Abstract: Industrial policy refers to the policy of industrial development, where the term “industry” encompasses the organization and strategic management of human and material resources. The aim of this policy is primarily to stimulate and secure the tracking of structural adjustments and restructuring of companies in order to empower them to grasp the changes within the business environment and to face the economic challenges and increased competition on a global scale. Inclusive and sustainable industrial development means that all parts of society have equal benefits from industrial progress, which, in addition, enables the satisfaction of basic social and human needs. Such industrial development enables a continuous increase in the living standard for all people and new technological solutions for environmentally friendly industrialization. Successful implementation of inclusive and sustainable industrial development in the age of globalization requires approaches that use globally available knowledge, technology, innovation and capital. The determination of the Republic of Serbia to join the EU entails the obligation to respect inclusive and sustainable industrial development. In order to achieve sustainable industrial development in the Republic of Serbia, it is necessary to promote the circular economy and educate business entities. Business entities must be introduced to the importance of more efficient use of material resources and possible savings in industrial processes, through the organization of promotional and educational gatherings and the use of services of centers that are active in this sector.

1. INTRODUCTION

There is no consensus on the definition of industrial policy. The Japanese Ministry of Economy, Trade and Industry (METI) describes the industrial policy as a vision of future industrial development (Savić, 2017, p. 143). In defining industrial policy, it starts from the necessary adjustment of the industrial structure to changes in human needs and modern technology. In the literature on development, industrial policy is often referred to as the “industrialization policy”. For those whose primary concern is the decline in production in OECD countries, industrial policy is identified with a production strategy (Savić, Lutovac, 2019, p.262.). However, for others, industrial policy implies a sector-oriented policy that is not necessarily focused on the whole production. Some people link industrial policy with a set of government policies focused only on the development of the productive sector. According to the definition given by the World Bank (1993), industrial policy is: “government efforts to alter industrial structure to promote productivity-based growth.” (World Bank, 1993, p. 354). Pack (2000) defines industrial policy as a “variety of actions designed to target specific sectors to increase their productivity and their relative importance within the manufacturing sector” (Di Maio, 2014, p. 5).

In a broader sense, the definition includes multiple goals, such as increasing productivity, competitiveness and economic growth. Audretsch defines it as a set of measures to increase the productivity and competitiveness of industry and its individual sectors (Audretsch, 1993, p. 68). Thus, in-
Industrial policy is set by government measures aimed at certain or companies – intended to support the development of industry and the improvement of industrial production (Di Maio, 2014, p.7). Finally, sometimes, more ambitious goal is given to industrial policy, to shape structural change in ways that are socially inclusive and environmentally sustainable (UNIDO, 2011, pp.1-3).

Industrial policy was most often used to protect or promote certain industrial sectors and structural change. Over the past decades, there has been a gradual shift to horizontal industrial policy, which improves overall industrial competitiveness (Singh, 2016; Andreoni, 2016; European Commission, 2010; Tarr, 2005). With significant technological changes, which herald the beginning of a new technological paradigm, many economies have begun to focus on improving their capabilities and competitiveness in this area. Thus, new industrial policies include a range that implies inclusion in the global value chain, a knowledge-based economy, sustainable development, and the Fourth Industrial Revolution.

The basis of prosperity in Serbia and the determinant of future growth is the increase of productivity and competitiveness of the Serbian industry. In drafting the new industrial policy of Serbia, the factors taken into account are the current macroeconomic situation and the obligations imposed by the status of candidates for EU accession, especially those in line with the *acquis communautaire* in this area.

The new industrial policy of Serbia is based on activities aimed at improving the competitiveness of the Serbian industry, building sectors related to sustainable development goals and competitive positioning for the new industrial revolution (priority sectors), and encouraging entrepreneurship and innovation to increase economic growth, productivity and employment.

The subject of research in this paper is industrial policy as a precondition for the dynamic and sustainable development of Serbia. The work has four parts. The first begins by describing the different possible definitions of industrial policy. The second defines the concept of industrial policy. Finally, elements of the so-called “new industrial policy” of Serbia are discussed. The last part of the paper summarizes and provides some suggestions for future research.

2. **WHY INDUSTRIAL POLICY? CHANGING GLOBAL ENVIRONMENT**

Perceptions of the role and importance of industrial policy have evolved over time. From World War II to the 1980s, industrial policy was a policy of state intervention aimed at building national industry and protecting young industry. Government programs was rarely based on feedback. The period during the 80’s and early 90’s was marked by a gradual reduction of state intervention, putting an end to the old approach to industrial policy (Lutovac, 2020, p. 10). A new approach to industrial development policies has been adopted, with an emphasis on opening up the economy, privatizing state-owned enterprises and deregulating economic activities. The neoliberal revolution significantly influenced the actions of international institutions, national and regional governments. Free market economies were on the rise, creating what was called the Washington Consensus. This new vision emphasized that any obstacle of free trade must be removed. From the “maid” of economic growth, the state has become the main obstacle that blocks it. The international division of labor has been transformed from a threat into an opportunity. During the 1990s, enthusiasm for the free movement of capital was added to this package (Rodrik, 2013, p. 143). However, experience has shown that this approach is not perfect by itself, in other words, did not lead to the expected growth and development. A large number of papers on this topic
show this: Lall (Lall, 2006) in the case of East Asia, Bellandi and Di Tommaso (Bellandi and Di Tommaso, 2006) regarding local industrial policies in developing countries. The evidence cited in the papers shows that liberalization has not always provided the expected results.

Nowadays, there is a need to reconsider the importance of industrial policy. The global economic crisis, as well as the economic and health crisis caused by the coronavirus, which has seriously affected countries around the world, has greatly contributed to this. As a result, there is a renewed interest in industrial policy, which is seen as a potentially effective instrument in inducing structural change and output growth. Hausmann and Rodrik (2003), Rodrik (2008), Wade (2012), Greenwold and Stiglitz (2013), Worvik (2013), Di Maio (2014) in their works, wrote about the importance of industrial policy in modern conditions. A significant study on industrial policy was given by Cimoli, Dosi and Stiglitz (2009). The cases of Asia and Korea were particularly investigated by Lim (2013). Analyzing the experiences of the USA and Europe, Mazzucato and Tancioni (2012) pointed out the need to conduct public actions in the field of innovation and industrial change. In European countries, the importance of industrial policy was pointed out by Aiginger and Rodrik (2020). In their works, the authors agreed that the question is no longer why industrial policy needed, but how to implement it. The most commonly accepted argument in favor of industrial policy economic theory sees in the presence of market imperfections that are exacerbated by significant international and climate change in the world. “Policymakers are increasingly embracing the idea of using industrial and innovation policy to tackle societal ‘grand challenges’ such as climate emergency” (Mazzucato, 2020). In her article, Mazzucato argues that “challenge-led policies require a new conceptual and analytical framework that has at its core the idea of confronting the direction of growth — growth that is, for example, more inclusive and sustainable” (Mazzucato, 2020). Industrial policies will have a renewed role in shaping the road towards recovery from the COVID-19 crisis and in ‘building back better.’

3. NEW INDUSTRIAL POLICY FOR A SUSTAINABLE GROWTH PATH OF SERBIA

The new industrial policy of Serbia is based on activities aimed at improving the competitiveness of the Serbian industry, building sectors related to sustainable development goals and competitive positioning for the new industrial revolution (priority sectors), and encouraging entrepreneurship and innovation to increase economic growth, productivity and employment. At the same time, it will ensure the development of infrastructure, simplification of trade procedures, better integration into the international market, improvement of the tax system and education, investment environment, as well as cluster development, research and development.

The new industrial policy of Serbia must propose a new framework to better position Serbia’s industry for a new industrial revolution while ensuring competitiveness. In line with EU standards, the transition to a circular economy and respect for sustainable development goals is required.

The transition of Serbian companies to sustainable business models will contribute to environmental protection, but will also contribute to the competitive advantage of the industry due to greater savings. The tendency is to reduce the pressure on natural resources and turn to environmentally sustainable industrial production. Pollution control and ecosystem conservation measures will ensure that workers, the community and consumers are safe. Promoting the sustainable development of the industry will open up opportunities for new jobs and entrepreneurs. At the same time, more efficient and cleaner production improves competitiveness. The development of business operations of companies based on the principles of energy efficiency will
enable the use of funds from EU programs. The EU strives for sustainable development and is the initiator of the Paris Agreement also called the Paris Climate Accords and the „Sustainable Development Goals – Agenda 2030“ (COM, 2017, p.10). Agreement is one of the main guidelines in the transition to a circular economy and the reduction of carbon dioxide emissions. An example can be the modern EU automotive industry, which is increasingly based on automation, digitalization and the highest environmental standards. In order to fit into the global value chains, the automotive industry of Serbia, as well as all related industries, must understand the importance of switching to sustainable technologies and new business models. The challenges facing our industry are also opportunities. By using these opportunities properly, sustainable jobs would be created and living standards improved. Setting up charging stations and manufacturing batteries are just some of the options.

In order to be more effective, Serbia’s new industrial policy should be guided by the new goals of sustainable development that came into force on January 1, 2016 as a reference point for developing policies to promote sustainable development in all three dimensions – economic, environmental and social – by 2030.

While industrialization was not factored into the Millennium Development Goals framework, inclusive and sustainable industrialization now features strongly in the 2030 Agenda for Sustainable Development.

UNIDO’s mandate is reflected in Sustainable Development Goal (SDG) 9: “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”. SDG 9 includes the following targets:

9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all (UNIDO, 2022).

9.2. Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries (UNIDO, 2022).

9.3. Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets (UNIDO, 2022).

9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities (UNIDO, 2022).

9.5. Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending (UNIDO, 2022).

SDG 9 confirms the provisions of the Lima Declaration and the relevance of ISID for the new global development architecture. ISID is a primary source of income generation, allows for rapid and sustained increases in living standards for all people, and provides the technological solutions to environmentally sound industrialization.
4. FUTURE RESEARCH DIRECTIONS

Serbia’s commitment to join the EU creates an obligation to accept the “Europe 2020” strategy, which explicitly states that the document is not only relevant for EU countries but also for membership candidates. At the end of 2010, Serbia prepared a draft strategy “Serbia 2020”, relying on the appropriate EU strategy, which respects national specifics, but this document has not been officially adopted (Jovanović Gavrilović et al. 2019, p. 24).

In order to better meet the goals of sustainable development, close cooperation between the Ministry of Economy, which is responsible for industrial policy, and the Ministry of Environmental Protection is necessary. Existing legislation in this area needs to be revised. In addition, clear standards should be set for industrial products that would be accredited by domestic control laboratories.

One of the preconditions for a sustainable industry is the promotion of the circular economy and the education of economic entities. Economic entities must be acquainted with the importance of more efficient use of material resources and possible savings in industrial processes. This will be done through the organization of promotional and educational gatherings and the use of the services of centers that are active in this sector (Republic of Serbia, 2020, p.39).

To promote the concept of cleaner production in companies in Serbia, the “Cleaner Production Center of Serbia” was established. (CPC Serbia, 2022).

For investors who are interested in buying companies that need to be privatized, the problem is the inherited responsibility for the damage caused to the environment. In order to solve this, it is necessary to introduce independent auditors for the analysis of the state of the environment in companies that are being privatized – environmental due diligence.

5. CONCLUSION

Recently, there has been a need to reconsider the importance of industrial policy. The global economic crisis, as well as the economic and health crisis caused by the coronavirus, have greatly contributed to this. Renewed industrial policies can have a significant role in shaping the road to overcome the crisis and set countries back on the path of economic development.

Sustainable development was defined in the World Commission on Environment and Development’s 1987. Brundtland report “Our Common Future” as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. It seeks to reconcile economic development with the protection of social and environmental balance.

“Inclusive” in this context means “that industrial development must include all countries and all people, as well as the private sector, civil society organizations, multinational development institutions, and all parts of the UN system, and offer equal opportunities and an equitable distribution of the benefits of industrialization to all stakeholders”. The term “sustainable” addresses the need to decouple the prosperity generated from industrial activities from excessive natural resource use and negative environmental impacts.
Having in mind the importance that a well-conducted industrial policy has for dynamic, balanced and sustainable economic development, it must be developed in Serbia in the coming period in accordance with the new circumstances. The classical model of industrial policy was based on the concept of defining priority branches of production and supporting their development, through various forms of direct and indirect subsidies. The new industrial policy of Republic of Serbia must be based on activities aimed at creating a favorable business environment and strengthening industrial competitiveness, meeting the specific needs of strategic sectors related to the goals of sustainable development.

REFERENCES


