

FINANCIAL POSITION AND FACTORS OF FURTHER DEVELOPMENT OF SERBIAN DEFENCE INDUSTRY - CASE STUDY “YUGOIMPORT SDPR” J.P. THROUGH PROTECTION OF CRITICAL INFRASTRUCTURE

Nikola Vidovic^{1a}, Jovana Pejicic², Hatidza Berisa^{3b}

¹ University of Defence in Belgrade, National Defense School, Veljka Lukica-Kurjaka 33,
Belgrade, Republic of Serbia, vidovicnikola.finance@gmail.com

² University of Defence in Belgrade, Military academy, Veljka Lukica-Kurjaka 33, Republic
of Serbia, jovana.pejicic.va@gmail.com

³ University of Defence in Belgrade, National Defense School, Veljka Lukica-Kurjaka 33,
Belgrade, Republic of Serbia, berisa.hatidza@gmail.com

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Abstract: The Serbian defence industry is a group consisting of 7 state-owned enterprises, which are under the Ministry of Defence and represent a vital industry branch today, which ensures continuity in the supply of defence resources to all security forces at the national level. With the development potential of the defence industry, Serbia's security and economic stability is closely linked, and in a context of constant threats and risks and to integrity, it is a significant segment of national security policy. In this paper, the analysis of the financial position of the companies from the group of the Serbian defence industry, focusing primarily on the public company Yugoimport SDPR, examines the economic possibilities of these entities and subjects. Through the analysis of the ratios of indicators, primarily the indicators of liquidity, efficiency and business performance, shows the current state of the company, where appropriate measures are proposed, which the Government of the Republic of Serbia, through the Ministry of Defence, can take, to increase the contribution of these companies to the entire economy, and also an incentive for further sustainable development. Adequate business policy will affect the business of these companies and exploit the development potential that exists, while in particular with Yugoimport SDPR J.P. - the holder of Serbian defence industry, will maximize profit and export potential.

Key words: Finance, Economics, Defence, Industry, Yugoimport, Serbia

^a ORCID: [0009-0000-8148-9271](https://orcid.org/0009-0000-8148-9271)

^b ORCID: [0000-0002-9432-5273](https://orcid.org/0000-0002-9432-5273)

1. INTRODUCTION

National security and security in general, as a very important segment, emphasize critical infrastructure. Infrastructure was viewed as a logistical function that provides favorable conditions for quality performance of other logistical support functions. By increasing the risk of asymmetric threats, especially terrorism, in modern theoretical analyzes, and in practice, the critical infrastructure is becoming more and more present. Critical infrastructure is systems, services and assets, whether physical or virtual, so important for society's well-being that the disruption or destruction of such systems and property seriously affects the health, safety or economic well-being of citizens and the effective functioning of government (Skero & Ateljevic, 2015). The objective of this paper is to provide a systematic view on the problem of vulnerability, and risk analysis of critical infrastructures of Serbian defence industry through financial performance analysis. Reflections are made on the inherent complexities of these systems, related challenges are identified and possible ways forward for their analysis and management are indicated. Specifically: the framework of vulnerability and risk analysis is examined in relation to its application for the protection and resilience of critical infrastructures of group of six entities of defence industry of Republic of Serbia; it is argued that the complexity of these systems is a challenging characteristic, which calls for the integration of different modeling perspectives and new approaches of analysis (Bouchon, 2006), the integration of different types of analyses and methods of system modeling is put forward for capturing the inherent structural and dynamic complexities of critical infrastructures and eventually evaluating their vulnerability and risk characteristics, so that decisions on protections and resilience actions can be taken with the required confidence (Zio, 2016).

Firstly, we have to define, what are objects for analysis and what are main entities of critical infrastructures. They are large scale, man-made systems that function interdependently to produce and distribute essential goods (such as energy, water and data) and services (such as transportation, finance and health care). An infrastructure is termed critical if its incapacity or destruction has a significant impact on health, safety, security, economics and social well-being (Council Directive 2008/ 114/EC). A failure in such an infrastructure, or the loss of its service, can be damaging to a single society and its economy (Carreras, et al, 2004), while it could also cascade across boundaries causing failures in multiple infrastructures with potential catastrophic consequences (Zio, 2016). Critical infrastructure must be secure and able to withstand and quickly recover from all threats, especially its segment related to the defense system and the integral segment of the military industry. To achieve this, integration with the national preparedness system in the areas of prevention, protection, mitigation, response and recovery is necessary (Obama, 2013).

2. FINANCIAL ANALYSIS OF DEFENCE INDUSTRY ENTITIES

The Defence Industrial Base Sector is the Serbian national industrial complex that enables research and development, as well as design, production, delivery, and maintenance of military weapons systems, subsystems, and components or parts, to meet Serbian Armed Forces military requirements, third countries and countries in development needs, but also requirements of some of the most powerful armies worldwide, such as U.S. military and security sectors. The defense industry in Serbia is made up of a large number of companies engaged in the production and trade of weapons and military equipment, as well as goods of double purpose, that is goods that can be used for both military and civilian purposes. These companies are both state-owned and privately owned (Radic & Radic, 2018). The Ministry of Defence of the Republic of Serbia has significant powers when it comes to companies that are

in the majority state ownership because it manages and supervises their work, in accordance with the Law on Defence.

The Ministry of Defence allocates a special group called “the Defence Industry of Serbia”, which includes seven state-owned enterprises (Ministry of defence, report, 2018). The defence industry of Serbia in the narrow sense consists of the following companies:

- HK “Krusik” a.d. Valjevo,
- “Milan Blagojevic – namenska” a.d. Lucani,
- “Prva Iskra” a.d. Baric,
- “Prvi partizan” a.d. Uzice,
- “Sloboda” a.d. Cacak,
- “Zastava oruzje” a.d. Kragujevac and
- “Yugoimport” SDPR.

Out of the group under the state leadership, or under the control of line ministries, there are another 216 companies (Ministry of Trade, Tourism and Telecommunications, 2018) that have a license for the production and trade of weapons and military equipment that closely cooperate with the dedicated defense industry as well as many other entities involved as subcontractors which are numerous institutes and faculties with professional and academic community. This group of companies is heterogeneous in terms of ownership structure, core business and size - these are predominantly small enterprises and, to a lesser extent, medium-sized enterprises, in majority private ownership, and collectively employ around 8000 persons.

This second segment of the Serbian defence industry, companies primarily belonging to the metal complex, electrocomplex and chemical complex, constitute significant organizational units and have production programs of the defense industry. Together with the aforementioned seven basic factories, they represent a strong industrial base of defense capacities.

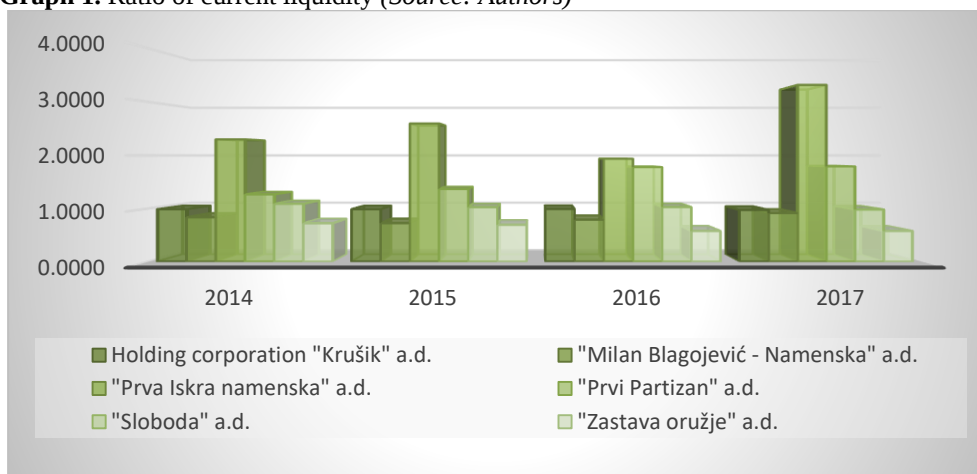
The third element, that is, the segment, with the focus primarily on the development and improvement of resources, consists of the Military Technical Institute, the Technical Expert Center and three technical repair institutes within the defense system, that is, the Ministry of Defence and the Army of Serbia.

Table 1. Comparative financial analysis of companies of Serbian defence industry in period 2014-2017 business year (*Source: Authors’ calculation based on financial reports*)

Table 1. 2017 - Business year (bottom of financials) calculation based on financial reports							
No.	1	2	3	4	5	6	
Company of Serbian defence industry City	Holding corporation "Krusik" a.d. Valjevo	"Milan Blagojevic - Namenska" a.d. Lucani	"Prva Iskra namenska" a.d. Baric	"Prvi Partizan" a.d. Uzice	"Sloboda" a.d. Cacak	"Zastava oruzje" a.d. Kragujevac	
INDICATOR	RATIO OF CURRENT LIQUIDITY						
Business year	2014	0.9871	0.8361	2.3003	1.2667	1.0889	0.7228
	2015	0.9862	0.7259	2.5965	1.3680	1.0259	0.6938
	2016	0.9919	0.7895	1.9366	1.7782	1.0279	0.5769
	2017	0.9739	0.9151	3.3162	1.7924	0.9813	0.5768
INDICATOR	BUSINESS PROFIT RATIO						
Business year	2014	-0.0181	0.1490	-0.0972	0.0801	0.1565	-0.0407
	2015	0.1400	0.1376	-0.0481	0.1702	0.0249	0.0675
	2016	0.0971	0.1745	0.1650	0.1666	0.1607	-0.0335
	2017	0.1184	0.2340	0.1476	0.0424	0.1052	-0.0128
INDICATOR	TURNOOVER RATIO OF TOTAL ASSETS						
Business year	2014	0.3277	0.4795	0.2602	0.6015	0.4398	0.2725
	2015	0.4735	0.5670	0.2927	0.7162	0.3823	0.2800
	2016	0.4701	0.7196	0.6947	0.6820	0.5034	0.2298
	2017	0.7534	0.6927	0.7222	0.4068	0.5752	0.1989

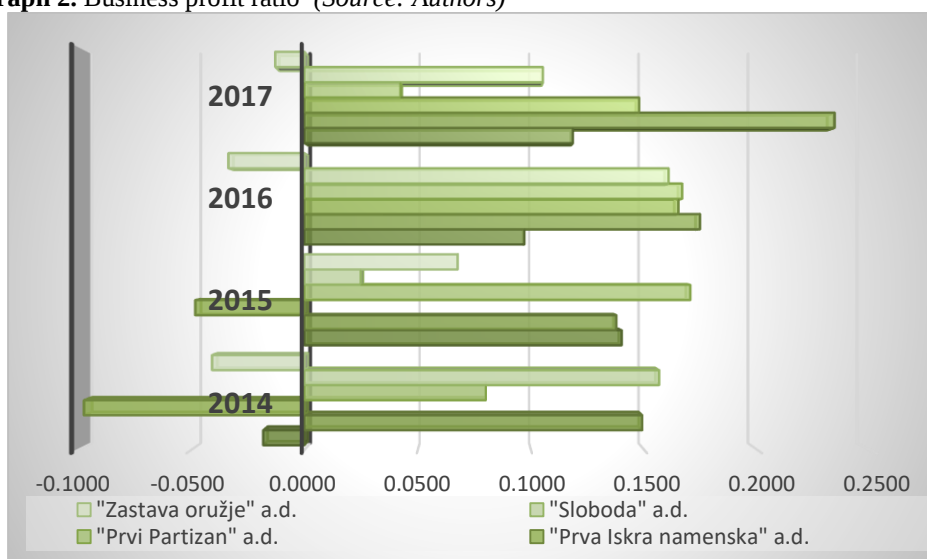
No.	1	2	3	4	5	6
Company of Serbian defence industry City	Holding corporation "Krusik" a.d. Valjevo	"Milan Blagojevic - Namenska" a.d. Lucani	"Prva Iskra namenska" a.d. Baric	"Prvi Partizan" a.d. Uzice	"Sloboda" a.d. Cacak	"Zastava oruzje" a.d. Kragujevac
INDICATOR	DEBT RATIO					
Business year	2014	0.2896	0.4783	0.6173	0.5436	0.4355
	2015	0.2760	0.4678	0.6622	0.5986	0.4229
	2016	0.2107	0.5002	0.7271	0.6894	0.3787
	2017	0.1820	0.5238	0.6804	0.4619	0.3659
INDICATOR	LEVERAGE					
Business year	2014	3.4529	2.0907	1.6200	1.8396	2.2962
	2015	3.6232	2.1375	1.5102	1.6704	2.3647
	2016	4.7472	1.9993	1.3754	1.4506	2.6407
	2017	5.4934	1.9093	1.4697	2.1648	2.7333
INDICATOR	ROE (Return on Equity)					
Business year	2014	-0.1617	0.0087	0.0136	0.1241	0.0073
	2015	0.1076	0.0146	0.0076	0.2189	0.0149
	2016	0.2056	0.1372	0.0354	0.1604	0.1143
	2017	0.3482	0.2418	0.1046	0.0701	0.0850
INDICATOR	ROA (Return on Assets)					
Business year	2014	-0.0059	0.0714	-0.0253	0.0482	0.0688
	2015	0.0663	0.0780	-0.0141	0.1219	0.0095
	2016	0.0456	0.1256	0.1146	0.1137	0.0809
	2017	0.0892	0.1621	0.1066	0.0173	0.0605

Graph 1. Ratio of current liquidity (Source: Authors)



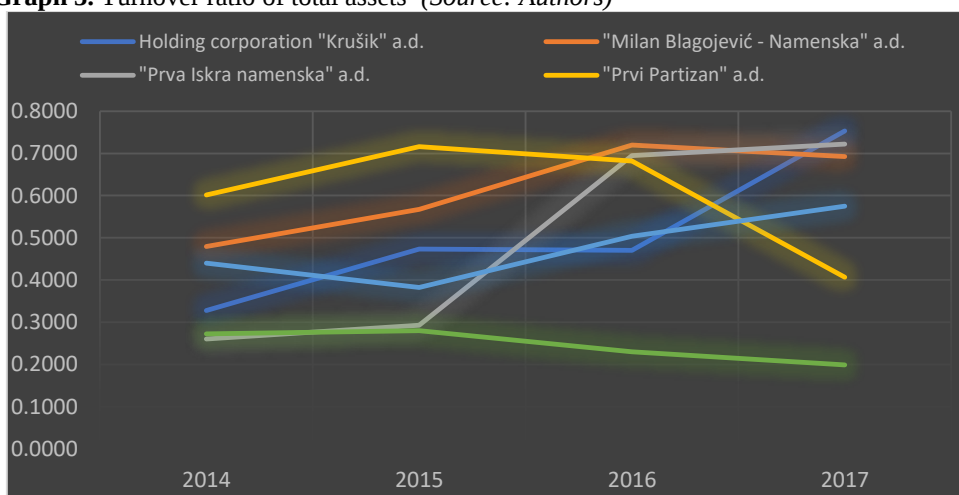
Nowadays world is moving rapidly toward globalization, and the fact is that business performance evaluation of defence industry's companies through financial analysis get its importance. The financial ratios involved in this research, provide useful quantitative and qualitative financial information so we can evaluate the operation of a defence industry enterprises and analyze its financial position within a sector.

Graph 2. Business profit ratio (Source: Authors)



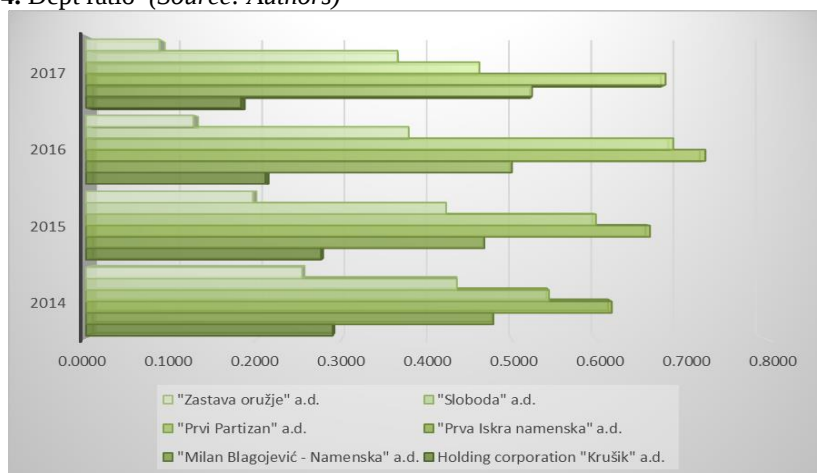
This type of analytic financial research brings awareness to managers as to which features they have to focus on. As shown in Table 1, financial analysis was carried out for 6 companies from the group "Defense Industry of Serbia" in the period from 31 December 2014 to 31 December 2017 business year, where, based on the indicators of profitability, indebtedness, liquidity and business efficiency, we can valorize the achieved results and perceive the financial position of the companies concerned. At the same time, we can also see the risk of business assets and capital, as well as the sustainability of these companies' operations.

Graph 3. Turnover ratio of total assets (Source: Authors)

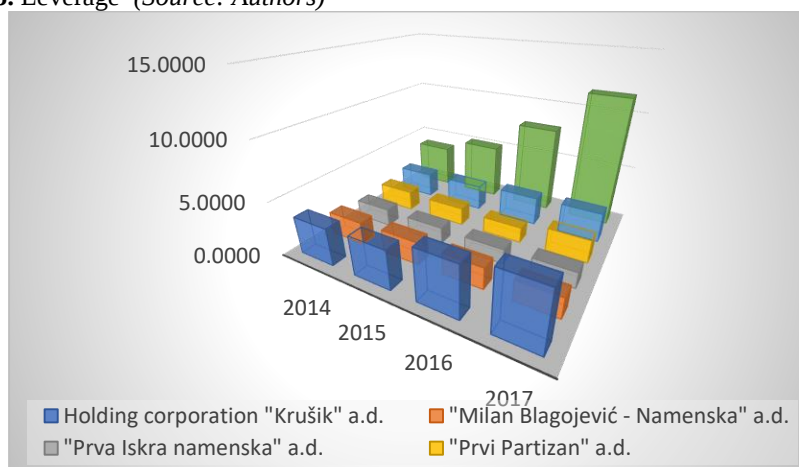


Results of research have shown influence of structural and dynamic changes in the balance sheets and income statements on business of researched subjects. Ratios as reliable indicators presents certain trends in the movement of business operations and signals for making certain business decisions in the company.

Graph 4. Dept ratio (Source: Authors)



Graph 5. Leverage (Source: Authors)

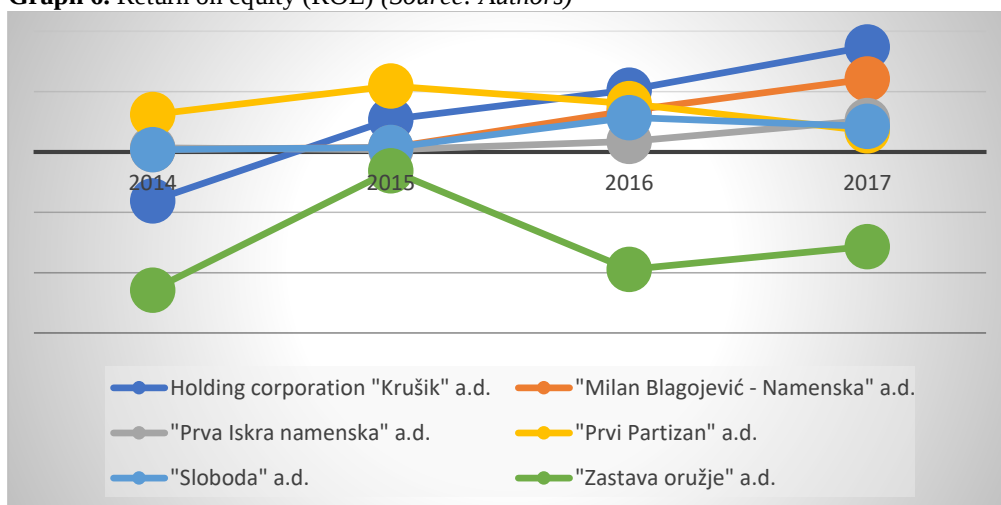


The financial leverage indicator shows the value of total capital (total liabilities) supported in a monetary unit of shareholder or own capital, and at the same time the purposefulness of the same is reflected in the fact that it limits the excessive reliance on borrowing to minimize risk taking in the search for higher yields. Indicator values in enterprises "Milan Blagojević-namenska" a.d. and "Prva iskra namenska" a.d. have downward trend, with a small level of variation of value. Constant trend of growth of this coefficient was observed in "Zastava oružje" a.d., and in the other entetites of Serbian defence industry some level of variations, which is shown in Graph 5.

The indicators return on equity - ROE and return on assets – ROA, represent the indicators of profitability, that is, the performance of the business, in which the values of these are specifically reduced to the requirement to achieve the maximum profit and return from the least engaged funds in the business process. Rate of ROE is the return on capital invested, which is obtained when the operating result is allocated to the capital, ie it is an indicator of the profitability of own capital. This indicator shows how much profit is generated on the invested equity capital, or how much the company will earn by investing the invested funds of the shareholders. The highest level of ROE have entreprice "Krusik" a.d., then follow "Milan

Blagojevic – namenska” a.d. and “Prva iskra namenska” a.d. with constant growth, which indicates great business operations, and sustain development of the companies.

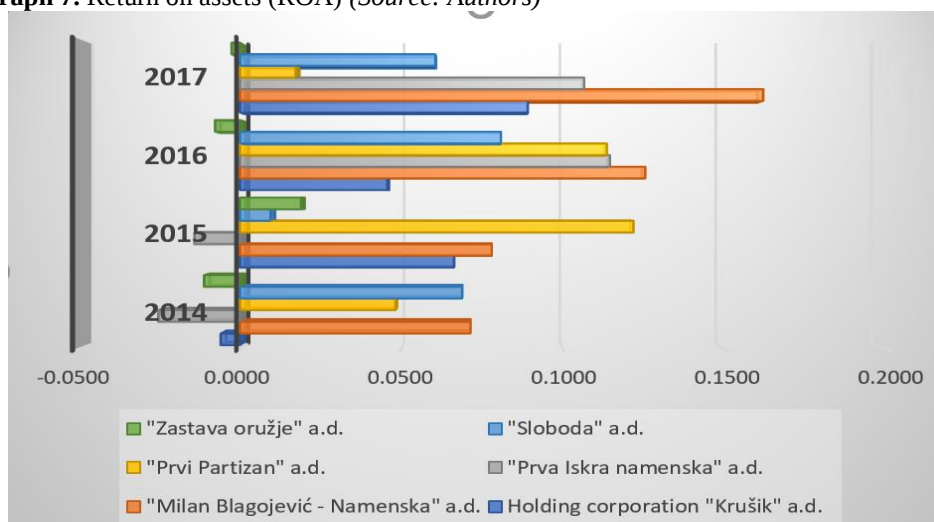
Graph 6. Return on equity (ROE) (Source: Authors)



Great variations of indicator during researched period has “Prvi partisan” a.d., company which had great business results in 2014 and 2015, and “Sloboda” a.d. The lowest value, as we can see in Graph 6 has “Zastava oružje”., with constant negative results. This is due to large customer receivables, whereby current liabilities can not be settled, which in turn affect the company's final business result and income.

The rate of return on total assets is the return on the invested assets, ie the total assets involved, ie the degree of efficiency. This indicator shows how much the company's management manages effectively in order to maximize profits.

Graph 7. Return on assets (ROA) (Source: Authors)



A comparative advantage is the systematization of experience in a rounded cycle of independent development and production of a wide range of assets, weapons and military equipment, as well as complex combat systems. Knowledge of standards for development and

technologies for the production of Eastern and Western origin. High-quality human capital is also distinguished by dedicated industries.

Table 2. Analysis of level of employment in Serbian most successful companies of defence industry in period 2015-2017 business year (*Source: Authors*)

Industry in period 2015-2017: business year (Source: Authors)								
No.	1	2	3	4	5	6	TOTAL	
Company of Serbian defence industry	Holding corporation "Krusik" a.d.	"Milan Blagojevic - Namenska" a.d.	"Prva Iskra namenska" a.d.	"Prvi Partizan" a.d.	"Sloboda" a.d.	"Zastava oruzje" a.d.		
City	Valjevo	Lucani	Baric	Uzice	Cacak	Kragujevac		
INDICATOR	Employment							
Business year	2015	1385	1121	149	933	1621	2300	7509
	2016	1922	1202	151	1541	1803	2375	8994
	2017	2615	1297	152	1546	2015	2422	10047

As shown in Table 2, based on the analysis of employment through the annual financial statements, publicly published on the website of the Business Registers Agency, it can be noticed that in the analyzed period from 2015 to 2017 business year, the level of employment in analyzed companies of the military industry of Serbia increased by about 30%, which is extremely positive. The defence industry directly employs over 10,000 people, and with the cooperation of cooperative companies it is more than 20000 people. From an economic point of view, taking into account financial analysis, the industry has been restructured, the demand for professional and junior personnel that will support further sustainable development positively affects the entire economy of Serbia.

From the aspect of critical infrastructure security, in recent years, based on the experiences and disasters that have occurred in the past, the Serbian defense industry is making great efforts in this area in modernizing the existing protection capacities, where the professional and academic public in Serbia participates.

3. FINANCIAL ANALYSIS OF EXPORT POTENTIAL CAPACITIES

Analyzing list of persons enrolled in the Register of Authorized Persons for performing the operations of export and import of weapons and military equipment, as at 31 December 2016, domestic capital prevails with about 92.06% (174 persons), while the share of foreigners is about 3.7% (7 persons), or mixed capital of about 1.58% (3 persons). Starting from the criteria established by the Law on Accounting and Auditing (Official Gazette of the Republic of Serbia, Nos. 46/06, 111/09, 99/11 and 62/13), the number of registered and re-registered in 2016 was 37.56% and 71 micro of businesses, 47.61% and 90 small ones, 7.4% and 14 medium-sized ones, 5.82%, respectively 11 large companies and 1.58% and 3 entrepreneurs. In the current year 2024, the structure and number of economic entities that have a license for the production and trade of weapons and military equipment and which are registered at the same time have changed significantly in its scope (Peric & Lijakovic, 2012). For the export of weapons and military equipment in 2016, 378 permits were issued, in the total value of about 911 million USD. Compared to 2015, the total number of licenses issued decreased by around 18%, while the total value of licenses issued increased by around USD 104 million (by around 13%).

Licenses were issued for the export of arms and military equipment to customers in 62 countries, which in relation to 2015 means that the market is narrowed down to six countries. In addition, export licenses were issued to end users in 71 countries. In the foreign trade of arms exports and military equipment for 40 countries of the final destination, agents from 23 countries participated. According to the number of issued permits, the most attractive are the

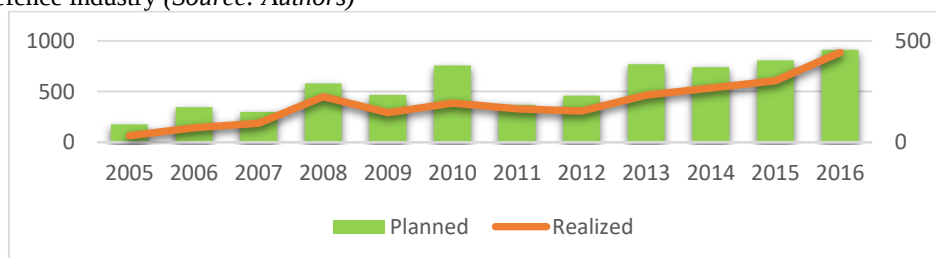
following destinations: Republic of Bulgaria (50), United States (28), Republic of Cyprus (20), Romania (20), United Arab Emirates (18), Montenegro (17) and Nevis (15), Bosnia and Herzegovina (14), Republic of Azerbaijan (13). 195 permits were issued for these 9 destinations in 2016, accounting for 52% of the total number of licenses issued for the export of weapons and military equipment (Ministry of trade, tourism and telecommunication, 2017).

Table 3. Realization of issued licenses for the export of weapons and military equipment to defence companies in the period from 2005 to 2016 business year (in millions USD) (Source: Authors' calculation based on data of Ministry of trade, tourism and telecommunication (www.mtt.gov.rs))

Business year	2005	2006	2007	2008	2009	2010
Planned	176.45	346.33	300	580.69	467.02	757.88
Realized	31.42	71.25	93.12	224.35	145.5	192.64
%	17.81	20.57	31.04	38.64	31.15	25.42
Business year	2011	2012	2013	2014	2015	2016
Planned	369.35	460.03	768.08	739.77	807.17	911.21
Realized	164.02	153.69	231.99	267.85	304.28	442.52
%	44.41	33.41	30.20	36.21	37.70	48.56

The total value of completed foreign trade activities of exports, according to the licenses issued to exporters for the first eight destinations, amounts to 733.24 million. USD, which makes up about 80% of the total value of licenses issued for the export of arms and military equipment in 2016. The value of licenses issued for all other destinations is EUR 177.97 million. USD (Radic & Radic, 2018)., which makes up about 20% of the total value of licenses issued for the export of weapons and military equipment in 2016. Observing the value of licenses issued for the export of weapons and military equipment in 2016, the most important export destination is the United Arab Emirates with an agreed value of around 20% of the total value of the licenses issued. Immediately behind the United States (the largest destination in the previous seven-year period from 2009 to 2015), with about 19% of the share in the total value.

Graph 8. Realization of the planned export of weapons and military equipment of the Serbian defence industry (Source: Authors)

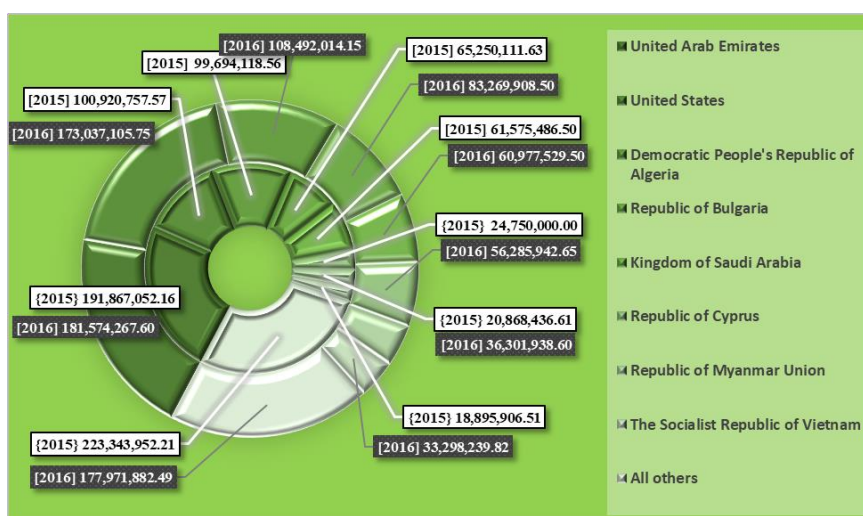


In the analyzed period 2005-2016, the total value of licenses for the export of weapons and military equipment is over USD 2 billion (US \$ 2,322.62 million). During this period, a significant surplus in foreign trade in the field of arms and military equipment was achieved, with a cumulative amount of nearly USD 2 billion (USD 1,840.46 million), which indicates the great potential of our dedicated industry. The growth of export growth is constantly exceeding the growth rate of imports of weapons and military equipment in the observed period. In 2016, the largest surplus of the trade balance from the introduction of civil control in this area was realized, amounting to 308.92 mil. USD.

As shown in Graph 8, in the analyzed period of 12 years there is a trend of growth of export of products of the Serbian defense industry, with mild variations. Observing the balance of payments and foreign trade balance, the realization of licenses issued for the export of products for this purpose is in constant growth, which has an economic impact on the country.

If we observe statistically, the number of licenses issued for export and import as well as their values has been steadily growing. This leads us to conclude that Serbia's military industry represents an export-oriented branch of industry, which has a significant surplus in foreign trade (Ilic, et al, 2015), and that the foreign trade of weapons and military equipment has a growth trend, as well as that the export of Serbian weapons and ammunition is present in the world market in taking into account that this product is exported to over 65 different countries and that export business is expanding by expanding into new markets, finding new customers and contracting new businesses.

Graph 9. Comparative analysis of export destination of weapons and military equipment for 2015 and 2016 business year (*Source:* Authors' calculation based on data from Ministry of trade, tourism and telecommunication)



In terms of value, the most important export destinations in 2016 were: United Arab Emirates (US \$ 181.57 million or about 20% of total value), United States (US \$ 173.04 million, or about 19%), Democratic People's Republic of Algeria (USD 108.49 million, or about 12%), Republic of Bulgaria (USD 83.27 million, or about 9%), Kingdom of Saudi Arabia (USD 60.98 million, or about 7%), Republic of Cyprus (\$ 56.29 million, or about 6%), the Republic of Myanmar (\$ 36.30 million, or about 4%) and the Socialist Republic of Vietnam (\$ 33.30 million, also about 4%)(SEESAC, 2018).

The main indicators of the performance and improvement of the domestic defence industry's operations are increased exports, employment of new workers and significant investment investments. Since the export of weapons and military equipment (Radic & Radic, 2018), Serbia has invested \$ 1.215 billion in the last five years, 22 and according to the opening of new companies and the growth of the defence industry, the value of arms exports will grow from year to year. One of the main indicators of the vitality and competitiveness of Serbia's defence industry is a constant trend of increasing exports.

4. PERSPECTIVES FOR FURTHER DEVELOPMENT

The development of the defence industry encourages the growth of the level of national security, as well as the security of allies from the aspect of geopolitics, while on the other hand it limits to a certain degree the intentions of the adversary, and at the same time creates opportunities to influence the moves of both foreign governments, as well as a positive stimulus to the economy, which is necessary in the economic cycle. What the Ministry of Defence focuses on, and what has been invested in recent years, is the strengthening of the competitiveness of the defence industry in the world market, and stimulates the continuous increase in exports, its increased participation in equipping the Army with complex combat systems, and the inclusion of this group of companies into the European defense and technological industrial base, in accordance with the dynamics of EU accession (Nikcevic, 2009). This goal can be achieved only by the consistent and coherent realization of the following activities: Increasing the volume of investment in the development and modernization of production capacities - which should be based on the principles of the concept of digitization of factories; Increasing and directing financial resources for the research and development of new technologies and products, Implementation of contemporary standards and criteria for the quality control of products and production processes; Optimizing production capacity; Integration and coordinated performance at the market; Improving corporate governance.

The critical infrastructure of Serbia is exposed to many types of dangers, risks and threats, such as natural disasters, obsolescence of components and frequency of failures in old and unrenovated industrial facilities, sudden increase in demand for certain products, climate change, targeted attacks and acts of terrorism and other forms of endangerment, with with a special emphasis on the southern province of the country. For this reason, the protection of critical infrastructure (CIP - Critical infrastructure protection) has gained great importance at the global level, and countries in the region, such as Slovenia and Croatia, invest extraordinary efforts in defining specific issues and laws that regulate which institutions deal with the issue in the event disaster (Lewis, 2006), where special focus is placed on the physical protection and strengthening of assets (Cimellaro, et al, 2010).

As we see from the National Infrastructure Protection Plan (NIPP), which is partially implemented in our official documents, we conclude that we must strive at the national level to build sustainable functions through clearly defined phases (U.S. Department of Homeland Security, 2013). In doing so, it is necessary to upgrade partnership efforts by setting a national focus through jointly developed priorities, then to determine collective actions through joint planning efforts, as well as to strengthen local and regional partnerships to build capacity at the national level and to use incentives to improve security and resilience. Through the risk management innovation phase, it is essential to enable risk-based decision-making through improved situational awareness, at the same time to analyze infrastructure dependencies, interdependencies and associated cascading effects, as well as to identify, assess and respond to unforeseen infrastructure cascading effects during and subsequent incidents. It is important to promote recovery at the level of the entire devastated infrastructure, the local community that depends on it - especially here we highlight a series of events that took place in Cacak, Lucani and Kragujevac as cities where part of the defense industry plant is stationed. In addition to the above, it is important to strengthen the coordinated development and provision of technical assistance, training and education, with the ultimate goal of improving the safety and resilience of critical infrastructure by improving research and development solutions. The last and most important phase that stems from the previous two phases is the focus on outcomes. It consists of activities that include assessment of progress towards achieving goals, continuous learning and adaptation during and after exercises and incidents. These actions will

inform and guide efforts identified through the prioritization and collaborative planning processes described in the research, as resources permit.

5. CONCLUSION

The impact of infrastructure disruption is usually expressed in aggregate data representing economic losses. This is a straightforward choice that allows policy makers, among other things, to assess different disruption scenarios, including cascading effects across sectors and to estimate the costs and benefits of mitigation measures (Giannopoulos, et al, 2012). A complete risk assessment is possible if the impact is combined with the probability of the scenario developing. If this information is not available, the analysis is only an impact assessment and cannot be used to prioritize risk mitigation measures, especially for HILF (High Impact Low Probability) events. The challenging goal of risk assessment methodologies is to fill in the gaps and eventually turn into a harmonized framework at the national level, rather than the framework of just one segment of the state system. The framework should be able to accurately determine the interdependencies between different infrastructures, cross-sectors and cross-border entities (a unique requirement applied in Western Balkan countries in the coordination of EU critical infrastructure policy and strategy) with a focus on resilience. In addition, agreement should be reached on a common metric for risk across sectors. To conclude the main points of the research in conclusion, we emphasize that risk assessment for critical infrastructure must be considered as an integral part of a wider framework in which resilience analysis is the main tool. The continuation of the current work at the national level in the Republic of Serbia should be the proposal of a resilience assessment framework for critical infrastructures of which risk assessment will be a subset and which will aim to bridge the gaps identified in this research.

The social and economic stability of the world has largely depended on the reliable supply of essential goods and services transported and distributed through large technological network systems, and national security today relies heavily on its own capacities, including those for the smooth functioning of which they participate and security complexes, e.g. defense industry, which is the case in Serbia. These critical infrastructures are caused by potential disturbances coming from the dangerous, natural and human environments in which they operate, for example, the global political climate, human capital, financial crises, severe damage and explosions in warehouses and warehouses, organized (cyber) crime or cyber war (Zio, 2016). Also, the infrastructural systems within the industry of Serbia were exposed to many external and internal influences, creating a potential base from which hazards and harmful events can quickly and globally spread through the system: this increased exposure to systemic risk, characterized by gradational failures that can significantly affect national and regional level consequences. In fact, there have been major disruptions that have made the protection and resilience of critical infrastructure a national and international priority.

In short, the integrity, economic and security stability of Serbia is closely related to the state and development potential of the industry and economy of the Republic of Serbia. Their accelerated development and integration into the currents of the national and international economy, through the acquisition of new technologies, are recognized as an essential element of the national security policy of the Republic of Serbia. Standardization in accordance with European values and regulations and the establishment of prevention and control mechanisms in the field of critical infrastructure are the basic prerequisites for preserving the integrity of defense, security and foreign policy interests. In the context of global, regional and internal threats, adequate mechanisms for the protection of critical infrastructure are present in Serbia and today represent a national security priority.

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