

UNIVERSITY OF LJUBLJANA
FACULTY OF SOCIAL SCIENCES

Željko Bellina

**Commercial diplomacy as an instrument for enhancing national
economy internationalisation: the case of the Republic of Serbia**

**Gospodarska diplomacija kot sredstvo pospeševanja
internacionalizacije gospodarstva: primer Republike Srbije**

Doctoral dissertation

Ljubljana, 2019

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Željko Bellina

Mentor: Assoc. prof. dr. Boštjan Udovič
Co-mentor: Assoc. prof. dr. Matevž Raškovič

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S U M M A R Y

This research is about illustrating the importance of commercial diplomacy – a branch of diplomacy that has been increasingly resorted to, as by transitional, i.e. developing, so by industrially developed, i.e. high-income countries, especially in the last few decades with acceleration of globalisation. Based on the mentioned, the focus, i.e. aim of the research is to test whether and to what extent engaging in commercial diplomacy by countries in transition towards the emerging countries/economies, otherwise also widely referred to as emerging markets, contributes to enhancement of internationalisation of their economies, primarily by means of promoting export, geographical market diversification and tourism, then attracting (foreign) inward and promoting outward direct investment, and securing favourable investment loans too. The Republic of Serbia as the Western Balkans and in broader terms South-East European country, i.e. its commercial diplomacy, is selected as a setting for verification of set theses. Its selection is justified by the fact that it is a country in transition (alike other former communist countries of Central and South-East Europe), whose economy is still relatively weak and from the perspective of internationalisation overly dependent on the European Union and the Central European Free Trade Agreement region, both in terms of trade and investment (inward and outward), what makes it very vulnerable in case of occurrence of regional and global economic turbulences. However, unlike other countries of the region and beyond, Serbia has opted for orienting and fostering its commercial diplomacy towards the emerging markets, especially those in the East, many of which it traditionally has or is trying to establish good political and/or cultural relations with. Among those are certainly Russia, Turkey and China, which are selected as target emerging markets, primarily due to being regarded as highly relevant in business terms. The rightfulness of orienting towards the mentioned emerging markets is thus more justifiable having that it is found that commercial diplomacy can be particularly beneficially exploited in the countries/markets in which the state has a strong impact and influence on the economy than in those self-regulating, what is exactly the case with these (three) countries. Hence, on the three case studies: Serbia-Russia, Serbia-Turkey and Serbia-China, mainly by methods of analysis, interpretation of statistical data, deduction and induction, it is shown that by engaging in assertive commercial diplomacy towards the three emerging markets Serbia has indeed managed to enhance internationalisation of its transitional economy.

The presented findings along with given recommendations for the Serbian authorities pose a good basis for further research on the applicability of commercial diplomacy for the purpose of enhancing national economy and its internationalisation.

Key words: commercial diplomacy, emerging economies/markets, Republic of Serbia, (economic) transition, market diversification, economic internationalisation, economic growth, economic development

POVZETEK

Pričujoča analiza prikazuje pomen gospodarske diplomacije na trgih tranzicijskih držav in držav v razvoju. Gospodarska diplomacija je postala aktualna predvsem po zlomu dvopolnega sistema. Četudi se je njeno preučevanje začelo po drugi svetovni vojni, pa je slednje doživelo razmah v zadnjih dveh desetletjih. Širitev delovanja gospodarske diplomacije v praksi se je odrazila tudi v teoriji. Tako so se avtorji začeli ukvarjati z vprašanjem odnosa in učinkov aktivnosti gospodarske diplomacije in mednarodnega razvojnega sodelovanja, vprašanji lobiranja in/ali zbiranja obveščevalnih podatkov, zaščito pravic do intelektualne lastnine, reševanjem konfliktov, promocijo turizma, spodbujanjem sodelovanja na področju znanosti in tehnologije, kot tudi z vprašanjem prenosa tehnologije. V večini navedenih primerov so študije pokazale pozitiven vpliv gospodarske diplomacije na nacionalna gospodarstva, pa tudi na pospeševanje internacionalizacije, ki služi kot orodje za razvoj nacionalnih gospodarstev.

V doktorski disertaciji nas zanima, ali je, in v kolikšni meri, delovanje gospodarske diplomacije tranzicijskih držav na trgih t. i. vznikajočih državah prispevalo h krepitvi internacionalizacije (promoviranje izvoza, geografska diverzifikacija trgov in turizma, pritegovanje neposrednih tujih investicij, promocija domačih investicij zunaj meja države, zagotavljanje ugodnih investicijskih kreditov idr.) gospodarstev teh tranzicijskih držav. Kot empirični primer smo izbrali Republiko Srbijo in analizirali njeno gospodarsko diplomacijo do treh vzpenjajočih se gospodarskih velesil: Rusko federacijo, Turčijo in Ljudsko republiko Kitajsko. V empirični analizi smo ugotovili, da je Srbija z angažiranjem gospodarske diplomacije uspela okrepiti internacionalizacijo svojega gospodarstva, porasle so tuje neposredne investicije in število prihajajočih turistov iz teh držav. Poleg tega je Srbija uspela izpogajati Sporazum o prosti trgovini z Rusko federacijo (in njemu pripadajoče protokole), ki spodbuja tudi investitorje iz evropskih držav, da prenesejo svojo proizvodnjo v Srbijo, saj se s tem ognejo carinam, sočasno pa ceneje dostopajo do ruskega, beloruskega in kazahstanskega trga. Na drugi strani pa je Sporazum o gospodarskem in tehničnem sodelovanju s Kitajsko, ki omogoča Srbiji pridobivanje ugodnih kreditov s strani kitajske izvozne banke, Srbiji omogočil financiranje velikih infrastrukturnih projektov po vsej državi, zlasti investicij v transportno infrastrukturo. Poleg naštetega velja omeniti še eno zadevo, ki se je pokazala pri raziskovanju, in sicer da deluje gospodarska diplomacija veliko boljše med državami, ki imajo dobre družbeno-politično-kulturne odnose, kot med tistimi državami, ki teh odnosov nimajo tako razvitih.

Ključne besede: gospodarska diplomacija, vznikajoča gospodarstva/trgi, Republika Srbija, (gospodarska) tranzicija, diverzifikacija trga, internacionalizacija gospodarstva, ekonomska rast, ekonomski razvoj.

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1 Research framework and problem

1.1 Introduction

This dissertation aims to test whether engaging in commercial diplomacy [as an important foreign policy instrument (Naray 2008; Udovič 2011)] by countries in transition towards the emerging countries/economies, otherwise also widely referred to as emerging markets,¹ contributes to the enhancement of internationalisation of their economies. Commercial diplomacy of the Republic of Serbia (hereinafter: Serbia) as the Western Balkans,² and in broader terms South-East European country (in transition), towards the Russian Federation (hereinafter: Russia), Republic of Turkey (hereinafter: Turkey) and the People's Republic of China (hereinafter: China), being the selected emerging countries/markets, is taken to make a (research) setting that would serve for verification/testing of a research model. Why Serbia? It is because it shares many economic, political and other features with other region countries: it is in transition, small in territory, with its economy being largely dependent on the European Union (EU) and the Central European Free Trade Agreement (CEFTA) region, both in terms of trade and investment, what makes it more susceptible and vulnerable to eventual regional and global economic crises (Cerović 2012; Uvalić 2012). However, unlike many other transitional countries, those of the region and beyond, it has strongly engaged in commercial diplomacy towards the emerging markets in recent years, especially those in the East, some of which it traditionally has or is trying to establish good political and/or cultural relations with. Some of those are Russia, Turkey, China, Azerbaijan and the United Arab Emirates. Furthermore, another argument which justifies the selection of Serbia, but in part also of the three emerging countries, is the fact that it has traditionally good political and close cultural and religious relations with Russia and good political relations with China, stemming yet from the times of the former Yugoslavia. Serbia has also successfully established and maintains good political relations with Turkey, due to its influence in the

¹ "Broadly defined, an emerging market is a country making an effort to change and improve its economy with the goal of raising its performance to that of the world's more advanced nations" (Czinkota et al. 2011, 257). However, the notion of emerging market/economy vastly differs among various sources in the sense of what countries it refers to. Nevertheless, all of them include Russia, Turkey and China.

² Solioz (2008, 3) defined the term "Western Balkans" as a Brussels neologism emerged in 1998, which refers to "the countries that once belonged to the Socialist Federal Republic of Yugoslavia (minus Slovenia, plus Albania) and are included in the EU's Stabilisation and Association Process." The term is often used interchangeably with the term South-East Europe (SEE), which became common in 1999 in the context of the Stability Pact for South-East Europe. Some authors use the two terms as synonyms. Todorova (2009, 3) argues that the term "Balkans", and from it "balkanisation", has been decontextualised and came to be paradigmatically used as a synonym for a variety of problems, the backward and primitive, as well as for parcelisation of large political units.

region (historical Ottoman legacy) and political and economic interests.³ This fact alone makes Serbia a suitable and interesting case (not only for the region countries but in general) on which can be tested whether and to what extent good political and/or cultural bilateral relations impact the effectiveness of commercial diplomacy. All the mentioned makes it a suitable case country on which can be tested whether and to what extent engaging in active commercial diplomacy towards the emerging markets (of the East) can contribute to the enhancement of internationalisation of national economies of countries in transition in general (primarily by means of promoting export, geographical market diversification and tourism, then attracting inward and promoting outward (foreign) direct investment (FDI), as well as securing favourable investment loans).

1.2 Commercial diplomacy and emerging markets

Commercial diplomacy has proved to be a useful foreign policy instrument for enhancing internationalisation of national economy (Potter 2004; Mercier 2007), in particular via improving export performance, geographical market diversification, attracting inward and promoting outward investment (Naray 2008; Udovič 2011), as well as by securing favourable investment loans (Petrović 2009). Its importance, especially nowadays in the era of globalisation and intertwined economic relations, is immense (Saner and Yiu 2003). Carron de la Carrière (1998), a prominent representative of the French school of commercial diplomacy, argues that as countries become more and more open to the outside world, especially amid intensification of internationalisation of labour, the role of economic (i.e.

³ This largely enabled and helped Serbia to conclude the free trade agreements with Russia and Turkey, and the strategic agreement with China, as the basis for multi-level economic cooperation. The agreement with Russia (2000) and the amending protocols (in 2009 and 2011) have enabled Serbia to export to the large Russian market around 99 % of its domestic products tax free, under the *ad valorem* condition, i.e. that 51 % of a product is made in Serbia (Chamber of Commerce and Industry of Serbia 2017a). They are also important in terms of attracting foreign companies, particularly from the EU, which by investing in Serbia get an opportunity to export to Russia (tax free), but also to Belarus and Kazakhstan, another two large countries which Serbia also has the free trade agreements with. The agreement with Turkey (2009) based on the model of asymmetrical liberalisation has been highly favourable for Serbia, as it allowed it to export all its products tax free from the day the agreement entered into force, while complete tax exemption for the Turkish products would happen in 2015 (Ministry of Foreign and Internal Trade and Telecommunications of the Republic of Serbia 2013a). As in case with Russia, the agreement with Turkey is hoped to contribute to a larger inflow of FDI into Serbia, especially from the EU (Ministry of Foreign and Internal Trade and Telecommunications of the Republic of Serbia 2013b). The investment-related agreement with China (2009), in its economic section has two components: (1) participation of the Chinese side in infrastructural projects in Serbia through projecting, carrying out of field works, and supply of material and equipment by the Chinese firms. The Chinese Government supports the projects by financing them through favourable (investment) loans under concessional terms by the Export-Import Bank of China (broadly referred to as the Exim Bank), (2) understanding the possibilities of investing in new and existing production facilities in Serbia (greenfield and brownfield investments) on the basis of its good geographical position, market capacity and export potential based on free trade with Russia, Turkey, EU and CEFTA region (Ministry of Foreign and Internal Trade and Telecommunications of the Republic of Serbia 2013c).

commercial) diplomacy, which has become an important supplement of political economy, will inevitably grow. In terms of the effectiveness of commercial diplomacy in the emerging markets, Udovič (2011) found that commercial diplomacy gives much more beneficial effect in the countries/markets in which the state has a strong influence on the economy than in so-to-say “classic” open market economies. This feature characterises many of today’s emerging markets, among which are Russia (as a semi-presidential system in which the President via its political and economic decisions has a traditionally strong influence on the economy) and China (as a single party system, in which the ruling elite has a strong impact on decisions of large state-owned financial and economic institutions and companies). They, along with Turkey (traditionally a parliamentary democracy, which after the April 2017 referendum⁴ became a semi-presidential system, in which the President is vested with strong powers in terms of decision-making, and hence has, or at least is expected to have a strong influence on the economy), make the selected emerging markets.

However, what is of highest relevance in terms of selection of these emerging markets, is the fact that they are large and fast-growing economies, offering excellent business prospects, as will be shown in detail. In general, emerging markets have stable growth rates and demonstrated strong resilience to global economic turbulences. As such, they are widely believed to be the engine of global economic growth in the coming decades (Garten 1997; Gupta and Wang in Gupta et al. 2012; Guillen and Garcia-Cannal 2013). In addition, they are mostly large, both territorially and in terms of population, and have excellent consumption capacity (Czinkota et al. 2011, 257–259). Likewise, they also represent a rich source of investment (Globerman and Shapiro in Sauvant 2008, 229; Sauvant et al. 2009, 1).

1.3 Research questions, theses and methodology

As already suggested, the main purpose of the research is to test whether and to what extent engaging in commercial diplomacy by the countries in transition towards the emerging countries/markets contributes to the enhancement of internationalisation of their economies. It made the basis for the main research questions to be answered in the dissertation. Answers

⁴ In the referendum it was voted on the total of 18 amendments which related both to executive and legislative powers. Among other things they included the following: (1) abolition of the position of Prime Minister and deprivation of the Parliament from the power to vote on distrust on the ministers and the government (whereby the President would take over authorities of the Prime Minister and have the right to nominate the Cabinet and elect ministers himself/herself; (2) the President could be affiliated to a political party, what was previously not the case; (3) the President would be vested with the power to revoke the Parliament; (4) abolition of the military courts, and (5) the President would have the power to nominate 4 of 13 judges for the Supreme Court (Telegram 2017).

to the presented questions at the same time represent the aims of the research. They (meaning questions) are as follows:

1. Can commercial diplomacy be a beneficial foreign policy instrument for stimulating and enhancing national economy internationalisation of the countries in transition, particularly those that are small territorially and in terms of population?
2. What kind of economic benefits can countries in transition gain by engaging in commercial diplomacy towards the emerging markets, particularly those in the East, especially in times of global economic crises?
3. How can Serbia enhance market diversification and internationalisation of its economy by actively engaging in active commercial diplomacy towards the emerging markets of Russia, Turkey and China?
4. How can good political and/or cultural home-host country relations influence the effectiveness of the home country's commercial diplomacy in the host market?
5. How can Serbia take advantage of good political and/or cultural relations with Russia, Turkey and China with the aim to achieve economic benefits?

The stipulated research questions make the framework for the two main research theses, being:

H1: Engaging in commercial diplomacy towards the emerging markets contributes to the enhancement of national economy internationalisation of countries in transition.

H1a: Engaging in commercial diplomacy towards the emerging markets contributes to the increase of export of the home country and the overall trade volume.

H1b: Engaging in commercial diplomacy towards the emerging markets contributes to the increase of investment flows, both inward and outward.

H1c: Engaging in commercial diplomacy towards the emerging markets helps the home country achieve agreement on favourable investment loans.

H1d: Engaging in commercial diplomacy towards the emerging markets contributes to the development of tourism of the home country and the increase of revenues from tourism.

H2: Political and socio-cultural home-host country relations influence the effectiveness of the home country's commercial diplomacy in the host market.

In terms of methodology, there are different methods to be used for testing the research theses. They are primarily the following ones: **(a) description** – the method used for describing or outlining facts, processes and subjects being empirically confirmed. This methodology is used in the initial stage of a research, and gains in importance if simple

description of facts happens along with their explanation (Zelenika 2000, 109; Churchill and Iacobucci 2005, 107; Kukić and Markić 2006, 318); **(b) induction** – the method by which on the basis of concrete, individual cases is/are drawn general conclusion/s, new scientific facts or legalities (Zelenika 2000, 325; Kukić and Markić 2006, 118); **(c) deduction** – the method by which on the basis of general statement/s or truths is/are drawn specific, individual conclusion/s (Zelenika 2000, 325; Kukić and Markić 2006, 121; Saunders et al. 2009, 500); **(d) analysis** – the method used for anatomising complex notions, judgements and conclusions into their more simple component parts, which are then examined individually and one in relation to others (Zelenika 2000, 327; Kukić and Markić 2006, 122–5; Saunders et al. 2009, 502); **(e) synthesis** – The method of synthesis is used for creating a coherent whole of notions, judgements and conclusions out of two or more separate ones; just opposite to analysis (Zelenika 2000, 329; Kukić and Markić 125–126); **(f) statistical method (interpretation of statistical data)** – the method is one of the most commonly used methods, especially in social sciences and humanities, by which data are statistically processed, and obtained results represent a certain conclusion (Zelenika 2000, 341; Kukić and Markić 2006, 318; Saunders et al. 2009, 444–467); **(g) historical method** – the method by which on the basis of various documents and other materials can precisely be found what (has) happened in the past, and possibly for what reasons. This method is most commonly used in social sciences and humanities, but also, though rarely, in combination with other scientific methods and fields, for the purpose of unriddling causal relationships (Zelenika 2000, 358; Goddard and Melville 2004, 10); **(h) case study** – the method by which some particular case from a particular field is examined and elaborated in detail. Specific general conclusions can be drawn out only on the basis of a study of more individual cases (Zelenika 2000, 366; Goddard and Melville 2004, 122, Yin 2014, 3); **(i) empirical method** – the method used for finding answers by which can be explained facts, judgements and conclusions, based on experience solely. Experiments conducted by this method are considered preliminary, on which basis can be set new working hypotheses and conducted a new research to prove the existing hypotheses (Zelenika 2000, 366, Goddard and Melville 2004, 8); **(j) individual interview** – the method used to obtain data from only one interviewee, and as such has many advantages in relation to group-targeted interviews, as by them are obtained better in quality answers (Zelenika 2000, 378; Kukić and Markić 2006, 146–147; Saunders et al. 2009, 353), and **(k) questionnaire** – the method for obtaining information and facts, composed of a set of questions in relation to the research (Zelenika 2000, 336; Kukić and Markić 2006, 151).

In the theoretical part of the research, in the chapter which deals with conceptualisation of commercial diplomacy, the methods of description and analysis in the first place, supplemented with the statistical and the empirical method, will be used to help explain the concept of diplomacy as a foreign policy instrument, then origin and definitions of commercial diplomacy, its role, main objectives and various classifications, as well as similarities and differences between commercial and economic, and other forms of diplomacy, but also current trends and developments with reference to it. Apart from the mentioned will also be given a summary, i.e. main findings of a number of empirical (case) studies found available, which will serve for illustration of the importance of commercial diplomacy, especially nowadays in the era characterised by intensified global economic relations. For that purpose, the methods of deduction and induction will be used. In the chapter (of the theoretical part) which deals with the relationship between export, its geographical diversification, and foreign direct investment, on one side, and economic growth, on the other, by the method of deduction will be drawn out main findings out of a large number of empirical (case) studies found available. Then, by the method of induction will be singled out main conclusion(s), which will enable to be shown the importance of (the promotion of) export, its geographical diversification and foreign direct investment (both inward and outward) for economic growth of especially countries in transition and developing countries in general. The last mentioned subchapters will be preceded by a short survey of main theories of and approaches to economic growth, what is to serve as a sort of introduction to the chapter (for which will be used the method of description and the historical-critical method). Lastly, the end of this chapter will deal with the emerging markets, in the sense of their classification, general attractiveness for doing business and rising global importance. For that the method of description and interpretation of statistical data will primarily be used. Moreover, it is also important to note that each of the three mentioned emerging markets will be separately elaborated in the empirical part of the research from the perspective of their attractiveness businesswise.

In the empirical part, in the chapter which deals with Serbia in transition, the descriptive method will be complemented with the statistical method (interpretation of statistical data) and the historical-critical method, to enable describe the course of main political events in a chronological order, and analyse main economic and social factors which preceded and are still hindering the transition in Serbia. The obtained information and statistical data will help explain why Serbia is still overburdened by remnants from the past, which have been obstructing the transition process, especially from the economic point of view. After that, by

means of description and interpretation of statistical data, supplemented with the historical-critical method, a survey of Serbian commercial diplomacy will be made, especially in terms of organisation. Then, on the three case studies (Serbia-Russia, Serbia-Turkey and Serbia-China), by means of collection of empirical data, and in relation to it interpretation of statistical data, then description, and applying the method of deduction, a framework will be created to test that engaging in commercial diplomacy towards those three emerging markets has helped Serbia enhance its economic transition and overall well-being, primarily by means of facilitating and stimulating export and its market diversification, attracting inward and promoting outward investment, promoting tourism, as well as securing favourable investment loans. This chapter will be followed by a short survey, i.e. comparison of the main findings from the three case studies, for what will primarily be used the methods of description and synthesis. At the end, by the method of deduction I will summarise the tested research results from the case studies, and thereupon using the method of induction a conclusion will be drawn (out)/made that the tested results confirm the set theses and the research goal. In that way, this research will contribute to the development of commercial diplomacy as a scientific discipline and a practical instrument for enhancing internationalisation of national economy and indirectly economic growth, primarily of developing countries in transition.

More specifically, **the thesis H1 will be tested mainly by means of:**

- (a) analysing and comparing annual and periodical values of bilateral trade exchange (at the level of the overall trade exchange, and of sectoral, divisional and/or individual export goods) between Serbia, on one side, and Russia, Turkey and China, on the other, for the selected period,
- (b) analysing and comparing annual and periodical values of foreign direct investment (both inward and outward) between Serbia, on one side, and Russia, Turkey and China, on the other, for the selected period,
- (c) presenting available data in relation to inward (foreign) investments from Russia, Turkey and China (in)to Serbia, and Serbia's outward investments (in)to one or more of these three emerging countries (depending on when such data are found available), including value of investment, type of investment, number of new working places created and/or planned (if an investment is still not realised or in cases of planned expansion of existing investment), location of investment and branch of industry invested in,

- (d) analysing and comparing annual and periodical values in relation to Serbia's tourism (development) based on a number of country entries and overnight stays of citizens of the three emerging markets in Serbia, for the selected period,
- (e) presenting available data and information obtained in relation to main Chinese (infrastructural) investments (in)to Serbia, realised via the strategic agreement with China, based on favourable loans of the China Export-Import Bank.

Obtained results under (a) will primarily enable to be tested whether Serbia via its commercial diplomacy has benefited from the free trade agreements with Russia and Turkey, but also from export-supportive commercial diplomacy (policies and measures) towards China. The primary data source will be the Statistical Office of Serbia and the Chamber of Commerce and Industry of Serbia.

Obtained results under (b) and (c) will enable to be tested whether Serbia via its commercial diplomacy has benefited from intensified investment-related (both inward and outward) commercial diplomacy activities at various levels - from the state level to the level of economic counsellors (while stationed in Russia, Turkey and China) and other diplomatic staff. The primary data source will be the National Bank of Serbia, Chamber of Commerce and Industry of Serbia, Development Agency of Serbia (former Serbia Investment and Export Promotion Agency), and the Ministry of Trade, Tourism and Telecommunications in the Government of Serbia.

Obtained results under (d) will enable to be tested whether and to what extent Serbia has benefited from its commercial diplomacy activities geared at promoting tourism, i.e. Serbia as a tourist destination among/in the three emerging countries. The primary data source will be the Statistical Office of the Republic of Serbia.

Obtained results under (e) will enable to be tested whether Serbia via its commercial diplomacy has benefited from favourable investment loans of the China Export-Import Bank; in other words whether it found them favourable and beneficial. The primary data source will be the Government of Serbia, primarily the Ministry of Trade, Tourism and Telecommunications.

The thesis H2 will be tested mainly by means of:

- (a) presenting available information on whether good political and/or cultural relations with Russia, Turkey and China contributed to the conclusion of the free trade agreements with Russia and Turkey, and the strategic agreement with China;
- (b) presenting available information about whether the strong role of the state on the economy in Russia, Turkey and China facilitated Serbian diplomatic efforts to

conclude the free trade agreements with Russia and Turkey and the strategic agreement with China. The primary data source for both (a) and (b) will be information obtained from questionnaire and/or semi-structured, individual interviews with the main government officials in charge of commercial diplomacy and bilateral economic cooperation with the three emerging countries.

1.4 Contribution of the research to the scientific field of diplomacy

The research will have a threefold contribution to the scientific field of diplomacy: for the theory, business, and for policy-makers.

The theoretical contribution will consist of:

- strengthening the theory that commercial diplomacy can contribute to the enhancement of national economy internationalisation of countries in transition, especially those that are small territorially and in terms of population (primarily by means of helping agree on/conclude lucrative free or preferential trade agreements, investment agreements, tourism-related agreements and/or arrangements, and favourable investment loans);
- strengthening the theory that (small) transitional countries can benefit from engaging in commercial diplomacy towards politically and/or economically influential and powerful emerging markets (primarily by means of agreeing on/concluding lucrative free or preferential trade agreements, investment agreements, tourism-related agreements and/or arrangements, and favourable investment loans);
- presenting a novel contribution to the theory (on commercial diplomacy) that commercial diplomacy of the territorially and in terms of population small countries of the Western Balkans towards the emerging economies/markets in the East is found to be highly beneficial in the sense of improving geographical market diversification and enhancing national economy internationalisation;
- strengthening the theory that (small) transition countries can take advantage of, i.e. exploit good political and/or cultural relations with the host (target) countries, especially those that are politically and economically much more influential and powerful, with the aim to increase the successfulness of their commercial diplomacy in the markets of the latter;
- presenting a novel contribution to the theory (on commercial diplomacy) that good political and/or cultural relations between the the territorially and in terms of population small countries of the Western Balkans and the emerging

economies/markets in the East is found to increase the successfulness of their commercial diplomacy in the markets of the latter;

- strengthening the theory that commercial diplomacy is/can be much more effective when applied by developing towards developed countries or vice versa, than between developing or developed countries themselves.

The contribution for the business (community) will consist of:

- presenting the three case studies that will show that Serbia as a country in transition has managed to enhance internationalisation of its economy (primarily by means of helping agree on/conclude lucrative free or preferential trade agreements, investment agreements, tourism-related agreements and/or arrangements, and favourable investment loans) by engaging in assertive commercial diplomacy towards the emerging markets of Russia, Turkey and China;
- demonstrating to what extent Serbia as a country in transition can rely on the emerging markets in the sense of searching for lucrative business opportunities.

The contribution for the policy-makers will consist of:

- showing the danger of Serbia being overly dependent on a limited number of markets within the EU and CEFTA region in terms of trade and investment, especially in times of global economic crises;
- demonstrating that Serbia needs to change its predominantly import- and consumption-oriented growth model into more production-driven and export-oriented, based on research and development, and innovations (supply-side economics).
- creating a diagnostic instrumentary for helping the development of Serbia's commercial diplomacy, especially in the emerging markets, by exposing its strengths and weaknesses, and providing a toolbox for future development of commercial diplomacy activities.

2 Conceptualisation of commercial diplomacy

2.1 Introductory notes

In this chapter will first be given a short survey on diplomacy (in general) as a foreign policy instrument. It will be followed by introduction of the notion of commercial diplomacy, which will then be elaborated in detail as an academic field and a practical foreign policy tool which has gained in importance in the era of globalisation and especially since outbreak of the recent world economic crisis. Special emphasis will be given to explaining its origin, definition, main role and objectives, then differences between commercial and other forms of diplomacy that are often used interchangeably, such as economic and business diplomacy, as well as to current trends with reference to it. Since the scope of commercial diplomacy encompasses various activities, from business advocacy and representation both in the home and the targeted country, to various market analyses and dispute settlement, in order to examine whether commercial diplomacy has found to be beneficial, main findings of a total of 33 (case) studies found available are presented. They will eventually show high importance of this policy tool, as for high-income, so for developing and/or transitional countries. In addition, it is important to note that the term commercial diplomacy is still not broadly accepted as the only term in use when it comes to promotion of trade, investment and tourism, especially in the business community, and is often used interchangeably with especially economic, but also business diplomacy, though much less frequently in terms of the latter (term). Hence, in this chapter all these terms will be used, though referring to the same thing – commercial diplomacy, whose focus, as mentioned, is mainly on the promotion of trade, investment and tourism, depending on the preference of authors being cited.

2.2 On diplomacy as foreign policy instrument, and commercial diplomacy as a notion

In general terms diplomacy can be regarded as a main instrument via which countries, that is, their governments implement foreign policy by peaceful means. Dimitrijević and Stojanović (1979), Holsti (1988) and Vukadinovic (1989) are only some of those who argue(d) that diplomacy is one of three instruments by means of which foreign policy is, i.e. can be implemented. According to Vukadinović (2004, 82) diplomacy and international relations as notions are often treated the same, as they refer to the same thing. Vukadinović (2004, 81) further outlines four approaches to diplomacy:

1. The first approach equalises diplomacy with foreign policy. Hans Morgenthau, one of the founders of international relations as a scientific discipline [in his influential book

“Politics Among Nations”, originally published in 1948] defined diplomacy as “formulation and implementation of foreign policy”.

2. The second approach equalises diplomacy with foreign policy techniques and activities. Jacques Chazelle defines it as all means and activities which the state employs in order to realise its foreign policy objectives.
3. The third approach equalises diplomacy and negotiating. Callieres and Martens argue that diplomacy is, in essence, international negotiating.
4. The fourth approach equalises diplomacy with personal ability of diplomats to accomplish set tasks. Oxford English Dictionary defines diplomacy as “skills of diplomats.”

Similar view is also shared by Ruël (2013, 16) who sees diplomacy as a concept stemming from the field of diplomatic studies, but also in the broader context of international relations and political science too. The author defines diplomacy as follows:

Diplomacy is the dialogue via representation and communication between parties (nation-states, business, NGOs, supranational organizations, multilateral organizations, interest groups) that acknowledge each other’s existence and accept each other’s sovereignty and control over a territory (either in a physical sense or in non-material sense such as a knowledge domain, an interest domain or market) in order to achieve common objectives in a peaceful and sustainable way (Ruël 2013, 17).

Over time many other scholars offered their own interpretation of what diplomacy is, that is, represents. According to Barston (2006, 1) „Diplomacy is [generally] concerned with the management of relations between states and between states and other actors.“ Berridge and James (2001, 62) define diplomacy as “the conduct of relations between sovereign states through the medium of officials based at home or abroad, the latter being either members of their state’s diplomatic service or temporary diplomats.” Bull (1995, 156) comprehends diplomacy as „the conduct of relations between states and other entities with standing in world politics by official agents and by peaceful means.“ Kostecki and Naray (2007, 1) note that diplomacy is usually described as the main foreign policy instrument which enables external relations with foreign country authorities and the public by means of communication, negotiation and networking. According to them diplomatic activities are conducted at two levels: (1) at the international level (through bilateralism, regionalism or multilateralism) and (2) in the host states (through establishing relations with the government, parliament, civil sector, business organisations, corporations, etc.). Saner and Yiu (2003, 11) regard that in their opinion Melissen’s definition of diplomacy is the most succinct and at the same time contemporary, who defines it as “the mechanism of representation, communication and negotiation through which states and other international actors conduct their business.”

Rana (2011b, 16) defines diplomacy as “a system of the interstate communication and issue resolution.” Vukadinović (2004, 81) notes that the American historian of diplomacy Bailey views diplomacy as the process of accomplishing national interests in relations with other states by means of negotiating. Vukadinović (2004, 83) offers his interpretation of diplomacy being “a social activity and a political process in which political players, most often the states, enter international relations in the international environment.” In his understanding, the main features of diplomacy are: (a) it is an evolutionary process; (b) in bettering its usability, it is becoming increasingly connected to science and scientific instruments; (c) it is closely related to personal skills of diplomats; and (d) negotiating and representation are its main functions.

Nowadays, when globalisation is seen to increase economic vulnerability, but at the same time open up opportunities for trade and investment (Lee and Hocking in Denmark 2010, 11), the use of diplomacy in cross country relations can represent a helpful tool for achieving set objectives (Reuvers and Ruël in Ruël 2012, 2). Under such circumstances, the traditional perception of what diplomacy is and how it should be conducted has changed profoundly in recent decades due to growing importance and influence of firms, mainly multinationals. This change has brought about that diplomacy is not only used as a means of communication between governments, but also, and yet more and more frequently, between governments and firms (Stopford and Strange 1991, 1–18; Strange 1992, 1–2;). For the reasons quoted, diplomacy is developing much quicker than in the second half of the 20th century (Melissen 2011, 2), as it had to adapt in order to respond to new opportunities (Rana 2011b, 16).⁵ Doing business outside national borders in a successful way demands strong, assertive and professional diplomacy. Its main task will be to facilitate access to new markets and subsequent business expansion, then promote home country as a suitable location to invest in, and cope with challenges of foreign market environment (Ruël 2013, 14). According to the author, “[d]iplomacy may be a key word and the additional explanation for international business success or failure.” Therefrom, the branch of diplomacy which deals with the promotion of trade, investment and business in general is called commercial diplomacy, the term often being used interchangeably with economic and business diplomacy. Ruël also argues that commercial diplomacy (in addition to business diplomacy, as the author sees the two as separate entities referring to different set of activities) as foreign policy instrument

⁵ In modern diplomacy the ministry of foreign affairs still holds the primacy over foreign issues, but it no longer has monopoly over decision-making, as it has to cooperate and consult with other government departments. Its role is mainly one of a coordinator (Rana 2011b, 16).

needs to be [prioritised], and professionalised and modernised, what implies innovative policies and practices, and new organisational framework at all levels.⁶

2.3 Origins of and defining commercial diplomacy

Application of commercial diplomacy as a political instrument for realisation of economic and/or more specifically commercial objectives is very old. As a matter of fact, as Dašić (2013, 379) argues, it is one of the oldest forms of diplomacy.⁷ First traces of it have been found to date back as early as to Ancient Greece and the Roman Empire, whereas the foundations of modern commercial diplomacy primarily based on information gathering and intelligence were laid down in the late 19th century (de la Carriere 1998, 124), when famous British economist Ricardo, in his seminal work “Principles of Political Economy and Taxation” from 1817, indirectly revealed a clear link between politics and economy (in the context of international trade). Ricardo argued that “[u]nder a system of perfectly free commerce, each country naturally devotes its capital and labour to such employments as are most beneficial to each. This pursuit of individual advantage is admirably connected with the universal good of the whole.” (van Bergeijk 2009, 1).

In its contemporary form commercial diplomacy⁸ emerged after the World War II, when governments and foreign ministries across the world started to give special attention to external economic relations (Rana in Bayne and Woolcock 2011a, 95–96).⁹ Since then, economic diplomacy [the term most often being used interchangeably with commercial diplomacy] has become increasingly popular (Dašić 2013, 384). Being a relatively new academic discipline (Abbink 2014, 2), numerous research studies on it have been written in

⁶ In this context, it is important to note that many governments around the world recognise that diplomatic skills and expertise are best achieved through experience. Diplomacy is a profession; and hence the people who conduct it need to possess good skills in negotiating, communication, persuasion, reporting, analysis and management, to speak foreign languages and be familiar with different cultures, as well as to know policy-making procedures in the country they serve in. Cooperation with the military and intelligence can also be part of what they do (Kopp and Gillespie 2008, 7).

⁷ In this context, Dašić (2013, 379) is using terms economic and trade diplomacy. He notes that actual origin of it could be said to date back as early as to the first exchanges of goods.

⁸ In this context the author used the term economic diplomacy instead, but under which he also implies commercial diplomacy - to be explained later in this chapter.

⁹ The author notes the case of the United Kingdom, and the 1964 Plowden Report, which identified export promotion [as one of the main activities falling under the scope of commercial diplomacy] as the primary activity that British diplomatic missions abroad needed to be occupied with, as well as the 1969 Duncan Report, which gave even more pertinence to economic diplomacy. Also, in India, the 1966 Pillai Report, which analysed the work of the Indian Ministry of External Relations (MEA), stressed the role of trade. India fully realised the importance and the necessity of economic diplomacy only in 1973 when the first big oil shock happened and the price of oil quadrupled following the formation of the OPEC cartel. Being a developing country with no significant oil reserves India was forced to look up for ways to increase its foreign trade exchange to compensate for the incurred losses (Rana in Bayne and Woolcock 2011a, 95–96).

international economics, international political economy and international relations alike (Moons and van Bergeijk 2013, 6), what tells of its growing significance. Reuvers and Ruël in Ruël (2012, 3–4) reviewed the existing literature on commercial (and economic diplomacy), and found that number of research publications during the last years has notably increased in comparison to the 1990s.

One of the first who described commercial diplomacy in its contemporary sense was Axel Herbst, former head of Department for Foreign Trade at the German Foreign Office in Bonn, in the late 1960s. According to him, the main task of commercial counsellors (meaning diplomats) consists of: promoting export, matchmaking, facilitating contacts between (German) businesses and public authorities of the host country, providing information on trade fairs, making press releases on (German) businesses, reporting on the host country economic development and legal and administrative regulations that may impact bilateral trade relations, facilitating negotiations on trade agreements and multilateral trade policies, as well as doing analysis on development aid (Herbst 1969, 323–324). Since then, many other scholars and diplomats offered their own vision and interpretation of what commercial diplomacy and its main task is. In the following lines I will quote some of them, yet in a chronological order, to provide better understanding of how various authors came to apprehend the topic over time and how commercial diplomacy has actually evolved in terms of activity scope. Berridge and James (2001, 38–39) in their Dictionary of Diplomacy describe commercial diplomacy as „the work of diplomatic missions in support of the home country’s business and finance sectors.” Its scope of activity includes: promotion of trade and investment (inward and outward), providing information on export and investment opportunities, and helping to organise and host trade missions from the home country. Lee (2004b, 51), from the perspective of the United Kingdom, regards that commercial diplomacy deals with the promotion of inward and outward investment and export (also Lee 2004a, 2). The author outlines three major categories of commercial diplomacy activities: (1) gathering and dissemination of market information, and market analysis, (2) establishing contacts with the host country government and the business community, and transferring these contacts to the business sector in the home country, and (3) trade promotion (of UK goods) in the host country by means of organising seminars, trade fairs, lobbying and (business) intelligence. Potter (2004, 55), in his paper on the renaissance of Canada’s diplomacy, defines commercial diplomacy as “the application of the tools and diplomacy to help bring about specific commercial gains through promoting exports, attracting inward investment and preserving outward investment opportunities, and encouraging the benefits of technological transfer.” He

further argues that “commercial diplomacy aims to exploit comparative advantages and capitalize on the international opportunities created by economic diplomacy and the evolution of markets.” Commercial diplomacy is being regarded as part of, as the author calls, “new diplomacy”, whereat governments of both developed and developing countries increasingly focus their foreign policy on their country branding and advocacy for business interests. Lee and Hudson (2004, 343) define commercial diplomacy as the „work of public officials from Foreign Ministries and overseas missions and officials from other government departments such as Trade/Commerce as well as private economic actors in support of the business and finance sectors of the economy.“, which deals with the promotion of investment (both inward and outward) and trade. Mercier (2007, 25) argues that commercial diplomacy is about helping the home country's enterprises in their export ambitions, and presenting foreign investors the advantages of investing in the home country. In practising commercial diplomacy are included both public and private actors, from government staff, chambers of commerce and associations, to businessmen. Naray (2008, 2) defines commercial diplomacy as „an activity conducted by state representatives with diplomatic status in view of business promotion between the home and the host country.“ He further notes that commercial diplomacy „aims at encouraging business development through a series of business promotion and facilitation activities.“ Van Bergeijk (2009, 1) argues that commercial diplomacy (policy) is a subcategory of economic diplomacy, which aims “to influence decisions about cross-border economic activities (export, import, investment, lending, aid and migration) pursued by governments and non-state actors.” Ozdem (2009, 8) defines commercial diplomacy as (diplomatic) activities conducted with the aim to intensify trade and investment flows (both inward and outward). Lee and Hocking in Denmark (2010, 4) argue that commercial diplomacy deals with the promotion of export and inward and outward investment, and aims to help achieve competitive advantage in the international business environment. Naray (2011, 122) argues that „commercial diplomacy aims at encouraging bilateral business through a series of roles that commercial diplomats perform in various activity areas, such as trade promotion, investment promotion, and cooperation in science and technology.“ Non-diplomatic institutions such as trade promotion organisations and chambers of commerce also perform commercial diplomacy activities. The author views commercial diplomats as „state representatives with diplomatic status who are working for business promotion in a broad sense between a home and a host country.“ Commercial diplomats'

scope of activity encompasses trade and investment promotion, including tourism, then cooperation in science and technology, and the protection of intellectual property rights.¹⁰ Van Bergeijk et al. (2011, 105–106) see economic diplomacy as the work of public, government agencies, such as: embassies, consulates, foreign ministries, ministries of economic affairs and trade, and private actors such as trade and support offices, geared toward providing assistance to domestic firms in foreign markets, and in that way supporting business in general. More specifically, it refers to: (a) trade (export and import) and investment (inward and outward) promotion, (b) information gathering and offering expertise, (c) securing property rights, and (d) exerting influence on policy-making in foreign countries with the aim to support interests of domestic firms in their conducting business abroad. Kostecki and Naray (2007) define commercial diplomacy as „a government service to the business community, which aims at the development of socially beneficial international business ventures.“ (Kostecki and Naray 2007, 1). The authors further note that the term commercial diplomacy is commonly used among foreign diplomatic missions and the related agencies to designate all business support activities (Kostecki and Naray 2007, 2).¹¹ Most commercial diplomacy activities take place in the host country, and the main actors performing commercial diplomacy are usually the staff of the home country's diplomatic mission abroad, as well as trade promotion organisations (TPOs) and investment promotion organisations (IPAs) (Kostecki and Naray 2007, 1). Woolcock in van Bergeijk et al. (2011a, 85) defines commercial diplomacy as „non-binding cooperation between the private and public sectors in the promotion of commercial interests.“ [with the aim] ... „to assist national firms in a target market through the provision of information and representation, or trade missions accompanying visits by heads of state or government to trading partners.“ According to Okano-Heijmans (2011, 17) “[e]conomic diplomacy is understood as the use of political means as leverage in international negotiations, with the aim of enhancing national economic prosperity, and the use of economic leverage to increase the political stability of the nation.” Verhagen and Bleker (2011, 173) define economic diplomacy as “a government activity that supports economic transactions and trade by negotiating with governments, international

¹⁰ The 1961 Vienna Convention on Diplomatic Relations and subsequent amendments mention activities directly or indirectly related to commercial diplomacy, such as: (a) protection of the home country national interests in the host country, as well as their nationals, property and company shares, (b) information gathering, and (c) general promotion of economic and scientific bilateral relations, including trade and investment issues (Naray 2011, 130–131; Vienna Convention on Diplomatic Relations 1961).

¹¹ The authors also note that the term commercial diplomat has many different denominations, some of which are: commercial counsellor, commercial attaché, trade representative and commercial representative (Kostecki and Naray 2007, 1).

bodies or in multilateral organizations.” Jiang (2011, 64) sees economic diplomacy as the use of economic means for accomplishment of foreign policy objectives, and diplomacy for economic benefits. Based on available literature and concepts synthesis, Ruel and Visser (2012, 44) gave the following definition of commercial diplomacy: “Commercial diplomacy is an activity conducted by state representatives which is aimed at generating commercial gain in the form of trade and inward and outward investment for the home country by means of business and entrepreneurship promotion and facilitation activities in the host country based on supplying information about export and investment opportunities, keeping contact with key actors and maintaining networks in relevant areas.” Feketekuty (2012) describes commercial diplomacy as “diplomacy designed to influence foreign government policy and regulatory decisions that affect global trade and investment.” (Feketekuty 2012, 1–2). The author views a commercial diplomat as “a professional skilled in advancing the interests of an organization on international trade and investment-related policy issues, in developing agreements on international commercial issues, and in resolving policy conflicts among nations over commercial issues.” A commercial diplomat may represent the government, business community and the civil sector (Feketekuty 2012, 2).¹² Ruël (2013, 14) describes commercial diplomacy as “predominantly a government-driven approach to use the network of government and business representatives to promote home country business abroad using diplomatic channels and processes.” Bilandžić and Barun (2013,77–78) perceive economic diplomacy as (diplomatic) activities aimed at increasing export, attracting foreign direct investment and taking part in the work of international economic organisations. In addition, it (economic diplomacy) also relates to promoting domestic economy and firms in foreign markets, protecting national economic interests, but also includes identification of mechanisms for its enhancement. Dašić (2013, 376–377) defines economic diplomacy as a scientific discipline belonging both to the fields of political science and economy, which, in practical terms, offers to the business actors in their relations with abroad best available instructions and solutions with the goal of increasing profit, volume of trade exchange and investment flows, as well as the transfer of advanced technology. Moons and de Boer (2014, 3) see economic diplomacy as „the use of government relations and government influence to stimulate international trade and investment.“ They showed that economic (meaning

¹² In that way in practising commercial diplomacy become involved many vocations: lawyers, economists, political analysts and accountants (Feketekuty 2012, 2). A commercial diplomat needs to be well knowledgeable about trade and foreign investment issues, national and global trade rules and regulations, and to have good marketing skills (Feketekuty 2012, 3).

commercial) diplomacy is an effective trade-stimulating instrument in the following cases: (a) when trade between two countries involves more complex products, (b) when trading countries are of different levels of development, (c) when enterprises from the developing countries strive to win markets of the developed countries with complex products, and (d) when enterprises from the developed countries strive to win markets of the emerging (lower developed) economies (Moons and de Boer 2014, 2).

Table 2.1: Tabular display/summary of various authors' understanding regarding what commercial diplomacy (activities) encompass/imply

| Author(s) | Export and /or trade promotion | Investment promotion | Promotion of tourism | Business promotion and/or advocacy | Business facilitation (including support in negotiations) | Matchmaking (contact establishment and/or facilitation) | Information gathering | Organising visits | Organising seminars | Organising representation at trade fairs | Analysis on development aid | Market analysis | Lobbying and/or intelligence | Lending and finance promotion | Encouraging cooperation in science and technology | Encouraging transfer of technology | Protection of intellectual property rights | Conflict resolution |
|----------------------------|--------------------------------|----------------------|----------------------|------------------------------------|---|---|-----------------------|-------------------|---------------------|--|-----------------------------|-----------------|------------------------------|-------------------------------|---|------------------------------------|--|---------------------|
| Herbst | + | | | | | + | + | | | | + | | | | | | | |
| Berridge and James | + | + | | | | | + | + | | | | | | | | | | |
| Lee | + | + | | | | + | + | | + | + | | + | + | | | | | |
| Potter | + | + | | | | | | | | | | | | | | | + | |
| Lee and Hudson | | | | | + | | | | | | | | | + | | | | |
| Mercier | + | + | | | | | | | | | | | | | | | | |
| Naray | + | + | + | + | + | | | | | | | | | | + | | + | |
| Van Bergeijk | + | + | | | | | | | | | | | | + | | | | |
| Ozdem | + | + | | | | | | | | | | | | | | | | |
| Lee and Hocking in Denmark | + | + | | + | | | | | | | | | | | | | | |
| Van Bergeijk et al. | + | + | | + | | | + | | | | | | + | | | | + | |
| Kostecki and Naray | | | | + | + | | | | | | | | | | | | | |
| Woolcock | + | | | | | | | | | | | | | | | | | |
| Okano-Heijmans | | | | + | | | | | | | | | | | | | | |
| Verhagen and Bleker | | | | + | + | | | | | | | | | | | | | |
| Jiang | | | | + | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | |
|---------------------|---|---|--|---|---|--|--|--|--|--|--|--|--|--|--|---|---|
| Ruel and Visser | + | + | | + | + | | | | | | | | | | | | |
| Feketekuty | + | + | | + | | | | | | | | | | | | | + |
| Ruël | | | | + | | | | | | | | | | | | | |
| Bilandžić and Barun | + | + | | + | + | | | | | | | | | | | | |
| Moons and de Boer | + | + | | | | | | | | | | | | | | | |
| Dašić | + | + | | | | | | | | | | | | | | + | |

Source: Author's own elaboration

A summary of the above mentioned authors' interpretation as to what commercial diplomacy (activities) encompass, that is, imply is given in Table 2.1 above. It shows that the total of 22 author(s) identified what could be summarised into 18 different sets of (commercial diplomacy) activities. Export and/or trade promotion, investment promotion, and business promotion and/or advocacy are identified by far the largest number of author(s), and as such stand as the most frequently referred to set(s) of (commercial diplomacy) activities. Furthermore, all presented set(s) of activities could be classified into 2 main subgroups, the first referring to more general activities (export and /or trade promotion, bussiness promotion and/or advocacy, business facilitation (including support in negotiations), investment promotion, lending and finance promotion, promotion of tourism, encouraging cooperation in science and technology, and encouraging transfer of technology) and the second to more specific, i.e. concrete ones (matchmaking (contact establishment and/or facilitation), information gathering, organising visits, organising seminars, organising representation at trade fairs, market analysis, analysis on development aid, lobbying and/or intelligence, protection of intellectual property rights, and conflict resolution). Interestingly, in terms of temporal evolution, it could be said either general or more specific activities that relate to trade/business and investment promotion, and the related encouraging (of) cooperation in science and technology happened to precede other ones.

2.4 Commercial versus economic and other forms of diplomacy: similarities and differences

In the following lines will be illustrated similarities and differences primarily between the notions commercial and economic diplomacy, since they are often used interchangeably designating the same thing, but also of other forms of diplomacy, such as business diplomacy, that are economy-related in broader terms.

Berridge and James (2001) view commercial and economic diplomacy as closely related concepts which do share some features, but, still, their scope of activity mainly differs (Berridge and James 2001, 38, 81). It has already been stated earlier in the dissertation that

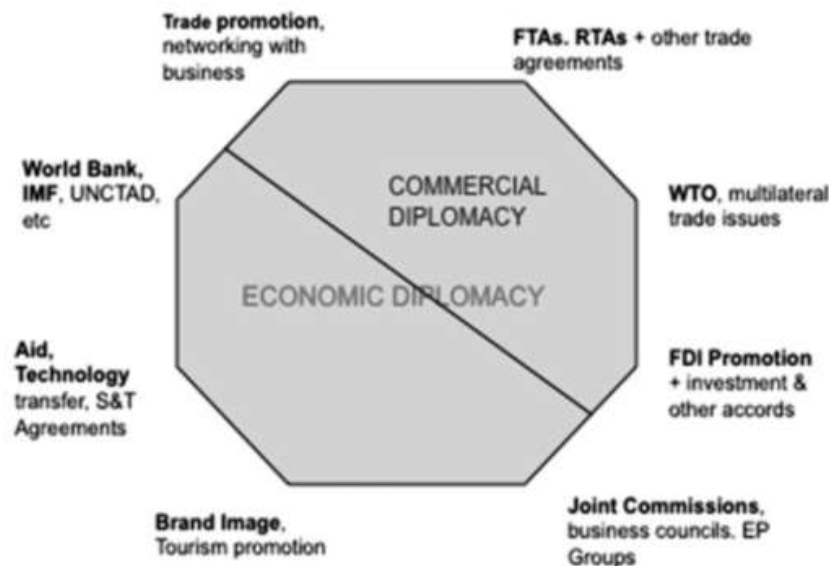
these authors describe commercial diplomacy as „the work of diplomatic missions in support of the home country’s business and finance sectors”, and that its scope of activity includes promotion of trade and investment (both inward and outward), as well as providing information on export and investment opportunities, and helping to organise and host trade missions from the home country (Berridge and James 2001, 38–39). On the other side, they define economic diplomacy as “[d]iplomacy concerned with economic policy questions, including the work of delegations to conferences sponsored by bodies such as the World Trade Organization.” Its scope encompasses monitoring and reporting on economic policies in the host country, offering advice on how to influence them in the most appropriate way, and usage of economic rewards or sanctions as a means of accomplishing foreign policy objectives. The authors stipulate that another term in usage is economic statecraft (Berridge and James 2001, 81).¹³ Potter (2004, 55) and van Bergeijk and Moons (2009, 2) share this view, and see economic and commercial diplomacy not as separate, but interrelated entities. The latter (van Bergeijk and Moons 2009) see commercial diplomacy as part of economic diplomacy (also Dašić 2013, 377). They state that economic diplomacy consists of three elements:

1. the application of political means for the promotion of international trade and investment, removal of barriers to trade, reduction of business risk and tackling various market failures; This subfield of economic diplomacy closely relates to commercial policy;
2. the application of economic means with the aim of raising the awareness about the magnitude of cost of potential conflict and the importance of cooperative behaviour - in other words economic security; This subfield of economic diplomacy relates to bilateral trade and investment agreements, and also includes methods of coercion, such as boycotts and embargoes;
3. creating businesswise stimulant international political climate and economic environment as a precondition for development of trade and business; This subfield includes multilateral agreements within the framework of international institutions such as the World Trade Organisation (WTO) and the Organisation for Economic Cooperation and Development (OECD), and supranational organisations such as the European Union (van Bergeijk and Moons 2009, 2).

¹³ The term economic statecraft was used and theoretically elaborated by Baldwin (1985).

Similar reasoning is also shared by Rana in Bayne and Woolcock (2011a), who gave an interesting illustration which classifies commercial diplomacy as a subcategory of economic diplomacy, whose scope of activity encompasses: trade and FDI promotion, free trade, regional trade and other trade agreements, as well as multilateral trade issues under the auspices of the WTO, as presented in Figure 2.1 below.

Figure 2.1: Economic and commercial diplomacy activity scope



Source: Rana in Bayne and Woolcock (2011a, 95; also (in) Rana and Chatterjee in Rana and Chatterjee 2011,4)

Rana in Bayne and Woolcock (2007, 201) defines economic diplomacy as „the process through which countries tackle the outside world, to maximize their national gain in all the fields of activity including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage; it has bilateral, regional and multilateral dimensions, each of which is important“. Rana and Chatterjee in Rana and Chatterjee (2011) mainly follow up on Rana in Bayne and Woolcock (2011a), and generally conclude that opinion as to whether commercial diplomacy is a subcategory of economic diplomacy differs among authors. They present in a chronological order four stages in/of development of economic diplomacy:

1. trade and investment promotion – promotion of trade that first developed was followed by investment promotion which became a dominant economic diplomacy activity in the course of the 1970s; The 1973 oil shock which quadrupled oil price prompted many developing countries such as India to engage in much more active economic diplomacy, especially towards the Gulf region, in which India decided to open new embassies headed by young ambassadors;

2. networking – activities aimed at gaining support from the business community, chamber of commerce, think-tanks and academic institutions for the promotion of trade and investment, and facilitating approach to new technologies; Networking became intensified since the 1980s;
3. country branding – comprises all activities aimed at promoting one's country as a business and tourist destination; Country branding started to be used in the 1980s and 1990s. Diplomatic missions of a country abroad take part in this activity;
4. establishing international trade regulations – in the frame of international institutions like the GATT/WTO (Rana and Chatterjee in Rana and Chatterjee 2011, 6–10).

Another division is offered by Kostecki and Naray (2007), Ruël (2013) and Udovič (2011) who differentiate between commercial and business diplomacy. Udovič (2011) sees the difference between commercial and business diplomacy in the location where diplomatic activities are conducted, in the sense that while commercial diplomacy relates to “trans-border *state-to-state* and *state-to-firm* relations”, business diplomacy “concerns actors in the same market, within a state”. He also notes that enterprises primarily tend to use business diplomacy services (Udovič 2011, 359). Kostecki and Naray (2007, 2) argue that the term commercial diplomacy is commonly used among foreign diplomatic missions and the related agencies to designate all business support activities. On the contrary, the alternatively used term business diplomacy relates more to corporate activities such as public relations, public affairs or corporate-government affairs. Ruël (2013) describes commercial diplomacy as “predominantly a government-driven approach to use the network of government and business representatives to promote home country business abroad using diplomatic channels and processes.” (Ruël 2013, 14). On the other side, he defines business diplomacy as “an international business-driven approach to build and maintain positive relationships with foreign government representatives and non-government stakeholders” (Ruël 2013, 14–15).¹⁴ In this line, Saner et al. (2000) argue that global companies can substantially improve their performance by means of business diplomacy.

¹⁴ The author also recognises international business diplomacy, which he defines as “the representation and communication activities deployed by international businesses with host government representatives and non-governmental representatives in order to establish and sustain a positive relationship to maintain legitimacy and a ‘licence to operate’.” The author presented how president of a large Dutch multinational company described business diplomacy: “Business diplomacy is the bridging of the gap between the core business activities and having an understanding of the political social elements in all places within which the multinational company operates. The more global you get as a firm, the more important it is to tighten the relationships with governments and non-governmental stakeholders. Business diplomacy, at its best, safeguards corporate image and reputation.” (Ruël 2013, 14).

Apart from the mentioned, there are also authors who distinguish between several types of (economic) diplomacy. Udovič (2016) argues that economic diplomacy (which he regards as a more general term) has three subcategories: (1) multilateral state economic diplomacy, whose task is to create a framework for cooperation between countries and companies (with)in the international community”, (2) bilateral state economic diplomacy (otherwise also referred to as commercial diplomacy), whose primary task is related to the promotion of economic cooperation between countries and companies from different countries”, and (3) bilateral non-state economic diplomacy (otherwise also referred to as business diplomacy), which deals with the non-state actors, such as entrepreneurs, trade unions, various interest groups, and so on, at local and regional level. On the other side, Lee and Hocking in Denmark (2010, 12–19) argue that diplomacy can be:

- commercial – includes promotion of trade, investment and tourism;¹⁵ it has become increasingly applied since the 1990s, when numerous governments across the world started to pay more attention to trade and investment promotion;
- trade – relates to policy making and bargaining in the frame of international trade institutions such as the WTO (former GATT);
- financial – relates to policy making and bargaining in the frame of international financial and global power institutions such as the G7,¹⁶ G8,¹⁷ International Monetary Fund (IMF) and the World Bank;
- consular – relates to consular affairs.

According to Saner and Yiu (2003, 16–22), diplomacy can be classified into: commercial, economic, business, corporate, and NGO, whereby

- commercial diplomacy – in general terms relates to advocacy for national economic interests, with focus on trade and investment promotion;¹⁸
- economic diplomacy – mainly relates to taking part at and bargaining in international multilateral economic organisations where global economic policies are shaped, but

¹⁵ Stringer (2007, 19–20) links trade, tourism and investment promotion with consular diplomacy.

¹⁶ Relates to the so-called Group of Seven, which is an informal summit of most of the world’s major economies: the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom. They meet annually to discuss various global current issues, such as global economy, international security and energy policy.

¹⁷ The Group of Seven plus Russia.

¹⁸ The authors describe commercial diplomat as a “[d]iplomat who represents interests of his country, provides services to enterprises (safeguards interests of national companies abroad and attracts FDI to his country) and reports to MOFA or MOEA, who might be stationed at embassies abroad or operate out of National Capital.” (Saner and Yiu 2003, 21).

also includes some activities falling under the commercial diplomacy scope, such as advocacy for national business interests;¹⁹

- business diplomacy – generally relates to activities driven towards creating conducive (business) environment for the firms;²⁰
- corporate diplomacy – mainly interfaces with business diplomacy, with which it has much in common;²¹
- national NGO diplomacy – relates to representation of interests on the part of NGOs in various spheres of a national economy, from consumer protection, anti-corruption to environmental protection;²²
- transnational NGO diplomacy – shares many features with economic diplomacy, such as working to influence policy making at international economic institutions²³ (Saner and Yiu 2003, 23).

Saner and Yiu (2003, 12) note that economic and commercial diplomacy are responsibility of state actors, whereas corporate diplomacy, business diplomacy, national NGO diplomacy and transnational NGO diplomacy are executed by the non-state actors. Common features which all given types of diplomacy have in common are:

- negotiating global economic issues,
- setting standards at multilateral organisations,
- managing multi-stakeholder coalitions and alliances,
- shaping socio-economic and ecological development policies (Saner and Yiu 2003, 25).

Asquer (2012, 12) differentiates (between) public, economic, commercial and corporate diplomacy. Public, economic and commercial diplomacy are instrumented to help improve

¹⁹ The authors describe economic diplomat as a “[d]iplomat who represents his country in other countries (Embassy, Consulate) or at economic and financial UN organisations (WTO, IMF, WB), follows/influences other countries’ economic policies, and reports to MOFA, MOBA or Presidency.” (Saner and Yiu 2003, 21).

²⁰ The authors define business diplomat as a diplomat “who manages interfaces between TNC and external non-business constituencies like Labour Unions, Tribal Groups, NGO’s, UN Agencies and various civil society groups in foreign countries.” (Saner and Yiu 2003, 22).

²¹ The authors describe corporate diplomat as a “[m]anager who interfaces between TNC and its foreign subsidiaries either from national Headquarters to subsidiaries or from main subsidiaries to HQs.” (Saner and Yiu 2003, 22).

²² The authors describe national NGO diplomat as a diplomat “who builds coalitions with other NGOs and civil society representatives, uses media and direct political action to lobby government and transnational companies at the national level.” (Saner and Yiu 2003, 23).

²³ The authors describe transnational NGO diplomat as a “[p]olitical [a]dvocate who is politically astute, often with academic background and industry expertise, strong moral convictions, can coordinate cross-border boycotts against [t]ransnational companies, media campaigns to influence public opinion or organize international fora to influence negotiations at WTO, Kyoto Protocol, ILO, World Bank etc...” (Saner and Yiu 2003, 23).

relations between countries with the aim to promote exports, attract investment and stimulate economic activity (Asquer 2012, 10). He argues that corporate diplomacy differs in its function from commercial diplomacy, negotiation and public relations. Unlike corporate diplomacy which is of utmost importance for firms to manage and facilitate their relations with other domestic and foreign firms, and public authorities too, commercial diplomacy activities do not relate to specific firms, negotiation is generally confined to bargaining, while public relations address public opinion more than business matters (Asquer 2012, 12).²⁴ However, what differs corporate diplomats from the mentioned is their scope of action which is more strictly confined to firm-to-firm relations, including looking for business opportunities, improving firms reputation, affecting decision-making and preventing conflicts (Asquer 2012, 10). Furthermore, Okano-Heijmans (2011, 17) defines economic diplomacy as “...the use of political means as leverage in international negotiations, with the aim of enhancing national economic prosperity, and the use of economic leverage to increase the political stability of the nation.” The author argues that economic diplomacy has five subcategories:

- commercial diplomacy – mainly relates to the promotion of trade, investment, tourism, socially responsible investing, and business advocacy;
- trade diplomacy – mainly relates to bilateral trade agreements, taking part in the work of international economic (i.e. trade) institutions, such as the WTO, anti-dumping tariffs, and elimination of barriers to trade and investment;
- financial diplomacy – mainly relates to currency agreements, exchange rate policy, purchasing and selling of bonds, and withholding payments;
- inducements – mainly comprise: bilateral aid (grants, loans and debt relief), humanitarian aid, and granting access to technology;
- sanctions – mainly encompass: embargo (of export), boycott (of import), aid suspension, and blacklists (Okano-Heijmans 2011, 20; also Okano-Heijmans 2012, 63–64).

Lastly, it is also important to note that when it strictly comes to economic (not commercial) diplomacy, in contemporary literature and academic circles it has become almost unavoidable to mention the reasoning of Bayne and Woolcock. Bayne in Bayne and Woolcock (2011a, 57) argues that the task of economic diplomacy is to look for ways how agreed government

²⁴ Skills which effective corporate diplomats need to master may overlap with or be shared by (public or commercial) diplomats and public relations experts – gathering and analysing data and information, providing expertise and establishing and maintaining connections with other firms and institutions (Asquer 2012, 13).

position on certain international issues can be most effectively represented and advocated. The negotiators, on behalf of their governments, need to seek mutually acceptable solutions with their foreign counterparts, and in that process to try to exploit given opportunities to their advantage. In line with the noted, Bayne and Woolcock in Bayne and Woolcock (2011, 3) argue that economic diplomacy tackles international economic issues. According to them, the post World War II institutionalised international economic system created in Bretton Woods made the basis for economic relations between states. Since then, with the gradual increase of economic interdependence between states in the process of globalisation, the distinction between what is domestic and what international economic policy became more blurred.²⁵ This meant that economic diplomacy came to deeply affect domestic decision-making. The example of this is the outbreak of the 2007 international financial crisis, which was triggered by housing market policies in the United States.

Bayne in Bayne and Woolcock (2011b, 62) argues that the number of countries (including former communist countries) and new subjects-stakeholders participating in economic diplomacy on the international arena has increased notably, as has its scope of activity. Likewise, the number of summits at different levels where economic diplomacy issues are discussed have grown over time (also Bayne in Bayne and Woolcock 2011a, 45). The European Union and other regional groupings have had their own; the United Nations has hosted summits dedicated to specific economic topics, like the environment or caring for the poor (Bayne in Bayne and Woolcock 2011b, 64). According to Bayne and Woolcock in Bayne and Woolcock (2011, 3–4), in conducting economic diplomacy take part: all government bodies with economic responsibilities which operate internationally, then parliaments, independent public agencies and subnational bodies, as well as non-state actors, such as civil society non-governmental organisations (NGOs) and business firms. In this process, economic diplomacy came to be characterised by the following: (a) involvement of ministerial level officials, (b) bringing in non-state actors, (c) improved transparency, and (d) use of international institutions as stage for discussion (Bayne in Bayne and Woolcock 2011b, 63). In relation to the mentioned, one of economic diplomacy strategies was to make the non-governmental subjects stakeholders in negotiation and decision-making, primarily in order to ease the tension between them and the governments, and to make all in the policy-

²⁵ Bayne in Bayne and Woolcock (2011b, 62) argued that development of globalisation made economic diplomacy more complex as governments started to look for ways how to improve decision-making and negotiation in addressing international issues, which, on the other side, touched upon their domestic interests.

making process liable (Bayne in Bayne and Woolcock 2011b, 64).²⁶ In this context, it is also important to note that within the frame of economic diplomacy, international negotiations happen at bilateral,²⁷ regional,²⁸ plurilateral,²⁹ and multilateral level. Unilateralism³⁰ also counts as a separate level, the so-called „zero option“ (Bayne and Woolcock in Bayne and Woolcock 2011, 8).

Economic diplomacy is found to be shaped by six factors and characterised by three tensions. In terms of the first, these factors are divided into three systemic, two domestic and one idea-based. The systemic factors include: (a) relative economic power – in the sense that power as the medium can determine the outcome of negotiations; (b) international organisations and regimes – in the sense that cooperative environment of their international networks can help states reach agreement by cooperation rather than coercion; and (c) markets – in the sense that economic diplomacy negotiations involve discussion on global markets. The domestic factors include: (a) interests and bargaining – in the sense that various interests can impact the national position in international negotiations on economic issues, and (b) institutions and the two-level game – in the sense that (government) institutions can act as mediators in reconciling conflicting attitudes of different pressure groups. The remaining ideational factor

²⁶ The main issues addressed by economic diplomacy are related more to international trade than to finance. This is because countries strongly focus their diplomacy on export promotion. International trade issues are on the agenda at all levels – bilateral, regional and multilateral. In contrast, issues concerning finance are mainly discussed at multilateral level, except in the EU, at the International Monetary Fund (IMF) and the Bank for International Settlements (BIS) (Bayne 2011c, 187).

²⁷ Bilateralism – bilateral relations are the most common and at the same time the simplest form of economic diplomacy. However, it can give relative leverage to a more powerful party and even become confrontational. Bilateral relations are also helpful in reaching complex agreements and interpretation of multilateral rules, as in the case of a dispute between Brazil and the United States over cotton tariffs (Bayne and Woolcock in Bayne and Woolcock 2011, 8).

²⁸ Regionalism – regional relations tend to be politically motivated and to bring about trade liberalisation to stimulate economic development of regional partners (Bayne and Woolcock in Bayne and Woolcock 2011, 8). The examples of them are: in North America NAFTA (the North American Free Trade Area), in South America Mercosur, in South-East Asia AFTA (the ASEAN Free Trade Area), in the Pacific APEC, in Europe EMU (Economic and Monetary Union) and comparable groupings in South Asia, Southern Africa and the Caribbean (Bayne in Bayne and Woolcock 2011b, 66).

²⁹ In terms of plurilateral institutions, Bayne in Bayne and Woolcock (2011b, 64) gives the example of the OECD, and Woolcock in Bayne and Woolcock (2011b, 21) of the WTO and the IMF. The first author also notes that the formation of global institutions such as the World Trade Organisation (WTO) mostly occurred in the 1990s. Over time, the number of plurilateral institutions has increased. At the global level, developed countries gathered together with important developing countries within the G20; the rich club's gathering - G8 added Russia to become G8; the Commonwealth dedicated its activity to helping small and poor member countries (Bayne in Bayne and Woolcock 2011b, 67).

³⁰ Unilateralism – a unilateral action is a domestic policy decision which does not involve negotiation, but still can have an impact on other economies. For example, a unilateral action in trade liberalisation or protectionism might have serious implications for foreign investors and exporters, what then can result in political countermeasures or actions in the form of imitation or retaliation. A unilateral action is also resorted to in case one country is trying to influence policy-making in/of another country by exerting certain pressure on it, as in case when the United States put pressure on China to try to discourage it from keeping its currency depreciated (Bayne and Woolcock in Bayne and Woolcock 2011, 8).

influences economic diplomacy in the sense that apart from the mentioned factors, the negotiators' personal views and convictions too may influence the outcome of negotiations (Bayne and Woolcock in Bayne and Woolcock 2011, 6). In terms of the latter, those three tensions are: (1) between economics and politics, in the sense that states as political entities tend to influence economic policies in order to achieve designated international goals; (2) between international and domestic pressures, and (3) between governments and other forces (Bayne and Woolcock in Bayne and Woolcock 2011, 10; also Bayne 2011c, 194–198). In this context, it is also important to add that until the 1980s the crises mainly occurred due to governments policy failures; however, at the turn of the 21st century, the private sector turned out to be the main culprit. In relation to that, the consequences of the 2007 financial crisis dominate economic diplomacy today. Under new circumstances, amid the need to reconcile politics and economics, and given growing power of the emerging markets, decision-making has become complex and came to include more stakeholders through the G20. Therefore, the success of economic diplomacy has been [and will be] in managing to achieve adequate consistency among national, European and international financial reforms (Bayne 2011c, 188).

2.5 Role, main objectives and various classifications of commercial diplomacy

The nature of commercial diplomacy and its role have evolved during the last two decades in response to the rise of neoliberalism and changes in government priorities, global trading system and technology. Such developments prompted governments to prioritise business-promoting commercial diplomacy and take an active approach especially towards attracting foreign direct investment (FDI), but also to engage in the promotion of research and development, country image and tourism (Kostecki and Naray 2007, 29).

According to Kostecki and Naray (2007, 3), commercial diplomacy takes place at two levels: (a) high-policy level (head of state, prime minister, minister or member of parliament), and (b) ambassador and specialised diplomatic envoy (trade representative, commercial attaché, commercial diplomat). The authors also distinguish two types of commercial diplomacy activities: (a) primary activities – relating to trade and FDI, research and technology, tourism and business advocacy, and (b) support activities to the primary activities – intelligence, networking, “made in” image improvement campaign, support to business negotiations, contract implementation and problem solving (Kostecki and Naray 2007, 7). With reference to the first (meaning the primary activities), in essence, they relate to marketing. Trade promotion encompasses activities at trade fairs and exhibitions, then trade missions and

“made in” image improvement campaign, as well as at conferences and seminars. Promotion of tourism and other services too, such as banking and education, also fall under the scope of commercial diplomats’ activities. In their work commercial diplomats often cooperate with trade promotion organisations (TPOs), investment promotion organisations (IPAs) and chambers of commerce from both the home and the host country. In some cases, commercial diplomats have double mandate, meaning that they head TPOs and IPAs, and at the same time act as commercial counsellors in the embassy of their home country (Kostecki and Naray 2007, 7).³¹

Kostecki and Naray (2007, 8) further classify commercial diplomacy in terms of value chain; namely they distinguish (1) government objectives, which includes (a) intelligence, (b) networking and public relations, (c) contract negotiator of implementation, and (d) problem solving, and (2) business objectives, relating to (a) trade promotion, (b) promotion of FDI, (c) cooperation in science and technology, (d) promotion of tourism, and (e) advocacy for national business community. Since the second category, meaning business objectives has already been explained to some extent, in the following lines attention will be given to government objectives. The main business support-related activity of commercial diplomacy is intelligence. It primarily includes search for information and dealing with business enquiries from both the home and the host country. Intelligence done by commercial diplomats mostly includes reporting on calls for tenders, development projects, needs of major industrial customers, changes in export-related legal regulation, and others (Kostecki and Naray 2007, 8).³² Networking is valuable for making and facilitating contacts between high tech start-up firms and venture capital funds (Kostecki and Naray 2007, 9). Public relations are of special importance for FDI promotion, and also include ambassador level engagement with large firms and attendance at business fora in the host country (Kostecki and Naray 2007, 9–10). The so-called „match making“, which particularly refers to trade issues and FDI, is especially the task of commercial diplomats from the United Kingdom, Brazil, Canada, China and Switzerland (Kostecki and Naray 2007, 10). Another important aspect of commercial diplomacy services is providing support to domestic firms in negotiations with the authorities or firms from the host country. In terms of commercial diplomats' public relations activities, the authors note that they comprise maintenance of good

³¹ In countries like South Korea, Taiwan and Japan, commercial diplomacy is entrusted to TPOs offices in foreign countries (Kostecki and Naray 2007, 7).

³² The authors give the example of a commercial diplomat from Central America who said that about 95 % of clients asking for commercial diplomacy services demand basic information about legal and political issues (Kostecki and Naray 2007, 8).

contacts with business managers and authorities of the host country, and exerting influence in its legislative process with the aim to making conditions for the protection of national business interests.³³ The commercial diplomats also act as advisors in contract negotiations and are involved in dispute settlement, as in case of Asian commercial diplomats' efforts to deal with export ban on certain food products imposed by the European health authorities (Kostecki and Naray 2007, 10). After all, the authors conclude that the value chain results indicate that trade promotion and FDI-related activities are the most important commercial diplomacy activities. The secondary in importance are finding and analysis of information (Kostecki and Naray 2007, 29).

Another classification is given by Naray (2011, 121). The author identifies three main groups of roles of commercial diplomacy: (a) facilitation (whose subfields are referral, coordination, and logistics), (b) advisory (whose subfields are intelligence gathering and analysis, and internal communication) and (c) representation (whose subfields are advocacy, and external communication) – FAR. These roles intersect with defined activity areas: trade promotion, investments, made-in and corporate image, cooperation in science and technology, and the protection of intellectual property. The „FAR“ framework presented in Table 2.2 below was devised on the basis of information collected by the author during his work in an embassy, then in research interviews and from relevant literature (Naray 2011, 134).

Table 2.2: FAR framework

| Activity Role | Trade promotion | Protection of intellectual property rights | Cooperation in science and technology | Promotion of country and corporate image | Promotion of FDI |
|--------------------------------|--------------------------------|--|--|---|--|
| Facilitation | | | | | |
| Referral | Presenting potential exporters | Finding lawyers specialised for the matter | Contact facilitation | Advocacy for big contracts where country image could matter | Presenting investment opportunities for potential investors |
| Coordination | Organisation of meetings | Coordination in the matter-related legal processes | Facilitating contacts between prospective parties interested in joint ventures | Coordination of activities aimed at image building | Facilitating participation of high government officials in investment-related fora |
| Logistics | Tasking embassy staff | Tasking embassy staff | Hosting promotion | Translation of campaign | Allowing investment |

³³ The commercial diplomats from the Anglo-Saxon countries noted that they are engaged in such activities in the case of the Fortune 500 firms to facilitate their doing business. In case of the United Kingdom, Australia, Canada and the European Union, ambassadors are actively involved in the promotion of FDI (Kostecki and Naray 2007, 10).

| | | | | | |
|-------------------------------------|---|--|---|--|---|
| | for organising and facilitating trade promotion events | for issuing relevant matter materials | events by the ambassador or (a) commercial diplomat(s) | materials by the CD unit | promotion events to take place in embassy premises |
| Advisory | | | | | |
| Intelligence gathering and analysis | Collecting trade and marketing-related information | Looking if there are cases of eventual violation | Keeping track of concrete results of cooperation | Looking for how to improve image | Identifying potential investors |
| Internal communication | Reporting on new export opportunities in the host country | Looking if there are cases of counterfeiting, and reporting on it, and advising on adequate action | Advising the home country government on taking part in joint projects | Reporting on successful image-building campaigns | Timely informing on current international tenders |
| Representation | | | | | |
| Advocacy | Offering support to domestic firms in dispute settlement | Advocacy for improvement of IPR protection in the home country | Advocacy for joint projects | Advocacy for key domestic firms | Advocacy for the home country investors in the host country |
| External communication | Tourism promotion events | Holding presentations on the importance of the matter | Preparing news articles on the achievements made | Taking part in image-building events | Presenting to prospective investors |

Source: Naray (2011, 135)

Naray (2011) also offered another classification, this time from the perspective of how commercial diplomacy was organised across countries (see Table 2.3 below).

Table 2.3: Types of organisation and commercial diplomat(s)' position

| Type of organisation | Organisation between Ministry of Trade and Ministry of Foreign Affairs |
|--|--|
| Trade promotion done independently of the embassy. There is no special CD unit tasked for business promotion within the embassy (except in Germany). Embassy only deals with policy-making. Corporatist type (Japan, Korea, Italy, Germany, Austria) | Trade promotion mostly done by the Ministry of Trade |
| Trade promotion done by a specialised agency. Pragmatist type : UK, Singapore, Switzerland | Joint oversight by both ministries |
| Commercial diplomat coordinates the work of the trade promotion office, which is integrated with either MFA or MT. Northern Europe – Scandinavian type (Sweden, Norway, Denmark, Finland, Iceland, Ireland) | Trade promotion harmonised between the two ministries |
| Trade promotion done by a specialised agency. Commercial diplomat coordinates the work of the trade promotion office. “Commonwealth” type (Australia, New Zealand, Canada) | Trade promotion and trade policy-making separated. |
| Trade promotion office usually done by the | Trade promotion falls under the scope of trade policy- |

| | |
|---|--|
| embassy. Commercial diplomats work with the trade promotion office and report to the ambassador. Classical type (US, China, Taiwan, Poland, France, Russia, Spain, Hungary) | making. MFA and MT work separately. |
| Trade promotion agency integrated with MFA and embassy. Commercial diplomat deals with both economic and political issues. Developing country type | MFA and MT work separately. |

Source: Naray (2011, 144–145)

Arrangement 1: Corporatist type – independent trade-promotion structures: commercial diplomacy is under the auspices of public or semi-private/subsidised agencies. Its activities are performed independently of an embassy. The embassy only deals with political affairs and political aspects of trade. Germany delegates trade-promotion to the network of bi-national chambers of commerce. Japan, South Korea and Italy have established strong and relatively independent commercial diplomacy structures: JETRO – the Japan External Trade Organisation in case of Japan, KOTRA – the Korea Trade and Investment Promotion Agency in case of South Korea, and IIFT – the Italian Institute for Foreign Trade in case of Italy (Naray 2011, 142).

Arrangement 2: The pragmatist type – coordination mechanisms: commercial diplomacy structure is centralised, as in the case of the United Kingdom. The UK Trade and Investment – UKTI is subordinate both to the British Foreign Office and the Department of Trade and Industry. Most of UK diplomatic resources are engaged in commercial diplomacy activities which dominate the agenda. Three-quarters of employed staff are recruited citizens of the host country. In case of Switzerland, which in terms of commercial diplomacy makes a special case, in strategic markets the government cooperates with the Swiss Business Hubs, whereas in other markets the MFA has the leading role (Naray 2011, 142).

Arrangement 3 and 4: The Northern Europe type; and Arrangement 4: The Commonwealth type – combination of foreign affairs and trade: Scandinavian countries integrated foreign affairs and trade in a single ministry/department. They established and maintain representative offices independently of country diplomatic missions, with the head of a diplomatic mission being responsible also for the representative office. However, Australia, Canada and New Zealand separate trade policy and trade promotion (Naray 2011, 142).

Arrangement 5: The classical type – trade promotion as part of trade policy and ministry of trade: In case of China, the MFA is not directly engaged in commercial diplomacy, though its embassies are involved in commercial diplomacy-related activities. In

the United States, the Department of Commerce is responsible for commercial diplomacy. The U.S. Department for State, through its diplomatic missions, is also engaged in commercial diplomacy. In the case of the South African Republic, the Ministry of Trade is in charge of commercial diplomacy (Naray 2011, 142–143).

Arrangement 6: The developing country type – trade promotion in the MFA: The MFA is fully in charge of organisation and carrying out of commercial diplomacy. There may occur a rivalry between the MFA and MT in terms of competency for the matter, which tend to happen in large and medium-sized countries (Naray 2011, 143).

On the other side, Reuvers and Ruël in Ruël (2012), based on a detailed review of the existing literature on commercial diplomacy, summarised subsets of commercial diplomacy activities, as presented in Table 2.4 below.

Table 2.4: Subsets of commercial diplomacy activities

| Networking | Intelligence | Image campaigns | Support business |
|---|---|--|--|
| Making business and government contacts | Collecting and disseminating trade-related information | Promoting goods and services | In negotiations and during contract implementation and settling disputes |
| State/delegation visits | Market research | Taking part at trade fairs and introducing potential exporters | Collecting data on export marketing |
| Buyer-seller meetings | Reporting to home country | Making potential foreign investors interested | Monitoring of possible breach of contract terms and intellectual property rights |
| Match-making | Consulting both parties | Collecting export marketing data | Advocacy |
| Search for business partners, distributors, investors and lawyers | Country and/or firm image studies and joint scientific research | Tourism promotion | Legal actions coordination |

Source: Reuvers and Ruël in Ruël (2012, 8)

Furthermore, Kostecki and Naray (2007, 35) argue that commercial diplomacy service (activity profile, business orientation and performance) is influenced by the following factors:

- commercial diplomacy characteristics: (i) terms of reference, (ii) organisational matrix, (iii) business involvement, (iv) service profile, and (v) skills and experience;
- client characteristics: (i) compliance with the (government) filtering criteria, (ii) willingness to pay, and (iii) loyalty and the use of referrals;
- home country features: (i) level of development, (ii) attitude towards business, and (iii) relationship with the host country;
- host country features: (i) market size and potential, (ii) centre of gravity, and (iii) business style and governance;

- global business environment: (i) IT and Internet and (ii) increased mobility.

The same authors also gave an interesting illustration of the client-provider gap with reference to commercial diplomacy services, identifying, on one side, service offers, and real needs of beneficiary companies, on the other (see Table 2.5 below) (Kostecki and Naray 2007).

Table 2.5: The client-provider gap in commercial diplomacy services

| | Commercial diplomacy offers | Companies needs |
|------------------------------------|--|--|
| Partner search | Lists of importers and distributors and information from the Internet; Relatively slow responsiveness to enquiries; Inadequate understanding of the market and its forces; Lack of pro-active approach in partner search. | Insight information on importers/distributors and potential clients, with a focus on priority ones; Timely responses to enquiries; Pragmatic assessment of who needs the product and how it should be adapted. |
| Market information search | Emphasis on macro-economic statistics and reports; General information on trade barriers and agreements. | Presenting tender opportunities and attractive projects; Objective analysis of market access and potential threats; Decision-making affecting regulatory framework. |
| Investment facilitation | Branding the country among the host country authorities and large corporations to build trust and reputation in order to attract investors. | Guidance on investment conditions; Comparison to offered conditions elsewhere; Support commitments given by the authorities. |
| Trade fairs | National stand for country presentation; Providing support to national firms participating in the events; Patronage over diplomatic mission (ambassador's visits). | Finding distributors or business partners for joint ventures; Targeted approach with defined follow-up; A fair does have sense only in a broader context. |
| Contract negotiation | Introducing potential business partners, but lack of involvement in contract negotiations or providing technical support. | Preparing the ground for negotiations and technical support locally (e.g. legal and tax consulting and bank contracts); Public relations to ensure proper advocacy for national firms. |
| Problem-solving and trade disputes | List of local lawyers. | Addressing local authorities when needed. Pro-active approach in problem-solving. |

Note: Results are obtained in 40 interviews with commercial diplomats, government officials, experts and managers.

Source: Kostecki and Naray (2007, 27–28)

In addition, Kostecki and Naray (2007) also stipulated the reasons why public administration can offer better efficiency in delivering commercial diplomacy services over private business representation abroad:

- economic intelligence – embassy's contacts enable gathering of quality information; diplomatic immunity under *legati iure gentium sancti sunt* encourages diplomats to take risk in obtaining relevant information;
- visibility in the mass media – high-ranked diplomats, especially the ambassadors, are better exposed in public and attract more attention from/in the media than businessmen; Also, the ambassadors have an opportunity to organise various promotional events at relatively low cost;
- access to decision-makers – high-ranked diplomats have better access to executive management of large corporations, decision-makers and bureaucracy in the host country;
- credibility – diplomats enjoy greater credibility than businessmen in the host country's administration and state-owned firms when negotiating and making promises about attracting FDI;
- economies of scale and scope – making business support centralised in the host country reduces the promotional costs for national enterprises and helps them reach economies of scale and scope up to the level no private business promotion organisation could accomplish;
- instrument of government policy – commercial diplomacy is part of state-sponsored export promotion activities, as it is believed that the state should act as a catalyst and facilitator of business (Kostecki and Naray 2007, 17–18).

2.5.1 Types of commercial diplomats

Kostecki and Naray (2007, 21) argue that there are three basic types of commercial diplomats from the perspective of their role:

1. business promoter – described as a business-oriented, pro-active diplomat whose work is devoted to meet the requests of client firms; They work mainly as consultants, and have entrepreneurial approach to business, possess good technical know-how and cherish close relations with managers. They are usually located in economic capital of the host country;
2. civil servant – described as possessing work attitude of an official employed at the ministry of trade; They are reactive rather than proactive, meaning they focus on policy implementation and government instructions, and do not directly deal with business deals and client needs; and

3. generalist – described as a career diplomat who performs commercial diplomacy support activities on *ad hoc* basis, in addition to other duties; The generalist commercial diplomats, especially the ambassadors, may create good contacts.

The illustration of different types of commercial diplomats given by Kostecki and Naray (2007) by countries is presented in Table 2.6 below.

Table 2.6: Prevailing features of a commercial diplomat, by country

| Type of commercial diplomat | Business promoter | Civil servant | Generalist |
|--|---|---|--|
| Approach | Commercial issues are perceived mainly as business issues | Commercial issues are seen as part of international relations | Commercial issues are seen through the prism of a broader diplomatic and political perspective |
| Leading concern | Focus on client satisfaction | Focus on satisfaction of the Ministry of Trade | Focus on satisfaction of the Foreign Affairs Ministry |
| Country ranking according to the commercial diplomat type | Ireland, Canada, United States, Sweden, Finland, New Zealand, Austria, Portugal, UK, Switzerland, Hungary, Japan, Korea | Germany, France, Poland, China, Cuba | Brazil, El Salvador, and Venezuela |

Note: The results are obtained in 35 interviews with commercial diplomats, government officials, experts and managers.

Source: Kostecki and Naray (2007, 23).

The authors stress that the conducted research showed that the business promoter type of a commercial diplomat is the most desirable for the business community. This implies business-oriented and pro-active, deal-making entrepreneurial approach by commercial diplomats (Kostecki and Naray 2007, 27). According to them „[t]he business promoter type of commercial diplomat is gaining in popularity and this shift has important implications for human resource management, organizational structure and the use of the modern techniques of performance enhancement.“ Being a successful diplomat requires rich managerial experience and excellent communication skills (Kostecki and Naray 2007, 29).

In relation to the classification previously given by Kostecki and Naray (2007), and aiming to offer better understanding of the perception of each of the three above mentioned types of commercial diplomats in terms of how active they are, Ruel and Visser (2012) conducted the study³⁴ to examine different types of commercial diplomats from the perspective of their proactivity. The findings of the study indicate the following:

³⁴ The sample consisted of: interviews with 23 participants from Europe (14) and non-European countries (9) serving in Helsinki, Finland, at the time of the interviews (G01 Argentina, G02 Belgium, G03 Anonymous, G04 Chile, G05 Czech Republic, G06 Denmark, G07 Estonia, G08 Germany, G09 Hungary, G10 Italy, G11 Japan, G12 Korea, G13 Mexico, G14 Spain, G15 Sweden, G16 Switzerland, G17 Turkey, G18 UK, G19 USA, P01 Austria, P02 Germany, P03 Korea, P04 Norway). Nine (9) interviewees are business promoters (P01, G02, G06,

1. Business promoters see their role as mainly proactive. The only reactive function is confined to partner search. Their educational background is in (international) business or economics. They put a strong emphasis on practical knowledge and regard psychological element and language skills as very important in dealing with people. They prefer longer post stays, as gained experience at one post helps them do the job in a proactive and more efficient way.
2. Civil servants' role in dealing with commercial issues is largely reactive as they have little personal contact with the business community and are not directly involved in business deals. Despite that, their work also includes some aspects of proactive behaviour, like seeking business opportunities. Civil servants also carry out non-commercial duties, and they are positioned higher than business promoters in terms of the level of involvement with commercial issues. Their educational background varies from political science to business. They see cultural differences as the main impediment to adapting to the host country environment.
3. Generalists rarely deal with commercial issues and their role is mostly reactive. They usually respond to enquiries in a standardised manner. Their usual educational background is in political science and they seem to be more (diplomatic) career-oriented. Hence their business knowledge is often limited (Ruel and Visser 2012, 70–72).

Furthermore, with reference to the generalist type (of a commercial diplomat), examining the ambassadors' view, an important study³⁵ was done by Abbink (2014), who demonstrated that:

- ambassadors are mostly involved in business promotion, less in cooperation in science and technology and the protection of intellectual rights;
- the interviewed ambassadors responded that they deem commercial diplomacy very important, and that they spend 43 % of their time dealing with issues related to it;
- in case of the ambassadors, (business) experience in the private sector seems highly relevant for dealing with commercial diplomacy issues;
- background of ambassadors seems to have no relevance for the quality of work spent on commercial diplomacy;

P02, P03, G13, P04, G18 and G19), 9 are civil servants (G03, G04, G05, G07, G09, G10, G11, G14 and G17) and 5 belong to the generalist type (G01, G08, G12, G15 and G16).

³⁵ Answers obtained from 41 questionnaires (out of 104 that were sent out) filled in by ambassadors stationed in the Netherlands. Trade figures from 2008 to 2012 were used.

- time spent on commercial diplomacy improves efficiency of the embassy economic department (Abbink 2014, 2).

In terms of recruitment, it is challenging for the governments to attract suitable professional commercial diplomats. The private sector offers higher wages, and is thus more attractive, but diplomatic service also has its advantages: satisfying work conditions, tax free salaries, job security, high reputation and contacts (Naray 2008, 8; Naray 2011, 146). Kostecki and Naray (2007, 29) think that the most appropriate solution would be to hire business persons on a temporary basis (3–5 years), after which they would be able to return to the private sector. Business knowledge (predominantly in marketing) and business experience are thought of as the two most dominant features a commercial diplomat needs to possess (Naray 2008, 8; Naray 2011, 146).

It is also interesting to mention the findings of Naray in Ruël (2012, 175),³⁶ who studied the positive and negative sides of service for fees and service free of charge. His results are the following:

- Favourable and unfavourable aspects of service for fees:
 - favourable aspects: reliable and better quality service,
 - unfavourable aspects: (a) commercial diplomacy is already publicly financed, (b) the service fee may be a discouraging factor, especially for small and medium enterprises (SMEs);
- Favourable and unfavourable aspects of service free of charge:
 - favourable aspects: (a) good quality of basic service, (b) accessible to all firms, (c) makes part of improving country image,
 - unfavourable aspects: service quality may not be as good as when paid for.

In the sense of a growing need for quality commercial diplomats, Rana (2004, 66–67) argues that there is a strong need that foreign ministries closely cooperate with diplomatic training centres to:

- offer their diplomatic staff adequate knowledge and skills especially in economics,³⁷
- concentrate on practical economics, getting acquainted with national and international economy, and distance learning opportunities and advantages,

³⁶ Obtained in interviews with 25 export managers and commercial diplomats.

³⁷ In Germany, for instance, there is a growing tendency of recruiting economists in the MFA diplomatic service (also in Naray 2008, 9) which is at current about 10 % only.

- second ministry of foreign affairs (MFA) (diplomatic) officials to other ministries dealing mainly with economic issues, such as trade, finance, industry and energy, then chamber of commerce and public enterprises,
- contract (in MFA) experts for providing economic advisory and policy analysis, and ensure proficient mastery on multilateral economics issues, such as on regional trade agreements, anti-dumping, etc.

Lastly, in order to disclose which factors influence the quality of commercial diplomacy from the perspective of commercial diplomats, Ruël and Zuidema (2012) did the study³⁸ which involved face-to-face semi-structured interviews with 140 staff members at over 65 Dutch foreign posts. They found the following:

- Commercial diplomats foreign post experience positively correlates with the quality of commercial diplomacy. However, experience obtained in private firms seems to be of less relevance for the quality of commercial diplomacy;
- Level of education and field of study do not determine the quality of commercial diplomacy;
- Established business network at a foreign post and client firms' resoluteness for doing business in foreign markets are positively correlated with the quality of commercial diplomacy;
- Lack of relevant information in/on the host country does raise the importance of commercial diplomacy;
- Regulatory environment in the host country does not seem to influence the relevance of commercial diplomacy;
- Commercial diplomats acting as business promoters seem to exhibit a higher degree of empathy than civil servants or generalists;
- The quality of work of locally hired commercial diplomats is statistically significant (Ruël and Zuidema 2012, 14–21).

2.6 Some empirical evidence on the importance of commercial diplomacy

Numerous researchers and scholars for the last couple of decades, using various samples, found that commercial diplomacy through various forms of export and investment promotion,

³⁸ Near 53 % of respondents, i.e. commercial diplomats included in the study are Dutch nationals. The number of Indian and Chinese nationals represented is also significant. Five interviews were conducted with embassy staff, Foreign Ministry, Ministry of Economy, Innovation and Agriculture, the Network of International Entrepreneurship, and the Netherlands Institute of International Relations "Clingendael".

especially seconding trade missions, working on concluding trade agreements, and organising trade shows and state visits, have had a highly beneficial effect on the increase of export and investment, and trade flows in general. Hereby, I will mention just some of them:

- Van Bergeijk (1994, 163) found that intensification of diplomatic activities by 50 % can bring about the increase of export by approximately 25 %;
- Nitch (2005, 22) found a positive correlation between diplomatic visits and export increase, in the sense that a trade mission increases export by 8–10 %. The same author (2007, 1816) also found that state visits too have a beneficial effect on the rise of export (an individual visit results in the increase of export by 8–10 %);
- Coughlin and Cartwright (1987) disclosed that each dollar (USD) invested in export promotion programmes outputs the increase of export in the amount of 432 USD;
- Lederman et al. (2006, 19) found that each dollar (USD) invested in export promotion generates about 40 dollars of export in the full sample covering both developed and developing countries, and even 60 dollars in the sub-sample encompassing only developing countries;
- Rose (2007, 23, 35) showed that each additional consulate (abroad) makes for the rise of export between 6–10 %;
- Gil, Llorca and Martínez Serrano (2008, 142) illustrated that an export promotion agency helps increase export by 74 %;
- Afman and Maurel in van Bergeijk and Brakman (2010, 290) found that foreign diplomatic missions performing export facilitation activities help bring about the increase of export between 22 % and 67 %;
- Head and Ries (2010, 772) showed that, on the case of Canada, trade missions (abroad) stimulated export by 14 %, and trade in general;
- Morisset (2003, 18–19) found that investment promotion agencies (IPAs) positively influence decisions of investors to invest;
- Wilkinson and Brouters (2006, 243) found that participation in state-sponsored trade shows is positively correlated with satisfaction of firms with their export performance.

The empirical evidence shows, among other things, that commercial diplomacy has the best welfare enhancement effect if used by developed countries towards developing countries, or among developing countries themselves (Van Veenstra et al. 2010; Creusen and Lejour 2013). This is largely because market entry costs in developing countries are often notably higher due to weak institutions, but also cultural differences (Creusen and Lejour 2013, 507).

Appendix A contains main findings of the above mentioned and many other research studies which clearly illustrate highly beneficial effects of commercial diplomacy, both in developed and developing countries.

2.7 Current trends and developments with respect to commercial diplomacy

Economic, [that is commercial] diplomacy, primarily in the sense of promoting export and FDI, started to dominate foreign policy agenda of many countries across the world yet in the 1970s (Rana 2011b, 13–14). However, it became especially relevant upon the end of the Cold War (de la Carriere 1998, 124; Coolsaet 2004, 61), with the emergence of economic security challenges (van Bergeijk 2009, 2; Reuvers and Ruël in Ruël 2012, 2) amid reconfiguration of international order and changes in global balance of power (accompanied with an increasing number of state and non-state actors) (Abbink 2014, 2; Amariei 2014, 28), as well as regional trade initiatives (Soobramanien in Bayne and Woolcock 2011, 187) in the form of free trade³⁹ and customs unions and other trade arrangements, which encompass both developed and developing countries, such as the EU (between developed countries), ASEAN (developing countries) and NAFTA (developed and developing countries) (Soobramanien in Bayne and Woolcock 2011, 192).⁴⁰ Under those circumstances, supporting companies became essential for national economies (Czinkota in Czinkota et al. 2010, 67). Since then, foreign ministries started to be engaged very intensively in commercial activities, especially at the bilateral level, and diplomats from many countries openly stated that pursuance of economic goals is in the prime focus of their attention (Coolsaet 2004, 61). In other words, “economisation” of diplomacy or “diplomatisation” of economy has become a global trend (Dašić 2013, 386).

Sudden emergence of the global [economic and] financial crisis (Hocking et al. 2012, 11) only reawakened and broadened the interest for commercial diplomacy (Hocking et al. 2012, 11), and raised the awareness of a need for prioritising it among foreign policy objectives (Abbink 2014, 2; Amariei 2014, 28), as among the world's most developed countries like the

³⁹ Despite prevalent belief that free trade agreements (FTAs) have a strong beneficial effect on trade and export, still there are also authors such as Rodrik who made critical remarks regarding FTAs. In his recent paper he argues that apart from having beneficial effects in the form of facilitating trade by bettering regulatory framework and making access to markets more easier, FTAs could also bring about negative effects in a way that may empower multinational companies that are “politically well-connected” to pursue [selfish] interests. This is because FTAs have become more and more less about so-to-say traditional aspects of trade, i.e. tariffs and other cross border barriers to trade (Rodrik 2018, 88–89).

⁴⁰ It is worth noting that since then, the character of diplomacy in general has changed profoundly. Diplomacy has ceased to be strictly confined to inter-state relations concerned predominantly with security issues, and over time gradually came to include social, cultural, political and especially economic factors and issues both domestically and at the international level. It also came to include non-state actors (Lee and Hocking in Denmark 2010, 2–3). Similar view is also shared by Dašić (2013, 385) who argued that evolution of diplomacy especially concurs with and at the same time adapts to the advance of globalisation and internationalisation of trade.

United States, United Kingdom, Germany and France, so among developing ones such as China, India and Brazil (Abbink 2014, 2; Amariei 2014, 28).⁴¹ It did also deepen the relations between diplomats and the business community (Hocking et al. 2012, 11).

Hence, the importance of commercial (i.e. economic) diplomacy nowadays is constantly increasing (Petrović 2009, 102; Verhagen and Bleker 2011, 172–173; Busschers and Ruël in Ruël 2012). It is expected that governments will continue to put a strong emphasis on commercial diplomacy in the coming years (Hocking et al. 2012, 6). One of main reasons why commercial diplomacy has become so much popular is because governments seek instruments and solutions to increase competitiveness of their economies in international markets, and effectively cope with existing challenges and threats (Naray 2008, 2), in that way stimulating their internationalisation (Moons and de Boer 2014, 3). How much commercial diplomacy has become important testifies the fact that the countries which account for about half of the global trade had 1356 commercial diplomacy offices abroad yet more than a decade ago (Kostecki and Naray 2007, 39).

The main direct beneficiaries of commercial diplomacy are private business firms (Naray 2008, 4). Because of the fact that business entry in one market can induce firms to enter other markets too, governments can play a positive role in encouraging domestic firms to explore export potentials in new markets, especially if they dispose of better instruments for collecting and disseminating information than the private sector (Albornoz et al. 2010, 39). However, governments too can also indirectly benefit from commercial diplomacy in the way that assisting and facilitating firms doing business, in other words, making them successful, may improve the image of the country and the government, and vice versa – the economically successful government and country may positively affect image of firms abroad. Furthermore, facilitating and promoting business beyond national boundaries can bring benefits to both partner countries (Naray 2008, 4). In relation to that, foreign ministries should reorient consular work of diplomatic missions to be in service of economic diplomacy (Hocking et al. 2012, 7).

In the years to come, commercial diplomacy will be targeting more the countries with large and fast growing markets such as China, Brazil, India, Russia and those of Central and Eastern Europe than countries with small markets and limited growth. Therefore, where

⁴¹ Rana in Bayne and Woolcock (2011a, 110) argues that economic diplomacy offers a vast potential for economic advancement and poverty alleviation [in developing countries].

commercial diplomacy activity will be directed towards depends on the size of a market and its business potential (Kostecki and Naray 2007, 13).⁴²

Furthermore, Moons and de Boer (2014, 15) argue that economic diplomacy is the most effective in case firms from low-income countries want to export to high-income countries, and vice versa. This is mainly because the knowledge gap is the most conspicuous between the two set of countries.⁴³ In that regard Rana (2013) argues that developing countries should use primarily bilateral economic diplomacy as from home, so via diplomatic mission(s) in the host country as a means to promote export and tourism and stimulate FDI. Aid management is another issue for developing countries their economic diplomacy may help tackle. The author also stresses the importance of providing adequate training for diplomatic staff.

In addition, trading states tend to promote peace among other countries, as mutual interests are likely to preclude the outbreak of war (de Montesquieu 1748, reprinted 1979). The same opinion is shared by Gartzke (2007, 166) who said that economic cooperation and development between states diminish prospects for conflict resolution by military means – “If war is a product of incompatible interests and failed or abortive bargaining, peace ensues when states lack differences worthy of costly conflict, or when circumstances favour successful diplomacy” (Gartzke 2007, 166). The author further adds that economic development, capital market integration and compatibility of foreign policy objectives seem to account for peaceful resolution of conflicts. In this context, van Bergeijk and Moons (2009, 15) are also among those who analysed the impact of economic diplomacy on international (economic) security, and found positive causality; in other words they found that effective application of economic diplomacy contributes to economic security by means of building stronger bilateral economic relations based on shared interests. More concretely, they found that:

- expansion of conflict negatively affects bilateral trade to a significant degree;
- (economic and political) cooperation positively affects bilateral trade; and

⁴² In terms of effectiveness of commercial diplomacy, location matters too. For instance, the Basel watch exhibition is attractive for foreign watch producers, as is Paris, Milan or London for textile producers. The authors stipulate that several interviewed European and U.S. managers stressed the importance commercial diplomacy has in facilitating interaction in China, Japan and elsewhere in Asia where cultural differences may inhibit doing business. Interviewed businessmen from Switzerland and Sweden emphasise that commercial diplomacy is more needed in distant than neighbouring markets (Kostecki and Naray 2007, 13).

⁴³ In countries characterised by weak rule of law or widespread corruption, commercial diplomacy activities are mostly directed towards assisting domestic firms affected by acts contrary to law, slow judiciary and similar (Kostecki and Naray 2007, 13).

- increase of international trade, investment and aid flows diminishes probability of conflict (van Bergeijk 2009, 7; van Bergeijk and Moons 2009, 4–5).

Likewise, Pollins (1989) found that conflict or unstable political and security situation that might lead to conflict indirectly negatively influences trade.

2.8 Own conceptualisation of commercial diplomacy

From the presented it is evident that commercial diplomacy is a relatively new academic discipline and a very useful foreign policy instrument whose importance has continually grown over the course of the last few decades, mainly due to intensification of globalisation and regional trade initiatives. However, it started to be emphasisingly advocated especially following the 2007/'08 world economic crisis, when many countries across the world, regardless of how developed they are, realised that amid contraction of global economic activity, followed by a notable decrease in demand and (international) investment flows, what directly negatively reflected on their economies, there is a strong need for intensification of diplomatic efforts geared at, from the perspective of business, lucrative and prosperous markets. Of those notable attention started to be given to emerging economies, which are widely recognised as engines of global economic growth in the future. Moreover, more current events which relate to rising economic nationalism globally, a tendency of the United States (under administration of President Donald Trump) to move away from multilateral institutions towards more bilateral trade agreements, then increase in number of regional trade agreements, and more intensive advocacy against globalization, only make the need for addressing and putting in practical context commercial diplomacy be magnified.

First and foremost as a practical foreign policy instrument, but also as an academic discipline, it (meaning commercial diplomacy) primarily deals with, that is, helps promoting trade (primarily export), investment (both inward and outward, each of which dominates over the other depending on economic and geographical specificities of a country) and tourism. However, it does also include some legal tasks, especially in relation to the protection of intellectual property rights and dispute settlement over controversial issues, most commonly those relating to trade.

Going more in detail, with reference to trade, main commercial diplomacy activities can be summed up as follows:

- supporting existing exporters by offering advice or matchmaking with those who can offer adequate and professional expertise in the sense of consolidating position(s) at current and/or finding new prospective markets, and settling arising disputes,

- encouraging new-in-business or interested prospective exporters by offering advice on means of financing (for starting new business in case of newcomers or looking for incentives for exporters for those already in business), providing information and/or analysis prosperity (in terms of business) of “traditional” markets, as well as on prospective markets, lobbying and fostering marketing techniques,
- finding suitable importers in case when the home and the host country have suitable trade agreements/arrangements that are especially preferential for the home country, so that (certain) imported good(s) can be further processed industrially and sold in existing and new markets.

With reference to investment, main commercial diplomacy activities include the following:

- finding prospective investors abroad and presenting them advantages of investing in the home country and incentives being available,
- supporting and encouraging existing and prospective domestic investors willing to invest abroad, by means of matchmaking with relevant stakeholders from the other side, presenting information and making analysis on advantages and risks of such investment.

With reference to tourism, main commercial diplomacy activities are as follows:

- helping organise home country’s representation at tourism fairs and related promotional events,
- promoting and advertising home country as a suitable tourist destination.

Lastly, but nothing less importantly is the indirectly (found) fact that the level of successfulness of commercial diplomacy largely depends on the political arrangement(s) in/of a targeted country, in the sense that the more centralised (and/or authoritarian) the state in terms of decision-making, the more likely that good political and cultural relations between the home and the targeted country will positively reflect on successfulness of commercial diplomacy activities.

3 Factors of economic growth

3.1 Introductory notes

This chapter deals with theorisation of the relationship between export, its geographical diversification, then foreign direct investment, and emerging markets, on one side, and economic growth, on the other. Reviewing that, i.e. examining whether and to what extent the mentioned notions are positively correlated with economic growth, is of high relevance having that this research is about testing whether engaging commercial diplomacy towards the emerging markets has a beneficial effect on economic growth primarily via promoting export and foreign direct investment (both inward and outward). Prior to elaborating these issues a short overview of main theories of and approaches to economic growth will be given.

3.2 Short overview of main theories of and approaches to economic growth and development

Theorisation of economic growth within the field of international political economy commenced with the appearance of some remarkable works on how to achieve economic growth and development. The founding father of modern economic thought is Adam Smith, who in his *magnum opus* „An Inquiry into the Nature and Causes of the Wealth of Nations“ (1776) established the basis for future development of economic theory (Ekelund and Hebert 2007, 102–108). His theory on absolute advantage in trade (countries achieve/have absolute advantage in trading with another country if they have capacity to produce some particular good with fewer resources than other countries) was elaborated and complemented by his two contemporaries, namely, by Thomas Malthus, who in his „An Essay on the Principle of Population“ (1798) linked economic production and growth with the issue of population increase (Ekelund and Hebert 2007, 131; Šoškić 1970, 139;) and by David Ricardo, whose correction of Smith’s absolute advantages with comparative advantages still dominates (in) modern economic theory (Šoškić 1970, 104).⁴⁴ The ideas of Smith, Ricardo and Malthus⁴⁵ can be (ideologically) summarised in the doctrine of *laissez faire (laissez passer)*, which opposes government regulation and interference in business and commercial affairs. It introduced liberalisation of economic exchange as a precondition for growth of GDP,

⁴⁴ David Ricardo elaborated the theory of comparative advantage in his book „Principles of Political Economy and Taxation“ (1817).

⁴⁵ To be correct, the ideas of Smith, Ricardo and Malthus were approached and supported also by two less known political economists, namely, Jean Baptiste Say and John Stuart Mill.

development of a state and increase of national welfare (Ekelund and Hebert 2007, 193).⁴⁶ Thus, a state can achieve economic growth only if and when it liberalises its economic exchange (trade) and replaces state activities⁴⁷ in the field of economics with the activities of business units. Even though the liberal approach to economic growth permeated economic thought for almost 150 years, the everyday practice did not follow its axioms. There was only one short period, between 1860 and 1880, when the theory of liberalisation was translated into practice. Even though that period gave beneficial results, the economic crisis which started in the late 1870s convinced states to abandon the liberal approach in economic performance, and replace it with the interventionist one (Udovič 2009).

The historical memory of “good old days” after the World War I brought some attempts to restore the liberal model of the 1860s, but the developments terminated with the spring of the 1929 crisis, after which states opted for a strong mercantilist and interventionist politics based on the approach of John Maynard Keynes, according to which state activities can and should generate economic growth (Davidson 2009, 7; Ekelund and Hebert 2007, 471–472). The Keynes’ interventionist logic has fluxed also in a growth theory, resulting in the Harrod-Domar model, based on the works of Roy Harrod and his “An Essay in Dynamic Theory” (1939) and Evsey Domar and his “Capital Expansion, Rate of Growth and Employment” (1946). The Harrod-Domar model is based on the hypothesis that the rate of economic growth depends on the level of savings and the productivity of investment. According to the model, in order to grow, the economies must save and invest a certain proportion of GDP. This means that states have an important role in defining their growth – the more they save, the more money they have for investing. Therefore, the acceleration of national economic growth is based on the level of capital formation and effectiveness (Besomi 2001, 81; Todaro and Smith 2009, 112). Despite the fact that the Harrod-Domar model had some deficiencies (Todaro and Smith 2009, 114), its development reversed the stream of economic theory, asking for higher state intervention in order to achieve GDP growth, instead of lowering it, as was “required” by the classical (liberal) model of economic theory.

Robert Solow and Trevor Swan tried to overcome imperfections of the Harrod-Dommar model. Their model, known as the Solow-Swan model,⁴⁸ developed on the basis of independent works of Solow and his “A contribution to the Theory of Economic Growth” (1956) and Swan and his “Economic Growth and Capital Accumulation” (1956), broadened

⁴⁶ Even though the three mentioned approaches framed the development of economic theory for almost 150 years, it is necessary to expose that these theories are in some parts opposing each other.

⁴⁷ Being adequate only as “invisible hand”, rare and short-run.

⁴⁸ Sometimes also called as the neoclassical growth model.

the Harrod-Dommar model in two ways – firstly, labour was added as a factor of production, and secondly, capital/labour ratio is not fixed as in Harrod-Domar model, but it changes in accordance to the changes in capital and labour productivity. According to the model, economic growth can be achieved in short- and long-run. In a short-run, GDP growth can be made through various state interventions at the market, such as tax subsidies (or tax cuts), increase/decrease of population and changes in saving rates, which can be determined or influenced by state activities at the market. The value-added of Solow-Swan model also consists of defining long-run effects on GDP growth. As pointed out by Harrod and Domar, GDP growth in the long-run is determined by external variables (exogenous model), which can change progressively or *ad hoc*. According to Solow, “growth is exogenous in the sense that the behaviour of economic agents does not alter the steady-state growth rate of the economy” (Ferrara and Guerrini 2008, 1–2), while Swan stressed the importance of technical, i.e. technological progress for long-term growth, deeming it necessary to prevent population pressure on the economy (Dimand and Spencer 2009).

However, as during the 1960s happened rapid development in science and technological research, which through profit-based innovations had notable positive spill-over effect on economic growth and development of many countries which highly invested in the know-how sector, many economists came to view that economic growth depends on endogenous, that is, internal or the forces within the market, and not external factors. That showed shortcomings of the Harrod-Domar and Solow model, and gave wind to the development of the endogenous theory of economic growth, developed in the late 1980s and early 1990s. In essence, this theory holds that long-term economic growth and development can be achieved through knowledge-based economy (technological advancement and profit-based innovations) and policy measures (subsidies for research and education) which increase incentives for innovation (Kibritciogly and Diboogly 2001). Its main proponents were Romer, Lucas and Baro. Romer (1986) and Lucas (1988)⁴⁹ were the first to demonstrate that long-term growth can be directly explained by agents’ decision. According to Romer (1994, 3), endogenous growth differs from neoclassical growth in the way that “economic growth is an endogenous outcome of an economic system, not the result of forces that impinge from outside”. In his 1990 work, Romer stressed the importance of human capital for the research sector, which generates new products and ideas, and in that way underpins technological progress (Barro 1991, 408–409). It is interesting to mention that this theory was built after the

⁴⁹ The model developed on the basis of the work of Lucas “On the Mechanics of Economic Development” (1988) and Romer “Increasing Returns and Long-Run Growth” (1986).

spring of neoclassical synthesis in the mid-1970s, at that time the mainstream economics, which merged the John Maynard Keynes's concept of macroeconomics with neoclassical school. This stream of economic thought was largely Keynesian in macroeconomics and neoclassical in microeconomics (Clark 1998).

Thus, the predominance of the endogenous approach to GDP growth was short. Neoclassical synthesis redirected the path of growth theories back to the classical postulates of founding fathers of political economy (Smith, Ricardo, Malthus and Marx), where cross-border activities and trade liberalisation were seen as generators of economic growth. This approach found its application in practice in the late 1970s and 1980s through the emergence of the so-called "Thatcherism" (in Great Britain, named after the then Prime Minister Margaret Thatcher) and "Reaganomics" (in the United States, named after the then U.S. President Ronald Reagan), and was characterised by insistence on free markets, privatisation, small state budget and tight control of money supply (restrictive monetary policy) (Udovič 2009). In this spirit, in 1989 a set of recipes for economic development of Latin America countries was prepared, today known as the Washington Consensus (Williamson 2004, 195), which, because of the dissolution of Eastern bloc became relevant for all transitional countries coping with challenges of market economy.⁵⁰ The basic idea of the Washington consensus consisted in four premises, i.e. (a) financial liberalisation, (b) cuts in public expenditure, (c) competition-restrictive deregulation, and (d) privatisation of state enterprises. Next to these, the Washington consensus also dealt with the issues of property rights liberalisation, abolition of barriers hindering FDI, and tax reform (Williamson 2004, 195).⁵¹ Such model of economic growth was predominant for almost two decades, until the emergence of the 2007/'08

⁵⁰ In terms of implications of the Washington Consensus on the transitional countries of post-communist Europe, Kolodko (1999) asserted that as abrupt change in economic structure that happened was done without strengthening institutional framework that would serve as a supporting base for the free-market economy. As a result of negative experience, the lesson learned is that the free market requires strong institutions. "Only with strong institutions can liberalization and privatization put emerging post-socialist markets on the path of sustainable growth" (Kolodko (1999, 233).

⁵¹ More precisely, Williamson wrote that the following 10 policy actions were "desirable" to be applied in almost all Latin American countries: "1. Budget deficits . . . should be small enough to be financed without recourse to the inflation tax. 2. Public expenditure should be redirected from politically sensitive areas that receive more resources than their economic return can justify . . . toward neglected fields with high economic returns and the potential to improve income distribution, such as primary education and health, and infrastructure. 3. Tax reform . . . so as to broaden the tax base and cut marginal tax rates. 4. Financial liberalization, involving an ultimate objective of market-determined interest rates. 5. A unified exchange rate at a level sufficiently competitive to induce a rapid growth in nontraditional exports. 6. Quantitative trade restrictions to be rapidly replaced by tariffs, which would be progressively reduced until a uniform low rate in the range of 10 to 20 percent was achieved. 7. Abolition of barriers impeding the entry of FDI (foreign direct investment). 8. Privatization of state enterprises. 9. Abolition of regulations that impede the entry of new firms or restrict competition. 10. The provision of secure property rights, especially to the informal sector." (Williamson 2004, 196–197).

economic crisis, which revealed that liberalisation as a trend setter for economic growth was in a way effective, but has not provided sustainable growth.

The result of these occurrences is a debate on how sustainable economic growth can be achieved. Even though there are different proposals as to how such growth can be achieved, it is clear that states in the post-crisis time will combine different approaches presented above, trying to find the best solution for permanent, sustainable and efficient GDP growth, leading to their citizens' welfare. One such attempt is the European Union programme Horizon 2020, within which research- and development-driven investments and efficiency are understood as preconditions for sustainable and permanent GDP growth and welfare (European Commission – Horizon 2020). The Horizon 2020 Strategy combines variables presented by different growth theories, trying to achieve as much synergies as possible.⁵²

However, in the last years it is possible to see that there is a new pattern on how economic growth and welfare can be achieved, i. e. via the access to natural resources. Natural resources, which are implicitly included in the exogenous growth model, became an important means for economic growth (particularly in poorer countries) (Sachs and Warner 1999a, 43), especially in the new millennium. Though, empirical evidence shows a surprising fact that economies abundant in natural resources tended to achieve less rapid growth than natural-resource-scarce economies (Sachs and Warner in Mayer et al. 1999b, 13).⁵³ Economic growth predominantly based on exploitation of natural resources also has its limitations – natural resources are mostly non-renewable, and thus economic growth via GDP growth is not sustainable and is usually short-term. To what extent the countries will rely on the resource-based growth in the future, and combine it with postulates of other theories mentioned above remains to be seen.

In this context, it is also important to mention the importance of institutions for economic growth and development. In that context, Acemoglu and Robinson (2012, 409–410) argue that one of the most common reasons behind “failed” states is “extractive” institutions, which (can) cause severe economic and social consequences. They claim that “nations fail today because their extractive economic institutions do not create the incentives needed for people

⁵² The predecessors of the Horizon 2020 were the Lisbon Strategy I and II (2000, 2005).

⁵³ With reference to the noted, it is important to note that this “phenomenon” was already known earlier as the so-called Dutch disease - a broadly used term in development economics which originates yet from the 1960s, and relates to a state in economy when a sharp inflow of foreign currency (most commonly as a consequence of discovery of natural resources such as oil and gas) causes appreciation of domestic currency which then leads to a decrease of export competitiveness and stimulates import (Investopedia 2018). On causes and effects of the Dutch disease, among others, wrote Corden (1984), Krugman (1987) and Rajan and Subramaniam (2011).

to save, invest and innovate. Extractive political institutions support these economic institutions by cementing the power of those who benefit from the extraction.” As perhaps the most illustrative case of what a difference in institutional set-up can make on overall economic development and prosperity, the authors give an example of North Korea and South Korea after the end of the World War II. As an indicative proof, the authors, among other things, gave a satellite picture of the Korean peninsula illustrating intensity of light at night which clearly shows the difference between the two countries, the North part being in almost complete dark in comparison to Southern, dazzling in light (Acemoglu and Robinson 2012, 85). As other examples of “failed” states due to “failed” institutions they quote: Zimbabwe, Sierra Leone, Angola, Cameroon, Chad, the Democratic Republic of Congo, Haiti, Liberia, Nepal, and Sudan (Acemoglu and Robinson 2012, 413–414). The authors also claim that institutions can change, i.e. “ripe” through political conflict. Examples are many, and England stands as one of the most conspicuous. Political revolution in the 17th century which, expectedly, had brought about a serious change in institutions happened to be a turning point for the country’s economic development and prosperity (Acemoglu and Robinson 2012, 117–118). In the same tone, Acemoglu and Robinson (2015, 24–25) argue that root of any inequality originally lies in political and economic institutions, and that the level of economic development generally depends on the quality and functionality of institutions.

In addition, when it is about theories of economic growth, in modern economic thought it has become almost unavoidable to note Porter’s four stages of economic development: factor-driven (based on low-cost labour and exploitation of natural resources), investment-driven, innovation-driven, and wealth-driven (Porter 1998). Porter noted that the first three stages are successively connected, i.e. follow each other, with a country’s economic prosperity and its competitive position, while the last one (wealth-driven) does the opposite; in other words, it causes its decline. The author gave a special emphasis to innovations, technological progress and forward-looking way of thinking, about what he said:

National prosperity is created, not inherited. It does not grow out of a country’s natural endowments, its labor pool, its interest rates, or its currency’s value, as classical economics insists. A nation’s competitiveness depends on the capacity of its industry to innovate and upgrade.” ... “Ultimately, nations succeed in particular industries because their home environment is the most forward-looking, dynamic, and challenging (Porter 1990, 73).

3.3 Export and economic growth

3.3.1 Introduction

In this chapter will be examined whether export has a beneficial effect on economic growth. The basis for the research will make main findings of the total of 168 case studies found available, covering all possible country and time span combinations (see Appendix B). It is worth noting that not all case studies examine a causal link between export and economic growth directly, but also between export (on one side) and GDP growth and/or (industrial) output growth and/or productivity growth (on the other). Still, given that all of them (meaning case studies) deal with correlation between export and economic growth, directly or indirectly, for easier understanding, in the sub-chapters - summary of the case studies' main findings, and - summary of the case studies' additional and other findings, (only) the term economic growth will be used.

3.3.2 Literature review

The presented findings can be summarised as follows:

- The number of case studies which found that export generally positively affects economic growth is 45. They are of the following authors: Abhayaratne (1996), Abou-Stait (2005), Ahmad and Harnhirun (1996), Alam et al. (2014), Al-Yousif (1997), Amavilah (2002), Bahmani-Oskooee et al. (1991), Balassa (1978b), Balassa (1985), Begum and Shamsuddin (1998), Bilgin and Şahbaz (2009), Boltho (1996), Clarke and Ralhan (2005), Fajana (1979), Falvey et al. (2004), Feder (1983), Federici and Marconi (2002), Fosu (1990), Greenaway et al. (1999), Guariglia and Santos-Paulino (2008), Heller and Porter (1978), Hye and Siddiqui (2011), Ibrahim and MacPhee (2003), Jin (2002), Kavoussi (1984), Kristjanpoller and Olson (2014), Marin (1992), Martins and Yang (2007), McCarville and Nnadozie (1995), Mehdi and Shahryar (2012), Muhammad et al. (2011), Onafowora et al. (2006), Paul and Chowdhury (1995), Ram (1985), Ram (2003), Sahni and Atri (2012), Samad (2011), Santos et al. (2013), Seabra and Galimberti (2012), Soukiazis and Madaleno (2007), Thornton (1996), Tyler (1980), van den Berg and Schmidt (1994), Vohra (2001), and Williamson (1978);
- The number of case studies which found bi-directional positive causality between export and economic growth is 24, of which 20 in general of the following authors: Agrawal (2014), Awokuse (2006), Balaguer and Cantavella-Jordá (2002), Biswal and Dhawan (1998), Chen (2007), Chow (1987), Ciftcioglu and Nekhili (2005), Devi

(2013), Emery (2007), Hatemi (2002), Holman and Graves (1995), Jun (2007), Khan et al. (1995), Kwan and Cotsomitis (1991), Mah (2005), Mehrara and Firouzjaee (2011), Michalopoulos and Jay (1973), Ramos (2001), and Shan and Sun (1998), 3 in the long-term of the following authors: Bahmani-Oskooee and Alse (1993), Doraisami (1996), and Omisakin (2009), and 1 in the short-term of the following author: Tang (2006);

- The number of case studies which found uni-directional positive causality from export to economic growth is 25, of which 5 in general of the following authors: Abu Al-Foul (2004), Bilas et al. (2015), Dumitriu et al. (2010), Saad (2012), and Siliverstovs and Herzer (2005), 15 in the long-term of the following authors: Andraz and Rodrigues (2010), Bahmani-Oksooe et al. (2005), Constant (2010), Dritsaki et al. (2004), Esfahani (1991), Henriques and Sadorsky (1996), Herrerias and Orts (2010), Herzer et al. (2004), Islam and Hossain (2015), Khalid and Cheng (1997), Mamun and Nath (2005), Medina-Smith (2000), Chandra Parida and Sahoo (2007), Quddus and Saeed (2005), and Zeren and Kiliñç Savrul (2013), and 5 in the short-term of the following authors: Ahmed and Uddin (2009), Doyle (1998), Jin and Shih (1995), Lorde (2011), and Waithe et al. (2011);
- The number of case studies which found uni-directional positive causality from economic growth to export is 12, of which 9 in general of the following authors: Aydin and Sari (2014), Christopoulos and Reppas (2005), Furuoka (2007), Iqbal et al. (2012), Oxley (1993), Ronit and Divya (2014), Shihab et al. (2014), Siddique and Selvanathan (1998), and Siddique and Selvanathan (1999), and 3 in the long-term of the following authors: Mishra (2011), Pal and Ashwani (2011), and Panas and Vamvoukas (2002);
- The number of case studies which found mixed results as to whether export positively affects economic growth is 37. They are of the following authors: Ajmi et al. (2015), Aka (2008), Anwer and Sampath (1997), Bahmani-Oskooee and Economidou (2009), Bahmani-Oskooee and Oyolola (2007), Bajo-Rubio and Díaz-Roldán (2011), Bernard and Jensen (2000), Choong et al. (2007), Daoud and Basha (2015), Dar et al. (2013), Din (2004), Dutt and Ghosh (1996), Ekanayake (1999), El-Sakka and Al-Mutairi (2000), Ghatak et al. (1997), Gonçalves and Richtering (1987), Hatemi-J and Irandoust (2000), Islam (1998), Ismail and Harjito (2003), Husein (2010), Kónya (2000), Kugler (1991), Lim et al. (2011), Love and Chandra (2004), Mbaku (1989), Nasreen (2011), Pop Silaghi (2009), Rahman and Mustafa (1997), Riezman et al.

(1995), Serletis and Afxentiou (1991), Sharma and Dhakal (1994), Shirazi and Manap (2005), Sprout and Weaver (1993), Tang et al. (2015), Thornton (1997), Xu (1996), and Zang and Baimbridge (2011);

- The number of case studies which found conditionally positive causality between export and economic growth is 1. It is of the following author: Balaguer and Cantavella-Jordá (2001);⁵⁴
- The number of case studies which found no positive causality between export and economic growth is 4. They are of the following authors: Afzal and Hussain (2010), Kim and Lim (2009), Kunst and Marin (1989), and Tahir et al. (2015);
- The number of case studies which found no statistically significant positive (but neither negative) causality between export and economic growth is 5. They are of the following authors: Fugarolas et al. (2007), Gokmenoglu et al. (2015), Jin and Jin (2015), Jung and Marshall (1985), and Shan and Tian (1998).

In other words, it can be seen that of the entire number of case studies found available which disclose some kind of causality between export and economic growth (which is 153), be it either positive or negative, the largest (number) relates to those which show that export generally positively affects economic growth, whose share in the total is 29,4 %, followed by those which show mixed results (24,2 %), and those which point to uni-directional positive causality from export to economic growth (16,3 %). On the contrary, the share of studies which found no significantly positive (but neither negative) causality between the two variables in the total number of studies is 3,3 %, whereas the share of studies which disclosed no positive causality at all is only 2,6 %. Overall, as much as 69,3 % of studies (excluding those which show mixed results, no significantly positive, no positive at all, or conditionally positive) demonstrate clearly positive causality between export and economic growth in either of direction, what is a plausible enough indicator that export is strongly positively correlated with economic growth, especially in developing countries.

Apart from the mentioned, and having examined the matter more specifically in terms of beneficial effects that export has/exerts on the economy in general, be it directly or indirectly, it was also found that:

- export is especially important for developing countries - Export has shown to have a particularly positive impact on economic growth in developing, i.e. newly

⁵⁴ The author found that export exerted a positive impact on economic growth when the country was liberalised in economic terms. In contrast, during the periods of protectionism and autarky, the authors did not find positive correlation between the two variables either in the short or the long-term (Balaguer and Cantavella-Jordá 2001).

industrialised countries (NICs) (Tyler 1980, 12; Bahmani-Oskooee et al. 1991). Moreover, the positive growth-enhancement effect of export is stronger in developing than in developed countries, and is more conspicuous in the initial stage than after (Martins and Yang 2007, 10).⁵⁵

- export stimulates technological development and innovation - Export is found to be an important catalyst of technological diffusion, innovation and efficiency (Soukiazis and Madaleno 2007, 7), contributing to capital accumulation and absorption of know-how (Ghatak et al. 1997, 214).
- export brings about product specialisation - Export is found to have a positive impact on product specialisation (Balaguer and Cantavella-Jordá 2002, 11–12) and vice versa (Balaguer and Cantavella-Jordá 2002, 11–12; Sannasse et al. 2014, 381).
- exporting enterprises tend to grow faster and increase productivity - Export helps firms, especially new entrants, increase their productivity (Ghatak et al. 1997, 214; Falvey et al. 2004, 20). The positive impact of export on productivity growth is due to the fact that high productivity firms tend to be more export-oriented. Export also positively affects employment (Bernard and Jensen 2000, 23; Jarra 2013, 368–369), foreign currency deposits (Jarra 2013, 368–369) and overall output growth (Bernard and Jensen 2000, 23). Feder (1983, 59) argues that one of solutions to achieve better productivity is to reallocate the resources from the non-export to the export sector. Resource allocation to the most lucrative and potentially prosperous export sectors is fundamental for the success in terms of exporting and its beneficial effect on economic growth (Balaguer and Cantavella-Jordá 2002, 11–12). The focus should be more on manufactured export (Balassa 1985, 34). Furthermore, exporting enterprises tend to grow at a much faster pace than those that are not export-oriented (Bernard and Jensen 2000, 23);⁵⁶ they tend to grow larger, be substantially more productive and offer higher wages (Bernard et al. 2007, 105, 110–111).
- export positively contributes to the enhancement of competitiveness - Export brings about the increase of the volume of investment in more efficient and productive sectors, technological upgrading and improved management, what indirectly leads to enhanced competitiveness (Emery 2007).

⁵⁵ The authors stress the importance of trade internationalisation, especially for developing countries (Martins and Yang 2007, 10).

⁵⁶ Trade has a positive impact on productivity and efficiency of firms, and hence indirectly on economic growth (Bernard and Jensen 2000, 16).

- growth of export is contingent on other determinants - Export alone, despite being necessary, is not a sufficient condition for output growth; other growth determinants matter too (Amavilah 2002, 16–17). It is found that the extent to which export will positively affect economic growth is contingent on the size of population, degree of outward-orientedness, strength of the manufacturing sector (Ibrahim and MacPhee 2003, 257), human capital (Seabra and Galimberti 2012, 20)⁵⁷ and a minimum sufficient level of economic growth and development (Vohra 2001, 345; Pal and Ashwani 2011, 188–189; Saad 2012, 142), especially based on domestic investment (Sahni and Atri 2012, 294). In addition, the extent to which a country will benefit from export depends on its ability to cope with and adapt to external fluctuation in demand and other factors, as much as on its internal policies (Michalopoulos and Jay 1973, 22–23).

In line with the mentioned, it is also worth noting that it was found that export generates new output value without negatively affecting balance of payment, generates saving through reinvestment of profit (in new technologies and product improvement), and increasing returns. Likewise, export [most commonly, but not necessarily] goods contain a relatively low level of import content, but also stimulate import (when) necessary for increasing the value-added of (export) goods (Soukiazis and Madaleno 2007, 7). Interestingly, some authors such as Kristjanpoller and Olson (2014, 6) found that export-led and import-led economic growth cannot exert a positive effect on economic growth at the same time; in other words, they are mutually exclusive.

In terms of conditions that are highly relevant or thus necessary for development of the export sector(s) or (for) facilitating export(ing), by insight into the available literature it was found that the following factors are of high relevance for boosting export(ing):

- export-friendly economic policies and reform - Export-friendly economic policies and reform (Fajana 1979; Esfahani 1991, 114; Begum and Shamsuddin 1998;⁵⁸ Biswal and Dhawan 1998; Ram 2003, 22; Abou-Stait 2005, 14; Jun 2007, 163–165; Chigusiwa et al. 2011, 124;⁵⁹ Sannasse et al. 2014, 380; Shihab et al. 2014, 307), especially in developing countries (Chow 1987) are found to be of immense importance for development of the export sectors;

⁵⁷ The authors note that the strongest positive impact of export on economic growth is found in the transitional (mostly middle-income) countries (Seabra and Galimberti 2012, 20).

⁵⁸ They also found that political instability negatively affects export growth (Begum and Shamsuddin 1998).

⁵⁹ Export of primary products has had a special contribution to economic growth in case of Zimbabwe (Chigusiwa et al. 2011, 124).

- export-friendly macroeconomic environment - Some authors such as Choong et al. (2005, 22) and Zang and Baimbridge (2011, 10) stress the importance of export-friendly macroeconomic environment for the export sectors;
- quality of institutions and infrastructure - It is found that the quality of institutions and infrastructure positively contributes to the success of export (Constant 2010, 10; Zang and Baimbridge 2011, 10; Sannasee et al. 2014, 380);
- openness to trade - Openness to trade is found to positively affect economic growth (Balassa 1978a, 54;⁶⁰ Balassa 1985, 34; Begum and Shamsuddin 1998;⁶¹ Doyle 1998, 157; Vohra 2001, 345; Abou-Stait 2005, 14; Chen 2007, 7;⁶² Babalola et al. 2012, 100; Bilas et al. 2015, 28). Furthermore, competitiveness of export is positively correlated with the level of economic openness, in the sense that the more open the economy, the more competitive the export (Michalopoulos and Jay 1973, 22–23);
- export promotion - Export-promotion (policies) have a significant role in stimulating export (Balassa 1978a, 54–55; Paul and Chowdhury 1995, 179; Vohra 2001, 345; Quddus and Saeed 2005, 934; Awokuse 2006, 595; Choong et al. 2007, 145; Pop Silaghi 2009, 109; Ray 2011, 33), especially in developing countries (Bahmani-Oskooee and Alse 1993, 541; Bahmani-Oskooee and Economidou 2009, 206; Balaguer and Cantavella-Jordá 2002, 11–12; Mohsen 2015, 257);⁶³
- investing in human capital and innovations - Investing in human capital and technological development (Federici and Marconi 2002, 329; Soukiazis and Madaleno 2007, 2, 21; Constant 2010, 10; Mehrara and Firouzjaee 2011, 229; Ajmi et al. 2015, 175),⁶⁴ then innovations (Soukiazis and Madaleno 2007, 2, 21; Uдах 2012, 46) and R&D (Jun 2007, 163–165) positively affects growth of export and overall output growth. In that regard, it is also important to stimulate development of technologically sophisticated export. It is found that export goods with higher value-added contribute

⁶⁰ They also found a positive causal link between establishing free trade and export performance, in the sense that the first stimulated the latter, especially in manufacturing (the most evident in Korea, Singapore and Taiwan) (Balassa 1978a, 54–55). In contrast, the countries (Brazil, Colombia and Mexico) which did not take measures to promote and stimulate export had far less pace of growth (Balassa 1978a, 56). Developing countries should focus on manufacturing component parts of industrial durable products, and even take over comparative advantage over developed countries which refocused on making technologically more advanced goods (Balassa 1978a, 55).

⁶¹ They also found that political instability negatively affects export growth (Begum and Shamsuddin 1998).

⁶² Export growth also exerts a positive effect on labour productivity (Chen 2007, 7).

⁶³ There is also positive bi-directional causality between import and GDP growth in both short- and long-term (Mohsen 2015, 257).

⁶⁴ Economic openness and outward-orientation contribute to long-term economic growth (Federici and Marconi 2002, 329).

more to export productivity and hence economic growth (Guariglia and Santos-Paulino 2008, 18; Santos et al. 2013, 24). In other words, those countries whose export is mostly comprised of primary goods that contain low value added benefit the least from export, and those whose export products are of high value added benefit the most from export (Sprout and Weaver 1993, 298). In addition, it is important to enable quality educational system and well devised export strategy (Sannassee et al. 2014, 380);

- increasing (export) diversification, both in terms of structure and market - It is important to diversify export in terms of structure. It is found that that the more diversified the export structure, the greater positive effect of export on economic performance (in developing countries) (Kavoussi 1984; also in Greenaway, Morgan and Wright 1999), especially in the manufacturing sector (Balassa 1978a, 54–55). Likewise, it is also found that greater market diversification is needed, especially towards prosperous Eastern markets, such as those of China, Russia and Poland (Santos et al. 2013, 25);
- attracting export-oriented FDI - It is also found that attracting export-oriented FDI is positively correlated with export development and growth (Dritsaki et al. 2004, 78; Choong et al. 2005, 22; Jun 2007, 163–165).

In line with the mentioned, Nasreen (2011, 11) found that efficiency of the export sector highly depends on stability and efficiency of the judicial system, level of development of the financial system, quality of education and infrastructure, respect for quality standards, political stability, degree of corruption, among others.

To summarise, export stimulates development of (high) technology and innovation, brings about product specialisation, increase productivity, and hence positively contributes to enhancement of competitiveness. Exporting enterprises tend to grow faster and offer generally higher wages than those that are non-exporting. In order to enable faster development of export, countries need to create export-friendly economic policies and macroeconomic environment, increase quality of institutions and infrastructure, increase openness to trade, intensify export promotion, invest in human capital and innovations, increase its diversification, both in terms of structure and market, and attract export-oriented FDI.

3.4 Impact of geographical diversification of export on its performance and indirectly on economic growth, with focus on emerging markets

3.4.1 Introductory notes and literature review

The aim of this chapter is to present empirical evidence on the impact of geographical diversification of export on its performance and hence (on) economic growth based on findings of several case studies (the only literature found available), and thus to test whether a positive correlation is found between them. Findings of a total of 7 studies will serve as a sample (see Appendix C). Based on the presented (despite the fact that exporting over large distances substantially increases transaction cost, especially in case of small countries exporting small volume of goods), it can be seen that findings of all given studies point to highly positive correlation between geographical diversification of export and its performance, and indirectly economic growth. More concretely, it was found that geographical diversification (of export) is especially important for developing countries as it reduces the level of risk their export companies (and vulnerable economies) are exposed to, especially in times of economic crises, having that it is exactly them (meaning developing countries) whose economies happen to be highly concentrated on a very limited number of markets in terms of export, and thus very vulnerable to external shocks. Another highly important fact found is that positive correlation is also found in terms of diversification of a number of goods being exported, whereat geographical diversification of export has happened to be more beneficial in terms of export performance than diversification of a range of goods in offer. In relation to the mentioned, it was also emphasised that export-oriented enterprises should seek ways to further enhance the quality of those goods which are found to be most productive in terms of sales; in other words, those with strongest comparative advantage. Despite relatively limited number of studies found, these results offer a sufficient level of credibility, as all except one of presented studies cover a large number of countries and companies too.

3.5 Foreign direct investment (FDI) and economic growth

3.5.1 Introduction

In this chapter will be examined whether foreign direct investment positively affects economic growth. The basis for the research will make main findings of 89 case studies found available, covering a plethora of country and time span combinations (see Appendix D). The overall sample covers majority of the most relevant studies available in the literature about this field worldwide, that is, those being most commonly referred to. As is the case

with the previous chapter which dealt with the relationship between export and economic growth, it is worth noting that herein too not all case studies examine a causal link between FDI and economic growth directly (although a large majority do), but also between FDI (on one side) and productivity growth and/or employment and/or reform impact (on the other). Still, the summary of these findings is done in such a way to provide easy understanding about correlation between these variables.

Also, with reference to FDI, it has become almost unavoidable to mention the name of John Dunning, who was the first who explained and elaborated (on) the causal linkage between foreign direct investment (both inward and outward) and economic development, yet in 1979.⁶⁵ The FDI-driven development theory argues that countries go through five main development phases, depending on their (meaning of the countries') inclination to be either inward or outward oriented in terms of investment. It (meaning the inclination), on the other side, depends on (a) the level of competitiveness of firms from one country vis-a-vis firms in/of other countries, then on (b) overall resources and capabilities of countries concerned, and (c) the ability of the firms from both countries to utilise their comparative advantages (Dunning and Narula in Dunning and Narula 2003, 1–2).

3.5.2 Literature review

The presented findings (for both inward and outward FDI) can be summarised as follows:

- The number of case studies which found bi-directional positive causality between FDI and economic growth is 4. They are of the following authors: Hudea and Stancu (2012), Liu et al. (2002), Sen (2011), and Türkcan and Yetkiner (2008).
- The number of case studies which found uni-directional positive causality from FDI to economic growth is 6, of which 3 in general of the following authors: Afşar (2008), Dash and Parida (2012), and Hansen and Rand (2006), of which 2 relate to outward FDI of the following authors: Jaklič (2011) and Svetlicic (2007), and 1 in the long-term of the following author: Singh (2013).
- The number of case studies which found uni-directional positive causality from economic growth to FDI is 1. It is of the following author: Stylianou (2014).
- The number of case studies which found generally positive causality from FDI to economic growth is 29. They are of the following authors: Bajo-Rubio et al. (2007),

⁶⁵ At a conference on multinational enterprises from developing countries, held in Honolulu, Hawaii, the United States. Since then, Dunning further elaborated (on) the issue of the FDI-driven economic growth and development on several occasions, throughout the 1980s and the early 1990s, namely in 1981, 1986, 1988 and 1993 (Dunning and Narula in Dunning and Narula 2003, 1).

Balasubramanyam et al. (1996), Blomström et al. (1996), Campos and Kinoshita (2002), Carp (2014), Djankov and Hoekman (2000), Domanski (2003), Fidrmuc and Martin (2011), Fillat and Woerz (2011), Gallova and Stavárek (2010), Gocer et al. (2012), Görg and Greenaway (2004), Haddad and Harrison (1993), Hunya (2004), King (2000), Kornecki and Raghavan (2011), Leitão and Rasekhi (2013), Lensink and Morrissey (2001), Lipsey and Sjöholm (2010), Misztal (2010), Monastiriotis (2014), Mottaleb (2007), Neuhaus (2006), Pelinescu and Rădulescu (2009), Soleimani and Behname (2012), Vadlamannati and Tamazian (2009), Wacker (2011), Yao (2006), and Zhang (1999).

- The number of case studies which found positive, but not significant causality from FDI to economic growth is 2. They are of the following authors: Marasco (2007) and Temiz and Gökmen (2013).
- The number of case studies which found mixed results as to whether FDI positively affects economic growth is 18. They are of the following authors: Acaravci and Ozturk (2012), Aitken and Harrison (1999), Angelopoulou and Liargovas (2014), Apergis et al. (2004), Basu et al. (2003), Bayar (2014), Bruno and Campos (2013), Calderón et al. (2004), Christie (2003), Ďurčová and Mirdala (2011), Fons-Rosen et al. (2013), Johnson (2006), Ledyeva and Linden (2006), Mani (2013), Monastiriotis and Jordaan (2011), Moudatsou and Kyrkilis (2011), Ozturk and Acaravci (2010), and Sapienza (2010).
- The number of case studies which found that positive effect of FDI on economic growth is contingent on other growth determinants is 23. They are of the following authors: Alfaro et al. (2002), Alfaro et al. (2007), Azman-Saini et al. (2010), Berthélemy and Démurger (2000), Bijsterbosch and Kolasa (2009), Borensztein et al. (1995), Carkovic and Levine in Moran et al. (2005), De Mello (1997), De Mello (1999), Eller et al. (2005), Eller et al. (2006), Farkas (2012), Fortanier (2007), Forte and Moura (2013), Hermes and Lensink (2003), Jude and Levieuge (2013), Kotrajaras et al. (2011), Mehic et al. (2013), Moudatsou (2003), Sghaier and Abida (2013), Wang (2009), Wijeweera et al. (2010), and Xu (2000).
- The number of case studies which found no positive causality between FDI and economic growth is 1. It is of the following author(s): Curwin and Mahutga (2014).

The illustrated shows that of the entire number of case studies found available which disclose some kind of causality between (both inward and outward) FDI and economic growth (which

is 84), be it either positive or negative, the largest (number) relates to those which show that FDI generally positively affects economic growth, whose share in the total (of 84) is 34,5 %, followed by those which show that a positive impact of FDI on economic growth is contingent on other growth determinants (27,4 %), and those which point to mixed results (21,4 %). On the contrary, the share of studies which found no significantly positive (but neither negative) causality between the two variables in the total number of studies is 2,4 %, whereas the share of studies which disclosed no positive causality at all is only 1,2 %. It is evident that a notably large number of studies found that positive effect of FDI on economic growth is contingent on other growth determinants, which when summarised, are the following: (a) overall macroeconomic stability, (b) economic openness, (c) level of economic freedom in the host country, (d) investment-friendly business environment, (e) level of development of the host country financial market, (f) trade policies, (g) sufficient level of human capital (in the host country), (h) host country's level of institutional development, (i) sufficient level of human capital, (j) (foreign) investors' interest to transfer advanced technology, (k) sufficient level of technological development, (l) political risk, (m) democratic governance, (n) sufficient level of skilled labour, and (o) degree of inflation. Moreover, a relatively large number of studies disclosing mixed results as to whether FDI positively affects economic growth can be explained by a variety of countries (both sending and receiving) used as sample, in terms of level of development, FDI-conducive environment, political stability and other factors, as well as by a research model used and a number of variables selected too. Overall, despite that the largest number of studies point to a clearly positive impact that FDI exerts on economic growth, still, it can be concluded that the level of usefulness that receiving countries will have from FDI is very likely to depend on a variety of factors (already mentioned) relating to their overall absorptive capacity.⁶⁶

Apart from the mentioned, it was also found that positive (spill-over) effects of (inward) FDI are mainly reflected through:

- providing new capital/investment (Borensztein et al. 1995, 19; Domanski 2003, 105; Johnson 2006, 44; Bajo-Rubio et al. 2007, 10–11; Fons-Rosen et al. 2013, 29),
- raising employment⁶⁷ (Hunya and Geishecker 2005, 25; Fons-Rosen et al. 2013, 29),⁶⁸

⁶⁶ In relation to the mentioned, it is important to mention Damijan et al. (2008, 25) who investigated the benefits of FDI in transitional countries of post-communist Europe in the form of transfer of technology and know-how, and found that those benefits are highly contingent on the absorptive capacity and the level of productivity of host country firms.

⁶⁷ FDI has a positive impact on raising employment by means of cooperation with the host country supplier firms (Hunya and Geishecker 2005, 25) and industrial restructuring (Hunya and Geishecker 2005, 4). This opens up prospects for creating new business opportunities, what in turn may lead to more foreign investment (Hunya

- enabling transfer of technology and business know-how (Balasubramanyam et al. 1996, 98; Zhang 1999; Campos and Kinoshita 2002, 4; Görg and Greenaway 2004, 189–190; Hunya 2004, 109; Johnson 2006, 44; Neuhaus 2006, 154; Yao 2006, 348–349; Bajo-Rubio et al. 2007, 10–11; Mottaleb 2007, 1; Bijsterbosch and Kolasa 2009, 13; Lipsey and Sjöholm 2010, 30; Hudea and Stancu 2012, 100; Josifidis et al. 2012, 170; Leitão and Rasekhi 2013, 59; Carp 2014, 39),
- enabling sophisticated management (Borensztein et al. 1995, 18; De Mello 1997, 9; Campos and Kinoshita 2002, 4; Görg and Greenaway 2004, 189–190; Mottaleb 2007, 1; Bijsterbosch and Kolasa 2009, 13; Leitão and Rasekhi 2013, 59; Carp 2014, 39),
- improving labour skills (Balasubramanyam et al. 1996, 98; De Mello 1997, 9; Domanski 2003, 105),
- helping stimulate industrial restructuring and development (Hunya 2004, 109; Hunya and Geishecker 2005, 4; Mottaleb 2007, 9–10) and overall economic restructuring (Hunya 2004, 109; Bijsterbosch and Kolasa 2009, 14),
- stimulating development of the supplier firms (from the host country) and their international engagement (Pelinescu and Rădulescu 2009, 160),
- stimulating structural policies in the host country (Fons-Rosen et al. 2013, 29),
- enabling direct access to new markets (Borensztein et al. 1995, 18),
- improving balance of payment (Domanski 2003, 105; Mencinger 2009, 15; Josifidis et al. 2012, 170),
- enhancing internal competition and overall competitiveness (Domanski 2003, 105; Fons-Rosen et al. 2013, 29; Leitão and Rasekhi 2013, 59;),
- exerting a positive impact on economic reform⁶⁹ (Malesky 2009, 62), and
- positively influencing the overall transition process (Neuhaus 2006, 151).

FDI has proved to be of immense importance especially for developing and transition countries.⁷⁰ Its beneficial effect is mainly achieved through the spill-over effect comprising

and Geishecker 2005, 25), enhancing the private entrepreneurship in the host country in general (Hunya and Geishecker 2005, 4).

⁶⁸ By means of cooperation with the host country supplier firms (Hunya and Geishecker 2005, 25).

⁶⁹ Malesky (2009, 62) found that 1 % increase in the volume of inward FDI exerts a positive effect on intensity of economic reform by 6,3 % in the year after. Reform policies mainly include: price liberalisation, foreign exchange and trade liberalisation, privatisation of small state-owned enterprises, privatisation of large state-owned enterprises, enterprise reform, competition policy, bank reform, and the reform of non-bank financial institutions (Malesky 2009, 62).

⁷⁰ It was found that the beneficiary effect of FDI is substantially higher when the source countries are industrially advanced, and the recipient countries are developing countries (Borensztein et al. 1995, 19). Foreign

transfer of advanced technology,⁷¹ know-how and management skills (Görg and Greenaway 2004, 189–190), as well as via improved productivity and higher labour cost, i.e. improved living standard of domestic population (Görg and Greenaway 2004, 182). There is evidence that FDI has also positively contributed to fostering international integration of the transition economies (Radosevic et al. 2003, 83–86). Moreover, importance of FDI for developing countries is thus greater having that it is found that it (meaning FDI) exerts better growth-enhancement effect on the economy of the host country than domestic investment (Balasubramanyam et al. 1996, 101; Neuhaus 2006, 154; Wang 2009, 996). FDI is also found to have highly contributed to economic growth in the „emerging European countries“ after they became member states of the EU (Josifidis et al. 2012, 174). EU-origin FDI happened to be more productive than FDI originating from outside the EU, in the sense that the first offers more beneficial effects for domestic firms of the host country. In part, this may be explained by the process of EU integration, which grants firms from the EU a preferential status in the acceding countries over the others, non-EU firms (Monastiriotis 2014, 30). Hence, prospects of EU membership seem to have had a positive impact on economic growth of the acceding countries. Nonetheless, the EU integration process brings about greater economic openness, which is an important factor for foreign investors (Josifidis et al. 2012, 173–174). In addition, it was also found that FDI is positively correlated with the increase of export (Yao 2006, 348–349; Pelinescu and Rădulescu 2009, 160; Gallova and Stavárek 2010, 497) via enhancing its structure, whereat adding more high-added value to it, making it more technologically advanced and therefore competitive (Pelinescu and Rădulescu 2009, 160). Furthermore, in terms of determinants that FDI (inflows) are to a more or less degree contingent on, it was found to be influenced by the following factors:

- quality of institutions and democratic governance⁷² (Jude and Levieuge 2013,16–17; Hunya and Geishecker 2005, 1),
- functional market economy (Hunya and Geishecker 2005, 1),
- macroeconomic stability (Görg and Greenaway 2004, 189–190; Neuhaus 2006, 151; Josifidis et al. 2012, 170),

(investing) firms are also expected to have better productivity and efficiency than domestic firms (in a host country) due to being superior in technology and management (Borensztein et al. 1995, 18).

⁷¹ However, the authors also found that technological transfer from the source to the recipient country enabled by FDI does not imply that the latter will surely take advantage of it. This is because developing countries are less efficient in absorbing new technologies (De Mello 1997, 30). Developed recipient countries benefit far more from the transfer of technology enabled by FDI spill-overs than developing countries (Xu 2000, 491).

⁷² The authors stress the quality of institutions and democratic governance as determining factors for enabling positive spill-overs of FDI, such as transfer of technology and improved productivity (Jude and Levieuge 2013, 16–17).

- overall investment environment⁷³ (Neuhaus 2006, 151),
- FDI-friendly economic policies⁷⁴ (Balasubramanyam et al. 1996; Fidrmuc and Martin 2011; Acaravci and Ozturk 2012),
- FDI incentives (Blomström and Kokko 2003; Angelopoulou and Liargovas 2014),⁷⁵
- economic openness⁷⁶ (Fillat and Woerz 2011, 321–322; Angelopoulou and Liargovas 2014, 491; Curwin and Mahutga 2014, 1170)⁷⁷ and integration (Marasco 2007, 10),⁷⁸
- level of development of the financial system (Hermes and Lensink 2003, 21; Kotrajaras et al. 2011, 198),
- successfulness of privatisation (Apergis et al. 2004, 11),
- level of productivity of domestic enterprises⁷⁹ (Djankov and Hoekman 2000, 61),
- openness to trade (Kotrajaras et al. 2011, 198),
- market size (Neuhaus 2006, 151; Mottaleb 2007, 9–10),
- political system and stability⁸⁰ (Neuhaus 2006, 151; Josifidis et al. 2012, 170; Jude and Levieuge 2013, 16–17),
- regional stability⁸¹ (Hunya and Geishecker 2005, 1; Bajo-Rubio et al. 2007, 11),
- quality of legislation (Josifidis et al. 2012, 170),
- quality of infrastructure (Görg and Greenaway 2004, 189–190; Mottaleb 2007, 9–10; Hudea and Stancu 2012, 100; Josifidis et al. 2012, 170),
- level of corruption⁸² (Hunya and Geishecker 2005, 1; Kotrajaras et al. 2011, 198),

⁷³ The larger the market and the better the investment-friendly environment, the more likely the foreign investors will come to invest (Neuhaus 2006, 151).

⁷⁴ Based on the obtained results, it is very much important for countries to devise policies that would help attract FDI (Acaravci and Ozturk 2012, 64) and create the investment-friendly and export-promoting business environment (Balasubramanyam et al. 1996, 95–96; Fidrmuc and Martin 2011, 79). In that sense, the focus should be on: free trade, tax incentives, human capital, financial system, market regulations and infrastructure (Acaravci and Ozturk 2012, 64).

⁷⁵ Angelopoulou and Liargovas (2014, 492) suggest that in order to be more successful in attracting FDI, the transitional countries need to provide various incentives to stimulate attraction of inward FDI, and overall enhance their integration with economically advanced European countries.

⁷⁶ Carkovic and Levine in Moran et al. (2005, 211) argue that economic openness is relevant but still not a necessary precondition for enabling positive spill-overs from FDI.

⁷⁷ Curwin and Mahutga (2014, 1170) use the term trade openness (instead of economic openness) in explaining its positive effect on economic growth.

⁷⁸ Marasco (2007, 10) found that the higher level of economic integration, the more likely it is that FDI will have a positive impact on economic growth (of a host country).

⁷⁹ Djankov and Hoekman (2000, 61) found that foreign investors rather choose to invest in firms with higher productivity.

⁸⁰ Possibility of outbreak of a military conflict, ethnical tensions or a notable influence of the military in politics are the factors that dissuade potential foreign investors from investing (Jude and Levieuge 2013, 16–17). The authors further argue that not all types of FDI equally response to political or economic instability (Lensink and Morrissey 2001, 24). For instance, FDI in manufacturing sector is more crisis-sensitive than in natural resource extraction sector (Lensink and Morrissey 2001, 25).

⁸¹ The more stable the regions, the more FDI they are likely to attract (Bajo-Rubio et al. 2007, 11).

- investment in education (Kotrajaras et al. 2011, 198; Hudea and Stancu 2012, 100),
- labour cost (Görg and Greenaway 2004, 189–190; Hunya and Geishecker 2005, 1; Neuhaus 2006, 151),
- geographical proximity to the country of origin of FDI (Görg and Greenaway 2004, 186),
- domestic investment⁸³ (Angelopoulou and Liargovas 2014, 491; Fillat and Woerz 2011, 321–322), and
- level of inflation (Angelopoulou and Liargovas 2014).⁸⁴

Still, Soleimani and Behname (2012, 71, 72) argue that human capital, stock capital, infrastructure and openness to trade are the most significant determinants of FDI.⁸⁵ However, it needs to be noted that most studies investigating whether there is a linkage between FDI and economic growth point to the fact that positive effect of FDI on economic growth is mainly contingent on the absorptive capacity of the host countries (Farkas 2012, 4). Apart from the noted, it is also worth mentioning that Fillat and Woerz (2011, 321–322) found that the beneficial effect does not so depend on the volume of attracted FDI alone, as on which specific industrial sectors receive FDI. In this regard, the authors argue that FDI would give the best growth-enhancement effect in industries that are labour and resource intensive. Hence, the policy-makers should equally concentrate on creating favourable conditions for enhancing domestic, inasmuch as foreign investment (Fillat and Woerz 2011, 321–322).

To conclude, the most beneficial effects of (inward) FDI are: providing new capital, raising employment, enabling transfer of technology, business know-how and modern management, improving labour force skills, and positively contributing to industrial restructuring and development and the overall economic restructuring. In addition, FDI has shown beneficial in stimulating structural policies in the host country, enabling direct access to new markets, improving balance of payment, enhancing internal competition and overall competitiveness,

⁸² Middle-income countries with relatively high prevalence of corruption, despite a satisfying level of financial development and openness to trade, will not attract as much FDI as they otherwise would (Kotrajaras et al. 2011, 198).

⁸³ Angelopoulou and Liargovas (2014, 491) and Fillat and Woerz (2011, 321–322) found that domestic investment is positively associated with the attraction of FDI, especially in developing and the transitional countries. Johnson (2006, 44), Sapienza (2010, 133) and Curwin and Mahutga (2014, 1160, 1179) additionally found that the level of domestic investment is too positively correlated with the overall economic growth (in developing countries).

⁸⁴ The authors found that a decrease of inflation is also positively correlated with FDI (Angelopoulou and Liargovas 2014, 491).

⁸⁵ Blomström et al. (1996, 275–276) argue that apart from FDI, economic growth is also influenced by: the level of institutional development, overall political and economic stability, the number of population and its growth prospects, share of secondary school graduates in the total working-age population, and geographical distance between the countries.

and positively influencing the overall transition process. In order to attract as higher volume of FDI as possible, countries need to: improve the quality of institutions and overall democratic governance, then macroeconomic stability, overall investment environment, level of development of the financial system, openness to trade, political stability, quality of infrastructure, quality of regulatory framework, and increase incentives and investing in education, among other things.

In terms of outward FDI, it was found that it has a highly positive impact on economic growth too (Svetlicic 2007, 80; Jaklič 2011, 6). Outward FDI has produced a strong beneficial effect on industrial restructuring⁸⁶ (Jaklič 2011, 6), helped enhance domestic competitiveness, diversify product line-up and generate employment both at home as well as in the host country (Svetlicic 2007, 80).⁸⁷

3.6 Emerging markets and economic growth

3.6.1 Introductory notes

In this chapter will be presented the origin of the term – emerging market(s), and then the importance of emerging markets primarily from the perspective of their fast growing economies, rising global role, and most importantly business opportunities they offer, many of which being vast markets, with huge populations whose purchasing power is on a constant rise, and looking for lucrative investment opportunities abroad. Rising attention about them (both in academia and in world of business) in the sense of what they offer and mean in business terms mainly coincided with the emergence of the 2007/'08 world economic and financial crisis, when many demonstrated surprisingly strong resilience to the crisis, what has become equally important both for developing and high-income countries too, especially amid global shrinkage of economic activity and the related fallen demand for export goods, and decreased inflow of foreign investment too.⁸⁸ Since in the available literature although the term emerging market(s) is generally accepted and most commonly used, other terms are in use too, such as emerging economies or countries; so in this research all these terms will be used interchangeably, despite referring to the same thing.

⁸⁶ In case of Slovenia, of both large firms and SMEs alike (Jaklič 2011, 6).

⁸⁷ Also in terms of Slovenia.

⁸⁸ A detailed elaboration on Russia, Turkey and China, as relevant emerging markets for this research will be given in the empirical part of the dissertation.

3.6.2 On emerging markets, their attractiveness and growing global importance

The term “emerging market” was initially coined at the end of the 1980s by Antoine van Agtmeal, a World Bank economist (Cavusgil et al. 2013, 3). He argued that what differentiates emerging from all developing countries in general is striving of the first to reach and sustain the level of development of the high-income countries (Cavusgil et al. 2013, 5). Similar reasoning is also shared by Cavusgil et al. (2013, 5) who define emerging economies as “countries which are in a transition phase from developing to developed markets due to rapid growth and industrialization.” They further note that what characterises emerging economies is primarily their resoluteness to conduct economic reform and achieve sustainable economic growth, decrease poverty, develop and improve infrastructure,⁸⁹ as well as to foster international economic integration (Cavusgil et al. 2013, 5).

In terms of what countries/markets can be classified as emerging, opinion on that generally differs among authors (Czinkota et al. 2011, 258). In Table 3.1 below is given illustration of various authors/sources’ comprehension as to what countries are regarded (as) emerging markets.

Table 3.1: Comprehension of various authors/sources as to what countries are regarded (as) emerging markets

| Garten 1997 | Czinkota, Ronkainen and Moffett 2011 | IMF 2015 | MSCI | FTSE Russell | |
|-------------|--------------------------------------|------------|-----------|----------------|-------------|
| | | | | Advanced | Secondary |
| Argentina | Argentina | Argentina | Brazil | Brazil | Chile |
| Brazil | Brazil | Bangladesh | Chile | Czech Republic | China |
| China | China | Brazil | China | Greece | Colombia |
| India | India | Bulgaria | Colombia | Hungary | Egypt |
| Indonesia | Indonesia | Chile | Czech R. | Malaysia | India |
| Mexico | | China | Egypt | Mexico | Indonesia |
| Poland | | Colombia | Greece | Poland | Pakistan |
| SAR | | Hungary | Hungary | SAR | Peru |
| South Korea | | India | India | Taiwan | Phillipines |
| Turkey | | Indonesia | Indonesia | Thailand | Qatar |
| | | Malaysia | Korea | Turkey | Russia |
| | | Mexico | Malaysia | | UAE |
| | | Pakistan | Mexico | | |
| | | Peru | Peru | | |

⁸⁹ Poor infrastructure in the emerging markets is regarded an impediment to business development (Czinkota et al. 2011, 265). In addition, other areas that need to be arranged in terms of creating better business environment in the emerging markets are: intellectual property rights, bureaucracy and distribution channels (Khanna and Palepu 2010, 5), among others.

| | | | | | |
|--|--|-------------|-------------|--|--|
| | | Philippines | Philippines | | |
| | | Poland | Poland | | |
| | | Romania | Qatar | | |
| | | Russia | Russia | | |
| | | SAR | SAR | | |
| | | Thailand | Taiwan | | |
| | | Turkey | Thailand | | |
| | | Ukraine | Turkey | | |
| | | Venezuela | UAE | | |

Source: Garten (1997, 3); Czinkota et al. (2011, 258); International Monetary Fund (2015, 149–151); Morgan Stanley Capital International

Note 1: SAR stands for South African Republic

Note 2: UAE stands for United Arab Emirates

One of first classifications was given by Garten (1997, 3), who in 1997 classified the following ten as big emerging economies: Mexico, Brazil, Argentina, South African Republic, Poland, Turkey, India, Indonesia, China, and South Korea. Another classification was offered by Czinkota et al. (2011, 258), who (at the time) classified China, India, Brazil, Argentina, and Indonesia as large emerging countries.⁹⁰ Furthermore, the International Monetary Fund's list encompasses the following twenty-three countries/economies as emerging: Argentina, Bangladesh, Brazil, Bulgaria, Chile, China, Colombia, Hungary, India, Indonesia, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Romania, Russia, South Africa, Thailand, Turkey, Ukraine, and Venezuela (International Monetary Fund 2015). Likewise, Morgan Stanley Capital International (MSCI) list also includes twenty-three: In Americas: Brazil, Chile, Colombia, Mexico, and Peru; In Europe and the Middle East: Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa, Turkey, and United Arab Emirates; In Asia: China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand (MSCI). On the other side, FTSE Russell list distinguishes between advanced emerging markets (Brazil, Czech Republic, Greece, Hungary, Malaysia, Mexico, Poland, South Africa, Taiwan, Thailand, and Turkey) and secondary emerging markets (Chile, China, Colombia, Egypt, India, Indonesia, Pakistan, Peru, Philippines, Qatar, Russia, and United Arab Emirates) (FTSE Annual Country Classification Review 2016).

[Over time and especially in years following the 2007/'08 world economic and financial crisis], the emerging markets have become very attractive in terms of doing business (Khanna and Palepu 2010, 1; Cavusgil et al. 2013, 1). Number of enterprises [of which vast majority is

⁹⁰ They also note that Russia, as well as other countries of the former Soviet bloc are often regarded as transitional, implying they are in transition from being centrally planned to becoming market economies (Czinkota et al. 2011, 258). However, the authors do not specify whether the countries they mark as „transitional“ are at the same time regarded as „emerging“ or not.

Western] which are orienting towards the emerging markets in quest for new business (Czinkota et al. 2011, 258) and investment opportunities alike is constantly increasing (Ciravegna et al. (2014, 1). Especially attractive are those (emerging markets) which have large populations whose purchasing power is constantly increasing, such as China, Russia, India, Brazil and Indonesia, and those with good business prospects overall (Czinkota et al. 2011, 258). It is estimated that more than 20,000 companies from all over the world are involved in doing business in/with the emerging economies/markets (Eyring et al. 2011, 1). Famous global companies such as Nestlé, McDonald's and General Electric are just some of many which managed to spread out their business network by exploiting great consumer potential in the emerging markets (Ciravegna et al. 2014, 2). [It is widely regarded] that doing business in/with the emerging economies is likely to positively affect enterprise competitiveness (Gupta and Wang in Gupta et al. 2012, 3).

Likewise, emerging countries are increasingly investing abroad (Ciravegna et al. 2014, 2), especially Brazil, China, India and Russia (Globerman and Shapiro in Sauvant 2008, 229),⁹¹ in that way stimulating global economic activity. Large Western automobile manufacturers such as Volvo and Land Rover still exist today largely thanks to the investors from the emerging countries/markets (Ciravegna et al. 2014, 2). In line with that, it is also worth noting the acquisition of American IT company IBM by Chinese Lenovo in 2004, and of the UK's famous automobile brands Jaguar and Land Rover by Indian Tata Motors in 2008 (Khanna and Palepu 2010, 5). By insight into the available literature, it was found that the following factors determine successfulness of internationalisation of the emerging markets multinational companies:

- managerial ability (Kotabe and Kothari 2016; Luo and Zhang 2016; Luo and Tung 2018),
- outward FDI strategy (Luo and Zhang 2016),
- quality of human resources (Luo and Zhang 2016; Luo and Tung 2018),
- marketing (Luo and Zhang 2016),
- quality of institutions (Gaur et al. 2014, Li and Oh 2016, Luo and Zhang 2016; Buckley and Tian 2017),
- ability to be innovative (Kumar et al. 2013; Kotabe and Kothari 2016, Buckley and Tian 2017),

⁹¹ Many researches made disclosed a positive causality between outward FDI and economic growth of the investing country (Globerman and Shapiro in Sauvant 2008, 229).

- ability to overcome cultural differences (Luo and Zhang 2016; Luo and Tung 2018),
- choice of location (Hernandez and Guillén 2018),
- market entry modes (Hernandez and Guillén 2018),
- pace of international expansion (Hernandez and Guillén 2018), and
- ability to take advantage of available assistance of the home country's institutions (Gaur et al. 2014).

Cavusgil et al. (2013, 2–3) argue that businesswise advantageous characteristics of the emerging economies/markets are the following: (1) large populations (more than two-thirds of the world's total population live in the emerging countries), (2) rapid GDP growth that is generally higher than that of developed countries, (3) increasing purchasing power of the population, (4) low-cost work force, (5) intense investment in transport and communication infrastructure, (6) simplified legal framework for business and inward FDI-friendly business environment, (7) growing number of highly educated professionals, many of whom obtained education abroad and possess knowledge of foreign languages, (8) access to sophisticated technology and contemporary management, and (9) manageable risk. Overall, both developed and emerging economies benefit from their mutual cooperation (Khanna and Palepu 2010, 8). The latter primarily benefit from the inflow of FDI (from the first), what is likely to result in the increase of export and indirectly economic growth, whereas the main benefit of the first lies in fostering and expansion of business and trade internationally (Czinkota et al. 2011, 257–258).

There is a general consensus that in the coming years the centre of gravity in economic terms will shift from developed (on)to the emerging countries/markets (Gupta and Wang in Gupta et al. 2012, 3), and that the latter will be the main drivers of global economic growth (Garten 1997, 3; Khanna and Palepu 2010, 1; Kose and Prasad 2010, xiii, 1; Cavusgil et al. 2013, 1; Ciravegna et al. 2014, 1), especially those from Asia (Gupta and Wang in Gupta et al. 2012, 3). This is largely so because of a deteriorating global influence of, so to say, “old” industrial countries such as the United Kingdom, France and Italy, while at the same time the emerging economies' stature on the world stage is growing (Ciravegna et al. 2014, 2).⁹² Facts that go in favour of an argument like this is that in the period 2008–2013 [which, by the way, coincides with the world economic crisis] the emerging economies have contributed to 80 % of global

⁹² It is especially the BRIICS emerging economies (Brazil, Russia, India, Indonesia and China) which have gained in prominence on the global stage and in negotiations at international trade organisations such as the WTO (Reyes et al. in OECD 2008, 13).

economic growth and global foreign monetary reserves as well (Ciravegna et al. 2014, 2). Hence a widespread belief that emerging markets will have a particularly important say when it comes to global financial issues (Czinkota et al. 2011, 644). Even prior to the eruption of the 2007/'08 world economic and financial crisis, many were firm in their belief that emerging economies would buffer well consequences of potential economic disturbances originating in the developed countries (Kose and Prasad 2010, xiii). When the crisis indeed happened, many companies from high-income countries started to increasingly orient towards the emerging markets, looking for business opportunities (Ciravegna et al. 2014, 9), as forecasts that emerging economies would prove more resilient to the effects of the crisis than developed countries turned out to be true (Kose and Prasad 2010, 4). Some authors like Khanna and Palepu (2010, 5) argue that the 2007/'08 global economic crisis only speeded up the rise of new emerging economies as new dominant players in the world economy. According to the Economist magazine, many Western companies predict that in the coming years 70 % of their growth will be made thanks to spreading out business into the emerging markets (Eyring, Johnson and Nair in Harvard Business Review 2011, 1). [Needless to say that in carrying out their business endeavours they will actively exploit (advantages of) commercial diplomacy services]. In this way the emerging markets are helping expedite globalisation (Kose and Prasad 2010, 1), which (meaning globalisation) reversely is being contributing to gradual elimination of barriers to trade and investment (Khanna and Palepu 2010, 3).

In addition, in light of current globalisation pushback and trade war between the United States and China, the relationship between the emerging economies, on one side, and the United States alone and other developed countries, on the other, and between the emerging economies themselves, will shape new trends in global economy and certainly bring about new balance of power and change in policy priorities. From the perspective of a researcher, it remains to be seen how big those changes will be both for emerging, i.e. developing and developed countries, and how large impact they will produce.

4 Serbia in transition – obstacles and challenges

4.1 Introductory notes

In this chapter will be outlined main obstacles and challenges that Serbia has been facing during its transition into a stable democracy and a functional market economy.⁹³ Special emphasis will be on examining whether Serbia is overly contingent, and hence exposed to high risk in times of economic crises, on the markets of EU and CEFTA, both in terms of export and investment.

The first part of the chapter will cover the period of the 1990s. Initially will be described the events and state of affairs which preceded Milošević's coming into power, then his authoritarian rule throughout the entire decade (1990–2000) during which he managed to maintain power mainly by resorting to intimidation, manipulation and electoral fraud, as well as consequences of international sanctions imposed on Serbia yet in the early 1990s, with emphasis on raging inflation, at that time being the 2nd largest in economic history. Attempts of curbing the (hyper)inflation and setting the basis for privatisation after the Avramović's programme, then Kosovo crisis followed by NATO bombing, as well as social stratification and break up of truncated Yugoslavia, are the topics that will be touched upon too.

The second part will deal with the core of the issue in relation to the research. It starts with a short reminder of the October 5th (2000) revolution which designated Milošević's final fall, touches upon normalisation of relations with the EU, then focuses on main economic obstacles and issues. Special emphasis is put on testing whether and to what degree Serbia is really contingent on the EU and CEFTA markets in terms of export and investment, both inward and outward. All that will help explain the factors which impeded Serbia's internationalisation.

4.2 The period of the 1990s

4.2.1 Milošević's coming/rise (in)to power

Djilas (1993, 81) described Milošević as of limited intellectual capacities and eloquence, whose politics was primarily based on fear and oratory dominated by belligerent tone and “ritual formulas”. The “banality triumphant” as the author otherwise dubbed [the tyrant] also

⁹³ In essence, transition in economic terms implies a complete change of economic system from centrally-planned, state-owned to market economy, with guaranteed rights to private ownership (Cerović 2012, 27). Main objectives that countries in transition are expected to do are: (1) macroeconomic stabilisation, (2) establishment of institutional framework for normal functioning of the market economy, (3) restructuring of enterprises and firms, (4) liberalisation and deregulation (Cerović 2012, 40). Transitional countries generally have problems with curbing large budget deficit due to inherited policy from the socialist times of giving substantial subsidies to enterprises (Cerović 2012, 37).

noted that his (meaning of Milošević) collection of speeches and interviews published yet in 1989 [prior to the onset of a series of tragic events in the former Yugoslavia] is strongly reminiscent of the so-called Red Book of the former China's leader Mao Zedong, in terms of arrogance, simplicity and relativisation [shallowness in other words] being expressed (Stojiljković 2011, 44). [In the manner of a typical dictator Milošević resorted to populist nationalistic rhetoric to amass broad public support, what will eventually bring him into power a few years later]. Paving his road to power, in September 1990, only a few months before first democratic multi-party elections, Milošević found way to purposely bypass the opposition by adopting a new constitution of Serbia (Antonić in Goati 1995, 27). [Taking advantage of the momentum of dissolution of the former Yugoslavia and awoken ethnocentric sentiments, diligently orchestrated and purposely fueled nationalistic hysteria] in the early 1990s enabled Milošević victory at literally all levels (federal, republic and local) and consolidation of absolute power across the entire truncated new country.⁹⁴ The then opposition stayed mainly fragmented (Antonić in Goati 1995, 34) and disunited (Uvalić 2012, 67), what only went in favour of Milošević to boost his power even more.⁹⁵ [Hoping to gain broad public support and, so to say, legitimise the autocratic regime] Milošević went on to position some of the most imminent Serbian intellectuals and businessmen at the time, like Dobrica Ćosić, a famous writer, who became the first President of the truncated FR Yugoslavia,⁹⁶ and Milan Panić, a businessman, who became the new federal prime minister. However, when both Ćosić and Panić showed open discord with Milošević's politics, not much time passed until they were forced to resign (Thomas 1999, 123, 130; Uvalić 2012, 68). The generally known tragic sequence of events that consequently followed brought about growing massive country-wide pauperisation and injustice that the regime was responsible for. In 1996–1997 public demonstrations broke out which lasted exactly 100 days. It happened several times that Milošević resorted to force to disperse the protests (Uvalić 2012, 97–98). [In all his brutality], Milošević did not hesitate to apply hard force (by sending police and military forces on protesting people) in order to curb the demonstrations (Uvalić 2012, 67). Moreover, his regime liquidated those political opponents who were regarded (as) a

⁹⁴ Milošević came to power in December 1990 when the Socialist Party of Serbia (SPS) won the elections. He was effectively in power from 1990 to 2000. A detailed description of his rise to power was given by Doder and Branson (1999) and Gordy (1999) who also elaborated the culture of power in Serbia, then Morus (2007) who also wrote about his nationalist rhetoric, Vladislavljevic (2004), et al. In addition, Silber (1996) wrote about Milošević's politics and the role he played during the construction of the Dayton Peace Agreement in 1995.

⁹⁵ In further consolidation of Milošević's power actively took part his wife Mirjana Marković, who in 1994 established a new political party „JUL“, whose narrowest leadership was composed of immensely wealthy plutocrats, who developed a „client-patron relationship“ with the political authorities (Thomas 1999, 230).

⁹⁶ The Constitution of the (truncated) FR Yugoslavia was adopted on 27 April 1992.

threat to the regime, including even very members of the regime who were believed to be disobedient (Babić in Zucconi 2000). The scope of crime and general injustice was so prevalent in the country that people generally became indifferent to it (Dinkić 1995, 249–250). After two mandates of being President of Serbia, in 1997 Milošević was elected as President of the FR Yugoslavia.⁹⁷

4.2.2 Imposition of sanctions on FR Yugoslavia by the international community

In 1992 and 1993, due to being accused for taking part in the war in Bosnia and Herzegovina, the United Nations (Security Council) voted for imposition of economic sanctions on the FR Yugoslavia that were expanded, i.e. broadened several times.⁹⁸ The sanctions made that international land, air⁹⁹ and water (trade) transport across the territory of the FR Yugoslavia be banned and financial assets in banks and companies abroad frozen. Even payment of foreign pensions was stalled (Uvalić 2012, 71–73). Membership of the country in main international organisations, such as the United Nations, International Monetary Fund, World Bank, Conference on Security and Cooperation in Europe (forerunner of the OSCE – Organisation on Security and Cooperation in Europe), and the General Agreement on Tariffs and Trade (forerunner of the World Trade Organisation) was either frozen or ended. In November 1991 the European Community suspended the trade preferential agreement it concluded with the former Yugoslavia yet in 1980¹⁰⁰ (Uvalić 2012, 72). The country was also excluded from the EU-funded PHARE programme of financial assistance aimed for development in transition of the post-communist countries of Central and Eastern Europe (Uvalić 2012, 281). Autonomous trade measures granted to the Western Balkans did not apply for the FR Yugoslavia, the only exception being aluminum – Montenegro's main export product (Uvalić 2012, 162).¹⁰¹

⁹⁷ Prior to running for the President of FR Yugoslavia Milošević changed the electoral law so that it enable his victory more easily (Thomas 1999, 275).

⁹⁸ By Resolutions 752 and 757, and subsequently by Resolution 777 from September 1992, Resolution 787 from November 1992, and Resolution 820 from April 1993. Scharf and Dorosin (1993, 825–826) argued that the case of Yugoslavia, i.e. its UN-based Sanctions Committee was one in a row which served to be shown that the United Nations Sanctions Committees (generally) have an influential role in defining and interpreting sanctions resolutions.

⁹⁹ The Belgrade international airport was closed for almost three years (Uvalić 2012, 21–22).

¹⁰⁰ While the sanctions were in force, the FR Yugoslavia did receive humanitarian aid aimed for the refugees from Bosnia and Herzegovina and Croatia (about 500,000 of them) and internally displaced persons from Kosovo (about 200,000 of them). The European Union approved limited funds for the local communities where democratic opposition was in power under the energy- and education-related projects (Uvalić 2012, 108).

¹⁰¹ By this act the EU rewarded Montenegro for voting against the Milošević's regime in the 1997 elections (Uvalić 2012, 162).

4.2.3 Emergence of hyperinflation

Since under sanctions the country did not have access to external sources of financing, it resorted to uncontrolled money emission to neutralise budgetary deficit, what only led to inflation, which resultantly further decreased state revenues, what again required further (monetary) emission, opening the vicious circle¹⁰² (Uvalić 2012, 77). In line with this reasoning, Petrović et al. (1999, 335, 350) argues that the Yugoslav hyperinflation happened as a consequence of excessive money supply/growth to cover various deficits which occurred amid various processes related to dissolution of the former country. Increased money supply and currency/exchange rate depreciation [between 1991 and 1993/4] resulted in inflation which eventually turned into one of the highest and longest hyperinflations ever recorded (also in Petrović and Vujošević 1996¹⁰³). In combination with stagnation it turned into hyperstagflation, at that time being the second largest and longest in duration ever recorded in economic history¹⁰⁴ (Petrović et al. 1999). In 1991 a monthly inflation rate was about 10 %; in early 1992 it surpassed 50 %; in 1993 it increased from 200 % in the first months to 180,000 % in December, reaching the record high of 313,000,000 % in January 1994. (Petrović in Crnobrnja and Papić 1996, 174). Hyperinflation devalued citizens' savings (in dinar) and caused that domestic currency generally ceased to be used as means of payment. The then German mark (DEM) had become the predominantly used currency in the country. Black exchange market flourished¹⁰⁵ (Uvalić 2012, 80).

It (meaning hyperinflation) was finally put under control by the stabilisation programme in January 1994 (the so-called „24 January programme“), devised by Dragoslav Avramović, which stopped further emission of the old dinar. One of the most laudable programme measures was creation of the „superdinar“, with the new exchange rate of 1 dinar = 1 DEM¹⁰⁶ (Avramović 1995). The programme was successful in the short-term. Hyperinflation started to decrease, as did fall of industrial production (Avramović 1995, 9). Only three months after the programme was launched, the country's foreign reserves increased to 600 million DEM

¹⁰² This is known as the Olivera-Tanzi effect (Uvalić 2012, 77).

¹⁰³ Petrović and Vujošević (1996) also elaborated on monetary dynamics during the time of hyperinflation, as well as did Petrović and Mladenović (2000) who investigated money demand and exchange rate determination.

¹⁰⁴ The largest hyperinflation was in Hungary in 1945–1946. In 2008 hyperinflation in Zimbabwe reached a new record high, having officially become the largest ever (Petrović et al 1999).

¹⁰⁵ Dinkić (1995, 82–83) even argues that as people lost trust in banks and authorities in general yet in the early 1990s, in order to get into possession of the citizens' home-kept foreign savings, the state purposely resorted to uncontrolled emission of money to get the citizens' savings in dinar devalued, whereby forcing them to exchange their foreign currency reserves for dinars at the black market.

¹⁰⁶ The new exchange rate was backed by 350 million DEM worth foreign reserves and the Currency Board (Avramović 1995). The old dinars remained in circulation simply because there was not enough foreign currency available at the exchange market for exchange of the old dinars (Uvalić 2012, 83).

(Uvalić 2012, 84). However, positive effects of the stabilisation programme did not last long, as the pace of monetary emission and hence the volume of money in circulation exceeded the volume of stocked foreign currency reserves it could be backed with, and the Currency Board was dissolved too (Uvalić 2012, 84; Petrović in Crnobrnja and Papić 1996). So, less than three years since the former Yugoslav Prime Minister Ante Marković brought his stabilisation programme, which, among other things, made that the exchange rate of dinar relative to German mark be 1 to 7 (1 DEM = 7 dinars), dinar depreciated so that 1 DEM could be exchanged for 1200 dinars (or in percentages, depreciation of dinar was 99,4 %) (Uvalić 1993).

4.2.4 Emergence of a new class of „war entrepreneurs“

Throughout the course of the 1990s a whole new class of immensely wealthy entrepreneurs emerged. This new, quasi economic elite, predominantly composed of directors of large public companies and banks, got immensely wealthy especially during early privatisation (Bošnjak 2005, 146–147), primarily thanks to close relations with the regime, which gave it/them monopoly status in trading with abroad through illegal channels in return for part of acquired wealth (Miljković and Hoare in Ramet and Pavlaković 2005, 195, 196; Pavlaković in Ramet and Pavlaković 2005, 22; Mladenovic 2014, 11–12). They were generally called „war profiteers“ (Babić in Zucconi 2000). It is worth noting that about two-thirds of this new economic elite came from the top of the former socialist/communist nomenclature (Lazić 2011, 131; Mladenovic 2014,11–12).

[Another way by which a tiny minority connected with the regime got extremely rich was by means of establishing (quasi) private banks which in times of raging hyperinflation offered unrealistically high interest rates to frivolous and uninformed citizens. The most conspicuous examples of those are Karić Bank, Jugoskandik Bank and Dafiment Bank.] In 1991 a newly established Karić Bank started selling securities with maturity term of 30 days, at the annual interest rate of 45 %. Despite raging inflation, many frivolous citizens bought the securities (in dinars) and soon after lost the invested money, as inflation grew at the rate much higher than the interest rate, while the bank [by exchanging dinars for foreign currency] got the profit (Dinkić 1995, 70–73). In early 1991 Jezdimir Vasiljević established Jugoskandik bank offering a 10 % monthly interest rate on foreign currency savings (Dinkić 1995, 31). In late 1991 Dafina Milanović established Dafiment bank offering monthly interest rate for dinar savings in the amount of 100–120 % and 15–17 % for savings in foreign currency. The bank

was closed a few months after and a large number of frivolous citizens got deprived of their savings (Dinkić 1995).

There are credible indications to believe that the establishment of these banks was purposely orchestrated by the state authorities with the aim to dispossess the people of their remaining foreign currency savings (Miljković and Hoare in Ramet and Pavlaković 2005, 197), the country was desperately in need of.

4.2.5 Abolition of the sanctions and normalisation of relations with the EU

Following signing of the Dayton Peace Agreement, which ended the civil war in Bosnia and Herzegovina, the UN Security Council¹⁰⁷ brought about partial abolishment of the sanctions, conditioned on respect for the agreement. Final abolishment of all sanctions eventually happened on 1 October 1996.¹⁰⁸ Overall, the country was under sanctions from 30 May 1992 to 1 October 1996 (Uvalić 2012, 73). However, given that some countries like the United States were still unwilling to normalise relations with the FR Yugoslavia entirely because of still unsolved succession issue with other former Yugoslav republics, now independent states, despite official removal of the sanctions by the UN, the so-called „external wall“ still remained in force, meaning that Serbia was banned access to main international (financial) organisations¹⁰⁹ (Uvalić 2012, 73–74).

The European Bank for Reconstruction and Development (EBRD) was the first financial institution that allowed the FR Yugoslavia to enter into its membership¹¹⁰ (Uvalić 2012, 175). In November 2000, on the occasion of a visit of the then President of the European Commission Romano Prodi to Belgrade, a framework agreement between the FR Yugoslavia and the EU was signed, which served as the basis for further relations between the two parties. The country was eventually granted a trade preferential status, and in 2001 was officially included in the Stabilisation and Association Process (Uvalić 2012, 175–176).¹¹¹

¹⁰⁷ By Resolution 1022.

¹⁰⁸ When the UN (Security Council) passed the Resolution 1027.

¹⁰⁹ Removal of the „external wall“ was conditioned by getting the succession issue solved, respect for the Dayton Peace Agreement which brought peace to Bosnia and Herzegovina, and cooperation with the International Criminal Tribunal for War Crimes in the Hague, the Netherlands (Uvalić 2012, 73–74).

¹¹⁰ Membership was accepted in December 2000 and came into force in January 2001, followed by the membership approval by the International Monetary Fund (IMF), World Bank and the European Investment Bank (EIB) soon after (Uvalić 2012, 175).

¹¹¹ EU integration of Serbia is described in detail in Ristić (2009), Andrejevic and Vucenov (2011), Beraha et al. in Radović-Marković et al. (2011), Redžepagić and Đukić in Teixeira et al. (2012), Uvalić (2012, 281–316), Stahl (2013), etc.

4.2.6 Consequences of the sanctions

The sanctions of the United Nations and the European Union that remained in force throughout most of the 1990s brought about complete isolation of the country, what only further undermined the process of democratisation, particularly institutional building. The country was prohibited from taking part in financial assistance programmes of the EU (unlike other European former communist countries which were granted preferential access to a large EU market, and took advantage of other numerous privileges under the Association Agreements which the EU concluded with them yet in the early phase of their European integration process) and other international financial institutions and organisations, such as the World Bank and the European Bank for Reconstruction and Development (EBRD) (Uvalić 2012, 22). The sanctions were not only detrimental for trade flows, but they also brought down to zero the volume of inward foreign investment (Uvalić 2012, 21). Consequently, whole export industries were destroyed, prohibition to get into possession of spare machine parts from abroad made industrial modernisation impossible, amid which output goods became obsolete and uncompetitive (Uvalić 2005; Cerović 2012, 504). Domestic revenues decreased rapidly, being additionally depreciated by raging inflation (Uvalić 2012, 76–77). In addition, ordinary citizens of the FR Yugoslavia (what was not the case with the countries of Central and Eastern Europe), could not travel abroad freely due to highly restrictive visa regime introduced yet in late 1991 (Uvalić 2012, 21). Isolation they were exposed to left a deep imprint on the way they perceived the country and the outside world. They were constantly exposed to selective information by the controlled media purposely geared at heating up strong nationalistic feelings in people. Instead of celebrating freedom and openness to the outside world like did people in other former communist countries of Central and Eastern Europe, people in Serbia were kept in poverty and isolation, what had a particularly detrimental impact on young generations (Miljković and Hoare in Ramet and Pavlaković 2005, 194).

To conclude, the events during the course of the 1990s resulted in deep social stratification in Serbia. Society was divided between a small number of immensely wealthy quasi-elite, on one side, and large masses of impoverished people, on the other (Uvalić 2012, 127). The middle class almost disappeared (Filipović 2012, 146–147). At the end of 1999 63 % of total population was considered poor¹¹² (Economist Intelligence Unit 2000). To massive pauperisation of the people also contributed the fact that yet in early 1991 the federal

¹¹² Those with per capita monthly income of 60 USD or less are considered poor.

government opted for freezing the citizens' savings in banks deposited in foreign currency, estimated to be worth about 8,7 billion USD, under the excuse of deficiency of foreign reserves (Dinkić 1995, 70). Having been deprived of their own banking deposits, the citizens had difficulties to repossess their money for the next decade or so (Uvalić 2012, 92). Overall, during the 1990s about 600,000 people immigrated in pursuit for a better life abroad (among whom about 30,000 highly educated) (Miljković and Hoare in Ramet and Pavlaković 2005, 194).

4.2.7 Avramović's reform and privatisation programme

[Having become aware of unsustainability of the regime-led economic policy, which if continued would lead to annihilation of the entire economic system of the FR Yugoslavia], in November 1995 the then governor of the National Bank of the FR Yugoslavia Dragoslav Avramović¹¹³ put forward a proposal of economic measures based on market liberalisation, return to convertible dinar and new privatisation solutions, aimed at enhancing competitiveness and economic recovery (Uvalić 2012, 89). In terms of a proposed federal law on privatisation Avramović envisioned that all state-owned enterprises in the country be privatised¹¹⁴ (Uvalić 2012, 113). [Unfortunately and expectedly, as selfish political interests of the regime prevailed over professional expertise], the proposed measures came to strong disagreement by the government authorities, amid what Avramović had to resign in May 1996 (Uvalić 2012, 89). Before resignation, on 14–15 May 1996, Avramović held a speech in the Parliament whereat he pointed out that unless strict recovery-driven measures are immediately taken, Serbia would soon become a new Angola in terms of economic backwardness and living standard. He also called on some of highly ranked politicians for their myopia and lack of competence, and told about being manipulated with¹¹⁵ (Uvalić 2012, 115–116).¹¹⁶

¹¹³ In his influential book, Avramović (1995) himself wrote about reconstruction of the monetary system and economic recovery of the FR Yugoslavia.

¹¹⁴ Avramović proposed that new privatisation be based on the following: ¼ of a state company would belong to the employees of that company, ¼ would be owned by the state pension fund, ¼ would be given to all adult citizens, and ¼ would be put on sale (Cerović 2012, 339). For comparison, it is worth noting that the Serbia's (new) privatisation law adopted in 1991 provided that workers in public enterprises and firms be offered a possibility of purchasing ownership shares. The law itself was deemed more restrictive than the law adopted at the time of the Marković government, prior to dissolution of the former country (Uvalić 2012, 86).

¹¹⁵ He said that his signatures were falsified, delivered letters were kept hidden from him, as did large bonuses (in foreign currency) that were paid out to external cooperatives without his knowledge (Uvalić 2012, 115–116).

¹¹⁶ Mladjan Dinkić, a former renowned Serbian politician argues that probably the primary reason for removal of Avramović from position lies in the fact that he disclosed to the public that in the early 1990s (1992 and 1993) the Government of the FR Yugoslavia bought treasury (debt) securities of Croatia and Slovenia for 530 million USD, what largely discredited the then authorities (TOL 1996).

After Avramović resigned, the federal Parliament passed a new privatisation law (in 1997), which made that enterprises could freely decide whether to get privatised or not¹¹⁷ (Uvalić 2012, 116). The new law was vague in terms of ownership structure of public companies. It provided that decision on privatisation (in/of public companies) could only be brought by the employees of a particular company, not (by) the state, as the employees were their (companies') actual owners, being in charge of corporate management and having property rights too. But in reality they could not sell their (property) share or dispose of revenues in case the company was sold off (revenues went into the state budget). Hence, it remained uncertain who had rights over public property – the state, companies themselves, or the employees, as neither of them had entire control over it (Uvalić 2012, 124–125).

4.2.8 Kosovo crisis and NATO bombing

In 1996 the Albanian leadership of Kosovo formed the Liberation Army of Kosovo (OVK) which soon after started attacks on the Serbian security forces and the civilians.¹¹⁸ In early 1998 the Serbian security forces launched the offensive against the OVK. Following failed talks on the Kosovo issue in Rambouillet, France, in 1999, NATO launched military air campaign against Serbian military and police forces across Serbia and in Kosovo which lasted 11 weeks¹¹⁹ (Uvalić 2012, 20). The NATO military campaign against Serbia was the first sustained use of force by the Alliance in its 50 years of existence. Likewise, it happened for the first time that a military intervention against a third state was carried out without the approval by the United Nations Security Council (Roberts 1999, 102).¹²⁰ Wedgwood (1999, 828) claims that the Kosovo crisis in the context of decision-making in the United Nations (especially intervening for alleged humanitarian reasons) only disclosed full deficiencies of the system with regard to legal procedures. Radojičić (1999), who wrote about legal and

¹¹⁷ In an interview that the author (Uvalić) did with Avramović, he (Avramović) told that he withdrew from politics because of being deeply disappointed with how he was treated by the authorities (Uvalić 2012, 97).

¹¹⁸ The actual origins of the Kosovo crisis could be said to date back to the beginning of 1989 when Milošević abolished the province autonomy, followed by the miners' protests in Trepča mine, what resulted in widespread outrage among resident majority Albanians.

¹¹⁹ NATO military campaign against FR Yugoslavia decreased public support for joining the alliance (NATO), but also the EU too (Stojiljković 2011, 71). In addition, in this context it is worth noting that recognition of independence of Kosovo in 2008 by majority of the world's leading countries only revived the negative feelings of injustice and frustration in people (Stojiljković 2011, 69). When the Serbian forces withdrew from Kosovo, the majority Albanians took revenge against the Kosovo Serbs (Uvalić 2012, 100). Ethnic tensions between the Serbs and the Albanians in Kosovo which occasionally erupted in physical violence have continued to burden relations between the two peoples ever since.

¹²⁰ With reference to the (air military) campaign, Collon (2007) is only one of a number of authors who wrote about the „real“ reasons of NATO military intervention against Serbia in the context of inability to solve the Kosovo issue in a peaceful manner. The author generally argues that the primary reason behind the intervention was profit-based, and that humanitarianism was wisely taken to serve as an excuse for intervention and to get broad public support for it (in the West).

ethical aspects of NATO intervention against the FR Yugoslavia, argues that the NATO aggression against a sovereign state meant violation of main principles of legality and ethics, and reflected selfish interests primarily of American foreign policy (Radojčić 1999, 156–157).¹²¹

As a response to what they perceived as disobedience, the international community led by leading Western countries imposed political and economic sanctions on the FR Yugoslavia again¹²² (Uvalić 2012, 20). Furthermore, when the European Union launched the Process of Stabilisation and Association in 1999 [as an official EU platform for the Western Balkans region], the FR Yugoslavia was left out, as it was on the occasion of the signing of the Stability Pact for South-Eastern Europe in Cologne, Germany, in June 1999. When the NATO military campaign in Kosovo ended, it was decided that the sanctions would remain in force until Milošević is in power (Uvalić 2012, 107–108).

[The happening in relation to NATO's bombing of the building of the Serbian public broadcasting service (on 23 April 1999) disclosed all brutality of the Milošević's regime]. It was subsequently revealed that the company management was told that the building would be bombed, the information they kept hidden from the employees, so that casualties could serve for the purpose of launching even stronger anti-Western propaganda (Uvalić 2012, 100). However, contrary to the regime's expectations, NATO bombing made that people turn against Milošević even stronger (Uvalić 2012, 100).¹²³

¹²¹ Mandelbaum (1999) elaborated on the American doctrine in relation to the intervention, often paraphrasing statements of the then United States President Clinton and State Secretary Albright that were highly pro-interventionist.

¹²² In March 1998 the United Nations Security Council passed a Resolution 1160 by which it imposed sanctions on FR Yugoslavia. The sanctions banned import of weapons. In March 1999 the scope of the sanctions was broadened to include prohibition of international trade and air traffic and import of oil.

¹²³ Kritsiotis (2000) described the sequence of events related to the Kosovo crisis and NATO military intervention against FR Yugoslavia.

Table 4.1: Serbia and Montenegro/FR Yugoslavia - main macroeconomic indicators, for the period 1989–2000

| Year | Inflation (in %) | GDP growth, real (in %) | Industrial production (in %) | Agricultural production (in %) | Budgetary deficit (in % of GDP) | Employed (in thousands) | Unemployed (in thousands) | Unemployment (in % of total labour force) | Export (in million USD) | Import (in million USD) | Current account (as % of GDP) |
|------|------------------|-------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------|---------------------------|---|-------------------------|-------------------------|-------------------------------|
| 1989 | 1,269 | 1.3 | 1 | N/A | N/A | 2,790 | 607 | N/A | 5,348 | 6,195 | N/A |
| 1990 | 593 | -7.9 | -12 | N/A | -3 | 2,707 | 663 | N/A | 5,815 | 7,460 | -1.8 |
| 1991 | 121 | -11.6 | -18 | N/A | -13 | 2,625 | 714 | N/A | 4,704 | 5,548 | -2.1 |
| 1992 | 9,237 | -27.9 | -22 | N/A | -21 | 2,536 | 748 | N/A | 2,479 | 3,638 | -5 |
| 1993 | 116.5* | -30.8 | -37 | N/A | -34 | 2,464 | 739 | 23.1 | N/A | N/A | N/A |
| 1994 | 3.3 | 2.5 | 1 | N/A | N/A | 2,413 | 726 | 23.1 | N/A | N/A | N/A |
| 1995 | 78.6 | 6.1 | 4 | 4.1 | -4.3 | 2,379 | 775 | 24.6 | N/A | N/A | N/A |
| 1996 | 94.3 | 7.8 | 7.6 | 1.5 | -3.8 | 2,367 | 819 | 25.4 | N/A | N/A | N/A |
| 1997 | 21.3 | 10.1 | 9.5 | 7.3 | -7.6 | 2,507 | 814 | 24.1 | N/A | N/A | N/A |
| 1998 | 29.5 | 1.9 | 4.4 | -3.2 | -5.4 | 2,504 | 838 | 24.6 | N/A | N/A | N/A |
| 1999 | 37.1 | -19 | -24.4 | -2 | -8.4 | 2,298 | 811 | 25.5 | N/A | N/A | N/A |
| 2000 | 60.4 | 10.7 | 11.1 | -13.7 | -3.7 | 2,238 | 806 | 25.6 | N/A | N/A | N/A |

*in trillion

Source: Uvalić (2012, 76, 102)

4.2.9 Break up of the FR Yugoslavia

After the 1997 elections and Milo Đukanović's victory over pro-Milošević's candidate Momir Bulatović of Socialist National Party of Montenegro, the inter-state relations between the two federal republics worsened. Montenegro established its own Central Bank and introduced the then German mark (DEM) as a means of payment in parallel with dinar (replaced by euro since its introduction in January 2002). Further dissolution of the FR Yugoslavia continued in 2001 when Montenegro installed five border crossings with Serbia. These events practically meant the end of the customs and monetary union of the federation (Uvalić 2012, 168–169). In this context, it is important to note that complex federal (political) relations between Serbia and Montenegro [as they continued to exist as truncated Yugoslavia after other republics of the former country declared independence] additionally contributed to tardiness in transition (of both) (Uvalić 2012, 21).

4.3 The period from 2000 onward

4.3.1 The October 5th revolution

In the federal presidential elections held in 2000 Milošević was finally defeated by the oppositionist candidate Vojislav Koštunica (Uvalić 2012, 160). After rejecting the defeat, Milošević's attempt of the election theft in the eyes of the people was „the straw that broke the camel“, fully disclosing real intentions of undemocratic regime (Stojiljković 2011, 52). He (meaning Milošević) lost the last piece of credibility he still might have had within Serbia and abroad (due to final settlement of the war in Bosnia and Herzegovina a few years before) (Vladisavljević 2016, 47–48).¹²⁴ On 5 October 2000 strong public demonstrations broke out (Vladisavljević 2016, 47) [as a consequence of long in duration and huge public disappointment and widespread pauperisation which the regime was responsible for].¹²⁵ Prevailed optimism about the „positive“ outcome of the October 2000 demonstrations overpowered feelings of fear and indifference in people (Stojiljković 2011, 53) that prevailed for the whole decade. Only two days after, confronting the massiveness of the protests and being aware of his inability to do anything to claim back the power, Milošević had no option but to accept final defeat (Uvalić 2012, 160; Vladisavljević 2016, 47). By chance, Milošević happened to be the last authoritarian leader of the 20th century to be overthrown by large public protests (Spoerri 2014, 172).

Following the October changes democratic forces consolidated power and took over all main strains of governance, while independence of broadcasters and position of civil society organisations and associations substantially improved (Vladisavljević 2016, 48). The changes enabled the beginning of deep social changes and opened up a possibility for Serbia of catching up with other former socialist European countries (Gordy 2000, 88). New

¹²⁴ Evidence of cases when stolen elections were followed by wide scale democratic protests is not limited to Serbia only. It happened in other places too, such as in the Philippines in 1986 (when dictator Ferdinand Marcos was toppled), Madagascar in 2002 (when the then president Didier Ratsiraka was toppled), and Georgia in 2003 (when the then president Eduard Shevarnadze was brought down). However, it needs to be noted that there are also cases when stolen elections did not lead to overthrow of the standing regime, as was in Burma in 1990, Algeria in 1992 and Nigeria in 1993. This is explained by the fact that in the latter cases the regimes were fully authoritarian, what happened to be a strong enough obstacle to lead to the regime change. In other words „[h]ard-line regimes are more willing and able to kill or injure demonstrators, thus repressing or deterring popular demonstrations.“ (Thompson and Kuntz 2004,170). Hence, the Serbian case with reference to the October 2000 changes explains how vulnerable authoritarian system can be(come) after evident election fraud (Thompson and Kuntz 2004, 170–171).

¹²⁵ The October 5th demonstrations were also referred to as „small October revolution“, mainly organised by leading oppositionist parties - Democratic Party and Democratic Party of Serbia, and a number of civil sector organisations (Uvalić 2012, 163–164). The international community strongly supported the demonstrations (Stojiljković 2011, 53).

democratic authorities started comprehensive economic reforms¹²⁶ (Cerović 2012, 617–618; Uvalić 2012, 19). The country was in such a bad economic situation that it had to strongly rely on foreign assistance (Uvalić 2012, 184; Spoerri 2014, 11),¹²⁷ which carry a large portion of credentials for the successfulness of the event (Jennings 2009, 32). [The latter author does not question the likeness that the revolution would occur sometime, but stresses the importance of foreign aid to the then oppositionist forces]. However, in this initial phase the reforms did not bring satisfying results (Uvalić 2012, 19), what will be elaborated further in the chapter.¹²⁸

In this context, it is also important to note that Serbia's transition ever since the early 2000s was largely (positively) influenced by its European integration process, which enabled the country taking part in EU assistance programmes and harmonisation of its predominantly socialist legal system with contemporary European standards and norms. As part of the EU integration process Serbia got the visa free regime in December 2009 which was immensely helpful both for the country's economy and unobstructed movement of people. Since January 2014 Serbia officially started negotiations on the accession, the process it has been successfully conducting since then. It goes without saying that ever since the beginning of its European path Serbia's commercial diplomacy was mainly oriented towards the EU market, both in terms of trade and investment. However, especially with the emergence of the world economic crisis in 2007/8, it rightfully opted for more engagement towards businesswise prosperous (eastern) emerging markets.

4.3.2 Economic restructuring and privatisation

The new democratic authorities removed redundant administrative barriers for international trade for both domestic and foreign firms, and offset comprehensive reforms (Uvalić 2012, 183–184), mostly in line with the EU integration context. Restructuring of the banking sector which started in 2001 enabled that citizens finally get access to their foreign currency savings¹²⁹ that were frozen yet in the early 1990s (Uvalić 2012, 183–184). As of 1 January 2001 the course of dinar was made fluctuated and devalued, so that a new exchange rate was

¹²⁶ Research of the World Bank on transitional countries shows that reforms have a positive long-term impact on economic growth (Cerović 2012, 145–147).

¹²⁷ The International Monetary Fund (IMF) assistance was conditioned by reduction of fiscal deficit, reform of public administration and the banking sector, price liberalisation and development of the private sector. In that way the IMF asked from the FR Yugoslavia to fulfil everything what the Washington Consensus proclaims (Uvalić 2012, 185).

¹²⁸ The happenings which immediately preceded and followed the October revolution were elaborated in detail by Goati in Spasić and Subotić (2001), Pešić in Spasić and Subotić (2001), Bujosevic and Radovanovic (2003), Stojanović (2003), Bilic (2008), et al.

¹²⁹ The citizens had a right to choose between being paid out in cash or to be given treasury bonds.

introduced at the course 1 DEM = 30 RSD. The new authorities did manage to achieve monetary stability (Uvalić 2012, 201).

The new law on privatisation was adopted in mid 2001. It envisaged privatisation primarily via public tenders and auctions (Uvalić 2012, 216), modelled upon positive experience of other transitional countries in Europe¹³⁰ (Cerović 2012, 345–349). The Privatisation Agency was entrusted with leading privatisation of enterprises and firms of strategic importance for the country (Uvalić 2012, 216). In other words, the main goal of this new privatisation was to find strategic investors who could revive economic activity of enterprises. Potential new investors could become owners of maximum 70 % of enterprises' total capital (Uvalić 2012, 218).

However, the achieved results in industrial restructuring throughout most of the 2000s were not satisfying at all (Uvalić 2012, 228). Uvalić (2012, 240) points out that this has been so mainly for the following reasons: (1) unsatisfying level of implementation of the law on privatisation (from 2001),¹³¹ (2) numerous cases of flawed privatisations, (3) lagged reform of the public (economic) sector, especially in terms of corporate governance, (4) unrealistically high positive expectations from foreign investors [and their inefficient sectoral distribution (Uvalić 2012, 275)], [(5) attraction of non-export contributing FDI – since 2000 onward about 2/3 of the total attracted FDI is invested in the service sector (banks, telecommunication companies, real estate and trade) (Uvalić 2012, 94)] (6) slow reform of businesswise regulatory framework, especially in terms of competition, [(7) postponed adoption of the law on bankruptcy procedures (Uvalić 2012, 275)], (8) inefficient fiscal policy, and (9) inadequate employment policy. In addition, it is important to add that by insight into the literature, it was found that Serbia's (economic) transition has been hampered by the following factors:

- inefficient administration (Filipović 2006, 107; Adžić 2007, 143; Baranenko and Đukić in Andrade et al. 2012, 530; Maksimović 2012, 107; Veselinović et al. in Leković 2012, 209–210),
- inefficient legal system (Domazet and Stošić 2013, 121),

¹³⁰ 200 large companies were planned to be privatised this way; 70 % of their capital would go on sale, 15 % would go to the employees (of a privatised company), and 15 % to the citizens. During the period 2002-2005 1494 companies were privatised, of which only 2 % via tenders, 82 % via auctions and 16 % at/via the stock exchange (Cerović 2012, 345–349).

¹³¹ The 2001 privatisation strategy excluded about 550 important state-owned companies (Uvalić 2012, 94). Needless to say that slow privatisation was largely responsible for unsatisfying growth of the private (economic) sector (Uvalić 2012, 240). The law did not precisely relate to public (monopoly) enterprises and firms that were nationalised during the 1990s, most of which are utility and construction firms, whose effective restructuring started only since 2006 (Uvalić 2012, 244–245).

- lack of adequate antimonopoly legislation (Domazet and Stošić 2013, 121),
- low quality of infrastructure (Domazet and Stošić 2013, 121),
- quasi-market institutions (Adžić 2007, 143),
- low transparency (Bazin and Danon in Berthomieu et al. 2009, 117),
- prevalent corruption (Bazin and Danon in Berthomieu et al. 2009, 117; Baranenko and Đukić in Andrade et al. 2012, 530; Domazet and Stošić 2013, 121),
- large number of independent specialised agencies (Acimovic 2012, 296–307),
- macroeconomic imbalances (Prascevic 2013, 19),
- unfavourable business environment (Bazin and Danon in Berthomieu et al. 2009, 117; Veselinović et al. in Leković 2012, 209–210),
- channeling of privatisation revenues mainly into consumption (Djuričin and Vuksanović 2012, 23),
- uneven geographical distribution of FDI (World Bank 2010, 27),
- high level of eurisation of the economy (Chailloux et al. 2010, 16–17),
- strong appreciation of domestic currency which negatively reflected on competitiveness (Bošnjak 2008, 47; Djuričin and Vuksanović 2012, 19),
- low competitiveness (Kovačević in Hanić et al. 2010, 45),
- illegal activities during privatisation (crime) (Vujačić and Petrović Vujačić 2011, 98),
- loss of human capital during restructuring (Pržulj and Hanić in Šalej et al. 2011, 351),
- inability of the private sector to absorb redundant workers from the public sector (Veselinović 2008, 68–69; Kovačević in Hanić et al. 2010; Đukić 2012, 14),
- unproductive/unadaptive educational system (Gligorov et al. 2011, 33; Baranenko and Đukić in Andrade et al. 2012, 534),
- social stratification (Balunović 2013, 3), and
- brain drain (Baranenko and Đukić in Andrade et al. 2012, 534).

In order to best illustrate tardiness and backwardness of Serbia's transitional economy, values of 19 selected macroeconomic indicators¹³² (presented in Figures and Tables in Appendix E),

¹³² GDP growth rate; GDP per capita (current US\$); GDP per capita growth (annual %); Exports of goods and services (% of GDP); Exports of goods and services (billion USD); Foreign direct investment, net inflows (% of GDP); Foreign direct investment, net inflows (BoP, current US\$); Current account balance (%); Savings (% of GDP); Investment (% of GDP); Agriculture, value-added (% of GDP); Research and development expenditure (% of GDP); High-technology exports (% of manufactured exports); Inflation - consumer prices; Unemployment rate (%); Ease of doing business rank; Rank and score (by perceived level of corruption in the public sector); Global competitiveness position; Worldwide Governance Indicators.

covering the period 2000–2016¹³³ are used for Serbia and 10 Central and Eastern European (transitional) countries.¹³⁴ The mentioned hindering factors ever since the early 1990s, especially those which relate to weak institutions, prevalent corruption and crime, absence of a merit-based system both in public administration and in society in general, then faulty economic policies based on strong promotion of import and neglect of/for export-oriented industries, as well as isolationist politics altogether made internationalisation of Serbia's economy weak.

However, apart from the noted, still the most relevant indicators for this research are those which point to excessive dependence of Serbia on the EU and CEFTA markets, both in terms of export and investment, as presented in Tables below. First, in terms of export, as shown in Table 4.2 (subtables of Table 4.2 are given in Appendix F), despite noticeable improvement during the observed period, from 67,1 % in 2004 to 60,4 % in 2016, for what the largest credits has active commercial diplomacy, Serbia is still too dependent on the markets of the EU and CEFTA. Secondly, in terms of investment, the available data disclose a slightly positive, but still far from satisfying trend in the sense of diversification, as illustrated in Tables 4.3–4.6. More concretely, concerning inward FDI, the presented data in Table 4.3 show that a share of the EU in Serbia's total FDI has decreased from 67,3 % in 2010 to 63 % in 2016. Likewise, a share of Europe (EU+other non-EU European countries) has decreased from 90,1 % in 2010 to 80,1 % in 2016. Going more in detail, Table 4.4 shows that the number of non-EU countries in Serbia's top 20 inward FDI source countries has gone from 5 in 2010 to 9 in 2016. Or, in terms of value, during the observed period, a share of non-EU in Serbia's total attracted FDI has increased from 27,1 % to 33,9 %, whereas a share of non-European (attracted) FDI has increased from 4,7 % to 17,2 %.

¹³³ Although the observed period is 2000–2016 (the year 2000 is taken as the starting year of “real” transition in Serbia after Milošević’s fall following the October 5th revolution), for most indicators data are available for the period 2000-2015, and for some (indicators) shorter periods in between the period 2000–2016. In few cases, where data for Serbia are available for a period that is shorter in comparison to other countries, the last year for which data for Serbia are available is taken. This methodology is chosen as calculation of percentual change (increase or decrease) of selected indicators over the observed period would not be plausible, given that Serbia in the year 2000 had low starting base, which means high probability of significant growth (by the last year of the observed period), and the fact that „real“ transition in other 10 CEEC had already started around the year 1990.

¹³⁴ Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, and Slovenia.

Table 4.2: Share of CEFTA and EU countries (combined) that belong to the top 10 Serbian export partners in Serbia's total export, for the period 2004–2016

| Year | Share |
|------|-------|
| 2004 | 67,1% |
| 2005 | 64,9% |
| 2006 | 65,2% |
| 2007 | 65,7% |
| 2008 | 65,4% |
| 2009 | 64,3% |
| 2010 | 63,5% |
| 2011 | 63,0% |
| 2012 | 62,0% |
| 2013 | 57,7% |
| 2014 | 62% |
| 2015 | 61,5% |
| 2016 | 60,4% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table 4.3: Share of inward FDI from Europe and EU in total inward FDI into Serbia, in mil. EUR, for the period 2010–2016

| Inward FDI value | Year | | | | | | |
|--------------------------|---------|---------|---------|---------|---------|---------|---------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Total | 1.278,4 | 3.544,5 | 1.008,8 | 1.547,9 | 1.500,5 | 2.114,2 | 2.080,2 |
| Europe | 1.151,4 | 3.384,7 | 959,8 | 1.442,8 | 1.344,2 | 1.818,6 | 1.666,3 |
| Share of Europe in total | 90,1% | 95,5% | 95,1% | 93,2% | 89,6% | 86,0% | 80,1% |
| EU | 860,7 | 2.794,4 | 624,4 | 1.145,0 | 1.109,3 | 1.530,1 | 1.310,3 |
| Share of the EU in total | 67,3% | 78,8% | 61,9% | 74,0% | 73,9% | 72,4% | 63,0% |

Source: Own elaboration based on data of the National Bank of Serbia – online database

Table 4.4: Top 20 inward FDI source countries for Serbia, with (FDI) values in mil. EUR, for the period 2010–2016

| No. | Year | | | | | | | | | | | | | |
|-----|--------------------------|-------|---------------|-------|---------------|-------|---------------|-------|----------------|-------|----------------|-------|---------------|-------|
| | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
| | Country | Value | Country | Value | Country | Value | Country | Value | Country | Value | Country | Value | Country | Value |
| 1 | Russian Fed. | 216,2 | Luxembourg | 885,0 | Russian Fed. | 232,5 | Netherlands | 379,8 | Netherlands | 372,7 | Netherlands | 361,7 | Netherlands | 276,1 |
| 2 | Slovenia | 180,4 | Austria | 613,2 | Austria | 169,0 | Russian Fed. | 189,7 | Switzerland | 139,1 | Austria | 352,5 | Austria | 257,9 |
| 3 | Cyprus | 108,7 | Russian Fed. | 488,5 | Netherlands | 153,5 | Austria | 151,8 | Austria | 119,2 | Luxembourg | 172,3 | Luxembourg | 233,2 |
| 4 | France | 107,7 | Netherlands | 215,5 | Luxembourg | 134,5 | Luxembourg | 102,7 | Italy | 101,1 | Italy | 144,9 | Switzerland | 216,6 |
| 5 | Germany | 103,5 | Germany | 198,7 | France | 131,4 | France | 99,3 | Greece | 89,7 | U.A.E. | 120,5 | Germany | 166,1 |
| 6 | Italy | 65,3 | France | 179,7 | Croatia | 126,7 | Switzerland | 97,9 | Luxembourg | 85,5 | Russian Fed. | 96,4 | Hong Kong | 122,4 |
| 7 | U.S.A. | 59,9 | Cyprus | 166,1 | Germany | 93,1 | Germany | 83,5 | China | 82,5 | Switzerland | 96,0 | Slovenia | 112,9 |
| 8 | Great Britain | 58,9 | Italy | 135,9 | Switzerland | 82,4 | Great Britain | 80,1 | Russian Fed. | 73,5 | France | 76,5 | France | 85,8 |
| 9 | Luxembourg | 51,0 | Switzerland | 74,1 | Italy | 78,8 | Romania | 67,8 | Great Britain | 57,6 | Germany | 72,4 | Russian Fed. | 81,2 |
| 10 | Switzerland | 49,9 | Great Britain | 69,9 | Bulgaria | 39,5 | Italy | 67,4 | Hungary | 55,8 | Denmark | 71,9 | U.A.E. | 81,1 |
| 11 | Netherlands | 40,7 | Hungary | 62,6 | U.S.A. | 31,5 | Greece | 37,4 | France | 51,5 | Croatia | 70,3 | China | 70,0 |
| 12 | Greece | 37,6 | Croatia | 56,8 | Slovenia | 30,0 | Bulgaria | 36,4 | Denmark | 49,8 | Cyprus | 51,0 | Greece | 52,7 |
| 13 | Austria | 26,7 | Denmark | 56,3 | Spain | 20,2 | Hungary | 34,6 | Germany | 36,5 | Montenegro | 45,1 | Montenegro | 49,5 |
| 14 | Denmark | 24,5 | Spain | 51,7 | BiH* | 12,7 | U.A.E** | 31,5 | Slovenia | 30,5 | Hong Kong | 42,4 | Great Britain | 45,7 |
| 15 | Spain | 14,7 | U.S.A. | 37,0 | Slovakia | 10,0 | Cyprus | 25,9 | Bulgaria | 22,5 | U.S.A. | 38,5 | Hungary | 34,1 |
| 16 | BiH* | 11,7 | Greece | 30,6 | Montenegro | 9,5 | Hong Kong | 22,6 | Montenegro | 19,4 | Korea, Re, | 33,1 | Cyprus | 30,1 |
| 17 | Slovakia | 11,6 | Slovenia | 23,9 | Great Britain | 6,8 | U.S.A. | 22,1 | Sweden | 16,2 | Hungary | 31,8 | Korea, Re, | 29,2 |
| 18 | Bulgaria | 10,3 | Finland | 16,1 | Poland | 5,0 | Denmark | 18,4 | India | 11,4 | Turkey | 27,8 | Taiwan*** | 27,6 |
| 19 | Sweden | 9,3 | BiH* | 14,7 | Norway | 4,5 | Poland | 13,9 | Cyprus | 10,0 | China | 24,1 | Denmark | 27,6 |
| 20 | Macedonia, R. | 9,2 | Hong Kong | 13,0 | Cyprus | 4,4 | Belgium | 11,6 | Virgin Islands | 9,3 | Virgin Islands | 21,9 | U.S.A. | 26,6 |
| | 5**** | 346,9 | 6**** | 684,0 | 7**** | 499,6 | 5**** | 363,9 | 6**** | 335,3 | 10**** | 545,7 | 9**** | 704,2 |
| | Non-EU share in total | 27,1% | | 19,3% | | 49,5% | | 23,5% | | 22,3% | | 25,8% | | 33,9% |
| | Non-Europe share in tot. | 4,7% | | 1,4% | | 3,1% | | 4,9% | | 6,9% | | 13,3% | | 17,2% |

*Bosnia and Herzegovina

**United Arab Emirates

***Taiwan, Chinese province

****Number of non-EU countries in top 20

Source: Own elaboration based on data of the National Bank of Serbia – online database

In terms of outward FDI, mixed results are evidenced, as expected to some degree. As presented in Table 4.5, during the period 2010–2016, a share of Serbia's EU-based FDI has gone to worse, in other words it has increased from 25,8 % to 45,5 %, whereas European-based (FDI) has decreased, from 98,5 % to 87,5 %, meaning (that) noticeable diversification has been achieved. Furthermore, the number of non-EU countries which hosted FDI from Serbia has decreased from 10 to 8 in the same period. Or, in terms of value, a share of non-EU based FDI in Serbia's total has decreased from 79 % in 2010 to 50,6 % in 2016. On the contrary, a share of Serbia's non-European based FDI has gone to better, from 0,8 % in 2010 to 5,7 % in 2016, implying achieved diversification in European countries other than (of/from) the EU (see Table 4.6).

Table 4.5: Share of outward FDI from Serbia to Europe and EU in total Serbia's outward FDI, in mil. EUR, for the period 2010–2016

| Outward FDI value | Year | | | | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Total | 145,0 | 224,9 | 256,0 | 249,7 | 264,2 | 310,4 | 219,4 |
| Europe | 142,8 | 219,9 | 247,0 | 246,7 | 257,6 | 307,6 | 191,9 |
| Share of Europe in total | 98,5% | 97,8% | 96,5% | 98,8% | 97,5% | 99,1% | 87,5% |
| EU | 37,5 | 113,8 | 73,1 | 70,7 | 35,4 | 49,7 | 99,9 |
| Share of the EU in total | 25,8% | 50,6% | 28,6% | 28,3% | 13,4% | 16,0% | 45,5% |

Source: Own elaboration based on data of the National Bank of Serbia – online database

Table 4.6: Top 20 Serbia's outward FDI destination countries, with (FDI) values in mil. EUR, for the period 2010–2016

| No. | Year | | | | | | | | | | | | | |
|--------------------------|----------------|-------|---------------|-------|----------------|-------|---------------|-------|---------------|-------|---------------|-------|----------------|-------|
| | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
| | Country | Value | Country | Value | Country | Value | Country | Value | Country | Value | Country | Value | Country | Value |
| 1 | Montenegro | 57,3 | BiH | 62,2 | Montenegro | 92,0 | BiH | 102,6 | Montenegro | 146,3 | Montenegro | 191,9 | BiH | 72,7 |
| 2 | BiH | 33,8 | Slovenia | 39,1 | BiH | 89,9 | Montenegro | 77,1 | BiH | 64,4 | BiH | 51,8 | Great Britain | 42,8 |
| 3 | Slovenia | 15,6 | Montenegro | 38,8 | Bulgaria | 40,9 | Romania | 44,9 | Ireland | 33,8 | Croatia | 11,6 | Russian Fed. | 21,1 |
| 4 | Switzerland | 10,2 | Great Britain | 36,1 | Slovenia | 22,9 | Switzerland | 11,1 | Bulgaria | 23,2 | Hungary | 10,0 | Hungary | 19,4 |
| 5 | Cyprus | 8,0 | Bulgaria | 18,4 | Romania | 10,3 | Hungary | 9,1 | Switzerland | 12,9 | Switzerland | 9,9 | Slovenia | 17,6 |
| 6 | Netherlands | 6,2 | Croatia | 15,4 | Hungary | 8,7 | Bulgaria | 5,1 | Ukraine | 10,6 | Cyprus | 8,4 | Croatia | 12,4 |
| 7 | Turkey | 4,8 | Switzerland | 12,4 | Virgin Islands | 8,6 | Croatia | 4,7 | Hong Kong | 5,9 | Slovenia | 8,1 | Romania | 11,5 |
| 8 | Croatia | 4,5 | Albania | 6,0 | Ghana | 3,1 | Ukraine | 3,1 | Romania | 5,0 | Russian Fed. | 8,0 | Cyprus | 6,4 |
| 9 | Albania | 2,7 | Turkey | 5,9 | Germany | 3,0 | Macedonia, R. | 2,0 | Germany | 5,0 | Romania | 7,6 | Macedonia, R. | 4,9 |
| 10 | Great Britain | 1,3 | Angola | 4,7 | Kazakhstan | 2,7 | Slovenia | 2,0 | Russian Fed. | 3,7 | Ghana | 4,3 | Angola | 4,9 |
| 11 | Germany | 1,3 | Ukraine | 3,7 | Netherlands | 2,0 | Ghana | 1,8 | Austria | 3,0 | Macedonia, R. | 2,9 | Greece | 2,8 |
| 12 | Romania | 0,8 | Italy | 2,7 | Greece | 1,7 | Greece | 1,6 | Greece | 2,4 | Luxembourg | 2,7 | Germany | 2,5 |
| 13 | Congo | 0,7 | Macedonia, R. | 1,6 | Ireland | 1,1 | Oman | 1,5 | Ghana | 1,4 | Bulgaria | 2,4 | U.S.A. | 2,4 |
| 14 | Austria | 0,5 | Austria | 1,5 | Luxembourg | 1,0 | France | 1,2 | Angola | 1,0 | Ukraine | 1,6 | Virgin Islands | 2,0 |
| 15 | Greece | 0,5 | Seychelles | 1,5 | Zambia | 0,9 | Mozambique | 0,8 | U.A.E.*** | 0,5 | Albania | 1,2 | Ghana | 1,8 |
| 16 | Poland | 0,5 | Belgium | 1,3 | Lichtenstein | 0,7 | Czech R. | 0,8 | Czech R. | 0,5 | Ireland | 1,0 | Bulgaria | 1,7 |
| 17 | Angola | 0,2 | Netherlands | 1,1 | Portugal | 0,5 | Germany | 0,7 | Lebanon | 0,5 | Austria | 0,9 | Austria | 1,6 |
| 18 | Luxembourg | 0,2 | Cyprus | 1,0 | Nigeria | 0,4 | Italy | 0,7 | Nigeria | 0,4 | Great Britain | 0,9 | China | 1,4 |
| 19 | Virgin Islands | 0,1 | Congo | 0,6 | Spain | 0,2 | Nigeria | 0,6 | Great Britain | 0,4 | Italy | 0,8 | Italy | 0,7 |
| 20 | Libya** | 0,1 | Belize | 0,5 | Hong Kong | 0,2 | Brazil | 0,6 | Zambia | 0,2 | Germany | 0,7 | Sweden | 0,6 |
| | 10**** | 114,6 | 12**** | 153,4 | 8**** | 194,8 | 10**** | 201,2 | 12**** | 247,8 | 8**** | 271,6 | 8**** | 111,0 |
| Non-EU share in total | | 79,0% | | 68,2% | | 76,1% | | 80,6% | | 93,8% | | 87,5% | | 50,6% |
| Non-Europe share in tot. | | 0,8% | | 3,3% | | 5,2% | | 2,1% | | 3,8% | | 1,4% | | 5,7% |

*Bosnia and Herzegovina

**Libyan Arab Jamahiriya

***United Arab Emirates

****Number of non-EU countries in top 20

Source: Own elaboration based on data of the National Bank of Serbia – online database

Despite presented improvement, dependence on the EU and Europe overall is still too large. The only way to achieve/bring this (diversification) to a more satisfying level is by means of assertive commercial diplomacy towards the emerging markets.

4.3.2.1 „Faulty“ economic model

The 2007/08 world economic crisis¹³⁵ disclosed all weaknesses and unsustainability of Serbia's current development model (Uvalić 2012, 317), which in essence favours and encourages import at the expense of export, what has negatively reflected on increasing current account deficit (Cerović 2012, 478–479). Cerović (2012, 3) as well as many other scholars and economic experts¹³⁶ rightfully questions why Serbia waited so long to start disputing long-term sustainability of its current model of economic growth [that it has resorted to ever since the beginning of transition] only after being severely affected by the world economic crisis. Instead of relying on principles of the Washington Consensus,¹³⁷ about which he said:

... nothing – from the Communist Manifesto to the Washington Consensus – cannot resist certain, but still not insignificant degree of ideologisation when someone wishes to popularise or explain some complex problem in short. Hence, it is no wonder that that document has become a source of many vulgarisations, schematisms and absence of confronting the reality and real facts during transition. Luckily, but still gradually and with tardiness, that simplified guidebook for the creators of transitional policies became abandoned, although with insufficiently lucid perspective in terms of further steps [that need to be taken] Cerović (2012, 2),

Serbia should apply the „social“ model of market economy that exists in most European countries, sometimes referred to as „humane capitalism“. It comprises that the state should enable fair social and health protection system, free education (to some degree), well devised employment policy and environmental protection (Cerović 2012, 66). Or perhaps the model of South-East Asian economies would be an option for consideration, such as of: Japan,

¹³⁵ Negative consequences of the world economic crisis on Serbia was, among others, studied by: Stošić et al. in Berthomieu et al. (2009), Antevski (2010), Đukić (2010), Hanić in Hanić et al. (2010), Arandarenko (2011), Bošnjak (2011), Savić and Bošković (2011), Prasevcic (2012) and Prica in Bartlett and Uvalić (2013).

¹³⁶ Some of them are: Economic Institute and Faculty of Economics (2010, 8), Jovanović Gavrilović in Hanić et al. (2010, 94), Savić (2010, 325–326), Penev and Marušić (2011, 86), Cvetanović and Mladenović in Leković (2012, 80–81), Skulić (2012), Uvalić (2012, 97–98), Domazet and Stošić (2013, 121), Prasevcic (2013, 31), etc.

¹³⁷ As already noted before, the basic idea of the Washington Consensus (originally created in 1989 as a set of economic measures aimed for economic recovery, that is, development of Latin American countries, in belief that liberalisation is the only warrant for future economic growth, development and citizens' welfare, which, because of the dissolution of Eastern bloc, became relevant not only for Latin American countries, but for all transitional countries coping with challenges of the market economy. Such model of economic growth was predominant for almost two decades, until the emergence of the current economic crisis, which revealed that liberalisation as a trend setter for economic growth was to a certain extent effective, but has not provided sustainable growth. In that context, many prominent economists, such as Stiglitz (2002) (also Stiglitz in Serra and Stiglitz 2008) harshly criticised the Washington Consensus.

Korea, Taiwan, Singapore, Hong Kong, and Malaysia, whereat the state takes, so to say, a parental role in relationship with domestic enterprises, offering them short-term support when and where it deems necessary. The importance of the state is thus greater as it also encourages saving at both individual and company level, and investment in technological upgrade of companies, what is likely to positively affect their productivity [and competitiveness] (Cerović 2012, 70–71). In line with the noted, Penev and Marušić (2011, 87) argue that (Serbia's) economic growth in the future should be based on: (1) institutional and structural reforms, (2) business-friendly environment, (3) decreased private consumption, (4) higher level of domestic savings, (5) better management of public expenditure, (6) fostering regional cooperation, (7) political stability, and (8) EU integration.

In the context of economic recovery in general and a need for a new growth model that would help enhance country's internationalisation, while reviewing the available literature it was found that there are many (other) authors who offered their vision of what is important for Serbia. Most of them emphasise: continuation of institutional reform, creation of a business-friendly environment, stimulation of attraction of FDI, and increase of economic competitiveness. For better understanding, I will outline the main factors and processes as follows:

- continuation of institutional reform (Bošnjak 2004, 80–81; Bošnjak 2005, 145 – Serbia made some progress; Bošnjak in Hanić et al. 2010, 142; Baranenko and Đukić in Andrade et al. 2012, 534; Vujošević et al. 2012, 1725; Adžić and Davidović 2013, 21; Domazet and Stošić 2013, 121; Prascevic 2013, 31; Veselinović 2014, 157),
- continuation of reform of the legal system (Bošnjak 2004, 80; Bošnjak 2005, 145 – Serbia made some progress; Bošnjak in Hanić et al. 2010, 141),
- improvement of regulatory framework (Adžić 2007, 143; Roskić 2007, 41; Bošnjak 2011, 54; Penev and Marušić 2011, 147),
- macroeconomic stability (Bošnjak in Hanić et al. 2010, 136),
- structural reforms (Bošnjak 2004, 80; Adžić 2007, 143 - integrated market system; Prascevic 2013, 31),
 - enterprise restructuring (Pržulj and Hanić in Šalej et al. 2011, 351),
 - termination of subsidising loss-making companies (Bartlett 2007, 32),
 - further economic liberalization (Bartlett 2007, 32; Djukić and Nikolić in Teixeira et al. 2012, 527),

- creation of business-friendly environment (Bošnjak 2004, 82–83; Bartlett 2007, 30; Kovačević 2009, 84; Luković 2009, 216; Mičić 2009, 185; Bošnjak in Hanić et al. 2010, 141; Baranenko and Đukić in Andrade et al. 2012, 521; Maksimović 2012, 107),
- reindustrialisation (Adžić 2007, 143; Savić 2009, 16),
 - development of the private sector (Bošnjak 2004, 81; Goldberg et al. 2005, 17; Bošnjak 2011, 54; Vujošević et al. 2012, 1725),
 - development of entrepreneurship (Mičić 2009, 185; Kovačević 2009, 86; Bošnjak in Hanić et al. 2010, 141; Jovanović Gavrilović in Hanić et al. 2010, 95–96; Baranenko and Đukić in Andrade et al. 2012, 534),
 - promotion of development of public-private partnership (Veselinović 2014, 157),
 - development of small and medium enterprise (SMEs) (Bartlett 2007, 30; Kovačević 2009, 84; Stojadinović Jovanović in Leković 2012, 245; Veselinović et al. in Leković 2012, 210),
 - development of stimulation of export-oriented industries (Goldberg et al. 2005, 17; Baranenko and Đukić in Andrade et al. 2012, 521),
- privatisation of public enterprises (Mičić and Zeremski 2011, 56; Veselinović 2014, 157);
- making of investment-friendly environment (Roskić 2007, 41; Domazet and Stošić 2013, 121; Marjanović and Radojević in Hanić et al. 2013, 363),
- stimulation of attracting FDI (Goldberg et al. 2005, 17; Roskić 2007, 41; Kovačević 2009, 84; Stošić et al. in Radović-Marković et al. 2011, 58; Baranenko and Đukić in Andrade et al. 2012, 521),
 - important to enable efficient geographical distribution of FDI to provide for reduction of regional disparity in terms of development (Dašić 2011, 40),
- increase of economic competitiveness (Bošnjak 2004, 82; Bošnjak 2005, 131 – to enhance competitiveness based on innovation; Baničević and Vasić 2006, 27; Bartlett 2007, 32; Kovačević 2009, 86; Mičić 2009, 185; Domazet and Stošić 2013, 121),
 - increase of expenditure on education (Bartlett 2007, 32),
 - creation of knowledge-based economy (Đukić 2012, 16),
 - investing in research and development (R&D) (Bošnjak 2005, 132; Kovačević 2009, 86),

- technological upgrade (Baranenko and Đukić in Andrade et al. 2012, 534; Leković and Mičić 2013, 28–29),
- increase of investment in innovation (Bartlett 2007, 32; Veselinović et al. in Leković 2012, 210; Domazet and Stošić 2013, 122; Slavković and Babić 2013, 99–100),
- focus on sectors where Serbia could have comparative advantage (Marjanović and Radojević in Hanić et al. 2013, 363),
- encouragement of the formation of industrial clusters (in order to enable better competitiveness of export goods) (Baranenko and Đukić in Andrade et al. 2012, 532; Domazet and Stošić 2013, 122),
- development of the banking sector as the basis for investment (Bošnjak 2004, 81),
- enabling independent work of the National Bank of Serbia (Bošnjak in Hanić et al. 2010, 136),
- strengthening of legal framework and effective monitoring over the banking system (Todorović and Vuksanović in Leković 2012, 276),
- lowering of tax burden (Bošnjak 2004, 81; Cvetanović and Mladenović in Leković 2012, 83; Radović-Marković in Andrade et al. 2012, 272–273), lowering taxes on labour, increasing taxes on consumption (Luković 2009, 216),
- making of proactive labour policies (Bartlett 2007, 32),
 - creation of more flexible labour market (Domazet and Stošić 2013, 122),
 - making of social programmes for redundant labourers (Bartlett 2007, 32),
- growth-driven monetary policy (Bošnjak 2004, 81; Đukić and Hanić in Teixeira et al. 2012, 296),
- fiscal consolidation (Prascevic 2013, 31; Mičić 2009, 185),
- increase of domestic saving (Bošnjak 2004, 82; Jovanović Gavrilović in Hanić et al. 2010, 95–96; Cvetanović and Mladenović in Leković 2012, 83; Adžić and Davidović 2013, 21),
- lowering of public expenditure: public expenditures should not exceed 43 % of GDP, public revenues 41 % of GDP and fiscal deficit 3 % of GDP (Bošnjak 2004, 82),
- political stability (Bošnjak 2004, 80),

- more advanced progress in the process of European integration (Bošnjak 2004, 80, 82; Bošnjak 2005, 146 – need to harmonise the legal framework with the EU Acquis; Bartlett 2007, 32; Domazet and Stošić 2013, 121),
- fight against corruption (Veselinović 2014, 157),
- development of infrastructure (Bošnjak 2011, 54; Domazet and Stošić 2013, 121),
- antimonopoly policy (Domazet and Stošić 2013, 122), and
- improvement of corporate governance (Dencic-Mihajlov 2009, 205; Todorović and Vuksanović in Leković 2012, 276).

4.3.3 Turning towards the emerging markets acknowledged as a necessity

Based on the experience of the 2007/'08 world economic crisis, having seen how detrimental global economic turbulences can be for Serbia's vulnerable transitional economy, in recent years there is a growing number of economic experts and policy makers, domestic and foreign, who outspokenly advocate that Serbia needs to turn towards the emerging markets, with the aim to decrease/alleviate high dependency on the EU and CEFTA markets, and hence high risk exposure especially in times of economic crises, both in terms of export and investment. One of those, Olivera Kiro, secretary of the International Committee on Economic Relations of the Chamber of Commerce and Industry of Serbia, explained the problem nicely yet in 2011, having said that:

It is the fact that Serbia exports more than 80 % of its total export into the markets of the European Union and in countries, members of CEFTA. Half of total export goes to the markets of Italy, Germany and Romania, and when it is about CEFTA countries, 80 % of export products end up in the markets of Bosnia and Herzegovina, Montenegro and Macedonia. Such high concentration of export in only a few countries represents a risk for domestic economy, as we are practically dependent on changes of demand in those markets. And that is being confirmed now when there is a threat of a new wave of economic crisis, especially in countries which are our most important trading partners. In other words, a fall of import demand in Italy and Germany will imminently result in a decrease of Serbian export. When to this is added expected lesser inflow of investments from these countries, negative effects will be even stronger (Stevanović 2011).

In the same way, Kori Udovički, former governor of the National Bank of Serbia and (former) Deputy Prime Minister of Serbia, yet in the first years following the outbreak of the crisis, stressed that Serbia would need to turn towards the fast-growing markets, especially those of Asia, as they are expected to be the drivers of global economic growth in the coming years (B92 2011a). About this, Lu Brefora, former head of the World Bank Office in Serbia, said that:

In terms of trade, Serbia is very dependent on Europe, what is logical, given that it is about large, rich and geographically close market, but if it [the European market] slows down, a chance should be sought in the East, especially in countries with which Serbia has

agreements on free trade, such as Russia, Belarus, Kazakhstan...“ . „Their economies are fast growing, and the percentage of export of Serbia in those countries is very low and leaves a large space for placement of Serbian products. Serbia certainly needs to continue to export into Europe, and in parallel to seek for ways to increase presence in Russia, Kazakhstan, China, Brazil and other countries that are high growing (B92 2011b).

Another outspoken advocator of a geographically more diversified approach is Serbian economist Miroslav Zdravković, who is of opinion that emerging markets represent a big chance that Serbia needs to exploit. Referring to those markets, whereby having stressed a need for a cluster-based approach, he said the following:

It is about fast growing and large markets at which could be sold anything produced in Serbia. However, in order to increase export substantially, especially in China, Kazakhstan and Brazil, a cluster, joint approach is needed. That means that there is a need for joining of same or similar producers [same or similar in terms of economic activity], so to act jointly and in that way decrease costs of marketing and transport. Grouped via, for example, chamber of commerce, producers of furniture, specified-purpose industry, fruit-growers, as well as food industry would have a brighter future (B92 2011b).

Among many other highly ranked officials of Serbian administration who have assertively been raising awareness of a need for achieving better economic (geographical) diversification outside the markets of the EU and/or the neighbourhood region are: Božidar Laganin, former director of the Serbia Investment and Export Promotion Agency (B92 2012), Željko Sertić, former minister of economy of Serbia (B92 2014a), Rasim Ljajić, current minister of trade, tourism and telecommunications (formerly minister of foreign and domestic trade and telecommunications) (B92 2014b), and Mladjen Kovačević, member of the Academy of Economic Sciences (Stevanović 2013).

4.4 Concluding notes

As Uvalić (2012, 19) points out, various scholars still find difficult to agree on what year concretely - 1989 or 2001 marked the beginning of Serbia's transition. At the same time, there also exists a certain degree of disagreement when it comes to general assessment of how big progress Serbia has done so far. In terms of this, Uvalić (2012, 25) disagrees with those who take the year 2000 as the zero point when transition in Serbia really started. She argues that in comparison to other post-communist European countries which started their transition in 1989 from the scratch immediately upon proclaiming independence, in 2000 Serbia was in much worse position, having had to face the legacy from the time of Milošević in the form of almost completely annihilated economy, and other obstacles of political and social nature, which altogether made transitional changes more difficult.

With reference to the 1990s, it is without any doubt that undemocratic, authoritarian and antireformist (Milošević's) political regime bears full responsibility for drawing Serbia into

four military conflicts in the region (of the former SFR Yugoslavia): in Slovenia (June 1991), Croatia (1991–1992), Bosnia and Herzegovina (1992–1995) and Kosovo (1998–1999), and gradual collapse of its whole economic system. The regime openly gave primacy to political over economic issues, without any consideration for drastic worsening of living standard (Uvalić 2012, 20). Furthermore, many political and economic decisions of the then authorities proved to be counterproductive in the sense of economic progress. Sometimes they meant abolishment of progressive reform measures that were taken shortly prior to the dissolution of the former Yugoslavia, or even worse, a return to abandoned practices and solutions yet from the time of the former country (Uvalić 2012, 21). Another factor that contributed to slow progress in transition in that period was the fact that Serbia had to change much of its legal system inherited from the former country (Uvalić 2012, 21). Unwillingness of the then authorities to conduct reforms in the strategic areas, such as judiciary and internal security affairs only undermined very functioning of the legal system, and gave wind to the outbreak of corruption and crime (Uvalić 2012, 21).

In terms of the period following the October 5th (2000) revolution, improvements in many fields have been achieved. However, they could and should have been much better than the achieved. What is important for this period is that Serbia was readmitted to main international financial organisations, and started EU integration path, what enabled it access to capital for economic recovery and necessary (transitional) reforms. Overall, major factors which negatively affected Serbia's transition are the following: (1) dissolution of the former Yugoslavia followed by breaking of economic relations with the former federal republics, now independent states, which caused loss of markets and sharp shrinkage of trade volume; (2) inability to rely on taking use of less costly production factors from other former federal republics, (3) lesser inflow of customs revenues, (4) lack of foreign investors' interest as a result of shrank domestic market and high political risk, and (e) rapidly increasing inflation (Teokarević in Samardžić et al. 1998, 330). Furthermore, slow and ineffective restructuring brought about decreased competitiveness of domestic firms in foreign markets and hence rising unemployment (Uvalić 2012, 334–338). Likewise, slow development of institutions has negatively reflected on the process of privatisation and liberalisation (Cerović 2012, 638). Moreover, it seems that some remnants of the Milošević's authoritarian rule are still present in the Serbian society (Uvalić 2012, 20), in the form of persistently backward political and economic system, deeply rooted crime and untransparent administration and judiciary (Uvalić 2012, 341). To conclude, transition should certainly have been done with better preparation and especially analysis of potential consequences of chosen policies (Cerović 2012, 482).

However, of highest relevance for this research are the presented indicators which clearly point to excessive dependence of Serbia on the EU and CEFTA markets, both in terms of export and investment. Such high concentration on a limited number of markets makes its economy very vulnerable in times of global economic fluctuations. As presented, in terms of export, despite noticeable improvement during the observed period, from 67,1 % in 2004 to 60,4 % in 2016, for what the largest credits has active commercial diplomacy, Serbia is still too dependent on the markets of the EU and CEFTA. In terms of investment, the presented data disclose a slightly positive, but still far from satisfying trend in the sense of (geographical) diversification. More concretely, concerning inward FDI, a share of the EU in Serbia's total FDI has decreased from 67,3 % in 2010 to 63 % in 2016. Likewise, a share of Europe (EU + other non-EU European countries) has decreased from 90,1 % in 2010 to 80,1 % in 2016. Going more in detail, illustrated facts show that the number of non-EU countries in Serbia's top 20 inward FDI source countries has gone from 5 in 2010 to 9 in 2016. Or, in terms of value, during the observed period, a share of non-EU in Serbia's total attracted FDI has increased from 27,1 % to 33,9 %, whereas a share of non-European (attracted) FDI has increased from 4,7 % to 17,2 %. In terms of outward FDI, mixed results are evidenced. During the period 2010–2016, a share of Serbia's EU-based FDI has gone to worse, in other words it has increased from 25,8 % to 45,5 %, whereas European-based (FDI) has decreased, from 98,5 % to 87,5 %, meaning (that) noticeable diversification has been achieved. Furthermore, the number of non-EU countries which hosted FDI from Serbia has decreased from 10 to 8 in the same period. Or, in terms of value, a share of non-EU based FDI in Serbia's total has decreased from 79 % in 2010 to 50,6 % in 2016. However, on the contrary, a share of Serbia's non-European based FDI has increased, from 0,8 % in 2010 to 5,7 % in 2016, implying achieved diversification in European countries other than (of/from) the EU. Taught by bad experience of the world economic crisis in 2007/'08, having seen how detrimental global economic turbulences can be for Serbia's vulnerable transitional economy, many experts and policy makers in recent years started to outspokenly advocate that Serbia needs to orient towards the emerging markets with the aim to enhance economy internationalisation, and in that way decrease being overly contingent on the EU and CEFTA markets, both in terms of export and investment. To this end, commercial diplomacy stands as the most important instrument by means of which this can be accomplished.

5 Serbia's commercial diplomacy: general overview

5.1 Institutional framework

Commercial diplomacy of Serbia is a joint responsibility of and is executed by the institution of the President of the Republic, the ministries in the national Government, of which the main role have the Ministry of Trade, Tourism and Telecommunications (formerly Ministry of Foreign and Internal Trade and Telecommunications), Ministry of Economy (formerly Ministry of Economy and Regional Development) and the Ministry of Foreign Affairs. Nonetheless, the Prime Minister himself/herself does have an important role in conducting commercial diplomacy, what has particularly been the case in recent years. In addition, in carrying out commercial diplomacy tasks a notably important role also have the Chamber of Commerce and Industry of Serbia, and the Development Agency of Serbia (which recently took over responsibility from now already former Serbia Investment and Export Promotion Agency – SIEPA), primarily by means of offering assistance, expertise and training for current and prospective exporters, and helping promote Serbia as a suitable location for foreign investors, but also encourage domestic entrepreneurs to invest abroad. Moreover, though more indirectly, commercial diplomacy is also performed by regional and local export, investment and tourism promotion agencies, which all together are contributing to making Serbia a better place to work, rest and reside in.

Furthermore, it is important to note that in 2007 the Serbian Government commenced the process of establishing the network of professional commercial diplomats (officially called economic counsellors). Institutional mechanism for the network was finalised in 2008 following an agreement on transfer of responsibility from the Ministry of Foreign Affairs onto the then Ministry of Economy and Regional Development. Another transfer of responsibility was done in 2012 when the then Ministry of Foreign and Internal Trade and Telecommunications took over.¹³⁸ The counsellors were seconded to Serbian diplomatic representative offices abroad during 2010 in 24 countries: 17 in the European Union, 6 across the neighbourhood region, and 5 in the countries deemed prosperous in business terms, namely: Russia, China, United States of America, Canada, and Japan. They were mainly tasked with facilitating prospective investors, both inward and outward, in some or all phases of investment realisation, what mainly included establishing contacts, providing information about conditions for investing, and organising visits for prospective investors in a partner

¹³⁸ Open competition and subsequent selection of 28 counsellors was done in the second half of 2009. Training and preparation preceding their positioning took place in the first half of 2010.

country, be in Serbia (in case of inward investment) or a foreign country (in case of outward investment). Alike, their job also consisted of assisting domestic exporters by means of providing useful market-related information, organising visits at business fora, trade fairs and various business-related presentations, and working on finding suitable trade partners too. The network was gradually contracted over time, mainly as a consequence of budgetary cuts and rationalisation, especially in the neighbourhood region where there is no emphasised linguistic and cultural barriers for development of business and trade, but also due to poor results in some cities and countries, especially those overseas (Ministry of Foreign and Internal Trade and Telecommunications 2014). In this regard, it needs to be stressed that in order to ensure quality of delivered services, whether some kind of network be established in the future or not, diplomatic staff in Serbia's embassies needs to be well trained before their deployment and selected on the basis of merit exclusively. In addition, home-stationed staff in charge of commercial diplomacy needs to provide adequate and timely response to the business community, entrepreneurs in particular. In addition, it is important to emphasise that quality of delivered services is indeed hard to measure and quantify, and therefore there are insufficient information on it.

In Table 5.1 is presented a summary of results of economic counsellors during their engagement abroad in between May 2010 and August 2012.¹³⁹

Table 5.1: Quantification of activities of economic counsellors during their deployment in Serbia's diplomatic and consular representative offices abroad, in numbers, in the period May 2010-August 2012

| Location | Contacts with foreign companies | Investment projects | | Contacts with exporters | | Interviews at fora, fairs and presentations | Visits | Institutional cooperation | | Official reporting |
|------------|---------------------------------|---------------------|-------------------|-------------------------|---------|---|--------|--------------------------------------|---------------------------|--------------------|
| | | Implemented | Being implemented | Total | Assists | | | Bilateral agreements or negotiations | Events attended in Serbia | |
| Beijing | 170 | 3 | 3 | 20 | 15 | 20 | 21 | 12 | 36 | 145 |
| Berlin | 237 | 3 | 1 | 17 | 4 | 20 | 16 | 11 | 12 | 89 |
| Bratislava | 135 | 5 | 10 | 70 | 19 | 22 | 15 | 4 | 12 | 275 |
| Brussels | 161 | 4 | 9 | 20 | 7 | 18 | 7 | 1 | 12 | 275 |
| Bucharest | 500 | 2 | 6 | 71 | 71 | 39 | 7 | 3 | 5 | 209 |
| Budapest | 110 | / | / | 90 | 50 | 30 | 1 | 1 | 2 | 105 |
| Chicago | 151 | 7 | 17 | 47 | 39 | 18 | 3 | 3 | 9 | 65 |
| Istanbul | 219 | 1 | 2 | 97 | 35 | 21 | 8 | 2 | 12 | 247 |
| London | 450 | 1 | 3 | 150 | 90 | 50 | 40 | 2 | 30 | 113 |

¹³⁹ Data for other periods are not available.

| | | | | | | | | | | |
|--------------|-------|----|-----|------|-----|-----|-----|-----|-----|-------|
| Ljubljana | 150 | / | / | 60 | 40 | 25 | 6 | 2 | 7 | 200 |
| Ljubljana* | 250 | 1 | 5 | 200 | 54 | 23 | 12 | 4 | 6 | 168 |
| Skopje** | | | | | | | | | | |
| Milan | 600 | 9 | 18 | 33 | 30 | 44 | 12 | 2 | 85 | 132 |
| Moscow | 28 | / | 2 | 38 | 27 | 41 | 2 | 22 | 18 | 244 |
| Munich | 650 | 2 | 2 | 50 | 20 | 18 | 5 | / | 8 | 35 |
| Paris | 350 | 2 | 8 | 75 | 30 | 23 | 13 | 2 | 16 | 151 |
| Podgorica | 235 | 1 | 1 | 130 | 75 | 52 | 12 | 2 | 10 | 185 |
| Prague | 90 | 1 | 5 | 40 | 14 | 26 | 4 | 2 | 5 | 110 |
| Rome | 450 | 4 | 18 | 21 | 21 | 60 | 10 | 3 | 60 | 180 |
| Sarajevo | 21 | / | / | 86 | 49 | 13 | 5 | 2 | 11 | 247 |
| Sofia | 180 | 1 | 1 | 85 | 38 | 17 | 6 | 3 | 10 | 72 |
| Stockholm | 22 | / | 1 | 23 | 1 | 16 | / | / | / | 112 |
| Stuttgart | 85 | 1 | 1 | 20 | 10 | 30 | 20 | 1 | 10 | 40 |
| Tokyo | 240 | 1 | 9 | 45 | 30 | 52 | 15 | 4 | 22 | 110 |
| Vienna | 500 | 11 | 19 | 100 | 50 | 150 | 56 | 17 | 45 | 150 |
| Zagreb | 86 | / | / | 45 | 21 | 33 | 8 | 12 | 5 | 350 |
| Athens | 322 | 3 | 6 | 92 | 75 | 56 | 6 | 3 | 16 | 287 |
| Kiev | 80 | / | / | 65 | 55 | 20 | 12 | 9 | 5 | 235 |
| Toronto | 200 | 2 | 6 | 40 | 19 | 23 | 2 | 5 | / | 50 |
| Total | 6.672 | 65 | 153 | 1.83 | 988 | 944 | 324 | 134 | 469 | 4.581 |

*Until April 2012

Note: Ljubljana* and Skopje** were served by one economic counselor. There are no separate data available for the two cities.

Note: From the perspective of an economic counsellors, a decision on investment is brought if some kind of a contractual document is signed, be it a memorandum, contract or an agreement.

Source: Ministry of Foreign and Internal Trade and Telecommunications of the Republic of Serbia (2013d)

In terms of organisational arrangement, in accordance to classification offered by Naray (2011) (see Table 3), Serbia's commercial diplomacy is closest to the corporatist type. It means that currently majority of its trade promotion activities is mostly done independently of the embassy, i.e. by the ministry in charge of trade (Ministry of Trade, Tourism and Telecommunications). However, as in case with Germany, the exception to this type is the fact that trade promotion is also done by the country's diplomatic representations. Moreover, trade promotion is also done by the country's (specialised) development agency, what gives it features of a pragmatist type too. In addition, it needs to be mentioned that in the past Serbia's commercial diplomacy was mostly of a developing country type in the sense that most of its commercial diplomacy activities was conducted by the Ministry of Foreign Affairs, but by embassies too, though to a lesser extent.

5.2 Export promotion

The Serbian Government, mainly via its Development Agency, helps to facilitate and encourage current and prospective domestic export-oriented enterprises in their business endeavours abroad, primarily by means of offering expertise, enabling contacts, providing market information, finance opportunities, and representing them at many fairs and other promotion-related events across the world, such as:

- PRODEXPO in Moscow, Russia
- HANNOVER MESSE in Hannover, Germany
- PLMA in Amsterdam, the Netherlands
- WORLD FOOD MOSCOW in Moscow, Russia
- SIAL in Paris, France.

Furthermore, the Development Agency of Serbia is keeping an online database which enables domestic supplier companies to present their raw, semi-finished or finished products to prospective international trade partners or investors. The database currently includes the following fields/industries: aircraft industry, automobile industry, services, chemical industry, leather and textile industry, civil engineering, electrical engineering and electronics, industry of food and beverages, machine industry and metallurgy, packaging, pharmaceutical industry, plastics and rubber industry, software and IT industry, and lumber industry. Moreover, in order to enable as larger market outreach for export-oriented industries as possible, the Serbian Government has provided conditions for strong compliance with main international standards that are currently available:

- CE (*Conformité Européenne*) standard – related to security of products,
- ISO (International Organisation for Standardisation) standard(s) – In Serbia 4 main ISO standards are implemented: (1) ISO 9001 – related to quality management system, (2) ISO 14001 – related to ecological management, (3) ISO 22000 – related to food security, and (4) OHSAS 18001 – related to protection and security of employees,
- HACCP (Hazard Analysis Critical Control Points) – related to food security,
- BIO – Organic Certification – related to food security,
- BRC (British Retail Consortium) – related to food security,
- KOSHER – related to food security for the Jewish people,
- HALAL – related to food security for the Muslim people,
- GLOBAL GAP – related to food security,

- FSC COC – related to ecological and socially acceptable exploitation of forests,
- FIDIC (*Fédération Internationale Des Ingénieurs - Conseils*) – related to investment standards mainly in the field of civil engineering (Development Agency of Serbia 2018).

5.3 Investment promotion

Concerning investment promotion, it is worth noting that Serbia is the leading country in the world in terms of a share of working places opened by foreign companies relative to total population. Since 2007 Serbia has managed to attract over 21 billion EUR of FDI. Planned inward investments in the coming years are estimated to be worth around 5 billion EUR, and they should create about 38,000 new working places. Favourable conditions of Serbia that are highly conducive for foreign investors are: (1) high-quality work force, (2) suitable geographical location, (3) generous financial stimuli, (4) tax free export in the market of 1.1 billion people, and (4) the lowest corporate tax in Europe in the amount of 15 %. In terms of financial stimuli, Serbia offers highly generous incentives. Investment projects eligible for subsidies are the following:

- Investment in the amount of 100,000 EUR or more, and creation of at least 10 new working places in areas (cities or municipalities) classified as devastated,
- Investment in the amount of 200,000 EUR or more, and creation of at least 20 new working places in areas (cities or municipalities) falling within the 4th group of development,¹⁴⁰
- Investment in the amount of 300,000 EUR or more, and creation of at least 30 new working places in areas (cities or municipalities) falling within the 3th group of development,¹⁴¹
- Investment in the amount of 400,000 EUR or more, and creation of at least 40 new working places in areas (cities or municipalities) falling within the 2nd group of development,¹⁴²

¹⁴⁰ 4th group: Aleksinac, Babušnica, Bela Palanka, Blace, Bojnik, Bosilegrad, Brus, Bujanovac, Varvarin, Vladičin Han, Vlasotince, Gadžin Han, Golubac, Dimitrovgrad, Doljevac, Žabari, Žagubica, Žitorađa, Knjaževac, Krupanj, Kuršumlja, Kučevo, Lebane, Ljig, Mali Zvornik, MaloCrniće, Medveđa, Merošina, Mionica, Nova Varoš, Opovo, Petrovac na Mlavi, Preševo, Priboj, Prijepolje, Ražanj, Raška, Rekovac, Svrlijig, Sjenica, Surdulica, Trgovište, Tutin, Crna Trava.

¹⁴¹ 3rd group: Alibunar, Bajina Bašta, Batočina, Bač, Bela Crkva, Bogatić, Boljevac, Velika Plana, Veliko Gradište, Vladimirci, Despotovac, Žabalj, Žitište, Ivanjica, Irig, Kladovo, Knić, Kovačica, Kovin, Koceljeva, Kraljevo, Leskovac, Loznica, Lučani, Ljubovija, Mali Idoš, Negotin, Nova Crnja, Novi Bečej, Novi Pazar, Osečina, Odžaci, Paraćin, Plandište, Prokuplje, Svilajnac, Sečanj, Smederevska Palanka, Sokobanja, Srbobran, Titel, Trstenik, Čičevac, Ub, Čoka, Šid.

- Investment in the amount of 500,000 EUR or more, and creation of at least 50 new working places in areas (cities or municipalities) falling within the 1st group of development,¹⁴³
- Investment in the service sector in the amount of 150,000 EUR or more, whose business scope is also to include international trade, and creation of at least 15 new working places,
- Investment in the sector of agriculture and fisheries in the amount of 2,000,000 EUR or more, and creation of at least 25 new working places (Development Agency of Serbia 2018).

Types of incentives offered are:

- subsidising (costs of) gross salaries of new working places: (a) 20 % of the (costs of) gross salaries for the 1st group of municipalities (up to 3,000 EUR for a new working place); (b) 25 % respectively for the 2nd group (up to 4,000 EUR for a new working place), (c) 30 % for the 3rd group (5,000 EUR for a new working place), (d) 35 % for the 4th group (6,000 EUR for a new working place), and (e) 40 % for highly undeveloped/economically devastated localities (up to 7,000 EUR for a new working place);
- additional incentives for labour-intensive projects: (a) 10 % of gross salary (cost) for each new working place over 200 already opened working places by a foreign investor, (b) 15 % for each new working place over 500 already opened working places by a foreign investor, and (c) 20 % for each new working place over 1,000 already opened working places by a foreign investor;
- incentives for investment (costs) in fixed assets: (a) up to 10 % for the 1st group of municipalities, (b) up to 15 % for the 2nd group, (c) up to 20 % for the 3rd group, (d) up to 25 % for the 4th group, and (e) up to 30 % for economically highly undeveloped/devastated areas.

Deadline for implementation of investments and creation of new working places is:

- up to 3 years from the date of applying for subsidies (exceptionally can be extended to 5 years),

¹⁴² 2nd group: Ada, Aleksandrovac, Apatin, Arandelovac, Arilje, Bačka Topola, Bački Petrovac, Bečej, Vranje, Vrnjačka Banja, Gornji Milanovac, Zaječar, Zrenjanin, Indija, Jagodina, Kikinda, Kosjerić, Kruševac, Kula, Lapovo, Majdanpek, Novi Kneževac, Pirot, Požega, Rača, Ruma, Smederevo, Sombor, Sremska Mitrovica, Sremski Karlovci, Temerin, Topola, Čajetina, Šabac.

¹⁴³ 1st group: Bačka Palanka, Belgrade, Bеојin, Bor, Valjevo, Vrbas, Vršac, Kanjiža, Kragujevac, Lajkovac, Niš, Novi Sad, Pančevo, Pećinci, Požarevac, Senta, Stara Pazova, Subotica, Užice, Čačak.

- up to 10 years from the date of applying for subsidies for investments that are regarded as being of special importance (for economic development of local areas or country as a whole).

Subsidies are also offered by the National Employment Service for the Employment Subsidies Programme, Apprentice Programme and the Re-training Programme (Development Agency of Serbia 2018). Given that a vast majority of foreign investors in Serbia are beneficiaries of these subsidies, it is widely regarded that they have certainly been one of key factors in attracting the investors.¹⁴⁴

5.3.1 Free business zones

With the aim to make Serbia an attractive investment location, the government went on to establish free business zones, modelled upon good practice in other countries worldwide.¹⁴⁵ Free business zones offer business- and investment-friendly conditions, such as exemption from VAT and customs on import of materials for the export-oriented production, then machines, equipment and construction material. Profit obtained in free business zones is tax free and can be transferred into any country, including Serbia, without any permission. Currently there are 14 free business zones in Serbia, in: Pirot,¹⁴⁶ Subotica,¹⁴⁷ Zrenjanin,¹⁴⁸ Novi Sad,¹⁴⁹ Kragujevac,¹⁵⁰ Šabac,¹⁵¹ Užice,¹⁵² Smederevo,¹⁵³ Kruševac,¹⁵⁴ Svilajnac,¹⁵⁵

¹⁴⁴ In line with the noted, Blomström and Kokko (2003) argue that in order to attract as much foreign investment as possible and in that way stimulate domestic economic development, more and more countries worldwide resort to giving incentives in various forms, such as lower taxes, grants, preferential loans, market preferences, infrastructure and even monopoly rights. In addition, in this context it is important to mention Laffont and Martimort (2002) who wrote about the theory of incentives and their importance for economy from the time of Adam Smith until contemporary age.

¹⁴⁵ In terms of the impact of free/special business zones in general, Aggarwal (2007) notes that despite the fact that such zones are generally regarded as strongly beneficial for industrialisation, employment and regional development [especially in developing countries], their positive impact (at least in case of India) on the home country economic development remains controversial, especially in terms of labour standards, technology upgrade and human capital formation. Gopalakrishnan (2007) shares a similar view in terms of negative effects of the zones in China.

¹⁴⁶ „TIGAR TYRES” - production of automobile tyres; „TIGAR OBUĆA” - production of footwear made of rubber; „TIGAR TEHNIČKA GUMA” - production of rubber products; „ELISA PRO” - herbal and cosmetic products; „TERI Engineering” - solutions based on the “key in hand” principle; „Best Tobacco” - production of filter cigarette; „D Company” - tool factory for the rubber industry.

¹⁴⁷ „SIEMENS Loher Elektro” - production of wind turbines; „Dunkermotoren GmbH” - production of motors for mobile shutters; „NORMA GROUP” - products for industrial purposes and distribution; „CONTITECH FLUID SERBIA” d.o.o. - production of components for the automobile industry; „Swarovski” - jewelry production.

¹⁴⁸ „KOLPA” - production of shower cabins, baths and hydromassage devices; „LK Armature” - production of steel tubes; „DRAEXLMAIER” - production of parts/components for the automobile industry.

¹⁴⁹ „BELARUS-AGROPANONKA” - assembly and storing of tractors; „NIS Gasprom Njeft” - Oil Refinery Novi Sad (part of the complex); „CONQUEST SRB” - production of utility equipment, production of equipment for landscaping and maintenance of green areas, equipment for summer and winter maintenance of roads, urban mobiles and equipment for playgrounds; „FROBAS GMBH/FROBAS” D.O.O. - design, development and production of electronic devices.

Apatin, Vranje, Priboj and Belgrade. More than 200 foreign companies are doing business in the business zones across Serbia, which in total employ more than 20,000 people (Development Agency of Serbia 2018). Having that Serbia has a very favourable geographical position, being at the crossroads between the Eastern, Western and Northern part of Europe, doing business in its free zones makes the companies have earlier access to many markets, of which the most important is the market of the European Union. Import and export of goods and raws is unlimited. The goods being exported onto the Serbian domestic market are classified as foreign. The companies operating within the zones get more favourable conditions for doing business in terms of rental fee. Just for illustration, in 2015 the free zones had a turnover of approximately 5 billion EUR, what is almost double (97 % precisely) in comparison to the year before. Export from the free zones makes for 1/5 of Serbia's total export. The free business zones are responsibility of the Administration for Free Zones (of the Ministry of Finance of Serbia), established in 2008 (Ministry of Finance of the Republic of Serbia – Free Zones Administration 2018). The Development Agency of Serbia also keeps the base of investment locations in Serbia, and is working to encourage local communities across Serbia to participate in programmes of the National Alliance for Local Economic Development (NALED) and the Regional Council for Business-Conducive Environment in South-East Europe, to get business-friendly certificate, and in that way increase prospects to attract interested investors (Development Agency of Serbia 2018).

In Tables 5.2 and 5.3 are presented main indicators which point to strong justification of establishing free business zones in Serbia. Among other things, it can be seen that in the period 2009–2016 (for which data are available), their number almost quadrupled, the volume of (attracted) investment went up by well more than 1000 %, the number of employees increased by over 400 %, as well as did the number of users/beneficiaries which rose by almost 50 %. Certainly one of the most significant indicators is the one which shows that the share of the free zones' (total) export in Serbia's total export increased from 3,3 % to 14,8 %.

¹⁵⁰ „FIAT AUTOMOBILI SRBIJA” - automobile industry; „MAGNETI MARELLI” - automobile industry; „MAGNETI MARELLI AUTOMOTIVE” - automobile industry; „SIGIT” - car industry; „JOHNSON CONTROLS AUTOMOTIVE” - automobile industry; „JCMM AUTOMOTIVE” - automobile industry; „PMC AUTOMOTIVE” - automobile industry.

¹⁵¹ „SBE SRBIJA” (MEMBER OF VESCOVINI GROUP) - production of parts/components for the automobile industry.

¹⁵² „Valjaonica bakra Sevojno” - production of copper and copper alloys; „Impol Seval Valjaonica aluminijuma a.d.Sevojno” - aluminum production; „ATLAS” - furniture production; „COPPER COM” - trade and production of copper.

¹⁵³ „METECH” - sheet metal products; „PKC Group” - production of cable sets for commercial vehicles.

¹⁵⁴ „Trajal korporacija” a.d. - manufacture of rubber and chemical products.

¹⁵⁵ „Panasonic” - production of electronic devices (Ministry of Finance of the Republic of Serbia - Free Zones Administration 2018).

Based on positive experience with the business zones and strong pro-business government policies and measures, it is very likely to expect that the trend of opening, i.e. establishing new free business zones, as well as expansion of those already in operation will continue in the years to come.

Table 5.2: Main business indicators with reference to free (business) zones in Serbia

| Year | Number of free zones | Volume of investment* | Number of employed | Number of users | Number of foreign users | Share** |
|-----------|----------------------|-----------------------|--------------------|-----------------|-------------------------|---------|
| 2009 | 4 | 19.038 | 4.915 | 181 | 101 | 55.8% |
| 2010 | 7 | 71.212 | 7.853 | 211 | 105 | 49.8% |
| 2011 | 7 | 387.284 | 7.929 | 161 | 67 | 41.6% |
| 2012 | 9 | 755.605 | 14.579 | 173 | 84 | 48.6% |
| 2013 | 9 | 197.885 | 18.313 | 226 | 100 | 44.2% |
| 2014 | 12 | 208.709 | 19.255 | 262 | 98 | 37.4% |
| 2015 | 13 | 155.763 | 22.242 | 240 | 86 | 35.8% |
| 2016 | 14 | 236.410 | 25.175 | 265 | 95 | 35.8% |
| Change*** | 250.0% | 1141.8% | 412.2% | 46.4% | | |

*In million EUR

**Share of a number of foreign users in the total number of users

***Change for the period 2009–2016 (the period for which data are available)

Source: Ministry of Finance of the Republic of Serbia - Free Zones Administration - Reports on Doing Business of Free Zones in the Republic of Serbia (2009, 5, 10; 2010, 6, 12; 2011, 11, 21; 2012–2013, 11, 26; 2014, 12, 30; 2015, 11, 30; 2016, 12, 33)

Table 5.3: Main indicators with reference to free (business) zones in Serbia, in million EUR

| Year | Value of realised turnover* | Annual change | Export | Annual change | Import | Annual change | Placement within Serbia | Annual change | Placement abroad | Share** | Share*** |
|------|-----------------------------|---------------|--------|---------------|--------|---------------|-------------------------|---------------|------------------|---------|----------|
| 2009 | 557.2 | | 278.6 | | 225.9 | | 52.6 | | 226.0 | 81.10% | 3.30% |
| 2010 | 973.2 | 74.70% | 368.4 | 32.20% | 432.5 | 91.50% | 172.4 | 227.40% | 196.0 | 53.20% | 3.80% |
| 2011 | 1280.3 | 31.60% | 554.5 | 50.50% | 568.5 | 31.40% | 153.4 | -11.00% | 401.2 | 72.30% | 4.70% |
| 2012 | 2499.6 | 95.20% | 890.2 | 60.50% | 1445.0 | 154.20% | 159.9 | 4.30% | 730.3 | 82.00% | 7.90% |
| 2013 | 4935.1 | 97.40% | 2164.6 | 143.20% | 2247.8 | 55.60% | 513.8 | 221.30% | 1650.7 | 76.30% | 14.80% |
| 2014 | 4794.9 | -2.80% | 2119.9 | -2.10% | 2174.9 | -3.20% | 482.1 | -6.20% | 1637.9 | 77.30% | 14.30% |
| 2015 | 4625.2 | -3.50% | 2123.3 | 0.20% | 2038.2 | -6.30% | 445.9 | -7.50% | 1677.4 | 79.00% | 15.90% |
| 2016 | 4822.1 | 4.30% | 2207.3 | 4.00% | 2137.7 | 4.90% | 449.4 | 0.80% | 1757.9 | 79.60% | 14.80% |
| | 765.5% | | 692.2% | | 846.4% | | 753.7% | | 677.8% | | |

*Value of realised turnover of goods and services

**Share of exported abroad (from the free zones) in the free zones' total export

***Share of the free zones' (total) export in Serbia's total export

Note: Data before 2009 are not available.

Source: Ministry of Finance of the Republic of Serbia - Free Zones Administration - Reports on Doing Business of Free Zones in the Republic of Serbia (2009–2010, 2; 2011, 3; 2012, 4; 2013, 3; 2014–2016, 4)

However, since the profit obtained in the zones can be taken out tax free, and therefore the country has little benefit from them in that regard, it is highly important that in this phase the

Serbian authorities find ways to take maximum advantage of the transfer of technology and know-how, and stimulate domestic investment based on innovations and sophisticated technology, in order to create conditions for GDP growth and economic development at the same time. On the contrary, Serbia's GDP growth will not follow the growth of employment, what means a risk of falling into a permanent medium development phase, and becoming totally dependent on foreign investors in terms of employment.

5.4 Tourism promotion

The Serbia Tourism Organisation, in joint cooperation with regional and local tourism organisations and agencies are actively working on promoting Serbia as a worth visiting destination to explore and enjoy in, with special focus on mountain and spa tourism.¹⁵⁶ They regularly take part at numerous regional and international tourism promotional events and initiatives in order to advertise Serbia. The core of tourist offer of Serbia makes the following:

- nature: national parks (4), nature parks (5), protected landscapes (7), nature reserves (2), wetlands (5), natural monuments (5), caves (7) and river and lakes (7),
- destinations: cities and municipalities, villages, spas and health resorts (28) and mountain resorts (10),
- culture: cultural routes (3), UNESCO list sites (monasteries and monuments), archaeological sites (9), monasteries (other than those on the UNESCO list), religious buildings, museums and galleries, folk architecture, manor houses, and fortresses and fortifications (5),
- activities: sport and recreation (bicycling, horse riding, walking and hiking, skiing, sailing and rowing), adventure (free climbing, flying, log rafting, caving, and orienteering) and fauna (fishing, hunting, bird watching) (National Tourism Organisation of Serbia 2018a).

Apart from the national tourism organisation which is (mainly) in charge of carrying out promotional activities, the main, so to say, administrative body in charge of tourism

¹⁵⁶ Places of special focus are: cities of Belgrade and Novi Sad with all their cultural heritage, Lepenski Vir – the archeological site in the Djerdap Gorge, Gamzigrad – a native town of Roman emperor Galerius Felix Romuliana, Viminacium – a Roman town, Djerdap National Park, Tara National Park, Kopaonik National Park (National Tourism Organisation of Serbia 2018a).

promotion is the Ministry of Trade, Tourism and Telecommunications, i.e. its sector for tourism,¹⁵⁷ whose activity scope generally encompasses the following:

- implementation of the national Law on Tourism and the countrywide Strategy for the Development of Tourism,
- monitoring over and/or doing analysis of the impact of (existing) legal framework and economic policies on the development of tourism in Serbia, and giving proactive proposals with the aim to overcome eventual shortcomings and/or further enhance development of tourism countrywide,
- analysing the current state of affairs with regard to tourist offer of Serbia in general, and giving adequate proposals for its improvement,
- implementation of master plans,
- promoting tourism as a field of economy and educating staff working in the sector of tourism at all levels of the authority in Serbia, with the aim to stimulate employment,
- analysing planned investment projects in the field of tourism, and giving proactive proposals,
- proclaiming tourist sites and areas, and helping create sustainable development in those areas, and
- monitoring over and/or analysing current state of affairs at the tourism market (situation with regard to formation of tourist clusters and availability of tourism products) (Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia 2018).

¹⁵⁷ In the Sector there are four departments: Department for Market Research and Development of Tourism Products, Department for Competitiveness in Tourism, Department for Plan and Analysis, and Department for Quality Management in Tourism (Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia 2018).

6 Case studies

In this chapter, which represents the empirical core of the research, will be presented three case studies: Serbia-Russia, Serbia-Turkey and Serbia-China. They are divided into two main parts. The first part (of each of the case studies) will deal with the three mentioned emerging markets in focus of the research, first from the perspective of their importance for developing and/or transitional countries such as Serbia, and then from the perspective of their rising global role and promising business prospects in the future.

With reference to the first (i.e. their importance for developing and/or transitional countries), in order to best demonstrate how important orienting towards those markets is, especially for developing countries in transition like Serbia, a comparison will be made of Russia, Turkey and China separately, either with other BRICS economies (in case of China and Russia, since they belong to this group of countries), or all BRICS economies (in case of Turkey, which is not part of this group), or thus with the world's 10 largest economies in terms of nominal GDP value (China will be compared with other 9, since it itself belongs to the top 10). In some cases, that is, with some indicators, when comparison with other countries, be it either of the two mentioned groups, so to say, makes visual confusion amid strongly discontinuous and overlapping annual values, only a target country (of the three is focus), will be presented with the aim to provide clearer understanding of presented illustration. On the other side, with reference to the latter (i.e. their rising global role and promising business prospects in the future), a list of indicators will be used, whose number varies between the three countries, as they are selected in accordance with specificities of each of the countries which best reflect their position in areas that matter, though a large number of them (meaning indicators) is nevertheless the same for all the three countries.

On the basis of strong theoretical background (given in the theoretical part of the research), i.e. illustrated evidence on the highly positive causality between export, its geographical diversification and FDI, on one side, and economic growth and/or development, on the other, the second part of them (meaning of each of the case studies) will deal with the core issue(s). More concretely, it tends to explore whether and to what extent Serbia's commercial diplomacy towards the three emerging markets has contributed to internationalisation of its economy, primarily by means of enhancing trade (with focus on export), investment (both inward and outward, with focus on the first) and tourism.

From a methodological point of view, the three case studies will be conducted pursuant to the stipulated in subchapter 1.3. In accordance to reasoning of Welch et al. (2011)¹⁵⁸ and Tsang (2013),¹⁵⁹ the focus will be on contextual explanation of natural, i.e. empirical experiment/investigation, what will make the basis for theoretical building.¹⁶⁰

6.1 Case study 1: Serbia–Russia

6.1.1 Russia as emerging market: advantages and challenges

6.1.1.1 Early stages of transition

In its early stage, Russian transition into a market economy was marked by large scale privatisation, liberalisation of prices and decentralisation (Ghosh et al. 2009, 19–20).¹⁶¹ However, it turned out that conducted measures were unsuccessful in reviving vulnerable domestic economy. Baranov (2014, 6–7) argues that failure to achieve economic progress in the first stage of transition in Russia was mainly due to the following factors: (1) ruined economic relations with newly independent countries (formerly Soviet republics) as a consequence of the dissolution of the Soviet Union; (2) fallacious and myopic fiscal and taxation policy that resulted in discouraging the business sector to operate under fully legal conditions; (3) reforms were done in a wrong order - poorly controlled price liberalisation led to inflation and loss of personal savings of the population as well as of enterprises' assets; resultantly, vast majority of population could not take part in privatisation; (4) overly military-oriented economic structure inherited from the Soviet time could not make the basis for economic development in transition, causing economic downturn; hence, a number of

¹⁵⁸ Welch et al. (2011, 755–756) made a typology of theorising in international business, which consists of causal explanation and contextualisation, based on which they distinguish (between) four methods of it (meaning theorising), namely: inductive theory-building, interpretive sense-making, natural experiment and contextualised explanation. Of those, the authors especially stressed the importance of contextualised explanation which they did not find in many of conducted case studies served as sample for their research.

¹⁵⁹ Based on the (mentioned) typology of Welch et al. (2011), Tsang (2013, 195) constructed his own alternation, namely: interpretive sense-making, contextualised explanation, empirical regularity, and theory building and testing.

¹⁶⁰ With reference to the selection of the case study method, Fletcher et al. (2018) and Siggelkow (2007) argue that it is highly suitable for studying/researching the field of international business. Fletcher et al. (2018) distinguish between the theory- and phenomenon-driven (case study) approaches in applying this method, and stress the need for clearer explanation in case when it (meaning the case study method) is selected. On the other side, Siggelkow (2007, 21) argues that case study method „helps sharpen existing theory by pointing to gaps and beginning to fill them.“ As general weakness of this method the author points out „lack of selectivity and presentation of only those details that relate to the conceptual arguments“ Siggelkow (2007, 23). In addition, in this context it is also important to mention the reasoning of Poulis et al. (2013) who wrote in favour of a sampling framework which gives importance to contextualisation and sampling decisions in researching international issues. The authors further emphasise the importance of population taken as sample in conducting a case study and the related cross-cultural differences which may prove to be a hindering factor for the researcher, especially if the observed population is relatively unknown to him/her. Likewise, importance is also given to contextual appropriateness of case selection.

¹⁶¹ Soon after Putin came into power, transition based on postulates of liberalisation was stalled to a large extent (Ghosh et al. 2009, 19–20).

new economic sectors needed to be developed; (5) lack of experience among managers to operate under new circumstances, what resulted in a high level of inefficacy. The already poor transitional restructuring and unsatisfying economic performance during the first decade of transition were additionally aggravated by the 1998 economic crisis which primarily occurred due to heavy macroeconomic imbalances, such as flawed privatisation and price liberalisation, then low oil prices at the world market during the 1997–1998 period, and negative effects of the Asian crisis, which altogether made the Russian economy extremely vulnerable to external economic shocks (de Souza 2008, 14). In order to offer better understanding about the causes of the crisis, the author said about it the following: “The Russian crisis itself was part of a long series of similar crises throughout the 1990s,¹⁶² linked to the fundamentally unsustainable nature of a hard(er) exchange rate regime without a consistent policy mix in an environment of liberalised capital flows.” However, the author argues that overall the initial reforms during the 1990s cannot be regarded as fully inefficient, since they, among other things, enabled establishment of institutions necessary for normal functioning of the market economy system, and opened up Russia to the world (de Souza 2008, 14).

Economic reforms that were conducted following the economic crisis in 1998 and particularly rising global demand for fuels have substantially contributed to Russia’s rapid economic growth since 1998 (Baranov 2014, 7). The post 1998 crisis period was also marked by a notable improvement of labour productivity, which level increased primarily thanks to: (1) institutional reform and, in relation to that, establishment of the market economy, (2) development of human resources,¹⁶³ and (3) increase of capital investment (Baranov 2014, 9–10).

6.1.1.2 Putin’s era – Russia consolidating power

Russia's economic recovery and growth coincided with Vladimir Putin's coming into power (Voigt and Hockmann 2008), who strongly advocated the need to change the then current development model (Bodrova and Ogneva 2013, 140). Having won his first mandate as President, Putin started conducting economic reforms (Sally in OECD 2008, 129). He invested intense efforts primarily to strengthen the rule of law and curb the influence of the

¹⁶² “These crises included the 1992–1993 travails of the Exchange Rate Mechanism I (ERM-I) in the EU, the 1994 Mexican collapse, the 1997 Asian crisis, the 1999 Brazilian turmoil, and 2001 Argentinian experience.” (de Souza 2008, 14).

¹⁶³ Russia heavily invested in higher education. An interesting fact is that 50 % of revenues invested in higher education come from the private sector. The number of university degree graduates increased from 16 % in 1992 to 28 % in 2008 (Baranov 2014, 10).

mighty oligarchs at the time (Ghosh et al. 2009, 20). In July 2000 the Russian Government brought the Social and Economic Policy Programme 2000–2010”, publicly known as the “Gref Plan”, named after Herman Gref, the then Russian minister for economic development and trade.¹⁶⁴ The plan itself encompassed social and economic measures deemed necessary for economic recovery of the country. The social policy included the following measures: (a) improving protection of socially vulnerable households, (b) providing basic social benefits for the population, especially health care and education, (c) increasing the purchasing power of the population, (d) attracting financial means from households and enterprises into funds aimed for functioning and operation of social institutions, and (e) reforming labour legislation to enable better mobility of the labour force and balance the interests between the workers, employers and the state. The economic policy included the following measures: (a) adopting business- and investment-friendly legal framework (with focus on improving various property rights), (b) lowering tax burden (with focus on lowering average customs rates, abolishment of customs privileges and modernisation of customs service) and providing financial stability (with focus on the reform of the banking system, including liquidation of insolvent banks and introduction of deposit guarantees), and (c) conducting structural changes, reforming the monopolies, developing the financial system and investing in research and development, especially in the area of technical sciences (with focus on privatisation of state-owned enterprises and improvement of management in existing state-owned enterprises, then on more public investment in the area of research and development and joint venture investment, as well as on demonopolisation in the fields of power supply, telecommunications and transport infrastructure) (de Souza 2008, 43–44).

Still, Russia’s rapid economic recovery and growth owes special credit primarily to export of fuels¹⁶⁵ (Ahrend 2006, 2) and their rising global demand and prices (Ghosh et al. 2009, 22), especially since the year 2000 onward (de Souza 2008, 38). In the period 1999–2008, high price of oil in the world market made that Russia double its GDP and average household income (Ershov 2013, 85). As a result, Russia managed to achieve macroeconomic stabilisation (Ahrend 2006, 15) and improve living standard, as will be demonstrated later in this chapter. Accumulated budget surplus and well devised fiscal policy were key in stimulating investment flows (Ahrend 2006, 14).

¹⁶⁴ Gref drafted most of the document in cooperation with the Bureau of Economic Analysis, a think tank associated with the Ministry of Finance (de Souza 2008, 43–44).

¹⁶⁵ Russia is very rich in energy resources – it possesses the world’s largest gas reserves, second largest coal, and eight largest oil reserves (Sally in OECD 2008, 130).

Attraction of inward FDI has been recognised as a priority for national economic development, assumed being a generator of production and employment, and contributing to modernisation and advancement of management and know-how in general (Bodrova and Ogneva 2013, 140). Furthermore, under Putin, the public-private partnership was introduced as a new form of investing, and the new Industrial Policy was introduced too, which, in essence, gave the state primacy over liberal, open market economic principles [that most transitional post-communist countries of Central and Eastern Europe at the time adopted as the new, primary economic principle]. In practice, the new policy implied greater interference of the state in the economy (Ghosh et al. 2009, 20). The state interference in strategic sectors of the economy was occasionally so emphasised that it took the elements of oligopoly and even monopoly (Sally in OECD 2008, 132).¹⁶⁶ Large state-owned enterprises (such as Gazprom, Rosneft and Transneft) were given advantageous status over their private counterparts (Sally in OECD 2008, 129).

In line with the mentioned, it is also worth noting that accumulated reserves prompted the Russian authorities to establish the Stabilisation Fund in 2004, subsequently transformed into the Reserve Fund and the National Welfare Fund in 2008. The primary idea behind establishing the Stabilisation Fund was to avoid negative effects on the domestic economy of any future fluctuations of world fuels prices, based on negative experience from the 1980s and 1990s (Baranov 2014, 14). The upper level of the Reserve Fund was set at 10 % of planned GDP for the coming fiscal year. The Ministry of Finance claimed the Reserve Fund would be able to cover losses from a decrease of oil prices in the world market for the period of three years. The Fund proved as a good solution, as it was resorted to covering up budgetary deficit during the 2008/2010 economic crisis (Baranov 2014, 15). Russia's economic recovery at the time was so vigorous that it enabled the country to strengthen military defence capacities with success, and even to invest in space programmes (Ghosh et al. 2009, 19).

6.1.1.3 Advantages of Russia as an emerging market

As illustrated in Figure G1 (see Appendix G), in the first decade of transition, GDP growth rate in Russia went through several sharp ups and downs. In 1991 it reached the lowest rate of -14,5 %, after which started to move up scale to reach the record high of 10 % in 2000.

¹⁶⁶ Other authors too such as Ghosh et al. (2009, 19) argue that Russia still seems to be burdened by the communist legacy in the sense of the role and interference of the state in the economy, sometimes resembling central planning.

Growth was maintained stable through much of the second decade of transition, to fall sharply during the 2007/'08 world economic crisis, after what it recovered well, to start to move down scale again, having negative value in the last couple of years, what is mainly due to being imposed international sanctions for alleged military involvement in the civil war in eastern Ukraine. It can also be seen that of all the BRICS countries, until the emergence of the 2007/'08 world economic crisis, overall, Russia managed to keep the pace of growth with much success, with only China and India being ahead of it. In addition, Russia's GDP in terms of monetary value is one of the world's largest. In 2016 it took the 12th position (globally), being worth 1,283 billion (see the Appendix). GDP per capita growth rate has largely been a reflection of GDP growth rate, as illustrated in Figure G2 (see Appendix G). As Figure G3 (see Appendix G) shows, in terms of GDP per capita expressed in hard currency, of all the BRICS countries Russia has recorded the highest growth over the observed period. Its GDP per capita has increased from 1,330 USD in 1999 to 9,057 USD in 2015. That value would probably have been much higher, around 15,000 USD (in 2013 it was 15,544 USD), had international sanctions not been imposed on Russia, impact of which, among other things) had also negatively affected Russia's GDP per capita value. In terms of household consumption per capita growth expressed in hard currency, it has increased from 2,535 USD in 1990 to 6,518 USD in 2014, as shown in Figure G4 (see Appendix G), which also shows that given the intensity of household consumption growth in Russia, it is likely that its per capita value surpass that of Brazil in near future. Another indicators where Russia stands well is in terms of outward FDI relative to GDP, whose rate increased from 1,2 % in 1993 (it was 0 % in 1990–1992) to 19,1 % in 2015. The record high rate was in 2007 prior to the break out of the world economic crisis when it reached the figure of 26,2 %. The presented values are given in Figure G5 (see Appendix G). The related volume of outward FDI stock has increased from 2,3 billion USD in 1993 to 251,9 billion USD in 2015. The record high value in the amount of 363,4 billion was reached in 2007 prior to the world economic crisis, as shown in Figure G6 (see Appendix G). Furthermore, Russia has invested intense efforts in making the business environment conducive for doing business. If one would to register property in Russia, that would require the least number of procedures of all the world's top ten largest economies. Although statistics for Russia for this particular indicator has become available only recently, Figure G7 (see Appendix G) shows that number of those procedures has decreased from 4 in 2013 to 3 in 2015. In all other presented countries that number varies in the range between 4 and 8. As given in Figure G8 (see Appendix G), Russia has also progressed in terms of time required to start a business. As is

the case with the previous indicator, statistics for this indicator too has become available only a few years ago, and it shows that the country has made notable progress in reducing time during which one could start doing business, bringing it in line with some of the world's most entrepreneurial countries like Germany and Japan. Another indicator that shows that Russia is working to attract foreign companies and stimulate development of domestic entrepreneurship is one that points to taxes on income, profits and capital gains. As shown in Figure G9 (see Appendix G), of the world's top economies Russia has kept the lowest tax rate ever since the end of the 1990s, managing to decrease them from 18,9 % in 1999 to 3,9 % in 2014. Given that the country is facing international sanctions, it is very likely that the authorities will further decrease taxes in order to ease conditions for revival of the economy. Lastly, as it the case with many other transitional countries, Russia had to invest strong efforts to put under control inflationary pressures, as illustrated in Figure G10 (see Appendix G). In the early years of transition, the country had faced hyperinflation which in 1993 has reached staggering 874,6 %, which was gradually curbed to 5,1 % in 2012, but raised up again to 15,5 % in 2015, mainly due to fiscal measures taken as a response to the sanctions. In addition to all mentioned advantages, it is worth adding that Bodrova and Ogneva (2013, 141) nicely summarised the advantages of Russia as an attractive business destination, as follows: (1) rapid economic growth, (2) favourable geographical position, (3) abundance of natural resources, (4) large population and consumer market, (5) high level of technological development of the economy (aviation industry, shipbuilding, automobile industry, pharmaceutical industry, metallurgy, nuclear physics), (6) government investment-friendly policy (strong investment promotion at both federal and regional level; establishment of the Investment Fund, Foreign Investment Advisory Council and Special Economic Zones), (7) investment-conducive taxation system – VAT is 18 %, personal income tax is 13 %, and corporate tax is 24 %, (8) well educated and highly skilled work force (focus on natural and applied sciences and engineering), and (9) investment-conducive legal framework.

6.1.1.4 Why Russia has good prospects for the future businesswise?

Russia is one of the emerging economies (compared to other BRICS countries) that managed to attract a large volume of FDI. In the first decade, the volume of inward FDI relative to GDP value was relatively modest, being in the range between 0,2 to just over 1,5 %, to come to substantially increase during the second decade of transition, reaching the record high of 4,5 % in 2008, after which is gradually decreased to 0,5 % in 2015, as shown in Figure G11 (see Appendix G). One of important development indicators where Russia is particularly well

standing is the amount of saving relative to GDP, which from 1989 to 2015 has mainly floated in the range between 25 to 35 %, as shown in Figure G12 (see Appendix G). Better volume of saving relative to GDP have only other two great emerging economies – China and India. If translated in hard currency, Russia is again in the company of the world's greatest economies, managing to increase the amount of saving from 175,9 billion in 1990 to 385,5 billion in 2015, as illustrated in Figure G13 (see Appendix G). As Figure G14 (see Appendix G) demonstrates, Russia has also been able to maintain a large per cent of the investment volume relative to GDP, mainly being the range between 15 and 25 %, in line with most other developed countries. Where Russia is on par with other world's top economies is the share of high-technology exports in total manufactured exports, the percentage of which has been constantly on the rise in the last decade (from 6,8 % in 2007 to 11,5 % in 2014), as presented in Figure G15 (see Appendix G). Russia is also one of the very few countries among the world's greatest to have managed to maintain positive value of its current account balance ever since the early 1990s, primarily thanks to export of fuels, as shown in Figure G16 (see Appendix G). The IMF predictions for the next couple of years is that Russia will further keep on improving its balance, the growth of which will be second best, only next to Germany's. Translated in hard currency, Russia has managed to improve its current account balance from -1,2 billion USD in 1992 to 34,2 billion USD in 2013. The IMF predicts that its balance will reach the figure of 89,1 billion USD in 2020. The values are given in Figure G17 (see Appendix G). Lastly, as Figure G18 (see Appendix G) shows, in terms of unemployment, in the first decade of transition, as is the case with most transitional countries due to a complete change of economic structure and industrial restructuring, unemployment in Russia rapidly increased from 4,7 % in 1992 to 13 % in 1999, after what started to decrease, falling down to 5,5 % in 2013, coming close to unemployment rate of most other developed countries, such as the United States, United Kingdom and Germany. The IMF predicts that unemployment in Russia will slightly increase to about 6 % in 2020.

6.1.1.5 Additional notes

Having taught lessons from the world economic crisis about how vulnerable its economy is under global economic shocks when predominantly relying on energy sectors, Russian policy makers need to realise the importance of diversifying the economy in the sense of orienting more towards developing industry, and strongly investing in human capital and modernising management (Bodrova and Ogneva 2013, 138). Based on the noted, Russia's economic growth will be contingent mainly on the following factors:

- level of fixed capital investment, and creation of an investment-friendly macroeconomic environment,
- economic (product) diversification amid strong reliance of the Russian economy on global demand and prices of fuels,
- development of infrastructure,
- investing in and subsidising production, especially in the private sector,
- stimulation and facilitation of housing construction primarily by means of affordable loans,
- increasing labourers' wages and stimulating consumption (Baranov 2014, 19–21),
- create growth-driven fiscal and monetary policy (with focus on targeted inflation, more strict banking surveillance and keeping the reserve fund stable), and in that way help alleviate consequences on domestic economy of external economic shocks (Bodrova and Ogneva 2013, 143),
- improve productivity and competitiveness (Bodrova and Ogneva 2013, 143),
- conduct restructuring and modernisation of industrial sectors (Bodrova and Ogneva 2013, 138),
- invest more in research and development, which is to serve as the basis for sustainable economic growth (Ghosh et al. 2009, 24).

To sum up, Russia needs a more diversified economic structure and enhanced productivity to avoid being vulnerable to fluctuations of commodity prices in the world market of some goods which make the core of its export. It also needs substantial investment in development of new and modernisation of existing infrastructure, as well as to conduct institutional reform with the aim to create business-friendly environment.

6.1.2 Serbia's commercial diplomacy towards Russia

6.1.2.1 Introductory notes

Based on traditionally close cultural and therefrom political relations between the two countries,¹⁶⁷ and having realised real potential that cooperation with Russia (with its huge

¹⁶⁷ In a questionnaire answered by Slavica Višnjić, the acting head of Department for Bilateral Economic Relations with Russia (in addition to China) in the Serbian Ministry of Trade, Tourism and Telecommunications, she gave answers to the question(s) whether and to what extent have (good) political and cultural relations of Serbia and Russia contributed to: (a) the signing of an agreement on free trade between these two countries, as well as the accompanying Protocols (which significantly enhanced foreign trade exchange between the two countries, and especially favoured the Serbian side)? (**on the 1–5 scale, the answer is 5**); (b) Serbia's decision not to join the sanctions of the European Union against Russia in 2014? (**on the 1–5 scale, the answer is 5**); (c) the successfulness of doing business of Serbian enterprises at the Russian market? (**on the 1–5 scale, the answer is 4**); (d) the signing of interstate agreements and development of cooperation in

population of nearly 145 million people, rising economy and growing consumption capacity), if exploited to the largest extent possible, could bring to its weak, transition-stricken economy, especially in years following the 2007/'08 world economic crisis, Serbia engaged in active commercial diplomacy towards it, thanks to which it managed to conclude lucrative (bilateral) agreements, primarily in the field of trade, some of them purposely made to contain terms and conditions that are preferential for the Serbian side. Nonetheless, Serbia has been strongly resorting to its diplomacy to attract Russian investors, especially since the outbreak of the global economic crisis (which caused a substantial decrease in volume of foreign investment from the EU, wherefrom Serbia traditionally receives most of foreign investment), but also encourage and stimulate domestic companies to invest in Russia in a quest for new business opportunities that the large Russian market certainly offers. Alike, Serbian diplomacy has also been geared at intensifying activities with the aim to promote Serbia as a desirable tourist destination among the Russians. Given the mentioned, in this case study I will examine the fields of trade, investment and tourism in order to find out whether and, if affirmative, to what extent Serbian commercial diplomacy has positively contributed to developments in those fields, and hence to internationalisation of its economy and economic well-being in general.

6.1.2.2 Cooperation in the field of trade: contractual basis

A cornerstone of bilateral trade relations between Serbia¹⁶⁸ and Russia was the agreement on free trade,¹⁶⁹ signed on 28 August 2000 in Belgrade¹⁷⁰ (Official Gazette of FR Yugoslavia – International Agreements, No. 1/2001, 49). Implementation of the agreement commenced on the day of its signing, that is, on 28 August 2000 (Official Gazette of FR Yugoslavia, No. 1/2001, 51), and it officially (*de iure*) entered into force in 2001.¹⁷¹ The contracting parties agreed on gradual elimination of barriers to free trade over the five years period (Official

the field of tourism, what resulted in a significant increase of a number of Russian tourists in Serbia? **(on the 1–5 scale, the answer is 5)**; and (e) the signing of interstate agreements and development of cooperation in the field of investment? **(on the 1–5 scale, the answer is 5)** (Višnjić 2018).

¹⁶⁸ At that time Serbia was still part of the FR Yugoslavia.

¹⁶⁹ The agreement's full name is the Agreement between the Federal Government of the Federal Republic of Yugoslavia and the Government of the Russian Federation on Free Trade between the Federal Republic of Yugoslavia and the Russian Federation (Official Gazette of FR Yugoslavia – International Agreements, No. 1/2001, 49).

¹⁷⁰ The agreement was confirmed by the Law on Confirmation of the Agreement between the Federal Government of the Federal Republic of Yugoslavia and the Government of the Russian Federation on Free Trade between the Federal Republic of Yugoslavia and the Russian Federation (Official Gazette of FR Yugoslavia – International Agreements, No. 1/2001, 49).

¹⁷¹ After both parties informed each other in a written form that national legal procedures have been fulfilled/finished for its (meaning of the agreement) coming into force, pursuant to the law on confirmation of the agreement.

Gazette of FR Yugoslavia, No. 1/2001, 50). The agreement itself was made to be compliant with main principles of the World Trade Organisation (Official Gazette of FR Yugoslavia, No. 1/2001, 49).

Its (meaning the agreement's) main objectives are the following:

(a) broadening and stimulation of mutual trade and economic relations, geared at fastening of economic development of the two countries, improvement of conditions for living and labour, increasing of employment of the citizens, in the field of production, and achieving of production and financial stability of the two countries; (b) providing conditions for loyal competition between economic subjects of the two countries; (c) harmonisation of customs procedures and ways of implementation of rules on the origin of goods which are in line with norms of international practise, and harmonisation of the procedure for the control of origin of goods by customs bodies of the two countries (Official Gazette of FR Yugoslavia, No. 1/2001, 40).

The agreement was subsequently amended, i.e. expanded (when Serbia started to confront consequences of the world economic crisis) mainly to the benefit of the Serbian side by the two protocols, the first of which was signed on 3 April 2009,¹⁷² whose implementation commenced on the day of its signing¹⁷³ (Official Gazette of the Republic of Serbia – International Agreements, No. 105/2009, 75), and the second (signed) on 22 July 2011,¹⁷⁴ whose implementation started on the day of its signing¹⁷⁵ (Official Gazette of the Republic of Serbia – International Agreements, No. 8/2011, 75). In terms of the protocol(s), one of the most beneficial terms agreed from the perspective of direct benefit for Serbia is Article 4 of the latter (2011) protocol, which reads that

It will be considered that goods went through sufficient procession in one of the party countries if the goods were processed and if the value of the material used in this process (raws, semi-finished products and finished products) of origin from other countries (that are not party countries) or if the value of the material of the unknown origin is not bigger than

¹⁷² The 2009 protocol's full name is the Protocol between the Government of the Republic of Serbia and the Government of the Russian Federation on Exceptions from the Regime of Free Trade Attached to the Agreement between the Federal Government of Yugoslavia and the Government of the Russian Federation on Free Trade between the Federal Republic of Yugoslavia and the Russian Federation.

¹⁷³ The protocol was confirmed by the Law on Confirmation of the Protocol between the Government of the Republic of Serbia and the Government of the Russian Federation on Exceptions from the Regime of Free Trade with the Agreement between the Federal Government of the Federal Republic of Yugoslavia and the Government of the Russian Federation on Free Trade between the Federal Republic of Yugoslavia and the Russian Federation from 28 August 2000; published in the Official Gazette of the Republic of Serbia on 16 December 2009 (Official Gazette of the Republic of Serbia – International Agreements, No. 105/2009).

¹⁷⁴ The 2011 protocol's full name is the Protocol between the Government of the Republic of Serbia and the Government of the Russian Federation on Exceptions from the Regime of Free Trade Attached to the Agreement between the Federal Government of Yugoslavia and the Government of the Russian Federation on Free Trade between the Federal Republic of Yugoslavia and the Russian Federation.

¹⁷⁵ The protocol was confirmed by the Law on Confirmation of the Protocol between the Government of the Republic of Serbia and the Government of the Russian Federation on Exceptions from the Regime of Free Trade and Rules on Determination of the Country of Origin of Goods with the Agreement between the Federal Government of the Federal Republic of Yugoslavia and the Government of the Russian Federation on Free Trade between the Federal Republic of Yugoslavia and the Russian Federation from 28 August 2000; published in the Official Gazette of the Federal Republic of Yugoslavia on 19 October 2011 (Official Gazette of the Republic of Serbia – International Agreements, No. 8/2011).

50 % of the value of goods that are exported (Official Gazette of the Republic of Serbia No. 8/2011, 76–77).

This provision is a noteworthy achievement of Serbian (commercial) diplomacy, as it was added in primarily to encourage foreign investors, primarily from the EU, but also from the overseas to (re)locate their production facilities into Serbia in order to get benefit of the large Russian market, but also of Belarus and Kazakhstan, with which Serbia signed and ratified agreements on free trade (Ministry of Trade, Tourism and Telecommunications 2017a). In addition, regarding just mentioned, on 31 May 2016 in Astana, Kazakhstan, the High Eurasian Economic Council adopted a decision on commencement of negotiations on unification of the trade regime between the Eurasian Economic Union and its member states, on one side, and Serbia, on the other. A unified, all-encompassing trade agreement between the EAEU and Serbia is currently being negotiated. So far, two rounds of negotiations have been held, in Belgrade, in September 2016, and in Moscow, in December 2016 (Ministry of Trade, Tourism and Telecommunications 2017a). Serbia has special interest that a unified trade agreement with the EAEU be agreed on and ratified as soon as possible, having that it has not concluded separate free trade agreements with Armenia and Kyrgyzstan, as it (the unified free trade agreement with the EAEU) would also enable free trade with these two countries (Ministry of Trade, Tourism and Telecommunications 2017a), and access to markets of another 9 million people.

6.1.2.2.1 Benefits of the agreement and the amending protocols

Thanks to the agreement and the amending protocols, overall looking, foreign trade between Serbia and Russia has been developing at a satisfying pace, and particularly to Serbia's benefit. Since the Statistical Office of the Republic of Serbia does not dispose of data for the years before 2004, and having that the FTA between the two countries started to be implemented in August 2000, it is not feasible to compare the trade values before and after that date in order to show whether and to what extent the FTA has contributed to development of trade, especially of export on the Serbian side. However, even if those data (for the years before 2004 and especially before 2000) were available, due to harsh sanctions that the international community imposed on Serbia throughout most of the 1990s, which, among other things, banned international trade with Serbia, what had a devastating effect on its economy, and NATO military campaign against Serbia in spring and early summer 1999, which ruined much of the country's economic infrastructure, such comparison would not be plausible anyway.

As presented in Tables 6.1 and 6.1a below, the FTA and the amending protocols with Russia have been highly beneficial for Serbia, that is, its export, which has increased from 152,9 million USD in 2004 to 795,1 million USD in 2016, what represents an increase of 420,1 %. Moreover, it needs to be noted that this figure would have very likely been substantially higher (somewhere between 1,3–1,4 billion USD in 2016, in line with the then average annual pace of growth) had Russia not been imposed international sanctions in March 2014, which, as already evidenced, have started to cause serious economic downturn, and Serbia not been hit by disastrous floods in May 2014, which negatively affected its economy in the short-term. Furthermore, since in the period 2004–2013 (prior to sanctions on Russia and floods in Serbia) Serbian export has gone up 595,1 %, had sanctions not been imposed in the first place (additionally aggravated by flooding), given the then pace of growth, the amount of export increase in the period 2004–2016 would have been with much certainty somewhere around 800 % instead of official 420,1 %. Furthermore, annual export changes show that Serbian export has recorded the strongest growth in the period 2009–2013,¹⁷⁶ what is mainly due to further liberalisation of export (mostly in favour to the Serbian side) in April 2009 and July 2011. Managing to negotiate these two protocols with Russia happened at the right time for Serbia given a serious fall in demand for Serbian export goods (and export goods in general) and hence decreased export in its main export markets in the EU and the neighbourhood region, but elsewhere too, including Russia, as a consequence of the world economic crisis in 2007/'08. What can also be seen is that after strong initial growth in the first couple of years following signing of the FTA, the world economic crisis contributed to a fall of Serbian export to Russia in the short-term, causing the first annual fall (in 2009) since 2004 (-36,6 %). But, thanks to the protocols, in 2010 as the first full year of implementation of the April 2009 protocol, export growth recovered quickly and satisfyingly (in relation to 2008), reaching the value of -2,9 %, continuing to rise to 57,4 % until 2012 (as the first full year of implementation of the July 2011 protocol) and 92,9 % by 2013, after what, for the reasons already noted, it started to go downscale for two consecutive years, managing to slightly recover in 2016, keeping positive value. Still, despite these recent unfavourable circumstances, in the period 2008–2016 growth of export has recorded a respectable increase of 44,3 %. As evidenced, trade balance has gone to better for Serbia, what directly made that coverage of import by export be substantially improved, surpassing the figure of 52 % in

¹⁷⁶ Herein worth noting is that high export growth of 260,4 % in the period 2004–2008 can be explained by very low export base in the first years following beginning of implementation of the FTA which enabled its rapid growth.

2016 in comparison to only 11 % in 2004. It is also visible that Russia maintains its position as one of Serbia's largest trading partners and top 5 export destinations.

Table 6.1: Foreign trade between Serbia and Russia, for the period 2004–2016, in thousand USD

| Year | Export | Annual export change | Import | Annual import change | Total trade exchange | Trade balance | Coverage of import by export | Position of Russia as Serbia's export destination |
|-----------------|-----------|----------------------|-----------|----------------------|----------------------|---------------|------------------------------|---|
| 2004 | 152.883 | | 1.396.063 | | 1.548.947 | -1.243.180 | 11,0% | 6 th |
| 2005 | 225.252 | 47,3% | 1.668.726 | 19,5% | 1.893.978 | -1.443.475 | 13,5% | 5 th |
| 2006 | 311.080 | 38,1% | 2.142.497 | 28,4% | 2.453.576 | -1.831.417 | 14,5% | 5 th |
| 2007 | 450.592 | 44,8% | 2.671.646 | 24,7% | 3.122.237 | -2.221.054 | 16,9% | 5 th |
| 2008 | 550.969 | 22,3% | 3.519.745 | 31,7% | 4.070.714 | -2.968.776 | 15,7% | 5 th |
| 2009 | 349.424 | -36,6% | 1.968.119 | -44,1% | 2.317.543 | -1.618.694 | 17,8% | 7 th |
| 2010 | 534.746 | 53,0% | 2.156.127 | 9,6% | 2.690.873 | -1.621.381 | 24,8% | 6 th |
| 2011 | 792.309 | 48,2% | 2.654.224 | 23,1% | 3.446.533 | -1.861.915 | 29,9% | 6 th |
| 2012 | 866.971 | 9,4% | 2.078.399 | -21,7% | 2.945.370 | -1.211.428 | 41,7% | 5 th |
| 2013 | 1.062.702 | 22,6% | 1.903.545 | -8,4% | 2.966.247 | -840.844 | 55,8% | 4 th |
| 2014 | 1.029.133 | -3,2% | 2.340.354 | 22,9% | 3.369.487 | -1.311.221 | 44,0% | 4 th |
| 2015 | 724.826 | -29,6% | 1.748.539 | -25,3% | 2.473.365 | -1.023.713 | 41,5% | 5 th |
| 2016 | 795.124 | 9,7% | 1.511.201 | -13,6% | 2.306.326 | -716.077 | 52,6% | 5 th |
| Change* | 420,1% | | 8,2% | | 48,9% | | | |
| Change** | 595,1% | | 36,4% | | | | | |

*Change for the period 2004–2016

**Change for the period 2004–2013 before Russia was imposed international sanctions in March 2014 and before disastrous floods hit Serbia in May 2014

Note: Data for the period 2000–2003 and before are not available.

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table 6.1a : Export from Serbia to Russia, for the period 2004-2016, in thousand USD

| Year | Export | Annual export change | |
|-----------------|-----------|----------------------|--------|
| 2004 | 152.883 | | |
| 2005 | 225.252 | 47,3% | |
| 2006 | 311.080 | 38,1% | |
| 2007 | 450.592 | 44,8% | |
| 2008 | 550.969 | 22,3% | 260,4% |
| 2009 | 349.424 | -36,6% | -36,6% |
| 2010 | 534.746 | 53,0% | -2,9% |
| 2011 | 792.309 | 48,2% | |
| 2012 | 866.971 | 9,4% | 57,4% |
| 2013 | 1.062.702 | 22,6% | 92,9% |
| 2014 | 1.029.133 | -3,2% | |
| 2015 | 724.826 | -29,6% | |
| 2016 | 795.124 | 9,7% | 44,3% |
| Change* | 420,1% | | |
| Change** | 595,1% | | |

Growth in the period 2004–2008 (in the first years after the FTA)

Growth in the period 2008–2009 (when the world economic crisis hit Serbia)

Growth in the period 2008–2010 (after the April 2009 Protocol)

Growth in the period 2008–2012 (after the July 2011 Protocol)

Growth in the period 2008–2013 (before Russia was imposed sanctions)

Growth in the period 2008–2016 (after Russia was imposed sanctions)

*Change for the period 2004–2016

**Change for the period 2004–2013 before Russia was imposed international sanctions in March 2014 and before disastrous floods hit Serbia in May 2014

Note: Growth in the period 2010–2012 was 62,1 %.

Note: Growth in the period 2013–2016 was -25,2 %.

Note: The year 2008 was taken as the last year before the beginning of implementation of the April 2009 and the July 2011 Protocols.

The years 2010 and 2012 were taken as the first full years of implementation of the two Protocols.

In terms of cumulative monetary value, as shown in Tables H1 and H1a (see Appendix H), over the entire period 2004–2016 the strongest export sector is (of) various manufactured goods, not classified, followed by the machines and transport equipment, and the food and live animals sectors (whereat export of food has been substantially higher than of live animals). However, in terms of growth, the strongest sector is (of) food and live animals, which (over the observed period) has grown by as much as 2,031 %, followed by the beverages and tobacco (1,626 %) and various manufactured goods, not classified, (373,4 %) sectors, whereat only two sectors have recorded a fall, but still with notably positive short- to middle-term periods, what (meaning negative growth over the entire time span) could likely be explained by the very nature of goods and related periodical changes, i.e. fluctuations in supply and demand, in addition to two main aggravating factors already noted – sanctions on Russia and floods in Serbia. It can be seen that export of literally all sectors had been negatively affected when Serbia started to confront spill-over effects of the world economic crisis. But, mainly thanks to the April 2009 and the July 2011 protocols, over the period 2009–2013 export managed to recover well, reaching high positive values, after what Russia was imposed sanctions (in 2014), what has negatively reflected on Serbian export, as

illustrated. It is also worth noting that many goods that by classification belong to the two sectors with by far the highest growth between 2004 and 2016 have been fully or additionally liberalised by the mentioned protocols, what will be shown later.

Sectoral export in tons mainly reflects its monetary values, as shown in Tables H2 and H2a (see Appendix H).

In terms of (export) divisions, in Tables H3 and H3a (see Appendix H) are listed top 30 divisions by monetary value in 2016.¹⁷⁷ As presented, fruit and vegetables division is on top of the list, having substantially higher export value of 227,4 million USD than the second – garments and clothing accessories division, whose export in 2016 was worth 91,5 million USD, followed by the medical and pharmaceutical products division with 57,6 million USD, and so on.

It is important to note that among those 30 divisions 10 of them (coloured in green), i.e. certain goods that belong to them, have been on the lists of both the April 2009 and the July 2011 protocols, among which 3 are in the top 5. Moreover, the same 3 divisions are among the top 5 also in terms of the overall cumulative (monetary) value for the observed period. In addition, in order to show that Serbia has strongly benefited from not joining EU sanctions against Russia in 2014 as a backlash to Russia's military involvement in the civil war in Eastern Ukraine, followed by Russia's ban on import of food from the EU as a countermeasure, among other things,¹⁷⁸ herein I will note that among the top 30 listed divisions 8 of them are related to the field of agriculture (designated with the star „*“), among which 5 belong to divisions that were encompassed by the two mentioned protocols. Of the top 30 divisions only one - miscellaneous products, not mentioned, had a negative value over the entire given period. For comparison, in Tables H4 and H4a (see Appendix H) are presented their (meaning of the top 30 divisions) respective values in tons.

Furthermore, as demonstrated in Table 6.2 below, over the period 2004–2016 the number of Serbian agricultural export goods which belong to the top 20 export goods has increased from 3 to 7, whereat in the period 2013–2016 alone, after Serbia started to take full advantage of a Russian ban on import of food from the EU, that number has increased from 4 to 7, in comparison to 3 to 4 in the period 2004–2013. Overall, a share of Serbian agricultural goods in the top 20 export goods has increased from 15 % in 2004 to 35 % in 2016, whereat an

¹⁷⁷ The year 2016 (and not the cumulative value over the entire period 2004–2016) is taken so to be demonstrated that Serbia has strongly benefited from Russian ban on import of food and other agricultural products from the EU which imposed sanctions on it.

¹⁷⁸ In that way Serbia was offered an opportunity to increase its export, mainly of food, but also of other agricultural goods, in order to fill the gap in demand in the vast Russian market incurred by Russian countersanctions on the EU.

increase in the period 2004–2013 was much less (5 %) than since 2013 onward, the period during which export has grown by 15 %. In other words, thanks to prudent Serbian (commercial) diplomacy based on friendly relations with Russia, in only 3 years export of agricultural goods has achieved better growth than it did over almost the entire decade. In terms of percentual (cumulative) value, during the observed period, a share of agricultural goods in the top 20 Serbian export goods has risen by 2,270,6 %.

The most desirable Serbian agricultural goods in the Russian market are fresh apples, followed by plums and peaches. Values in tons closely follow their respective monetary values, as shown in Table H5 (see Appendix H).

Table 6.2: Agricultural goods which belong to the top 20 Serbian export goods to Russia, for the period 2004–2016, in thousand USD

| Goods | Year | | | | | | | | | | | | | Sum 2004-2016 |
|---|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
| Other vegetables, canned, except in vinegar, not frozen | 4.664,8 | 5.579,0 | 6.092,2 | 5.096,1 | | | 7.818,2 | | | | | | | 29.250,3 |
| Other products for nourishment | 2.289,7 | | | | | | | | | | | | | 2.289,7 |
| Maize seed, hybrid | 2.222,7 | | | 4.072,5 | 7.768,2 | | | | | | | | | 14.063,4 |
| Sweet corn, canned, except in vinegar, not frozen | | 3.313,5 | | | | | 7.383,9 | | | | | | | 10.697,4 |
| Apples, fresh | | | 9.246,3 | 12.557,3 | 13.081,1 | 13.148,5 | 42.855,5 | 57.952,2 | 39.631,7 | 41.191,2 | 76.677,6 | 98.055,6 | 119.896,7 | 524.293,7 |
| Plums and sloes, fresh | | | | 7.813,3 | 5.944,3 | 7.692,5 | 12.802,7 | 17.077,6 | 13.292,7 | 16.233,0 | 13.721,2 | 9.967,7 | 7.058,8 | 111.603,8 |
| Tobacco, partly or wholly veinless | | | | | 7.308,5 | | | | | | | | | 7.308,5 |
| Sweet cherries and sour cherries, fresh | | | | | | 5.069,0 | | | | | | 8.346,8 | 13.396,2 | 26.812,0 |
| Peaches (including nectarines), fresh | | | | | | 4.234,1 | 7.467,1 | 11.642,5 | 9.707,9 | 13.329,4 | | 18.714,5 | 29.298,7 | 94.394,2 |
| Dried fruit, nor mentioned and mixtures of pome and dried fruit | | | | | | 4.174,6 | | | | | | | | 4.174,6 |
| Fresh (immature) cheese, incl. also from whey and urd | | | | | | | | | | 15.493,1 | 23.704,7 | 19.476,5 | 21.677,7 | 80.352,0 |
| Sour cherries, frozen, without sugar | | | | | | | | | | | 10.995,6 | | | 10.995,6 |
| Strawberries, fresh | | | | | | | | | | | 10.398,6 | 8.484,3 | 16.403,0 | 35.285,9 |
| Other vegetables and mixtures of vegetables, frozen | | | | | | | | | | | | 8.090,4 | | 8.090,4 |
| Pears and quinces, fresh | | | | | | | | | | | | | 9.826,5 | 9.826,5 |
| Sum for the period 2004-2016 by years | 9.177,2 | 8.892,5 | 15.338,5 | 29.539,2 | 34.102,1 | 34.318,7 | 78.327,4 | 86.672,3 | 62.632,3 | 86.246,7 | 135.497,7 | 171.135,8 | 217.557,6 | 2270,6% |
| Annual change | | -3,1% | 72,5% | 92,6% | 15,4% | 0,6% | 128,2% | 10,7% | -27,7% | 37,7% | 57,1% | 26,3% | 27,1% | |
| Number of agricultural goods by years | 3 | 2 | 2 | 4 | 4 | 5 | 5 | 3 | 3 | 4 | 5 | 7 | 7 | |
| Share of a number of agri. goods in top 20 export goods | 15% | 10% | 10% | 20% | 20% | 25% | 25% | 15% | 15% | 20% | 25% | 35% | 35% | |

Note: Percentual value of 2270,6 % relates to the change for the period 2004–2016

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Likewise, as shown in Table 6.3 below, during the period 2004–2016 the number of Serbian agricultural export goods in the top 50 export goods has increased from 6 to 18, whereat only in the period 2013–2016 that number has increased from 12 to 18, in comparison to 6 to 12 in the period 2004–2013. In other words, in only 3 years, thanks to favourable circumstances for Serbian exporters, the increase of a number of agricultural goods exported to Russia is equal to the increase achieved in the period of near a full decade. Overall, a share of agricultural goods in the top 50 export goods has increased from 12 % in 2004 to 36 % in 2016, having that an increase in the period of almost a decade (2004–2013) was equal to that in the period 2013–2016. Percentually, during the observed period, a share of Serbian agricultural goods in the top 50 Serbian export goods has risen by 204.8 %. Values in tons closely follow on their respective monetary values, as shown in Table H6 (see Appendix H).

Table 6.3: Agricultural goods which belong to the top 50 Serbian export goods to Russia, for the period 2004–2016, in thousand USD

| Goods | Year | | | | | | | | | | | | | Sum |
|---|---------|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004-2016 |
| Other vegetables, canned, except in vinegar, not frozen | 4.664,8 | 5.579,0 | 6.092,2 | 5.096,1 | 5.253,0 | 3.661,6 | 7.818,2 | 7.681,2 | 9.549,9 | 5.082,3 | | | | 60.478,3 |
| Other products for nourishment | 2.289,7 | 2.010,7 | 2.133,1 | 1.925,1 | 3.722,6 | 2.643,2 | 4.505,3 | 4.024,6 | 4.868,6 | 5.599,8 | 6.398,1 | 3.816,4 | 3.974,1 | 47.911,3 |
| Maize seeds, hybrid | 2.222,7 | 1.996,8 | 1.816,6 | 4.072,5 | 7.768,2 | 2.900,3 | 2.356,1 | | 3.655,9 | 5.989,3 | 9.142,0 | 5.517,4 | 3.586,7 | 51.024,5 |
| Sunflower seeds, other | 1.377,6 | | | | | | | | | | | | | 1.377,6 |
| Sweet corn, canned, except in vinegar, not frozen | 1.371,9 | 3.313,5 | 1.614,7 | 3.325,2 | | 2.534,6 | 7.383,9 | 5.823,0 | 6.854,7 | | | | | 32.221,5 |
| Dried fruit, not mentioned and mixtures of pome and dried fruit | 682,9 | 679,8 | | | 3.553,9 | 4.174,6 | 4.284,2 | | | 6.604,7 | 5.552,5 | | | 25.532,6 |
| Sunflower seeds, for sowing | | 1.711,4 | 1.655,8 | | 1.953,0 | | | | | | | | | 5.320,2 |
| Artificial casings for sausage products | | 1.440,8 | | 3.298,0 | | 2.345,1 | 3.790,6 | 4.998,4 | 4.256,2 | | 5.607,2 | 4.889,0 | 6.185,6 | 36.810,9 |
| Apples, fresh | | 1.317,9 | 9.246,3 | 12.557,3 | 13.081,1 | 13.148,5 | 42.855,5 | 57.952,2 | 39.631,7 | 41.191,2 | 76.677,6 | 98.055,6 | 119.896,7 | 525.611,6 |
| Tobacco, partly and wholly veinless | | | 2.417,1 | 3.431,1 | 7.308,5 | | | | | | | | | 13.156,7 |
| Plums and sloes, fresh | | | 1.928,5 | 7.813,3 | 5.944,3 | 7.692,5 | 12.802,7 | 17.077,6 | 13.292,7 | 16.233,0 | 13.721,2 | 9.967,7 | 7.058,8 | 113.532,3 |
| Sweet cherries and sour cherries, fresh | | | | 3.471,8 | 5.455,2 | 5.069,0 | 5.336,1 | 6.957,0 | 6.130,4 | 5.395,2 | 6.278,7 | 8.346,8 | 13.396,2 | 65.836,4 |
| Peaches (including nectarines), fresh | | | | 2.146,1 | 3.577,9 | 4.234,1 | 7.467,1 | 11.642,5 | 9.707,9 | 13.329,4 | 8.818,2 | 18.714,5 | 29.298,7 | 108.936,4 |
| Juice of other individual fruit or vegetables | | | | 1.921,6 | 3.318,0 | 1.478,5 | | | | 6.182,4 | | 2.933,4 | | 15.833,9 |
| Edible fruit seedlings, grafted or not | | | | | 3.453,8 | 1.513,1 | | | | | | | 6.483,0 | 11.449,9 |
| Wine of fresh grapes; must with stopped fermentation | | | | | | 1.928,7 | 2.541,1 | 3.100,4 | 3.541,0 | 5.704,2 | 6.610,5 | 4.025,6 | 4.616,4 | 32.067,9 |
| Strawberries, fresh | | | | | | 1.779,3 | 2.315,2 | 3.353,9 | 3.535,3 | 8.196,0 | 10.398,6 | 8.484,3 | 16.403,0 | 54.465,6 |
| Other cheese, not for treatment | | | | | | | | 3.125,0 | 4.315,2 | | 4.909,8 | 4.457,0 | 3.645,2 | 20.452,2 |
| Fresh (immature) cheese, including also from whey and urd | | | | | | | | | 8.191,8 | 15.493,1 | 23.704,7 | 19.476,5 | 21.677,7 | 88.543,8 |
| Carcasses and half-carcasses of pork, frozen | | | | | | | | | 6.385,4 | | 48.751,2 | 22.694,3 | 3.511,8 | 81.342,7 |
| Sour cherries, frozen, without sugar | | | | | | | | | | | 10.995,6 | 6.827,2 | 4.802,2 | 22.625,0 |
| Other vegetables and mixtures of vegetables, frozen | | | | | | | | | | | 6.230,9 | 8.090,4 | 4.346,1 | 18.667,4 |
| Pears and quinces, fresh | | | | | | | | | | | 5.875,9 | 5.028,7 | 9.826,5 | 20.731,1 |
| Other pork meat, frozen | | | | | | | | | | | 4.863,8 | | | 4.863,8 |
| Raspberries, frozen, without sugar | | | | | | | | | | | 4.373,5 | 4.033,2 | | 8.406,7 |

| | | | | | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|
| Beans and green beans, frozen | | | | | | | | | | | | 3.859,8 | 5.563,7 | 9.423,5 |
| Food for dogs and cats, for retail trade | | | | | | | | | | | | | 3.656,9 | 3.656,9 |
| Sum for the period 2004-2016 by years | 12.609,6 | 18.049,9 | 26.904,3 | 49.058,1 | 64.389,5 | 55.103,1 | 103.456,0 | 125.735,8 | 123.916,7 | 135.000,6 | 258.910,0 | 239.217,8 | 267.929,3 | 2024,8% |
| Annual change | | 43,1% | 49,1% | 82,3% | 31,3% | -14,4% | 87,7% | 21,5% | -1,4% | 8,9% | 91,8% | -7,6% | 12,0% | |
| Number of agricultural goods by years | 6 | 8 | 8 | 11 | 12 | 14 | 12 | 11 | 14 | 12 | 18 | 18 | 18 | |
| Share of a number of agri. goods in top 50 export goods | 12% | 16% | 16% | 22% | 24% | 28% | 24% | 22% | 28% | 24% | 36% | 36% | 36% | |

Note: Percentual value of 2024,8 % relates to the change for the period 2004–2016

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

In order to test further whether and how much have the protocols helped recovery of Serbian export in crisis time, in Tables 6.4 and 6.4a below are presented data which demonstrate that the April 2009 and the July 2011 protocols have indeed significantly contributed to recovery of Serbian export after sudden short-term slump incurred predominantly as a spill-over effect of the world economic crisis in 2007/'08, which caused global contraction of economic activity and demand thereof. In the period 2008–2010 divisions containing goods that were fully or additionally liberalised by the 2009 protocol had better export results in comparison to the period 2008–2009 when major contraction happened. That this was not just an act of coincidence, tells that further improvement continued in the period following the 2009 liberalisation, as the figures for the period 2008–2013 show. A sudden decrease in 2014 in comparison to 2013 was primarily due to the sanctions on Russia, as already explained, additionally worsened by disastrous floods in spring 2014 in Serbia, which damaged production facilities of many export-oriented enterprises and devastated much agricultural yield. The same applies for those divisions that contain goods that were fully liberalised by the 2011 Protocol. In other words, divisions containing goods that were fully liberalised in the second half of 2011 managed to additionally improve their performance in 2012 and continued to do so until 2014 when growth started to slow down. It is noteworthy that the fruit and vegetables, then beverages, as well as the meat and meat products divisions, in other words – agricultural divisions are among very few which have managed to maintain positive growth rates even after 2014, when Serbia seized an opportunity to increase to maximum its agricultural export, predominantly of food. For comparison, in Tables H7 and H7a (see Appendix H) are given respective values in tons, which mainly coincide with monetary values.

Table 6.4: Export from Serbia to Russia by the divisions that contain goods that were either fully or additionally liberalised by the April 2009 and the July 2011 Protocols, for the period 2004–2016, in thousand USD

| Divisions containing goods fully liberalised by the 2009 Protocol | Year | | | | | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Beverages | 62,1 | 66,5 | 177,2 | 581,8 | 1.931,4 | 2.911,6 | 3.568,8 | 5.253,3 | 5.056,9 | 7.360,2 | 7.978,2 | 4.842,7 | 5.258,6 |
| Essential oils, perfumes and toiletries | 174,2 | 36,2 | 13,6 | 0,4 | 84,2 | 369,0 | 989,9 | 122,0 | 196,4 | 1.164,7 | 1.763,1 | 7.188,5 | 7.858,6 |
| Textile yarn, fabrics and textile products | 3.585,1 | 6.234,7 | 8.326,3 | 10.333,3 | 11.147,3 | 9.356,9 | 17.836,7 | 21.734,1 | 21.926,3 | 27.132,4 | 19.739,2 | 15.309,0 | 16.605,3 |
| Electrical machines, apparatuses and appliances, not ment. | 8.739,8 | 17.757,4 | 21.555,5 | 57.011,0 | 43.362,2 | 29.234,0 | 66.377,6 | 92.116,5 | 98.202,4 | 115.434 | 97.264,1 | 45.324,2 | 44.818,8 |
| Furniture and parts thereof; bedding, mattresses, pillows | 493,8 | 781,1 | 834,3 | 2.316,7 | 1.281,3 | 4.182,9 | 12.290,5 | 19.088,2 | 26.628,0 | 37.907,5 | 11.923,8 | 8.035,6 | 5.584,8 |
| Animal and plant raw materials, not mentioned | 571,7 | 652,9 | 953,1 | 1.751,0 | 4.180,3 | 2.741,8 | 3.822,7 | 4.633,0 | 4.312,5 | 5.514,3 | 4.439,5 | 3.483,2 | 7.554,9 |
| Divisions containing goods additionally liberalised by the 2009 Protocol | | | | | | | | | | | | | |
| Fruit and vegetables | 8.127,6 | 12.441,0 | 22.190,5 | 39.807,6 | 47.914,9 | 47.509,2 | 106.170 | 135.662 | 113.598 | 129.238 | 173.658 | 188.653 | 227.445,9 |
| Medical and pharmaceutical products | 31.310,5 | 43.329,7 | 46.977,2 | 60.497,5 | 71.584,6 | 50.618,5 | 57.067,8 | 49.214,3 | 69.039,1 | 69.083,5 | 56.494,0 | 53.943,7 | 57.616,8 |
| Meat and meat products | 0,0 | 52,9 | 287,7 | 536,5 | 1.058,6 | 1.462,4 | 2.038,4 | 3.492,7 | 10.410,5 | 4.713,2 | 67.938,2 | 29.418,1 | 6.820,9 |
| Sugar, products made of sugar and honey* | 0,0 | 6,5 | 0,0 | 0,9 | 1,5 | 30,6 | 1,3 | 55,0 | 43,4 | 419,6 | 377,8 | 297,2 | 204,4 |
| Beverages | 62,1 | 66,5 | 177,2 | 581,8 | 1.931,4 | 2.911,6 | 3.568,8 | 5.253,3 | 5.056,9 | 7.360,2 | 7.978,2 | 4.842,7 | 5.258,6 |
| Divisions containing goods fully liberalised by the 2011 Protocol | | | | | | | | | | | | | |
| Textile yarn, fabrics and textile products | 3.585,1 | 6.234,7 | 8.326,3 | 10.333,3 | 11.147,3 | 9.356,9 | 17.836,7 | 21.734,1 | 21.926,3 | 27.132,4 | 19.739,2 | 15.309,0 | 16.605,3 |
| Furniture and parts thereof; bedding, mattresses, pillows | 493,8 | 781,1 | 834,3 | 2.316,7 | 1.281,3 | 4.182,9 | 12.290,5 | 19.088,2 | 26.628,0 | 37.907,5 | 11.923,8 | 8.035,6 | 5.584,8 |
| Telecommunications and audio apparatuses and equipment* | 285,5 | 69,3 | 19,5 | 73,3 | 826,8 | 10,0 | 18,7 | 35,6 | 49,2 | 106,3 | 161,7 | 794,8 | 562,7 |
| Miscellaneous products for food and related products | 2352,9 | 2073,6 | 2512,3 | 2379,0 | 3765,9 | 2816,3 | 4663,1 | 4363,3 | 6333,7 | 6268,7 | 7334,1 | 4367,7 | 7.164,1 |

*Divisions that do not belong to top 30 by value in 2016 (all others do).

Table 6.4a: Periodical changes

| Change | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 2008–2009 | 2008–2010 | 2008–2013 | 2013–2014 | 2013–2016 |
| 50,8% | 84,8% | 281,1% | 8,4% | -28,6% |
| 338,2% | 1075,7% | 1283,3% | 51,4% | 574,7% |
| -16,1% | 60,0% | 143,4% | -27,2% | -38,8% |
| -32,6% | 53,1% | 166,2% | -15,7% | -61,2% |
| 226,5% | 859,2% | 2858,5% | -68,5% | -85,3% |
| -34,4% | -8,6% | 31,9% | -19,5% | 37,0% |

| -0,8% | 121,6% | 169,7% | 34,4% | 76,0% |
|-----------|-----------|-----------|-----------|-----------|
| -29,3% | -20,3% | -3,5% | -18,2% | -16,6% |
| 38,1% | 92,6% | 345,2% | 1341,4% | 44,7% |
| 1940,0% | -13,3% | 27873,3% | -10,0% | -51,3% |
| 50,8% | 84,8% | 281,1% | 8,4% | -28,6% |
| 2010–2011 | 2010–2012 | 2010–2013 | 2013–2014 | 2013–2016 |
| 21,9% | 22,9% | 52,1% | -27,2% | -38,8% |
| 55,3% | 116,7% | 208,4% | -68,5% | -85,3% |
| 90,4% | 163,1% | 468,4% | 52,1% | 429,4% |
| -6,4% | 35,8% | 34,4% | 17,0% | 14,3% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Further, most concrete evidence of positive effects of the protocols on Serbian export is given in Tables 6.5 and 6.5a, and 6.6 and 6.6a below where are presented randomly selected goods that were either fully or additionally liberalised by them. First, in terms of the 2009 Protocol, the available data show that export results in the period 2008–2010 were significantly better than in the period 2008–2009, when export was negatively affected by the world economic crisis. Further growth continued in the period 2008–2013, and for some goods in high demand even in 2014, when sanctions were imposed on Russia and floods hit Serbia. Additionally, some of selected products such as: „fruit, fruit barks, other parts of plant, candied“, two categories of soaps, and freezers started to be exported only in the period following beginning of implementation of the mentioned protocol. This can also mean that the protocol and the expanded trade arrangements with Russia, predominantly in favour of Serbia, did not only stimulate domestic producers, but also encouraged foreign investors to invest in Serbia in order to take advantage of the Russian and other markets of the Eurasian Economic Union. Alike, in terms of the 2011 Protocol, export results of 5 selected goods show that export in the period 2010–2012 was much better for them all than during the 2010–2011 period. Trend of growth was kept on also in 2013 and some some goods even in 2014,

when it started to decrease for the mentioned reasons. For comparison, corresponding values in tons are presented in Tables H8 and H8a, and H9 and H9a (see Appendix H).

Table 6.5: Export from Serbia to Russia of 15 selected goods that were fully or additionally liberalised by the April 2009 Protocol, for the period 2004–2016, in thousand USD

| Goods fully or additionally liberalised by the 2009 Protocol | Year | | | | | | | | | | | | |
|--|--------|---------|--------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Apple juice | 0,0 | 12,5 | 3,0 | 2,1 | | | 108,8 | | 4,0 | 8,8 | 151,0 | 16,3 | 40,6 |
| Fruit, fruit barks, other parts of plant, candied | | | | | | | | | | 172,3 | 221,7 | 178,5 | 124,1 |
| Other products of sugar, with no cocoa | | 6,5 | 0,0 | 0,9 | 0,0 | 6,0 | 0,0 | 16,2 | 28,5 | 128,7 | 124,1 | 99,5 | 67,6 |
| Wines of all grapes, with stopped fermentation | 14,1 | 29,9 | 79,1 | 356,3 | 979,5 | 1928,7 | 2541,1 | 3100,4 | 3541,0 | 5704,2 | 6610,5 | 4025,6 | 4.616,4 |
| Beer of malt (incl. Light, strong and black beer) | | | | | 0,0 | | | 6,7 | 0,0 | 0,0 | 0,0 | 0,0 | 25,1 |
| Medicines (other antibiotics), for retail | 2443,9 | 4562,5 | 5135,1 | 6405,0 | 8897,8 | 11260,2 | 10580,4 | 10479,2 | 16039,2 | 19382,9 | 10186,6 | 13009,9 | 8.528,3 |
| Medicines (penicillin, streptomycin), for retail | 2929,4 | 4649,9 | 4759,3 | 8764,6 | 9263,9 | 8084,9 | 11069,2 | 5733,0 | 13181,9 | 11011,3 | 8673,6 | 6197,3 | 7.426,3 |
| Soap in the form of a piece for other use | | | | 0,0 | | | | 0,0 | 0,0 | 5,1 | 14,3 | 0,0 | 5,9 |
| Soap in the form of a piece for toilet use | 0,0 | | | | | | | | | 21,6 | 12,6 | 35,9 | 0,0 |
| Refrigerators for household | 0,0 | 47,0 | 90,5 | 120,4 | 91,2 | 19,3 | 114,3 | 6,7 | 36,9 | 217,6 | 161,0 | 56,9 | 174,8 |
| Freezers in the shape of wardrobe, V> 250l <= 900l | 0,0 | | | | | | | | | 550,6 | 330,9 | 593,0 | 1.052,7 |
| Washing machines with capacity up to 10kg | 0,0 | 1.885,1 | 196,8 | 2.918,9 | 2.459,4 | 1.418,5 | 2.563,0 | 1.947,2 | 17.671,8 | 17.424,7 | 24.461,7 | 11.243,4 | 10.220,4 |
| Wooden office furniture, not ment. | 109,1 | 33,3 | 15,5 | 83,7 | 22,5 | 24,8 | 80,8 | 145,4 | 226,8 | 209,1 | 264,4 | 174,8 | 364,9 |
| Mattresses of cellular rubber or plastics | 74,9 | 26,4 | | 2,2 | | | | 667,0 | 1.877,1 | 979,6 | 39,5 | | 0,0 |
| Mattresses of other materials | 7,1 | 4,2 | 11,6 | 11,0 | 2,8 | 10,0 | 171,1 | 44,6 | 258,0 | 347,3 | 14,2 | 25,0 | 8,6 |

Table 6.5a: Periodical changes

| Change | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 2008–2009 | 2008–2010 | 2008–2013 | 2013–2014 | 2013–2016 |
| | | | 1615,9% | 361,4% |
| | | | 28,7% | -28,0% |
| | | | -3,6% | -47,5% |
| 96,9% | 159,4% | 482,4% | 15,9% | -19,1% |
| | | | | |
| 26,6% | 18,9% | 117,8% | -47,4% | -56,0% |
| -12,7% | 19,5% | 18,9% | -21,2% | -32,6% |
| | | | 180,4% | 15,7% |
| | | | -41,7% | -100,0% |
| -78,8% | 25,3% | 138,6% | -26,0% | -19,7% |
| | | | -39,9% | 91,2% |
| -42,3% | 4,2% | 608,5% | 40,4% | -41,3% |
| 10,2% | 259,1% | 829,3% | 26,4% | 74,5% |
| | | | -96,0% | -100,0% |
| 257,1% | 6010,7% | 12303,6% | -95,9% | -97,5% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table 6.6: Export from Serbia to Russia of 5 selected goods that were fully or additionally liberalised by the July 2011 Protocol, for the period 2004–2016, in thousand USD

| Goods fully or additionally liberalised by the 2011 Protocol | Year | | | | | | | | | | | | |
|--|------|------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|---------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Parts of furniture from 821.3, 821.5 and 821.7 | 2,4 | 23,6 | 94,6 | 81,3 | 63,0 | 178,1 | 161,5 | 156,0 | 601,5 | 607,6 | 328,2 | 306,5 | 645,1 |
| Wooden kitchen furniture, not ment. | | 7,3 | 7,7 | 53,4 | 16,2 | 75,4 | 85,3 | 115,8 | 261,6 | 431,5 | 572,9 | 1394,8 | 345,6 |
| Wooden furniture, for dining rooms-living rooms, not ment. | 10,5 | 33,9 | 200,1 | 507,2 | 246,8 | 693,4 | 726,4 | 1384,2 | 2153,4 | 5972,2 | 3947,5 | 1875,2 | 1.448,1 |
| Other furniture, of wood, not ment. | 33,9 | 15,3 | 27,7 | 355,7 | 138,1 | 147,9 | 203,2 | 231,9 | 2438,2 | 9163,6 | 1613,4 | 632,8 | 242,4 |

Table 6.6a: Periodical changes

| Change | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 2010–2011 | 2010–2012 | 2010–2013 | 2013–2014 | 2013–2016 |
| -3,4% | 272,4% | 276,2% | -46,0% | 6,2% |
| 35,8% | 206,7% | 405,9% | 32,8% | -19,9% |
| 90,6% | 196,4% | 722,2% | -33,9% | -75,8% |
| 14,1% | 1099,9% | 4409,6% | -82,4% | -97,4% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

As shown in Table H10 (see Appendix H) in which are listed top 10 Serbian exporting enterprises by years, Serbian export is satisfyingly diversified in terms of number of enterprises. The obtained data disclose that during the period 2012–2016 that number has increased by 8; in other words it almost doubled. It is interesting to note that among the top 10, only 2 are enterprises that belong to the sector of agriculture, what implies that agricultural enterprises are relatively small in size. Among the largest exporters the most are

companies in foreign ownership such as: Valy d.o.o., Hemofarm, Tarkett d.o.o., Grundfos, Tigar Tyres, Gorenje, Impol Seval, and others, which mainly invested in Serbia in order to take full advantage of the free trade agreement that Serbia has with Russia, but also with Belarus and Kazakhstan.

As presented in Tables 6.7 and 6.8 below, favourable trade arrangements with Russia have positively reflected on the overall development of the export sector and entrepreneurship in Serbia. In the period 2008–2015 the number of Serbian enterprises exporting (in)to Russia increased from 416 to 811, meaning it almost doubled. Respectively, in the period 2007–2016 the number of (Serbian) export goods has increased from 785 to 1,279, what represents a significant increase of 62,9 %. The most export-intensive divisions in terms of number of (exporting) enterprises are those of manufacture of food products, and wholesale trade, except of motor vehicles and motorcycles.

Table 6.7: Number of Serbian exporting enterprises in Russia, for the period 2008–2016

| Country | Year | | | | | | | | | Change |
|---------------|------|-------|-------|-------|-------|------|------|-------|------|-----------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2008–2015 |
| Russia | 416 | 394 | 499 | 637 | 704 | 764 | 838 | 811 | N/A | 95,0% |
| Annual change | | -5,3% | 26,6% | 27,7% | 10,5% | 8,5% | 9,7% | -3,2% | | |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia (2008–2009 ,42–44; 2010 ,44–46; 2011 ,48–50; 2012–2015, 50–52)

Table 6.8: Number of Serbian export goods to Russia, for the period 2007–2016

| Year | Number of goods | Annual change |
|----------------|-----------------|---------------|
| 2007 | 785 | |
| 2008 | 737 | -6,1% |
| 2009 | 761 | 3,3% |
| 2010 | 846 | 11,2% |
| 2011 | 1.045 | 23,5% |
| 2012 | 1.181 | 13,0% |
| 2013 | 1.342 | 13,6% |
| 2014 | 1.427 | 6,3% |
| 2015 | 1.317 | -7,7% |
| 2016 | 1.279 | -2,9% |
| Change* | 62,9% | |

*Change for the period 2007–2016

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia 2017a*

*Data are not available at online database nor are available in documents, but obtained upon request.

Lastly, it is relevant to note that Serbian export is much better diversified than Russian, as illustrated in Tables 6.9 below, which shows that in terms of sectoral import a share of mineral fuels, lubricants and related products alone in Serbia's total import from Russia

amounts 75,8 %. Percentual share in tons is even more conspicuously emphasised and amounts 82,4 %, as illustrated in Table H11 (see Appendix H).

Table 6.9: Import of Serbia from Russia, by sectors, for the period 2004–2016, in thousand USD

| Sectors | Year | | | | | | | | | | | | | Sum |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004–2016 |
| Food and live animals | 10.153,0 | 2.832,6 | 8.695,5 | 15.621,2 | 16.954,0 | 16.688,9 | 14.249,9 | 13.010,5 | 13.005,4 | 16.937,6 | 19.616,5 | 11.365,3 | 12.817,9 | 171.948,3 |
| Beverages and tobacco | 417,3 | 5.728,8 | 13.499,4 | 87,5 | 1.539,7 | 2.410,0 | 11.352,0 | 33.779,4 | 31.042,5 | 36.586,9 | 38.245,9 | 33.788,9 | 46.244,9 | 254.723,2 |
| Crude materials, inedible, except fuels | 13.495,0 | 17.292,9 | 67.376,1 | 57.004,1 | 33.595,7 | 15.125,2 | 30.262,0 | 36.608,4 | 43.273,7 | 54.338,4 | 52.336,2 | 55.056,3 | 45.848,1 | 521.612,1 |
| Mineral fuels, lubricants and related products | 1.188.153,9 | 1.424.826,2 | 1.737.810,8 | 1.977.128,5 | 2.772.598,5 | 1.555.252,3 | 1.693.600,1 | 2.065.036,3 | 1.498.439,5 | 1.261.146,3 | 1.778.341,4 | 1.285.127,9 | 812.012,0 | 21.049.473,7 |
| Animal and plant oils, fats and waxes | 36,0 | 23,4 | 10.333,0 | 3.787,6 | 2.094,3 | 2.001,6 | 6,4 | 50,7 | 17,3 | 4.697,4 | 1.980,1 | 891,3 | 1.776,2 | 27.695,3 |
| Chemical and similar product, not stipulated | 56.428,2 | 66.570,9 | 91.631,5 | 178.746,0 | 287.840,6 | 171.247,2 | 115.218,3 | 143.659,7 | 216.182,3 | 240.461,4 | 189.943,3 | 170.616,5 | 222.910,2 | 2.151.456,1 |
| Manufactured goods classified by material | 91.097,1 | 112.150,7 | 171.552,2 | 254.927,8 | 196.067,4 | 106.967,2 | 217.140,4 | 298.948,1 | 200.750,9 | 227.758,4 | 179.573,1 | 156.391,0 | 167.922,9 | 2.381.247,2 |
| Machines and transport equipment | 31.213,2 | 34.369,6 | 36.379,7 | 31.210,5 | 30.408,8 | 34.390,0 | 53.182,5 | 49.752,1 | 66.757,3 | 50.039,7 | 60.370,4 | 23.205,9 | 157.036,7 | 658.316,4 |
| Miscellaneous manufactured products | 2.475,2 | 3.603,1 | 3.992,5 | 3.596,3 | 12.672,4 | 4.987,3 | 4.812,5 | 3.978,3 | 3.479,4 | 2.899,5 | 2.863,0 | 2.116,7 | 3.564,1 | 55.040,3 |
| Products not stipulated in mentioned sectors | 2.594,5 | 1.328,2 | 1.226,2 | 149.536,1 | 165.973,4 | 59.048,9 | 16.303,0 | 9.400,4 | 5.450,0 | 8.680,1 | 17.084,4 | 9.979,4 | 41.068,1 | 487.672,7 |
| | | | | | | | | | | | | | | * 27.759.185,3 |
| | | | | | | | | | | | | | | ** 21.049.473,7 |
| | | | | | | | | | | | | | | *** 75,8% |

*Sum of all sectors for the period 2004–2016

**Sum of the sector - mineral fuels, lubricants and related products, for the period 2004–2016

***Percentual share of the sector - mineral fuels, lubricants and related products in the sum of all sectors

Source: Own elaboration based on data from the Statistical Office of the Republic of Serbia - online database

Likewise, in terms of divisions, in the observed period, a share of import of only two divisions, namely of oil, oil derivatives and related products, and (of) natural and industrial gas in Serbia's total (import) is 74,5 %. Similar values are also in terms of values in tons (77,7 %), as presented in Tables H12 and H13 (see Appendix H). Therefore, it is visible that with the energy sector excluded, Serbia even has trade surplus with Russia.

6.1.2.3 Cooperation in the field of investment

In terms of Russian (inward) investment into Serbia, as presented in Table 6.10 below, the available data disclose that the volume of inward FDI was relatively stable until 2014 when Russia was imposed sanctions, after what it expectedly started to go downscale. However, it is likely to believe that when the sanctions be abolished, the volume of investment will start to increase again.

In Table 6.11 below are given the most important Russian investment in(to) Serbia in recent years, with values and numbers of new working places created. As can be seen, the largest (in volume) investments are those in the field of energy, based on the intergovernmental agreement between the two countries in the field of oil and gas, signed in 2008 (Chamber of Commerce and Industry of Serbia 2017a).

Table 6.10: Russian foreign direct investment into Serbia, net, inward, in million EUR

| Country | Year | | | | | | |
|---------|-------|-------|-------|-------|------|------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Russia | 216,2 | 488,5 | 232,5 | 189,7 | 73,5 | 96,4 | 81,2 |

Note: The available years are 2010–2016.

Source: Own elaboration based on data from the Statistical Office of the Republic of Serbia - online database

Table 6.11: The most important Russian investments into Serbia

| Investor | Value of investment | Type of investment | Type of activity | Number of new working places opened | Number of new working places planned | Location of investment | Additional notes |
|--|---------------------|--------------------|---------------------|-------------------------------------|--------------------------------------|------------------------|---|
| „Gazprom Neft / NIS a.d” | 947 mil. EUR | Brownfield | Oil industry | 3,992 | N/A | Pančevo | On 1 November 2012 renovated refinery opened. Expansion of investments (expansion of production, retail stations and exploration of oil) planned in the coming years in the amount of 1.5 bil. EUR. |
| „Lukoil / Lukoil Srbija a.d” | 210 mil. EUR | Brownfield | Oil industry | 155 | N/A | Belgrade | The company purchased "Beopetrol" company for storage and distribution of oil derivatives in 2003. |
| „GSK Krasniy Treugolnik / Vulkan gume d.o.o“ | 3.5 mil. EUR | N/A | Automobile industry | 197 | N/A | Niš | |
| „Sogaz & Srbijagas / Sogaz a.d.o“ | 3.1 mil. EUR | N/A | Insurance | 20 | N/A | Novi Sad | |
| „C-Project / Srpsko ruska trgovinska kuća d.o.o” | 2.5 mil. EUR | N/A | Food industry | 7 | N/A | Nova Crnja | |

| | | | | | | | |
|---|-------------------|---------------|--|-----|-----|----------|---|
| „ICL Services and Solutions” | N/A | N/A | Information technology (IT) industry | 15 | N/A | Belgrade | Representative office opened on 22 February 2016 together with Japanese company "Fujitsu". The company offers IT services for Fujitsu clients and partners. Expansion of doing business across Serbia and the region planned. |
| „Metropol Group” | 41 + 7.2 mil. EUR | Privatisation | Tourism | N/A | N/A | Belgrade | The company purchased 71.2 % of shares in Serbian oldest tourist company "Putnik". In December 2010 the Hotel "Tulip In Putnik Beograd" was opened. |
| „Interform“ | N/A | Privatisation | Products of polyurethane foam | N/A | N/A | Čačak | The company purchased 70 % of shares of the company "Vapeks". |
| „Red Triangle“ | 3.5 mil. EUR | Privatisation | Automobile industry (tyres production) | N/A | N/A | Niš | On 12 March 2013 the company purchased the company "Vuklan". Investment in the amount of 5 mil. EUR planned. |
| „Sberbank / Sberbank Srbija a.d. Beograd (former Volksbank a.d. Beograd)“** | N/A | | Finances | N/A | 685 | Belgrade | In February 2012 the Bank became owner of 26 branch offices across Serbia. |

| | | | | | | | |
|-----------------------------|----------------------------------|---------------|------------------------------------|-----|-----|------------|--|
| „Appina Group“ | N/A | Privatisation | Copper production | N/A | N/A | Majdanpek | A joint Russian-Swiss company took part in privatisation of the factory of copper pipes „Majdanpek“. |
| „Koks“ | N/A | Privatisation | N/A | N/A | N/A | N/A | The company took part in privatisation of „Goša Fom“ company. |
| „Harviner“ | N/A | Privatisation | Energy production | N/A | N/A | Belgrade | The company took part in privatisation of „Termoelektro d.d.“ |
| „MargoshviliMuhmadAhmatovi“ | N/A | Privatisation | Food industry | N/A | N/A | Jermenovci | The company took part in privatisation of „Jermenovci“. |
| „North Karton“ | 20 mil. USD (in the first phase) | Greenfield | Manufacture of cardboard packaging | N/A | 200 | Jagodina | Factory is under construction. |

Source: Chamber of Commerce and Industry of Serbia 2017a

In terms of Serbian (outward) investment into Russia, the available data presented in Table 6.12 disclose that the volume of outward FDI has certainly been negatively affected by the world economic crisis, managing to get stabilised only in 2014, reaching the record high of 21,1 million EUR in 2016, from when trend of growth has been successfully maintained. The examples of Hemofarm (which opened a pharmaceutical factory, with the value of investment of 32 million USD) and Sintelon (which opened a factory for production of floor coverings, worth 250 million USD) to this day remain the largest domestic (Serbian) investments in Russia.

Table 6.12: Serbian foreign direct investment into Russia, net, outward, in million EUR

| Country | Year | | | | | | |
|---------|------|-------|------|-------|------|------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Serbia | -3,3 | -24,7 | -0,8 | -16,5 | 3,7 | 8,0 | 21,1 |

Note: The available years are 2010–2016.

Source: Own elaboration based on data from the Statistical Office of the Republic of Serbia - online database

6.1.2.4 Cooperation in the field of tourism

Tourism is one of the fields that has been devoted much (diplomatic) attention, especially in recent years. Thanks to prudent Serbian (commercial) diplomacy, the two countries concluded an agreement,¹⁷⁹ signed on 23 March 2011 in Belgrade,¹⁸⁰ which set conditions and laid down the basis for rapid development in this field, the benefit of which is especially expected for the Serbian side. The National Tourism Organisation of Serbia regularly takes part at the International Tourism Fair in Moscow as the largest and most well known tourism promotional event in whole Russia, and since 2013 also at the International Tourism Stock Exchange in Moscow, then is advertising Serbia in the Russian media, organising visits for specialised Russian tourist journalists to Serbia, and does other activities working to promote Serbia as an attractive tourist destination. The emphasis is on winter and spa tourism. In this context, it is important to note that in September 2016, the National Tourism Organisation of Serbia launched a tourist guide in the Russian language named „Poliglot“, that is being sold in all Russian-speaking countries (apart from Russia: Belarus, Kazakhstan and Ukraine). The first edition of the guide was printed in 10,000 copies (Ministry of Trade, Tourism and Telecommunications 2017a).

As Table 6.13 shows, thanks to numerous tourism promotional activities, mainly of the National Tourism Organisation of Serbia (but also of other related organisations and agencies

¹⁷⁹ The agreement's full name is the Agreement between the Government of the Republic of Serbia and the Government of the Russian Federation on Cooperation in the Field of Tourism.

¹⁸⁰ It came into force on 19 October 2011.

at lower levels of administration in Serbia) as in the country, so abroad, the number of Russian tourists coming to Serbia has been growing over the years, especially since 2010, as in the period 2010–2016 it increased from 21,636 to 43,916, meaning that it more than doubled (103 %). This positive ratio is even better, though slightly (109,8 %), in terms of overnight stays. Given a constant rise ever since 2005, it is quite probable that the results would have been much better had Russia not been imposed sanctions (good results in 2014 indicate that floods in Serbia did not affect places of interest of Russian tourists); hence a serious fall of 17,7 % in 2015 in comparison to 2014, as presented. Overall, in the observed period the number of arrivals and overnight stays of the Russian tourists in Serbia has increased by nearly 300 %. The tourists are spending about 3 days at average while in Serbia, what indicates that Serbia is not only their transit route, but a rest-oriented destination. Given intensive promotional activities in Serbia and abroad, it is expected that in the years to come Russian tourists will keep coming to Serbia in greater numbers and spend more time there.

Table 6.13: Arrivals and overnight stays of the Russian tourists in Serbia, in numbers, for the period 2005–2016

| Year | Arrivals | Annual change | Overnight stays | Annual change | Average number of overnight stays (per person) |
|-----------------|----------|---------------|-----------------|---------------|--|
| 2005 | 11 | | 33 | | 3,0 |
| 2006 | 12 | 9,1% | 37 | 12,1% | 3,1 |
| 2007 | 16 | 33,3% | 52 | 40,5% | 3,3 |
| 2008 | 16 | 0,0% | 54 | 3,8% | 3,4 |
| 2009 | 17 | 6,3% | 60 | 11,1% | 3,5 |
| 2010 | 21.636 | 27,3% | 62.583 | 4,3% | 2,9 |
| 2011 | 25.236 | 16,6% | 75.308 | 20,3% | 3,0 |
| 2012 | 31.628 | 25,3% | 91.517 | 21,5% | 2,9 |
| 2013 | 43.007 | 36,2% | 120.899 | 32,1% | 2,8 |
| 2014 | 50.571 | 17,4% | 153.811 | 27,2% | 3,0 |
| 2015 | 41.623 | -17,7% | 129.011 | -16,1% | 3,1 |
| 2016 | 43.916 | 5,5% | 131.323 | 1,7% | 3,0 |
| Change* | 299,2% | | 297,9% | | |
| Change** | 103,0% | | 109,8% | | |

*Change for the period 2005–2016

**Change for the period 2010–2016

Note: For the period 2005–2009 statistics was done according to methodology by which number(s) were presented in the form of being rounded off in thousands.

Note: In terms of arrivals, growth in the period 2014–2016 after economic slowdown in Russia mainly as a consequence of the sanctions was -13,2 %.

Note: In terms of overnight stays, growth in the period 2014–2016 after economic slowdown in Russia mainly as a consequence of the sanctions was -14,6 %.

Note: Data for the period 2000–2004 are not available.

Source: Statistical Office of the Republic of Serbia - compilation from the Statistical Workbooks***

***Data for the period 2011–2015 have been found in the Statistical Workbook of the SORS (2016, 350–351).

***Data for the period 2005–2009 have been found in the Statistical Workbook of the SORS (2010, 336).

***Data for the year 2016 have been found in the Information on the Statistics on Catering and Trade of the SORS (2017, 4).

6.1.2.5 Concluding notes

This case study clearly shows that, based on close friendly political and cultural relations, Serbia has succeeded to draw substantial benefits from engaging in assertive commercial diplomacy towards Russia, especially in the field of trade. The free trade agreement which, in essence, was purposely charted to be strongly preferential for the Serbian side, represented a strong basis that gave wind to the overall development of bilateral trade relations, which, as evidenced, Serbia has indeed managed to exploit satisfyingly. In the observed period (2004–2016), Serbian export to Russia has increased by 420,1 %. Its annual growth rates have been far ahead of those of import, which in the given period has increased by only 8,2 %. As a result, coverage of import by export has drastically improved in favour of Serbia, from only 11 % in 2004 to 52,6 % in 2016. Since import of Russian oil and gas to Serbia alone makes for as much as 74,5 % of its total, with the energy sector excluded, Serbia even has trade surplus with Russia.

Moreover, since in the period 2004–2013, before Russia was imposed sanctions (in 2014), Serbian export has increased by 595,1 %, had sanctions not been imposed in the first place (additionally aggravated by floods in Serbia), given the then pace of growth, the amount of export increase in the period 2004–2016 would have very probably been around 800 % instead of 420,1 %. Or, translated in monetary value, had sanctions not been imposed, instead of official 795,1 million USD in 2016, export would have probably reached the margin of 1,3–1,4 billion USD (in 2016), in line with the then average pace of growth. Further, in the years following the outbreak of the world economic crisis in 2007/'08, having confronted consequences of severe contraction of global economic activity, especially that of/in the EU, what had negative repercussions on its economy, Serbia resorted to prudent diplomacy to take advantage of close cultural and political ties with Russia. Thanks to them, it succeeded to additionally facilitate and encourage prospects for stronger development of export, managing to finangle the two (FTA-amending) protocols, in 2009 and 2011, which have indeed helped recovery of Serbian export already in the short-term, as presented in the study. Likewise, primarily by virtue of close cultural and political ties with Russia, and unwillingness of Serbia to join the EU sanctions on Russia in early 2014, Serbia took advantage of the Russian ban on import of food and other agricultural goods from the EU as part of its countermeasures (on the EU), as a result of what Serbian export of food products has been growing at yet unprecedented rates. In the period 2004–2016 a share of Serbian agricultural goods in the top 20 export goods has increased from 15 % to 35 %, whereas only in the period 2013–2016 it did by 15 %. In other words, in only 3 years export has achieved better

growth than it did over almost the entire decade. Likewise, during the period 2004–2016 the number of Serbian agricultural export goods in the top 50 export goods has increased from 6 to 18, whereat only in the period 2013–2016 that number has increased from 12 to 18, in comparison to 6 to 12 in the period 2004–2013. In other words, in only 3 years the increase of the number of Serbian agricultural goods exported to Russia is equal to the increase obtained in the period of near a full decade. The grasped opportunity has opened up space for domestic entrepreneurs to position themselves permanently in the vast Russian market, guaranteeing sustainable business. This also has indirect positive effects on the Serbian economy, as it stimulates development of entrepreneurship in Serbia and helps attract foreign investment, especially in the field of agriculture. Hence, in the period 2008–2015 the number of Serbian enterprises exporting to Russia increased from 416 to 811, meaning it almost doubled, and in the period 2007–2016 the number of export goods went up from 785 to 1,279 respectively. In addition, it is important to mention that on more occasions during 2015 and 2016 the Serbian authorities at the highest level have attempted to start off negotiations with their Russian counterparts in order to come to terms on further liberalisation of trade that would include tax free export of automobiles produced in Serbia, as well as some quotas of cheese, cigarettes, sugar, chicken meat and alcohol drinks (Ministry of Trade, Tourism and Telecommunications 2017a). For the time being, despite occasional hints that such agreement would be agreed on, still no concrete arrangements have been made, especially vis-à-vis export of cars of the Italian automobile brand FIAT manufactured in Kragujevac.

In terms of (both inward and outward) investment, despite the fact that trade has been in prime focus of Serbia's commercial diplomacy towards Russia, diplomatic efforts at various levels have been invested in this field too, as a result of which Russian, especially energy companies, notably invested in Serbia's energy sector. Herein noteworthy are the activities of Serbia's former economic counsellor stationed in Moscow, who passionately worked to promote Serbia as a suitable investment destination, in addition to other duties. Given systemic shortcomings in the economies of both countries in the sense of inadequately developed sector of small and medium enterprises, particularly in Russia, whose economy is centered around large, state-owned energy sector companies, the volume of attracted Russian investment cannot be expected to be large anyway.

Commercial diplomacy of Serbia has also contributed to positive developments in the field of tourism. The concluded agreement in March 2011 laid down the basis for rapid development in this field, the benefit of which is especially expected for the Serbian side. Over the period 2005–2016, Serbia has recorded an increase of nearly 300 % both in terms of number(s) of

both arrivals and overnight stays of the Russian tourists in Serbia. Moreover, intensified activities of the National Tourism Organisation of Serbia and other lower-level tourism organisations and agencies which regularly take part at international tourism fairs and other promotional events, such as tourism stock exchange, across Russia are helping advertise Serbia as a desirable tourist destination. In addition, noteworthy is that favourable climatic and geographical conditions, especially for spa and winter tourism, and strong investment in improving existing and building new facilities, have positively contributed to better competitiveness of Serbia in this field, and facilitated diplomatic efforts in reaching positive arrangements.

6.2 Case study 2: Serbia–Turkey

6.2.1 Turkey as emerging market: advantages and challenges

6.2.1.1 Reforms and gaining the status of emerging market

[Turkey is one of those countries which managed to transform themselves from being low-income to becoming an emerging economy with stable economic growth and good prospects for the future in a relatively short period]. The country commenced carrying out comprehensive economic reforms only in the 1980s (Heinemann 2014, 5), based on postulations of free, market economy (under the so-called 24 January Programme), encouraged and financially assisted by the World Bank and the IMF (Öniş and Bayram 2008, 6). The second phase of economic reforms took place in the 1990s amid stagnant economic growth, accompanied by high inflation, and additionally worsened by occasional periods of political instability [what is especially characteristic of Turkey] (Öniş and Bayram 2008, 7). Since the banking sector was the primary instigator of the financial crises that happened in 1994, 2000 and 2001, the then and subsequent reforms were largely focused on improving and strengthening the banking sector, and a more controlled monitoring by a regulatory agency. In addition, as areas that needed to be reformed were designated fiscal policy (focus to be on enhancing discipline and transparency) and tax administration (Öniş and Bayram 2008, 14). Further economic reforms continued after the crisis in 2001 (Öniş and Bayram 2008, 3), with focus on regulatory framework in the banking sector, then FDI-related legislation and fiscal policy (Öniş and Bayram 2008, 3).

[Over the years, largely thanks to its large population and relatively low-cost labour force, but nothing less importantly to favourable geographical position too, being at the crossroad between Europe and Asia, Turkey has managed to attract a significant volume of foreign investment, mainly export-oriented, what served as the basis for its rapid economic

development. Conducted reforms in many areas, achieved political stability, modernisation of the country's infrastructure and high investing in economic fields where Turkey has comparative advantage, such as textile industry and tourism, only expedited its fast growth]. In that context, Aras (2014, 46–48) nicely summarised the following driving factors behind country's steady economic growth:

- establishment of functional market economy,
- monetary discipline with targeted inflation,
- improved fiscal discipline and independent Central Bank,
- relatively high level of financial freedom,
- easy access to international capital,
- capitalised banking sector (bottom level of capital set at 12 %; it was 16 % in 2014; for comparison, the international average is 8 %),
- notable improvement of the overall business environment,
- independent regulatory agencies,
- government stimulation of the private sector of the economy,
- political stability from 2000 onward, and
- strong investment in infrastructure.

Öniş and Bayram (2008, 3–4) argue that Turkey's sustained economic growth will remain contingent on: (a) high inflow of FDI and investment flows in general, (b) expansion and success of the export sector, (c) investing in and stimulating research and development, (d) political and economic stability, (e) fostering regional cooperation and integration, and (f) success in the EU integration process. Similar reasoning is also shared by Aras (2014, 43–44), who stressed a need for production-oriented economy and contemporary educational system based on practical knowledge to stimulate development of innovation and enhancement of productivity.

In addition, favourable demographic picture, with the average age being only 29, also contributes to Turkey's good economic prospects (The Economist 2010). In relation to that, Aras (2014, 46) said that “[i]f Turkey can educate [its] young population effectively it will achieve sustainable economic growth based on high productivity and innovation.”

6.2.1.2 Advantages of Turkey as an emerging market

As mentioned, Turkey has geographically favourable position, being located at the crossroads between Europe, Russia and the Middle East. As such, it is attractive in terms of business and

represents a favourable destination for foreign investors and capital. In addition, close military ties with the United States give Turkey a favourable and, in a way, patronising status in world multilateral institutions such as the IMF.

In the text to follow, some of main economic indicators will be presented that will show advantages of Turkey as an emerging market. In terms of GDP growth, Figure I1 (see Appendix I) shows that Turkish (growth) rate has been highly fluctuating since the beginning of thorough reforms in the 1980s. There have been four major, but short in duration, sharp falls when GDP growth rate went well below positive value, and double as many sharp positive mid- to long-term increases as well, when GDP grew between 6 and 9 % rate. Overall, Turkey has managed to enable relatively stable GDP growth, which has been highly positive ever since 2010. It is important to add that in terms of GDP value, Turkey has reached the world's top 20, being 17th in 2016, with its GDP worth 857,7 billion USD (see the Appendix). GDP per capita growth is mostly a reflection of GDP growth rate value. Turkey has maintained its per capita growth in line with other big emerging markets, as illustrated in Figure I2 (see Appendix I). Translated into hard currency, as given in Figure I3 (see Appendix I), Turkey's GDP per capita has increased from 1,566 USD in 1980 to 13,039 USD in 2011, what was the record high, but since then decreased to 9,130 USD in 2015, being approximately in line with other great emerging economies. In terms of household consumption expenditure per capita, Turkey has also recorded a notable increase, being even better than some of the BRICS economies. As is the case with GDP growth, household expenditure growth have had its periods of ups and downs, but overall, periods of positive rates have been mid- and long-term, whereas periods of negative rates have been only few, yet short in duration. Mentioned values are given in Figure I4 (see Appendix I). Translated in hard currency, household consumption per capita value in Turkey has increased from 4,267 USD in 1987 to 7,958 USD in 2015, which is currently the highest amount of all presented emerging markets, as shown in Figure I5 (see Appendix I). In terms of outward FDI, its rate relative to GDP has increased from 0,6 % in 1990 to 6,1 % in 2015, as illustrated in Figure I6 (see Appendix I). Likewise, as shown in Figure I7, the volume of outward FDI stock has increased from 1.1 billion USD in 1990 to 46,6 billion USD in 2015. In terms of a number of procedures required for registering a property, Turkey is mainly in line with most other of the world's top developed countries, as shown in Figure I8 (see Appendix I). Where Turkey has made laudable improvement is time required for starting a business. In 2003 it took 39 days for one to start running a business; in 2015 only 7,5 days, putting Turkey ahead of some of the world's best entrepreneurial economies such as Germany and Japan. Values are presented

in Figure I9 (see Appendix I). Likewise, in order to become as attractive as possible business destination especially for foreign firms, Turkey has lowered taxes on income, profit and capital gains from 61,8 % in 1980 to 30 % in 2014, as shown in Figure I10 (see Appendix I). Turkey has also managed to curb persistently high inflationary pressures, which at periods turned into hyperinflation, such as in 1980 when it was 110,2 % and 106,3 % in 1994. However, having realised the severity of damage inflation can do on its developing economy, Turkey made steps that eventually led to a decrease of inflation to 7,7 % in 2015. Values are given in Figure I11 (see Appendix I).

6.2.1.3 Why Turkey has good prospects for the future businesswise?

As presented in Figure I12 (see Appendix I), Turkey has also been successful in attracting FDI, the volume of which has increased from 0,1 % of GDP in 1980 to 2,4 % in 2015. During this entire period, a sharp decrease that lasted for a couple of years happened only once, which, by the way, coincided with the global economic crisis. From 2010 (when it was 1,3 %) onward the volume started to move upscale, reaching 2,4 % of GDP in 2015, in line with the BRICS economies (see the Appendix). After the sharp initial increase in the first reform years, Turkey has managed to keep its savings rate relative to GDP above 20 % for the whole decade, from the late 1980s to the late 1990s, in line with most of the world's most developed economies, as shown in Figure I13 (see Appendix I). Since 1999 the savings rate has slightly decreased, but still continued at the stabilizing rate of around 15 %, surpassing 25 % in 2016, being the 4th largest among the listed countries. Turkey has also managed to maintain a relatively high level of investment relative to GDP in line with other developed countries, being in the range between 15 and 25 % ever since the beginning of the early 1980s. Mentioned values are given in Figure I14 (see Appendix I). Where Turkey has been particularly successful at is the level of increase of exports relative to GDP value. Despite some short-term fluctuations, cumulatively, Turkish exports have increased from 5,2 % in 1980 to 28 % in 2015, as given in Figure I15 (see Appendix I). As presented in Figure I16 (see Appendix I), although still lagging behind the world's most developed economies in terms of R&D expenditures, since the 2000s Turkey has started to invest increasingly in R&D, the amount of which relative to GDP has increased from 0,5 % in 1996 to 1 % in 2014. Given the intensity and stability of expenditure growth, it is likely to expect that Turkey will keep up this trend. As presented in Figure I17 (see Appendix I), Turkey has managed to decrease unemployment in recent years, which has been relatively high, at the verge of 10 % ever since the early 2000s, what is in line with many of the world's developed economies.

6.2.2 Serbia's commercial diplomacy towards Turkey

6.2.2.1 Introductory notes

Based on good political relations between the two countries which gave wind to the overall economic cooperation, especially in the last decade, Serbia has engaged in strong commercial diplomacy towards this fast-growing economy. In terms of bilateral economic cooperation, relations between Serbia and Turkey have traditionally been centered around trade; hence a primary focus of Serbian (commercial) diplomacy has been on this field. The free trade agreement with Turkey, finangled to be more preferential for the Serbian side, represents the most laudable diplomatic accomplishment of Serbia vis-a-vis its relations with Turkey, and certainly one of the greatest (diplomatic) achievements overall in Serbia's newest history (since 2000 onward). Given the mentioned, the main task of this case study will be to test whether and to what degree that agreement has positively affected the two countries' bilateral trade flows, Serbian export in the first place. Another highly beneficial feature of the agreement is that it enables Serbia to import textile and leather raw and semi-finished goods from Turkey tax free, process, i.e. manufacture them in Serbia, adding more value, and export them further at competitive price in many markets with which Serbia has free or preferential trade arrangements, such as the EU, CEFTA and the Eurasian Economic Union, whereat primarily thinking of Russia. Diplomacy has also been intensified in terms of investment, primarily inward, i.e. Turkish investment (in)to Serbia, especially in the field of clothing industry, as well as tourism, the field which has been devoted growing attention in recent years. To what extent Serbian diplomacy has succeeded to make positive developments in these fields, will be shown in the lines to follow.

6.2.2.2 Cooperation in the field of trade: contractual basis

The most significant achievement of Serbia's (commercial) diplomacy in terms of its trade relations with Turkey is the agreement on free trade,¹⁸¹ signed in Istanbul, Turkey, on 1 June 2009¹⁸² (Official Gazette of the Republic of Serbia, No. 105/2009, 81–82), which laid down strong foundation for faster development of trade between the two countries. Implementation of the agreement commenced as of 1 September 2010 (Development Agency of Serbia 2018). Its (meaning the agreement's) main objectives are the following:

¹⁸¹ The agreement's full name is the Agreement on Free Trade between the Republic of Serbia and the Republic of Turkey.

¹⁸² The agreement was confirmed by the Law on Confirmation of the Agreement on Free Trade between the Republic of Serbia and the Republic of Turkey (Official Gazette of the Republic of Serbia – International Agreements, No. 105/2009, 81).

(a) increasing and improvement of economic cooperation between the Parties and increasing of living standard of its citizens, (b) gradual elimination of obstacles and limitations to trade with goods, (c) improvement of harmonised development of economic relations between the Parties, through broadening of mutual trade, (d) making of just conditions for competition in trade between the Parties, (e) contribution to harmonised development and expansion of global trade by eliminating obstacles to trade, (f) making conditions for further subventing of investments, especially for development of joint investment in both countries, and (g) improvement of trade and cooperation between the Parties in the markets of the third countries (Official Gazette of the Republic of Serbia, No. 105/2009, 82).

The agreement enabled asymmetrical trade liberalisation in favour of the Serbian side. In other words, Serbian export was exempt from taxes immediately from the beginning of its implementation, whereas Turkish export was set to be gradually liberalised over the 5 years period, until 2015. This clause alone represented a very important diplomatic success of Serbia, as it was given a preferential status at unequal terms. Further, during negotiations on the agreement, Serbia managed to finagle protection of strategically important fields of agriculture, textile industry and black and non-ferrous metallurgy. As already noted in the introductory notes, another highly positive feature of the agreement (and diplomatic success at the same time) is that it enables Serbia to import raw materials and semi-finished goods from Turkey, process them further in Serbia, and export mostly in the markets of the EU and the neighbourhood region (CEFTA), but in other markets too, of which certainly the most relevant is the one of the Eurasian Economic Union (Ministry of Foreign and Internal Trade and Telecommunications 2013; Development Agency of Serbia 2018). Based on the agreement, a joint committee for its implementation was established. The first committee meeting was held in February 2012 in Belgrade, whereat both sides agreed on a need for further liberalisation of agricultural goods. Having realised a need for further intensification of cooperation in the field of agriculture, in September 2011, in Ankara, the two countries signed the Memorandum of Understanding in the field of agriculture, based on which was established the Agricultural Monitoring Committee, tasked with tackling issues regarding phytosanitary protection and veterinary medicine. In addition, the Protocol on Rules on Origin has enabled diagonal cumulation of origin with Turkey and improvement of the overall business environment (Ministry of Foreign and Internal Trade and Telecommunications 2013). Economic cooperation was additionally stimulated by the two countries' intergovernmental agreements on economic cooperation,¹⁸³ and technical and

¹⁸³ Agreement between the Government of the Republic of Serbia and the Government of the Republic of Turkey on Economic Cooperation (in 2010) (Chamber of Commerce and Industry of Serbia 2017a).

financial cooperation,¹⁸⁴ both signed in 2010, as well as by the agreement on cooperation in the field of infrastructural projects¹⁸⁵ (2009), agreement on the avoidance of double taxation in relation to income and property taxes¹⁸⁶ (2006), and the agreement on cooperation in the field of prevention and action against customs violations¹⁸⁷ (2003) (Chamber of Industry and Commerce of Serbia 2017). Furthermore, with the aim to encourage development of entrepreneurship in both partner countries, the Business Council was established (in 2002). Its main partners are the Chamber of Economy and Industry of Serbia, on the Serbian side, and the Committee for Economic Cooperation with Abroad of the Republic of Turkey (established by the Union of Industrial and Trade Chambers of Turkey), on the Turkish side (Ministry of Foreign and Internal Trade and Telecommunications 2013). Business cooperation between the two countries also takes place within the framework of the Enterprise Europe Network, especially in the field of small and medium enterprises. In that regard, it is important to mention that in February 2012, in Belgrade, the two sides agreed on, that is, signed the Memorandum on Cooperation between the National Agency for Regional Development of the Republic of Serbia (HAPP) and the Organisation for Support of Development and the Promotion of Small and Medium Enterprises of the Republic of Turkey (KOSGEB) (Ministry of Foreign and Internal Trade and Telecommunications 2013).

6.2.2.2.1 Benefits of the agreement

The free trade agreement with Turkey has turned out to be one of the most successful achievements of Serbia's commercial diplomacy, as shown in Tables 6.14 and 6.14a below. Thanks to it Turkey has become one of those rare non-EU and non-Western Balkans countries with which Serbia has notably improved overall trade exchange, which in the period 2004–2016 has increased by 259,3 %. In the same period export has recorded far greater growth rate (of 330,4 %) than import (236,9 %). Consequently, coverage of import by export has improved from 31,6 % in 2004 to 40,3 % in 2016. In order to best illustrate the

¹⁸⁴ Agreement between the Government of the Republic of Serbia and the Government of the Republic of Turkey on Technical and Financial Cooperation (in 2010) (Chamber of Commerce and Industry of Serbia 2017a).

¹⁸⁵ Agreement between the Government of the Republic of Serbia and the Government of the Republic of Turkey on Cooperation in the Field of Infrastructural Projects (in 2009) (Chamber of Commerce and Industry of Serbia 2017a).

¹⁸⁶ Agreement between the Council of Ministers of Serbia and Montenegro and the Government of the Republic of Turkey on the Avoidance of Double Taxation in Relation to Taxes on Income and Property (in 2006) (Chamber of Commerce and Industry of Serbia 2017a).

¹⁸⁷ Agreement on Mutual Administrative Assistance in Prevention, Investigation and Taking Action against Customs Violations between the Federal Government of the Federal Republic of Yugoslavia and the Government of the Republic of Turkey (in 2003) (Chamber of Commerce and Industry of Serbia 2017a).

benefits of the agreement will be compared the export values before and after its implementation. So, in the period 2004–2009, prior to the FTA, export decreased by 27,9 %. In only one year, that is, in the period 2009–2010, it grew by as much as 95 %, continuing to grow in 2011 rapidly, reaching a cumulative growth (since 2009) of 306 %. Growth has continued since then all by up to most recently, recording a cumulative growth of nearly 500 % (meaning in the period 2009–2016). Therefore, as demonstrated, growth of export in the years following the agreement was far better than before it. Moreover, another fact that explains the beneficial effect of the agreement (for Serbian economy) is that in the period 2009–2011 alone, position of Turkey on the list of Serbia's main export destinations improved from place 27 to 18. For comparison, in the period 2004–2009, i.e. before the agreement, Turkey's position went to worse, from 14 to place 27. In addition, the agreement has come at the right time for Serbia, when the country started to challenge harsh spill-over effects of the 2007/'08 world economic crisis, which seriously (negatively) affected Serbia's traditional export partners in the EU and the neighbourhood region, and indirectly Serbian export. With than in mind, the benefit of the agreement is thus greater.

Table 6.14: Foreign trade between Serbia and Turkey, for the period 2004–2016, in thousand USD

| Year | Export | Annual export change | Import | Annual import change | Total trade exchange | Trade balance | Coverage of import by export | Position of Turkey as Serbia's export destination |
|----------------|-----------|----------------------|-----------|----------------------|----------------------|---------------|------------------------------|---|
| 2004 | 62.615,3 | | 198.417,2 | | 261.032,5 | -135.802 | 31,6% | 14 th |
| 2005 | 50.315,6 | -19,6% | 211.684,4 | 6,7% | 262.000,0 | -161.369 | 23,8% | 22 nd |
| 2006 | 38.762,9 | -23,0% | 256.625,4 | 21,2% | 295.388,3 | -217.863 | 15,1% | 26 th |
| 2007 | 58.531,3 | 51,0% | 405.700,1 | 58,1% | 464.231,4 | -347.169 | 14,4% | 26 th |
| 2008 | 45.336,8 | -22,5% | 441.419,4 | 8,8% | 486.756,2 | -396.083 | 10,3% | 28 th |
| 2009 | 45.122,3 | -0,5% | 290.802,1 | -34,1% | 335.924,4 | -245.680 | 15,5% | 27 th |
| 2010 | 87.986,3 | 95,0% | 322.832,2 | 11,0% | 410.818,5 | -234.846 | 27,3% | 23 rd |
| 2011 | 183.178,5 | 108,2% | 405.142,3 | 25,5% | 588.320,8 | -221.964 | 45,2% | 18 th |
| 2012 | 186.361,1 | 1,7% | 439.142,8 | 8,4% | 625.503,9 | -252.782 | 42,4% | 15 th |
| 2013 | 219.009,6 | 17,5% | 530.871,5 | 20,9% | 749.881,1 | -311.862 | 41,3% | 18 th |
| 2014 | 230.852,5 | 5,4% | 589.736,8 | 11,1% | 820.589,3 | -358.884 | 39,1% | 17 th |
| 2015 | 248.914,7 | 7,8% | 578.853,9 | -1,8% | 827.768,6 | -329.939 | 43,0% | 17 th |
| 2016 | 269.467,5 | 8,3% | 668.521,9 | 15,5% | 937.989,4 | -399.054 | 40,3% | 17 th |
| Change* | 330,4% | | 236,9% | | 259,3% | | | |

*Change for the period 2004–2016

Note: Data for the period 2000–2003 are not available.

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table 6.14a: Export from Serbia to Turkey, for the period 2004–2016, in thousand USD

| Year | Export | Annual change | |
|----------------|-----------|---------------|--------|
| 2004 | 62.615,3 | | |
| 2005 | 50.315,6 | -19,6% | |
| 2006 | 38.762,9 | -23,0% | |
| 2007 | 58.531,3 | 51,0% | |
| 2008 | 45.336,8 | -22,5% | |
| 2009 | 45.122,3 | -0,5% | -27,9% |
| 2010 | 87.986,3 | 95,0% | 95,0% |
| 2011 | 183.178,5 | 108,2% | 306,0% |
| 2012 | 186.361,1 | 1,7% | |
| 2013 | 219.009,6 | 17,5% | |
| 2014 | 230.852,5 | 5,4% | |
| 2015 | 248.914,7 | 7,8% | |
| 2016 | 269.467,5 | 8,3% | 497,2% |
| Change* | 330,4% | | |

Growth in the period 2004–2009 (before the FTA)

Growth in the period 2009–2010

Growth in the period 2009–2011 (after the FTA)

Growth in the period 2009–2016

*Change for the period 2004–2016

Note: The year 2009 was taken as the last year before the beginning of implementation of the FTA (on 1 September 2010).

Note: The year 2011 was taken as the first full year of implementation of the FTA.

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

In terms of sectoral export, as shown in Tables J1 and J1a (see Appendix J), during the observed period the strongest sector is (of) manufactured goods, classified by material, followed by the inedible crude materials, except fuels, and the machines and transport equipment sectors. In terms of growth, by far the largest (over the entire observed period) has had the sector of mineral fuels, lubricants and related products, as illustrated. Moreover, it is shown that in the period 2009–2011 9 of 10 sectors have kept positive growth rates compared to the period 2009–2010. Likewise, in the first period 7 of them had better growth rates than during the latter. This fact alone clearly illustrates positive effects the agreement had on growth of export. In terms of cumulative growth, over the period 2009–2016 only 1 of the (10) sectors has recorded a fall, yet slight; others have grown mainly at the 3 digit rates. For comparison, respective values in tons are given in Tables J2 and J2a (see Appendix J).

Same results in terms of divisions and related benefits of the agreement are presented in Tables J3 and J3a (see Appendix J). As can be seen, in the period 2009–2011 only 1 of 30 largest divisions recorded a fall compared to the 2009–2010 period. Stable growth has been kept since all until most recently. Respective values in tons are shown in Tables J4 and J4a (see Appendix J).

As already noted, another positive feature of the agreement is the fact that it enables Serbia to import raw materials and semi-finished goods from Turkey, process them in Serbia, adding more value, and export mostly in the markets of the EU and the CEFTA region, but in other

important markets too, such as the Eurasian Economic Union. This mainly relates to textile industry materials/goods. In Table 6.15 below are given values of selected export divisions that relate to the mentioned sector. The data show that the agreement has stimulated import of especially textile fibers and their scraps, but also raw leather and fur, though the latter to a much less extent, as (with the agreement in force) Turkey happened to become only as an alternative import destination of that material, the main part of which has been traditionally imported from the EU and other mainland European countries. For comparison, respective values in tons are given in Table J5 (see Appendix J).

Table 6.15: Import of Serbia from Turkey of selected divisions related to leather and textile industries, in thousand USD

| Divisions | Year | | | | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Leather and fur, raw | 0,3 | 2,8 | 0,0 | 0,0 | 0,0 | 4,3 | 0,0 | 1,4 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Textile fibers and their scraps | 170,8 | 291,6 | 117,9 | 293,0 | 181,4 | 598,1 | 1.107 | 1.360 | 1.547 | 1.088 | 1.374 | 1.003 | 1.052 |
| Products for dyeing and tanning | 236,9 | 489,9 | 437,5 | 1.023 | 1.311 | 1.490 | 2.166 | 2.744 | 3.025 | 3.264 | 4.464 | 4.031 | 4.106 |
| Leather, products of leather, not ment., and processed furs | 1.184 | 1.303 | 2.787 | 3.877 | 4.508 | 2.526 | 2.285 | 2.632 | 3.309 | 4.301 | 5.855 | 4.258 | 4.597 |
| Textile yarn, fabrics and textile products | 37.805 | 42.473 | 55.603 | 76.170 | 81.584 | 57.528 | 64.103 | 84.696 | 84.198 | 105.805 | 118.215 | 113.816 | 119.630 |
| Garments and clothing accessories | 11.930 | 10.194 | 12.497 | 20.008 | 21.117 | 15.347 | 16.541 | 19.697 | 23.870 | 28.673 | 41.275 | 39.677 | 47.912 |
| Footware/shoes | 3.291 | 1.902 | 1.974 | 1.984 | 1.643 | 1.181 | 1.291 | 3.221 | 3.384 | 3.497 | 5.078 | 5.125 | 6.090 |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Furthermore, as presented in Table 6.16 below, the agreement also positively reflected on a number of Serbian enterprises exporting (in)to Turkey, which increased from 183 in 2008 to 323 in 2015, what represents an increase of respectable 76,5 %.

Table 6.16: Number of Serbian exporting enterprises in Turkey, for the period 2008–2016

| Country | Year | | | | | | | | | Change 2008–2015 |
|------------|------|-------|-------|-------|-------|-------|------|-------|------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
| Turkey | 183 | 182 | 208 | 255 | 281 | 276 | 279 | 323 | N/A | 76,5% |
| Annual ch. | | -0,5% | 14,3% | 22,6% | 10,2% | -1,8% | 1,1% | 15,8% | | |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia (2008–2009 ,42–44; 2010, 44–46; 2011, 48–50; 2012–2015, 50–52)

The most export-intensive divisions in terms of number of (exporting) enterprises that belong to the top 20 Serbian exporting enterprises in Turkey are those of the manufacture of rubber and plastic products, and of chemicals and chemical products. Respectively, the number of export goods that Serbia exported to Turkey has increased from 381 in 2007 to 608 in 2016, what represents an increase of 59,6 % (see Table 6.17).

Table 6.17: Number of Serbian export goods to Turkey, for the period 2007–2016

| Year | Number of goods | Annual change |
|----------------|-----------------|---------------|
| 2007 | 381 | |
| 2008 | 401 | 5,2% |
| 2009 | 388 | -3,2% |
| 2010 | 442 | 13,9% |
| 2011 | 491 | 11,1% |
| 2012 | 357 | -27,3% |
| 2013 | 488 | 36,7% |
| 2014 | 487 | -0,2% |
| 2015 | 632 | 29,8% |
| 2016 | 608 | -3,8% |
| Change* | 59,6% | |

*Change for the period 2007–2016

Note: Data are not available at online database nor are available in documents, but obtained upon request.

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia 2017b*

In addition, as given in Table J6 (see Appendix J), over the period 2012–2016, the number of Serbian enterprises operating in Turkey belonging to the top 10 in terms of monetary value has more than doubled, reaching the number of 22, of which 2 are agricultural. This might indicate a positive trend that the agreement has had on the development of the sector of small and medium enterprises in Serbia.

6.2.2.3 Cooperation in the field of investment

Despite that a focus of bilateral economic relations of the two countries has been on the field of trade, noteworthy results have also been achieved in terms of investment, especially of Turkish direct investment (in)to Serbia, the volume of which has reached respectable figures in the last two years, as presented in Table 6.18. It goes without saying that Serbian diplomacy owes important credits for such improvement, as attraction of foreign investment in general is one of its priority issues, especially in recent years. In this regard it is important to mention the agreement on mutual stimulation and protection of investment (signed in 2001),¹⁸⁸ which positively contributed to early developments in this field.

¹⁸⁸ Agreement between the Federal Government of the FR Yugoslavia and the Government of the Republic of Turkey in Relation to Mutual Stimulation and Protection of Investment (2001) (Chamber of Commerce and Industry of Serbia 2017a).

Table 6.18: Turkish foreign direct investment to Serbia, inward, in million EUR

| Country | Year | | | | | | |
|---------|------|------|------|------|------|-------|-------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Turkey | 0,99 | 1,37 | 0,38 | 1,67 | 2,01 | 27,78 | 15,46 |

Note: The available years are 2010–2016

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

In Table 6.19 are listed some of the most important Turkish investments in Serbia. From the presented it can be seen that Turkish investors most readily invest in the field of textile industry. However, it is encouraging that planned investments are focusing on other sectors too, such as agriculture, tourism and renewable energy (see Table J7 in Appendix J).

Table 6.19: Most important Turkish investments in Serbia

| Investor | Value of investment | Type of investment | Type of activity | Number of new working places opened | Number of new working places planned | Location of investment | Additional notes |
|--------------------|--|------------------------------------|---------------------|--------------------------------------|--------------------------------------|------------------------|---|
| “Birleşik tekstil” | N/A | Brownfield | Textile industry | | 1200 (in two phases) | Lazarevac | In April 2017 the investor purchased a "Beko" factory in bankruptcy. |
| “Jeanci Istanbul” | 6 mil. EUR (in Leskovac) and 746,000 EUR est. (in Krupanj) | Greenfield and brownfield combined | Textile industry | 760 (in Leskovac) + 100 (in Krupanj) | 200 (in Krupanj) | Leskovac and Krupanj | The investment was initiated in July 2011. In April 2015 the investor opened a new factory in Krupanj. |
| “Halk Bank” | 10.1 mil. EUR | Brownfield | Banking | N/A | N/A | N/A | In March 2015 it acquired a majority share of the Čačak Bank. It is expected that opening of the Turkish bank will further encourage Turkish companies to invest in Serbia. |
| “Aster Tekstil” | 6.5 mil. EUR | Brownfield | Textile industry | 500 | 2000 est. | Niš | In October 2016 production started. |
| “Teklas Automotiv” | 11.3 mil. EUR | Brownfield | Automobile industry | 200 | 200 | Vladičin Han | Production started in April 2017. Export planned to |

| | | | | | | | |
|-----------------------|-------------|------------|------------------------|-----|------|----------|---|
| | | | | | | | Russia, Europe, Asia and the Americas. |
| “Arčelik” (BEKO) | N/A | Brownfield | Household appliances | N/A | 100+ | Belgrade | In June 2015 the investor opened a office in Belgrade, which will be a regional office. |
| “Fiset International” | N/A | Brownfield | Textile industry | N/A | 40 | Paraćin | The investor purchased a textile fabric company in bankruptcy. Additional investment announced. |
| “BORAL Aluminum” | 55 mil. EUR | Greenfield | Production of aluminum | 300 | | Doljevac | |

Given that a focus of Serbian (commercial) diplomacy has been on Turkish (inward) investment (in)to Serbia, the volume of Serbian (outward) investment (in)to Turkey is not satisfying, as shown in Table 6.20 below. According to the available data, only one Serbian company „Bonex holding“, a refractory bricks producer has opened a production facility in Turkey (the investment is worth 10 million USD) (Ministry of Trade, Tourism and Telecommunications of Serbia 2017b).

Table 6.20: Serbian foreign direct investment to Turkey, outward, in million EUR

| Country | Year | | | | | | |
|---------|------|------|-------|-------|-------|-------|-------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Serbia | 4,77 | 5,92 | -1,75 | -0,56 | -3,67 | -8,53 | -0,04 |

Note: The available years are 2010–2016

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

6.2.2.4 Cooperation in the field of tourism

The Serbia Tourism Organisation participates on a regular basis at the International Tourism Fair „EMITT“, held in Istanbul. They have been present at the event since the year 2000 (with the exception of a few years in the early 2000s when it did not participate) (National Tourism Organisation of Serbia 2018b). Apart from the national tourism organisation, the event is also attended by representatives of the tourism organisations of Vojvodina, and the cities of Belgrade and Novi Pazar (Pašin 2015; Republika 2018). The Turkish tourism delegation, together with the Turkish national airline company “Turkish Airlines” is also regularly exhibiting at the International Fair of Tourism (IFT) held in Belgrade. Places of highest interest for the tourists from Turkey in Serbia are the two largest cities - Belgrade and Novi Sad (National Tourism Organisation of Serbia 2018b). Owing credits to active diplomatic activities, in 2015 Serbia has also managed to finagle to be part of the trilateral partnership programme between Turkey, Bosnia and Herzegovina and Serbia – the Mid-Term Cooperation Programme of the Trilateral Trade Committee of Serbia, Turkey and Bosnia and Herzegovina (for the period 2016–2018), followed by the Action Plan, to serve as the basis for enhancement of cooperation between these countries in the areas of trade and tourism (Ministry of Trade, Tourism and Telecommunications 2015).

Thanks to highly intensified diplomacy, in terms of number of arrivals of guests from Turkey, as shown in Table 6.21 below, in the period 2005–2016 significant growth of 1095,4 % was recorded. However, due to low base in the early 2000s, certainly more plausible figure is of 504,5 % achieved in the period 2010–2016, what also represents an excellent result. Similar achievement is recorded in terms of overnight stays. Resultantly, market share has notably increased too, from 2 % in 2007 to 5,2 % in 2016. As Table shows, Turkish tourists spend in

Serbia less than 2 days at average. Intergovernmental agreement on visa free regime signed in 2010 has enabled and facilitates faster development in this field.

Table 6.21: Arrivals and overnight stays of the Turkish tourists in Serbia, for the period 2005–2016, in numbers

| Year | Arrivals | Annual change | Overnight stays | Annual change | Average number of overnight stays (per person) | Market share |
|-----------------|----------|---------------|-----------------|---------------|--|--------------|
| 2005 | 7 | | 13 | | 1,9 | N/A |
| 2006 | 7 | 0,0% | 13 | 0,0% | 1,9 | N/A |
| 2007 | 12 | 71,4% | 23 | 76,9% | 1,9 | 2% |
| 2008 | 12 | 0,0% | 20 | -13,0% | 1,7 | 1% |
| 2009 | 14 | 16,7% | 25 | 25,0% | 1,8 | 2% |
| 2010 | 13.842 | -1,1% | 23.531 | -5,9% | 1,7 | 2% |
| 2011 | 19.196 | 38,7% | 33.843 | 43,8% | 1,8 | 2.1% |
| 2012 | 20.865 | 8,7% | 35.839 | 5,9% | 1,7 | 2% |
| 2013 | 32.437 | 55,5% | 55.017 | 53,5% | 1,7 | 2.8% |
| 2014 | 45.049 | 40,2% | 81.071 | 48,5% | 1,8 | 3.8% |
| 2015 | 64.191 | 41,1% | 115.038 | 40,8% | 1,8 | 4.8% |
| 2016 | 83.676 | 30,4% | 141.608 | 23,1% | 1,7 | 5.2% |
| Change* | 1095,4% | | 989,3% | | | |
| Change** | 504,5% | | 501,8% | | | |

*Change for the period 2005–2016

**Change for the period 2010–2016

Note: For the period 2005–2009 statistics was held according to methodology by which number(s) were presented in the form of being rounded off in thousands.

Note: Data for the period 2000–2004 are not available.

Source: Statistical Office of the Republic of Serbia – compilation from the Statistical Workbooks***

***Data for the period 2011–2015 were found in the Statistical Workbook of the SORS (2016, 350–351)

***Data for the period 2005–2009 were found in the Statistical Workbook of the SORS (2010, 336)

***Data for the year 2016 were found in the Information on the Statistics on Catering and Trade of the SORS (2017, 4).

6.2.2.5 Concluding notes

On the wings of very satisfying political and overall bilateral relations, as demonstrated, Serbia's commercial diplomacy has brought tangible benefits for the country's economy. The agreement on free trade with Turkey represents one of the most respectable achievements of Serbia's commercial diplomacy during the last decade, bringing significant benefits for its economy. What is especially praiseworthy is that it strongly contributed to the recovery of Serbian export in the years following the 2007/'08 world economic crisis, which severely (negatively) affected Serbia's traditionally important export partners in the EU and the neighbourhood region. It has helped improve the overall trade exchange between the two

countries, which in the period 2004–2016 has increased by 259,3 %. In the same period export has grown by 330,4 %, far better than import (236,9 %). Consequently, in the observed period coverage of import by export has improved from 31,6 % to 40,3 %. The benefit of the agreement is perhaps best illustrated if are compared the short- and long-term export values before and after its implementation. For illustration, in the pre-agreement period (2004–2009) export even decreased by 27,9 %. But, in only one year (mainly with the help of the agreement, whose implementation commenced in September 2010), that is, in the period 2009–2010, it recorded growth of 95 %, continuing to grow in 2011, reaching a cumulative growth (since 2009) of 306 %. As shown, growth has continued in the following years all until most recently, reaching a cumulative growth (over the period 2009–2016) of nearly 500 %. Therefore, export has grown far better in the years following the agreement than before. Another fact that explains the welfare effect of the agreement (for the Serbian economy) is that only in the period 2009–2011 position of Turkey on the list of Serbia's main export destinations improved from place 27 to 18. For comparison, in the period 2004–2009, i.e. before the agreement, Turkey's position even worsened, yet notably, from 14 to place 27. The agreement also enabled Serbia to import raw materials and semi-finished goods from Turkey, process them in Serbia, and export further mostly in the markets of the EU and CEFTA. This mainly relates to textile industry materials/goods. The agreement has enabled Turkey to become an alternative import destination of leather and textile material, the main part of which has been traditionally imported from the EU and other mainland European countries. However, for various reasons, this provision has not yet been satisfyingly exploited by Serbian enterprises. Furthermore, the agreement has stimulated development of the export sector in Serbia. A number of Serbian enterprises exporting (in)to Turkey increased from 183 in 2008 to 323 in 2015, what represents an increase of respectable 76,5 %. In addition, the agreement has also contributed to the development of entrepreneurship in Serbia. In the period 2012–2016 the number of Serbian enterprises operating in Turkey belonging to the top 10 in terms of monetary value has more than doubled, reaching the number of 22. Likewise, the number of Serbian export goods to Turkey has increased from 381 in 2007 to 608 in 2016, what represents the increase of 59,6 %. In addition, as is the case with Russia, given that Turkey has very large population, whose purchasing power and overall living standard have been constantly improving for years, the mentioned free trade agreement is also regarded very beneficial in the sense of attracting foreign investors (in)to Serbia with the aim of exploiting, in terms of business, prosperous Turkish market.

In terms of investment, despite the fact that trade has been in the focus of the two countries' bilateral economic relations, Serbian commercial diplomacy can be credited for noteworthy results that have been achieved, especially of Turkish inward direct investment (in)to Serbia, the volume of which has reached respectable figures in 2015 and 2016. Given that in recent years attraction of FDI is one of priorities of Serbian (commercial) diplomacy, it is likely to expect even higher volumes of FDI from Turkey.

Last, but not least, Serbian commercial diplomacy has also notably contributed to positive developments in the field of tourism. As shown, in terms of number of arrivals, in the period 2005–2016 significant growth of 1095,4 % was recorded. However, due to low base in the early 2000s, certainly a more plausible figure is one of 504,5 % achieved in the period 2010–2016, what also represents an excellent result. Likewise achievements are also recorded in terms of overnight stays. The intergovernmental agreement on visa free regime signed in 2010 has facilitated faster development in this field.

6.3 Case study 3: Serbia–China

6.3.1 China as emerging market: advantages and challenges

6.3.1.1 Coming into power of Deng Xiaoping and beginning of reforms

Early reforms [which marked the beginning of China's economic miracle] started more than three decades ago (Naughton in Brandt and Rawski 2008, 91) under the authoritarian communist regime (Haggard and Huang in Brandt and Rawski 2008, 338) led by Deng Xiaoping, who is regarded as the main architect of the country's economic transformation (Coase and Wang 2012, 2).¹⁸⁹ In 1978, prior to the onset of economic reforms, China was a very poor country.¹⁹⁰ It lacked quality human capital, and was openly strongly hostile to any form of radical reform (Knight and Ding 2012, 24).¹⁹¹ Prior to taking decision to unleash reforms, the Chinese authorities (led by Xiaoping) were very much aware that the system was harshly damaged by Mao Zedong's two decades long rule (Naughton in Brandt and Rawski 2008, 93), and that there was a real danger of falling apart, largely as a result of consequences of the legacy behind the Great Leap Forward and the Cultural Revolution.¹⁹² Something had

¹⁸⁹ Xiaoping invented economic reform policy called „reform and opening“ (Kroeber 2016, 45).

¹⁹⁰ Yao (2000, 470) estimated that in 1978, at the onset of the reforms, three-quarters of the Chinese total population lived in extreme poverty (though the official government figures are much lower, about 270 millions).

¹⁹¹ Meredith (2007) and Knight and Ding (2012) gave a detailed narration of the overall political, economic and social state of affairs in China in the post World War II period under Mao Zedong.

¹⁹² [The Great Leap Forward was an attempt of the Chinese communist regime from 1958 to 1962 to transform the predominantly agriculture-based economy into being more industrialised. It ended up in total fiasco, causing widely spread famine. Alike, the Cultural Revolution in the 1960s and the early 1970s meant just the opposite of what it should have stood for, causing educational backwardness]. In terms of the latter, Bosworth and Collins

to be changed, as keeping the status quo would only lead to disaster (Naughton in Brandt and Rawski 2008, 94). Resultantly and gradually, economy was given primacy over politisation, and the traditionally dominant issue of „class struggle“ was put aside (Chen 2002, 573).

At the beginning of the economic reforms in 1978, having seen how successful economic openness and reforms (in terms of productivity improvement) were in case of Taiwan, Hong Kong and Singapore (Huang et al. in Brandt and Rawski 2008, 478), China opted to apply the model of other Asian economies which based their economic growth primarily on attracting export-oriented FDI (home appliances and textile companies), mainly from Japan and the United States (Ghosh et al. 2009, 53).¹⁹³ In reality, the reforms marked a shift from centrally planned to market economy (Brandt and Rawski in Brandt and Rawski 2008, 21). They were so revolutionary from the perspective of anachronistic and narrow-minded communist establishment, that in March 1985, on the occasion of a meeting with representatives of the Japanese Liberal Democratic Party, Deng Xiaoping described the then ongoing economic reforms as China's second revolution (Coase and Wang 2012, 2). [The chosen policy started to pay off quickly]. Since its very opening, China has soon become a magnet for trade and investment (Li and Worm 2011, 86). Thanks to its low-cost labour force, reduction of obstacles to trade and investment flows, and labour mobility from rural to urban areas, it has managed to attract foreign investors in large numbers (Brandt et al. in Brandt and Rawski 2008a, 720).¹⁹⁴ Thanks to its prudent policy, over time, the country started to take advantage of a substantial inflow of FDI from all over the world to stimulate development of export-oriented industrial sectors with high value-added (Lall and Albaladejo 2004, 1441).

Concerning the reforms themselves, in their initial stage China focused on reforming the legal and institutional system (Svejnar in Brandt and Rawski 2008, 73) in the rural sector, hampered by numerous flaws (Meredith 2007,17–19; Huang et al. in Brandt and Rawski 2008, 478). First signs of the reforms were positive, as the sector of agriculture was improved to a certain extent (Huang et al. in Brandt and Rawski 2008, 478). Reforms were gradually expanded to encompass the industrial and the service sector (Ghosh et al. 2009, 51). In 1979

(2008, 52) argued that it hindered the educational process. In addition, under the leadership of Mao Zedong, the process of urbanisation was stalled (Ghosh et al. 2009, 50).

¹⁹³ However, the investment-driven growth resulted in strong disbalance in terms of the investment-consumption ratio. Interestingly, other East Asian countries – Japan, South Korea and Taiwan, whose growth model was mainly copied by China, had their own periods of disbalance, what is argued to be intrinsic in the process of reforming a country from low- to high-income status. That basically happens when the period of strong investing in the construction of factories, infrastructure and housing ends, as a result of which economy slows down and consumption becomes the new driver of economic growth (Kroeber 2016, 180–181).

¹⁹⁴ In the initial stage of the reform process, China openly favoured foreign investors. However, over time it became clear that such system in which domestic enterprises are being unfairly discriminated against is not sustainable in the long-term (Clarke et al. in Brandt and Rawski 2008, 380).

the system opened to competition (Naughton in Brandt and Rawski 2008, 104). In the 1980s the then leadership decided to allow development of the private sector (Haggard and Huang in Brandt and Rawski 2008, 368), although enterprises registered as entirely private faced limited access to loans and incentives (Haggard and Huang in Brandt and Rawski 2008, 344). During that period, China had two quite different trade regimes - the first being more open for predominantly foreign, but also domestic export-oriented companies, while the other one was more restrictive, applicable for all others (Branstetter and Lardy in Brandt and Rawski 2008, 637).¹⁹⁵ As the private sector in China expanded, the new (private) entrepreneurs began entering fields of economy that were until then exclusively publicly-owned (Brandt and Rawski in Brandt and Rawski 2008, 3).

6.3.1.2 Reforms of the 1990s and the 2000s

In terms of the reforms, the 1990s marked a continuation of liberalisation of trade and FDI (Sally in OECD 2008, 119). Throughout the decade the Chinese state authorities offered generous benefits in the form of tax reliefs and liberalisation of foreign investment-related regulations in order to attract as higher volume of (inward) FDI as possible, and did so with much success (Haggard and Huang in Brandt and Rawski 2008, 368), as will be illustrated later in this chapter. Reform of the taxation system initiated in 1994 gave wind to the authorities at local levels to further stimulate their economies and increase budget revenues, so to be able to keep the pace with planned expenditures. This is so because GDP growth is certainly one of the factors taken into account when being decided about political promotion of local governors. As a result of that, local political elites started to privatise public enterprises and fought to attract as much FDI as possible in order to create economic growth and raise living standard of the local population (Zhao 2013, 2133; Wang 2011, 33). Deng Xiaoping's famous saying that economic development should be the absolute principle became the primary guiding idea in China (Zhao 2013, 2133). Since 1998 onward, China strongly kept up with the reforms. Some of the most conspicuous are: (1) transformation of state-owned enterprises into corporations, with public sale of minority shares, (2) reforming the banking sector¹⁹⁶ to make it sustainable, (3) creation of business environment-related legal framework, (4) fulfilment of requirements for entrance into the WTO, (5) reducing restrictions to free movement of people inside the country, and (6) developing real estate

¹⁹⁵ Haggard and Huang in Brandt and Rawski (2008, 368) found credible enough evidence which demonstrates that the state policies strongly favoured foreign firms in comparison to domestic.

¹⁹⁶ Concerning the banking sector, in order to strengthen it China allowed foreign investors to enter into banks ownership structure with minority share (Svejnar in Brandt and Rawski 2008, 71–72).

property market. It is noteworthy that in the period following the reforms, productivity of state-owned enterprises outpaced that of their private counterparts. But, as time passed by, this ratio gradually changed in favour of the latter, meaning that public enterprises benefited from the reforms only in the short-term (OECD 2013, 4). The 1990s were also marked by large scale privatisation of public enterprises¹⁹⁷ which started during the last years of the decade.¹⁹⁸ In the process of privatisation public enterprises were either sold off, merged with foreign enterprises or liquidated. It is only large public enterprises that remained being kept in possession of the state or were restructured (Ghosh et al. 2009, 52).

The 2000s were marked by the the State Council directive in 2005 which equalised the rights of Chinese domestic enterprises with their foreign counterparts, which until then had been openly privileged by the Chinese state. The directive stipulates that „all the economic sectors open to FDI should be open to domestic private participation.“ (Haggard and Huang in Brandt and Rawski 2008, 371).¹⁹⁹ As a result of the improved policies that provided conditions for stimulative business environment, the private sector started to expand (Haggard and Huang in Brandt and Rawski 2008, 343). Interestingly, there is a tendency in China that, in order to avoid being constrained by the state, entrepreneurs register their new firms under the category „collective firms“, as the state imposes certain restrictions on firms registered as entirely private. In that way, they get political support and easier access to business loans (Haggard and Huang in Brandt and Rawski 2008, 341). However, despite growing and less constrained private sector, the state has remained to be in full control of the economy, and it seems to be strongly determined to continue to do so. Kroeber (2016) nicely explained this in the following way:

China has a large and fast-growing private sector, which in aggregate accounts for the majority of economic output and employment, and its share of both is rising. But private firms are, on average, small. The overwhelming majority of the largest companies in China are state-owned, and state firms dominate virtually all capital-intensive sectors. The state sector's share of national assets is far larger than in any other major economy. State enterprises command a share of resources (such as financial capital, land, and energy) much bigger than their contribution to economic output. The SOEs are also an integral part of the political power structure. They are often used as instruments of macroeconomic policy and industry regulation in place of relatively weak formal policy and regulatory instruments. So

¹⁹⁷ Public companies may be in possession by either the central or one of decentralised levels of government, or under joint ownership of both (Ghosh et al. 2009, 52).

¹⁹⁸ China did not start privatisation simultaneously with the initial opening of China a few decades ago (Svejnar in Brandt and Rawski 2008, 71, 79). The author also argues that large scale privatisation started to be conducted in the beginning of the new millennium (Svejnar in Brandt and Rawski 2008, 71, 79).

¹⁹⁹ However, Chinese domestic private firms stayed prohibited from entering into the energy sector, which has predominantly remained in the hands of the state. Since the early 1990s, foreign firms too have been given that right (Haggard and Huang in Brandt and Rawski 2008, 371).

the power and importance of SOEs are much greater than implied by economic statistics alone (Kroeber 2016, 89).

It is worth noting that in the process of economic reforms China opted for the so-called „gradualist“ approach, meaning that the Chinese government decided rather to encourage new entrepreneurs to start their own private businesses than to set off large scale privatisation (like it was done in the transitional countries which belonged to the former Soviet Union), which would be unsafe in terms of outcome and also potentially „politically costly“. This process is simply paraphrased as creating winners without producing losers (Haggard and Huang in Brandt and Rawski 2008, 342). Furthermore, China joined the WTO in 2001.²⁰⁰ This implies that it had to align its legal framework with the WTO rules and regulations. China had to reduce tariffs on certain goods, in terms of FDI no consent by local authorities would be needed any more, intellectual property rights needed to be improved and services sector liberalised, and so on (Ghosh et al. 2009, 55). The country continued liberalising/opening its economy after 2001 and the WTO accession (Sally in OECD 2008, 119). Reduction of tariffs and import barriers, development of infrastructure for transport and communication, and hence better business prospects for the Chinese domestic and foreign companies made suitable conditions for development of competition. Various forms of ownership, such as: TVEs, joint ventures between domestic and foreign companies, shareholders companies, individually owned corporations, in addition to restructured state companies, intensified the rate of competition (Brandt et al. in Brandt and Rawski 2008b, 621). Under new circumstances, the increased competition positively affected growth of productivity, as enterprises fought to enhance economic performance in order to „survive“ (Brandt et al. in Brandt and Rawski 2008b, 622). Zhao (2013, 2128) explained this process of growing competition in China well: „The increasingly competitive product market provided a battlefield for enterprises with different ownerships to compete. And it also provided a laboratory for economists to test the efficiency implications of enterprises with different property rights arrangements. The end result was that private ownership won the „war“, since more and more public enterprises got privatized“.

²⁰⁰ Even prior to joining the WTO, China liberalised its trade and investment policy to the extent that it became one of the most „open“ countries in the world in economic terms (Branstetter and Lardy in Brandt and Rawski 2008, 676).

6.3.1.3 Functioning of the economy

Over time, China has become a more decentralised state in terms of functioning of the economy (Ghosh et al. 2009, 53). In its nature, China's economic system could be said to represent a form of capitalism, although not entirely (Bolesta 2007, 110), since the central government controls and regulates the overall economy (Ghosh et al. 2009, 52). The system itself combines elements of a market economy and political authoritarianism (Naughton in Brandt and Rawski 2008, 97). Ghosh et al. (2009, 49) described it in the following way: „...the Chinese economy can be characterized as a hybrid economy, combining elements of a developing country, a transition country and a 'newly industrializing country' within the institutional and political framework of a 'Socialist Market Economy', which gives the state significant influence on the basically market-driven system.“²⁰¹ Also, Naughton in Brandt and Rawski (2008, 91) offered good explanation of the system itself and the reform process:

...the hierarchical political system shaped the process of market transition, and the political hierarchy itself has been reshaped in response to the forces unleashed by economic transition. The critical economic transition policies were made by national leaders acting in the context of their positions in the authoritarian political system and as a result, many of the basic features of the reform process can be explained by the structure of the political system and the changing needs of politicians within that system. However, whatever its real form, in practice the system proved to be very functional (Brandt and Rawski in Brandt and Rawski 2008, 21).

6.3.1.4 Advantages of China as an emerging market

As shown in Figure K1 (see Appendix K), since the beginning of reforms in 1978, China's GDP has grown steadily at an unprecedented rate. In 1978 it was around 12 %. Since then onward, it never fell below 4 % (in 1990), which was the lowest rate in almost four decades of transition. During that period there were actually only few years when GDP growth rate was below 8 %; in some years it even surpassed 14 %. The Figure also shows that apart from China, India's GDP growth rate too was at average considerably higher than that of developed economies. Brazil's GDP has also grown well, though with much more emphasised short-term fluctuations than is the case with China and India. It can also be seen that during the world economic crisis GDP of all developed economies (that belong to the world's top ten in terms of GDP) fell sharply (for about 6–8 % at average), while China's even went up, what demonstrates its strong resilience to global economic shocks. India's and Brazil's GDP growth during the crisis years did record a fall, still much lesser than was that of the world's most developed economies. In addition, China's GDP (measured in hard

²⁰¹ The United States and the European Union still view China as a non-market economy (Ghosh et al. 2009, 53).

currency) has grown staggeringly from 149.5 million USD in 1978 to even 11,2 trillion in 2016, having become the world's second largest, only behind that of the United States. China's GDP per capita growth has closely followed the pace of growth of GDP, as shown in Figure K2 (see Appendix K). In terms of GDP per capita, Figure K3 (see Appendix K) shows that during the transition period China's per capita growth in hard currency has increased from 1.3 USD in 1978 to 7.924 USD in 2015. Given its extremely large population that serves as the basis for this calculation, this is a truly remarkable achievement. Likewise, other big emerging economies belonging to the BRICS have also substantially increased their per capita value. Figure K4 (see Appendix K) shows that household final consumption expenditure per capita growth in China has also recorded a remarkable increase. During the transition period the consumption growth rarely fell below 4 %, whereas it happened many times that it grew at the 10 % rate or higher. Both India and Brazil have also achieved a notable pace of growth. As given in Figure K5 (see Appendix K), if translated into the hard currency value, the household consumption in China has grown from 209 USD in 1978 to 2,152 USD in 2014. Given the country's large population and extremely low starting base in the initial stage of reforms, it is understandable that other big BRICS emerging economies such as Brazil, Russia currently have much higher rate of household consumption than China. Chinese households have maintained strong inclination for savings in comparison to high-income countries, despite notable improvement of living standard in the last decade. As Figure K6 (see Appendix K) shows, a share of savings relative to total disposable household income has increased from 34 % in 1992 to 38 % in 2014. Figure K7 (see Appendix K) shows that China has been heavily investing in outward FDI, the amount of which, relative to GDP, has increased from 1,1 % in 1990 to 9,2 % in 2015. Given steadiness of growth rates, it is very likely that this trend will continue. The amount of outward FDI stock has increased from 4,455 billion USD in 1990 to 1,010 trillion USD in 2015. As Figure K8 (see Appendix K) shows, the pace of growth has rapidly increased since the mid 2000s. In terms of a number of procedures necessary to register a property, China stands among the best, as Figure K9 (see Appendix K) illustrates. The available statistics for this indicator kept only since 2013 demonstrates that China along with Italy requires the lowest number of those procedures of all given countries – only four; in most others this number ranges between five and nine. Figure K10 (see Appendix K) shows that in terms of time required to start a business, as is the case with the previous indicator, the statistics is being kept only since 2013. Since then, number of days for which a business can registered has decreased from 34.4 in 2013 to 31.4 in 2015. Despite that all developed economies are well in advance of China in terms of this

indicator, lesser time for which one can start a business in China is certainly an improvement. Given the pace of development of entrepreneurship in China and strong advocacy for creating an environment that is highly conducive to business, it is very likely that value for this indicator will further improve in the coming years. As Figure K11 (see Appendix K) shows, likewise, China offers the lowest taxes on income, profits and capital gains among the world's largest economies, ranging between 27 and 29 % during the period for which statistics is being kept. This is certainly a strongly stimulating incentive for foreign companies when deciding whether to open business facilities there. Figure K12 (see Appendix K) illustrates that during the transition period, China has gradually managed to curb inflation which was periodically quite high in the initial stages of reforms (in 1994 it reached the record high of 24,3 %). Since the 2000 onward inflation was mainly kept at the rate similar to that of the developed countries, though with more emphasized periods of fluctuations, what is understandable given that China is a still transforming developing economy.

6.3.1.4.1 Resilience to global economic crises

Thanks to recovery-driven stimulative measures²⁰² (Lardy 2012, 1) and strong foreign reserves (Ghosh et al. 2009, 61; Business Monitor International 2014, 13), China has been quite successful in managing to alleviate negative effects of the 2007/'08 world economic crisis in comparison to other developed countries, such as the United States, Japan and many European countries (Zhu and Kotz 2011, 26–27; Lardy 2012, 11). In general terms, the country has vindicated a formidable resilience to external economic fluctuations and shocks, primarily thanks to strongly positive macroeconomic foundation. Also noteworthy in this regard is that China has been and remained committed to maintaining a high level of saving and investing, whereby preserving the exchange rate stable. This has enabled significantly positive balance of payment, low debt level, and also helped accumulate strong foreign reserves, which served to protect the economy under crisis conditions (Rasiah et al. 2013, 303). Moreover, notable and growing consumer demand in the huge domestic market which nowadays strongly contributes to sustainability of economic growth in China is a credible enough indicator that the Chinese economy will be less vulnerable to global economic shocks than other highly developed countries nearby, such as South Korea, Singapore and Taiwan (Rasiah et al. 2013, 310).

²⁰² The measures consisted of expansive monetary and stimulative fiscal policy (Woo and Zhang 2010).

6.3.1.5 Why China has good prospects for the future businesswise?

Napoleon Bonaparte once described China as a „sleeping giant“, which „...when she wakes she will shake the world.“ (Czinkota et al. 2011, 262). His predictions turned out to be true. Ever since the late 1970s when it started the reforms, China has managed to sustain unprecedentedly strong economic growth (Bosworth and Collins 2008, 62; Brandt and Rawski in Brandt and Rawski 2008, 1; Greene et al. in OECD 2008, 373). Its opening and taking full part in the globalised world brought many advantages for the country well-being – productivity increased, its products enjoy a higher level of competitiveness globally, and purchasing power of the population has increased too (Branstetter and Lardy in Brandt and Rawski 2008, 677; Greene et al. in OECD 2008, 373). In just a few decades, China has managed to gain the status of the world's new economic superpower (Petras 2006, 423). It has become the main driver of global economic activity (Meredith 2007, 13; Greene et al. in OECD 2008, 373) and the largest global consumer of a plethora of various goods such as steel, aluminum, oil and gas, as a result of which it directly started influencing their rising demand and price at the world market. In parallel, given that many of the world's countries have outsourced their production facilities to China, that brought about a decrease of price of many products globally (Wong 2013, 288).

[Furthermore, China has been working diligently on fulfilling another highly important precondition for economic development of industrialising and transition countries – it is heavily investing in infrastructure]. It is expected that investment in infrastructural projects countrywide will soon reach the figure of 5,3 % relative to the country's GDP (Business Monitor International 2014, 28). Lardy (2012, 31) argues that economic returns to infrastructural investment will be substantial, especially taking into account the rising needs for quality infrastructure amid huge internal migrations from rural into urban areas.

Having become aware of its economic strength and potentially lucrative business opportunities in other parts of the world, in 2001 the Chinese Government adopted the „going global“ strategy (Korniyenko and Sakatsume 2009, 16), based on engaging in outward investment with the primary aim to gain access to new markets and advanced technology.²⁰³

²⁰³ Part of that strategy was that China tends to avoid anti-dumping conflicts in foreign markets by means of locating production facilities in proximity to the targeted market (Korniyenko and Sakatsume 2009, 18). The main driving factors behind China's outward FDI: (1) search for new markets for Chinese export, (2) search for, from the perspective of production costs, more efficient markets, (3) search for the (natural) resources (such as oil) necessary to sustain China's economic development, (4) search for acquisition of foreign assets, primarily with the aim to gain the technology and add in the portfolio some of the well established global brands (examples are IBM and Rover), (5) diversification-driven acquisitions (in line with the Japanese and South Korean model). China has been successful in this, as in only 5 years the number of the Chinese companies on the so-called „Fortune 500“ list has increased from 11 to 29 (Korniyenko and Sakatsume 2009, 16–17).

In the initial phase the plan was to include 30–50 big domestic companies in the business (Ghosh et al. 2009, 56). Since then, China has been working intensely on broadening and fostering its political and economic relations with Latin America, Africa and the Middle East (Business Monitor International 2014, 7), but also with Europe and other parts of the world too. With reference to the topic of the research, it is especially worth emphasising that the volume of Chinese outward investment is also increasing in the post-communist transition countries of Central and Eastern Europe and the Baltics, as well as the CIS countries (Commonwealth of Independent States) (Korniyenko and Sakatsume 2009, 2). Needless to say that the country's rapid economic growth and development for the past couple of decades has greatly contributed to faster development of globalisation in general (Lo and Li 2011, 59). In this context, it is important to mention the reasoning of Kroeber (2016, 44–45) who found that suitable circumstances which helped China in economic internationalisation are: (1) „good“ neighbouring countries – Japan, South Korea and Taiwan, which at the time of China's opening had already been successfully reformed and fast-growing export-oriented economies, the recipe China could easily apply, (2) Hong Kong, which a few decades ago, at the time when China opted to become economically open, had already been a well-functioning and excellently performing finance-based economy, a convenience which China had an opportunity to exploit, (3) beginning of mass use of shipping containers in global trade which substantially reduced transport costs, and (4) Taiwan – which from the late 1980s has become well-known for its electronics industries, which due to the then suitable (Chinese) business environment and low labour cost moved many of its production facilities to mainland China. Furthermore, in terms of outward FDI of China's multinational companies, Ramamurti and Hillemann (2018, 34) argue that what characterises those companies is primarily: (a) lack of experience in doing business outside national borders, (b) global economic and business environment and trends what went in their favour compared to the time a few decades ago, (c) significant government assistance which substantially helped improve their global competitiveness, and (d) the related so-called “leapfrogging advantage” which enabled “sluggish” national companies to gain sufficient level of competitiveness to be able to compete especially in some new-emerging industries in international markets. On the other side, when it is about conditions which have an impact on Chinese outward FDI, Buckley et al. (2017) stressed the importance of institutional factors and the way they are reflected on the investing companies' business strategies and decisions, as well as managerial knowledge. Likewise, the authors found not so widely advocated determining factors, namely

domestic social and political arrangements, which are strongly believed to have had an influential impact on international business decisions and aspirations of the Chinese firms.

In line with the afore-mentioned („going global“) strategy, it is important to emphasise the “Belt and Road Initiative” and the “Made in China 2025” strategy. The first - “Belt and Road Initiative” is the Chinese government development strategy (which is a joint reference for the Silk Road Economic Belt, and the 21st Century Maritime Silk Road) [brought in late 2013] aimed to promote economic cooperation and development among the countries encompassed by the strategy, with focus on enabling free movement of goods and access to resources. The Initiative is set to connect Asia, Europe and Africa via five main routes, of which three belong to the Silk Road Economic Belt and two to the 21st Century Maritime Silk Road. The first three routes are: (1) connecting with Europe via Central Asia and Russia, (2) connecting China with the Middle East via Central Asia, (3) connecting China and Southeast Asia, South Asia and the Indian Ocean, and the remaining two are: (4) connecting China and Europe via the South China Sea and Indian Ocean, and (5) connecting China with the South Pacific Ocean via the South China Sea (Hong Kong Trade Development Council 2018). On the other side, “Made in China 2025” is a strategic plan brought by the Chinese government in May 2015 with the aim to substantially increase the value-added of its domestic products, making them more competitive internationally. In essence, it envisions strong investment in and/or development of the following high technology sectors/industries: information technology (IT), numerical control instruments, aerospace equipment, high-technology ships, railway equipment, energy saving, new materials, medical devices, agricultural machinery, power equipment, and pharmaceutical industry (People’s Daily Online 2015; The Diplomat 2018).

In order to present China’s rising global strength in the lines to follow will be presented some of important (mainly) macroeconomic indicators that will enable us to compare position(s) of China vis-à-vis other world’s largest economies that belong to top 10 by the value of GDP. As presented in Figure K13 (see Appendix K), primarily thanks to its predominantly low-cost labour force and rising consumption capacity of huge population, China has been very successful in managing to attract a high level of inward FDI,²⁰⁴ which since the beginning of the 1990s has mainly been at the rate between 3 and 5 % of GDP. With reference to foreign investment, it is important to note that during its transition China has developed a cult of investment, so to call it (Vuving 2012, 419), what served as the basis for its development and

²⁰⁴ The guiding idea behind foreign investors in the initial phase was primarily to take advantage of Chinese low-cost work force. On the other side, the guiding idea behind foreign investors in recent years was primarily to explore the rising consumption capacity of China's huge domestic market and take use of its highly skilled human resources (Brandt et al. in Brandt and Rawski 2008b, 623).

growth. Foreign investing companies in China heavily influenced some sectors of the Chinese economy to the extent that it could be said that their influence decreased the role of the Chinese state in them, making those sectors more dependable and susceptible to their policies (Petras 2006, 425). Main positive effects of inward FDI can be summarized as follows:

- FDI has positively affected economic growth (Zhang 2001, 113), especially in the eastern coastal regions (Zhang 2001, 113),
- FDI has enabled transfer of technology, management (Zhao 2013, 2130) and know-how (Brandt et al. in Brandt and Rawski 2008b, 623),
- foreign capital has proved to output a higher level of productivity than domestic (Zhang 2001, 113),
- FDI has forced China's domestic enterprises to raise the level of their competitiveness (Chen et al. 1995),
- investment positively affected employment (Lardy 2012, 23),
- FDI has generally contributed to the success of economic reforms (Chen et al. 1995).

In relation to the context, it is important to note that Chinese enterprises have been very successful in taking advantage of FDI spill-overs, especially in the sense of absorbing new technologies (Zhang et al. 2009, 7). Over time, they have managed to substantially improve the level of technological upgrade of their own (domestic) products (Zhang et al. 2009, 8), what helped them increase productivity and become more competitive globally (Chuang and Hsu 2004). For example, the steel industry producers such as: Angang, Baogang, Baosteel and Wugang, thanks to technological advancement, have become competitive at the international market (Zhang et al. 2009, 8). As a matter of fact, technological development of Chinese enterprises can largely be credited for the overall economic development of the country (Zhang et al. 2009, 10; also in Davies and Raskovic 2018).²⁰⁵ Furthermore, where China particularly stands out is the level of savings relative to GDP. As can be seen from the Figure K14 (see Appendix K), China has a conspicuously strong propensity towards savings in comparison to all other world's largest developed economies. It has managed to increase the level of savings from 37,2 % in 1978 to 49 % of GDP value in 2014. For comparison, Germany, traditionally known for its strong affinity for savings has increased the level of

²⁰⁵ It is often neglected that historically looking, this Asian giant has been technologically well in advance compared to the Western civilisation. Invention of paper, printing technique, gunpowder and compass are perhaps some of the most important and broadly well-known of a large number of inventions which eventually found their application worldwide (Davies and Raskovic 2018, 5–6).

savings relative to its GDP from 23,4 % in 1978 to 26,1 % in 2014, whereas Japan's rate even decreased during this time-span (from 32,4 % to 18,7 %). Translated in hard currency, the volume of savings has increased from 55,2 billion in 1978 to even 5,1 trillion in 2014, as shown in Figure K15 (see Appendix K). The volume of savings started to increase at an unprecedentedly rapid pace in the early 2000s, surpassing the American in 2008 (in 2015 American GDP was 18.1 trillion USD and the Chinese 11 trillion USD; the savings ratio between the two was 5.1 trillion in comparison to 2.9 trillion USD in favour of China). China has also maintained the level of investment growth relative to GDP value in line with the savings rate; the first increased from 34,3 % in 1980 to 47,8 % in 2013. The disparity between China and all other developed countries is conspicuously in favour of China in this matter too. Values are given in Figure K16 (see Appendix K). In terms of research and development, China is heavily investing in the development of the knowledge-based economy (Zhang et al. 2009, 7), what is regarded as highly important.²⁰⁶ Figure K17 (see Appendix K) shows a rapid increase of Chinese investment in research and development. In 1996, of the world's ten largest economies China had invested the least – only 0,6 %. From then on, the country has been heavily increasing expenditure on R&D, reaching the figure of 2,1 % of GDP value in 2014, having jumped from the last to the fifth position among those countries. For comparison, in the given period Germany and Japan, the world's most technologically advanced countries, have recorded the increase in R&D expenditure of less than 1 % of their GDP value. Given the steadiness of the level of growth of expenditure in R&D, it becomes likely that China will strongly keep on investing in what will largely determine its pace of economic growth in the future – technological sophistication. In addition, China set the target to increase expenditure for scientific research and technology relative to GDP from about 2 % in 2010 to 2,5 % by 2020. This would imply an ambitious annual increase in the range 10–15 % (Schaaper 2009, 3). In the years to come, innovation and know-how will certainly play a significant role in the Chinese economy (Wu 2011, 130). As Figure K18 (see Appendix K) shows, rapid increase in R&D expenditure has naturally resulted in the increase of high-technology exports, whose share in total manufactured exports has increased from 6,4 % in 1992 to 25,4 % in 2014. Interestingly, in the given period this ratio has dramatically decreased in the United States (from 32,6 % in 1992 to 18,2 % in 2014) and Japan (from 24 % in 1992 to 16,7 % 2014). If translated into hard currency, the value of Chinese high-technology export has increased from 4.3 billion USD in 1992 to 558,6

²⁰⁶ On the sample of 310 Chinese regions, covering the time span from 1998 to 2007, Wu (2011,139) found that innovation and R&D indirectly via innovation positively affect economic growth across Chinese regions.

billion USD in 2014, as presented in Figure K19 (see Appendix K). For comparison, Germany as the world's second largest producer of high-technology goods, in 2014 exported high-technology goods worth 199,7 billion USD. As a result of being the world's largest trading nation in terms of value of trade flows, and having predominantly export-oriented economy, China's current account balance has also increased steadily, keeping positive value ever since 1997 wherefrom data are available. The pace of balance increase reached its highest in the mid-2000s, during which it was in the range between 4 and 10 %. Values are presented in Figure K20 (see Appendix K). Translated into hard currency, as illustrated in Figure K21 (see Appendix K), China has increased its current account balance from 40,4 billion USD in 1997 to 209,8 billion USD in 2014, being the world's second largest value, next to Germany's. For comparison, in the given period the United States dramatically worsened its balance, keeping huge deficit, which in 2006 reached the record high of 806,7 billion USD, although since then it decreased to 410,6 % in 2014. The growth-driven economy fueled by a huge volume of inward and outward investment has resulted in a relatively low unemployment rate, as given in Figure K22 (see Appendix K). During the period 1991-2014 it ranged between 4 and 5 %, which was the third lowest rate among the world's ten largest economies, only behind India and Japan. Given a huge number of available labour force in China (806,5 million in 2014), keeping the unemployment rate below 5 % represents a remarkable achievement. In addition, it is worth mentioning that China is also substantially contributing to tourism development of other countries, as shown in Figure K23 (see Appendix K). Expenditures of the Chinese citizens on travelling abroad have increased from 4 billion USD in 1995 to nearly 165 billion USD in 2014, what, in comparison to other countries - the world's largest economies, represents a paramount increase, placing China as the world leader in terms of money spent on travelling abroad. Logically, that is due to notably improved living standard and hence increased expenditures of numerous Chinese population.

6.3.1.5.1 Special economic zones

First Special Economic Zones (SEZs) in China were established in its southern part, primarily to attract FDI from Taiwan and South Korea (Ghosh et al. 2009, 53). The basis for doing business in SEZs was a joint venture law which introduced the so-called „market for technology strategy.“ The law was to enable the transfer and absorption of advanced technology by Chinese enterprises under joint venture with their foreign partners, whereat the latter were prohibited from taking full control or be in full ownership of such a venture

(Ghosh et al. 2009, 53).²⁰⁷ Moreover, the Chinese government reduced tax burden for FDI companies and devalued its currency, aiming to stimulate higher volume of [primarily export-oriented] inward FDI (Ghosh et al. 2009, 54). In the first stage, foreign companies were given the right to operate in four SEZs (Naughton in Brandt and Rawski 2008, 104). Over time, the SEZs belt stretched along most of the country's eastern coastline. Since the early 1990s more SEZs were also established in inland China (Ghosh et al. 2009, 53). Today, in China there are seven SEZs: Shenzhen, Zhuhai, Shantou, Xiamen, Hainan, Shanghai Pudong New Area, and Tianjin Binhai New Area (Zeng in Zeng 2010, 5). According to Zeng in Zeng (2010, 4), SEZs bring the following benefits: (1) direct benefits: (a) accumulation of foreign exchange deposits, (b) increase of volume of inward FDI, (c) increase of government revenues, and (d) export growth; (2) indirect benefits: (a) skills upgrade, (b) SEZs can serve as a testing ground for wider economic reforms, the experience of which, if positive, can be applied elsewhere (c) enable transfer of technology and know-how, (d) enable export diversification, and (e) enhance trade efficiency of domestic firms (Overall looking, establishment of the SEZs contributed to the success of China's further internationalisation (Kroeber 2016, 45).

In addition, establishment of the SEZs and seaports along most of the eastern coastline, what, as noted, created conditions for attraction of foreign investment and economic development, can explain why the eastern part so far has developed at a far quicker pace, and hence has been far in advance of inland regions in terms of development (Chen et al. 1995; Brandt et al. in Brandt and Rawski 2008b, 624; Ghosh et al. 2009, 50).²⁰⁸ The central government seems to have neglected vast inland rural population, as they enjoy very limited social benefits (Svejnar in Brandt and Rawski 2008, 72). Having become aware of this, due to substantially lower wages in the central and western part of the country (Li and Worm 2011, 86), aiming to reduce this development gap, in 2000 the Chinese government adopted a policy in order to stimulate economic development in the those parts of the country (Ghosh et al. 2009, 54). It mainly comprises measures for stimulating the inflow of FDI and investment in infrastructure in order to make conditions for economic development (Li and Worm 2011, 86).²⁰⁹

²⁰⁷ Each foreign investment required official approval by the Chinese state (Ghosh et al. 2009, 54).

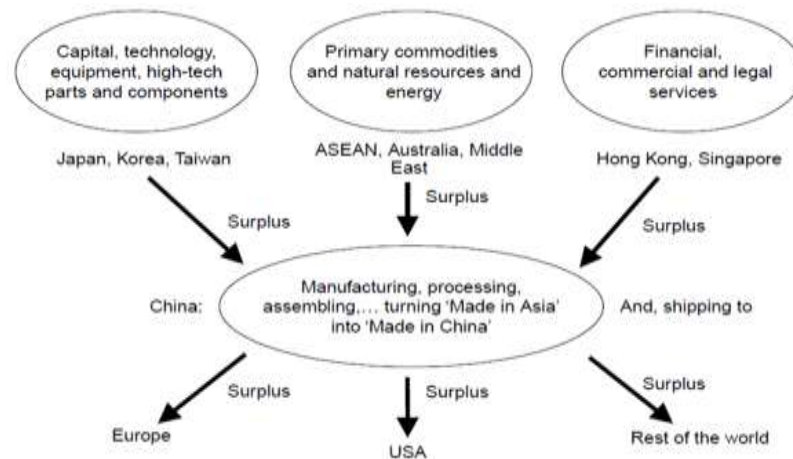
²⁰⁸ Eastern coastal provinces are: Tianjin, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian and Guangdong are notably more developed than western; hence a much larger internal migration flows from central and western parts into eastern (Business Monitor International 2014, 10).

²⁰⁹ Yao (2000, 471) argues that if the central government does not manage to reduce poverty in the western parts of the country, its population residing in those parts will not be so much impressed with China's overall growth.

6.3.1.5.2 China as engine of regional cooperation and development

Another highly important contribution of China in terms of its global role is that it stimulates regional economic integration via establishing numerous production networks (Wong 2013, 291). Countries which border with China take advantage of exporting to China's huge domestic market, and in that way sustain their economic growth (Wong 2013, 288). In this context, the mentioned author also offered an illustration of the role of China within the regional and global economic framework, given in Figure 6.1.

Figure 6.1: China's role within the regional and global economic framework



Source: Wong (2013, 288)

In terms of cooperation with its neighbour countries, China needs to take the advantage of its low-cost work force to negotiate mutually beneficial deals in order to enable the transfer of technology needed for its economic development (Lall and Albaladejo 2004, 1442). In order to show how vividly China has been involved in intensifying trade and overall economic relation with other countries in that part of the world, below are listed the arrangements in different phases of conclusion/implementation:

Free Trade Agreements:

1. China-Korea FTA
2. China-Singapore FTA
3. China-Pakistan FTA
4. China-ASEAN FTA
5. China-ASEAN FTA Upgrade Negotiations
6. Mainland and Hong Kong Closer Economic and Partnership Arrangement
7. Mainland and Macau Closer Economic and Partnership Arrangement
8. China-Australia FTA
9. China-New Zealand FTA

Free Trade Agreements under negotiation

1. Regional Comprehensive Economic Partnership, RCEP
2. China-GCC(Gulf Cooperation Council) FTA
3. China-Japan-Korea FTA
4. China-Sri Lanka FTA
5. China-Pakistan FTA second phase
6. China-Maldives FTA

Free Trade Agreements under consideration

1. China-India Regional Trade Arrangement Joint Feasibility Study
2. China-Nepal FTA Joint Feasibility Study

Preferential Trade Agreement:

1. Asia-Pacific Trade Agreement (China FTA Network)

6.3.1.5 Predictions for the future

China has managed to transform its economy from being predominantly agricultural and low-cost, labour intensive to becoming industrial and technologically advanced with rapidly increasing value-added. Rising expenditure on research and development and positive balance accounts suggest that it has promising economic prospects for the future (Rasiah et al. 2013, 295; also in Davies and Raskovic 2018). This prediction is largely based on its outstanding ability to transform the structure of its manufacturing industries such as: chemical industry, machinery, electronics, medical and optical equipment for the better in the sense of managing to attach more value-added to them, the level of which has been constantly increasing over time (Rasiah et al. 2013, 309–10; also in Davies and Raskovic 2018). One of many eminent scholars who share this view is Subramanian (2011), who nicely summed up his forecasts in terms of China and its rising global power as follows:

The upshot of my analysis is that by 2030, relative U.S. decline will have yielded not a multipolar world but a near-unipolar one dominated by China. China will account for close to 20 percent of global GDP (measured half in dollars and half in terms of real purchasing power), compared with just under 15 percent for the United States. At that point, China's per capita GDP will be about \$33,000, or about half of U.S. GDP. In other words, China will not be dirt poor, as is commonly believed. Moreover, it will generate 15 percent of world trade - - twice as much as will the United States. By 2030, China will be dominant whether one thinks GDP is more important than trade or the other way around; it will be ahead on both counts.

Furthermore, Vuving (2012, 420) argues that if China continues to increase productivity levels in the way South Korea and Taiwan did, it will make a strong competition to the United States in hard power on an equal basis. However, some authors like Perkins and

Rawski (2008) and Subramanian (2011) expect that China's economic growth could not be maintained at a pace as has been the case for the past years, and that it will slow down to 6–8 % during the next couple of decades. Subramanian (2011) offered a good explanation why:

For starters, its population will begin to age over the coming decade. And its economy is severely distorted in several respects: overly cheap capital has led to excessive investment; the exchange rate has been undervalued, which has led to the overdevelopment of exports; and energy is subsidized, leading to its inefficient use and pollution. Correcting these distortions will impose costly dislocations. To take account of these costs, I project that China's growth will slow down considerably: it will average seven percent a year over the next 20 years, compared with the approximately 11 percent it has registered over the last decade. History suggests that plenty of economies -- Germany, Japan, Singapore, South Korea, and Taiwan -- grew at the pace I project for China after they reached China's current level of development.

In this regard, given high probability that the level of foreign investment will eventually start to decrease, China's economic growth in the coming years will mainly depend on the rise of domestic consumption, as well as on productivity growth, and with it associated development of innovation (Wong 2013, 293) and research and development (Brandt and Rawski in Brandt and Rawski 2008, 21). Alike, the country's ability to keep up with reforms, especially in the domain of finance and regulatory framework, and the pace of saving will directly determine the volume of investment and indirectly economic growth and development in China over the next couple of decades. In terms of the most recent happenings, another factors which might determine the pace of growth of the Chinese economy in the short- and medium term is the ongoing „trade war“ with the United States over import tariffs, and the real estate „bubble“ caused by overintensive investing in the real estate sector (the later, among other things, resulted in the construction of a number of „ghost cities“ – fully constructed cities with little or no inhabitants). Lastly and nothing less importantly, it is worth noting that sustainability of the domestic economic model based on its own form of capitalism will also depend on its ability to reconcile social tensions (Petras 2006, 424; Davies and Raskovic 2018).

6.3.2 Serbia's commercial diplomacy towards China

6.3.2.1 Introductory notes

Based on traditionally friendly political relations stemming yet from the times of the former Yugoslavia,²¹⁰ and being aware of China's fast growing economy and rising global power,

²¹⁰ In a questionnaire answered by Slavica Višnjić, the acting head of Department for Bilateral Economic Relations with China (in addition to Russia) in the Serbian Ministry of Trade, Tourism and Telecommunications, she gave answers to the question(s) whether and to what extent have (good) political and cultural relations of Serbia and China contributed to: (a) the development of economic relations between the two countries? (**on the 1–5 scale, the answer is 5**); (b) the successfulness of doing business of Serbian enterprises at the Chinese market? (**on the 1–5 scale, the answer is 4**); (c) the development of cooperation in the field of tourism, that resulted in a significant increase of a number of Chinese tourists in Serbia? (**on the 1–5 scale, the answer is 5**); and (d) the signing of the interstate agreements and development of cooperation in the field of

Serbia has engaged in active (commercial) diplomacy towards this Asian giant, based on which it has succeeded to conclude lucrative financial and investment arrangements in the first place. However, noteworthy diplomatic efforts have also been invested in intensification of cooperation in the fields of trade and tourism, what has resulted in positive developments, as will be illustrated in the text.

6.3.2.2 Cooperation in the field of finance-based investment

6.3.2.2.1 Cooperation in the field of investment in infrastructure

The legal basis for the two countries' cooperation in the field of infrastructure makes the agreement on economic and technical cooperation,²¹¹ with Annexes 1 and 2. The cooperation is based on favourable loans (with preferential conditions and low interest rate(s) in comparison to other international financial institutions) by the China Export-Import Bank (or more commonly known as the EXIM Bank), for infrastructural projects in Serbia, with joint participation of both parties. In essence, being the main financier in/of these joint ventures the Chinese side takes the lead in, i.e. is in charge of planning, supplying the materials and equipment/machinery and construction, while the Serbian side is involved mainly via subcontractors.

So far, with financial arrangements with the China EXIM Bank, in recent years the following projects have been implemented or are under construction in Serbia:

- Bridge Mihajlo Pupin, more commonly known as the Zemun-Borča Bridge,
- First and second phase of the project „Kostolac B Power Plant“,
- Two sections of the highway E-763 in the framework of the Corridor 11 – Obrenovac-Ub and Lajkovac-Ljig, in the length of 50 km,
- Section of the highway E-763 – Surčin-Obrenovac,
- Section of the highway E70/75 – bridge across Sava river „BubanjPotok“ near Ostružnica,
- Reconstruction of the railway Belgrade-Budapest.

At the trilateral meeting between Serbia, Hungary and China in Belgrade, on 9 September 2016, the Chinese side proposed the Annex 3 to the agreement (on economic and technical

investments, primarily (of) Chinese investments (in)to Serbia? **(on the 1–5 scale, the answer is 5)** (Višnjić 2018).

²¹¹ The agreement's full name is the Agreement on Economic and Technical Cooperation in the Field of Infrastructure between the Government of the Republic of Serbia and the Government of the PR of China, with Annexes 1 and 2 („Official Gazette of the Republic of Serbia – International Agreements“, No. 90/09, 9/13 and 13/13).

cooperation in the field of infrastructure), supposed to include the purchase of locomotives and wagons of Chinese production for the project of construction of the railway Belgrade-Budapest. The annex was eventually signed on the occasion of attendance of the former Serbian Prime Minister Aleksandar Vučić to the Forum on the New Silk Road, held in Beijing, China, on 14–15 May 2017. Apart from the listed projects, both parties have shown interest in a number of other potential projects, of which majority relates to the construction of highways and river channels (Danube and Vardar-Morava). Given strong interest of both sides and good experience from completed and ongoing projects, it is very likely that many other projects based on this kind of arrangement will be implemented in the forthcoming period (Ministry of Trade, Tourism and Telecommunications 2017c).

6.3.2.2.2 Cooperation in the field of investment in industry

On several occasions in recent time, the Chinese authorities acknowledged that they are interested in investing in (industrial) production facilities in Serbia.²¹² A positive event is this regard represents opening of the Bank of China branch office in Belgrade.²¹³ It was agreed that the Bank's Belgrade branch office be the central branch office of the Bank of China for the Balkans, but also for whole Eastern and Western Europe. It is expected that opening of the bank will encourage Chinese companies to invest in Serbia in the forthcoming period. In addition, it is important to note that the first diplomatic agreement of the two countries in terms of investment was the agreement on mutual encouragement and protection of investment signed two decades ago²¹⁴ (Ministry of Trade, Tourism and Telecommunications 2017c).

As presented in Table 6.22 below, the available data show that the volume of Chinese (inward) investment (in)to Serbia has been on the rise, especially since 2014, reaching very high value in 2016 (mainly due to the Chinese acquisition of and investing in the Smederevo ironworks). Given official announcements of the Chinese side about plans to invest in the

²¹² One of those occasions was the China-Central and Eastern European Countries (CEEC) Investment and Trade Expo, held in Ningbo, China, on 8-9 June 2016. The Chinese representatives announced that they would stimulate and encourage domestic companies to invest in industrial facilities in Serbia (Ministry of Trade, Tourism and Telecommunications 2017c).

²¹³ Via the China Hungary Close Ltd. from Hungary. The National Bank of Serbia gave the Bank work permission on 9 January 2017.

²¹⁴ The agreement's full name is the Agreement on Mutual Encouragement and Protection of Investment between the Federal Government of FR Yugoslavia and the Government of the PR of China („Official Gazette of FR Yugoslavia – International Agreements“, No. 4/96). In December 2015 the Serbian Ministry of Trade, Tourism and Telecommunications drafted and sent a new draft version of the agreement to the Chinese Government in line with current standards and given that FR Yugoslavia ceased to exist (Ministry of Trade, Tourism and Telecommunications 2017c).

industry in Serbia, and recent opening of the Bank of China branch office in Belgrade, it is very likely that volume of investment will keep increasing.

Table 6.22: Chinese foreign direct investment to Serbia, inward, in million EUR

| Country | Year | | | | | | |
|---------|-------|-------|-------|--------|--------|--------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| China | 1,973 | 5,965 | 1,028 | -0,423 | 82,530 | 24,110 | 70,0 |

Note: The available years are 2010-2016

Source: The National Bank of Serbia – online database

In Table 6.23 below are given most important Chinese (inward) investment (in)to Serbia. As shown, for the time being the largest Chinese investments are in the field of steel, automobile and textile industry.

Table 6.23: Most important Chinese investments in Serbia

| Investor | Value of investment | Type of investment | Type of activity | Number of new working places opened | Number of new working places planned | Location of investment | Additional notes |
|--|--|--------------------|---|-------------------------------------|--------------------------------------|------------------------|--|
| He Steel („HBIS“) | 46 mil. EUR + (300 mil. EUR planned) | Brownfield | Iron production | N/A | N/A | Smederevo | Agreement on purchase of the Steelworks signed in April 2016. |
| Mei Ta Group | 60 mil. EUR (in two phases) | Greenfield | Automobile industry (production of blocks and engine carriers, turbochargers and other parts for famous automobile brands such as Renault, Ford, BMW and Daimler) | | 1400 | Obrenovac | Memorandum of understanding signed in November 2014. Completion of factory construction planned for July 2017. |
| Diplon d.o.o (*mostly Chinese ownership) | 25 mil. EUR (according to what the owner stated) | Greenfield | Trade centre | N/A | N/A | Zemun | The trade centre CTC Zmaj - Belmax opened in 2008. |
| Johnson Electric | 7.5 mil. EUR + (50 mil. EUR planned) | Greenfield | Machinery (electromotors) | 90 | 2400 until 2021 | Niš | Construction completed in April 2016. |
| Eurofiber | 1 mil. EUR + (13 mil. EUR planned) | Greenfield | Textile industry (yarn) | N/A | 200 in the next three years | Ćuprija | Construction completed in November 2016. |

| | | | | | | | |
|--|--------------------------------------|------------|-------------------------------------|-----|------|----------|---|
| „Healthcare Co. Ltd“ (in cooperation with Danish company „Everrest“) | 15 mil. EUR + (*20 mil. EUR planned) | Greenfield | Textile (production of memory foam) | 350 | *500 | Ruma | *Construction of a factory for the production of furniture planned. |
| Tesla Solar (majority in Chinese ownership) | 47 million RSD (*bankruptcy price) | Brownfield | Glass fibers | N/A | 50 | Baljevac | The investor purchased a factory of glass fibers Etex. Production of solar panels and equipment for LED lighting planned in the second phase. |

Source: Ministry of Trade, Tourism and Telecommunications of Serbia 2017c

In terms of Serbian (outward) investment (in)to China, the available data presented in Table 6.24 disclose that the volume of investment is still not significant, what is to some point justifiable, especially in recent years, given that labour cost in China is on rise, and the fact that in Europe there are countries with relatively cheap labour cost and qualified work force.

Table 6.24: Serbian foreign direct investment to China, outward, in million EUR

| Country | Year | | | | | | |
|---------|-------|------|------|-------|------|------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Serbia | 0,001 | N/A | N/A | 0,001 | N/A | N/A | 1,4 |

Note: The available years are 2010–2016

Source: The National Bank of Serbia – online database

6.3.2.3 Cooperation in the field of trade: contractual basis

An important achievement of Serbia’s (commercial) diplomacy and the basis for cooperation in the field of trade between the two countries represents the agreement on trade and economic cooperation,²¹⁵ which is already in force for more than a decade. The agreement created necessary conditions for faster development of trade. Intensified diplomatic efforts in recent time resulted in signing of the agreement on the promotion of cooperation in the field of trade (in addition to tourism and telecommunications),²¹⁶ signed on the occasion of the visit of the President of China Xi Jinping to Serbia in June 2016. As part of trade-promotion

²¹⁵ The agreement’s full name is the Agreement on Trade and Economic Cooperation between the Federal Government of FR Yugoslavia and the Government of the PR of China („Official Gazette of the FR Yugoslavia – International Agreements“, No. 4/96).

²¹⁶ The agreement’s full name is the Agreement on Promotion of Cooperation in the Field of Trade, Tourism and Telecommunications between the Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia and the Export-Import Bank of China (Ministry of Trade, Tourism and Telecommunication 2017c).

diplomacy/measures, Serbia signed three protocols with the General Administration of Quality Supervision, Inspection and Quarantine of China (AQSIQ):

- Protocol on Phytosanitary Requirements for the Export of Wheat from the Republic of Serbia into the PR of China (in 2007),
- Protocol for Export of Frozen Lamb Meat from the Republic of Serbia into the PR of China (in 2014),
- Protocol for the Export of Frozen Beef Meat from the Republic of Serbia into the PR of China (in 2015).

In addition, in 2015 and 2016 the Administration for Veterinary Medicine of Serbia started procedures for obtaining of export certificates for China by delivering questionnaires to the AQSIQ concerning export of milk and dairy products, pork and pet food. In May 2017 the AQSIQ was delivered additional questionnaires on products of plant origin (dried plums, corn, molasses and beet pulps). Given the intensity of diplomatic and administrative efforts of both sides and announced visit (in 2017) of representatives of the AQSIQ concerning export of a number of food and beverages products, it is expected that necessary export procedures will be completed by planned deadlines, what should additionally boost Serbian export to China. In the field of agriculture, in April 2017 two additional agreements were signed:

- Memorandum of Understanding on Cooperation in the Field of Security Guarantees of Import and Export of Food,
- Protocol on the Exchange of Information on Livestock Diseases (it is of utmost importance for Serbian export of meat as it provides/enables export of meat from where livestock is unaffected by diseases in case diseases break out in some parts/farms of the country).

Given notably high costs of Serbian export to China and the fact that Serbia is unable to meet demand requirements of the huge Chinese market, the focus of cooperation with China in the field of agriculture should be on (looking for) Chinese (inward) investment opportunities, but also on mutual technology transfer. Within the frame of economic and trade cooperation with China, Serbia regularly takes part at the China – CEEC²¹⁷ Investment and Trade Expo, which is held biannually at the ministerial level in the Chinese city of Ningbo. The last meeting was held on 8–9 June 2016. The two countries economic and trade cooperation will also take place within the framework of the New Silk Road (as part of the „Belt and Road

²¹⁷ Central and Eastern European countries are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovak Republic, and Slovenia.

Initiative“).²¹⁸ The New Silk Road initiative is complementary to other initiatives China has concluded with Serbia and other European countries. For instance, the planned railway Belgrade-Budapest, to be financed by China, represents a part of this new initiative. In that regard, Serbia should take advantage of the Chinese initiative for cooperation with 16 CEEC in the field of economy and investment (mainly in the field of infrastructure, production capacities, high technology, mining, business and technological zones/parks), tourism, culture, science and innovations, local self-governance, etc. So far, Serbia has agreed on the largest number of projects with the Chinese side of all 16 CEEC (Ministry of Trade, Tourism and Telecommunications 2017).

6.3.2.3.1 Benefits of the trade exchange

As presented in Table 6.25, in the observed period 2004–2016 the volume of foreign trade exchange between Serbia and China has developed well, with expectedly large deficit on the Serbian side, having that China is the world's largest exporter, often being paraphrased as the „world's factory“. Due to a huge disparity between the volume of export and import, even despite notable increase of Serbian export in the amount of 303,4 % over the observed time span, which is far better than the increase of import (105,2 %), the coverage of import by export, though having been going to the better, is still miniscule (1,6 %). In terms of position on the list of Serbia's 50 main export destinations, China has improved from entering the top 50 in 2006 (being Serbia's 43rd largest export destination) to reaching place 37 in 2016.

Table 6.25: Foreign trade between Serbia and China, for the period 2004–2016, in thousand USD

| Year | Export | Annual export change | Import | Annual import change | Total trade exchange | Trade balance | Coverage of import by export | Position of Russia as Serbia's export destination |
|------|------------------|----------------------|------------------|----------------------|----------------------|---------------|------------------------------|---|
| 2004 | Not among top 50 | | Not among top 50 | | | | | Not among top 50 |
| 2005 | Not among top 50 | | Not among top 50 | | | | | Not among top 50 |
| 2006 | 6.263,5 | | 781.702,9 | | 787.966,4 | -775.439 | 0,8% | 43 rd |
| 2007 | 5.906,5 | -5,7% | 1.383.709,3 | 77,0% | 1.389.615,8 | -1.377.803 | 0,4% | 50 th |
| 2008 | Not among top 50 | | Not among top 50 | | | | | Not among top 50 |
| 2009 | 8.954,9 | | 1.097.292,0 | | 1.106.246,9 | -1.088.337 | 0,8% | 42 nd |

²¹⁸ The first meeting in relation to the Silk Road took place on 14–15 May 2017 in Beijing, attended by representatives of 27 countries at the highest level (heads of state and/or government) and 3 international organisations (the United Nations, International Monetary Fund and the World Bank).

| | | | | | | | | |
|----------------|------------------|--------|------------------|-------|-------------|------------|------|------------------|
| 2010 | 7.257,7 | -19,0% | 1.173.025,7 | 6,9% | 1.180.283,4 | -1.165.768 | 0,6% | 48 th |
| 2011 | 15.257,2 | 110,2% | 1.488.491,6 | 26,9% | 1.503.748,8 | -1.473.234 | 1,0% | 36 th |
| 2012 | Not among top 50 | | Not among top 50 | | | | | Not among top 50 |
| 2013 | Not among top 50 | | Not among top 50 | | | | | Not among top 50 |
| 2014 | 14.125,3 | | 1.561.045,3 | | 1.575.170,6 | -1.546.920 | 0,9% | 50 th |
| 2015 | 20.245,1 | 43,3% | 1.540.211,8 | -1,3% | 1.560.456,9 | -1.519.967 | 1,3% | 44 th |
| 2016 | 25.264,8 | 24,8% | 1.603.930,8 | 4,1% | 1.629.195,6 | -1.578.666 | 1,6% | 37 th |
| Change* | 303,4% | | 105,2% | | | | | |

*Change for the period 2006–2016 (since there are no data available for 2004–2005)

Note: Data for the period 2000–2003 and before are not available.

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

In terms of sectoral export, over the period 2004–2016 the strongest export sector is of miscellaneous manufactured goods, not classified, followed by the machines and transport equipment, and the inedible crude materials, except fuels. Moreover, all 10 sectors have recorded a significant growth during the observed period, as presented in Table L1 (see Appendix L). Sectoral export in tons mainly reflects its monetary values, as shown in Table L2 (see Appendix L). In terms of divisions, the one with the largest value during the period 2004–2016 was the cork and wood (division), followed by the shoes, and industrial machines for general use, as given in Table L3 (see Appendix L). For comparison, respective values in tons are given in Table L4 (see Appendix L). Moreover, as given in Table 6.26 below, the number of Serbian enterprises exporting (in)to China has decreased from 219 in 2008 to 170 in 2015, what percentually represents a fall of 22,4 %. However, Serbian export to China is satisfyingly diversified in terms of number of enterprises. The obtained data in Table 6.27 below show that during the period 2012–2016 that number has trippled.

Table 6.26: Number of Serbian exporting enterprises in China, for the period 2008–2016

| Country | Year | | | | | | | | | Change 2008–2015 |
|---------------|------|--------|------|------|-------|--------|------|-------|------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
| China | 219 | 193 | 210 | 229 | 276 | 123 | 135 | 170 | N/A | -22,4% |
| Annual change | | -11,9% | 8,8% | 9,0% | 20,5% | -55,4% | 9,8% | 25,9% | | |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – compilation from the Statistical Workbooks (2008–2009, 42–44; 2010, 44–46; 2011, 48–50; 2012–2015, 50–52)

Table 6.27: Export results of the top 10 Serbian exporting enterprises to China, for the period 2012–2016, in million USD

| Company name | Type of (economic) activity | Year | | | | |
|---|---|-----------|-----------|-----------|-----------|-----------|
| | | 2012 | 2013 | 2014 | 2015 | 2016 |
| Philip Morris Operations a.d.Niš* | Manufacture of tobacco products | 1.393.101 | | | | |
| Falc East d.o.o.Knjaževac | Manufacture of footwear | 1.064.355 | 579.750 | 341.327 | 1.038.108 | 825.509 |
| Trifeksd.o.o Belgrade | Specialized wholesale trade | 643.178 | 1.812.077 | 2.534.553 | 2.991.771 | 3.235.904 |
| Koteks Viscofan d.o.o Novi Sad | Manufacture of other items | 332.968 | | | | |
| KnaufInsulationd.o.o Zemun | Manufacture of other non-metallic minerals | 219.554 | | | | |
| Trim d.o.o Jagodina | Production of measuring, testing and navigation instruments and appliances | 203.307 | | | | |
| Norma grupa jugoistočna Evropa d.o.o Subotica | Manufacture of plastic plates, sheets, tubes and profiles | 183.892 | 558.359 | 775.946 | 960.382 | 759.122 |
| Vinarija Aleksandrović d.o.o Vinča* | Manufacture of wine from grape | 183.888 | 201.262 | | | |
| Smartphone Concept d.o.o Belgrade | Wholesale of electrical household appliances | 155.880 | | | | |
| Dellano d.o.o Novi Sad | Specialized wholesale trade | 146.554 | | | | |
| Eurosax d.o.o Belgrade | Production of electronic devices for consumers | | 319.925 | | | |
| Gorenjed.o.oValjevo | Production of electrical household appliances | | 317.294 | | | |
| Hemofarma.dVršac | Production of pharmaceutical preparations | | 254.660 | | | |
| Guan Nan d.o.o Belgrade* | Growing grapes | | 222.439 | | | |
| ATB Sever d.o.o Subotica | Manufacture of electric motors, generators and transformers | | 189.521 | | | |
| Javord.o.oIvanjica – in bankruptcy | Manufacture of underwear | | 167.907 | | | |
| GrundfosSrbijad.o.oIndija | Manufacture of other pumps and compressors | | | 3.243.315 | 4.955.581 | 5.764.611 |
| LarixInvestd.o.o Belgrade | Wholesale of wood, construction materials and sanitary equipment | | | 894.684 | 656.131 | |
| Tetra Pak Production d.o.o Belgrade | Manufacture of corrugated paper and paperboard and containers of paper and paperboard | | | 493.177 | | |
| Mondi Paraćin d.o.o Paraćin | Manufacture of corrugated paper and paperboard and containers of paper and paperboard | | | 439.676 | | |
| SEEnergy Timber d.o.o Belgrade | Cutting and woodworking | | | 341.773 | 1.286.966 | 1.218.047 |
| Valyd.o.oValjevo | Manufacture of knitted and crocheted hosiery | | | 337.479 | | |
| Standard Furniture Serbia d.o.oČuprija | Manufacture of other furniture | | | 335.075 | 425.384 | |
| Iris-Mega d.o.o Belgrade | Wholesale of computers, computer peripheral equipment and software | | | | 442.294 | |
| Šafrand.o.o Belgrade | Wholesale of clothing and footwear | | | | 405.053 | |
| Timber Trade d.o.o Novi Sad | Wholesale of wood, construction materials and sanitary equipment | | | | 378.348 | 1.029.307 |

| | | | | | | |
|---|---|-----------|-----------|-----------|------------|------------|
| Biokorpd.o.oPožega | Cutting and woodworking | | | | | 1.400.644 |
| Fornetd.o.o Belgrade | Silviculture and other forestry activities | | | | | 1.215.567 |
| JP EPS Belgrade | Trade of electricity | | | | | 1.008.363 |
| Cooper Standard Srbijad.o.oSremskaMitrovica | Manufacture of other parts and accessories for motor vehicles | | | | | 741.661 |
| Number of enterprises: 30 | Sum of the value of the top 10 exporters on a yearly basis | 4.526.677 | 4.623.194 | 9.737.005 | 13.540.018 | 17.198.735 |
| | Annual change | | 2,1% | 110,6% | 39,1% | 27,0% |

*Agricultural enterprises (coloured in light blue)

Note: Obtained data are available only for given years.

Source: Own elaboration based on data of the Chamber of Commerce and Industry of Serbia 2017b

Respectively, the number of Serbian export goods has decreased from 791 in 2007 to 326 in 2016, meaning it has fallen by 58,8 % (see Table L5 in Appendix L). In terms of import, the largest division is of telecommunications and audio apparatuses and equipment, followed by office machines and machines for automatic data processing. Moreover, export of almost all divisions has recorded stable growth over the observed period 2004–2016, as shown in Table L6 (see Appendix L). Most hindering factors in terms of Serbian export to China are notably high transport costs and hence lower price competitiveness, and inability to meet high demand requirements and related inability to meet export deadlines. Economic and trade cooperation with China should be broadened and enhanced by means of organising trade missions to China in search for new export opportunities, then trainings for current and prospective Serbian exporters on how to best approach the Chinese market, and establishing closer cooperation of specialised trade-related institutions between the two countries.

6.3.2.4 Cooperation in the field of tourism

Tourism represents one of the fastest growing fields in terms of cooperation between the two countries, as illustrated in Table 6.28 below. Number of arrivals of the Chinese tourists has increased from 3,470 in 2011 to 18,409 in 2016, what represents an increase of 430,5 %. Likewise, noteworthy growth of 261,4 % is recorded in terms of number of overnight stays. Resultantly, a market share has increased notably too, from 0,7 % in 2011 to 3 % in 2017.

Table 6.28: Arrivals and overnight stays of the Chinese tourists in Serbia, in numbers

| Year | Arrivals | Annual change | Overnight stays | Annual change | Average number of overnight stays (per person) | Market share |
|----------------|----------|---------------|-----------------|---------------|--|--------------|
| 2005 | N/A | | N/A | | | N/A |
| 2006 | N/A | | N/A | | | N/A |
| 2007 | N/A | | N/A | | | N/A |
| 2008 | N/A | | N/A | | | N/A |
| 2009 | N/A | | N/A | | | N/A |
| 2010 | N/A | | N/A | | | N/A |
| 2011 | 3.047 | | 11.895 | | 3,4 | 0.7% |
| 2012 | 4.812 | 38,7% | 13.665 | 14,9% | 2,8 | 0.9% |
| 2013 | 5.783 | 20,2% | 14.047 | 2,8% | 2,4 | 0.7% |
| 2014 | 9.592 | 65,9% | 30.749 | 118,9% | 3,2 | 1.4% |
| 2015 | 14.238 | 48,4% | 32.779 | 6,6% | 2,3 | 1.4% |
| 2016 | 18.409 | 29,3% | 42.986 | 31,1% | 2,3 | 1.6% |
| *Change | 430,5% | | 261,4% | | | |

*Change for the period 2011–2016

Note: Data for the period 2000–2004 are not available.

Note: A market share in 2017 has reached the figure of 3 %.

Source: Statistical Office of the Republic of Serbia – compilation from the Statistical Workbooks**

**Data for the period 2011–2015 were found in the Statistical Workbook of the SORS (2016, 350–351).

**Data/information for the period 2005–2009 were found in the Statistical Workbook of the SORS (2010, 336).

**Data for the year 2016 were found in the Information on the Statistics on Catering and Trade of the SORS (2017, 4).

According to information obtained from some tourist agencies which organise visits to Serbia for the Chinese tourists, the most popular destination they are interested to visit/see is Belgrade, where they especially tend to see and get familiar with the country's historical heritage, particularly in relation to the World War II period, then Tito's tomb and remains of ruined buildings from the NATO military air campaign against Serbia (then FR Yugoslavia) in 1999 (Ministry of Trade, Tourism and Telecommunications 2017c). Apart from the country's capital, the Chinese tourists have also shown a notable interest in visiting the cities of Novi Sad and Subotica, as well as the countryside places of Salaši, Zlatibor and Tara (National Tourism Organisation of Serbia 2018b).

One of the first concrete steps which paved way for faster development in this field happened in August 2009 in Beijing, when the Ministry of Economy and Regional Development of Serbia and the State Administration for Tourism of China signed the memorandum of understanding on reliefs for group tourist visits of the Chinese citizens to Serbia. Serbia also

joined the Coordination Centre of the Association of Agencies for the Promotion of Tourism and Business between China and the countries of Central and Eastern Europe (established in Budapest in May 2014)²¹⁹ (Ministry of Trade, Tourism and Telecommunications 2017c). Since then the National Tourism Organisation of Serbia has been present at the following tourist events in China:

1. China Outbound Travel & Tourism Market (COTTM) held in Beijing. The National Tourism Organisation of Serbia regularly takes part at the event (since 2012 it acted jointly with Montenegro, but when the Montenegrin delegation withdrew from the event, the Serbian delegation continued independently).
2. COTTM event in Beijing. In 2013 a joint exhibition/(re)presentation of Serbia and Montenegro was given the “CTW Chinese Tourists Welcoming Award 2013” for innovative market approach. On that occasion the National Tourism Organisation of Serbia was awarded by the “Life Style” magazine - the most reputed tourism magazine in China, for Serbia being designated in China as one of the most prosperous (tourist) destinations in 2013. In 2017 the COTTM event was attended by more than 400 exhibitors from 70 countries.
3. ITB China Travel Exhibition, from 16–18 May 2018, held in Shanghai.²²⁰ The event was organised for the first time in 2017 and the National Tourism Organisation of Serbia took part in it. In 2017 at the ITB event in Shanghai Serbia exhibited jointly with other European countries at the European Tourism Commission (exhibition) stand, the organisation which gathers 33 national tourism organisations from Europe, and whose aim is to promote Europe at overseas markets. The Serbian delegation organised emitting of promotional films on Serbia, some of which were translated into the Chinese language. Within the European Tourism Commission framework, the Serbian delegation also took part at the World Bridge Tourism Shanghai event whereby Serbia agreed on joint programmes with Montenegro and Romania. The Chinese group encompassing 20 travel agencies and organisations visited Serbia from 27–30 October 2017. Furthermore, it also participated at the World Bridge Tourism event (at which it also invited representatives of tourism-oriented businesses from Serbia) - a workshop of about 100 Chinese travel agencies and organisations which took place in London, United Kingdom. Alike, within the same frame, the National

²¹⁹ The establishment of the Coordination Centre was the follow-up of the China-CEEC Cooperation Forum and adopted guidelines on cooperation, held in Bucharest, Romania, in 2013.

²²⁰ ITB is the largest tourism stock market that is traditionally held in Berlin and Singapore. In 2017 it was organised in China for the first time (the ITB China event).

Tourism Organisation of Serbia took part in organisation of a visit for the tourist journalists from China (Southern Metropolis Weekly being distributed in half a million copies, and Chengdu Radio and television, viewed by 2 million people at average), who visited Serbia from 8–13 March 2017 (Belgrade, Novi Sad, LepenskiVir, Kladovo, Zaječar, Niš, Manasija, etc.). Another visit of the Chinese tourist agencies and organisations to Serbia took part within the tour through Romania, Serbia and Montenegro, via European Tourism Commission, as part of preparations for the year 2018 which is designated as the EU-China tourism year.

4. 2017 Silk Road International Exposition (SRIE) and the 21st Investment and Trade Forum for Cooperation between East and West China ITFCEW held in Xi'an, from 3–7 June 2017. The motto of the event is “New Platform, New Opportunities and New Development”. Serbia was an honorary country that year. The Chinese side provided to Serbia, i.e. its delegation exhibition space of 500m², commercials at large screens and assistance in designing and preparation of the exhibition, all free of charge. Serbia was given the central position at the venue hall. The Chinese side also organised meetings for the Serbian delegation and for the occasion provided the conference hall, free of charge, where Serbia as the honorary partner country had a chance to present its trade-, investment- and tourism-related offers and potential.
5. China International Travel Mart (CITM), planned for October 2018, in Shanghai, including promotional event. The CITM is held annually, in Shanghai and Kunming intermittently year after year. The National Tourism Organisation of Serbia does not take part when the event is held in Kunming. In Shanghai it (meaning the Serbian delegation) is regularly present since 2014.
6. On 16–17 October 2017 was held a Global Tourism Economic Forum in Macao, also attended by the Serbian national tourism organisation, being one of 16 tourism organisations from Europe (National Tourism Organisation of Serbia 2018b).

In addition, it is very important to emphasise that in March 2014, in Budapest, Hungary, representatives of the National Tourism Organisation of Serbia took part at the meeting of the Coordination Centre at which was officially launched the programme „2014: Year of Promotion of Tourism between China-CEEC (Central and Eastern European countries)“. In addition, in September 2015 in Bled, Slovenia, a high-level meeting on tourism was held

between China and CEEC.²²¹ Creation of tourist maps for the Chinese tourists was agreed; so far three workshops were organised: in Budva, Montenegro on 21 January 2016, Warsaw, Poland, on 27 January 2016 and Riga, Latvia, on 5 February 2016 (Ministry of Trade, Tourism and Telecommunications 2017). With reference to the mentioned, it is important to stimulate and involve private tourist agencies from Serbia and neighbouring countries, such as Montenegro and Hungary, in making richer tourist offers for prospective Chinese tourists (Ministry of Trade, Tourism and Telecommunications 2017c). Furthermore, the Serbian airlines company Air Serbia agreed with the China's national airlines company Air China a „code share“ arrangement on joint flights (started as of 5 May 2015), which have facilitated and stimulated air traffic between the two countries. Apart from Air China, recently another Chinese airlines company Hainan Airlines has shown interest in launching a new airline between Beijing and Belgrade (Ministry of Trade, Tourism and Telecommunications 2017c). With the aim to facilitate and stimulate tourism in the first place, but also trade, in November 2016 the two countries agreed on abolishment of visas for duration of 30 days, by which Serbia has become the first country in the region of Central and Eastern Europe to conclude such agreement with China. Needless to say that friendly state relations and active Serbian diplomacy can be credited for this success (Ministry of Trade, Tourism and Telecommunications 2017). Also, it is worth noting that in Beijing, in April 2017, at a tourism promotional event, Serbia won the prestigious award „Top 5 Overseas Destinations – Culture Heritage Tour“, which designated Serbia as one of the most desirable overseas tourist destinations in the world in terms of cultural heritage (Ministry of Trade, Tourism and Telecommunications 2017c). In addition, it is important to note that the Chinese tourist delegation participated for the first time at the 39th International Tourism Fair, held in Belgrade, Serbia, in February 2017 (Xinhua 2017). For illustration, just in 2017 the National Tourism Organisation of Serbia published 65 magazine/journal articles, had 1,004 online announcements and blogs, 8 announcements on Radio/TV, whose total value is nearly 2,8 million EUR (2.788.467 precisely). The National Tourism Organisation of Serbia has active account(s) at Weibo internet social network (which in its form is the Chinese version of Facebook) and WeChat. Information on Serbia and its tourism offer considered relevant are published there periodically (National Tourism Organisation of Serbia 2018b). With the help of Serbian diplomacy, all the stipulated indicates a positive trend of tourism development in the years to come.

²²¹ Letter of intention was signed that the Coordination Centre be included in the Chinese initiative „Belt and Road“, part „People to People“.

6.3.2.5 Concluding notes

The presented case study has shown that based on traditionally friendly (political) relations with China, engaging in assertive (commercial) diplomacy towards China has brought Serbia imminent benefits for its economy, primarily in the fields of infrastructure, trade and tourism. In terms of infrastructure, based on the intergovernmental agreement on economic and technical cooperation, and by assistance of the Chinese EXIM Bank a number of (infrastructural) projects (mainly highways, bridges and power facilities) have already been implemented, and many others are under consideration. Herein I will only mention the Mihajlo Pupin Bridge (more commonly known as the Zemun-Borča Bridge), constructed from October 2011 to December 2014, whose total length of 1,5 km makes it the longest/largest bridge ever constructed in Serbia. Likewise, the Chinese side is considering construction of the two major (river) channels, on the Danube and Moraca rivers, as well as the reconstruction of the railway Belgrade-Budapest, in which eventual construction would also take part number of Serbian companies, as is the case with all other projects agreed on the mentioned agreement. Furthermore, active Serbian diplomacy has helped raise China's interest in investing in industrial production facilities in Serbia. An especially positive step is this regard certainly represents opening of the Bank of China branch office in Belgrade, which will become the Bank's central branch office for the Balkans, but also for whole Eastern and Western Europe. Needless to say that opening of the bank will further encourage Chinese companies to invest in Serbia in the forthcoming years.

Serbian diplomacy has also contributed to positive results in the field of trade. As presented in the study, over the observed period (2004–2016) the volume of trade exchange between Serbia and China has developed well, with expectedly large deficit on the Serbian side. Due to a huge disparity in volume of export and import, despite noticeable increase of Serbian export of 303,4 % over the observed time span, which is far better than the increase of import (105,2 %), the coverage of import by export, though going to the better, is still very low (1,6 %). In terms of position of on the list of Serbia's 50 main export destinations, China has improved from entering the top 50 in 2006 (being Serbia's 43rd largest export destination) to reaching place 37 in 2016. Given the intensity of diplomatic efforts in this field and mutual interest in fostering trade ties, it is very likely that position of China will keep improving.

Lastly, thanks to vivid Serbian diplomacy tourism has become one of the fastest growing fields in terms of cooperation between the two countries. For illustration, in the period 2011-2016 number of arrivals of the Chinese tourists has increased from 3,470 to 18,409, what represents an increase of 430,5 %. Likewise, significant growth of 261,4 % is recorded in

terms of number of overnight stays. Also worth noting that in Beijing, in April 2017, at a tourism promotional event, Serbia won the prestigious award „Top 5 Overseas Destinations – Culture Heritage Tour“, which designated Serbia as one of the most desirable overseas tourist destinations in the world in terms of cultural heritage. Given growing intensity of cooperation on both bilateral and multilateral platforms, further growth in this field is almost certain.

7 Comparison of presented case studies and recommendations for the Serbian authorities

7.1 Comparison of presented case studies

In the following lines will be presented a short comparison of the three case studies elaborated on in this research, in the sense of which of the three emerging countries (Russia, Turkey and China) have proved more or less important, i.e. beneficial for Serbia in terms of its (meaning of Serbia) diplomatic efforts geared towards these countries with the aim to enhance current state of affairs in the fields of trade (with focus on export), investment and tourism.

First, with reference to trade, in terms of the value of (Serbia's) export and trade exchange in general, as presented in Table 7.1, in the period covered by the research (2004–2016) of the three emerging countries Russia stands on top of the list. The main five sectors by export value are: (a) food and live animals, (b) beverages and tobacco, (c) crude materials, inedible, except fuels, (d) mineral fuels, lubricants and related products, (e) animal and plant oils, fats and waxes.

Second to Russia is Turkey. As is the case with Russia, the main five sectors by export value are: (a) food and live animals, (b) beverages and tobacco, (c) crude materials, inedible, except fuels, (d) mineral fuels, lubricants and related products, (e) animal and plant oils, fats and waxes. Lastly, of the three emerging countries Serbia exported the least to China. As is the case with both Russia and Turkey, the main sectors by export value are: (a) food and live animals, (b) beverages and tobacco, (c) crude materials, inedible, except fuels, (d) mineral fuels, lubricants and related prod, and (e) animal and plant oils, fats and waxes.

Table 7.1: Comparison of the emerging markets of Russia, Turkey and China with reference to trade

| Year | Trade | | | | | | | | |
|------|-----------|-----------|------------------|-----------|-----------|------------------|------------------------------|--------|-------|
| | Export | | | Import | | | Coverage of import by export | | |
| | Russia | Turkey | China | Russia | Turkey | China | Russia | Turkey | China |
| 2004 | 152.883 | 62.615,3 | Not among top 50 | 1.396.063 | 198.417,2 | Not among top 50 | 11,0% | 31,6% | |
| 2005 | 225.252 | 50.315,6 | Not among top 50 | 1.668.726 | 211.684,4 | Not among top 50 | 13,5% | 23,8% | |
| 2006 | 311.08 | 38.762,9 | 6.263,5 | 2.142.497 | 256.625,4 | 781.702,9 | 14,5% | 15,1% | 0,8% |
| 2007 | 450.592 | 58.531,3 | 5.906,5 | 2.671.646 | 405.700,1 | 1.383.709,3 | 16,9% | 14,4% | 0,4% |
| 2008 | 550.969 | 45.336,8 | Not among top 50 | 3.519.745 | 441.419,4 | Not among top 50 | 15,7% | 10,3% | |
| 2009 | 349.424 | 45.122,3 | 8.954,9 | 1.968.119 | 290.802,1 | 1.097.292,0 | 17,8% | 15,5% | 0,8% |
| 2010 | 534.746 | 87.986,3 | 7.257,7 | 2.156.127 | 322.832,2 | 1.173.025,7 | 24,8% | 27,3% | 0,6% |
| 2011 | 792.309 | 183.178,5 | 15.257,2 | 2.654.224 | 405.142,3 | 1.488.491,6 | 29,9% | 45,2% | 1,0% |
| 2012 | 866.971 | 186.361,1 | Not among top 50 | 2.078.399 | 439.142,8 | Not among top 50 | 41,7% | 42,4% | |
| 2013 | 1.062.702 | 219.009,6 | Not among top 50 | 1.903.545 | 530.871,5 | Not among top 50 | 55,8% | 41,3% | |
| 2014 | 1.029.133 | 230.852,5 | 14.125,3 | 2.340.354 | 589.736,8 | 1.561.045,3 | 44,0% | 39,1% | 0,9% |
| 2015 | 724.826 | 248.914,7 | 20.245,1 | 1.748.539 | 578.853,9 | 1.540.211,8 | 41,5% | 43,0% | 1,3% |
| 2016 | 795.124 | 269.467,5 | 25.264,8 | 1.511.201 | 668.521,9 | 1.603.930,8 | 52,6% | 40,3% | 1,6% |

Source: Author's own elaboration based on data given in Tables 6.1, 6.14 and 6.25.

Then, as Table 7.2 shows, with reference to foreign investment, in terms of (both inward and outward) investment, as is the case with the volume of export and trade exchange in general, Russia tops the list. Since the energy sector has by far the most dominant position in the Russian economy, expectedly, the largest Russian (outward) investments in(to) Serbia are those of oil and gas. Cases of Serbian enterprises' outward investments in(to) Russia are very few (according to available data), and are in pharmaceutical and construction industries (floor coverings producer). Second to Russia is Turkey, whose largest inward investments in(to) Serbia are in the aluminum production, followed by the investments in the automobile sector, banking and the textile sectors. In terms of Serbia's outward investment in(to) Turkey, according to the available data, there is only one such investment, yet in the construction industry (refractory bricks producer). Lastly, with reference to China, contrary to Russia and Turkey, the focus of its (meaning the Chinese) investing in(to) Serbia has been based on giving favourable loans by the China Export Import Bank in the field of transport infrastructure. However, according to the official announcements of the Chinese officials, it is expected that in the following years China will strongly invest in Serbia's „real“ sector, i.e.

industry. So far the largest Chinese investments in the field of industry have been in heavy industry (iron production), automobile industry and textile.

Table 7.2: Comparison of the emerging markets of Russia, Turkey and China with reference to FDI

| Year | FDI | | | | | |
|------|--------|--------|--------|---------|--------|-------|
| | Inward | | | Outward | | |
| | Russia | Turkey | China | Russia | Turkey | China |
| 2010 | 216,2 | 0,99 | 1973 | -3,3 | 4,77 | 0,001 |
| 2011 | 488,5 | 1,37 | 5965 | -24,7 | 5,92 | N/A |
| 2012 | 232,5 | 0,38 | 1028 | -0,8 | -1,75 | N/A |
| 2013 | 189,7 | 1,67 | -0,423 | -16,5 | -0,56 | 0,001 |
| 2014 | 73,5 | 2,01 | 82530 | 3,7 | -3,67 | N/A |
| 2015 | 96,4 | 27,78 | 24110 | 8,0 | -8,53 | N/A |
| 2016 | 81,2 | 15,46 | 70,0 | 21,1 | -0,04 | 1,4 |

Source: Author's own elaboration based on data given in Tables 6.10, 6.12, 6.18, 6.20, 6.22 and 6.24

Lastly, when it comes to tourism, as illustrated in Table 7.3, of the three emerging countries Turkey heads the list, both in terms of number of arrivals and overnight stays. Second to Turkey is Russia, both in terms of arrivals and overnight stays. Lastly, despite significant results in recent years, China is still lagging behind Russia and Turkey.

Table 7.3: Comparison of the emerging markets of Russia, Turkey and China with reference to tourism

| Year | Tourism | | | | | |
|------|----------|--------|--------|-----------------|---------|--------|
| | Arrivals | | | Overnight stays | | |
| | Russia | Turkey | China | Russia | Turkey | China |
| 2004 | N/A | N/A | N/A | N/A | | N/A |
| 2005 | 11 | 7 | N/A | 33 | 13 | N/A |
| 2006 | 12 | 7 | N/A | 37 | 13 | N/A |
| 2007 | 16 | 12 | N/A | 52 | 23 | N/A |
| 2008 | 16 | 12 | N/A | 54 | 20 | N/A |
| 2009 | 17 | 14 | N/A | 60 | 25 | N/A |
| 2010 | 21.636 | 13.842 | N/A | 62.583 | 23.531 | N/A |
| 2011 | 25.236 | 19.196 | 3.47 | 75.308 | 33.843 | 11.895 |
| 2012 | 31.628 | 20.865 | 4.812 | 91.517 | 35.839 | 13.665 |
| 2013 | 43.07 | 32.437 | 5.783 | 120.899 | 55.017 | 14.047 |
| 2014 | 50.571 | 45.49 | 9.592 | 153.811 | 81.71 | 30.749 |
| 2015 | 41.623 | 64.191 | 14.238 | 129.11 | 115.038 | 32.779 |
| 2016 | 43.916 | 83.676 | 18.409 | 131.323 | 141.608 | 42.986 |

Source: Author's own elaboration based on data in Tables 6.13, 6.21 and 6.28

7.2 Recommendations for the Serbian authorities

Having summarised and compared the state of affairs with reference to trade, investment and tourism development between Serbia, on one side, and Russia, Turkey and China, on the

other, in light of prospects for further improvement in the mentioned fields the following recommendations could be given:

With reference to trade development:

- improving business-related regulatory framework, especially in terms of time and number of procedures required for registering a (new) business,
- increasing government funds for incentives for export-oriented enterprises,
- stimulating formation of clusters of export-oriented enterprises in Serbia, in line with good practice from the European Union, with the aim to achieve (transport) cost rationalisation and increase the level of competitiveness at (distant) foreign markets,
- establishing business incubators across Serbia, in line with good practice from the European Union, that would be at disposal especially to export-oriented enterprises, to help their development and doing business by means of providing advice and expertise,
- stimulating and encouraging Serbian domestic, especially export-oriented, enterprises to take advantage of the Enterprise Europe Network, and in that way more easily find new markets, business partners or fund sources,
- engaging more intensely representatives of Serbia's diplomatic missions, mainly those in embassies, in Russia, Turkey and China, but also in other emerging countries regarded potentially lucrative in business terms to find interested business partners, facilitate contacts between the two sides, make analysis and disseminate relevant market- and business-related information, take part in eventual dispute settlement, and promote Serbian export goods; In relation to that, the Serbian Government needs to ensure professional training for diplomatic staff employed at Serbia's embassies, in the emerging markets and elsewhere, and merit-based positioning, in order to ensure quality of delivered services and timely response;
- considering an option of taking advantage of (traditionally) good political and cultural relations with China, and the fact that in this country top political leadership has a very influential role when it comes to interference in the economy, in order to try to finagle a (more) preferential trade status for the Serbian side that would stimulate Serbian export to China, and in that way contribute to development of the export-oriented sectors in Serbia,
- considering an option of taking advantage of good political relations with Turkey, and the fact that in this country top political leadership has a very influential role when it

comes to interference in the economy, in order to try to finagle to broaden the list of (Serbian export) goods that are encompassed by the free trade regime between the two countries, and

- improving political stability of the country, fighting against corruption, and improving index of economic freedoms.

With reference to investment development:

- improving overall business environment and regulatory framework to be(come) more investment-friendly, both with respect to inward (i.e. foreign investment into Serbia) and outward (i.e. Serbia's domestic investment „going“ abroad) investment,
- increasing the number of (investment-conducive) free business zones across Serbia, especially in relatively undeveloped areas in order to attract as much foreign investment as possible, in order to increase employment and stimulate local economic development,
- increasing government funds for incentives for foreign (inward) investment, particularly those that are export-oriented, but also for Serbian domestic enterprises willing to invest abroad,
- engaging more intensively representatives of Serbia's diplomatic missions, mainly those in embassies, in Russia, Turkey and China, but also in other emerging countries regarded potentially lucrative in business/investment terms to find interested potential investors, facilitate contacts between them and the Development Agency of Serbia in the first place, in addition to other relevant stakeholders/authorities, present them (meaning to foreign potential investors) advantages of investing in(to) Serbia, as well as to present business prospects and overall political and economic state of affairs of/in Russia, Turkey and China and other emerging countries to Serbian enterprises interested to invest abroad, then make required analysis and disseminate relevant market- and business-related information, and take part in eventual dispute settlement,
- trying to take advantage of good political and/or cultural relations with China and Turkey, and the fact that in these two countries the state, i.e. top political leadership has a very influential role when it comes to interference in the economy, in order to try to finagle that as many large and export-oriented enterprises/companies invest in(to) Serbia, and in that way directly (via preserving employment in enterprises/companies which could not maintain being in business without being invested to, or increasing employment and productivity in already well operational

enterprises/companies) or indirectly (via spill-over effects which mainly comprise transfer of technology and improvement of management and marketing) contribute to its economic development, and

- improving political stability of the country, fighting against corruption, and improving index of economic freedoms.

With reference to tourism development:

- considering/analysing if there is a justifiable need for amending, in the sense of improvement, current framework agreement(s) or making new ones, that would additionally contribute to facilitation of the inflow of tourists from Russia, Turkey and China and development of tourism in Serbia in general,
- considering/analysing what other emerging countries (in addition to all other countries) have good prospects in terms of attraction of tourists (in)to Serbia, and in relation to that working to establish visa-free regime with those (emerging countries) that are regarded most prosperous in that sense, or at least enable facilitated and more time-efficient procedure(s) for the approval of tourist visa for Serbia, where establishing visa-free regime is (currently) not justified due to unfavourable political, economic and/or security reasons,
- engaging more intensively representatives of Serbia's diplomatic missions, mainly those in embassies, in Russia, Turkey and China, but also in other emerging countries regarded potentially lucrative in tourism terms to promote Serbia as a desirable tourist destination both for short, on-tour visits to the region of Central and Eastern Europe, but likewise for longer stay (with focus on spa and mountainous tourism in terms of the latter) by holding various promotional events in the premises of (Serbia's) diplomatic missions, at international tourism fairs in a host country, then by travelling around them (meaning the three mentioned and/or other emerging countries) and holding promotional events in regional centers in cooperation with local travel/tourism agencies and organisations, as well as by facilitating matchmaking between relevant and interested parties from the two countries (meaning Serbia, on one side, and Russia, Turkey, China, or any other emerging country, on the other),
- within the frame of cooperation (in the field of tourism) with other Central and Eastern European countries (especially within the China-CEEC cooperation framework), insisting on including the Serbia's capital - Belgrade, as unavoidable

stop-and-see destination on the Danube river tour (which includes Vienna, capital of Austria, Budapest, capital of Hungary, and Bratislava, capital of Slovakia), especially for the tourists coming from Asia and overseas,

- tasking Serbia Tourism Organisation to work more closely with Montenegro national tourism organisation to establish tours for tourists primarily coming to Montenegro as marine tourists that would include both countries, together with Bosnia and Herzegovina,
- considering establishing/organising river cruising (especially including canyoning) tours across Serbia for tourists coming from Asia and overseas, in addition to all other countries,
- engaging more intensively representatives of Serbia's diplomatic missions, mainly those in embassies, in Russia, Turkey and China, but also in other emerging countries regarded potentially lucrative in tourism terms to search for potential investors in the development of Serbia tourism sector, presenting them advantages of investing in(to) Serbia, then facilitating correspondence between them (meaning the investors) and the Development Agency of Serbia in the first place, but also with other state, regional and/or local authorities and tourism-related businesses in Serbia, and to become involved in eventual dispute settlement between the sides,
- establishing precise mechanism of cooperation between the Tourism Organisation of Serbia as the country's main institution in charge of tourism and Serbia's diplomatic missions in Russia, Turkey and China, but also in other emerging countries, to enable that the Tourism Organisation of Serbia could dispose of precise and most recent information about tourism fairs and other related promotional events (in emerging countries), and with the aim of better coordination of activities and dissemination of information,
- establishing a position of attaché for tourism at Serbia's embassies in Russia, Turkey and China, but also in other emerging countries, where justified by economic reasons,
- stimulating formation of tourism clusters in Serbia, with the aim to facilitate development of tourism-oriented businesses, and hence improve overall national tourism offer, and
- working to develop and maintain close political and/or cultural relations with other emerging countries (besides Russia, Turkey and China with which Serbia already has very satisfying bilateral political and/or cultural relations) regarded prosperous in

terms of tourism (and business in general), what/which could facilitate and serve as the basis for cooperation in this and other economic fields.

Lastly, if we take into consideration the fact that Serbia shares much in common with other Western Balkans, i.e. South-East Europe countries in terms of coping with transitional challenges, and a need for strengthening the economy in general, these recommendations could equally apply/relate to other transitional countries of the region and those beyond alike.

8 Final conclusion

This chapter summarises the main facts and findings from the research. Most importantly, in short it points out the main research purpose and aims, highlights the (research) problem(s) and illustrates evidence which confirm set theses.

Firstly, with reference to the purpose, this research is about demonstrating the significance of commercial diplomacy – a branch of diplomacy being increasingly applied both by developing and (industrially) developed countries (Saner and Yiu 2003), especially since the 1980s with intensification of globalisation which, from the perspective of the research, brought about an increase in/of number of bilateral and regional (free) trade and financial arrangements across the globe, the volume of investment flows, and greater movement of people alike. Initially, as a practical foreign policy instrument commercial diplomacy started to be used predominantly by industrially and financially developed Western countries looking to find new markets and expand their businesses across national borders. Over time, having seen the benefits of commercial diplomacy and its services for business and economic development in general, many developing countries, among which a large number of those in transition, both small and large in size, started to resort to it and grasp the opportunity that globalisation offers. Commercial diplomacy is especially important for territorially and in terms of population small countries, especially those developing, which cannot base their (economic) growth and sustainability on the economy of volume domestically. So, not long after it found its place among top priority foreign policy instruments of policy-makers throughout the world, commercial diplomacy quickly started to attract attention of academic community too, having become increasingly popular. A particularly important aspect of it has become to investigate its effects on internationalisation of national economy, primarily by various means of trade and investment promotion, such as: business facilitation (including support in negotiations), matchmaking (contact establishment and/or facilitation), information gathering, organising visits, seminars and representation at trade fairs, market analysis, and similar. Gradually, over time, from the academic point of view, the scope of activity of commercial diplomacy has broadened to include studying the effects of development aid, then lobbying and/or intelligence, protection of intellectual property rights, conflict resolution, promotion of tourism, encouragement of cooperation in science and technology, and the related transfer of technology. In that regard, the presented findings of 33 (case) studies found available demonstrate a highly positive effect of various commercial diplomacy

services and activities on national economy and its internationalisation, both directly and/or indirectly.

Further on, in light of globalisation and increased complexity of global economic relations, it is unavoidable to point out the importance of emerging countries/economies, otherwise also widely referred to as emerging markets, in terms of business. The facts presented in the research illustrate that the emerging markets in general terms will be the main drivers of global economic activity and growth in the coming years, given that it has now become almost inevitable, what the 2007/'08 world economic and financial crisis only confirmed, that the centre of gravity in economic terms will shift from developed, high-income onto strongly developing emerging countries/markets, especially those in the East. This is mainly due to the following:

- Many emerging markets have very large populations (as a matter of fact more than two-thirds of the world's total population live in the emerging countries). Hence, much of what they produce is/can be consumed domestically, making them resilient to wider economic turbulences, especially periodical falls in demand for foreign goods (what is not the case with strongly export-oriented developed countries);
- Their GDP is growing at a notably higher rate than that of developed countries, as does purchasing power of the population;
- Despite improved living standard and higher wages, they are still much more competitive vis-à-vis developed countries in terms of labour cost, what makes them the most desirable outsource destination for companies from the developed countries;
- Many emerging markets, such as China as a conspicuous example, manage to maintain traditionally high level of (domestic) saving and investment relative to GDP, what makes healthy foundations for growth;
- For the reasons already noted, emerging markets have been attracting the largest portion of FDI for years, which they successfully take advantage of in the sense of transfer of technology, advanced management and know-how. As a result, to this adding higher and higher investment in R&D and innovation, their products are getting more value-added (on), what makes them more desirable especially in developed countries and more competitive globally;
- They intensely invest in transport and communication infrastructure, in that way fulfilling one of necessary preconditions for economic development;

- They substantially improved business and FDI regulatory framework and overall business environment, what only increases their business prospects in general terms;
- They are increasingly investing abroad, what not only makes them attractive destinations to attract investments from, but also raises their own growth prospects in the long-term.

As mentioned in the text, even prior to the eruption of the 2007/'08 world economic and financial crisis, many were quite confident that the emerging economies would successfully buffer consequences of eventual global economic turbulences, especially those originating in developed countries. When the crisis became reality, many companies from high-income countries started to increasingly turn towards them in pursuit of business opportunities. Forecasts that the emerging economies would be more resilient to the spill-over chain effects of the crisis than developed countries eventually turned out to be true. Moreover, some eminent scholars even argue that the global crisis only speeded up the rise of the emerging economies as new dominant players in the world economy (Garten 1997; Gupta and Wang in Gupta et al. 2012; Guillen and Garcia-Cannal 2013).

All the mentioned above applies for Russia, Turkey and China as countries in focus. They all have large populations and hence significant consumption capacity, purchasing power is getting better, GDP is on rise (with the exception of Russia since 2013 when it was imposed international sanctions due to alleged involvement in the civil war in Eastern Ukraine) and they are increasingly investing abroad. This and all other highly favourable factors presented in detail in the research make(s) them, from the perspective of business, attractive and promising partners.

Based on the noted, we come to the main aim of the research, which is to test whether and to what extent engaging in commercial diplomacy by countries in transition towards the emerging markets, contributes to enhancement of internationalisation of their economies, primarily by means of promoting export, geographical market diversification and tourism, then attracting (foreign) inward and promoting outward direct investment, and securing favourable investment loans too. The Republic of Serbia as the country of the Western Balkans, and in broader terms South-East European region, i.e. its commercial diplomacy, was selected for verification of set theses. Why Serbia? Primarily because it is a country in transition (alike other post socialist countries of Central and South-East Europe), whose economy is still relatively weak (Kovačević in Hanić et al. 2010; Stojiljković 2011; Cerović 2012; Uvalić 2012; et al.) and from the perspective of internationalisation excessively

dependent on the markets of the European Union and the Central European Free Trade Agreement (CEFTA) region, both in terms of trade and investment (inward and outward). In other words, its economy is weakly diversified, what makes it very fragile, so-to-say, under regional and global economic crises. As time would show, consequences of such weak market diversification, i.e. internationalisation became visible especially during the 2007/'08 world economic and financial crisis, which made a serious damage to its transitional economy. Moreover, the crisis also disclosed unsustainability of Serbia's development model, which has strongly encouraged import at the expense of export, what has negatively reflected on high current account deficit (Đukić 2010; Hanić in Hanić et al. 2010; Bošnjak 2011; Penev and Marušić 2011; Cerović 2012; Prascevic 2012; Skulić 2012; Uvalić 2012; Prica in Bartlett and Uvalić 2013; et al.).

Since the main research problem is about mentioned weak market diversification (which indicates unsatisfying level of economy internationalisation), in the lines to follow will be given a recollection of main facts and figures with reference to it. First, in terms of export, despite noticeable improvement during the observed period, from 67,1 % in 2004 to 60,4 % in 2016, for what the largest credits has active commercial diplomacy, Serbia is still too dependent on the markets of the EU and CEFTA. Secondly, in terms of investment, the available data disclose a slightly positive, but still far from satisfying trend in the sense of diversification. More concretely, concerning inward FDI, the presented data show that a share of the EU in Serbia's total FDI has decreased from 67,3 % in 2010 to 63 % in 2016. Likewise, a share of Europe (EU+other non-EU European countries) has decreased from 90,1 % in 2010 to 80,1 % in 2016. Going more in detail, the number of non-EU countries in Serbia's top 20 inward FDI source countries has gone from 5 in 2010 to 9 in 2016. Or, in terms of value, during the observed period, a share of non-EU in Serbia's total attracted FDI has increased from 27,1 % to 33,9 %, whereas a share of non-European (attracted) FDI has increased from 4,7 % to 17,2 %. In terms of outward FDI, mixed results are evidenced, as expected to some degree. During the period 2010–2016, a share of Serbia's EU-based FDI has gone to worse, in other words it has increased from 25,8 % to 45,5 %, whereas European-based (FDI) has decreased, from 98,5 % to 87,5 %, meaning (that) noticeable diversification has been achieved. Furthermore, the number of non-EU countries which hosted FDI from Serbia has decreased from 10 to 8 in the same period. Or, in terms of value, a share of non-EU based FDI in Serbia's total has decreased from 79 % in 2010 to 50,6 % in 2016. On the contrary, a share of Serbia's non-European based FDI has gone to better, from 0,8 % in 2010 to 5,7 % in 2016, implying achieved diversification in European countries other than (of/from) the EU.

Having seen how detrimental outward-originated economic crises can be for Serbia's vulnerable transitional economy, many experts and policy makers, among whom are: Mladjen Kovačević, Miroslav Zdravković, Lu Brefora, Kori Udovički and Olivera Kiro, started to outspokenly advocate that Serbia needs to orient towards the emerging markets with the aim to decrease being overly contingent on the EU and CEFTA markets, both in terms of export and investment; in other words, to enhance market diversification, that is, internationalisation of the economy. And, it is commercial diplomacy that was recognised as the most important instrument by means of which this can be accomplished.

Based on the mentioned (problems), the dissertation was to provide answers to the following research questions, which at the same time represented the aims of the research. They (meaning the questions) are the following:

1. Can commercial diplomacy be a beneficial foreign policy instrument for stimulating and enhancing national economy internationalisation of transition countries, particularly those that are small territorially and in terms of population?
2. Can transition countries gain economic benefits by engaging in commercial diplomacy towards the emerging markets, particularly those in the East, especially in times of global economic crises?
3. Can Serbia enhance internationalisation of its economy by actively engaging in active commercial diplomacy towards the emerging markets of Russia, Turkey and China?
4. Can good political and/or cultural home-host country relations influence the effectiveness of the home country's commercial diplomacy in the host market?
5. Can Serbia take advantage of good political and/or cultural relations with Russia, Turkey and China with the aim of achieving economic benefits?

Those questions made the framework for two main research theses (there are five of them in total, including sub-theses) which were to be tested in the research.

H1: Engaging in commercial diplomacy towards the emerging markets contributes to the enhancement of national economy internationalisation of countries in transition.

H1a: Engaging in commercial diplomacy towards the emerging markets contributes to the increase of export of the home country and the overall trade volume.

H1b: Engaging in commercial diplomacy towards the emerging markets contributes to the increase of investment flows, both inward and outward.

H1c: Engaging in commercial diplomacy towards the emerging markets contributes to the development of tourism of the home country and the increase of revenues from tourism.

H1d: Engaging in commercial diplomacy towards the emerging markets helps achieve agreement on favourable investment loans for the home country.

H2: Good political and socio-cultural home-host country relations positively influence the effectiveness of the home country's commercial diplomacy in the host market.

So, primarily in order to avoid being exposed to high economic risk in cases of eventual regional and/or global economic crises in the future, but also with the aim to enhance internationalisation of its transitional economy, Serbia has opted for orienting and intensifying its commercial diplomacy towards the emerging markets, especially those in the East, many among which it traditionally has or is trying to establish good political and/or cultural relations with. Among those are Russia, Turkey and China, regarded highly significant in economic terms. The rightfulness of the decision to turn towards the mentioned, but other emerging markets too, gains in importance having that it is found that commercial diplomacy can be of notable benefit in the countries/markets in which the state has a strong impact and influence on the economy than in those self-regulating (Udovič 2011), what exactly characterises these (three) countries. This helped, i.e. enabled Serbia to conclude lucrative free trade agreements with Russia (which which it also agreed highly favourable amending protocols) and Turkey, and the strategic agreement with China, as the basis for multi-level economic cooperation. They, as turned out, represents/ed great accomplishment of its commercial diplomacy. It is highly important to emphasise that the two free trade agreements are also significant in terms of attracting foreign direct investment, particularly from the European Union, as they open up an opportunity for foreign companies registered in Serbia to export to these two large markets tax free, especially Russian, but also to Belarus and Kazakhstan, with which Serbia also have an agreement on free trade. This diplomatic achievement is thus greater having that Serbia in currently negotiating an all-encompassing free trade agreement with the Eurasian Economic Union. It, once completed, will enable "free access" to markets of Armenia and Kyrgyzstan too.

Having recollected the research's main purpose, aims, problems, questions and the theses, in the following lines will be outlined a summary of main empirical findings obtained in the three case studies (Serbia-Russia, Serbia-Turkey, and Serbia-China) which confirm the theses, one by one. In other words, by presenting them (i.e. the findings) it will be shown that Serbia's commercial diplomacy (geared) towards the emerging economies/markets of Russia, Turkey and China can be credited for substantial improvement of market diversification and economic internationalisation by contributing to the conclusion of lucrative bilateral

agreements in the fields of trade, investment and tourism which primarily helped increase export and attract respectable volumes of FDI and higher number of tourists from those countries.

H1a: Engaging in commercial diplomacy towards the emerging markets contributes to the increase of export of the home country and the overall trade volume.

With reference to the case study Serbia-Russia, the free trade agreement which Serbia managed to agree on with Russia yet almost two decades ago, based on traditionally very friendly political and cultural relations between the two countries, was made to be deliberately in favour of the Serbian side (which at the time Serbia was in a strong need of given its very poor economic situation in the early 2000s after being under international sanctions for almost a decade and yet harshly devastated by the NATO bombing in 1999), represented a strong basis for development of bilateral trade relations (the volume of the overall trade exchange increased from 1,5 billion USD in 2004 to 2,3 billion USD 2016), which indeed Serbia took advantage of. This is best illustrated by the fact that during the observed period 2004-2016 Serbian export to Russia has increased by 420,1 %, (or) from 152,9 to nearly 800 million USD in nominal value. Export was growing at a much stronger pace than import, what resulted (in) that coverage of import by export has improved conspicuously in favour of the Serbian side, from modest 11 % in 2004 to satisfying 52,6 % in 2016. This ratio would have been even more favourable for Serbia if it (meaning Serbia) had not been largely dependent on Russian energy resources (oil and gas) which combined make for about 2/3 of Russia's total export to Serbia. With reference to the mentioned, it is important to note that Serbian export (to Russia) would have very likely been substantially higher/bigger, somewhere between 1,3–1,4 billion USD (in 2016) in nominal value had Russia not been imposed international sanctions, which already in the short-time contracted domestic demand, and (had) Serbia not been gravely affected by disastrous floods in spring 2014. Serbia's favourable position was further enhanced by the 2009 and the 2011 Protocols which expanded the list of goods encompassed by the free trade regime. In addition, in terms of export, particularly impressive has been growth of a share of Serbian agricultural sector in the country's total export, what occurred (in 2014) after Russia opted to impose countermeasures on the EU, banning its export of agricultural goods (in)to Russia, among other things, what opened up space for Serbia, which refused to go along the EU policy in this regard. For illustration, only in the period 2013–2016 a share of Serbian agricultural goods in the top 20 export goods went up by 15 %, from 86,2 to 217,6 million USD in

nominal value. For comparison, during the entire observed period 2004–2016 this share has increased from 15 % to 35 %, or nominally from 9,2 to 217,6 million USD. In other words, in only 3 years export has recorded better growth than it did over almost the entire decade. As a result of all mentioned, in the period 2008–2015 the number of Serbian enterprises exporting to Russia increased from 416 to 811, meaning it almost doubled, and in the period 2007–2016 the number of export goods substantially increased too, from 785 to 1,279.

With reference to the case study Serbia-Turkey, as in the case with Russia, friendly political ties, which have particularly been improved during the last decade, presented the basis for the free trade agreement, which the two countries (meaning Serbia and Turkey) concluded in June 2009, and which started to be implemented in September 2010. The agreement was made to strongly favour the Serbian side in the initial phase of its implementation as it provided tax free export from Serbia immediately upon its signing, whereas Turkish export was liberalised in phases over the 5 years period, until 2015. The agreement was of special benefit for Serbia as it was concluded in the first years following the 2007/'08 world economic crisis, when Serbian export recorded a serious fall amid contraction of demand in the markets of the EU, which traditionally absorbs most of Serbian export. Thanks to the agreement, the overall trade exchange between the two countries in the observed period 2004–2016 increased by 259,3 %, from 261 to 938 million USD. In the same period export grew by 330,4 %, which is far greater than import (236,9 %). What is important to stress in this regard is that during the free trade period (2009–2016) export recorded a cumulative growth of nearly 500 %, meaning it grew at far better rates than in the years which preceded the agreement. Resultantly, coverage of import by export substantially improved, from 31,6 % to 40,3 % in the period 2004–2016; a number of Serbian enterprises exporting (in)to Turkey increased from 183 to 323 in the period 2008-2015; and the number of Serbian export goods to Turkey increased from 381 to 608 in the period 2007–2016. Moreover, on the list of Serbia's 50 main export destinations, position of Turkey improved from place 28th in 2008 to 17th in 2016.

With reference to the case study Serbia-China, despite notable improvement in terms of the overall trade exchange (in the period 2004–2016), trade deficit is understandably on the Serbian side, and hence coverage of import by export is still at a very low margin (1,6 %). However, what is praiseworthy is that during this period Serbian export increased by 303,4 %, what is certainly much better than the increase of import (105,2 %). Resultantly, on the list of Serbia's 50 main export destinations, China's position has notably improved, entering the top 50 in 2006 (being Serbia's 43rd largest export destination), having reached 37th

position in 2016; or nominally, export rose from 6,3 million USD in 2006 to 25,3 in 2016. Given the intensity of the two countries' economic cooperation in recent years, particularly in the field of trade (the volume of the overall trade exchange increased from 788 million in 2006 to 1,6 billion USD 2016), both at bilateral and multilateral level, it is very likely that the volume of Serbia's export will keep increasing in the years to come.

H1b: Engaging in commercial diplomacy towards the emerging markets contributes to the increase of investment flows, both inward and outward.

H1c: Engaging in commercial diplomacy towards the emerging markets helps achieve agreement on favourable investment loans for the home country.

With reference to the case study Serbia-Russia, in terms of Russian (inward) investment into Serbia, as presented the volume of inward FDI was significant until 2014 when Russia was imposed sanctions, after what it expectedly took a downscale turn. However, given the positive trend before the sanctions, it is very likely to expect that when they be abolished, the volume of investment will reach higher values again. Similar trend in terms of periodical ups and down does also apply when it comes to Serbia's (outward) investment in(to) Russia.

Given that the energy sector is by far the most dominant in the Russian economy, making for approximately 2/3 of its total export, understandably the largest Russian (outward) investments in(to) Serbia are in the sector of oil industry.

The top 5 (by value of investment) Russia's investments to Serbia are:

1. „Gazprom Neft / NIS a.d“, a brownfield investment in the oil industry in Pančevo, worth 947 million EUR, which provided opening of nearly 4000 new working places (precisely 3992). The renovated refinery opened in November 2012. Expansion of investments (expansion of production, retail stations and exploration of oil) is planned in the coming years in the total amount of 1.5 billion EUR;
2. „Lukoil / Lukoil Srbija a.d“, a brownfield investment in the oil industry in Belgrade, worth 210 million EUR, which provided opening of 155 new working places. The company purchased „Beopetrol“ company for storage and distribution of oil derivatives in 2003;
3. „Metropol Group“, a privatization-type of investment in the sector of tourism in Belgrade, worth 41 + 7.2 million EUR (in phases);
4. „GSK Krasniy Treugolnik / Vulkan gume d.o.o“, an investment in the automobile industry sector in Niš, worth 3,5 million EUR, which provided opening of 197 new working places;

5. „Red Triangle“, a privatization-type of investment in the automobile industry sector (tyres production) in Niš, worth 3,5 million EUR. In March 2013 the company purchased the company „Vuklan“. Additional investment in the amount of 5 million EUR is planned.

Herein it is worth noting that since Russian economy is centered around large, state-owned energy sector companies, and the sector of small and medium enterprises is inadequately developed, the number of Russian companies investing in(to) Serbia cannot be expected to be substantial anyway.

In terms of Serbian (outward) investment (in)to Russia, its volume was negatively affected by the world economic crisis, managing to get better only in 2014, from when on growth has been successfully maintained. The examples of Hemofarm (which opened a pharmaceutical factory, with the value of investment of 32 million USD) and Sintelon (which opened a factory for production of floor coverings, worth 250 million USD) to this day remain the largest domestic (Serbian) investment in Russia.

With reference to the case study Serbia-Turkey, in terms of Turkish (inward) investment in(to) Serbia, the positive trend is present and significant ever since 2010 from when data are available, especially since 2015 onward, the period during which the value of attracted investment was multiplied. Given Serbia's active commercial diplomacy towards Turkey in recent years, and especially months, which resulted in bilateral state visits at the highest level in both countries, and official announcements of especially the Turkish side, it is certain that the value of Turkish inward investment into Serbia will be much higher in the years to come compared to current ones.

Second to Russia is Turkey, whose inward direct investment (in)to Serbia have been improving over the last couple of years, having reached respectable numbers.

The top 5 (by value of investment) Turkey's investments to Serbia are:

1. “BORAL Aluminum”, a greenfield investment in the aluminum production in Doljevac, worth 55 million EUR, which provided opening of 300 new working places;
2. “Teklas Automotiv”, a brownfield investment in the automobile industry in Vladičin Han, worth 11.3 million EUR, which provided opening of 200 new working places (with another 200 planned). Production started in April 2017. Export is planned to the markets of Europe, with Russia, Asia and the Americas;

3. “Halk Bank”, a brownfield investment in the banking sector in Čačak, worth 10.1 million EUR. In March 2015 the investor became owner of a majority share of the Čačak Bank. It is expected that opening of the Turkish bank will further encourage Turkish companies to invest in Serbia;
4. “Aster Tekstil”, a brownfield investment in the textile industry in Niš, worth 6.5 million EUR, which provided 500 new working places (with another 2000 planned). The investor started production in October 2016;
5. “Jeanci Istanbul”, a greenfield and brownfield investment(s) combined in the textile industry in Leskovac and Krupanj, worth 6 million EUR (with another 746,000 EUR planned in Krupanj), which opened 760 new working places (in Leskovac) and 100 (in Krupanj), with 200 more planned (in Krupanj). The investment was initiated in July 2011. In April 2015 the investor opened a new factory in Krupanj.

As previously the case with Russia, the volume of Turkish investment is greater than the other way around. According to the available data, only one Serbian company „Bonex holding“, a refractory bricks producer, invested in Turkey where it opened a production facility, the value of investment being 10 million USD.

With reference to the case study Serbia-China, in terms of China's inward investment in(to) Serbia, the trend of growth is stable and significant ever since the beginning of the observed period (for which data are available), especially since 2014 onward.

Concerning China, as is the case with Russia and Turkey, friendly (political) relations between the two countries (meaning Serbia and China) made the basis for the conclusion of the intergovernmental agreement on economic and technical cooperation, thanks to which a number of large (infrastructural) projects (mainly highways, bridges and power facilities) have already been implemented, while a number of them are in some phase of preparation or planning. The cooperation is based on favourable loans (with preferential conditions and low interest rate(s) in comparison to other international financial institutions) by the China Export-Import Bank (more commonly referred to as the EXIM Bank) for infrastructural projects in Serbia, with joint participation of both parties.

So far, with financial arrangements with the China EXIM Bank, in recent years the following infrastructural projects have been implemented or are under construction in Serbia:

- Bridge Mihajlo Pupin, more commonly known as the Zemun-Borča Bridge,
- First and second phase of the project „Kostolac B Power Plant“,

- Two sections of the highway E-763 in the framework of the Corridor 11 – Obrenovac-Ub and Lajkovac-Ljig, in the length of 50 km,
- Section of the highway E-763 – Surčin-Obrenovac,
- Section of the highway E70/75 – bridge across Sava river „Bubanj Potok“ near Ostružnica,
- Reconstruction of the railway Belgrade-Budapest.
- Construction of the two major (river) channels, on the Danube and Moraca rivers.

With regard to investment in industrial facilities in Serbia, it is important to emphasise that according to announcements of the Serbian Government, the Chinese companies are interested to invest more in the forthcoming years. Certainly an important step represents opening of the Bank of China branch office in Belgrade, which will become the Bank's central branch office for the Balkans, but also for whole Eastern and Western Europe. Needless to say that opening of the bank will further encourage and stimulate Chinese companies to invest (in Serbia).

The top 5 (by value of investment) China's investments to Serbia (completed or planned) are:

1. „Mei Ta Group“, a greenfield investment in the automobile industry (production of blocks and engine carriers, turbochargers and other parts for famous automobile brands such as Renault, Ford, BMW and Daimler) in Obrenovac, worth 60 million EUR (in two phases), with 1400 new working places planned. Completion of the factory construction was planned for the second half of 2017;
2. „He Steel“ („HBIS“), a brownfield investment in heavy industry (iron production) in Smederevo, worth 46 million EUR (with another 300 million EUR planned). The agreement on the purchase of the steelworks was signed in April 2016;
3. „Diplon d.o.o“ (mostly Chinese ownership), a greenfield investment in the trade sector (trade centre) in Zemun, worth 25 million EUR (according to what the owner stated). The trade centre „CTC Zmaj – Belmax“ was opened in 2008;
4. „Healthcare Co. Ltd“ (in cooperation with Danish company „Everrest“), a greenfield investment in the textile industry (production of memory foam) in Ruma, worth 15 million EUR (with another 20 million EUR planned), which opened 350 new working places (with another 500 planned). Additionally, a factory for the production of furniture is planned;
5. „Johnson Electric“, a greenfield investment in the machine industry (construction of electromotors) in Niš, worth 7,5 million EUR (with another 50 million EUR planned),

which opened 90 new working places (in total 2400 planned until 2021). Construction of a factory was completed in April 2016.

In addition, three large projects are planned, two of them relate to the construction of industrial zones/parks in Serbia (one of them being construction of industrial, commercial and technological business zone „Stublenica“, in close proximity to the Corridor 11, in Ub municipality, whose total worth is (planned to be) approximately 1,2 billion EUR, and which would open about 15,000 new working places in the first phase, while the other phase would include construction of a centre for logistics, transport port, educational and technological institute), and one referring to the port on the Danube river, in close proximity to the Zemun-Borča Bridge.

H1d: Engaging in commercial diplomacy towards the emerging markets contributes to the development of tourism of the home country and the increase of revenues from tourism.

With reference to the case study Serbia-Russia, the intergovernmental agreement which Serbia and Russia signed in March 2011 laid down the basis for faster development in this field, which indeed happened. During the observed period 2005–2016, the number of arrivals of Russian tourists to Serbia increased from 11,000 to almost 44,000, what amounts to the increase of nearly 300 %, whereas in the period 2010–2016 that number went up from 21,636 to 43,916. Respective growth rates are also recorded in terms of overnight stays, which over the entire observed period increased from 33,000 to more than 131,000 (or nearly 300 %), and from 62,538 to 131,323 between 2010–2016 (or 109,8 %).

With reference to the case study Serbia-Turkey, in the period 2005–2016 the number of arrivals of the Turkish tourists in Serbia increased from 7,000 to nearly 84,000; in order words the increase was over 1,000 %. However, due to a low base in the early 2000s as a consequence of the fact that promotion of tourism, especially abroad, was certainly not among priority issues, a more plausible figure is the increase of 504,5 % achieved in the period 2010–2016, during which the number of arrivals grew up from 13,842 to 83,676. A praiseworthy growth has been achieved in terms of overnight stays too. Over the entire observed period (2005–2016) that number went up from 13,000 to nearly 142,000, what represents an increase of nearly 1,000 %. Again, a more credible result is the one achieved in the period 2010–2016, during which the number of Turkish guests who decided to „stay“ in Serbia grew from 23,531 to 141,618, what translated in percentual value amounts to 501,8 %.

The intergovernmental agreement on visa free regime signed in 2010 has surely gave wind to faster development in this field.

With reference to the case study Serbia-China, lastly, thanks to Serbia's active commercial diplomacy tourism has become one of the fastest growing fields in terms of cooperation between the two countries. Praiseworthy is to note that in the period 2011–2016 the number of arrivals of the Chinese guests in Serbia has gone up from 3,470 to 18.409, what represents an increase of 430,5 %. Likewise, significant growth of 261,4 % is recorded in terms of number of overnight stays, which (during the mentioned period) increased from 11,895 to 42,986. Given the intensity of Serbia's promotional activities, it is very likely that this positive trend will continue in the years to come.

H2: Political and socio-cultural home-host country relations influence the effectiveness of the home country's commercial diplomacy in the host market.

With reference to this thesis, notwithstanding the fact that testing it could not be done on the basis of quantified results, the presented data and information in the research give enough credibility so that it can be argued that political and socio-cultural relations between Serbia as a country in transition, on one side, and Russia, Turkey and China as the emerging economies/markets, on the other, have had a significant impact on the level of successfulness of Serbia's commercial diplomacy in/towards each of these emerging markets. In this regard, of particular importance are very affirmative answers obtained in a questionnaire with Slavica Visnjić, the acting head of department for bilateral economic relations with Russia and China in the Serbian Ministry of Trade, Tourism and Telecommunications.

As noted earlier in the research, foundations for (what developed into) good political and/or cultural relations between Serbia and the three mentioned countries date back much earlier than (the period) encompassed by this research. In case of Russia it could be said to be centuries old, primarily developed on the basis of Pan-slavism and in relation to it Orthodox Christianity. In case of Turkey and China good political relations which spilled over to the sphere of culture primarily stem from the time when the former Yugoslavia actively took part in the Non-Aligned Movement between the 1960s and the 1980s. In addition, to the successfulness of Serbia's commercial diplomacy vis-à-vis good (political and/or cultural) relations with the noted countries certainly impacted and contributed the fact that the latter countries are characterised by more or less authoritarian regimes, whereat top political leadership has a very influential role when it comes to interference in the economy. This has largely helped Serbia to become one of few European countries to conclude a free trade

agreement with Russia, which was additionally expanded on two occasions to be strongly preferential for the Serbian side, and one of very few countries in the whole world, and the only one in Europe, to conclude an inter-governmental agreement with China, which serves as the basis for development of the overall bilateral economic relations. To this could be added a free trade regime with Turkey, again, charted to favour the Serbian side from the beginning of its implementation. Relatively frequent bilateral state visits at the highest level, usually accompanied by numerous economic delegations, both in Serbia and in each of these three countries, is a credible indicator of Serbia's diplomatic success in trying to take advantage of its political and/or cultural relations for economic benefits.

Finally, on the basis of all the aforementioned, it can be concluded that strengthening commercial diplomacy towards the emerging markets of Russia, Turkey and China has helped Serbia to notably improve market diversification and enhance internationalisation of its transitional economy. This has been achieved primarily by means of improving bilateral trade exchange with the mentioned countries, in particular export performance, then attracting respectable volume of inward foreign direct investment, as well as promoting outward investment, then attracting substantially high number of (foreign) tourists, as well as by managing to secure favourable investment loans. The free trade agreements with Russia (including the amending protocols) and Turkey, representing immense achievement of commercial diplomacy of Serbia, have resulted in substantial increase of bilateral trade exchange, particularly of export, compared to the period preceding the agreements/protocols. The free trade agreement and the protocols with Russia in particular whereby also have indirect benefits for Serbia, in the form of helping to stimulate foreign investors, primarily from the EU, but also from the overseas to (re)locate their businesses into Serbia in order to take advantage of the large Russian market, but of the markets of Belarus and Kazakhstan too, with which Serbia signed and ratified agreements on free trade. In terms of cooperation with China, the multi purpose agreement on economic and technical cooperation based on favourable investment loans by the China Export-Import Bank, mainly for infrastructural projects in Serbia, has enabled Serbia access to finance under much more preferential terms compared to those offered by main international financial institutions. Thanks to these arrangements, many large projects of transport and energy infrastructure have been successfully implemented. Likewise, the bilateral agreements in the field of investment and tourism have contributed to noteworthy improvements too. Nothing less important is the secondary finding which provides enough evidence to argue that Serbia's good political

and/or socio-cultural relations with the three emerging countries/economies have had a significant impact on the successfulness of its commercial diplomacy in/towards these emerging countries/markets.

With reference to the mentioned, Serbia's embassies in the emerging countries and beyond should put more focus on commercial diplomacy. Appointment of ambassadors and other diplomatic staff should be highly professionalised and merit-based, non-political, in line with good practice of many developed countries. Training of diplomats for carrying out commercial diplomacy activities should become standard. In relation to that, the Serbian Government needs to ensure, i.e. provide professional training for diplomatic staff employed at Serbia's embassies, in the emerging markets and elsewhere, in order to ensure quality of delivered services and timely response. Likewise, home-stationed staff in charge of commercial diplomacy needs to ensure adequate and timely response to the business community, entrepreneurs in particular. In that regard, promoting Serbia as a suitable investment and tourism destination, assisting domestic exporters, and working on country branding and lobbying that should help its export goods win new markets, should make the core of their activities. At the same time, its policy-makers should focus on preventing brain drain and fostering human resources in order to provide conditions for the transfer of technology and know-how as positive aspects of foreign investments. In parallel with strengthening commercial diplomacy in/towards the emerging markets, Serbia needs to further work on enhancing its institutions and secure business-friendly regulatory framework and environment. To provide healthy foundations for sustainable development, it is of utmost importance for Serbia to focus less on import and the service sector, and instead to stimulate "real economy", i.e. industry, especially export-oriented sectors. The country must provide enough financial means for stimulating development of the entrepreneurship, especially small and medium, and encourage cluster-based approach. Only in this way it can count on the increase of employment and GDP in parallel. In that regard, the examples of some countries, particularly those in South-East Asia, which have based their economic growth almost exclusively on foreign investors exploiting low cost labour, without investing in human resources and creating conditions for the transfer of technology and know-how, in that way having being "trapped" in the so-called permanent medium development phase, should pose a serious warning.

Lastly, in terms of scientific contribution of the research, having that the theory on the effectiveness of commercial diplomacy of transitional, i.e. developing countries towards the emerging countries/economies, notably those in the East, is found to be insufficiently dealt

with, this dissertation could be said to offer a fresh perspective to applicability and usefulness of commercial diplomacy as an academic discipline. Particularly noteworthy is the fact that the presented findings go in favour of strengthening the theory that (a) commercial diplomacy is/can be much more effective when applied by developing towards developed countries or vice versa, than between developing or developed countries themselves, and (b) (small) transition countries can take advantage of, i.e. exploit good political and/or cultural relations with the host (target) countries, especially those that are politically and economically much more influential and powerful, with the aim to increase the successfulness of their commercial diplomacy in the markets of the latter. However, even more important is to emphasise the main novel contribution(s) of this research to the theory on commercial diplomacy, which are that (a) commercial diplomacy of the territorially and in terms of population small countries of the Western Balkans towards the emerging economies/markets in the East is found to be highly beneficial in the sense of improving geographical market diversification and enhancing national economy internationalisation, and (b) good political and/or cultural relations between the territorially and in terms of population small countries of the Western Balkans and the emerging economies/markets in the East is found to increase the successfulness of their commercial diplomacy in the markets of the latter. Since the research also elaborates in detail the micro- and macroeconomic issues of both transitional and the emerging countries, business-conducive regulatory framework in particular, it might also be interesting and insightful for policy-makers and business community, and scholars of international business too. Given that its findings are applicable far beyond the South-East European region, its relevance is thus greater.

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660. Zhao, Shiyong. 2013. Privatization, FDI inflow and economic growth: evidence from China's provinces, 1978–2008. *Applied Economics* 45 (15): 2127–2139.
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Appendix A

Table A.1: Main findings of research studies found available on the importance of commercial diplomacy-related activity areas

| Author(s) | Sample | Testing | Research finding |
|-----------------------------------|---|--|--|
| 1. Coughlin and Cartwright (1987) | N/A | whether export promotion programmes contribute to the increase of export | Each United States dollar (USD) invested in export promotion programmes cause the increase of export in the amount of 432 USD (Coughlin and Cartwright 1987). |
| 2. Van Bergeijk (1994) | N/A | the effects of intensification of diplomatic activities on the rise of export | Intensification of diplomatic activities by 50 % can stimulate the rise of export by approximately 25 % (Van Bergeijk 1994, 163). |
| 3. Spence (1999) | N/A | whether export promotion programmes positively influence export performance of small and medium enterprises (SMEs) | Export promotion programmes positively influence export performance of small and medium enterprises (SMEs). Participation in export promotion programmes raises the awareness of business opportunities in foreign markets and of markets themselves (Spence 1999). |
| 4. Wilkinson and Brouthers (2000) | 55.000 manufacturing (U.S.) firms (for the first two dependent variables - direct export and hi-tech export) | the effectiveness of export promotion programmes on export performance | (1) trade fairs have a positive impact on direct and high-tech export, (2) trade missions do not stimulate high-tech export, (3) foreign representative offices do not contribute to export increase, and (4) objective market information programmes did not prove helpful in terms of direct export increase (Wilkinson and Brouthers 2000, 229, 233). |
| 5. Gençtürk and Kotabe (2001) | The sample frame encompassed 8761 manufacturing firms of which 13.8% were classified as exporters. Of those, for the purpose of the research, 500 | the impact of export marketing and government export promotion on overall export performance | The firms which have developed good export marketing strategy and use government export promotion services achieve substantial export success (Gençtürk and Kotabe 2001, 51). ²²² |

²²² The authors stressed the relevance of information in business. They note that success in a competitive global business environment nowadays largely depends on effective use of information as a source of competitive advantage (Gençtürk and Kotabe 2001, 51). They found that various government export promotion programmes can help firms improve efficiency through improved profitability and effectiveness through export increase. In addition, exporting behaviour through bettered management can positively affect their competitive position in a foreign market (Gençtürk and Kotabe 2001, 66). However, the authors also note that export assistance programmes may not be a sufficient factor in enhancing exporting firms' effectiveness. Success in a foreign market entails some other related activities too which also affect business prospects (Gençtürk and Kotabe 2001, 66–67). The authors further point that reluctance of especially smaller firms to use government export promotion programmes may stem from a lack of their awareness of potential contribution of such programmes for export increase. Therefore, export promotion offices have a serious task to disseminate information

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| | exporters were taken as random sample, which represented approximately 41% of the population of interest. | | |
| 6. Morisset (2003) | 58 countries (75 agencies both from developed and developing countries) | whether investment promotion agencies (IPAs) positively influence decisions of investors to invest | Investment promotion agencies (IPAs) positively influence decisions of investors to invest; market size and general investment climate are the key determining factors. In other words, IPAs do indeed stimulate investment inflows, but still decision to invest largely depends on the quality of investment environment. Hence, investment promotion gives better results if a targeted country has provided good investment environment and is relatively developed (Morisset 2003, 18–19). ²²³ |
| 7. Francis and Collins-Dodd (2004) | 500 Canadian high-tech SMEs | whether export promotion can help exporting firms enhance their business performance and improve expansion and marketing strategies | Export promotion can help exporting firms [especially pre-exporters and sporadic exporters] enhance their business performance and improve expansion and marketing strategies (Francis and Collins-Dodd 2004, 474). ²²⁴ |

to exporters on the value and benefits of their programmes and services based on good practice and positive experience. Likewise, efforts need to be invested to make firms familiar that such programmes reduce marketing costs and thus make doing business more cost-effective (Gençtürk and Kotabe 2001, 67).

²²³ To what extent the quality of investment environment is important tells the finding that investment promotion can even be counterproductive if a country potential investors are interested to invest in has unsatisfying investment environment. This means that an interested investor who sees that the overall investment environment in a country is not investment-friendly will likely lose interest and opt for some other country destination. The detriment for a country can be ever worse given high probability that a disappointed investor will discourage other potential investors (Morisset 2003, 18–19). The conveyed study also showed that some functions of investment promotion are more important than other; it is evident that policy advocacy gives better results in attracting investors than image-building or investor servicing. Furthermore, it is found that political support to investment promotion agencies from the highest level, as well as participation of the private sector in supervisory body of an IPA are seen to contribute to effectiveness and success of investment promotion (Morisset 2003, 18–19).

²²⁴ The authors classified exporting firms from the sample into 4 groups: pre-exporters, sporadic exporters, active exporters, majority exporters (Francis and Collins-Dodd 2004, 484). In addition, pre-exporters find export promotion programmes highly valuable, especially in creating marketing strategies (Francis and Collins-Dodd 2004, 487). Export promotion programmes have also shown to be strongly beneficial for *sporadic exporters* whose export performance is highly positively correlated with their participation in export promotion programmes. These programmes have helped them enter new markets and gain valuable export knowledge. This high positive contribution of the programmes on export performance of sporadic exporters is explained in a way that sporadic exporters have the largest potential to increase export either by entering new markets or by increasing sales in the markets in which they are already present (Francis and Collins-Dodd 2004, 488). Francis and Collins-Dodd (2004) have shown that in case of *active exporters*, export promotion programmes stimulate companies to adopt policies that support geographical market diversification both in short- and long-term. Active exporters benefit from export promotion programmes, but not to the extent sporadic exporters do. This is because active exporters usually have enough experience and knowledge obtained in the markets in which they mostly operate (Francis and Collins-Dodd 2004, 482, 489). *Majority exporters* (whose income comes mainly from exporting) do not find export promotion programmes of any benefit as they fully rely on their own experience and knowledge (Francis and Collins-Dodd 2004, 489).

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| 8. Nitch (2005) | Data covering travel activities of heads of states of the United States, France and Germany, in the period 1948–2003 | the impact of trade missions on international trade | There is a positive correlation between diplomatic visits and export increase; a trade mission increases export by 8–10% (Nitch 2005, 22). ²²⁵ |
| 9. Lederman et al. (2006) | 104 developed and developing countries | the impact of export promotion agencies (EPAs) on export performance | Each dollar invested in export promotion generates approximately 40 dollars of export in the full sample, and 60 dollars in the sub-sample encompassing developing countries (Lederman et al. 2006, 19). ²²⁶ |
| 10. Oh and Selmer II (2006) | ASEAN countries, during the period 1980–2001 | the effects of ASEAN's diplomacy (via regional trade agreements) on trade increase | Regional trade agreements (RTAs) positively contribute to trade increase. They also discovered that RTAs, like in case of ASEAN, not only improve intra-regional trade and foster economic interdependency, but also enhance economic exchange with non-member states (Oh and Selmer II 2006, 5). |
| 11. Wilkinson and Brouthers (2006) | 764 small manufacturing U.S. business firms in the period 1992–1999 | the impact of state-sponsored trade shows on firm's satisfaction with export performance | (1) Firm's internal resources (technological and export resources) are positively correlated with firm's satisfaction with export performance; (2) The participation in state-sponsored trade shows is positively correlated with firm's satisfaction with export performance; (3) The use of state-sponsored programs envisaged to identify agents and distributors is positively correlated with firm's satisfaction with export performance (Wilkinson and Brouthers 2006, 243). ²²⁷ |
| 12. Nitsch (2007) | Large number of state visits of the heads of state of France, Germany and the United States during the period 1948–2003 | whether state visits have a measurable positive effect on international trade | The author found a positive correlation between state visits and export; a visit results in the increase of export by 8–10%, though in terms of import the figures are much less contributing (Nitsch 2007, 1816). ²²⁸ |

²²⁵ Nevertheless, the results also demonstrate a much less robust correlation in terms of import (Nitch 2005, 22).

²²⁶ The authors also argue that in terms of funding the best solution for EPAs is to be financed both from the public and the private sector. Their findings also suggest that focus should be on non-traditional and sectoral export (Lederman et al. 2006, 24).

²²⁷ The impact of trade missions on firm's satisfaction with export performance is not statistically significant (Wilkinson and Brouthers 2006, 243).

²²⁸ However, the author noted that the effects of state visits on international trade are short-lived if not carried out repeatedly (Nitsch 2007, 1816). He stressed that it is widely known that political factors affect trade flows (Nitsch 2007, 1798).

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| 13. Rose (2007) | 22 important exporting countries; ²²⁹ covering the period 2002–2003 | the impact of diplomatic missions – embassies and consulates on the level of export increase in bilateral relations | The obtained results show that export rise between 6–10% for each additional consulate (abroad), what is both statistically significant and economically plausible (Rose 2007, 23, 35). The findings also show that embassies have a much higher (positive) impact on export increase than additional consulates (Rose 2007, 35), and that the first established (diplomatic) mission proved to have a stronger positive impact on export results than any of successive missions (Rose 2007, 23). |
| 14. Gil et al. (2008) | all 17 Spanish regions, 188 trading flows, during the period 1995–2003 | the impact of regional export promotion agencies abroad on export performance | Export promotion agencies do indeed promote trade, and their positive impact is larger than that of embassies and consulates (Gil et al. 2008, 139, 144). More concretely, an export promotion agency increases exports by 74 %. In addition, the authors also found that positive impact of embassies and consulates on export increase is measured at 11 % (Gil et al. 2008, 142). |
| 15. Segura-Cayuela and Vilarrubia (2008) | 162 importing and 21 exporting countries | the impact of diplomatic representation office in a foreign country on the increase of export | Establishing a diplomatic representation office in a foreign country increases probability of exporting to that country by 11–18%, though it does not seem to increase the volume of exports (Segura-Cayuela and Vilarrubia 2008, 24). |
| 16. Shamsuddoha et al. (2009) | 203 exporting Asian firms (management level) | whether government export assistance programmes positively affect internationalisation of SMEs | Government export assistance programmes positively affect internationalisation of SMEs directly by supporting doing business, and indirectly by increasing the quality of marketing (Shamsuddoha et al. 2009, 418). |
| 17. Yakop and van Bergeijk (2009) | 63 importing and exporting countries in the year 2006, and 3730 bilateral trade flows | the impact of diplomatic representations on facilitating trade (replication of the study by Rose (2007)) | Embassies and consulates positively contribute to export increase (Yakop and van Bergeijk 2009, 14); diplomatic representations facilitating export contribute to the increase of export by 9 % (Yakop |

²²⁹ Australia (97 foreign missions), Belgium (108 foreign missions), Brazil (117 foreign missions), Canada (147 foreign missions), China (216 foreign missions), France (233 foreign missions), Germany (209 foreign missions), India (186 foreign missions), Indonesia (132 foreign missions), Italy (229 foreign missions), Japan (204 foreign missions), Korea (127 foreign missions), Mexico (120 foreign missions), Netherlands (461 foreign missions), Poland (135 foreign missions), Russia (228 foreign missions), Spain (165 foreign missions), Sweden (92 foreign missions), Switzerland (301 foreign missions), Turkey (148 foreign missions), UK (259 foreign missions), US (239 foreign missions), and their 200 (export) destination countries.

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| | | | and van Bergeijk 2009, 16). The same applies for import - a diplomatic representation of the exporting country in the importing country produces the effect measured as 5 % increase of import for the importing country (Yakop and van Bergeijk 2009, 16). ²³⁰ |
| 18. Afman and Maurel in van Bergeijk and Brakman (2010) | 26 OECD countries and 30 transition economies, and the time period under review is 3 years. The total computed number of individual observations is 4680, of which 4269 are operated with. The authors analysed trade flows between the OECD countries, and the transition economies separately. Trade between the two groups of countries is excluded from the study | whether diplomatic representation of a country in another country facilitates trade and promotes export | The obtained results are significantly higher compared to those of Rose (2007) from which the authors borrowed the variable model. The authors found the estimates according to which foreign diplomatic missions performing export facilitation activities help increase export between 22 % and 67 % (Afman and Maurel in van Bergeijk and Brakman 2010, 290). ²³¹ |
| 19. Head and Ries (2010) | Canada, 1994–2005 | whether trade missions (abroad) stimulate trade | In case of Canada (Team Canada), trade missions (abroad) stimulate trade (exports by 14 %) (Head and Ries 2010, 772). ²³² |
| 20. Martincus et al. (2010) | Latin American and Caribbean countries; 1995–2004 | the impact of export promotion institutions on bilateral trade | Export promotion institutions positively contributed to bilateral trade (Martincus et al. 2010, 7). |
| 21. Martincus et al. (2010) | 26 Latin American and Caribbean countries during the period 1995–2004 | whether export promotion agencies help increase export | As specialised institutions EPAs are found helpful for removing impediments to trade and diversifying the range of goods being offered. On the other side, diplomatic representations such as embassies and consulate offices, which do not always have a specialised commercial section/department, also proved helpful in terms of stimulating and facilitating exports, though to a lesser extent (Martincus et al. 2010, 14–15). Opening an EPA in an exporting market helps increase export by 27.6 %, while |

²³⁰ The study disclosed that embassies and consulates are effective in solving market failures, and that they facilitate trade between developed and developing countries more than between developed countries themselves. This may be so because the market obstacles in developing countries are much more conspicuous and prevail in larger number than in developed countries, and hence export facilitation aimed at developing countries is effective. That is why economic diplomacy is so much important in international trade (Yakop and van Bergeijk 2009, 25).

²³¹ Still the authors state that the figure pointing at 26 % is the most realistic and reliable, as it reflects fix effects (Afman and Maurel in van Bergeijk and Brakman 2010, 290).

²³² However, when country-pair fixed effects are employed, the obtained results are insignificant (about zero) (Head and Ries 2010, 772).

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| | | | establishing a new diplomatic representation office does so by only 0.5 % respectively (Martincus et al. 2010, 10). ²³³ |
| 22. Van Veenstra et al. (2010) | The sample consists of 1242 bilateral trade flows between 36 countries during the year 2006. 20 exporting countries identified by Rose (2007) present the basis + countries identified by Yakop and van Bergeijk (2009) and Lederman et al. (2006). The collected countries make for nearly half of the total world export, more than 60 % of the global GDP, and nearly ¼ of the total world population. Among them are a number of developing countries from Africa, Asia, Latin America and the Middle East and high-growth (OECD) countries. ²³⁴ | the impact of export promotion agencies, embassies and consulates on trade flows, and how their development influences their impact | The obtained results show that commercial diplomacy substantially contributes to trade increase among developing countries, though its effect is not relevant among the OECD (Organisation for Economic Cooperation and Development) member states (Van Veenstra et al. 2010, 3). ²³⁵ |

²³³ Lack of adequate information presents a serious impediment to trade, especially when exporters are diversifying the variety of goods being exported, as well as market destinations (Martincus et al. 2010, 2).

²³⁴ Australia, Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States, Algeria, Bangladesh, Brazil, Chile, Dominican Republic, Ecuador, Egypt, Israel, Malaysia, Mexico, Morocco, South Africa, Thailand, Tunisia, Turkey, Uganda, Uruguay and Venezuela.

²³⁵ This study for the first time analysed the impact of economic and commercial diplomacy simultaneously. The results disclose that the overall contribution of export promotion agencies to trade increase is insignificant; in contrast, the overall effect of embassies and consulates is significant; a 10 % increase of a number of embassies and consulates positively affects trade by 0,5–0,9%. Statistically, this positive ratio is minor, but in practice the benefits of diplomacy exceed incurred costs by large amount. It is found that export promotion agencies of developed countries do not increase export to low and middle-income countries; in contrast, export promotion agencies of low and middle-income countries increase export both to developed and low and middle-income countries. Overall, economic and commercial diplomacy bring more positive results for low and middle-income countries than for those with high-income (Van Veenstra et al. 2010, 18–19). In addition, another result is that effectiveness of economic and commercial diplomacy depends on the level of development of exporting and importing country; hence diplomacy should adapt its instruments depending on the level of development of trading countries (Van Veenstra et al. 2010, 19).

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| 23. Hayakawa et al. (2011) | 60 JETRO EPAs offices abroad and 85 KOTRA EPAs offices abroad. 9 FTAs presented in case of Japan and 9 FTAs in case of Korea. *Japan's JETRO and Korea's KOTRA | whether export promotion agencies (EPAs) increase exports | Export promotion agencies increase export. In other words, in terms of benefits, establishing an export promotion agency is equivalent to having a free trade agreement (Hayakawa et al. 2011, 12). ²³⁶ |
| 24. Van Bergeijk et al. (2011) | 63 countries in the year 2005 and 10,524 economic diplomatic representations. The foreign missions are categorised into six groups: embassies, career consulates, honorary consulates, trade offices, embassy branches, and other representative offices | the real contribution of economic diplomatic representations to bilateral trade flows, both export and import | Both inward- and outward-oriented economic diplomacy contribute to the expansion of trade, with the latter being far more effective. In other words, the research shows that economic diplomacy, through diplomatic representations (embassies, career consulates and embassy branches), proved more successful in promoting export than import (Van Bergeijk et al. 2011, 117). In this regard, embassies, embassy branches and career consulates have the most important role, whereas honorary consulates' work did not prove helpful for promoting trade (Van Bergeijk et al. 2011, 117). It also ascertains that embassies are far more efficient in facilitating trade than career consulates, and that honorary consulates are not deemed beneficial in that regard (Van Bergeijk et al. 2011, 119). |
| 25. Van Bergeijk and Moons (2011) | The analysis combined 23 individual studies and 873 parameters | the effects of economic diplomacy (performed through embassies and other diplomatic missions, investment and export promotion agencies, trade missions, etc.) on international trade | Economic diplomacy proved to positively contribute to bilateral trade. The authors found that embassies seem to have the above average contribution to bilateral trade and FDI flows, while consulates, investment and export promotion agencies appear to be less stimulating, but still with positive contribution to trade. The authors' results show that economic diplomacy has an important role in reducing trade transaction costs and consequently increasing potential commercial gains, as well as making a home country an attractive destination for FDI (Van Bergeijk and Moons 2011). |

²³⁶ Interestingly, the findings show that positive effects are stronger for manufactured than non-manufactured goods. In addition, EPAs offices in low-income countries produce better results than in high-income countries (Hayakawa et al. 2011, 12).

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| 26. Jalali (2012) | 200 decision-makers in charge of exports in Iran | the impact of export promotion programmes on export performance of firms in developing countries | (a) the use of export promotion programmes positively influences the exporting firms' knowledge, export strategy, commitment, and resultantly export performance, (b) the exporting firms' knowledge positively influences their export strategy, (c) the exporting firms' strategy positively influences their export performance, (d) the exporting firms' commitment positively influences their export strategy (Jalali 2012, 124–126). Export promotion programmes can provide the exporting firms with information about economic, political, cultural and technological factors and market forces such as competitive trends in an export market. Firms' managers can benefit from these programmes in a way to acquire important know-how about a new export market prior to commencing as well as during exporting, what can help them improve efficiency of doing business (Jalali 2012, 131). ²³⁷ |
| 27. Busschers and Ruël in Ruël (2012) | 115 interviewed SMEs | whether small and medium enterprises (SMEs) have found commercial diplomacy useful in stimulating their international business activities | Commercial diplomacy activities aimed at assisting SMEs in their doing business abroad are perceived by them as very useful (Busschers and Ruël in Ruël 2012). |
| 28. Jones-Bos et al. (2012) | 300 firms were interviewed about whether the Embassy and Consulates General had supported their activities in the U.S. market | the impact of public and private (Dutch) interest networks established in the United States on business opening for Dutch firms | These networks do have a positive influence on business, and investing in their strengthening pays off. According to the results, 97 % of interviewed firms value the network service with „good“ or „very good“. This implies that vast majority of Dutch firms operating in the U.S. market find services of the Netherlands economic network in the U.S. useful (Jones-Bos et al. 2012, 135). ²³⁸ |

²³⁷ Export promotion programmes have both short and long term effects; in a short term they help the private sector firms enhance their business performance, whereas in a long run they showed to be beneficial in gaining competitive advantages globally (Jalali 2012, 131–132).

²³⁸ The scale from the worst to the best is as follows: very bad, bad, neutral, good, very good. In addition, furthermore, 53 % of firms confirmed that the Dutch economic network assisted them in agreeing business contracts whose total value is 360 million euros. For a country of size of the Netherlands, economic and commercial diplomacy represents a necessity (Jones-Bos et al. 2012, 135).

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| 29. Creusen and Lejour (2013) | Results of Dutch exporting firms operating in high-income countries (EU-15, 10 OECD countries, Singapore and Hong Kong) and middle-income countries (EU12, the BRIC and other countries which belong to top 50 Dutch export destinations), and export market characteristics. The research covered the period from 2003 to 2007 | whether economic diplomacy (through trade missions) stimulate the entry of businesses into new markets | Economic diplomacy, through the presence of trade missions in, especially, middle-income countries, stimulate the entry of businesses into new markets, regardless of whether the exporting firm is a starter or an experienced enterprise. This, however, has not proved to be the case with higher-income countries. The authors thus point that in terms of assistance to domestic firms to win new markets, economic diplomacy is likely to be more efficient in developing countries characterised by market entry obstacles than in high-income countries (Creusen and Lejour 2013, 507). ²³⁹ |
| 30. Moons and van Bergeijk (2013) | 29 individual empirical studies in the period 1986-2011. Economic diplomacy was measured based on event data on: (a) geographical distribution of foreign networks (embassies, consulates and foreign offices of export and investment promotion agencies), (b) foreign networks activities (trade missions and state visits) and (c) activities in the home market (export and investment promotion) | the impact of economic diplomacy on trade and investment. | The obtained results are generally supportive of economic diplomacy and emphasise the importance of embassies in comparison to consulates, trade missions, state visits and export promotion agencies (Moons and van Bergeijk 2013, 4). |
| 31. Ruël (2013) | 450 SMEs | the usefulness of commercial diplomacy services for SMEs | A major number of SMEs find commercial diplomacy services highly valuable. The conducted study showed that among the most requested services are information concerning market, trade and culture, and rules and regulations, in other words intelligence-related services; as less used services are quoted assistance in dispute settling, at fairs, on trade missions and in negotiation meetings, i.e. relationship-based services (Ruël 2013, 24). The study also showed that a number of SMEs which requested commercial diplomacy services while |

²³⁹ Market entry costs are often higher in developing countries primarily due to weak institutions, but also cultural differences (Creusen and Lejour 2013, 507). Size of a firm and labour productivity are determinants which positively affect the probability of an exporting firm's entry into a new market (Creusen and Lejour 2013, 506).

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| | | | operating in developing countries as their target markets, characterised by weak institutions, is considerably higher (70 %) than those operating in developed countries (30 %). This finding suggests that it is more reasonable for SMEs to use commercial diplomacy as beneficiary clients in developing countries (Ruël 2013, 25). ²⁴⁰ |
| 32. Ruël et al. (2013) | 21 firms, of which 70 % are actually based in Malaysia | the effects of the Dutch embassy CD activities in Malaysia as a host country on business performance of Dutch firms operating at this Asian market | Firms that are new in the market highly appreciate commercial diplomacy assistance, especially relating to: (a) eliminating trade barriers, (b) providing intelligence, (c) promoting the home country's image, and (d) matchmaking (Ruël et al. 2013). |
| 33. Gil-Pareja et al. (2015) | trade flows from 17 Spanish regions to 158 countries during the period 1995–2010 | whether Spanish regional trade promotion agencies (REPOs) have a positive impact of export increase as in Europe, so elsewhere | Spanish regional trade promotion agencies (REPOs) have a positive impact of export increase as in Europe, so elsewhere (Gil-Pareja et al. 2015). |

²⁴⁰ The study also showed that SMEs with experience in international markets tend not to use commercial diplomacy services often, particularly those relating to trade dispute settling (Ruël 2013, 25).

Appendix B

Table B.1: Findings of case studies on the causality between export and economic growth

| Author(s) | Sample | Testing | Research finding |
|-----------------------------|--|---|--|
| 1. Abbas 2012 | Pakistan; the observed period is 1975–2010 | the impact of export on economic growth | There is uni-directional causality from GDP growth to export growth in both short- and long-term (Abbas 2012, 97–98). |
| 2. Abhayaratne 1996 | Sri Lanka, the observed period is 1960–1992 | the impact of export on economic growth | Export has a positive impact on economic growth (Abhayaratne 1996). |
| 3. Abou-Stait 2005 | Egypt, the observed period is 1977–2003 | the impact of export on economic growth | Export has a positive impact on economic growth. The author stresses the importance of export-friendly economic reform and removing barriers to trade (Abou-Stait 2005, 14). |
| 4. Abu Al-Foul 2004 | Jordan, the observed period is 1976–1997 | the impact of export on output growth | There is uni-directional causality from export to output growth (Abu Al-Foul 2004). |
| 5. Afzal and Hussain 2010 | Pakistan, the observed period is 1990–2008 | the impact of export on economic growth | Export does not have a positive impact on economic growth (Afzal and Hussain 2010, 144). ²⁴¹ |
| 6. Agrawal 2014 | India; the observed period is 1960–2012 | the impact of export on economic growth | Bi-directional causality between export and economic growth occurred only after trade liberalization took place (in the period 1991:3–2012:2). During this period, the growth of export contributed to GDP growth by 21 %. For comparison, in the period preceding trade liberalization (1960–1991:2), the contribution of export to growth of GDP was miniscule, 0.6 % (Agrawal 2014, 17). ²⁴² |
| 7. Ahmad and Harnhirun 1996 | 79 countries, the observed period is 1970–98 | the impact of export on economic growth | Export has a positive impact on economic growth (Ahmad and Harnhirun 1996). |
| 8. Ahmed and Uddin 2009 | Bangladesh, the observed period is 1976–2005 | the impact of export on GDP growth | There is uni-directional causality from export to GDP growth in the short-term (Ahmed and Uddin 2009, 89). |
| 9. Ajmi et al. 2015 | South Africa; the observed period is 1911–2011 | the impact of export on GDP growth | When using Diks and Panchenko test (2006), the authors found that there is bi-directional causality between export and GDP growth. When using Hiemstra and Jones (1994) test, the authors found uni-directional causality from GDP growth to export growth. The authors also stress the importance of human capital and technological development for export (Ajmi et al. 2015, 175). |

²⁴¹ Income decrease negatively affects export (and import too) (Afzal and Hussain 2010, 144).

²⁴² On the case of India, the author found that overvalued exchange rate, high tariffs and non-existence of export promotion policies hinder export growth (Agrawal 2014, 17).

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| 10. Aka 2008 | 7 African countries; ²⁴³ the observed period is 1960–2005 | the impact of export on GDP growth | (1) There is bi-directional causality between export and GDP growth in Senegal and Togo; (2) there is uni-directional causality from GDP growth to export growth in Niger; (3) there is no causality between export and GDP growth in Benin, and (4) the causality results for Burkina Faso, Cote d'Ivoire and Mali are conflicting (Aka 2008, 164). |
| 11. Alam et al. 2014 | Iran, the observed period is 2002–2010 | the impact of export on industrial output growth | Export has a positive impact on industrial output and development (Alam et al. 2014, 114). |
| 12. Al-Assaf and Al-Abdulrazag 2015 | Jordan, the observed period is 1980–2012 | the impact of export on output growth | Export has a positive impact on output growth in both the short- and the long-term (Al-Assaf and Al-Abdulrazag 2015, 199). |
| 13. Al-Yousif 1997 | 4 Middle East countries; ²⁴⁴ the observed period is 1973–93 | the impact of export on economic growth | Export has a significant positive impact on economic growth in all sample countries (Al-Yousif 1997, 696). |
| 14. Amavilah 2002 | Namibia, the observed period is 1968–1992 | the impact of export on output growth | Export has a positive impact on output growth. However, export alone, despite being necessary, is not a sufficient condition for output growth; other growth determinants matter too (Amavilah 2002, 16–17). |
| 15. Andraz and Rodrigues 2010 | Portugal; the observed period is 1977–2004 | the impact of export on economic growth | Export has a positive impact on economic growth in the long-term (Andraz and Rodrigues 2010). ²⁴⁵ |
| 16. Anwer and Sampath 1997 | 96 countries (a list of all countries is not given); the observed period is 1960–92 | the impact of export on economic growth | The findings as to whether export positively affects economic growth are mixed. In only 9 countries there is evidence of a positive correlation between economic growth and export; in 12 countries there is uni-directional link from GDP to export growth; in 6 there is uni-directional link from export to GDP growth; in 2 there is bi-directional link between the export and GDP; in 11 there is no causality between the two variables. Hence, the authors note that for the majority of countries under survey there is no positive link between export and economic growth (Anwer and Sampath 1997, 15–16). |
| 17. Awokuse 2003 | Canada; the observed period is 1961–2000 | the impact of export on economic growth | Export has a positive impact on economic growth both in the short- and the long-term (Awokuse 2003, 134). |
| 18. Awokuse 2006 | Japan; the observed period is 1960–1991 | the impact of export on productivity growth | There is bi-directional link between export and productivity, and hence economic growth (Awokuse 2006, 601). The authors also note that export-promotion policies have a significant role in stimulating export (Awokuse 2006, 595). |
| 19. Aydin and Sari 2014 | Turkey, the observed period is 1980–2012 | the impact of export on GDP growth | There is uni-directional causality from GDP to export growth (Aydin and Sari 2014, 287). |

²⁴³ Burkina Faso, Côte d'Ivoire, Mali, Senegal, Togo, Niger, Benin.

²⁴⁴ Saudi Arabia, United Arab Emirates, Kuwait, Oman.

²⁴⁵ The authors also found a positive correlation between FDI and export (Andraz and Rodrigues 2010).

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| 20. Babalola et al. 2012 | Nigeria; the observed period is 1960–2009 | the impact of export, FDI, import and openness to trade on economic growth | Export and openness to trade positively affect economic growth (Babalola et al. 2012, 100). |
| 21. Bahmani-Oksooee et al. 2005 | 61 developing countries (not listed); the observed period is 1960–'99 | the impact of export on economic growth | Export has a positive impact on economic growth in the long-term (when export is a dependent variable). The cointegration ceased to be positive when output is a dependent variable (Bahmani-Oksooee et al. 2005, 48). |
| 22. Bahmani-Oskooee and Alse 1993 | Colombia, Greece, Korea, Malaysia, Pakistan, Philippines, Singapore, South Africa, Thailand; the observed period is 1973–1988 | the impact of export on output growth | There is bi-directional causality between export and output growth (in almost all sample countries) in the long-term (Bahmani-Oskooee and Alse 1993, 536). The authors stress the importance of export promotion (policy and strategies), especially for developing countries (Bahmani-Oskooee and Alse 1993, 541). |
| 23. Bahmani-Oskooee and Economidou 2009 | 61 countries (a list of all countries is not given), the observed period is 1960–99 | the impact of export on output growth | (1) There is bi-directional causality between export and output growth in the long-term (in Algeria, Gambia, Ghana, Malawi, Senegal, Hungary, El Salvador and Honduras); (2) direction of causality in the long-term was not found in (Burkina Faso, Burundi, Gabon, Kenya, Lesotho, Mali, Niger, Nigeria, Togo, India, Korea, Thailand, Egypt, Israel, Argentina, Bolivia, Brazil, Costa Rica, Dominican Republic, Guatemala, Mexico and Trinidad and Tobago); (3) there is uni-directional causality from export and output growth in the long-term (in Congo, South Africa, Swaziland, Tunisia, Ecuador and Nicaragua), and (4) there is uni-directional causality from output to export growth in the long-term (in Benin, Guinea Bisu, Rwanda, Zambia, Bangladesh, Indonesia, Papua New Guinea, Chile and Colombia) (Bahmani-Oskooee and Economidou 2009, 203). In addition, the authors stress the importance of export promotion, especially in developing countries (Bahmani-Oskooee and Economidou 2009, 206). |

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| 24. Bahmani-Oskooee and Oyolola 2007 | 44 developing countries; ²⁴⁶ the observed period is 1960–2002 | the impact of export on output growth | Export has a long-term positive impact on output growth in 60 % of the sample countries (in 26 of them), whereas output growth has a positive impact on export in 40 % of the sample countries (Bahmani-Oskooee and Oyolola 2007, 9). More specifically, (1) there is bi-directional causality between export and output growth in the long-term in 8 countries; (2) there is uni-directional causality from export to output growth in the long-term in 18 countries; (3) there is uni-directional causality from output to export growth in the long-term in 12 countries; (4) there is no causality between export and output growth in the long-term in 6 countries (Bahmani-Oskooee and Oyolola 2007, 6). Furthermore, there is also evidence of a short-term impact of export on output growth in as many as 85 % of the sample countries (Bahmani-Oskooee and Oyolola 2007, 3). |
| 25. Bahmani-Oskooee et al. 1991 | 20 countries | the impact of export on economic growth | Export has a positive impact on economic growth, especially in the newly industrialised countries (NICs) (Bahmani-Oskooee et al. 1991). |
| 26. Bajo-Rubio and Díaz-Roldán 2011 | 8 Central and Eastern European countries; ²⁴⁷ the observed period is 1996–2009 | the impact of export on economic growth | Export has a significantly positive impact on economic growth only in Czech Republic (Bajo-Rubio and Díaz-Roldán 2011, 4). ²⁴⁸ |
| 27. Balaguer and Cantavella-Jordá 2001 | Spain; the observed period is 1901–1999 | the impact of export on economic growth | Export exerted a positive impact on economic growth when the country was liberalised in economic terms. In contrast, during the periods of protectionism and autarky, the authors did not find a positive correlation between the two variables either in a short or a long-term (Balaguer and Cantavella-Jordá 2001). |

²⁴⁶ Algeria, Bangladesh, Benin, Botswana, Burkina, Burundi, Centran African Republic, Chad, Congo Republic, Costa Rica, Cote D'Ivoire, Dominican Republic, Ecuador, Egypt, El Salvador, Gabon, Ghana, Guatemala, Guyana, Haiti, Honduras, India, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Malaysia, Mauritania, Mexico, Morocco, Niger, Nigeria, Paraguay, Philippines, Rwanda, Senegal, South Africa, Sri Lanka, Thailand, Togo, Trinidad and Tobago, Venezuela, Zambia.

²⁴⁷ Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia, Slovakia.

²⁴⁸ Trade liberalisation is positively associated with economic growth and technological development (Bajo-Rubio and Díaz-Roldán 2011, 1).

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| 28. Balaguer and Cantavella-Jordá 2002 | Spain; the observed period is 1961–2000 | the impact of structural changes in export on economic growth | There is bi-directional causality between export and economic growth. Exporting seems to have a beneficial indirect effect on product specialisation and vice versa, resulting in economic growth. The authors note that resource allocation to the most lucrative and potentially prosperous export sectors is fundamental for the success in terms of exporting and its beneficial effect on economic growth. This implies the importance of export-promotion policies (Balaguer and Cantavella-Jordá 2002, 11–12). |
| 29. Balassa 1978a | Argentina, Brazil, Chile, Colombia, Mexico, Israel, Yugoslavia, India, Korea, Singapore and Taiwan; the observed period is largely 1966–73 | the impact of export incentives on export, and indirectly on economic growth | Export incentives positively affect growth of export and indirectly economic growth (Balassa 1978a, 54). The author found that export-promotion activities and export diversification, especially in the manufacturing sector, coincided with better export performance; in other words, export-promotion helped enhance export (Balassa 1978a, 54–55). ²⁴⁹ |
| 30. Balassa 1978b | Argentina, Brazil, Chile, Colombia, India, Israel, Korea, Mexico, Taiwan and Yugoslavia; the observed period is 1966–1973 | the impact of export on economic growth | Export has a positive impact on economic growth (Balassa 1978b, 186–187). ²⁵⁰ |

²⁴⁹ They also found a positive causal link between establishing free trade and export performance, in the sense that the first stimulated the latter, especially in manufacturing (the most evident in Korea, Singapore and Taiwan) (Balassa 1978a, 54–55). In contrast, the countries (Brazil, Colombia and Mexico) which did not take measures to promote and stimulate export had far less pace of growth (Balassa 1978a, 56). In addition, developing countries should focus on manufacturing component parts of industrial durable products, and even take over comparative advantage over developed countries which refocused on making technologically more advanced goods (Balassa 1978a, 55).

²⁵⁰ In order to demonstrate the importance of export for economic growth, the author stressed that Korea's GNP would have been lower by 37 % and Taiwan's by 25 % had export growth of these countries been at an average of the sample; in contrast, had Chile, India and Mexico adopted export-promotion measures like Korea and Taiwan, their GNP would have been higher by 14 %, 12 % and 18 % respectively. Likewise, per capita income in Korea would have been lower by as much as 43% and 33% in Taiwan respectively had the export growth been in line with the sample average; on the contrary, per capita income would have been higher in Chile by 21 %, India by 22 % and Mexico by 17 % had these countries adopted export promotion policies like Korea or Taiwan had done (Balassa 1978b, 186–187). Hence, Korea, Singapore and Taiwan can serve as examples for that openness to trade and adoption of export-promotion policies result in higher export growth and hence economic growth (Balassa 1978b, 183). The author further argues that successfulness of export-orientedness may attract foreign investors in a given country (Balassa 1978b, 188).

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| 31. Balassa 1985 | 43 developing countries; ²⁵¹ the observed period is 1973–78 | the impact of export and outward-orientedness on GNP growth | Export has a positive impact on economic growth. The greater the outward-orientedness, the higher the rate of GNP growth. The author further argues that developing countries can foster their development by applying advanced technology, creating business-friendly policies and the environment, and focusing more on manufactured export (Balassa 1985, 34). |
| 32. Begum and Shamsuddin 1998 | Bangladesh; the observed period is 1961–‘92 | the impact of export on economic growth | Export has a positive impact on economic growth, which is achieved through the impact of total factor productivity. The authors stress that export-led economic growth was particularly conspicuous following the country’s decision to carry out structural reforms and become more open in economic terms (Begum and Shamsuddin 1998). ²⁵² |
| 33. Bernard and Jensen 2000 | United States; the observed period is 1983–1992 | the impact of export on productivity growth | The obtained results are mixed. The positive impact of export on productivity growth is due to the fact that high productivity firms tend to be more export-oriented. Exporting also positively affects employment and output growth. Export firms tend to grow at a much faster pace than those that are non-export (Bernard and Jensen 2000, 23). ²⁵³ |
| 34. Bernard et al. 2007 | N/A | the impact of trade on firms productivity | Export firms have shown to have many more advantages in comparison to non-export; they tend to grow larger, be substantially more productive and give higher wages (Bernard et al. 2007, 105, 110–111). |
| 35. Bilas et al. 2015 | Croatia, the observed period is 1996–2012 | the impact of export on economic growth | There is uni-directional causality from export to GDP growth (Bilas et al. 2015, 28). The authors call for a more open trade policy (Bilas et al. 2015, 28). |
| 36. Bilgin and Şahbaz 2009 | Turkey; the observed period is 1987–2007 | the impact of export on economic growth | Export has a positive impact on economic growth (Bilgin and Şahbaz 2009, 178). |
| 37. Biswal and Dhawan 1998 | Taiwan; the observed period is 1960–90 | the impact of export on economic growth | There is bi-directional causality between export and GDP growth. The positive correlation occurred in the period following the reforms (Biswal and Dhawan 1998). |
| 38. Boltho 1996 | Japan | the impact of export on economic growth | Export has a positive impact on economic growth. The author stresses that export was the key driver of economic growth in several growth cycles (Boltho 1996). |

²⁵¹ Israel, Singapore, Argentina, Portugal, Yugoslavia, Jamaica, Uruguay, Mexico, Brazil, China, Costa Rica, Taiwan, Peru, Turkey, Guatemala, Tunisia, Zambia, Mauritius, Korea, Honduras, Morocco, Ghana, Senegal, Philippines, Thailand, Cameroon, Egypt, Bolivia, Botswana, Togo, Kenya, Madagascar, Zaire, Sudan, Tanzania, Sri Lanka, India, Pakistan, Benin, Malawi, Bangladesh, Upper Volta, Mali.

²⁵² They also found that political instability negatively affects export growth (Begum and Shamsuddin 1998).

²⁵³ Trade has a positive impact on firms productivity and efficiency, and hence indirectly on economic growth (Bernard and Jensen 2000, 16).

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| 39. Chen 2007 | Taiwan; the observed period is 1976–2004 | the impact of export on economic growth | There is bi-directional causality between export and output growth. Fostering foreign trade has proved crucial for economic development of the country (Chen 2007, 7). ²⁵⁴ |
| 40. Chigusiwa et al. 2011 | Zimbabwe, the observed period is 1977–2006 | the impact of export on economic growth | Export has a positive impact on economic growth in both short- and long-term. Moreover, the authors emphasise the importance of well devised economic policies (Chigusiwa et al. 2011, 124). ²⁵⁵ |
| 41. Choong et al. 2007 | 10 Asian and Pacific countries (9 + Hong Kong ²⁵⁶) | the impact of export on economic growth | Overall, export, in addition to other determinants given, has a long-term positive impact on economic growth. More specifically, the authors found that (1) there is uni-directional positive causality from export to economic growth in Australia, China, Hong Kong, the Philippines and Thailand, and (2) there is uni-directional positive causality from economic growth to export growth in Fiji and Malaysia. In addition, they also stress the importance of export-promotion economic policies (Choong et al. 2007, 145). |
| 42. Choong et al. 2005 | Malaysia, the observed period is 1960–2001 | the impact of export on output growth | Export has a significant positive impact on economic growth in both short- and long-term. In addition, the authors stress the importance of providing export-friendly macroeconomic environment and attracting export-oriented FDI (Choong et al. 2005, 22). |
| 43. Chow 1987 | 8 newly industrialised countries not specifically stated (NICs) | the impact of export on industrial growth | There is a significant bi-directional causality between export and industrial growth. Export promotion also positively affects structural reforms and transformation in developing countries (Chow 1987). |
| 44. Christopoulos and Reppas 2005 | 22 developing Asian and African countries; the observed period is 1969–1999 | the impact of export on output growth | There is uni-directional causality from output to export growth (Christopoulos and Reppas 2005). |
| 45. Ciftcioglu and Nekhili 2005 | Turkey, the observed period is 1987–2004 | the impact of export on economic growth | There is bi-directional causality between export and economic growth. In addition, there is uni-directional causality from the relative share of tradable sector (alternatively referred to as economic openness) and economic growth (measured through GDP) (Ciftcioglu and Nekhili 2005). |
| 46. Clarke and Ralhan 2005 | Bangladesh (1960–2003) and Sri Lanka (1960–2003) | the impact of export on economic growth | Export has a positive impact on economic growth (Clarke and Ralhan 2005, 21–22). ²⁵⁷ |

²⁵⁴ Export growth also exerts a positive effect on labour productivity (Chen 2007, 7).

²⁵⁵ Export of primary products has had a special contribution to economic growth in case of Zimbabwe (Chigusiwa et al. 2011, 124).

²⁵⁶ Australia (1961–2001), China (1971–2001), Fiji (1968–2001), *Hong Kong (1970–2001), Indonesia (1967–2001), Japan (1971–2001), Korea (1970–2001), Malaysia (1961–2001), Philippines (1961–2001), Thailand (1969–2001).

²⁵⁷ The authors argue that a plethora of other factors too influence economic development, such as: quality education, adequate investment in R&D, developed financial system, low inflation, poverty and corruption rates, weak involvement of the state in the functioning of the economy, etc. (Clarke and Ralhan 2005, 21–22).

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| 47. Constant 2010 | Cote d'Ivoire; the observed period is 1980–2007 | the impact of export on economic growth | Export has a positive impact on economic growth in the long-term. The author stresses the importance of technological development, quality of institutions and infrastructure for the success of export (Constant 2010, 10). |
| 48. Daoud and Basha 2015 | Jordan, Kuwait and Egypt; the observed period is 1976–2013 | the impact of export on GDP growth | (1) There is bi-directional link between export and GDP growth in Jordan, and (2) there is uni-directional link from export to GDP growth in Kuwait and Egypt. The authors stress the importance of open trade policy and export-orientedness (Daoud and Basha 2015, 237). |
| 49. Dar et al. 2013 | India; the observed period is 1992–2011 | the impact of export on output growth | Export has a positive impact on output growth in medium- and long-term. More specifically, (1) there is no evidence of a positive correlation between export and output in the short-term (up to 8 months); (2) there is uni-directional link from export to output in the medium-term (from 8–32 months), and (3) there is bi-directional link between export and output growth in the long-term (from 32–64 months) (Dar et al. 2013, 877). |
| 50. Devi 2013 | India; the observed period is 1990/'91–2011/'12 | the impact of export on economic growth | There is bi-directional positive causality between export and economic growth (Devi 2013). |
| 51. Din 2004 | 5 Central Asian countries ²⁵⁸ | the impact of export on output and economic growth | (1) There is bi-directional causality between export and economic growth in the short- and long-term in Bangladesh; (2) there is uni-directional causality from export to economic growth in the long-term in Pakistan; (3) there is bi-directional causality between export and economic growth in the long-term in India and Sri Lanka, and (4) there is uni-directional causality from output to export growth in Nepal (Din 2004, 121). ²⁵⁹ |
| 52. Doraisami 1996 | Malaysia, the observed period is 1963–'93 | the impact of export on output growth | There is bi-directional causality between export and output growth in the long-term (Doraisami 1996, 228). |
| 53. Doyle 1998 | (Republic of) Ireland, the observed period is 1953–1993 | the impact of export on output growth | There is uni-directional causality from export to output growth in the short-term. The author also stresses that outward-oriented policy substantially contributed to the success of Irish economic development (Doyle 1998, 157). |
| 54. Dritsaki et al. 2004 | 3 Baltic countries; ²⁶⁰ the observed period is 1992–2000 | the impact of export on economic growth | Export has a positive impact on economic growth in the long-term. In addition, the authors especially stressed that investment played a crucial role in driving export growth (Dritsaki et al. 2004, 78). |
| 55. Dumitriu et al. 2010 | Romania; the observed period is 1999–2009 | the impact of export on economic growth | There is uni-directional causality from export to GDP growth (Dumitriu et al. 2010, 4). |

²⁵⁸ Bangladesh (1973–2002), Pakistan (1973–2002), India (1960–2002), Nepal (1965–2002), Sri Lanka (1960–2002).

²⁵⁹ There is a uni-directional causality from export to import in the long-term (Din 2004, 121).

²⁶⁰ Estonia, Latvia, Lithuania.

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| 56. Dutt and Ghosh 1996 | 26 low, middle, and high-income countries (including 4 newly industrialised countries); ²⁶¹ the observed period is 1953–1991 | the impact of export on economic growth. | The authors note that the findings as to whether export positively affects economic growth differ among countries so much, that it makes unfeasible to draw any broader conclusions. In Australia, Brazil, Canada and Korea they found no causality between the two variables; in Colombia and France they found bi-directional causality; in Israel, Mexico, Morocco, Philippines, Switzerland and Turkey they found uni-directional causality from export to economic growth, and in Pakistan and the United States they found uni-directional causality from economic growth to export growth (Dutt and Ghosh 1996, 177). |
| 57. Ekanayake 1999 | 8 Central and South-East Asian countries ²⁶² | the impact of export on economic growth | There is bi-directional causality between export and economic growth (causality found in 7 of 8 sample countries); (2) there is uni-directional causality from export to economic growth in the long-term for all sample countries, and (3) there is uni-directional causality from export to economic growth in the short-term only in Indonesia and Sri Lanka (Ekanayake 1999, 53). |
| 58. El-Sakka and Al-Mutairi 2000 | 16 African and Middle East countries; ²⁶³ the observed period is 1970–1999 | the impact of export on economic growth | Export does not seem to have a significant impact on economic growth in the Arab countries. More specifically, (1) there is bi-directional causality between export and economic growth in Algeria, Bahrain, Egypt, Jordan, Mauritania, and Oman; (2) there is uni-directional causality from export and economic growth in Iraq, Morocco, Saudi Arabia and Syria; (3) there is uni-directional causality from economic growth to export growth in the United Arab Emirates, and (4) there is no causality between export and economic growth in Kuwait, Libya, Qatar, Sudan and Tunisia (El-Sakka and Al-Mutairi 2000, 164–167). |
| 59. Emery 2007 | 50 countries; the observed period is 1953–‘63 | the impact of export on economic growth | There is bi-directional causality between export and economic growth (the export-led growth causality is <i>slightly stronger than the other one</i>). Export brings about the increase of the volume of investment in more efficient and productive sectors, technological upgrading and improved management, what indirectly leads to enhanced competitiveness, what is of key importance for being able to sustain in international markets (Emery 2007). |

²⁶¹ Australia, Brazil, Canada, Columbia, Denmark, France, Germany, Guatemala, India, Israel, Italy, Japan, Korea, Mexico, Morocco, Netherlands, Pakistan, Philippines, South Africa, Sweden, Switzerland, Thailand, Turkey, United Kingdom, United States, Venezuela.

²⁶² India (1960–1996); Indonesia (1965–1997); Korea (1960–1997); Malaysia (1960–1997); Pakistan (1960–1997); Philippines (1960–1997); Sri Lanka (1960–1997) and Thailand (1962–1997).

²⁶³ Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunis, UAE.

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| 60. Esfahani 1991 | 31 semi-industrialised and marginally semi-industrialised countries; ²⁶⁴ the observed period is 1983–1987 | the impact of export and import on economic growth | Export has a positive impact on economic growth in the long-term. The author stresses the importance of export promotion policies which can be very beneficial for stimulating foreign exchange (Esfahani 1991, 114). |
| 61. Fajana 1979 | Nigeria | the impact of export and trade on economic growth | Export (and trade) has a positive impact on economic growth. The author also stresses the importance of export promotion (Fajana 1979). |
| 62. Falvey et al. 2004 | 3484 Swedish firms (with at least 20 employees; only firms with 50+ employees reported on exports and R&D); the observed period is 1981–94 | the impact of export on productivity growth | Export has a positive impact on productivity growth. Exporting helps firms, especially the new entrants, increase their productivity (Falvey et al. 2004, 20). |
| 63. Feder 1983 | group of semi-industrialised less developed countries; the observed period is 1964–1973 | the impact of export on economic growth | Export has a positive impact on economic growth. The author further notes that one of solutions to achieve better productivity is to reallocate the resources from the non-export to the export sector (Feder 1983, 59). |
| 64. Federici and Marconi 2002 | Italy; the observed period is 1960–1998 | the impact of export on economic growth | Export has a positive impact on economic growth (Federici and Marconi 2002, 336). Exporting positively affects specialisation and indirectly technological development and investment (Federici and Marconi 2002, 329). ²⁶⁵ |
| 65. Fosu 1990 | 28 African LDCs; ²⁶⁶ the observed period is 1960–80 | the impact of export on economic growth | Export has a positive impact on economic growth (Fosu 1990, 831). |
| 66. Fugarolas et al. 2007 | Cuba, the observed period is 1960–2004 | the impact of export on economic growth | Export does not have a significant positive impact on economic growth. Instead, the authors found plausible enough evidence that point to import-led economic growth (Fugarolas et al. 2007, 31). |
| 67. Furuoka 2007 | Malaysia, the observed period is 1970–2004 | the impact of export on GDP growth | There is uni-directional causality from GDP to export growth (Furuoka 2007, 10). |

²⁶⁴ **Strictly semi-industrialized countries are:** Argentina, Brazil, Chile, Colombia, Costa Rica, Greece, Hong Kong, Israel, Korea, Malaysia, Mexico, Portugal, Singapore, South Africa, Spain, Taiwan, Turkey, Uruguay and Yugoslavia. **The ‘marginally’ semi-industrialized countries are:** Dominican Republic, Ecuador, Egypt, Guatemala, India, Ivory Coast, Kenya, Morocco, Peru, Philippines, Syria, Thailand and Tunisia; (Venezuela, Iran, Iraq, and Algeria were excluded as special cases).

²⁶⁵ Economic openness and outward-orientation contribute to long-term economic growth (Federici and Marconi 2002, 329).

²⁶⁶ Algeria, Benin, Cameroon, Central African Republic, Chad, Congo, Egypt, Ethiopia, Ghana, Ivory Coast, Kenya, Liberia, Madagascar, Malawi, Mali, Morocco, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Sudan, Togo, Tunisia, Uganda, Upper Volta (Burkina Faso), Zaire, Zambia.

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| 68. Ghatak et al. 1997 | Malaysia; the observed period is 1955–‘90 | the impact of export on economic growth | Overall, export has a positive impact on economic growth. More specifically, export has a positive impact on real GDP and non-export GDP in the long-term. The authors also find the existence of a negative correlation, but only between the “traditional”, i.e. primary, non-oil export, and GDP (Ghatak et al. 1997, 222). Moreover, exporting may positively affect product productivity, specialisation, development of R&D, and contribute to capital accumulation and absorption of know-how (Ghatak et al. 1997, 214). |
| 69. Gokmenoglu et al. 2015 | Costa Rica, the observed period is 1980–2013 | the impact of export on economic growth | Export does not seem to be a significant growth determinant in the sample country. However, there is uni-directional causality from economic growth to export growth (Gokmenoglu et al. 2015, 476). |
| 70. Gonçalves and Richtering 1987 | 69 developing countries; ²⁶⁷ the observed period is 1960–1981 | the impact of export on output growth | The authors note that the results as to whether export growth is positively correlated with output growth differ widely among countries. He found that export growth has a positive impact on GDP growth, but not on non-export growth (Gonçalves and Richtering 1987, 9,16) |
| 71. Greenaway et al. 1999 | 69 countries | the impact of export on economic growth | Export has a positive impact on economic growth. The pace of growth is to large extent determined by the export structure (Greenaway et al. 1999). |
| 72. Guariglia and Santos-Paulino 2008 | 139 countries; ²⁶⁸ the observed period is 1992–2003 | the impact of export productivity and finance on economic growth | There is a direct causal link between export productivity and economic growth. Moreover, export goods with higher value-added contribute more to export productivity and hence economic growth (Guariglia and Santos-Paulino 2008, 18). |
| 73. Hatemi 2002 | Japan; the observed period is 1960–1999 | the impact of export on economic growth | There is bi-directional causality between export and economic growth (Hatemi 2002). |

²⁶⁷ Algeria, Bolivia, Burma, Colombia, Dominican Republic, Ecuador, Egypt, Iran, Kenya, Morocco, Nigeria, Panama, Peru, Sierra Leone, Sri Lanka, Syrian Arab, Tanzania U., Togo, Argentina, Chile, Congo, El Salvador, Ethiopia, India, Mali, Nicaragua, Somalia, Upper Volta, Uruguay, Angola, Bangladesh, Benin, Central Africa, Chad, Ghana, Iraq, Jamaica, Madagascar, Mozambique, Senegal, Sudan, Trinidad and Tobago, Uganda, Venezuela, Zaire, Zambia, Brazil, Cameroon, Costa Rica, Guatemala, Honduras, Indonesia, Israel, Ivory Coast, Jordan, Liberia, Malawi, Malaysia, Mauritania, Mexico, Niger, Pakistan, Paraguay, Philippines, Rwanda, Saudi Arabia, Thailand, Korea Republic, Tunisia.

²⁶⁸ Albania, Algeria, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Belarus, Belgium, Belize, Benin, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cameroon, Canada, Cape Verde, Central African Republic, Chile, China, Colombia, Comoros, Congo Republic, Costa Rica, Cote d'Ivoire, Croatia, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt Arab Republic, El Salvador, Estonia, Ethiopia, Fiji, Finland, France, Gabon, Gambia The, Georgia, Germany, Ghana, Greece, Guatemala, Guinea, Guyana, Haiti, Honduras, Hong Kong China, Hungary, Iceland, India, Indonesia, Iran Islamic Republic, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Korea Republic, Kyrgyz Republic, Latvia, Lebanon, Lesotho, Lithuania, Luxembourg, Macao, Macedonia FYR, Madagascar, Malawi, Malaysia, Mali, Malta, Mauritius, Mexico, Moldova, Mongolia, Morocco, Mozambique, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russia, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Slovak Republic, Slovenia, South Africa, Spain, Sri Lanka, St Lucia, St. Vincent and the Grenadines, Sudan, Swaziland, Sweden, Switzerland, Syrian Arab Republic, Tanzania, Thailand, Togo, Trinidad and Tobago, Turkey, Turkmenistan, Uganda, Ukraine, United Kingdom, United States, Uruguay, Vanuatu, Venezuela, Zambia, Zimbabwe.

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| 74. Hatemi-J and Irandoust 2000 | Greece, Ireland, Mexico, Portugal and Turkey | the impact of export on economic growth | (1) There is a long-term uni-directional causality from export to economic growth in Ireland and Mexico, and from economic growth to export growth in Portugal, (2) there is no causality between export and economic output/growth in Greece and Turkey (Hatemi-J and Irandoust 2000). |
| 75. Heller and Porter 1978 | 41 LDCs (not listed); the observed period is 1950–1973 | reexamination of the impact of export on economic growth | Export positively affects economic growth. Growth of export and non-export is also significantly positively correlated (Heller and Porter 1978, 193). Moreover, the authors also found that the positive impact of export on economic growth in less developed countries is contingent on a minimum level of development (Heller and Porter 1978, 192). |
| 76. Henriques and Sadorsky 1996 | Canada | the impact of export on GDP growth | There is a positive correlation between export, trade and GDP in the long-term. The authors also found uni-directional causality from GDP to export growth (Henriques and Sadorsky 1996) |
| 77. Herrerias and Orts 2010 | China; the observed period is 1964–2004 | the impact of export and investment on economic growth | Export has a positive impact on productivity and output growth in the long-term, and hence on economic growth (Herrerias and Orts 2010, 48). |
| 78. Herzer et al. 2004 | Chile; the observed period is 1960–2001 | the impact of manufactured export on economic growth | (Manufactured) export has a positive impact on economic growth in the long-term (Herzer et al. 2004, 25). ²⁶⁹ |
| 79. Holman and Graves 1995 | Korea; the observed period is 1953–1990 | the impact of export on GNP growth | There is bi-directional causality between export and GNP (gross national product) (Holman and Graves 1995, 54) |
| 80. Hossain and Karunaratne 2004 | Bangladesh; the observed period is 1974–‘99 | the impact of export on economic growth | Export (both manufactured and total) has a positive impact on economic growth both in the short- and long-term (Hossain and Karunaratne 2004). |
| 81. Hye and Siddiqui 2011 | Pakistan; the observed period is 1985–2008 | the impact of export on GDP | Export has a positive impact on GDP and hence economic growth (Hye and Siddiqui 2011). |
| 82. Ibrahim and MacPhee 2003 | 30 developing countries; the observed periods are 1974–‘83 and 1984–‘93 | the impact of export externalities on economic growth | Export externalities exert a positive impact on economic growth (the obtained results are positive and statistically significant for 18 of 30 countries. Moreover, the extent to which export will positively affect economic growth is contingent on the size of population, degree of outward-orientedness and strength of the manufacturing sector (Ibrahim and MacPhee 2003, 257). |
| 83. Iqbal et al. 2012 | Pakistan, the observed period is 1960–2009 | the impact of export on GDP growth | There is uni-directional causality from GDP to export growth (Iqbal et al. 2012, 459). ²⁷⁰ |
| 84. Islam 1998 | 15 Asian countries; the observed period is 1967–‘91 | the impact of export on economic growth | There is a positive correlation between export and economic growth in two-thirds of sample countries (Islam 1998). |

²⁶⁹ (1) (Manufactured) export has a positive impact on non-export GDP, and (2) primary export has a negative impact on non-export GDP (Herzer et al. 2004, 24).

²⁷⁰ The authors note that even with reference to Pakistan, as is also the case with many developing countries, the findings of various studies as to whether export has a positive impact on economic growth differ (Iqbal et al. 2012, 459).

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| 85. Islam and Hossain 2015 | Bangladesh; the observed period is 1971–2011 | the impact of export on economic growth | Export has a positive impact on economic growth in the long-term (Islam and Hossain 2015, 8). |
| 86. Ismail and Harjito 2003 | ASEAN countries; ²⁷¹ the observed period is 1966–2000 | the impact of export on GDP | (1) There is bi-directional positive link between export and economic growth in Indonesia and the Philippines; (2) there is uni-directional causality from export to economic growth in Singapore, and (3) there is no direct causality between export and economic growth in Malaysia and Thailand (Ismail and Harjito 2003, 93–94). |
| 87. Husein 2010 | Algeria, Egypt, Israel, Morocco (1960–2005), Tunisia (1961–2005), Iran (1974–2005), Sudan and Turkey (1973–2005) | the impact of export on GDP | (1) There is bi-directional positive link between export and economic growth in Egypt, Israel, Morocco, Tunisia, and Turkey (Husein 2010, 172), (2) there is uni-directional causality from export to economic growth in Algeria and Iran, (3) there is uni-directional causality from economic growth to export growth in Sudan (Husein 2010, 173). |
| 88. Jarra 2013 | Ethiopia, the observed period is 1960–2011 | the impact of export on GDP | There is uni-directional causality from export to economic growth both in the short- and the long-term. The author also notes that export positively affects employment and foreign currency deposits (Jarra 2013, 368–369). |
| 89. Jin 2002 | Korea’s four largest provinces ²⁷² | the impact of export on output growth | Export has a positive impact on output growth in all sample provinces. Bi-directional causality occurred in Seoul and Kyungnam provinces (Jin 2002). |
| 90. Jin and Jin 2015 | Korea, the observed period is 1981–2011 | the impact of export on GDP growth | Export does not have a statistically significant impact on economic growth, despite the generally accepted fact that Korea is an export-oriented country. GDP growth does not have a statistically significant impact on export growth either (Jin and Jin 2015, 110). ²⁷³ |
| 91. Jin and Shih 1995 | Asia’s “Four Little Dragons” ²⁷⁴ | the impact of export on output growth | Export has a strong positive impact on output growth in the short-term (Jin and Shih 1995). |

²⁷¹ Indonesia, Singapore, Malaysia, Thailand, the Philippines.

²⁷² Seoul, Kyunggee, Kyungnam, Pusan.

²⁷³ The authors argue that export growth in Korea may have occurred as a result of the enhancement effect of imported primary and intermediate goods on final export products (Jin and Jin 2015, 110).

²⁷⁴ Taiwan, South Korea, Singapore, Hong Kong.

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| 92. Jun 2007 | 81 countries; ²⁷⁵ the observed period is 1960–2003 | the impact of export on output growth | There is a positive bi-directional causality between export and output growth (Jun 2007, 163–165). More specifically, (1) in this bi-directional causality the positive effect of output growth on export growth is stronger than the other way around; (2) there is a positive correlation between investment and export [though the author does not specify direction of causality]; (3) export of high-income countries has a much more beneficial effect on output growth than that of low-income countries (this is mainly due to the technological supremacy and higher volume of capital stock of the first vis-à-vis the latter); in the same way, output growth of high-income countries has a much more beneficial effect on export growth than that of low-income countries; (4) countries with strong export-oriented industrial policies (predominantly high-income countries such as South Korea, Hong Kong, Singapore and Taiwan) have better output results than inward-oriented low-income countries, and (5) export of countries with high investment in human capital and R&D exerts better effect on output growth (as in the afore-mentioned countries) (Jun 2007, 163–165). |
| 93. Jung and Marshall 1985 | 37 developing countries | the impact of export on output growth | The authors did not find a plausible positive correlation between export and economic growth (Jung and Marshall 1985). |
| 94. Kavoussi 1984 | 73 developing countries; the observed period is 1960–78 | the impact of export on output growth | Export has a positive impact on economic growth (mainly through the positive impact on total factor productivity) in both low- and middle-income countries. The author also notes that it seems that the more diversified the export structure, the greater positive effect of export on economic performance (in developing countries) (Kavoussi 1984). |
| 95. Khalid and Cheng 1997 | Singapore | the impact of export on economic growth | There is a positive correlation between export and economic growth in the long-term (Khalid and Cheng 1997). |
| 96. Khan et al. 1995 | Pakistan; the observed period is 1972–1994 | the impact of export on economic growth | There is bi-directional causality between export (both primary and manufactured) and economic growth (Khan et al. 1995, 1009) |
| 97. Kim and Lim 2009 | Korea; the observed period is 1980–2003 | the impact of export on GDP growth | Export does not have a positive impact on GDP growth (Kim and Lim 2009, 18). ²⁷⁶ |

²⁷⁵ Not all are listed. Those listed are: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

²⁷⁶ However, contrary to the main finding, the authors also found that import does positively affect GDP growth (Kim and Lim 2009, 18).

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| 98. Kónya 2000 | 25 OECD countries; ²⁷⁷ the observed period is 1960–1997 for all countries, except Hungary (1970–1998), and Korea and Mexico (1960–1998) | the impact of export on economic growth | The results are mixed; (1) there is no causality between export and economic growth in the Netherlands (also likely in Hungary, France, Greece and Luxembourg); (2) there is uni-directional causality from export to economic growth in Belgium and Iceland (also likely in Australia, Austria, Denmark, Ireland, Spain and Switzerland); (3) there is uni-directional causality from economic growth to export in Canada and Japan (also likely in Finland in Korea), and (4) there is bi-directional causality between export and economic growth in Sweden and the United Kingdom. Moreover, in case of Italy, Mexico, New Zealand, Norway, Portugal and the United States, the results are too inconsistent for the authors to be able to draw a concrete conclusion (Kónya 2000, 26–28). |
| 99. Kristjanpoller and Olson 2014 | 15 Latin American countries | the impact of export on economic growth | Export has a positive impact on economic growth (in 8 countries). Furthermore, the authors also found that export-led and import-led economic growth cannot exert a positive effect on economic growth at the same time; in other words, they are mutually exclusive (Kristjanpoller and Olson 2014, 6). ²⁷⁸ |
| 100. Kugler 1991 | United States, Japan, Switzerland, West Germany, United Kingdom, France; the observed period is 1970–‘87 | the impact of export on output growth | There is weak evidence of an export-led economic growth. Only in France and West Germany did the author find a significant positive correlation between export and economic growth (Kugler 1991, 80). |
| 101. Kunst and Marin 1989 | Austria, the observed period is 1965–‘85 | the impact of export on productivity growth | Export does not have a positive impact on productivity growth (Kunst and Marin 1989, 703). |
| 102. Kwan and Cotsomitis 1991 | China; the observed periods are 1952–78 and 1952–‘85 | the impact of export on national income per capita growth | There is bi-directional causality between export and growth of national income per capita (for the period 1978–1985). However, in the period 1952–1978, there was no such causality. The reason is that since 1978 onward China became an outward-oriented economy (Kwan and Cotsomitis 1991). |
| 103. Lim et al. 2011 | 4 South East Asian countries ²⁷⁹ | the impact of export on GDP growth | (1) There is bi-directional causality between export growth and GDP growth per capita (the author stipulates the examples of Malaysia and Thailand); (2) there is uni-directional causality from GDP growth to export growth in Indonesia; (3) export has almost insignificant positive effect on economic growth in Philippines (mainly due to service-oriented economy) (Lim et al. 2011, 2691). ²⁸⁰ |

²⁷⁷ Australia, Austria, Belgium, Canada, Denmark, Finland, France, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea Republic, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States.

²⁷⁸ The effect of import on economic growth, despite being generally negative, is found positive in five countries (Kristjanpoller and Olson 2014, 6).

²⁷⁹ Malaysia (1971–2008), Thailand (1953–2008), Indonesia (1963–2008) and Philippines (1958–2008).

²⁸⁰ The authors stress the importance of openness to trade, financial development, human capital and quality of infrastructure for sustainable economic growth (Lim et al. 2011, 2691).

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| 104. Lorde 2011 | Mexico; the observed period is 1960–2003 | the impact of export on GDP growth | Export has a positive impact on non-export GDP in the short-term (Lorde 2011, 41). |
| 105. Love and Chandra 2004 | India, Pakistan and Sri Lanka | the impact of export on economic growth and real income | (1) There is bi-directional causality between export and real income growth in India; (2) there is uni-directional causality from export to economic growth in Pakistan, and (3) there was no causality found in Sri Lanka (Love and Chandra 2004). |
| 106. Mah 2005 | China; the observed period is 1979–2001 | the impact of export on economic growth | There is bi-directional causality between export and economic growth (Mah 2005). |
| 107. Mamun and Nath 2005 | Bangladesh, the observed period is 1976–2003 | the impact of export on industrial output | There is a positive uni-directional causality from export to industrial output growth in the long-term (but not in the short-term too) (Mamun and Nath 2005, 364). |
| 108. Marin 1992 | Germany, United Kingdom, United States, Japan; the observed period is 1960–‘87 | the impact of export on productivity growth | Export has a positive impact on productivity growth (in United States, Japan, United Kingdom and Germany, but especially in Japan and Germany due to strong outward-oriented policies) (Marin 1992, 686). ²⁸¹ |

²⁸¹ The author also found that terms of trade positively affect productivity growth (in United States and United Kingdom) (Marin 1992, 686).

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| 109. Martins and Yang 2007 | Meta-analysis of 32 case studies ²⁸² | the impact of export on productivity growth | The positive growth-enhancement effect of export on productivity is stronger in developing than in developed countries, and is more conspicuous in the initial stage than after (Martins and Yang 2007, 10). ²⁸³ |
| 110. Mbaku 1989 | 37 African countries; ²⁸⁴ the observed period is 1970–‘81 | the impact of export on economic growth | Export has a positive impact on economic growth in the middle-income countries, whereas the positive effect is much less evident in the poor-income countries (Mbaku 1989, 138–139). ²⁸⁵ |
| 111. McCarville and Nnadozie 1995 | Mexico | the impact of export on GDP growth | Export has a positive impact on GDP growth (McCarville and Nnadozie 1995). |
| 112. Medina-Smith (2000) | Costa Rica, the observed period is 1950–1997 | the impact of export on output growth | Export has a positive impact on GDP growth in the long-term (Medina-Smith 2000, 35). ²⁸⁶ |

²⁸² Yasar and Rejesus 2005; Alvarez and Lopez 2005; Girma and Görg 2004; Wagner 2002; Kraay 1999; Baldwin and Gu 2003; Bigsten and al 2002; Hallward-Driemeier et al 2002; Isgut 2001; Castellani 2002; Bernard and Jensen 1999; Aw et al 2000; Mengistae and Pattillo 2004; Greenaway and Kneller 2003; Yasar et al 2006; Hahn 2004; Fernandes and Isgut 2005; De Loecker 2004; Van Biesebroeck 2005; Greenaway and Kneller 2004a; Greenaway and Yu 2004; Arnold and Hussinger 2005; Crespi et al 2006; Kostevc 2005; Greenaway and Kneller 2004b; Damian et al 2004; Blalock and Gertler 2004; Greenaway et al 2005; Bernard and Jensen 2004; RequenaSilvente 2005; Farinas and Martin-Marcos 2007; Hansson and Lundin 2004.

²⁸³ The authors stress the importance of trade internationalisation, especially for developing countries (Martins and Yang 2007, 10).

²⁸⁴ Angola, Algeria, Benin, Burundi, Cameroon, Central African Republic, Chad, People’s Republic of the Congo, Egypt, Ethiopia, Ghana, Guinea, Ivory Coast, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, South Africa, Sudan, Tanzania, Togo, Tunisia, Uganda, Burkina Faso, Zambia, Libya.

²⁸⁵ Political instability and inflation, among other things, negatively affect export growth (Mbaku 1989, 138–139).

²⁸⁶ The author also found a long-term linear co-integration between export, investment and population on one side, and GDP growth, on the other (Medina-Smith 2000, 35).

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| 113. Mehdi and Shahryar 2012 | Iran, the observed period is 1961–2006 | the impact of export on output growth | Export has a positive impact on output growth. Export (especially of oil) causes an increase of value added in industry and mining, but also in the service sector (Mehdi and Shahryar 2012, 26). |
| 114. Mehrara and Firouzjaee 2011 | 73 developing countries; ²⁸⁷ the observed period is 1970–2007 | the impact of export on GDP growth | There is a significant positive bi-directional causality between export and GDP growth in both country groups. The authors stress the importance of human capital and technological development for the success in exporting (Mehrara and Firouzjaee 2011, 229). |
| 115. Mehrara et al. 2014 | 57 developing countries; ²⁸⁸ the observed period is 1980–2008 | the impact of export on economic growth | There is uni-directional causality from export and economic growth in both the short- and the long-term (Mehrara et al. 2014, 14–15). ²⁸⁹ |
| 116. Michalopoulos and Jay 1973 | 39 LDCs; ²⁹⁰ the observed period is 1960–'69 | the impact of export on output growth | There is bi-directional causality between export and GNP (gross national product) growth. The extent to which a country will benefit from export depends on its ability to cope with and adapt to external fluctuation in demand and other factors, as much as on its internal policies. Furthermore, competitiveness of export is positively correlated with the level of economic openness, in the sense that the more open the economy, the more competitive the export (Michalopoulos and Jay 1973, 22–23). |
| 117. Mishra 2011 | India, the observed period is 1970–2009 | the impact of export on GDP growth | There is uni-directional causality from GDP to export growth in the long-term (Mishra 2011, 65–66). |

²⁸⁷ Countries are grouped into two groups: oil-rich and non-oil. **Oil-rich countries include:** Venezuela, United Arab Emirates, Saudi Arabia, Nigeria, Kuwait, Iran, Algeria and Ecuador. **Non-oil developing countries include:** Belarus, Albania, Argentina, Azerbaijan, Bangladesh, Bolivia, Bosnia and Herzegovina, Brazil, Bulgaria, Cameroon, Cambodia, Chad, Chile, Colombia, Costa Rica, Cote d'Ivoire, Czech Republic, Egypt Arab Rep, El Salvador, Estonia, Finland, Ghana, Guatemala, Honduras, Hong Kong, China, Iceland, India, Indonesia, Kazakhstan, Kenya, Kyrgyz Republic, Luxembourg, Madagascar, Mali, Mexico, Moldova, Mozambique, Nicaragua, Oman, Pakistan, Paraguay, Peru, Philippines, Malaysia, Sri Lanka, Sudan, Tajikistan, Tanzania, Thailand, Trinidad and Tobago, Uganda, Turkmenistan, Turkey, Ukraine, Uruguay, Zimbabwe, Zambia, Uzbekistan, Yemen, Sweden, Senegal, Slovenia, Romania, Georgia.

²⁸⁸ Algeria, Argentina, Bangladesh, Benin, Bolivia, Botswana, Brazil, Burkina Faso, Cameroon, Chad, Chile, China, Colombia, Costa Rica, Cote d'Ivoire, Dominican Republic, Ecuador, Egypt Arab Rep, El Salvador, Ghana, Guatemala, Honduras, India, Indonesia, Iran Islamic Republic, Jordan, Kenya, Lesotho, Madagascar, Malawi, Malaysia, Mali, Mauritania, Mauritius, Mexico, Morocco, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Rwanda, Senegal, South Africa, Sri Lanka, Sudan, Swaziland, Syrian Arab Republic, Thailand, Togo, Uruguay, Venezuela, Zambia, Zimbabwe.

²⁸⁹ (1) Growth of export and GDP also positively effect the inflow of FDI, and (2) growth of GDP and increase of inward FDI do not have a positive impact on export growth (Mehrara et al. 2014, 14–15).

²⁹⁰ Argentina, Bolivia, Brazil, Ceylon, Chile, Colombia, Costa Rica, Cyprus, Dominican Republic, Ecuador, El Salvador, Ethiopia, Ghana, Greece, Guatemala, Honduras, India, Indonesia, Iran, Israel, Jamaica, Korea, Malaysia, Mexico, Morrocco, Nicaragua, Pakistan, Panama, Paraguay, Peru, Philippines, Taiwan, Thailand, Tunisia, Turkey, Uganda, Uruguay, Venezuela, Zambia.

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| 118. Mohsen 2015 | Syria, the observed period is 1980–2010 | the impact of export on GDP growth | There is a positive bi-directional causality between export and GDP growth in both short- and long-term. The author stresses the importance of opening specialised export-promotion agencies to help stimulate export (Mohsen 2015, 257). ²⁹¹ |
| 119. Muhammad et al. 2011 | Pakistan, the observed period is 1990–2008 | the impact of export on economic growth | Export has a positive impact on economic growth. The focus should be on products with more value-added (Muhammad et al. 2011, 17–18). |
| 120. Nasreen 2011 | 8 South East Asian countries; ²⁹² the observed period is 1975–2008 | the impact of export on economic growth | (1) There is bi-directional causality between export and economic growth in India and Philippines; (2) there is uni-directional causality from export to economic growth in Malaysia and Thailand; (3) there is uni-directional causality from economic growth to export growth in Pakistan, Sri Lanka and Indonesia, and (4) where no causality is found, a minimum sufficient level of economic growth is necessary to enable growth of export. In addition, the author notes that efficiency of the export sector highly depends on the following factors: stability and efficiency of the judicial system, level of development of the financial system, quality of education and infrastructure, respect for quality standards, political stability, degree of corruption, etc. (Nasreen 2011, 11). |
| 121. Omisakin 2009 | Nigeria, the observed period is 1970–2006 | the impact of export on output growth | There is bi-directional causality between export and output growth in the long-term (10 % of increase in export increases output by 35 %) (Omisakin 2009, 223). |
| 122. Onafowora et al. 2006 | 12 countries of sub-Saharan Africa | the impact of export on economic growth | Export has a positive effect on economic growth (Onafowora et al. 2006). |
| 123. Oxley 1993 | Portugal; the observed period is 1965–1985 | the impact of export on output growth | There is uni-directional causality from economic growth to export growth (Oxley 1993). |
| 124. Pal and Ashwani 2011 | India, the observed periods are 1970–‘71 to 2006–‘07 | the impact of export on economic growth | There is uni-directional causality from economic growth to export growth in the long-term, whereat a minimum sufficient level of economic growth is necessary to enable growth of export (Pal and Ashwani 2011, 188–189). |
| 125. Panas and Vamvoukas 2002 | Greece, the observed period is 1948–1997 | the impact of export on output growth | Export does not positively affect output growth. Instead, there is uni-directional causality from output to export growth in the long-term (Panas and Vamvoukas 2002, 735). |
| 126. Chandra Parida and Sahoo 2007 | 4 South East Asian countries; ²⁹³ the observed period is 1980–2002 | the impact of export on economic growth | Export has a long-term positive impact on economic growth (Chandra Parida and Sahoo 2007, 155). |
| 127. Paul 2014 | Bangladesh; the observed period is 1979–2010 | the impact of export on economic growth | Export has a positive impact on economic growth both in the short- and the long-term (Paul 2014, 4). ²⁹⁴ |

²⁹¹ There is also a positive bi-directional causality between import and GDP growth in both short- and long-term (Mohsen 2015, 257).

²⁹² Pakistan, India, Bangladesh, Sri Lanka, Indonesia, Malaysia, Thailand, Philippines.

²⁹³ India, Pakistan, Bangladesh, Sri Lanka.

²⁹⁴ The author stresses the importance of openness to trade for developing countries (Paul 2014, 4).

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| 128. Paul and Chowdhury 1995 | Australia, the observed period is 1949–91 | the impact of export on economic growth | Export has a positive impact on economic growth. The authors stress the importance of export promotion (Paul and Chowdhury 1995, 179). |
| 129. Pop Silaghi 2009 | 10 Central and Eastern European countries; ²⁹⁵ the observed period is 1990–2004 | the impact of export on economic growth | There is a significant uni-directional causality from export to economic growth in 4 of the sample countries, namely in Czech Republic, Bulgaria, Estonia and Latvia. In addition, the authors also stress the importance of export-promotion policies (Pop Silaghi 2009, 109). |
| 130. Quddus and Saeed 2005 | Pakistan, the observed periods are 1970–‘71 to 2003–‘04 | the impact of export on economic growth | Export has a positive impact on economic growth in the long-term (Quddus and Saeed 2005, 933). The authors stress the importance of export promotion (Quddus and Saeed 2005, 934). |
| 131. Rahman and Mustafa 1997 | 13 Asian countries ²⁹⁶ | the impact of export on economic growth | (1) There is bi-directional causality between export and economic growth in China, South Korea and Malaysia both in the short- and long-term; (2) there is bi-directional causality between export and economic growth in Bangladesh, Thailand and Philippines both in short- and long-term; (3) there is uni-directional causality from export and economic growth in Bangladesh, Thailand and Philippines in the long-term; (4) there is bi-directional causality between export and economic growth in Pakistan and Nepal in the short-term; (5) there is uni-directional causality from economic growth to export growth in Pakistan and Nepal in the long-term; (6) there is uni-directional causality from economic growth to export growth in India, Sri Lanka and Indonesia in both the long- and short-term, and (7) there is bi-directional causality between economic growth and export in Singapore in the short-term (Rahman and Mustafa 1997, 91). |
| 132. Ram 1985 | 73 LDCs; ²⁹⁷ the observed periods are 1960–‘70 and 1970–‘77 | the impact of export on economic growth | Export has a positive impact on economic growth (Ram 1985, 422). ²⁹⁸ |

²⁹⁵ Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia, Romania, Bulgaria.

²⁹⁶ Bangladesh (1971–1994), India (1965–1994), Pakistan (1965–1994), Sri Lanka (1965–1991), Nepal (1975–1994), China (1978–1994), Japan (1965–1994), Indonesia (1968–1992), Thailand (-), South Korea (1966–1994), Singapore (1972–1993), Philippines (1965–1994), Malaysia (1965–1994).

²⁹⁷ Afghanistan, Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Burma, Burundi, Cameroon, Central African Republic, Chad, Chile, Colombia, Congo, Costa Rica, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, Ghana, Guatemala, Guinea, Haiti, Honduras, Hong Kong, India, Indonesia, Iran, Israel, Ivory Coast, Kenya, Korea (South), Lesotho, Liberia, Madagascar, Malawi, Malaysia, Mali, Mexico, Morocco, Nicaragua, Niger, Nigeria, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Portugal, Rwanda, Senegal, Sierra Leone, Singapore, Spain, Sri Lanka, Sudan, Syria, Taiwan, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Upper Volta, Uruguay, Venezuela, Yugoslavia, Zaire, Zambia.

²⁹⁸ Importance of exporting became important especially since the 1970s (Ram 1985, 422).

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| 133. Ram 2003 | Fiji, the observed period is 1971–2001 | the impact of export on economic growth | Export has a positive impact on economic growth. The author stresses the importance of export-orientedness (Ram 2003, 22). |
| 134. Ramos 2001 | Portugal; the observed period is 1865–1998 | the impact of export on income growth | There is bi-directional causality between export and income growth (Ramos 2001, 620). |
| 135. Ray 2011 | India; the observed periods are 1972–‘73 to 2010–‘11 | the impact of export on economic growth | There is bi-directional causality between export and economic growth both in the short- and long-term. The author stresses the importance of export-promotion (Ray 2011, 33). |
| 136. Riezman et al. 1995 | 126 countries (*precise number of countries is not precisely given) | the impact of export on economic growth | There is a “modest” uni-directional causality from export to economic growth (Riezman et al. 1995, 2); there is evidence for an export-led economic growth for 30 sample countries; likewise, there is evidence for an economic growth-led export for 25 of them (Riezman et al. 1995, 20). ²⁹⁹ |
| 137. Ronit and Divya 2014 | India, the observed period is 1969–2012 | the impact of export on economic growth | There is uni-directional causality from economic growth to export growth (Ronit and Divya 2014, 139). ³⁰⁰ |
| 138. Saad 2012 | Lebanon, the observed period is 1970–2010 | the impact of export on economic growth | There is uni-directional causality from export to economic growth, whereat a minimum sufficient level of economic growth is necessary to enable growth of export (Saad 2012, 142). |
| 139. Sahni and Atri 2012 | India, the observed periods are 1980–‘81 to 2008–‘09 | the impact of export on economic growth | Export has a positive impact on economic growth. Interestingly, the authors also found that a minimum sufficient level of economic growth based on domestic investment is necessary to enable growth of export (Sahni and Atri 2012, 294). |
| 140. Samad 2011 | Algeria, the observed period is 1960–2005 | the impact of export on economic growth | Export has a positive impact on economic growth (Samad 2011, 95). ³⁰¹ |
| 141. Sannassee et al. 2014 | meta-analysis of 82 studies | the impact of export on economic growth | The authors found that chosen methodology, control variables and time period covered significantly impacted the findings of surveyed studies. However, the general conclusion is that in order to have better export results, it is important for countries to have quality infrastructure, advanced level of technological development, quality education and well devised export strategy (Sannassee et al. 2014, 380). In addition, both market and product diversification positively contributes to export performance and hence economic growth (Sannassee et al. 2014, 381). |

²⁹⁹ The authors stress the importance of human capital, import and investment as conditioning factors when determining whether there is a correlation between export and economic growth (Riezman et al. 1995, 2).

³⁰⁰ The authors argue that the absence of an export-led economic growth in India is due to a huge domestic market and a relatively low share of export in GDP (Ronit and Divya 2014, 139).

³⁰¹ Export also positively affects growth of import (Samad 2011, 95).

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| 142. Santos et al. 2013 | 23 EU countries; ³⁰² the observed period is 1995–2010 | the impact of export on economic growth | Export has a positive impact on economic growth. The authors stress the importance of export specialization. They also argue that high-income countries should further enhance their export products from the perspective of technological advancement, and in that way add more final value to them (Santos et al. 2013, 24). The authors also note that greater market diversification is needed, especially towards the prosperous Eastern markets, such as those of China, Russia and Poland (Santos et al. 2013, 25). |
| 143. Seabra and Galimberti 2012 | 72 countries; ³⁰³ the observed period is 1974–2003 | the impact of export on economic growth | Export has a positive impact on economic growth. Moreover, the correlation between the two (variables) is contingent on the level of output and human capital (Seabra and Galimberti 2012, 20). ³⁰⁴ |
| 144. Serletis and Afxentiou 1991 | industrial countries; the observed period is 1950–‘85 | the impact of export on economic growth | There is evidence of only a modest positive impact of export on economic growth (clear positive impact was found in the case of United States, Norway, Japan and Canada) (Serletis and Afxentiou 1991). |
| 145. Shan and Sun 1998 | China; the observed period is 1987–1996 | the impact of export on industrial output | There is bi-directional causality between export and real industrial output (Shan and Sun 1998). |
| 146. Shan and Tian 1998 | Shanghai (China); the observed period is 1990–1996 | the impact of export on GDP growth | There is a modest uni-directional causality from GDP to export growth (Shan and Tian 1998 ,11). ³⁰⁵ |

³⁰² Ireland, Estonia, Slovakia, Hungary, Netherlands, Czech Republic, Slovenia, Lithuania, Cyprus, Austria, Sweden, Denmark, Latvia, Finland, Germany, Poland, Romania, Portugal, United Kingdom, Spain, France, Italy, Greece.

³⁰³ **Low and lower middle income** - Africa: Benin, Cameroon, Republic of Congo, Egypt, Ghana, Jordan, Kenya, Malawi, Mali, Rwanda, Senegal, Sierra Leone, Syria, Tanzania, Tunisia, Zambia, Zimbabwe; America: Bolivia, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru; Asia/Oceania: China, India, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka, Thailand; **Upper middle and high income** – Africa: Israel, South Africa; America: Argentina, Brazil, Canada, Chile, Costa Rica, Jamaica, Mexico, Panama, United States, Uruguay; Asia/Oceania: Australia, Hong Kong, Japan, Republic of Korea, Malaysia, New Zealand, Singapore and Turkey; Europe: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, United Kingdom.

³⁰⁴ The authors note that the strongest positive impact of export on economic growth is found in the transition (mostly middle-income) countries (Seabra and Galimberti 2012, 20).

³⁰⁵ The authors note that economic growth in Shanghai during the observed period was mainly due to a strong inflow of foreign investment and domestic fiscal policy (which enabled the city to take back much of the revenues it had generated) (Shan and Tian 1998, 11).

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|------------------------------------|--|---|--|
| 147. Sharma and Dhakal 1994 | 30 developing countries; the observed period is 1960–‘88 | the impact of export on output growth | (1) There is bi-directional causality between export and output growth in five countries; (2) there is uni-directional causality from export to output growth in six countries; (3) there is uni-directional causality from output to export growth in eight countries, and (4) there is no causality between the two variables in eleven countries (Sharma and Dhakal 1994, 1145). ³⁰⁶ |
| 148. Shihab et al. 2014 | Jordan, the observed period is 2000–2012 | the impact of export on economic growth | There is uni-directional causality from economic growth to export growth. The authors stress the importance of stronger export-oriented industrialisation policy (Shihab et al. 2014, 307). |
| 149. Shirazi and Manap 2005 | 4 South East Asian countries ³⁰⁷ | the impact of export on economic growth | (1) Export has a positive impact on economic growth in Bangladesh, Pakistan and Nepal, and (2) export does not positively affect economic growth in India and Sri Lanka (Shirazi and Manap 2005, 484). ³⁰⁸ |
| 150. Siddique and Selvanathan 1998 | Thailand, the observed period is 1953–‘95 | the impact of export on economic growth | (1) There is uni-directional causality from economic growth to export growth (Siddique and Selvanathan 1998, 10). ³⁰⁹ |
| 151. Siddique and Selvanathan 1999 | Malaysia, the observed period is 1966–‘96 | the impact of export on economic growth | Export does not have a positive impact on economic growth. However, there is uni-directional causality from economic growth to manufactured export (Siddique and Selvanathan 1999, 6–7). |
| 152. Siliverstovs and Herzer 2005 | Chile, the observed period is 1960–2001 | the impact of export on GDP growth | There is uni-directional causality from (manufactured) export to GDP growth. Moreover, the authors stress that the impact of manufactured and primary export to GDP growth does not produce equal results (Siliverstovs and Herzer 2005, 2). |

³⁰⁶ There is a positive correlation between foreign exchange and export growth in 15 countries (Sharma and Dhakal 1994, 1145).

³⁰⁷ Pakistan (1960–2003), India (1960–2002), Bangladesh (1973–2002), Sri Lanka (1960–2002), Nepal (1975–2003).

³⁰⁸ (1) There is a uni-directional causality from export and output growth to import growth in India, and (2) there is a bi-directional causality between export and import growth in Bangladesh and Nepal (Shirazi and Manap 2005, 484).

³⁰⁹ There is a uni-directional causality from export to import growth (Siddique and Selvanathan 1998, 10).

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|----------------------------------|--|---|--|
| 153. Soukiazis and Madaleno 2007 | 15 European countries; ³¹⁰ the observed period is 1981–2004 | the impact of export on economic growth | Export has a positive effect on economic growth (Soukiazis and Madaleno 2007, 2). The authors argue that export is important for the following reasons: (1) export makes the strongest multiple effect on national income; (2) export generates saving through reinvestment of profit (in new technologies and product improvement); (3) export goods contain a relatively low level of import content, but also stimulate import (when) necessary for increasing the value-added of (export) goods; (4) export generates new output value without negatively effecting balance of payment; (5) export takes advantage of factor supplies and obviates demand constraints to economic growth; (6) export acts as one of the main catalyst of technological diffusion, innovation and efficiency; (7) export generates increasing returns, and (8) export generates economic growth through the cumulative causation effect (Soukiazis and Madaleno 2007, 7). In addition, the authors stress the importance of technical development and innovation through technological advancement for the growth of export (Soukiazis and Madaleno 2007, 2, 21). |
| 154. Sprout and Weaver 1993 | 72 LDCs ³¹¹ | the impact of export on economic growth | The authors note that the findings as to whether export positively affects economic growth differ among countries in the sense that those countries whose export are mostly primary goods that contain low value added benefit the least from export, and those whose export products are of high value added benefit the most from export (Sprout and Weaver 1993, 298). |
| 155. Tahir et al. 2015 | Sri Lanka, the observed period is 1981–2012 | the impact of export on GDP growth | Export does not have a positive effect on GDP growth, either in the short- or a long-term (Tahir et al. 2015, 67). |
| 156. Tang 2006 | Hong Kong, the observed period is 1973–2005 | the impact of export on economic growth | There is bi-directional causality between export and economic growth in the short-term (Tang 2006, 41–42). |

³¹⁰ Germany, Austria, Belgium, Denmark, Spain, Finland, France, Greece, Netherlands, Ireland, Italy, Luxembourg, Portugal, Sweden, United Kingdom.

³¹¹ (a) **small non-primary**: Benin, Congo, Costa Rica, Dominican Republic, El Salvador, Greece, Guatemala, Haiti, Hong Kong, Israel, Kenya, Malaysia, Nicaragua, Portugal, Senegal, Singapore, Sri Lanka, Tunisia, Uruguay; (b) **small primary**: Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chile, Cote d'Ivoire, Ecuador, Gabon, Ghana, Honduras, Jamaica, Liberia, Madagascar, Malawi, Mali, Mauritania, Niger, Panama, Papua New Guinea, Paraguay, Peru, Rwanda, Sierra Leone, Somalia, Syria, Togo, Venezuela, Zambia; (c) **large**: Algeria, Argentina, Bangladesh, Brazil, Colombia, Egypt, Ethiopia, India, Indonesia, Iran, South Korea, Mexico, Morocco, Myanmar, Nigeria, Pakistan, Philippines, Spain, Sudan, Tanzania, Thailand, Turkey, Yugoslavia, Zaire.

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| 157. Tang et al. 2015 | 4 Asian “tigers” ³¹² | the impact of export on GDP growth | The following findings apply when the bivariate model is used: (1) there is bi-directional causality between export and GDP growth in Hong Kong and Singapore, (2) there is uni-directional causality from GDP to export growth in South Korea and Taiwan. In case the trivariate model is used, the finding points to that there is bi-directional causality between export and GDP growth in all sample countries (Tang et al. 2015, 234). |
| 158. Thornton 1996 | Mexico; the observed period is 1895–1992 | the impact of export on economic growth | Export has a significant positive effect on economic growth (Thornton 1996). |
| 159. Thornton 1997 | 6 European countries; from the middle of the 19 th century to 1913 | the impact of export on economic growth | There is uni-directional causality from export to economic growth in Italy, Norway and Sweden (Thornton 1997). |
| 160. Tyler 1980 | 55 countries; ³¹³ the observed period is 1960–‘77 | the impact of export on economic growth | Export has a positive impact on economic growth, especially in developing countries (Tyler 1980, 12). |
| 161. Udah 2012 | Nigeria, the observed period is 1970–2006 | the impact of export on output growth | Export has a positive impact on output growth both in the short- and long-term. In terms of export, the author stresses the importance of investing in human capital and innovations for productivity growth (Udah 2012, 46). |
| 162. van den Berg and Schmidt 1994 | 17 countries from Latin America | the impact of export on economic growth | Export has a positive impact on economic growth in most sample countries (van den Berg and Schmidt 1994). |
| 163. Vohra 2001 | 5 Asian countries; ³¹⁴ the observed period is 1973–1993 | the impact of export on economic growth | Export has a strong positive impact on economic growth; however, the positive impact is contingent on a minimum sufficient level of economic development in a given country. The author further stresses the importance of export promotion and open trade policy (Vohra 2001, 345). |
| 164. Waithe et al. 2011 | Mexico; the observed period is 1960–2003 | the impact of export on GDP growth | Export has a positive impact on non-export GDP in the short-term. The absence of a positive long-term effect is explained by a relatively weak cooperation with domestic supplier firms, what disabled positive spill-over effects (Waithe et al. 2011, 40). ³¹⁵ |
| 165. Williamson 1978 | 22 Latin American countries, the observed period is 1960–‘74 | the impact of export on GDP growth | Export has a positive impact on GDP growth (Williamson 1978, 418). |

³¹² Hong Kong (1973:Q1 to 2007: Q2); South Korea (1960:Q1 to 2007:Q2); Singapore (1966:Q1 to 2007:Q2); Taiwan (1961:Q1 to 2007:Q2).

³¹³ Egypt, Cameroon, Yemen PDR, Ghana, Honduras, Liberia, Nigeria, Thailand, Senegal, Yemen Arab Republic, Philippines, Zambia, People’s Republic of Congo, Papua New Guinea, Rhodesia, El Salvador, Morocco, Bolivia, Ivory Coast, Jordan, Colombia, Paraguay, Ecuador, Guatemala, South Korea, Nicaragua, Dominican Republic, Peru, Tunisia, Syria, Malaysia, Algeria, Turkey, Mexico, Jamaica, Lebanon, Chile, Taiwan, Panama, Costa Rica, South Africa, Brazil, Uruguay, Iraq, Argentina, Portugal, Yugoslavia, Iran, Trinidad and Tobago, Hong Kong, Venezuela, Greece, Israel, Singapore, Spain.

³¹⁴ India, Pakistan, the Philippines, Malaysia, Thailand.

³¹⁵ The authors stress the importance of technological innovation, especially in the manufacturing sectors, and fostering cooperation with domestic supplier firms (Waithe et al. 2011, 41).

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| 166. Xu 1996 | 32 countries | the impact of export on economic growth | Export has a positive impact on economic growth in 17, and significantly positive in 9 countries (Xu 1996). |
| 167. Zang and Baimbridge 2011 | Japan (1957–2003) and South Korea (1963–2003) | the impact of export on economic growth | Export has a positive impact on economic growth in Japan; economic growth does not positively affect growth of export in South Korea. In case of Japan this can be explained by the fact that Japan produces technologically advanced export goods with high value-added, the profit of which serves for boosting economic growth further, whereas in Korea, that is not the case, as the profit from export is being invested in the strong domestic market, not so much in export). In addition, the authors stress the importance of creating a business-friendly environment and building functional institutions (Zang and Baimbridge 2011, 10). |
| 168. Zeren and Kiliç Savrul 2013 | 15 European countries; ³¹⁶ the observed period is 1970–2011 | the impact of export on economic growth | Export has a long-term positive impact on economic growth. The beneficial effect on economic growth is achieved via the increase of productivity and revenues (Zeren and Kiliç Savrul 2013, 146). |

³¹⁶ Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

Appendix C

1. Bacchetta et al. in Newfarmer et al.2009

Sample: 180 countries, not stipulated (bilateral trade); the observed time is 1962–2004

Finding: Geographical (and product) diversification of export reduces the level of risk exporters are exposed to, especially in times of economic crisis (Bacchetta et al. in Newfarmer et al. 2009, 81–82,91).

Additional finding 1: There are three factors that determine the level of risk that relates to trading among countries: (1) the level of achieved geographical diversification of export, (2) stability [economic and political] of targeted markets, and (3) volatility [of supply and demand] in the markets of the trading countries (Bacchetta et al. in Newfarmer et al. 2009, 87).

Additional finding 2: In low-, middle-, and high-income countries exporters found geographical diversification of export more important than diversification of a number of export goods. In the observed period, in high-income countries, a number of trading partners/new markets increased by more than 50 %, while a number of export goods being offered had not changed significantly (Bacchetta et al. in Newfarmer et al. 2009, 91).

Additional finding 3: The authors stress the importance of Special Economic Zones, which in case of Bangladesh, India and Sri Lanka, proved to be successful in managing to attract a large number of foreign investors, generate employment and enable transfer of technology (Bacchetta et al. in Newfarmer et al. 2009, 223)

Additional finding 4: The authors stress the importance of export promotion agencies, in relation to which they emphasise the following: (1) Export promotion agencies should get funding from both the public and the private sector; (2) Export promotion agencies should primarily assist the exporters offering new, untraditional goods; (3) in terms of effectiveness, in the observed period, the authors also found that EPAs of developed countries abroad have proved far more effective than is the case with developing countries' EPAs (Bacchetta et al. in Newfarmer et al. 2009, 220)

2. Cieřlik et al. 2012

Sample: Poland (50,000 export enterprises are included); the observed period is 2003–2006

Finding: Geographical concentration on a limited number of markets may pose a potential threat for export enterprises and inhibit their growth prospects (Cieřlik et al. 2012).

3. Amurgo-Pacheco and Pierola 2008

Sample: EU – EEC15 and 23 worldwide (Argentina, Australia, Bangladesh, Brazil, Canada, Chile, China, Ghana, Indonesia, India, Japan, Kenya, Morocco, Mexico, Mauritius, Malaysia, Peru, Thailand, Tunisia, Turkey, Uganda, United States of America, South Africa); the observed period is 1990–2005

Finding: Geographical diversification of export is found to positively contribute to export performance of enterprises (Amurgo-Pacheco and Pierola 2008, 21).

Additional finding 1: Geographical diversification of export has shown to be more beneficial in terms of export performance than diversification of a range of goods in offer (Amurgo-Pacheco and Pierola 2008, 21).

4. Shepherd 2008

Sample: 123 countries

Finding: Geographical diversification of export can be highly beneficial especially for developing countries (Shepherd 2008, 2).

Additional finding 1: Factors which largely determine the level of geographical diversification of export, that is, the number of new markets entered are: export price, tariffs and transport costs. It has been found that a 10 % reduction of any of those factors increases the number of new markets entered by 5–6 % (Shepherd 2008, 1).

Additional finding 2: Geographical diversification of export is found to positively contribute to technological sophistication of enterprises (Shepherd 2008, 20)

5. Brenton and Newfarmer 2007

Sample: 99 countries;³¹⁷ the observed period is 1995–2004

Finding: Geographical diversification of export has positively contributed to export performance of enterprises Brenton and Newfarmer 2007 (prepage)

Additional finding 1: Export-oriented enterprises should seek ways to further enhance the quality of those goods which are found to be most productive in terms of sales; in other words, those with strongest comparative advantage (Brenton and Newfarmer 2007, 19–20).

Additional finding 2: The authors stress the importance of creating of business-friendly regulatory framework [to stimulate export-oriented economic sectors] (Brenton and Newfarmer 2007, 19–20).

6. Contractor et al. 2007

Sample: N/A; observed period N/A

Finding: Geographical diversification of export has positively contributed to export performance of enterprises (Contractor et al. 2007, 414).

7. Hitt et al. 1997

Sample: 295 firms, the precise observed period is not specified (late 1980s and the 1990s)

Finding: Geographical diversification of export positively affects export performance of enterprises (Hitt et al. 1997, 788–789)

Additional finding: The larger the scope of export goods, the better the prospects for enterprises from geographical market diversification; in other words, (export) diversification

³¹⁷ LOW-INCOME COUNTRIES: Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Ethiopia, Gambia, Ghana, Guinea, Guinea Bissau, India, Kenya, Kyrgyz Republic, Laos, Madagascar, Malawi, Mali, Mauritania, Mongolia, Mozambique, Nepal, Niger, Nigeria, Pakistan, Rwanda, Sao Tome, Senegal, Sierra Leone, Sudan, Tajikistan, Tanzania, Togo, Uganda, Uzbekistan, Vietnam, Zambia; LOWER-MIDDLE INCOME COUNTRIES: Albania, Algeria, Angola, Armenia, Azerbaijan, Bolivia, Brazil, Bulgaria, Cameroon, Cape Verde, China, Colombia, Dominican Republic, Ecuador, Egypt, El Salvador, Georgia, Guatemala, Guyana, Honduras, Indonesia, Jamaica, Jordan, Kazakhstan, Morocco, Nicaragua, Paraguay, Peru, Philippines, Sri Lanka, Thailand, Tunisia, Turkmenistan, Ukraine; UPPER-MIDDLE-INCOME COUNTRIES: Argentina, Chile, Costa Rica, Croatia, Czech Republic, Equatorial Guinea, Estonia, Gabon, Hungary, Latvia, Lithuania, Malaysia, Mauritius, Mexico, Panama, Poland, Romania, Slovakia, South Africa, Trinidad, Turkey, Uruguay, Venezuela; HIGH-INCOME COUNTRIES: Korea, Singapore, Slovenia, and Taiwan.

in terms of a number of goods has a positive effect on export/economic growth (Hitt et al. 1997, 793).

Appendix D

Table D.1: Findings of case studies on the causality between FDI and economic growth

| Author(s) | Sample | Testing | Research finding |
|-----------------------------|--|---|--|
| 1. Acaravci and Ozturk 2012 | 10 European countries in transition; ³¹⁸ the observed period is 1994–2008 | long-term causality between FDI, export and economic growth | Overall, there is a long- and a short-term positive causality between FDI, export and economic growth in 4 of 10 countries (Czech Republic, Slovak Republic, Poland and Latvia). More specifically: (1) There is uni-directional positive causality from FDI to economic growth in Czech Republic and Slovak Republic; (2) There is uni-directional positive causality from economic growth to inward FDI in Latvia; (3) There is not a constant positive long-term link between real GDP, real export and FDI in: Bulgaria, Estonia, Hungary, Lithuania, Romania and Slovenia (Acaravci and Ozturk 2012, 63–64). ³¹⁹ |
| 2. Afşar 2008 | Turkey; the observed period is 1992:1–2006:3 | bi-directional causality between FDI and economic growth | There is uni-directional positive causality from FDI to economic growth, but not vice versa (Afşar 2008, 7). |
| 3. Aitken and Harrison 1999 | Venezuela (more than 4000 plants); the observed period is 1976–1989 (without 1980) | the impact of FDI on economic growth | (1) FDI has a positive impact on output growth in (the host country) firms which employ more than 50 employees, and (2) FDI may also produce a negative effect on output growth of other domestic firms in the same branch (Aitken and Harrison 1999, 616). Furthermore, the authors did not find that FDI inflow causes a positive technological spill-over effect onto domestic firms (Aitken and Harrison 1999, 617). ³²⁰ |

³¹⁸ Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia.

³¹⁹ (1) There is a uni-directional positive causality from FDI to export in Poland; (2) There is a bi-directional positive causality between FDI and export in Latvia (Acaravci and Ozturk 2012, 64). In addition, based on the obtained results, the authors note that it is very much important for countries to devise policies that would help attract FDI. In that regard, the focus should be on: free trade, tax incentives, human capital, financial system, market regulations and infrastructure (Acaravci and Ozturk 2012, 64).

³²⁰ The findings as to whether FDI positively affects output growth of the host country firms differ, depending on the approach taken (Aitken and Harrison 1999, 610).

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| 4. Alfaro et al. 2002 | Sample ³²¹ consists of 3 samples: (1) 39 countries (both developed and developing); the observed period is 1981–1997; (2) 41 countries (mostly developed); the observed period is 1977–1997; (3) 49 countries (mostly developing); the observed period is 1970–1995 | the impact of FDI on economic growth | FDI has a positive impact on economic growth. However, its beneficial effect is contingent upon the level of development of the host country financial market (Alfaro et al. 2002, 17–18). |
| 5. Alfaro et al. 2007 | N/A | the impact of FDI on economic growth | FDI inflow creates economic growth which is three times higher in (host) countries which have developed financial market than in countries whose financial market is in a poor state of development (Alfaro et al. 2007, 34–35) |

³²¹ Listed countries: Algeria, Argentina, Australia, Austria, Barbados, Benin, Bolivia, Brazil, Burkina Faso, Cameroon, Canada, Central African Republic, Chad, Chile, Congo, Costa Rica, Cote d'Ivoire, Dominican Republic, Ecuador, Egypt, El Salvador, Fiji, Finland, France, Gabon, Gambia, Ghana, Guatemala, Haiti, Honduras, India, Indonesia, Ireland, Israel, Italy, Jamaica, Jordan, Kenya, Madagascar, Malawi, Malaysia, Mali, Mauritania, Mauritius, Mexico, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Portugal, Rwanda, Senegal, Spain, Sri Lanka, Sweden, Syrian Arab Republic, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, United Kingdom, United States, Uruguay, Venezuela.

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| 6. Angelopoulou and Liargovas 2014 | sample consists of 3 different samples: EU-27 member states, ³²² EMU-16 member states ³²³ and 18 transition countries; ³²⁴ the observed period is 1989–2008 | causality between economic openness and integration, and FDI and economic growth | FDI has a slightly positive impact on economic growth in the EU and EMU countries, and a slightly negative impact in the transition countries. These results are not statistically significant. However, when R&D and tariffs are used as variables alone, the finding reveals a substantially higher positive impact of FDI on economic growth both in the EU and the transition countries, but also a negative effect of FDI on economic growth in the EMU countries (Angelopoulou and Liargovas 2014, 491). ³²⁵ |
|------------------------------------|--|--|---|

³²² Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Latvia, Lithuania, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, the United Kingdom.

³²³ Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, Spain.

³²⁴ Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, FYR of Macedonia, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Montenegro, Russia, Serbia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

³²⁵ (1) The level of economic openness is an important factor for attracting FDI in economically integrated countries (EU and EMU); (2) A decrease of inflation and an increase of the volume of domestic investment is positively associated with the attraction of FDI in the transition countries (Angelopoulou and Liargovas 2014, 491). The authors suggest that in order to be more successful in attracting FDI, the transition countries need to provide various incentives to stimulate attraction of inward FDI, and overall enhance their integration with economically advanced European countries (Angelopoulou and Liargovas 2014, 492).

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| 7. Apergis et al. 2004 | 27 countries in transition; ³²⁶ the observed period is 1991–2004 | the impact of FDI on economic growth | FDI has a significant positive impact on economic growth (only holds when all sample countries are included). However, when the countries are divided into two groups – those with low income and unsuccessfully conducted privatisation, and on the other side the high income countries which conducted privatisation successfully, the FDI-led economic growth holds only for the latter group (Apergis et al. 2004, 11). ³²⁷ |
| 8. Azman-Saini et al. 2010 | 85 countries (not listed) | the impact of FDI and economic freedom on economic growth | FDI does not exert a growth-enhancing effect by itself. Its beneficial effect on economic growth depends on the level of economic freedom in the host country, in the sense that countries with high level of economic freedom are likely to attract substantially more FDI (Azman-Saini et al. 2010, *1079). |
| 9. Bajo-Rubio et al. 2007 | 17 Spanish regions; ³²⁸ the observed period is 1987–2000 | the impact of FDI on economic growth | FDI has a positive impact on economic growth, especially through the accumulation of human capital (in Madrid and Catalonia) and transfer of technology (Bajo-Rubio et al. 2007, 10–11). ³²⁹ |

³²⁶ Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Lithuania, FYR of Macedonia, Moldova, Mongolia, Poland, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine, Bulgaria, Croatia, Kyrgyz Republic, Latvia, Romania, Russia, Uzbekistan.

³²⁷ In essence, this conclusion points to the fact that successfulness of privatisation and size of income are determining factors for foreign investors when taking decision whether to invest somewhere or not (Apergis et al. 2004, 11).

³²⁸ Andalucia, Aragon, Asturias, Baleares, Canarias, Cantabria, Castilla y Leon, Castilla-La Mancha, Cataluna, Comunidad Valenciana, Extremadura, Galicia, Madrid, Murcia, Navarra, Pais Vasco, Rioja.

³²⁹ Moreover, the entry of FDI is also found to depend on the regions' stability – the more stable the regions, the more FDI they are likely to attract. In addition, FDI has had a strong welfare-enhancement role in the revival of the Spanish economy since the 1960s (Bajo-Rubio et al. 2007, 11).

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| 10. Balasubramanyam et al. 1996 | 46 developing countries with 2 different trade policies –export promoting (EP) and import substituting (IS) ³³⁰ | the impact of FDI on economic growth | FDI has a positive impact on economic growth. It exerts a strong growth-enhancing effect in the export-oriented countries, especially through the spill-over effect associated with human capital and advanced technology (Balasubramanyam et al. 1996, 98). ³³¹ |
| 11. Basu et al. 2003 | 23 developing countries | the impact of FDI on economic growth | FDI has a positive impact on economic growth in a long-term. There is bi-directional causality between GDP and FDI in countries characterised by a high level of economic openness. On the other side, in more „closed economies“, the authors found uni-directional link from GDP to FDI. This implies that restrictive trade regimes inhibit FDI-induced economic growth (Basu et al. 2003). |
| 12. Bayar 2014 | 7 emerging Asian countries; ³³² the observed period is 1982–2012 | the impact of domestic saving, domestic investment and inward FDI on economic growth | There is a positive impact of domestic saving, domestic investment and inward FDI on economic growth in the long-term. In terms of FDI only, there is bi-directional causality between inward FDI and economic growth in the short- and uni-directional causality between inward FDI and economic growth in the long-term (Bayar 2014, 1118). ³³³ |
| 13. Berthélemy and Démurger 2000 | 24 Chinese provinces; the observed period is 1985–’96 | the impact of FDI on economic growth | FDI has a positive impact on economic growth. Availability of a sufficient level of human capital (in the host country) is a necessary factor for enabling transfer of technology through the FDI spill-over |

³³⁰ EP countries: Kenya, Haiti, El-Salvador, Nicaragua, Malawi, South Korea, Honduras, Sri Lanka, Ivory Coast, Costa Rica, Trinidad and Tobago, Tunisia, Zambia, Chile, Jamaica, Malaysia, Hong Kong and Signapore. IS countries: Bangladesh, Nepal, Pakistan, India, Argentina, Bolivia, Guatemala, Brazil, Equador, Mexico, Uganda, Ghana, Venezuela, Colombia, Turkey, Sudan, Ethiopia, Uruguay, Paraguay, Peru, Nigeria, Indonesia, Philippines, Panama, Tanzania, Thailand, Morocco, Egypt. Furthermore, the author notes that Bhagwati (1978) defines the EP policy as „one which equates the average effective exchange rate on exports to the average effective exchange rate on imports“, while he describes the IS strategy as „one where the effective exchange rate on imports exceeds the effective exchange rate on exports and is biased in favour of import substitution activities“ (Balasubramanyam et al. 1996, 92–93).

³³¹ Conducive economic environment (market economy, EP policy and competition (Balasubramanyam et al. 1996, 95–96)) is essential for attracting FDI. In that regard, due to investment-wise unfavourable economic climate they generate, the IS trade policies are regarded inefficient (Balasubramanyam et al. 1996, 95). In terms of generating economic growth, the authors give advantage to FDI over domestic investment (Balasubramanyam et al. 1996, 101).

³³² China, Indonesia, India, Republic of Korea, Malaysia, Philippines, Thailand.

³³³ There is a bi-directional causality between domestic saving, domestic investment and economic growth in both short- and long-term. In addition, domestic saving should be channelled to the most productive investments expected to fuel economic growth the most, what in return would then increase the volume of domestic saving (Bayar 2014, 1118).

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| | | | effects (Berthélemy and Démurger 2000, 153). |
| 14. Bijsterbosch and Kolasa 2009 | 8 countries from Central and Eastern Europe; ³³⁴ the observed period is 1995–2005 | the impact of FDI on productivity growth in Central and Eastern Europe | FDI has a positive impact on productivity growth, especially in manufacturing sector. Productivity growth of FDI firms depends on the absorptive capacity of a host country, with emphasis on human capital (Bijsterbosch and Kolasa 2009, 28). Moreover, they also argue that FDI represents an important channel for the transfer of technology and modern and sophisticated management techniques (foreign multinational firms spend a substantial portion on R&D) (Bijsterbosch and Kolasa 2009, 13) and helps economic restructuring too (Bijsterbosch and Kolasa 2009, 14). |
| 15. Blomström et al. 1996 | United States; the observed period is 1960–1988 | the impact of FDI on economic growth | FDI has a positive impact on economic growth (Blomström et al. 1996, 275, 276). ³³⁵ |
| 16. Borensztein et al. 1995 | 69 developing countries; the observed period is 1970–1989 (FDI flows from industrial countries to 69 developing countries) | the impact of FDI on economic growth | (1) FDI exerts a positive impact on economic growth of a host country, in terms of productivity, only if it (the host country) disposes of a sufficient level of human capital; in other words, the beneficiary effect of FDI is contingent upon the existence of a minimum level of human capital (Borensztein et al. 1995, 19). If/when that is the case, then the FDI outputs more productivity than domestic investment (Borensztein et al. 1995, 3); (2) FDI increases the overall net value of investment in the host country, regardless of the level of human capital available (Borensztein et al. 1995, 19). The authors found that every dollar invested by a foreign firm in the host country outputs the value of more than one dollar in the overall investment (in the host country). The ratio goes between 1,5 and 2,3 times the increase of a total investment value created (Borensztein et al. 1995, 3); (3) The beneficiary effect of FDI is substantially higher when the source countries are industrially advanced, and the recipient countries are developing countries (Borensztein et al. 1995, 19); (4) FDI can also represent an important channel for advanced technology from industrial to developing countries, and (5) Foreign firms benefit from |

³³⁴ Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia.

³³⁵ However, the authors did not find that fixed investment is the key determinant for economic growth (Blomström et al. 1996, 276). They also stressed that apart from FDI, economic growth is also influenced by: the level of institutional development, overall political and economic stability, the number of population and its growth prospects, share of secondary school graduates in the total working-age population, and geographical distance between the countries (Blomström et al. 1996, 275–276).

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| | | | investing in other countries, as that enables them a direct access to new markets for their products without having to export to them from the outside. They are also expected to have better productivity and efficiency than domestic firms (in a host country) due to being superior in technology and management (Borensztein et al. 1995, 18). ³³⁶ |
| 17. Bruno and Campos 2013 | (meta analysis) of two data sets: 549 micro and 553 macro studies; the observed period for micro studies is 1965–2007 and for macro studies is 1940–2008 | the impact of FDI on economic growth | FDI has a positive impact on economic growth in low- and middle-income countries (at the level of firms). As much as 44 % of controlled findings for the micro studies and 50 % for the macro studies point to a statistically significant impact of FDI on economic growth, whereas only 12 % of the micro and 11 % of the macro studies show a negative correlation (Bruno and Campos 2013, 24). |
| 18. Calderón et al. 2004 | 22 industrial and 50 developing countries, ³³⁷ the observed period is 1987–2001 | the impact of FDI, domestic investment, and merger and acquisitions on | (1) There is not a link from greenfield FDI to economic growth in none of the countries, and (2) There is a link from economic growth to greenfield FDI in industrial, developing and countries of Latin |

³³⁶ A host country may also benefit from attracting FDI to economic sectors (primarily industrial) deemed strategic for the country's development. The only limitation of FDI may be profit-seeking at the expense of efficiency (Borensztein et al. 1995, 18).

³³⁷ Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Botswana, Canada, Switzerland, Chile, China, Cote d'Ivoire, Colombia, Cape Verde, Costa Rica, Germany, Denmark, Dominican Republic, Ecuador, Egypt, Spain, Finland, France, United Kingdom, Ghana, Guinea, Greece, Guatemala, Hong Kong, Honduras, Indonesia, India, Ireland, Iceland, Israel, Italy, Jamaica, Jordan, Japan, Kenya, Republic of Korea, Sri Lanka, Morocco, Madagascar, Mexico, Mali, Mauritius, Malaysia, Nigeria, Netherlands, Norway, New Zealand, Pakistan, Panama, Peru, Philippines, Portugal, Paraguay, Saudi Arabia, Senegal, Singapore, El Salvador, Sweden, Swaziland, Thailand, Tunisia, Turkey, Taiwan, Uruguay, United States, Venezuela, South Africa.

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| | | each other and on economic growth | America (Calderón et al. 2004, 28). ³³⁸ |
| 19. Campos and Kinoshita 2002 | 25 transition countries from Central Europe and the former Soviet Union; ³³⁹ the observed period is 1990–1998 | the impact of GDP on economic growth | FDI has a positive impact on economic growth (Campos and Kinoshita 2002, 20–21). Its beneficial spill-over effect on the host country primarily go via transfer of technology and modern management (Campos and Kinoshita 2002, 4). |
| 20. Carkovic and Levine in Moran et al. 2005 | 72 countries; ³⁴⁰ 7 five year periods between 1960–1995 | the impact of FDI on economic growth | FDI does not produce a positive impact on economic growth independently of other growth determinants (Carkovic and Levine in Moran et al. 2005, 219). Whether FDI will have a positive impact on economic growth of a host country depends on the sufficient level of human capital, which seems to be a <i>conditio sine qua non</i> for the transfer of technology from FDI to occur (Carkovic and Levine in Moran et al. 2005, 206). The authors also found that trade openness is not a necessary factor for enabling positive spill-overs from FDI (Carkovic and Levine in Moran et al. 2005, 211). |
| 21. Carp (2014) | Romania; the observed period is 1991–2012 | the impact of FDI and export on economic growth | FDI has a positive impact on economic growth, mainly through the spill-over effects it generates, associated with the transfer of technology and advanced management (Carp 2014, 39). |

³³⁸ (1) There is a link from greenfield FDI to M&As in developing countries, (2) There is a link from M&As to greenfield FDI in industrial, developing and countries of Latin America, (3) There is a link from greenfield FDI to domestic investment in industrial, developing and countries of Latin America, (4) There is not a link from domestic investment to greenfield FDI in none of the countries, (5) There is a link from M&As to domestic investment in industrial, developing and countries of Latin America; (6) There is not a link from domestic investment to M&As in none of the countries; (7) There is not a link from M&As to economic growth in none of the countries, and (8) There is a link from economic growth to M&As in industrial, developing and countries of Latin America (Calderón et al. 2004, 28).

³³⁹ Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Albania, Bulgaria, Croatia, Macedonia, Moldova, Romania, Estonia, Latvia, Lithuania, Belarus, Ukraine, Russia, Czech Republic, Hungary, Poland, Slovakia, Slovenia.

³⁴⁰ [Under data there are 76 countries – those are countries for FDI inflows per capita; it is not explained which are 72 from the sample] (Algeria (DZA), Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Cameroon, Canada, Central African Republic, Chile, Colombia, Congo, Costa Rica, Cyprus, Denmark, Dominican Republic, Ecuador, El Salvador, Egypt, Finland, France, Gambia, Germany, Ghana, Britain, Greece, Guatemala, Guyana, Haiti, Honduras, Hong Kong, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kenya, Lesotho, Malaysia, Malta, Mauritius, Mexico, Netherlands, New Zealand, Nicaragua, Niger, Norway, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Portugal, Republic of Korea, Rwanda, Senegal, Sierra Leone, South Africa, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Syria, Togo, Thailand, Trinidad and Tobago, Uruguay, United States, Venezuela, Zaire, Zimbabwe).

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| 22. Christie 2003 | 5 from the Western Balkans, 9 from Western Europe and 5 from Central Europe ³⁴¹ | the impact between FDI and trade | FDI does not have either a significantly positive or a negative impact on trade development, whereat the authors argue that level of technological development is an important determinant in terms of attraction of FDI (Christie 2003, 18). |
| 23. Curwin and Mahutga 2014 | 25 Central and Eastern European, and Eurasian post-socialist transition countries; ³⁴² the observed period is 1990–2010 | the impact of FDI on economic growth | FDI does not exert a positive impact on economic growth, and can even lead to economic contraction. The authors emphasise the importance of domestic investment, which, according to them, has a positive impact on economic growth (Curwin and Mahutga 2014, 1160, 1179). ³⁴³ |
| 24. Dash and Parida 2012 | India; the observed period is 1996–2011 | the impact of FDI and trade services on economic growth | There is uni-directional positive causality from FDI to services export, and the overall services, and through the spill-over effects, also to the manufacturing output and hence to economic growth. In addition, FDI does not have a positive impact on services import (Dash and Parida 2012, 235–236). |
| 25. De Mello 1997 | South-East Asia and Pacific Rim, South Asia, Latin America and Caribbean, Middle East and North Africa, Sub-Saharan Africa, Eastern Europe and Central Asia; the observed period is 1980–1994 | the impact of FDI on economic growth | The positive impact of FDI on economic growth (of the host country) is contingent on the host country's level of institutional development, investment-friendly business environment and the (foreign) investors' interest to transfer advanced technology. In other words, whether the host country will benefit from FDI depends on both external and internal factors (De Mello 1997, 30). ³⁴⁴ |
| 26. De Mello 1999 | 16 OECD and 17 non-OECD countries; ³⁴⁵ the observed period is 1970–1990 | the impact of FDI on economic growth | The results are the same as in De Mello (1997). The authors note that quality of institutions, political risk and trade policies represent the factors from which depend to what extent the recipient countries will |

³⁴¹ 5 Western Balkans countries: Romania, Bulgaria, Bosnia and Herzegovina, Croatia, Macedonia; 9 Western European countries: Germany, Italy, Greece, Austria, Belgium, the Netherlands, Switzerland, United Kingdom, France; 5 Central European countries (as the control group): Hungary, Poland, Czech Republic, Slovenia, Slovakia.

³⁴² Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgystan, Latvia, Lithuania, Mongolia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Ukraine, Uzbekistan.

³⁴³ Trade openness positively influences economic growth (Curwin and Mahutga 2014, 1170).

³⁴⁴ However, the authors also found that technological transfer from the source to the recipient country enabled by FDI does not imply that the latter will surely take advantage of it. This is because developing countries are less efficient in absorbing new technologies (De Mello 1997, 30). In general terms, FDI regarded as an important instrument for developing countries for the transfer of technology, improving professional skills of labour force and increasing economic growth in general (De Mello 1997, 9).

³⁴⁵ OECD: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, New Zealand, Netherlands, Spain, Sweden, Switzerland, United Kingdom, United States; non-OECD: Dominican Republic, Honduras, Mexico, Panama, Bolivia, Brazil, Chile, Ecuador, Paraguay, Peru, Venezuela, Ivory Coast, Kenya, Nigeria, Sierra Leone, Zimbabwe, Philippines.

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| | | | take advantage of technological transfer (De Mello 1999, 148). |
| 27. Djankov and Hoekman 2000 | Czech Republic; the observed period is 1992–1996 (513 firms) | the impact of FDI on economic growth | FDI has a positive impact on economic growth (Djankov and Hoekman 2000, 61, 62). ³⁴⁶ |
| 28. Domanski 2003 | Poland (concrete time span is N/A) | the impact of FDI on economic growth | FDI has a positive impact on economic growth. It helps: (1) decrease current account deficit, (2) improve productivity, (3) generate new investment, (4) enhance competitiveness and (5) improve labour skills (Domanski 2003, 105). |
| 29. Ďurčová and Mirdala 2011 | 4 countries from Central Europe; ³⁴⁷ the observed period is 2001–2009 | the impact of FDI on economic growth | The impact of FDI on economic growth is mainly positive. Positive effects were not so confirmative where unemployment rate was low, as in Hungary, as well as where it (unemployment) was relatively low (5–6 %) at the time when the countries, such as Lithuania, Estonia and Slovenia, started to implement measures to attract FDI. Negative long-term effects occurred only in Bulgaria and Romania, and related to trade balance (Ďurčová and Mirdala 2011, 36). |
| 30. Eller et al. 2005 | 11 countries from Central and Eastern Europe; ³⁴⁸ the observed period is 1996–2003 | the impact of FDI in the financial sector on economic growth | Inward FDI in the financial sector of a host country has a positive impact on economic growth (of a host country) (Eller et al. 2005, 28). The beneficiary effect of the financial sector FDI is contingent on the minimum level of human capital available (in the host country) (Eller et al. 2005, 29). In line with the findings of Carkovic and Levine in Moran et al. (2005) and Campos and Kinoshita (2002), the authors also found that the financial sector FDI contributes to growth only where the level of capital is low (Eller et al. 2005, 30). |
| 31. Eller et al. 2006 | 11 Central and Eastern European countries; ³⁴⁹ the observed period is 1996–2003 | the impact of financial sector FDI on economic growth | A positive impact of the financial sector FDI on economic growth is contingent on the available level of human capital (in the host country) (Eller et al. 2006, 316). As beneficial effects of the financial sector FDI the authors note: better sector competition, higher productivity, lower operational cost, profit increase, better capital allocation, better monitoring system and risk management (Eller et al. |

³⁴⁶ Foreign investors rather choose to invest in firms with higher productivity (Djankov and Hoekman 2000, 61).

³⁴⁷ Czech Republic, Hungary, Poland and Slovakia.

³⁴⁸ Czech Republic, Hungary, Poland, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Bulgaria, Romania, Croatia.

³⁴⁹ Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia, Slovakia.

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| | | | 2006, 302). |
| 32. Farkas 2012 | 69 countries (not specified); the observed period is 1975–2000 | the impact of FDI on economic growth | The beneficiary spill-over effect of FDI is contingent on the existence of developed financial market and the minimum level of human capital available (in the host country) (Farkas 2012 ,18). ³⁵⁰ |
| 33. Fidrmuc and Martin 2011 | 11 countries from Central and South East Europe; ³⁵¹ the observed period is 1995–2009 | the impact of FDI and trade on economic growth | FDI has a positive effect on industrial output and economic growth (especially in Poland, Lithuania, Romania and Slovakia) (Fidrmuc and Martin 2011, 78). In terms of attracting FDI, the authors stress the importance of creating the investment-friendly and export-promoting business environment (Fidrmuc and Martin 2011, 79). |
| 34. Fillat and Woerz 2011 | 28–35 countries (OECD members, ASEAN members, countries of Asia and Central and South-East Europe); the observed period is 1987–2000 (data for 28 countries cover the period 1987–1997, and data for 35 countries cover the period 1998–2000; data for Central and South-East European countries are taken only since 1993) | the impact of FDI on economic growth | FDI has a positive impact on productivity and hence economic growth. The beneficial effect does not so depend on the volume of attracted FDI alone, as on which specific industrial sectors receive FDI. The authors also stress the importance of economic openness and domestic investment in drawing benefits from inward FDI (Fillat and Woerz 2011, 321–322). ³⁵² |
| 35. Fons-Rosen et al. 2013 | 25 countries (12 developed and 13 emerging); the observed period is 1999– | the impact of FDI on economic growth | FDI does not exert an important growth-enhancing effect. Examples of positive spillover effects (for domestic firms of a host country) |

³⁵⁰ The authors also found that (1) the countries not rich in natural resources and the ones with a low share of revenues from agriculture in GDP are more likely to attract FDI than the other way around (Farkas 2012, 18), (2) FDI does not exert significant positive effect in oil abundant countries (Farkas 2012 ,3). In addition, most studies investigating whether there is the linkage between FDI and economic growth point to the fact that positive effect of FDI on economic growth is mainly contingent on the absorptive capacity of host countries (Farkas 2012, 4).

³⁵¹ Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia.

³⁵² In this regard, the authors argue that FDI would give the best growth-enhancing effect in industries that are labour and resource intensive. Hence, the policy-makers should equally concentrate on creating favourable conditions for enhancing domestic, inasmuch as foreign investment (Fillat and Woerz 2011, 321–322).

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| | 2008 (350,000 firms) | | created by FDI occur only in developed countries (Fons-Rosen et al. 2013, 28–29), when domestic firms are no competition for them (foreign firms) (Fons-Rosen et al. 2013, 6); in emerging economies the spill-over effects are mainly negative, except for the (domestic) supplier firms. The authors point that even 100 % increase of inward FDI volume creates only 1 % of new output value in developed, and in emerging economies even decreases output by the same amount (Fons-Rosen et al. 2013, 28–29). The volume of attracted FDI is dependent on the state of a conducive regulatory environment created in the host country (Fons-Rosen et al. 2013, 3). ³⁵³ |
| 36. Fortanier 2007 | 71 recipient countries (22 developed, 15 from Africa and the Middle East, 11 from Asia, 9 from Eastern Europe and 14 from Latin America) and six source countries; ³⁵⁴ the observed period is 1989–2002 | the impact of the financial sector FDI on economic growth | The impact of FDI on economic growth (of the host country) is contingent on the characteristics of the host country, primarily the quality of institutions and education, and openness to trade (Fortanier 2007, 69–70). ³⁵⁵ |
| 37. Forte and Moura 2013 | N/A | the impact of FDI on economic growth | The authors analysed the available literature on the impact of FDI on economic growth, and concluded that the beneficiary effect of FDI on economic growth of a host country is contingent on the existence of certain conditions (in the host country), such as the level of human capital and technological development, and economic openness (Forte and Moura 2013, 1) |

³⁵³ Positive effects of FDI are reflected through: (1) raising employment, (2) providing new capital, (3) enhancing internal competition, and (4) creating indirect positive effect on structural policies of a host country (Fons-Rosen et al. 2013, 29).

³⁵⁴ 22 developed: Australia, Austria, Belgium and Luxembourg, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States; 15 from Africa and the Middle East: Cote d'Ivoire, Egypt, Ghana, Iran, Israel, Kenya, Mauritius, Morocco, Nigeria, Saudi Arabia, South Africa, Tanzania, Turkey, United Arab Emirates, Zimbabwe; 11 from Asia: China, Hong Kong, India, Indonesia, Korea, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand; 9 Eastern Europe: Bulgaria, Czech Republic, Hungary, Poland, Romania, Russia, Slovak Republic, Slovenia, Ukraine; 14 Latin America: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela; six source countries: Germany, France, Japan, Netherlands, United Kingdom, United States.

³⁵⁵ Effects of FDI from the United States on host countries vastly differ from those from other major investing countries, such as the United Kingdom, Japan, France, Germany and the Netherlands (Fortanier 2007, 69–70).

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| 38. Gallova and Stavárek 2010 | Slovenia; the observed period is 1996–2007 | the impact of FDI and export on economic growth | FDI has a positive impact on export, i.e., it contributes to its increase (Gallova and Stavárek 2010, 497). ³⁵⁶ |
| 39. Gocer et al. 2012 | Turkey; the observed period is 2000–2010 | the impact of FDI on export growth | FDI has a positive impact on export growth (Gocer et al. 2012, 21). |
| 40. Görg and Greenaway 2004 | N/A | the impact of FDI on economic growth | FDI has a positive impact on economic growth, especially of developing and transition countries. The beneficial effect of FDI is mainly achieved through the spill-over effect comprising transfer of advanced technology, know-how and management skills (Görg and Greenaway 2004, 189–190), as well as improved productivity and higher labour cost, i.e. improved living standard of domestic population (Görg and Greenaway 2004, 182). ³⁵⁷ |
| 41. Haddad and Harrison 1993 | Morocco; the observed period is 1985–‘89, (manufacturing firms with 10+ employees) | the impact of FDI on economic growth | FDI has a positive impact on economic growth (Haddad and Harrison 1993, 70). ³⁵⁸ |
| 42. Hunya and Geishecker 2005 | | the impact of FDI on raising employment (in the host country) | FDI has a positive impact on raising employment by means of cooperation with the host country supplier firms (Hunya and Geishecker 2005, 25) and industrial restructuring (Hunya and Geishecker 2005, 4). This opens up prospects for creating new |

³⁵⁶ Exporting has a positive impact on GDP growth (Gallova and Stavárek 2010, 497).

³⁵⁷ The successfulness of attracting FDI to a large extent depends on the host country characteristics, primarily the quality of infrastructure and communication systems, situation in the labour market, and trade and macroeconomic policies (Görg and Greenaway 2004, 189–190). It does also depend on the absorptive capacity of the host country and its geographical proximity to the country of FDI origin (Görg and Greenaway 2004, 186).

³⁵⁸ Foreign investing firms are more export-oriented and offer higher wages than their domestic counterparts, have better productivity (especially through joint ventures) and enable transfer of know-how to the host country (Haddad and Harrison 1993, 70).

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| | | | business opportunities, what in turn may lead to more foreign investment (Hunya and Geishecker 2005, 25), enhancing the private entrepreneurship in the host country in general (Hunya and Geishecker 2005, 4). ³⁵⁹ |
| 43. Hansen and Rand 2006 | 31 developing countries from Asia, Latin America and Africa; ³⁶⁰ the observed period is 1970–2000 | the impact of FDI on economic growth | (1) There is uni-directional positive causality from FDI to GDP growth in the long-term; (2) FDI exerts equally positive impact on economic growth as domestic investment; (3) FDI positively contributes to the increase of gross capital accumulation; (4) the effect FDI has on economic growth does not differ among regions, and (5) the impact FDI has on economic growth is not contingent on the level of development of the host country (Hansen and Rand 2006, |

³⁵⁹ As factors which foreign investors especially take into account in the early stage, the authors note: functional market economy, efficacy of government institutions and the level of corruption, whereas cost and skills of labour force, level of productivity, exchange rate and the level of regional connectedness get important in later stage (Hunya and Geishecker 2005, 1). Negative effect of FDI, in the sense of job losses, may occur in the process of privatisation of the host country state-owned firms (Hunya and Geishecker 2005, 25).

³⁶⁰ Asia: India, Pakistan, Sri Lanka, Hong Kong, Indonesia, South Korea, Malaysia, Philippines, Singapore, Thailand; Latin America: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Mexico, Peru, Venezuela; Africa: Egypt, Morocco, Tunisia, Cameroon, Cote D'Ivoire, Ghana, Kenya, Nigeria, South Africa, Zambia.

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| 44. Hermes and Lensink 2003 | 67 countries (32 from Africa, 21 from Latin America and 14 from Asia and other countries) ³⁶¹ | the impact of FDI on economic growth | The beneficiary effect of FDI is contingent on the existence of developed financial system. Its level of development is positively correlated with the transfer of technology enabled by FDI (Hermes and Lensink 2003, 21). This implies that in order to be successful in |

³⁶¹ AFRICA: Algeria, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Gabon, Gambia, Guinea-Bissau, Cote d'Ivoire, Kenya, Lesotho, Madagascar, Mali, Mauritania, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Togo, Zimbabwe, Egypt, Ghana, Morocco, Swaziland, Tunisia, Zambia; LATIN AMERICA: Guatemala, Haiti, Barbados, Costa Rica, Dominican Republic, El Salvador, Honduras, Jamaica, Mexico, Nicaragua, Panama, Trinidad and Tobago, Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela; ASIA AND OTHER COUNTRIES: Nepal, Papua New Guinea, Bangladesh, China, India, Malaysia, Pakistan, Philippines, Sri Lanka, Syria, Thailand, Hungary, Malta and Fiji.

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| | | | attracting FDI, less developed countries need to reform and improve their financial system (Hermes and Lensink 2003, 22). |
| 45. Hudea and Stancu 2012 | 7 countries from Eastern Europe; ³⁶² the observed period is 1993–2009 | the impact of FDI on economic growth | There is bi-directional positive causality between FDI and economic growth. FDI enables positive spill-overs, such as transfer of technology (Hudea and Stancu 2012, 100). ³⁶³ |
| 46. Hunya 2004 | 3 Baltic countries; ³⁶⁴ the observed period is 1995–2002 | the impact of FDI on economic growth | FDI has a positive impact on economic growth. It helps stimulate industrial restructuring and enhancement of competitiveness, both directly by injecting new capital and bringing in technology, and |

³⁶² Romania, Bulgaria, Hungary, Poland, Moldavia, Czech Republic, Slovakia.

³⁶³ The authors also emphasise the quality and infrastructure and education as important factors which foreign investors take into account when deciding where to invest (Hudea and Stancu 2012, 100).

³⁶⁴ Estonia, Latvia and Lithuania.

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| | | | indirectly through the spill-over effect (Hunya 2004, 109). |
| 47. Jaklič 2011 | Slovenia | the impact of outward FDI on economic growth | Outward FDI has a positive impact on economic growth. It has proven to produce a strong beneficial effect on industrial restructuring (of both large (Slovenian) firms, and the SMEs alike) (Jaklič 2011, 6). ³⁶⁵ |
| 48. Johnson 2006 | 90 economies (68 developing and 22 developed); ³⁶⁶ the observed period is 1980–1992 | the impact of FDI on economic growth | FDI has a positive impact on economic growth in developing, but not in developed countries. The authors note that this may be because in developed economies the positive impact that domestic investment has on economic growth is strong enough, so that foreign investment |

³⁶⁵ Having recognised the full potential of intensification of economic cooperation with the fast-growing emerging economies, especially those of Asia, Africa and Latin America, and given a relatively low volume of trade with the mentioned economies at the time, the Slovenian authorities developed economic policies to reorient towards these prosperous markets which were not hardly affected by the global economic crisis (Jaklič 2011, 6).

³⁶⁶ DEVELOPING COUNTRIES: Algeria, Argentina, Bangladesh, Benin, Bolivia, Botswana, Brazil, Burkina Faso, Burundi, Cameroon, Central African Republic, Chile, Colombia, Democratic Republic of Congo, Republic of Congo, Costa Rica, Ecuador, Egypt, El Salvador, Gabon, Gambia, Ghana, Guatemala, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Ivory Coast, Jamaica, Jordan, Kenya, Lesotho, Madagascar, Malawi, Malaysia, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Rwanda, Senegal, Seychelles, Sierra Leone, Singapore, Sri Lanka, St. Vincent and the Grenadines, Swaziland, Syrian Arab Republic, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uruguay, Venezuela, Zambia, Zimbabwe; DEVELOPED COUNTRIES: Australia, Austria, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States.

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| | | | can hardly make a difference. They also argue that there is evidence to believe that the causality between FDI and economic growth could be bi-directional. However, due to relatively low income in developing countries, it is more likely that the causality would go from FDI to economic growth. Moreover, FDI enables transfer of technology and accumulation of capital (Johnson 2006, 44). ³⁶⁷ |
| 49. Josifidis et al. 2012 | 15 Emerging European countries (10 from Central and Eastern Europe and the Baltics and 5 from the Western Balkans); ³⁶⁸ the observed period is 1997–2009 | the impact of FDI and prospects of an eventual EU membership on economic growth | FDI had a positive impact on economic growth in the „emerging European countries“ after they became member states of the EU (Josifidis et al. 2012, 174). ³⁶⁹ |
| 50. Jude and Leveuge 2013 | 94 developing countries; ³⁷⁰ the observed period is 1984–2009 | the impact of FDI on economic growth | FDI, independent of other growth factors, does not exert a positive impact on economic growth in developing countries. The authors stress the quality of institutions and democratic governance as determining factors for enabling positive spill-overs of FDI, such as transfer of technology and improved productivity (Jude and Leveuge 2013, 16–17). ³⁷¹ |
| 51. King 2000 | Hungary (firm-level study) | the impact of FDI on | FDI has a positive impact on economic growth of the host country |

³⁶⁷ Furthermore, the study also revealed that domestic investment positively affects growth in developing countries too (Johnson 2006, 44).

³⁶⁸ Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia, Romania, Slovenia. Western Balkans countries: Albania, Bosnia and Herzegovina, Croatia, Macedonia and Serbia.

³⁶⁹ Hence, prospects of EU membership seem to have had a positive impact on economic growth of the acceding countries. The EU integration process brings about greater economic openness, which is an important factor for foreign investors (Josifidis et al. 2012, 173–174). In general terms, FDI is a generator of economic growth. It enables transfer of technology and improves balance of payment of the host country. Factors which foreign investors take into account are: stability of the political system, quality of legislation and infrastructure and macroeconomic stability (Josifidis et al. 2012, 170).

³⁷⁰ Albania, Algeria, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Bolivia, Botswana, Brazil, Bulgaria, Burkina Faso, Cameroon, Chile, China, Colombia, Congo Democratic Republic, Congo, Costa Rica, Cote d'Ivoire, Cuba, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, Gabon, Gambia, Ghana, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Korea Democratic Republic, Latvia, Lebanon, Liberia, Libya, Lithuania, Madagascar, Malawi, Malaysia, Mali, Mexico, Moldova, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nicaragua, Niger, Nigeria, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russia, Senegal, Serbia, Sierra Leone, Somalia, South Africa, Sri Lanka, Sudan, Suriname, Syrian Arab Republic, Tanzania, Thailand, Togo, Tunisia, Turkey, Uganda, Ukraine, Uruguay, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe.

³⁷¹ Possibility of an outbreak of a military conflict, ethnical tensions or a notable influence of the military in politics are the factors that dissuade potential foreign investors from investing (Jude and Leveuge 2013, 16–17).

| | | | |
|--------------------------------|--|---|--|
| | | economic growth | (King 2000). |
| 52. Kornecki and Raghavan 2011 | 5 countries from Central and Eastern Europe; ³⁷² the observed period is 1960–2006 | the impact of (inward) FDI on economic growth | (Inward) FDI has a positive impact on economic growth and its sustainability (Kornecki and Raghavan 2011, 553–554). |
| 53. Kotrajaras et al. 2011 | 15 Asian countries (3 groups: with high income, middle income and low income); ³⁷³ the observed period is 1990–2010 | the impact of (inward) FDI on economic growth | FDI has a positive impact on economic growth in high- and middle-income countries, due to high investment in education, infrastructure and a high level of financial development and openness to trade, the factors of immense importance for attracting foreign investors. The authors also stress index of corruption as another factor in terms of attracting FDI – middle-income countries with relatively high prevalence of corruption, despite a satisfying level of financial development and openness to trade, will not attract as much FDI as they otherwise would have. On the other side, low-income countries are likely to benefit less from FDI, as they have a low level of openness to trade and investment in education, weak financial development, in addition to prevalent corruption. As such, they (low-income countries) are not able to attract enough FDI and to take advantage of its spill-over benefits (Kotrajaras et al. 2011, 198). |
| 54. Ledyaeva and Linden 2006 | 74 Russian regions; the observed period is 1996–2003 | the impact of (inward) FDI on economic growth | FDI does not have a significant impact on economic growth. Only the higher-income regions benefit from FDI, though not significantly (Ledyaeva and Linden 2006, 29). ³⁷⁴ |
| 55. Leitão and Rasekhi 2013 | Portugal; the observed period is 1995–2008 | the impact of FDI on economic growth | FDI has a positive impact on economic growth. The beneficial effect is mainly achieved by means of the transfer of technology, management and know-how and by enhancing competition (Leitão and Rasekhi 2013, 59). |

³⁷² Poland, Czech Republic, Hungary, Slovakia, Slovenia.

³⁷³ (1) high income countries: Hong Kong, Japan, Korea, Singapore and Taiwan, (2) middle income countries: China, India, Indonesia, Malaysia, Philippines and Thailand, and (3) low income countries: Cambodia, Laos, Myanmar and Vietnam.

³⁷⁴ Low volume of FDI in Russia and consequently its insignificant impact on economic growth is mainly due to structural reasons in relation to the Russian economy (ineffective industrial sector). Export and domestic investment have the most significant effect on economic growth in Russia (Ledyaeva and Linden 2006, 29).

| | | | |
|--------------------------------|--|--|--|
| 56. Lensink and Morrissey 2001 | 88 countries(not listed); the observed period is 1975–1998 | the impact of FDI on economic growth | FDI has a positive impact on economic growth. The beneficial effect of FDI on economic growth is not contingent on the level of human capital (in the host country) (Lensink and Morrissey 2001, 24). ³⁷⁵ |
| 57. Lipsey and Sjöholm 2010 | 8 countries of South-East Asia; ³⁷⁶ the observed period is 1980–2009 | the impact of FDI on economic growth | FDI has a positive impact on economic growth; the beneficial effect is mostly achieved via the transfer of technology enabled by FDI (Lipsey and Sjöholm 2010, 30). |
| 58. Liu et al. 2002 | China; the observed period is 1981–1997 | the impact of FDI and trade on economic growth | There is bi-directional positive causality between FDI, export, and economic growth in the long-term. The authors also found uni-directional positive causality from FDI, export and GDP, and import in the short-term (Liu et al. 2002, 1439). |
| 59. Malesky 2009 | 27 transition countries; ³⁷⁷ the observed period is 1992–2004 | the impact of FDI on reforms | FDI exerts a positive impact on economic reform. 1 % increase in the volume of inward FDI exerts a positive effect on intensity of economic reform by 6.3 % in the year after (Malesky 2009, 62). ³⁷⁸ |
| 60. Mani 2013 | Turkey, Morocco and Egypt; the observed period is 1980–2011 | the impact of FDI on economic growth | (1) FDI has a positive impact on economic growth in Turkey, and (2) FDI does not have a positive impact on economic growth in Morocco and Egypt. The author concludes that the less developed the countries, the less benefit they are likely to have from FDI (Mani 2013, 104). |
| 61. Marasco 2007 | 51 countries of Latin America, East Asia and Pacific, South Asia, Africa, Middle East, | the impact of FDI on economic growth, and | (1) FDI does not exert a strong positive impact on economic growth; its beneficial impact is not significant, and (2) economic integration is |

³⁷⁵ The authors further argue that not all types of FDI equally response to political or economic instability (Lensink and Morrissey 2001, 24). For instance, FDI in manufacturing sector is more crisis-sensitive than in natural resource extraction sector (Lensink and Morrissey 2001, 25).

³⁷⁶ Taiwan, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand, Vietnam.

³⁷⁷ Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Macedonia, Georgia, Hungary, Kyrgyzstan, Kazakhstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Slovenia, Slovakia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, Bosnia and Herzegovina, Serbia and Montenegro (Serbia and Montenegro then as one country).

³⁷⁸ Reform policies include: price liberalisation, foreign exchange and trade liberalisation, privatisation of small state-owned enterprises, privatisation of large state-owned enterprises, enterprise reform, competition policy, bank reform, and reform of non-bank financial institutions (Malesky 2009, 62)

| | | | |
|------------------------|--|---|---|
| | Eastern Europe, as well as the OECD countries; ³⁷⁹ the observed period is 1990–2004 | economic integration on FDI | a significant determinant of FDI, in the sense that the higher level of economic integration, the more likely it is that FDI will have a positive impact on economic growth (of a host country) (Marasco 2007, 10). |
| 62. Mehic et al. 2013 | 7 countries from South-Eastern Europe; ³⁸⁰ the observed period is 1998–2007 | the impact of FDI on economic growth | FDI has a positive effect on economic growth (Mehic et al. 2013, 15). Absorption capacity of a host country (such as level of technological development and financial capacity), as well as the level of openness to trade, degree of inflation and the overall macroeconomic stability, determine whether its economy will take advantage of the spill-over effects from FDI (Mehic et al. 2013, 16, 17). ³⁸¹ |
| 63. Mencinger 2009 | 8 countries from Central Europe and the Baltics; ³⁸² the observed period is 1996–2008 | the impact of FDI on current account balance | Foreign investment has produced a positive effect on current account balance of a host country via improving trade account, and a negative effect via worsening investment account (Mencinger 2009, 15). |
| 64. Misztal 2010 | Romania; the observed period is 2000–2009 | the impact of FDI on economic growth | FDI has a positive impact on economic growth. It was one of the main generators of economic growth (of Romania) in the given period (Misztal 2010, 48). |
| 65. Monastiriotes 2014 | 28 transition countries; ³⁸³ the observed period is 2002–2009 | the impact of FDI on productivity and economic growth | (1) EU-originated FDI seems to be more productive than FDI originating from outside the EU, in the sense that the first offers more beneficial effects for domestic firms of the host country. In part, this may be explained by the process of EU integration, which grants |

³⁷⁹ Argentina, Brazil, Chile, Columbia, Costa Rica, Dominican Republic, Mexico, Paraguay, Peru, Uruguay, Venezuela, Bangladesh, China, India, Indonesia, Malaysia, Pakistan, Philippines, Republic of Korea, Sri Lanka, Thailand, Egypt, Nigeria, South Africa, Czech Republic, Hungary, Poland, Romania, Russia, Turkey, Australia, Austria, Belgium and Luxembourg, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States.

³⁸⁰ Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia.

³⁸¹ Domestic investment does have a positive, but still not significant, impact on economic growth (Mehic et al. 2013, 15).

³⁸² Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia

³⁸³ Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia, Turkey; Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine, Uzbekistan.

| | | | |
|------------------------------------|--|--------------------------------------|--|
| | | | firms from the EU a preferential status in the acceding countries over the others, non-EU firms, and (2) FDI spill-over effects seem to be more welfare-enhancing in areas centering around the capital cities of the host countries (Monastiriotis 2014, 30). |
| 66. Monastiriotis and Jordaan 2011 | Greece; the observed period is 2002–2006 | the impact of FDI on economic growth | FDI has a positive impact on economic growth in peripheral areas, and a negative impact in urban areas (Monastiriotis and Jordaan 2011, 34–35). The authors note that FDI does not improve productivity of the host country domestic firms (Monastiriotis and Jordaan 2011, 33). ³⁸⁴ |
| 67. Mottaleb 2007 | 60 developing countries from Asia, Africa and Latin America; ³⁸⁵ the observed period is 2003–2005 | the impact of FDI on economic growth | FDI has a positive impact on economic growth. It (FDI) helps stimulate industrial development. The market size and quality of infrastructure are among the main determinants of FDI - the bigger the domestic market, and the better infrastructure of the host country, the more FDI it is likely to receive (Mottaleb 2007, 9–10). ³⁸⁶ |
| 68. Moudatsou 2003 | 14 countries; ³⁸⁷ the observed period is 1980–1996 | the impact of FDI on economic growth | FDI has a positive impact on economic growth (both directly and indirectly). The beneficial effect of FDI on economic growth in the EU economies under survey is not contingent on the level of human capital, as is the case in developing countries. This is explained by the fact that the level of human capital in the sample countries is above the necessary sufficient level to enable positive (spill-over) effect of FDI to occur (Moudatsou 2003, 705). |
| 69. Moudatsou and Kyrkilis 2011 | 16 EU and 4 ASEAN countries; ³⁸⁸ the observed period is 1970–2003 | the impact of FDI on economic growth | There is evidence that economic growth positively affects the inflow of FDI in developed and developing countries, but not vice versa. In other words, there is weak evidence that FDI has a positive impact on economic growth. More specifically, of the surveyed EU countries, the FDI-induced economic growth was found only in Finland, while bi-directional link was not found in any; in ASEAN countries group, |

³⁸⁴ Foreign investors rather choose to invest in firms and sectors characterised by high productivity (Monastiriotis and Jordaan 2011, 33).

³⁸⁵ *Asia*: **Philippines, Jordan, Azerbaijan, Kazakhstan, Vietnam, Pakistan, Thailand, Indonesia, India, China**, Bhutan, Nepal, Lao PDR, Iran, Uzbekistan, Kyrgyz Republic, Mongolia, Sri Lanka, Georgia, Bangladesh; *Africa*: **Tunisia, Algeria, Congo Republic, Morocco, Nigeria, Egypt**, Angola, Burundi, Malawi, Rwanda, Cameroon, Benin, Sierra Leone, Lesotho, Kenya, Madagascar, Togo, Senegal, Guinea, Zimbabwe, Mozambique, Mauritania, Ghana, Mali, Cote d'Ivoire, Ethiopia, Uganda, Zambia, Namibia, Chad; *Latin America*: **Dominican Republic, Ecuador, Peru, Colombia**, Bolivia, Guatemala, Paraguay, Nicaragua, Honduras, El Salvador) (*countries in bold have received the biggest volume of FDI).

³⁸⁶ In general, FDI enables positive spill-over effects (transfer of technology and advanced management) (Mottaleb 2007, 1).

³⁸⁷ Austria, Belgium/Luxembourg, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom.

³⁸⁸ EU group: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Malta, Netherlands, Portugal, Spain, Sweden, United Kingdom; ASEAN group: Indonesia, Singapore, Philippines, Thailand.

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| | | | bi-directional causality is present only in Indonesia, while in none was found uni-directional link from FDI to economic growth (Moudatsou and Kyrkilis 2011, 573). |
| 70. Neuhaus 2006 | 13 transition countries of Central and Eastern Europe (not listed) | the impact of FDI on economic growth | (1) FDI exerts a substantially stronger positive impact on economic growth than domestic investment; (2) FDI enables technological transfer from the investing to the host country (Neuhaus 2006, 154); (3) Market size and investment environment have an impact on foreign investors' decisions, in the sense that the larger the market and the better investment-friendly environment, the more likely the foreign investors will come to invest; (4) The authors did not find that the distance between the investing country and the targeted country matters for prospective foreign investors; (5) Cost of labour does have an impact on foreign investors' decisions, in the sense that the higher the labour cost, the less attractive it becomes for foreign investors; (6) Political and macroeconomic stability, fiscal and monetary policy are also the factors which matter for foreign investors, and (7) FDI positively influence the overall transition process (Neuhaus 2006, 151). |
| 71. Ozturk and Acaravci 2010 | Turkey; the observed period is 1998–2009 | the impact of FDI on economic growth | (1) There is a strong uni-directional positive causality from FDI to import-led economic growth, and both strong and weak uni-directional positive causality from FDI to GDP growth; (2) There is a long-term uni-directional positive causality from FDI and GDP to import-led economic growth, and (3) There is a long-term uni-directional positive causality from import-led economic growth and FDI to GDP growth (Ozturk and Acaravci 2010, 112–113). |
| 72. Pelinescu and Rădulescu 2009 | 8 countries from Central and Eastern Europe; ³⁸⁹ the observed period is 1992–2004 | the impact of FDI on economic and export growth | FDI has a positive impact on economic growth. It also positively influences growth of export and enhances its structure, whereat adding more high-added value to it, making it more technologically advanced and therefore competitive. In addition, FDI stimulates |

³⁸⁹ Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovenia, Slovakia.

| | | | |
|---------------------------|--|--------------------------------------|--|
| | | | development of the supplier firms (from the host country) and their international engagement (Pelinescu and Rădulescu 2009, 160). |
| 73. Radosevic et al. 2003 | 5 countries from Central Europe; ³⁹⁰ the observed period is 1993–1999 | the impact of FDI on employment | FDI has a positive impact on the increase of employment in all sample countries, and has been generally important for international integration of the transition economies (Radosevic et al. 2003, 83–86). ³⁹¹ |
| 74. Sapienza 2010 | 25 transition countries; ³⁹² the observed period is 1990–2005 | the impact of FDI on economic growth | Initially, FDI had a positive effect on economic growth in the transition countries, whereas that is not the case with current FDI inflow (Sapienza 2010, 133). ³⁹³ |

³⁹⁰ Czech Republic, Hungary, Poland, Slovenia, Slovakia.

³⁹¹ Diversification of FDI in the host country positively correlates with the volume of attracted (inward) FDI and the share of export in GDP; this implies that the higher the volume of inward FDI (attracted by the host country), and the more export-oriented the host countries, the more diversified FDI is likely to become (Radosevic et al. 2003, 83–86).

³⁹² Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Slovak Republic, Slovenia, Tajikistan, Turkey, Ukraine, Uzbekistan.

³⁹³ Domestic investment and export also positively affect economic growth (Sapienza 2010, 133)

| | | | |
|--------------------------------|---|---|---|
| 75. Sen 2011 | India; the observed period is 1970–2008 | the impact of FDI on economic growth and the service sector | There is bi-directional causality between GDP and FDI, and FDI and the service sector (Sen 2011, 153, 154). |
| 76. Sghaier and Abida 2013 | 4 North African countries; ³⁹⁴ the observed period is 1980–2011 | the impact of FDI on economic growth | The positive impact of FDI on economic growth of the host country is contingent on the level of development of its financial system (Sghaier and Abida 2013, 8). |
| 77. Singh 2013 | India; the observed period is 1970–2012 | the impact of FDI on economic growth | FDI has a positive impact on economic growth in the long-term (Singh 2013, 11) |
| 78. Soleimani and Behname 2012 | 5 countries from the Middle East; ³⁹⁵ the observed period is 1980–2010 | the impact of FDI on economic growth | FDI has a positive impact on economic growth. Human capital, stock capital, infrastructure and openness to trade are the most significant determinants of FDI (Soleimani and Behname 2012, 71, 72). |

³⁹⁴ Tunisia, Morocco, Algeria and Egypt.

³⁹⁵ Bahrain, Iran, Saudi Arabia, Qatar, Kuwait.

| | | | |
|--------------------|---|--|--|
| 79. Svetlicic 2007 | Slovenia; the observed period is 1996–2005 | the impact of outward FDI on economic growth | Outward FDI has a positive impact on economic growth. It has helped enhance domestic (Slovenian) firms' competitiveness, diversify product line-up and generate employment both at home as well as in the host country (Svetlicic 2007, 80). |
| 80. Stylianou 2014 | United States; the observed period is 1975–2010 | the impact of FDI and trade on economic growth | (1) There is uni-directional positive causality from GDP to FDI (Stylianou 2014, 33–34). ³⁹⁶ |
| 81. Temiz and | Turkey | the impact of FDI on | FDI does not have a significant positive impact on GDP growth in the |

³⁹⁶ The authors also found a uni-directional causality from export to GDP and FDI (Stylianou 2014, 33–34).

| | | | |
|------------------------------------|--|--|--|
| Gökmen 2013 | | economic growth | short- and the long-term (Temiz and Gökmen 2013, 145) |
| 82. Türkcan and Yetkiner 2008 | 23 OECD countries; ³⁹⁷ the observed period is 1975–2004 | the impact of FDI on economic growth | There is bi-directional causality between FDI and economic growth, whereat economic growth positively affects FDI more strongly than vice versa (Türkcan and Yetkiner 2008, 12). |
| 83. Vadlamannati and Tamazian 2009 | 80 developing countries; ³⁹⁸ the observed period is 1980–2006 | the impact of FDI and policy reform on economic growth | FDI and institutional and policy reforms have a positive impact on economic growth (Vadlamannati and Tamazian 2009, 313–318). |
| 84. Wacker 2011 | 111 developing low-income and middle- | the impact of FDI on | FDI has a positive impact on trade development and hence economic |

³⁹⁷ Australia, Austria, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Mexico, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

³⁹⁸ Algeria, Argentina, Bahrain, Bangladesh, Barbados, Benin, Bolivia, Botswana, Brazil, Burundi, Cameroon, Central African Republic, Chad, Chile, China, Colombia, Congo Democratic Republic, Costa Rica, Cote D'Ivoire, Dominican Republic, Ecuador, Egypt, El Salvador, Gabon, Ghana, Guatemala, Guinea-Bissau, Haiti, Honduras, Hong Kong, India, Indonesia, Iran, Israel, Jamaica, Jordan, Kenya, South Korea, Kuwait, Madagascar, Malawi, Malaysia, Mali, Mauritius, Mexico, Morocco, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Rwanda, Senegal, Sierra Leone, Singapore, South Africa, Sri Lanka, Syria, Taiwan, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates, Uganda, Uruguay, Venezuela, Zambia, Zimbabwe.

| | | | |
|---------------------------|---|--------------------------------------|--|
| | low-income countries; ³⁹⁹ the observed period is 1980-2008 | economic growth | growth in developing countries (Wacker 2011). |
| 85. Wang 2009 | 12 Asian economies; ⁴⁰⁰ the observed period is 1987-1997 | the impact of FDI on economic growth | FDI inflow in the manufacturing sector of the host country has a positive impact on economic growth, while it does not in the non-manufacturing sector. Moreover, it might happen that FDI has a positive impact on the overall economic growth, and at the same time not to positively affect per capita income (Wang 2009, 1000). In order to benefit from FDI spill-over effects, the host country needs to have a sufficient level of technological development (Wang 2009, 996). ⁴⁰¹ |
| 86. Wijeweera et al. 2010 | 45 countries; ⁴⁰² the observed period is 1997-2004 | the impact of FDI on economic growth | FDI has a positive impact on economic growth and enables transfer of technology only under the condition that a host country disposes of a sufficient level of skilled labour (Wijeweera et al. 2010, 153-156). ⁴⁰³ |
| 87. Xu 2000 | 40 countries; ⁴⁰⁴ the observed period is 1966-1994 | the impact of FDI on economic growth | FDI has a positive impact on economic growth of the host country if it (the host country) disposes of a necessary sufficient level of human capital. Furthermore, developed recipient countries benefit far more from transfer of technology enabled by FDI spill-overs than |

³⁹⁹ **Low-income countries:** Afghanistan, Armenia, Burundi, Benin, Burkina Faso, Bangladesh, Bhutan, Cambodia, Central African Republic, Chad, China, Comoros, Eritrea, Ethiopia, Ghana, Guinea, Gambia, Guinea-Bissau, Equatorial Guinea, Guyana, Haiti, Indonesia, India, Kenya, Lao PDR, Liberia, Sri Lanka, Lesotho, Madagascar, Maldives, Mali, Myanmar, Mozambique, Mauritania, Malawi, Niger, Nigeria, Nepal, Pakistan, Rwanda, Sudan, Solomon Islands, Sierra Leone, Somalia, Sao Tome and Principe, Togo, Timor-Leste, Tanzania, Uganda, Vietnam, Congo (Democratic Republic), Zambia; **medium-low-income countries:** Albania, Angola, Azerbaijan, Belarus, Belize, Bolivia, Bosnia and Herzegovina, Botswana, Cameroon, Cape Verde, Chile, Colombia, Congo (Republic), Costa Rica, Cote d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Fiji, Georgia, Grenada, Guatemala, Honduras, Jamaica, Jordan, Kazakhstan, Kiribati, Korea (Democratic Republic), Kyrgyz Republic, Lebanon, Macedonia, Malaysia, Mauritius, Mexico, Micronesia, Mongolia, Montenegro, Morocco, Namibia, Nicaragua, Northern Mariana Islands, Papua New Guinea, Paraguay, Peru, The Philippines, Poland, Samoa, Senegal, Slovak Republic, South Africa, St. Lucia, St. Vincent and the Grenadines, Swaziland, Syrian Arab Republic, Tajikistan, Thailand, Tonga, Tunisia, Turkey, Turkmenistan, Ukraine, Uzbekistan, Vanuatu, Yemen and Zimbabwe.

⁴⁰⁰ Bangladesh, Mainland China, Hong Kong, India, Indonesia, Korea, Malaysia, Pakistan, Philippines, Singapore, Thailand, Taiwan.

⁴⁰¹ FDI exerts better growth-enhancing effect on the economy of the host country than domestic investment (Wang 2009, 996).

⁴⁰² Argentina, Australia, Belgium, Bolivia, Canada, Chile, China, Colombia, Czech Republic, Denmark, Dominican Republic, Ecuador, Finland, France, Greece, Germany, Guatemala, Honduras, Hong Kong, Hungary, Iceland, India, Israel, Italy, Japan, Mexico, the Netherlands, New Zealand, Paraguay, Peru, Poland, Russia, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, Uruguay, United States, Venezuela.

⁴⁰³ Openness to trade positively affects economic growth, while corruption negatively affects it (Wijeweera et al. 2010, 153-156).

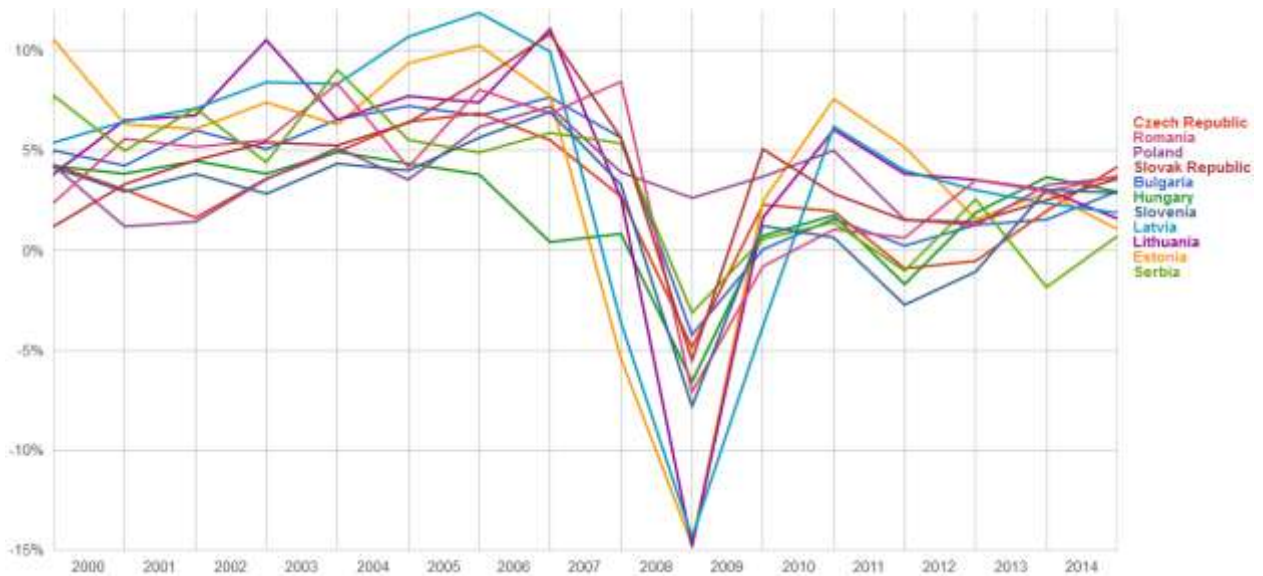
⁴⁰⁴ Canada, Costa Rica, Dominican Republic, Mexico, Argentina, Brazil, Chile, Columbia, Ecuador, Peru, Venezuela, Hong Kong, India, Israel, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherland, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, Australia, New Zealand.

| | | | |
|----------------|--|--------------------------------------|--|
| | | | developing countries (Xu 2000, 491). |
| 88. Yao 2006 | 28 Chinese provinces; the observed period is 1978–2001 | the impact of FDI on economic growth | FDI has a positive impact on economic growth. It did also enable the spill-over effect via transfer of technology and business know-how (Yao 2006, 348–349). ⁴⁰⁵ |
| 89. Zhang 1999 | 10 Asian countries | the impact of FDI on economic growth | FDI has a positive impact on economic growth via the transfer of technology and know-how. It (FDI) has had a long-term growth-enhancement effect in China, Hong Kong, Indonesia, Japan and Taiwan, and a short-term (growth-enhancement effect) in Singapore (Zhang 1999). |

⁴⁰⁵ The authors also found a correlation between the increase of export and the increase of volume of inward FDI. Moreover, they argue that openness to trade and currency devaluation stimulated growth of export and that FDI and export have been the main drivers of economic growth in China (Yao 2006, 348–349).

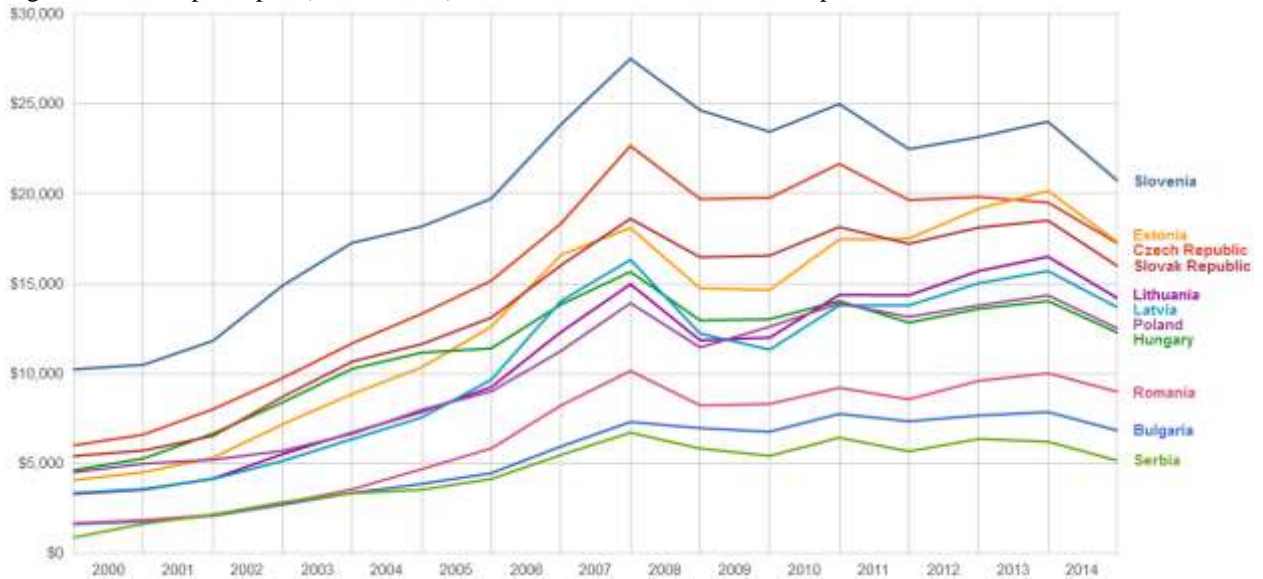
Appendix E

Figure E.1: GDP growth rate for the selected countries, for the period 2000–2015⁴⁰⁶



Source: World Bank – World Development Indicators

Figure E.2: GDP per capita (current USD) for the selected countries, for the period 2000–2015⁴⁰⁷

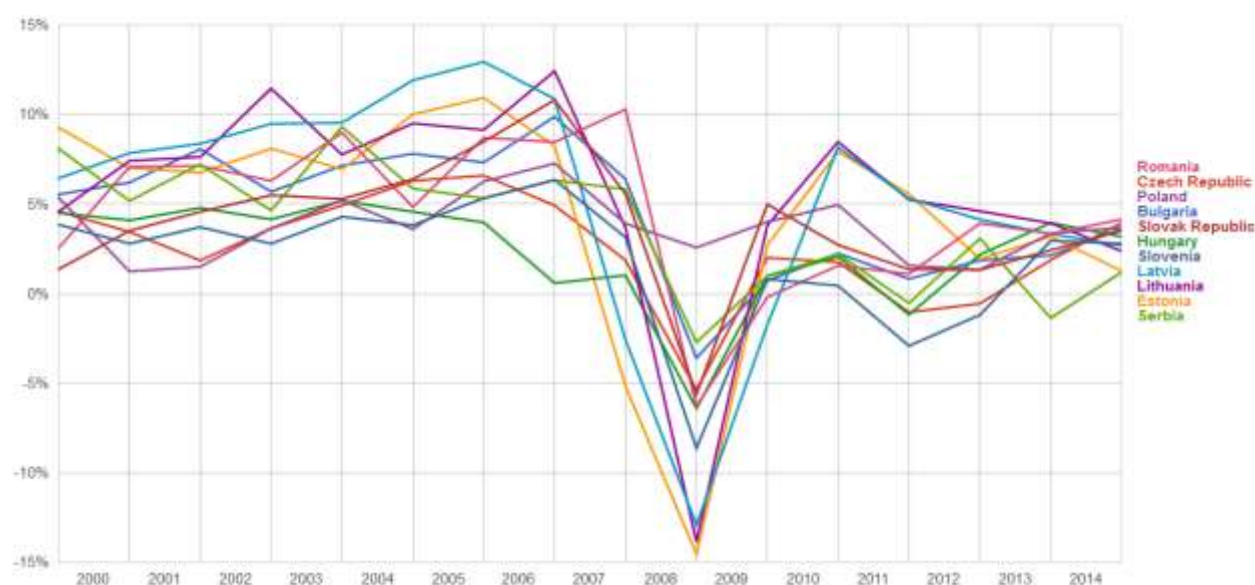


Source: World Bank – World Development Indicators

⁴⁰⁶ “Percentage change of real GDP compared to previous year. Real GDP is adjusted for inflation.”

⁴⁰⁷ “GDP per capita is product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars.”

Figure E.3: GDP per capita growth for the selected countries (annual %), for the period 2000–2015⁴⁰⁸



Source: World Bank – World Development Indicators

Table E.1: Export of goods and services (% of GDP) for the selected countries, for the period 2000–2015

| Country | Year | | | | | | | | | | | | | | | | |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Serbia | 9.9 | 22.4 | 20.6 | 22 | 24.2 | 27.1 | 30.3 | 28.4 | 29.1 | 26.8 | 32.9 | 34 | 36.9 | 41.2 | 43.4 | 46.7 | 50.9 |
| Bulgaria | 36.5 | 35 | 33.7 | 34.5 | 41.1 | 42.6 | 47.1 | 52 | 52.3 | 42.4 | 50.2 | 59.1 | 60.8 | 64.7 | 65 | 64.1 | 63.6 |
| Czech R. | 48.3 | 49.1 | 45.2 | 47.1 | 57.4 | 62.3 | 65.3 | 66.6 | 63.4 | 58.8 | 66.2 | 71.3 | 76.2 | 76.9 | 82.5 | 83 | 80.3 |
| Estonia | 61.6 | 61.3 | 58.3 | 57.4 | 61.5 | 65.9 | 63.5 | 63.2 | 66.8 | 60.8 | 75.1 | 86.5 | 86 | 84.5 | 83.1 | 79.3 | 79.6 |
| Hungary | 66.8 | 64.9 | 58.1 | 56.4 | 59.7 | 62.8 | 74.3 | 78.3 | 79.6 | 74.8 | 82.2 | 87.2 | 86.8 | 86 | 88.7 | 90.7 | 92.5 |
| Latvia | 36.9 | 38.1 | 36.6 | 36.1 | 39.1 | 43.2 | 40 | 38.5 | 39.5 | 42.6 | 53.7 | 57.9 | 61.4 | 60.3 | 59.6 | 59 | 58 |
| Lithuania | 38.5 | 44 | 47.3 | 46.2 | 47.4 | 53.9 | 55.7 | 50.4 | 57.1 | 51.9 | 65.3 | 75 | 81.7 | 84.1 | 81.2 | 76.5 | 74.3 |
| Romania | 32.7 | 33 | 35.2 | 34.5 | 35.6 | 32.9 | 32.1 | 29.1 | 26.9 | 27.4 | 32.3 | 36.8 | 37.5 | 39.7 | 41.2 | 41.1 | 41.4 |
| Poland | 27.2 | 27.2 | 28.8 | 33.4 | 34.3 | 34.6 | 37.9 | 38.6 | 37.9 | 37.2 | 40.1 | 42.6 | 44.4 | 46.3 | 47.6 | 49.5 | 52.3 |
| Slovak R. | 54.1 | 57.8 | 57.5 | 62.2 | 68.7 | 72 | 81 | 83.3 | 80 | 67.6 | 76.3 | 85 | 91.4 | 93.8 | 91.8 | 93.5 | 93.8 |
| Slovenia | 50 | 51.7 | 52.2 | 50.9 | 55 | 59.6 | 64.7 | 67.6 | 66.1 | 57.2 | 64.3 | 70.4 | 73.3 | 75.2 | 76.4 | 77.9 | 79.1 |

Source: World Bank – World Development Indicators

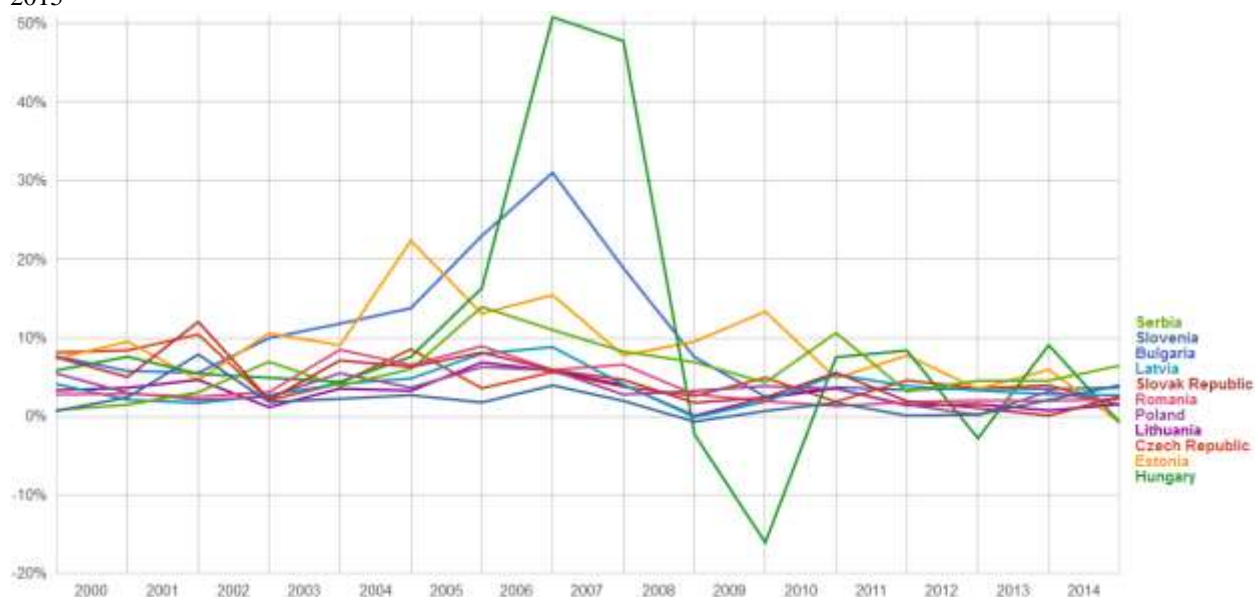
⁴⁰⁸ “Annual percentage growth rate of GDP per capita based on constant local currency. GDP per capita is product divided by midyear population. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.”

Table E.2: Exports of goods and services (billion USD) for the selected countries, for the period 2000–2015

| Country | Year | | | |
|-----------|--------|------|-------|-------|
| | 2000 | 2005 | 2010 | 2015 |
| Serbia | 644.4* | 7.1 | 13 | 17.3 |
| Bulgaria | 3.5 | 9.2 | 14.6 | 17.8 |
| Czech R. | 29.7 | 84.7 | 137 | 153.6 |
| Estonia | 3.5 | 9.2 | 14.6 | 17.8 |
| Hungary | 31.5 | 70.7 | 107.1 | 110.4 |
| Latvia | 2.9 | 7.3 | 12.8 | 15.9 |
| Lithuania | 12.2 | 32.8 | 54.3 | 73.1 |
| Poland | 46.8 | 106 | 192 | 236.4 |
| Romania | 4.8 | 12.7 | 25.4 | 32.2 |
| Slovak R. | 15.7 | 45.2 | 68.3 | 81.6 |
| Slovenia | 10.2 | 21.7 | 30.9 | 33.3 |

Source: World Bank – World Development Indicators

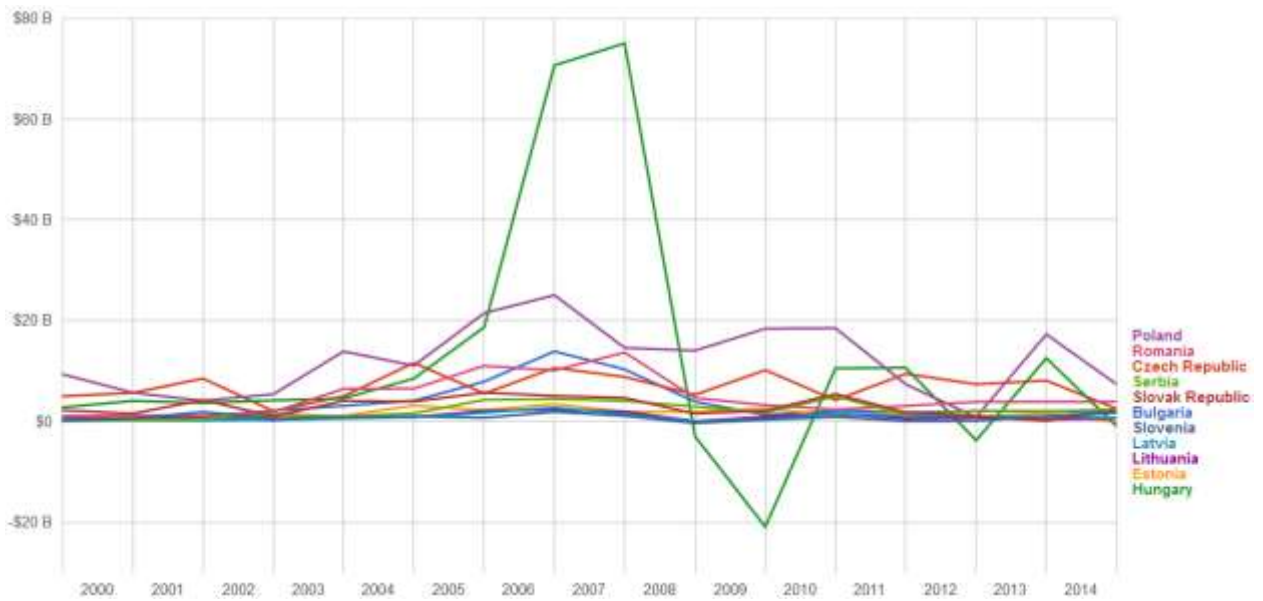
Figure E.4: Foreign direct investment for the selected countries, net inflows (% of GDP), for the period 2000–2015⁴⁰⁹



Source: World Bank – World Development Indicators

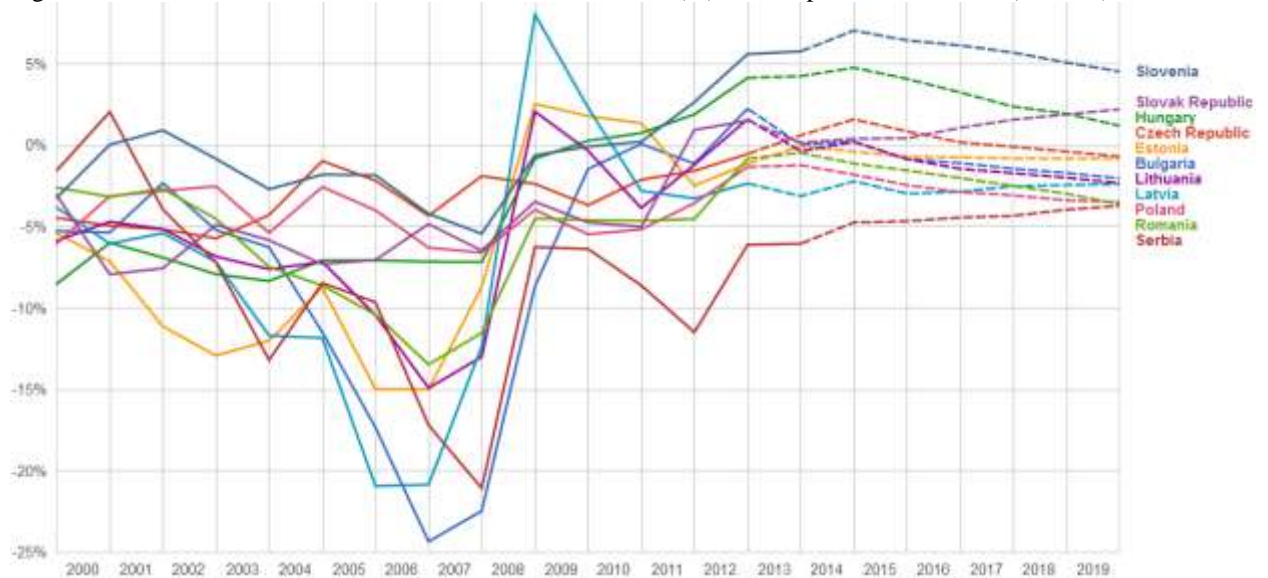
⁴⁰⁹ “Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors, and is divided by GDP.”

Figure E.5: Foreign direct investment for the selected countries, net inflows (BoP, current USD), for the period 2000–2015



Source: World Bank – World Development Indicators

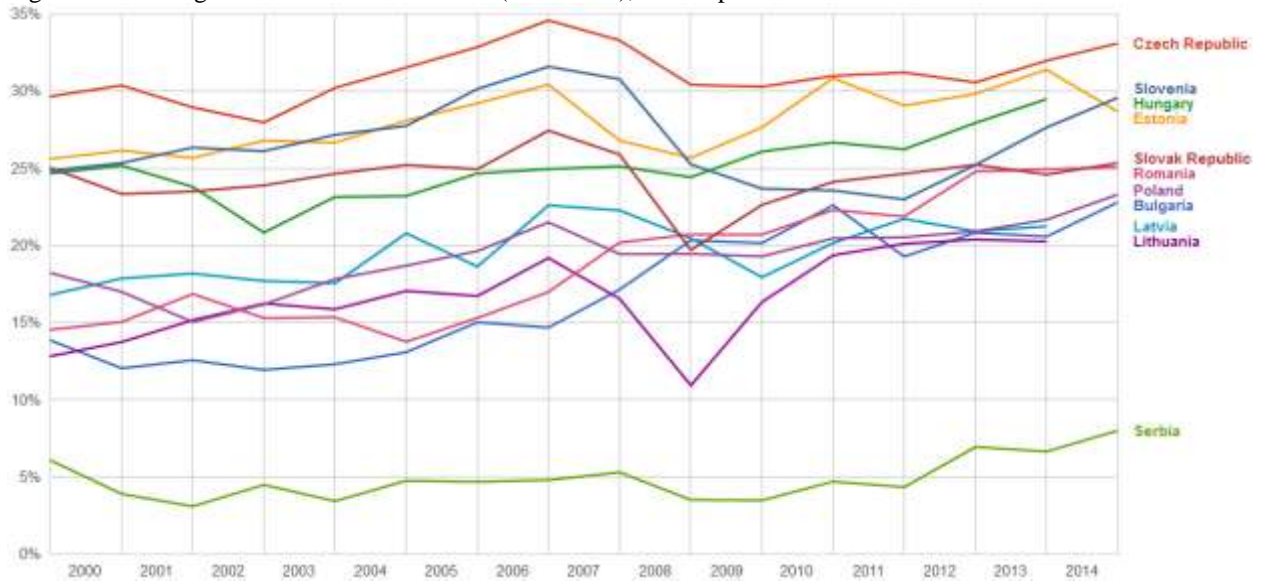
Figure E.6: Current account balance for the selected countries (%), for the period 2000–2020 (forecast)⁴¹⁰



Source: IMF – online database

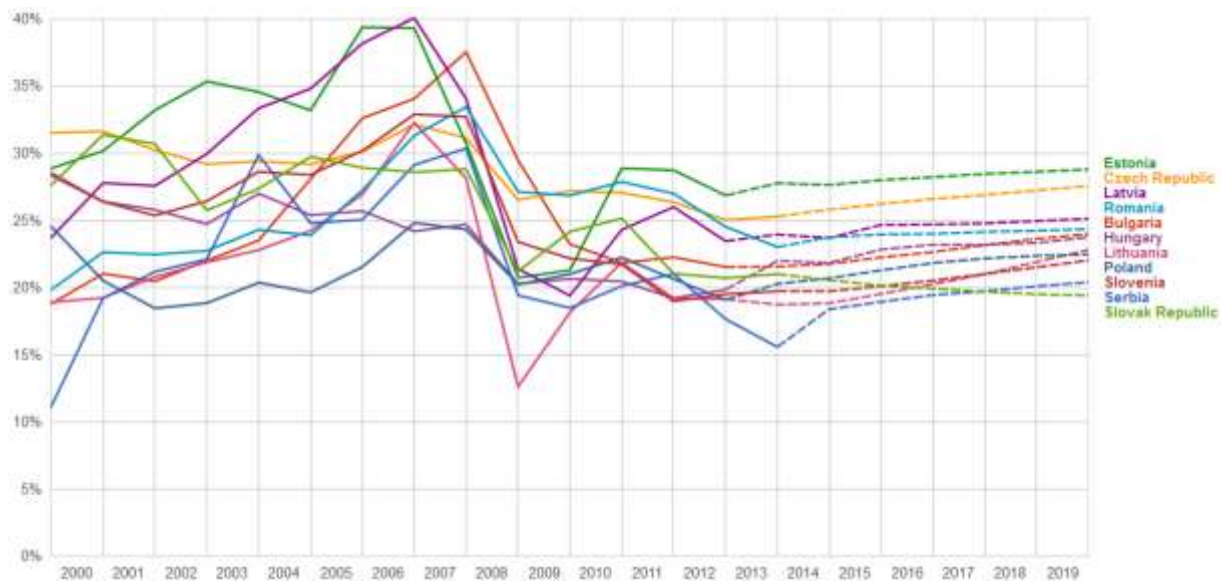
⁴¹⁰ “Current account is all transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers. The focus of the BOP is on transactions (between an economy and the rest of the world) in goods, services, and income.”

Figure E.7: Savings for the selected countries (% of GDP), for the period 2000–2015⁴¹¹



Source: World Bank – World Development Indicators

Figure E.8: Investment for the selected countries (% of GDP), for the period 2000–2020 (forecast)⁴¹²



Source: World Bank – World Development Indicator

⁴¹¹ “Savings are calculated as GDP less final consumption expenditure (total consumption).”

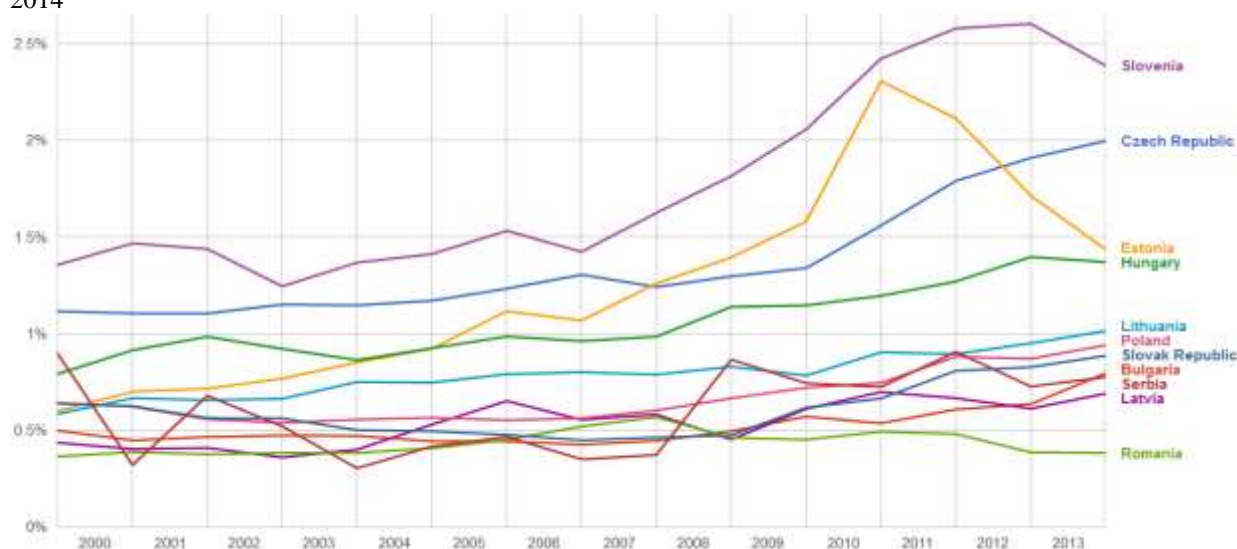
⁴¹² “Investment is measured by the total value of the gross fixed capital formation and changes in inventories and acquisitions less disposals of valuables for a unit or sector.”

Table E.3: Agriculture, value-added (% of GDP) for the selected countries, for the period 2000–2016

| Country | Year | | | | | | | | | | | | | | | | |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Serbia | 19,9 | 20 | 15 | 13,4 | 13,9 | 12 | 11,4 | 10 | 10,3 | 9,6 | 10,2 | 10,7 | 9 | 9,4 | 9,3 | 8,2 | N/A |
| Bulgaria | 12,6 | 12,1 | 10,9 | 10,4 | 9,8 | 8,5 | 7,2 | 5,4 | 7,0 | 4,9 | 4,8 | 5,3 | 5,3 | 5,3 | 5,3 | 4,8 | 4,4 |
| Czech R. | 3,4 | 3,3 | 2,8 | 2,6 | 2,5 | 2,4 | 2,3 | 2,2 | 2,1 | 1,8 | 1,7 | 2,4 | 2,6 | 2,7 | 2,7 | 2,5 | 2,5 |
| Estonia | 4,8 | 4,7 | 4,2 | 4,0 | 3,9 | 3,5 | 3,1 | 3,5 | 2,7 | 2,4 | 3,2 | 3,9 | 3,7 | 3,5 | 3,6 | 3,4 | 2,9 |
| Hungary | 5,7 | 5,6 | 4,8 | 4,5 | 5,0 | 4,3 | 4,0 | 4,0 | 3,9 | 3,5 | 3,5 | 4,6 | 4,6 | 4,6 | 4,7 | 4,1 | 4,5 |
| Latvia | 5,1 | 5,0 | 5,1 | 4,5 | 4,8 | 4,3 | 3,7 | 3,7 | 3,3 | 3,7 | 4,4 | 3,9 | 3,7 | 4,0 | 3,5 | 3,4 | 3,2 |
| Lithuania | 6,3 | 5,5 | 5,4 | 4,9 | 4,6 | 4,8 | 4,3 | 3,9 | 3,7 | 2,8 | 3,3 | 3,9 | 4,4 | 3,9 | 3,8 | 3,6 | 3,3 |
| Poland | 3,5 | 3,6 | 3,1 | 2,9 | 3,7 | 3,3 | 3,0 | 3,4 | 2,9 | 2,8 | 2,9 | 3,2 | 3,0 | 3,2 | 2,9 | 2,5 | 2,4 |
| Romania | 12,0 | 14,5 | 12,6 | 12,9 | 14,0 | 9,5 | 8,7 | 5,5 | 6,6 | 6,0 | 6,3 | 7,3 | 5,3 | 6,1 | 5,3 | 4,7 | 4,3 |
| Slovak R. | 4,4 | 5,0 | 5,0 | 4,4 | 4,1 | 3,6 | 3,6 | 4,0 | 4,1 | 3,3 | 2,8 | 3,4 | 3,5 | 4,0 | 4,4 | 3,7 | 3,8 |
| Slovenia | 3,3 | 3,0 | 3,2 | 2,4 | 2,6 | 2,6 | 2,3 | 2,1 | 1,9 | 1,9 | 2,0 | 2,3 | 2,1 | 2,1 | 2,4 | 2,4 | 2,3 |

Source: Statistical Office of the Republic of Serbia

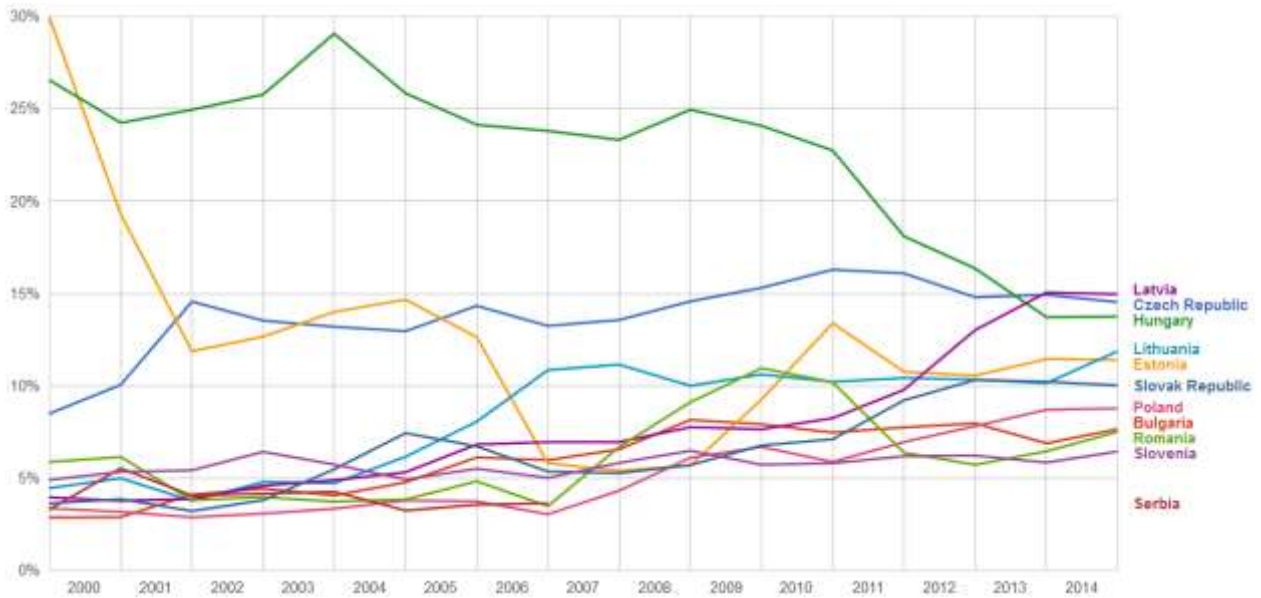
Figure E.9: Research and development expenditure for the selected countries (% of GDP), for the period 2000–2014⁴¹³



Source: World Bank – World Development Indicators

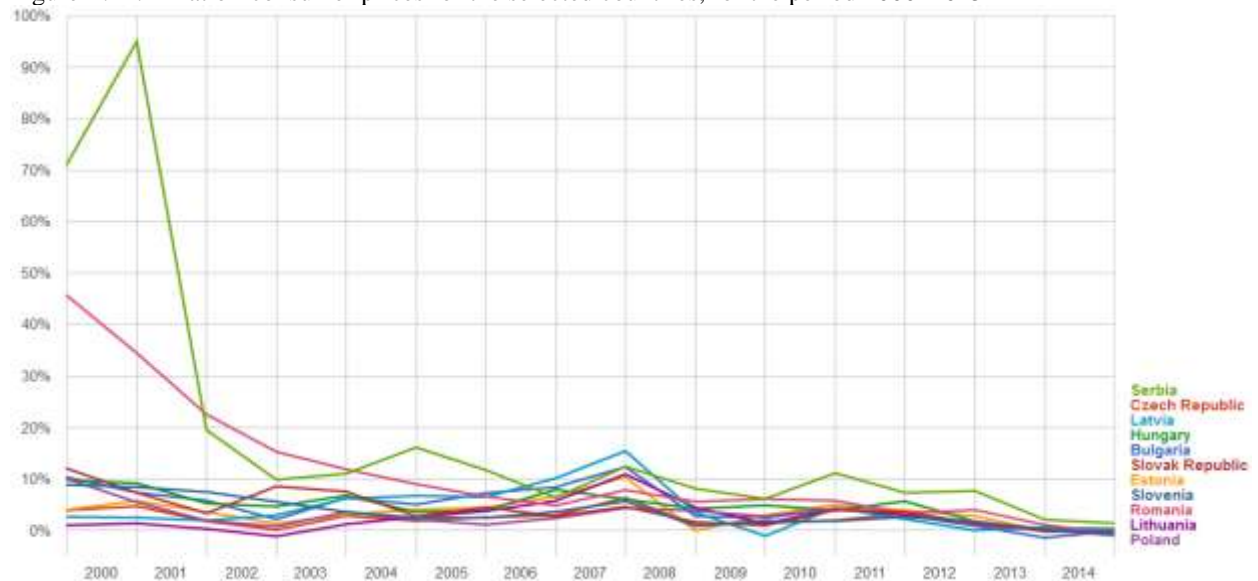
⁴¹³ “Expenditures for research and development are current and capital expenditures (both public and private) on creative work undertaken systematically to increase knowledge, including knowledge of humanity, culture, and society, and the use of knowledge for new applications. R and D covers basic research, applied research, and experimental development.”

Figure E.10: High-technology exports for the selected countries (% of manufactured exports), for the period 2000–2015⁴¹⁴



Source: World Bank – World Development Indicators

Figure E.11: Inflation-consumer prices for the selected countries, for the period 2000–2015⁴¹⁵

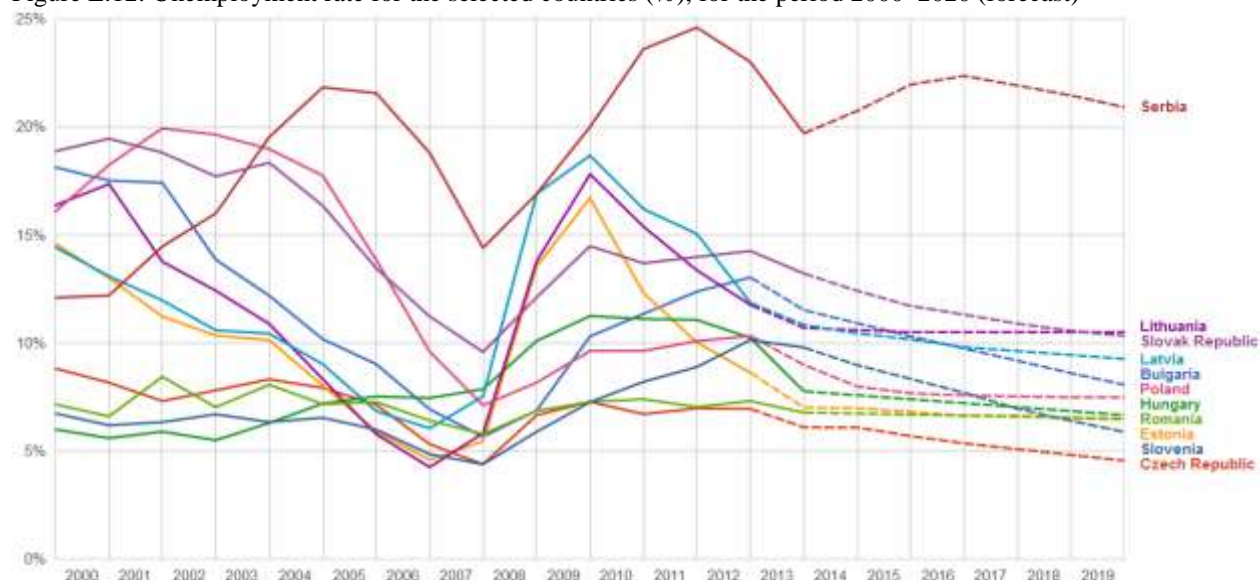


Source: World Bank – World Development Indicators

⁴¹⁴ “High-technology exports are products with high R and D intensity, such as in aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery.”

⁴¹⁵ “Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly.”

Figure E.12: Unemployment rate for the selected countries (%), for the period 2000–2020 (forecast) ⁴¹⁶



Source: IMF – online database

Table E.4: Ease of doing business rank for the selected countries, for the year 2016

| Country | Year |
|-----------------|--------|
| Serbia | 54/190 |
| Bulgaria | 37/190 |
| Czech Republic | 26/190 |
| Estonia | 11/190 |
| Hungary | 40/190 |
| Latvia | 17/190 |
| Lithuania | 21/190 |
| Poland | 25/190 |
| Romania | 35/190 |
| Slovak Republic | 30/190 |
| Slovenia | 30/190 |

Source: Own elaboration based on data of the Statistical office of the Republic of Serbia - online database

⁴¹⁶ “The International Labour Organization (ILO) defines the unemployed as members of the economically active population who are without work but available for and seeking work, including people who have lost their jobs or who have voluntarily left who have lost their jobs or who have voluntarily left work.”

Table E.5: Rank and score (by perceived level of corruption in the public sector) for the selected countries, for the year 2016

| Country | Rank | Score* |
|----------------|--------|--------|
| Serbia | 72/176 | 42/100 |
| Bulgaria | 75/176 | 41/100 |
| Czech Republic | 47/176 | 55/100 |
| Estonia | 22/176 | 70/100 |
| Hungary | 57/176 | 48/100 |
| Latvia | 44/176 | 57/100 |
| Lithuania | 38/176 | 59/100 |
| Poland | 29/176 | 62/100 |
| Romania | 57/176 | 48/100 |
| Slovakia | 54/176 | 51/100 |
| Slovenia | 31/176 | 61/100 |

*Perceived level of corruption in the public sector

Note: 0 indicates the most corrupt and 100 indicates the least corrupt.

Source: Own elaboration based on data of Transparency International - online database

Table E.6: Global competitiveness position of Serbia vis-a-vis the selected countries, for the period 2000–2016/17

| Country | Year | | | | | | | | | | | | | | | | |
|-----------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Serbia | 90/138 | 94/140 | 94/144 | 101/148 | 95/144 | 95/142 | 96/139 | 93/133 | 85/134 | 91/131 | 87/125 | 85/117 | 89/104 | 77/102 | N/A | N/A | N/A |
| Bulgaria | 50/138 | 54/140 | 54/144 | 57/148 | 62/144 | 74/142 | 71/139 | 76/133 | 76/134 | 79/131 | 72/125 | 61/117 | 59/104 | 64/102 | 58/80 | 59/75 | 57/59 |
| Czech R. | 31/138 | 37/140 | 37/144 | 46/148 | 39/144 | 38/142 | 36/139 | 31/133 | 33/134 | 33/131 | 29/125 | 29/117 | 40/104 | 39/102 | 36/80 | 37/75 | 31/59 |
| Estonia | 30/138 | 30/140 | 29/144 | 32/148 | 34/144 | 33/142 | 33/139 | 35/133 | 32/134 | 27/131 | 25/125 | 26/117 | 20/104 | 22/102 | 27/80 | 29/75 | N/A |
| Hungary | 69/138 | 63/140 | 60/144 | 63/148 | 60/144 | 48/142 | 52/139 | 58/133 | 62/134 | 47/131 | 41/125 | 35/117 | 39/104 | 33/102 | 29/80 | 28/75 | 25/59 |
| Latvia | 49/138 | 44/140 | 42/144 | 52/148 | 55/144 | 64/142 | 70/139 | 68/133 | 54/134 | 45/131 | 36/125 | 39/117 | 44/104 | 37/102 | 43/80 | 47/75 | N/A |
| Lithuania | 35/138 | 36/140 | 41/144 | 48/148 | 45/144 | 44/142 | 47/139 | 53/133 | 44/134 | 38/131 | 40/125 | 34/117 | 36/104 | 40/102 | 39/80 | 43/75 | N/A |
| Poland | 36/138 | 41/140 | 43/144 | 42/148 | 41/144 | 41/142 | 39/139 | 46/133 | 53/134 | 51/131 | 48/125 | 43/117 | 60/104 | 45/102 | 50/80 | 41/75 | 34/59 |
| Romania | 62/138 | 53/140 | 59/144 | 76/148 | 78/144 | 77/142 | 67/139 | 64/133 | 68/134 | 74/131 | 68/125 | 67/117 | 63/104 | 75/102 | 67/80 | 56/75 | N/A |
| Slovak R. | 65/138 | 67/140 | 75/144 | 78/148 | 71/144 | 69/142 | 60/139 | 47/133 | 46/134 | 41/131 | 37/125 | 36/117 | 43/104 | 43/102 | 46/80 | 40/75 | 38/59 |
| Slovenia | 56/138 | 59/140 | 70/144 | 62/148 | 56/144 | 57/142 | 45/139 | 37/133 | 42/134 | 39/131 | 33/125 | 30/117 | 33/104 | 31/102 | 26/80 | 31/75 | N/A |

Note: Serbia and Montenegro from 2000-2006

Note: Data for 2000 and 2002 are revised.

Source: World Economic Forum - Global Competitiveness Reports

Table E.7: Worldwide Governance Indicators for Serbia, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 27 | 44 | 56 | 56 |
| Political stability and absence of violence/terrorism | 7 | 25 | 31 | 56 |
| Government effectiveness | 18 | 45 | 52 | 58 |
| Regulatory quality | 18 | 30 | 53 | 57 |
| Rule of law | 8 | 19 | 42 | 54 |
| Control of corruption | 7 | 44 | 49 | 51 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Table E.4a: Worldwide Governance Indicators for Bulgaria, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 60 | 65 | 64 | 61 |
| Political stability and absence of violence/terrorism | 59 | 52 | 56 | 50 |
| Government effectiveness | 54 | 61 | 59 | 62 |
| Regulatory quality | 58 | 69 | 74 | 71 |
| Rule of law | 44 | 48 | 52 | 53 |
| Control of corruption | 52 | 57 | 52 | 49 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Table E.7b: Worldwide Governance Indicators for Czech Republic, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 69 | 74 | 77 | 78 |
| Political stability and absence of violence/terrorism | 56 | 77 | 82 | 81 |
| Government effectiveness | 75 | 79 | 78 | 82 |
| Regulatory quality | 75 | 82 | 86 | 81 |
| Rule of law | 68 | 76 | 80 | 83 |
| Control of corruption | 62 | 68 | 65 | 67 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Table E.7c: Worldwide Governance Indicators for Estonia, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 77 | 80 | 83 | 85 |
| Political stability and absence of violence/terrorism | 73 | 65 | 68 | 66 |
| Government effectiveness | 77 | 81 | 82 | 83 |
| Regulatory quality | 90 | 89 | 90 | 93 |
| Rule of law | 67 | 81 | 84 | 87 |
| Control of corruption | 75 | 80 | 79 | 87 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Table E.7d: Worldwide Governance Indicators for Hungary, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 87 | 87 | 75 | 66 |
| Political stability and absence of violence/terrorism | 75 | 80 | 69 | 70 |
| Government effectiveness | 81 | 75 | 72 | 71 |
| Regulatory quality | 83 | 83 | 81 | 74 |
| Rule of law | 77 | 77 | 72 | 67 |
| Control of corruption | 76 | 72 | 65 | 61 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Table E.7e: Worldwide Governance Indicators for Latvia, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 68 | 72 | 70 | 73 |
| Political stability and absence of violence/terrorism | 57 | 71 | 64 | 60 |
| Government effectiveness | 63 | 71 | 74 | 84 |
| Regulatory quality | 77 | 77 | 80 | 82 |
| Rule of law | 56 | 67 | 73 | 76 |
| Control of corruption | 48 | 64 | 62 | 68 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Table E.7f: Worldwide Governance Indicators for Lithuania, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 73 | 75 | 75 | 76 |
| Political stability and absence of violence/terrorism | 57 | 68 | 68 | 69 |
| Government effectiveness | 60 | 75 | 75 | 86 |
| Regulatory quality | 78 | 78 | 79 | 88 |
| Rule of law | 59 | 66 | 73 | 81 |
| Control of corruption | 64 | 61 | 66 | 70 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Table E.7g: Worldwide Governance Indicators for Poland, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 81 | 76 | 80 | 80 |
| Political stability and absence of violence/terrorism | 55 | 57 | 83 | 76 |
| Government effectiveness | 73 | 69 | 71 | 75 |
| Regulatory quality | 76 | 72 | 80 | 80 |
| Rule of law | 70 | 62 | 68 | 76 |
| Control of corruption | 72 | 61 | 70 | 71 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Table E.7h: Worldwide Governance Indicators for Romania, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 62 | 62 | 60 | 62 |
| Political stability and absence of violence/terrorism | 30 | 49 | 54 | 55 |
| Government effectiveness | 39 | 46 | 46 | 52 |
| Regulatory quality | 48 | 59 | 74 | 72 |
| Rule of law | 46 | 47 | 56 | 61 |
| Control of corruption | 40 | 50 | 52 | 58 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Table E.7i: Worldwide Governance Indicators for Slovak Republic, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 73 | 77 | 74 | 75 |
| Political stability and absence of violence/terrorism | 66 | 73 | 85 | 80 |
| Government effectiveness | 73 | 79 | 76 | 75 |
| Regulatory quality | 69 | 85 | 81 | 75 |
| Rule of law | 60 | 65 | 65 | 70 |
| Control of corruption | 64 | 69 | 64 | 62 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Table E.7j: Worldwide Governance Indicators for Slovenia, for the period 2000–2015

| Indicator | Year | | | |
|---|------|------|------|------|
| | 2000 | 2005 | 2010 | 2015 |
| Voice and accountability | 84 | 84 | 82 | 74 |
| Political stability and absence of violence/terrorism | 74 | 84 | 76 | 78 |
| Government effectiveness | 77 | 78 | 81 | 77 |
| Regulatory quality | 73 | 73 | 76 | 73 |
| Rule of law | 83 | 77 | 81 | 80 |
| Control of corruption | 80 | 80 | 78 | 76 |

Note: 0 indicates the lowest rank and 100 indicates the highest rank.

Source: Own elaboration based on data of the World Bank Group's Worldwide Governance Indicators – online database

Appendix F

Table F.1: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2004, in thousand USD

| | |
|--|-------------|
| CEFTA | |
| Bosnia and Herzegovina | 625.807,8 |
| Macedonia, Rep. | 256.992,7 |
| Croatia | 148.625,0 |
| Sum CEFTA3 | 1.031.425,5 |
| EU | |
| Italy | 447.676,6 |
| Germany | 352.882,5 |
| Slovenia | 154.964,5 |
| France | 134.637,0 |
| Romania | 122.665,0 |
| Hungary | 120.568,6 |
| Sum EU6 | 1.333.394,2 |
| Sum CEFTA3+EU6 | 2.364.819,7 |
| Share of CEFTA3+EU6 in total export | 67,1% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table F.2: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2005, in thousand USD

| | |
|--|-------------|
| CEFTA | |
| Bosnia and Herzegovina | 744.038,2 |
| Macedonia, Rep. | 260.575,2 |
| Croatia | 195.920,9 |
| Sum CEFTA3 | 1.200.534,3 |
| EU | |
| Italy | 653.680,4 |
| Germany | 441.837,1 |
| Slovenia | 188.817,4 |
| France | 161.526,8 |
| Hungary | 131.236,6 |
| Romania | 130.069,5 |
| Sum EU6 | 1.707.167,8 |
| Sum CEFTA3+EU6 | 2.907.702,1 |
| Share of CEFTA3+EU6 in total export | 64,9% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table F.3: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2006, in thousand USD

| CEFTA | |
|--|-------------|
| Bosnia and Herzegovina | 749.257,9 |
| Montenegro, Rep. | 619.405,9 |
| Macedonia, Rep. | 300.277,7 |
| Croatia | 251.142,8 |
| Sum CEFTA4 | 1.920.084,3 |
| EU | |
| Italy | 932.461,2 |
| Germany | 660.003,7 |
| Slovenia | 253.414,0 |
| France | 235.686,2 |
| Austria | 191.882,0 |
| Sum EU5 | 2.273.447,1 |
| Sum CEFTA4+EU5 | 4.193.531,4 |
| Share of CEFTA4+EU5 in total export | 65,2% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table F.4: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2007, in thousand USD

| CEFTA | |
|--|-------------|
| Bosnia and Herzegovina | 1.042.291,6 |
| Montenegro, Rep. | 950.927,7 |
| Macedonia, Rep. | 437.216,1 |
| Croatia | 330.867,5 |
| Sum CEFTA4 | 2.761.302,9 |
| EU | |
| Italy | 1.094.231,3 |
| Germany | 937.501,4 |
| Slovenia | 409.007,9 |
| Austria | 301.451,0 |
| France | 290.268,4 |
| Sum EU5 | 3.032.460,0 |
| Sum CEFTA4+EU5 | 5.793.762,9 |
| Share of CEFTA4+EU5 in total export | 65,7% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table F.5: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2008, in thousand USD

| CEFTA | |
|--|-------------|
| Bosnia and Herzegovina | 1.338.955,3 |
| Montenegro, Rep. | 1.287.405,2 |
| Macedonia, Rep. | 493.023,4 |
| Croatia | 434.528,1 |
| Sum CEFTA4 | 3.553.912,0 |
| EU | |
| Germany | 1.142.006,3 |
| Italy | 1.128.467,9 |
| Slovenia | 502.000,8 |
| Austria | 458.105,8 |
| Romania | 397.822,6 |
| Sum EU5 | 3.628.403,4 |
| Sum CEFTA4+EU5 | 7.182.315,4 |
| Share of CEFTA4+EU5 in total export | 65,4% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table F.6: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2009, in thousand USD

| CEFTA | |
|--|-------------|
| Bosnia and Herzegovina | 1.015.617,8 |
| Montenegro, Rep. | 836.163,4 |
| Macedonia, Rep. | 429.152,0 |
| Croatia | 278.762,3 |
| Sum CEFTA4 | 2.559.695,5 |
| EU | |
| Germany | 870.734,0 |
| Italy | 820.856,1 |
| Romania | 482.308,2 |
| Slovenia | 343.819,2 |
| Austria | 290.753,1 |
| Sum EU5 | 2.808.470,6 |
| Sum CEFTA4+EU5 | 5.368.166,1 |
| Share of CEFTA4+EU5 in total export | 64,3% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table F.7: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2010, in thousand USD

| CEFTA | |
|--|--------------|
| Bosnia and Herzegovina | 1.088.982,0 |
| Montenegro, Rep. | 803.772,8 |
| Macedonia, Rep. | 476.816,6 |
| Croatia | 307.099,9 |
| Sum CEFTA4 | 2.676.671,3 |
| EU | |
| Italy | 1.118.493,1 |
| Germany | 1.008.215,6 |
| Romania | 650.721,6 |
| Slovenia | 425.897,5 |
| Austria | 338.417,4 |
| Sum EU5 | 3.541.745,2 |
| Sum CEFTA4+EU5 | 6.218.416,5 |
| Share of CEFTA4+EU5 in total export | 63,5% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table F.8: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2011, in thousand USD

| CEFTA | |
|--|--------------|
| Bosnia and Herzegovina | 1.191.425,1 |
| Montenegro, Rep. | 890.954,1 |
| Macedonia, Rep. | 524.651,4 |
| Croatia | 468.072,1 |
| Sum CEFTA4 | 3.075.102,7 |
| EU | |
| Germany | 1.330.705,7 |
| Italy | 1.306.210,3 |
| Romania | 812.528,7 |
| Slovenia | 526.117,0 |
| Austria | 371.640,2 |
| Sum EU5 | 4.347.201,9 |
| Sum CEFTA4+EU5 | 7.422.304,6 |
| Share of CEFTA4+EU5 in total export | 63,0% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

F.9: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2012, in thousand USD

| CEFTA | |
|--|-------------|
| Bosnia and Herzegovina | 1.095.004,4 |
| Montenegro, Rep. | 802.258,5 |
| Macedonia, Rep. | 484.851,8 |
| Croatia | 386.261,7 |
| Sum CEFTA4 | 2.768.376,4 |
| EU | |
| Germany | 1.310.228,2 |
| Italy | 1.198.499,3 |
| Romania | 904.409,8 |
| Slovenia | 421.556,2 |
| Hungary | 315.646,1 |
| Sum EU5 | 4.150.339,6 |
| Sum CEFTA4+EU5 | 6.918.716,0 |
| Share of CEFTA4+EU5 in total export | 62,0% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table F.10: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2013, in thousand USD

| CEFTA | |
|--|-------------|
| Bosnia and Herzegovina | 1.201.135,1 |
| Montenegro, Rep. | 851.454,3 |
| Macedonia, Rep. | 576.077,5 |
| Croatia* | 415.833,8 |
| Sum CEFTA4 | 3.044.500,7 |
| EU | |
| Italy | 2.379.329,7 |
| Germany | 1.735.103,9 |
| Romania | 785.508,1 |
| Slovenia | 478.508,7 |
| Sum EU4 | 5.378.450,4 |
| Sum CEFTA4+EU4 | 8.422.951,1 |
| Share of CEFTA4+EU4 in total export | 57,7% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table F.11: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2014, in thousand USD

| CEFTA | |
|--|--------------|
| Bosnia and Herzegovina | 1.319.411,9 |
| Montenegro, Rep. | 756.148,5 |
| Macedonia, Rep. | 603.737,7 |
| Sum CEFTA3 | 2.679.298,1 |
| EU | |
| Italy | 2576937,8 |
| Germany | 1.773.217,6 |
| Romania | 829.987,4 |
| Slovenia | 471.160,8 |
| Croatia | 458.845,0 |
| France | 417.659,6 |
| Sum EU6 | 6.527.808,2 |
| Sum CEFTA3+EU6 | 9.207.106,30 |
| Share of CEFTA3+EU6 in total export | 62% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table F.12: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2015, in thousand USD

| CEFTA | |
|--|--------------|
| Bosnia and Herzegovina | 1.172.057,0 |
| Montenegro, Rep. | 678.724,7 |
| Macedonia, Rep. | 523.667,9 |
| Sum CEFTA3 | 2.374.449,6 |
| EU | |
| Italy | 2162973,6 |
| Germany | 1.672.587,9 |
| Romania | 745.626,6 |
| Croatia | 443.108,9 |
| Slovenia | 416.857,5 |
| France | 409.626,3 |
| Sum EU6 | 5.850.780,8 |
| Sum CEFTA3+EU6 | 8.225.230,40 |
| Share of CEFTA3+EU6 in total export | 61,5% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

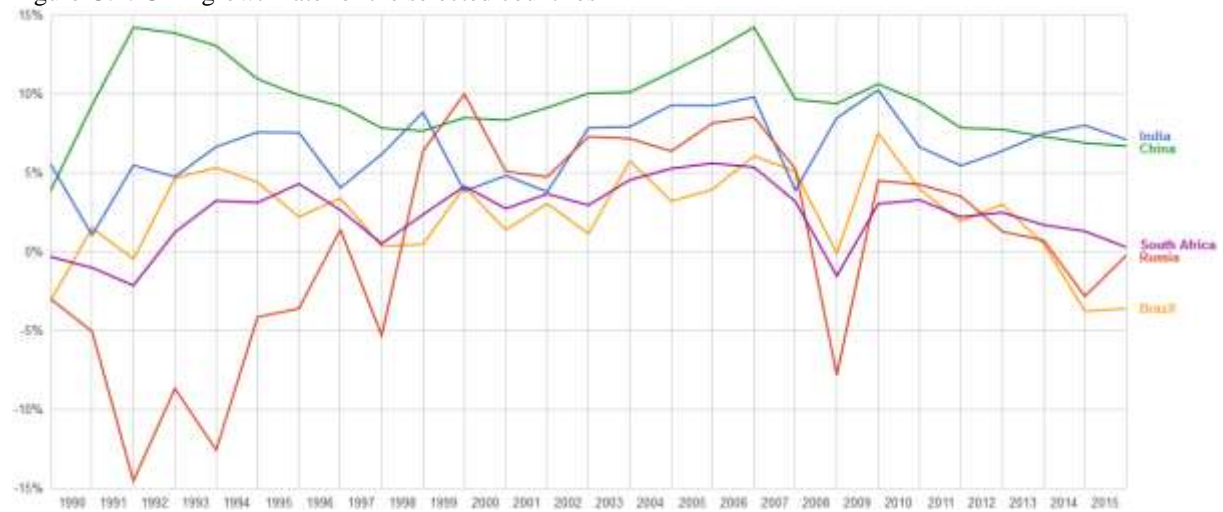
Table F.13: Share of CEFTA and EU countries that belong to the top 10 Serbian export partners in Serbia's total export, for the year 2016, in thousand USD

| | |
|--|-------------|
| CEFTA | |
| Bosnia and Herzegovina | 1.239.730,0 |
| Montenegro, Rep. | 722.791,3 |
| Macedonia, Rep. | 591.595,8 |
| Sum CEFTA3 | 2.554.117,1 |
| EU | |
| Italy | 2.168.804,2 |
| Germany | 1.940.366,4 |
| Romania | 851.454,0 |
| Croatia | 517.583,2 |
| Hungary | 506.172,8 |
| Slovenia | 443.445,4 |
| Sum EU6 | 6.427.826,0 |
| Sum CEFTA3+EU6 | 8.981.943,1 |
| Share of CEFTA3+EU6 in total export | 60,4% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

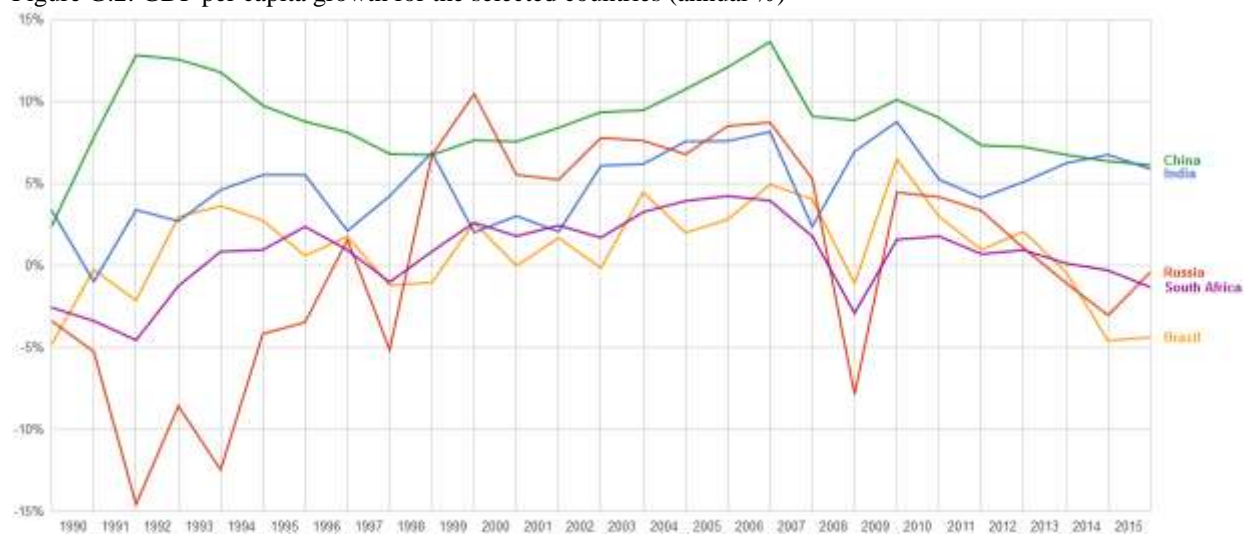
Appendix G

Figure G.1: GDP growth rate for the selected countries



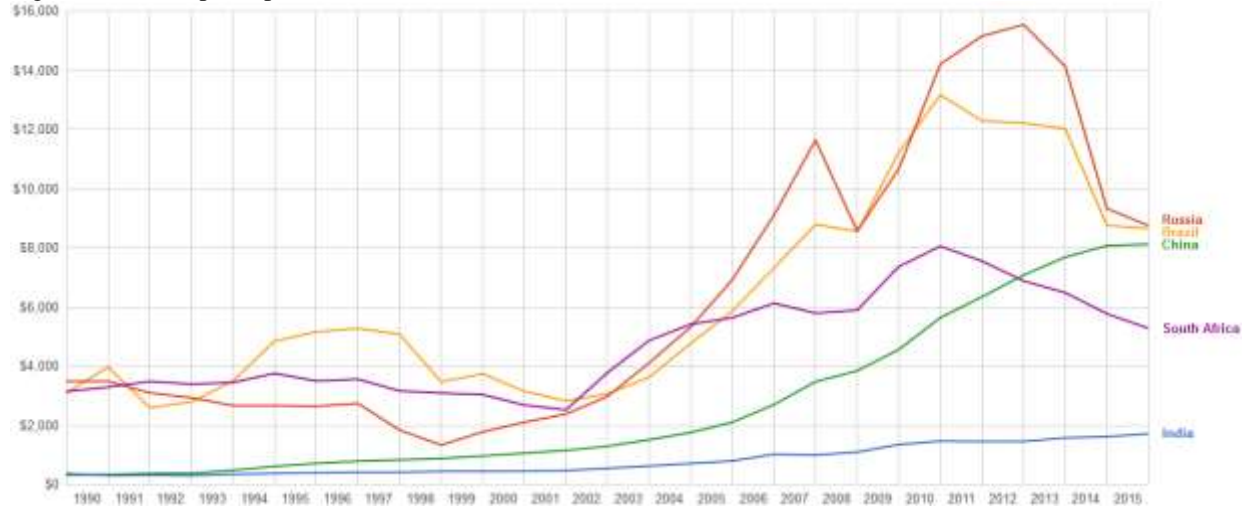
Source: World Bank – World Economic Indicators

Figure G.2: GDP per capita growth for the selected countries (annual %)



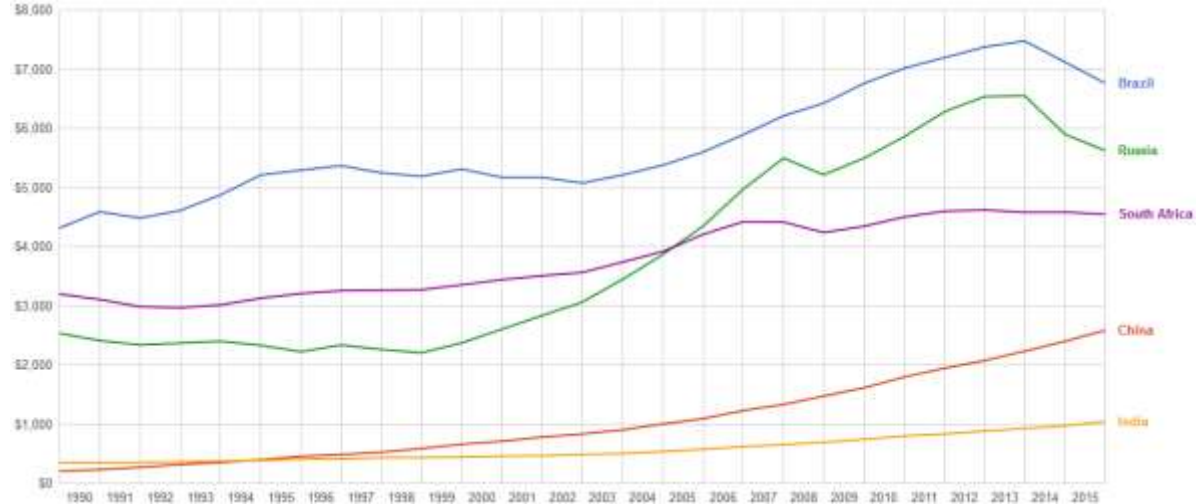
Source: World Bank – World Economic Indicators

Figure G.3: GDP per capita for the selected countries (current US\$)



Source: World Bank – World Economic Indicators

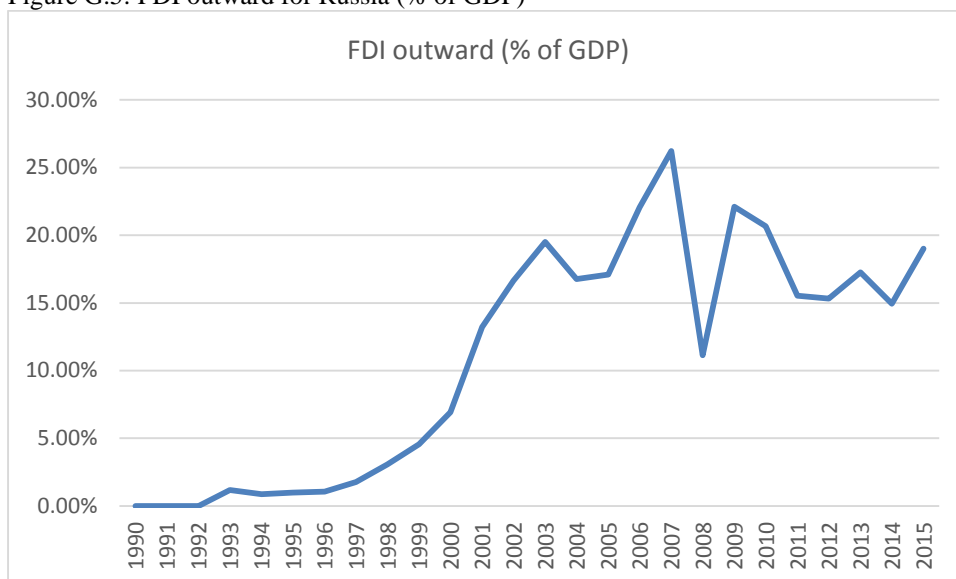
Figure G.4: Household final consumption expenditure per capita for the selected countries (constant 2000 US\$)⁴¹⁷



Source: World Bank – World Economic Indicators

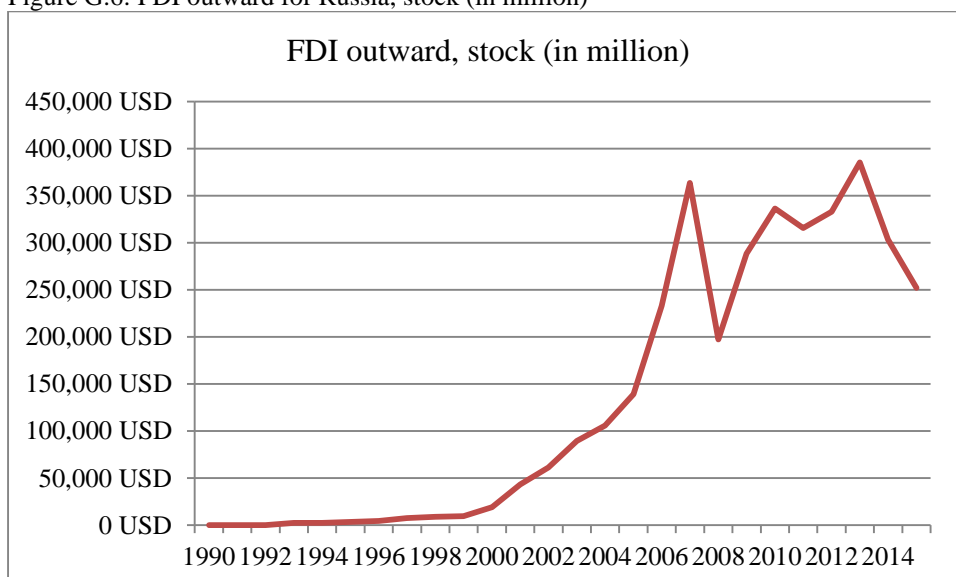
⁴¹⁷ “Household final consumption expenditure per capita (private consumption per capita) is calculated using private consumption in constant 2000 prices and World Bank population estimates. Household final consumption expenditure is the market value of all goods and services, including durable products (such as cars, washing machines, and home computers), purchased by households. It excludes purchases of dwellings but includes imputed rent for owner-occupied dwellings. It also includes payments and fees to governments to obtain permits and licenses. Here, household consumption expenditure includes the expenditures of nonprofit institutions serving households, even when reported separately by the country. Data are in constant 2000 U.S. dollars.”

Figure G.5: FDI outward for Russia (% of GDP)⁴¹⁸



Source: Own elaboration based on the United Nations Conference on Trade and Development – online database

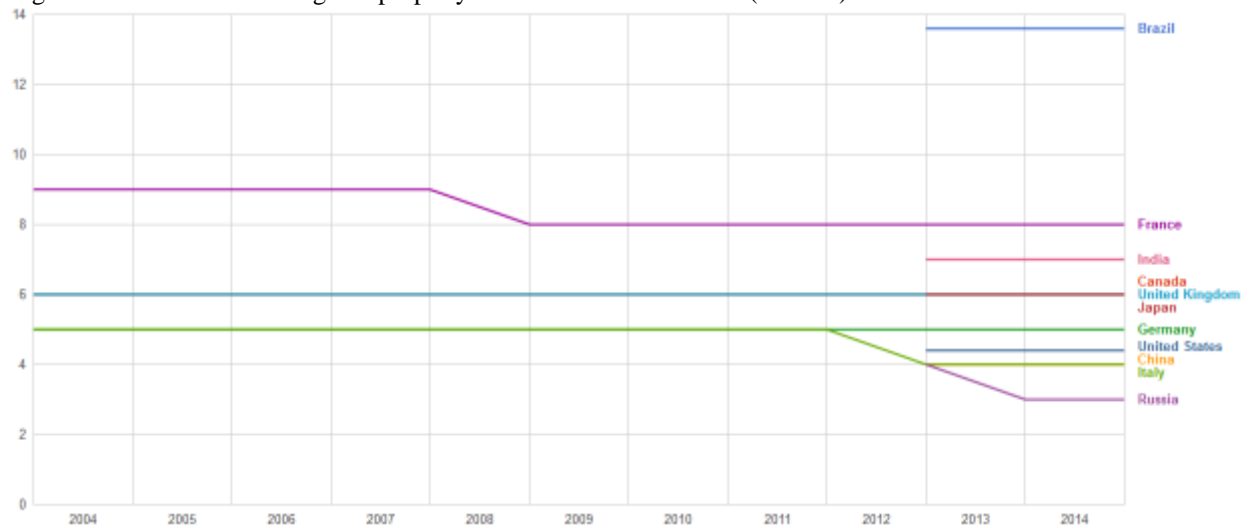
Figure G.6: FDI outward for Russia, stock (in million)



Source: Own elaboration based on the United Nations Conference on Trade and Development – online database

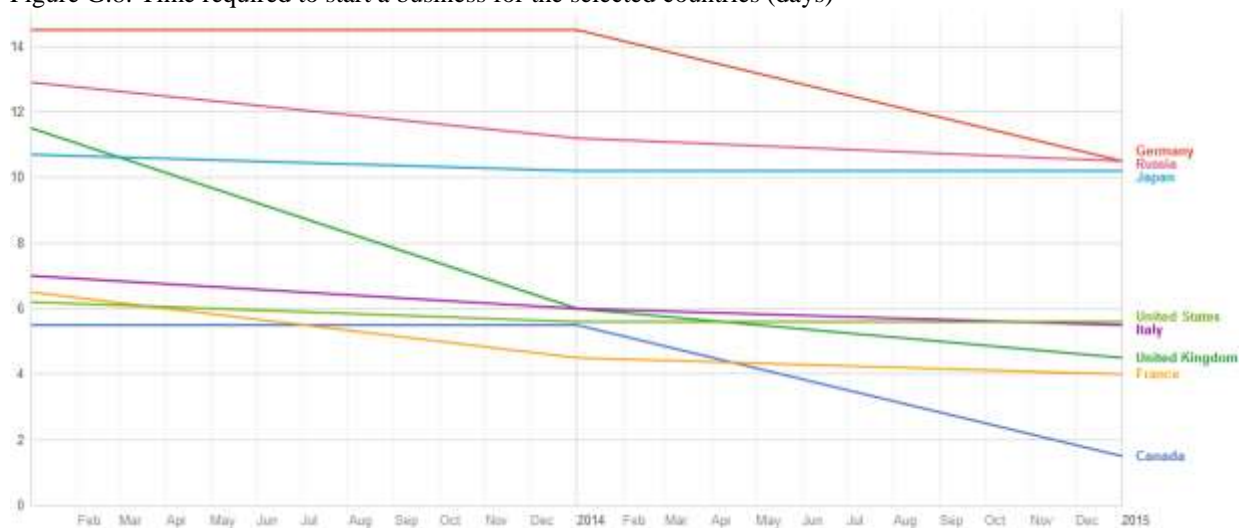
⁴¹⁸ The World Bank has the following definition/explanation of FDI outflows (meaning outward FDI): “Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net outflows of investment from the reporting economy to the rest of the world and is divided by GDP.”

Figure G.7: Procedures to register property for the selected countries (number) ⁴¹⁹



Source: World Bank – World Economic Indicators

Figure G.8: Time required to start a business for the selected countries (days) ⁴²⁰

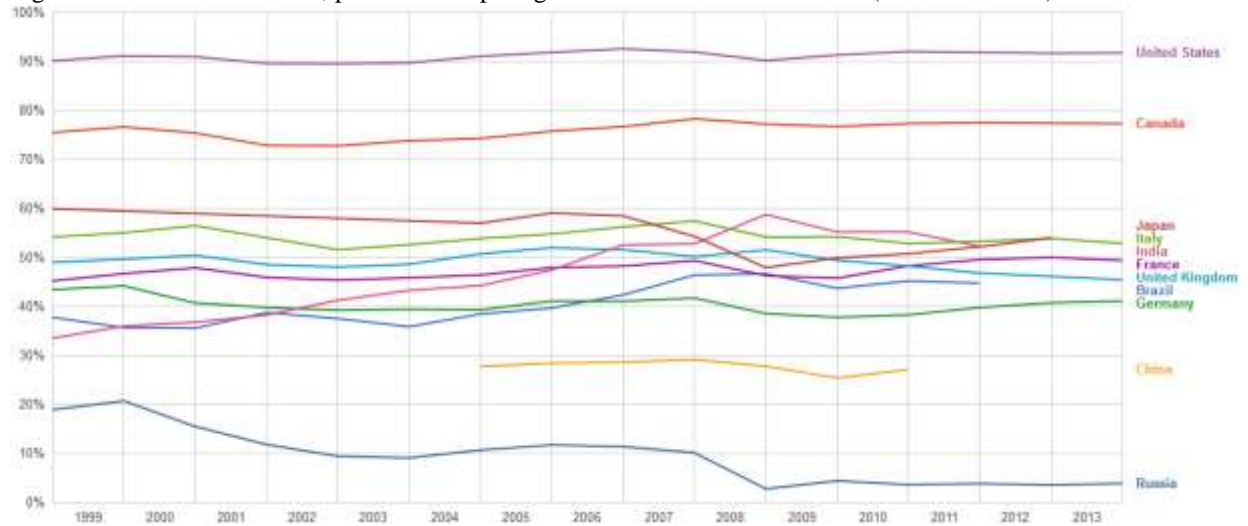


Source: World Bank – World Economic Indicators

⁴¹⁹ “Number of procedures to register property is the number of procedures required for a businesses to secure rights to property.”

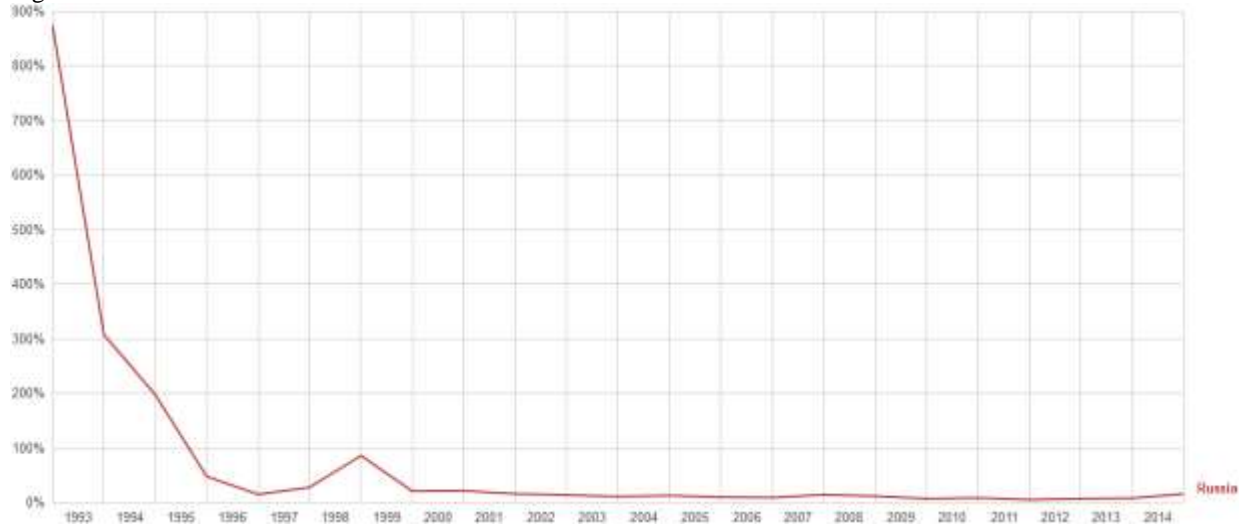
⁴²⁰ “Time required to start a business is the number of calendar days needed to complete the procedures to legally operate a business. If a procedure can be speeded up at additional cost, the fastest procedure, independent of cost, is chosen.”

Figure G.9: Taxes on income, profits and capital gains for the selected countries (% of total taxes)⁴²¹



Source: World Bank – World Economic Indicators

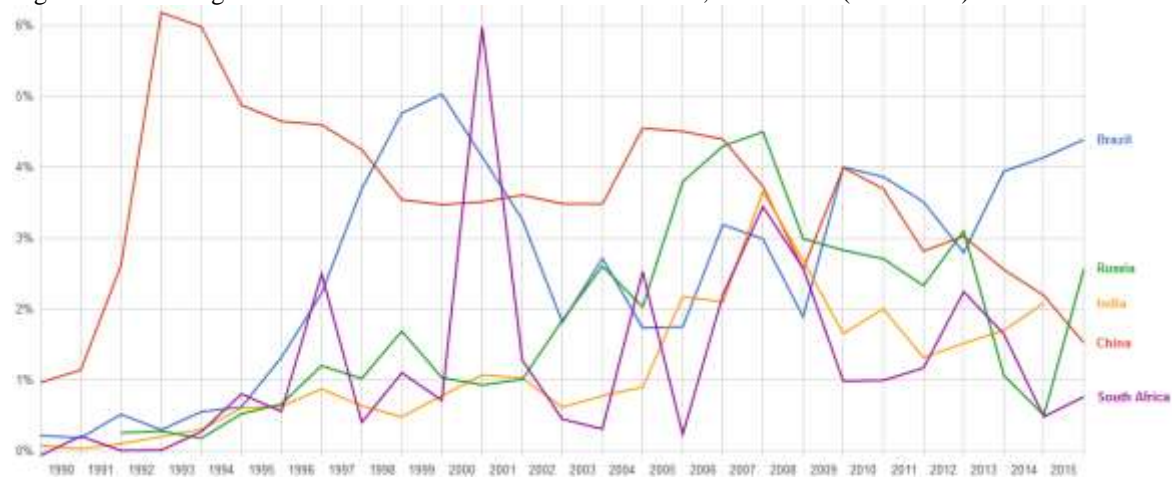
Figure G.10: Inflation for Russia



Source: IMF 2015

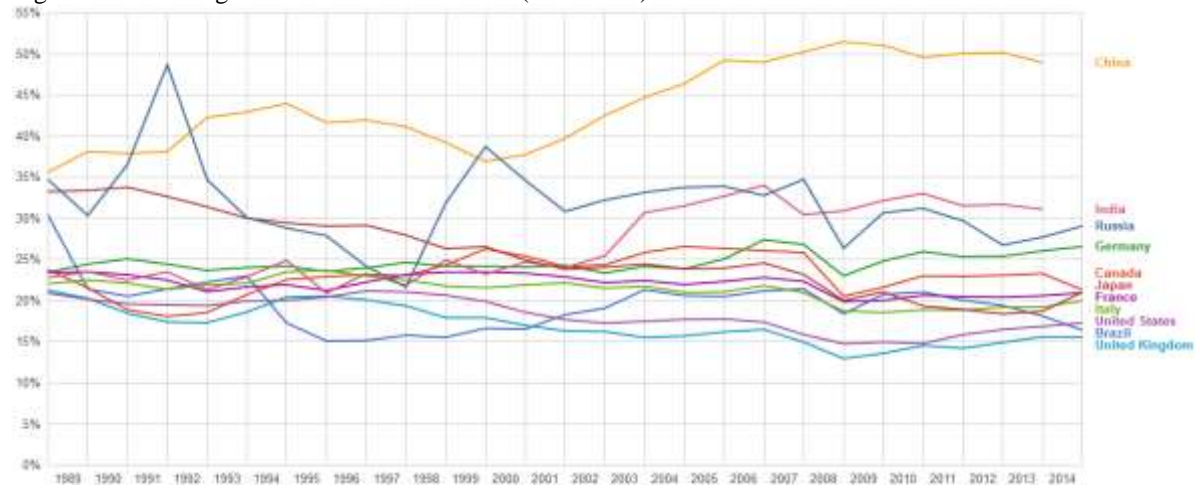
⁴²¹ “Taxes on income, profits, and capital gains are levied on the actual or presumptive net income of individuals, on the profits of corporations and enterprises, and on capital gains, whether realized or not, on land, securities, and other assets. Intragovernmental payments are eliminated in consolidation.”

Figure G.11: Foreign direct investment for the selected countries, net inflows (% of GDP)



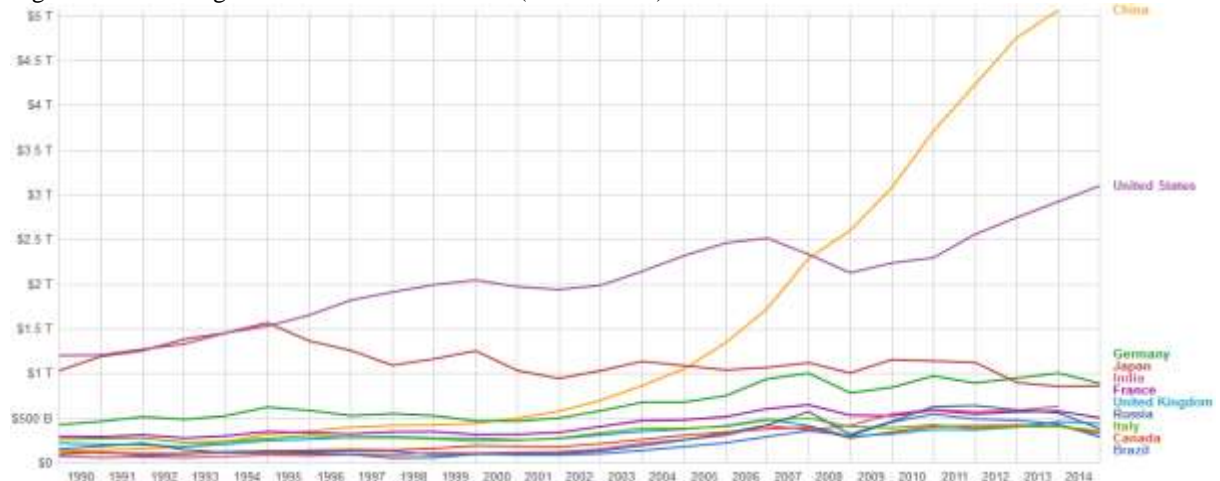
Source: World Bank – World Development Indicators

Figure G.12: Savings for the selected countries (% of GDP)



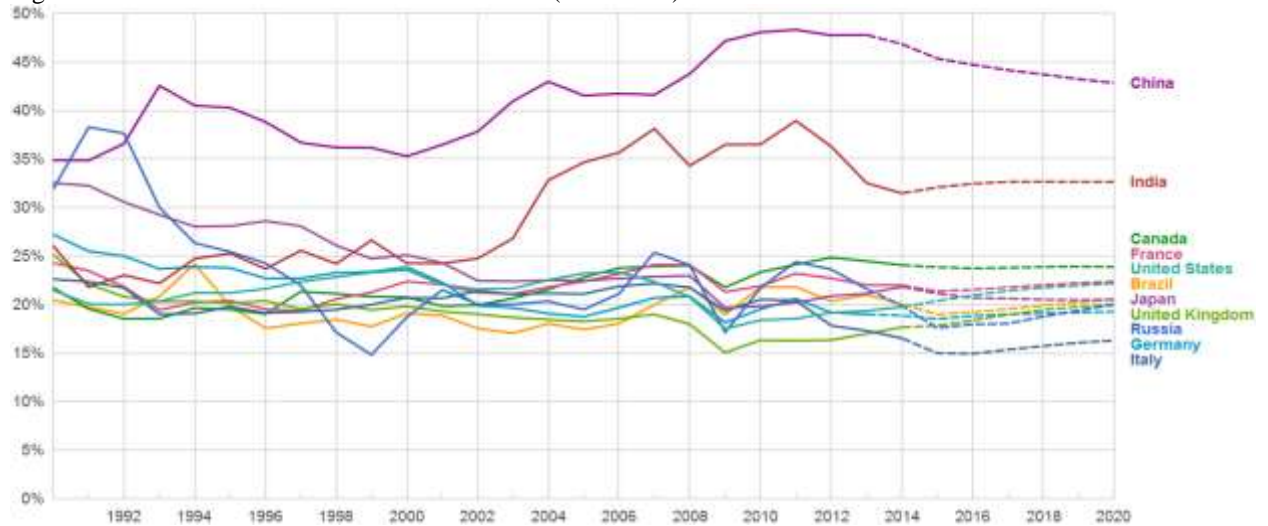
Source: World Bank – World Development Indicators

Figure G.13: Savings for the selected countries (current US\$)⁴²²



Source: World Bank – World Development Indicators

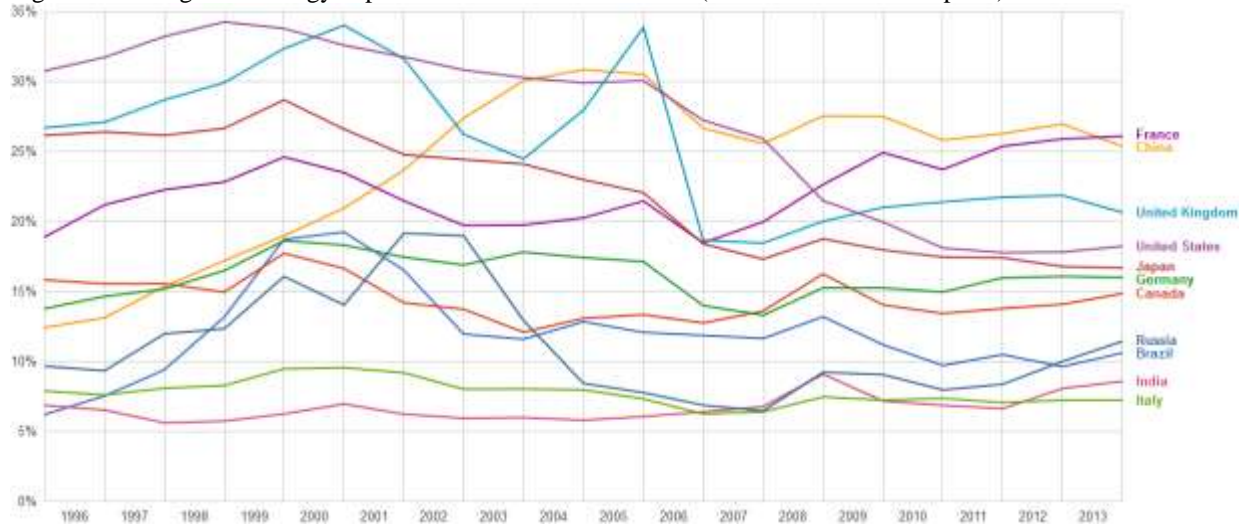
Figure G.14: Investment for the selected countries (% of GDP)



Source: World Bank – World Development Indicators

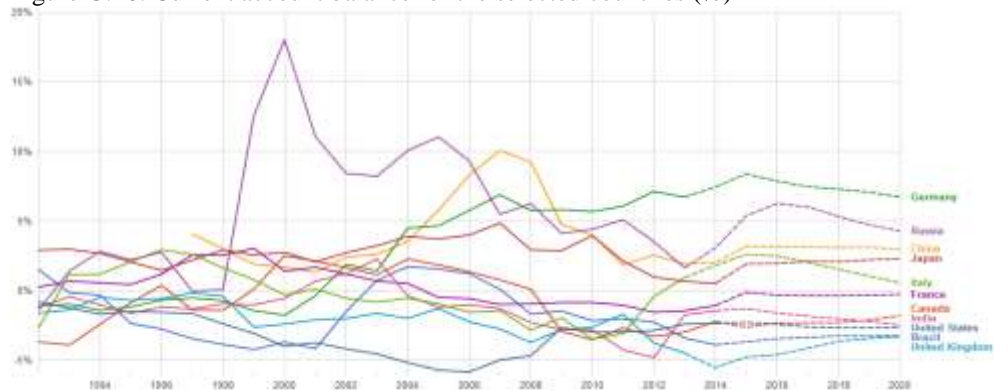
⁴²² “Savings are calculated as GDP less final consumption expenditure (total consumption). Data are in current U.S. dollars.”

Figure G.15: High-technology exports for the selected countries (% of manufactured exports)



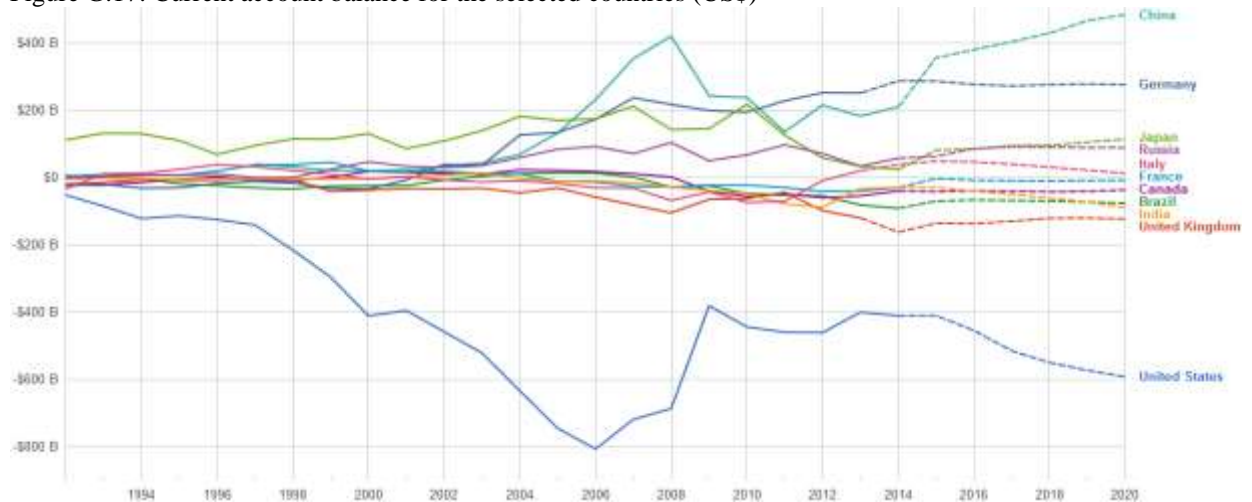
Source: World Bank – World Development Indicators

Figure G.16: Current account balance for the selected countries (%)



Source: IMF 2015

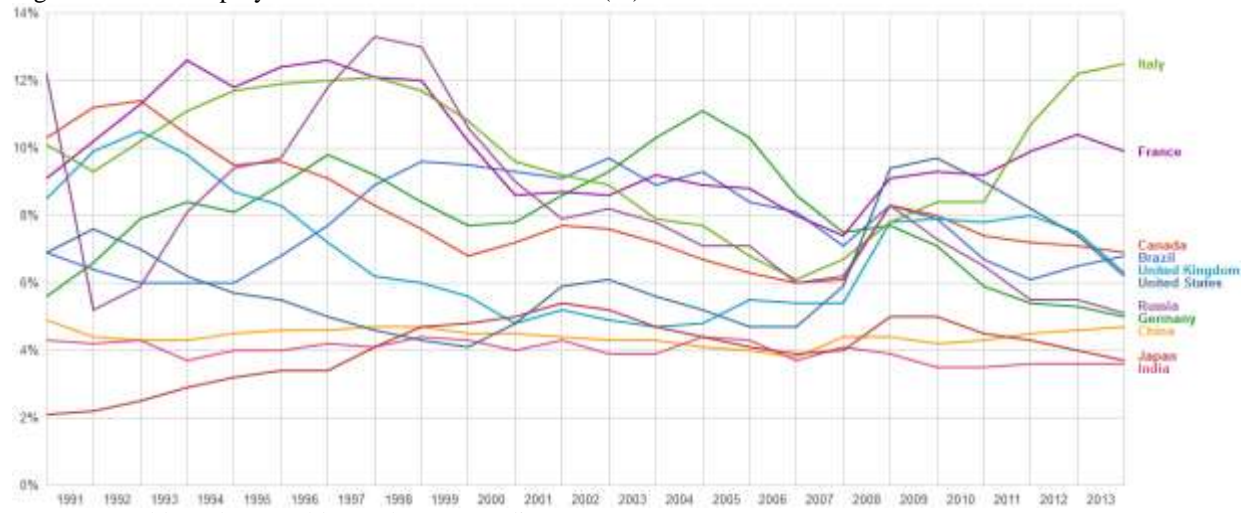
Figure G.17: Current account balance for the selected countries (US\$)⁴²³



Source: IMF 2015

⁴²³ “Current account is all transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers. The focus of the BOP is on transactions (between an economy and the rest of the world) in goods, services, and income.”

Figure G.18: Unemployment for the selected countries (%)



Source: World Bank – World Development Indicators

Appendix H

Table H.1: Export from Serbia to Russia by sectors, for the period 2004–2016, in thousand USD

| Sectors | Year | | | | | | | | | | | | |
|--|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Food and live animals | 13.230,2 | 16.763,2 | 27.117,9 | 47.320,4 | 61.327,0 | 55.571,8 | 116.192,3 | 151.964,3 | 150.676,5 | 172.694,0 | 294.939,8 | 259.262,3 | 281.929,8 |
| Annual change | | 26,7% | 61,8% | 74,5% | 29,6% | -9,4% | 109,1% | 30,8% | -0,8% | 14,6% | 70,8% | -12,1% | 8,7% |
| Beverages and tobacco | 410,2 | 434,0 | 2.594,3 | 4.204,0 | 9.447,8 | 3.308,6 | 3.568,8 | 6.603,7 | 5.152,5 | 7.570,8 | 7.996,3 | 6.130,5 | 7.080,0 |
| Annual change | | 5,8% | 497,8% | 62,0% | 124,7% | -65,0% | 7,9% | 85,0% | -22,0% | 46,9% | 5,6% | -23,3% | 15,5% |
| Crude materials, inedible, except fuels | 2.370,2 | 2.648,1 | 2.911,4 | 2.909,9 | 6.967,5 | 5.393,1 | 6.030,8 | 6.342,7 | 8.604,2 | 8.979,2 | 8.181,8 | 4.893,2 | 9.612,8 |
| Annual change | | 11,7% | 9,9% | -0,1% | 139,4% | -22,6% | 11,8% | 5,2% | 35,7% | 4,4% | -8,9% | -40,2% | 96,5% |
| Mineral fuels, lubricants and related products | 296,7 | 2.229,1 | 2.150,0 | 2.973,6 | 3.681,3 | 518,9 | 772,9 | 1.280,9 | 2.196,1 | 2.274,4 | 2.517,7 | 1.526,3 | 227,1 |
| Annual change | | 651,3% | -3,5% | 38,3% | 23,8% | -85,9% | 48,9% | 65,7% | 71,4% | 3,6% | 10,7% | -39,4% | -85,1% |
| Animal and plant oils, fats and waxes | 127,6 | 0,0 | 0,0 | 0,0 | 0,0 | 2,0 | 0,0 | 92,3 | 40,7 | 68,9 | 1.424,4 | 145,4 | 360,4 |
| Annual change | | | | | | | | | -55,9% | 69,3% | 1967,3% | -89,8% | 147,9% |
| Chemical and similar product, not stipulated | 36.033,8 | 49.201,6 | 54.393,3 | 69.642,8 | 81.167,7 | 59.993,7 | 68.062,2 | 67.172,1 | 90.528,3 | 93.018,6 | 75.212,5 | 75.644,3 | 85.888,1 |
| Annual change | | 36,5% | 10,6% | 28,0% | 16,5% | -26,1% | 13,4% | -1,3% | 34,8% | 2,8% | -19,1% | 0,6% | 13,5% |
| Manufactured goods classified by material | 33.420,5 | 42.718,8 | 113.011,5 | 125.385,0 | 147.432,7 | 116.109,8 | 172.867,2 | 270.671,0 | 258.592,5 | 304.955,3 | 231.743,3 | 142.577,6 | 158.210,6 |
| Annual change | | 27,8% | 164,5% | 10,9% | 17,6% | -21,2% | 48,9% | 56,6% | -4,5% | 17,9% | -24,0% | -38,5% | 11,0% |
| Machines and transport equipment | 26.897,2 | 59.212,2 | 55.501,9 | 138.698,1 | 166.809,3 | 58.112,8 | 101.826,9 | 202.950,5 | 201.782,1 | 222.450,4 | 218.164,7 | 122.447,2 | 120.542,1 |
| Annual change | | 120,1% | -6,3% | 149,9% | 20,3% | -65,2% | 75,2% | 99,3% | -0,6% | 10,2% | -1,9% | -43,9% | -1,6% |
| Miscellaneous manufactured products | 39.925,0 | 52.031,0 | 53.350,4 | 59.410,2 | 74.084,0 | 50.385,9 | 65.388,1 | 85.215,9 | 149.382,2 | 250.669,3 | 188.935,2 | 112.194,6 | 131.267,3 |
| Annual change | | 30,3% | 2,5% | 11,4% | 24,7% | -32,0% | 29,8% | 30,3% | 75,3% | 67,8% | -24,6% | -40,6% | 17,0% |
| Products not stipulated in mentioned sectors | 171,7 | 13,5 | 48,8 | 47,6 | 51,4 | 27,7 | 37,0 | 16,0 | 15,9 | 20,7 | 17,9 | 4,6 | 5,9 |
| Annual change | | -92,1% | 261,5% | -2,5% | 8,0% | -46,1% | 33,6% | -56,8% | -0,6% | 30,2% | -13,5% | -74,3% | 28,3% |

Table H.1a: Overall sum and periodical changes

| Sum | Change | | | | | | |
|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004-2016 | 2008-2009 | 2008-2010 | 2008-2012 | 2008-2013 | 2008-2016 | 2013-2016 |
| 1.648.989,5 | 2031,0% | -9,4% | 89,5% | 145,7% | 181,6% | 359,7% | 63,3% |
| 64.501,5 | 1626,0% | -65,0% | -62,2% | -45,5% | -19,9% | -25,1% | -6,5% |
| 75.844,9 | 305,6% | -22,6% | -13,4% | 23,5% | 28,9% | 38,0% | 7,1% |
| 22.645,0 | -23,5% | -85,9% | -79,0% | -40,3% | -38,2% | -93,8% | -90,0% |
| 2.261,7 | 182,4% | | | | | | 423,1% |
| 905.959,0 | 138,4% | -26,1% | -16,1% | 11,5% | 14,6% | 5,8% | -7,7% |
| 2.117.695,8 | 373,4% | -21,2% | 17,3% | 75,4% | 106,8% | 7,3% | -48,1% |
| 1.695.395,4 | 348,2% | -65,2% | -39,0% | 21,0% | 33,4% | -27,7% | -45,8% |
| 1.312.239,1 | 228,8% | -32,0% | -11,7% | 101,6% | 238,4% | 77,2% | -47,6% |
| 478,7 | -96,6% | -46,1% | -28,0% | -69,1% | -59,7% | -88,5% | -71,5% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table H.2: Export from Serbia to Russia by sectors, for the period 2004–2016, in tons

| Sectors | Year | | | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Food and live animals | 18.755,8 | 23.977,2 | 47.538,8 | 74.417,4 | 77.506,5 | 75.985,6 | 162.104,1 | 181.136,0 | 140.551,3 | 158.513,1 | 238.032,9 | 272.990,8 | 316.967,0 |
| Annual change | | 27,8% | 98,3% | 56,5% | 4,2% | -2,0% | 113,3% | 11,7% | -22,4% | 12,8% | 50,2% | 14,7% | 16,1% |
| Beverages and tobacco | 245,2 | 251,3 | 819,8 | 1.993,9 | 4.279,7 | 3.364,5 | 4.175,2 | 5.148,4 | 4.707,5 | 6.320,2 | 7.464,5 | 5.768,7 | 6.021,0 |
| Annual change | | 2,5% | 226,2% | 143,2% | 114,6% | -21,4% | 24,1% | 23,3% | -8,6% | 34,3% | 18,1% | -22,7% | 4,4% |
| Crude materials, inedible, except fuels | 980,2 | 941,1 | 1.282,4 | 1.672,8 | 2.155,3 | 2.691,3 | 2.594,2 | 2.378,2 | 2.903,8 | 2.485,8 | 2.110,4 | 1.232,6 | 1.669,4 |
| Annual change | | -4,0% | 36,3% | 30,4% | 28,8% | 24,9% | -3,6% | -8,3% | 22,1% | -14,4% | -15,1% | -41,6% | 35,4% |
| Mineral fuels, lubricants and related products | 597,8 | 3.419,7 | 2.871,7 | 3.698,4 | 3.237,4 | 790,6 | 977,6 | 1.182,2 | 2.085,4 | 2.124,4 | 2.396,5 | 2.043,9 | 211,0 |
| Annual change | | 472,0% | -16,0% | 28,8% | -12,5% | -75,6% | 23,7% | 20,9% | 76,4% | 1,9% | 12,8% | -14,7% | -89,7% |
| Animal and plant oils, fats and waxes | 76,8 | 0,0 | 0,0 | 0,0 | 0,0 | 0,2 | 0,0 | 0,9 | 2,6 | 3,0 | 606,8 | 22,2 | 265,8 |
| Annual change | | -100,0% | | | | | -100,0% | | 188,9% | 15,4% | 20126,7% | -96,3% | 1097,3% |
| Chemical and similar product, not stipulated | 3.828,5 | 4.837,1 | 4.842,6 | 5.876,4 | 5.939,6 | 6.220,1 | 7.390,7 | 7.869,6 | 24.467,4 | 22.401,0 | 10.285,8 | 11.509,4 | 13.806,2 |
| Annual change | | 26,3% | 0,1% | 21,3% | 1,1% | 4,7% | 18,8% | 6,5% | 210,9% | -8,4% | -54,1% | 11,9% | 20,0% |
| Manufactured goods classified by material | 21.326,7 | 27.202,0 | 47.739,3 | 43.349,7 | 39.514,8 | 30.608,9 | 44.809,7 | 52.214,4 | 68.981,4 | 68.427,2 | 55.722,6 | 44.944,6 | 53.795,1 |
| Annual change | | 27,5% | 75,5% | -9,2% | -8,8% | -22,5% | 46,4% | 16,5% | 32,1% | -0,8% | -18,6% | -19,3% | 19,7% |
| Machines and transport equipment | 6.559,6 | 9.571,2 | 10.497,7 | 14.708,6 | 20.429,2 | 9.108,4 | 25.352,0 | 38.330,3 | 36.869,7 | 31.205,1 | 26.947,8 | 16.502,7 | 17.960,0 |
| Annual change | | 45,9% | 9,7% | 40,1% | 38,9% | -55,4% | 178,3% | 51,2% | -3,8% | -15,4% | -13,6% | -38,8% | 8,8% |
| Miscellaneous manufactured products | 16.552,9 | 22.511,2 | 24.348,8 | 24.371,0 | 26.727,8 | 18.378,7 | 22.857,2 | 24.267,7 | 31.248,3 | 43.140,0 | 30.678,9 | 19.581,8 | 17.635,4 |
| Annual change | | 36,0% | 8,2% | 0,1% | 9,7% | -31,2% | 24,4% | 6,2% | 28,8% | 38,1% | -28,9% | -36,2% | -9,9% |
| Products not stipulated in mentioned sectors | 2,9 | 2,4 | 5,5 | 8,1 | 20,6 | 1,6 | 4,3 | 2,5 | 3,7 | 2,0 | 2,4 | 1,3 | 0,5 |
| Annual change | | -17,2% | 129,2% | 47,3% | 154,3% | -92,2% | 168,8% | -41,9% | 48,0% | -45,9% | 20,0% | -45,8% | -61,5% |

Table H.2a: Overall sum and periodical changes

| Sum | Change | | | | | | |
|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004-2016 | 2008-2009 | 2008-2010 | 2008-2012 | 2008-2013 | 2008-2016 | 2013-2016 |
| 1.788.476,5 | 1590,0% | -2,0% | 109,1% | 81,3% | 104,5% | 309,0% | 100,0% |
| 50.559,9 | 2355,5% | -21,4% | -2,4% | 10,0% | 47,7% | 40,7% | -4,7% |
| 25.097,5 | 70,3% | 24,9% | 20,4% | 34,7% | 15,3% | -22,5% | -32,8% |
| 25.636,6 | -64,7% | -75,6% | -69,8% | -35,6% | -34,4% | -93,5% | -90,1% |
| 978,3 | 246,1% | | | | | | 8760,0% |
| 129.274,4 | 260,6% | 4,7% | 24,4% | 311,9% | 277,1% | 132,4% | -38,4% |
| 598.636,4 | 152,2% | -22,5% | 13,4% | 74,6% | 73,2% | 36,1% | -21,4% |
| 264.042,3 | 173,8% | -55,4% | 24,1% | 80,5% | 52,7% | -12,1% | -42,4% |
| 322.299,7 | 6,5% | -31,2% | -14,5% | 16,9% | 61,4% | -34,0% | -59,1% |
| 57,8 | -82,8% | -92,2% | -79,1% | -82,0% | -90,3% | -97,6% | -75,0% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table H.3: Top 30 export divisions from Serbia to Russia by value in 2016, in thousand USD

| Divisions | Year | | | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Fruit and vegetables* | 8.127,6 | 12.441,0 | 22.190,5 | 39.807,6 | 47.914,9 | 47.509,2 | 106.170,3 | 135.662,6 | 113.598,0 | 129.238,9 | 173.658,5 | 188.653,0 | 227.445,9 |
| Garments and clothing accessories | 431,8 | 681,3 | 970,3 | 772,1 | 417,5 | 242,6 | 1.086,7 | 2.393,4 | 60.331,9 | 133.996,8 | 109.539,8 | 71.606,2 | 91.516,8 |
| Medical and pharmaceutical products | 31.310,5 | 43.329,7 | 46.977,2 | 60.497,5 | 71.584,6 | 50.618,5 | 57.067,8 | 49.214,3 | 69.039,1 | 69.083,5 | 56.494,0 | 53.943,7 | 57.616,8 |
| Industrial machines for general use, not mentioned | 7.009,7 | 24.077,0 | 19.232,2 | 56.440,6 | 50.917,9 | 21.267,9 | 23.121,2 | 61.802,7 | 53.060,0 | 66.507,8 | 75.028,4 | 59.984,7 | 53.737,3 |
| Electrical machines, apparatuses and appliances, not ment. | 8.739,8 | 17.757,4 | 21.555,5 | 57.011,0 | 43.362,2 | 29.234,0 | 66.377,6 | 92.116,5 | 98.202,4 | 115.434,7 | 97.264,1 | 45.324,2 | 44.818,8 |
| Coloured metals | 1.774,7 | 1.832,6 | 6.297,4 | 12.061,8 | 22.295,8 | 25.948,4 | 61.509,0 | 106.457,3 | 94.257,5 | 90.268,4 | 61.601,3 | 38.621,7 | 37.947,6 |
| Products made of rubber, not mentioned | 3.076,5 | 3.032,6 | 4.657,4 | 7.196,7 | 10.318,3 | 12.518,5 | 20.265,3 | 43.044,6 | 40.046,0 | 52.246,7 | 38.049,5 | 25.413,9 | 33.778,6 |
| Products made of metals, not mentioned | 8.478,8 | 9.350,5 | 12.327,3 | 18.478,9 | 24.893,0 | 15.812,9 | 19.626,1 | 31.481,6 | 39.585,4 | 60.764,7 | 53.508,6 | 29.919,4 | 29.297,0 |
| Dairy products and bird eggs* | 0,0 | 0,0 | | | | 0,0 | 112,0 | 4.180,9 | 13.373,5 | 20.093,7 | 30.700,5 | 25.001,2 | 25.722,9 |
| Paper, cardboard and products of pulp | 11.983,6 | 12.873,2 | 43.083,1 | 44.029,1 | 39.775,9 | 11.763,0 | 6.448,0 | 6.604,9 | 7.025,1 | 11.374,8 | 8.141,8 | 7.832,4 | 20.937,0 |
| Miscellaneous products, not mentioned | 37.639,5 | 50.343,5 | 49.809,6 | 54.762,1 | 70.096,5 | 42.005,2 | 47.179,3 | 54.942,4 | 51.046,1 | 59.771,3 | 50.611,0 | 22.113,6 | 18.114,7 |
| Textile yarn, fabrics and textile products | 3.585,1 | 6.234,7 | 8.326,3 | 10.333,3 | 11.147,3 | 9.356,9 | 17.836,7 | 21.734,1 | 21.926,3 | 27.132,4 | 19.739,2 | 15.309,0 | 16.605,3 |
| Products of cork and wood (except furniture) | 622,8 | 1.142,0 | 10.097,6 | 25.571,6 | 30.450,8 | 32.432,0 | 33.889,7 | 50.053,6 | 46.541,8 | 51.124,0 | 42.448,6 | 20.575,2 | 14.650,2 |
| Driving machines and power equipment | 2.099,3 | 2.165,9 | 2.705,1 | 3.486,6 | 8.501,4 | 1.185,2 | 2.598,2 | 5.796,8 | 9.044,8 | 10.541,8 | 14.553,0 | 8.732,3 | 11.174,0 |
| Plastics in non-primary forms | 2.414,7 | 5.140,3 | 6.349,2 | 7.327,6 | 7.525,5 | 6.165,9 | 6.360,6 | 7.752,5 | 8.586,4 | 9.251,2 | 8.345,1 | 8.158,9 | 9.832,0 |
| Essential oils, perfumes and toiletries | 174,2 | 36,2 | 13,6 | 0,4 | 84,2 | 369,0 | 989,9 | 122,0 | 196,4 | 1.164,7 | 1.763,1 | 7.188,5 | 7.858,6 |
| Animal and plant raw materials, not mentioned* | 571,7 | 652,9 | 953,1 | 1.751,0 | 4.180,3 | 2.741,8 | 3.822,7 | 4.633,0 | 4.312,5 | 5.514,3 | 4.439,5 | 3.483,2 | 7.554,9 |

| | | | | | | | | | | | | | |
|---|---------|---------|---------|---------|----------|---------|----------|----------|----------|----------|----------|----------|---------|
| Cereals and cereal-based products* | 2.276,6 | 2.130,8 | 2.127,4 | 4.594,4 | 8.430,7 | 3.672,5 | 3.111,2 | 3.991,0 | 5.450,0 | 7.442,8 | 10.787,7 | 6.572,4 | 7.513,4 |
| Miscellaneous products for food and related products* | 2.352,9 | 2.073,6 | 2.512,3 | 2.379,0 | 3.765,9 | 2.816,3 | 4.663,1 | 4.363,3 | 6.333,7 | 6.268,7 | 7.334,1 | 4.367,7 | 7.164,1 |
| Shoes | 149,5 | 144,7 | 164,2 | 97,0 | 154,5 | 39,8 | 2.157,2 | 4.079,0 | 3.657,6 | 5.174,5 | 5.079,9 | 5.654,3 | 6.959,0 |
| Meat and meat products* | 0,0 | 52,9 | 287,7 | 536,5 | 1.058,6 | 1.462,4 | 2.038,4 | 3.492,7 | 10.410,5 | 4.713,2 | 67.938,2 | 29.418,1 | 6.820,9 |
| Animal food (except unmilled cereals)* | 299,1 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 1.299,6 | 4.125,7 | 3.587,9 | 4.153,6 | 6.010,6 |
| Furniture and parts thereof; bedding, mattresses, pillows | 493,8 | 781,1 | 834,3 | 2.316,7 | 1.281,3 | 4.182,9 | 12.290,5 | 19.088,2 | 26.628,0 | 37.907,5 | 11.923,8 | 8.035,6 | 5.584,8 |
| Prefabricated buildings; sanitary and other devices | 0,3 | 15,5 | 296,6 | 187,5 | 1.140,1 | 2.320,6 | 1.850,2 | 3.517,9 | 6.578,3 | 13.316,5 | 11.094,1 | 3.901,0 | 5.300,3 |
| Beverages* | 62,1 | 66,5 | 177,2 | 581,8 | 1.931,4 | 2.911,6 | 3.568,8 | 5.253,3 | 5.056,9 | 7.360,2 | 7.978,2 | 4.842,7 | 5.258,6 |
| Plastics in primary forms | 66,4 | 0,1 | 99,8 | 205,2 | 180,4 | 482,8 | 704,7 | 2.910,0 | 5.596,6 | 7.969,4 | 2.945,9 | 2.081,5 | 5.245,3 |
| Products for dyeing and tanning | 1.394,0 | 652,7 | 932,7 | 1.080,2 | 1.539,8 | 1.473,2 | 694,4 | 5.262,8 | 4.678,7 | 3.477,1 | 4.835,7 | 3.949,6 | 4.745,8 |
| Machines specialised for industry | 3.009,1 | 8.506,2 | 5.216,8 | 4.596,7 | 13.540,1 | 1.576,7 | 6.436,9 | 4.863,8 | 5.031,0 | 9.642,2 | 7.029,1 | 3.141,5 | 4.521,7 |
| Machines for metal processing | 202,3 | 1.539,2 | 2.644,1 | 4.002,1 | 6.578,6 | 3.189,0 | 1.320,0 | 2.551,4 | 3.077,1 | 3.504,5 | 6.122,8 | 2.575,2 | 4.093,4 |
| Iron and steel | 124,1 | 109,9 | 415,5 | 3.175,3 | 6.983,0 | 2.565,5 | 8.716,3 | 7.143,2 | 3.058,6 | 3.494,3 | 2.972,6 | 2.069,1 | 3.216,3 |

*Divisions related to the field of agriculture.

Note: Certain goods belonging to the divisions coloured in green were on the lists of either the April 2009 or the July 2011 Protocols.

Table H.3a: Overall sum and periodical changes

| Sum | Change | | | | | | |
|-------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004-2016 | 2008-2009 | 2008-2010 | 2008-2012 | 2008-2013 | 2008-2016 | 2013-2016 |
| 1.252.418,0 | 2698,4% | -0,8% | 121,6% | 137,1% | 169,7% | 374,7% | 76,0% |
| 473.987,2 | 21094,3% | -41,9% | 160,3% | 14350,8% | 31995,0% | 21820,2% | -31,7% |
| 716.777,2 | 84,0% | -29,3% | -20,3% | -3,6% | -3,5% | -19,5% | -16,6% |
| 572.187,4 | 666,6% | -58,2% | -54,6% | 4,2% | 30,6% | 5,5% | -19,2% |
| 737.198,2 | 412,8% | -32,6% | 53,1% | 126,5% | 166,2% | 3,4% | -61,2% |
| 560.873,5 | 2038,3% | 16,4% | 175,9% | 322,8% | 304,9% | 70,2% | -58,0% |
| 293.644,6 | 998,0% | 21,3% | 96,4% | 288,1% | 406,3% | 227,4% | -35,3% |
| 353.524,2 | 245,5% | -36,5% | -21,2% | 59,0% | 144,1% | 17,7% | -51,8% |
| 119.184,7 | | | | | | | 28,0% |
| 231.871,9 | 74,7% | -70,4% | -83,8% | -82,3% | -71,4% | -47,4% | 84,1% |
| 608.434,8 | -51,9% | -40,1% | -32,7% | -27,2% | -14,7% | -74,2% | -69,7% |
| 189.266,6 | 363,2% | -16,1% | 60,0% | 96,7% | 143,4% | 49,0% | -38,8% |
| 359.599,9 | 2252,3% | 6,5% | 11,3% | 52,8% | 67,9% | -51,9% | -71,3% |
| 82.584,4 | 432,3% | -86,1% | -69,4% | 6,4% | 24,0% | 31,4% | 6,0% |
| 93.209,9 | 307,2% | -18,1% | -15,5% | 14,1% | 22,9% | 30,6% | 6,3% |
| 19.960,8 | 4411,3% | 338,2% | 1075,7% | 133,3% | 1283,3% | 9233,3% | 574,7% |
| 44.610,9 | 1221,5% | -34,4% | -8,6% | 3,2% | 31,9% | 80,7% | 37,0% |
| 68.100,9 | 230,0% | -56,4% | -63,1% | -35,4% | -11,7% | -10,9% | 0,9% |
| 56.394,7 | 204,5% | -25,2% | 23,8% | 68,2% | 66,5% | 90,2% | 14,3% |
| 33.511,2 | 4554,8% | -74,2% | 1296,2% | 2267,4% | 3249,2% | 4404,2% | 34,5% |
| 128.230,1 | | 38,1% | 92,6% | 883,4% | 345,2% | 544,3% | 44,7% |
| 19.476,5 | 1909,6% | | | | | | 45,7% |
| 131.348,5 | 1031,0% | 226,5% | 859,2% | 1978,2% | 2858,5% | 335,9% | -85,3% |
| 49.518,9 | 1766666,7% | 103,5% | 62,3% | 477,0% | 1068,0% | 364,9% | -60,2% |
| 45.049,3 | 8368,0% | 50,8% | 84,8% | 161,8% | 281,1% | 172,3% | -28,6% |
| 28.488,1 | 7799,5% | 167,6% | 290,6% | 3002,3% | 4317,6% | 2807,6% | -34,2% |
| 34.716,7 | 240,4% | -4,3% | -54,9% | 203,9% | 125,8% | 208,2% | 36,5% |
| 77.111,8 | 50,3% | -88,4% | -52,5% | -62,8% | -28,8% | -66,6% | -53,1% |
| 41.399,7 | 1923,4% | -51,5% | -79,9% | -53,2% | -46,7% | -37,8% | 16,8% |
| 44.043,7 | 2491,7% | -63,3% | 24,8% | -56,2% | -50,0% | -53,9% | -8,0% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table H.4: Top 30 export divisions from Serbia to Russia by value in 2016, in tons

| Divisions | Year | | | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Fruit and vegetables* | 12.764,2 | 19.623,8 | 42.821,7 | 67.899,7 | 69.491,4 | 71.117,7 | 156.276,3 | 173.531,7 | 125.624,8 | 143.349,0 | 204.242,2 | 245.020,5 | 294.572,1 |
| Paper, cardboard and products of pulp | 11.645,5 | 11.362,9 | 23.472,3 | 19.376,6 | 15.721,6 | 6.326,0 | 5.155,4 | 4.630,5 | 5.987,3 | 8.342,3 | 6.838,3 | 9.070,7 | 18.733,8 |
| Electrical machines, apparatuses and appliances, not ment. | 3.670,1 | 4.257,3 | 4.941,1 | 6.867,1 | 7.299,0 | 6.517,3 | 22.318,1 | 25.422,1 | 26.239,7 | 20.206,8 | 16.346,3 | 10.657,4 | 11.557,4 |
| Products made of rubber, not mentioned | 630,0 | 494,1 | 750,5 | 1.433,1 | 1.944,5 | 2.580,2 | 4.447,5 | 7.168,7 | 7.276,8 | 9.232,9 | 7.853,6 | 7.524,4 | 10.006,6 |
| Miscellaneous products, not mentioned | 16.369,0 | 22.289,2 | 23.894,5 | 23.870,9 | 26.357,3 | 17.258,4 | 19.854,7 | 19.805,8 | 21.593,4 | 24.637,2 | 21.234,4 | 12.303,1 | 9.426,0 |
| Coloured metals | 950,1 | 398,9 | 805,2 | 1.576,7 | 2.645,7 | 4.270,2 | 8.890,5 | 13.520,7 | 14.927,9 | 14.951,1 | 10.645,4 | 8.285,4 | 9.098,6 |
| Dairy products and bird eggs* | 0,0 | 0,0 | | | | 0,0 | 17,3 | 1.017,9 | 3.558,8 | 4.704,7 | 7.400,7 | 7.524,2 | 7.873,5 |
| Garments and clothing accessories | 18,5 | 31,0 | 34,7 | 38,2 | 10,2 | 12,6 | 42,2 | 133,6 | 2.327,6 | 5.421,6 | 4.965,5 | 4.629,1 | 5.911,7 |
| Beverages* | 31,8 | 41,8 | 146,8 | 474,8 | 1.921,8 | 3.265,4 | 4.175,2 | 5.014,8 | 4.618,7 | 6.052,0 | 7.424,2 | 5.380,8 | 5.358,6 |
| Products of cork and wood (except furniture) | 173,4 | 382,2 | 3.237,9 | 7.031,5 | 7.839,9 | 7.027,4 | 9.706,5 | 11.896,0 | 12.702,6 | 14.129,4 | 13.752,3 | 8.292,8 | 5.298,5 |
| Industrial machines for general use, not mentioned | 787,7 | 2.919,4 | 3.361,6 | 4.800,0 | 5.103,8 | 2.021,6 | 1.679,7 | 5.772,5 | 4.164,4 | 4.054,8 | 4.542,6 | 4.468,7 | 4.913,4 |
| Medical and pharmaceutical products | 2.283,8 | 3.553,1 | 3.094,5 | 2.771,6 | 2.406,7 | 2.138,5 | 2.763,5 | 2.583,2 | 3.232,9 | 3.183,2 | 2.675,9 | 4.142,7 | 4.652,6 |
| Cereals and cereal-based products* | 1.876,8 | 1.580,9 | 1.702,1 | 3.476,4 | 4.175,5 | 1.562,0 | 1.384,6 | 1.637,0 | 2.173,7 | 2.817,9 | 3.265,3 | 2.719,0 | 4.652,0 |
| Textile yarn, fabrics and textile products | 519,1 | 1.300,4 | 1.697,0 | 1.803,8 | 1.875,1 | 2.163,9 | 4.569,8 | 4.818,8 | 5.164,1 | 6.141,7 | 4.591,0 | 4.318,3 | 4.367,5 |
| Products made of metals, not mentioned | 2.451,0 | 2.166,7 | 2.641,3 | 3.063,4 | 4.592,0 | 2.445,9 | 2.800,8 | 4.747,7 | 7.052,6 | 10.331,3 | 8.650,1 | 4.942,3 | 4.141,4 |
| Miscellaneous products for food and related products* | 3.112,1 | 2.735,1 | 2.944,4 | 2.901,3 | 3.537,9 | 2.870,2 | 3.761,9 | 3.839,9 | 5.200,4 | 3.356,3 | 3.600,2 | 3.384,2 | 3.666,3 |
| Animal food (except unmilled cereals)* | 967,6 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 1.012,9 | 3.117,7 | 1.866,3 | 2.050,0 | 2.992,5 |
| Meat and meat products* | 0,0 | 16,5 | 70,6 | 139,9 | 285,6 | 403,0 | 645,9 | 1.050,3 | 2.940,8 | 975,2 | 17.449,9 | 12.014,9 | 2.893,7 |
| Products for dyeing and tanning | 748,0 | 548,4 | 779,3 | 1.413,1 | 2.381,6 | 2.166,8 | 892,2 | 1.795,4 | 9.515,8 | 7.470,7 | 2.961,2 | 2.962,3 | 2.738,0 |
| Plastics in primary forms | 56,1 | 0,3 | 118,6 | 171,8 | 75,4 | 138,3 | 266,4 | 964,1 | 2.267,4 | 3.940,2 | 1.041,8 | 974,8 | 2.315,9 |
| Plastics in non-primary forms | 227,0 | 710,5 | 806,0 | 947,6 | 871,4 | 871,0 | 1.013,8 | 1.112,5 | 2.098,6 | 2.405,5 | 1.599,9 | 1.767,3 | 1.954,3 |
| Essential oils, perfumes and toiletries | 32,2 | 15,2 | 19,7 | 0,0 | 14,5 | 142,4 | 408,0 | 41,6 | 125,4 | 278,9 | 453,8 | 1.487,0 | 1.934,8 |
| Iron and steel | 78,8 | 45,4 | 383,1 | 2.698,7 | 4.560,5 | 1.904,0 | 6.786,3 | 4.144,9 | 1.993,6 | 2.141,6 | 1.866,2 | 1.573,0 | 1.656,5 |
| Animal and plant raw materials, not mentioned* | 111,5 | 159,9 | 280,8 | 320,9 | 564,5 | 529,9 | 726,4 | 1.061,0 | 1.133,3 | 1.343,5 | 1.297,1 | 1.024,1 | 1.304,5 |
| Prefabricated buildings; sanitary and other devices | 0,1 | 5,9 | 143,5 | 30,6 | 141,0 | 313,3 | 388,0 | 615,0 | 1.522,7 | 2.587,7 | 1.749,0 | 925,5 | 1.190,1 |

| | | | | | | | | | | | | | |
|---|---------|----------|----------|---------|---------|---------|---------|---------|----------|----------|---------|---------|-------|
| Furniture and parts thereof; bedding, mattresses, pillows | 129,1 | 178,8 | 232,6 | 419,4 | 205,6 | 777,0 | 2.470,4 | 3.554,0 | 5.661,8 | 10.307,9 | 2.528,6 | 1.450,7 | 803,4 |
| Tobacco and tobacco products | 213,4 | 209,5 | 673,0 | 1.519,1 | 2.357,9 | 99,1 | 0,0 | 133,6 | 88,9 | 268,2 | 40,3 | 387,8 | 662,4 |
| Driving machines and power equipment | 273,0 | 239,5 | 214,0 | 209,9 | 324,7 | 82,7 | 213,9 | 408,4 | 679,6 | 708,4 | 973,3 | 521,8 | 646,6 |
| Products of non-metallic minerals | 4.857,3 | 11.043,7 | 14.751,9 | 6.361,7 | 292,2 | 3.826,6 | 2.391,2 | 1.217,9 | 13.813,1 | 3.089,6 | 1.477,9 | 937,7 | 476,1 |
| Machines specialised for industry | 612,6 | 1.516,5 | 1.336,9 | 1.052,0 | 1.968,4 | 281,2 | 870,6 | 715,7 | 757,7 | 1.249,0 | 1.028,2 | 401,4 | 468,3 |

*Divisions related to the field of agriculture.

Note: Certain goods belonging to the divisions coloured in green were on the lists of either the April 2009 or the July 2011 Protocols.

Table H.4a: Overall sum and periodical changes

| Sum | Change | | | | | | |
|-------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004-2016 | 2008-2009 | 2008-2010 | 2008-2012 | 2008-2013 | 2008-2016 | 2013-2016 |
| 1.626.335,1 | 2207,8% | 2,3% | 124,9% | 80,8% | 106,3% | 323,9% | 105,5% |
| 146.663,2 | 60,9% | -59,8% | -67,2% | -61,9% | -46,9% | 19,2% | 124,6% |
| 166.299,7 | 214,9% | -10,7% | 205,8% | 259,5% | 176,8% | 58,3% | -42,8% |
| 61.342,9 | 1488,3% | 32,7% | 128,7% | 274,2% | 374,8% | 414,6% | 8,4% |
| 258.893,9 | -42,4% | -34,5% | -24,7% | -18,1% | -6,5% | -64,2% | -61,7% |
| 90.966,4 | 857,6% | 61,4% | 236,0% | 464,2% | 465,1% | 243,9% | -39,1% |
| 32.097,1 | | | | | | | 67,4% |
| 23.576,5 | 31855,1% | 23,5% | 313,7% | 22719,6% | 53052,9% | 57857,8% | 9,0% |
| 43.906,7 | | | | | | | -11,5% |
| 101.470,4 | 2955,7% | -10,4% | 23,8% | 62,0% | 80,2% | -32,4% | -62,5% |
| 48.590,2 | 523,8% | -60,4% | -67,1% | -18,4% | -20,6% | -3,7% | 21,2% |
| 39.482,2 | 103,7% | -11,1% | 14,8% | 34,3% | 32,3% | 93,3% | 46,2% |
| 33.023,2 | 147,9% | -62,6% | -66,8% | -47,9% | -32,5% | 11,4% | 65,1% |
| 43.330,5 | 741,4% | 15,4% | 143,7% | 175,4% | 227,5% | 132,9% | -28,9% |
| 60.026,5 | 69,0% | -46,7% | -39,0% | 53,6% | 125,0% | -9,8% | -59,9% |
| 44.910,2 | 17,8% | -18,9% | 6,3% | 47,0% | -5,1% | 3,6% | 9,2% |
| 12.007,0 | 209,3% | | | | | | -4,0% |
| 38.886,3 | | 41,1% | 126,2% | 929,7% | 241,5% | 913,2% | 196,7% |
| 36.372,8 | 266,0% | -9,0% | -62,5% | 299,6% | 213,7% | 15,0% | -63,4% |
| 12.331,1 | 4028,2% | 83,4% | 253,3% | 2907,2% | 5125,7% | 2971,5% | -41,2% |
| 16.385,4 | | 0,0% | 16,3% | 140,8% | 176,1% | 124,3% | -18,8% |
| 4.953,5 | 5908,7% | | | | | | 593,7% |
| 29.832,6 | 2002,2% | -58,3% | 48,8% | -56,3% | -53,0% | -63,7% | -22,7% |
| 9.857,4 | 1070,0% | -6,1% | 28,7% | 100,8% | 138,0% | 131,1% | -2,9% |
| 9.612,4 | 1190000,0% | 122,2% | 175,2% | 979,9% | 1735,2% | 744,0% | -54,0% |
| 28.719,3 | 522,3% | 277,9% | 1101,6% | 2653,8% | 4913,6% | 290,8% | -92,2% |
| 6.653,2 | 210,4% | -95,8% | -100,0% | -96,2% | -88,6% | -71,9% | 147,0% |
| 5.495,8 | 136,8% | -74,5% | -34,1% | 109,3% | 118,2% | 99,1% | -8,7% |
| 64.536,9 | -90,2% | 1209,6% | 718,3% | 4627,3% | 957,4% | 62,9% | -84,6% |
| 12.258,5 | -23,6% | -85,7% | -55,8% | -61,5% | -36,5% | -76,2% | -62,5% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table H.5: Agricultural goods which belong to the top 20 Serbian export goods to Russia, for the period 2004–2016, in tons

| Goods | Year | | | | | | | | | | | | | Sum |
|---|----------|----------|----------|----------|----------|----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004-2016 |
| Other vegetables, canned, except in vinegar, not frozen | 7.570,6 | 8.200,0 | 8.154,4 | 5.642,9 | | | 10.577,1 | | | | | | | 40.145,0 |
| Other products for nourishment | 3.073,1 | | | | | | | | | | | | | 3.073,1 |
| Maize seed, hybrid | 1.846,0 | | | 3.192,7 | 3.903,9 | | | | | | | | | 8.942,6 |
| Sweet corn, canned, except in vinegar, not frozen | | 4.594,2 | | | | | 8.423,9 | | | | | | | 13.018,1 |
| Apples, fresh | | | 24.999,2 | 31.827,2 | 30.169,5 | 31.856,1 | 89.009,5 | 94.892,5 | 56.394,9 | 70.275,6 | 124.306,2 | 161.532,9 | 196.952,3 | 912.215,9 |
| Plums and sloes, fresh | | | | 16.142,0 | 12.292,3 | 14.851,3 | 16.822,8 | 17.715,5 | 15.283,0 | 18.276,4 | 15.806,3 | 11.853,5 | 8.274,5 | 147.317,6 |
| Tobacco, partly or wholly veinless | | | | | 1.924,0 | | | | | | | | | 1.924,0 |
| Sweet cherries and sour cherries, fresh | | | | | | 3.194,3 | | | | | | 5.277,2 | 9.367,6 | 17.839,1 |
| Peaches (including nectarines), fresh | | | | | | 5.983,2 | 8.242,8 | 10.898,9 | 9.479,4 | 11.884,1 | | 21.746,7 | 27.855,3 | 96.090,4 |
| Dried fruit, nor mentioned and mixtures of pome and dried fruit | | | | | | 1.564,5 | | | | | | | | 1.564,5 |
| Fresh (immature) cheese, incl. also from whey and urd | | | | | | | | | | 3.494,3 | 5.415,0 | 5.725,5 | 6.753,9 | 21.388,7 |
| Sour cherries, frozen, without sugar | | | | | | | | | | | 7.766,7 | | | 7.766,7 |
| Strawberries, fresh | | | | | | | | | | | 6.121,4 | 4.696,9 | 8.738,9 | 19.557,2 |
| Other vegetables and mixtures of vegetables, frozen | | | | | | | | | | | | 8.179,4 | | 8.179,4 |
| Pears and quinces, fresh | | | | | | | | | | | | | 11.980,6 | 11.980,6 |
| Sum for the period 2004-2016 by years | 12.489,7 | 12.794,2 | 33.153,6 | 56.804,8 | 48.289,7 | 57.449,4 | 133.076,1 | 123.506,9 | 81.157,3 | 103.930,4 | 159.415,6 | 219.012,1 | 269.923,1 | 2061,2% |
| Annual change | | 2,4% | 159,1% | 71,3% | -15,0% | 19,0% | 131,6% | -7,2% | -34,3% | 28,1% | 53,4% | 37,4% | 23,2% | |

Note: Percentual value of 2061,2 % relates to the change for the period 2004-2016

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table H.6: Agricultural goods which belong to the top 50 Serbian export goods to Russia, for the period 2004–2016, in tons

| Goods | Year | | | | | | | | | | | | | Sum | |
|---|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004-2016 | |
| Other vegetables, canned, except in vinegar, not frozen | 7.570,6 | 8.200,0 | 8.154,4 | 5.642,9 | 5.237,8 | 4.642,9 | 10.577,1 | 8.586,2 | 10.725,5 | 5.300,7 | | | | 74.638,1 | |
| Other products for nourishment | 3.073,1 | 2.655,5 | 2.616,3 | 2.682,3 | 3.530,7 | 2.833,2 | 3.721,1 | 3.767,7 | 4.539,7 | 3.095,8 | 3.066,9 | 2.983,6 | 2.320,7 | 40.886,6 | |
| Maize seeds, hybrid | 1.846,0 | 1.480,3 | 1.525,3 | 3.192,7 | 3.903,9 | 1.218,8 | 1.041,6 | | 1.531,6 | 2.302,2 | 2.660,3 | 2.122,6 | 1.454,7 | 24.280,0 | |
| Sunflower seeds, other | 175,6 | | | | | | | | | | | | | 175,6 | |
| Sweet corn, canned, except in vinegar, not frozen | 2.242,3 | 4.594,2 | 1.962,6 | 3.536,7 | | 3.183,9 | 8.423,9 | 5.842,5 | 6.767,6 | | | | | 36.553,7 | |
| Dried fruit, not mentioned and mixtures of pome and dried fruit | 517,6 | 396,4 | | | 1.554,3 | 1.564,5 | 1.685,8 | | | 2.834,5 | 2.133,3 | | | 10.686,4 | |
| Sunflower seeds, for sowing | | 234,3 | 255,5 | | 274,6 | | | | | | | | | 764,4 | |
| Artificial casings for sausage products | | 187,8 | | 358,9 | | 246,9 | 439,9 | 508,5 | 455,5 | | 589,2 | 633,7 | 823,7 | 4.244,1 | |
| Apples, fresh | | 3.797,8 | 24.999,2 | 31.827,2 | 30.169,5 | 31.856,1 | 89.009,5 | 94.892,5 | 56.394,9 | 70.275,6 | 124.306,2 | 161.532,9 | 196.952,3 | 916.013,7 | |
| Tobacco, partly and wholly veinless | | | 673,0 | 1.099,1 | 1.924,0 | | | | | | | | | 3.696,1 | |
| Plums and sloes, fresh | | | 3.967,7 | 16.142,0 | 12.292,3 | 14.851,3 | 16.822,8 | 17.715,5 | 15.283,0 | 18.276,4 | 15.806,3 | 11.853,5 | 8.274,5 | 151.285,3 | |
| Sweet cherries and sour cherries, fresh | | | | 2.319,6 | 3.761,5 | 3.194,3 | 3.017,0 | 4.447,4 | 3.908,8 | 3.211,8 | 3.792,3 | 5.277,2 | 9.367,6 | 42.297,5 | |
| Peaches (including nectarines), fresh | | | | 3.434,7 | 5.313,2 | 5.983,2 | 8.242,8 | 10.898,9 | 9.479,4 | 11.884,1 | 9.125,9 | 21.746,7 | 27.855,3 | 113.964,2 | |
| Juice of other individual fruit or vegetables | | | | 451,8 | 813,8 | 545,1 | | | | 1.138,6 | | 1.031,7 | | 3.981,0 | |
| Edible fruit seedlings, grafted or not | | | | | 287,6 | 140,7 | | | | | | | 781,9 | 1.210,2 | |
| Wine of fresh grapes; must with stopped fermentation | | | | | | 2.469,8 | 3.319,8 | 3.670,6 | 3.617,5 | 4.786,8 | 5.890,7 | 3.787,3 | 4.084,7 | 31.627,2 | |
| Strawberries, fresh | | | | | | 903,7 | 1.204,5 | 1.766,8 | 2.054,6 | 4.711,9 | 6.121,4 | 4.696,9 | 8.738,9 | 30.198,7 | |
| Other cheese, not for treatment | | | | | | | | 714,0 | 1.104,9 | | 1.042,7 | 1.206,9 | 894,7 | 4.963,2 | |
| Fresh (immature) cheese, including also from whey and urd | | | | | | | | | 2.066,7 | 3.494,3 | 5.415,0 | 5.725,5 | 6.753,9 | 23.455,4 | |
| Carcasses and half-carcasses of pork, frozen | | | | | | | | | | 1.911,7 | | 13.596,8 | 10.078,6 | 2.042,8 | 27.629,9 |
| Sour cherries, frozen, without sugar | | | | | | | | | | | 7.766,7 | 5.011,8 | 3.514,1 | 16.292,6 | |
| Other vegetables and mixtures of vegetables, frozen | | | | | | | | | | | 5.785,0 | 8.179,4 | 4.683,7 | 18.648,1 | |
| Pears and quinces, fresh | | | | | | | | | | | 6.020,8 | 6.138,8 | 11.980,6 | 24.140,2 | |
| Other pork meat, frozen | | | | | | | | | | | 1.066,7 | | | 1.066,7 | |

| | | | | | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| Raspberries, frozen, without sugar | | | | | | | | | | | 1.388,7 | 1.454,9 | | 2.843,6 |
| Beans and green beans, frozen | | | | | | | | | | | | 4.141,4 | 7.544,5 | 11.685,9 |
| Food for dogs and cats, for retail trade | | | | | | | | | | | | | 2.071,3 | 2.071,3 |
| Sum for the period 2004-2016 by years | 15.425,2 | 21.546,3 | 44.154,0 | 70.687,9 | 69.063,2 | 73.634,4 | 147.505,8 | 152.810,6 | 119.841,4 | 131.312,7 | 215.574,9 | 257.603,4 | 300.139,9 | 1845,8% |
| Annual change | | 39,7% | 104,9% | 60,1% | -2,3% | 6,6% | 100,3% | 3,6% | -21,6% | 9,6% | 64,2% | 19,5% | 16,5% | |

Note: Percentual value of 1845,8 % relates to the change for the period 2004-2016

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table H.7: Export from Serbia to Russia by the divisions that contain goods that were either fully or additionally liberalised by the April 2009 and the July 2011 Protocols, for the period 2004-2016, in tons

| Divisions fully liberalised by the 2009 protocol | Year | | | | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
| Beverages | 31,8 | 41,8 | 146,8 | 474,8 | 1.921,8 | 3.265,4 | 4.175,2 | 5.014,8 | 4.618,7 | 6.052,0 | 7.424,2 | 5.380,8 | 5.358,6 | |
| Essential oils, perfumes and toiletries | 32,2 | 15,2 | 19,7 | 0,0 | 14,5 | 142,4 | 408,0 | 41,6 | 125,4 | 278,9 | 453,8 | 1.487,0 | 1.934,8 | |
| Textile yarn, fabrics and textile products | 519,1 | 1.300,4 | 1.697,0 | 1.803,8 | 1.875,1 | 2.163,9 | 4.569,8 | 4.818,8 | 5.164,1 | 6.141,7 | 4.591,0 | 4.318,3 | 4.367,5 | |
| Electrical machines, apparatuses and appliances, not ment. | 3.670,1 | 4.257,3 | 4.941,1 | 6.867,1 | 7.299,0 | 6.517,3 | 22.318,1 | 25.422,1 | 26.239,7 | 20.206,8 | 16.346,3 | 10.657,4 | 11.557,4 | |
| Furniture and parts thereof; bedding, mattresses, pillows | 129,1 | 178,8 | 232,6 | 419,4 | 205,6 | 777,0 | 2.470,4 | 3.554,0 | 5.661,8 | 10.307,9 | 2.528,6 | 1.450,7 | 803,4 | |
| Animal and plant raw materials, not mentioned | 111,5 | 159,9 | 280,8 | 320,9 | 564,5 | 529,9 | 726,4 | 1.061,0 | 1.133,3 | 1.343,5 | 1.297,1 | 1.024,1 | 1.304,5 | |
| Divisions additionally liberalised by the 2009 protocol | | | | | | | | | | | | | | |
| Fruit and vegetables | 12.764,2 | 19.623,8 | 42.821,7 | 67.899,7 | 69.491,4 | 71.117,7 | 156.276,3 | 173.531,7 | 125.624,8 | 143.349,0 | 204.242,2 | 245.020,5 | 294.572,1 | |
| Medical and pharmaceutical products | 2.283,8 | 3.553,1 | 3.094,5 | 2.771,6 | 2.406,7 | 2.138,5 | 2.763,5 | 2.583,2 | 3.232,9 | 3.183,2 | 2.675,9 | 4.142,7 | 4.652,6 | |
| Meat and meat products | 0,0 | 16,5 | 70,6 | 139,9 | 285,6 | 403,0 | 645,9 | 1.050,3 | 2.940,8 | 975,2 | 17.449,9 | 12.014,9 | 2.893,7 | |
| Sugar, products made of sugar and honey* | 0,0 | 2,8 | 0,0 | 0,0 | 1,0 | 16,3 | 0,7 | 17,1 | 13,9 | 109,1 | 106,2 | 82,2 | 54,5 | |
| Beverages | 31,8 | 41,8 | 146,8 | 474,8 | 1.921,8 | 3.265,4 | 4.175,2 | 5.014,8 | 4.618,7 | 6.052,0 | 7.424,2 | 5.380,8 | 5.358,6 | |
| Divisions fully liberalised by the 2011 protocol | | | | | | | | | | | | | | |
| Textile yarn, fabrics and textile products | 519,1 | 1.300,4 | 1.697,0 | 1.803,8 | 1.875,1 | 2.163,9 | 4.569,8 | 4.818,8 | 5.164,1 | 6.141,7 | 4.591,0 | 4.318,3 | 4.367,5 | |

| | | | | | | | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|---------|---------|---------|
| Furniture and parts thereof; bedding, mattresses, pillows | 129,1 | 178,8 | 232,6 | 419,4 | 205,6 | 777,0 | 2.470,4 | 3.554,0 | 5.661,8 | 10.307,9 | 2.528,6 | 1.450,7 | 803,4 |
| Telecommunications and audio apparatuses and equipment* | 0,1 | 1,7 | 0,4 | 0,6 | 5,8 | 0,0 | 0,1 | 0,2 | 0,5 | 0,9 | 0,7 | 0,5 | 1,1 |
| Miscellaneous products for food and related products | 3.112,1 | 2.735,1 | 2.944,4 | 2.901,3 | 3.537,9 | 2.870,2 | 3.761,9 | 3.839,9 | 5.200,4 | 3.356,3 | 3.600,2 | 3.384,2 | 3.666,3 |

*Divisions that do not belong to top 30 by value in 2016 (all others do).

Table H.7a: Periodical changes

| Change | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 2008-2009 | 2008-2010 | 2008-2013 | 2013-2014 | 2013-2016 |
| 69,9% | 117,3% | 214,9% | 22,7% | -11,5% |
| 882,1% | 2713,8% | 1823,4% | 62,7% | 593,7% |
| 15,4% | 143,7% | 227,5% | -25,2% | -28,9% |
| -10,7% | 205,8% | 176,8% | -19,1% | -42,8% |
| 277,9% | 1101,6% | 4913,6% | -75,5% | -92,2% |
| -6,1% | 28,7% | 138,0% | -3,5% | -2,9% |

| 2,3% | 124,9% | 106,3% | 42,5% | 105,5% |
|-----------|-----------|-----------|-----------|-----------|
| -11,1% | 14,8% | 32,3% | -15,9% | 46,2% |
| 41,1% | 126,2% | 241,5% | 1689,4% | 196,7% |
| 1530,0% | -30,0% | 10810,0% | -2,7% | -50,0% |
| 69,9% | 117,3% | 214,9% | 22,7% | -11,5% |
| 2010-2011 | 2010-2012 | 2010-2013 | 2013-2014 | 2013-2016 |
| 5,4% | 13,0% | 34,4% | -25,2% | -28,9% |
| 43,9% | 129,2% | 317,3% | -75,5% | -92,2% |
| 100,0% | 400,0% | 800,0% | -22,2% | 22,2% |
| 2,1% | 38,2% | -10,8% | 7,3% | 9,2% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table H.8: Export from Serbia to Russia of 15 selected goods that were fully or additionally liberalised by the April 2009 Protocol, for the period 2004-2016, in tons

| Goods fully or additionally liberalised by the 2009 Protocol | Year | | | | | | | | | | | | |
|--|-------|-------|-------|-------|--------|--------|--------|--------|---------|---------|---------|---------|---------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Apple juice | 0,0 | 17,4 | 3,7 | 2,7 | | | 58,0 | | 2,3 | 4,4 | 49,2 | 10,4 | 41,7 |
| Fruit, fruit barks, other parts of plant, candied | | | | | | | | | | 41,8 | 50,3 | 36,3 | 24,2 |
| Other products of sugar, with no cocoa | | 2,8 | 0,0 | 0,0 | 0,0 | 2,4 | 0,0 | 5,5 | 7,9 | 38,2 | 41,6 | 35,8 | 23,2 |
| Wines of all grapes, with stopped fermentation | 17,7 | 36,6 | 36,6 | 229,3 | 1138,6 | 2469,8 | 3319,8 | 3670,6 | 3617,5 | 4786,8 | 5890,7 | 3787,3 | 4.084,7 |
| Beer of malt (incl. Light, strong and black beer) | | | | | 0,0 | | | 22,4 | 0,0 | 0,0 | 0,0 | 0,0 | 9,7 |
| Medicines (other antibiotics), for retail | 47,8 | 80,5 | 57,7 | 73,9 | 94,5 | 120,6 | 142,8 | 67,4 | 162,6 | 155,5 | 180,5 | 310,1 | 243,5 |
| Medicines (penicillin, streptomycin), for retail | 120,2 | 283,1 | 177,5 | 258,0 | 272,9 | 246,6 | 297,9 | 194,2 | 346,4 | 296,5 | 232,8 | 283,1 | 356,5 |
| Soap in the form of a piece for other use | | | | 0,0 | | | | 0,0 | 0,0 | 0,4 | 1,1 | 0,0 | 0,5 |
| Soap in the form of a piece for toilet use | 0,0 | | | | | | | | | 8,5 | 4,2 | 16,7 | 0,0 |
| Refrigerators for household | 0,0 | 7,2 | 12,3 | 14,3 | 12,2 | 2,3 | 16,8 | 0,8 | 5,4 | 25,2 | 17,7 | 8,3 | 25,0 |
| Freezers in the shape of wardrobe, V> 250l <= 900l | 0,0 | | | | | | | | | 95,0 | 53,7 | 107,2 | 184,5 |
| Washing machines with capacity up to 10kg | 0,0 | 358,3 | 40,2 | 436,7 | 361,5 | 242,5 | 510,0 | 468,8 | 5.060,6 | 4.436,7 | 6.143,3 | 3.459,1 | 3.102,9 |
| Wooden office furniture, not ment. | 34,2 | 7,1 | 3,6 | 8,8 | 2,0 | 5,9 | 15,0 | 29,9 | 52,2 | 46,3 | 54,2 | 27,1 | 58,3 |
| Mattresses of cellular rubber or plastics | 21,2 | 7,0 | | 0,3 | | | | 143,6 | 395,8 | 193,6 | 4,9 | | 0,0 |
| Mattresses of other materials | 3,4 | 2,0 | 3,6 | 4,4 | 0,9 | 1,5 | 26,0 | 5,4 | 26,3 | 46,1 | 1,7 | 2,4 | 1,2 |

Table H.8a: Periodical changes

| Change | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 2008-2009 | 2008-2010 | 2008-2013 | 2013-2014 | 2013-2016 |
| | | | 1018,2% | 847,7% |
| | | | 20,3% | -42,1% |
| | | | 8,9% | -39,3% |
| 116,9% | 191,6% | 320,4% | 23,1% | -14,7% |
| | | | | |
| 27,6% | 51,1% | 64,6% | 16,1% | 56,6% |
| -9,6% | 9,2% | 8,6% | -21,5% | 20,2% |
| | | | 175,0% | 25,0% |
| | | | -50,6% | -100,0% |
| -81,1% | 37,7% | 106,6% | -29,8% | -0,8% |
| | | | -43,5% | 94,2% |
| -32,9% | 41,1% | 1127,3% | 38,5% | -30,1% |
| 195,0% | 650,0% | 2215,0% | 17,1% | 25,9% |
| | | | -97,5% | -100,0% |
| 66,7% | 2788,9% | 5022,2% | -96,3% | -97,4% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table H.9: Export from Serbia to Russia of 5 selected goods that were fully or additionally liberalised by the July 2011 Protocol, for the period 2004-2016, in tons

| Goods fully or additionally liberalised by the 2011 Protocol | Year | | | | | | | | | | | | |
|--|------|------|------|------|------|-------|-------|-------|-------|--------|-------|-------|-------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Parts of furniture from 821.3, 821.5 and 821.7 | 0,2 | 4,3 | 26,8 | 17,2 | 13,1 | 42,9 | 39,6 | 32,9 | 92,6 | 136,4 | 110,7 | 56,1 | 167,6 |
| Wooden kitchen furniture, not ment. | | 1,8 | 1,9 | 9,2 | 2,9 | 12,5 | 14,1 | 17,6 | 54,0 | 58,7 | 102,1 | 395,5 | 100,9 |
| Wooden furniture, for dining rooms-living rooms, not ment. | 8,4 | 8,3 | 54,3 | 99,1 | 50,3 | 140,8 | 160,8 | 178,9 | 539,5 | 1196,3 | 916,3 | 379,9 | 181,0 |
| Other furniture, of wood, not ment. | 10,0 | 5,6 | 10,2 | 63,9 | 19,2 | 43,0 | 49,0 | 35,0 | 980,1 | 4753,5 | 468,3 | 109,4 | 24,9 |

Table H.9a: Periodical changes

| Change | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 2010-2011 | 2010-2012 | 2010-2013 | 2013-2014 | 2013-2016 |
| -16,9% | 133,8% | 244,4% | -18,8% | 22,9% |
| 24,8% | 283,0% | 316,3% | 73,9% | 71,9% |
| 11,3% | 235,5% | 644,0% | -23,4% | -84,9% |
| -28,6% | 1900,2% | 9601,0% | -90,1% | -99,5% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table H.10: Export results of the top 10 Serbian exporting enterprises to Russia, for the period 2012–2016, in million USD

| Company name | Type of (economic) activity | Year | | | | |
|--|--|-------------|-------------|-------------|-------------|-------------|
| | | 2012 | 2013 | 2014 | 2015 | 2016 |
| Tarkettd.o.o, BačkaPalanka | Production of plastic items for civil engineering | 83.893.017 | 89.831.038 | 81.477.592 | 32.484.062 | 21.386.833 |
| Hemofarma.d, Vršac | Production of pharmaceutical preparations | 62.992.370 | 62.562.891 | 46.459.585 | 43.747.159 | 41.400.589 |
| Valyd.o.o, Valjevo | Manufacture of knitted and crocheted hosiery | 51.738.740 | 108.635.103 | 78.590.107 | 50.378.101 | 57.821.106 |
| ValjaonicaBakraSevojnoa.d, Sevojno | Production of copper | 28.434.967 | 20.269.753 | | | |
| FBC a.d, Majdanpek | Production of copper | 28.309.105 | 33.848.255 | 30.269.363 | 15.989.701 | 16.066.328 |
| KoncernFarmakom Mb Šabac-FabrikaAkumulatoraSombora.d, Sombor – in bankruptcy | Production of accumulators | 28.180.415 | | | | |
| TigarTyresd.o.o, Pirot | Production of tyres for motor vehicles | 26.581.514 | 30.562.523 | 21.087.239 | 15.163.436 | 22.056.860 |
| Lohrd.o.o, BačkaTopola | Manufacture of bodies for motor vehicles, trailers and semi-trailers | 24.951.096 | | | | |
| Novkabel a.d, Novi Sad | Manufacture of other electronic and electric wires and cables | 22.671.631 | | 20.680.129 | | |
| ImpolSevala.d, Sevojno | Production of aluminum | 20.794.042 | 24.585.063 | | 13.550.389 | 14.806.842 |
| Holding Kablovia.d, Jagodina | Manufacture of other electronic and electric wires and cables | | 23.225.224 | | | |
| Gorenje Home d.o.o, Zaječar | Production of electrical household appliances | | 18.003.114 | 26.164.071 | 14.761.548 | |
| Moskomercd.o.o, Belgrade | Wholesale of electrical household appliances | | 17.400.269 | | | |
| GrundfosSrbijad.o.o, Indija | Manufacture of other pumps and compressors | | | 36.378.531 | 24.745.506 | 23.778.373 |
| Farmakom Finance d.o.o, Šabac – in bankruptcy | Other financial service activities, except insurance and pension funding | | | 23.501.258 | | |
| Real Knitting d.o.o, Gajdobra | Manufacture of knitted and crocheted hosiery | | | 23.427.982 | 16.335.409 | 27.249.861 |
| Delta Agrar d.o.o, Belgrade* | Wholesale of grain, unmanufactured tobacco, seeds and animal feeds | | | | 14.463.062 | 15.291.193 |
| PDM Agro-Fruit d.o.o, Belgrade* | Growing of cereals (except rice), legumes and oilseeds | | | | | 14.417.166 |
| Number of enterprises: 18 | Sum of the value of the top 10 exporters on a yearly basis | 378.546.897 | 428.923.233 | 388.035.857 | 241.618.373 | 254.275.151 |
| | Annual change | | 13,3% | -9,5% | -37,7% | 5,2% |

*Agricultural enterprises (coloured in light blue)

Note: Obtained data are available only for given years.

Source: Own elaboration based on data of the Chamber of Commerce and Industry of Serbia 2017b

Table H.11: Import of Serbia from Russia, by sectors, for the period 2004–2016, in tons

| Sectors | Year | | | | | | | | | | | | | Sum |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004-2016 |
| Food and live animals | 35.743,9 | 4.086,8 | 9.198,2 | 13.963,4 | 14.216,9 | 20.677,9 | 17.548,5 | 13.678,7 | 21.286,8 | 26.721,9 | 31.561,0 | 22.256,2 | 22.582,0 | 253.522,2 |
| Beverages and tobacco | 80,0 | 821,8 | 1.795,7 | 38,0 | 121,6 | 135,3 | 1.161,2 | 2.658,7 | 2.536,9 | 2.993,3 | 3.463,1 | 4.120,5 | 5.658,0 | 25.584,1 |
| Crude materials, inedible, except fuels | 32.255,3 | 41.529,6 | 659.009,6 | 431.258,9 | 131.902,6 | 34.791,0 | 43.556,7 | 18.605,8 | 52.270,5 | 157.581,2 | 213.627,5 | 155.719,1 | 177.632,0 | 2.149.739,8 |
| Mineral fuels, lubricants and related products | 4.725.873,2 | 4.150.538,3 | 4.146.135,0 | 4.261.112,3 | 4.259.591,2 | 3.212.897,3 | 3.075.999,2 | 2.832.021,7 | 1.926.108,8 | 1.674.657,2 | 2.567.342,0 | 3.037.406,2 | 2.826.833,7 | 42.696.516,1 |
| Animal and plant oils, fats and waxes | 19,4 | 19,8 | 14.781,3 | 3.854,6 | 1.309,1 | 1.910,4 | 2,0 | 20,0 | 11,6 | 3.819,6 | 1.741,2 | 964,3 | 1.881,6 | 30.334,9 |
| Chemical and similar product, not stipulated | 238.655,4 | 238.520,6 | 335.070,2 | 549.429,5 | 516.044,7 | 563.350,8 | 274.177,3 | 239.694,1 | 390.684,2 | 459.640,9 | 387.784,7 | 383.084,7 | 622.686,6 | 5.198.823,7 |
| Manufactured goods classified by material | 82.313,1 | 68.567,5 | 65.490,6 | 96.454,8 | 86.529,0 | 63.498,7 | 91.938,1 | 90.237,3 | 63.844,4 | 80.737,1 | 67.785,9 | 80.675,8 | 106.825,2 | 1.044.897,5 |
| Machines and transport equipment | 7.092,0 | 5.995,3 | 5.153,4 | 5.352,4 | 4.526,4 | 3.716,4 | 3.849,3 | 4.926,2 | 3.950,6 | 3.866,7 | 5.600,6 | 3.290,9 | 7.726,1 | 65.046,3 |
| Miscellaneous manufactured products | 473,5 | 703,1 | 467,4 | 578,7 | 598,9 | 622,0 | 852,6 | 620,1 | 503,2 | 395,2 | 359,6 | 529,1 | 833,8 | 7.537,2 |
| Products not stipulated in mentioned sectors | 6.246,7 | 173,9 | 87,1 | 99.991,3 | 101.700,7 | 61.185,6 | 7.732,6 | 3.113,1 | 1.115,8 | 1.543,2 | 4.751,0 | 2.617,1 | 62.769,0 | 353.027,1 |
| *Sum of all sectors for the period 2004–2016 | | | | | | | | | | | | | | * 51.825.028,9 |
| **Sum of the sector - mineral fuels, lubricants and related products, for the period 2004-2016 | | | | | | | | | | | | | | ** 42.696.516,1 |
| ***Percentual share of the sector - mineral fuels, lubricants and related products in the sum of all sectors | | | | | | | | | | | | | | *** 82,4% |

Source: Own elaboration based on data from the Statistical Office of the Republic of Serbia - online database

Table H.12: Import of Serbia from Russia, by divisions, for the period 2004–2016, in thousand USD

| Divisions | Year | | | | | | | | | | | | | Sum |
|---|---------|-----------|-----------|-----------|-----------|----------|---------|-----------|----------|---------|-----------|----------|----------|-------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004-2016 |
| Live animals, except animals from section 03 | 0,0 | 9,6 | | 0,5 | 0,0 | 2,6 | 0,4 | 1,2 | 2,5 | 0,1 | 1,0 | 2,9 | 0,3 | 21,1 |
| Meat and meat products | 17,0 | 0,0 | 0,0 | 115,7 | 0,0 | 0,0 | 80,7 | 0,0 | 0,0 | 88,0 | 1.420,1 | 56,7 | 223,8 | 2.002,0 |
| Dairy products and bird eggs | 687,8 | 47,5 | | | | 0,0 | 50,8 | 0,0 | 355,1 | 391,3 | 351,3 | 101,6 | 45,2 | 2.030,6 |
| Fish, crustaceans, molluscs and products made of them | 206,0 | 413,3 | 641,3 | 183,3 | 76,8 | 47,3 | 255,3 | 415,4 | 428,2 | 396,8 | 424,2 | 209,4 | 570,7 | 4.268,0 |
| Cereals and cereal-based products | 6.789,9 | 327,6 | 3.086,7 | 10.056,2 | 9.987,3 | 8.512,0 | 7.165,3 | 3.212,8 | 620,3 | 564,2 | 645,9 | 440,1 | 994,6 | 52.402,9 |
| Fruit and vegetables | 957,9 | 367,1 | 987,3 | 467,3 | 304,5 | 197,3 | 75,2 | 1.485,2 | 1.386,4 | 1.464,0 | 894,7 | 1.746,2 | 1.417,8 | 11.750,9 |
| Sugar, products made of sugar and honey | 15,0 | 18,3 | 155,1 | 59,3 | 116,6 | 111,9 | 96,3 | 142,8 | 108,9 | 1.192,3 | 118,5 | 124,1 | 718,6 | 2.977,7 |
| Coffee, tea, cocoa, spices and related products | 2,2 | 12,6 | 54,1 | 72,9 | 146,0 | 0,2 | 124,4 | 209,0 | 42,2 | 25,7 | 39,9 | 91,2 | 577,2 | 1.397,6 |
| Animal food (except unmilled cereals) | 0,0 | 371,3 | 1.606,3 | 2.061,0 | 3.067,6 | 4.272,8 | 3.709,4 | 2.960,1 | 4.801,2 | 6.243,5 | 9.033,9 | 3.156,2 | 2.420,1 | 43.703,4 |
| Miscellaneous products for food and related products | 1.477,2 | 1.265,3 | 2.164,7 | 2.605,0 | 3.255,2 | 3.544,8 | 2.692,1 | 4.584,0 | 5.260,6 | 6.571,6 | 6.687,0 | 5.436,9 | 5.849,6 | 51.394,0 |
| Beverages | 36,5 | 28,0 | 4,5 | 36,1 | 78,5 | 28,8 | 30,9 | 62,7 | 91,4 | 97,5 | 94,2 | 163,2 | 201,8 | 954,1 |
| Tobacco and tobacco products | 380,8 | 5.700,8 | 13.494,9 | 51,4 | 1.461,2 | 2.381,2 | 11.321 | 33.716,7 | 30.951,1 | 36.489 | 38.151,7 | 33.625,7 | 46.043,1 | 253.769,0 |
| Leather and fur, raw | | | | | 48,2 | | | | | 2,5 | 0,4 | | 42,1 | 93,2 |
| Oil seeds and oleaginous fruits | 0,0 | 0,0 | 629,5 | 0,0 | 28,1 | 5,8 | 4,7 | 8,4 | 77,9 | 75,9 | 139,6 | 225,2 | 61,6 | 1.256,7 |
| Crude rubber, included synthetic and regenerated | 7.316,9 | 9.445,0 | 10.975,5 | 14.008,7 | 17.205,9 | 11.728,6 | 23.657 | 34.149,2 | 36.007,3 | 26.745 | 25.099,5 | 24.760,8 | 25.030,5 | 266.131,2 |
| Cork and wood | 1,0 | 40,2 | 80,5 | 3,6 | 52,8 | 123,8 | 224,7 | 141,4 | 127,4 | 334,3 | 347,2 | 472,2 | 774,0 | 2.723,1 |
| Pulp and waste paper | 2.553,1 | 3.021,3 | 0,0 | 10,8 | 406,4 | 88,8 | | | 44,9 | 91,2 | | | | 6.216,5 |
| Textile fibres and scraps | 813,7 | 1.033,3 | 1.056,9 | 729,0 | | 8,0 | 42,1 | 6,6 | 3,0 | | 14,5 | 0,8 | 1,6 | 3.709,5 |
| Crude fertilizers (except from section 56) and minerals | 2.069,2 | 2.222,9 | 2.092,9 | 577,5 | 2.247,0 | 1.449,6 | 5.094,3 | 1.977,4 | 4.086,8 | 3.394,4 | 13,4 | 1.106,6 | 2.803,3 | 29.135,3 |
| Metal ores and metal scraps | 737,0 | 1.530,2 | 52.535,4 | 41.668,8 | 13.489,8 | 1.718,8 | 1.217,7 | 150,1 | 2.880,1 | 23.662 | 26.668,0 | 28.486,4 | 17.124,3 | 211.869,4 |
| Animal and plant raw materials, not mentioned | 4,1 | 0,0 | 5,4 | 5,7 | 117,5 | 1,8 | 20,6 | 175,3 | 46,4 | 31,9 | 53,7 | 4,3 | 10,9 | 477,6 |
| Coal, coke and briquettes | 85.038 | 49.743,9 | 18.375,9 | 23.346,1 | 42.688,9 | 8.973,1 | 18.948 | 23.132,9 | 20.302,5 | 6.941,3 | 16.386,9 | 25.367,5 | 16.652,2 | 355.897,2 |
| Oil, oil derivatives and related products | 777.246 | 1.023.490 | 1.138.30 | 1.308.45 | 1.762.452 | 894.246 | 963.125 | 1.156.678 | 841.454 | 703.056 | 1.122.854 | 710.046 | 458.428 | 12.859.844 |
| Gas, natural and industrial | 325.869 | 351.591,7 | 581.127,5 | 645.325,0 | 967.456,7 | 652.032 | 711.527 | 885.225,2 | 636.682 | 551.148 | 639.100,1 | 549.714 | 336.931 | 7.833.732,0 |
| Electricity | | | | | | | | | | | | | | 0,0 |
| Animal oils and fats | 31,7 | | | | | 0,0 | | 0,0 | 0,0 | 0,0 | 342,2 | 0,0 | 19,6 | 393,5 |

| | | | | | | | | | | | | | | |
|--|---------|----------|-----------|-----------|-----------|----------|---------|-----------|----------|---------|-----------|----------|----------|-------------|
| Fixed plant fats and oils, raw, refined | 0,3 | 17,7 | 10.325,5 | 3.787,6 | 2.094,3 | 2.001,6 | 2,3 | 0,9 | 0,3 | 4.642,6 | 1.566,7 | 891,3 | 1.756,6 | 27.087,7 |
| Animal and plant fats and oils, refined | 4,0 | 5,7 | 7,5 | | | | 4,1 | 49,8 | 17,1 | 54,7 | 71,3 | | | 214,2 |
| Organic chemical products | 5.178,0 | 7.573,7 | 11.248,9 | 14.243,5 | 20.636,3 | 2.686,5 | 5.912,9 | 9.920,0 | 2.138,8 | 5.221,5 | 7.425,2 | 7.297,3 | 4.025,3 | 103.507,9 |
| Inorganic chemical products | 4.245,5 | 6.415,7 | 9.652,7 | 12.820,1 | 24.699,7 | 18.046,5 | 27.431 | 38.031,0 | 40.588,4 | 47.601 | 47.999,6 | 37.169,8 | 31.024,5 | 345.726,4 |
| Products for dyeing and tanning | 97,3 | 9,8 | 15,4 | 13,8 | 26,5 | 112,2 | 100,2 | 35,4 | 55,1 | 1.903,1 | 159,8 | 343,0 | 287,5 | 3.159,1 |
| Medical and pharmaceutical products | 162,1 | 406,6 | 199,5 | 337,3 | 268,1 | 384,2 | 134,8 | 24,2 | 1.294,4 | 46,2 | 55,1 | 148,6 | 790,9 | 4.252,0 |
| Essential oils, perfumes and toiletries | 151,0 | 129,0 | 261,3 | 980,1 | 460,9 | 390,2 | 463,2 | 662,0 | 907,5 | 714,3 | 873,0 | 989,4 | 1.543,5 | 8.525,4 |
| Fertilizers (other than crude) | 44.316 | 51.232,8 | 68.597,7 | 149.363,7 | 240.422,9 | 147.675 | 77.003 | 88.815,9 | 164.244 | 173.720 | 110.625,2 | 95.921,7 | 143.930 | 1.555.870,5 |
| Plastics in primary forms | 446,6 | 288,4 | 1.105,0 | 790,6 | 874,0 | 1.228,2 | 2.451,6 | 5.108,7 | 6.158,8 | 10.443 | 20.676,8 | 22.637,1 | 36.152,7 | 108.361,6 |
| Plastics in non-primary forms | 175,0 | 273,4 | 310,0 | 23,0 | 123,1 | 279,4 | 292,7 | 421,0 | 320,6 | 293,2 | 957,5 | 1.764,7 | 2.185,9 | 7.419,5 |
| Chemical materials and products, not mentioned | 1.656,3 | 241,5 | 241,0 | 173,9 | 329,1 | 444,9 | 1.428,0 | 641,5 | 474,3 | 518,1 | 1.171,2 | 4.344,9 | 2.969,1 | 14.633,8 |
| Leather, leather products, not mentioned, and processed furs | 0,2 | 2,8 | 0,0 | 0,0 | 3,2 | 0,0 | 42,0 | 147,7 | 88,0 | 269,6 | 0,8 | 1,2 | 187,0 | 742,5 |
| Products made of rubber, not mentioned | 5.021,9 | 4.561,3 | 5.956,5 | 6.613,8 | 4.097,8 | 3.806,8 | 4.138,4 | 4.911,9 | 4.188,7 | 4.251,1 | 5.232,4 | 6.529,2 | 6.501,3 | 65.811,1 |
| Products of cork and wood (except furniture) | 124,4 | 129,7 | 456,7 | 1.715,6 | 416,1 | 704,1 | 817,8 | 1.044,5 | 832,6 | 954,3 | 1.417,1 | 1.641,6 | 5.994,5 | 16.249,0 |
| Paper, cardboard and products of pulp | 5.390,6 | 8.370,2 | 6.775,3 | 8.875,9 | 11.717,4 | 13.276,6 | 11.278 | 15.079,0 | 11.535,9 | 9.971,5 | 15.158,6 | 18.122,8 | 19.619,2 | 155.171,7 |
| Textile yarn, fabrics and textile products | 2.747,7 | 3.330,7 | 2.186,9 | 1.875,8 | 1.858,7 | 1.174,9 | 1.833,2 | 1.424,7 | 909,2 | 899,2 | 1.061,9 | 2.631,8 | 1.129,2 | 23.063,9 |
| Products of non-metallic minerals | 1.775,3 | 592,7 | 1.011,7 | 1.160,9 | 1.600,9 | 2.198,2 | 969,3 | 707,3 | 1.511,0 | 2.657,9 | 3.286,7 | 2.776,0 | 6.074,5 | 26.322,4 |
| Iron and steel | 17.645 | 12.706,6 | 14.148,2 | 18.238,0 | 14.889,7 | 7.522,4 | 12.858 | 13.219,1 | 12.769,0 | 15.848 | 7.325,6 | 7.447,7 | 6.083,4 | 160.701,9 |
| Coloured metals | 56.535 | 81.373,5 | 140.020,4 | 214.701,9 | 159.616,0 | 75.836,2 | 183.362 | 241.284,7 | 148.708 | 173.014 | 133.641 | 113.784 | 120.221 | 1.842.101,3 |
| Products made of metals, not mentioned | 1.856,4 | 1.083,2 | 996,5 | 1.745,9 | 1.867,6 | 2.448,0 | 1.840,4 | 21.129,2 | 20.208,2 | 19.891 | 12.448,2 | 3.456,0 | 2.112,2 | 91.083,3 |
| Driving machines and power equipment | 3.324,3 | 1.666,1 | 7.978,0 | 2.895,3 | 1.891,4 | 18.044,9 | 13.770 | 14.206,2 | 11.715,8 | 11.102 | 15.936,2 | 1.336,6 | 10.676,6 | 114.543,7 |
| Machines specialised for industry | 2.293,1 | 788,6 | 1.512,8 | 1.438,2 | 1.690,5 | 767,0 | 209,4 | 610,3 | 222,8 | 257,1 | 439,2 | 917,4 | 1.123,2 | 12.269,6 |
| Machines for metal processing | 104,6 | 392,5 | 155,4 | 264,7 | 651,3 | 122,8 | 11,3 | 29,3 | 7,7 | 383,8 | 52,5 | 31,6 | 29,3 | 2.236,8 |
| Industrial machines for general use, not mentioned | 2.637,3 | 3.169,7 | 5.723,8 | 3.306,9 | 7.929,3 | 3.167,8 | 3.428,8 | 12.462,7 | 5.011,7 | 17.151 | 4.608,3 | 3.414,0 | 2.653,0 | 74.665,1 |
| Office machines and machines for automatic data processing | 210,4 | 131,7 | 44,1 | 72,9 | 971,2 | 103,6 | 62,2 | 568,5 | 1.518,3 | 136,0 | 109,5 | 89,8 | 12,0 | 4.030,2 |
| Telecommunications and audio apparatuses and equipment | 97,8 | 391,6 | 1.645,6 | 193,9 | 352,8 | 42,8 | 5,2 | 2,8 | 32,7 | 224,2 | 73,5 | 269,3 | 154,4 | 3.486,6 |
| Electrical machines, apparatuses and appliances, not mentioned | 1.898,5 | 2.517,9 | 4.427,3 | 4.098,3 | 4.068,1 | 3.590,1 | 6.410,6 | 3.363,6 | 5.035,2 | 6.531,9 | 6.607,1 | 6.303,3 | 8.956,8 | 63.808,7 |
| Road vehicles (including ACV vehicles) | 19.399 | 25.182,9 | 13.331,0 | 14.005,2 | 9.446,5 | 5.386,9 | 5.660,7 | 12.962,6 | 7.157,4 | 8.391,7 | 13.269,7 | 10.151,7 | 5.494,9 | 149.840,8 |

| | | | | | | | | | | | | | | |
|---|---------|---------|---------|-----------|-----------|----------|---------|---------|----------|---------|----------|---------|----------|-----------|
| Other transport vehicles and equipment | 1.247,6 | 128,6 | 1.561,7 | 4.935,1 | 3.407,7 | 3.164,1 | 23.624 | 5.546,1 | 36.055,8 | 5.861,1 | 19.274,3 | 692,2 | 127.936 | 233.434,9 |
| Prefabricated buildings; sanitary and other devices | 13,9 | 26,2 | 98,1 | 239,3 | 86,5 | 62,6 | 258,3 | 299,1 | 188,2 | 167,9 | 59,7 | 164,3 | 538,4 | 2.202,5 |
| Furniture and parts thereof; bedding, mattresses, pillows | 122,8 | 89,5 | 54,4 | 90,1 | 49,1 | 375,0 | 182,2 | 33,3 | 36,1 | 152,5 | 116,2 | 177,6 | 391,4 | 1.870,2 |
| Travel goods, handbags and similar | 0,2 | 0,0 | 0,4 | 0,4 | 0,8 | 0,5 | 249,4 | 0,2 | 0,5 | 1,0 | 0,4 | 3,5 | 0,2 | 257,5 |
| Garments and clothing accessories | 32,8 | 63,2 | 63,7 | 309,4 | 55,6 | 33,5 | 120,3 | 60,8 | 18,7 | 204,4 | 38,6 | 29,3 | 82,8 | 1.113,1 |
| Shoes | 26,1 | 53,1 | 70,5 | 86,5 | 91,4 | 24,7 | 69,0 | 40,2 | 21,0 | 29,1 | 46,7 | 14,8 | 23,0 | 596,1 |
| Professional, scientific and controlling instruments | 772,8 | 1.158,1 | 1.587,4 | 919,9 | 9.863,5 | 2.595,2 | 1.766,4 | 1.946,6 | 2.144,6 | 1.124,0 | 776,0 | 724,0 | 732,1 | 26.110,6 |
| Cameras; optical products; clocks, watches | 22,2 | 1,1 | 7,5 | 7,0 | 123,2 | 55,0 | 2,3 | 9,2 | 9,3 | 3,0 | 43,7 | 6,8 | 0,4 | 290,7 |
| Miscellaneous products, not mentioned | 1.484,4 | 2.211,9 | 2.110,5 | 1.943,7 | 2.402,3 | 1.840,8 | 2.164,6 | 1.588,9 | 1.061,1 | 1.217,6 | 1.781,6 | 996,5 | 1.795,9 | 22.599,8 |
| Coins, which is not a means of payment | | | | | | | | | | | | | | 0,0 |
| Gold (excluding gold ores and concentrates) | | | | | | | | | | | | | | 0,0 |
| Unclassified goods | 2.594,5 | 1.328,2 | 1.226,2 | 149.536,1 | 165.973,4 | 59.048,9 | 16.303 | 9.400,4 | 5.450,0 | 8.680,1 | 17.084,4 | 9.979,4 | 41.068,1 | 487.672,7 |

*Sum of all divisions for the period 2004–2016

* 27.759.185

**Sum of the divisions - oil, oil derivatives and related products, and gas, natural and industrial, for the period 2004–2016

** 20.693.576

***Percentual share of the two above mentioned divisions in the sum of all divisions

*** 74,5%

Source: Own elaboration based on data from the Statistical Office of the Republic of Serbia - online database

Table H.13: Import of Serbia from Russia, by divisions, for the period 2004–2016, in tons

| Divisions | Year | | | | | | | | | | | | | Sum |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-----------|-------------|-------------|-------------|--------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004-2016 |
| Live animals, except animals from section 03 | 0,0 | 0,0 | | 0,0 | 0,0 | 1,1 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,7 | 0,0 | 1,8 |
| Meat and meat products | 5,0 | 0,0 | 0,0 | 35,7 | 0,0 | 0,0 | 16,3 | 0,0 | 0,0 | 14,4 | 227,1 | 22,8 | 77,7 | 399,0 |
| Dairy products and bird eggs | 240,7 | 17,5 | | | | 0,0 | 5,2 | 0,0 | 80,1 | 93,7 | 78,3 | 26,1 | 12,9 | 554,5 |
| Fish, crustaceans, molluscs and products made of them | 145,1 | 243,4 | 250,5 | 75,8 | 35,6 | 26,8 | 39,3 | 110,1 | 145,1 | 135,1 | 138,5 | 104,5 | 283,9 | 1.733,7 |
| Cereals and cereal-based products | 32.777,5 | 183,2 | 1.180,1 | 4.973,5 | 2.985,5 | 2.893,3 | 2.411,1 | 1.076,7 | 506,7 | 540,1 | 916,9 | 748,5 | 2.090,9 | 53.284,0 |
| Fruit and vegetables | 377,8 | 108,8 | 234,8 | 122,6 | 212,3 | 196,5 | 76,1 | 612,9 | 581,4 | 848,6 | 943,5 | 1.256,1 | 1.205,2 | 6.776,6 |
| Sugar, products made of sugar and honey | 1,0 | 0,2 | 35,1 | 13,7 | 21,4 | 21,3 | 20,7 | 21,6 | 23,8 | 1.548,4 | 27,8 | 22,9 | 1.099,8 | 2.857,7 |
| Coffee, tea, cocoa, spices and related products | 3,0 | 4,6 | 4,5 | 5,9 | 10,7 | 0,0 | 21,3 | 20,3 | 3,8 | 2,3 | 5,3 | 12,9 | 177,7 | 272,3 |
| Animal food (except unmilled cereals) | 0,0 | 1.481,5 | 5.576,6 | 6.287,0 | 8.302,6 | 14.038,0 | 12.926,4 | 8.782,0 | 15.506,0 | 16.889,4 | 23.037,2 | 14.000,5 | 11.660,5 | 138.487,7 |
| Miscellaneous products for food and related products | 2.193,8 | 2.047,6 | 1.916,6 | 2.449,2 | 2.648,8 | 3.500,9 | 2.032,1 | 3.055,1 | 4.439,7 | 6.649,9 | 6.186,4 | 6.061,2 | 5.973,3 | 49.154,6 |
| Beverages | 20,8 | 17,4 | 2,4 | 18,9 | 33,5 | 1,8 | 18,6 | 47,6 | 73,2 | 73,3 | 94,8 | 113,6 | 114,8 | 630,7 |
| Tobacco and tobacco products | 59,2 | 804,4 | 1.793,3 | 19,1 | 88,1 | 133,5 | 1.142,6 | 2.611,1 | 2.463,7 | 2.920,0 | 3.368,4 | 4.006,9 | 5.543,2 | 24.953,5 |
| Leather and fur, raw | | | | | 37,7 | | | | | 0,0 | 0,0 | | 19,7 | 57,4 |
| Oil seeds and oleaginous fruits | 0,0 | 0,0 | 2.552,8 | 0,0 | 40,0 | 2,5 | 2,1 | 3,8 | 43,3 | 65,7 | 191,0 | 344,4 | 119,4 | 3.365,0 |
| Crude rubber, included synthetic and regenerated | 5.212,0 | 5.820,5 | 6.376,5 | 7.400,6 | 6.492,9 | 6.124,6 | 8.878,9 | 9.395,6 | 10.304,0 | 9.036,6 | 11.012,9 | 16.253,8 | 16.670,1 | 118.979,0 |
| Cork and wood | 0,5 | 24,4 | 94,7 | 1,5 | 47,3 | 228,9 | 338,5 | 168,8 | 142,8 | 470,6 | 418,8 | 973,0 | 1.932,8 | 4.842,6 |
| Pulp and waste paper | 5.014,0 | 5.532,5 | 0,0 | 15,3 | 537,8 | 171,8 | | | 45,8 | 103,3 | | | | 11.420,5 |
| Textile fibres and scraps | 611,6 | 749,9 | 791,1 | 520,3 | | 4,0 | 11,7 | 3,7 | 3,8 | | 6,4 | 1,5 | 0,3 | 2.704,3 |
| Crude fertilizers (except from section 56) and minerals | 12.066,0 | 12.685,7 | 11.345,0 | 2.687,7 | 9.258,2 | 6.380,0 | 25.315,0 | 9.000,4 | 20.884,8 | 16.773,7 | 21,2 | 6.994,4 | 18.652,4 | 152.064,5 |
| Metal ores and metal scraps | 9.351,0 | 16.716,6 | 637.848,5 | 420.630,7 | 115.476,2 | 21.879,1 | 9.000,0 | 21,2 | 20.827,8 | 131.111,4 | 201.965,3 | 131.151,8 | 140.236,6 | 1.856.216,2 |
| Animal and plant raw materials, not mentioned | 0,2 | 0,0 | 1,0 | 2,8 | 12,5 | 0,1 | 10,5 | 12,3 | 18,3 | 19,9 | 12,0 | 0,3 | 0,8 | 90,7 |
| Coal, coke and briquettes | 346.850,4 | 305.915,3 | 210.759,2 | 237.738,3 | 312.191,8 | 61.406,4 | 144.157,3 | 150.357,9 | 132.127,4 | 51.067,6 | 116.276,3 | 201.407,0 | 149.778,5 | 2.420.033,4 |
| Oil, oil derivatives and related products | 2.950.797,6 | 2.661.002,4 | 2.477.452,1 | 2.553.588,2 | 2.384.609,1 | 2.057.716,7 | 1.663.797,4 | 1.430.309,8 | 997.496,9 | 862.079,8 | 1.438.204,7 | 1.652.883,8 | 1.441.535,3 | 24.571.473,8 |
| Gas, natural and industrial | 1.428.225,2 | 1.183.620,6 | 1.457.923,7 | 1.469.785,8 | 1.562.790,3 | 1.093.774,2 | 1.268.044,5 | 1.251.354,0 | 796.484,6 | 761.509,8 | 1.012.861,0 | 1.183.115,5 | 1.235.519,9 | 15.705.009,1 |
| Electricity | | | | | | | | | | | | | | 0,0 |
| Animal oils and fats | 19,2 | | | | | 0,0 | | 0,0 | 0,0 | 0,0 | 112,7 | 0,0 | 21,5 | 153,4 |

| | | | | | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| Fixed plant fats and oils, raw, refined | 0,0 | 19,6 | 14.773,5 | 3.854,6 | 1.309,1 | 1.910,4 | 0,0 | 0,0 | 0,0 | 3.775,6 | 1.575,5 | 964,3 | 1.860,2 | 30.042,8 |
| Animal and plant fats and oils, refined | 0,2 | 0,2 | 7,8 | | | | 2,0 | 20,0 | 11,6 | 44,0 | 53,0 | | | 138,8 |
| Organic chemical products | 4.828,5 | 6.714,7 | 9.889,2 | 13.759,0 | 17.153,7 | 3.531,8 | 7.593,5 | 6.781,8 | 1.170,4 | 4.972,3 | 8.324,2 | 13.199,9 | 7.789,6 | 105.708,6 |
| Inorganic chemical products | 7.203,1 | 13.771,3 | 17.296,6 | 14.177,8 | 21.456,5 | 22.014,8 | 33.511,5 | 44.673,2 | 34.109,3 | 40.263,7 | 57.180,4 | 54.712,1 | 51.910,0 | 412.280,3 |
| Products for dyeing and tanning | 19,2 | 1,5 | 2,4 | 0,9 | 2,2 | 2,5 | 60,7 | 1,4 | 6,3 | 73,4 | 8,1 | 157,3 | 180,3 | 516,2 |
| Medical and pharmaceutical products | 7,2 | 11,7 | 13,2 | 7,2 | 10,2 | 18,9 | 6,7 | 0,5 | 9,9 | 1,2 | 2,4 | 2,8 | 10,4 | 102,3 |
| Essential oils, perfumes and toiletries | 45,9 | 40,1 | 44,9 | 1.013,3 | 51,3 | 28,9 | 32,0 | 37,2 | 53,5 | 50,9 | 143,8 | 84,0 | 254,6 | 1.880,4 |
| Fertilizers (other than crude) | 225.932,0 | 217.683,2 | 306.986,0 | 519.972,0 | 476.802,2 | 536.648,9 | 230.958,0 | 185.358,5 | 351.203,7 | 407.625,7 | 307.889,3 | 292.340,9 | 523.074,4 | 4.582.474,8 |
| Plastics in primary forms | 379,0 | 197,6 | 727,6 | 469,9 | 427,4 | 864,5 | 1.582,5 | 2.598,5 | 3.918,0 | 6.495,0 | 13.428,3 | 20.870,0 | 37.248,3 | 89.206,6 |
| Plastics in non-primary forms | 13,2 | 18,7 | 22,9 | 3,9 | 9,7 | 14,2 | 20,6 | 36,6 | 45,4 | 21,3 | 334,7 | 776,1 | 1.039,7 | 2.357,0 |
| Chemical materials and products, not mentioned | 227,3 | 81,8 | 87,4 | 25,5 | 131,5 | 226,3 | 411,8 | 206,4 | 167,6 | 137,4 | 473,5 | 941,6 | 1.179,4 | 4.297,5 |
| Leather, leather products, not mentioned, and processed furs | 0,0 | 0,2 | 0,0 | 0,0 | 0,2 | 0,0 | 4,4 | 12,3 | 4,1 | 14,0 | 0,0 | 0,0 | 9,0 | 44,2 |
| Products made of rubber, not mentioned | 3.528,6 | 2.603,9 | 2.762,1 | 2.170,8 | 1.201,8 | 1.397,7 | 1.174,2 | 1.141,5 | 958,8 | 1.103,8 | 1.708,3 | 2.939,6 | 2.750,7 | 25.441,8 |
| Products of cork and wood (except furniture) | 178,9 | 173,1 | 739,2 | 2.707,3 | 368,4 | 774,6 | 1.123,6 | 1.007,3 | 850,4 | 828,6 | 1.214,2 | 2.104,1 | 10.136,2 | 22.205,9 |
| Paper, cardboard and products of pulp | 9.842,3 | 13.882,6 | 10.069,1 | 10.461,3 | 10.784,1 | 14.397,2 | 11.813,8 | 13.893,8 | 11.509,0 | 10.113,0 | 18.041,0 | 24.704,5 | 28.298,9 | 187.810,6 |
| Textile yarn, fabrics and textile products | 783,6 | 815,6 | 558,3 | 514,6 | 386,7 | 323,4 | 436,5 | 199,6 | 171,5 | 179,4 | 119,2 | 727,1 | 400,7 | 5.616,2 |
| Products of non-metallic minerals | 14.622,2 | 839,9 | 2.367,2 | 2.307,8 | 2.808,0 | 8.122,3 | 2.207,3 | 576,9 | 1.021,4 | 1.486,3 | 2.158,3 | 2.584,8 | 8.293,0 | 49.395,4 |
| Iron and steel | 28.152,1 | 13.749,9 | 12.448,6 | 16.257,6 | 16.110,7 | 7.585,2 | 15.022,0 | 8.622,1 | 11.872,3 | 19.051,4 | 6.724,9 | 9.265,2 | 8.598,8 | 173.460,8 |
| Coloured metals | 24.545,8 | 36.293,1 | 36.405,0 | 61.756,9 | 54.397,6 | 30.518,3 | 59.898,7 | 61.939,9 | 34.358,7 | 45.272,9 | 35.822,3 | 37.237,6 | 47.534,1 | 565.980,9 |
| Products made of metals, not mentioned | 659,6 | 209,2 | 141,1 | 278,5 | 471,5 | 380,0 | 257,6 | 2.843,9 | 3.098,2 | 2.687,7 | 1.997,8 | 1.112,9 | 803,7 | 14.941,7 |
| Driving machines and power equipment | 362,3 | 105,9 | 417,7 | 161,2 | 56,5 | 1.494,0 | 696,0 | 647,6 | 386,1 | 398,1 | 529,1 | 62,5 | 355,5 | 5.672,5 |
| Machines specialised for industry | 586,5 | 246,5 | 405,2 | 514,7 | 276,0 | 99,6 | 91,0 | 189,2 | 46,7 | 15,4 | 97,0 | 126,5 | 309,5 | 3.003,8 |
| Machines for metal processing | 91,4 | 141,7 | 110,9 | 105,8 | 265,3 | 136,0 | 16,0 | 20,4 | 4,9 | 87,0 | 32,4 | 74,5 | 39,7 | 1.126,0 |
| Industrial machines for general use, not mentioned | 1.192,4 | 374,1 | 636,7 | 269,7 | 1.013,4 | 386,6 | 450,8 | 1.479,0 | 607,5 | 311,9 | 212,3 | 495,7 | 542,7 | 7.972,8 |
| Office machines and machines for automatic data processing | 1,0 | 24,8 | 0,4 | 7,6 | 19,0 | 0,5 | 0,3 | 17,5 | 9,1 | 0,1 | 0,1 | 1,2 | 0,1 | 81,7 |
| Telecommunications and audio apparatuses and equipment | 6,7 | 20,0 | 373,0 | 39,4 | 6,2 | 0,4 | 0,0 | 0,0 | 0,1 | 0,7 | 0,3 | 2,4 | 1,4 | 450,6 |
| Electrical machines, apparatuses and appliances, not mentioned | 182,7 | 143,1 | 175,9 | 313,3 | 587,2 | 475,4 | 1.072,1 | 515,4 | 794,5 | 1.308,7 | 410,2 | 1.019,7 | 2.798,8 | 9.797,0 |
| Road vehicles (including ACV vehicles) | 4.379,7 | 4.714,4 | 2.616,1 | 2.311,1 | 1.412,1 | 886,5 | 907,9 | 1.386,2 | 938,4 | 956,2 | 1.080,3 | 1.188,8 | 959,4 | 23.737,1 |

| | | | | | | | | | | | | | | |
|---|---------|-------|-------|----------|-----------|----------|---------|---------|---------|---------|---------|---------|----------|-----------|
| Other transport vehicles and equipment | 289,3 | 224,8 | 417,5 | 1.629,6 | 890,7 | 237,4 | 615,2 | 670,9 | 1.163,3 | 788,6 | 3.238,9 | 319,7 | 2.719,0 | 13.204,9 |
| Prefabricated buildings; sanitary and other devices | 25,0 | 5,2 | 34,1 | 43,5 | 58,4 | 30,7 | 72,0 | 127,6 | 118,2 | 7,8 | 2,8 | 41,3 | 263,7 | 830,3 |
| Furniture and parts thereof; bedding, mattresses, pillows | 28,3 | 72,7 | 16,1 | 44,3 | 15,8 | 138,5 | 84,0 | 5,7 | 8,3 | 26,7 | 15,0 | 113,6 | 269,6 | 838,6 |
| Travel goods, handbags and similar | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 9,7 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 9,7 |
| Garments and clothing accessories | 0,3 | 0,5 | 0,8 | 3,7 | 0,5 | 0,3 | 68,7 | 0,3 | 0,4 | 3,8 | 5,9 | 17,0 | 1,0 | 103,2 |
| Shoes | 1,6 | 6,3 | 1,2 | 1,0 | 7,9 | 0,2 | 25,4 | 0,3 | 0,3 | 0,3 | 1,6 | 0,2 | 0,3 | 46,6 |
| Professional, scientific and controlling instruments | 58,7 | 76,9 | 46,4 | 29,7 | 24,9 | 11,5 | 108,7 | 98,4 | 103,7 | 10,6 | 26,0 | 12,4 | 6,9 | 614,8 |
| Cameras; optical products; clocks, watches | 2,4 | 0,2 | 0,5 | 0,0 | 0,0 | 0,1 | 0,6 | 2,9 | 0,8 | 0,4 | 1,1 | 1,4 | 0,1 | 10,5 |
| Miscellaneous products, not mentioned | 357,2 | 541,2 | 368,3 | 456,5 | 491,4 | 440,7 | 483,5 | 384,9 | 271,4 | 345,5 | 307,2 | 343,0 | 292,1 | 5.082,9 |
| Coins, which is not a means of payment | | | | | | | | | | | | | | 0,0 |
| Gold (excluding gold ores and concentrates) | | | | | | | | | | | | | | 0,0 |
| Unclassified goods | 6.246,7 | 173,9 | 87,1 | 99.991,3 | 101.700,7 | 61.185,6 | 7.732,6 | 3.113,1 | 1.115,8 | 1.543,2 | 4.751,0 | 2.617,1 | 62.769,0 | 353.027,1 |

*Sum of all divisions for the period 2004–2016

51.825.028,9

**Sum of the divisions - oil, oil derivatives and related products, and gas, natural and industrial, for the period 2004–2016

40.276.482,9

***Percentual share of the two above mentioned divisions in the sum of all divisions

77,7%

Source: Own elaboration based on data from the Statistical Office of the Republic of Serbia - online database

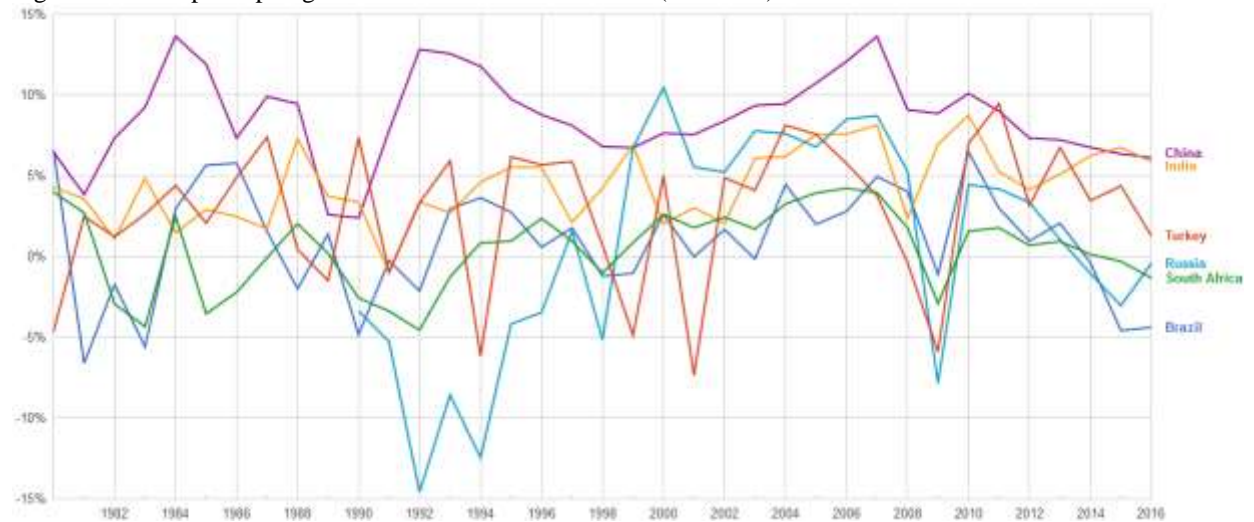
Appendix I

Figure I.1: GDP growth rate for Turkey



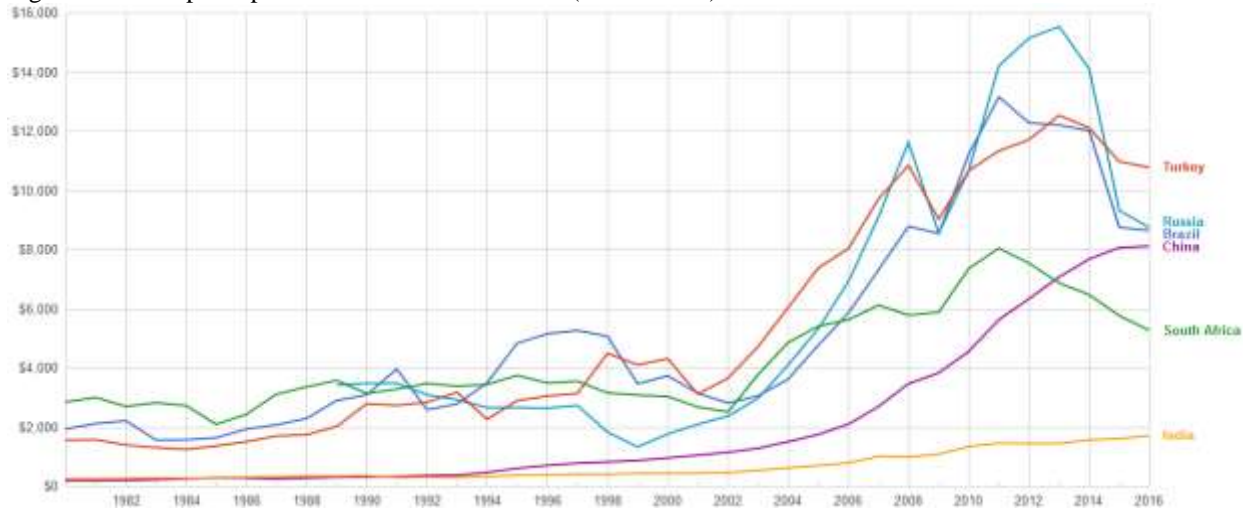
Source: World Bank – World Economic Indicators

Figure I.2: GDP per capita growth for the selected countries (annual %)



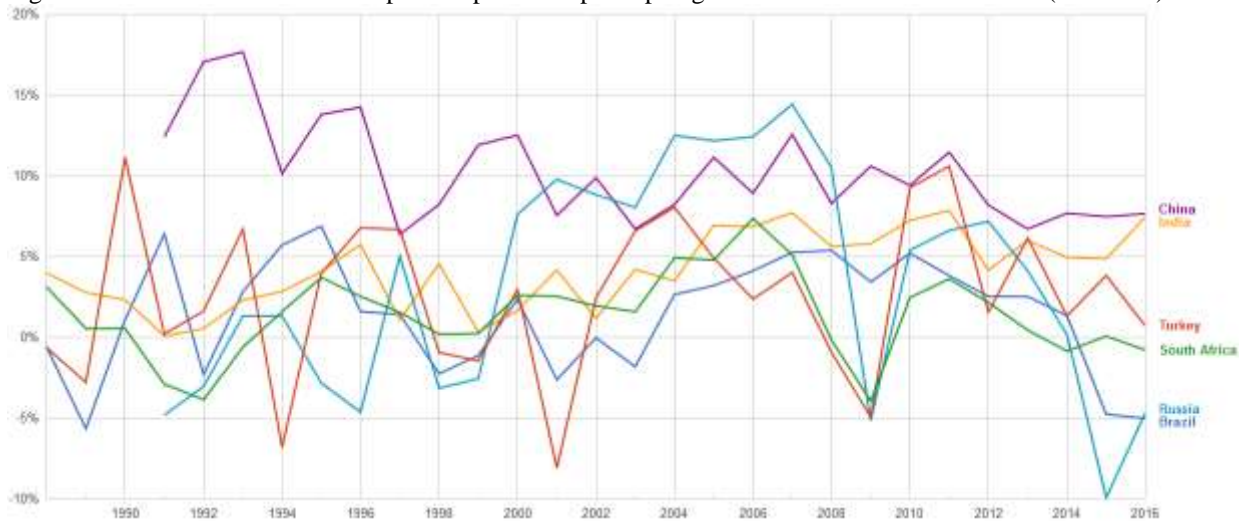
Source: World Bank – World Economic Indicators

Figure I.3: GDP per capita for the selected countries (current US\$)



Source: World Bank – World Economic Indicators

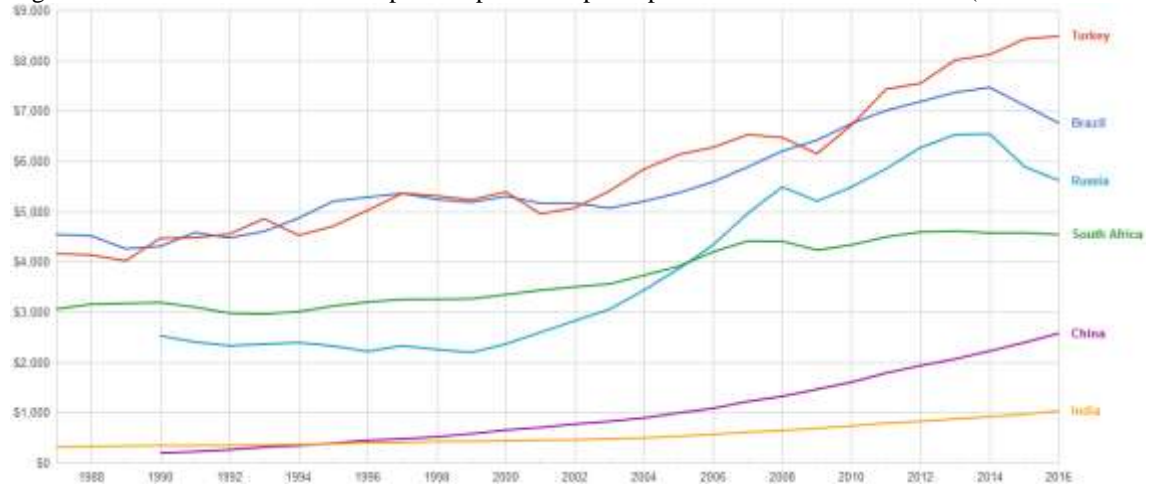
Figure I.4: Household final consumption expenditure per capita growth for the selected countries (annual %) ⁴²⁴



Source: World Bank – World Economic Indicators

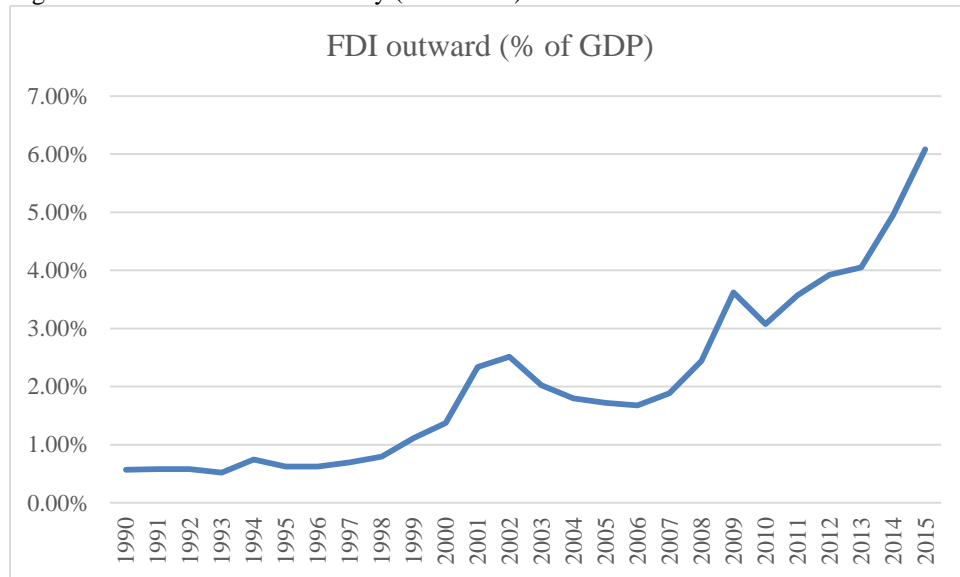
⁴²⁴ “Annual percentage growth of household final consumption expenditure per capita, which is calculated using household final consumption expenditure in constant 2000 prices and World Bank population estimates. Household final consumption expenditure (private consumption) is the market value of all goods and services, including durable products (such as cars, washing machines, and home computers), purchased by households. It excludes purchases of dwellings but includes imputed rent for owner-occupied dwellings. It also includes payments and fees to governments to obtain permits and licenses. Here, household consumption expenditure includes the expenditures of nonprofit institutions serving households, even when reported separately by the country.”

Figure I.5: Household final consumption expenditure per capita for the selected countries (constant 2000 US\$)



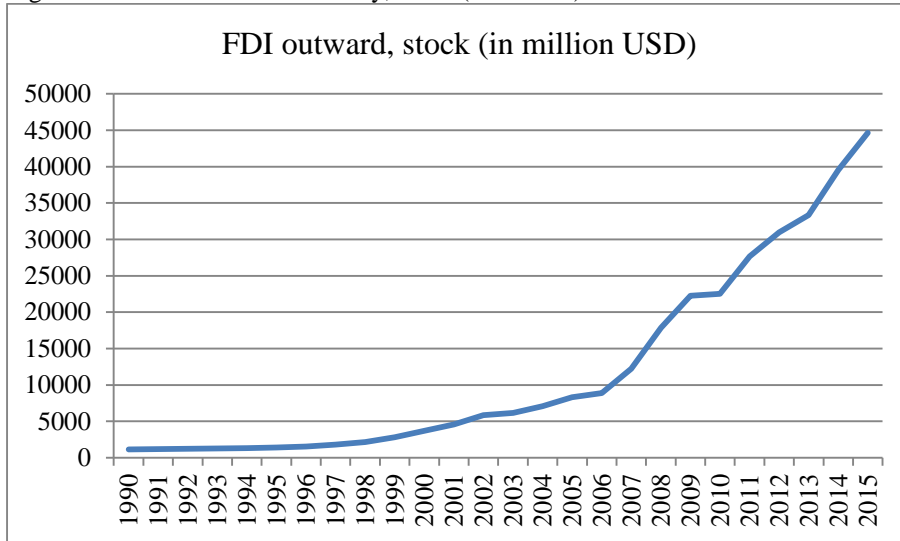
Source: World Bank – World Economic Indicators

Figure I.6: FDI outward for Turkey (% of GDP)



Source: Own elaboration based on the United Nations Conference on Trade and Development – online database

Figure I.7: FDI outward for Turkey, stock (in million)



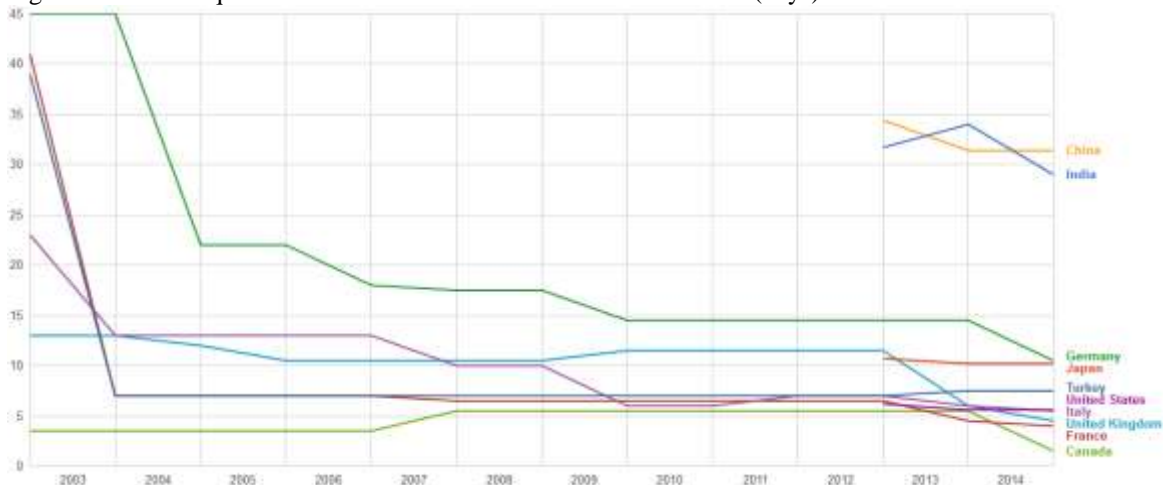
Source: Own elaboration based on the United Nations Conference on Trade and Development – online database

Figure I.8: Procedures to register property for the selected countries (number)



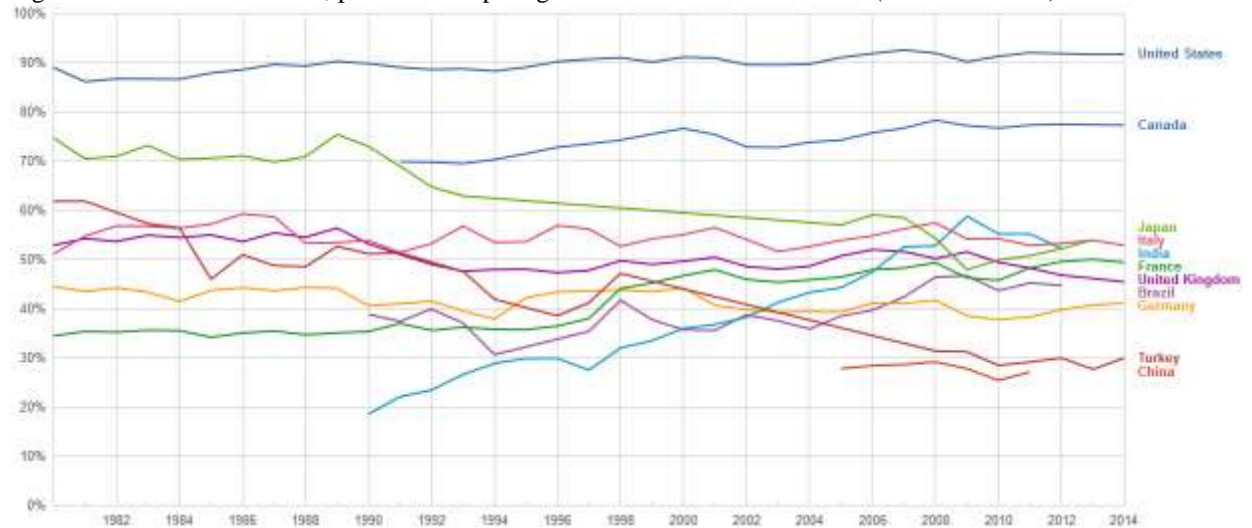
Source: World Bank – World Economic Indicators

Figure I.9: Time required to start a business for the selected countries (days)



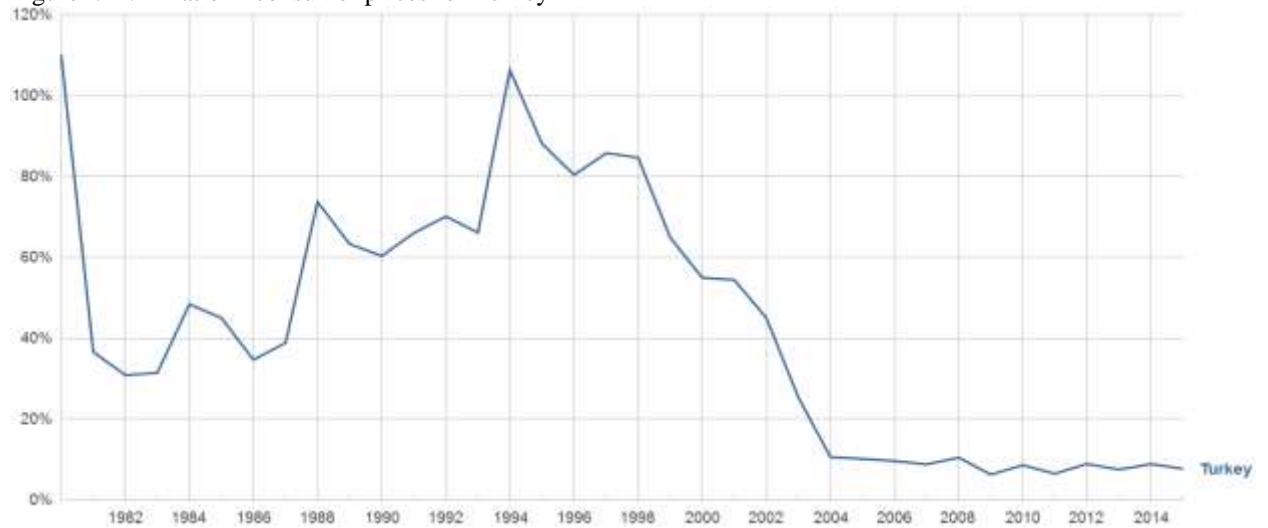
Source: World Bank – World Economic Indicators

Figure I.10: Taxes on income, profits and capital gains for the selected countries (% of total taxes)



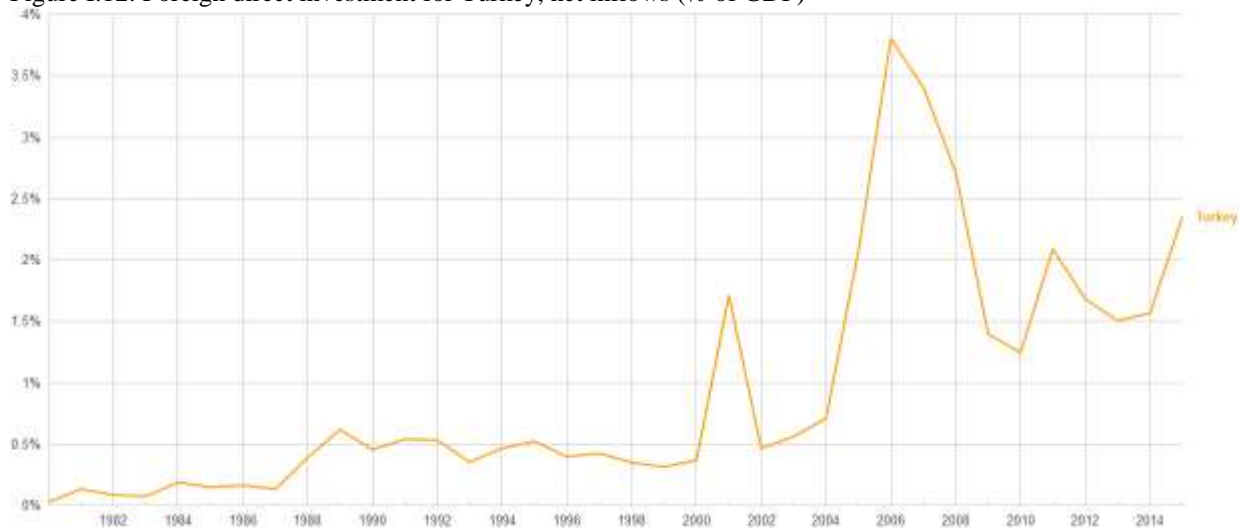
Source: World Bank – World Economic Indicators

Figure I.11: Inflation– consumer prices for Turkey



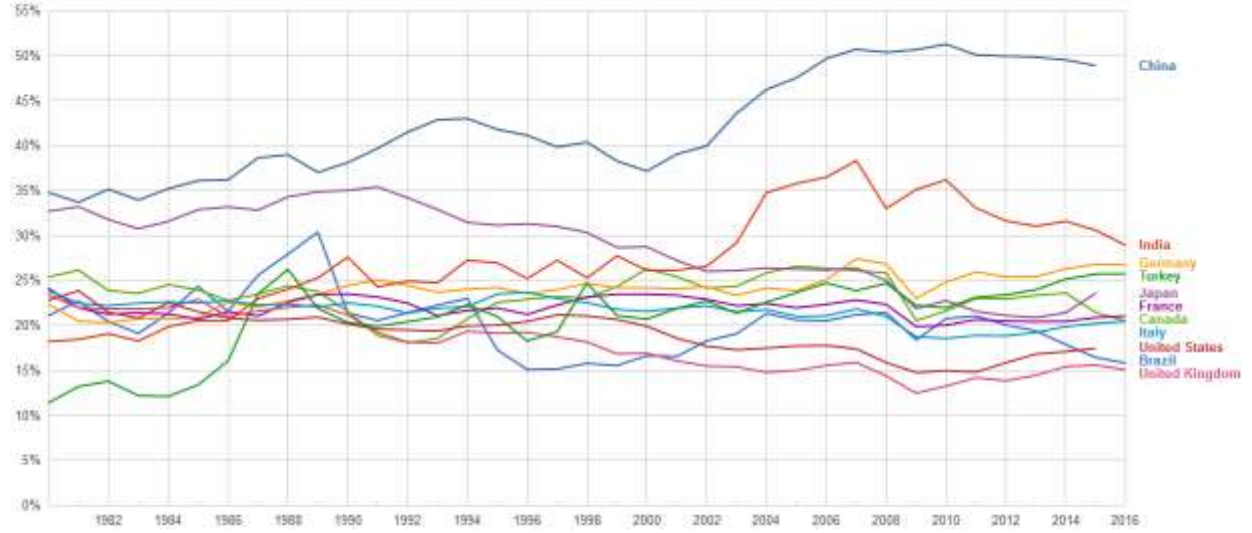
Source: World Bank – World Economic Indicators

Figure I.12: Foreign direct investment for Turkey, net inflows (% of GDP)



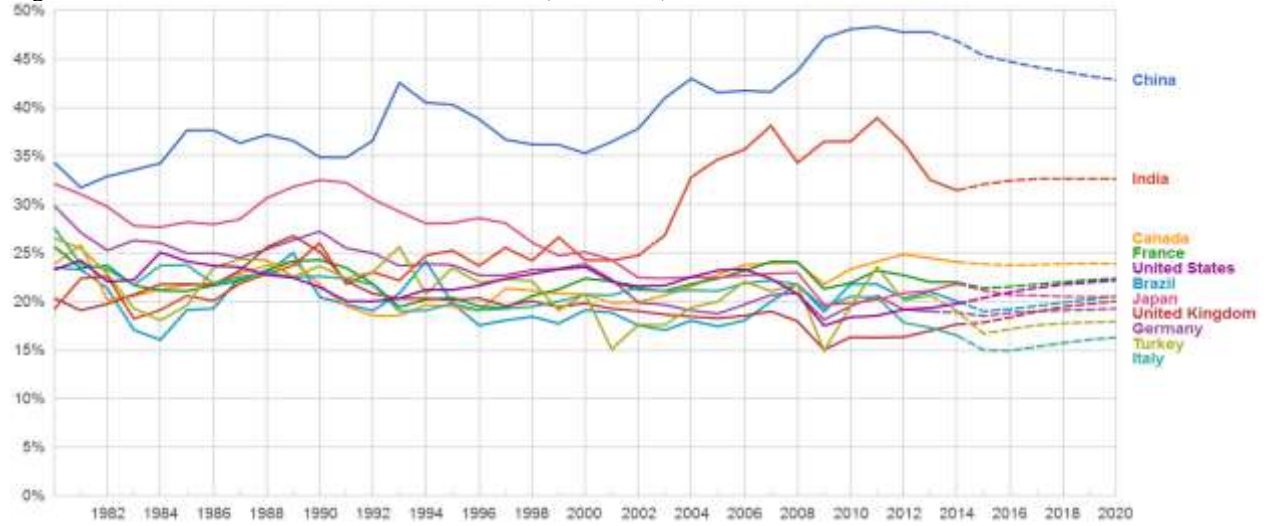
Source: World Bank – World Economic Indicators

Figure I.13: Savings for the selected countries (% of GDP)



Source: World Bank – World Economic Indicators

Figure I.14: Investment for the selected countries (% of GDP)



Source: World Bank – World Economic Indicators

Appendix J

Table J.1: Export from Serbia to Turkey by sectors, for the period 2004–2016, in thousand USD

| Sectors | Year | | | | | | | | | | | | |
|--|----------|----------|----------|----------|------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Food and live animals | 1.709,9 | 2.055,6 | 2.583,6 | 2.628,4 | 1.967,8 | 4.317,4 | 9.785,3 | 7.631,1 | 5.337,9 | 4.477,1 | 4.981,1 | 5.554,4 | 3.988,7 |
| Annual change | | 20,2% | 25,7% | 1,7% | -25,1% | 119,4% | 126,6% | -22,0% | -30,1% | -16,1% | 11,3% | 11,5% | -28,2% |
| Beverages and tobacco | 0,0 | 0,0 | 7,4 | 0,1 | 644,8 | 350,2 | 76,5 | 261,1 | 120,2 | 386,1 | 14.315,3 | 36.537,1 | 26.467,3 |
| Annual change | | | | -98,6% | 644700,0 % | -45,7% | -78,2% | 241,3% | -54,0% | 221,2% | 3607,7% | 155,2% | -27,6% |
| Crude materials, inedible, except fuels | 7.221,0 | 2.499,2 | 3.658,5 | 8.054,3 | 10.965,4 | 7.114,8 | 14.787,4 | 26.296,7 | 57.148,7 | 65.657,5 | 41.114,8 | 29.431,3 | 15.691,3 |
| Annual change | | -65,4% | 46,4% | 120,2% | 36,1% | -35,1% | 107,8% | 77,8% | 117,3% | 14,9% | -37,4% | -28,4% | -46,7% |
| Mineral fuels, lubricants and related products | 1,5 | 0,8 | 242,8 | 425,7 | 479,2 | 699,0 | 3.598,7 | 53.468,2 | 44.940,8 | 2.990,8 | 3.410,1 | 2.386,6 | 1.053,9 |
| Annual change | | -46,7% | 30250% | 75,3% | 12,6% | 45,9% | 414,8% | 1385,8% | -15,9% | -93,3% | 14,0% | -30,0% | -55,8% |
| Animal and plant oils, fats and waxes | 0,0 | 11,5 | 0,0 | 0,0 | 0,0 | 0,0 | 11,9 | 4,4 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Annual change | | | -100,0% | | | | | -63,0% | -100,0% | | | | |
| Chemical and similar product, not stipulated | 6.496,0 | 435,5 | 1.152,8 | 4.723,4 | 3.256,9 | 2.302,9 | 4.506,3 | 5.894,1 | 8.515,7 | 42.233,4 | 17.213,8 | 21.059,6 | 17.473,9 |
| Annual change | | -93,3% | 164,7% | 309,7% | -31,0% | -29,3% | 95,7% | 30,8% | 44,5% | 395,9% | -59,2% | 22,3% | -17,0% |
| Manufactured goods classified by material | 44.589,8 | 43.249,1 | 28.874,7 | 39.666,1 | 21.529,0 | 25.705,4 | 41.030,4 | 67.915,0 | 58.025,0 | 74.188,8 | 121.355 | 116.533 | 167.650 |
| Annual change | | -3,0% | -33,2% | 37,4% | -45,7% | 19,4% | 59,6% | 65,5% | -14,6% | 27,9% | 63,6% | -4,0% | 43,9% |
| Machines and transport equipment | 2.124,2 | 1.742,4 | 1.798,8 | 2.468,7 | 4.801,7 | 3.079,6 | 13.043,6 | 14.885,5 | 8.980,1 | 22.420,8 | 14.709,7 | 25.002,7 | 22.793,9 |
| Annual change | | -18,0% | 3,2% | 37,2% | 94,5% | -35,9% | 323,5% | 14,1% | -39,7% | 149,7% | -34,4% | 70,0% | -8,8% |
| Miscellaneous manufactured products | 420,9 | 302,4 | 435,9 | 551,7 | 1.673,3 | 1.479,2 | 1.127,6 | 6.804,7 | 2.909,8 | 3.421,8 | 4.757,5 | 6.115,0 | 7.280,3 |
| Annual change | | -28,2% | 44,1% | 26,6% | 203,3% | -11,6% | -23,8% | 503,5% | -57,2% | 17,6% | 39,0% | 28,5% | 19,1% |
| Products not stipulated in mentioned sectors | 52,0 | 19,1 | 8,4 | 12,9 | 18,7 | 73,8 | 18,6 | 17,7 | 383,0 | 3.233,3 | 8.995,5 | 6.295,0 | 7.067,8 |
| Annual change | | -63,3% | -56,0% | 53,6% | 45,0% | 294,7% | -74,8% | -4,8% | 2063,8% | 744,2% | 178,2% | -30,0% | 12,3% |

Table J.2a: Overall sum and periodical changes

| Sum | Change | | | | |
|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004-2016 | 2004-2009 | 2009-2010 | 2009-2011 | 2009-2016 |
| 57.018,3 | 133,3% | 152,5% | 126,6% | 76,8% | -7,6% |
| 79.166,1 | | | -78,2% | -25,4% | 7457,8% |
| 289.640,9 | 117,3% | -1,5% | 107,8% | 269,6% | 120,5% |
| 113.698,1 | 70160,0% | 46500,0% | 414,8% | 7549,2% | 50,8% |
| 27,8 | | | | | |
| 135.264,3 | 169,0% | -64,5% | 95,7% | 155,9% | 658,8% |
| 850.311,5 | 276,0% | -42,4% | 59,6% | 164,2% | 552,2% |
| 137.851,7 | 973,1% | 45,0% | 323,5% | 383,4% | 640,2% |
| 37.280,1 | 1629,7% | 251,4% | -23,8% | 360,0% | 392,2% |
| 26.195,8 | 13491,9% | 41,9% | -74,8% | -76,0% | 9477,0% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table J.2: Export from Serbia to Turkey by sectors, for the period 2004–2016, in tons

| Sectors | Year | | | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|----------|----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Food and live animals | 2.162,0 | 11.544,0 | 20.640,7 | 6.236,4 | 3.367,4 | 5.458,7 | 12.593,8 | 6.961,7 | 6.414,3 | 8.220,1 | 3.859,0 | 4.424,5 | 3.379,3 |
| Annual change | | 434,0% | 78,8% | -69,8% | -46,0% | 62,1% | 130,7% | -44,7% | -7,9% | 28,2% | -53,1% | 14,7% | -23,6% |
| Beverages and tobacco | 0,0 | 0,0 | 5,0 | 0,6 | 153,6 | 111,6 | 140,2 | 17,6 | 27,3 | 92,9 | 1.002,6 | 3.127,2 | 2.636,7 |
| Annual change | | | | -88,0% | 25500,0% | -27,3% | 25,6% | -87,4% | 55,1% | 240,3% | 979,2% | 211,9% | -15,7% |
| Crude materials, inedible, except fuels | 7.820,9 | 1.907,0 | 3.400,8 | 5.231,2 | 6.308,3 | 8.399,8 | 19.080,9 | 30.753,2 | 130.972,1 | 163.389,1 | 103.760,3 | 89.352,9 | 53.099,8 |
| Annual change | | -75,6% | 78,3% | 53,8% | 20,6% | 33,2% | 127,2% | 61,2% | 325,9% | 24,8% | -36,5% | -13,9% | -40,6% |
| Mineral fuels, lubricants and related products | 3,7 | 1,0 | 309,0 | 562,6 | 416,7 | 1.062,4 | 4.483,0 | 53.659,7 | 52.712,0 | 2.812,5 | 3.837,1 | 3.858,0 | 2.166,7 |
| Annual change | | -73,0% | 30800,0% | 82,1% | -25,9% | 155,0% | 322,0% | 1097,0% | -1,8% | -94,7% | 36,4% | 0,5% | -43,8% |
| Animal and plant oils, fats and waxes | 0,0 | 44,0 | 0,0 | 0,0 | 0,0 | 0,0 | 2,2 | 48,3 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Annual change | | | -100,0% | | | | | 2095,5% | -100,0% | | | | |
| Chemical and similar product, not stipulated | 8.218,9 | 444,4 | 907,9 | 5.838,7 | 3.895,3 | 2.253,2 | 7.566,3 | 12.740,5 | 5.737,5 | 27.109,9 | 8.265,9 | 11.881,7 | 23.672,0 |
| Annual change | | -94,6% | 104,3% | 543,1% | -33,3% | -42,2% | 235,8% | 68,4% | -55,0% | 372,5% | -69,5% | 43,7% | 99,2% |
| Manufactured goods classified by material | 93.178,1 | 72.288,7 | 28.198,2 | 31.265,0 | 10.635,3 | 29.134,7 | 41.192,7 | 64.463,1 | 64.021,4 | 80.101,2 | 119.288,5 | 86.289,0 | 77.395,7 |
| Annual change | | -22,4% | -61,0% | 10,9% | -66,0% | 173,9% | 41,4% | 56,5% | -0,7% | 25,1% | 48,9% | -27,7% | -10,3% |
| Machines and transport equipment | 1.452,5 | 512,8 | 158,5 | 164,8 | 427,8 | 376,2 | 2.553,2 | 2.940,2 | 1.449,2 | 2.559,3 | 1.935,0 | 2.484,0 | 2.187,1 |
| Annual change | | -64,7% | -69,1% | 4,0% | 159,6% | -12,1% | 578,7% | 15,2% | -50,7% | 76,6% | -24,4% | 28,4% | -12,0% |
| Miscellaneous manufactured products | 115,9 | 158,8 | 95,0 | 161,5 | 196,6 | 187,9 | 178,5 | 557,5 | 409,2 | 521,5 | 1.148,0 | 2.112,6 | 1.925,5 |
| Annual change | | 37,0% | -40,2% | 70,0% | 21,7% | -4,4% | -5,0% | 212,3% | -26,6% | 27,4% | 120,1% | 84,0% | -8,9% |
| Products not stipulated in mentioned sectors | 2,5 | 5,0 | 1,1 | 8,1 | 0,9 | 1,9 | 0,9 | 0,6 | 1,4 | 0,5 | 2,8 | 4,9 | 0,6 |
| Annual change | | 100,0% | -78,0% | 636,4% | -88,9% | 111,1% | -52,6% | -33,3% | 133,3% | -64,3% | 460,0% | 75,0% | -87,8% |

Table J.2a: Overall sum and periodical changes

| Sum | Change | | | | |
|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004–2016 | 2004–2009 | 2009–2010 | 2009–2011 | 2009–2016 |
| 95.261,9 | 56,3% | 152,5% | 130,7% | 27,5% | -38,1% |
| 7.315,3 | | | 25,6% | -84,2% | 2262,6% |
| 623.476,3 | 578,9% | 7,4% | 127,2% | 266,1% | 532,2% |
| 125.884,4 | 58459,5% | 28613,5% | 322,0% | 4950,8% | 103,9% |
| 94,5 | | | | | |
| 118.532,2 | 188,0% | -72,6% | 235,8% | 465,4% | 950,6% |
| 797.451,6 | -16,9% | -68,7% | 41,4% | 121,3% | 165,6% |
| 19.200,6 | 50,6% | -74,1% | 578,7% | 681,6% | 481,4% |
| 7.768,5 | 1561,3% | 62,1% | -5,0% | 196,7% | 924,7% |
| 31,2 | -76,0% | -24,0% | -52,6% | -68,4% | -68,4% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table J.3: Top 30 export divisions from Serbia to Turkey by value in the period 2004–2016, in thousand USD

| Divisions | Year | | | | | | | | | | | | |
|--|----------|----------|----------|----------|---------|----------|----------|----------|----------|----------|----------|----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Iron and steel | 40.975,0 | 33.390,4 | 10.372,2 | 14.180,3 | 3.113,2 | 12.358,2 | 18.476,2 | 45.583,7 | 20.169,1 | 26.138,3 | 45.650,9 | 33.803,5 | 20.468,4 |
| Coloured metals | 12,7 | 1.202,9 | 8.536,3 | 15.266,3 | 8.314,1 | 6.111,2 | 9.027,3 | 2.651,0 | 8.645,3 | 8.670,2 | 41.753,3 | 48.513,8 | 102.117,2 |
| Metal ores and metal scraps | 519,6 | 25,9 | 0,0 | 0,0 | 231,5 | 631,4 | 4.674,9 | 10.133,8 | 42.619,4 | 52.584,3 | 31.788,8 | 8.508,8 | 5.769,5 |
| Products made of rubber, not mentioned | 2.233,7 | 6.996,1 | 8.511,0 | 8.802,2 | 7.150,8 | 1.328,9 | 5.689,7 | 9.805,9 | 12.688,0 | 20.065,9 | 12.536,9 | 15.679,4 | 23.283,4 |
| Oil, oil derivatives and related products | 1,5 | 0,8 | 242,8 | 425,7 | 479,2 | 699,0 | 3.598,7 | 53.468,2 | 44.940,8 | 2.990,8 | 3.410,1 | 2.386,6 | 1.053,9 |
| Tobacco and tobacco products | 0,0 | 0,0 | 7,4 | 0,1 | 644,8 | 182,9 | 76,5 | 261,1 | 120,2 | 334,7 | 14.315,3 | 36.537,1 | 26.467,3 |
| Industrial machines for general use, not mentioned | 622,8 | 546,5 | 1.054,1 | 1.904,6 | 2.124,7 | 1.426,3 | 8.205,8 | 4.015,7 | 3.875,4 | 4.757,1 | 8.581,8 | 12.848,4 | 16.935,1 |
| Crude rubber, included synthetic and regenerated | 1.382,7 | 1.845,2 | 3.014,3 | 6.147,2 | 8.159,4 | 5.302,5 | 6.805,3 | 9.108,5 | 8.331,1 | 5.610,3 | 3.763,6 | 1.407,5 | 4.931,3 |
| Paper, cardboard and products of pulp | 465,6 | 107,5 | 466,6 | 173,7 | 2.249,5 | 5.115,8 | 4.926,3 | 6.130,0 | 8.970,7 | 11.182,6 | 11.908,6 | 5.776,7 | 3.992,9 |
| Plastics in primary forms | 3.663,1 | 158,7 | 44,1 | 202,2 | 242,6 | 72,2 | 481,7 | 2.167,6 | 955,5 | 30.559,5 | 8.727,2 | 10.356,8 | 3.716,9 |
| Fruit and vegetables | 1.044,7 | 893,3 | 185,0 | 853,3 | 805,0 | 2.677,8 | 6.032,3 | 4.684,5 | 2.380,2 | 2.302,5 | 2.814,0 | 3.458,0 | 1.315,3 |
| Leather and fur, raw | 135,1 | 36,2 | 188,7 | 1.066,7 | 1.539,8 | 1.089,9 | 2.475,1 | 5.936,7 | 5.220,5 | 6.469,2 | 2.934,4 | 838,2 | 609,3 |
| Products made of metals, not mentioned | 274,6 | 957,7 | 362,7 | 621,7 | 297,2 | 289,0 | 839,6 | 1.165,9 | 1.084,3 | 2.348,3 | 5.562,8 | 6.278,4 | 7.609,5 |
| Road vehicles (including ACV vehicles) | 458,2 | 400,5 | 347,2 | 243,8 | 145,1 | 39,6 | 144,4 | 373,3 | 159,7 | 11.299,4 | 1.475,1 | 7.895,0 | 2.112,0 |
| Gold (excluding gold ores and concentrates) | | | | | | | | | 239,4 | 3.064,5 | 7.344,6 | 6.150,0 | 7.065,1 |
| Miscellaneous products, not mentioned | 121,6 | 26,5 | 237,8 | 328,9 | 1.251,7 | 728,1 | 323,5 | 1.643,0 | 1.141,7 | 2.523,2 | 3.435,2 | 4.188,6 | 5.085,5 |
| Organic chemical products | 1.366,3 | 70,0 | 27,3 | 3.552,4 | 978,9 | 168,3 | 2.300,2 | 276,3 | 207,7 | 4.099,0 | 630,3 | 821,3 | 5.293,2 |
| Oil seeds and oleaginous fruits | 0,0 | 78,1 | 34,7 | 11,6 | 6,4 | 1,9 | 88,6 | 489,9 | 415,2 | 2,4 | 221,3 | 15.275,4 | 127,7 |
| Plastics in non-primary forms | 71,0 | 4,6 | 68,2 | 120,7 | 278,7 | 330,1 | 223,8 | 372,3 | 1.896,5 | 3.109,2 | 3.273,5 | 3.445,2 | 2.210,3 |
| Products of cork and wood (except furniture) | 0,0 | 5,3 | 7,5 | 15,2 | 7,3 | 4,3 | 1.711,4 | 1.580,6 | 4.105,4 | 1.907,0 | 559,7 | 1.673,5 | 2.435,0 |
| Products of non-metallic minerals | 53,5 | 1,6 | 185,8 | 146,0 | 104,8 | 255,2 | 136,6 | 640,7 | 2.240,8 | 3.015,3 | 1.822,3 | 3.534,6 | 1.522,0 |
| Electrical machines, apparatuses and appliances, not ment. | 152,2 | 18,5 | 92,8 | 80,7 | 523,8 | 900,6 | 1.647,2 | 5.228,2 | 2.182,0 | 877,1 | 331,7 | 578,9 | 349,3 |
| Garments and clothing accessories | 293,2 | 223,7 | 94,0 | 84,3 | 215,5 | 653,1 | 480,6 | 4.530,3 | 1.447,0 | 562,9 | 418,6 | 1.502,9 | 1.844,7 |
| Animal food (except unmilled cereals) | | 824,0 | 2.011,9 | 1.040,9 | 456,3 | 111,9 | 314,4 | 479,7 | 838,4 | 1.795,8 | 550,3 | 885,9 | 1.684,0 |
| Essential oils, perfumes and toiletries | 111,4 | 78,2 | 124,2 | 113,0 | 376,4 | 171,4 | 252,0 | 274,1 | 134,7 | 393,5 | 1.932,8 | 3.317,3 | 3.701,1 |
| Machines specialised for industry | 85,9 | 137,1 | 125,4 | 43,4 | 1.401,7 | 428,8 | 2.074,8 | 579,7 | 133,3 | 983,0 | 1.977,2 | 2.066,5 | 849,0 |

| | | | | | | | | | | | | | |
|--|---------|-------|-------|-------|-------|---------|-------|---------|---------|---------|---------|---------|-------|
| Inorganic chemical products | 17,2 | 112,5 | 272,4 | 547,5 | 705,1 | 1.118,9 | 591,0 | 831,7 | 1.582,2 | 1.919,6 | 487,7 | 596,9 | 682,8 |
| Medical and pharmaceutical products | 1.267,0 | 0,0 | 538,5 | 3,3 | 7,4 | 127,6 | 369,7 | 1.136,7 | 2.516,9 | 249,5 | 849,8 | 1.412,9 | 977,3 |
| Chemical materials and products, not mentioned | 0,0 | 11,5 | 77,3 | 170,3 | 667,2 | 313,8 | 275,2 | 835,1 | 1.222,2 | 1.825,0 | 1.296,4 | 1.029,9 | 883,2 |
| Driving machines and power equipment | 311,9 | 116,8 | 103,6 | 131,2 | 351,9 | 101,2 | 242,4 | 2.530,7 | 1.032,9 | 1.503,8 | 494,0 | 739,6 | 666,3 |

Table J.3a: Overall sum and periodical changes

| Sum | Change | | | | |
|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004–2016 | 2004–2009 | 2009–2010 | 2009–2011 | 2009–2016 |
| 324.679,4 | -50,0% | -69,8% | 49,5% | 268,9% | 65,6% |
| 260.821,6 | 803972,4% | 48019,7% | 47,7% | -56,6% | 1571,0% |
| 157.487,9 | 1010,4% | 21,5% | 640,4% | 1505,0% | 813,8% |
| 134.771,9 | 942,4% | -40,5% | 328,2% | 637,9% | 1652,1% |
| 113.698,1 | 70160,0% | 46500,0% | 414,8% | 7549,2% | 50,8% |
| 78.947,4 | | | -58,2% | 42,8% | 14370,9% |
| 66.898,3 | 2619,2% | 129,0% | 475,3% | 181,5% | 1087,3% |
| 65.808,9 | 256,6% | 283,5% | 28,3% | 71,8% | -7,0% |
| 61.466,5 | 757,6% | 998,8% | -3,7% | 19,8% | -21,9% |
| 61.348,1 | 1,5% | -98,0% | 567,2% | 2902,2% | 5048,1% |
| 29.445,9 | 25,9% | 156,3% | 125,3% | 74,9% | -50,9% |
| 28.539,8 | 351,0% | 706,7% | 127,1% | 444,7% | -44,1% |
| 27.691,7 | 2671,1% | 5,2% | 190,5% | 303,4% | 2533,0% |
| 25.093,3 | 360,9% | -91,4% | 264,6% | 842,7% | 5233,3% |
| 23.863,6 | | | | | |
| 21.035,3 | 4082,2% | 498,8% | -55,6% | 125,7% | 598,5% |
| 19.791,2 | 287,4% | -87,7% | 1266,7% | 64,2% | 3045,1% |
| 16.753,2 | | | 4563,2% | 25684,2% | 6621,1% |
| 15.404,1 | 3013,1% | 364,9% | -32,2% | 12,8% | 569,6% |
| 14.012,2 | | | 39700,0% | 36658,1% | 56527,9% |
| 13.659,2 | 2744,9% | 377,0% | -46,5% | 151,1% | 496,4% |
| 12.963,0 | 129,5% | 491,7% | 82,9% | 480,5% | -61,2% |
| 12.350,8 | 529,2% | 122,7% | -26,4% | 593,7% | 182,5% |
| 10.993,5 | | | 181,0% | 328,7% | 1404,9% |
| 10.980,1 | 3222,4% | 53,9% | 47,0% | 59,9% | 2059,3% |
| 10.885,8 | 888,4% | 399,2% | 383,9% | 35,2% | 98,0% |
| 9.465,5 | 3869,8% | 6405,2% | -47,2% | -25,7% | -39,0% |
| 9.456,6 | -22,9% | -89,9% | 189,7% | 790,8% | 665,9% |
| 8.607,1 | | | -12,3% | 166,1% | 181,5% |
| 8.326,3 | 113,6% | -67,6% | 139,5% | 2400,7% | 558,4% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table J.4: Top 30 export divisions from Serbia to Turkey by value in the period 2004–2016, in tons

| Divisions | Year | | | | | | | | | | | | |
|--|----------|----------|----------|----------|---------|----------|----------|----------|-----------|-----------|----------|----------|----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Iron and steel | 90.321,2 | 67.439,2 | 21.320,3 | 25.040,7 | 3.273,8 | 16.603,0 | 19.400,6 | 44.312,9 | 23.119,2 | 42.903,5 | 82.782,2 | 55.290,2 | 33.711,8 |
| Metal ores and metal scraps | 2.931,2 | 56,6 | 0,0 | 0,1 | 900,3 | 2.528,5 | 12.811,4 | 24.489,8 | 125.158,6 | 156.139,6 | 96.214,2 | 39.386,7 | 30.333,2 |
| Oil, oil derivatives and related products | 3,7 | 1,0 | 309,0 | 562,6 | 416,7 | 1.062,4 | 4.483,0 | 53.659,7 | 52.712,0 | 2.812,5 | 3.837,1 | 3.858,0 | 2.166,7 |
| Paper, cardboard and products of pulp | 1.401,9 | 155,6 | 1.043,6 | 199,2 | 3.559,2 | 10.705,7 | 8.997,1 | 9.782,2 | 15.909,0 | 20.104,3 | 22.718,0 | 12.218,2 | 9.829,5 |
| Animal food (except unmilled cereals) | | 9.959,6 | 20.035,4 | 4.934,1 | 2.183,1 | 715,7 | 1.012,7 | 691,7 | 2.388,0 | 6.451,3 | 722,1 | 386,5 | 854,1 |
| Coloured metals | 50,4 | 518,5 | 1.797,6 | 2.604,1 | 1.385,5 | 1.046,0 | 1.253,2 | 250,7 | 1.060,0 | 1.094,0 | 5.945,3 | 9.353,1 | 21.135,1 |
| Plastics in primary forms | 4.327,5 | 135,0 | 42,7 | 93,3 | 170,3 | 52,6 | 331,2 | 1.395,5 | 680,9 | 20.479,2 | 5.382,8 | 8.529,7 | 3.335,2 |
| Products of cork and wood (except furniture) | 0,0 | 2,0 | 18,8 | 32,4 | 11,2 | 7,4 | 9.569,0 | 6.991,4 | 16.804,5 | 5.506,5 | 731,8 | 1.080,8 | 2.079,0 |
| Oil seeds and oleaginous fruits | 0,0 | 23,2 | 4,6 | 4,7 | 1,5 | 0,2 | 130,5 | 626,1 | 604,8 | 0,5 | 86,3 | 38.000,5 | 26,0 |
| Organic chemical products | 3.751,4 | 14,7 | 0,3 | 4.358,5 | 1.048,6 | 12,7 | 5.083,0 | 129,3 | 55,1 | 3.998,1 | 362,3 | 524,7 | 17.382,4 |
| Products made of rubber, not mentioned | 964,3 | 2.918,5 | 3.203,9 | 2.913,3 | 2.022,0 | 369,5 | 1.566,1 | 2.146,5 | 2.966,2 | 4.436,3 | 2.650,8 | 4.100,9 | 6.345,6 |
| Crude rubber, included synthetic and regenerated | 1.089,0 | 1.385,0 | 2.177,1 | 3.742,8 | 3.826,5 | 4.381,2 | 3.446,7 | 2.733,5 | 2.496,8 | 2.637,7 | 1.978,5 | 1.077,4 | 3.959,4 |
| Fruit and vegetables | 1.918,3 | 1.474,0 | 245,0 | 977,6 | 905,0 | 4.076,9 | 9.610,2 | 4.006,1 | 2.259,4 | 1.649,3 | 1.744,4 | 2.459,8 | 811,5 |
| Inorganic chemical products | 30,0 | 208,3 | 679,9 | 1.181,8 | 2.092,2 | 1.899,3 | 1.909,2 | 10.774,9 | 4.012,6 | 1.056,6 | 350,6 | 290,8 | 377,1 |
| Cork and wood | 0,0 | 39,0 | 521,4 | 519,5 | 431,1 | 114,4 | 845,2 | 543,2 | 613,3 | 1.695,6 | 1.849,6 | 5.599,4 | 6.812,0 |
| Products of non-metallic minerals | 24,7 | 0,2 | 549,3 | 234,8 | 285,6 | 312,2 | 290,7 | 720,5 | 3.697,5 | 5.253,8 | 3.338,9 | 2.378,3 | 1.924,2 |
| Pulp and waste paper | | | | | | | | | | | 891,8 | 3.446,8 | 10.394,8 |
| Leather and fur, raw | 127,8 | 46,1 | 183,5 | 768,1 | 1.045,8 | 1.327,3 | 1.672,4 | 2.030,6 | 1.936,3 | 2.597,0 | 1.562,8 | 687,1 | 704,0 |
| Tobacco and tobacco products | 0,0 | 0,0 | 5,0 | 0,6 | 153,6 | 48,0 | 140,2 | 17,6 | 27,3 | 31,0 | 1.002,6 | 3.127,2 | 2.636,7 |
| Products made of metals, not mentioned | 44,1 | 748,8 | 62,8 | 113,0 | 62,9 | 28,4 | 62,8 | 210,8 | 416,9 | 696,0 | 971,0 | 1.582,1 | 2.077,8 |
| Miscellaneous products, not mentioned | 55,8 | 5,3 | 57,2 | 76,3 | 135,2 | 153,1 | 74,7 | 319,0 | 282,4 | 473,4 | 1.084,7 | 1.958,4 | 1.757,8 |
| Cereals and cereal-based products | 243,7 | 96,4 | 194,8 | 266,2 | 129,4 | 352,6 | 129,1 | 335,9 | 325,6 | 50,1 | 1.162,6 | 1.352,9 | 1.670,5 |
| Industrial machines for general use, not mentioned | 59,5 | 36,0 | 69,4 | 93,0 | 101,9 | 74,7 | 1.243,3 | 460,8 | 214,0 | 293,6 | 740,5 | 1.164,3 | 1.639,5 |
| Chemical materials and products, not mentioned | 0,0 | 5,8 | 53,9 | 121,7 | 288,9 | 149,7 | 95,0 | 238,9 | 809,3 | 994,4 | 696,3 | 1.273,3 | 725,3 |
| Miscellaneous products for food and related products | 0,0 | 13,7 | 4,2 | 7,0 | 6,1 | 268,3 | 1.411,6 | 1.765,5 | 1.320,1 | 0,0 | 73,8 | 8,7 | 0,7 |
| Essential oils, perfumes and toiletries | 88,7 | 79,0 | 107,1 | 64,2 | 248,2 | 80,8 | 110,0 | 135,5 | 52,2 | 169,1 | 1.282,5 | 749,7 | 1.511,3 |

| | | | | | | | | | | | | | |
|--|---------|-------|-------|-------|------|-------|-------|---------|-------|-------|---------|-------|-------|
| Textile fibres and scraps | 3.179,3 | 322,3 | 80,8 | 73,2 | 62,5 | 47,7 | 136,9 | 141,8 | 14,2 | 13,7 | 0,0 | 425,6 | 16,8 |
| Animal and plant raw materials, not mentioned | 493,6 | 34,8 | 433,4 | 122,3 | 40,1 | 0,0 | 4,3 | 59,8 | 131,1 | 304,8 | 1.175,8 | 705,3 | 853,3 |
| Other transport vehicles and equipment | 384,7 | 0,0 | 0,0 | 0,0 | 0,1 | 28,6 | 260,2 | 718,8 | 383,9 | 768,0 | 728,0 | 132,9 | 41,1 |
| Electrical machines, apparatuses and appliances, not ment. | 4,3 | 2,3 | 9,6 | 16,6 | 23,9 | 196,8 | 406,0 | 1.136,1 | 681,1 | 227,5 | 48,3 | 87,0 | 51,4 |

Table J.4a: Overall sum and periodical changes

| Sum | Change | | | | |
|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004–2016 | 2004–2009 | 2009–2010 | 2009–2011 | 2009–2016 |
| 525.518,6 | -62,7% | -81,6% | 16,8% | 166,9% | 103,0% |
| 490.950,2 | 934,8% | -13,7% | 406,7% | 868,6% | 1099,7% |
| 125.884,4 | 58459,5% | 28613,5% | 322,0% | 4950,8% | 103,9% |
| 116.623,5 | 601,2% | 663,7% | -16,0% | -8,6% | -8,2% |
| 50.334,3 | | | 41,5% | -3,4% | 19,3% |
| 47.493,5 | | | 19,8% | -76,0% | 1920,6% |
| 44.955,9 | -22,9% | -98,8% | 529,7% | 2553,0% | 6240,7% |
| 42.834,8 | | | 129210,8% | 94378,4% | 27994,6% |
| 39.508,9 | | | 65150,0% | 312950,0% | 12900,0% |
| 36.721,1 | 363,4% | -99,7% | 39923,6% | 918,1% | 136769,3% |
| 36.603,9 | 558,1% | -61,7% | 323,8% | 480,9% | 1617,3% |
| 34.931,6 | 263,6% | 302,3% | -21,3% | -37,6% | -9,6% |
| 32.137,5 | -57,7% | 112,5% | 135,7% | -1,7% | -80,1% |
| 24.863,3 | 1157,0% | 6231,0% | 0,5% | 467,3% | -80,1% |
| 19.583,7 | | | | | |
| 19.010,7 | 7690,3% | 1164,0% | -6,9% | 130,8% | 516,3% |
| 14.733,4 | | | | | |
| 14.688,8 | | | 26,0% | 53,0% | -47,0% |
| 7.189,8 | | | 192,1% | -63,3% | 5393,1% |
| 7.077,4 | | | 121,1% | 642,3% | 7216,2% |
| 6.433,3 | 3050,2% | 174,4% | -51,2% | 108,4% | 1048,1% |
| 6.309,8 | 585,5% | 44,7% | -63,4% | -4,7% | 373,8% |
| 6.190,5 | 2655,5% | 25,5% | 1564,4% | 516,9% | 2094,8% |
| 5.452,5 | | | -36,5% | 59,6% | 384,5% |
| 4.879,7 | | | 426,1% | 558,0% | -99,7% |
| 4.678,3 | 1603,8% | -8,9% | 36,1% | 67,7% | 1770,4% |
| 4.514,8 | -99,5% | -98,5% | 187,0% | 197,3% | -64,8% |
| 4.358,6 | 72,9% | -100,0% | | | |
| 3.446,3 | | | 809,8% | 2413,3% | 43,7% |
| 2.890,9 | 1095,3% | 4476,7% | 106,3% | 477,3% | -73,9% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table J.5: Import of Serbia from Turkey of selected divisions related to leather and textile industries, in tons

| Divisions | Year | | | | | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Leather and fur, raw | 0,1 | 0,2 | 0,0 | 0,0 | 0,0 | 1,1 | 0,0 | 0,3 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Textile fibers and their scraps | 432,2 | 702,8 | 43,4 | 568,9 | 55,0 | 283,1 | 499,8 | 584,7 | 762,0 | 587,3 | 733,2 | 623,9 | 738,5 |
| Products for dyeing and tanning | 125,5 | 229,3 | 208,5 | 518,4 | 583,8 | 696,5 | 1.088,9 | 1.211,0 | 1.451,6 | 1.450,8 | 1.902,7 | 2.040,3 | 2.122,1 |
| Leather, products of leather, not ment., and processed furs | 149,7 | 110,9 | 211,6 | 214,0 | 194,3 | 139,0 | 129,5 | 136,2 | 128,3 | 162,5 | 194,4 | 169,0 | 167,4 |
| Textile yarn, fabrics and textile products | 16.014,3 | 14.731,6 | 19.098,2 | 22.378,9 | 21.244,3 | 15.789,8 | 16.114,4 | 17.887,0 | 19.237,6 | 21.858,9 | 25.027,5 | 28.661,3 | 29.780,2 |
| Garments and clothing accessories | 3.459,3 | 2.567,5 | 2.521,2 | 3.770,6 | 1.908,2 | 1.528,7 | 1.819,9 | 2.362,7 | 2.022,6 | 2.183,0 | 3.458,6 | 3.765,0 | 5.651,6 |
| Footwear/shoes | 566,8 | 427,8 | 513,1 | 550,8 | 364,4 | 286,9 | 339,6 | 410,7 | 458,7 | 587,9 | 684,4 | 586,8 | 717,9 |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table J.6: Export results of the top 10 Serbian exporting enterprises to Turkey, for the period 2012–2016, in million USD

| Company name | Type of (economic) activity | Year | | | | |
|---|--|------------|------------|------------|------------|------------|
| | | 2012 | 2013 | 2014 | 2015 | 2016 |
| NIS a.d Novi Sad** | Exploitation of crude oil | 44.519.926 | | | | |
| CE-ZA-R d.o.o Belgrade*** | Recovery of sorted materials | 19.814.130 | 20.560.535 | 9.891.359 | | |
| Železara d.o.o Smederevo | Wholesale of waste and scrap | 15.226.706 | 9.997.484 | 13.581.367 | 15.207.833 | 9.915.851 |
| TigarTyresd.o.oPiot | Manufacture of rubber tires and tubes; retreading tires for vehicles | 9.719.446 | 14.410.689 | 9.457.751 | 12.038.935 | 20.514.135 |
| Umkad.o.o. Umka | Manufacture of paper and paperboard | 7.846.171 | 9.163.598 | 10.038.160 | | |
| Cooper Tire & Rubber Company Serbia d.o.oKruševac | Manufacture of rubber tires and tubes; retreading tires for vehicles | 7.283.034 | 6.995.949 | | | |
| HIP-petrohemijaa.dPančevo | Manufacture of plastics in primary forms | 5.630.943 | 23.333.280 | 8.369.920 | | 5.704.171 |
| RTB Invest d.o.oBor | Wholesale of metals and metal ores | 5.426.126 | | 26.918.603 | | |
| Sirmium Steel d.o.oSremskaMitrovica – in bankruptcy | Production of pig iron, steel and ferroalloys | 4.882.660 | 16.037.485 | 31.780.327 | 18.487.602 | |
| Scrap Metal Traders d.o.o Stari Banovci | Wholesale of waste and scrap | 4.457.824 | | | | |
| Metalosrb d.o.o Belgrade | Recovery of sorted materials | | 17.290.892 | 7.689.651 | | 50.024.917 |
| FCA Srbijad.o.oKragujevac | Manufacture of motor vehicles | | 13.632.207 | | 8.979.145 | |
| Hipola.dOdžaci - in bankruptcy | Manufacture of plastics in primary forms | | 10.821.079 | | | |
| Philip Morris Operations a.d.Niš* | Manufacture of tobacco products | | | 13.981.863 | 36.890.170 | 27.049.507 |
| FBC a.dMajdanpek | Copper production | | | 9.277.363 | 7.496.012 | |
| Rudarsko-topioničarskibasenBor | Copper production | | | | 19.680.152 | |
| RTB Borgrupa - RTB Bord.o.oBor | Holding companies | | | | 15.620.329 | 47.337.992 |
| Konzul d.o.o Novi Sad* | Manufacture of prepared feeds for farm animals | | | | 11.931.188 | |
| GrundfosSrbijad.o.oIndija | Manufacture of other pumps and compressors | | | | 9.886.652 | 12.165.524 |
| HBIS Group Serbia Iron & Steel d.o.o Belgrade | Production of pig iron, steel and ferroalloys | | | | | 9.641.197 |
| Ball pakovanjaEvropa Beograd d.o.o Belgrade | Production of light metal packaging | | | | | 5.839.511 |
| MSK a.d.Kikinda**** | Manufacture of other basic organic chemicals | | | | | 4.454.375 |

| | | | | | | |
|---------------------------|--|-------------|-------------|-------------|-------------|-------------|
| Number of enterprises: 22 | Sum of the value of the top 10 exporters on a yearly basis | 124.806.966 | 142.243.198 | 140.986.364 | 156.218.018 | 192.647.180 |
| | Annual change | | 14,0% | -0,9% | 10,8% | 23,3% |

*Agricultural enterprises (coloured in light blue)

**Company for Exploitation, Production, Processing, Distribution and Sale of Oil and Oil Derivatives and Exploitation and Production of Natural Gas Oil Industry of Serbia a.d. Novi Sad

***Limited Liability Company for Metal Recycling Centre for Recycling, Belgrade

****Joint Stock Company Methanol & Acetic Acid Complex Kikinda

Note: Obtained data are available only for given years.

Source: Own elaboration based on data of the Chamber of Commerce and Industry of Serbia 2017b

Table J.7: Planned Turkish investments in Serbia

| Investor | Value of investment | Type of investment | Type of activity | Number of new working places opened | Number of new working places planned | Location of investment | Additional notes |
|-----------------------------|------------------------------|--------------------|---------------------|-------------------------------------|--|------------------------------|--|
| "CCModa" | N/A | Brownfield | Textile industry | | 500 (in two phases) in the first two years; 1000 in total in medium-term | Kruševac | |
| "Kardem" | N/A | N/A | Textile industry | | 2500 in total | Smederevo | The production would be fully export-oriented. |
| "Soylemez" | N/A | N/A | N/A | | 300 in total (in several phases) | Žitoradja | Start of production planned for second half of 2018. |
| "Weibo Group" | 20 mil. EUR | N/A | Textile industry | | 2500 in total (in three phases) | Vranje | In December 2015 the investor signed an agreement on stimulus with the Government of Serbia. |
| "Itimat" | 4 mil. EUR | Greenfield | Dairy farm | | 100 | Šabac (Free Industrial zone) | |
| "Pamirko" | 1 mil. EUR | N/A | Wood processing | | 40 (in the first phase) and 400 in the next two years | Šabac (Free Industrial zone) | |
| "Dogus Group" | N/A | Greenfield | Hotel construction | | N/A | Belgrade | |
| Consortium of Turkish firms | Few dozens of million of EUR | Greenfield | Goat farming | | N/A | Zlatibor county | |
| "Enprode" | 18,6 mil. EUR | Greenfield | Renewable energy | | N/A | N/A | |
| "Enprode" | 5 mil. EUR | Brownfield | Brimming briquettes | | 98 | StaraPazova | |

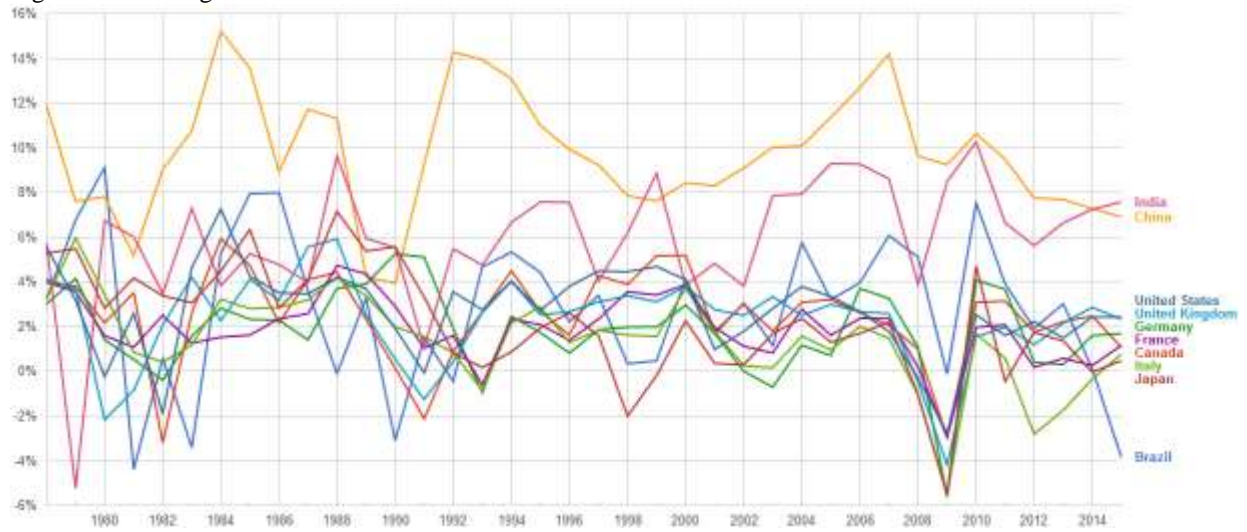
Note: In addition, the Serbian Government – Ministry of Agriculture and Environmental Protection has announced that one Turkish juice producer is interested in opening a fruit-processing factory in Serbia.

Note: The Chamber of Commerce and Industry of Serbia has announced that between 45-50 Turkish companies have opened business facilities in Serbia

Source: Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia 2017b

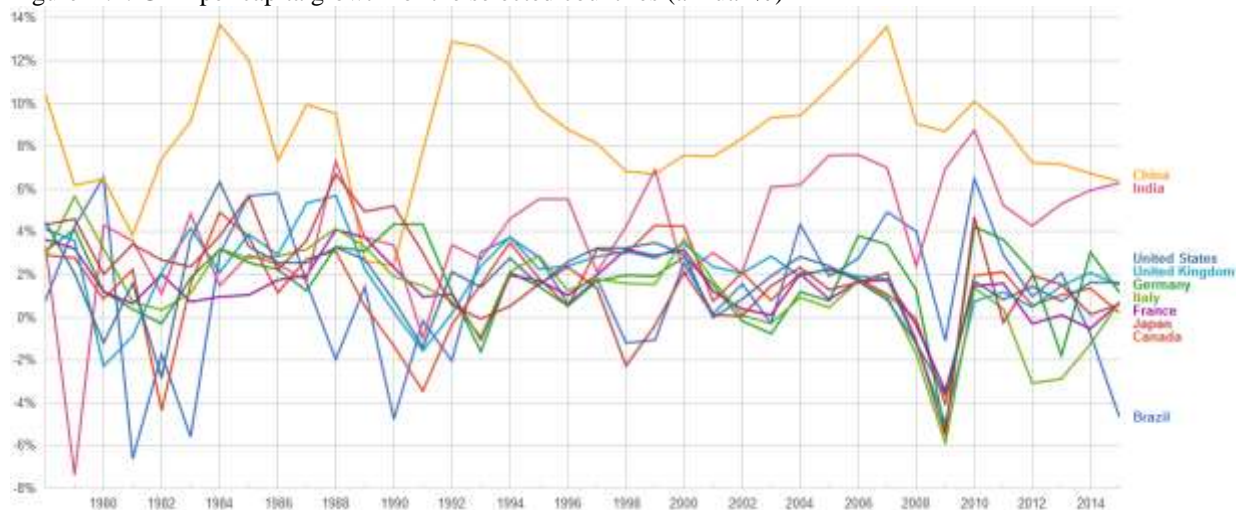
Appendix K

Figure K.1: GDP growth rate for the selected countries



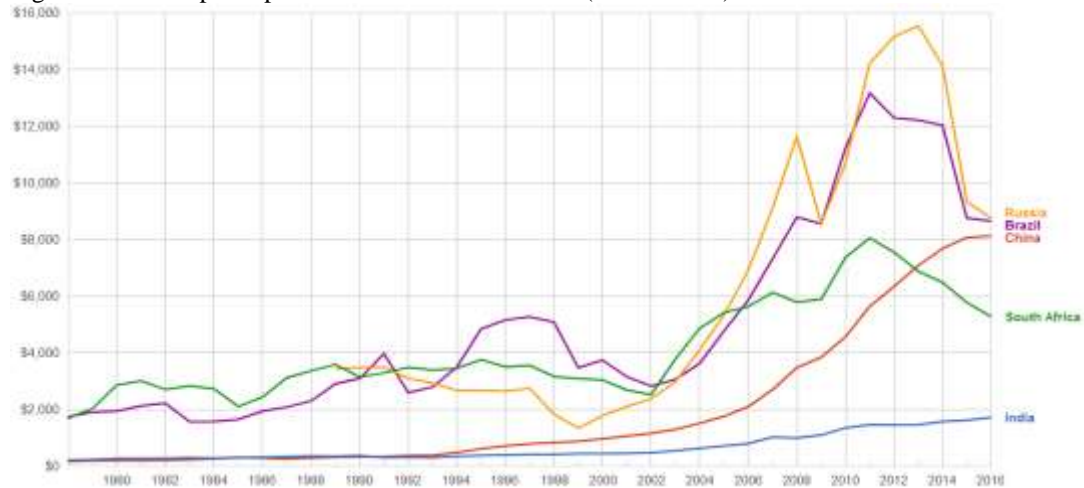
Source: World Bank – World Economic Indicators

Figure K.2: GDP per capita growth for the selected countries (annual %)



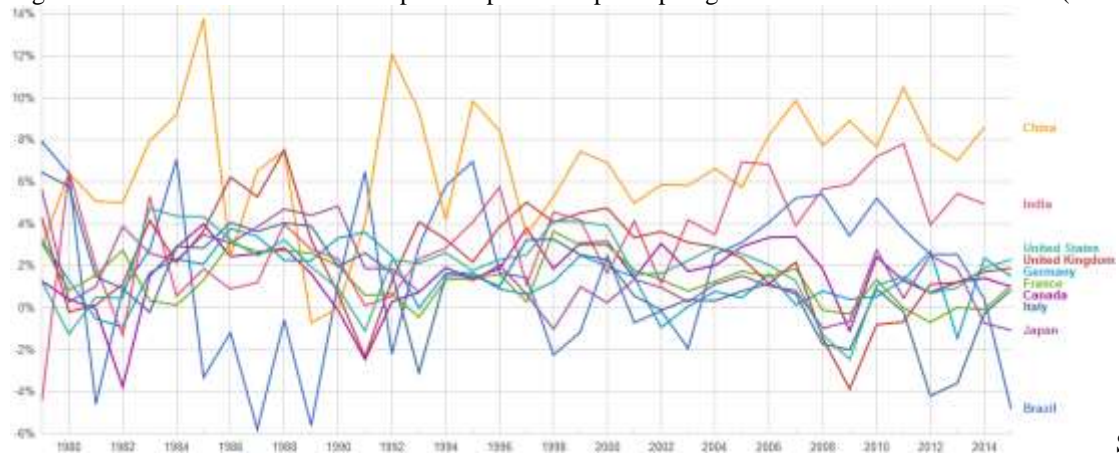
Source: World Bank – World Economic Indicators

Figure K.3: GDP per capita for the selected countries (current US\$)



Source: World Bank – World Economic Indicators

Figure K.4: Household final consumption expenditure per capita growth for the selected countries (annual %)



Source:

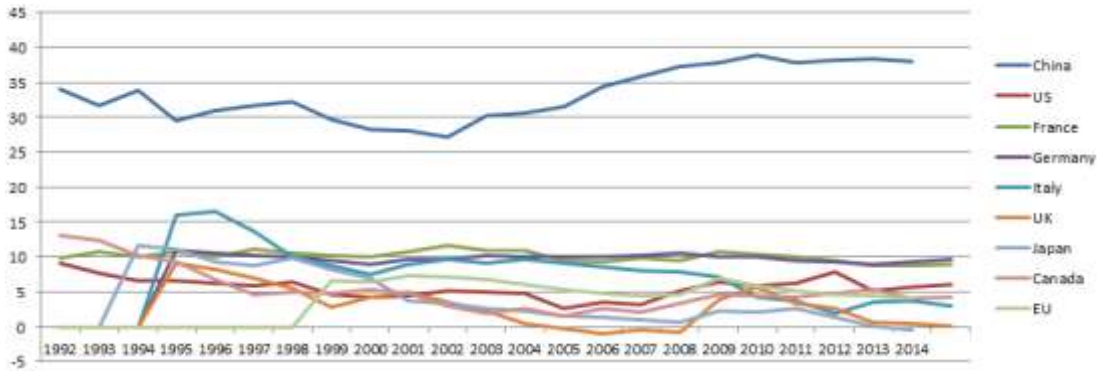
World Bank – World Economic Indicators

Figure K.5: Household final consumption expenditure per capita for the selected countries (constant 2000 US\$)



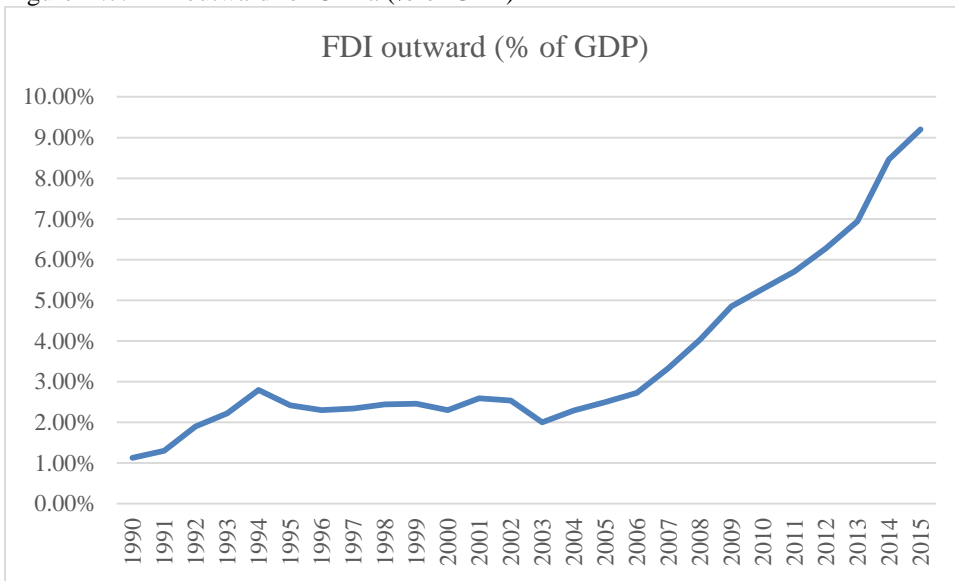
Source: World Bank – World Economic Indicators

Figure K.6: Household savings for the selected countries, total (% of household disposable income)



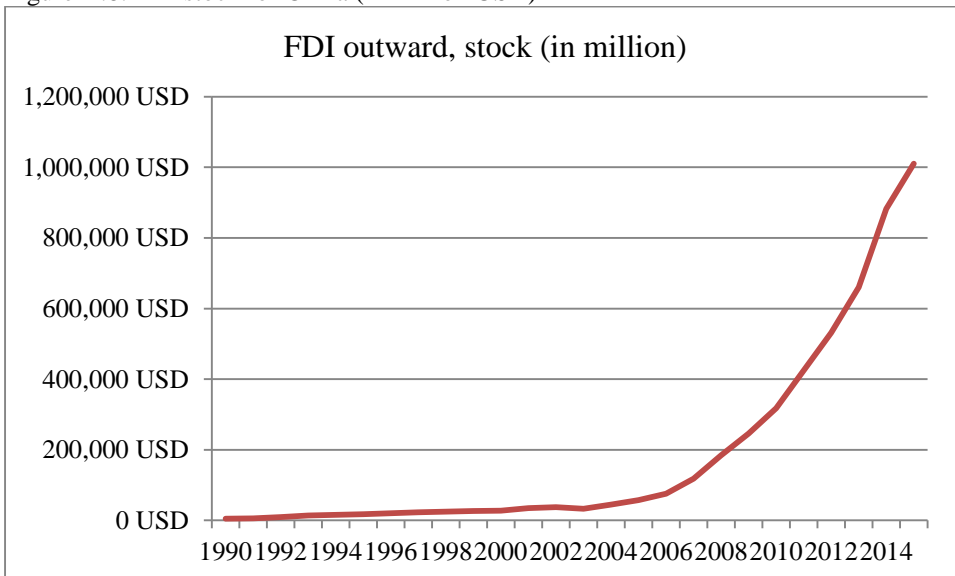
Source: Own elaboration based on the Organisation for Economic Cooperation and Development - online database

Figure K.7: FDI outward for China (% of GDP)



Source: Own elaboration based on the United Nations Conference on Trade and Development – online database

Figure K.8: FDI stock for China (in million USD)



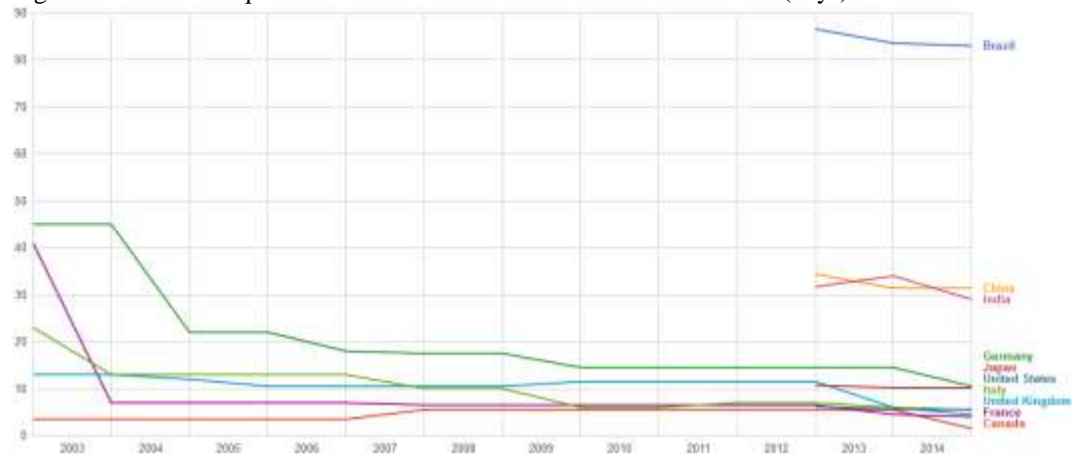
Source: Own elaboration based on the United Nations Conference on Trade and Development – online database

Figure K.9: Procedures to register property for the selected countries (number)



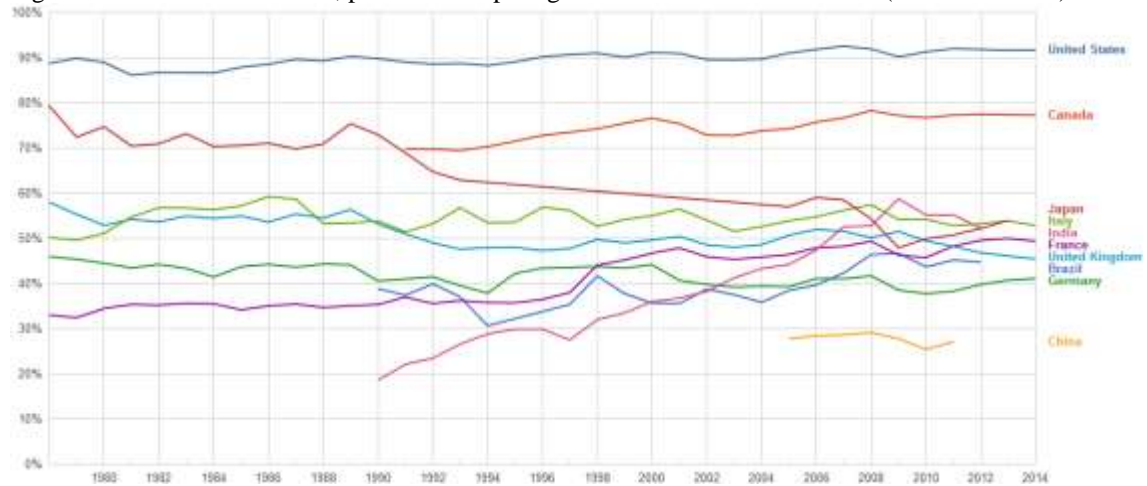
Source: World Bank – World Economic Indicators

Figure K.10: Time required to start a business for the selected countries (days)



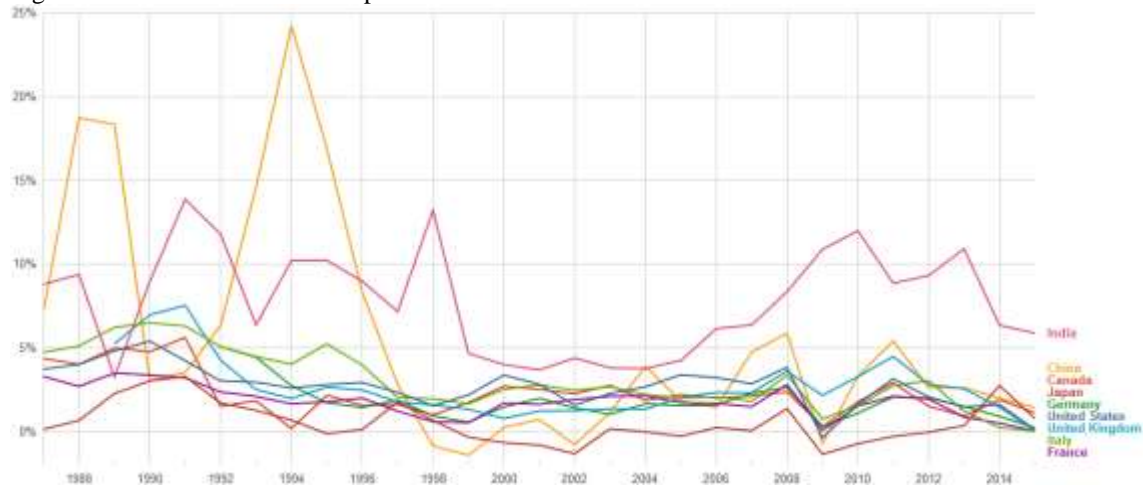
Source: World Bank – World Economic Indicators

Figure K.11: Taxes on income, profits and capital gains for the selected countries (% of total taxes)



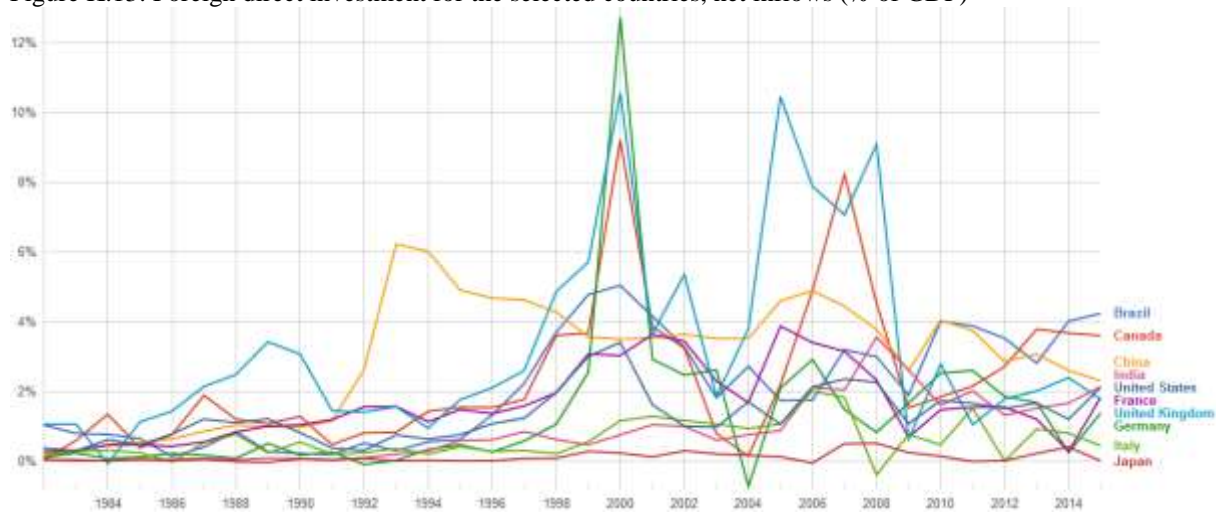
Source: World Bank – World Economic Indicators

Figure K.12: Inflation-consumer prices for the selected countries



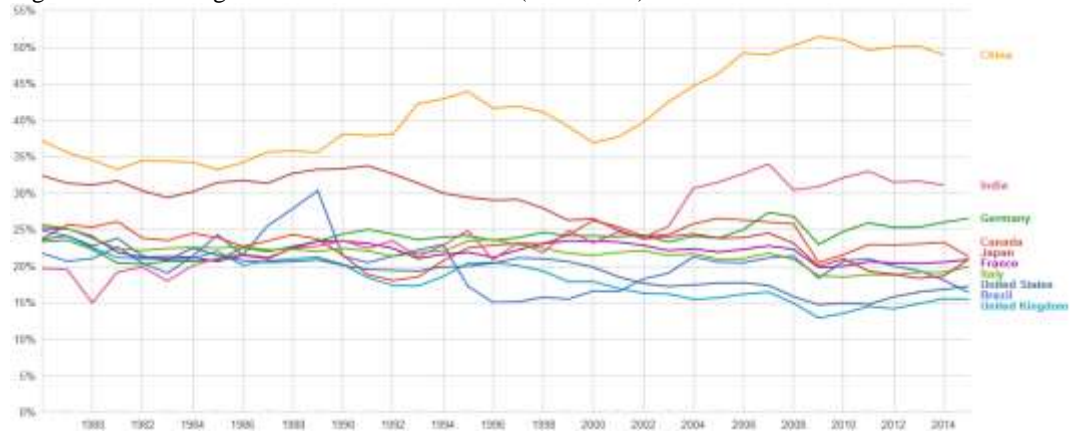
Source: World Bank – World Economic Indicators

Figure K.13: Foreign direct investment for the selected countries, net inflows (% of GDP)



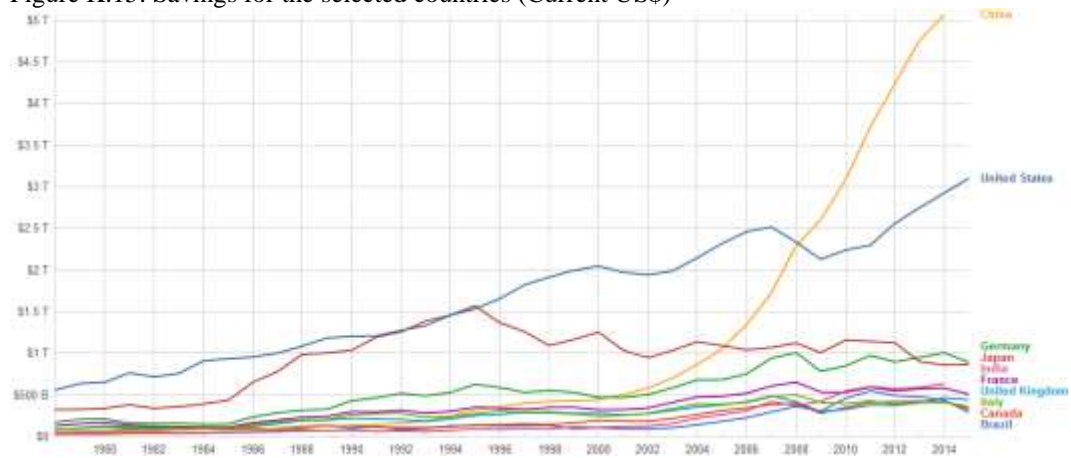
Source: World Bank – World Economic Indicators

Figure K.14: Savings for the selected countries (% of GDP)



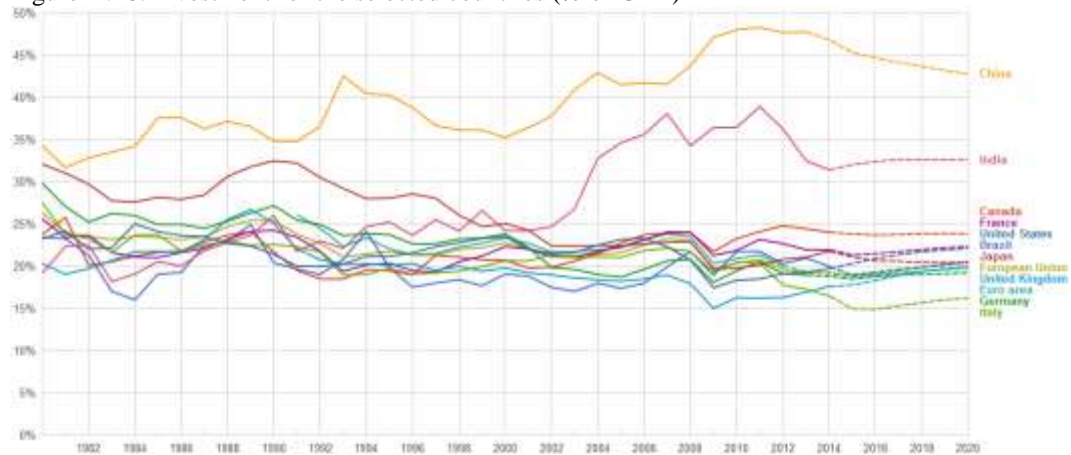
Source: World Bank – World Economic Indicators

Figure K.15: Savings for the selected countries (Current US\$)



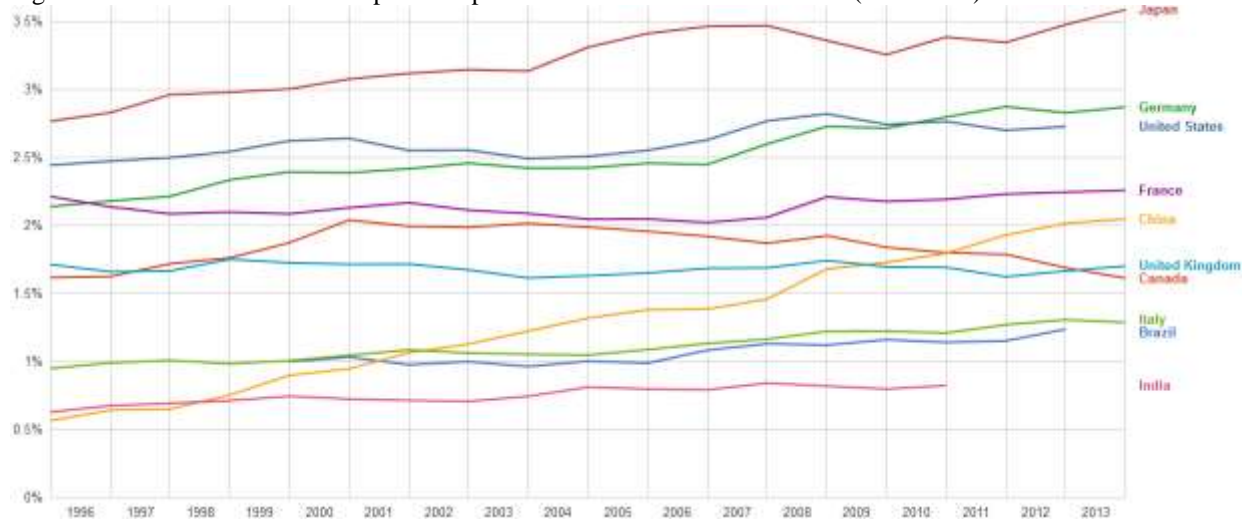
Source: World Bank – World Economic Indicators

Figure K.16: Investment for the selected countries (% of GDP)



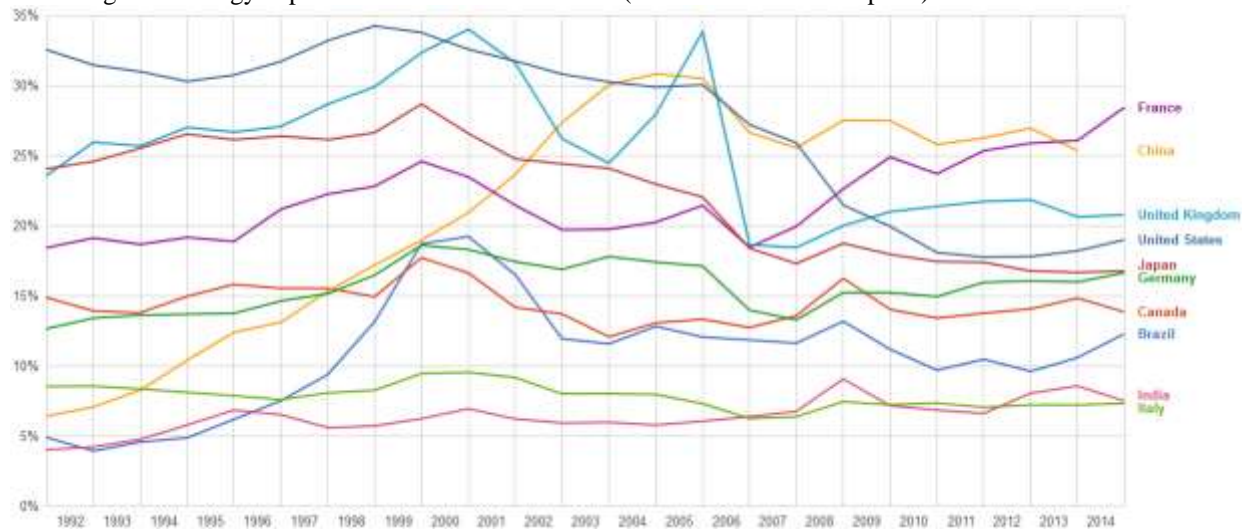
Source: World Bank – World Economic Indicators

Figure K.17: Research and development expenditure for the selected countries (% of GDP)



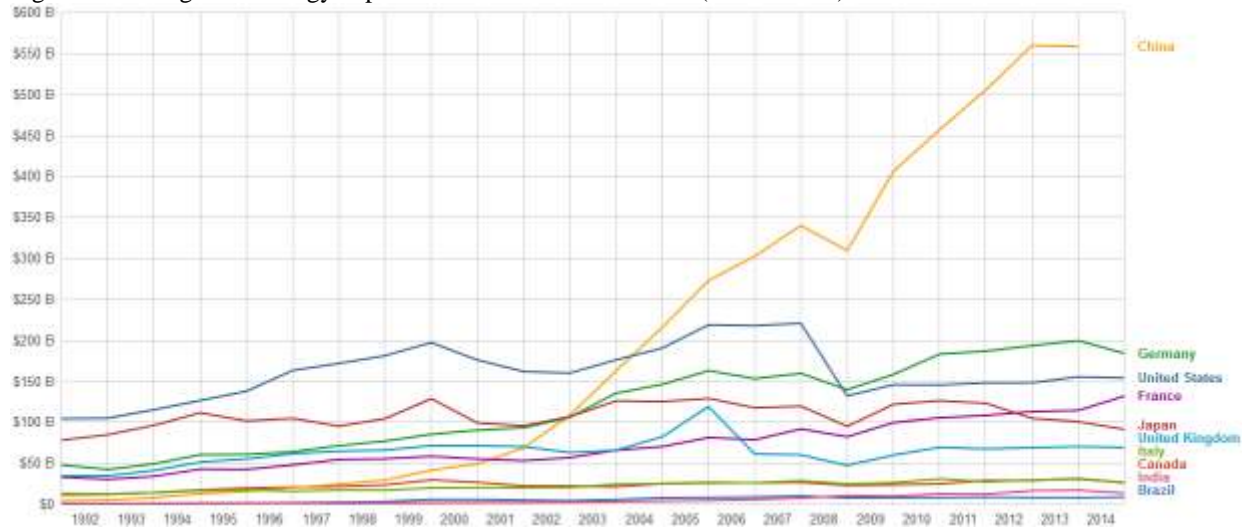
Source: World Bank – World Economic Indicators

K.18: High-technology exports for the selected countries (% of manufactured exports)



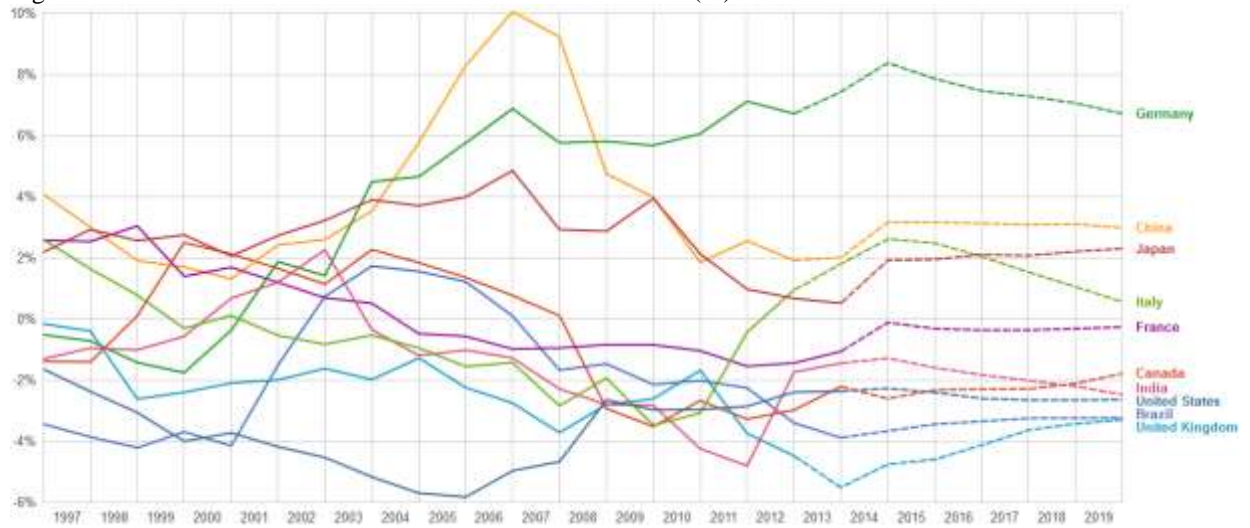
Source: World Bank – World Economic Indicators

Figure K.19: High-technology exports for the selected countries (current US\$)



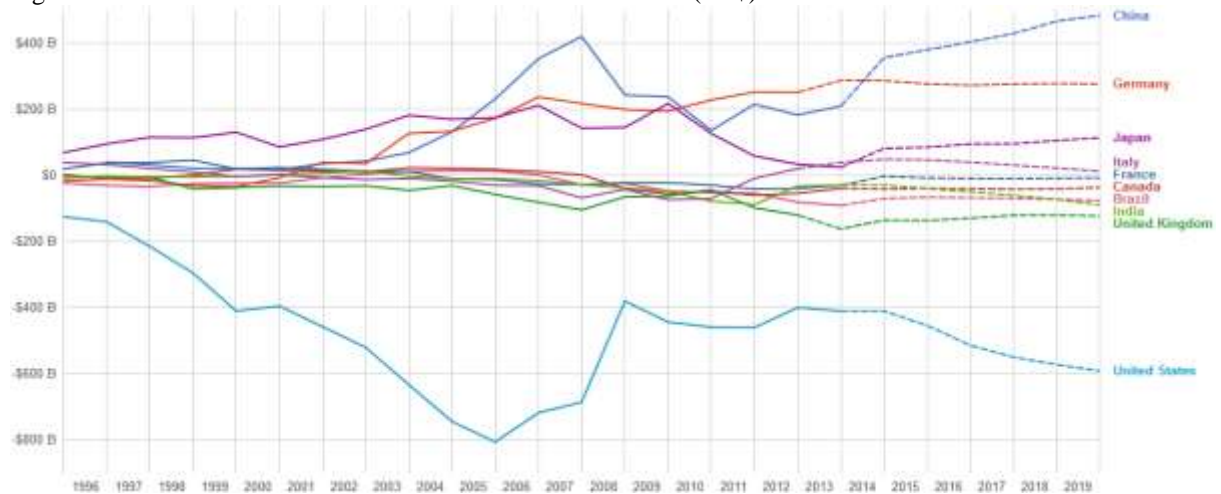
Source: World Bank – World Economic Indicators

Figure K.20: Current account balance for the selected countries (%)



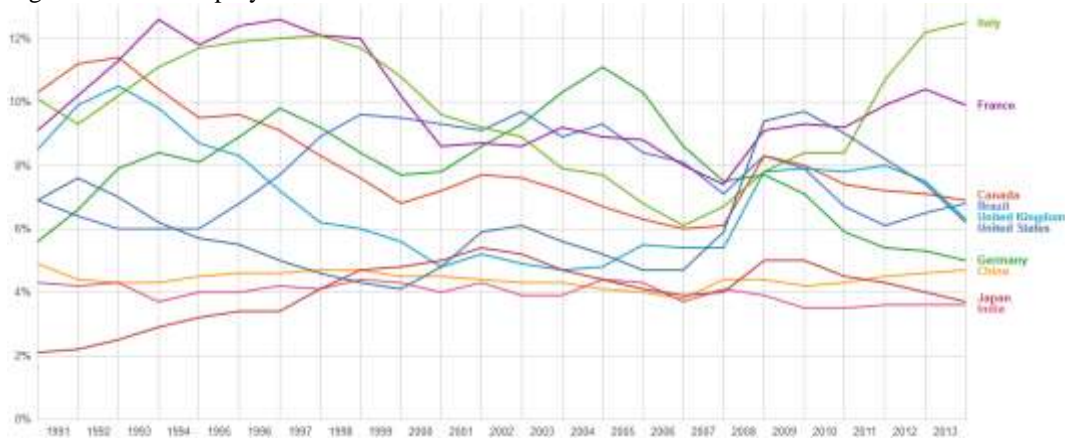
Source: World Bank – World Economic Indicators

Figure K.21: Current account balance for the selected countries (US\$)



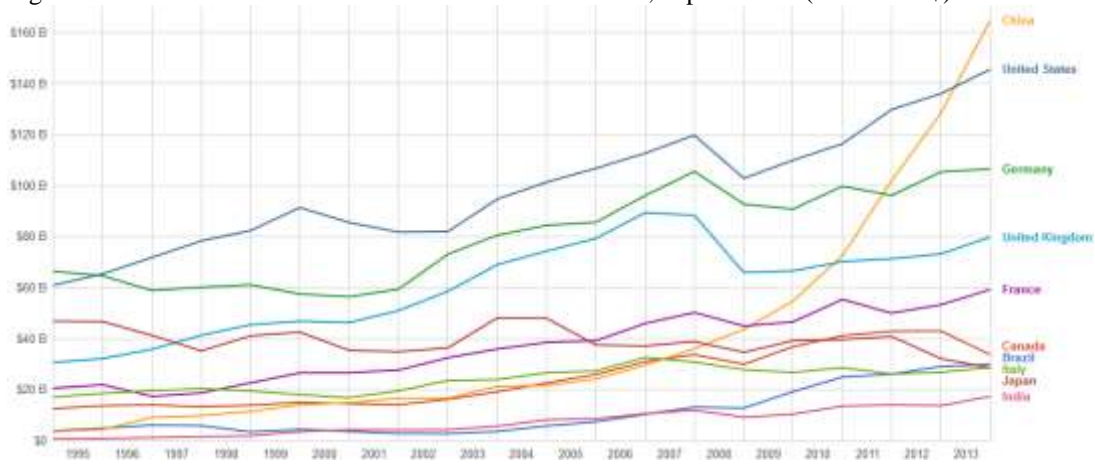
Source: International Monetary Fund – online database

Figure K.22: Unemployment for the selected countries



Source: World Bank – World Economic Indicators

Figure K.23: International tourism for the selected countries, expenditures (current US\$)⁴²⁵



Source: World Bank – World Economic Indicators

⁴²⁵ “International tourism expenditures are expenditures of international outbound visitors in other countries, including payments to foreign carriers for international transport. These expenditures may include those by residents traveling abroad as same-day visitors, except in cases where these are important enough to justify separate classification. For some countries they do not include expenditures for passenger transport items. Data are in current U.S. dollars.”

Appendix L

Table L.1: Export from Serbia to China by sectors, for the period 2004–2016, in thousand USD

| Sectors | Year | | | | | | | | | | | | | Sum | Change |
|--|-------|---------|----------|---------|---------|---------|---------|----------|---------|---------|---------|---------|----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004–2016 | 2004–2016 |
| Food and live animals | 3,4 | 43,8 | 136,9 | 371,7 | 257,3 | 65,5 | 645,3 | 526,3 | 313,9 | 412,4 | 479,4 | 888,9 | 604,5 | 4.749,3 | 17679,4% |
| Annual change | | 1188,2% | 212,6% | 171,5% | -30,8% | -74,5% | 885,2% | -18,4% | -40,4% | 31,4% | 16,2% | 85,4% | -32,0% | | |
| Beverages and tobacco | 7,8 | 0,1 | 58,9 | 0,4 | 7,7 | 17,4 | 35,5 | 111,0 | 1.761,2 | 477,5 | 125,8 | 247,8 | 634,8 | 3.485,9 | 8038,5% |
| Annual change | | -98,7% | 58800,0% | -99,3% | 1825,0% | 126,0% | 104,0% | 212,7% | 1486,7% | -72,9% | -73,7% | 97,0% | 156,2% | | |
| Crude materials, inedible, except fuels | 0,0 | 0,0 | 876,7 | 53,4 | 327,6 | 93,3 | 1.131,3 | 331,5 | 905,7 | 2.145,7 | 5.586,9 | 7.998,8 | 11.213,8 | 30.664,7 | 1179,1% |
| Annual change | | | | -93,9% | 513,5% | -71,5% | 1112,5% | -70,7% | 173,2% | 136,9% | 160,4% | 43,2% | 40,2% | | |
| Mineral fuels, lubricants and related prod. | 0,0 | 0,0 | 0,1 | 0,0 | 0,0 | 0,0 | 19,7 | 0,0 | 0,0 | 0,0 | 0,1 | 0,0 | 0,3 | 20,2 | 200,0% |
| Annual change | | | | | | | | | | | | | | | |
| Animal and plant oils, fats and waxes | 0,0 | 0,0 | 0,3 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 1,3 | 86,3 | 411,3 | 499,2 | 137000,0% |
| Annual change | | | | | | | | | | | | 6538,5% | 376,6% | | |
| Chemical and similar product, not sti, | 0,0 | 31,8 | 198,9 | 151,1 | 172,9 | 239,9 | 518,4 | 115,1 | 285,8 | 1.274,3 | 1.186,0 | 1.156,4 | 998,8 | 6.329,4 | 3040,9% |
| Annual change | | | 525,5% | -24,0% | 14,4% | 38,8% | 116,1% | -77,8% | 148,3% | 345,9% | -6,9% | -2,5% | -13,6% | | |
| Manufactured goods classified by material | 126,0 | 925,1 | 517,7 | 1.279,6 | 611,9 | 403,6 | 250,2 | 962,2 | 262,1 | 638,0 | 681,9 | 1.027,2 | 1.140,5 | 8.826,0 | 805,2% |
| Annual change | | 634,2% | -44,0% | 147,2% | -52,2% | -34,0% | -38,0% | 284,6% | -72,8% | 143,4% | 6,9% | 50,6% | 11,0% | | |
| Machines and transport equipment | 448,8 | 1.244,5 | 3.225,3 | 1.437,2 | 2.369,0 | 762,5 | 1.219,7 | 954,2 | 1.214,7 | 2.969,5 | 4.951,4 | 6.177,8 | 8.050,9 | 35.025,5 | 1693,9% |
| Annual change | | 177,3% | 159,2% | -55,4% | 64,8% | -67,8% | 60,0% | -21,8% | 27,3% | 144,5% | 66,7% | 24,8% | 30,3% | | |
| Miscellaneous manufactured products | 128,1 | 25,7 | 1.228,7 | 2.613,1 | 2.018,5 | 7.357,7 | 3.423,1 | 12.235,2 | 1.566,3 | 1.073,8 | 1.096,6 | 2.660,1 | 2.192,5 | 37.619,4 | 1611,6% |
| Annual change | | -79,9% | 4680,9% | 112,7% | -22,8% | 264,5% | -53,5% | 257,4% | -87,2% | -31,4% | 2,1% | 142,6% | -17,6% | | |
| Products not stipulated in mentioned sectors | 0,0 | 16,6 | 20,0 | 0,0 | 12,8 | 15,0 | 14,5 | 21,7 | 18,8 | 5,0 | 16,1 | 2,0 | 17,1 | 159,6 | 3,0% |
| Annual change | | | 20,5% | | | 17,2% | -3,3% | 49,7% | -13,4% | -73,4% | 222,0% | -87,6% | 755,0% | | |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table L.2: Export from Serbia to China by sectors, for the period 2004-2016, in tons

| Sectors | Year | | | | | | | | | | | | | Sum | Change |
|--|-------|----------|--------|--------|---------|--------|---------|---------|---------|---------|----------|----------|----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004-2016 | 2004-2016 |
| Food and live animals | 0,1 | 46,8 | 123,7 | 209,5 | 109,1 | 22,1 | 213,6 | 534,4 | 279,1 | 215,6 | 406,5 | 2.255,5 | 409,5 | 4.825,5 | 409400% |
| Annual change | | 46700,0% | 164,3% | 69,4% | -47,9% | -79,7% | 866,5% | 150,2% | -47,8% | -22,8% | 88,5% | 454,9% | -81,8% | | |
| Beverages and tobacco | 2,4 | 0,2 | 82,4 | 0,3 | 22,7 | 1,6 | 2,3 | 31,2 | 181,8 | 108,9 | 99,8 | 146,3 | 343,7 | 1.023,6 | 14220,8% |
| Annual change | | -91,7% | 41100% | -99,6% | 7466,7% | -93,0% | 43,8% | 1256% | 482,7% | -40,1% | -8,4% | 46,6% | 134,9% | | |
| Crude materials, inedible, except fuels | 0,0 | 0,0 | 750,7 | 106,2 | 817,6 | 23,6 | 568,3 | 445,7 | 1.425,3 | 3.266,4 | 10.259,4 | 19.631,2 | 31.135,8 | 68.430,2 | 4047,6% |
| Annual change | | | | -85,9% | 669,9% | -97,1% | 2308,1% | -21,6% | 219,8% | 129,2% | 214,1% | 91,3% | 58,6% | | |
| Mineral fuels, lubricants and related products | 0,0 | 0,0 | 0,1 | 0,0 | 0,0 | 0,0 | 16,9 | 0,0 | 0,0 | 0,0 | 0,0 | 0,1 | 0,6 | 17,7 | 500,0% |
| Annual change | | | | | | | | -100,0% | | | | | 500,0% | | |
| Animal and plant oils, fats and waxes | 0,0 | 0,0 | 0,1 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 76,1 | 511,0 | 587,2 | 510900% |
| Annual change | | | | | | | | | | | | | 571,5% | | |
| Chemical and similar product, not stipulated | 0,0 | 20,4 | 49,7 | 39,7 | 45,0 | 115,1 | 854,4 | 138,6 | 949,4 | 3.103,2 | 1.580,4 | 1.303,0 | 1.314,9 | 9.513,8 | 6345,6% |
| Annual change | | | 143,6% | -20,1% | 13,4% | 155,8% | 642,3% | -83,8% | 585,0% | 226,9% | -49,1% | -17,6% | 0,9% | | |
| Manufactured goods classified by material | 68,4 | 2.240,4 | 614,6 | 345,2 | 133,8 | 101,1 | 54,3 | 650,7 | 303,7 | 218,9 | 194,0 | 587,1 | 188,8 | 5.701,0 | 176,0% |
| Annual change | | 3175,4% | -72,6% | -43,8% | -61,2% | -24,4% | -46,3% | 1098% | -53,3% | -27,9% | -11,4% | 202,6% | -67,8% | | |
| Machines and transport equipment | 189,1 | 267,3 | 181,5 | 293,8 | 117,1 | 37,4 | 75,5 | 33,5 | 46,5 | 237,7 | 378,0 | 322,3 | 535,6 | 2.715,3 | 183,2% |
| Annual change | | 41,4% | -32,1% | 61,9% | -60,1% | -68,1% | 101,9% | -55,6% | 38,8% | 411,2% | 59,0% | -14,7% | 66,2% | | |
| Miscellaneous manufactured products | 8,4 | 0,3 | 89,4 | 131,3 | 117,7 | 184,3 | 139,0 | 363,3 | 76,0 | 60,8 | 167,2 | 201,6 | 204,7 | 1.744,0 | 2336,9% |
| Annual change | | -96,4% | 29700% | 46,9% | -10,4% | 56,6% | -24,6% | 161,4% | -79,1% | -20,0% | 175,0% | 20,6% | 1,5% | | |
| Products not stipulated in mentioned sectors | 0,0 | 1,1 | 1,3 | 0,1 | 0,4 | 0,3 | 1,5 | 1,3 | 1,4 | 0,2 | 1,4 | 0,1 | 1,2 | 10,3 | 9,1% |
| Annual change | | | 18,2% | -92,3% | 300,0% | -25,0% | 400,0% | -13,3% | 7,7% | -85,7% | 600,0% | -92,9% | 1100,0% | | |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table L.3: Top 30 divisions by value in the period 2004–2016, in thousand USD

| Divisions | Year | | | | | | | | | | | | | Sum | Change |
|--|-------|-------|---------|---------|-------|---------|---------|---------|---------|---------|---------|---------|----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004–2016 | 2004–2016 |
| Cork and wood | 0,0 | 0,0 | 0,0 | 35,0 | 296,7 | 0,0 | 37,9 | 264,1 | 688,1 | 1.973,7 | 4.918,8 | 7.757,3 | 11.183,0 | 27.154,6 | 31851,4% |
| Shoes | 0,1 | 0,0 | 142,3 | 697,0 | 156,7 | 2.981,8 | 1.384,7 | 6.716,7 | 1.166,0 | 580,0 | 341,8 | 1.250,5 | 893,7 | 16.311,3 | 893600,0% |
| Industrial machines for general use, not mentioned | 45,3 | 126,0 | 191,7 | 39,6 | 85,0 | 39,7 | 181,5 | 160,5 | 229,2 | 1.216,8 | 2.189,7 | 2.430,6 | 3.604,6 | 10.540,2 | 7857,2% |
| Garments and clothing accessories | 0,1 | 9,5 | 391,5 | 1.023,3 | 856,4 | 3.067,1 | 1.189,4 | 3.390,1 | 42,0 | 166,4 | 114,9 | 0,0 | 2,5 | 10.253,2 | 2400,0% |
| Driving machines and power equipment | 0,0 | 0,0 | 0,3 | 241,3 | 3,7 | 7,5 | 14,2 | 52,9 | 0,0 | 431,3 | 1.556,7 | 2.671,2 | 2.819,2 | 7.798,3 | 939633,3% |
| Miscellaneous products, not mentioned | 12,8 | 10,5 | 402,9 | 398,9 | 568,3 | 647,8 | 390,7 | 771,1 | 46,5 | 60,6 | 204,9 | 913,9 | 771,1 | 5.200,0 | 5924,2% |
| Telecommunications and audio apparatuses and equipment | 4,2 | 348,4 | 1.443,0 | 498,8 | 349,0 | 266,2 | 172,1 | 172,8 | 251,8 | 319,5 | 190,5 | 152,5 | 325,4 | 4.494,2 | 7647,6% |
| Electrical machines, apparatuses and appliances, not mentioned | 1,2 | 316,4 | 249,4 | 189,3 | 394,9 | 159,0 | 632,9 | 274,9 | 296,6 | 754,8 | 164,9 | 272,1 | 573,3 | 4.279,7 | 47675,0% |
| Plastics in non-primary forms | 0,0 | 0,0 | 87,6 | 77,1 | 44,9 | 165,4 | 41,7 | 25,2 | 185,2 | 558,9 | 750,4 | 814,5 | 702,8 | 3.453,7 | 702,3% |
| Fruit and vegetables | 0,0 | 43,3 | 119,7 | 301,3 | 251,7 | 51,6 | 601,0 | 347,3 | 92,4 | 344,2 | 381,8 | 375,2 | 455,3 | 3.364,8 | 951,5% |
| Machines specialised for industry | 378,9 | 423,3 | 164,2 | 28,9 | 82,6 | 60,6 | 110,1 | 3,9 | 365,9 | 183,3 | 800,1 | 260,8 | 490,0 | 3.352,6 | 29,3% |
| Metal ores and metal scraps | 0,0 | 0,0 | 858,8 | 0,0 | 0,1 | 80,0 | 697,3 | 0,0 | 43,0 | 99,2 | 667,5 | 200,9 | 21,5 | 2.668,3 | -97,5% |
| Products made of metals, not mentioned | 60,5 | 0,0 | 97,7 | 716,2 | 290,0 | 186,1 | 167,4 | 297,2 | 39,5 | 443,5 | 101,7 | 7,2 | 63,7 | 2.470,7 | 5,3% |
| Beverages | 7,8 | 0,1 | 58,9 | 0,4 | 7,7 | 17,4 | 35,5 | 111,0 | 377,4 | 477,5 | 114,4 | 247,8 | 634,8 | 2.090,7 | 8038,5% |
| Office machines and machines for automatic data processing | 5,4 | 0,0 | 756,0 | 395,3 | 431,2 | 117,2 | 65,1 | 40,4 | 49,9 | 1,0 | 8,5 | 0,2 | 106,1 | 1.976,3 | 1864,8% |
| Plastics in primary forms | 0,0 | 2,7 | 0,2 | 3,3 | 24,0 | 14,9 | 425,4 | 78,2 | 84,6 | 422,2 | 366,0 | 277,8 | 248,0 | 1.947,3 | 9085,2% |
| Furniture and parts thereof; bedding, mattresses, pillows | 0,0 | 0,0 | 59,8 | 75,3 | 28,9 | 49,2 | 61,9 | 157,2 | 63,3 | 210,7 | 337,0 | 425,8 | 438,8 | 1.907,9 | 633,8% |
| Machines for metal processing | 0,0 | 0,0 | 220,7 | 12,5 | 907,4 | 4,2 | 13,5 | 151,2 | 21,2 | 48,5 | 26,1 | 361,8 | 10,9 | 1.778,0 | -95,1% |
| Professional, scientific and controlling instruments | 114,1 | 3,1 | 31,4 | 56,9 | 118,1 | 283,8 | 235,3 | 411,0 | 235,9 | 37,0 | 54,5 | 59,7 | 68,1 | 1.708,9 | -40,3% |
| Paper, cardboard and products of pulp | 50,9 | 69,6 | 77,0 | 96,7 | 75,0 | 19,9 | 9,7 | 48,7 | 0,0 | 41,0 | 507,7 | 392,4 | 181,6 | 1.570,2 | 256,8% |
| Tobacco and tobacco products | | 0,0 | 0,0 | 0,0 | 0,0 | | 0,0 | 0,0 | 1.383,8 | 0,0 | 11,4 | 0,0 | 0,0 | 1.395,2 | |
| Products of non-metallic minerals | 8,7 | 31,3 | 134,7 | 205,1 | 162,7 | 123,6 | 30,2 | 444,5 | 219,2 | 1,2 | 0,1 | 0,0 | 0,1 | 1.361,4 | -98,9% |
| Products made of rubber, not mentioned | 5,9 | 16,0 | 10,4 | 45,1 | 5,6 | 3,5 | 6,7 | 12,0 | 1,2 | 5,0 | 32,3 | 411,9 | 759,7 | 1.315,3 | 12776,3% |
| Iron and steel | 0,0 | 802,8 | 145,7 | 158,3 | 5,1 | 4,4 | 4,2 | 38,4 | 0,0 | 52,6 | 0,4 | 3,8 | 0,3 | 1.216,0 | -100,0% |
| Travel goods, handbags and similar | 0,0 | 0,0 | 99,0 | 176,4 | 158,2 | 203,1 | 104,4 | 337,6 | 0,7 | 0,0 | 0,0 | 0,0 | 3,7 | 1.083,1 | -96,3% |
| Cameras; optical products; clocks, watches | 0,3 | 2,6 | 91,8 | 158,0 | 33,4 | 119,2 | 7,9 | 345,9 | 11,9 | 19,2 | 43,4 | 10,0 | 14,6 | 858,2 | 4766,7% |
| Road vehicles (including ACV vehicles) | 13,8 | 30,4 | 199,8 | 31,5 | 115,2 | 108,1 | 30,3 | 97,6 | 0,0 | 14,3 | 14,1 | 28,6 | 91,4 | 775,1 | 562,3% |

| | | | | | | | | | | | | | | | |
|---|-----|------|------|------|-----|-----|------|-----|------|-------|------|-------|-------|-------|-----------|
| Animal food (except unmilled cereals) | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 29,3 | 0,0 | 0,0 | 0,0 | 54,3 | 499,1 | 27,3 | 610,0 | -6,8% |
| Fixed plant fats and oils, raw, refined | 0,0 | 0,0 | 0,3 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 86,3 | 411,3 | 497,9 | 137000,0% |
| Organic chemical products | 0,0 | 29,1 | 41,0 | 32,0 | 1,9 | 0,0 | 0,0 | 0,0 | 12,1 | 257,9 | 18,0 | 52,2 | 0,0 | 444,2 | 79,4% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table L.4: Top 30 divisions by value in the period 2004–2016, in tons

| Divisions | Year | | | | | | | | | | | | | Sum | Change |
|---|-------|---------|-------|-------|-------|------|-------|-------|-------|---------|----------|----------|----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004–2016 | 2004–2016 |
| Cork and wood | 0,0 | 0,0 | 0,0 | 86,7 | 795,8 | 0,0 | 65,9 | 364,6 | 972,0 | 2.972,6 | 10.202,8 | 19.600,9 | 31.066,8 | 66.128,1 | 35732,5% |
| Plastics in primary forms | 0,0 | 19,7 | 0,0 | 3,0 | 19,7 | 80,7 | 838,7 | 133,0 | 932,9 | 1.664,7 | 1.556,2 | 1.277,2 | 1.289,8 | 7.815,6 | 6447,2% |
| Iron and steel | 0,0 | 2.191,5 | 477,0 | 98,6 | 1,1 | 0,8 | 3,8 | 2,5 | 0,0 | 21,9 | 0,0 | 20,2 | 0,0 | 2.817,4 | |
| Animal food (except unmilled cereals) | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 28,5 | 0,0 | 0,0 | 0,0 | 254,6 | 2.079,4 | 68,0 | 2.430,5 | 138,6% |
| Fruit and vegetables | 0,0 | 46,1 | 120,7 | 126,8 | 108,7 | 22,0 | 184,0 | 328,0 | 61,5 | 143,5 | 142,0 | 176,0 | 237,6 | 1.696,9 | 96,9% |
| Inorganic chemical products | 0,0 | 0,0 | 0,0 | 6,8 | 0,0 | 8,5 | 0,0 | 0,0 | 0,0 | 1.422,8 | 0,0 | 0,0 | 0,0 | 1.438,1 | |
| Metal ores and metal scraps | 0,0 | 0,0 | 746,6 | 0,0 | 0,4 | 22,5 | 268,0 | 0,2 | 207,5 | 6,9 | 56,4 | 19,2 | 2,8 | 1.330,5 | -99,6% |
| Products of non-metallic minerals | 21,2 | 18,0 | 77,7 | 67,7 | 47,1 | 38,0 | 9,9 | 578,5 | 295,9 | 3,6 | 0,0 | 0,0 | 0,1 | 1.157,7 | -99,5% |
| Beverages | 2,4 | 0,2 | 82,4 | 0,3 | 22,7 | 1,6 | 2,3 | 31,2 | 42,7 | 108,9 | 99,1 | 146,3 | 343,7 | 883,8 | 317,1% |
| Machines specialised for industry | 174,3 | 178,4 | 40,6 | 2,3 | 6,2 | 7,6 | 47,6 | 0,2 | 9,6 | 22,1 | 134,9 | 0,5 | 127,1 | 751,4 | -28,8% |
| Driving machines and power equipment | 0,0 | 0,0 | 0,0 | 251,3 | 0,2 | 0,9 | 2,3 | 0,9 | 0,0 | 30,3 | 93,0 | 155,5 | 167,6 | 702,0 | -33,3% |
| Industrial machines for general use, not mentioned | 2,7 | 21,7 | 33,1 | 3,9 | 18,4 | 4,3 | 10,1 | 10,0 | 12,3 | 111,1 | 145,8 | 129,4 | 185,4 | 688,2 | 460,1% |
| Fixed plant fats and oils, raw, refined | 0,0 | 0,0 | 0,1 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 76,1 | 511,0 | 587,2 | 510900,0% |
| Meat and meat products | | | | 20,5 | | | | 196,3 | 196,5 | 70,9 | | | 99,8 | 584,0 | 386,8% |
| Products made of metals, not mentioned | 35,3 | 0,0 | 20,9 | 127,0 | 49,0 | 47,2 | 31,3 | 40,1 | 7,7 | 163,2 | 4,1 | 3,2 | 10,0 | 539,0 | -71,7% |
| Paper, cardboard and products of pulp | 9,0 | 17,0 | 24,0 | 19,8 | 12,1 | 3,7 | 2,5 | 9,2 | 0,0 | 6,0 | 171,3 | 164,2 | 78,0 | 516,8 | 358,8% |
| Furniture and parts thereof; bedding, mattresses, pillows | 0,0 | 0,0 | 25,9 | 17,8 | 5,4 | 7,9 | 25,0 | 48,4 | 10,6 | 35,7 | 71,6 | 126,1 | 107,4 | 481,8 | 314,7% |
| Products of cork and wood (except furniture) | 0,0 | 0,0 | 5,6 | 7,0 | 12,5 | 8,0 | 1,5 | 2,9 | 0,0 | 3,3 | 16,1 | 373,3 | 36,7 | 466,9 | 555,4% |
| Textile fibres and scraps | 0,0 | 0,0 | 1,1 | 0,1 | 1,9 | 0,9 | 0,0 | 80,7 | 236,0 | 132,6 | 0,0 | 9,3 | 0,0 | 462,6 | |
| Shoes | 0,0 | 0,0 | 6,3 | 28,0 | 6,1 | 53,4 | 41,8 | 135,8 | 33,6 | 17,2 | 12,2 | 48,5 | 41,2 | 424,1 | 554,0% |
| Miscellaneous products, not mentioned | 0,0 | 0,2 | 32,4 | 44,3 | 48,8 | 48,1 | 36,2 | 79,0 | 7,4 | 6,7 | 2,7 | 10,7 | 38,1 | 354,6 | 18950,0% |

| | | | | | | | | | | | | | | | |
|--|-----|------|------|------|------|------|-------|------|-------|-------|------|------|------|-------|----------|
| Electrical machines, apparatuses and appliances, not ment. | 0,0 | 64,9 | 22,0 | 9,4 | 24,1 | 7,3 | 8,7 | 8,8 | 22,8 | 67,9 | 1,7 | 10,1 | 27,7 | 275,4 | -57,3% |
| Garments and clothing accessories | 0,0 | 0,1 | 17,7 | 24,3 | 31,5 | 61,3 | 24,5 | 74,2 | 0,3 | 0,6 | 1,2 | 0,0 | 0,0 | 235,7 | |
| Crude rubber, included synthetic and regenerated | 0,0 | 0,0 | 1,8 | 0,0 | 0,0 | 0,0 | 194,5 | 0,0 | 0,0 | 0,0 | 0,0 | 1,1 | 20,0 | 217,4 | 1011,1% |
| Crude fertilizers (except from section 56) and minerals | 0,0 | 0,0 | 0,5 | 0,4 | 0,5 | 0,0 | 0,0 | 0,1 | 0,0 | 154,2 | 0,2 | 0,6 | 46,2 | 202,7 | 9140,0% |
| Plastics in non-primary forms | 0,0 | 0,0 | 20,6 | 11,1 | 5,3 | 17,2 | 7,9 | 3,9 | 4,3 | 15,0 | 22,1 | 24,8 | 22,8 | 155,0 | 10,7% |
| Tobacco and tobacco products | | 0,0 | 0,0 | 0,0 | 0,0 | | 0,0 | 0,0 | 139,1 | 0,0 | 0,6 | 0,0 | 0,0 | 139,7 | |
| Cameras; optical products; clocks, watches | 0,1 | 0,0 | 1,2 | 4,8 | 0,8 | 1,8 | 0,1 | 8,7 | 0,7 | 0,5 | 78,9 | 16,2 | 17,6 | 131,4 | 17500,0% |
| Machines for metal processing | 0,0 | 0,0 | 29,6 | 6,1 | 49,4 | 0,2 | 0,1 | 1,3 | 0,5 | 1,0 | 0,0 | 23,9 | 0,0 | 112,1 | -100,0% |
| Products made of rubber, not mentioned | 2,9 | 5,6 | 3,4 | 8,0 | 2,2 | 0,4 | 1,1 | 3,6 | 0,1 | 0,0 | 1,8 | 25,2 | 54,8 | 109,1 | 350,0% |

Source: Own elaboration based on data of the Statistical Office of the Republic of Serbia – online database

Table L.5: Number of Serbian export goods to China, for the period 2007–2016

| Year | Number of goods | Annual change |
|----------------|-----------------|---------------|
| 2007 | 791 | |
| 2008 | 911 | 15,2% |
| 2009 | 479 | -47,4% |
| 2010 | 732 | 52,8% |
| 2011 | 901 | 23,1% |
| 2012 | 168 | -81,4% |
| 2013 | 172 | 2,4% |
| 2014 | 208 | 20,9% |
| 2015 | 245 | 17,8% |
| 2016 | 326 | 33,1% |
| Change* | -58,8% | |

Source: Own elaboration based on data from the Statistical Office of the Republic of Serbia (data are not available at online database nor are available in documents, but obtained upon request).

Table L.6: Top 20 import divisions by value in the period 2004–2016, in thousand USD

| Divisions | Year | | | | | | | | | | | | Sum | Change | |
|--|---------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2004–2016 | 2004–2016 |
| Telecommunications and audio apparatuses and equipment | 42.693 | 57.693 | 88.678 | 163.414 | 180.009 | 150.412 | 160.218 | 219.234 | 200.721 | 232.429 | 213.575 | 259.586 | 246.896 | 2.215.557 | 5 |
| Office machines and machines for automatic data processing | 123.270 | 91.284 | 128.702 | 196.463 | 168.475 | 121.068 | 142.131 | 154.626 | 135.857 | 146.375 | 138.838 | 118.604 | 99.807 | 1.765.500 | 0 |
| Unclassified goods | 1.019 | 68 | 81 | 186.620 | 244.143 | 150.085 | 97.815 | 86.844 | 94.705 | 116.591 | 142.879 | 151.360 | 348.259 | 1.620.468 | 341 |
| Electrical machines, apparatuses and appliances, not ment. | 40.101 | 43.138 | 58.143 | 88.753 | 94.643 | 74.727 | 85.294 | 104.280 | 113.254 | 120.791 | 123.006 | 105.572 | 118.002 | 1.169.704 | 2 |
| Garments and clothing accessories | 51.001 | 34.674 | 60.242 | 92.100 | 132.785 | 92.785 | 86.089 | 99.639 | 82.707 | 88.582 | 90.002 | 74.694 | 79.970 | 1.065.272 | 1 |
| Industrial machines for general use, not mentioned | 25.546 | 29.350 | 40.503 | 69.176 | 107.313 | 41.463 | 57.265 | 78.003 | 88.827 | 101.730 | 106.181 | 156.468 | 92.537 | 994.362 | 3 |
| Miscellaneous products, not mentioned | 41.357 | 48.849 | 63.851 | 85.270 | 115.631 | 76.157 | 74.680 | 89.022 | 82.280 | 82.887 | 84.351 | 73.075 | 68.411 | 985.821 | 1 |
| Shoes | 52.480 | 36.870 | 58.782 | 59.612 | 66.976 | 48.142 | 58.525 | 80.888 | 60.913 | 52.590 | 43.079 | 39.025 | 40.924 | 698.806 | 0 |
| Products made of metals, not mentioned | 18.847 | 23.294 | 34.233 | 49.166 | 59.242 | 41.592 | 56.467 | 63.485 | 53.757 | 54.491 | 53.355 | 47.080 | 50.289 | 605.295 | 2 |
| Plastics in primary forms | 2.434 | 14.198 | 40.225 | 73.429 | 71.468 | 26.632 | 26.829 | 56.009 | 57.574 | 58.318 | 59.901 | 37.881 | 36.301 | 561.198 | 14 |
| Textile yarn, fabrics and textile products | 11.141 | 12.965 | 20.777 | 30.571 | 37.290 | 27.957 | 32.852 | 51.469 | 51.218 | 52.988 | 56.378 | 56.845 | 57.781 | 500.231 | 4 |
| Organic chemical products | 9.523 | 10.326 | 15.614 | 17.363 | 22.912 | 19.103 | 21.957 | 29.560 | 36.902 | 31.927 | 34.742 | 38.226 | 39.894 | 328.048 | 3 |
| Products of non-metallic minerals | 8.847 | 11.244 | 18.840 | 28.985 | 29.397 | 21.119 | 23.923 | 32.458 | 35.062 | 26.126 | 26.687 | 29.781 | 21.782 | 314.251 | 1 |
| Road vehicles (including ACV vehicles) | 7.001 | 7.713 | 11.517 | 16.405 | 21.691 | 12.537 | 12.409 | 46.500 | 22.436 | 30.752 | 25.566 | 26.950 | 22.893 | 264.372 | 2 |
| Machines specialised for industry | 5.278 | 4.776 | 9.102 | 19.709 | 27.975 | 11.753 | 12.013 | 27.557 | 19.013 | 24.173 | 27.359 | 26.630 | 31.569 | 246.908 | 5 |
| Travel goods, handbags and similar | 9.195 | 7.371 | 10.256 | 17.932 | 26.211 | 19.929 | 19.256 | 23.169 | 22.342 | 23.460 | 23.651 | 20.026 | 21.519 | 244.317 | 1 |
| Furniture and parts thereof; bedding, mattresses, pillows | 3.492 | 5.546 | 10.974 | 18.307 | 25.964 | 19.416 | 18.767 | 21.966 | 26.535 | 25.927 | 24.311 | 19.544 | 20.642 | 241.390 | 5 |
| Coloured metals | 1.311 | 2.243 | 4.145 | 25.414 | 9.922 | 4.137 | 7.149 | 10.174 | 9.680 | 40.131 | 55.265 | 34.838 | 19.519 | 223.929 | 14 |
| Chemical materials and products, not mentioned | 2.888 | 3.397 | 6.867 | 11.781 | 12.034 | 13.994 | 14.800 | 18.597 | 24.703 | 27.604 | 23.410 | 28.000 | 13.371 | 201.446 | 4 |
| Prefabricated buildings; sanitary and other devices | 4.441 | 5.055 | 9.573 | 15.326 | 20.018 | 13.780 | 16.590 | 17.252 | 18.011 | 17.830 | 19.420 | 17.988 | 19.602 | 194.885 | 3 |

Source: Own elaboration based on data from the Statistical Office of the Republic of Serbia

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POVZETEK

Doktorska disertacija se ukvarja z vprašanjem gospodarske diplomacije in njenim pomenom za države v tranziciji in v razvoju. Pri tem širi teorijo gospodarske diplomacije, ki se je razvila na modelih razvitih držav.

Gospodarska diplomacija je postala aktualna predvsem po zlomu dvopolnega sistema, najprej kot instrument zunanje politike, nato pa se je počasi vse bolj prelivala tudi v teoretske modele. Četudi se je njeno preučevanje začelo po drugi svetovni vojni, pa je slednje doživelo razmah v zadnjih dveh desetletjih. Obstoječe teorije so do sedaj obravnavale vprašanja vpliva gospodarske diplomacije na internacionalizacijo nacionalnih gospodarstev, pri čemer je bil fokus teh pristopov usmerjen predvsem v preučevanje promocije trgovine in investicij, tj. podpora poslovanju podjetij na tujih trgih (kar vključuje tudi podporo v pogajanjih), iskanje poslovnih partnerjev (kar pomeni vzpostavitev kontaktov in/ali podporo v vzdrževanju letih), zbiranje informacij, organiziranje obiskov in seminarjev, predstavljanje na sejnih, analiza trgov in podobno. Širitev delovanja gospodarske diplomacije v praksi se je odrazila tudi v teoriji. Posledično so se avtorji začeli ukvarjati z vprašanjem odnosa in učinkov aktivnosti gospodarske diplomacije in mednarodnega razvojnega sodelovanja, vprašanji lobiranja in/ali zbiranja obveščevalnih podatkov, zaščito pravic do intelektualne lastnine, reševanjem konfliktov, promocijo turizma, spodbujanjem sodelovanja na področju znanosti in tehnologije, kot tudi z vprašanjem prenosa tehnologije. V večini navedenih primerov so študije pokazale pozitiven vpliv gospodarske diplomacije na nacionalna gospodarstva, pa tudi na pospeševanje internacionalizacije, ki služi kot orodje za razvoj nacionalnih gospodarstev.

V tem okviru smo določili namen doktorske disertacije, in sicer je bil ta ugotoviti, ali je, in v kolikšni meri, delovanje gospodarske diplomacije tranzicijskih držav na trgih t. i. vznikajočih držav (*emerging markets*) prispevalo h krepitvi internacionalizacije (spodbujanje izvoza, geografska diverzifikacija trgov in turizma, pritegovanje neposrednih tujih investicij, promocija domačih investicij zunaj meja države, zagotavljanje ugodnih investicijskih kreditov idr.) gospodarstev teh tranzicijskih držav. Kot empirični primer smo izbrali Republiko Srbijo, ki je tranzicijska država (kot ostale nekdanje komunistične države Srednje in Jugovzhodne Evrope), s podrazvitim tržnim gospodarstvom, odvisnim predvsem od trgov držav Evropske unije in centralnoevropskega prostotrgovinskega območja (CEFTA). Ta geografska odvisnost pa seveda Srbijo kot državo, tudi zato, ker je država v tranziciji, dela zelo ranljivo in občutljivo na ekonomske šoke. To je bilo še posebej vidno v času velike ekonomske in finančne krize 2007/2008, ko je postalo jasno, da je še posebej za ranljive države v tranziciji nujno, da svojo gospodarsko aktivnost diverzificirajo, še najlažje na vzhodne, vznikajoče trge (Ruska federacija, Turčija, Ljudska republika Kitajska). Za Srbijo je to še večja dodana vrednost, saj ima s temi državami dobre kulturne in politične odnose, kar lahko pospeši medsebojno gospodarsko sodelovanje. A obrat proti tem trgov ni pomemben samo zaradi geografske diverzifikacije in premagovanja ekonomskih kriz, ampak tudi za to, ker v teoriji velja, da je gospodarska diplomacija učinkovitejša v tistih državah/trgih, v katerih ima država močan vpliv na gospodarstvo, v primerjavi s tistimi, kjer vladajo pravila tržnega gospodarstva. Omenjene ugodne okoliščine so pomagale Srbiji, da sklene sporazume o prosti trgovini z Rusijo in Turčijo, kot tudi strateški sporazum s Kitajsko. Ti sporazumi predstavljajo izreden dosežek njene gospodarske diplomacije. Poleg tega sta dva omenjena sporazuma o prosti trgovini prav tako pomembna tudi v smislu pritegnitve tujih neposrednih investicij, posebno iz EU, ker nudita podjetjem, registriranim v Srbiji, možnost brezcarinskega izvoza na ta dva velika trga.

Na primeru treh poglobljenih empiričnih študij primera: Srbija–Rusija, Srbija–Turčija in Srbija–Kitajska ugotavljamo, da je Srbija z angažiranjem gospodarske diplomacije uspela okrepiti internacionalizacijo svojega gospodarstva. To se je v primerjalni perspektivi pokazalo v naraščanju dvostranske menjave, predvsem s povečanjem izvoza Srbije v omenjene tri države; s porastom vhodnih tujih neposrednih investicij, pa tudi z večjim številom turistov, ki so Srbijo izbrali za svojo destinacijo. Končno, Srbija je s pomočjo svoje gospodarske diplomacije pridobila tudi relativno ugodne investicijske kredite. Poleg navedenih, neposrednih učinkov, so aktivnosti gospodarske diplomacije Srbije ustvarile tudi številne posredne pozitivne učinke. Tu velja izpostaviti Sporazum o prosti trgovini z Rusko federacijo (in njemu pripadajoče protokole), ki spodbuja investitorje iz evropskih držav, da prenesejo svojo proizvodnjo v Srbijo, saj se s tem ognejo carinam, sočasno pa ceneje dostopajo do ruskega, beloruskega in kazahstanskega trga. Na drugi strani pa je Sporazum o gospodarskem in tehničnem sodelovanju s Kitajsko, ki omogoča Srbiji pridobivanje ugodnih kreditov s strani kitajske izvozne banke ter financiranje velikih infrastrukturnih projektov po vsej državi, zlasti investicij v transportno infrastrukturo. Poleg naštetega velja omeniti še eno zadevo, ki se je pokazala pri raziskovanju, in sicer da deluje gospodarska diplomacija veliko učinkoviteje med državami, ki imajo dobre družbeno-politično-kulturne odnose kot med tistimi državami, ki teh odnosov nimajo tako razvitih. To velja še posebej poudariti, saj do sedaj v literaturi, ki o gospodarski diplomaciji obstaja, to še ni bilo dokazano. Navedeno, pa tudi pripravljena priporočila srbskim oblastem, je osnova za nadaljnje raziskovanje predvsem o tem, kako lahko državne oblasti uporabljajo gospodarsko diplomacijo za diverzifikacijo izvoza/uvoza, investicij, investicijskih sporazumov, pa tudi za izboljševanje gospodarskega razvoja držav v tranziciji nasploh. Glede na to, da je teorija delovanja gospodarske diplomacije tranzicijskih držav še podrazvita predstavlja pričujoča doktorska disertacija prispevek k znanosti na področju gospodarske diplomacije in diplomacije nasploh, pa tudi k udejanjanju gospodarske diplomacije v praksi.