13. Economic aspects of spatial development of Belgrade

Radmila Miletić

Situation of Belgrade at the banks of the Danube and the Sava rivers, at the junction of the pan-European corridors VII and X, in the contact with areas of different economic-geographic distinctions are the main characteristics and at the same time comparative advantages of the position of the Belgrade region. The unique characteristics influenced the formation of the Belgrade urban agglomeration in the most significant developmental and integrative axis of the Serbian geo-space with expressed possibilities and potentials for inclusion into the regional flows of integration. In the Serbian spatial structure, the domination of the Belgrade urban area is evident, which is illustrated by data on the concentration of 21 % of the Serbian population, 40 % of the population of the higher level of education, 30 % of the total number of employed, 40 % of employed in servicing activities and 35 % of gross domestic product of the Republic of Serbia (in 2005). Unfavourable tendencies of the city economy development, demonstrated at the end of the last century, have been changed by the transitional stage which, starting from the market developing model and including the dimensions of sustainability, is directed to achieving the higher level of functional integrity and the competitiveness of the Belgrade metropolitan area.

13.1. Modern developing processes and urban-economic development of Belgrade

Based on the efficient use of resources and innovations, globalization unites the processes of the economic transformation, technological modernization and other aspects of the society transformation. At the same time, globalization and regional integration, influencing the change of the surrounding in which countries function, significantly change the role of the region and urban agglomerations, by favouring the cities as servicing, educational, financial and "know-how" centres. Megatrends (globalization, integration, market reforms and sustainable development) lead to changes in mutually stipulated processes with the corresponding consequences on the urban processes and land use. In the modern type of urban economy, formed in the world metropolises in the last decades, "the basic productive resource is information, the type of productive activity is the consistent processing,while the basic technologies get clear scientifically intensified character" (Grčić, Sluka, 2006, 130).

The transformation of the economic system in the developed countries, by the transition from the industrial production towards the development and diversification of the tertiary activity by the expansion of the development of different business and financial services (tertiary process), brought about the significant changes in the employment structure-sudden decline of employment in industry (deindustrialization). Thus, during the second part of the last century, the deindustrialization and the tertiary process became the recognisable characteristics of the economic structure of developed countries (especially metropolitan areas). The lack of investments in production-processing sectors had also negative economic and social consequences in the areas where the process was very expressive (Miletić, 2008, 4-5).

By the 1990s, deindustrialization was characteristic for the developed countries. East-European countries were in the worse position, comparing with the west-European countries. Along with the challenges and problems, above all of the economic globalization (and especially globalization of industry), the countries faced huge structural changes, caused by the fall of communism and transition towards market economy (change of proprietary, sector, organisational, spatial structure). The transformation of ex-communist countries from the centrally planned economy to market economy, led to the dramatic changes in their political, economic, social and ecological development. And while some regions were able to gain the advantage of the new situation, the others, faced with the serious problems, weakened significantly their position in local and regional frameworks[60]. The tempo, direction and size of changes caused broad regional variations among countries on the international level, among cities and regions on the national level, among municipalities on the local level. How much the space, place and location can be re-evaluated on different geographic scale, is the result of the complex interaction, integration or conflict between the internal and external forces (Hamilton, 1999, 1350). The metropolises and capitals are determined as "leaders" for their diversified economy, qualified labour force, good infrastructure and existence of many institutions, good position in socialist economy and positive reaction to transformations[61]. Although they are large industrial centres, they achieved important progress towards modernisation and industry restructuring, while the reduction of job opportunities in the traditional production was compensated by opening new jobs in competitive industries and/or servicing sector. The industrial cities and regions which, opposite to "leaders", reacted negatively to the transformation are "losers" in the spatial development. They are characterised by specialised production, abandoned land and low qualified structure of labour. Nevertheless, the metropolises and capitals have continued positive continuity of development, even in the newly risen circumstances, and they still represent economic poles of growth.

Great structural changes that were happening in the economies of the countries in transition since the end of the 1980s also happened in Serbia, but with many specific features, due to different historic heritage and circumstances in which they were begun. Namely, Serbia entered the process of the economic transition later than other post-communist countries. Disintegration of the former Yugoslavia followed by the economic and market breakdown, wars, the economic blockade and sanctions, bombing, deepened dramatically the political and economic crises during the last decade of the 20th century. "The state of crises led to the decline of employment, especially in the secondary activities, large production centres bankruptcy and structural crises of economy

[60] On the impact of globalization and transition on transformation of cities and regions in Central and Eastern Europe, see: Horvath, G. (ed) 2000. Regions and cities in the Global World, Pecs: Hungarian Academy of Sciences-Centre for Regional Studies; Hamilton, F.E.I. 1999. Transformation and Space in Central and Eastern Europe. The Geographical Journal, Volume 165 part 2; Hamilton,F.E.I.,Dimitrovska Andrews K., Pichler- Milanović, N. (eds) 2005.Transformation of Cities in Central and Eastern Europe: Towards Globalization. United Nations University Press; Enyedi, G.(ed) 1998.Social Change and Urban Restructuring in Central Europe. Budapest: Akademiai Kiado; Mrak, M. 2000.Globalization: Trends, Challenges and Opportunities for Country in Transition. In: Globalization and the Integration of Industry in the Region, Session I, UNIDO; Lorbel, L. 1999. Economic Transition of Slovenia in the Process of Globalization. Geographic Collection of papers XXXIX etc; the researcher paid special attention to the problems facing the industrial cities and regions in postcommunist countries.

[61] Analysing the spatial development of the region, Gorzelak (1998) identified four types of regions, based on the position in socialist economy and reactions to transformation processes: leaders, losers, winners, and retarded regions. The first two types had a good position in socialist economy, but reacted contrary to transformations. On the other hand, tourist and border regions had bad position in centrally –planned economy, but due to its positive reaction to transformations, they are marked as regions-winners, while rural and peripheral regions are marked as stagnant or retarded regions, due to the bad position in earlier and negative continuity in later development (Gorzelak, according to Lintz,Muller,Finka,2005, 5).

of the whole country, especially industrial centres and regions" (Grčić, Ratkaj, 2006, 97). Although the crisis of industry is present in all ex-communist countries, it has never been so much tumultuous and destructive as in Serbia. Speaking on the realization of the Spatial Plan of the Republic of Serbia, Zeković S. (2008, 73) stressed that, due to numerous socio-economic problems, conditions and difficulties of the last period, "one can note the dynamic development of the metropolitan area, while the growth of the not-fully developed regions, border regions, depopulation areas is in the significant variance".

The local, political and economic circumstances in the country in the last two decades, also including its transformation, limited the urban development of Belgrade. Belgrade is the metropolis with the legacies that were often limited in development, and with the developmental opportunities which inner and outer circumstances put aside, insufficiently or completely unused. Furthermore, the collapse was strengthened by the large number of refugees and displaced people, uncontrolled illegal construction, chaotic private initiatives in all fields of the economy with the collapse of the vital technical systems, transportation especially and basic economic capacities. According to the Report on the State of the City of Belgrade (2006, 8-11), the following radical changes are of the crucial significance for the city of Belgrade:

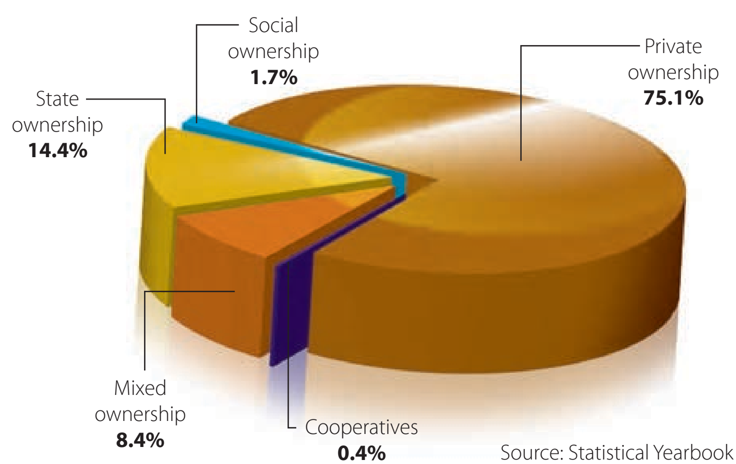
- the change of technological (development and usage of knowledge and intensive technology information) and production systems (growth of participation of service activities on account of processing activities), on one side, and changed forms of consumption, on the other side (growth of services, high-quality products, continually innovative design....);
- production systems in the world are becoming more integrated and open;
- loss of market due to sanctions against Serbia and open markets and development of economy of ex-communist east-European countries;
- by disintegration of the SFRY, the city of Belgrade, in the developmental sense, got the competitors in the capitals of the newly-formed and ex-communist countries;
- the investment in production, infrastructure and urban activities was insufficient during the last decade of the 20th century;
- the city of Belgrade has still remained the vital point of migration within Serbia; the migrations are intensified by immigration from the newly-formed countries, which caused the additional problems for the development of the city, among others, the rise of unemployment, etc;
- the change of property system and the process of the socio-economic-political transition retarded the dynamics of the economy and infrastructure development and generalised new problems in the city development;
- new production system and new understanding of things make education highly competitive and profitable, especially university education; the same thing is with the health service; culture may also have the important economic and developmental role;
- the developmental potential of the large city is not only in its size and chances for employment and business but in the quality of life, too-from there comes the new understanding of the problems of the environment, residence, security and safety.

The city has considerably changed its demographic and social picture, both quantitatively and qualitatively, by the dynamic changes of the population structure, with a large number of refugees and displaced persons and immigrants from the impoverished regions of Serbia, which has a significant influence on town planning and identity of the City and its parts. The investment of money is still insufficient. Disorderly city picture, illegal construction, social slams are still visible. The low material basis, political difficulties, destroyed and incompletely restored institutional system contributed significantly to considerably important retarded development. The recovery of the complex urban system (from economic, social, ecological, infrastructural and other aspects) has started at the beginning of the decade and it is still taking place with some oscillations, while the City of Belgrade has been gradually returning the image of the European metropolis and re-establishing the broken connections with the European countries, i.e. it has been gradually joining the European process of the regional integrations and cooperation in economy, culture and all other aspects.

13.2. Structural changes of Belgrade economy during transition

In the last twenty years, the economic development of Belgrade has been characterised by the similar features of the Serbian economy. The economic and trade recovery of Belgrade and Serbia has come after the recession, unstable economic conditions, transitional crisis, staff outflow, followed by the decline of gross domestic product (GDP) and employment (especially in industry), together with the obsolete equipment and technology, production loss, high level of indebtedness and illiquidity[62]. The constant increase of the economic development indicator is obvious. However, even after eight years of the recovery, GDP and living standards have still not come to the results from the end of the 1980s, but they are around 70 % of the level.(Gligorijević et al., 2008, 8).

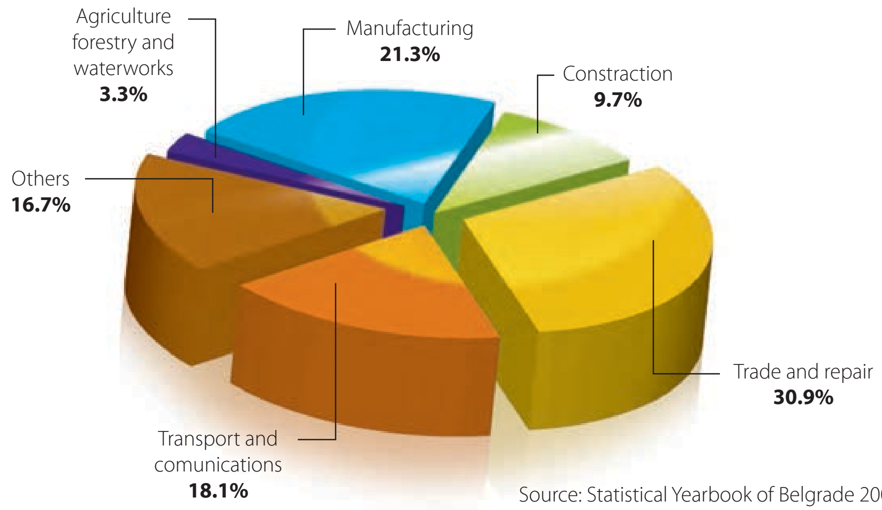
Figure 49: Structure of gross domestic (material) product by type of ownership, 2005.



Source: Statistical Yearbook of Belgrade 2006.

[62] Survey of basic characteristics of city economy was based on: Report on the state of city of Belgrade (2006),Strategy of development of city of Belgrade-objectives, concept and strategic priorities of viable development-draft (2008),Organizations and financing of the city of Belgrade-analysis and impact on urban development(2008),General plan of Belgrade 2021. (2003), Regional spatial plan of the administrative area of Belgrade (2004) etc

Figure 50: Structure of gross domestic (material) product by economic activities, 2005.

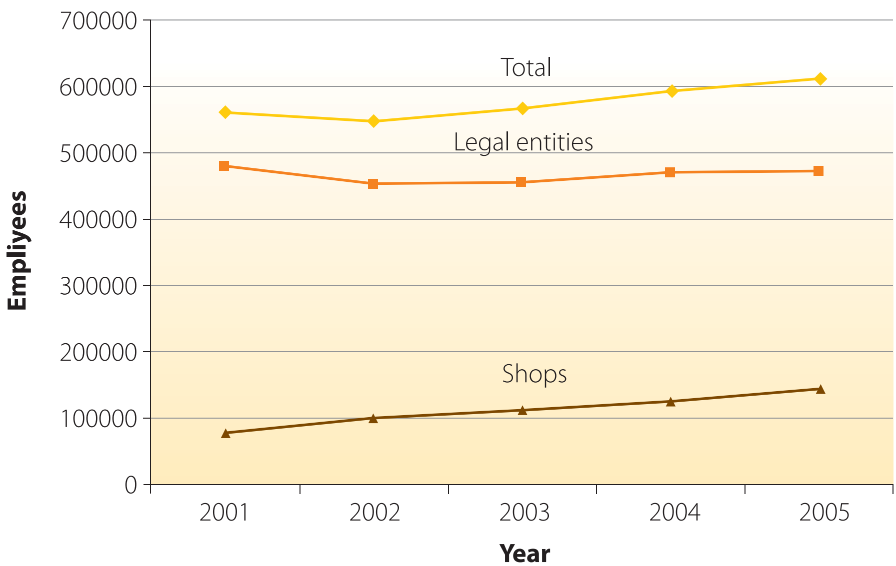


Source: Statistical Yearbook of Belgrade 2006.

In 2005, GDP was around 4.6 billion euro, or around 2800 euro per capita. The rise is considerable comparing with 2000, but still less than 1989, when, at its highest level, GDP in Belgrade was 6.2 billion euro, while it was around 4000 euro per capita. Around 75 % of the city GDP has been achieved in private sector (42 % in 2002), while 8 % in joint property (even 34 % in 2002). In the structure of GDP by sectors, the share of the tertiary sector is the highest (69 %), whereas the shares of the secondary and primary sectors are 28 % and 3 % respectively; and by the type of activity-retail and wholesale trade(31 %), manufacturing industry (21 %), traffic (18 %), while other types of activities realize less than 1/3 of GDP (2005).

The share of some municipalities in GDP is unequal. The municipalities of New Belgrade and Stari Grad have an advantage (they realise together 1/3 of GDP of the City), while the suburban municipalities are falling behind (7 suburban municipalities participate with 12 % in GDP). The municipality of Stari Grad is a business/trade centre of the City with the largest number of shops and companies, and most economic activities are held there. Comparing with the previous years, the city business activity has been moving from the centre to New Belgrade. There is a tendency of New Belgrade becoming the main city business-financial centre, for many shopping centres and main offices of foreign banks (they came on this market in 2001) are located there. The main advantages of this part of the City are huge areas of free building sites, good town-planning system and infrastructure. These are the reasons that New Belgrade is going to be attractive as greenfield investment in the future.

Figure 51: Employees in Belgrade, 2002 - 2005.



Source: Statistical Yearbook of Belgrade 2006.

The total number of employed in 2005 in Belgrade was 613.744 (30 % of total number of employed in Serbia), whereof more than 2/3 at legal entities, while less than 1/3 as self-employed, as shop owners, or employed in shops. Downward trend of employment was present from 1990 (607.619) till 2002 (551.298), when it started to rise slowly. Upward trend of number of employed in self-supporting activities started by the middle of the 1990s (the number of employed in this sector increased almost 9 times on the City level).

During the last ten years, the change of structure of employed according to the economic activities developed towards the decline of industry and mining (although still on the first place), from 27 % (1995) to 24 % (2005), while the tertiary sector had positive trend of employment, especially the wholesale and retail, from 10 % to 17 %.

Such employment structure is more favourable in Belgrade than in the Republic of Serbia, since, in percentage, the largest number of employed is in service industry, approximately 67 %, while it is 55 % in the Republic. Nevertheless, despite the positive trends, the share of service industry in total number of employed is still low, comparing with the share of this sector in some other European metropolises, for example Warsaw, Prague or Vienna (around 80 %). At the same time, there is the change of educational structure of employed (the rise of high school, junior college and university graduates from 46 % in 1990 to 60.1 % in 2005).

The changes are also visible in the territorial distribution of employed - the municipality of Stari Grad, which had the highest number of employed in 1995 (15.7 %), accounted for 12.8 % in 2005. The municipality of Savski Venac increased its share from 13.5 % to 14.2 %

and became the municipality with the largest number of employed. The municipality of New Belgrade also had more significant increase of the number of employed from 10.8 % to 13.2 %. Furthermore, more than 50 % of the total number of employed in Belgrade works in four municipalities (Savski Venac, New Belgrade, Stari Grad, Palilula). These facts support the fact that New Belgrade is becoming more and more business centre.

In 2005, the city of Belgrade had 143.294 unemployed, the unemployment rate was 20.2 % (Poll on labour force, Statistical Office of the Republic of Serbia) which can represent the long-term problem. The high unemployment rate is caused by winding up of many banks, restructuring of the large public properties, inadequate economic policy at the time before the democratic changes, as well as sanctions of the UN Security Council towards SRY. More than half of unemployed in Belgrade are seeking the job for the first time, which shows that the young population is dominant in age distribution. More than half of unemployed are women (57.8 %), while high school, junior-college qualification and university graduates personnel (50.3 %) are dominant in total unemployment.

The changes in the economy also affected the foreign trade. After the reintegration of the country into the international surrounding, the import grew faster than the export, which resulted in the continually dynamic increase of the foreign trade deficit. Despite the positive tendency of the weak export increase in 2005 and the import decrease, the level of foreign trade deficit is still high (both on the City and the Republic level), as the result of low competitiveness of domestic companies. The products of lower stage of processing (i.e. products of low value added) are still dominant in export, whereas the technological and capitally intensified products are dominant in import.

Trade recovery period is followed by the intensive investment activity. In the period from 2001 to 2006, the total volume and value of investments increased for about three times. The City of Belgrade participates for more than 50 % in total investments in Republic. According to the sectors of activities, traffic (32.7 %), state administration and social insurance (28.3 %), generation of electricity, gas and water (9.3 %) had the highest share in paid investments on the city level in 2004. The investments are the primary component of the economic development of Serbia and the capital, especially the foreign direct investments (FDI) under the conditions of low domestic accumulation. The first wave of FDI was realised in the tertiary sector. With the continuous positive results in carrying out the systematic reforms, their inflow in the primary activities can be expected, with the view to increase production and export. The highest volume of foreign direct investments has been accomplished in telecommunication (Telenor by privatization and Mobilkom Austria Group as greenfield investment), trade (Mercator, Metro Cash & Carry as greenfield investments) and banking (Banca Intesa, Alpha Bank) etc[63].

The economic structure of Belgrade, with the dominant tertiary-quaternary sector, defines its role as organisational, administrative, servicing, educational, scientific-research and culture centre. At the same time, there is industry modernization, which defines Belgrade as the significant industrial centre in the region. Although industry is not dominant activity, it was the factor of the development of Mladenovac, Lazarevac and Obrenovac within the city of Belgrade. Those centres spurred the development of industry by agglomerative forms and activities.

63 According to SIEPA-Serbia Investment and Export Promotion Agency and publication Greenfield foreign direct investments in Serbia, Centre for liberal-democratic studies (2008).

More distinct polycentrism and decentralization of the business premises (trade, catering, tourism, handicraft sector, business and financial services, and other business premises in commercial zones) are traits of commercial activities in Belgrade nowadays. The traditional urban centres of Belgrade and Zemun gradually become less significant, especially in the field of trade, and consequently the area is considered to be inadequately and insufficiently used. On the other side, the business premises have very dynamically developed in especially attractive area of New Belgrade, where the modern and large-scale business premises are being built rapidly.

Taking into consideration the expected changes in the structure of the urban economy, which are going to happen in the forthcoming period, the dominant place of trade is expected. Beside the development of some domestic chain stores, in the previous period, the foreign chains stores (Mercator, Veropulos, Metro and Merkur) entered the market. They are imposing new business standards and new requests in regard of the skills of employed. According to some estimates, after the entry of foreign chain stores and the privatization of leading domestic retail trade, the following market classification was established: foreign chain stores make 20 % of market share, big domestic chain stores make 60 % of market share, small shops retain 20 % of market share (Report on the state of the city of Belgrade, 2006).

The industry sector (minerals and quarry working, processing industry, generation and supply of electricity, gas and water) makes 27 % of the city economy GDP and involves 24 % of the employed. Processing industry (about 75 % of employed and GDP and national income on the city level) is dominant in the inner structure of Belgrade industry, while the sub-sector of production and generation of electricity, water and gas is taking the lead in the implemented investments. However, the drop of production activity is followed by the decrease of industry role in GDP and in employment of the city[64]. Demonstrated tendencies of industrial development indicate the more modern economic city structure in conformity with duties of the metropolis, where service industry of the city economy is going to strengthen and production-processing industry is going to decrease. The trends are followed by the structure of employed with the explicit problem of fictitious and latent employment, especially in industry. The highest concentration of industry is in the centres of the municipalities, with the very low dispersion of industrial capacities in other areas[65]. The changes in the structure of processing industry are visible- labour-intensive production (clothing, yarn and textile, leather and fur industry) has been abandoned, and the production based on knowledge and development of new, technological and innovative services has been developing. Industrial activity develops

[64] Grčić,Ratkaj (2006, 98) pointed to the collapse of industry in Serbia and in Belgrade, presenting the figures that the number of employed in this activities was halved in Serbia in period 1988-2005 (from 947.984 employed to 451.700); the biggest reduction in absolute number was realized in big industrial centres(reduction in Belgrade was 76.280),with huge differences inside the Belgrade region-the biggest negative changes happened in the municipalities Rakovica, Zemun, Palilula, where mechanical, textile and other traditional branches are located(the areas mostly affected by negative effects on business at the end of last century and slow transformational processes during this decade).

[65] In spatial-functional structure, one can separate: 1) Belgrade as the essential part of development of industry with very diversified industrial structure; 2) Lazarevac-area of very high concentration of industry based on mining- power complex and industry based on development of extra-active industry, the centre of industry is outside the municipality seat; 3) areas of higher level of concentration of industry: Obrenovac with strategic electric-energetic complex and Mladenovac with diversified structure of industry; 4) municipalities Grocka and Surčin with growing significance of production activities and especially activities connected with warehouse and distributive functions(due to their position on inner-outer traffic routes), 5) municipalities Barajevo and Sopot have low industrial activities with growing trend of development of entrepreneurship (Miletić, 2003, Regional spatial plan of the administrative area of Belgrade, 2004). The differences in importance of industry in economic structure are obvious among the 10 central-city municipalities, for example, industry in Zemun, despite the absolute and relative decline, still has the important role; the industries in Voždovac, Palilula, Čukarica and

in numerous industrial and business areas. In most areas, industry is dominant and represents the factor of agglomeration of other activities. The most important areas are situated in the peripheral or edged parts of the continually developed city area in the vicinity of main and regional roads. One of the city advantages is the functioning of Free Zone of Belgrade (area of 8 hectares), with many economic activities (processing, warehousing, trade, etc). It is potentially the most dynamic form of agglomeration and generation of development in spatial-urban structure of the cities and wider surroundings, which is particularly emphasised in the Spatial Plan of the Republic of Serbia.

From the aspect of the city economy structure, the following conclusions can be drawn (Report on the state of the city of Belgrade, 2006):

- the more favourable structure of the economic activities comparing with the Republic (the tertiary sector makes about 70 % of the city GDP). The structure of the economic activities is more favourable in the urban municipalities than in the suburban municipalities (agriculture, mining and industry are dominant in the suburban municipalities, trade, civil engineering ,traffic and other activities of service industry are dominant in the urban municipalities);
- taking 100 most successful companies, 38 are on the territory of Belgrade and make about 44 % net domestic profit;
- trade is the dominant economic activity on the city level (about 1/3GDP), with the tendency to be the basic holder of city economy in the forthcoming period;
- the most important energy resources in the country are in the Belgrade area (Obrenovac, Lazarevac). Mining industry is based on extracting lignite (Lazarevac). Food-processing, metal, and chemical complexes are dominant in processing industry. The following branches of industry distinguish themselves as propulsive: food-processing industry (milk, meat, vegetable, confectionery, and beverage industry), chemical industry (pharmaceutical industry, paints and varnishes industry, cosmetology, lubricant industry), metal-working industry, electrical manufacturing industry (telecommunications, refrigerant and measuring equipment), non-metals and building material (blocks and ceramics), paper industry, printing industry, graphic arts industry and recycling of raw materials;
- Belgrade is one of the few cities which can satisfy the needs for food industry by its own capacities in the primary agricultural production, as well as by its capacities for processing the basic agricultural products;
- the powerful expansion in building has started from 2001 and it is estimated the activity will demonstrate rising tendency furthermore;
- in accordance with its geographic location (cross of roads, railways and corridors, and position at the banks of two rivers), Belgrade has considerable potential for traffic development;
- tourism in Belgrade is on low standards in spite of high potentials. Belgrade has a chance to become congress, administrative, business and tourist centre of the region.

Moreover, one of the very important characteristics of the city economy towards the formation of the modern economic structure is privatization and restructuring of the existing companies and forming the new ones. In addition to the companies that were

Zvezdara have the significant role, but with the tendency of decline of significance; the industry in Rakovica stimulated the development during the intensified industrialization, but, nowadays, it has rapid downward trend; in municipalities Vračar, New Belgrade,Savski Venac and Stari Grad industry does not have important role in economic structure(less than 25%,even below 10%in structure of employed and GDP) (Miletić, 2003). It should be mentioned that the characteristics of so-called "negative deindustrialization" (one of the forms of deindustrialization according to Rowthorn, Wells, 1987) are still present. They were characteristics of other countries at the first years of transition, and their features are: worse characteristics of economic sector, retarded output and productivity of the sector, which results in decrease of competitiveness of the products; on the other hand, redundant workers from industrial companies cannot work in service sector.

privatised by method of being taken over by the employed (act from 1997) and whose minority parcels of shares are sold on Belgrade stock exchange, there is a group of about 500 Belgrade companies which is going to be privatised by The Law on Privatization from 2001. The auction sale, from the anticipated 464, was carried out for 262 companies (56 %).The sale by tender, from the anticipated 36, was carried out for 8 companies (22 %). Moreover, 14 Belgrade companies are expected to be privatised by restructuring. Still, the privatization has reached not a half of the business sector. The competition of the process of privatization is the basic supposition for creating the efficient real sector which can provide the rise of the competitiveness of the Belgrade economy.

Table 41: Privatizations in real sector on the territory of Belgrade, February 2006.

Method of privatization	Status	Number of companies
Tenders	Sold	8
	Unsold	28
Auctions	Sold	262
	Unsold	202
Selling of minority shares		168
Restructuring		14

Source: Agency for Privatization, according to the Report on state of the city of Belgrade, 2006.

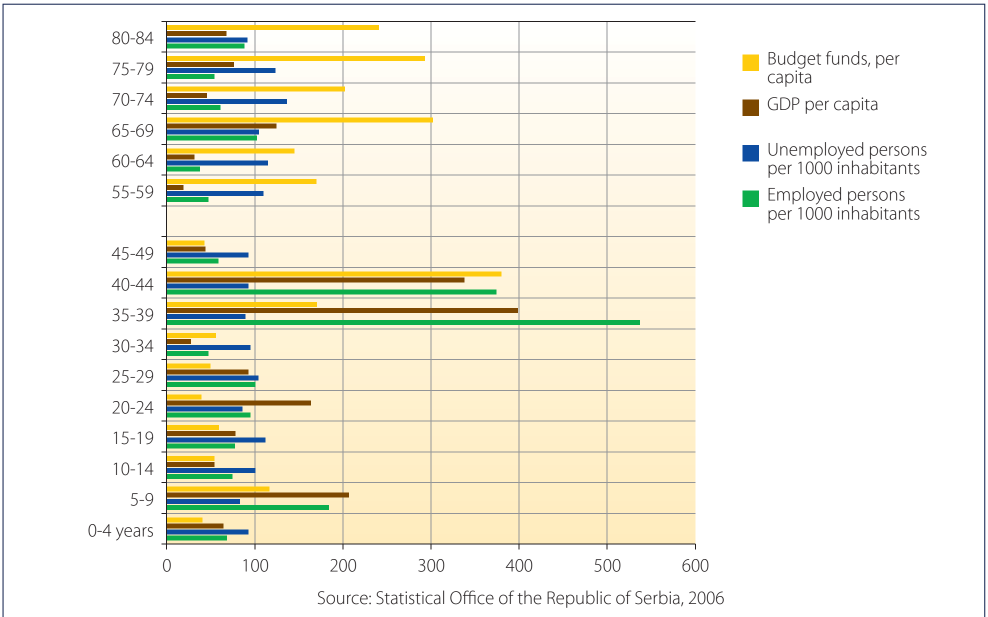
There is a considerable number of public companies which need restructuring (financial consolidation, organizational restructuring with the solution on the problem of redundant labour) and choosing the right modality of the future functioning through the privatization or administration by the city management or special arrangements (for example, the partnership between public and private sector).

After more than a decade of Belgrade economy devastation (country devastation, as well), the growing trend of GDP testifies on the intensified trade recovery of the City, especially from 2001, with the private property domination, while in the structure of the activities, the tertiary sector dominates. The number of legal persons in Belgrade considerably increased-from 67.542 in 1995 to 86.941 in 2005. Nevertheless, approximately 84 % of companies are in private property, whereas the companies with foreign or joint capital make around 10 %. The largest number of legal persons, even 46 %, is in trade, followed by financial and commercial services with 16 %, industry and mining with 10 %. The largest number of legal persons in the territorial structure is concentrated in the municipality of New Belgrade (17 %). Additionally, the trend of the increase of number of shops from 44.124 (2000) to 53.003 (2005), indicates the growing significance of the entrepreneurship as an organizational form of the economy; 142.852 people are engaged in relation to 100.449 in 2000. At the same time, the change of interrelationship of these two categories of the economic entities is proceeding, in favour of employed in shops with 84 %:16 % in 2000 to 77 %:23 % on the City level. In the municipalities of Barajevo, Grocka and Sopot, the dominant number of employed is in shops (in the Sopot municipality even about 80 %). This is the illustration of the role of the market mechanisms of the allocation of the new economic matters in the metropolitan area of Belgrade.

13.3. Evaluation of state and problems in development of city economy

One of the key weaknesses of the city economy is low economic competitiveness : the process of privatization of social companies is not finished, it is at the very beginning in the companies with the state capital, the process of production restructuring is retarded, while the process of the specialization is not expressed, the underdeveloped business on the market principles (underdeveloped institutions with market structure, insufficient number of powerful companies, especially small and medium-size companies as bearers of development, just initial forming of clusters as efficient instruments for strengthening the competitiveness of companies and the region, technological backwardness)[66]. The inadequate structure of industry, insufficient representation of propulsive production segments, implementation of innovative technologies and ecologically acceptable products, redundant labour are especially unsatisfactory. The unevenness in the concentration of the economic capacities (they are primarily located in the inner city area and in the centres of the municipalities in the outer city area), the absence of modern areas for business and industrial activities (for example industrial/technological parks, incubators etc) are present in the territorial organization.

Figure 52: Selected indicators of socio-economic development 2004.



Notes: City of Belgrade=100; the municipality of Surčin is shown within the Zemun municipality.
Source: Statistical Office of the Republic of Serbia, 2006.

[66] 7 According to indicators of ranks of international competitiveness prepared by World Economic Forum (WEF) in »Global Competitiveness Report«, Serbia ranks 80th (102 analyzed countries)according to index of global competitiveness, and 86th (116 analyzed countries) according to the index of business competitiveness (Report on state of city of Belgrade, 2006). As stated in the Strategy of regional development of Serbia for period 2007-2012 (2007) the value of approximate annual transitional index (European Bank for Reconstruction and Development -EBRD monitors 9 transitional indicators in structural and institutional reforms in countries in transition)is 2.7 for Serbia; even 20countries (out of 28) were more progressive than Serbia.

The second economic weakness is insufficient cohesion in the area of the City, which is demonstrated by: the important differences in GDP per capita among the municipalities, especially urban and suburban (ratio 16:1); differences in height of the government revenues per capita (ratio higher than 1:10); the level of employment among municipalities etc. The city economy is characterised by the insufficient utility equipment in some parts of the city, outstanding property-legal problems, depopulation and inadequate legal certainty. The special problem is the inadequate offer of the locations-either inadequate purpose or insufficient profitability for the investors concerning town-planning elements defined by regulation and detailed plans (Strategy of development of the city of Belgrade, 2008). Almost all offers of the locations still relate to the municipality of New Belgrade.

The following weakness is the insufficient utilization of potentials the City has - traffic, transportation and other activities, especially tourism. Moreover, there are great agricultural potentials and processing capacities which enable supplying the urban population and including the offer of large trade centres (opened in Belgrade in previous years). However, they have not been exploited appropriately, so that the activation of the territorial capacity is also inadequate: about 150.000 people are on labour market, the industrial zones are non-activated or insufficiently and inadequately used, tourist potentials are unused, hotel capacities are insufficient and often have inadequate quality and offer.

The general conclusion is that Belgrade has not used fully its potentials and resources (location, natural, demographic, infrastructural, already-built investment funds etc). The further economic development, i.e. the strengthening of the competitiveness of the City of Belgrade and the more complete mobilization of the territorial capital will greatly depend on removing the obstacles that retard it and make difficult: the slowness of the process of integration in EU, political instability, ineffective transformation processes, incomplete legal framework of the economic development, further polarization within the Belgrade region, absence of partnership between public and private sector, deficiency of funds(especially FDI), slow change and inadequate specialization in the production and service industry (traffic, tourist, etc.); inadequate attitude to natural resources and high-quality economic infrastructure; passiveness and lack of particular programs for attracting the investors and using the specific-purpose funds (domestic and foreign); non-competitiveness of prices, quality of products and services; insufficient co-operation among the municipalities on the area of the City and the institutions of the surroundings, among the economic agents (industry, agriculture, tourism, trade, finances etc); potential conflicts between the various users of the area and high level of the environment endangerment.

13.4. Transformation of spatial structure of city economy - new poles of development in urban structure of Belgrade

Under the pressure of global processes of the economic development, the transition of the socio-economic system towards the market economy in Serbia, influences, among others, the new economic poles in urban areas, the changes in the spatial distribution of the cities, the new location-spatial forms of industry, the servicing activities etc (Zeković, 2008, 61). These mutually connected changes are the most impressive in the spatial-economic structure of Belgrade. Beside the processes of deindustrialization and the tertiary process, the privatization of the public companies plays the important role, as well as the investments (either as greenfield or brownfield investments).

Due to the general trend of moving the production from the city centre to the periphery, as well as the locations of both new production and servicing capacities, the new poles of the development are being formed in the periphery belt of the City (Zeković, 2008, 67-69). Two basic types of the economic poles of the development in urban environment are:1) 'dynamic'-shopping centres, developing airport zones , technological parks, zones of business-commercial activities in the urban periphery and 2) "stagnant"-traditional industrial, working zones, military installations etc, with the largest number of industrial brownfields. The new poles of development are the mixture of old regional models (reconstruction of neglected industrial locations-brownfield) and creation of new location-spatial and development models in the urban tissue (greenfield). Moreover, the construction of new business facilities at new locations in the edged parts of the city, very low utilization level and conversion of industrial zones and complexes are the dominant trends. According to the figures of Investment Climate Assessment (2004), new 20.000 hectares of building land (agricultural land) in the periphery area of Belgrade were occupied by 'new wave' of the construction. On the other hand, the various problems and restrictions burden the activation of brownfield locations. The point in question is often about companies in bankruptcy, burdened by property rights, not yet privatized and /or on neglected locations. Their reactivation is slow and expensive. Moreover, it is about the vast areas in urban complexes that need revitalization.

According to the location-developmental potential, the areas at inner-outer traffic routes, near the highways, ring roads, meeting places of roads of different level, where many attractive locations are activated for building the facilities of large capacities (shopping centres, hypermarkets, shopping malls, modern industrial zones-Gornji Zemun, Highway etc) can be distinguished. The forms of decentralization also include the centres of new settlements, transformed local centres, smaller commercial activities in the very city tissue, special business complexes, etc. It is realistic to expect the gradual transformation of the existing economic zones, especially those located centrally, into service-commercial centres (distribution centres, servicing centres, large trade centres). The commercial activities already have and are going to have even more important role, as the basic originators of development and change, i.e. originators in approaching the economic structure to the level of the development in large European cities. The polycentric system lowers the costs of communication and balances the development, spurs the city cohesion by standardizing the layout of the business premises on the whole territory of Belgrade (The Strategy of development of the city of Belgrade, 2008, 41).

It has already been mentioned that the area of New Belgrade has been very attractive for the development of the servicing-commercial activities (GTC business centre, Airport City Belgrade, Delta City, Merkator, Imocentar, Belexpo etc) due to large areas with the existing infrastructure. The following locations are the most significant for brownfield investment in Belgrade: business-warehouse zone at the banks of the Danube (from the

Port of Belgrade to Ada Huja) as very attractive for the transformation into the commercial-recreational zone; the areas on the Sava amphitheatre (for decades projected for the transformation into the main Belgrade commercial zone) and many other locations within the urban tissue and the centres of the development of outer city area.. The concentration of the economic activities increases along the highway from Belgrade to Batajnica, Novi Sad, "Nikola Tesla" airport, Dobanovci, Zemun, road to Pančevo. The dislocation of the business and warehouse capacities from the business zone around the port of Belgrade to the Surčin-Dobanovci business zone can be noticed, which is becoming the very important centre for the logistic-distribution services due to very good accessibility (meeting place of Corridor X and Belgrade ring road, close to the airport, favourable grounds for building etc).

Beside the area within the borders of Belgrade, the metropolitan periphery is becoming extremely attractive for agglomeration of business activities (for example, the zones along the highways Belgrade-Novi Sad, Belgrade-Zagreb, Belgrade-Nis, along the Ibar route, the Avala route, the Zrenjanin route, etc). The significant concentration of the economic activities developed at the border of the Belgrade agglomeration, near the highways, in the adjoining municipalities with better transport and communication with Belgrade and with efficient business and investment-orientated local government.

As regards the modern spatial forms for business activities (e.g. industrial/technological parks), or the forms for supporting the development of small and medium-size companies and creating the conditions for the commercialization of the research work, on the territory of the city of Belgrade, the scientific-research park 'ICSE'-Institute for Chemical Sources of Electricity in Zemun (2006) was founded as the first in Serbia in fields of technical-technological studies, as well as Business-Technological Incubator of the Technical Faculties in Belgrade (2007). By the spatial and town-planning documents, the modern forms are expected in Lazarevac, Surčin, etc. As for the support of development of small and medium-size businesses, in cooperation with the Regional Office for Development of Small and Medium-Size Businesses of Belgrade, Belgrade Chamber of Economy and other relevant city and regional institutions, there are offices for the support of the local economic development in several municipalities (Voždovac, Obrenovac, Transitional Centre of "Kolubara" mining basin in Lazarevac, Obrenovac, etc).

One of the city advantages is functioning of Free Belgrade Zone (area of 8 hectares), with numerous users (79) and economic activities (processing, warehousing, trade, informatics, pharmacy etc) and around 600 employed. It is the dynamic form of agglomeration and generation of the development in the spatial-urban structure of the cities and broader encirclement.

13.5. The concept of spatial development of Belgrade economy - towards modern spatial-functional organization of city economy

According to the Strategy of Spatial development (2001, 9), the basic objective of the development of the City of Belgrade is "organized activation of the spatial potentials of the City, based on the principles of the sustainable development with increased attractiveness and provided conditions of achieving the level of the European metropolis" by means of the conceptual organization of the economic spatial complex of the development on new structural basis. The approach of Serbia to European structures requires the change of assets and mechanisms in the system of national territory in order to overcome the economic, social and ecological problems at the time of extensive development of Serbia. As stated by Grcic (2002, 71), new domestic and foreign socio-economic, geopolitical and ecological conditions of high quality, characteristic for the end of the 20th and the beginning of the 21st century, impose the modernization of the existing model of the territorial organization of the City of Belgrade. It is connected with: 1) the use of new, integral access in the territorial organization of the settlements, 2) the use of new technologies in the construction and exploitation of the environment, 3) preservation and efficient usage of natural resources, 4) elaboration and use of differential system of enactment for the territorial and settlement organization.

The strategic developmental directions of Belgrade metropolis refer to:

- the strategy of the sustainable development of the city economy oriented on decentralized concentration of population and activities, the qualitative development as a priority, the compensation of ecological damage on the regional level on the occasion of taking new grounds for industry and residence, establishing and developing the regional system of tourist-recreational zones, the co-ordination of transport with the ecological principles of development, creation of technical infrastructure for processing and disposal of waste;
- functional territory zoning by separating the zones of special regime of functioning, so the territory of metropolis would be made of three macro-regimes: macro-regime "natural environment" with mostly natural ecosystems and tourist-recreational zones, macro-regime "rural environment" with agricultural zones and macro-regime "urbanized environment" with urban and suburban areas (including "industrial zone");
- forming system of complementary cities (centres) within the Belgrade metropolitan, for the "globalization is connected with the process of suburbanization which cancels the traditional division of functions between the urban centre and periphery" to the interest of uniting the potentials of small and medium-size centres in order to compete on the market more successfully and to join the trans-border regional initiatives with more important role of local city and municipality government in the process of planning and decision-making (Grcic, 2002, 74-76).

Under the conditions of numerous developmental restrictions, high degree of business uncertainty and initiated structural transformational processes, the better usage of the spatial benefits and overcoming of demonstrated problems and development restrictions, refer to the need of using the integral approach. The ecological dimension of viability comes into the foreground due to the concentration of ecologically highly- risky branches of industry and capacities on relatively small area of the Belgrade region and in its direct encirclement.

In the period from 2000 to 2004, the City of Belgrade revised its developmental objectives and coordinated the spatial documentation with changed social, legal and economic atmosphere through the elaboration and carrying out of two strategic plans - General Plan of Belgrade 2021 (2003) and Regional Spatial Plan of the Administrative Area of the City of Belgrade (2004). In that period, the public projects of great significance for the capital were started, such as plans and projects for highways or public transport of high capacity, projects resulted from direct foreign investments for the construction of business, commercial and residential zones (Gligorijević et al., 2008). In recent times, The Strategy of Development of the City of Belgrade (2008) was made with the aim of more qualitative development of the City. Additionally, several sector strategies of the development (tourism, agriculture, trade) are in the process of adoption.

According to the Draft Strategy of Development of the City of Belgrade (2008), the basic developmental principles refer to the growth of competence, identity, cohesion, polycentrism, accessibility and promotion of the city government. The concentration of the development of the city economy includes orientation towards new, modern business-service structure and development of wide spectrum of the productive, sustainable, payable and propulsive economic activities. The main objective of the city economy is the continuous, dynamic, co-ordinated and competitive growth and development fitted into global visions and trends of the development of Europe and the world, trans-regional integration flows and international division of labour. The development is based on the principles of the sustainability and cost effectiveness, knowledge, market-proven quality of goods and services, strategic comparative advantages of the City and recognizable identity in the regional frames. The completion of the basic strategic objective of the economy of the City is closely connected with the realization of the following operational goals and tasks:

- use the existing potentials of the City for forming the competitive economy and providing prosperity (to make the process of restructuring faster, improve the business efficiency; develop and promote Belgrade as an innovative, traffic, service and business centre; improve the city image as a favourable business environment; make high-quality partnership between public and private sectors, etc);
- provide the economic activity consistent with the city needs and potentials; consider the characteristics of the urban area: urban and historic background, new business and shopping centres, industrial/technological parks, production zones, tourist zones, rural areas, brownfield areas, etc.; support the development of smaller urban centres; find balance between the development of services and production, etc.;
- provide the financial resources for the realization of the strategic objectives: use rationally the property and the existing financial resources; consolidate the financial-investment potential from its own sources of income and by partnership with the private sector ,especially on strategic infrastructural projects, define the relationship among municipal and city budgets and other public funds in satisfying the specific needs of the City, use the instruments of fiscal, land and communal policies for attracting and directing towards brownfield and greenfield investments;
- provide the higher employment, as one of the most significant indicators of the economic and social development: opening an ever expending number of high-quality jobs based on the entrepreneurship, innovations and investments in capacities, developing the stimulating investment ambient as the support for starting the business, permanent investment in people, self-employment, employment of trainees, re-training and additional training, etc.

Regarding the spatial aspect, the access roads to Belgrade, highway zones, ring roads and crossroads with local roads (today less activated zones along the highways Belgrade-Novi Sad, Belgrade-Zagreb, near the Ibar Highway) will gain in importance in the forthcoming period. The formation of the new spatial structures (industrial, technological and business parks, entrepreneurship zones and complexes, shopping centres, logistic-distribution centres, etc) is being expected. Moreover, the gradual transformation of the existing business zones (brownfield locations) is imminent, especially those near the central parts of the city, which will get commercial and other acceptable urban contents (distribution centres, servicing centres, big shopping centres).

The development of infrastructure, investment in knowledge, stimulation of the development of small and medium-size companies, promotion of system of public investment, will be the mechanisms by which the City and local communities can influence the change of the existing economic structure. In such a way, the conditions can be made for more comprehensive inclusion and economic valorisation of unused capacities and territorial capital on the whole area of the City.

The Belgrade urban agglomeration has dominated in the spatial structure of Serbia with 21 % of population of Serbia, 40 % of population with college degree, 30 % of total number of employed, 40 % of employed in service sector and 35 % of Serbian GDP (2005). The unfavourable tendencies of the city economy development, shown at the end of the last century (disintegration of the former Yugoslavia, market reduction, wars, economic blockade, bombing, large number of refugees and displaced persons, economic collapse), are followed by the transitional phase, which is, starting from the market model of development and integration of sustainability, oriented towards reaching the higher level of the functional integration and competitiveness of the Belgrade metropolitan area.

The demonstrated tendencies of the economic development during the last few years, have pointed to the formation of more modern structure of the economy of the City, consistent with the functions of the metropolis. The service sector of the city economy is still going to strengthen comparing with the reduction of the production-processing sector. Thus, deindustrialization and the tertiary process are becoming the recognizable city economic features by the middle of the decade. Moreover, the transformation of property structure is evident with the significant share of the private ownership and the trend of development of small and medium-size companies and entrepreneurship. Besides the progress, the low competitiveness of the city economy is still evident (retarded processes of restructuring on all levels-ownership, sector, technological, organizational etc), cohesion of the city area is insufficient, uneven development, insufficient use of the potentials for the economic development. The transformation of the economy can be seen through the changes of its spatial dimensions. The new poles of the development appear as the combination of old spatial models (by reconstruction of neglected industrial locations-brownfield) and creation of the new location-spatial and developmental models in the urban tissue (greenfield)-shopping centres, hypermarkets, shopping malls, business parks, initial founding of industrial /technological parks, etc. In the spatial-functional structure of the City of Belgrade, according to the location-developmental potential one can distinguish the space on inner-outer roads, near the highways, ring roads, meeting places of roads of different rank where many attractive locations for building high-capacity facilities have been activated.

The concept of the development of the city economy includes the orientation towards new, modern production-service structure, based on the principles of the sustainability and market, with the orientation to decentralised concentration of activities and polycentric development. With the view of more efficient, uniform and high-quality development, the strategic developmental and spatial-planning documents have been adopted during the last few years or they are in the process of adoption. They revised the development objectives, coordinated with the changed social, legal and economic setting-General plan of Belgrade 2021 (2003), Regional Spatial Plan of the Administrative Area of City of Belgrade (2004), Strategy of Development of the City of Belgrade-draft (2008) etc.