A paper shall examine the empirical studies published from 70th and 80th that have not

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emphasized the role of investment incentives on the decision of the choice of investment location. As per the research studies in the 90th, the distribution of FDI is primarily determined by the characteristics of the market, the cost of the elements of production and the availability of production factors, while incentives have had very little impact on FDI flows (Blomstrom et al, 2000). Studies published since 2000, emphasize that, as a result of the progress of information technology, the development of modern forms of telecommunications, the emergence of new techniques and technologies and the globalization process, different investment locations are becoming very similar to each other, and therefore the incentives and facilities offered to foreign investors are becoming increasingly important elements of investment policy (Hassett and Hubbard, 1997; Taylor, 2000). The use of investment incentives focusing exclusively on foreign firms, although motivated in some cases from a theoretical point of view, is generally not an efficient way to raise national welfare, unless a spillover of foreign technology and skills to local industry is consequence of foreign investment (Blomstrom, Kokko, 2003).

RESULTS

The authors confirm the conclusion that the importance of investment incentives is particularly evident when it comes to transition economies, but the sole application of tax incentives is not sufficient to attract foreign investors. Fiscal stimulus affects the reduction of the overall tax burden on investors and financial stimulus provides direct financial assistance. The results suggest that creating the appropriate investment climate in the country and applying other non-tax incentives are equally important premises of boosting economic growth. From the other hand, for creating long term economic benefits for the country one of the most important premises is to promote policies aimed at learning and investment in local firms-suppliers, as part of spillover.

IMPLICATIONS

After obtaining the results and drawing conclusions the researchers point out to further implications and highlight relevant knowledge of the investigated case. The results shall represent a theoretical framework for policy makers, highlighting the possibilities of application of the results especially in the process of designing and implementing adequate investment strategies, with a focus on investment incentives, aimed at improving the economic growth in Croatia and Serbia.

ORIGINALITY VALUE

Not many studies have been published on the widely debated policy measures for inward foreign investment, as well as the effectiveness of tax incentives for attracting FDI in developing countries, such as in Republic of Croatia and Serbia. In the framework of a sustainable investment incentives policy, as a stimulus to economic growth in both countries, the paper can represent a basis for further research and proof of existing spillovers and the benefits of the new foreign technologies and associated skills in the host country supplier firms in Republic of Croatia and Serbia.

KEY WORDS

Tax benefits, investment incentives, foreign direct investment, Croatia, Serbia

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2.8. ASSESSMENT OF THE BUSINESS PERFORMANCES OF SELECTED STATE-OWNED ENTERPRISES OF THE REPUBLIC OF SERBIA

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OBJECTIVES

The main objective of this research is to perform financial analysis of the three selected state-owned enterprises in the Republic of Serbia (EPS, Srbijagas and Telekom) and formulate measures for the improvement of their business performances. Subject of the analysis are official financial reports for the period 2013-15. Companies are selected according to the size of their business income.

METHODOLOGY

Analysis of the economic and financial power of the selected state-owned enterprises covered the period 2013-2015, thus ensuring comparability of the data while taking into account dynamics of the basic indicators of development. Financial analysis has been performed by using the data disclosed in the official financial statements of companies, publicly available on the website of the Serbian Business Registers Agency (SBRA). Analysis of the data disclosed in the income statement and the balance sheet included evaluation of the profitability, asset and financial position of the selected public enterprises (Đuričin, S., 2011; Đuričin, S., 2012; Đuričin, S., and Beraha, I., 2014). Evaluation of the profitability was carried out on the basis of dynamics of income and expenditures, the structure and layout of the total revenues, structure of the expenses, and structure of the total gross financial results. The assessment of the asset position of the company was based on the analysis of the structure of the assets and liabilities, fixed and current assets and working capital efficiency analysis. The assessment of the financial position of the company was carried out on the basis

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of the analysis of liquidity, working capital, solvency, debt and the real value of the capital.

RESULTS

Research results confirmed the assumption that it is necessary to define set of measures for the improvement of the business performances of the selected companies. In general, research has shown the existence of serious problems related to inefficient management, non-transparent business practices, excess of employed staff and lack of clear vision of development which has clearly negative impact on the creation of value for the society. After the weakest indicators of the business performances have been identified, new set of measures has been created.

IMPLICATIONS

Business performances of the state-owned companies in Serbia are characterized by low productivity, unrealistically large number of employees and a lack of business transparency. The largest public enterprises are operating with loss which has been covered by the transfers from the budget. For those generating positive results, such as Telecom, there are indicators of worsening of the competitive position. The research results provide evidence for the need for urgent change in economic policy when it comes to the management of the state-owned enterprises. New strategy would result in a better allocation of resources and increase of the value for society.

ORIGINALITY VALUE

State-owned enterprises represent one of the biggest problems of the Serbian economy. Few studies that are dealing with the problem of the state-owned enterprises are probably consequence of the lack of data and transparency of their business. Originality of the paper stems from the fact that it aimed at answering the question whether operations of the observed enterprises have been performed according to the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

KEY WORDS

State-owned enterprises, Republic of Serbia, financial analysis, corporate governance, public interest

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2.9. IMPACT OF SALES REVENUE QUALITY ON THE EARNING QUALITY - EVIDENCE FROM SERBIAN ENTERPRISES

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OBJECTIVES

Enterprise performance assessing based on the cash flow analysis can provide the identification of signals that call into question the quality of reported earnings. Sales revenue quality is a relevant determinant of the earning quality presented in company's financial statements. The aim of this paper is to analyze the sales revenue quality of the Serbian enterprises, and their impact on the earnings quality reported in the financial statements.

METHODOLOGY

Quality assessment of sales revenue is determined by measures based on cash flows and accrual approach. A more detailed analysis of business and financial risks indicators is based on trends and relation between sales receivables and sales revenues. Research methodology comprises the comparative and statistical analysis. The research is conducted on the group of the most successful enterprises in Serbia in 2012, measured by net profit. Selected quality indicators are determined by financial statements data disclosed by Serbian Business Registers Agency. The quantitative and qualitative analyses cover the period from 2011 to 2013.

RESULTS

Indicator of the sales revenue quality that has value of 1, is a good assumption for earnings quality. The red flag are the indicators values lower than 1. The analysis results show that 75% selected Serbian enterprises have not red flags for sales

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revenue quality, because the indicator is equal to 1 in 2011, and 0.99 in 2012 and 2013. A group of 10% enterprises with the lowest indicator recorded a decrease of sales revenue quality indicators. Low sales revenue quality indicator along with high ratio between receivables and sale revenue index serve as a signal for further analysis. Creative financial reporting and inadequate quality of the sales policy can affect negatively the value of quality indicators.

IMPLICATIONS

This research can be accepted in academic and industry practice. Research results can be of interest to a variety of enterprises stakeholders including financial analysts and investors, than auditors, educators and researchers.

ORIGINALITY VALUE

Assessment of the sales revenue quality is based on the selected quality indicators for enterprises in Serbia which are in the "top hundred", according to the reported net profit.

KEY WORDS

Sales revenue quality, earnings quality, cash flow analysis, sales receivables, Serbian enterprises

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2.10. HUMAN CAPITAL AND ITS IMPACT ON THE DEVELOPMENT OF ENTREPRENEURSHIP

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OBJECTIVES

The man is our greatest wealth. "This statement is not normative, but is value-neutral. People behave rationally, this is a usual economic methodology used to analyze the investment can be applied to investment in human capital. If there are several possible investment projects, a number of alternative ways for people to increase their human capital, they opt for the project that generates the highest net present value of the expected profit. Everything is the same as for the preparation of investment projects, except that instead of investment in buildings and equipment, an investment in human capital. In this approach, people are becoming capital funds. The larger the pool of human capital, the greater the return on that capital. Education is the most important type of these investments. Standard accounting categories not presented in full production potential available to one company. Existing accounting category does not include the fund of human capital that employees have in the company. One million unemployed, with a tendency to increase this number, clearly indicates that the workforce greatest potential for economic development of Serbia.

METHODOLOGY

In the process of applied research methods are particularly important for the study and research of the economic potential of the company. Since the method is particularly important for this research were used in the comparative balance sheet method. The application of the comparative method has a special value and significance in evaluating the economic efficiency and effectiveness of the company and in this part of the degree of rational capital management company and its segments. Balance method is the application of appropriate accounting techniques by observing each value results from a revenue, expenditure, assets and liabilities.

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RESULTS

For the stature of the workforce, its general education and vocational training were made huge investments that not only have the opportunity to fully express themselves in increasing production and labor productivity growth, but the unemployed emerge as consumers and producers who are not. Therefore, an unemployed workforce is not only untapped production potential of more social troubles of enormous proportions, which does not create a favorable social climate for successful economic development. Employment of labor, whether skilled or unskilled, finds in modern conditions the serious limitations. The results of this study show that not all economists ignore human capital as the subject of economic analysis.

IMPLICATIONS

Despite many of these institutions and progress on the creation of a favorable entrepreneurial environment, much remains to be done. The main objections and obstacles relate to: the high local taxes and fees, lack of liquidity in the economy, inefficiency of local authorities in issuing various permits for business activities, lack of equipped sites for construction, with appropriate zoning permits, etc. A large number of municipalities in Serbia lack clear policies and plans for economic development, as well as the understanding of the need for the establishment of partnerships in promoting economic development.

ORIGINALITY VALUE

By analyzing human capital, we emphasized that entrepreneurship development is often not seriously considered by the local authorities. Cooperation and coordination among various stakeholders and institutions in this area is far from necessary to ensure the effectiveness of these processes. Municipalities have departments for industry and entrepreneurship, but globally speaking, their role is unclear, insufficient and often contradictory. These departments dealing with registration and the provision of a small number of necessary services to entrepreneurs. A large number of municipalities in Serbia lacks clear policies and plans for economic development, as well as the understanding of the need for the establishment of partnerships in promoting economic development.

KEY WORDS

Capital, entrepreneurship, human capital funding, development, efficiency

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2.11. YOUTH EXPECTATIONS IN JOB SEARCH IN SERBIA

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OBJECTIVES

In some Balkan countries, such as Serbia, Macedonia, Bosnia and Herzegovina almost a half of young population aged 15 and 24 do not work or work in grey economy. In the past few years, the Republic of Serbia was facing the high unemployment rate among young people and low activity rate of young people, ages 15 to 24. More specifically, since 2008 the unemployment rate among young people ages 15 to 24 has been ranging from 35.2% to 51.1% in 2012, and by the end of 2015 it fell to 43% (Statistical Office of Republic of Serbia, 2016). Although employers have certain expectations of young people once they enter the labour market, young people as well have certain criteria that are important to them when choosing a job. Having reviewed the previous literature on the subject of employee expectations, the results of various studies implied that employees' expectations depend on many factors such as previous experience (Maister, 1985), salary (Evenson, 2005), attitude of the individual (Maister, 1985, Bowen, 2001), as well as the company's business (Fretwell, Goldberg, 1993). If the focus is shifted only to young employees without experience, it is logical that their positions depend on the experiences of people in their environment (Markuš, 2013). The aim of the paper is to present analysis of socio-demographic characteristics that affect youth's expectations and preferences.

METHODOLOGY

The research provides the answers to three key research questions:

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Which factor is essential for keeping young employees in the organization?

Is salary the only factor in hiring young employees?

To what extent do opportunities for professional advancement affect the attractiveness of work among young people in Serbia?

With this regard, in the paper we used the methods of survey techniques based on a structured questionnaire, which was distributed to young people. We conducted telephone survey in cooperation with the Statistical Office of the Republic of Serbia. The focus of our research was unemployed young people, ages 16 to 30 (52% males, 48% females; 62.7% high school graduates, 28% college graduates, 9.3% middle school graduates). In the survey we investigated a group of factors such as OP - Opportunities for Growth, CM – Communication, MP - Mission and Purpose, WLB - Work/Life Balance; Stress and Work Pace, RM - Respect for Management, RE - Respect for Employees, FB – Feedback, TW – Teamwork, W – Compensation, WP - Workplace and Resources and F – Fairness.

In the research we applied Factor Analysis. We reviewed the major cause of high unemployment rate in the country and what kind of decisions that must be made when conducting a factor analysis and notes that each of these decisions has important for the obtained results.

RESULTS

We followed the empirical strategy based on a distinction between three groups of factors such as Macroeconomic indicators, Organization Culture and Education.

The research results indicate that young people aged 16 to 30 share opinion that job training is important factor (59% respondents answered very important, 31% important, 4% indifferent, 6% not important). It is obvious that young people are willing to gain new knowledge and experience. One of the reasons for their difficult entry to the labour market is the lack of experience. Employers always prefer people with experience.

On the other hand, young people gave the answer that for them salary is not the main factor when they are finding a job. To the question -Would the salary be the most important factor when deciding whether to accept a job offer or not? about 50% of them answered Definitely no, 17% maybe, 1% I don't know, 11% I don't think so, 18% definitely.

IMPLICATIONS

Young people, their position in society is very important for country's development. Research of the subject of youth should be strategically thought through. The results of our research will be helpful for future researches in the field of youth labour economics and it will make it easier for policy makers to come up with key solutions.

ORIGINALITY VALUE

This field of interest is getting more popular among researchers. Therefore, it is not surprising that numerous studies emphasize the importance of identifying determinants of expectations and job satisfaction (Georgellis, Lange, Tabvuma, 2012). The survey results in our paper highlighted the expectations of young people once they enter the labour market of the Republic of Serbia. The contribution of the conducted research could lead to the information important to reduce youth unemployment rate in the country. Further more it could be useful for future reform of Youth Unemployment Strategy.

KEY WORDS

Youth, unemployment, labour market, expectations, job.

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2.12. EVALUATING COMMUNICATION EFFECTS OF INTEGRATED MARKETING COMMUNICATIONS

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OBJECTIVES

Integrated marketing communication is a very important part of holistic marketing, that represents modern concept of marketing in which company focuses on its relations with representatives of business environment. There are many reasons for evaluating effects of integrated marketing communications, and one of them is to see how its activities contribute to building brand value. Namely, effective communication is essential to enable brand awareness and forming brand image, which together make brand value. Objective of this paper is to give suggestion how company can evaluate communication effects of integrated marketing communication, that is, how to evaluate brand image.

METHODOLOGY

The methodology of research in this paper is based on a historical and comparative method. It considers literal review about former research of used methodology for evaluating integrated marketing communication effects. Authors started by reviewing papers regarding the possibilities for measuring integrated marketing communications effects in general. Next step was reviewing papers about methods for measuring effects of individual instruments of integrated marketing communications. After that, papers about determining the existence of synergetic effects of marketing communication when using two or three medium and synergetic effects of all instruments of integrated marketing communication. Special attention was focused on researching literature which present methods for measuring brand image i.e. communication effect of integrated marketing communications.

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RESULTS

Based on available literature in the field of measuring the effects of integrated marketing communications, it can be concluded that there are differences in approaches to measuring these effects. Their results are inconsistent, often contradictory and unpersuasive. The main reasons for such results are difference in manners of measuring effects, as well as, coverage of different effects in the implementation of such measurements. For measuring communication effects of IMC, semantic differential is among appropriate manners.

IMPLICATIONS

Modern business environment requires from companies to be competitive and to “fight” for customers. Taking into account these conditions of business environment, companies apply holistic marketing as a modern marketing concept. Results of conducted theoretical research suggest that measuring effects of integrated marketing communications is very important because companies can conclude whether investing in integrated marketing communication contributes to return of funds, and especially, whether brand image is in accordance to their goals.

ORIGINALITY VALUE

Broad literature review of the topic as well as recommendations for domestic companies with relevance to their relations with business environment.

KEY WORDS

Integrated marketing communications, measuring effects, communication effects, brand image

Part III.
POLICY CHALLENGES OF NEW
REALITIES IN THE E(M)U

3.1. THE ROLE OF GLOBAL FACTOR MOBILITY IN MAKING AND BREAKING THE INTERNATIONAL FINANCIAL CRISES

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EXTENDED ABSTRACT

Paper examines the relevance of the practical degree of factor (i)mobility for unleashing as well as for taming of ever more frequent international financial crises. In addition paper explores how mobile production factors have become in this latest spree of globalisation and what are its consequences for income distribution among factors' owners. Last but not least, paper deals with genesis, anatomy and viral potential of international financial crises.

We set off with simplest Cobb-Douglas specification consisting of three production factors: labour, capital and knowledge. In order to connect the crisis stricken dots among them, we build on and integrate theory of global capital flows (boom-bust cycles, sudden-stops and capital flow reversals), incentive and welfare models of international migration as well as a global oligopolisation of technology proposition. Combining those theoretical particles enables us to clear up the view in regard to both international financial crises unusually frequent incidence and nastiness in their propagation over the last twenty years or so.

Preliminary results point at impossibility of simultaneous super mobility of global capital and almost complete immobility of labour. This unsustainable and largely untreated friction firstly resulted in increased occurrence of international financial crises of second, third and fourth generation, only to escalate in eruption of cross-border migration more recently. In all these instances of financial meltdowns, one encounters either volatile capital inflows which enables bubble formation or toxic capital outflows i.e. spreading of the repackaged (disguised) bubble that is bursting overseas, as the crucial crisis ingredient. Even when recovery takes place and seems V-shaped, foreign ownership change and often broken domestic supply chains with inability to enjoy/copy proprietary technology jointly bite into

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security, quality and very existence of employment, provoking social strife and illegal South-North migration overseas, lately of almost biblical proportions.

Gaping imbalance between super-mobility of capital and sub-perfect or back-stopped mobility of labour is unlikely to be closed in the foreseeable future. Advisable more formal closure of capital accounts among the smaller emerging and underdeveloped world is again unfeasible because that would hurt the interests of big businesses and global capital owners. Secular stagnation and the age of depression economics are upon us already and seem to be there to stay. Macroprudential policies, although welcome, won't be sufficient to stop the outbreaks of global financial crises.

Previous literature has observed and explained international financial crisis typically from one production factor view-point and prism of their respectful subfield: international finance people through capital flows, labour economists through migration issues and scholars of technology transfer and knowledge through human capital and technology diffusion. This paper tries to integrate the three worlds and three lines of reasoning into unified theoretical framework.

KEY WORDS

International factor mobility, boom-bust cycles, sudden stops, overseas migration, oligopolisation of technology diffusion

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3.2. FISCAL REACTION OF INTEREST PAYMENTS IN SERBIA-A TIME SERIES EXPLORATION

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OBJECTIVES

The objectives of the paper are: i) to quantify the response of primary fiscal balance to interest payments in Serbia between 2004Q3 and 2014Q3; ii) to assess the potential of economic growth and business cycle fluctuations in restoring fiscal prudence in Serbia; iii) to detect a regime change in the evolution of primary fiscal balance response to interest payments and borrowing costs before, during and after the global financial crisis.

METHODOLOGY

To accomplish the main objectives of the paper, we use the following methodological approaches: i) we augment standard fiscal reaction function proposed in Bohn (1998) to capture the response of primary fiscal balance to interest payments over and above its response to public debt accumulation; ii) we measure the response of primary fiscal balance to business cycle fluctuations via ordinary least squares (OLS) estimation methodology; iii) we implement the OLS estimation algorithm with endogenously determined breakpoints proposed in Bai (1997) and Bai and Perron (1998, 2003a, b) to detect potential shifts in the

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response of primary fiscal balance to interest payments and borrowing costs before, during and after the global financial crisis.

RESULTS

The main results of the paper are: i) the response of primary fiscal balance to interest payments ranged between 0.50-1.07 percentage points between 2004Q3 and 2014Q3; ii) primary fiscal balance behaves a-cyclically with respect to business cycle fluctuations; iii) the response of the government from the onset of the global financial crisis is unsustainable, since policy makers responded to rising interest payments and borrowing costs by increasing primary fiscal deficit in the aftermath of the global financial crisis.

IMPLICATIONS

The main implications of the paper are: i) policy makers financed up to 50% of each percentage point increase in interest payments to GDP ratio with newly issued public debt; ii) automatic adjustments are incapable of restoring fiscal solvency in Serbia; iii) austerity measures adopted after the public debt fiscal rule breach in 2012Q1 have failed to stabilize fiscal policy stance in Serbia.

ORIGINALITY VALUE

The main contributions of the paper are: i) we investigate the fiscal prudence of the Serbian government not only with respect to public debt, but also with respect to interest payments and borrowing costs; ii) we provide a detailed single country study for a small open transition economy from emerging Europe, while other related papers primarily operate with panel data sets; iii) we detect a myopic behaviour of the Serbian government from the onset of the global financial crisis.

KEY WORDS

Serbia, fiscal sustainability, fiscal reaction, global crisis

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3.3. RISK-RESILIENCE: HOW TO REDUCE THE FINANCIAL CRISIS?

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ABSTRACT

How a system or individual can deal with disturbances in the world economy and, at the same time, thinking about sustainable growth in an environment of growing risk and uncertainty? The only way in promoting global and monetary stability in such turbulent and volatile world is through the international cooperation. A large number of countries have put in place dedicated institutional arrangements. Macroprudential policy is growing! The central element in such policy is building risk-resilient environment against widespread breakdowns in rendering financial services that caused the serious negative consequences for the financial sector as well as the real economy. Macroprudential policy tools include time dimension tools based on capital, assets and liquidity, and structural tools based on clearing OTC derivatives complemented by concept which includes capital surcharge, recovery planning and resolvability. In reality, however, it has not been easy to make it work. Namely, policymakers do not handle with all tools because they all have not yet been integrated into resilient programmes. From that point of the view macroprudential policy is more successful when it complement the monetary policy.

The idea is to put into account more countries and institutions' experience as well as academics' empirical evidence. The basic aim is to insulate the systemic risk. Actually, to find out both dimensions of the systemic risk – time dimension and cross-section (structural) dimension. Using the pooled econometrics models, combining the cross-section data and time-series data, we will be able to recognise and mitigate systemic risk. With simpler variables the model provides effective estimates, but they can be counterproductive if they are not designed carefully. This hurdle relates to incomplete information and fast innovation in capital market (financial derivatives).

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The wide range of adopted policy across countries and international institutions suggests that there is no universal ("one-size-fits-all") approach for all market participants. Programming risk-resilience require a shared understanding of key terms and concepts. It must be based on relevant data and the allocation resources for implementation. The key elements lie down in adequate identification of risk and in improving the information base. It means that we should be able to adopt to a faster-changing, absorb risk events from environment, recover from the effects of an external shocks or stresses, and seize the opportunities hidden within those risks.

KEY WORDS

Macroprudential policy, financial market, risk-resilient, economic growth

3.4. CHALLENGES FOR MONETARY POLICY IN EMU AFTER THE FINANCIAL CRISIS

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OBJECTIVES

The 2008 Financial Crisis (FC) has put in question the efficiency of the standard measures of the monetary policy for reviving and enhancing economic growth in uncertain times. The paper aims to critically analyze the policy measures taken by the ECB after the hit of the crisis which have been identified as non-conventional and even contradicting with the basic rules of EMU. The paper also investigates the long-term sustainability of the unlimited provision of central bank liquidity and the expended asset purchase programme (APP).

METHODOLOGY

The paper studies the (in)efficiency of the monetary policy to sustain price stability and growth in uncertain times through analyzing data prior and after the 2008 FC. The research analyses the change of dynamics in the open market operations, more precisely the main refinancing operations which have increased significantly during the recessive period. It also investigates the effect of the refinancing rate over banks' liquidity and minimum reserves. The analysis covers the EU member states for which data are available in the ECB data warehouse.

RESULTS

The main findings of the research indicate that while the monetary policy has managed to maintain price stability, it has failed in sustaining growth on the short and long run. The question arises whether the financial crisis is the only reason or such situation has been an inevitable outcome in the long-term due to saturated

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growth potential of the global economy. The results also confirm that the unconventional measures taken by the ECB after the crisis are unsustainable in the long-run.

IMPLICATIONS

The results will provide insight and direction for academics, researchers, quality assessors, policy makers, and practitioners in the area of shaping effective monetary policy measures on the long run. The experience of the last years (financial crisis, Greek debt crisis and Brexit) has changed the way in which central banks meet their macroeconomic stabilization objectives. Moreover, it revealed the weaknesses of the monetary policy and has called for rethinking, reshaping and developing new instruments for maintaining price stability and sustainable growth.

ORIGINALITY VALUE

The paper at hand covers data from pre and post crisis levels comparing the two periods which provides better understanding of the deficiencies in the effectiveness of the monetary policy for sustaining growth in uncertain times. It also provides a comparative analysis between the different instruments of the monetary policy during times of financial or debt crisis and gives an overview regarding the political decisions taken by certain members, in the time of Brexit.

KEY WORDS

Monetary policy, financial crisis, refinancing, ECB, price stability, EU, Monetary Union, policy challenges

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3.5. IS ROMANIAN LABOR FORCE MARKET CONVERGENT? AN ANALYSIS REGARDING THE EU-28 LABOR MARKET TRANSFORMATION

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OBJECTIVES

The main aim of the paper is to present and evaluate the EU-28 labor market transformation under the imperatives of the new labor market paradigms. Starting from the assumption that the EU-28 labor market has been massively transformed by the labor productivity changes and productivity frontiers movements during the economic crisis and the market's reform, an important objective is to identify the main shifts occurred in the UE-28 labor force market and their influences on Romanian economy.

METHODOLOGY

For carrying out the objectives it will be employed specific econometric tools in order to evidence the main shifts on labor force paradigm. It will be used a cluster analysis for reviling possible similarities and convergence.

RESULTS

The research results will be focused on highlighting the characteristics and main trends development on EU-28 labor market and its effect on Romanian market.

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Special attention will be granted to the influence of wage level and specific policy measures for increasing the employment.

IMPLICATIONS

The paper addresses to a highly important research topic both for literature and scholars, academia but especially for the governmental policy makers. The paper may represent a policy paper for evaluating the effects of labor policies for employment and wage influence on labor force movement inner EU-28.

ORIGINALITY VALUE

The originality of the paper will consist on the analysis regarding the main trends development on EU-28 labor market and its effect on Romanian market, with a special approach on wage policy, employment policy and the labor productivity changes and productivity frontiers movements during the last period. Also another originality aspect is usage of the cluster analysis for reviling possible similarities and convergence with the EU-28 social and economic model.

KEY WORDS

Labor market, employment, EU-27 convergence, wages, social economy, investments, productivity;

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3.6. EXCHANGE RATES AND FOREIGN TRADE – A STUDY ON THE WEAK CAUSALITY

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OBJECTIVES

This paper tend to be a comprehensive review of basic theoretical and most recent empirical contributions related to the influence of exchange rate on international trade flows. The paper also investigated the relationship between the dynamics of real dinar/euro exchange rate and trade balance by using annual data for the last fifteen years.

METHODOLOGY

Empirical part of the paper is aimed to test relationship between real exchange rate and different trade aggregates (export, import and trade balance). Estimations are based on Pearson correlation. Annual data on nominal dinar/euro exchange rate, relative inflation (CPI) are sampled in order to provide alternative calculations of real exchange rate indices (different base). The empirical findings are supported with the main finding of international trade theory. A thorough theoretical analysis is provided in order to find economic rationale for the observed regularities.

RESULTS

A basic statistical analysis shows somewhat peculiar (inverse) response of Serbian export on real currency appreciation. On the basis of the correlation between the export data and real exchange rate, it appears that the ambience of overvalued

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currency did not harm export performance. The paper explores variety of possible explanations for the observed regularity.

IMPLICATIONS

The theoretical research indicates that the overvalued currency would have to have exclusively adverse effects on trade balance of Republic of Serbia, and this would be predominantly because of adverse long term influences. We advocate that policy makers should pay more attention on protracted or long term consequences of the exchange rate policy, and argue that Serbia needs more flexible exchange rate policy that will allow gradual but steady convergence of nominal dinar vis-à-vis euro exchange rate towards purchasing power parity and uncovered interest rate parity.

ORIGINALITY VALUE

The paper explores variety of possible explanations for the observed regularity, inter alia 'sunk costs', international production chains, but also offers some novel ideas, like 'natural hedge effect', FDI influences on export and export concentration.

KEY WORDS

Real exchange rate, currency volatility, trade balance, export performance, real appreciation, J-curve, international trade theory, sunk costs.

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3.7. POLITICAL INSTITUTIONS AND ECONOMIC PROSPERITY IN THE WB5 ECONOMIES

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OBJECTIVES

The main objective is to answer the question why the improvements in business environment and deregulation of labour markets do not always result in more vigorous economic growth and the reduction of the unemployment rate.

METHODOLOGY

I address this question by looking at the relation between the level of regulatory burden for doing business and the unemployment rates in the five Western Balkan countries and territories (WB5)—Albania, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia. I show that the WB5 countries managed, during the past five years, to shorten the distance to the frontier, but that did not result in a significant drop in the unemployment level and more vigorous growth. After an analysis of economic institutions, I look into “political” variables, such as the strength of public institutions and level of corruption in the WB5. For public institutions I use World Economic Forum’s competitiveness index for institutions (pillar 1).

RESULTS

I claim that public institutions are extractive and that such extractive institutions substantially differ between most advanced industrial and the WB5 countries. Weak public institutions undermine the positive effect of economic reform on the business environment in the WB5 economies.

IMPLICATIONS

The findings have impact on economic policy and the institutional design. The first implication is that economic policies are sometimes not enough to bring about vigorous growth (over 5%), and reduce unemployment rate. Second, the

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development of institutions can be critical for economic growth. I specifically focus on public institutions reform, claiming that they should be designed to allocate resources toward public rather than private purposes.

ORIGINALITY VALUE

The paper is focused on public institutions and their impact on economic policy. The originality consists in a claim that extractive public institutions that misallocate public resources that could be used for capital investment or social policy should be reformed so as to direct resources to economically beneficial purposes.

KEY WORDS

labour market; regulatory burden; redundancy cost; doing business; extractive institutions; public institutions.

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