

## Chapter XVIII

# The State and Development of E-Commerce in Serbia

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### ABSTRACT

*The authors of this chapter constructed and published multidimensional model for the evaluation of e-commerce diffusion in any country. According to this model qualitative research of conditions for e-commerce penetration in Serbia was conducted. Serbia is located on an important geographical location in Southeast Europe. After Yugoslavia's falling apart and a decade of stagnation, Serbia came to a road of economic changes and it became an economy in transition – it was pronounced the leading reformer in 2005 by The World Bank. Our main finding is that the process of diffusing e-commerce in Serbia is still on the waiting list, but different states are found for different layers of this multidimensional model. Some good experiences found in Serbia's e-commerce practice are mainly from the B2C e-commerce, while a strategy of B2B e-commerce could be a catalyst for pulling together the facilitating conditions and engaging Serbia in global electronic economy.*

## INTRODUCTION

This study is the result of the wide research which investigated the conditions for **diffusion of e-commerce in Serbia**. For developing countries like **Serbia**, e-commerce can be noticed as a compelling strategy and a paramount opportunity for economic development. The ongoing globalization process has the strong driving force in a “revolution in information technology” which has led to the emergence of a “global informational capitalism” (Castells, 2000). Each developing country which tends to be a part of the global capitalist economy has to be a part of international electronic networks. Our question which we appointed before our research was: how Serbia responds to these opportunities and challenges?

Serbia is one of the most important crossroads of Europe, featuring important roads and railways (USAID, 2007). Flows of raw materials from the east and south used to cross Serbian territory on their way to the industrialized European countries, and the finished goods used to follow the opposite direction. The economic turmoil in the 1990s has seriously challenged its capability of integrating into the global digital economy. Significant transitory moves in last seven years brought Serbia to the position of the leading reformer in 2005, according to the investigation of The World Bank (2005). This chapter will try to analyze the conditions for diffusing e-commerce in Serbia today.

## MAIN FACTS ABOUT SERBIA

**Serbia** is an old European country and a new member of world community, still waiting for the final definition of the borders and the integration into international community. Main characteristics of Serbia are given in Table 1. Separation processes left strong scar on economy and social values in Serbia.

Thinking about conditions for diffusion of **e-commerce** in Serbia, the authors of this study conducted an integral investigation based on a previously defined multidimensional **model** (Travica et al, 2006). After more than a decade of stagnation Serbia is on the road of economic and political changes. It is located on an important geographical location, on the crossroads between north and south, and east and west of the Europe. That is the reason why Serbia is one of the significant crossroads of Europe, featuring important international roads and railways. This characteristic raises the importance of Serbia in the period of economic restructuring of Europe, triggered by the fall of the Berlin Wall in 1989. Flows of raw materials from the east and south would naturally cross Serbian territory on their way to the industrialized west and north Europe, and the finished goods would follow in the opposite direction. While enjoying this potential role of a geographic chain link, Serbia slid into a political and economic turmoil in the 1990s, which has seriously challenged its capability of integrating into the global electronic economy (Dinkić, 1995). NATO attacks in 1999, which destroyed bridges, main factories and a lot of transport infrastructure, made the situation even much worse. On the other hand, Serbia makes significant transitory efforts. The World Bank has rated Serbia as the “leading reformer in 2005.” These reasons motivated our study.

This research has one restriction: as the part of Serbia called Kosovo is under the international governance lead by the United Nations and it is now completely autonomous, it is excluded from this research.

**Serbia** used to be the largest federal unit in a country called Yugoslavia (meaning: the country of Southern Slavs), which stretched from Greece to Austria and Italy. Although situated in Eastern Europe, Yugoslavia was never part of the Eastern Block. Contrary to it, Yugoslavia boasted a hybrid economic system in which major firms were

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