Chapter 4
The Comparative Advantages of Manufacturing Industry of Serbia: Manufacture of Food Products and Beverages

ABSTRACT

In this chapter, the authors have also pointed out to a fact that the Serbian processing industry has been encumbered by problems from the past, lack of investments, innovation and research, which has a restrictive effect on the competitiveness, inclusion on international market and adjustment to market regularities. After reading this chapter, it will be clear which sectors in Manufacturing Industry of Serbia, more precisely Manufacture of Food Products and Beverages industry have a positive comparative advantage in long-term interval, i.e. which ones are competitive on international market. Readers will find out that the Serbian Manufacture of Food Products and Beverages industry has a surplus in international trade. They will understand how could be kept track of the changes in export value of Manufacture of Food Products and Beverages industry through the Balassa index (RCA), Lafay (LFI) and the modified index of comparative advantage (Sm) and specialization in international trade, by using the Grubel Lloyd’s index (GL) on international market. They will be introduced to the examples of food industry in Czech Republic, Hungary, Slovenia, Turkey, China and Croatia, and will understand specificities and the effects of implemented transformations in these countries.

DOI: 10.4018/978-1-5225-2762-6.ch004
INTRODUCTION

The Serbian market has the characteristics of closed and insufficiently integrated market into the global flows (Paraušić, Hamović, & Cvijanović, 2011). As Cvijanović, Mihailović and Cvijanović (2012) pointed out, in these conditions, agriculture is of great concern; it provides a high level of domestic population employment and amortizes a negative impact of the global crisis. Period of transition in agriculture has made that big agro-industrial capacities disappear, and the production is inefficient in institutional and organizational way. Privatization of processing capacities for food industry has contributed to the creation of a monopoly on the demand side (especially milk, fruit, vegetables and meat), while direct manufacturers have remained unorganized and unprotected. Repurchase of agricultural products was moved to “grey” market and there has been missed the real competition of forestallers, as well as to penalize misuse and illegal business. As additional problems appeared the insufficient engagement of government to solve legally the problem of non-functioning the market of agri-foodproducts. Ignjatijević and Milojević (2011) and Cvijanović et al. (2012) stated that the domestic demand on market has not been sufficiently stimulating, owing to a low life standard.

The process of transition in agriculture has followed also the process of establishing a new institutional form at all levels (Cvijanović et al., 2012). The authors surely think about the process of WTO accession and the implementation of previously signed Stabilisation and Accession Agreement. The agreement’s effects break multiple on food processing industries. Although attitudes and opinions of experts are divided, it is logical to expect that the Agreement apply, i.e. the abolition of custom duties on import of agri-foodproducts, will surely cause the changes on market or at least indicate to the need for urgent reforms. In context of market adjustment the authors mention also the adjustment of Serbian agrarian policy with the EU policy (CAP). It is clear that the current level of productivity in agricultural production is not good, so products are price and quality uncompetitive. Problems represent also poor use of technique, technology and science, which furthermore reflect to the productivity level and thereby the international competitiveness. In regard to significant social inequality and regional unevenness of Serbia, the position of agriculture in economic development of the country is not completely defined. There balances between the social security of numerous populations, who are engaged in agriculture, aiming to satisfy their own needs and the development of agriculture as a profitable activity, which would
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