

**Dragan Trailovic**

*Ph. D., Research Associate, Institute for Political Studies, Belgrade, Serbia*

## **POLITICAL AND ECONOMIC TRANSITION OF SERBIA: THE FIRST DECADE OF REFORMS (2000–2010)**

The paper analyzes the political and economic reforms in the Republic of Serbia after the regime change in 2000. It is argued that for the first ten years of the transition in Serbia, political and economic reforms were not implemented in a way that would respond to the demands of a successful and genuine transition, especially in the areas of civil society, politics and the rule of law, state administration and economy. The reason for this, as presented in the paper, was the absence of political stability and broader consensus between key political and economic actors in the state over issues of major national — political and economic — interest, but also because of the firmly established symbiosis between the political and economic interests of the ruling elites.

*Keywords:* political transition, economic transition, democratization, reforms, Serbia

### **Introduction**

After the fall of the Berlin wall and the dissolution of the Soviet Union, it was widely thought that newly created circumstances in international relations, as well as domestic changes within the countries, will affect both, economic and reforms of political systems. For some decades we have been witnessing constant changes in political systems and economic models: in some states, this process has occurred at great speed in the form of revolutions, while in others there has been going on a years-long evolutionary process of transition and reforms [1, p. 44]. When it comes to Serbia the starting year of political and economic transition was 2000, when Milosevic's regime fall. It is believed that the changes in the so-called «first wave of transition/democratisation» that affected post-communist countries in the late 1980s and early 1990s for many reasons did not happen in Serbia.<sup>1</sup> Due to the character of the political system and the way of its change, Serbia

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<sup>1</sup> «The second wave of transition» appeared in post-communist states — Bulgaria, Romania, Slovakia, Serbia, Georgia, Ukraine and Kyrgyzstan — in relation to a «first wave» in the period from 1989 to 1991. All waves occurred within Huntington's «third wave of democratization» [4].

belongs to the group of post-communist countries of the «second wave of transition».

The political system of Serbia before 2000 could be characterized as a hybrid, or a «competitive authoritarianism» [On competitive authoritarianism, see 2]. Within this kind of regimes, which could not be determined neither as democratic nor as the regimes in transition toward democracy, the so-called «colour revolutions» occurred. This happened in Serbia as well. The power of Slobodan Milosevic was weakened by ethnic conflicts, international economic sanctions, NATO bombing and Kosovo issue, but the direct cause for the outbreak of the so-called «Bagger revolution», a large-scale demonstration in 2000 (October), was the alleged presidential election fraud at the Federal level.

The December Parliamentary elections at the level of the Republic of Serbia marked the victory of a «democratic opposition». A new party constellation in Serbia was created and this meant the complete political domination of the conglomerate of opposition parties called Democratic Opposition of Serbia (DOS). Also, this was supposed to mark the beginning of substantial political and economic changes, as well as the broader and essential social reforms. What caused such a process in Serbia to happen ten years later than in other CEE post-communist states? Did Serbia succeed in trying to meet the necessary parameters of democratic transition after the regime change — the rule of law, free and fair elections, a market economy, active civil society etc.?

### **Theoretical considerations**

There are many explanations of the causes and ways of how to implement the democratic transition. They can be grouped into four sets of explanations [3, p. 60-65]. The first set of explanations are transnational theories according to which international factors are causing democratic changes. The second group of explanations are structural theories that focus on the necessary structural reforms, especially when it comes to the level of economic development. The third group are the theories of political actors that, among other things, emphasize the role of elites in democratic transition. The fourth group consists of interactive theories that advocate a multidimensional approach to democratic changes, analyzing historical and cultural changes, economic transformation, civil society, etc. [3, p. 60-65].

Relying on all the mentioned explanations, we will use the concept of «arenas of democracy» as an analytical framework for our research. To achieve

a successful consolidation of democracy, according to Linz and Stepan, it is necessary that within the state there are five arenas of democracy that positively influence each other [See 5]. Accordingly, they point out: a) the conditions must exist for the development of a free and lively civil society — non-governmental organizations, media, social movements, civic initiatives, trade unions; b) there must be a relatively autonomous and valued political society — political parties; elections and electoral rules; political leadership; party coalitions; legislation; c) there must be a rule of law to ensure legal guarantees for citizens’ freedoms and independent associational life; d) there must be a state bureaucracy — efficient state administrative apparatus; e) there must be an institutionalized economic society — a series of socio-political norms that mediate between state and market and a significant degree of the free-market economy [5, p. 7-13].

There is no universal definition of transition, both economic and political. So, the term «transition» in this paper will imply the implementation of political, economic and profound social reforms in three directions — from authoritarian to democratic governance, from a state-planned to a market-based economic model and from an authoritarian to an open civil society. Or, as Novakovic & Pesic pointed out, transition entails a whole set of measures such as:

«...a radical change in the economic environment to be executed through the privatization process; restitution and denationalization; deregulation, ie the withdrawal of the state from the economy; economic liberalization (removal of external and internal barriers to entrepreneurship development); and establishment of the rule of law and multi-party system» [6, p. 237].

### **A decade of delayed transition (1990–2000)**

It is believed that the political and economic changes in post-communist countries of Central and Eastern Europe in the late 1980s and early 1990s for many reasons did not happen in Serbia. The break-up of SFR Yugoslavia had many negative consequences and after its dissolution, Serbia did not seriously embark the process of transition and reform. Its economy was destroyed by ethnic conflicts, international sanctions and isolation, and burdened with a large number of refugees from war-affected areas [7]. The Serbian economy was hit by the deep recession, corruption, high inflation, poverty and social stratification. Under these conditions and with the lack of political will for comprehensive reforms in the period from 1990 to 2000, there were no significant reforms in the sphere of politics and economy.

Even though a multiparty system was formally in place in Serbia during the 1990s, in practice, during this period, the political system in Serbia was dominated by only one party — the Socialist Party of Serbia (SPS), headed by Slobodan Milosevic. Essentially, the same party which had ruled under the communist regime managed to retain power [8, p. 47]. Now, the old communist cadres promote themselves as the nationalistic leaders using the existing party’s infrastructure to gain or keep power. This implied very little change in the structure of the political elite, and consequently, reforms that would lead to a serious democratic transition were absent. Changing its basis of legitimacy and accepting the nationalistic platform the SPS narrowed the space for political manoeuvring to the newly formed opposition parties. The opposition itself was affected by chronic political division among its parties, which was overcome only in 2000 [9]. Before that, the opposition was weak and fragmented and only achieved success by gaining fragments of power at the local level administrative units.

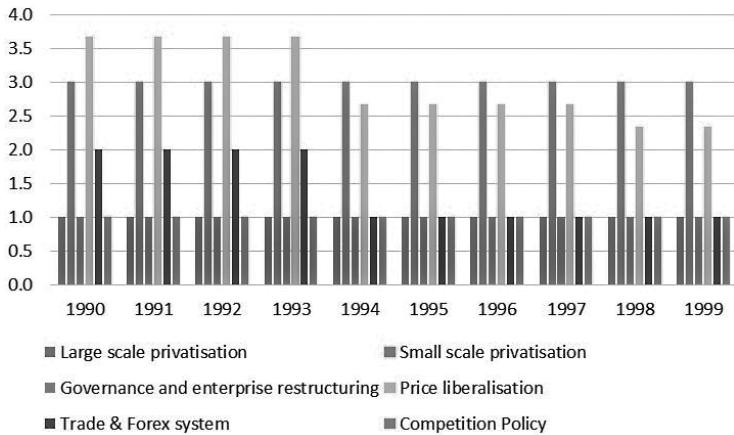


Fig. 1. Serbia: Transition indicators scores 1990-1999<sup>2</sup> [10]

As can be seen from Chart 1, from 1990 to 1999, some progress was made in only two areas — price liberalization and small-scale privatization. In others, such as large scale privatizations, competition policy trade and

<sup>2</sup> The measurement scale for the indicators ranges from 1 to 4+, where 1 represents little or no change from a rigid centrally planned economy and 4+ represents the standards of an industrialized market economy. (EBRD, 2019)

foreign exchange system, governance and enterprise restructuring there has been almost no progress in this period.

According to Uvalic during the early 90s:

«The impoverishment of large parts of the Serbian society took place through several channels which brought massive income redistribution from the population at large in favour of the state and the economic and political elite. “Hyperinflation in 1992–3, through the inflation tax, was the main instrument for the redistribution of income in favour of the state» (8, p. 69).

In Serbia, at the time, redistribution of income was not based on economic principles but political decisions and often went straight to self-reproduction of the political elite. Redistribution of national income when it was done was aimed at preserving social peace and stability at all costs, contrary to any economic justification for such moves.

This period was characterized by the work of pyramid savings banks through which money was raised from citizens by offering high-interest rates. All these banks have quickly collapsed and stopped making payments, leaving the citizens without their savings. There were also other money channels beyond legal flows such as smuggling of oil, cigarettes, drugs, luxury alcoholic beverages, arms trafficking, etc. [11, p. 313-314]. Given the severe international isolation and sanctions, it was almost legal to enter the grey economy zone for mere survival. This opened the space for the formation of strong centres of power that controlled the black market and managed to impose themselves as a «state in a state». Many individuals felt that they were above the law and that the government could be bribed at any time. All of this has destroyed the confidence in political and legal institutions, especially in judiciary power.

According to Djurkovic, a new class of wealthy private entrepreneurs was formed in Serbia during this period. Due to their connections with the political elite, they have achieved monopoly status in many areas of the market in Serbia. The most lucrative jobs were transferred to the selected private companies that worked under the direct control of the regime, allocating funds for its needs [11, p. 314]. A network was established between corrupt politicians and businessmen whose interest was to prolong substantive reforms so as not to jeopardize their established privileged positions in the political and economic spheres.

### **Serbia’s politics in transition (2000–2010)**

The events of October 2000 marked the end of the Socialist Party of Serbia (SPS) dominance in Serbian politics. The December Parliamentary

elections marked the victory of a «democratic» opposition. A new party constellation in Serbia was created and 176 deputies in the Parliament of Serbia meant the complete domination of a party coalition called the Democratic Opposition of Serbia (DOS)<sup>3</sup>. After a large-scale post-election demonstration on October 5, 2000, and the announcement of the final results of the presidential elections on the Federal level, Vojislav Kostunica became the new president of the FR Yugoslavia. When the balance of power in the Parliament changed in favour of the so-called democratic parties, the process of democratic transition and consolidation in Serbia started. These new reforms have contributed to macroeconomic stabilization, economic recovery, an inflow of foreign direct investment, and progress in many areas of institutional reforms. However, the much-needed deep economic reforms have been slowed down by many unresolved issues that have led to extreme political instability.

During this period, Serbia has had three parliamentary elections and four presidential elections — in 2002, 2003, 2004, and 2008. The first government was formed on January 25, 2001, led by Zoran Djindjic [12, p. 9-34]. At the time, the DOS coalition, as already mentioned, had 176 deputies in the Parliament of Serbia, which meant stable support to the executive power. The first Government formed in 2001 experienced a discontinuity because of the tragic death (assassination) of its president, Zoran Djindjic. His successor, Zoran Zivkovic, was the head of the government until the 2003 election [12, p. 9-34]. The last government formed in July 2008 was led by the party coalition «For a European Serbia», dominated by the Democratic Party, whose President, Boris Tadic, was also the president of Serbia at the time. Serbia tried to elect President on several occasions, in 2002, in two electoral circles (when the contestants were Mirosljub Labus and Vojislav Kostunica, coalition partners in the government of 2003), as well as in 2003 [13, p. 410]. Eventually, Serbia got the President in June 2004. It was Boris Tadic, leader of the Democratic Party. A major problem also was the functioning of the government institutions at the federal level, which was first resolved by the creation of the State Union of Serbia and Montenegro, and then in June 2006, Montenegro seceded from the federation and declared

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<sup>3</sup> After the December Parliamentary elections in 2000, the DOS coalition, in relation to the September federal elections held in the same year, made a positive difference of over 300,000 votes. According to data available for the beginning of 2002, the Democratic Party increased its membership by 42%, while the Democratic Party of Serbia recorded an inflow of 53,000 new members [9].

itself an independent state. To make matters worse in 2008, Kosovo — an autonomous region of Serbia<sup>4</sup> — declared itself independent which Serbia refuses to accept.

This political instability, which was reflected in the frequent parliamentary and presidential elections, also affected frequent oscillations in the very character of the political system in Serbia, where several stages can be detected. As Orlovic states, those stages would be the following: quasi-parliamentary phase (President Milan Milutinovic, SPS — Prime Minister Zoran Djindjic, DOS), cohabitation phase (President Boris Tadic, DS — Prime Minister Vojislav Kostunica DSS), cohabitation in coalition phase (President Boris Tadic, DS — Prime Minister Vojislav Kostunica DSS), and presidential phase (President Boris Tadic, DS — Prime Minister from the same party) [14, p. 115-122].

The important characteristics of political parties in Serbia after the October the 5<sup>th</sup> were: a loose internal organization, a weak link between different party levels, the dominant influence of party leader on decision making and very general provisions on the necessity of introducing a market economy and democratic principles defined in parties' political platforms [9]. Most of the Serbian political parties at that time belonged to a group of *catch-all* parties and one of their main features was the strong role of the party leader in the decision-making process. All of this has caused the creation of factions within numerous political parties on the new party scene in Serbia, and also in the ruling coalition itself. The ruling DOS coalition lasted less than seven months, the reason being that it was composed of 18 large and ideologically different parties. This has prevented the efficient work of Government, which is very important for a country that is on the path of fundamental structural change [12, p. 9-34]. The Democratic Party of Serbia (DSS) stepped out of the ruling coalition after Milosevic's extradition to the International Criminal Tribunal for the former Yugoslavia in Hague in 2003. The views of the two dominant parties of the democratic bloc — DS and DSS- on the Hague issue were the opposite.

After the dissolution of the DOS, a large number of parties began an independent appearance on the political scene. Elections in December 2003 removed many parties from Parliament. That's why many of them decided to make new alliances with other parties which opened a new cycle of political uncertainty.

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<sup>4</sup> Full official name: Kosovo and Metohija

Another very important issue that was very slowly resolved was the adoption of the new Constitution. This was a significant problem for the continuation of democratic transition in Serbia, especially when we take into account that many post-communist countries first adopted a new Constitution, or changed the old one, and then they took further steps of political and economic transition. The fact is that even five years after the beginning of a democratic transition Constitution that would be in line with the demands of democratization was not adopted. The Constitution of the Republic of Serbia which was passed on September 28, 1990, was still in force. This Constitution was adopted by the one-party National Assembly of the Republic of Serbia, at the time when Serbia still was a member state of the FRY.

There was a general awareness that it is necessary to adopt a new Constitution. However, there was no majority consensus on the most important state-building issues which the new Constitution was supposed to regulate. The first democratic ruling elite expressed that the adoption of a new Constitution was its priority, but, in the permanent postponement of the date of its adoption, it ended its political life [13, p. 412-413]. A similar case was with the next ruling coalition (DSS, G17, SPO-NS, plus SPS), which at the beginning of its mandate in March 2004 highlighted the adoption of a new Constitution as the most important goal. Accordingly, a Parliamentary Committee for the adoption of a new Constitution was formed, but no constitution was adopted by the end of 2005 [13, p. 412-413]. There were big dilemmas. The gap between the proposals was enormous, so one of them even advocated the restoration of the monarchy. The biggest disputes were over the issues of whether the President of the Republic should be elected in Parliament or directly by the popular vote, and which model of decentralization should be taken (whether to keep the existing one or to divide the state into regions that would then receive a separate home in Parliament). A fierce debate was also about whether the new Constitution should go to a referendum affirmation or it is enough to be adopted in Parliament. The political elites could not even agree on how to start adopting a new Constitution, namely whether the Constitution should be adopted by the current parliamentary convention or to form a special constitutional assembly to adopt the Constitution [13, p. 412-413]. In 2006 the new constitution of the Republic of Serbia was finally proclaimed by the Serbian parliament after it was confirmed at a referendum.

Another important factor influencing the speed and manner in which democratic reforms will be implemented in Serbia was civil society, espe-



cially NGOs. After the changes of October the 5<sup>th</sup>, Serbia witnessed a specific phenomenon — a «spillover» of actors from the field of civil into the field of political society. Managers of non-governmental organizations moved to positions in the state apparatus, which led to the transition of elites from the non-state sector to the state elite. By mid-2003 some NGOs officially switched to parties, such as the G17+, which became an independent political party. Also, OTPOR, which was one of the most active NGOs, merged in Democratic Party.

Generally speaking, the civil society after the regime change was mainly focused on the issues of protecting human rights and establishing democratic institutions. Broader socioeconomic themes were neglected. Surveys showed that 57% of civil society organizations dealt with the protection of human rights, 27% protection of the rights of national minorities, 33% protection of women's rights and 7% protection of the rights of LGBT groups in 2005 [15]. Regarding the trade unions, as a very important element of civil society, according to Spasojević and Lončar, the position of the trade unions was unfavourable due to several factors:

«The absence of the developmental effects of transition; the absence of the tradition of autonomous struggle and a critical position towards the authorities; unwillingness of trade union leaders for cooperation, widespread anti-union hysteria among members of the political and intellectual elite in Serbia» [15, p. 226].

At the very beginning of the reform, the state administration has shown its inability to face the problems regarding further development of the country. During the first decade of reform, a major problem that seriously undermines the efficiency of the state administration was also a large number of employees in the state apparatus. After the regime changed, cadres from the old regime remained in place in the state apparatus, especially in state-owned enterprises. The former officials tried to preserve their privileged position in the economic sphere and thus in politics. The situation at the local level was particularly difficult. Since there was no rigorous control over small and medium municipalities, the supporters of the new and the old regimes found themselves in the important positions of the local authorities. The problem was further complicated by the fact that a large number of employees were in a family relationship, which made it difficult to reduce the number of employees in the local administration. As a result, an inefficient «bureaucratic state» was formed with an army of clerks [16].

Of particular significance for the country in transition are its foreign policy and international cooperation. For countries like Serbia that have long

been under sanctions imposed by the international community, this was very important. After the change in 2000, there was an opportunity for officials from the state administration who were in the Ministry of Foreign Affairs to start promoting Serbia in the world in a new light and to start cooperation with other countries. Accordingly, a series of visits by newly elected state officials to the countries of Europe and the United States was achieved. The state bureaucracy proved capable of concluding agreements on friendly cooperation with other countries, as well as trade agreements. Large financial assistance was received in the form of donations or loans from the international level.

### **Serbia's economy in transition (2000–2010)**

Disintegration of SFR Yugoslavia had a great impact on the further economic and social development of Serbia. The peculiarity of the political and economic system of Yugoslavia enabled enormous progress in industrialization, urban development, education, economic growth etc. So, the consequences of the breakup of Yugoslavia were both positive and negative. On the one hand, after the disintegration of Yugoslavia, its former republics were left with large industrial and commercial complexes, public companies and clinical centres with all associated infrastructure. On the other hand, the consequences were very negative: high public spending that exceeded the country's capacity and a large number of public enterprises and industrial giants with too many employees which completely lost any profitability. The basic question was how to make the best use of what was left of previous times and to adapt to new conditions. The only solution was to carry out the process of restructuring and privatization. As we have shown earlier, such substantial reforms did not happen in Serbia during the 1990s. Later, from 2000 onwards, the gradualist reform implemented in Slovenia was promoted as an example for Serbia, by which Slovenia managed to preserve the «advanced» components of Yugoslav socialism in the new European institutional environment [17, p. 395]

There are many factors and aspects to consider when it comes to the economic transition of a country that goes beyond the scope of a single research paper. Therefore, in this section of the paper, we will focus on some of them.

Macroeconomic stabilization was one of the first tasks of the new authorities. This was achieved by a new course in monetary and exchange rate policy. A restrictive monetary policy was applied, and since 2001 a managed

float regime was introduced which replaced the previous fixed exchange rate. Also, reforms of the system of taxation followed, prices of goods and services were liberalized and fiscal consolidation measures were implemented (8, p. 143-153). A significant part of the reforms included the implementation of measures to attract foreign direct investments (FDI) [18, p. 38]

In 2004, the Serbian Government began to implement economic policy and institutional reforms that guarantee macroeconomic stability, business safety, and strengthening the competitiveness of the economy. Legal, institutional and structural reforms were initiated to modernize economic legislation and establish market institutions that would meet the standards of developed market economies. Partial economic liberalization has also occurred to spread a private initiative, which implied the formation of prices freely, the elimination of existing monopolies and the creation of conditions for free entry of companies into all branches of the economy. There were no significant obstacles that would limit the freedom of economic activities except those foreseen by law. As one of the conditions for a free economy, which is furthermore a prerequisite for the consolidation of democracy in a country, is that the constitution and laws guarantee the right of private property. By the Constitution of Serbia, this right was guaranteed. However, one influential obstacle was complicated bureaucratic and administrative procedures.

In the 2001-2009 period Serbia's GDP grew at an average rate of 4% per year<sup>5</sup> [19, p. 24]. The most responsible for this growth of Serbia's gross domestic product was the services sector, whereas the average growth rate of gross value added of services was 4.6% on an annual basis [19, p. 24]. Unemployment, trade deficit, account deficit and inflation remain key problems of the Serbian economy in transition. The situation has further deteriorated due to the spillover of negative effects of the global financial and economic crisis on Serbia's economy and finances in 2008. As pointed out by Uvalić *et.al*, economic recovery during the first decade of reforms was mostly sustained by credit lines and substantial inflows of foreign capital, foreign loans, donor assistance etc. Having that in mind, and due to the already existing structural weaknesses of the Serbian economy, it was clear why Serbia was hit hard by the global economic crisis [18, p. 39]

A significant aspect of economic transition was the process of privatization of enterprises that were in social, state or mixed ownership. The privatization law was adopted in 2001, according to which the Privatization

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<sup>5</sup> The growth rate for the period 2001-2008 was even higher — 4,9%

Agency should carry out the privatization process. The privatization model implemented in Serbia was based on a mixed-tender and auction model, supplemented by limited give-aways to workers and citizens. When the privatization was launched, it came under the criticism of many who felt that it was not properly implemented, that the process was not transparent and that it was corrupt. Many privatization processes of the companies have been criticized for suspicious tenders and auctions, suspicious conditions under which the privatization took place, suspicious buyers, low prices etc. In four years (2000-2004), 1382 companies were privatized, and revenues from privatization were only 1.5 billion euros [20, p. 194-197]. Over the 2002 – 2009 period, government revenues from privatization were 3112 million euros [8, p. 163]. According to Zoran Ristić, the main arguments for the claim that privatization was not successful are: a large number of sales contracts were terminated, there were numerous strikes and workers' protests, in privatized companies salaries were not regular, a large number of privatized companies were closed, the number of employees in privatized companies was significantly adjusted [7]. Another mistake was that money derived from privatization was allocated to public spending because the emphasis was on the social dimension of transition.

*Table 1*

**Macroeconomic indicators — Serbia, 2001–2010 [19, p. 10]**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP, real growth in %	5.3	4.3	2.5	9.3	5.4	3.6	5.4	3.8	-3.5	1.8
Inflation rate	40.7	14.8	7.8	13.7	17.7	6.6	10.1	6.8	6.6	10.3
Current account deficit, % of GDP	2.2	-4.2	-7.8	-13.8	-8.8	-10.1	-17.7	-21.6	-7.2	-7.3
Foreign direct investment %	1.4	3.1	6.9	4.1	6.2	14.3	6.4	5.6	4.8	3
Fiscal deficit, % of GDP	-0.5	-2.6	-2.7	0.7	1	-1.6	-1.9	-2.6	-4.5	-4.6
Public debt, % of GDP	104.8	71.9	63.7	50.9	50.6	40.1	30.8	26.3	32.9	41.4
External debt, % of GDP	85.5	58.7	55.9	49.8	60.1	60.9	60.2	64.6	77.9	83.5

To elaborate more on the situation in the Serbian economy during the first decade of transition, we will use the transition indicators developed by the EBRD. As stated earlier, according to EBRD transition indicators methodology the measurement scale for the indicators ranges from 1 to 4+, where 1 represents little or no change from a rigid centrally planned economy and 4+ represents the standards of an industrialized market economy.

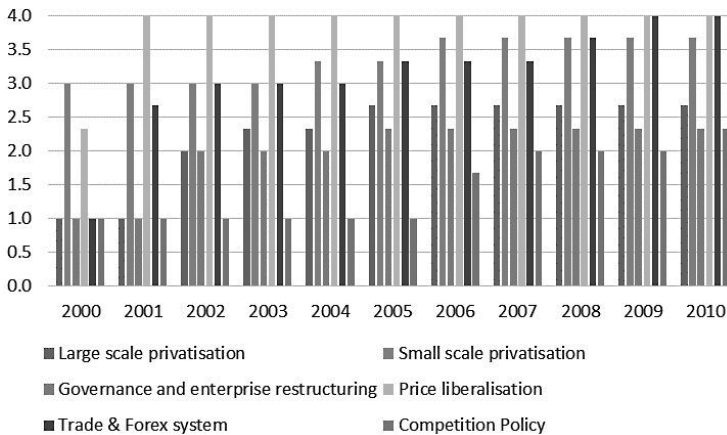


Fig. 2. Serbia: Transition indicators scores 2000-2010 [10]

As chart 2 shows the weakest progress in this period was achieved in two areas: large-scale privatization and competition policy. The average score of the large-scale privatization indicators for the period 2000-2010 was 2.2, which according to the EBRD methodology means *«that the comprehensive scheme is almost ready for implementation; some sales completed»*. The worst score is recorded in the competition policy in the period 2000-2010 and it averages 1.5 which means *«that competition policy legislation and institutions set up; some reduction of entry restrictions or enforcement action on dominant firms»*. The Governance and enterprise restructuring indicator also recorded a low score and averaged 2 over the observed period, which according to the EBRD methodology means *«moderately tight credit and subsidy policy, but weak enforcement of bankruptcy legislation and little action taken to strengthen competition and corporate governance»*. Serbia scores best in price liberalization, averaged 3.8 for 2001-2010, while for the period 2002-2010 it was 4 — *«comprehensive price liberalisation; state procurement at non-market prices largely phased out; only a small number of administered prices remain»*. Some progress has

also been made in the areas of trade and foreign exchange system and small-scale privatisation. The average score for both of these areas is slightly higher than 3 which means *«removal of almost all quantitative and administrative import and export restrictions; almost full current account convertibility and that comprehensive programme almost ready for implementation»*.

*Summa summarum*, according to Zec several key disproportions describing the state of the Serbian economy at that time: disproportion between total production and rising consumption, the disproportion between imports and exports, disproportion between employed and unemployed, the disproportion between the number of employees in the state administration and the number of employees in the private sector, regional disproportion, disproportion between the number of employees and the number of pensioners, the dispersion between the rich and the poor etc. [16, p. 69-74].

## Conclusion

After the regime change in 2000, reforms in Serbia started. On the one hand, political and economic reforms gave positive results to some extent, in terms of democratizing society and economic growth. On the other hand, Serbia was hit by a political crisis and instability, which were the result of unstable governments that had opposing views on many issues of national importance.

The instability and crises of political institutions in Serbia have also led to a slowdown or failure to implement economic reforms. The main actors of transition did not consensually agree on the goals and ways of further social development in Serbia in 2000-2010 period. There was no consensus of the ruling elites over key national issues, there was no consensus on the way how to arrange state and legal system, and there were numerous violations of constitutional and legal procedures. This had an impact on the future success of democratic transition because how reform is being implemented at its initial stage is crucial for its future development, especially in terms of establishing a wider democratic context. Many of today's economic indicators of the country are the result of decisions made three decades ago.

In Serbia, in the early years of reform, the conditions of a free economy were not met. There was still significant interference of the state in the economy; there was no adequate legal regulation and free-market institutions; many enterprises remained state-owned; privatization was poorly implemented; there were monopolies and almost there was no free competition. The state bureaucracy was enormous and ineffective.

Civil society has contributed to the success of the transition to a small extent because it dealt with only some of its aspects. There was a spillover of actors from the sphere of civil society into the sphere of politics and the transformation of non-governmental organizations into political parties. Non-governmental organizations, the media, trade unions and the whole civil society failed to make their position in relation to the new democratic government.

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