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**THE PRIORITY DIRECTIONS
OF NATIONAL ECONOMY DEVELOPMENT**

**THE IMPACT OF FOREIGN DIRECT INVESTMENT ON
EMPLOYMENT IN THE REPUBLIC OF SERBIA**

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***Abstract:** From the aspect of the present distance it could be concluded that high unemployment is a chronic problem that Serbian economy is facing since the beginning of the intensive reform process. This basically a structural problem is the result of still unfinished privatization process and on that basis the dominant model of the entry of foreign direct investment over the mergers and acquisitions in the privatization process. In relatively developed literature on foreign direct investment and economic development one of the issues which the special attention of researchers refers is the way in which foreign direct investment contribute to increasing employment in the host country. Research has shown that there are numerous channels through which foreign direct investment, directly or indirectly contribute to the achievement of this important goal of economic policy of the host country, as well as the size of manifested effects depends on the motives for undertaking foreign direct investment, entry mode of foreign direct investment in the host country, as well as sectoral orientation of investment. For this reason, this paper aims to highlight the role of foreign direct investment in increasing employment in the host country and to contribute to a clearer understanding of the impact of foreign direct investment on employment in the Republic of Serbia, as well as the potential constraints to maximize their positive effects on the exercise of this important economic policy objective.*

***Keywords:** foreign direct investment, employment, unemployment, privatization, Republic of Serbia.*

1. Introduction

In today's global environment, growth and functioning of a national economy largely depends on the connections and relationships that it establishes with other countries. The content and intensity of these relationships more and more, in addition to trade, denote

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investment flows that provide internationalization and integration into the dynamics of the world market.

One of the main objectives which occupy a high place in the ranking of priorities of economic policy of all countries is to achieve full employment. The achievement of this goal provides the fair distribution of income and raising the living standards of the population. Due to the specific characteristics they possess, great merit in raising the level of employment and improve the qualification structure of the labor force in the host country is attributed to foreign direct investment.

Bearing in mind that foreign direct investment played an important role in the implementation of the transition process and structural reforms of the Serbian economy, and on that basis has become a particularly important factor of development, understanding of their contribution to increased employment in the Republic of Serbia influenced the choice of research subject in this paper. The main objective of this paper is that on the basis of a comprehensive analysis contribute to a clearer understanding of the role and importance of foreign direct investment in increasing employment in the Republic of Serbia, in order to provide recommendations regarding the priority directions of activities of competent authorities for maximum utilization of the potential of foreign direct investment for the achievement of this important objective economic policy.

In accordance with the laid objective, the structure of this paper is following. In the first part of the paper we will indicate on the main characteristics of foreign direct investment in the Republic of Serbia. After taking into consideration the problem of unemployment in the Serbian economy, we will consider the employment effects of foreign direct investment inflows in the past transition period, in order to make some conclusions about the possibilities to increasing their positive effects on job creation and solving this burning problem in the Serbian economy.

2. Foreign direct investment in the Republic of Serbia

2.1. The extent and characteristics of foreign direct investment in the Republic of Serbia

Foreign direct investment is the most important means of economic recovery and further development of the Serbian economy, so that the strategy of encouraging the inflow of foreign capital must become the backbone of economic and development policies. In this regard, it is important to define the priority branches and areas for foreign investment, as well as determining the most desirable form of this inflow. The National Strategy for the inflow of foreign capital should be required to identify the type of foreign investment and economic areas to be developed.

After 2000, there was a continuous increase in the inflow of foreign direct investment in the Serbian economy. Their growth in 2006 coincided with the culmination of foreign direct investment in the region and occurred primarily as a result of privatization of "Mobtel", which it bought Norwegian company "Telenor" for 1,513 million euros. It should be noted that the "greenfield" investments as "Ball Packaging", "Vip mobile" and the Development Center of Microsoft's practically the only "greenfield" investment in the Republic of Serbia. Regarding the total quantum of foreign direct investments in the

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Serbian economy, it could be concluded that it is still insufficient to encourage the development of Serbian economy.

The inflow of foreign direct investments in the period from 2000 to mid-2003 recorded the growth, when there was a slowdown in inflows due to the failed presidential elections in November and calling early parliamentary elections in December the same year. In 2004 recorded a brief slowdown in foreign direct investment inflows, while in 2005 and 2006 growth in investment inflows continued. In 2007, it is evident a decline in the inflow of foreign capital due to lower revenues from privatization in comparison to 2006.

Table 1. Comparative review of selected macroeconomic indicators of the Republic of Serbia, 2007 - 2014

	2007	2008	2009	2010	2011	2012	2013	2014
GDP in mil. EUR	2.355,1	2.744,9	2.880,1	3.067,2	3.407,6	3.584,2	3.876,4	3.908,5
GDP per capita	3.990	4.586	4.187	4.082	4.619	4.400	4.781	4.672
GDP real growth	5,9	5,4	-3,1	0,6	1,4	-1,0	2,6	-1,8
Import of goods	13.808,4	16.283,0	11.327,0	12.423,5	14.250,0	14.716,7	15.469,0	15.490,4
Export of goods	6.432,2	7.428,8	5.961,3	7.393,4	8.441,4	8.738,9	10.996,7	11.158,6
FDI, in mil. EUR	2.528,2	2.485,7	2.067,8	1.133,4	3.319,6	752,8	1.298,1	1.236,3

Source: Republika Srbija, Ministarstvo finansija, Tabela 1. Osnovni indikatori makroekonomskih kretanja, www.mfin.gov.rs/pages/article.php?id=12291 (15.07.2016.).

In 2008, despite the global financial crisis, there was a slight increase in the inflow of foreign direct investment compared to 2007, but the situation changed in the second half of the year. The decline of foreign direct investment inflow has caused a slowdown in the introduction of new production capacity, with consequent effects on reducing the number of new jobs, exports and demand and economic slowdown eating country. Although after the inclusion of Serbian economy into international economic flows occurred intense inflow of foreign private capital, its scope is still insufficient. In the previous period, the largest portion of foreign direct investments was realized through the process of privatization of existing companies, or mergers and purchase of the majority package of shares (mergers and acquisitions). As the privatization process nearing its end, the prognosis for future foreign direct investment inflows are uncertain.

Looking at the sectoral distribution of foreign direct investment, in addition to investments in the services sector (banking, telecommunications, tourism) registered a significant growth of foreign direct investment in the primary sector and the production and exploitation of natural resources, oil and gas. Estimates are that this trend will continue

because of strong demand for oil and gas in the world. The sectoral distribution of foreign direct investment is largely determined by strategic and economic motives of foreign investors.

Table 2. Forecast of the main macroeconomic indicators of the Republic of Serbia

			Projection
	2015	2016	2017
GDP, mil. dinars (current prices)	3.970,469	4.195,258	4.454,608
GDP, real growth	-0,5	1,5	2,0
Real growth of several components of GDP, %			
Private consumption	-3,0	1,0	1,5
Government consumption	-7,4	-5,8	-4,0
Investment	4,7	5,5	5,5
Export of goods and services	3,1	5,0	6,6
Import of goods and services	-1,5	2,9	4,6
Balance of goods and services, in EUR, in % GDP	-9,4	-8,5	-7,6
Balance of current account, in % GDP	-4,7	-4,5	-4,3
Inflation, average of period, in %	2,7	4,1	4,1
Investment ratio, in % BDP	18,5	19,3	19,8
Unemployment rate, 15+	21,3	20,9	19,8

Source: Republika Srbija, Ministarstvo finansija, Fiskalna strategija za 2015. godinu sa projekcijama za 2016. i 2017. godinu, www.mfin.gov.rs/pages/issue.php?id=8382 (15.07.2016.).

Macroeconomic projections for the period from 2015 to 2017 indicate a moderate recovery path of Serbian economy. The projected cumulative real GDP growth rate for the next three years (3%) is based on the growth of exports and recovery of investment activity. The acceleration of growth in exports and investments are bearing developmental factors which, along with the restructuring of the economy, facilitate the creation of a sound basis for accelerating growth, reducing internal and external macroeconomic imbalances, as well as making space for raising living standards in real terms.

Medium-term macroeconomic projection provided an average real GDP growth of 1%, which will be based on the growth of investment and exports of goods and services at an average annual real rate of 5,2% and 4,9%, respectively, with an average annual fall in personal (-0,2%) and government spending (-5,7%). The acceleration of GDP growth in 2016 and 2017 to 1,5% and 2,0%, respectively, based primarily on the growth of investment spending but also the gradual recovery standards of the population in real terms. Fiscal policy measures and improving the business and investment environment will provide a basis for stable and sustainable growth in the coming years.

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A key limiting factor of greater inflow of foreign direct investment in the Serbian economy is still so high country risk, since foreign investors looking for a stable business environment in the long term. This determinant of foreign direct investment inflow depends on the political and economic risk perception of foreign investors and while it does not improve, it is not realistic to expect a higher inflow of foreign direct investment, especially if one takes into account that the privatization process is in its final stage.

The medium-term macroeconomic projections predicts that at the end of 2017 provide an increase in the share of investment at about 20% of GDP, reduction of the share of government spending in GDP to 14,6% and increase the share of exports of goods and services in GDP to over 45%. It is necessary the net inflow of foreign investment of about 1,3 billion euros a year on average, with a change in the investment structure to the tradable goods sector.

2.2. The most important foreign investors in the Republic of Serbia

The largest foreign investors in the Republic of Serbia originating from the 10 EU countries, and they account for 92,7% of all net foreign direct investment inflow in cash (Austria, Greece, Norway and Germany 67,7%) and if we add Italy and Montenegro, we can obtain a fairly clear picture of the main investors in the Republic of Serbia.

Table 3. The largest foreign direct investments in the Republic of Serbia

Company	Country of destination	Investment sectoral orientation	The investment model	Amount (€mil)
Telenor	Norveška	Telecommunications	Privatization	1.602
Gazprom	Rusija	Energy	Privatization	947
Fiat Automobili Srbija	Italija	Automotive	Acquisition	940
Delhaize	Belgija	Retail	Acquisition	933
Philip Morris	SAD	Tobacco	Privatization	733
Hemofarm	Nemačka	Pharmaceuticals	Acquisition	650
Mobilkom-Vip Mobile	Austrija	Telecommunications	Greenfield	633
Agrokor	Hrvatska	Food	Greenfield	614

Source: RAS, Razvojna agencija Srbije, <http://ras.gov.rs/sr> (15.07.2016.).

In the Republic of Serbia are achieved relatively good results in 2012 in terms of attracting foreign direct investment, since it is only in this year the decision was made on implementation of 78 projects of foreign direct investment. Foreign direct investment in Serbia has contributed to the opening of 10.302 new jobs, and by that the Republic of Serbia is the sixth country in Europe. Almost 90% of completed projects in the Republic of Serbia have been achieved with European companies. Italian companies have provided more than half of the resulting jobs, as well as companies from Germany and Austria, which were also large investors, mainly in the production of automotive components, machinery and equipment.

It is evident from the Table 3 that the largest inflow of foreign direct investment in the Serbian economy recorded from the privatization, partly through acquisitions, while “greenfield” investments are present only in the field of telecommunications “Mobilkom - Vip mobile” and food industry “Agrokor”.

3. Employment effects of foreign direct investment in the Republic of Serbia

The labor market in the Republic of Serbia in the past period of transition marked reduction in the total number of employees and the growth of unemployment and faster wage growth than productivity growth, which has reduced the demand for labor and thus further influenced the increase in unemployment. High unemployment is a major structural problem of the Serbian economy. Unemployment data from the 2004 methodology are comparable, because the labor force survey methodology is adjusted with the ILO (International Labour Organization - ILO). According to the Labour Force Survey from October 2007 (Republika Srbija, Republički zavod za statistiku, 2008) the unemployment rate was first reduced by 2,8 percentage points compared to the previous year. According to this survey, the number of unemployed persons in 2007 compared to 2006 decreased by 108.000, while the number of employees increased by 9.000.

In 2007, the working age population is 4.908,2 thousand people. Of these number 63,4% are people who are working or actively looking for work (labor force). According to this survey, the total number of employees in 2007 was 2.525,6 million persons, an increase of 0,3% compared to 2006 while the number of unemployed persons amounted to 584.200. (Bošnjak, 2011). The economy's Republic of Serbia at the beginning of transition characterized by the high hidden unemployment and a large surplus of employees in the public and state sector in the process of restructuring and privatization work productively engaged, and partly discharged. The average number of employees was reduced during the period of transition, in particular the number of employees in the public and state sector as a result of restructuring and privatization. The rate of movement of the total number of employees was positive only in 2001 (0,2%), 2004 (0,5%) and 2005 (0,9%), while in other years of the period was negative.

The increased number of employees in the private sector increased the demand for labor on the primary labor market and creating new jobs, but it was not enough to result in net employment growth. The inflexibility of the labor market and high social security contributions were a big obstacle to the creation of jobs in the formal sector, as well as the inclusion of a significant part of the active population in the informal economy.

Unemployment in the Republic of Serbia has a long term character. Structure of unemployed persons by previous status in the labor market was relatively stable in the period from 2005 to 2007, when the share of new employees in total unemployment (15+) was around 40%. In the following years there was a reduction of the share to 34,5% in 2010, due to the growth in the share of people who lost their jobs as a result of the crisis, but also the continuation of the restructuring and privatization. Among the unemployed with work experience, significantly increased the share of those who, as the reason for job loss cited cancellation and liquidation of companies (from 49,1% in 2005 to 60,9% in 2010).

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A special problem of the overall development of the Republic of Serbia is the high level of unemployment, which is confirmed by the data from the Table 4. Although in the last two years unemployment shows a declining trend compared to the 2010, the Serbian labor market is characterized by: a mismatch between supply and demand in the labor force reinforced with mismatch in the qualification, age and professional structure (the unemployment rate is well above the EU average, 23% in Serbia, 10,6% in EU-28) high structural and long-term unemployment (76% Serbia, 48,1% EU-28), high unemployment of young people aged 15-24 (49,4% Serbia, 23% EU-28) and the high unemployment rate of persons with lower and secondary education with large regional disparities in unemployment.

Table 4. Trends in employment, wages and pensions, 2007-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 ¹
Number of employees, average, in 000	2.085	2.082	1.985	1.901	1.866	1.866	1.865	1.845	1.896	1.903
Active unemployment persons, average, in000	850	756	747	744	753	762	775	767	743	739
Unemployment rate, MOP	18,1	13,6	16,1	19,2	23,0	23,9	22,1	19,2	17,7	19,01
Net wages, average of the period, in dinnars	27.759	32.746	31.733	34.142	37.976	41.377	43.932	44.530	44.432	45.085
- real growth rate	19,5	3,9	0,2	0,7	0,2	1,1	-1,5	-1,5	-2,1	3,3
Average retirement, in dinnars	13.612	17.660	19.788	19.890	21.285	22.450	23.378	23.553	22.747	22.977
- real growth rate	4,7	14,3	3,3	-5,9	-3,6	-2,2	-3,4	-2,1	-5,2	0,1

¹ The data are available for January to May 2016.

Source: Republika Srbija, Ministarstvo finansija, Tabela 1. Osnovni indikatori makroekonomskih kretanja, www.mfin.gov.rs/pages/article.php?id=12291 (15.07.2016.).

Based on the presented data in the above Table, it can be concluded that the number of employed decreased in 2016 compared to 2015 which have caused the increase in unemployment. On the other hand, in 2016 it is expected a slight increase in employment in the private sector. Medium-term projections of employment are based on a projected GDP growth and increasing investment.

There are direct and indirect effects of foreign direct investment on employment in the host country.

Direct effects are reflected in the following: (Hunya, Geishecker 2005)

- Job loss due to restructuring earlier privatized inefficient state-owned enterprises. Thus, the need for such restructuring was obvious, but reducing the adverse effect on employment was also one of the aims of policy makers. Disposal of

privatization or imposing new owner requires in relation to employment could only temporarily and under favorable circumstances mitigate the loss of jobs.

- Job creation through „greenfield“ investments. This was the main hope of the future „new“ EU member states and most of the policies related to foreign direct investment is targeted such investments in the manufacturing sector. These hopes have realized only partially. Most „greenfield“ investment has contributed to job creation in the service sector, such as banking, retail and real estate.

Indirect effects of foreign direct investment on employment are reflected in:

- Job destruction by cutting former domestic relationship after the takeover of the former state-owned enterprise by a foreign investor.
- Job destruction in the domestic sector of small and medium-sized enterprises because of competition from larger and more technologically advanced branches of multinational companies. For example, supermarket chains have pushed small shops and their suppliers.

So, when taking into account the effects of foreign direct investment on wages, they are generally positive, since transnational companies in general offer higher wages than local employers. Although there is little concrete data on multinational companies in developing countries, indirect evidence suggests that, at least for skilled labor, they offer higher salaries than domestic firms in the host country.

Foreign direct investment contributes to raising the level of development of human capital in the host country, because they work according to the norms and standards of foreign investors who usually have high productivity and innovation and competitive power in the global market. In addition to the structure, human resources become better in the application of information technology and knowledge of foreign languages, especially English. Workers are trained not only in manufacturing and services, but also in the use of marketing channels, as well as the implementation of the best solutions in the field of finance.

At the time of transition since 2001, lost their jobs more than 400.000 workers. The entire industry are missing, especially metal complex, textile industry, footwear and furniture industry. It disappeared Ivo Lola Ribar Železnik, DRAGON, KRON, Grmeč, Teleoptik, precision mechanics industry, Pobeda, Novi Sad, Jugostroj, Frigostroj, Progres, Zrenjanin, Beko, Jumko, Rudnik, TIZ, Wool Combine Beograd, Cotton Plant Beograd, OBUĆA Beograd, Koštana Vranje, NOVI DOM Kraljevo, Stefil Valjevo, Zvezda Kruševac, Cveta Dabić Užice, 20 Oktobar Beograd and many others. In addition, many companies have significantly reduced the number of workers.

There are a numerous examples, while there were presented just some characteristic, that are reflection of the adverse impact of privatization and foreign direct investment on employment. Most of these companies that have significantly reduced the number of previously employed workers were taken over by large multinational corporations. Greenfield investments that have a positive impact on employment, have proved insufficient influential, because they themselves were much smaller volume of investments in the acquisition of existing enterprises.

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The strategy of dynamic economic growth and development, with particular emphasis to the creation of new jobs, implies a policy of macroeconomic stability, with particular emphasis on attracting foreign direct investments and create a more favorable environment to attract foreign capital. This is a key development direction and priority of the Republic of Serbia, which can only improve the lives of all citizens and to eliminate poverty on an ongoing basis.

3.1. Increasing the number of employees as a result of the inflow of foreign direct investment

In Serbia is employee 49% of the population aged 20-64. This is one of the lowest levels of employment in Europe. Labour Act, which was adopted in July 2014, is largely harmonized with European standards and the prognosis is that it will have a positive impact on the inflow of foreign direct investment. It is also necessary to change the structure of the workforce and the introduction of a system of lifelong learning, which would contribute to increasing the competitive advantages of Serbian economy. Particular attention should be paid to fiscal policy in order to better stimulate new jobs. In this context, it is necessary to develop the concept of microfinance and to encourage self-initiative in creating new jobs.

It should be borne in mind that the set goal is ambitious, but not unattainable if we take into account that by 2020 from the contingent of the active population will out the part of population which now has more than 55 years. This layer of the population has remained during the transition period, due to privatization and restructuring of social and public companies out of business with a reduced possibility for new employment. In parallel, the new workforce, that now have 15 years will come more easily to job because their level of education and acquired skills will be matched with the needs of the labor market. These two opposing processes, with positive economic conjuncture, will lead to significant growth of employees by 2020.

As already mentioned, in 2012 Serbia has attracted 78 labor intensive projects in the framework of which was created 10.302 new jobs. With this performance of Serbian economy is ranked at sixth place in Europe according to the number of open new jobs. The total average value of sales through mergers and acquisitions in the period from 2005 to 2007 in Serbia amounted to 483 mil. dollars and has participated in M&A of South Eastern Europe with 3,7%. In 2013 it was realized only 9 mill. dollars on this basis. Net purchases in the period from 2005 to 2007 amounted to 286 mil. dollars, and in 2013 had not taken place. Brownfield investments in 2012 amounted to around 1,9 mlrd. dollars and dominated in the structure of foreign direct investment als in 2013. In 2014, 48% of investment flows was oriented to the energy sector, 20% in the production and 7% of the trade.

The inflow of foreign direct investment in 2014 increased by 10% compared to the multiannual average. According to preliminary data of the NBS, the net inflow of foreign direct investments in the Serbian economy in 2014 reached 1,2 billion euros, which is 3,7% of GDP, while incoming foreign direct investments reached 1,5 billion euros. Investments by foreign residents in equity capital in Serbia increased in 2014 and amounted to 986 mil. euros (an increase of 344 mil. euros compared to 2013), while the reinvested profit in the value of 453 mil. euro.

In the Republic of Serbia until 2015, a total of 3.047 enterprises are privatized, and achieved revenue of 3,7 billion euros. The Government of the Republic of Serbia on 21

May 2015 adopted a proposal for amendments to the Law on privatization which provides for an extension of the deadline for the privatization of a number of companies. This measure will allow the 17 strategically important enterprises, of which 5 are from the City of Belgrade (PKB - Padinska Skela, Galenika, Politika, Ikarbus and Prva Iskra Barič), as well as 18 companies in Kosovo and Metohija, to protect of payment claims after the expiry of the deadline of 31 May, that is for another year. Of the 144 companies that have for years been in restructuring, 40 went bankrupt. According to the Law on privatization 31 December 2015 was the deadline for the privatization of companies in the portfolio of the Privatization Agency, and there are 526 employing 92.000 workers, while 189 companies are in bankruptcy and have 4.999 employees.

In order for a country to be attractive for foreign direct investment is necessary to meet the largest part of the external and internal conditions. Fulfilling external conditions means that they are adequately regulated relations with international institutions and business environment. Considering the Republic of Serbia after 2000 relations with the external environment have improved. Relations with international financial institutions like the International Monetary Fund, the International Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency, etc., were regulated. Establishing relationships with these institutions is a kind of guarantee for foreign investors that the country leads an acceptable economic policy. These institutions are also important financiers and guarantors for many capital projects so their participation can encourage mobilization and involvement of funds from other sources for specific projects.

The Republic of Serbia should intensify investment in infrastructure, in development projects in companies with export potential, with many employees. Also, it should also allow investors from other countries to speed up investment decisions, creating an environment that guarantees legal security, efficient administration, fiscal incentives and other measures. Attracting investment from companies that came from developed countries of the EU and other regions will especially contribute to the improvement of relations with countries such as Russia, China and India, which have the largest and fastest growing market and national wealth.

On the basis on the long-term strengthening of the partnership with the Russian Federation has created preconditions for the realization of the biggest and most profitable investments in the energy infrastructure of the Republic of Serbia, in the embodiment of the gas and oil arrangement, involving investments worth over 2 billion euros. At the same time, from this agreement is expected realization of additional investments in development projects of NIS, which will on that basis became a regional leader and the largest oil company in the western Balkans.

The competitiveness of key economic sectors is crucial for a sustainable development of Serbian economy. The largest contribution to employment and economic efficiency of the Serbian economy in the past they have given sectors that have been most competitive - agriculture, metallurgy, engineering, chemical and metal industry, construction, energy, transport and defense industry. These sectors generate three-quarters of total revenue of the economy and therefore their development should be supported by adequate measures of economic policy, which includes the modernization of production, investment in development programs and innovations. In this sense, financial assistance to the economy should be directed mainly through state funds for development or through public-private partnerships.

3.2. Attracting foreign direct investment in order to develop the national economy and increase the employment

Foreign direct investments in Serbia have not yielded the expected results. Through the process of privatization and foreign direct investment, rather than domestic, created monopolies of foreign corporations, in a business environment that is not protected by anti-monopoly law. It is proved to be untrue assertion that foreign companies, buyers of domestic firms, more use of domestic raw materials and reproduction materials, and through its sales network provide dynamic growth of exports and reduce the trade deficit.

Multinational corporations have contributed more to imports than exports. Thus, some of the biggest foreign investors in the Republic of Serbia (Philip Morris, Lukoil, Holcim, British American Tobacco, Lafarge AG, Titan) achieved higher imports than exports. A serious problem in the privatized enterprises is the realization of the promised and contracted investment. Accepted investment obligations is generally not execute and often take a long time until the start promised investment.

Economic environment in the Republic of Serbia is characterized by the presence of numerous systemic constraints to attracting foreign investment. Foremost is the national organization and the low political credibility. Foreign investors, guided by profit motivation, exhibit a high degree of caution when each investment arrangements. They very carefully select locations for capital investment, because in addition to profit, they are interested in the reputation and stability of a potential host country. In this sense, the political credibility of the country make the business environment, stable laws, a system that protects investors from all forms of discrimination, crime and corruption.

The most important step for the creation of intellectual capital is attracting, training and recruiting the best and extraordinary. The second step in building and strengthening human developing the knowledge and skills of employees at all levels and in all specialties, to be able to demonstrate their capabilities and provide maximum joint contribution. Workers with high knowledge consider professional development and advancement and personal enrichment important than loyalty to the company. Thus it requires a third step, which is to ensure such work environment and reward system to retain best and brightest people in the company. These three activities are interrelated and it is important to develop each of them (Gregori, Lumpkin, Eisner 2007, 128). The future sustainability depends on the size of the population, which in turn depends on the level of education and human choice. The development and evolution of human consciousness will be the ultimate determinant of sustainability of human capital and life on earth.

4. Conclusion

Foreign direct investment in the modern developmental stage undertakes a function of a significant development factor, and with the trade, become the main mechanism for the globalization of the world economy. The growth of foreign direct investment in recent decades has significantly contributed to the economic development of many countries in the world. Looking at the sectoral distribution of foreign direct investment, in addition to investments in the services sector (financial intermediation, telecommunications, tourism) registered a significant growth of foreign direct investment in the primary sector and in the production and exploitation of natural resources, oil and gas.

Among the attractive countries for foreign direct investors include: USA, United Kingdom, China, India, Russia and Brazil, and countries in transition in Central Europe.

Foreign direct investments are extremely important for developing and countries in transition, since they can contribute to achieving many development benefits these countries. However, in order to attract foreign investment and achieve benefits from this influx, potential host country must to meet the following criteria: political stability, the stability of the national economy, favorable business environment, builded infrastructure, as well as the credibility of government policies.

The role and importance of foreign direct investment in countries in transition depends largely on the speed of reforms and transformation towards a market economy. Practice has confirmed that foreign direct investment contributes to the acceleration of structural reforms and achieving dynamic economic growth in the countries in transition. Foreign investors bring to the host country through direct investment and modern management and organization skills in marketing, finance and strategic planning. They also allow local companies access to foreign markets and a strong incentive to increase the quality of operations and the achievement of economies of scale. All this should result in an increase in the efficiency of the overall global competitiveness of the local economy and increase employment.

Research shows that in the Republic of Serbia in the period after 2001 generated a significant inflow of foreign direct investment, and that trend of foreign direct investment inflow substantially follows the regional trend in the reporting period. However, the essential characteristic of the inflow of foreign direct investments in the Republic of Serbia is that this inflow is primarily a result of privatization, unlike most countries in Central and Eastern Europe where privatization is largely completed earlier, and in which foreign direct investment aimed at the creation of new production capacity.

Although Serbia has allocated the generous direct subsidies after 2006, the inflow of foreign direct investment was at or slightly above the level of investment in other surveyed countries. In Serbia until 2008 approved a total of 289,9 million euros of incentives, where about 3/4 of funds allocated to foreign investors, making it the size of subsidies for some time at the very top of the CEE. Total subsidies in Serbia in 2014 reached 3 to 3,54% of GDP, and EU countries are below 1,5% of GDP. The main objective of the application of such measures for attracting investment is retention and guidance of internationally competitive, export-oriented investments as a supplement to the development of domestic companies. In the next period, in which will be of particular importance structural policy, primarily in the areas of restructuring state-owned enterprises and improving the environment for new investments, expectations are that it will be achieved a stable inflow of foreign direct investment, which will contribute to the intensification of the pace of economic growth and employment in the long run.

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UTICAJ STRANIH DIREKTNIH INVESTICIJA NA ZAPOSLENOST U REPUBLICI SRBIJI

Apstrakt: Posmatrano sa aspekta sadašnje vremenske distance moglo bi se zaključiti da visoka nezaposlenost predstavlja hroničan problem sa kojim srpska privreda suočava još od početka intenzivnog sprovođenja procesa reformi. Ovaj u osnovi strukturni problem posledica je još uvek nezavršenog procesa privatizacije, i po tom osnovu dominantnog modela ulaska stranih direktnih investicija preko akcija kupovine i spajanja u procesu privatizacije. U relativno razvijenoj literaturi o stranim direktnim investicijama i privrednom razvoju jedno od pitanja kome je posvećena posebna pažnja istraživača odnosi se na pitanje načina na koji strane direktne investicije doprinose povećanju zaposlenosti u zemlji domaćina. Istraživanjima je utvrđeno da postoje brojni kanali preko kojih strane direktne investicije direktno ili indirektno doprinose ostvarivanju ovog značajnog cilja ekonomske politike zemlje domaćina, kao i da veličina ispoljenih efekata zavisi od motiva za preduzimanje stranih direktnih investicija, modela ulaska stranih direktnih investicija u zemlju domaćina, kao i od sektorske usmerenosti ulaganja. Upravo iz tog razloga, ovaj rad ima za cilj da ukaže na ulogu stranih direktnih investicija u povećanju zaposlenosti u zemlji domaćina i da doprinese jasnijem razumevanju uticaja stranih direktnih investicija na zaposlenost u Republici Srbiji, kao i na potencijalna ograničenja u maksimiziranju njihovih pozitivnih efekata na ostvarivanje ovog značajnog cilja ekonomske politike.

Ključne reči: strane direktne investicije, zaposlenost, nezaposlenost, privatizacija, Republika Srbija.