

Textile industry of the Republic of Serbia: three decades of transition

Tekstilna industrija Republike Srbije: tri decenije tranzicije

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Abstract

Aim of this paper is to analyze the movement of macroeconomic indicators, using relevant methodological procedures, in order to consider the development trends of the Serbian textile industry trough the three decades of transition - the last decade of the 20th and the first two decades of the 21st century. The key conclusions of the analysis are as follows: first, constant changes in the economy structure and frequent ups and downs of the Serbian textile industry depended on the economic policy of the country at the time, as well as non-economic factors; secondly, the textile industry of the Republic of Serbia has constantly had a relatively high share in the country's exports and thirdly, the textile industry of the Republic of Serbia is still in the labyrinths of transition and facing new challenges.

Keywords: Textile industry, structural changes, transition, Republic of Serbia.

Sažetak

Cilj ovog rada je da se uz pomoć relevantnih metodoloških postupaka analizira kretanje makroekonomskih pokazatelja kako bi se sagledali trendovi razvoja tekstilne industrije Srbije kroz tri decenije tranzicije – poslednju deceniju 20. i prve dve decenije 21. veka. Ključni zaključci analize su sledeći: prvo, stalne promene u strukturi privrede i česti usponi i padovi srpske tekstilne industrije zavisili su od tadašnje ekonomske politike zemlje, kao i od neekonomskih faktora; drugo, tekstilna industrija Republike Srbije konstantno ima relativno visoko učešće u izvozu zemlje i treće, tekstilna industrija Republike Srbije još uvek je u lavirintima tranzicije i pred novim izazovima.

Ključne reči: Tekstilna industrija, strukturalne promene, tranzicija, Republika Srbija

1. Introduction

“The textile industry of the Republic of Serbia has a long tradition and it has occupied a significant place in the industrial and economic structure for a long time. In the period of accelerated industrial development” (Arandjelović & Gligorijević, 2008), from the end of the Second World War until the beginning of the last decade of the 20th century, this industry was one of the generators of economic growth, demographic change, as an important instrument of regional development and social policy of the Republic of Serbia (Gligorijević, 2014). However, during the last decade of the 20th century, under the influence of various, primarily non-economic, factors, the development of the textile industry started in a

negative direction (Gligorijević, et. al., 2021). In this period, there was, above all, the emergence of disintegration processes, which had a negative impact on all industries with extensive foreign trade relations and broad reproductive ties in the former Yugoslav market, including the textile industry.

Throughout the first decade of the 21st century (at the time of the neoliberal model of growth), the textile industry of the Republic of Serbia, by economic policy makers and a large part of the scientific community, was treated as a relic of the socialist past and, for that period, a specific growth model. In such conditions, the development of this industry, with the application of shock therapy in the process of structural adjustment, rapid liberalization of the

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foreign trade regime and inadequate model of privatization, resulted in its unjustified marginalization in the economic structure of Serbia (Čorović, 2012). However, despite that fact, it did not eliminate its recognizable export potential, which was maintained through its growing share in the total exports of the Republic of Serbia.

At the beginning of the second decade of the 21st century, with the change of growth model and efforts to stimulate the development of export-oriented branches of processing industry through various economic policy measures, macroeconomic preconditions were created for their more successful development, and thus for the textile industry of Serbia (Gligorijević & Čorović, 2019). In accordance with the above, the main goal of this paper is to use various macroeconomic indicators to reflect on the development trends of the textile industry of the Republic of Serbia during the three decades of transition - from 1990 to 2020.

2. Literature Review

The transition process in the Serbian textile industry, as well as in other countries of Southeast Europe, is the field of interest of a significant part of the academic public and is widely represented in the literature. The reasons are numerous and related to: the pronounced interdependence between the process of structural adjustment of the textile industry of the Republic of Serbia and the direction of global transformation of this industry (UNIDO, 2010; Corovic, et al., 2013), to deepen its integration into production and trade flows of the European Union (Hanzl, 2002; Hanzl & Havlik, 2003), for the competitiveness of product exports in the European Union - the largest global import market for textiles and clothing (Yilmazb & Karaalp-Orhan; 2018; International Monetary Fund, 2015; Abtew, et al., 2017), as well as for the depth of the transition crisis and the macroeconomic consequences of the structural adjustment of this traditional industry (Tamindžija, et al., 2017; Gligorijević, et al., 2021; Smith & Pickles, 2008).

Although the recommendations of the Washington Consensus (Williamson, 1989) were formally, with unbearably great ease and with a delay of ten years compared to other post-socialist countries, accepted as a universal model of transition to a market economy, the economy of Serbia and its textile industry in the 1990s faced with serious problems of "transitional recession" (Kornai, 1995). Namely, the pronounced decline in production and employment, in relation to other industries, the loss of both foreign and domestic market and procurement and the absence of structural changes, among other things, are a consequence of the collapse of the common state and civil war in the former Yugoslavia. Such circumstances have had an extremely strong negative impact on the macroeconomic performance of textile and clothing production during the last decade of the 20th century (Čorović & Gligorijević, 2020).

The application of shock therapy during the first decade of the 21st century, with the rapid liberalization of foreign trade flows and accelerated privatization (Čorović, 2010),

despite serious warnings from the academic public about possible harmful consequences (Kovačević, 2006) did not increase the efficiency of the economy. On the contrary, there was a dramatic decline in production, especially in the textile industry, with the opening of the domestic market for cheaper goods from the East and the shutdown of two thirds of production capacity (Čorović, 2012). Similar effects of the transition process have been observed in the economy and textile industry of other transition countries in Southeast Europe (Roland, 2000).

Positive structural changes in the Serbian textile industry in the last fifteen years, followed by a slight increase in production are the result of preserved export potential, mainly in finishing jobs (Čorović & Gligorijević, 2020; Tamindžija, 2017; Urošević, et al., 2009), which is undivided opinion of the academic public.

The liberalization of the European Union market by abolishing the ACT quota system within the WTO on January 1. 2005 (Hanzl & Havlik, 2003) and signing the Textile Agreement between the European Union and the Republic of Serbia in the same year (Gligorijević, et al., 2021) paved the way for growth of share of finishing jobs in the production of textiles and clothing. It is, at the same time, part of a broader process of transformation of this sector in highly developed countries (UNIDO, 2010), which is closely related to the key elements of the transition model - liberalization and privatization (Roland, 2000). Namely, although the textile industry was not in the focus of foreign investors during the transition process, high salaries, obviously stagnant demand and very strong competition from low-income countries in Asia led majority of Western companies to move some part of labor-intensive production to the east. In this way, there was a slowdown in then negative development flows in the textile industry of post-socialist countries, and even in the Serbian textile industry (Hanzl & Havlik 2003).

Competitiveness is a measure of the success of individuals, business entities, economic sectors or the economy as a whole. Whether an economic entity, economic sector or economy will be competitive on the world market depends on various factors and the possibilities and ways of combining them. It is the ability of an economic entity to maintain and develop in the long run in the conditions of international competition, and the economy to provide an increase in standard of living and a reduction in the nation's poverty. It is the ability to change comparative advantages into competitive advantages - changes in quantity into quality.

3. Research methodology

The research of the process of transition in the textile industry, both in the Republic of Serbia and other post-socialist countries, was carried out by a large number of researchers who used various methodological procedures. Having in mind the fact that in this paper Serbian textile industry is analyzed in a relatively long period of time the authors used various methodological procedures (historical method, method of comparative and descriptive analysis, method of induction). In accordance with the

above, the analysis of the movement of key macroeconomic indicators in shorter time periods was performed - by individual phases of transition. At the same time, it should be emphasized that different macroeconomic indicators were used for the analysis of certain shorter time periods, in accordance with the dominant development trends and characteristics and transitional changes.

The following indicators were used to analyze the development trends of the textile industry of the Republic of Serbia during the first decade of transition (last decade of the 20th century): yarn and fabric production index, clothing production index, share of the textile industry in the then social product in absolute and relative terms, movement of employees in the textile industry of the Republic of Serbia, total exports of the textile industry and the share of the textile industry in total exports. Indicators expressed in index numbers (yarn and fabric production index, clothing production index) were obtained by calculating base indices of physical volume of production, where 1990 was taken as the base year for several reasons. Namely, this year represents the initial year of the process of transition of the economy of the Republic of Serbia, while in the socio-political sense this year represents a turning point in changing the political, and thus socio-economic system of the then state. All of the above conditioned intensive changes of different character in the observed period so in that sense macroeconomic indicators from 1990 represent an adequate starting point for comparative analysis.

The following macroeconomic indicators were used to analyze the development trends of the textile industry of the Republic of Serbia during the second decade of the transition (first decade of the 21st century): textile industry exports and imports, textile industry share in total imports and exports, then the volume and structure of finishing works in the textile industry (finishing works are becoming more and more present in the textile industry of the Republic of Serbia), the course of privatization process in the textile industry (most companies in the textile industry of the Republic of Serbia were privatized during this decade). From the time aspect, this decade is marked as a period of application of the neoliberal model of growth and the recommendations of the Washington Consensus and it represents a unified whole, both in dominant economic policy measures and in theoretical and methodological terms.

In the analysis of development processes of the textile industry of the Republic of Serbia during the third decade of transition (second decade of the 21st century), in methodological terms, a complex analysis of export competitiveness and current development trends in the textile industry of the Republic of Serbia was performed (International Trade Center, 2007). Out of a total of 22 indicators that make up the TPI, in this paper, two indicators were used, which by the way are most often used in academic papers of a similar subject and research character. In this paper we chose P3 indicator - share in world market, which is calculated according to the following mathematical expression:

$$SHWS_{ds}^t = \frac{X_{ds}^t}{X_{ws}^t} \times 100$$

where: d represents the country under observation, s represents a certain branch or economic activity, w represents a group of all countries that appear as exporters on the world market, and X represents exports.

The P3 index can have a value of 0 to 100 percent, where an increase in value indicates a greater importance of the observed country in total exports (International Trade Centre, n.d.). "When we talk about the process of analyzing and measuring level of the competitiveness of some industry in some regional market, this indicator shows the relationship between the national exports of a particular industry or economic activity and the total exports of that economic activity or industry in the global or regional market" (Presnall et al., 2004). "From the group of indicators, which refer to the category of general profile, the G8 - change of world market share in % points were taken into account: absolute change of market share of national export of a branch or economic activity in regional or global market - the absolute change in world market share and change in the world market share" (International Trade Centre, 2007, p. 3; Corovic, et. al., 2013, p. 11).

Change (variation) of market share, over time, in the regional or world market (in percentage points) is obtained as the difference between market share in time 0 (current time) and time t , ie:

$$CWMS_{ds} = WMS_{ds}^0 - WMS_{ds}^t$$

where: d represents the country under study, s represents a certain branch or sector, 0, chronologically, represents the end, and t is the initial time of the period in which the change in market share of a particular country in the world or regional market is analyzed.

If the result is positive, i.e., if it is greater than zero, then the country that is the subject of the research has increased its market share in time 0 in relation to time t . If the result is zero, the country's market share is stagnant, and if the result is less than zero, the country's market share decreases.

4. The first phase of transition: disintegration processes and the beginning of the transition crisis in the textile industry of the Republic of Serbia

The development of the textile industry, as well as the industrial development of the Republic of Serbia as a whole, during the last decade of the 20th century, took place in different economic, political and international conditions, compared to those that characterized the previous decade. Namely, under the influence of various, primarily non-economic factors, the development flows of this industry branch have started in a negative direction. During this period, there were disintegration processes, which had a negative impact on all industries with

extensive foreign trade relations and broad reproductive ties in the then Yugoslav market, including the textile industry.

Negative development trends in the textile industry of the Republic of Serbia began with the collapse of the Soviet Union, which was a significant export market for finished textile products, but also a market for the supply of raw materials using very favorable compensation arrangements. According to the data of the Republic Bureau of Statistics, out of the total exports realized in the textile industry in 1989, 25% went to this region (Statistical Yearbook, 1990). At the same time, since 90% of cotton imports came from the southern republics of the Soviet Union, the interruption of interstate barter arrangements brought large cotton consumers to the unsolvable problem of buying cotton in other markets for foreign exchange. The negative effects of this geopolitical event were also reflected in the deterioration of the structure of textile exports through the growth of exports of less sophisticated products, such as raw cotton yarn and raw cotton fabrics.

During the effects of these economic and cataclysmic events, from the end of 1991 until the beginning of 1996, the decades-long integration processes of the textile industry of the Republic of Serbia were stopped and annulled. Namely, until that period, the then European Economic Community and the United States of America

were the most important foreign trade partners of the textile industry of the Republic of Serbia. About 65% of textile exports were directed to these regions, while, at the same time, about 70% of imports came from them. Structural integration in the then Yugoslav market was even greater. Over 25% of inputs came from other republics of the Yugoslav federation, and about 30% of total production was placed in them (Stjepanović, 1994).

The negative effects of the mentioned events are visible through the long-term decline in the physical volume of production, through a serious stagnation in development, as well as through the spread of old and new structural disparities, which were a key factor in declining competitiveness of this industry.

By analyzing the data from Table 1, it can be noticed that the production of yarns and fabrics, already in 1991, decreased by 25% compared to 1990, while the decline in the clothing sector was smaller and amounted to 12%. The most significant annual decline in production was recorded in 1993: in the production of yarn and fabrics 41%, and in the clothing sector 53%, so that in that year the first subsector was reduced to 34% of 1990 production, and others at 29%. After that, in the period until 1997, there was a gradual recovery of industrial production, but the textile industry continued to record negative growth rates.

Table 1. Macroeconomic indicators of the Serbian textile industry in the 1990-1999 period.

Indicator/year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Production index of yarn and fabric 1990 = 100	-	75	59	34	34	31	30	31	32	26
Production index of clothes 1990 = 100	-	88	62	29	31	26	28	33	36	21
Share of textile industry in SP (GDP) (in %)	4.22	4.00	6.10	4.23	4.09	4.01	3.25	2.75	2.19	3.02
Employment movement in textile industry in 000	182	166	159	146	142	137	132	123	112	106
Total export of textile industry in millions USD	936	848	384	-	-	-	106	350	98	99
Share in total export	17.16	18.8	13.46	-	-	-	5.52	13.80	12.6	10.37

Source: Statistical Office of the Republic of Serbia, Statistical Yearbook 1991-2000.

With a share of 4.22% in the social product in 1990, its contribution was among the five largest, observed from the aspect of individual industries and other production activities. The high share of the textile industry in the creation of the social product was maintained until the end of 1995, when, due to the deterioration of price relations and a larger relative decline in production compared to other industries, it began to decline significantly. Already in 1998 that share was halved and amounted to only 2.19%.

The foreign trade exchange of the Serbian textile industry, in the observed period, is characterized by cyclical movements in the volume of exports and imports, depending on the foreign policy position of the country. With exports of \$ 936 million in 1990, the relative share of the textile industry in total exports was 17.16% which was the largest share among all industries.

In the period from 1992 to 1995, as a consequence of the imposed economic sanctions and the great decline in the production of textile products, there was a drastic decline in the volume of foreign trade. In the next three years, there was a visible recovery of exports and imports which was interrupted in 1999, when the lowest level of foreign trade in the observed period was recorded. With the lifting of economic sanctions in 1996, thanks to finishing works, the production of clothing increased until 1998. The results of this short-term recovery were annulled during 1999, when the volume of yarn and fabric production decreased by 26% and the volume of clothing production by 20% compared to the previous year (Urošević, et al., 2009).

The decrease in the volume of production was reflected in the decline in the number of employees in the Serbian textile industry. However, the dynamics of that decline

was significantly slower compared to the decline in production. While at the end of 1993, production was almost 70% lower than in 1990, the number of employees in this industry was reduced by only 20%. After the lifting of economic sanctions, since the end of 1995, the decline in employment in the textile industry has continued at a higher pace than in other industries. The relative share of the textile industry in total employment was reduced from 7.15% in 1990. at 4.92% in 1999 (Statistical Yearbook of Serbia 1992, 1995, 1998, 2001). Considering the volume of production achieved in that year, it is clear that the Serbian textile industry entered the transition process with significant surplus labor.

During the second half of this period, the development of the textile industry was marked by positive structural changes. Namely, numerous entrepreneurs started to be engaged in the production of textiles in the Republic of Serbia, and a large number of micro companies were established. In that way, the ownership structure of textile companies changed very quickly in the direction of more serious participation of private property. These processes were based on several market benefits, which appeared in that period. The decrease in the volume of production activities in socially-owned enterprises has led to an increase in unemployment. This was one of the key sources of skilled and cheap labor, i.e., the initial human resources for starting production in the private sector. Due to that, the mass concentration of entrepreneurs and private textile companies was related, above all, to the former centers of the textile industry (Belgrade, Nis, Novi Pazar, Arilje, Novi Sad and Ada).

In the clothing sector, the production programs of private producers were mainly based on the substitution of imports of finished products from Turkey and Italy, which was structurally important for filling the gap in the development of the textile industry of the Republic of Serbia. its modernization and inclusion in modern world trends. However, the stagnation in the technical and technological development of yarn and fabric manufacturers and the dynamic growth of the production of a new range of ready-made garments in the private sector, have resulted in the spread of existing imbalances

in the textile industry. But, at the same time, in the period from 1990 to 1999, there was a program consolidation of the textile industry of the Republic of Serbia and its adjustment to the new market circumstances.

The development of modern production programs and new products, as a result of entrepreneurial initiative, followed the change in the structure of consumption in the domestic and foreign markets and began the process of structural adjustment of the textile industry to market conditions. However, these development processes were not accompanied by adequate changes in domestic production of raw materials, which led to the spread of existing structural disparities, which could not be covered by export growth due to the blockade of foreign trade. However, despite the drastic decline in the physical volume of production, the textile industry of the Republic of Serbia, during this decade, did not lost its vertical integration (Ćorović & Gligorijević, 2020).

5. The second phase of transition: transition crisis, liberalization and privatization textile industry of the Republic of Serbia

“The period of development of the Republic of Serbia since 2000 was marked by the normalization of its foreign policy position and its return to the international trade system, on the one hand, as well as the beginning and implementation of the process of structural adjustment of the economy in the direction of building market relations” (Gligorijević, et al., 2021). Throughout the last decade of the 20th century, with obviously negative effects for the economy as whole, the process of more intensive structural adjustment began. In that period, there was belief that the privatization process will bring the required impulsion for the consolidation of socially-owned enterprises (Gligorijević & Ćorović, 2019). The country's reopening to the world gave impulse to production and exports. “However, the commitment to shock therapy in the transition process, with the sudden liberalization of the foreign trade regime, has achieved the opposite effects” (Ćorović, 2010). In that sense, imports became major characteristic of foreign trade (Table 2).

Table 2. Foreign trade of the Serbian textile industry in the 2000-2009. period (in mil. USD)

Year	Total export	Total import	Export of textile industry	Share in total export	Import of textile industry	Share in total import	% coverage imports/export	Surplus/deficit of textile industry
2000	1558	3340	171	10.14	136	4.07	125.73	35
2001	1721	4261	228	13.24	189	4.38	120.63	39
2002	2075	5614	201	9.63	258	4.59	77.52	-57
2003	2756	7477	218	7.91	307	4.10	71.00	-89
2004	3513	10753	196	5.57	524	4.87	37.40	-328
2005	4482	10461	301	6.71	467	4.46	64.45	-166
2006	6420	13172	395	6.15	601	4.56	65.72	-206
2007	8825	18554	541	6.13	869	4.68	62.25	-328
2008	10973	22875	657	5.98	1030	5.98	63.78	-373
2009	8344	16056	622	7.45	703	4.38	88.47	-81

Source: Statistical Office of the Republic of Serbia, Statistical Yearbook 2001-2010.

The countries of the European Union, even after the disintegration processes of the 1990s, remained the most important foreign trade partner of the Serbian textile industry. Exports of textile products to this region, after a period of hesitation, due to political instability, continued to grow. Namely, out of about 67% of relative share in the last decade of the 20th century, textile exports to the European Union reached a level of about 80% in the period from 2006 to 2007, with a tendency of further growth (Raičević & Čorović, 2010).

The growth of exports of Serbian textile industry in this period was mainly related to the increase in the volume of finishing works. The classic export of products from the yarns and fabrics sector stagnated in the period from 2000 to 2005, and by 2008, with a slight growth, it had increased by about 35%. Until the same year, the quantity of finishing works had a dynamic growth, which resulted in their share in the export of this sector of 72.7%. The situation was similar with the export of clothes. Finishing operations in 2009 reached the level of 82.3% of the total exports of this sector (**Table 3**).

Table 3: Trends in the volume and relative share of finishing works in the structure of exports and imports of the Serbian textile industry in 2000-2009 period (in mil. EUR)

Indicator/year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Regular export of yarn and fabric	42	49	47	41	43	46	53	55	62	56
Export after finishing	1	1	2	6	12	56	90	135	155	146
% of export after finishing	2.5	2.0	2.6	14.3	21.7	54.9	62.7	70.1	71.4	72.7
Regular export of clothes	10.6	19.0	15.7	13.8	19.1	15.5	26.1	39.5	51.4	43.3
Export of clothes after finishing	-	-	-	0.3	67	123	143	163	179	201
% of export after finishing	-	-	-	2.1	76.9	69.0	84.1	80.5	77.7	82.3
% of finishing works in total export	2.0	1.0	2.0	11.5	61.9	63.8	74.3	75.8	74.6	76.0

Source: Statistical Office of the Republic of Serbia, STAT database

The effects of privatization have been devastating. Of the total number of companies registered with the Privatization Agency, only 52 or 32% had successful privatization. Privatization agreements were terminated with 33 companies and their further destiny was decided through bankruptcy, restructuring for resale and resale on the capital market.

A total of 67 companies, with 13,360 workers, went bankrupt without entering the privatization process, while 19 companies with 4,740 workers went bankrupt after the privatization contract was terminated. 10 companies went into liquidation, in fact without workers. Given these facts, it can be concluded that, statistically speaking, the textile industry is at the top of the list of industries in terms of relative share of bankruptcy as a model for solving the privatization of socially-owned enterprises in the Republic of Serbia (**Table 4**).

During 2000 and 2001, the textile industry of the Republic of Serbia achieved a growth in the physical volume of production in both sectors. The growth of yarn and fabric production was near 10%, while the growth of production of underwear and clothing was near 40%. „Thanks to the dynamic growth of the production of socks and floor coverings, which according to the classification belong to the yarn and fabric sector, this part of the textile industry ended 2001 with a production volume of 30% of that achieved in 1990. The clothing production sector, due to the minimal statistical coverage of production in the private sector, at the same time reached the level of 27% of the volume from the initial year of the observed period“ (Gligorijevic et al., 2021). „Since 2002, a continuous decline in production in this industry has begun, which has led to its marginalization in the industrial structure of the Republic of Serbia. In contrast to the flows of total industrial production, which showed a tendency of slow recovery, the production of yarns and fabrics in the

following years, according to official statistics, decreased at an average rate of 11.5%, while the decline in clothing production averaged 19.5% per year“ (Čorović & Gligorijević, 2020).

Table 4. Privatization of socially-owned textile industry enterprises in the Republic of Serbia

	Number of companies	Number of employees
Tenders	1	1300
Auctions	51	3919
Termination of contract (bankruptcy)	19	4740
Termination of contract (capital market)	8	319
Termination of the contract (restructuring)	6	9108
Bankruptcy	67	13360
Liquidation	10	18
Total number of companies/employees	162	32764

Source: Čorović & Gligorijević, 2020

After 2000, the results of annual economic activity in the country are statistically monitored through the calculation of gross domestic product, so there is a decrease in the relative share of certain industries by more than 20% compared to the share in previously calculated social product. „However, regardless of the change in the accounting system, the share of the textile industry in the creation of gross domestic product decreased from 1.32% in 2000, to a marginal 0.25% in 2009. Thus, the participation of this industry in the creation of the gross domestic product of the Republic of Serbia is significantly lower compared to countries with a similar level of development, which indicates serious structural deformations in its development“ (Čorović & Gligorijević, 2020).

6. The third phase of transition: a new model of economic growth and growth of competitiveness textile industry of the Republic of Serbia

The existence of serious development problems in the economy of the Republic of Serbia that occurred during the first decade of the 21st century, about which there was general agreement among the scientific and professional public, as well as among economic policy makers, resulted in the drafting and adoption of a document entitled period from 2011 to 2020 (new model of economic growth). “The key change envisaged in the document is to establish future economic growth in the development of industry and increase its share in gross domestic product, assuming dynamic investment growth, instead of previous growth in domestic consumption as a source of economic growth” (Corovic et al, 2021). Therefore, the future growth of the industry of the Republic of Serbia should have relied primarily on the growth of the manufacturing industry, with the dominance of the most propulsive branches, based on knowledge and innovation (Strategy and policy of industrial development of the Republic of Serbia from 2011 to 2020).

By analyzing the development flows of the manufacturing industry, in this period of transition, it can be concluded that positive development trends and a bit of increase in the participation of the processing industry in GDP were not followed by growth dynamics in the textile industry. “Namely, the growth of textile industry production lagged behind the growth of the processing industry and the gross domestic product of the Republic of Serbia. While the manufacturing industry grew at an average annual rate of 2.2% and the gross domestic product at an average annual rate of 1.02%, the production of sector 13 - textile production recorded a negative average growth rate of -1.13% per year, and production of sector 14 - clothing production had an average annual growth of 1.1%” (Gligorijevic et al. 2021).

The insufficient results of the new growth model are effect of insufficient investment (0.64% of total investments in 2020) (Ćorović, et al., 2021). However, in the field of foreign trade, this industry kept its export potential (Table 5).

Table 5. Exports of the Serbian textile industry to the EU market in 2010-2020 period. (in million of eur.)

Products	2010	2012	2013	2014	2016	2018	2019	2020
Textile production	38	65	80	114	144	194	212	216
Manufacture of wearing apparel and leather goods	273	313	305	338	394	428	441	404
Textile industry in total	311	378	385	452	538	622	653	620

Source: International Trade Center. *TRADE MAP – Trade statistics for international business development*

According to the P3 indicator, the growth dynamics of the Serbian textile industry export to the EU market shows constant growth of the sector 13 market share, while sector 14 and the textile industry as whole record small but constant variations. Although these are relatively

small values, both indicators show an increase in integration and competitiveness. In the analyzed period, the entire industry according to the G8 indicator recorded an increase in market share by 0.06% (Table 6).

Table 6. TPI competitiveness indicators of Serbian textile industry on the EU market in 2011-2020 period.

Year/Indicator	2011	2012	2014	2015	2016	2017	2018	2019	2020
Market share of subsector 13 in %	0.09	0.10	0.15	0.17	0.18	0.20	0.23	0.27	0.25
Market share of subsector 14 in %	0.35	0.27	0.33	0.32	0.34	0.35	0.33	0.32	0.32
Market share both subsectors in %	0.24	0.21	0.25	0.26	0.27	0.30	0.30	0.31	0.30
Absolute change of the market share of subsector 13 (2011/2020)									+0.16
Absolute change of the market share of subsector 14 (2011/2020)									-0.03
Absolute change of the market share of both subsectors (2011/2020)									+0.06

Source: Author's calculation based on data from: International Trade Center. *TRADE MAP – Trade statistics for international business development*

The new model of economic growth, which is based on export-oriented branches of the manufacturing industry and which, in the long run, should follow global trends in the dominance of high-tech products in international trade, must be complement with actual condition of the national economy. All export-oriented industries, including the textile industry, must not be rejected. Its marginal position in the economic structure of the country is not an expression of rapid technological and economic development, but of errors in economic policy and poor results of privatization during the transition process.

7. Conclusion

The analysis of the development trends of the textile industry of the Republic of Serbia in the relatively long period of its transition (from 1990 until today) clearly indicates the existence of periods of ups and downs, but also its constant importance for economic growth and foreign trade. The dynamics of these ups and downs was, to a large extent, determined by development priorities and dominant models of economic growth in certain

periods, changes in demand in the domestic and foreign markets, but also by non-economic factors.

The development of the textile industry of the Republic of Serbia, as well as the development of the industry as a whole, during the last decade of the last century took place in significantly different economic, political and international conditions and under the influence of various non-economic factors. During this period, disintegration processes dominated, both in terms of foreign trade relations and the severance of reproductive ties in the entire former Yugoslav market. Their negative effects are visible through a long-term decline in the physical volume of production and a decline in participation in the creation of gross domestic product.

Adherence to shock therapy in the post-2000 structural adjustment process, accompanied by a rapid liberalization of the foreign trade regime and a strict privatization regime, very quickly led to the opposite effect of what was expected. The use of the least tempting form of labor-intensive enterprise ownership restructuring, with slow and insufficient state involvement in the financial consolidation of large production systems, has led to the closure of more than two-thirds of social enterprises and a sharp drop in production and the marginalization of the textile industry.

Changing the model of economic growth and efforts to encourage the development of export-oriented industries through various economic policy measures are basic macroeconomic assumptions that are essential for the further development of the Serbian textile industry. The modest initial results of the application of the new growth model in the manufacturing industry are largely the result of insufficient investment, as is the case with the textile industry. At the same time, despite its marginalization in the national economic structure Serbian textile industry had a constantly high share in the country's export.

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