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DEVELOPMENT TRENDS OF THE TEXTILE INDUSTRY OF THE REPUBLIC OF SERBIA IN LABYRINTHS NEOLIBERAL GROWTH MODEL

Abstract

The textile industry of the Republic of Serbia, for a long time, has been one of the key drivers of economic growth, the mainstay of exports, demographic change and the bearers of social policy. However, in the period from 2000 to 2008, that is, in the period of application of the neoliberal model of growth, it was treated by the creators of economic policy as a relic of the past and the socialist model of growth and continuously recorded negative production results. In accordance with the above, the main goal of the research in this paper is to analyze the key macroeconomic indicators to consider the development trends of this industry in this period. The analysis used the method of induction, while the analysis of competitiveness of the textile industry of Serbia used the following indicators: market share analysis and RCA index (revealed competitive advantage index). The results of the research clearly indicate the disastrous consequences of the application: first, shock therapy in the liberalization of trade flows, second, the wrong model of privatization and third, inadequate economic policy measures, but also the fact that the textile industry has maintained a significant share in exports Republic of Serbia.

Keywords: *Textile industry, structural adjustment, production, employment, foreign trade, competitiveness, Republic of Serbia.*

JEL classification: L67, O11, O14.

РАЗВОЈНИ ТРЕНДОВИ ТЕКСТИЛНЕ ИНДУСТРИЈЕ РЕПУБЛИКЕ СРБИЈЕ У ЛАВИРИНТИМА НЕОЛИБЕРАЛНОГ МОДЕЛА РАСТА

Апстракт

Текстилна индустрија Републике Србије, у дугом временском периоду, била је један од кључних покретача привредног раста, ослонац извоза, демографских промена и носилаца социјалне политике. Међутим, у периоду од 2000. до 2008. године, то јест, у периоду примене неолибералног модела раста, она је, од стране креатора економске политике, третирана као реликт прошлости

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и социјалистичког модела раста и, у континуитету, бележила је негативне производне резултате. У складу са наведеним, основни циљ истраживања у овом раду је да се анализом кључних макроекономских показатеља сагледају развојни трендови ове индустријске гране у наведеном периоду. У анализи је коришћен метод индукције, док су при анализи конкурентности текстилне индустрије Републике Србије коришћени следећи индикатори и то: market share analysis i RCA indeks (revealed competative advantage index). Резултати истраживања јасно указују на погубне последице примене: прво, шок терапије у либерализацији трговинских токова, друго, погрешног модела приватизације и треће, неадекватних мера економске политике, али и на чињеницу да је текстилна индустрија, у посматраном периоду, задржала значајано учешће у извозу Републике Србије.

Кључне речи: *Текстилна индустрија, структурно прилагођавање, производња, запосленост, спољно-трговинска размена, конкурентност, Република Србија.*

Introduction

Trough accepting specific and fundamental principles of the transition doctrine based on the recommendations of the Washington Consensus, the Republic of Serbia started with implementation of the process of structural transformation of its economy in the beginning of the 21st century (Gligorijević & Ćorović, 2019). The creators of economic policy at the time were convinced that the open market would inhibitate structural changes in the economy. They were wrong. Namely, they belived that this is an equal market competition so it will contribute to increasing the competitiveness of national enterprises. However, she lost sight of the fact that the industry of the Republic of Serbia entered a period of development after 2000 and that, in order to gain a more equal position in the competition, it needs time to consolidate after a period of isolation during the last decade of the twentieth century (Gligorijević, et al., 2020).

One of the first industries which felt negative effects of this economic policy was the textile industry of the Republic of Serbia. On the one hand, the unprotected and unregulated domestic market of textile products, thanks to the hasty and misapplied liberalization of foreign trade relations, has become open for preasure of highly competitive producers mainly from developed eastern and western countries, but also a great enironment for gray trade (Gligorijevic, et al., 2021). This was largely due to the inadequate exchange rate policy (overvalued exchange rate) of the domestic currency, which strengthened the competitive advantage of imported goods. This trend had a negative impact on the overall macroeconomic trends in the country, especially in the field of economic relations with foreign countries, because the exchange rate was not in the function of increasing production and exports, but one of the generators of large imports (https://www.danas.rs/ekonomija/-where-over-overestimated-dinar).

The sudden liberalization of imports and the overestimated exchange rate of the dinar stifled domestic production and led to the destruction of domestic production capacities. The wrong approach to privatization has led to difficulties and delays in the process of finding strategic partners (Ćorović, 2012). With the burden of accumulated financial problems and significant redundancies, the largest number of large socially-owned companies - carriers of production, bypassed the interest of private investors, which resulted in the complete shutdown of production in these companies. What happened, primarily in the sector for production of raw materials, was a vertical disintegration of the serbian textile industry, so import dependence became a key structural feature of this industry.

Based on the above facts, the aim of the research in this paper is to perform a realistic analysis and presentation of development trends of the textile industry of the Republic of Serbia during the neoliberal growth model and to provide an answer to the question: how did this growth model affect its development performance 2000 until the economic crisis in 2008? The basic hypothesis of the paper is that the application of the neoliberal model of growth has had disastrous consequences for the development of the textile industry of the Republic of Serbia.The research methodology in this paper is based on theoretical papers dealing with issues related to the application and results of the application of the neoliberal growth model and statistical data of reference institutions.

Movement of the volume of production

After a great decline in the volume of production that was recorded during the last decade of the 20th century, the textile industry of the Republic of Serbia at the very beginning of the 21st century started on the path of a certain recovery. Namely, during 2001, there was an increase in the volume of production in both sectors of the sector. In the yarn and fabric production sector, the production volume increased by about 10%, while in the underwear and clothing production sector, the production volume increased by about 40% (Statistical Yearbook of Serbia, 2010). Such growth enabled the yarn and fabric production sector to end 2001 with a production volume of about 30%, and the laundry and clothing production sector at a level of 27%, compared to 1990 (Republic Statistical Office). , Internal data).

Starting from 2002, there was a continuous decline in the volume of production in the textile industry, which resulted in its complete marginalization, both in the industrial and economic structure of the Republic of Serbia. Namely, in contrast to the total industry, which recorded a tendency of a certain, but rather slow increase in production, according to official statistics, production in the yarn and fabric sector fell at an average annual rate of 11.5%, while production was underwear and clothing recorded an average annual decline of 19.5%. At the same time, the largest decline in production was recorded during the most intensive implementation of the privatization process in the Republic of Serbia, ie in the period from 2002-2003. years. In these years, production in the yarn and fabric sector decreased by 13% and 28%, respectively, while the decline in production in the lingerie and clothing sector was by 33% and 41%, respectively (Gligorijević, et al., 2021).

Due to the slow and misguided privatization process, the most unfavorable flows are related to the raw materials sector of the textile industry of the Republic of Serbia. It can be said that the negligence of the state (paradoxically) led to the almost complete shutdown of the production of raw materials of strategic importance for the textile industry - viscose fiber and artificial silk, i.e. basic production in the textile industry, which had no competition in the domestic market. at the same time secure export placement throughout Europe and the Far East.

With the shutdown of the production of strategic raw materials, at the same time, the production of viscose yarns and their mixtures with other fibers, viscose fabrics, cord fabrics for the rubber industry, decorative fabrics for furniture, parts of the flooring industry and many other related products. This has resulted in, on the one hand, the need to import these products, and on the other hand, the impossibility of successful privatization, as well as the decline of many complementary facilities, narrowly specialized in processing viscous raw materials: spinning, weaving, printing house and dyehouse. In this way, the textile industry of the Republic of Serbia has lost the quality of a vertically integrated industry, with far-reaching consequences for its import dependence (Ćorović, 2012). In addition, due to the decline in the purchasing power of the population, there was a large decline in the volume of production of finished textile products. The statistical growth of clothing and underwear production, which was recorded, is a consequence of the growth of finishing works, which is an indicator of the deterioration of the production structure.

Employment trends

The dynamic decline in employment in the textile industry of the Republic of Serbia, which began during the last decade of the 20th century, continued after 2000. This decline was particularly pronounced in 2003, when the privatization process was in full swing (***Table 1***).

Table 1: Employment trends in the textile industry sectors of the Republic of Serbia in the period 2001-2008. years (in 000)

Year	Total number of emplo-yees*	Staff in the proce-ssing industry	**Staff in the yarns and fabrics sector** **	% total emplo-yment	% employees in the processing industry	**Emplo-yees in the sector clothes**	% total emplo-yment	% employees in the processing industry
2001	2102	619	**40**	1,9	6,5	**53**	2,5	8,6
2002	2067	566	**36**	1,7	6,4	**47**	2,2	8,3
2003	2041	525	**29**	1,4	5,5	**37**	1,8	7,0
2004	2050	484	**24**	1,2	4,9	**32**	1,6	6,6
2005	2068	460	**22**	1,1	4,8	**28**	1,4	6,1
2006	2025	421	**18**	0,9	4,3	**24**	1,2	5,7
2007	2002	392	**17**	0,8	4,3	**20**	1,0	5,1
2008	1999	370	**15**	0,8	4,1	**19**	0,9	5,1

* Included are employees of companies, institutions and cooperatives, as well as private entrepreneurs. ** Included employees in companies, without private entrepreneurs.

Source: Republic Bureau of Statistics, *Statistical Yearbook 2003, 2005, 2008, 2010.*

The restructuring of large textile factories began, and most often ended, with the approval of social programs by the state, by which they got rid of surplus labor on a voluntary basis. Without investing in a more serious analysis of the workforce, these companies, after the implementation of the mentioned programs, were left without the minimum necessary structure of employees for the production process, most often only with administrative workers.

The structure of employees by sectors of the textile industry, formed in 2001, remained until the end of the observed period. The clothing sector employed about 57% of the total number of employees in this industry, which at the end of 2008 amounted to slightly more than 19,000 workers. The absolute decline in employment in this sector in the observed period was close to 35,000 workers, observed according to the number of registered workers in enterprises. However, in the same period, there was an increase in the number of private entrepreneurs in the textile industry by 41%, from 4,656 in 2000 to 6,556 in 2008 (Republic Bureau of Statistics, Internal Data).

More than 80% of entrepreneurs were registered for the activity which is categorized as clothing production. If we keep in mind that, technologically speaking, at least three workers are needed to organize the production process, that means that at least about 20,000 more workers were hired based on the work of private entrepreneurs. With those workers in the gray zone, the textile industry of the Republic of Serbia, at that time, employed over 50,000 workers, which, after the production of food and beverages, represented the largest number of employees in the entire industry.

Movement of foreign trade

The foreign trade exchange of the serbian textile industry in the observed period is characterized by cyclical trends in both exports and imports, depending on the country's foreign policy position, then the continuous presence of deficits and the dominance of finishing jobs in the export structure.

Table 2: Foreign trade of the textile industry of the Republic of Serbia in the period 2000-2008. year (million USD)

Year	Total export	Total import	Export textile industry	% of total export	Import textile industry	% of total imports	% coverage imports export	Surplus/ deficit textile industry
2000	1558	3340	171	10,14	136	4,07	125,73	35
2001	1721	4261	228	13,24	189	4,38	120,63	39
2002	2075	5614	201	9,63	258	4,59	77,52	-57
2003	2756	7477	218	7,91	307	4,10	71,00	-89
2004	3513	10753	196	5,57	524	4,87	37,40	-328
2005	4482	10461	301	6,71	467	4,46	64,45	-166
2006	6420	13172	395	6,15	601	4,56	65,72	-206
2007	8825	18554	541	6,13	**869**	4,68	62,25	-328
2008	10973	22875	**657**	5,98	1030	5,98	63,78	-373

Source: Republic Bureau of Statistics, *Statistical Yearbook of Serbia 1991-2010.*

With the normalization of foreign trade relations after 2000, the volume of exports, and especially the volume of imports, was in continuous growth. In 2007, imports exceeded the value from 1990, with a volume of 869 million US dollars (***Table 2***). However, exports of US dollars 657 million in 2008 have not yet come close to the values at the beginning of the period, despite the results of exchanges with Montenegro, Bosnia and Herzegovina, Macedonia and other former Yugoslav republics (Ćorović, et al., 2020).

More dynamic growth of textile exports, especially after 2005, was accompanied by even faster growth of imports and an absolute increase in the foreign trade deficit of this industry, this can be cinsidered as a good indicator of its structural character (Raičević & Ćorović, 2010). The degree of coverage of imports by exports has fluctuated over the years, depending on the volume of total foreign trade in textile products. In the last few years of the observed period, the level of coverage of imports by exports has stabilized at around 65%, despite the absolute changes in the volume of exports and imports.

The most important foreign trade partner of the textile industry of the Republic of Serbia were the countries of the European Union. Exports of textile products to this region, after a period of fluctuation due to political instability, continued to grow in absolute and relative terms, and the structure of exports by country after 2000 changed in the direction of increasing the absolute size and relative share of Italy and decreasing relative share of Germany. with a slight increase in the absolute volume of exports to this country (Gligorijević & Ćorović, 2020).

After the enlargement of the European Union in 2004 and 2007, the Republic of Serbia remained deprived of long-term cooperation arrangements related to finishing works with Germany, which were redirected to Poland, the Baltic countries, Romania and Bulgaria. There have been even more significant changes in the regional structure of textile imports. In the new regional structure of textile imports, a significant place was occupied by Turkey with 20-25% share in total imports (Čukul, 2008), as well as the former Yugoslav republics with 10-15% share. After 2000, there was an increase in the relative share of imports from the European Union region to the level of 50-55%, due to the increase in the volume of finishing work. The most intensive growth of imports is from the region of the Far East, especially China, which became the second most important, with a share of 23%.

The largest volume of surplus in the textile trade was realized with Germany, while with the most important partner Italy, there was a tendency towards balancing exports and imports. The continuously growing deficit was present in trade with Turkey, the countries of the Far East (China, Indonesia, South Korea, Taiwan), as well as with the countries of the Middle East (India, Pakistan, Bangladesh). With its growth dynamics, the deficit with China stood out, which accounted for two thirds of the total deficit in the trade in textile products.

In the observed period, there were significant changes in the structure of exports and imports of the textile industry of the Republic of Serbia, from the aspect of the relative representation of certain sectors of this industry. The structure of exports, at the beginning of the 1990s, with a share of about 60%, was dominated by the export of clothing. However, after 2000, the structure of exports deteriorated, so that in 2008 the relative share of clothing exports reached 51%. The dynamic growth of the share of the yarn and fabrics sector in the total export of textile products is mainly due to the export of hula-hop women's socks, which reached the level of 203 million US dollars that year, which accounted for almost one third of the total textile industry exports of Serbia.

Structural problems in the functioning of the textile industry of the Republic of Serbia, in the form of lagging behind the development of the yarn and fabric sector, reflected on the growth of imports of basic raw materials and the emergence of deficits in foreign trade of this industry. In conditions of relatively high demand on the domestic market, the import of clothing increased absolutely five times, so that its relative share reached the level of 35.58% in 2008 (***Table 3***). Thus, partly due to the imbalance in the production structure of the entire industry, and collectively, due to less competitiveness in the range that prevails in total demand, domestic producers lost a good part of the domestic market (Gligorijević & Ćorović, 2020).

Table 3: Structure of exports and imports by sectors of the textile industry of the Republic of Serbia in the period 2000-2008. year (million USD)

Year	Export yarn sector and fabric	% of total export textiles	Export sector clothes	% of total export textiles	Import sector yarn and fabric	% of total imports textiles	Import sector clothes	% of total imports textiles
2000	60	34,87	111	65,13	100	72,60	71	27,40
2001	76	33,17	152	66,83	133	70,19	55	29,81
2002	69	34,12	132	65,88	186	72,59	72	27,41
2003	84	37,60	134	62,40	205	65,93	102	34,07
2004	80	40,63	116	59,37	330	69,57	194	30,43
2005	129	42,55	172	57,45	357	75,79	110	24,21
2006	178	45,90	217	54,10	425	72,57	176	27,43
2007	266	48,53	275	51,47	607	69,09	262	30,91
2008	321	48,60	336	51,40	664	64,42	366	**35,58**

Source: Republic Bureau of Statistics, *Statistical Yearbook of Serbia 2000-2010.*

The volume of exports of the ten most important groups of products from the yarns and fabrics sector in 2008 accounted for 83% of the total exports of that sector of the textile industry of the Republic of Serbia. Such concentration is an indicator of a rather narrow and limited range of export supply of this part of textile production, the expansion of which is, above all, a function of eliminating the main structural imbalance in this industry.

The growth of exports of this sector was largely based on the increase in exports of only one group of products, namely women's hula-hop socks, which accounts for 74% of total growth. With exports of 138.6 million euros in the mentioned year, this group of products was the leading export item of the textile industry of the Republic of Serbia and accounted for 30% of the total exports of this branch. The structure of exports of this sector, therefore, was based on the predominant share of standard large-scale products, lower and middle stages of processing, with a large share of labor and high sensitivity to cost changes.

In the case of the clothing sector, exports are concentrated in the ten most important product groups, which is a significant shortcoming in terms of potential for future growth dynamics. Of the total exports, this sector accounted for 84.7%, with a much more even dispersion by individual groups. The export of men's suits and trousers, women's costumes, skirts and dresses, clothes made of impregnated felt and knitted men's undershirts and mothers stood out in terms of volume. The dynamics of export growth of standard, large-series products, especially knitted men's undershirts and mothers' and women's overalls and underwear, was significantly more pronounced in relation to fashion items, which is an indicator of the deteriorating export structure of this sector.

The presence of a wide range of imported products from the raw materials sector is an indicator of the depth of structural imbalance in the textile industry of the Republic of Serbia. In terms of the volume of imports, intermediate unfinished products dominated, which are the subject of further final finishing, such as yarns made of synthetic filaments and hula-hop socks. In addition, types of fabrics and other products, which were not previously represented in domestic production, such as light cotton fabrics weighing less than 200 g/m^2, impregnated fabrics and impregnated non-woven textiles, were highly represented.

With the liberalization of the foreign trade regime, the greatest dynamics of import growth was recorded by standard large-scale products, whose competitiveness was manifested predominantly in the price level (Raičević & Ćorović, 2010). At the beginning of 2000, these products accounted for about 8% of the sector's total imports, while their relative share in 2008 exceeded 50%.

According to the volume of imports, the import of undershirts and mothers stood out, both for men and women, bras and midi goods, men's cotton shirts, tracksuits and bathing suits, bed linen, various work gloves and the like. Given the low solvent demand of the domestic population, the price factor for these products was predominant in relation to design and quality.

Table 4: Trends in the volume and relative share of finishing jobs in the structure of exports and imports textile industry of the Republic of Serbia in the period 2000-2008. year (million EUR)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Regular export of yarn and fabric	42	49	47	41	43	46	53	55	62
Export after finishing yarn and fabric	1	1	2	6	12	56	90	135	155
% of exports after finishing	2,5	2,0	2,6	14,3	21,7	54,9	62,7	70,1	71,4
Regular export of clothes	10,6	19,0	15,7	13,8	19,1	15,5	26,1	39,5	51,4
Export of clothes after finishing	-	-	-	0,3	67	123	143	163	179
% of exports after finishing	-	-	-	2,1	76,9	69,0	84,1	80,5	77,7
Regular import of yarn and fabric	97	134	180	162	164	150	179	228	242
Import of yarn and fabric for finishing	6	10	14	16	98	135	165	208	209
% of imports for processing	6,2	7,0	7,5	8,9	60,5	47,3	47,8	48,8	46,4
Regular import of clothes	13	29	51	69	93	72	107	164	220
Import of clothes for finishing	24	31	21	22	21	19	25	30	28
% of imports for processing	63,8	51,9	29,0	24,2	18,7	21,3	19,1	15,5	11,2
% of finishing works in total exports	2,0	1,0	2,0	11,5	61,9	63,8	74,3	75,8	74,6
% of finishing works in total imports	21,4	20,3	13,6	13,6	43,2	41,0	39,8	38,4	33,9

Source: Republic Bureau of Statistics, *Internal Data.*

Forms of foreign trade of the textile industry of the Republic of Serbia were determined by long-term trends in the market of textile products of our country's leading regional partner - the European Union, cost trends in competing countries in the region, and stability of political conditions in the country. As already pointed out, structural changes in the textile industry of Western European countries, since the mid-1970s, have gone in the direction of developing finishing jobs, in order to improve their competitiveness on the world market. These processes coincided with the rapid expansion of processing capacities in the textile industry of the Republic of Serbia, until the beginning of the 1990s, so that finishing operations quickly increased their relative share in the total foreign trade with that region. In the period of the disintegration of the joint state and sanctions, there was a complete cessation of cooperation on the basis of these deals.

The process of their return to the territory of the Republic of Serbia was very slow, partly due to the fact that the finalization moved to the candidate countries for accession to the European Union. In addition, the European Union textile market was occupied by imports of standard large-scale finished products from China, Turkey and other developing countries, so that trade with the Republic of Serbia began to develop in the direction of almost exclusively finishing work in the production of fashion items. sock. By its nature, it is a production of smaller series, medium and higher quality, with short delivery times and frequent changes of items. The growth of finishing standard, large-batch products is mainly related to the addition of the largest work orders and the prompt introduction of these products on the market at the beginning of the season.

Observed at the level of the textile industry of the Republic of Serbia as a whole, the share of finishing works in its exports, in the observed period, was doubled (***Table 4***). „Finally, it can be concluded that the evident growth of exports and export competitiveness of the textile industry of the Republic of Serbia, after the shock wave of privatization, is related to the preservation and transformation of classical determinants, serious improvement of external variables, especially the active role of the state, with the dominance of finishing jobs" (Gligorijević, et. al., 2021).

Competitiveness of the textile industry

With the loss of the raw materials sector and its reduction to processing capacities in the production of clothing, the textile industry of the Republic of Serbia, during the first phase of structural adjustment, lost the quality of vertical integration of production. In the same process, parts of the complementary (supporting) industries that supported its development also disappeared. The textile industry has become an import-dependent branch, with a deficit in foreign trade. Under the burden of strong foreign competition, and thanks to systemic conveniences for imports, a large part of the domestic market in the clothing sector was lost. However, competitiveness indicators point to the conclusion that there have been some positive changes.

The analysis of *market share analyzes* can determine with certainty that in the period from 2000 to 2008 a trend of increasing the relative share of exports of the textile industry of the Republic of Serbia in the total imports of textile products in the world was established. This share has been continuously increasing from 0.047% in 2000 and in 2008 it reached the level of 0.103%. At the same time, the export of the raw materials sector, ie the production of yarns and fabrics, increased from 0.038% in 2000, the relative share in the world import of these products to 0.128% in 2008. At the same time, the relative share of clothing exports, in the same period, increased from 0.053% to 0.089%. This means that exports of textile products, in both sectors, grew twice as fast as world imports of the same products and reached the level of one per mille (***Table 5***).

The growth of the *market share* of the textile industry of the Republic of Serbia, ie the growth of its competitiveness, was also recorded in its most important export market of textile products - the market of the European Union. Compared to 2000, when the relative share of exports of textile products amounted to 0.081% of the total imports of these products to the European Union, in 2007 this share was more than doubled and amounted to 0.183%. However, in 2008, due to the absolute decline in clothing exports in that year, the share was reduced to 0.163%. Exports of the yarns and fabrics sector also show relative growth, so that in the last year of the observed period there was a growth of 19%, while in 2008 European imports of this part of textile products decreased by 2%.

Similar results in terms of competitiveness were obtained by calculating the *RCA index* (revealed competitive advantage index), ie the index of detected competitive advantage, which shows the relationship between the share of the observed sector in national exports, as opposed to the sector's share in world exports. In 2003, the RCA index was 2.12, while in subsequent years the value of this index was constantly over 1, which is an indicator of the relative competitiveness of this industry internationally (Jefferson institute, 2006). By rank, the textile industry of the Republic of Serbia, among 189 observed countries, was on the 49th place.

Table 5: Market share of the textile industry of the Republic of Serbia and its sectors in the world and the European Union market (in billions of USD)

Description	2000	2005	2006	2007	2008
World - import of textile products	366,2	495,5	542,9	598,5	625,8
EU - import of textile products	139,9	202,0	218,2	246,8	257,9
Serbia - total exports of textile products	0,171	0,301	0,395	0,541	0,657
Serbia - export of textile products to the EU	0,113	0,226	0,325	0,453	0,432
% of Serbian exports in world imports	**0,047**	0,061	0,072	0,090	**0,103**
% of Serbian exports in EU imports	**0,081**	0,011	0,145	**0,183**	**0,163**
World - textile imports	157,3	204,3	220,4	240,4	250,2
World - import of clothes	208,9	291,2	322,5	358,1	375,6
Serbia - textile export	0,06	0,129	0,178	0,266	0,321
Serbia - clothing export	0,111	0,172	0,217	0,275	0,336
% of Serbian textile exports in world imports	**0,038**	0,063	0,080	0,116	**0,128**
% of Serbian clothing exports in world imports	0,053	0,059	0,067	0,076	0,089

Source: Ćorović, E. & Gligorijević (2020). *Development and competitiveness of the textile industry of the Republic of Serbia*, Nis: Faculty of Economics.

Observed in the national context, the competitiveness of the textile industry is highly ranked. According to the mentioned indicators, it was among the first five export sectors of the domestic economy. According to the market share indicator, the RCA index, as well as the current index, only the production of leather products, food industry, chemical and base metals production had better results (Jefferson institute, 2006).

As can be seen from the above data, the market share of the textile industry of the Republic of Serbia has been gradually increasing in world imports, as well as in the imports of the European Union, as its dominant segment. This was a reliable sign of the gradual return of this industry to international trade flows, for which the condition is a certain level of its competitiveness.

Participation in the creation of gross domestic product

The results of the annual economic activity in the Republic of Serbia after 2000 are statistically, instead of through the calculation of the social product, monitored through the calculation of the gross domestic product. Due to that, the relative share of certain industries decreased by more than 20% in the gross domestic product, in relation to the share in the previously calculated social product. However, regardless of the change in the billing system, there is a declining trend in the contribution of the textile industry of the Republic of Serbia to the overall results achieved. Its relative share in gross domestic product creation decreased from 0.56% in 2000 to 0.16% in 2008 (***Table 6***). At the same time, due to the high share of unregistered production and undeclared work, especially in the clothing production sector, official statistics indicators should be taken with a lot of reservations, regarding the level of relative decline in the share of this industry.

Regarding the relative share of the textile industry of the Republic of Serbia in the gross domestic product of the processing industry after 2000, there was a tendency of constant decrease of that share. Namely, the relative share decreased from 3.52% in 2000, continuously, to the level of 0.76% in 2008.

Table 6: Participation of the textile industry in the creation of gross domestic product of the Republic of Serbia in the period 2000-2008. year (constant prices in 2002 in million dinars)

Year	Gross dome-stic product	GDP proce-ssing industry	GDP sector yarn and fabrics	% total GDP	% GDP proce-ssing industry	GDP sector clo-thes	% total GDP	% GDP processing industry
2000	836920	176141	4764	**0,56**	2,70	6224	0,76	**3,52**
2001	879482	170389	5003	0,56	2,23	6398	0,72	3,75
2002	919230	166508	4362	0,37	2,62	4280	0,46	2,57
2003	941616	155692	3136	0,33	2,01	2516	0,26	1,62
2004	1029560	169404	3086	0,29	1,82	2410	0,23	1,42
2005	1099356	169258	2864	0,26	1,69	1918	0,17	1,23
2006	1272665	173626	2597	0,20	1,49	1849	0,14	1,06
2007	1281694	182039	2454	0,19	1,34	1588	0,11	0,82
2008	1352418	184303	2180	**0,16**	1,18	1406	0,10	**0,76**

Source: Republic Bureau of Statistics, *Statistical Yearbook 2006 and 2010*

Obvious decline of the relative share of the textile industry in the serbian manufacturing industry, at the then level of development of the country, is one of the indicators of the permanent tendency of deformation of the structure of gross domestic product.

The structure of the economy in which the textile industry has a smaller share, compared to other developing countries, is similar to the structure of the economy of developed countries (UNIDO, 2010) and is a clear indicator of premature abandonment of this industry in the economic development of Serbia.

Conclusion

At the beginning of the first decade of the 21st century, the Republic of Serbia began an accelerated process of structural adjustment of the economy, opting for shock therapy and rapid liberalization of foreign trade relations. However, such a determination very quickly led to completely opposite, than expected effects. Namely, its market of textile products (unprotected and unregulated), in a very easy way, was won by highly competitive producers mainly from developed european and asian countries and at the same time it became a suitable terrain for gray trade.

In addition, the wrongly implemented process of privatization of numerous socially-owned enterprises did not provide the expected development stimulus to this industry. Burdened with numerous financial problems and surplus labor, large companies (industrial plants) were not in the focus of private investors, because the privatization model, which involved the sale of capital, was not tempting, and state involvement in their financial consolidation was slow and insufficient. The closure of many companies in the sector of raw material production led to the vertical disintegration of the textile industry of the Republic of Serbia, and also to the continuous increase of its import dependence.

The effects of privatization have been devastating. Of the total number of companies registered with the Privatization Agency, only 32% or 52 of them had successful privatization, and over 28,000 workers lost their jobs. Expectations that privatization will alleviate structural imbalances in this industry have not materialized. On the contrary, there were completely opposite effects. Errors in the management of the privatization process and neglect of basic structural priorities have almost completely shut down the raw materials sector and established long-term import dependence of the textile industry. The inflow of foreign direct investments in this industry was symbolic and was not accompanied by more serious support from state institutions. However, after the completion of most privatizations, at the beginning of the economic crisis in 2008, the share of this industry in the creation of gross domestic product was only 0.10%.

With the normalization of trade relations with the world, after 2000, the volume of exports, and especially imports, was in continuous growth. More dynamic growth of textile exports, especially after 2005, was accompanied by even faster growth of imports and an absolute increase in the foreign trade deficit of this industry, which is a clear indicator of its structural character. The growth of exports of the textile industry of the Republic of Serbia in the period after 2000 is mainly related to the increase in the volume of finishing work. Classic exports stagnated in the period from 2000 to 2005, and by

2008, with a slight growth, they increased by about 35%. Until the same year, the volume of finishing works had a dynamic growth, which resulted in their large relative share in the export of this sector of 72%.

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