

Serbian Transition (2002-2007): A Slowdown and its Costs

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Abstract

In this paper we try to examine a broadly discussed issue whether the Serbian transition process that was re-started after the democratic change in October 2000, has been slowing down since 2003. Starting from the idea that transition progress of a transition economy is an endogenous process dependent on the inherited initial conditions and using the EBRD indicators for transition progress measurement, we have estimated an expected level of transition advancement in Serbia. Using several regression models that were based on the experience of other transition economies in their earlier phases of transition we conclude that the Serbian (renewed) transition has started at a relatively high pace in 2001 and 2002 but was considerably slowed down afterwards. We find this slowdown to correspond with certain political instability triggered by the assassination of the Serbian Prime minister and the events that were following this event (two presidential and three general elections in the period of five years). Finally, we have estimated what were the costs of this slowdown in terms of the lost GDP in the country, which was somewhat offset by a high FDI inflow.