

Chapter 4.5

Macroeconomic Factors of Competitiveness of Serbian Economy and ICT Sector

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ABSTRACT

Information and communication technology is an initiating and driving force behind economic development. The contribution of the ICT sector is in production and export increase within the sector itself and of the competitiveness of the economy as a whole. Competitiveness is synonymous with productivity and can be enhanced by rational utilization and investment in resources, application of the latest knowledge, investment, by increase of operating efficiency, and implementation of modern technologies in production. Competitiveness implies development of infrastructure and telecommunications, and intensive Internet usage. According to the Global Competitiveness Index, Serbia is lowly ranked. Serbia has the greatest advantage in the area of elementary and higher education, technological readiness and innovativeness. The analysis of technological readiness and the level of innovativeness within the global competitiveness of Serbian economy in 2009, indicates a high level of competitiveness and potential to be developed. Technology transfer from the developed countries is the basis for long-term sustainable economic growth and development. The paper focuses on the analysis of competitiveness of Serbian economy, international economic environment and the determinants of competitiveness.

INTRODUCTION

In the process of market adjustment of the production, there are many problems. Raising the level of socio-economic development and competitiveness of the economy in Serbia is conditioned by modernization and structural changes in production, program organization, increase of productivity and efficiency in production and stimulative and developmental economic policy. In the period from 2001-2008, gross domestic product increased at a rate of 5.2%. In 2009, gross domestic product was reduced at a rate of 3.5% due to unfavorable economic trends and influence of the global economic crisis. Holders of increase of gross domestic product are service industries, construction and industry, then, agriculture and food industry.

Country's competitiveness means the ability to engage national resources as seen in the context of specialization and international trade, so as to ultimately reject the growing level of real income, that is, life standard (Bruce, 1985). Competition is the driving force of economic development and economic growth, encourages producers and processors to manufacture products for which there is a need and demand, with minimal investments. Competitors strive to produce quality products and services at minimum cost and with maximum profit.

In the competitiveness study, two concepts can be distinguished: a classical concept where national economy as a whole is placed in the center of competitiveness, and the more recent one, which puts company in the center of the analysis. In the classical approach, competitiveness is explained by the level of interest rate, exchange rate, budget deficits, price and available labour force, available national resources and national economic policy. It is considered that the classical approach to competitiveness cannot explain the competitiveness in its entirety. More recent study of competitiveness states that it implies improvement of the position of individuals, manufacturers, businesses, and state compared to the others. It is necessary to

raise the competitive position of producers and processors in the domestic and foreign markets by positioning and improving products quality, brand and image.

Competitiveness in foreign trade is the ability of producers, processors and exporters to conquer new markets and win customers for buying their products on a permanent basis.

The most important factors of competitive advantage according to Porter, 1980, are: *General conditions* – the position of a country in terms of production factors, labour force qualifications, infrastructure, etc. General conditions include human resources, capital and physical resources and infrastructure. *Demand conditions* – nature of domestic demand for products and services of economy branches, company size and the way of growth dynamics, demand internationalization (import and export). *Related and associated economy branches* – presence or absence of internationally competitive suppliers and related economy branches in the domestic market. *Strategy, structure and rivalry of firms* – the method of company set-up, its organization, the way its management philosophy and the nature of domestic competition. *State role* – implies creating environment, flexibility at employment, contract enforcement certainty, public institutions and prevention of negative occurrences in transactions.

The concept of comparative advantage is often equated with competitiveness. However, its meaning is broader. It cannot be said that a country is competitive if it has a comparative advantage. Competitiveness is a set of factors such as knowledge, innovation, finance, manufacturing experience, market assessment, and others.

Economic science, that is, macroeconomics, has developed a system of global indicators that describe economic activity in a particular country. The aim of the so-called macroeconomic aggregates is a quantitative analysis of economic development and possibility to compare global indicators of different countries.

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