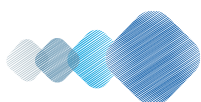




EFFECTS OF STABILISATION AND ASSOCIATION AGREEMENTS AND CEFTA2006 ON WB6 **EUROPEAN** **INTEGRATION** AND REGIONAL COOPERATION: Achievements and Ways Forward



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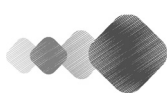
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INTERNATIONAL STUDIES

EFFECTS OF STABILISATION AND ASSOCIATION AGREEMENTS AND CEFTA2006 ON WB6 EUROPEAN INTEGRATION AND REGIONAL COOPERATION: Achievements and Ways Forward

EDITOR: VLADIMIR MEĐAK



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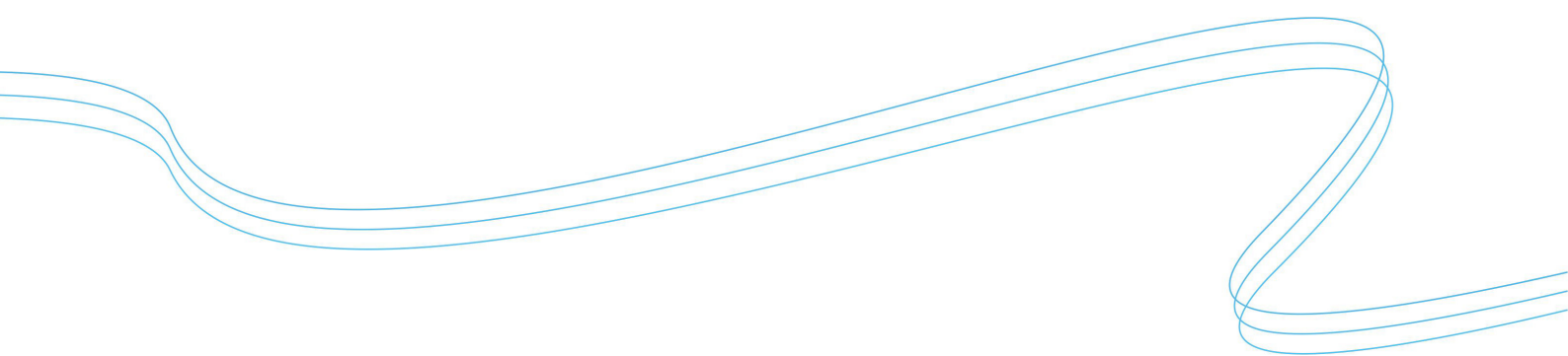
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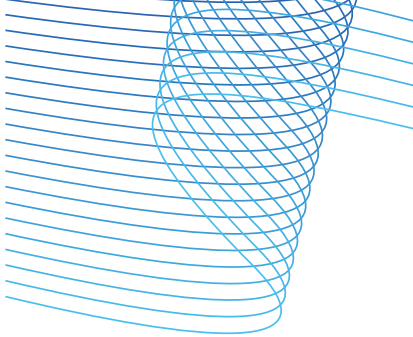


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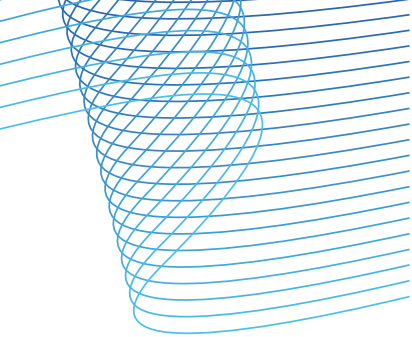
ABS	Accreditation Body of Serbia
ACAA	Agreement on Conformity Assessment and Acceptance of Industrial Products
AEO	Authorized Economic Operator
AIP	Acceptance of Industrial Products
ALL	Albanian Lek
AP	Accession Partnership
ATEX	Equipment for Potentially Explosive Atmospheres
ATM	Autonomous Trade Measures
CAB	Conformity Assessment Bodies
CDR	Community Design regulation
CE Mark	European Conformity certificate
CEE	Central and Eastern Europe
CEF	Connectivity Europe Facility
CEFTA	Central European Free Trade Agreement
CEN	European Committee for Standardisation
CENELEC	European Committee for Electrotechnical Standardization
CESEC	Central and South Eastern Europe Connectivity
CGES a.d	Montenegro Electricity Transmission Company
CLP	Chemicals (Classification, Labelling and Packaging)
CM	Common Market
CPBR	Commission for the Protection of Bidder's Rights
CPC	Commission for Protection of Competition
CPV	Common Procurement Vocabulary
CSAC	Commission for the State Aid Control
CTMR	Community Trade Marks
CU	Customs Union
DCM	Decision of Council of Ministers
DCSA	Division for Control of State Aid
EA	European Organizations for Accreditation
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECJ	European Court of Justice
EEA	European Economic Area
EFTA	European Free Trade Association
EIB	European Investment Bank
EMC	Electromagnetic compatibility
ENs	European standards



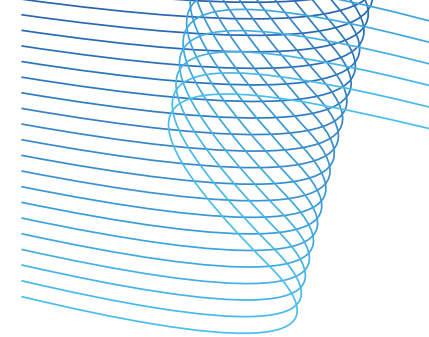
EP	European Partnership
EPO	European Patent Organisation
EPS	Electronic Procurement System (Albania)
ErP	Energy-related Products
ETSI	European Standards Organization
EU	European Union
EUIPO	Intellectual Property Office of the European Union
EUROMET	European Organisation of National Metrology Institutes
EUROSTAT	Statistical office of European Union
FATS	Foreign Affiliates Trade Statistics
FDI	Foreign direct investments
FIPA	Foreign Investment Promotion and Protection Agreement
FRY	Federal Republic of Yugoslavia
FTA	Free Trade Agreement
GATT	General Agreement on Trade and Tariffs
GBER	General Block Exemption Regulation
GDIP	General Directorate of Industrial Property of Albania
GDP	Gross Domestic Product
GDS	General Directorate for Standardisation of Albania
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GLP	Good laboratory practice
HS	Harmonized System
IA	Interim Agreement
ICITI	International Conference for International Trade and Investments
IEC	International Electrotechnical Commission
IFC	International Financial Corporation
ILAC	International Laboratory Accreditation Cooperation
IMF	International Monetary Fund
IMWG	Inter-ministerial working group
INSTAT	Institute of Statistic of Albania
INTRACEN	International Trade Centre
INTRACEN	International Trade Centre database
IPA	Instruments for Pre-Accession Assistance
IPARD	Instruments for Pre-Accession in Rural Development
IPO	Intellectual Property Office of the Republic of Serbia
IPR	Intellectual property rights
ISO	International Organization for Standardization
ISRM	Institute of Standardisation of the Republic of Macedonia
ISS	Institute for Standardisation of Serbia



ITC	International Trade Centre
LVD	Legislation on Low Voltage Equipment
LVE	Low voltage Equipment
MAKSTAT	State Statistical Office of the Republic of Macedonia
MAP	Multiannual Action plan
MMF	Multilateral Monitoring Framework
MoFTER	B&H Ministry of Foreign Trade and Economic Relations
MONSTAT	Statistical Office of Montenegro
MS	Member States
NBS	National Bank of Serbia
NCA	National Competition Authority
NCC	National Council of Copyright of Albania
NMS	New Member States
NPAA	National Programme for the Adoption of the Acquis
NRC	National Registration Centre of Albania
NTB	Non-tariff Barriers
NTM	Non-tariff measure
OECD	Organisation for Economic Cooperation and Development
PEM	Pan-Euro-Mediterranean
PKS	Chamber of Commerce and Industry of Serbia
PPA	Public Procurement Agency of Albania
PPE	Personal Protective Equipment
PPO	Public Procurement Office
PPP	Public-Private Partnership
R&D	Research and Development
RAPEX	Rapid Exchange of Information System – EU - Rapid Alert System
RCC	Regional Cooperation Council
REA	Regional Economic Area
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
RYCO	Regional Youth Cooperation Office
RZS	Republic of Serbia Statistics Office
SAA	Stabilization and Association Agreement
SAP	Stabilization and Association Process
SEE	South East Europe
SFRY	Socialist Federal Republic of Yugoslavia
SGEI	Services of General Economic Interest
SIMS	Inspectorate for Market Surveillance of Albania
SIPO	State Intellectual Property Office of the People's Republic of China
SITC	Standard International Trade Classification



SME	Small and medium-sized enterprises
SPC	Supplementary Protection Certificate
SPS	Sanitary and phytosanitary standards
SPVD	Simple Pressure Vessels Directive
SVHC	Substances of very high concern
TAB	Trading Across Borders Indicator
TBT	Technical barriers to trade
TEU	Treaty Establishing the European Union
TFEU	Treaty on the Functioning of the European Union
TFI	Trade Facilitation Indicators
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
TTBER	Technology Transfer Agreements Block-Exemption
UAA	Utilised Agricultural Area
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNMIK	UN Mission in Kosovo
UNSCR	Search engine for the UN Security Council Resolutions
UPOV	Convention International Convention for the Protection of New Varieties of Plants
USAID	United States Agency for International Development
USPTO	United States Patent and Trademark Office
WB	Western Balkans
WTO	World Trade Organisation



Preface

VLADIMIR MEĐAK¹

In 1999, the European Union (EU) launched the Stabilisation and Association Process (SAP). The main goal of the SAP was primarily to stabilise the Western Balkans (WB) region after the wars of the 90s and the disintegration of Yugoslavia, then to form even closer ties with EU through establishing the association and, finally, to move towards preparation for EU membership. In 2003, the EU Thessaloniki Summit confirmed the membership perspective of the WB countries, once they fulfil membership criteria.

So far, 19 years after launching the SAP, only Croatia has joined the EU (in 2013). Reasons for such a result are numerous, originating both in internal EU issues and in the insufficient progress of reforms in the WB. After the “big bang” enlargements of 2004/2007, so-called “enlargement fatigue” appeared in the EU and consequently the WB fell out of the EU’s focus. Since then, the EU has gone through several crises starting with the rejection of Constitution of Europe in 2005, followed by economic crisis of 2008 that is still ongoing in some member states, then the migrant crisis and, finally, the Brexit. On the other hand, implementation of reforms necessary to join the EU by the WB are seriously lagging behind and the state of democracy in WB has not improved significantly. After the European Commission published Communication called: “A credible enlargement perspective for and enhanced EU engagement with the Western Balkans” in February 2018 and following the EU-WB summit in Sofia in May 2018, it seems that enlargement has reappeared on the agenda of the EU.

The goal of this study is to show that the process of EU integration has so far brought significant benefits to the WB through trade integration with the EU and among WB countries themselves, and that the WB is better off due to the process of EU accession than it would have been without it.

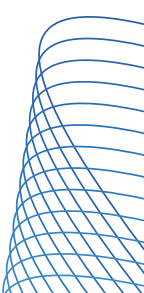
In order to achieve this goal, the EU has developed a variety of tools. Immediately after launching the SAP, in 2000 the EU granted unilateral preferential treatment for goods imported from WB in order to assist economies in this region.² It has also opened pre-accession assistance funds³ and technical assistance for capacity building to the WB. The two main instruments in the EU toolkit are:

1. The **Stabilisation and Association Agreement (SAA)** signed with individual partners in the WB, with the aim of building close economic and trade relations between the sides in question; and

1 European Movement in Serbia.

2 This was done through so-called Autonomous Trade Measures.

3 First CARDS (Community Assistance for Reconstruction, Development and Stabilisation) in the period 2000-2006 and then IPA I (Instrument for Pre-Accession Assistance) and IPA II (2007-2013 and 2014-2020).



- 
2. Facilitation of the extension of the **Central European Free Trade Agreements (CEFTA)** to the WB with aim of re-establishing and building economic and trade relations among WB countries themselves.

SAA represents the most important, strategic agreement with the EU for all WB partners. SAA regulates relations with the EU in almost all areas covered by EU acquis. However, the level of regulation of such relations varies from area to area. While in commerce WB and EU are establishing a free-trade area, in other areas such as environment and health protection, the two sides have agreed to cooperate in the future without precise obligations and timeframes. The fundamental parts of the SAA regulate bilateral political relations, creation of the free-trade area and harmonisation of legislation in areas essential for functioning of the free-trade area. Even though the SAA does not stipulate that a country signing it will eventually join the EU, it is developed in a manner to prepare a future member for participation in the EU internal market.

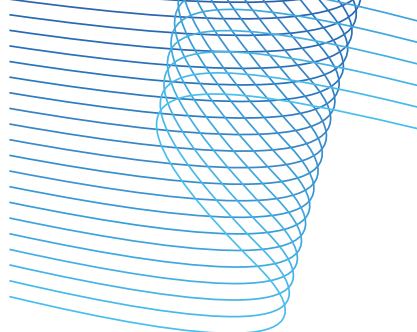
All WB countries have signed the SAA, starting from Macedonia that signed it in April 2001. The rest of WB countries followed: Albania signed it in 2006, Montenegro in 2007, Serbia and Bosnia-Herzegovina in 2008. Kosovo* signed the SAA in 2015, but it was limited to EU competences only.

Despite its strategic importance and the fact that EU is the most important trading partner for all WB, information and analyses of the effects of SAAs are sporadic and partial. Since the core of the SAA is the creation of a free-trade area between the two parties, the SAA is of strategic importance for economy of all WB signatory countries. This is particularly true since the EU is the main trading partner for the WB as a whole. A major part of the SAA is devoted to **agriculture** and trade in agricultural products as an especially sensitive area of trade. The SAA puts a lot of emphasis on **legal approximation** with the EU acquis in areas related to functioning of the free trade area, and for future participation in the EU internal market. All these issues are of utmost importance for the economic and social development of WB.

In order to fill the identified gap, this study aims to provide fact-based findings on the effects of SAA and CEFTA on WB, as two main instruments of the EU. The study of the effects of SAAs covers the period from 2000 until 2016, starting with the introduction of autonomous trade measures (ATM) by the EU for the WB in 2000. This analysis covers the effects of the SAAs on trade with the EU, inflow of foreign direct investments and on the national legal system in the areas covered by the SAA, in three WB countries: Albania, Macedonia and Serbia. The study shows the impact each SAA made on volume of trade between a country and the EU over time, their influences on trade balance, levels and structures of foreign direct investments (FDI), the changes in structure of exports and imports before and after the SAA, as well as the changes in structure of economies in the WB due to FDIs. Hence, this study proves the impact SAA has made on industrial and agricultural trade of these countries and on legal system particularly in areas covered by SAAs. These three countries have been chosen as case studies due to following reasons:

1. **Macedonia** was the first country to sign the SAA with the EU in April 2001. That was full 5 years before Albania signed the SAA in 2006 and other countries followed. Consequently, Macedonia had a unique perspective of stability of trade relations with the EU for a long period of time before world economic crisis struck in 2008. Other WB countries did not have the same luxury. The economic crisis of 2008 had offset a lot of positive elements of having the SAA with the EU and only Macedonia had had enough time (almost 7 years) to use the opportunity before the economic crisis. Therefore, the case of Macedonia offers a perfect example for analysing solely the effects of the SAA on the economy, without additional considerable/ significant influences on trade and the attraction of investments (such as the world economic crisis of 2008).

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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2. **Serbia**, on the other hand, is the largest of WB countries, by far the biggest exporter and importer of goods, with the largest industrial and agricultural complex that would benefit from the SAA. Serbia emerged from international sanctions and isolation in 2000 and immediately joined the SAP. By analysing Serbia, we have shown the SAA's effects on a mid-size country in transition, coming out of isolation.
 3. **Albania** is the only non-former Yugoslav state in the WB included in the Stabilisation and Association Process. Therefore, analysing the effect of SAA on Albania gives a good contrast to the effects that it produced in Serbia and Macedonia, both emerging from the former Yugoslav single market.

Complementary to the SAA is **CEFTA2006, the second EU instrument for trade integration and economic development of the WB region**. CEFTA2006 constitutes the backbone of regional trade and economic integration. Originally, CEFTA was created for the countries of the Višegrad group (Poland, Czech Republic, Slovakia and Hungary) and later extended to Slovenia, Croatia, Romania and Bulgaria. In 2006, six WB members joined CEFTA, transforming it to CEFTA2006.

It was one of the first regional integration initiatives that had palpable effects on the real everyday life of citizens in the WB. CEFTA2006 is closely linked to the process of EU accession of WB, since its creation was facilitated by the EU and is legally connected to Stabilization and Association Agreements signed with the EU. It was designed to rebuild relations broken by war and the disintegration of Yugoslavia and to create new relations with Albania and Moldova that were not developed in previous periods. The importance of CEFTA2006 for regional trade can be seen through trade figures. For all of its members, CEFTA2006 (as a group) is the second most important trade partner (EU being the first most important partner).

Additionally, as in the case of Central and Eastern European countries ('CEECs') in the 90s, promoting trade with countries of a similar level of economic development helps countries to prepare for future EU membership and its internal market. Since the EU membership is the ultimate foreign policy goal of the WB6, CEFTA2006 was not intended to be the final point of the integration process. On the contrary, it was created to be the training ground preparing its members on the road to the EU internal market, the field where they would build up their capacities and skills required in order to catch up with the EU's 60 years of economic development.

However, goals set before CEFTA2006 defined its limits. These limits are enshrined in CEFTA's construction from the beginning. The study shows that CEFTA2006 has a positive effect on increase in volume of trade among its members. It also indicates that CEFTA2006 has risen to its full potential within its existing framework and, therefore, that changes are necessary, given the views of experts on recent proposals of directions in which CEFTA2006 should develop, made under the auspices of the Berlin process.

Data gathered in this study and its findings show clear benefits to the WBs from close relations with the EU and from the European integration process. Lack of this kind of information in public discourse also demonstrates the necessity of better public communication between authorities in the WB with their citizens. It is their duty to publicise this information and promote the EU integration process. Through making important datasets like these, easily accessible to general public, it would be easier to demonstrate why EU accession is important for the WB, leading to better understanding of the process and contributing to increase in public support for the EU accession.

The study gives recommendations how to improve both SAA and CEFTA implementation directed to both EU and CEFTA members.



Methodological framework and structure of the Study

The analysis covers the six members of CEFTA2006 from the Western Balkans included in the Stabilisation and Association Process. Croatia and Moldova are not covered in the Study since the first became an EU member in 2013 and left CEFTA2006 and the second, although a member of CEFTA2006, is not a part of the Stabilisation and Association Process.

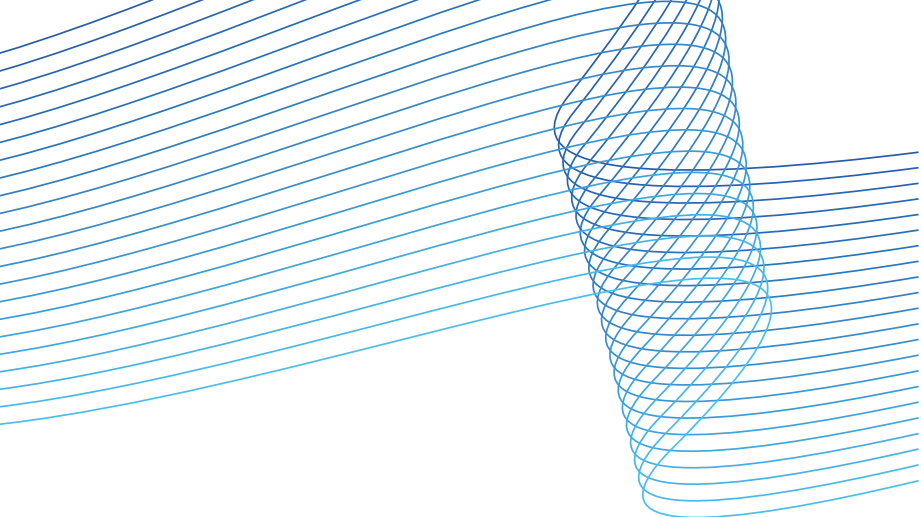
The Study has been produced by six civil society organizations from the Western Balkans: European Movement in Serbia, Belgrade, Serbia; Albanian Institute for International Studies, Tirana, Albania; European Policy Institute, Skopje, Macedonia; European Movement in Montenegro, Podgorica, Montenegro; Foreign Policy Initiative BH, Sarajevo, Bosnia and Herzegovina and Riinvest Institute, Pristina, Kosovo*. Each of the partner organisations has established a team of prominent experts that contributed to the development of the study.

The study is divided into two main parts. Part I of the Study is focused on effects of the SAA on Macedonia, Serbia and Albania. This part deals with the effects of the SAA on the trade of these countries with the EU (in industrial and agricultural products), on foreign direct investments in these countries and on the effect the SAA had on the legal systems of these three countries through the approximation process to areas of EU acquis enshrined in the SAA by Title VI. Trade data covers the period from 2000-2016, regardless of when the SAA was signed, while the analyses of legislative frameworks covers the period after signing the SAA. This part comprises of three subchapters, each dedicated to one of the countries in the focus of the analysis.

Part II of this study is focused on the impact of CEFTA2006 on mutual trade among its members, the main obstacles in the implementation of CEFTA and ways forward. The study shows the impact of CEFTA2006 on the volume of trade between CEFTA2006 members over time, the influence of CEFTA2006 on trade balance and its influence on the change in structure of exports and imports. The findings are based on the data covering the period from 2000 to 2016 in all WB countries. The results of the study point out to obstacles in implementation of the CEFTA2006 agreement and suggest ways forward through recommendations for improving the CEFTA2006 system. Each of six subchapters of the second part is dedicated to one of the CEFTA2006 members.

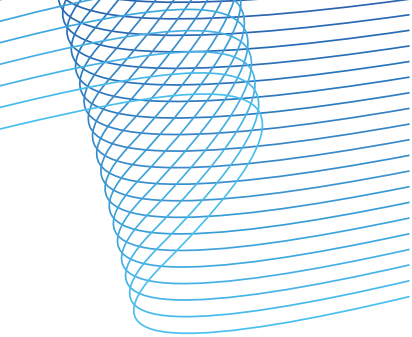
In order to get a complete picture of SAA and CEFTA effects on the economies of Western Balkan countries, a comprehensive research combining both qualitative and quantitative research methods was employed. Gathering the data necessary for the research was done by using official trade statistics from the National Statistical Offices or Central Banks of observed economies and EUROSTAT. Additional sources included UN COMTRADE, UNCTADStat, and the IMF Direction of Trade Statistics dataset. Analysis of the effects of SAAs on the legal systems of Albania, Macedonia and Serbia have been developed based on the legislation in force, official state documents and reports on the process of approximation, national case law and on EU country reports.

In the course of research, experts have encountered restrictions related to availability of data on trade, FDI's and legal harmonisation for both SAA and CEFTA2006. There are several reasons for this. National statistical capacities have been developing over time and statistical methodologies have been changed, mostly due to harmonisation with EU methodologies. IT capabilities of national statistics have been developing unevenly, with most developments accomplished in the last few years. All this - resulted in gaps in data available online but also in archives of national statistical authorities - this is especially true for data from the early 2000s. Additionally, in some cases data collected today are not comparable to the data collected under previous methodologies. These situations have been marked in the study in order not to lead to unsubstantiated conclusions. Experts also faced the problem of the lack of reliable national reports on legal harmonisation with the EU acquis in the SAA part of the study, which resulted in analyses of certain areas not being as comprehensive as planned. Restrictions that we have encountered demonstrate the necessity of making this study.



PART I

THE EFFECTS OF THE SAA ON ALBANIA, MACEDONIA AND SERBIA



I. THE CASE OF ALBANIA

Effects of the SAA on Trade with the EU

LEDION KRISAFI and SIDONJA MANUSHI⁴

Chapter 1 – Introduction

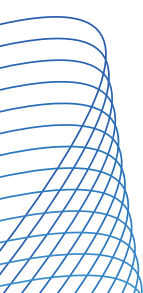
Albania signed the Stabilization and Association Agreement in 2006, and the agreement entered into force in 2009. Among other things, the Agreement stipulated that “The Community and Albania shall gradually establish a free-trade area over a period of maximum 10 years starting from the date of entry into force of this Agreement in accordance with the provisions of this Agreement and in conformity with those of the GATT 1994 and the WTO.” Also, article 18 of the Agreement stipulated that “Customs duties on imports into the Community of products originating in Albania shall be abolished upon the date of entry into force of this Agreement.” Article 19 stated that “*Customs duties on imports into Albania of goods originating in the Community other than those listed in Annex I shall be abolished upon the date of entry into force of this Agreement.*”⁵ Concerning the economic part and especially the industrial and agricultural products, the agreement aimed to create a free-trade area between Albania and the European Union.

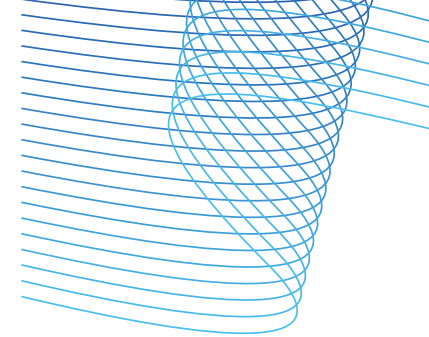
Before this agreement, the trade between Albania and EU was conducted according to the 1992 agreement between Albania and the Economic European Community and the rules of the General Agreement on Tariffs and Trade. According to this agreement, Albania and the European Economic Community accorded each other most-favoured-nation treatment in all matters regarding custom duties, taxes and levies, all rules of importation and exportation, etc.⁶ Until the signing of the Stabilization and Association Agreement, this agreement on trade and economic cooperation regulated Albania’s trade with the European Economic Community and later with the European Union.

4 Albanian Institute for International Studies, Tirana. Dr. Ledion Krisafi: Introduction, Industry, Foreign Direct Investments, Conclusions and Recommendations; Sidonja Manushi: Agriculture sector

5 “Stabilization and Association Agreement between the European Communities and their member states, of the one part, and the Republic of Albania, on the other part”, *Official Journal of the European Union*, L 107\166, 28.4.2009.

6 “Agreement between the European Economic Community and the Republic of Albania, on trade and commercial and economic cooperation”, *Official Journal of the European Communities*, No L 343/2.





Before the signing of the Stabilization and Association Agreement between Albania and the EU, Albania's share of imports and exports with EU was enormous. This share has continued to diminish. In 2000, 93.2% of Albania's exports went to EU countries and 80.7% of its imports came from EU countries.⁷ Five years later, before Albania's signing of SAA, 89.4% of Albania's exports went to EU countries, while 67.2% of imports came from EU countries.⁸

Chart 1: Geographical structure of Albania's exports in 2016

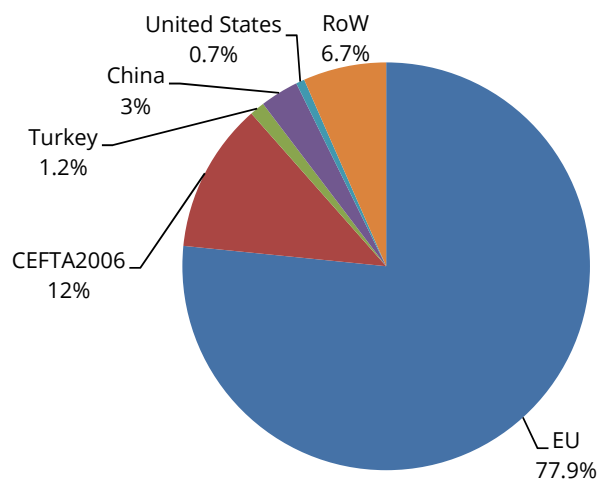
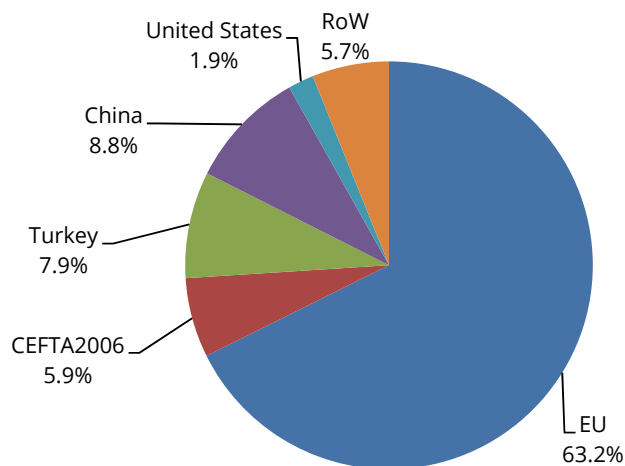


Chart 2: Geographical structure of Albania's imports in 2016



Albania's main trade partners have remained the same over the 16 years period covered by this study. Italy was Albania's top trade partner in exports and imports in the period 2000-2016. Italy had also been the top trade partner over the period of 8 years before the year 2000, since the fall of communism in Albania.

⁷ Gjergji Vurmo, *Relations of Albania with EU*, Paper, 2008.

⁸ *Ibid.*

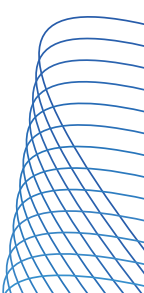
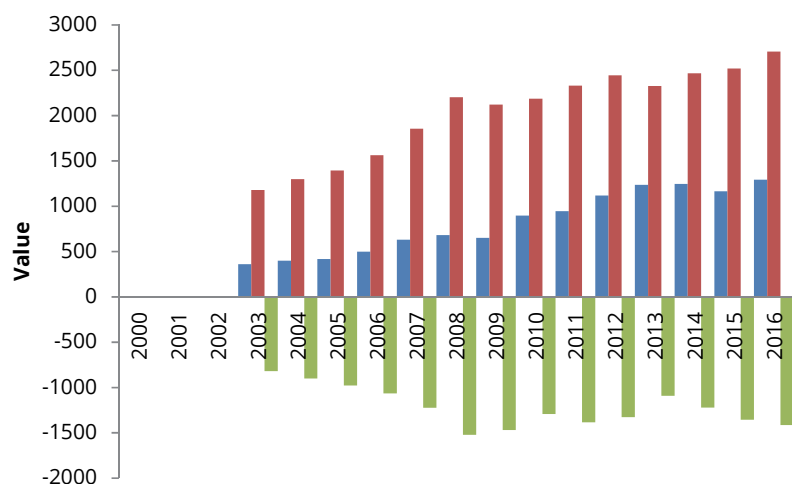


Chart 3: Albania's trade with EU28, in million EUR



Also, in the period 2000-2006, Greece had been Albania's second main trade partner in imports and exports, a position that Greece retained with slight oscillations until 2016. The only thing that has changed over the last 16 years is the amount of trade between Albania and Italy and Albania and Greece. While in 2000, Albania exported 184.6 million USD worth of goods to Italy, in 2006, the year when the SAA was signed, Albania's exports to Italy were 575.5 million USD, more than 3-fold increase.

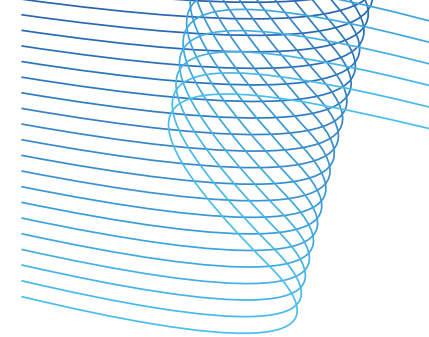
Also, in 2000, Albania's exports to Greece amounted to 33.3 million USD, while in 2006 they had grown to 76.1 million USD. Before the signing of the SAA, Germany was Albania's third most important trade partner. In 2000, Albania's imports from Germany amounted to 66.3 million USD, while in 2006, they were 173.1 million USD, a 161% increase in 6 years. The increase in Albania's exports to Germany was much smaller. In 2000, Albania exported 17.1 million USD worth of goods in Germany, while in 2006, Albania's exports to Germany were 25 million dollars.

Table 1: Albania's exports to Italy, Greece and Germany, in million USD

2003	2004	2006	2007	2008	2009	2011	2013	2015	2016
Italy (334.9)	Italy (440.4)	Italy (575.5)	Italy (733.6)	Italy (837.6)	Italy (683.02)	Italy (1039)	Italy (1080)	Italy (981.5)	Italy (1070)
Greece (57.3)	Greece (72.5)	Greece (76.1)	Greece (89.74)	Greece (119.2)	Greece (80.3)	Greece (98.8)	Germany (89.5)	Greece (75.4)	Greece (89.8)
Germany (15.2)	Germany (18.7)	Germany (25)	Germany (26.3)	Germany (36.3)	Germany (37.1)	Germany (56.4)	Greece (73.5)	Germany (60.05)	Germany (66.7)

Table 2: Albania's imports from Italy, Greece, Germany, in million USD

2003	2004	2006	2007	2008	2009	2011	2013	2015	2016
Italy (624)	Italy (749.8)	Italy (858.4)	Italy (1138)	Italy (1390)	Italy (1186)	Italy (1646)	Italy (1614)	Italy (1308)	Italy (1367)
Greece (373.5)	Greece (426.1)	Greece (480.6)	Greece (612.4)	Greece (768.1)	Greece (705)	Greece (573.1)	Greece (432.9)	Greece (338.8)	Germany (443.4)
Germany (105.4)	Germany (142)	Germany (173.1)	Germany (230.4)	Germany (318.9)	Germany (293.9)	Germany (309.1)	Germany (284.2)	Germany (288.3)	Greece (368.1)



The structure of Albania's exports and imports with EU28 has slightly changed in the years after the SAA was signed and entered into force. In 2005 and 2006, Albania's main exports to EU28 were textiles, footwear and metals, while Albania's imports from the European Union were more varied. In 2005 and 2006 the main imports were food and beverages, with textiles, footwear and electrical energy in the second place. While the change in products exported to EU has been minimal, in imports there has been a drastic change after the year 2007.

Before the year 2006, Albania's main industrial exports to the European Union were metals, minerals and fuel, in other words, extracting industry and textiles and footwear, while Albania's main industrial imports were textiles, chemical products, minerals, metals and construction materials.

In 2005 and 2006, before the signing of SAA and 3-4 years before its entry into force, Albania's imports of machinery, metals/construction materials and chemical products saw a considerable increase. In 2005, Albania imported from the EU28 chemical products worth 157 million EUR, while a year later, it imported goods worth 193 million EUR. In 2005, Albania imported 153 million EUR worth of minerals and electrical energy from the EU28, while a year later it reached 223 million EUR.

In 2007, one year after the signing of the SAA but before it entered into force, there was a change in Albania's most imported industrial products. Suddenly, machinery became the number 1 imported product, reaching the value of 451 million EUR in 2007 from 140 million a year before. Also, construction materials and metals became the second most imported product, while a year earlier these weren't in the top 5.

Chapter 2 – Industry

2.1 The Initial Impact 2006 - 2009

In the years 2003-2006, Albania's exports to the EU had increased by 27.5%. But a year after the signing of the Stabilization and Association Agreement, Albania's export to EU increased by 21%, and in 2008 they increased by another 8%. This dramatic and sudden increase is explained only by the effects of the signing of the SAA. This effect will be observed also in the flow of Foreign Direct Investments in Albania.

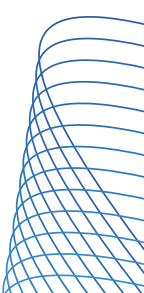
The same thing also happened with imports from EU. In 2007 and 2008 there was an increase of almost 41% compared to 2006.

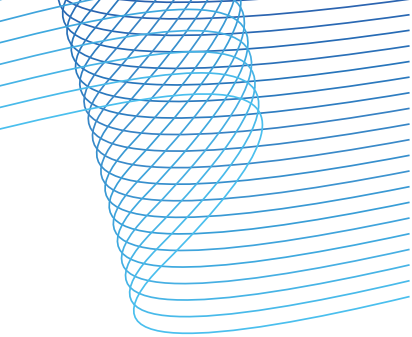
An analysis of Albania's exports before and after the Stabilization and Association Agreement entered into force shows that their structure has changed slightly. An analysis of the period 2005-2016, in terms of exports and imports shows that the top Albanian industrial exports and imports remained the same.

In the period 2006-2009, there was no change in the structure of Albania's exports to EU. Textiles and footwear remained Albania's main industrial export to EU. In 2006, Albania exported 343.8 million EUR worth of textiles to EU countries. In 2007 and 2008, there was a considerable increase. In these two years there was a 15.2% increase in textiles' exports to EU, while, at the same time, there was an increase of almost 24% in exports of metals.

Year 2009 was a bad year for Albania's exports and imports from the European Union.

In 2009, Albania exported 362.01 million EUR worth of textiles and footwear, an 8.6% decrease from 2008, mainly due to the effects of the worldwide financial and economic crisis. In 2009, Albania's other industrial exports suffered a considerable decrease. Metals exports went from 112.09 million EUR in 2008 to 59.04 million EUR in 2009, almost half the value of the previous year. Exports of minerals and electrical energy became the second most important Albanian export in 2009, but it was a lot smaller than the year before.





In 2009, Albania's imports from the European Union suffered as well, but a lot less than the exports. In 2009, machinery was the number one import product in Albania from EU28, worth 502.3 million EUR. A year before its value was 535 million EUR. Construction materials and metals were Albania's second largest industrial import in 2009, almost 296 million EUR, a 4.4% decrease compared to the previous year.

The fall in demand in the European countries, especially in Italy and Greece, which were most affected by the financial and economic crisis, was acutely felt in Albania, where some industrial exports experienced a decrease by 50%.

Italy and Greece have been Albania's main trade partners in exports and imports in the last 16 years. The signing and later, the entry into force of the Stabilization and Association Agreement did not change anything in this respect. Italy and Greece were Albania's main trade partners before signing the SAA and they remained so even after implementation of the SAA. There was a change in the years 2012, 2013 and 2014 when Spain became the second destination for Albania's exports to EU28. However, this is explained by increased export of a particular product to Spain in those years, and not because of the influence of the free trade between Albania and the European Union.

2.2 After the Crisis

Year 2009 was the only year in the last 11 years when Albania's exports to the EU28 decreased. After 2009, there was a gradual increase in Albania's industrial exports and imports to and from the EU28. In the next two years after the crisis and the fall of 2009, textiles and footwear remained Albania's top exports to the European Union and the considerable majority of them went to Italy. In 2010 and 2011, textiles, minerals and metals/construction materials (mostly cement) were Albania's top exports to EU28. These three would remain Albania's top exports even in the years after 2011, changing places between number 1 and number 2 positions. The data shows that Albania's main exports are industrial products, be they extracting industry or processing and manufacturing industry.

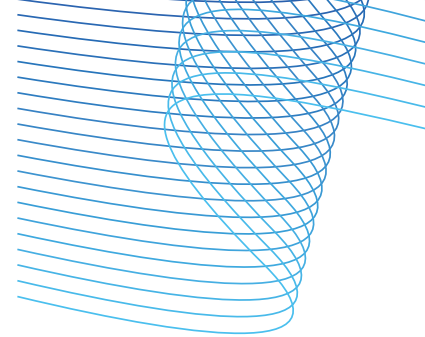
In 2010, Albania's textiles and footwear exports reached 400 million EUR, with an increase of 10.6% compared to the previous year, while Albania's exports of minerals and electrical energy increased by 116% in comparison with the previous year. At the same time, exports of metals and construction materials increased by 90%. These data show that in the first year after the financial and economic crisis and two years after the entry into force of the SAA, Albania's industrial exports to the EU28 had a considerable increase.

In 2011, exports of minerals, metals, textiles and footwear had another considerable increase. All of them together had an almost 28% increase compared to the previous year, while export of minerals alone was increased by 72.5%.

In the first two years of the real effects of the SAA, Albania's industrial exports almost doubled. This was not the case with imports. In the years before the entry into force of SAA, machinery was Albania's main industrial import. In 2009, because of the effects of the global financial and economic crisis, the imports of machinery decreased. Contrary to the exports, which recovered a year later, in 2010, imports of machinery continued to decrease even in 2010. However, the other three main industrial imports (minerals, electrical energy, metals/construction materials and chemical products) saw an increase in 2010 and 2011. Imports of chemical products increased by almost 9% and the construction materials and metals increased by 15.3%.

In 2011, while imports of machinery continued to decrease, minerals\electrical energy, metals\construction materials and chemical products saw a further increase, even though less than in previous year.





From the first two years of the real effects of the SAA in industrial exports and imports, it is obvious that Albania profited more from the free trade with the EU28 than the EU28 with Albania, because Albania's industrial exports to EU28 almost doubled in two years, while industrial imports from EU28 saw a minor increase, and even in some cases such as machinery, they decreased during this period.

In 2010 and 2011, the first two years when the entry into force of the SAA had the first impact, imports to Italy had a considerable increase, by 38.7% in two years, while imports from Greece decreased by 21.5% during this period. Although the financial and economic crisis continued for another couple of years in Greece and Albania's imports from Greece continued to decrease in the years ahead, Greece has remained Albania's the second most important trade partner inside the EU28. Imports from other important trade partners like Germany, France and Spain continued to vacillate between increases and decreases in certain years without establishing a discernible pattern.

In these two years of recovery, Albania's exports to Italy and Greece have had a considerable increase, also. Albania's exports to Italy in these two years increased by 52%, reaching 1.03 billion EUR in 2011. Most of these exports consisted of textiles, footwear, minerals and metals.

The analysis of data shows that in these kinds of agreements, such as the Stabilization and Association Agreement and CEFTA, the principle of free trade is not sufficient to increase the trade between two countries. Geography, historical ties, culture, etc., play an important role. Even without a comprehensive free trade agreement with the European Union, Italy and Greece, for geographical, historical and cultural reasons, remain Albania's main trade partners in both exports and imports. Other trade partners like Germany, Spain, France, Austria, Czech Republic, etc., for several reasons, many of those not related to free trade agreements, cannot achieve the consistency of Italy and Greece.

2.3 Another Crisis during 2012-2013

The years 2012 and 2013 were the years when Albania's GDP growth reached the lowest level in the last 16 years.⁹ This drop in Albania's economic growth was reflected mostly in Albania's imports and less in exports.

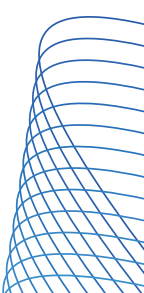
In 2012, imports of machinery from EU28, decreased by 9% reaching 495 million EUR. The same thing happened with the imports of construction materials and metals that decreased from 324 million EUR to 276 million EUR. The decrease in these two imports shows that in 2012 industry and construction were the economic activities most affected by this crisis and machinery is predominantly used in industry.

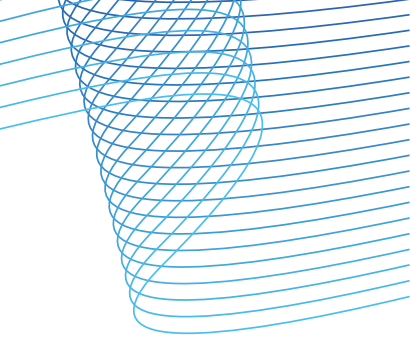
On the other hand, in 2012, some industrial exports increased and some decreased. Textiles and footwear, which is Albania's the main industrial export and the main industrial export in the overall Albanian exports, decreased by a mere 2%. The decrease in textiles and footwear is directly connected with the economic situation in Italy.

Exports of minerals and electrical energy saw a considerable increase in 2012, respectively by 56.4%. In this group the main export is minerals. In 2013, this group also saw a significant increase, by 33.3% compared to 2012. In just two years, Albania's exports of minerals and electrical energy increased by 108%. In 2013, minerals and electrical energy became Albania's main exports, replacing the export of textiles and footwear.

In 2013, there was a change in some industrial imports compared to the previous year. Imports of machinery, very important for the industrial production, increased by 0.9%, reaching

9 "Produkti i Bredshëm Bruto, 2015", INSTAT.





500 million EUR. Imports of minerals and electrical energy decreased by 5%, after an increase of 4.6% in 2012. Imports of chemical products also decreased in 2013, by 1.4%, as did the imports of construction materials and metals, which slipped from the top 5 imported products in Albania.

In 2012 and 2013, Italy remained Albania's main trade partner. Albania's exports to Italy had a slight increase in 2012 and 2013. In these years Spain became the second most important destination for Albania's industrial exports. The main industrial exports to Spain in these years were minerals, and in the case of Italy, textiles and footwear remained the main exported products.

In 2013, Malta became Albania's third main export destination. The same as with Spain, in 2012 and 2013, the main export products to Malta were minerals.

2.4 Stagnation during 2014-2016

In these three years Albania's industrial exports to EU28 have stagnated. The change in industrial exports to the European Union countries has been minimal. In 2013, Albania's industrial exports to EU28 amounted 1.165 billion EUR. They increased by 0.2% in 2014, reaching 1.168 billion EUR. They decreased by almost 9% in 2015, reaching 1.064 billion EUR. In 2016, there was again a minor increase, reaching 1.166 billion EUR.

In 2013, Albania's main industrial export to EU28 were minerals, reaching 522 million EUR, a 33% increase compared to the previous year and thus replacing textiles and footwear as Albania's main export goods. However, in 2014, 2015 and 2016, textiles and footwear again became Albania's main industrial export goods. The main European market for Albania's textile industry products is Italy. In the last year, almost 60% of all Albania's exports were textiles and almost all of them went to Italy. This situation makes Albania very vulnerable to financial and economic problems in Italy as they have a direct impact in Albania's exports. This overreliance of Albania's exports to a country with a meagre economic growth as Italy is widely criticized.¹⁰

Even though Albania's industrial exports with EU28 in general have stagnated, some of them have even decreased. For example, exports of minerals from a peak of 522 million EUR in 2013 reached 172.4 million EUR in 2016, a considerable decrease.

The same thing happened with the exports of metals and construction materials. They decreased in 2013 compared to 2012, then had a small increase in 2014 and 2015 and again decreased considerably in 2016. In the years 2014-2016, two of Albania's three major industrial exports have decreased. Especially the fall in fuels exports was enormous. In 2013, Albania exported 424 million EUR worth of fuels to EU28, and in 2016, only 141 million EUR.¹¹

On the other hand, Albania's industrial imports with the EU28 have had a steady increase in the last years. In 2013, they amounted to 1.97 billion EUR and in 2016 they had grown to 2.31 billion EUR an increase of 17.2% in just 3 years.

Significant increases in this period were recorded in export of textiles, base metals, machinery and appliances and chemicals. While on the other hand, imports of minerals decreased from 509 million EUR in 2013 to 308 million EUR in 2016.¹²

10 "FMN:Pesë pengesatqëibëjnëprodhimetshqiptarejokkonkurruese", *Panorama*, Jan 6 2018, <http://www.panorama.com.al/fmn-pese-pengesat-qe-i-bejne-prodhimet-shqiptare-jokkonkurruese/>

11 European Commission, *Trade in goods with Albania*, Directorate-General for Trade http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113342.pdf

12 *Ibid.*



Chapter 3 – Foreign Direct Investments

Foreign Direct Investments in Albania have been in a constant rise since the fall of communism in the country, when FDI were zero. They reached the highest value in 2013, 1.22 billion dollars. In 2005, FDIs in Albania amounted to 209 million EUR, a year later, when SAA was signed, they reached 250 million EUR. But in the following years, because of the confidence for doing business in Albania that came from the signing of SAA, FDIs in Albania saw a big and dramatic increase.

They reached 464 million EUR in 2007, almost the double compared to the previous year. In 2008, they were 610 million EUR, an almost 50% increase from 2007. FDIs in Albania continued to increase in 2008, 2009 and 2010, reaching 789 million EUR in 2010, 150% increase compared to 2006. This considerable increase in FDIs coincides with the signing of the SAA in 2006.

In the period 2007-2016 Greece has remained the main foreign investor in Albania. Despite the ongoing financial and economic crisis in Greece, its stock investments in Albania have been in a continuous rise, especially after the year 2012. They reached the highest value in 2016, 1.23 billion EUR. In the years 2007-2011, Greek investments in Albania had small changes, ranging between 520 million EUR in 2007 to a decrease to 507 million EUR in 2011. After this year there has been a constant growth of the Greek investments in Albania. Greek investments in Albania have gone mainly in the financial sector.

In 2007, Netherlands was the second biggest investor in Albania, followed closely by Italy. In 2008, 2009 and 2010, Italy was the second biggest foreign investor in the country, when Italian investments reached 386 million EUR in 2010. In the years following 2010, Austria and Canada have been the second largest foreign investors in Albania. Canadian investments have focused more on fuels and minerals, while Austrian investments mainly in the financial sector and electrical energy.

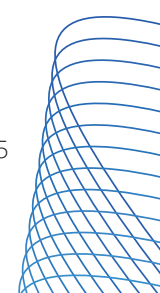
In the years 2012 and 2013, the Czech Republic was initially the fifth and then the fourth largest foreign investor in Albania. In 2012, Czech investments in Albania were 220 million EUR and in 2013, they reached 307 million EUR. This development was in connection with the investments in the electrical sector by the Czech company CEZ.

FDIs decreased in 2014 and 2015 compared to 2013 and increased again in 2016, to reach 983 million EUR.

This pattern of foreign investments is common for Albania. A major foreign company invests in the energy sector, fuels, minerals or financial sector over a period of time and later these investments may stop or be sold to other companies.

Table 3: Country of origin of the foreign direct investments in Albania, in million EUR

2007	2008	2009	2010	2011	2012	2013	2015	2016
Greece (520.56)	Greece (565.61)	Greece (559.63)	Greece (601.05)	Greece (507.45)	Greece (766.54)	Greece (1070.43)	Greece (1204.8)	Greece (1232.6)
Netherlands (273.88)	Italy (321.46)	Italy (347.86)	Italy (386.79)	Austria (443.60)	Austria (386.61)	Austria (377.94)	Netherlands (702.8)	Canada (739.5)
Italy (220.10)	Turkey (189.70)	Turkey (235.12)	Austria (353.69)	Italy (427.36)	Netherlands (297.38)	Netherlands (350.57)	Canada (691.4)	Netherlands (718.0)



The data shows that Foreign Direct Investments in Albania are not widespread in various sectors. On the contrary, they are concentrated in few sectors. For example, agriculture receives very little foreign investments, while other sectors like the financial sector and the minerals and fuels industry receive the absolute majority of the Foreign Direct Investments.

Table 4: FDIs by sectors, in million EUR

2007	2008	2009	2010	2012	2014	2016
Transport, communication (590.44)	Financial sector (547.56)	Financial sector (613.85)	Financial sector (699.61)	Extracting industry (809.98)	Transport, communication (1219)	Information, communication (1214.5)
Financial sector (587.57)	Transport, communication (383.20)	Transport, communication (356.70)	Transport, communication (399.54)	Financial sector (753.45)	Financial sector (768)	Energy (1109.1)
Processing industry (217.81)	Processing industry (363.17)	Processing industry (352.01)	Processing industry (378.04)	Transport, communication (437.25)	Extracting industry (677)	Financial sector (936.5)

In certain years, as has been the case in the last 4 years, a large part of the Foreign Direct Investments comes from one or two big projects, as has been the case with the Trans Adriatic Pipeline in the last years.¹³ Also, the fact that the absolute majority of FDIs in Albania comes from a handful of states, indicates that FDIs in Albania are dependent on several large projects, which are temporary.

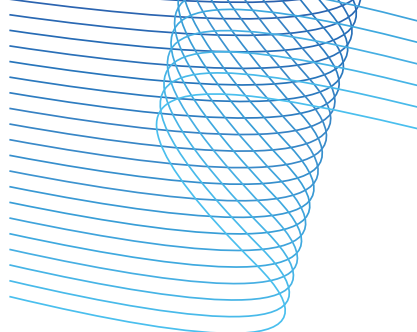
Chapter 4 – Agriculture Sector

The Stabilization and Association Process (1999) has guided the Western Balkan countries journey to shared European political and economic values from the start. Albania's agriculture in the last fifteen years has been affected by all the agreed-on methods aiming to stabilize the region and establish a free-trade area. Some of these methods included contractual agreements (the Stabilization and Association Agreement), trade relations (autonomous trade measures), financial assistance (Instrument for Pre-Accession Assistance – IPA I & II) and regional cooperation.

The main element the EU has used to bring Albania's agriculture and rural development sector in line with its economic system is the Stabilization and Association Agreement, adapted to the country's specific situation while identifying common economic and political objectives.

The SAA was signed on 12 June 2006, but the moment it came into force in 2009 it superseded the Interim Agreement applicable since December 2006 and all quantitative restrictions and measures having equivalent effect on imports of agricultural and fishery originating from the EU28 and from Albania respectively were abolished. Based on a separation of products as highly sensitive, mid-sensitive and non-sensitive, the SAA also abolished custom duties and tariffs in different degrees.

13 "Të gjitha shtetet ndalin investimet e huaja në Shqipëri, përveç Zvicrës (efekti TAP)", *Monitor*, January 3, 2018. <http://www.monitor.al/te-gjitha-shtetet-ndalin-investimet-e-huaja-ne-shqiperi-pervec-zvices-tap/>



Overall, the Community applied duty-free access for imports into the EU for all agricultural products originating in Albania. From its part, Albania abolished custom duties applicable on the imports of certain agricultural products originating from the Community, while progressively reducing tariffs in accordance to agreed-on timetables for others and abolishing tariffs within limits of tariff quotas established in the SAA for another category of agricultural goods.

The SAA put into contractual provisions preferences granted under the Autonomous Trade Measures (in 2000) and allowed most agreed-on agricultural products to enter the EU duty and quota free. Apart from live bovine animals and bovine animal products as well as sugar and wines (for which tariff quotas were agreed), products defined as non-sensitive saw complete elimination of customs-tariffs, while mid-sensitive products saw gradual liberalization until 2010, making the agreement largely favourable for the country.

Highly sensitive products saw constant customs protection, while trade in common wheat and wine between the country and EU28 has been duty free. It is interesting to note the provisions of the SAA have made sure not to affect the unilateral application of more favourable measures by one or the other party, while also highlighting that in case imports of products originating in one of the two parties which are subject to the SAA provisions caused disturbance to the market of the other party or their mechanisms, both parties should enter into consultations and take the appropriate measures they deem necessary.

More than removing trade tariffs and quotas, the SAA also foresees that cooperation will aim at modernising and restructuring the Albanian agriculture and agro-industrial sector as well as progressively bringing the Albanian legislation and practices closer to the European ones.

Methodology

Trade analysis in the agricultural sector has been done for the time period 2005-2016, based on data provided by the government's official statistics institute – INSTAT. Available information on agricultural exports and imports for period between 1999 and 2005 is scarce and in most cases unreliable due to lack of academic research.

INSTAT data used in this research have been selected from the country's annual foreign trade of agricultural goods. Excel tables have been created based on imports and exports per agricultural product for 2005-2016 taking in consideration both the product's weight and price for a more holistic analysis of the change in trade volume over time, as well as based on imports and exports with each partner country. A combination of EU28 countries, Balkan countries also involved in SAP and CEFTA and third countries of trade importance have been included and used to later pinpoint the 10 most important agricultural products between Albania and EU28, the 10 most important EU28 partner countries, as well as the 5 most important trade partners other than the EU28.

The agricultural products included in the research are: livestock (1), meat and its derivatives (2), fish and its derivatives (3), dairy products (4), unclassified meat origin products (5), trees and plants (6), vegetables and roots (7), fruits and nuts (8), coffee tea and spices (9), grains (10), milling industry products (11), industrial and medicinal plants (12), vegetarian extracts and materials (13), vegetarian materials used for knitting (14), vegetarian and animal oil and grease (15), fish and/or meat food products (16), sugar and its derivatives (17), cacao and its derivatives (18), resins and oils used for cosmetic products (33), processed and unprocessed leathers (41), wool and thin animal hairs (51), cotton (52) and others (99).

INSTAT import and export values are calculated in Albanian national currency, the Albanian Lek (ALL). All conversions to US Dollars and EUR have been made using the average exchange rate for each year from 2005 to 2017 as per the information provided by the National Bank of Albania.



4.1 The problems with Albania's Agricultural Sector

Agriculture takes up one of the main sectors of Albania's economy, generating close to 18% of the country's GDP and employing 55% of the total employed population. Out of the total land area in the country, Utilised Agricultural Area (UAA) only takes up 40.5%, out of which half is arable land, 43% is permanent grassland and 8% is under permanent crops.

Despite the SAA, up until 2013 the country had a significant trade deficit with the EU in terms of agricultural products. Albania has maintained a trade deficit in agriculture with the EU28 despite a constant raise in exports through the years and waves of raising and falling import volumes.

Table 5: Trade with the EU in agricultural products, in millions EUR

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ex.	30.83	39.97	42.17	46.84	46	56.54	60.70	68.07	74.94	81.44	98.48	123
Im.	231.88	258.11	262.77	349.61	352.90	390.34	399.45	374.28	382.64	383.35	403.27	426.29
Bal- ance	-201.05	-218.14	-220.60	-302.77	-306.9	-333.8	-338.75	-306.21	-307.7	-301.91	-304.79	-303.29

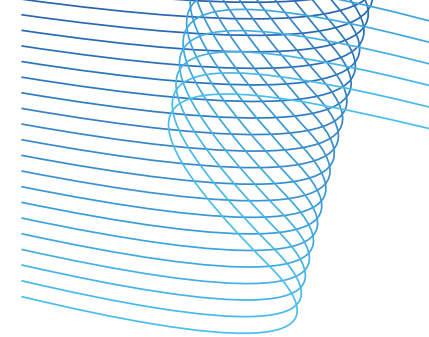
The most predominant problems with the country's agriculture is migration of workforce from rural areas, a very limited size of holdings (Albania has an average of 1,2 hectares, while the EU28 has an average of 14 hectares), poor preservation and marketing of products, underdeveloped irrigation and drainage systems, low technological equipment and agricultural mechanisms, weak organization of farmers and low level of development of the processing industry. In general, put in perspective with the amount of Albania's population which is employed through agriculture, the interest in investment in agricultural activities is low.

Although the favourable climate and low-cost work force make Albania's agricultural sector a profitable field to invest in and one that should more export products, the market is dominated by imports while the land is either being invested in or put in proper use by the locals. This has rendered the sector inefficient and labour intensive, where small agricultural producers dominate. In 2009, when the SAA entered into force, according to INSTAT there were 353,000 registered farms in Albania, with a total production valued at EUR 632 million. Over the past years, the number of enterprises has not significantly grown, maintaining an average of about 2,000 enterprises. Only with the improvement of the energy and road infrastructure may the sector look more attractive and gain investment momentum.

4.2 Overview

In total, from 2005 to 2016 trade volume of agricultural products of Albania with EU28 has significantly risen, starting at 1716.08 million EUR in 2005 and raising to 3997.7 million EUR in 2016. This indicates the country has experienced an upward trend in trade in general, as well as in agricultural trade, most likely affected by the SAP and other enlargement policies analysed below.

Exports with the EU have seen a constant increase, with few exceptions in separate years. From 2005 to 2010, exports with EU countries have been on the rise, 2008 and 2009 not included due to the global financial crisis. The crisis did not immediately affect Albania in 2009, but



as it did its main EU trade partner countries (Italy, Greece, Bulgaria, Germany and Romania) exported goods fell both in terms of net weight and value. From 2005 to 2006, exports per EU country in weight saw an increase of 12%, and then an increase of 17% in 2007, only to drop by 2% and 6% in 2008 and 2009 respectively. The drop can be explained by the global financial crisis affecting the importing power of strategic EU partner states such as Italy and Greece. From 2009 to 2010, however agricultural exports towards EU countries once again increased by 69% in net weight. In value, the 69% increase corresponded with a 35% increase, meaning there was an upward trend in production in terms of export price and not just in net weight. Year 2009 also marked the year the Stabilization and Association Agreement signed in 2006 entered into force – another possible influencer of the rise in exports and increase in imports from 2009 to 2011.

Imports with the EU on the other hand have been fluctuating, both in terms of net weight and value. From 2005 to 2008 imports decreased – by 5% from 2005 to 2006, and then another 6% to 2007 to drop by a whole 11% until 2008. From 2008 to 2009 there was an increase of 10% in import volume and an additional 11% to 2010.

During the second five-year period, from 2010 to 2015, export of goods with EU countries kept increasing, while import of goods has been fluctuating both in terms of net weight and value. The most noteworthy year in terms of exports was 2010, with an increase of 69% of exported agricultural goods with the EU from the decrease experienced in 2009. There was a positive increase of 34% in euros during 2010, and 21% in US Dollars.

The slowdown of imports during 2012 and 2013 is an indicator of the financial global crisis' lingering recession which hit most of the country's main trade partners by 2009-2010. The country's small economy itself was affected by the financial crisis by 2011-2012, and only as a proxy to its major affected trading partners in the EU.

During 2016, exports with the EU increased by 9% and doubled to 18% during 2017. There was a 19% increase in euros during 2016, and a 23% during 2017, indicating there have been price hikes more than increase in production. Imports by net value dropped by 1% during 2016 and remained the same in 2017, experiencing an increase of only 2% in 2016 and 7% in 2017 with EU countries in EUR .

In total, although statistical data suggests trade volume with EU28 has come to increase, gross value added was higher for Albania than for EU28 countries. EUROSTAT data suggests that between 2000 and 2015, the relative weight of agriculture and fishing increased by 0.6% the total value added in EU28 from Albania, as opposed to a peak of 22.1% of total value added the other way around.

Nonetheless, the country's deficit, according to INSTAT data, recorded a narrower deficit with the EU28 in 2015 as opposed to 2010. More specifically, Albania's trade balance with the EU stood at a negative-976.78 million EUR in 2005, then dropped even further to -1291.9 million EUR in 2010 and rose to -1354.96 million EUR by 2015. Albania's cover ratio in terms of agriculture rose notably over the period 2005-2015 and improved even further in 2016.

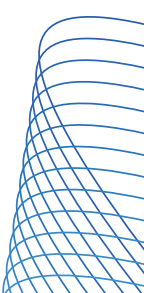
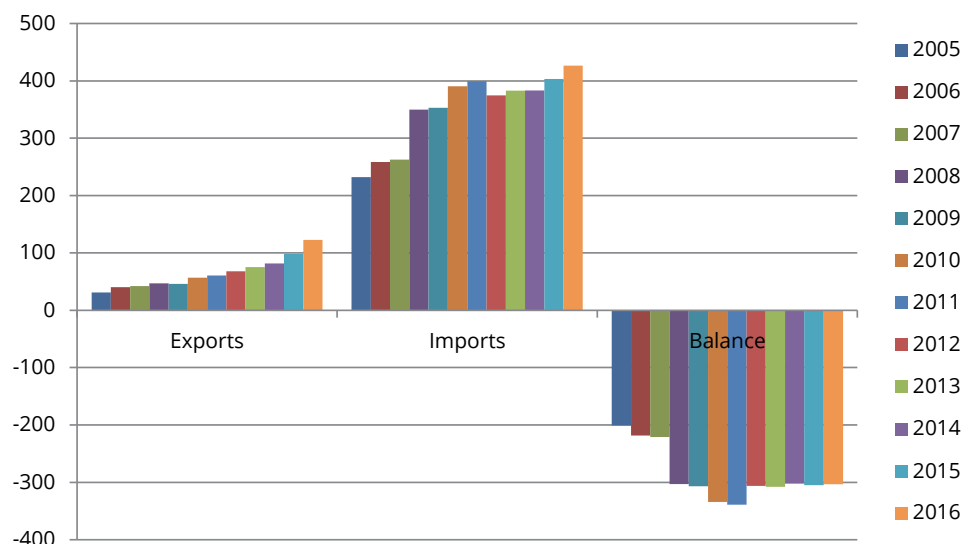
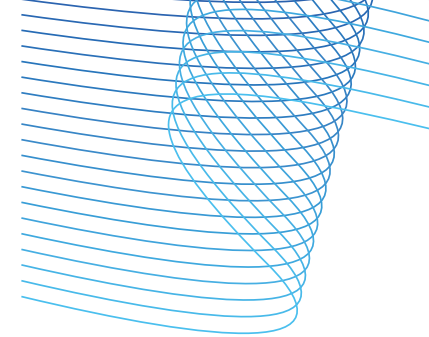


Chart 4: Albania-EU trade in agricultural products 2005-2016



The country's decreasing trade deficit has been assisted by several factors, including the signing of the SAA and later of IPA II (Instrument of Pre-accession Assistance), the growth slowdown in 2012. Nonetheless, agricultural exports face some predominant problems, such as migration from rural areas, limited size of holdings, poor product marketing, outdated irrigation and drainage systems, low technological development and use of old methodology, weak organization of farmers and low level of development in the processing industry. Generally, investment in agricultural activities is low and, despite it being a main sector of the Albanian economy (generating around 17.7% of the country's GDP according to INSTAT) the country remains a net importer of agricultural and food products.

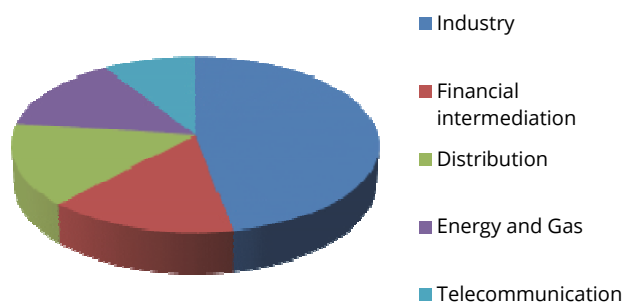
In the long run, the structure of trade in agriculture has changed over the eleven-year period, with the economy turning from centralized to being more focused on supporting industries, increasing exports and attracting Foreign Direct Investments (FDI). Economic reforms, market opening and expansion of the Balkan region, the SAA with the EU, the FTA with Turkey and with EFTA countries are some of the factors that are assisting the structural change of export growth. What the country has lost from exporting fuel, oil and minerals it has gradually replaced by growing exports in agriculture and its derivatives. **In this context, Albania has managed to become relatively competitive when it comes to some agro-industrial and agricultural products.** Some of the products that saw an increase in exports from Albania are seafood, eggs, organic products, essential oils, fish, medical plants, vegetables, dairy products. An interesting change in structure saw the export of medicinal plants, whose exports has been traditionally low but has been experiencing an upward trend since 2011, when its production increased by 22.7% in value more than 2010. Combined with the increase of local agricultural production at an average rate of 3-3.5% since 2005 and increased production of fruits, animals and arable crops, as well as wines, vegetables, dairy products and fodder, the country has managed to decrease imports with fluctuations and narrow trade deficit with the EU, making the top imported products refined petroleum, packaged medicaments and bovine hides and increasingly lowering agricultural import.



4.3 Foreign Direct Investments in Agriculture

Main FDI inflows in the past 12-13 years have come from other economic sectors, and very little has been invested in agriculture. According to data by the National Bank of Albania for 2006-2011 the biggest share of FDI-s went to the industry sector (47%), financial intermediation (15%), distribution (15%), energy distribution and gas (14%) and telecommunication (9%). The nutritive-agriculture industry has taken up about 8% of the FDI-s shares in the last years, mainly coming from neighbouring Greece and Italy.

Chart 5: Share of FDIs by sector



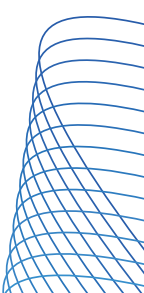
The structure of FDIs has been constantly changing in terms of investment fields, reflecting the needs of investors and the business climate in the country. In 2012, the extractive industry attracted the biggest share of FDIs, while in 2013 FDIs went in the field of transportation and communication.

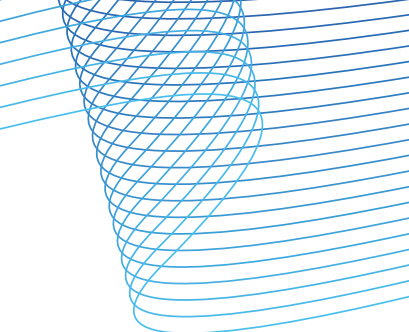
Year 2014 saw an increase of 11% of total FDIs compared to 2013, with Greece continuing to be the leader of foreign investors with 26% of the total stock of investments. The difference for 2014 was the emerging of Canada as the second biggest investor, with 16% of total stocks, traditionally followed by Cyprus and Italy with 13% and 11% respectively. This can be explained with Albania officially gaining EU candidate status in 2014 and the finalization of the Foreign Investment Promotion and Protection Agreement (FIPA) between Albania and Canada. Despite the general increase, agriculture remained in the shadows in terms of FDIs, with the country's Ministry of Foreign Affairs listing it with a number of other industries that total 10% of the FDI stocks.

INSTAT data shows FDIs retained a constant rhythm in 2015 and 2016, with EU28 countries covering approximately 2.5% of total enterprises and 70% of the total foreign and joint enterprises while enterprises with Greek and Italian owners once again leading by covering around 56,5% of total FDIs. The number of foreign enterprises by EU countries in agriculture, forestry and fishing in 2015 was 53, and fell at 44 during 2016, showing that despite the great importance of agriculture in domestic economy and employment, the sector is still failing to attract foreign investments that could modernize the technology and make it more beneficial for the country.

4.4 Top Trading Products and Countries

In terms of monetary value, the ten most important products imported from EU from 2005 to 2016 were processed and unprocessed skins, tobacco, grains, essential oils, cotton, fruits and edible nuts, fish and shellfish, milling industry products and honey and dairy products.





The ten most important exported products in terms of value to the EU were meat and fish products, oil seeds and medicinal herbs and plants, processed and unprocessed skins, edible vegetables and roots, fish and shellfish, dairy products (milk and eggs), meat and edible meat intestines.

The five most important partner countries from EU28 for each observed year (2000-2016) in terms of exports were mainly headed by Greece, Italy and Germany, but with few fluctuations over the years. From 2000-2005, the top three partner countries Albania exported the most to were Italy, Greece and Germany respectively, with third and fourth place going to France and Denmark in 2000-2001, France and the UK in 2002, France and Austria and France and Sweden in 2003 and 2004 and France and Bulgaria in 2005. From 2005-2010, Italy and Greece remained Albania's main exporting partners from the EU28, but with Germany losing the third place in 2009 and 2010 to the Slovak Republic and Spain. From 2005-2008, France, Sweden, Bulgaria and the Netherlands occupied fourth and fifth places of most important trading partners, while in 2009 and to 2010, fourth and fifth places went to Germany and Spain, and Germany and Malta respectively.

In the last six-year period, from 2011 to 2016, Italy continued to be Albania's main export destination country, but it was Spain that occupied second place from 2012 to 2015. Greece was last trading partner in 2013, with Malta and Germany in third and fourth place. Generally, in the last five years, the last three out of five top trading partners were Germany, Malta, Bulgaria and Spain, with the rendition in 2016 being Italy, Greece, Germany and Spain.

The five most important partner countries from EU28 for each observed year (2000-2016) in terms of imports were Italy, Greece and Germany, with fourth and fifth places fluctuating among Bulgaria, France, Spain and others. From 2000-2016, Albania's main import trading country in terms of monetary value was Italy. From 2000-2015 Greece was Albania's second main importing country of origin, with Germany taking up the second place only in 2016. Before that, Germany has always taken the third place as Albania's import country of origin. The fourth and fifth most important trading countries from 2000 were mainly Bulgaria, France, Spain and few others.

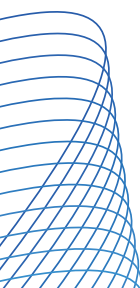
From outside the EU in terms of exports, from 2000 to 2008 Serbia and Montenegro lead the way, then China did in 2009, only for Serbia to continue in first place until 2016. Macedonia was in second place in 2000-2001, then United States in 2002, then Turkey until 2005, and fluctuating between those countries for the following years. In 2001, Switzerland was the third main export country outside the EU, while for all other years third place continue to be among Macedonia, Serbia, China and Turkey.

From outside the EU28, Albania imports more from Turkey (first from 2000-2007), China (first from 2008-2016) and Russia, but in terms of agricultural products, at this moment, the main import country from outside the EU28 but under SAA and CEFTA is Serbia.

Chapter 5 – Conclusions and Recommendations

The signing in 2006 and the entry into force in 2009 of the Stabilization and Association Agreement between Albania and the European Union, led to a considerable increase in the volume of trade between Albania and the European Union. The entry into force, in 2009 coincided with the effects in Albania of the global and financial crisis, which saw a drop in the volume of trade between Albania and EU28. But the increase in the next 3 years was considerable. Between 2009 and 2013 Albania's exports to EU28 increased by almost 90%. Especially in 2010 and 2011 there was a dramatic increase of Albania's exports to EU28.

On the other hand, Albania's imports from EU28 decreased in 2009 compared with 2008 and after 2009 and the entry into force of the SAA, there was a slight increase in 2010, 2011 and 2012, and a small decrease in 2013.





The data shows that Albania has benefited more from the trade with EU28 after the entry into force of the SAA.

But while Albania's exports to EU28 saw an immediate and significant increase, their structure didn't change. Albania's main exports to EU28 before the SAA were textiles\footwear, minerals and metals; and they remained the same after the signing and the entry into force of the SAA. This is explained by the fact that Albania's export potential is especially great in these products.

The years 2010 and 2011 also saw a decrease in Albania's trade deficit with EU28. This happened as the result of the notable increase in Albania's exports and a slight increase in its imports. But, overall the trade balance between Albania and the EU28 saw little change.

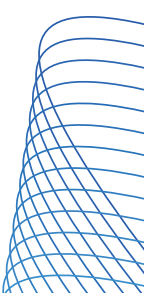
Another big and dramatic increase was in the Foreign Direct Investments in Albania. In 2007, one year after the signing of SAA, FDI in Albania increased by 105% and in 2008 they increased by another 50%. The signing of SAA in 2006 may have created the impression that Albania was a safe country for doing business. As in the case of Albania's exports in the few years after 2006, when there was a great and dramatic increase as the result of the entry into force of the SAA; the same has happened with Foreign Direct Investments immediately after the signing of the SAA.

But the country of origin of FDIs and the sectors to which they were directed did not changed much. Greece and Italy have remained for a long time almost the main foreign investors in Albania. In the period 2007-2016, Greece has remained the top foreign investor in Albania, even after the signing of SAA. Greece has occupied this position despite being affected by the financial and economic crisis. Greece has been the main foreign investor since the fall of communism in Albania.

In certain years, Austria, Netherlands and Canada have been the second largest foreign investor in Albania, but their investments have been confined to certain sectors like the financial sector or the oil industry. The effects of the Stabilization and Association Agreement have not changed the structure of the Foreign Direct Investments. FDIs have continued to come from the same countries as before the SAA and these foreign investments have gone to the same sectors as before the SAA. However, the amount of FDIs in Albania has changed after the signing of the Stabilization and Association Agreement.

Overall, the liberalization of trade envisaged by the Stabilization and Association Agreement has had a good impact. Albania's exports have increased considerably immediately after the entry into force of the SAA and the Foreign Direct Investments after the signing of SAA and this increase could be attributed to the effects of SAA. However, the liberalization of trade that comes with the SAA and its effects on Albania's exports and FDIs is not sufficient. As was seen above, after the initial surge in exports and FDIs, in later years they increased and decreased regardless of the SAA. The effects of the SAA in exports-imports and FDIs have been temporary and visible only in the beginning, after the signing of the SAA or after its entry into force.

The main recommendation concerning Albania is not directly related to the functioning of the Stabilization and Association Agreement, but to the economic development of the country. The liberalization of trade does not achieve its full effects and benefits if the economic growth is low, if Albania's exports are limited to a handful of main products like textiles, minerals and metals. For the SAA to achieve its full effects, the European Union should invest more in the diversification of the economic development of Albania, in supporting those sectors that by themselves do not possess the financial potential to become export-oriented. Apart from Kosovo, Albania have the least exports in the Balkans. As in the case of CEFTA, so with the SAA, a trade liberalization agreement cannot achieve its full effects when there is little to export.





Legal approximation of the legislation with the EU acquis under the SAA framework

DENATA RROJI¹⁴

Chapter 1 – Introduction

Albania has embarked on a comprehensive process known as the Stabilization and Association process (SAP) that targets progressive rapprochement to the European Union and most importantly seeks to ensure stability of the political, social and economic situation of Western Balkan countries. Albania is a potential candidate country for EU accession following the Thessaloniki European Council of June 2003. In this regard, Albania has signed the Stabilisation and Association Agreement (SAA) with the EU in June 2006 which entered into force on 1 April 2009. The entry into force of the Stabilisation and Association Agreement marked a qualitative new stage in bilateral relations, and Albania undertook new obligations and commitments particularly in the field of justice, freedom and security, free movement of workers, the right of establishment and free movement of capital and services, as well as in public procurement, transport, audio-visual and telecommunications field. Also, the Stabilisation and Association Agreement provides for provisions for close cooperation between the EU and Albania in number of areas of EU policy. In many areas, cooperation focuses on the priorities associated with the EU acquis, in which Albania is committed to align its legislation with the acquis and cooperate with the EU in achieving common objectives.

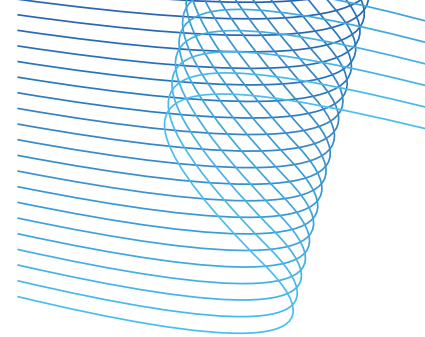
In April 2009, Albanian Government submitted the EU membership application, which once more reconfirmed its fully commitment not only to accomplish the obligation that came from the Stabilization and Association Agreement but also the obligation that arise from the integration process, that will continue even after membership in the EU. The EU is a dynamic organization under constant institutional and legal reform. Albania must pursue this dynamic process of integration, which requires political, economic and legal stability as well as internal reforms, and adapting proper administrative structures.

The obligation to approximate Albanian law with that of the European Union stems from Article 70 of SAA. It provides as follows:

"Article 70

1. The Parties recognize the importance of the approximation of Albania's existing legislation to that of the Community and of its effective implementation. Albania shall endeavour to ensure that its existing laws and future legislation shall be gradually made compatible with the

14 Albanian Institute for International Studies, Tirana.



Community acquis. Albania shall ensure that existing and future legislation shall be properly implemented and enforced.

2. This approximation shall start on the date of signing of this Agreement and shall gradually extend to all the elements of the Community acquis referred to in this Agreement by the end of the transitional period as defined in Article 6.

3. During the first stage as defined in Article 6, approximation shall focus on fundamental elements of the internal market acquis as well as on other important areas such as competition, intellectual, industrial and commercial property rights, public procurement, standards and certification, financial services, land and maritime transport — with special emphasis on safety and environmental standards as well as social aspects — company law, accounting, consumer protection, data protection, health and safety at work and equal opportunities. During the second stage, Albania shall focus on the remaining parts of the acquis. Approximation will be carried out based on a programme to be agreed between the Commission of the European Communities and Albania.

4. Albania shall also define, in agreement with the Commission of the European Communities, the modalities for the monitoring of the implementation of approximation of legislation and law enforcement actions to be taken."

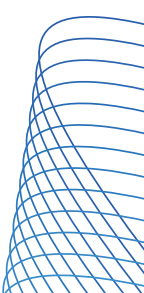
As it is clear from this provision Albania has not only the obligation to technically bring its national legislation in line with EU law but also to secure that it is properly implemented and enforced. Thus, already at this stage of pre-accession process various state authorities should be involved in the approximation exercise. Moreover, since EU law is subject to constant development, the approximation of laws will not be complete with the adaptation of Albanian law to EU acquis currently in force. Ongoing monitoring of developments in the EU is necessary both for the pre-accession effort and preparation of Albania for the future EU membership everyday reality.

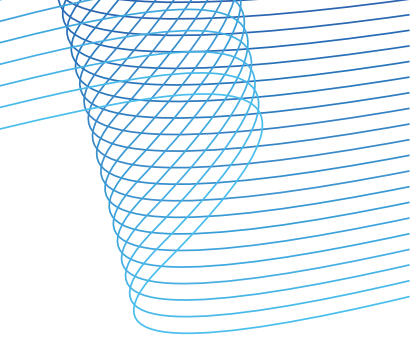
Chapter 2 – Competition, State Aid and Liberalisation (Public undertakings)¹⁵

Competition Policy includes rules on the protection of free and effective competition in the market, rules regarding the applicability of state aid, as well as liberalisation. Competition protection is an important area for the application of the principles of a free market economy. To establish fair and effective competition in the Albanian market, the Albanian Competition Authority is committed to implementing the obligations which derive from Articles 71 and 72 of the SAA, pursuant to Law No. 9121, dated 28.07.2003, "On Competition Protection" (amended), strategic documents, the National Competition Policy, and the entire legal framework that regulates the decision-making activity of an independent public institution.

The EU competition acquis covers antitrust, mergers and State aid control policies. It includes rules and procedures to fight anti-competitive behaviour by companies (restrictive agreements between undertakings and abuse of dominant positions), to scrutinize mergers and to prevent governments from granting State aid that distorts competition in the internal market. Competition rules are directly applicable throughout the Union, and Member States must cooperate fully with the Commission in enforcing them. The main objective of competition policy is the promotion and protection of free and effective competition by protecting the competitive environment and by promoting fair and effective competition in the market. The promotion and protection of effective competition is very important in view of the constraints that the

¹⁵ Chapter 8 in accession negotiations (Competition Policy).





private sector, or the state, may cause to competition. Thus, competition law prohibits price fixing agreements, market sharing, limiting or controlling manufacturing, technical development, the application of different conditions to equivalent transactions, etc., abuse of a dominant position, and the control of concentrations that threaten to create or strengthen a dominant position in the market.

The SAA articles 70, 71 and 72 foresee obligations and responsibilities of the Albanian Competition Authority to protect free and effective competition from anti-competitive practices and actions, which may affect trade between the Community and Albania. Article 71 "Competition and other economic provisions" provides responsibilities of the Albanian Competition Authority and intervention that the institution should undertake in case (1) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition; (2) abuse of a dominant position by one or more undertakings in EU territories, or Albania, as a whole, or a substantial part of it. References are the articles of the Treaty on the Functioning of the European Union and specifically Articles 101, 102 and 106 thereof. Also, based on Article 72 "Public undertakings", Albania applies to public undertakings and undertakings which have been granted special and exclusive rights, the principles laid down in the Treaty establishing the European Community, with particular reference to Article 106 TFEU.

The situation in Albania in 2009, when SAA entered into force, in terms of the competition in Albania was regulated with the law no 9121 of 28.07.2003 "On protection of competition" which was in line with the Articles 101, 102 and 106 of the EU Treaty. This law was partially approximated with the bylaws of the EU.

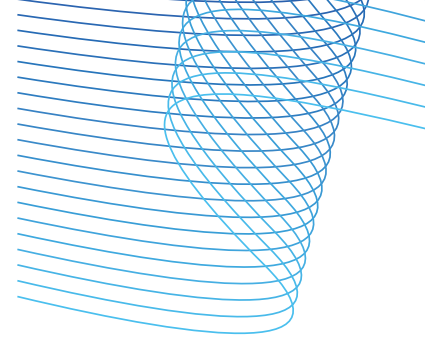
2.1 Achievements

The 2003-revised law on competition has its sole focus on economic competition, thus making a clear division of the legislation for anti-trusts from the legislation concerning unfair competition, which was part of the Civil Code. It should be stressed that during these years, the law on competition has experienced few changes, which have not been of much importance.

This law is applied to all enterprises and groups of enterprises that directly or indirectly influence or may influence the market, to all the subjects that practice their activity outside of the Republic of Albania if the consequences of this activity are felt in the internal market. With the changes made in 2010, the scope of this law was extended to public enterprises and to enterprises that have been given exclusive rights or specific rights by state and to enterprises that have the right of practice in areas of general economic interest or to those that have a monopoly character, which are not prohibited by the law.

Overall, this is a very good law and in line with the EU competition legislation. But the fact that it is a very good law doesn't assure its applicability and the maintenance of free competition. For this reason, this law foresees the organization and function of the Competition Authority. This is a public and independent body, which is made up by the Competition Commission as a legislative body and of a General Secretary as an executive body. The law provides for a detailed explanation for every aspect of the functioning of this Competition Authority: its financing, the organization and functioning of the General Secretariat and the Chairman of the Commission and also the way that the Commission reaches decisions.

The law defines the obligation of each private subject or any the public administration body to inform the Competition Authority in relation to any inquire the Authority could make and to collaborate with the Authority in order to find any necessary data, to take the authorization for the inspection of enterprises or a group of enterprises, the responsibilities for the inspection by the Secretariat, the procedures during the inspection. Also, it defines the right of inspectors to



sequester any object as evidence for not more than 72 hours and in specific cases, with a Court decision, this could be extended to no more than 6 months. Enterprises or a group of enterprises have the right to hearing about the case before a final decision is adopted by the Commission. Against this decision, the parties may file an appeal to the appropriate Court and in the time-limits defined by the law.

Overall, this law is compatible and aligned with the EU legislation on competition policy. The activity of the Competition Authority is based on 3 pillars: 1) prohibited agreements; 2) abuse of a dominant position in the market; and 3) control of concentration.

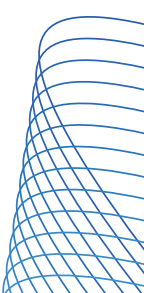
Prohibited agreements are all those agreements between enterprises, decisions or recommendations of a group of enterprises, or concerted practices between them, that work on the same level or on different levels, which limit or distort the competition. Dominant position, according to the 2003 law "On the protection of competition", is considered any dominant position obtained by an enterprise or a group of enterprises and which allows them to work independently from other participants in the market, in relation to the supply or demand, but which doesn't constitute an abuse of law. Individual or collective abuse with the dominant position could be in the form of higher and unfair prices, or discriminatory conditions, or refusing to offer a service.

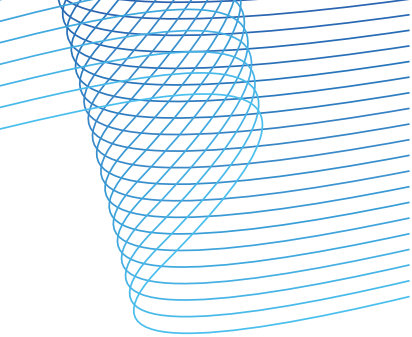
Concentrations are the third pillar, where by Commission is analysing and monitoring changes in the market structures. Concentration is the union or the merger of two enterprises, obtaining direct control on another enterprise, or creating a common enterprise which functions as economically independent.

In relation to these three pillars, the Competition Authority has done a relatively good job. It has investigated, taken decisions in the case of prohibited agreements, in cases of abuse of a dominant position and has authorized the concentration of different enterprises, focusing in all the sectors of the economy.

In general, Albania has complied with the obligations deriving from the SAA in this area. Albanian law on state aid, Law no 9374, dated 21.04.2005 as amended, is fully approximated with the following EU directives: Commission Regulation (EC) No. 69/2001 of 12 January 2001 "On the application of Articles 87 and 88 of the EC treaty to de minimis aid"; Commission Regulation (EC) No. 2204/2002 of 12 December 2002 "On the application of Articles 87 and 88 of the EC Treaty to State aid for employment"; Commission Regulation (EC) No. 70/2001 of 12 January 2001 "On the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises"; Commission Regulation (EC) No. 68/2001 of 12 January 2001 "On the application of Articles 87 and 88 of the EC Treaty to training aid"; Council Regulation (EC) No. 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty; Commission Regulation (EU) No. 651/2014 of 17 June 2014 "Declaring certain categories of aid compatible with the internal market in application of articles 107 and 108 of the Treaty; Commission Regulation (EC) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid; Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.

In conducting its activities, the Competition Authority relies on Law No. 9121, dated 28.07.2003, "On Competition Protection" (amended) and also on a full secondary legal framework, including regulations and guidelines. The Albanian competition legal framework has been approximated with the EU legal framework, including Articles 101, 102, 106 TFEU, Council Regulation (EC) No. 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty; Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation); Commission Notice on the definition of relevant market for the purposes of Community competition law; Commission Notice on Immunity from fines and the reduction of fines in cartel cases; Guidelines on





the method of setting fines imposed pursuant to Article 23(2)(a) of Regulation No. 1/2003 to the Commission Notice on agreements of minor importance which do not appreciably restrict competition under Article 81(1) of the Treaty establishing the European Community (de minimis), etc.; and also other EU legal acts. The approved legal bases help the Competition Authority in its activity and to fulfil the mission and objective of the law, protecting free and effective competition in the market.

Albania has made moderate preparations in the field of competition policy. The administrative capacity of the CA is sufficient, and its staff has a good level of expertise. However, delays in the judicial processes are prolonged and further efforts must be done to increase the availability and quality of the training of judges in the field of competition policy.

Chapter 3 – Intellectual Property Rights (Intellectual, industrial and commercial property)¹⁶

The main purpose of intellectual property protection policies in the Republic of Albania is to guarantee the protection of copyrights through the efficient functioning of the Albanian Copyright Office as the main institution for the protection of these rights.

The obligations deriving from this field as provided for in the Articles 70, 73 in the SAA and Article 39 of the Interim Agreement will be accomplished through: the extent of the activity of the Albanian Copyright Office at the Regional Copyright Offices; institutionalization of cooperative relations with state institutions that affect the process of protection and respect of copyright; increasing the efficiency of the fight against piracy and counterfeit goods of intellectual property through the strengthening of legal and institutional mechanisms; and raising the awareness of economic operators that use intellectual property.

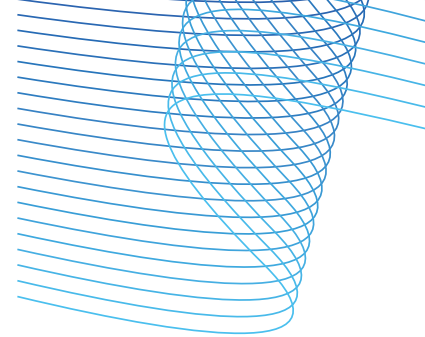
The Albanian Government approved a new Law No 35/2016 “On Copyright and other related rights” in March 2016. The law integrated the latest developments of European policy on copyright while addressing the problems encountered with the current law in force, as in foreseeing detailed provisions regarding moral as well as economic rights.

The new law on copyright provides the harmonization of legislation, to the highest degree possible, between the Albanian legislation on copyright and related rights, with the acquis of the European Union in this field in order to ensure the same level of protection and enforcement with those of the European Union, an obligation that derives directly from Article 73 of the Stabilization and Association Agreement.

This law brings a new instance, which is introduced for the first time, the National Council of Copyright (NCC), the new specialized body for setting payment fees. NCC is a decision-making body that certifies the tariffs methodology, for every user. The fees are transparent and competitive for the entities, non-arbitrary, which would directly affect the formalization of the market. The new law ends the tariff contesting from the parties and helps the artists acquire more benefits. The methodology of tariffs was approved by the National Council of Copyright on August 2017.

The National Copyright Council adopted the Decision No. 4, of 10.10.2017 for the creation of the “One Stop Shop” system. Actually, there are 4 licensed CMO’s in Albania and the collective management of music producers (AMP) has been assigned the function of collecting the fees for all the categories of the holders of the rights. In the abovementioned decision, AMP is obliged to function in accordance with the principle of transparency and the collaboration of all CMO’s.

¹⁶ Chapter 7 in accession negotiations (Intellectual Property Rights).



The aim of the Albanian “One Stop Shop” called “S.U.A.D.A” is an efficient and simplified service for users. All licensed CMO’s are members of the S.U.A.D.A.’s supervisory council.

The S.U.A.D.A. must collect royalties from users effectively and distribute them to CMO’s in order to distribute them to right holders.

The vision of the General Directorate of Industrial Property (GDIP) in relation with the system of protecting Industrial Property rights is to build a stronger system of Industrial Property in the Republic of Albania, which assures effective protection of IP objects, encourages creativity and innovation with the aim of stimulating economic growth and cultural and scientific development in the Republic of Albania.

The change of the administrative structure of GDIP from a budgetary public institution into an institution with its own funding, with a view of strengthening administrative and financial capacities, as an essential element of accomplishing its mission, was a recommendation given by European Commission and also a recommendation of World Intellectual Property Organization (WIPO)’s experts who assisted the drafting of intellectual property national strategy 2016-2020.

GDIP offers services related to industrial property issues to users all over the country , increasing the awareness about the importance of the industrial property system, through organization of seminars, publishing information, distribution of leaflets and materials related to IP items.

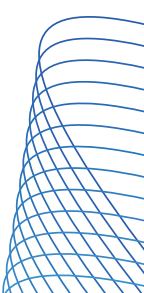
Albania is a member of many international agreements in the field of Industrial Property. The GDIP represents Albania in the European Patent Organization (EPO), in the World Intellectual Property Organization (WIPO) and has started the procedures for becoming a member of the Intellectual Property Office of the European Union (EUIPO).

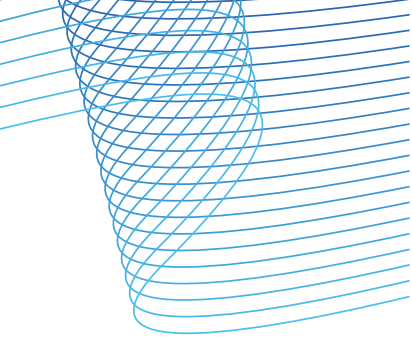
The General Directorate of Industrial Property, with the ongoing support of the Ministry of Finance and Economy, has undertaken initiatives to reform the Industrial Property System in the country. The basic products of the reform undertaken by the GDIP are:

- a) “National Strategy on Intellectual Property 2016-2020”, approved by Decision no. 527, of 20.07.2016, of the Council of Ministers, published in the Official Gazette No. 140 of 28.07.2016. This is one of the most important documents in the field of IP rights in Albania. GDIP, having the role of the Technical Secretariat, has played an important role in drafting this strategy.
- b) Law no. 17/2017 “On some additions and amendments to law No. 9947 dated 07.07.2008 “On Industrial Property”, as amended”, is approximated partially with Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions and Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trademarks and Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs and Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007, which entered into force on 25 March 2017 and was approved by the Albanian Parliament on 16 February 2017.

Inter-institutional cooperation has been strengthened. Cooperation agreements have been signed with international offices such as the American Patent Office (USPTO), State Intellectual Property Office (SIPO), Industrial Property Office of Republic of Serbia and joint activities have been organized in order to train relevant staff and for promoting the Industrial Property. Cooperation memorandums have been signed with universities as well as other local institutions.

The administrative capacities of GDIP have been strengthened. The Directorate of Coordination, Promotion, and Training is a fairly new structure within GDIP created by the Order of the





Prime Ministers no. 80, dated 12.06.2015 “On the Approval of the Structure and the Organics of the General Directorate of Patents and Trademarks”. This new structure has enabled the strengthening of GDIP’s cooperation with other institutions and also is raising public awareness about the role of Industrial Property in the Albanian market. The law 17/2017 has expanded the functions of GDIP in fulfilment of its mission.

3.1 Achievements

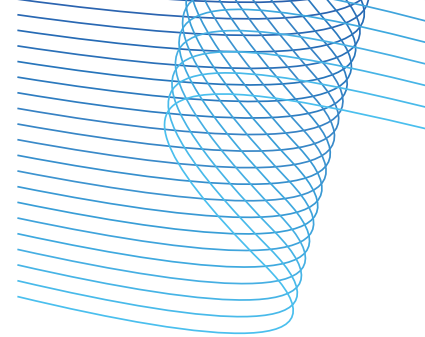
Copyright and related rights

Albanian Legislation in the field of copyright is composed by following legal acts:

- Law No. 35/2016 “On Copyright and Related Rights” in Republic of Albania;
- Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 ‘On the harmonization of certain aspects of copyright and related rights in the information society’;
- Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 ‘On the resale right for the benefit of the author of an original work of art’;
- Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 ‘On rental right and lending right and on certain rights related to copyright in the field of intellectual property’;
- Directive 2006/116/EEC of the European Parliament and of the Council of 12 December 2006 ‘On the term of protection of copyright and certain related rights’;
- Directive 96/9/EEC of the European Parliament and of the Council of 11 March 1996 ‘On the legal protection of databases’;
- Directive 2009/24 of the European Parliament and of the Council of 23 April 2009 ‘On the legal protection of computer programs’;
- Directive 93/83/EEC of the European Parliament and of the Council of 27 September 1993 ‘On the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission’;
- Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on “Application of intellectual property rights”; Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 ‘On collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market’;

Protection of copyrights and other related rights as below:

- The Constitution (Article 58);
- Conventions / Agreements / Treaties where the Republic of Albania has adhered;
- Law No. 35/2016 “On Copyright and Related Rights” in Republic of Albania”;
- Order No. 5166 of 20/10/2016 “ Defining additional criteria to the original ones based on the article 133 and also defining the procedures and conditions under which the license is obtained. This also pertains to the renewal of the license based on article 134 of the law no 35 of 31/3/2016 “On Copyright and other related rights”;
- Decision of Council of Ministers No 33 dated 18/1/2017 “Fee schedule approval for services offered by the directorate of the copyright”;
- Decision of Council of Ministers No 34 dated 18/1/2017 “For the procedures of registration, organization and classification of the works for the copyright”;



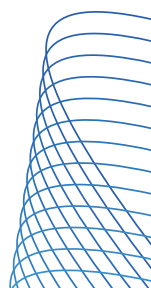
Industrial Property

Protection of industrial rights in Albania is exercised in accordance with national and international instruments as below:

- The Constitution (Article 58);
- Conventions / Agreements / Treaties where the Republic of Albania has adhered.
- Law No. 9947, dated 07.07.2008, "On Industrial Property" as amended by:
- Law No. 10/2013, dated 01.03.2013, "On some additions and amendments to Law No. 9947, dated 07.07.2008, "On Industrial Property".
- Law No. 55/2014, dated 24.06.2014, "On some additions and amendments to Law No. 9947, dated 07.07.2008, "On Industrial Property".
- Law no. 17/2017 dated 25.03.2017 "On some Amendments and Additions to Law No. 9947 dated 07.07.2008 "On Industrial Property", as amended.

The above mentioned are fully approximated with the following EU acquis:

- Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 'On the legal protection of biotechnological inventions';
- Council Regulation (EEC) no. 1768/92 of 18 June 1992 concerning the creation of a supplementary certificate for the protection of medical products;
- Regulation (EC) no. 1610/96 of the European Parliament and Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products.
- Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs;
- Council Regulation (EC) No. 6/2002 for Community Designs (CDR) (Official Gazette L3 dated 05.01.2002);
- Council Regulation (EC) No 40/94 on Community Trade Marks (CTMR) of 20 December 1993 (Official Journal L 3, dated 05.01.2002);
- Council Regulation (EEC) No 2081/92 of 14 June 1992 on the protection of geographical indications and designation of origin for agricultural and food products (Official Journal L 208 of 24.07.1992).
- Regulation (EC) No 816/2006 of the European Parliament and of the Council of 17 May 2006 on the mandatory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with a Public Health Problem (Official Journal No L 157 / 1 date 09.06.2006).
- Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trademarks;
- Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks;
- Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights;
- Directive 2015/2436/EC dated 16.12.2015 "On the harmonization of the legal basis of member countries about trademarks."
- Regulation Nr. 1151/2012/EC dated. 21.11.2012 "On quality schemes for agricultural products and food".
- Regulation Nr. 1308/2013/EC dated 17.12.2013 "For the establishment of a common organization of the markets of agricultural products and repealing Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007".





Chapter 4 – Public Procurement¹⁷

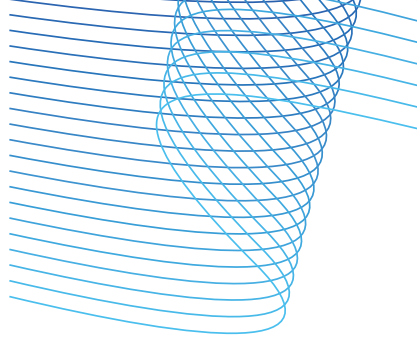
The EU *acquis* on public procurement is based on the general principles deriving from the Treaty on European Union and the Treaty on the Functioning of the European Union as well from the jurisprudence of the Court of Justice of European Union. These principles include transparency, equal treatment, free competition and non-discrimination. Such principles apply to all procurement procedures including those falling outside the scope of the EU procurement directives because of their value (procurement below the EU thresholds) or subject matter (service concessions). Public procurement is thoroughly regulated by EU secondary legislation.

The obligation to approximate Albanian legislation on the public procurement with that of the European Union stems from Articles 70 and 74 of the SAA. EU law in the field of public procurement is composed of the following legal acts:

- Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts, OJ L 134, 30.4.2004;
- Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors, OJ L 134, 30.4.2004;
- Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC, OJ L 94, 28.3.2014;
- Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC, OJ L 94, 28.3.2014;
- Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts, OJ L 94, 28.3.2014;
- Directive 2014/55/EU of the European Parliament and of the Council of 16 April 2014 on electronic invoicing in public procurement;
- Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC;
- Council Directive 92/13/EEC of 25 February 1992 coordinating the laws, regulations and administrative provisions relating to the application of Community rules on the procurement procedures of entities operating in the water, energy, transport and telecommunications sectors;
- Council Directive 89/665/EEC of 21 December 1989 on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts;
- Regulation (EC) No 2195/2002 of the European Parliament and of the Council of 5 November 2002 on the Common Procurement Vocabulary (CPV).

Public procurement is a relatively new area in Albania. Before 1990 due to communism regime, public procurement was a concept unknown in Albania. Before 90s, Albania had a planned centralistic economy and the concept of private entrepreneurship was forbidden. However, after the fall of communism in 1993, the government included the concept of purchases outside the state sector, which preceded the introduction of public procurement. Therefore, the

¹⁷ Chapter 5 in accession negotiations (Public Procurement).



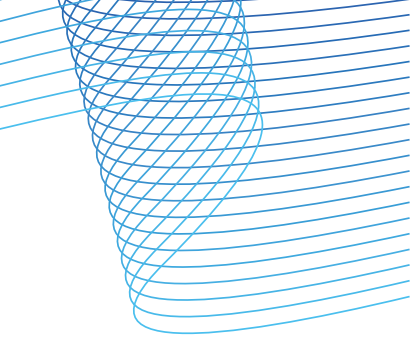
decision No. 400, dated 17.11.1990 of the Council of Ministers “For the purchase and delivery of services outside the state sector” stipulated that state institutions and enterprises purchase goods, equipment and perform services for their needs in counter with payment. Also, the Decision of the Council of Ministers no 191 dated 22.03.1993, “On the system of public purchases and purchase activities and services performed by enterprises and institutions that are financed from state budget”, regulated the purchase of goods and service delivery. This decision provides for the first time the possibility of participation of foreign enterprises and requires that bids are evaluated by the evaluation committee composed of 5 members and based on the lowest price.

Meanwhile, the decision of the Council of Ministers No. 467 dated 17.08.1993 “On the procurement procedures with state funds” introduced the term of public procurement for the first time in Albania. This legal act regulates completely the procurement system such as procedure, procurement time limits and rules for the formation of committees for the evaluation of bids. However, the legal framework was completed in 1995, when the Parliament of Albania on 26.07.1995 adopted the first Law on “Public Procurement “. The law No. 7971 dated 26.07.1995 was based on the procurement rules of International Financial Institution such as on United Nations International Trade Law “UNCITRAL”. Also, the elements of the World Bank Procurement Rules and Government Procurement Agreement were introduced. Aiming to complete the legal framework, the Council of Ministers prepared the secondary legislation - Instruction No. 01 “On Public Procurement”, which entered into force on 1 January 1996.

In 2006, the public procurement system in Albania changed completely, by preparing a new law based on the EU procurement legislation. Therefore, on 20 November 2006 the Albanian Parliament approved the law No. 9643 “On Public Procurement”, which entered into force on 1 January 2007. The Decision of the Council of Ministers, on 10 January 2007 adopted the “Public Procurement Rules” which consisted of standard tendering documents and different forms on public procurement. Alignment of public procurement legislation with the EU Procurement Directives in the initial stages in Albania was partial. Partial compliance comes from the fact that based on the level of development of public procurement system in Albania, implementation of the several parts of the 2004 directives, was not possible. For example, the development of public procurement by electronic means was not foreseen, because the IT infrastructure was not sufficiently developed in Albania and a law on electronic signatures did not exist, reasons which made the application of these provisions impossible.

Having in mind that the law on Public Procurement was partially approximated with the EU acquis, during 2007-2008, new changes were introduced. The main goal of these changes was further approximation of Albanian PP law with EU directives. In this light the Parliament of Albania on 10 September 2007 approved the Law No. 9800, “On some amendments and additions to Law No. 9643, On Public Procurement”. This law mainly consists of changing the conditions on the use of the procurement procedure without publication, by completely aligning section 33 of the Law on Public Procurement of Albania with Article 31 of the EC Procurement Directive No. 2004/18. In order to complete and further advance the legislative framework for public procurement, the Council of Ministers of Albania with Decision No. 659 of the date 3 October 2007, approved the “Rules of public procurement by electronic means”. With this decision for the first time in the Albania’s history public functional and legal necessary requirements for conducting procurement procedures by electronic means were defined. However, full use of electronic system was completed in 2009.

In December 2007 the Parliament of Albania, presented new changes to the Law on Public Procurement. On 26.12.2007, through Law No. 9855, “On some amendments to Law No. 9643, On Public Procurement” new rules on the procurement of electricity and hydrocarbons were introduced. These changes also defined the use of framework contracts. Additionally, the secondary legislation was further elaborated by Decision of Council of Ministers No. 135, dated 3 February 2008 and Decision No. 392 of the date 8 April 2008.



On 22.10.2009, through Law No. 10170 the Parliament of Albania presented new changes in the law on public procurement, aiming alignment of public procurement legislation in Albania to the EU acquis (No. 2004/17, 2004/18 and 2007/66). Important changes in the law can be considered those concerning establishment of a new body that will deal with complaints in public procurement, the so called the Public Procurement Commission (PPC). Other changes to the Law on Public Procurement are those related to public framework contracts, and those that deal with sectorial contracts for energy, water supply and transport services.

During 2010, the Parliament of Albania presented new changes in the legislation on public procurement. On 22.07.2010 through Law No. 10309, some changes were made that largely relate to the clarification of the competences of the central procurement bodies. The powers of the Public Procurement Agency are removed in order to conduct investigations in public procurement and are drifted to the Procurement Advocate.

Electronic procurement began to apply in Albania during 2008, based on provisions of the decision of the Council of Ministers of the Republic of Albania No. 659 of 3 October 2007, and by early 2009, Albania became one of the first countries in the world that had a mandatory electronic procurement system for all public procurements exceeding the amount of 3,000€. E-procurement application is considered as one of the greatest achievements since the beginning of the public procurement system in Albania.

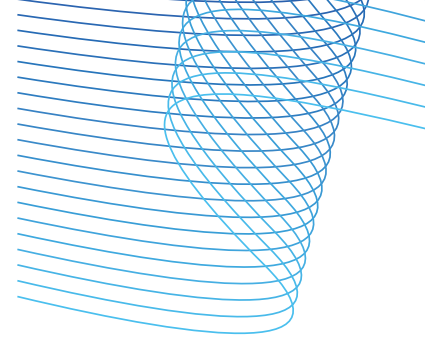
The amendments and developments of 2009 and 2010 brought the PPL largely into line with EC Directive 2004/17.

In order to ensure transparency of public procurement procedures and especially, to prevent and fight corruption, the E-procurement was introduced in the Albanian Public procurement system at the end of 2007. However, a full expansion of the electronic system was presented in 2009 through the Decision of Council of Ministers¹⁸ no 45 which provided that all public procurement procedures should thereupon be electronically conducted. Contracting authorities are also obliged to publish all procurement notices and tender dossiers on the website of the Public Procurement Agency (PPA). Thus, improving access to information and reduce procedural costs.

Electronic procurement platform is a network-based application, which supports automatization of tendering activities of all contracting authorities of the Government of Albania. This system enables safe transactions between Albanian public institutions and the domestic and foreign business community. The system provides drafting and safe, efficient and transparent administration of all documents that are related to the tendering process, therefore avoiding delivering of documentation in paper and ensuring a safe flow of information throughout the entire process. Tendering documentation is available at the electronic procurement system and all transactions from the documents downloading and to electronic bidding are free of charge. The electronic procurement system allows for proper management of the space dedicated to the tender. It significantly reduces the time of application, eliminates unnecessary documentation, facilitates and standardizes familiarization with tender conditions, ensures bid confidentiality and, at the opening stage, it allows for simultaneous announcement of binds, it generates reports and saves them electronically for future checks, thus reducing the opportunities of corruptive deviations.

Albanian economic operators, which are registered in the National Registration Centre (NRC) may apply to register also in the Electronic Procurement System (EPS) in order to have the opportunity to electronically bid in the procurement procedures. If foreign economic operators want to use the electronic procurement system, they must be registered, and they must be provided with a user account. This may be accomplished by registering online as an economic operator or at the Public Procurement Agency office.

¹⁸ Council of Ministers, Decision No. 45 on conducting electronic procurement procedures by electronic means, January 21, 2009.



In 2017, following the recommendations by the European Commission, the Albanian Government approved a new law, making some changes to the old law about public procurements. These changes aim to ameliorate the system of complaints about the public procurement and also to approximate Albania's legislation in this area to that of the EU. One of the main changes is in the election of the member of the Commission for Public Procurement. They will be elected by the Parliament and not by the Prime Minister, as it was the case until now. In this view, this institution becomes more independent.

Another change in this law has to do with the conflict of interest of the Chairman or the other members of the Commission, making the work of this Commission more transparent and unbiased.

4.1 Achievements

In general, Albania has complied with the obligations deriving from the SAA in this area. The regulatory framework in this field is partially compatible, but not fully compliant with the *acquis*. Albanian Law No 9643 of 20.11.2006, "On public procurement" is partially approximated with the following EU Directives: Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (as amended), Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (as amended), Council Directive 89/665/EEC of 21 December 1989 on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts (as amended by Directive 2007/66/EC).

With regard to concessions, in April 2013 Law No 125/2013 "On concessions and public private partnership" was adopted. It is partially approximated with Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.

This law was later amended by the Law no. 77/2015 adopted on July 2015. The changes are partially in compliance with the Directive 2014/23/EU.

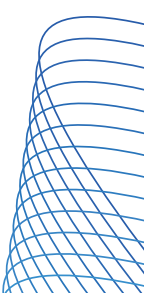
In order to further approximate the national legal framework with newly adopted Directives in this area, further changes to Albanian law on public procurement are required.

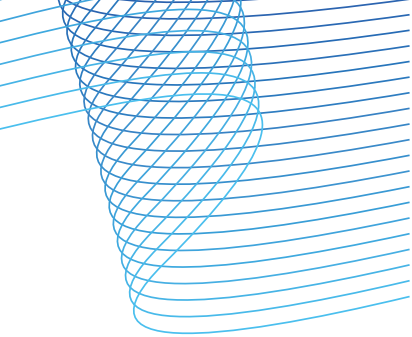
For this purpose, the Law no 47/2017 "On some additions and amendments in law no. 9643 of 20.11.2006 "On Public Procurement" was approved, partially approximated with Council Directive 89/665/EEC of 21 December 1989 on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts.

Chapter 5 – Internal Market *Acquis*¹⁹

Free movement of goods is one of the key areas for the proper implementation of the free market principles. The principle of free movement of goods means that products must be traded freely within the European Union. This general principle is supplemented by a harmonised regulatory framework in a number of sectors, following either the "Old Approach" (laying down

19 Chapter 1 in accession negotiations (Free Movement of Goods).





precise detailed product specifications) or the “New Approach” (setting general essential safety product requirements). Transposition of harmonised European product legislation accounts for the bulk of the obligations under this chapter. Smooth implementation and proper implementation of the *acquis* requires sufficient administrative capacity to notify restrictions on trade and to apply horizontal and procedural measures in areas such as standardisation, conformity assessment, accreditation, metrology and market surveillance. The Stabilisation and Association Agreement creates a number of obligations in the field of free movement of goods. It also provides for gradual alignment with EU technical regulations and standards as well as metrology, accreditation and conformity assessment procedures.

5.1 State of play

In June 2014, the European Council granted Albania candidate status. As stated in Albania 2016 Progress Report, Albania has some level of preparation/is moderately prepared in the area of free movement of goods. The legislation on horizontal measures regarding standardization, accreditation, and metrology, marketing of products, market surveillance and conformity assessment is in place.

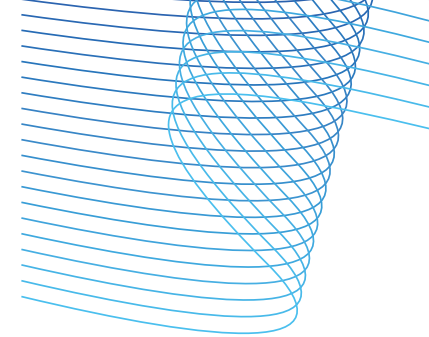
At the end of 2011 Albania adopted the legal package on i) general product safety and ii) on marketing and market surveillance of non-food products, which transpose the relevant provisions of GPSD and New Legislative Framework (Decision 768/2008/EEC and Regulation 765/2008/EEC). The law on marketing of products and market surveillance creates the necessary legal bases for the transposition of New & Old Approach Directives through secondary legislation, repealing the Law 9779 “On essential requirements and conformity assessment of non-food products”.

In that context all technical regulations have been reviewed according to the law 10489/2011 and in the light of the reorganization of ministries regarding the sharing of responsibilities with the Ministry of Industry. The relevant technical regulations have been agreed and on December 2015 the Council of Ministers approved 16 technical regulations which transpose the relevant products legislation of Chapter 1 of the *acquis* including: textile, low voltage (LVD), machinery, lifts, gas appliance, under pressure equipment, personal protective equipment, electromagnetic compatibility (EMC), simple pressure vessels, noise emissions by outdoor equipment, equipment and protective system for use in potentially explosive environment, efficiency requirements for new hot water boilers, measurement instruments, etc.

Decision of Council of Ministers No. 753, of 09.16.2015 approved the 2020 strategy “On consumer protection and market surveillance”, including a detailed action plan. The short-term and long-term quality infrastructure institutions as well as harmonization of *acquis* objectives are an integral part of this strategy.

The legislation in the area of standardisation clearly provides rules and procedures in compliance with those used by European and international standardisation organisations, such as CEN, CENELEC, ETSI, ISO and IEC. Law no. 53/2015 “On some amendments in the Law nr. 9870/2008 “On Standardization”, as amended, has transposed only the point 2 of the article 26 of the EU Regulation no. 1025/2012 “On European Standardization”. In addition to the legislation in force, all standardisation processes are based on the General Directorate for Standardisation (GDS) internal regulations, which are in compliance with those of European and international regulations.

The Law No. 116/2014 “On Accreditation of Conformity Assessment Bodies in Republic of Albania” aiming to bring the Albanian legislation in line with relevant provisions of the Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for the accreditation and market surveillance *acquis* was approved during July-



September 2015. All secondary acts in field of accreditation were approved in July 2015. GDA signed the EA-MLA²⁰ for testing laboratories which is a very important achievement toward the removing of unjustified technical barriers to trade.

Also, the methodology on the classification of risks and serious risk assessment is in place as well as the standard operating procedures which have to be implemented from market surveillance inspectors.

The main administrative structures responsible for standardisation, accreditation and metrology are in place and operational. The General Directorate for Standardisation (GDS) is a full member of the European Telecommunications Standards Institute (ETSI) and an affiliate member of the European Committee for Standardization (CEN) and the European Committee for Electro technical Standardization (CENELEC.) The database of the GDS is improved with regard to registration and updating of published standards.

Since May 2015, DPA²¹ is a full member of European co-operation for Accreditation (EA). DPA signed EA-MLA for testing laboratories. A total number of accredited conformity assessment bodies is 46, out of which 25 are testing laboratories, 3 medical laboratory, 1 calibration laboratory, 6 certification bodies and 11 inspection bodies. The General Department of Metrology is a member of EURAMET and an associate member of WELMEC. The GDM's calibration and measurement capabilities were registered in the Key Comparison Database of the International Bureau of Weights and Measures.

The consolidation of inter-ministerial working group (IMWG) for the Chapter 1 of acquis has further progressed and have been improved the administrative capacities in line ministries responsible for the transposition of the acquis. This IMWG is going to be as a discussion forum for all legal initiatives under Chapter 1 of the acquis, aiming to have the same understanding on the "translation" of the principles under this chapter and keeping the same approach on the transposition of product legislation.

The general principle of the free movement of goods implies that products must be traded freely from one part of the Union to another. This principle is enshrined in the Treaty on the Functioning of the European Union, in particular Articles 28-30 (prohibition of customs duties and charges having equivalent effect), and Articles 34-36 (prohibition of quantitative restrictions and measures having equivalent effect) as well as Article 110 (prohibition of tax discrimination) as interpreted in the case law of the European Court of Justice. Moreover, Commission Directive 70/50/EEC and interpretative communications are of importance. Customs duties are strictly prohibited, so are charges having equivalent effect.

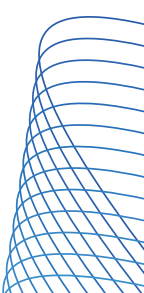
In the case of the latter, some exceptions are provided in the case law of the Court and in secondary legislation. Measures having equivalent effect to quantitative restrictions are prohibited, subject to a limited and restrictive set of exceptions. This notably implies the elimination of technical barriers to trade towards articles 34-36 of the TFEU and compliance with the principle of mutual recognition according the procedure established in the Regulation 764/2008/EC.

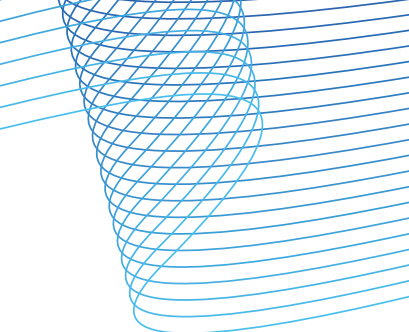
This means the elimination of technical barriers to trade by articles and compliance with the principle of mutual recognition according to the procedure in Regulation 764/2008/EC to establish procedures regarding the application of some national regulations to technical products traded legally in a Member State and repealing Decision 3052/95 / EC.

In a number of sectors, the general principle of free movement of goods expressed in the articles 34-36 of the TFEU is complemented by a harmonised regulatory framework in a consid-

20 European Accreditation Multilateral Agreement (EA MLA). The EA MLA is a signed agreement between the EA Full Members whereby the signatories recognise and accept the equivalence of the accreditation systems operated by the signing members, and also the reliability of the conformity assessment results provided by conformity assessment bodies accredited by the signing members.

21 General Directorate of *Accreditation*.





erable number of sectors. Horizontal measures define the quality infrastructure which Member States should put in place in areas such as standardisation, conformity assessment, accreditation, metrology and market surveillance.

Harmonised European product legislation, which needs to be transposed by each Member State, represents the largest part of the *acquis* under this chapter. It is mainly based on the “Old Approach” (imposing precise product specifications) or the “New and Global Approach” (imposing essential safety requirements). EU New and Global Approach product legislation covers the areas of non-automatic weighing instruments and measuring instruments (2014/32/EU), low voltage equipment (LVD 2014/35/EU), electromagnetic compatibility (EMC 2014/30/EU), toys (2009/48/EEC), machinery (2006/42/EC amended by 2009/12/EEC), personal protective equipment (PPE 89/686/EEC), equipment and protective systems intended for use in explosive atmospheres (ATEX 2014/34/EU), gas appliances (2009/142/EC), simple pressure vessels (2009/105/EEC), cableway installations (2000/9/EEC), radio and telecommunications terminal equipment (R&TTE, 2014/53/EU), etc.

EU “Old Approach” product legislation covers the areas of motor vehicles, chemicals, pharmaceuticals, cosmetics, legal metrology and pre-packaging, textiles (1007/2011/EU), footwear labelling (94/11/EC), crystal glass (69/493/EEC), etc. A series of procedural measures also requires sufficient administrative capacity in order to be properly applied. These include a notification procedure in the field of technical standards and regulations laid down in Directive 98/34/EC as amended, Regulation (EEC) No 339/93 on external border checks related to product safety, Directive 91/477/EEC on the control of the acquisition and possession of weapons, and Directive 93/7/EEC on cultural goods.

For all non-harmonized sectors or non-harmonized provisions, the article 34-36 of the TFEU will apply regarding the unjustified measures having equivalent effect with quantitative restrictions.

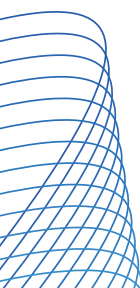
In July 2008 was adopted a legislative framework package of measures designed to help a better functioning of the internal market for goods and to strengthen and modernise the conditions for placing a wide range of industrial products on the EU market. This legislative framework consists of: a) Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93; b) Decision No 768/2008/EC of the European Parliament and of the Council of 9 July 2008 on a common framework for the marketing of products, and repealing Council Decision 93/465/EEC; and c) Regulation (EC) No 764/2008 of the European Parliament and of the Council of 9 July 2008 laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State and repealing Decision No 3052/95/EC.

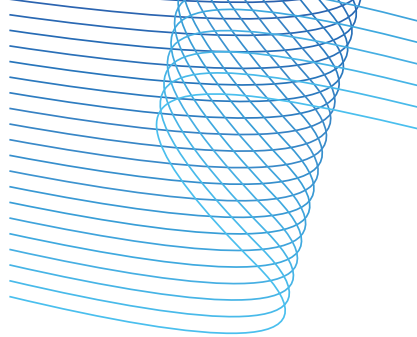
Regulation 765/2008 and Decision 768/2008 are fully complementary and together form the basis of a consistent legal framework for the marketing of products, while Regulation 764/2008 (the new mutual recognition regulation) also strengthens the internal market for a wide range of other products not subject to EU harmonisation, for example foodstuffs such as bread and pasta, furniture, bicycles, ladders and precious metals.

5.2 Achievements

Until now approximately 95% of CEN standards (ENs & HDs including amendments, 97% of CENELEC standards and 58% of ETSI standards have been adopted as Albanian.

In the area of New Approach is approved the Decision of Council of Ministers (DCM) No 770 of 02.11.2016 on measurement instruments and reference list of harmonized standards on some amendments in the decision no. 1351, dated 3.10.2008, the Council of Ministers, “On the ap-





proval of regulation and metrology requirements for measuring instruments legally controlled”, and the designation of the selected list of harmonized standards”, which transpose the Directive 2014/32/EU European Parliament and Council of 26 February 2014 on the harmonization of the laws of the Member States relating to making available on the market measuring instruments, amending Annex III of Directive delegated Commission (EU) 2015/13 dated October 31, 2014.

In addition is approved the DCM No 675, date 28.09.2016 “For setting up the rules and procedures for the identification and traceability of explosives for civil uses” which fully transposes directive 2008/43/EC.

In the area of Old Approach, is approved a new law 27/2016 “On chemicals management”, DCM No 488 of 29.06.2016 “On the classification, labelling and packing of chemicals”, DCM No 489 of 29.06.2016 On approval of the list of substances of very high concern (SVHC), criteria for inclusion of substances in the list of SVHC and issuing of a conditional authorization in order to continue using the SVHC”, DCM “The restrictions on the manufacture, placing on the market and use of certain chemicals and certain dangerous articles” and DCM “On Export and import of hazardous chemicals”. This legal framework partly transposes REACH and CLP Regulations (Regulation No. 1907/2006 of the European Council of 18 December 2006 on “Registration, Evaluation, Authorization and Restriction of Chemicals” - REACH and Regulation (EC) No 1272/2008 “On the Classification, Labelling and Packaging of Substances and mixtures” - CLP and Regulation (EU) No 649/2012 of the European Parliament and of the Council of 4 July 2012 concerning the Export and Import of Hazardous Chemicals).

The preparations for making functional Market Surveillance Inspectorate are further advancing. The DCM nr. 36, date 20.01.2016 “On the establishing, organization and operation of Market Surveillance Inspectorate” and the Order of Prime minister no. 36, date 16.05.2016 “On organizational structure of inspectorate” are approved.

According to European Union, standardization is the precondition for fulfilling the objectives related to free movement of goods and trade exchanges in the internal market and beyond. Also, standardization is the basis for the elimination of technical barriers.

The current legislation concerning standardization in Albania is 97% approximated with that of the European Union.

5.3 Market Surveillance

The Market Surveillance Inspectorate was approved by the Decision of Council of Ministers No 36 of 20.01.2016 “On the market surveillance”.

Regarding surveillance of markets and Inspectorate for Market Surveillance (SIMS) inspection process has started to be present on the market since June 2017. Based on the strategic document on functioning of market surveillance system in Albania, SIMS has drafted a market surveillance plan for 2017-2018. This plan contains a list of the product groups that are to be priority targets of official surveillance during the period of the surveillance programme. Selected checklists for inspections of products are prepared.

As a legal obligation set by the law on marketing and market surveillance and based on the proposed market surveillance plan for the period 2017-2018, SIMS has started with the creation of the register of lifts in use in Albania. In this framework a first meeting with association of construction companies in Albania and with lifts installers was conducted. Furthermore, SIMS organized a second meeting with lifts installers, with the scope of presenting the formats for the registration of all lifts in use. The next steps that SIMS will do is to officially start the registration process and to include in this process also construction companies and administrators of buildings.



Chapter 6 – Consumer Protection²²

The EU acquis under the Consumer and Health Protection chapter consists of legal instruments and policy instruments for the protection of the consumers and economic interest as well human public health. The issues related to the implementation and enforcement of consumer and health protection policies are also part of this chapter.

The acquis in the area of consumer protection covers aspects related to consumer general product safety, unfair commercial practices sale of consumer goods, associated guarantees, unfair contract terms, price indications, consumer credit, misleading and comparative advertisements, package travel, injunctions, etc. As regards the implementation and enforcement of consumer protection policies, this relates also to adequate enforcement bodies, market surveillance issues, access to justice and out-of-court dispute resolution mechanisms, etc.

The acquis in area of public health deals with issues related to tobacco control, blood, communicable diseases, tissues and cells, mental health, cancer, etc. Because of current public health administrative capacities, the proper implementation and enforcement of health protection policies and legislation is a matter of concern.

Regarding of Stabilization and Association Agreement (SAA) the commitments in the field of Consumer Protection derive from Articles 70 and 76.

Following the SAA signing, the Albanian Government committed to approximate the main EU legislation on the field of consumer protection. In 2009 the situation in Albania was as follow:

- The Law no. 9362, of 24.03.2005 “On the protection of plants” was not approximated with the relevant EU Directives (Council Directive 91/414/EEC of 15 July 1991 concerning the placing of plant protection products on the market and Council Directive 2000/29/EC of 8 May 2000 on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community).
- The DCM No. 72, dated 15.02.2001, “On the approval of the Regulation on Plant Protection Products”, was partially adapted to Council Directive 91/414 / EEC on the marketing of plant protection products.
- The DCM No. 72, dated 06.02.2003 “Phytosanitary Quarantine Inspection Rules”, partially complied with the Directive 2000/29 / EC “On protective measures for the prevention of the introduction into the Community of plant parasites and plant products”, and their respective annexes.

The relevant EU legislation in Albania is as follows:

- Council Directive 90/314/EEC of 13 June 1990 on package travel, package holidays and package tours;
- Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council Directive 85/577/EEC;
- Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts - Statement by the Council and the Parliament re Article 6 (1) - Statement by the Commission re Article 3 (1), first indent Directive 2009/22/EC;

²² Chapter 28 in accession negotiations (Consumer and health protection).

- Directive 2008/122/EC of the European Parliament and of the Council of 14 January 2009 on the protection of consumers in respect of certain aspects of timeshare, long-term holiday product, resale and exchange contracts Directive 85/577/EEC;
- Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts - Statement by the Council and the Parliament re Article 6 (1) - Statement by the Commission re Article 3 (1) Directive 85/374/EEC;
- Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts
- In force Directive 98/6/EC;
- Directive 1999/44/EC of the European Parliament and of the Council of 25 May 1999 on certain aspects of the sale of consumer goods and associated guarantees Directive 2002/65/EC;
- Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising (codified version) Directive 2008/48/EC;
- Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety Directive 87/357/EEC

6.1 Achievements

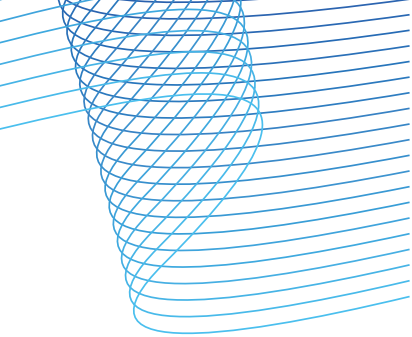
Legislation concerning consumer protection has been changed considerably since 2008, with the law no. 9992 “On the consumer protection”, and several other decisions by the Council of Ministers. With this law and the consequent decisions, much of the EU directives concerning consumer protection have been transposed in to Albanian legislation. But, in spite of the legal predicaments that consumers are protected, consumers themselves don’t receive appropriate compensation when their rights are infringed. This happens because consumers in Albania don’t trust the courts. Several surveys with consumers have shown that they lose when they buy goods. Consumer loses because of the problems with goods and services amount to 4.6% of GDP. This situation shows that even though the legislation can be approximated to the EU legislation, the problems in practice continue.

There are two other EU directives and regulations concerning consumer protection. The 2013 Directive of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and the Regulation (EU) No 524/2013 of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC. Albania still has not achieved almost anything on these two issues. Especially concerning the EU Regulation No 524\2013, it cannot be currently implemented, and cannot be applied in Albania’s territory.

Chapter 7 – Conclusions

It has been 12 years since Albania signed the Stabilization and Association Agreement with the European Union, and 9 years since this agreement entered into force. In this period, Albania has applied for candidate status and is still waiting to start negotiations.

The overall assessment is that the Stabilization and Association Agreement (SAA) has had a considerable influence and a very good effect on Albania’s attempts to come closer to the EU standards. As it was evidenced in this paper, this influence and effect has been made on many areas of the Albanian legislation. But, in many cases certain parts of the Albanian legislation had



been approximated to the EU legislation even before the signing or entry into force of the SAA. In this view, the effects of the SAA in the legislation approximation have been a continuation of a process that had begun before the signing of the SAA. Compared with the situation before the SAA and especially the situation after the social unrest of 1997, the achievements are profound and far-reaching.

This process has not only approximated Albania's legislation with that of the European Union, but in many cases, especially in many of those discussed in this paper, this process has filled a vacuum in Albania's legislation. After the end of the communist regime in Albania, at the beginning of the 90s, almost everything started anew, from scratch. This was the case also in the legislation. Legislation concerning competition policy, consumer protection, legislation concerning the functioning of the market, etc., was entirely new for Albania, because of the country's communist past. In this view, the EU legislation was the sole model for Albania. It was not the case of approximating the legislation; it was the case of transporting this EU legislation to Albania and filling the vacuum.

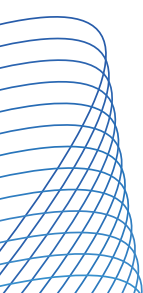
Even though in many areas, in those discussed above and in many other not part of this study, the Stabilization and Association Agreement had done a considerable influence, the timeframe in which this effects have been realized, has been very long. 12 years after the signing of the SAA and 9 years after its entry into force, in every EU progress report on Albania, repeatedly are used the phrases "relatively prepared", "moderately prepared" or "little prepared" when talking about Albania's achievements concerning the legislation approximation with EU. This clearly shows that what has been achieved has not been sufficient. Having in mind that many parts of this legislation approximation process have begun since the early 2000s, then, the time passed, and the results achieved are insufficient. After all these years, being "relatively" or "moderately" prepared is not an achievement.

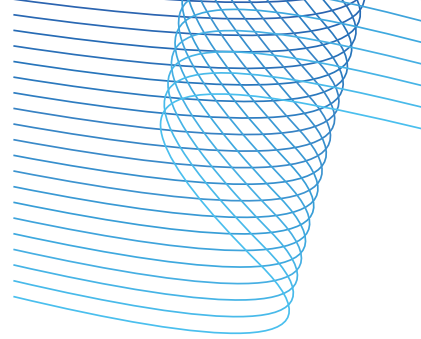
In this situation, specific recommendations are given every year in the EU report progress and it is not necessary to repeat them here. It is more important to give some recommendations concerning the "big-picture" of the legislation approximation process: what influences it, what makes it better, what makes it faster and what slows it. This is important because the "big picture" has an enormous influence on the specifics and details of this process.

Having this in mind, the first recommendation would be for the European Union to pressure more the political class in Albania to speed up things. Frequent quarrels between the main political parties have a bad influence in this process. All the energy of the political class, which could be directed to this process and other beneficiary processes, is being channelled to the political fight, to political issues. Past experience has shown that periods of intense political fights, streets protests by the opposition, boycott of the Parliament and other similar actions, have a slowing effect in this legislation approximation process and other EU related processes.

A second problematic issue is the frequent changes in the institutional structure in Albania and the frequent changes in the staff of these institutions, which are a result of changing governments. Every new political party in government brings new ideas and plans for changes the institutional structure of the public administration and at the same time brings its own staff to fill up the most important places in these institutions.

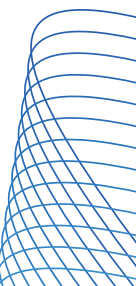
This constant change, with every new government, severely hampers the work of these institutions and at the same time deprives these institutions of very qualified staff that is crucial in this legislation approximation process. Creating a capable and stable public administration is crucial for this process, not only to speed it up, but also to make it more qualitative. This has been a very long held promise of every Albanian government since at least the middle of the years 2000. Almost two decades later, the current government has again professed to make a better and more capable public administration. This is a crucial point that is fundamental for this process to continue with a higher speed. This constant change, combined with a political influence in the appointing of crucial administrative posts, is one of the reasons why Albania is still "relatively prepared". The administration is in a constant flux.





A third point is the vague perspective of EU integration for Albania and for the entire Western Balkans region in the last years, the result of many and divergent reasons. The lack of a specified timeframe, the lack of a visible horizon in terms of a time-goal, combined with the inner problems of the European Union and the perception they create in the general population and specifically in the public administration, have a slowing influence in this legislation approximation process. There is no incentive to go forward faster with this process, if the EU is plagued by internal problems, if the EU does not set a specific timeframe for Albania's path towards the European Union.

The three above-mentioned problems are combined with others (inside Albania or inside the EU), to create this situation, where there is much achievement, but achieved over a very long period and still being "relatively prepared". Without tackling the three above-mentioned problems, this will seem like a never-ending process of attempting to capture a continuously moving horizon.





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APPENDIX

ALBANIA SAA (see tables on the page 350–355)

- Table 1 Albania's trade with EU28, in million EUR
- Table 2. 5 most important partner countries from EU28 in each observed year 2000-2016, in exports, in million USD
- Table 3. 3 most important trade partners outside the EU, exports, in millions USD
- Table 4. 5 most important partner countries from EU28 in each observed year 2000-2016, in imports, in millions USD
- Table 5. 3 most important partners outside the EU, in imports, in million USD
- Table 6. 5 most important products in Albania's trade with EU28, in exports, in million EUR
- Table 7. 5 most important products in Albania's trade with EU28, in exports in millions USD
- Table 8. 5 most important products in Albania's trade with EU28, in imports, in millions EUR
- Table 9. 5 most important products in Albania's trade with EU28, in imports, in millions USD

ALBANIA FDI (see tables on the page 356–357)

- Table 1. FDI in Albania, per sector, in million EUR
- Table 2. FDI in Albania, by country of origin, in million EUR



II. THE CASE OF MACEDONIA

Effects of the SAA on trade with the EU

SILVANA MOJSOVSKA²³

Chapter 1 – Introduction

The Stabilization and Association Agreement (SAA) of the Republic of Macedonia with EU, signed in April 2001, have been major document currently regulating trade relations among the Parties. Prior to the SAA, the relations between both Parties have been regulated by the Cooperation Agreement signed in April 1997, which included stipulations on trade liberalization. The Cooperation Agreement entered into force in January 1998 and provided free access to the EU market for Macedonian industrial products (with few exceptions), while in agriculture, the Agreement provided for concessions for certain agricultural products, as well as wine and spirits. The Agreement was asymmetrical, in favour of the Republic of Macedonia, as import of EU products on the Macedonian market envisaged “most-favoured nation” treatment. This indicates that the Republic of Macedonia enjoyed preferential trade regime with EU prior to the SAA. In this context, the SAA stipulations on trade were built on the already provided status as defined in the Cooperation Agreement.

The SAA confirmed free access to the EU market for most of the Macedonian products as of June 2001, when the Interim Trade Agreement entered into force. It provided asymmetrical trade regime in favour of Macedonia, envisaged for 10 years, in purpose of strengthening the competitiveness of the Macedonian economy. On the other hand, gradual removal of the Macedonian tariffs on import of EU products has been projected. The agreed time frame was 10 years for most of the products and 5 years for the steel products. The period of implementation has been completed in 2011, i.e. both parties enjoy liberal trade since then, with exception of certain sensitive goods, as agreed into the SAA. This mostly refers to specific agricultural products, as well wine, which was already subject of special regulation under Cooperation Agreement.

This study aims to identify major effects of the SAA on Macedonian trade, and, in particular, trends and causes of changes of volume, structure and export/import partners. The analysis covers period 2000-2016, enabling wider time perspective with regards to the effects of SAA.

23 European Policy Institute - Skopje.



The study encompasses overview on FDI inflows in the country over the mentioned period, too, focusing on the links between FDI and trade with EU. The methodological approach primarily includes methods of analysis and synthesis of the extensive data on trade and FDI, gathered and processed for this particular study. During the research, national statistical databases at State Statistical Office and National Bank were used as primary sources, while detailed trade analysis on the level of products was conducted with data from International Trade Centre database (INTRACEN). The study contains Appendix of collected data for the purpose of this research. All further calculations needed for illustration of particular trends in the text, elaboration of Charts, etc. were done by use of data included in the Appendix.

The study consists of three parts – Overview of the Macedonian trade with EU; Macedonian trade with EU in industrial products; Macedonian trade with EU in agricultural products and FDI flows of the Republic of Macedonia in the period 2000-2016. The analysis includes volume and trade partners of the Macedonian export/import, structure of the Macedonian export/import in terms of SITC classification, as well as deeper analysis of the structure of the export/import in terms of specific products using Harmonized System classification. The FDI analysis included FDI inflows per sectors and countries, focusing on the links between the FDI and trade (export and import). Apart of the effects of SAA on Macedonian trade with EU, the discussion in the study tends to focus on the factors and potential for further trade under the SAA.

1.1 Trade with EU – general overview

The analysis of the trade pattern of the Republic of Macedonia indicates that EU has been its major partner in the past two decades. The share of EU²⁴ in the total Macedonia's foreign trade ranged from 40% in 2000; 52.5% in 2004, 56% in 2008, rising up to 66.6% in 2013 and 69% in 2016.²⁵ The figures indicate high increase of the EU share, which is even more relevant given the country's total trade growth of 3.4 times over the period 2000-2016. In absolute numbers, the total Macedonia's trade increased from 3.4 billion USD in 2000 to 11.5 billion USD in 2016. Increase of the trade with EU occurred on both sides – exports and imports (Chart 1; Appendix: SAA Table 1 and Table 2). However, imports from EU noted higher growth rate during the entire period, in particular in 2006-2012. In the given period, the trade deficit deepened from 317 million USD (2006) to 1.2 billion USD (2012). The subsequent period brought certain acceleration on the export side, which resulted in shrinking of the trade deficit to 364 million USD in 2016. This was mostly due to the changes in the export structure which included higher value-added products.

24 The figures up to 2003 refer to EU15, EU25 marks the period 2004-2006, while period 2007-2012 refers to EU27 and 2013-present provides data for EU28.

25 Calculations based on MAKSTAT database of State Statistical Office of the Republic of Macedonia: <http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>



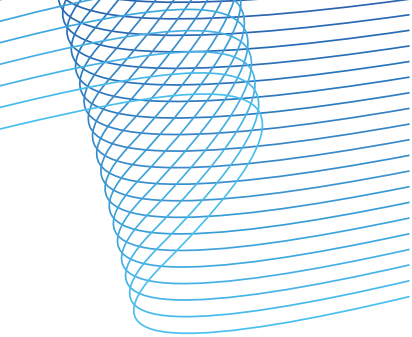
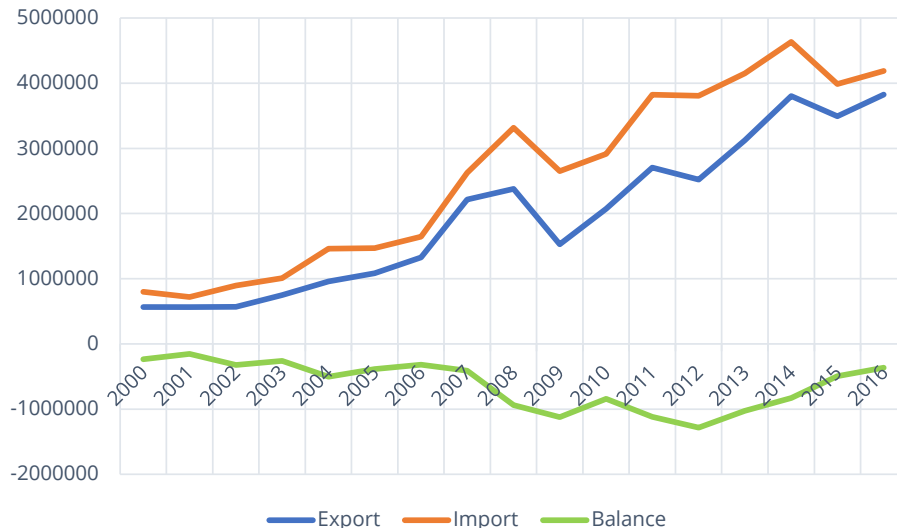


Chart 1: Macedonia's trade with EU 2000-2016 (in '000 USD)



Source: State Statistical Office of the Republic of Macedonia²⁶

Macedonian trade with EU has been also presented in Euros, in Graph 2. Most of the trade has been done with Germany, as it participated with 74% in the Macedonia's export and 20% in its import in 2016 (Chart 2 and Chart 4). Along with Germany, Great Britain and Greece also appear as dominant trade partners on the import side. More detailed analysis on trade partners is provided in sections 1.1. and 1.2.

Chart 2: Macedonia's trade with EU 2000-2016 (in '000 EUR)



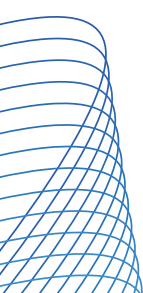
Source: State Statistical Office of the Republic of Macedonia²⁷

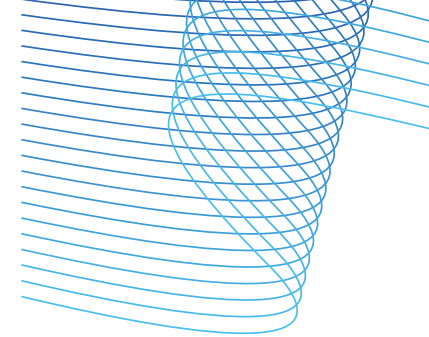
The presented trends of the Macedonia's trade with EU could be linked to two factors:

- Signing of the SAA with EU in 2001 and
- Greenfield FDI in technological industrial development zones in the Republic of Macedonia after 2009.

²⁶ *Ibid.*

²⁷ *Ibid.*





The Interim Trade Agreement under SAA, entered into force in June 2001, had confirmed free access to the EU market for most of the Macedonian products, as already granted with Cooperation Agreement from 1998. Nevertheless, it could be argued that the increase of the EU share in total country's trade in the period 2000-2004 (from 40% to 52.5%) was almost exclusively attributable to the SAA (Interim Trade Agreement), as the Agreement was crucial not only in terms of confirmation of the liberal access to the EU market, but also in terms of awareness rise of the Macedonian companies about the possibilities to trade with EU. At the time being, the complete political climate in the country was extremely inclined to the EU, as the Republic of Macedonia submitted its application for EU membership in 2004. In addition, the largest EU enlargement in 2004 did not have notable effect on the Macedonia's trade with EU, as the Republic of Macedonia did not have significant trade links with the new EU members (apart of Slovenia, although not sufficient enough to reflect significantly Macedonia's trade with EU).

With regards to the further rise of the EU share in the total Macedonia's trade up to 56% in 2008, apart from the SAA, the enlargement round of 2007 had impact on the Macedonian trade developments with EU. This was due to the strong trade links with Bulgaria, one of the top five trade partners of the Republic of Macedonia even prior EU enlargement (Chart 4 and Chart 6). In addition, the latest EU enlargement of 2013 with Croatia also had some impact on the EU share in the total Macedonia's trade, given the notable trade links among both countries within CEFTA. With regards to the impact of SAA, the period of implementation of the Interim Trade Agreement was completed in 2011, implying that import of the EU products on the Macedonian market become tariff-free. This resulted into further intensification of Macedonia's trade with EU from 2012 onwards, implying that both trade parties have managed to benefit from full liberal treatment in their mutual trade.

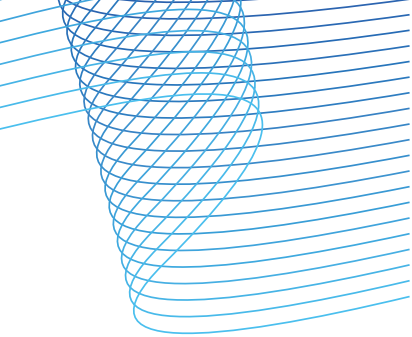
However, despite generally positive impact of the SAA on the Macedonia's trade with EU, the increase of the trade since 2012 onwards should be mostly related to the second factor - greenfield FDI in certain industries in the Republic of Macedonia. The greenfield FDI contributed largely to the increase of the volume, as well as change of the structure of Macedonia's trade, on both sides - exports and imports. These FDI mostly occurred since 2009 onwards, in the technological industrial development zones. In terms of figures, FDI of around 2.3bn USD entered the Republic of Macedonia in the period 2009-2016, compared to around 3bn USD in the period 2000-2008. This indicates that the volume of FDI inflows in the period 2009-2016 have not been immense (compared to other countries), implying to the crucial role of the structure of the FDI. More specifically, around 1bn USD (out of 2.3 billion USD) over this period were invested in manufacturing, in particularly in the sector "Motor vehicles, trailers and semitrailers" which absorbed around 730 million USD. This served as a turning point for the Macedonia's trade, as these FDI started production of higher value-added products, aimed for export. Notable increase of the export, as well of import followed, given that newly established plants mostly import their raw materials.

Summarized, both factors - SAA and FDI played positive role with regards to the increase of the Macedonia's trade with EU. EU enlargement rounds of 2007 and 2013 also had positive impact. This is a general overview of the state of affairs on this subject, while more detailed insight into the export/import in terms of volume, trade partners, structure (products) and FDI per sectors is given below.

1.1.1 Volume of Macedonia's export and trade partners

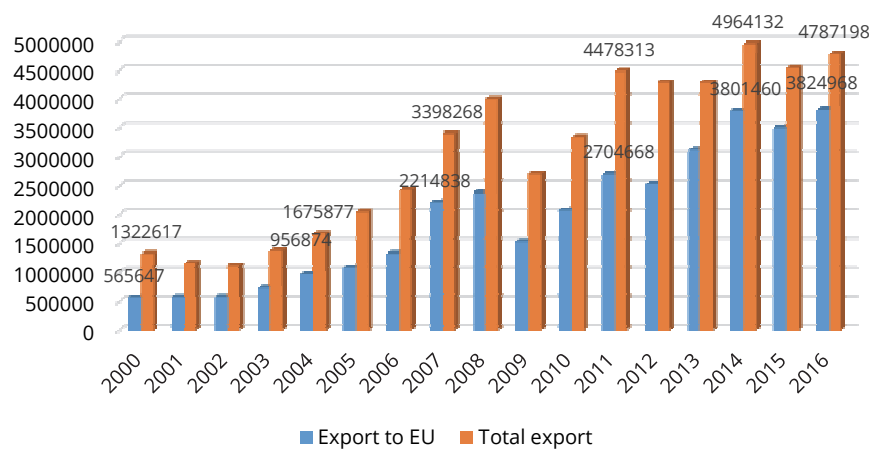
During the analysed period 2000-2016, EU has been major export destination for Macedonian products (Chart 1; Appendix: SAA Table 1 and 2). The share of EU in total Macedonia's export grew from 42.8% in 2000 (EU15) to 57.1% in 2004 (EU25). This could be regarded as a direct effect of the SAA, as the EU enlargement wave of 2004 did not have notable effects on the





Macedonia's export (as discussed above). The SAA and the enlargement round of 2007 resulted in further increase of the EU27 share in total Macedonia's export up to 65.2%. As mentioned above, this was largely attributable to the trade links among the Republic of Macedonia and Bulgaria, which were intensified since 2006 onwards. In addition, the total country's export in 2007 and 2008 has expanded, reflecting the pre-crisis economic boom on the global level. In absolute numbers, Macedonia's export to EU increased from 565 million USD in 2000 (EU15) to 957 million USD in 2004 (EU25) and up to 2.2 billion USD in 2007 (EU27). It could be argued that liberal trade access to EU have contributed to such further penetration of Macedonian products on EU market, as it affected mentality of the Macedonian companies to focus on EU market.

Chart 3: Macedonia's export to EU and world (in '000 USD)

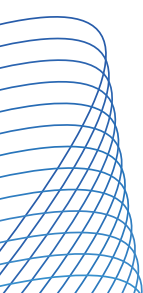


Source: State Statistical Office of the Republic of Macedonia²⁸; Appendix: SAA Table 1

The crisis of 2009 was marked with deteriorated economic situation in EU27, leading to fall of the Macedonia's export to EU market. However, the export recovered fast and reached its pre-crisis level in 2011. The share of EU27 in total Macedonia's export was 61.8% and 60.4% in 2010/2011, respectively. At the first glance, such trend could speak in favour of limited volatility of the Macedonia's export to EU27 economic trends; provided that EU27 suffered from economic fragility in the subsequent period (it recorded GDP growth rates of -0.4% in 2012 and 0.3% in 2013).²⁹ However, the argument of low volatility should be further discussed, as two major exporting sectors of the Republic of Macedonia (textile and metal) were hit by the crisis. The textile sector managed to recover faster, while metal sector was under heavier influence. The recovery of the Macedonia's export was largely attributable to the Greenfield FDI in the country, predominantly those in automotive industry, which provoked major change of the structure of Macedonia's export (Chart 5 and Chart 6). As evident on the Chart 6, the major exporting products up to 2009 were coming from textile or metal industry, while from 2010 onwards, the country's dominant exported product is "Supported catalysts with precious metal or a precious-metal compound as the active substance". In this context, the Macedonia's export after the crisis was driven by the export activities of the newly opened FDI in automotive industry in the Republic of Macedonia. The export to EU28 increased to over 3.8bn in 2014 and 2016, which represented 76.7% and 79% of the total Macedonia's export, respectively. These figures indicate high dependence of the Macedonia's export to EU (in terms of partners), as well as the sector of "chemical materials and products" (in terms of products).

²⁸ *Ibid.*

²⁹ "GDP growth (annual %), European Union", The World Bank Group, <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=EU>



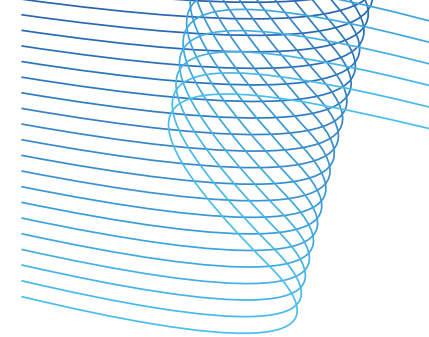
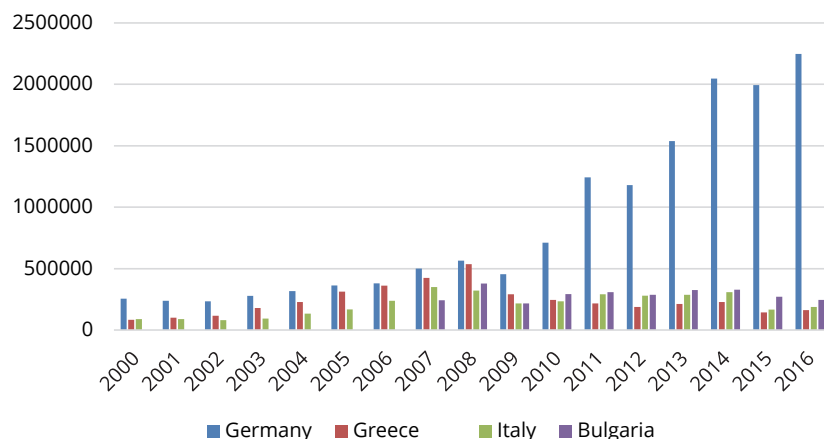


Chart 4: Macedonia's top exporting destinations within EU (in '000 USD)



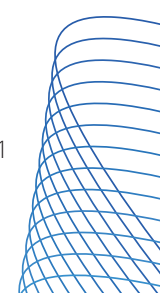
Source: State Statistical Office of the Republic of Macedonia³⁰; Appendix: SAA Table 5a

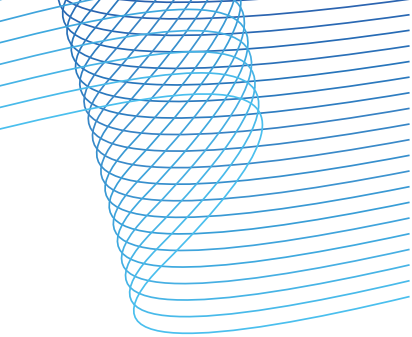
More specific analysis of the exporting destinations of the Republic of Macedonia points out to the very limited number of trade partners within EU. As presented on Chart 2, three countries (Germany, Greece and Italy) have continuously been among top exporting destinations for the Republic of Macedonia, while Bulgaria has joined this group upon its membership to EU in 2007. Apart of these, few other countries also appear on the list of the top five exporting destinations of the Republic of Macedonia within the EU28, such as Netherlands, Belgium, Great Britain, Slovenia, Croatia and France (Appendix: SAA Table 5a and Table 5b). Over the period, the top five exporting destinations within EU absorbed over $\frac{3}{4}$ of the total Macedonia's export to EU. The share ranges from the lowest 75.7% in 2010 to the highest 88.8% in 2001/2002. Starting from 2011, there is a stable share of the top five destinations of around 80% in the total Macedonia's export to EU. In this context, the four countries presented on Chart 2 should be considered as most important for the Macedonia's export over the last decade, with Germany as a dominant export destination. The fifth top country was from the previously mentioned ones (Netherlands, etc.), implying that other countries are also target of Macedonia's export, but with limited volume and scope of exported products.

As evident on the Chart 4, Germany has been constantly the top destination for Macedonia's export. Its share in the total Macedonia's export to EU ranged from lowest 30% in the period 2006-2008 up to 74% in 2016. The export to Germany doubled in the period 2000-2008, rising from 257 million USD in to 565 million USD, respectively. Remarkable upward trend occurred from 2011 onwards, with outmost performance of the Macedonia's export to Germany of 2bn USD and 2.2bn USD in 2014 and 2016, respectively. Since 2011 onwards, the German share in Macedonia's export continuously increased and ranged from 57% (2011) to 74% (2016). These figures indicate high dependence of the Macedonia's export to Germany, which increased over time, implying higher trade risks related to very limited number of trade partners.

Outside of the EU, the most important export destinations for Macedonian products are CEFTA Parties – Serbia and Kosovo. Also, China and B&H appear on the list of the top three export destinations for Macedonian products outside EU28 (Appendix: SAA Table 7a and Table 7b). Prior to their membership in EU, Bulgaria and Croatia have also been among top trade partners outside EU. Nevertheless, the countries outside EU28 participate modestly in the total Macedonia's export, given the immense share up to 79% (2016) of the EU member states. More specifically, the share of the top three export destinations for Macedonian products outside EU28 ranged from 15.2% in 2013 down to 10.6% in 2016. The data prior to EU enlargement rounds indicated much larger share of countries outside EU in the total Macedonia's export, i.e.

30 MAKSTAT database, op. cit.





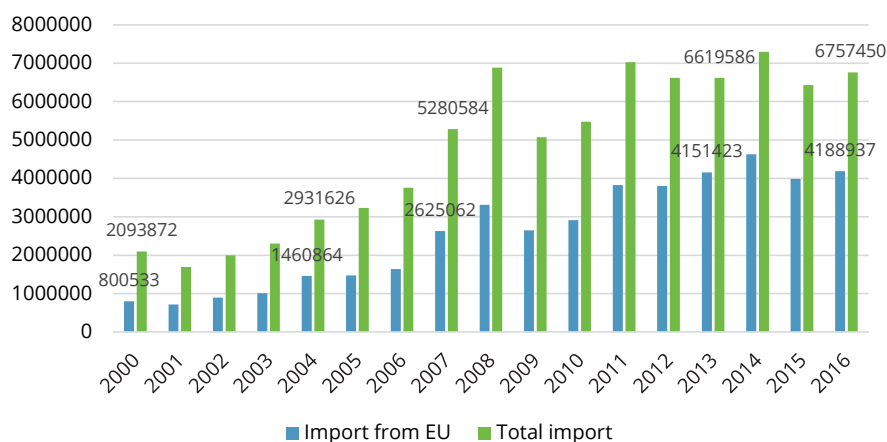
41.6% in 2000, 29.8% in 2004, 25.3% in 2007 and 21.2% in 2012. This shows that Macedonia's exports have traditionally been oriented towards EU or EU candidate countries, confirming the immense relevance of the trade links with EU.

1.1.2 Volume of Macedonia's import and trade partners

During the analysed period 2000-2016, EU could be considered as major source of Macedonia's imports (Chart 3). The share of EU in the total Macedonia's import grew from 38.2% in 2000 (EU15) to 49.8% in 2004 (EU25) and 2007 (EU27). In absolute terms, the import from EU increased from 800 million USD in 2000 (EU15) to 1.5 billion USD in 2004 (EU25) and up to 2.6 billion USD (EU27) in 2007. This indicates that import from EU increased over 4 times during the period of two EU enlargement rounds (2004 and 2007). Macedonian trade links with Slovenia and Bulgaria prior to their membership to EU have contributed to the increase of the Macedonia's import to certain extent. However, as on the export side, the total country's import in 2007 and 2008 has expanded, reflecting the pre-crisis economic boom on the global level. This factor could be regarded as more relevant for the increase of the Macedonia's import from EU, compared to the enlargement. In addition, the SAA in 2007 has entered into the second half of its implementation period of 10 years, implying halving of the tariffs for majority of the products originating from EU. According to the SAA schedule, the Interim Trade Agreement stipulated annual alleviation of 10% of the tariffs for EU products imported on Macedonian market. In this respect, it could be argued that certain increase of the import in 2007 was attributable to the implementation of the SAA in the Republic of Macedonia.

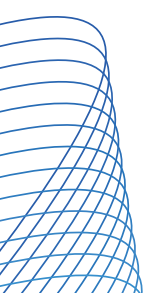
Furthermore, upward trend of the EU share in the total Macedonia's import was registered from 2009 onwards, reaching 63.5% in 2014. Its share in the latest two years of the analysed period (2015 and 2016) was 62%. In absolute numbers, the import experienced decline in 2009, due to the crisis, but recovered fast and started with intense increase from 2011 onwards. It reached 3.8 billion USD in 2011/2012, surging up to 4.6 billion USD in 2014. The increase was mostly due to the import of "Platinum" and "Palladium" (non-ferrous metals) which are used as raw materials for production of the dominant export product "Supported catalysts with precious metal or a precious-metal compound as the active substance". In this context, it could be argued that greenfield FDI in the country, predominantly those in automotive industry, provoked major change of the structure of the Macedonia's imports, too, corresponding to the changes on the export side.

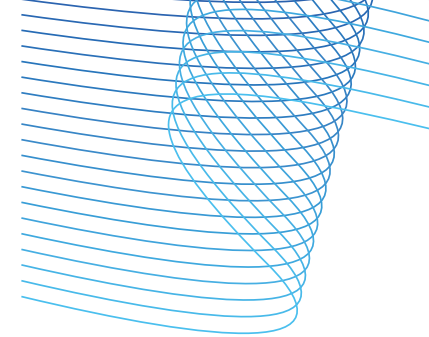
Chart 5: Macedonia's import from EU and world (in '000 USD)



Source: State Statistical Office of the Republic of Macedonia³¹; Appendix: SAA Table 1

31 MAKSTAT data base, *op.cit.*

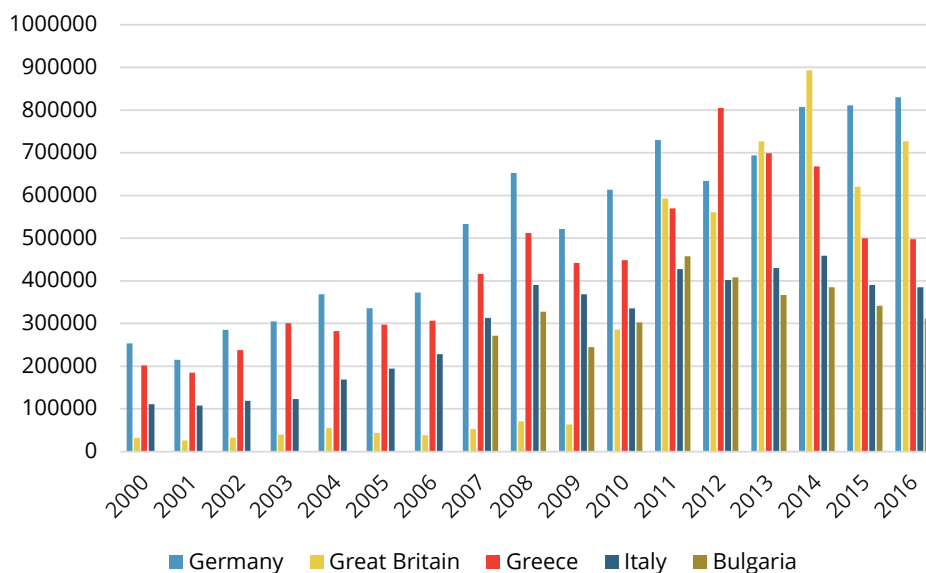




The analysis of the Macedonia's import from EU countries points out the limited number of top Macedonia's trade partners within EU. As presented on Chart 6, most of the Macedonia's imports came from Germany, Great Britain, Greece, Italy and Bulgaria. Three countries (Germany, Greece and Italy) have continuously been among the top importing sources from EU for the Republic of Macedonia, while the imports from Great Britain started to expand from 2010 onwards. Bulgaria has been important country of import for the Republic of Macedonia over the whole analysed period (2000-2016), although it appears on the list of the top importing sources since 2007, upon its membership into the EU. Apart of these, few other countries occasionally appear on the list of the top five countries of import for the Republic of Macedonia within EU28, such as Netherlands, Austria, Slovenia, Poland and France (Appendix: SAA Table 6a and Table 6b).

Over the period, the top five countries of import from EU provided over 2/3 of the total Macedonia's import from EU. The share was higher at the start of the analysed period, with tendency of decline. Until 2003, over 80% of the Macedonia's import from EU originated from the top five countries, declining to 64.6% in 2007. Certain increase was registered in the period 2011-2013, when the share of the top five EU countries in the Macedonia's import from EU was 70-73%. However, decline tendency was noted again, resulting in decrease of their share down to 65.7% in 2016. The decline of the top EU countries in Macedonia's import from EU indicates that the Republic of Macedonia tends to import goods from other EU countries, as well, not just the top five. This is certainly a positive tendency, as it increases the number of the trade partners of the country.

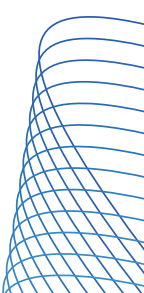
Chart 6: Top EU countries of Macedonia's import (in '000 USD)



Source: State Statistical Office of the Republic of Macedonia³²; Appendix: SAA Table 6a

As evident on the Chart 6, Germany has been primary source of the import in the period 2000-2011, as well as 2015-2016. In absolute numbers, the import volume increased from 253 million USD in 2000 to 653 million USD in 2008 and reached 830 million USD in 2016. Part of the import from Germany has been related to export-oriented production, as many of the exporting industries in the Republic of Macedonia are import depended. However, its relative share in the total Macedonia's import from EU declined from 31.6% in 2000 to 19.8% in 2016, with lowest points

32 MAKSTAT data base, *op.cit.*





of 16.7% in 2012/2013. In this context, the import figures do not correspond to the export figures, given the German share in the Macedonia's export to EU of 76% in 2016. Such discrepancy is attributable to the fact that Germany serves as a hub for the export from FDI plants in the Republic of Macedonia, while import has been directly done with the countries of origin of the goods. In this context, Great Britain has become one of the major import sources for the Republic of Macedonia, owing to the imports of raw materials for some of the FDI plants originating from there (primarily Jonson Matthey, which is leading exporter of supported catalysts (to Germany) and leading importer of platinum for their production (from Great Britain). Implicitly, the share of Great Britain in the total Macedonia's import from EU grew from 4% in 2000 to 9.8% in 2010 and up to highest 19.3% in 2014. The share in 2016 was 17.4%. Furthermore, Greece is one of the top importing sources, along with Bulgaria, owing also to their geographical proximity to the Republic of Macedonia.

Outside of the EU28, the most relevant Macedonia's trade partners on the import side are Serbia, China, Turkey and Russia. Prior to their membership in the EU, Bulgaria and Slovenia have also been among the top countries of import for the Republic of Macedonia outside EU (Appendix: SAA Table 8a and Table 8b). The share of the top three countries of import for the Republic of Macedonia outside EU28 ranges around 18-19% from 2012 onwards. The data prior to EU enlargement rounds indicate somewhat larger share of countries outside EU in the total Macedonia's import, i.e. 28.1% in 2000, 24.7% in 2004, and 21.9% in 2011. This shows that Macedonia's import, same as its export, heavily relies on trade links with EU.

Chapter 2 – Industry

The analysis of the Macedonia's trade of industrial products incorporates analysis in terms of SITC sectors and specific products using Harmonized System classification. As mentioned above, the data about Macedonia's trade in terms of SITC has been available only for the total Macedonia's trade, while data per specific countries were not at disposal. However, given the large share of EU in the total Macedonia's trade, this analysis is considered valid. Detailed HS analysis on specific industrial products traded among the Republic of Macedonia and EU (export/import structure) is given below.

2.1 Macedonian export of industrial products by SITC sectors

Macedonian export of industrial products is characterized with dominance of limited number of sectors. According to SITC classification, the major exporting sectors up to 2014 were textile and metal. Afterwards, chemical materials and products become dominant into the Macedonia's export (Chart 7; Appendix: SITC Tables). As mentioned above, the data refer to total Macedonia's export. However, given the large share of EU in the total Macedonia's export, the analysis of total export applies to its export to EU, as well.

As evident on the Chart 7 below, clothing has been dominant export sector up to 2004, with its share reaching 30% in the total export (2002-2004). Later on, the relative share of the textile in the total Macedonia's export experienced downward trend, shrinking to 19.3% in 2007, 14.7% in 2011 and 10.7% in 2016. This occurred due to the increase of the export in other sectors. In absolute numbers, the clothing sector had continuous growth in the period 2000-2008, rising from 320 to 715 million USD, respectively. After decline in this sector, due to the crisis in 2009/2010, the period 2011-2016 was marked with recovery. The textile export reached its peak of 676 million USD in 2014, followed by decline down to 513 million USD in 2016.



Chart 7: Major SITC exporting industrial sectors of Macedonia (in '000 USD)

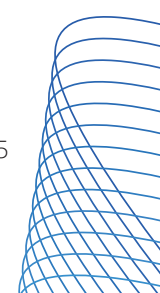


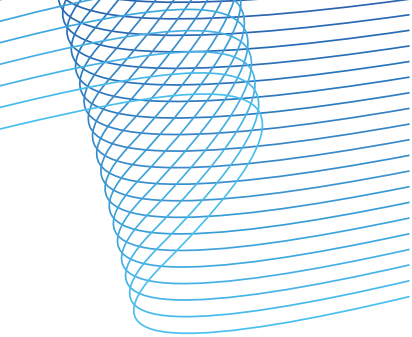
Source: National Bank of the Republic of Macedonia (http://nbrm.mk/nadvoresno_trgovska_razmena-en.nsp)

Apart of the textile sector, another milestone of the Macedonia’s export has been metal sector or sector of “Iron and steel”. It was dominant export category in the period 2005-2014, with highest share of 37.3% in the total Macedonia’s export in 2007. In absolute numbers, iron and steel export reached its peak of 1.3bn USD in 2008. Continuous downward trend has started in 2011, falling to 455 million USD in 2016 or 9.5% of the total Macedonia’s export. The decline of this sector was due to the fall of the metal prices on the world markets (2012-2015, with eventual upward movements) and problems in functioning of “FENI”, one of the leading metal factories in the Republic of Macedonia. “FENI” faces problems of financial and ownership matters, which led to significant downsizing of its production from 2015 onwards. Both factors – metal prices and “FENI” had significant impact on the metal industry in the Republic of Macedonia. It is still one of the most important sectors in the country, although its relevance in the export declined. Restarting of “FENI” is expected to have significantly positive impact on the export movements.

Negative changes in the metal sector, as well as expansion of the production of newly opened FDI plants in the Republic of Macedonia, mostly in automotive industry, resulted in overtaking of the top export position by the sector “Chemical materials and products”. Rise of this sector has started in 2010, when its exporting value was 229 million USD or 6.8% of the total export. In 2016, the corresponding figures were 977 million USD or 20.4% of the total Macedonia’s export. The fast growth of this sector has made serious changes into the Macedonia’s export, with tendency for further strengthening of its role in the Macedonia’s foreign trade.

The other two exporting sectors in the top five are “Electrical machinery, apparatus and appliances” and “General industrial machinery”. The first one has been relevant for the Macedonia’s export from the start of the analysed period 2000-2016, with tendency of almost continuous growth. In absolute numbers, the sector of “Electrical machinery, apparatus and appliances” grew from modest 46.5 mil. USD in 2000 to 159 million USD in 2011. However, more intense growth occurred in the period 2013 – 2016, when the sector’s export increased from 199.6 million USD up to 524.6 million USD. In relative figures, the share of this sector in the total Macedonia’s export ranged from 3.5% (2000) to 4.6% (2011) and up to 11% (2016). The increase of the importance of this sector could be also related to greenfield FDI in the Republic of Macedonia,





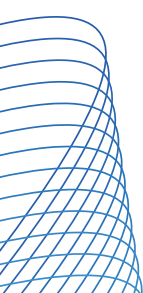
as some of the products of newly opened plants (aimed for exports) are classified into this sector. Same applies to the “General industrial machinery”, which importance for Macedonia’s export grew from 2011 onwards. The share of this sector in total Macedonia’s export was 0.5% in 2000, 2.7% in 2011 and up to 12% in 2016. In absolute figures, the export of “General industrial machinery” increased from 6.2 million USD in 2000, 122.8 million USD in 2011 up to 572.8 million USD in 2016.

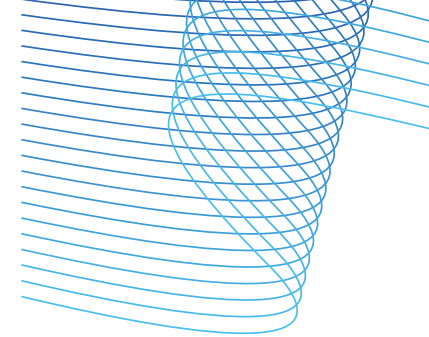
The analysis of the five most important export sectors of the Republic of Macedonia has revealed that changes of the export structure have been mostly influenced by the changes in the structure of Macedonian industry. **Greenfield FDI have made significant change to the export structure, therefore, opening a discussion about domestic investment and their (in)ability to provoke changes. The response would refer to low domestic investment in the industry, despite opening of the EU market. In this context, the impact of the SAA on the Macedonia’s export of industrial products could be discussed from the perspective of insufficient use of SAA possibilities by domestic investors. The potential for increase of the export was significant (as confirmed by FDI from 2010/2011 onwards), but not utilized by the domestic industry.**

With regards to the specific impact on the SAA on realized exports, it should be noted that both sectors dominating at the start of the analysed period (textile and metal) were regulated with special protocols to the SAA. In the Protocol 1 (Textile and clothing products) and Protocol 2 (Steel products), an abolition of custom tariffs and quantitative measures for Macedonian products entering the EU market was envisaged immediately after entering into force of the Interim Trade Agreement of SAA (June 2001). On the other hand, the elimination of tariffs for import of EU products in the Republic of Macedonia was stipulated as a gradual process – for textile products elimination of tariffs by 10% a year, aiming to achieve zero tariff by 2011 (the year of full implementation of the SAA), while for the steel products, it was stipulated that “each duty shall be reduced to 80 % of the basic duty at the beginning of the first year after the entry into force of the Agreement; further reductions to 60%, 40%, 20% and 0% of the basic duty shall be made at the beginning of the second, third, fourth and fifth year respectively after the entry into force of the Agreement”.³³ The other sectors were regulated with the general trade provisions, envisaging immediate free access for most of the Macedonian products to EU market and gradual opening of the Macedonian market for EU products. Protection for certain sensitive products was also stipulated, although not referring to the discussed sectors in this section.

The export data show increase of the textile export after signing of the SAA, while growth of the metal industry export followed a bit later (since 2003 onward). Moreover, the total Macedonia’s export to EU also increased, as share of EU export in the total Macedonia’s export prior to the SAA was 42.8% in 2000 (EU15) and rose up to 60.2% in 2011 (EU27), when the period of the SAA implementation was completed. Furthermore, the EU share in the total Macedonia’s export continued to rise, up to 79% in 2016. This implies that SAA also contributed to certain trade diversion, as exporting destinations outside EU became less present as trade partners of the Macedonian companies. Undoubtedly, the SAA had positive effects on the Macedonia’s export, although, the results **were assisted by global economic expansion prior to the crises** (which created increased demand on the EU market and therefore, possibilities for increase of the Macedonia’s export), as well as greenfield FDI in the country which provoked diversification of the Macedonia’s export structure. Therefore, the external factors have driven the Macedonian performance with regards to the SAA. In this context, the discussion should refer to the question: Were there possibilities for higher impact on the SAA on the industrial export from the Republic of Macedonia?

33 “Protocol 2 on steel products”, *Official Journal of the European Union*, L 84/86, 20.3.2004. <http://www.sep.gov.mk/data/file/Protokoli-SSA/Protocol%20on%20steel%20products%20-%2086.pdf>





The alleviation of the export from tariffs and quantitative restrictions was certainly appealing for Macedonian companies, but actual export growth was constrained by the country's level of industry. In addition, tariff-free export to the EU market was related to fulfilling EU requirements for quality and standardization of the products. At the time of signing the SAA, two sectors were dominating the Macedonian industry – textile and metal, while other sectors were less established. Implicitly, many of the Macedonian companies were not ready to compete on the EU market. Investments were needed for increasing the country's capacity to export to the EU market. Unfortunately, domestic investment remained low, **implying that the SAA did not serve as a trigger for substantial domestic investment.** On the other hand, the SAA could be considered as a factor for attraction of FDI in the country, as opened EU market provided better position of the Republic of Macedonia to the foreign investors. That was confirmed by FDI inflows in the country, which contributed to the intensification of Macedonia's export to EU, and therefore, enabled wider use of the SAA.

2.2 Top exported Macedonian industrial products to EU

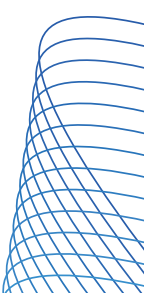
The analysis of the top exported products to EU reveals very limited number of products with high share in the Macedonia's export to EU (Appendix: SAA Table 3a and Table 3b). The data has been derived from the INTRACEN database and refer to Harmonized System (HS), level 6 digits.³⁴ The analysis of export structure according to the SITC sectors provides information about the specifics and dynamic of changes of Macedonia's export, while the analysis of the level of products enables deeper view of the specifics of the export to EU.

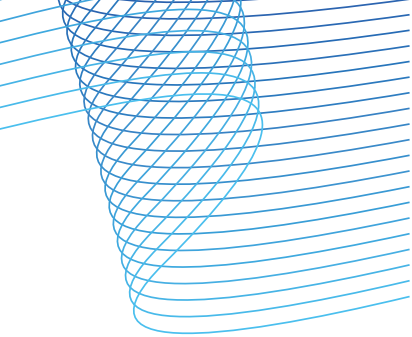
Chart 7 represents top exported Macedonian products to EU in the period 2000-2016. As discussed above with regards to the sectors, change of the structure of the export has been evident through the products as well, i.e. export of currently dominating products has started from 2010 onwards. Prior to that, major exporting products in the period 2001-2009 were:

- Men's or boys' shirts made of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520)
- Ferro-nickel (code 720260)
- Flat-rolled products of iron or non-alloy steel, of a width ≥ 600 mm, not in coils, etc. (code 720851),
- Flat-rolled products of iron or non-alloy steel, of a width of ≥ 600 mm, hot-rolled or cold-rolled (code 721049)
- Women's or girls' blouses, shirts and shirt-blouses made of man-made fibres (excluding knitted or crocheted) (code 620640)
- Women's or girls' blouses, shirts and shirt-blouses made of cotton (excluding knitted or crocheted (code 620630)

One of the first two products on the list always took the top position over the period 2001-2009 (Appendix: SAA Table 3a and Table 3b). The total share of the top five exported products in the total Macedonia's export to EU was ranging from 27% to 37% over the analysed period. This shows high concentration of the export in limited number of products. Such riskiness could be related to the case of Macedonian metal industry, which export declined due to fall of metal prices on the world markets, as well as problems of "FENI", as explained above. The damage on

34 "List of products exported by Macedonia, The Former Yugoslav Republic of", Trade Map – International Trade Statistics. https://www.trademap.org/tradestat/Product_SelCountry_TS.aspx?nvpm=1|807||||TOTAL|||2|1|1|2|2|1|1|1|1





the Macedonia's export, caused by decrease of the metal industry export, was alleviated with changed structure of the export (from 2010 onwards), implying to the necessity of diversification of the production and export.

Chart 8: Top exported Macedonian industrial products to EU (in '000 USD)

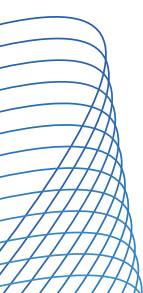


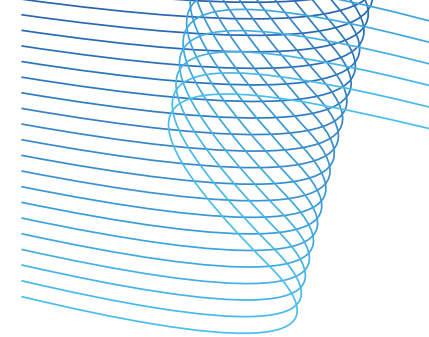
Source: INTRACEN database (<http://www.intracen.org/itc/market-info-tools/trade-statistics>); Appendix: SAA Table 3a

Starting from 2010, major Macedonian products exported to EU are:

- Supported catalysts with precious metal or a precious-metal compound as the active substance (code 381512)
- Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139)
- Ferro-nickel (code 720260) – up to 2014
- Ignition wiring sets and other wiring sets for vehicles, aircraft or ships (code 854430)
- Reaction initiators, reaction accelerators and catalytic preparations, n.e.s. (excluding rubber, etc.) (code 381590)
- Motor vehicles for the transport of ≥ 10 persons, incl. driver, with compression-ignition, etc. (code 870210) – starting from 2015
- Men's or boys' shirts made of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520) – until 2014.

The list indicates complete change of the export structure of the Republic of Macedonia. Textile products were gradually removed from the top five products, as their places were taken by higher value-added goods. The top product – “Supported catalysts with precious metal or a precious-metal compound as the active substance” has been dominating the Macedonia's export far ahead of other products. It solely participates into the Macedonia's export to EU



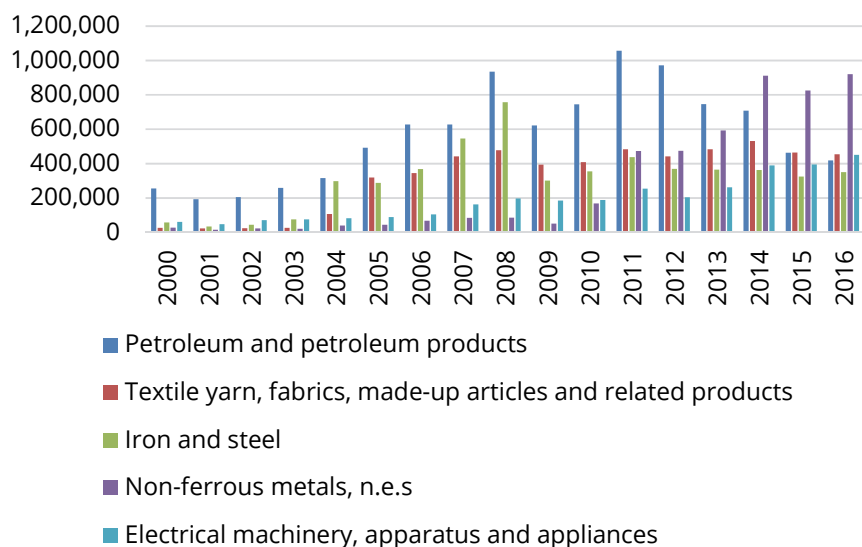


with around 20% (2011-2016), while the combined share of the top five Macedonian exported products in the total country's export to EU ranged from 31.5% in 2011 up to 52% in 2016. This situation represents even higher export concentration than previously, which is related to high risk of volatility of the total export to particular product. On the other hand, the rapid change of the export structure of the Republic of Macedonia, attributable to several FDI in automotive industry have shown that transformation is possible in a relatively short period of time, but it is related to sound policies in respective areas (industry, investment and trade). **In this respect, constant monitoring of the trade structure by the policy makers is necessary, and respective activities are needed in purpose of alleviation of the risks, i.e. encouragement of investment in various, export oriented, sectors.**

2.3 Import of industrial products by SITC sectors

Macedonian import of industrial products is characterized with dominance of limited number of sectors (Appendix: SITC Tables). According to SITC classification, the major importing sector up to 2013 was "Petroleum and petroleum products". This is logical, due to the country's dependence of these products from abroad. The data refer to total Macedonia's import, owing to their availability from national statistical sources.

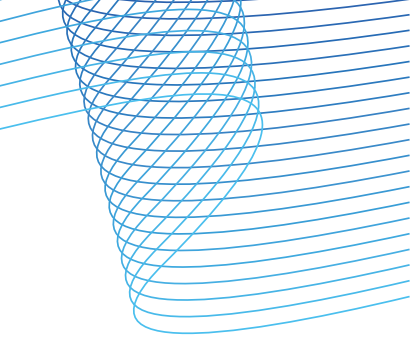
Chart 9: Major SITC importing industrial sectors of the Republic of Macedonia (in '000 USD)



Source: National Bank of the Republic of Macedonia (http://nbrm.mk/nadvoresno_trgovska_razmena-en.nsp)

As evident on the Chart 9, "Petroleum and petroleum products" has been dominant import sector up to 2014, with its share reaching highest 16.7% of the total import in 2006. Starting from 2011, its share in the total Macedonia's import started to decline shrinking to 11.3% in 2011, 7.2% in 2015 and 6.2% in 2016. This occurred due to turbulences in oil prices on the global markets, as well as changes into the operation of Macedonian refinery "OKTA", as explained above. In addition, there was an increase of the import in other sectors, in particular import of raw materials for export oriented FDI plants. The latter resulted in change of the Macedonian import structure, evident through the dominance of the sector of non-ferrous metals from 2014 onwards. The import of non-ferrous metals rose from modest 27 million USD in 2000, up to





169 million USD in 2010 and reached 920 million USD in 2016. Intense upward trend resulted in increase of the share of this sector in total Macedonia's import from EU from 1% in 2009 up to 13.6% in 2016. As mentioned earlier, the rise was due to the import of raw materials for the export-oriented production of FDI plants in the country, in particular, platinum for catalysts production of British company "Jonson Matthey".

The other two sectors in the top five imports are "Textile yarn, fabrics, made-up articles and related products" and "Electrical machinery, apparatus and appliances". The first one has been relevant for Macedonia's import from 2005 onwards, and it relates to one of the most prominent export sectors in the Republic of Macedonia – clothing. The Macedonian textile industry belongs to the group of so called "further processing industries", implying that usually only final phase of the production has been conducted in the country, i.e. the industry works solely with imported inputs, apart from the labour force. This explains presence of the "Textile yarn, fabrics, made-up articles and related products" in the total Macedonia's import, which share was 9.9% in 2005 and stabilized to around 7% from 2011 onwards. The import from the other sector - "Electrical machinery, apparatus and appliances" grew from 61.7 million USD in 2000 to 254 million USD in 2011 and up to 451.4 million USD in 2016. In relative figures, the share of this sector in the total Macedonia's import ranged from 2.9% (2000) to 6.7% (2016). The increase of its importance could be also related to greenfield FDI in the Republic of Macedonia, as most of the equipment for the new FDI plants, as well as for the domestic companies, had to be imported.

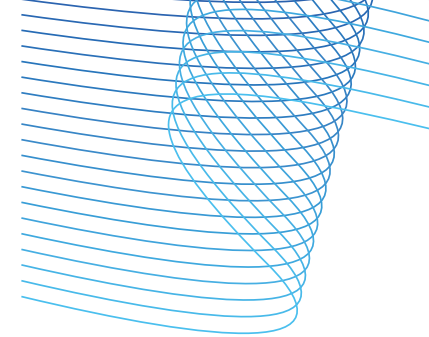
Other relevant sector from the group of top importing sectors in the Republic of Macedonia is the sector of "Iron and steel". The share of this sector in the total Macedonia's import was 2.7% in 2000, rising up to 11% in 2008 and down to 5.2% in 2016. In absolute numbers, the import of iron and steel rose from 57 million USD in 2000 to outmost of 757 million USD in 2008, shrinking down to 350.6 million USD in 2016. The figures show impact of the metal prices of the world markets on Macedonia's import, evident through the amplitudes in the import's volume and share, as well as termination of work of "FENI", as discussed above.

As discussed earlier with regards to the export, impact of the SAA could be viewed from the perspective of the import, as well. The SAA stipulated gradual elimination of tariffs by 10% a year, aiming to achieve zero tariff by 2011 (year of full implementation of SAA), with exception of steel products where shorter period of 5 years was provided for achieving free trade (by 2006) and sensitive goods which were subject of special regulation. The import data show increase of the imports in almost all sectors up till 2008, which could be partially related to gradual removal of the tariffs due to the SAA, as products originating from EU become less expensive for Macedonian companies. Another wave of increase of import has started since 2010 onwards, after the crisis, in the sectors of "non-ferrous metals" and "electrical machinery, apparatus and appliances", owing mostly to operational activities of FDI plants in the country. As this refers to the period of the SAA implementation, i.e. repeal of tariffs, it was already discussed that SAA could be considered as a factor for attraction of FDI in the country. In this respect, the effects of SAA on the import could be regarded as positive.

2.4 Top imported industrial products from EU into the Republic of Macedonia

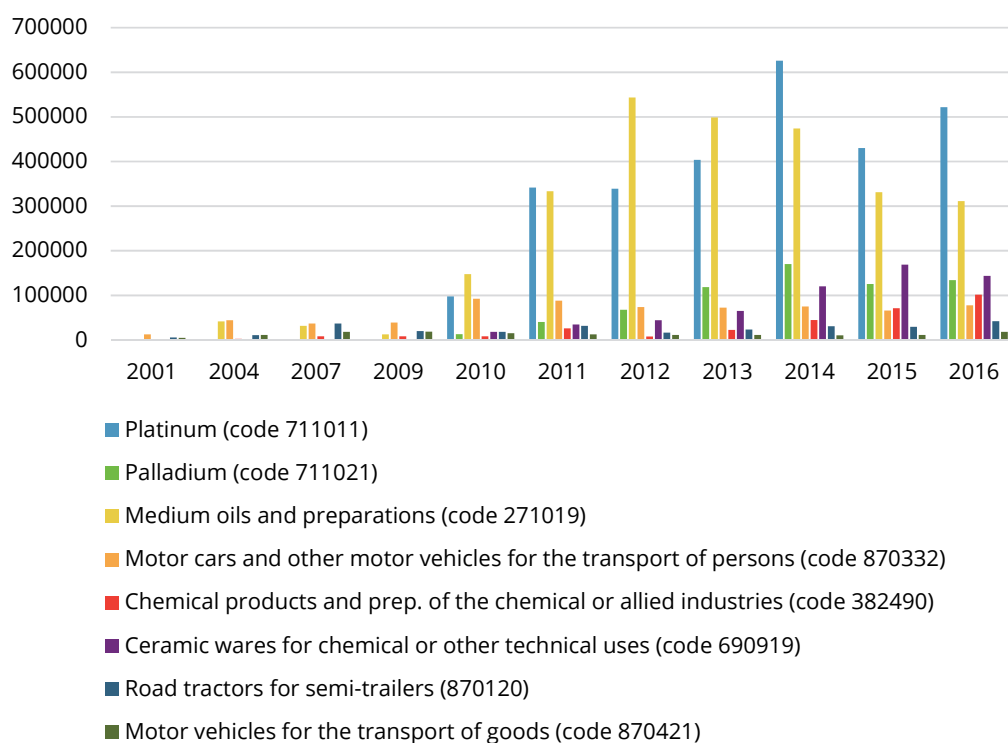
The analysis of the top imported industrial products from EU reveals change of their structure from 2010 onwards, with dominance of the products related to production of the FDI plants opened into the technological industrial zones (Appendix: Table 4a and Table 4b). The data has been derived from the INTRACEN database and refer to Harmonized System (HS), level 6 digits.

Chart 10 represents selected top imported products from EU in the period 2000-2016. As discussed above with regards to the sectors, change of the structure of the import has been



evident through the products as well, i.e. import of currently dominating products has started since 2010. Prior to that, major imported products from EU in the Republic of Macedonia were “Medium oils and preparations of petroleum or bituminous materials, etc.”, and “Motor cars and other vehicles principally designed for the transport of people”, along with vehicles for other purposes. Other products were imported in smaller quantities. The situation has changed since 2010, when the FDI plants started to import their raw materials from EU. In this context, one of the major imported products has become “Platinum”. Its import started in 2010 with value of 97.4 million USD, reaching 403.9 million USD in 2013 and up to 677.4 million USD in 2016.

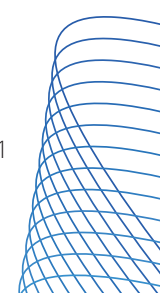
Chart 10: Top imported industrial products from EU into Macedonia (in ‘000 USD)



Source: INTRACEN database (<http://www.intracen.org/itc/market-info-tools/trade-statistics>); Appendix: SAA Table 4a

Since 2010, the structure of the Macedonia’s import changed dramatically in terms of the top products. The only category that constantly remained in the top five (often on the top position, as well) was “Medium oils and preparations of petroleum or bituminous materials, etc.”. This is logical, as the country is import depended from oil and its derivatives. Motor vehicles were on the list of the top five imported products from EU until 2013, when the import of raw materials for the newly opened industries was accelerated. As a result, the list of the top five imported products from EU since 2013 has consisted of “Platinum”, “Medium oils”, “Palladium”, “Ceramic wares for chemical or other technological uses” and “Chemical products and preparations of the chemical and allied industries”. It is evident that four (out of five) products are related to the mentioned industry.

Also, change of the structure of the import was reflected on the share of the top five imported products from EU in the total Macedonia’s import from the Union. Up to 2009, the share ranged from 12.1% in 2001, 8.2% in 2004, 5.2% in 2007 and down to 3.9% in 2009. This declining trend was largely attributable to scattered import of many products (in smaller quantities) due to the small size of the Macedonian market and limited consumption power, as well as limited





investment in domestic industries. In absolute terms, there was an increase of the import of the top five products from the EU, i.e., it grew from 87 million US in 2001 up to 137 million USD in 2007. With change of the import structure from 2010 onwards, the share of the top five products imported from EU in the total Macedonia's import from the Union increased from 12.8% in 2010 up to 31.6% in 2014. The corresponding figure in 2016 was 28.9%. These data confirm the importance of the healthy industries in the country for the trade movements, but also reveals import dependence of the FDI plants in the Republic of Macedonia, which leads to the discussion about the possibilities for inclusion of Macedonian companies as suppliers for FDI plants. This would require restructuring of Macedonian industry, related to serious investment.

Furthermore, the structure of import of the top industrial products from EU could be viewed from the perspective of the leading importing SITC sectors, discussed in the previous section. The sectors of "Iron and steel", "Textile yarn, fabrics, made-up articles and related products" and "Electrical machinery, apparatus and appliances" have not been presented into the top five imported industrial products. This is mostly owing to the import of many products in these sectors, which, individually, do not manage to reach the value of import to place themselves into the top five products. This has been a case even prior to 2010, when top products had import of lower values. Therefore, combined analysis of the SITC sectors and HS on products provides more comprehensive overview of the Macedonia's import. With regards to the impact of the SAA on import of industrial products, the comments provided in the SITC section apply.

Chapter 3 –Agriculture

The analysis of the Macedonia's trade of agricultural products incorporates analysis in terms of SITC sectors and specific products using Harmonized System classification. As mentioned above, the data about Macedonia's trade in terms of SITC has been available only for the total Macedonia's trade, while data per specific countries were not at disposal. However, given the large share of EU in the total Macedonia's trade, this analysis is considered valid. Detailed HS analysis on specific agricultural products traded among the Republic of Macedonia and EU (export/import structure) is given below.

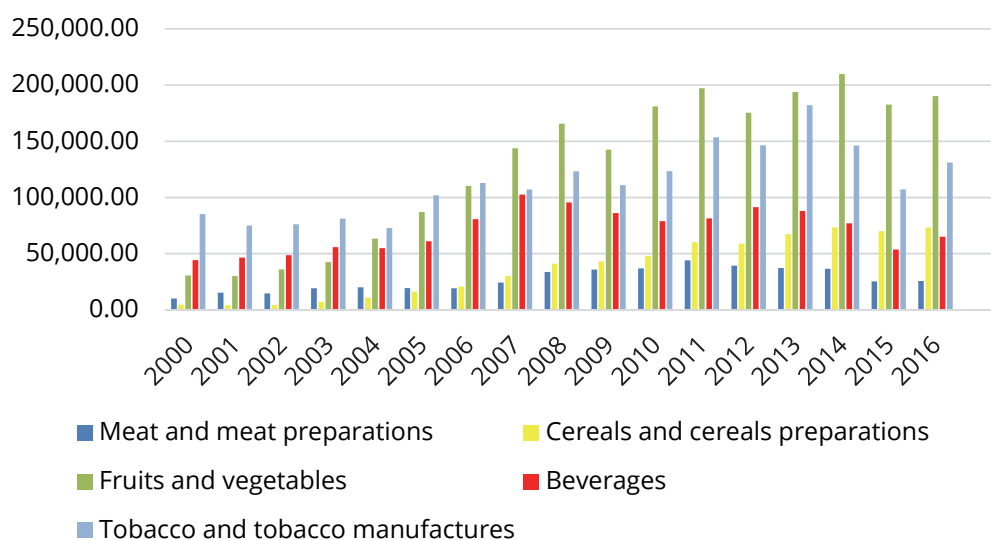
3.1 Export of agricultural products by SITC sectors

In the analysis of the Macedonia's export of agricultural products, two SITC sector groups are included: "Food and live animals" and "Beverages and tobacco". The combined share of both groups in the total Macedonia's export ranged from 14.8% in 2001 up to 17.7% in 2009 and down to 11.4% in 2016 (Appendix: SITC Tables). From the first group, there is one major exporting sector - fruits and vegetables (Chart 11), while from the second, both subsectors - tobacco and beverages are rather important. As noted above, the data refer to total Macedonia's export of agricultural products, not solely to EU, due to their availability from national statistical sources.

As evident on the Chart 11 below, "Fruits and vegetables" has been dominant Macedonian agricultural exporting sector during 2007-2016. Its share in the total Macedonia's export of agricultural products ranged from 15.4% in 2001, 31.2% in 2008 and 34.9% in 2016. In absolute numbers, the sector has experienced serious increase of over 6 times, i.e. surged from 30 million USD in 2001 up to 190 million USD in 2016. Around 48% of the export of "Fruits and vegetables" (fresh and processed) has been exported to EU28 market (2016), indicating the relevance of this analysis with regards to the export to EU, as well.



Chart 11: Major SITC exporting agricultural sectors of Macedonia (in '000 USD)



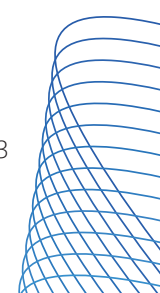
Source: National Bank of the Republic of Macedonia (http://nbrm.mk/nadvoresno_trgovska_razmena-en.nspix)

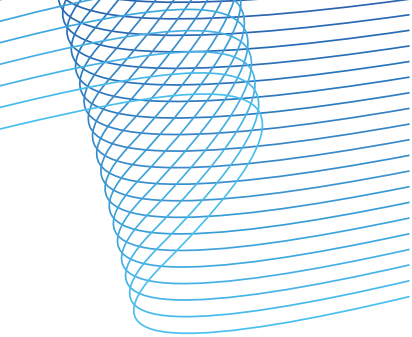
Apart of the “Fruits and vegetables”, another important sector is “Tobacco and tobacco manufactures”. This has been leading Macedonian exporting agricultural sector in the period 2000-2006 and remained second after “Fruits and vegetables” took the dominant position. In absolute terms, tobacco sector has also grown - from 85 million USD in 2000 up to 131 million USD in 2016. It is still one of the important industries in the country, although its share in total agricultural export has declined from 43.6% in 2000 down to 24.1% in 2016 (due to the rise of the sector “Fruits and vegetables”). The third sector by importance is the sector of “Beverages”. Volume of export of beverages was 44 million USD in 2000 and increased up to 65 million USD, mainly owing to the export of wine. The other two exporting sectors on the list of top five - “Cereals and cereals preparations” and “Meat and meat preparations” are lagging behind other sectors but have an upward tendency and potential for further growth.

With regards to the agricultural products, the SAA stipulated free access to EU market for almost all products. Exceptions were made for sensitive products such as wine, baby beef, fisheries and fish products, for which duty-free tariff quotas were agreed. Also, tariff quotas for specific products were arranged. Out of the mentioned protected products, wine has been most relevant for Macedonia. However, at the time of signing of the SAA, the country mostly exported bulky wine, instead of bottled. The quotas were not fully used up to 2014, implying that the SAA did not served as constrain to the Macedonia’s export of wine. With regards to the overall agricultural export to EU under the SAA, the data indicate expansion of the export, in particular of fruits and vegetables, implying positive effect of the Agreement on the export of Macedonian agricultural products.

3.2 Top exported Macedonian agricultural products to EU

The analysis of the top exported agricultural products to EU reveals three top products – tobacco, wine and lamb meat (Appendix: SAA Table 3c and Table 3d). The data has been derived from the INTRACEN database and refer to Harmonized System (HS), level 6 digits. As mentioned

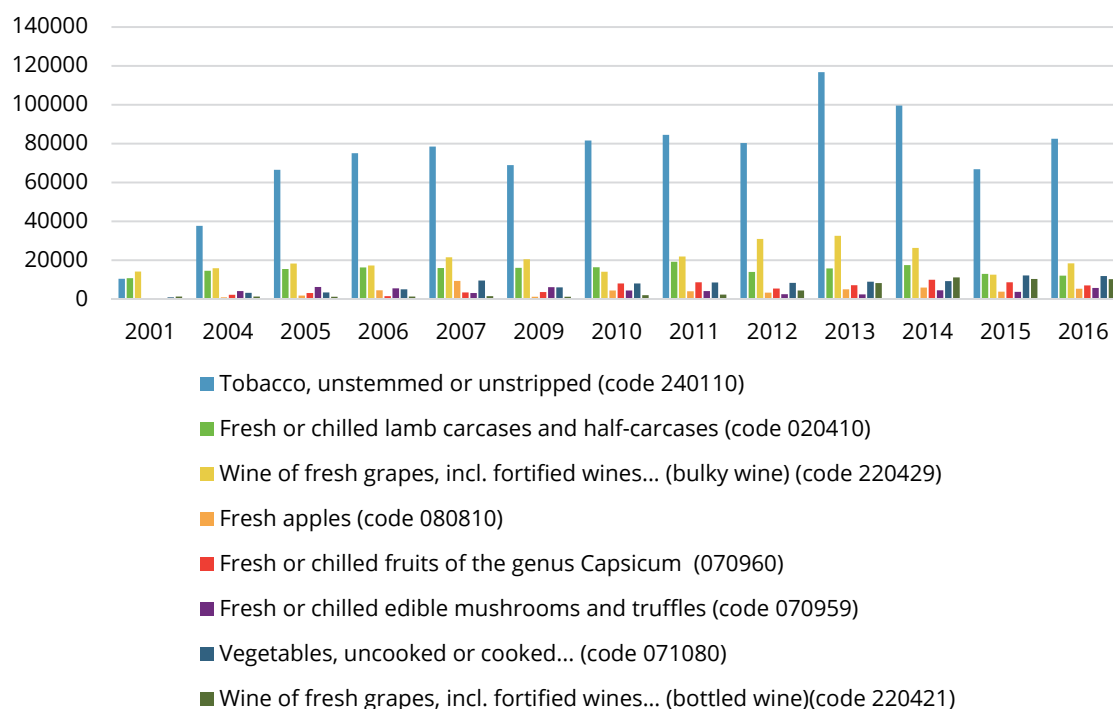




previously, the analysis of export structure according to the SITC sectors provides information about the specifics and dynamic of changes of Macedonia's export, while the analysis of the level of products enables deeper view of the specifics of the export to EU.

Chart 12 represents top exported Macedonian agricultural products to EU over the period 2001-2016. Products from the group of cereals and cereals preparations (incorporated in the SITC classification) were not included in the product analysis. The Republic of Macedonia is not an exporter of cereals, while the products of bakery and other related industries dominate in the export of this category, which has upward trend in the past years. In this case, their inclusion would have distracted the attention from the major fruits and vegetable products, as part of the leading exporting agricultural sector of the Republic of Macedonia.

Chart 12: Top exported Macedonian agricultural products to EU (in '000 USD)

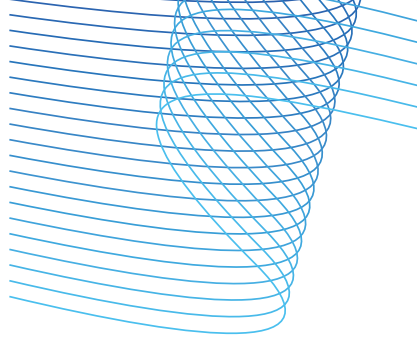


Source: INTRACEN database (<http://www.intracen.org/itc/market-info-tools/trade-statistics>); Appendix: SAA Table 3c

Tobacco (raw, unprocessed) has dominated over the other exported agricultural products during the entire period of analysis. The share of raw tobacco in the total Macedonia's export to EU ranged from 1.8% in 2000, 5.7% in 2005, 4.5% in 2010 and down to 2% in 2015. For comparison, the share of the top five agricultural products exported to EU in the total Macedonia's export to the Union ranged from 5.1% in 2000, 9.4% in 2005, 6.2% in 2010 and down to 3.3% in 2015. These data illustrate the importance of the tobacco production for agricultural sector of the Republic of Macedonia. In absolute terms, the Macedonia's tobacco export to EU increased from 10.7 million USD in 2000 up to highest 116.8 million USD in 2013. The volume of tobacco export in 2016 was 82 million USD, out of which 64% has been exported to the EU market, which confirms its importance with regards to Macedonia's trade with the Union.

Apart from tobacco, there are two other products rather important for the Macedonian agricultural sector. Wine (bulky) and lamb meat has been exported regularly to the EU market over the analysed period. Nevertheless, their importance for the Macedonia's export to the EU





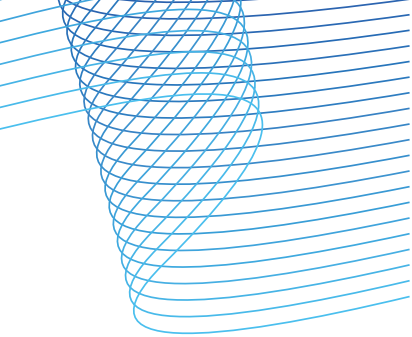
decreases. The export of lamb meat (fresh or chilled) was 10.7 million USD in 2001, grew up to 19.2 million in 2011 and declined down to 12 million USD in 2016. The export of bulky wine was 14.2 million USD in 2001, reached 32.5million in 2013 and declined down to 18 million USD in 2016. In the case of wine, the producers focused on bottled wine and managed to increase its export up to 11 million USD in 2014 (from modest 1 million USD in 2000). This change in the export structure of wine is positive, while the export of lamb meat indicates that no changes were undertaken to increase the capacity of this sector. Meanwhile, the total Macedonia's export to EU increased, further diminishing relative share of these sectors – lamb export participated with 0.3% in the total Macedonia's export to EU in 2016 (a drop from 1.9% in 2000) and bulky wine with 0.5% (a decline from 2.5% in 2000). In addition, the share of bottled wine was 0.3% in the total Macedonia's export to EU.

The export of wine should be analysed from the perspective of the SAA. This is one of the most protected products with the Agreement, as non-tariff export to EU is possible within the frame of specific tariff quotas. Trade of wine was regulated with special wine protocol as part of SAA, which stipulates quotas for non-tariff export. The quotas are determined on yearly basis, with tendency of increase of the quota for bottled wine at the expense of quota for bulky wine. The wine quotas for non-tariff export of bottled wine to the EU market were fully used by the Macedonian exporters in 2014, for the first time. The quotas for bulky wine has not been fully used so far. However, given that the focus of the Macedonian producers shifted to the bottled wine, it could be argued that full use of the tariff quotas for the bottled wine implies situation of possible trade diversion caused by the SAA, as the potential future export of bottled wine to the EU will be diverted to other markets.

Apart of these three products – tobacco, lamb meat and wine, the Macedonia's agricultural export to the EU is scattered on many other products, with lower volume of export. As discussed in the previous section, the sector "Fruits and vegetables" is leading exporting agricultural sector, but it consists of many products, implying relatively low presence of these products on the list of top exported products. As evident on the Chart 12, four categories of products from this sector are included in the list – Fresh or cooked vegetables, Fresh or chilled fruits of genus Capsicum (peppers), Fresh or chilled mushrooms and Fresh apples. As noted above, EU absorbs 48% of the total export of this sector (including fresh and processed fruits and vegetables). The increase of this sector is rather important for the total export performance of the Republic of Macedonia, given the country's natural preconditions for quality products.

The SAA has enabled free access of the Macedonian fruits and vegetables to the EU market, but their export has been related to specific standards (with regards to size, packaging, etc.). In this context, it could be noted that the SAA has contributed to the increase of the export in some of the agricultural sectors, although there is still a potential for further grow. However, this is related to the capacity for agricultural production of the country, which is hindered by negative demographic and other social factors in the Republic of Macedonia. In this context, increase of the agricultural production, in particular export oriented to the EU needs to be properly addressed by the policy makers. There is specific instrument provided by EU for rural development – IPARD, which has been available to the Republic of Macedonia since 2007 (to the present), aiming to support structural changes in the Macedonian agriculture, more specifically in three areas: investment in agricultural holdings, investment in processing and marketing and diversification of rural economy. IPARD I (2007-2013) made available around 85million EUR to the Macedonian farmers, while IPARD II (2014-2020) provided additional 60 million EUR.

However, Macedonian absorption of IPARD have been very limited, evident in 2015, when de-commitment of 15million EUR from the allocation of the 2011 was done. Major factors contributing to low absorption of available IPARD Funds in the Republic of Macedonia include: lack of pre-financing by the final beneficiaries, lack of information of the potential beneficiaries about the details of programme support; unresolved status concerning building permits; weak National Advisory Service to provide the necessary assistance to the potential beneficiaries;



long lasting procedures of approval/payment by the IPARD Paying National Agency, etc.³⁵ The de-commitment has been serious signal that the Macedonian authorities must undertake measures for increase of the absorption capacity for IPARD.

In addition to the available IPARD Funds, the Republic of Macedonia provided significant subsidies for agricultural sector (total of 446 million EUR for the period 2010-2014).³⁶ Although the structural changes in the agricultural sector are related to longer period of effectuation, there is lack of monitoring and evaluation system which would provide data about the effects of the subsidies-based agricultural policy. In this respect, there is need for ensuring better implementation of the existing instruments, with purpose of achievement of positive visible results in the Macedonian agricultural sector.

3.3 Import of agricultural products by SITC sectors

In the analysis of the Macedonia's import of agricultural products, two SITC sector groups are included: "Food and live animals" and "Beverages and tobacco". The combined share of both groups in the total Macedonia's import ranged from 13.3% in 2003 (highest) down to 9.8% in 2008 (lowest), while it stabilized at around 10% from 2014 onwards (Appendix: SITC Tables). The data refer to total Macedonia's import of agricultural products, not solely to EU, due to their availability from national statistical sources.

As evident on the Chart 13, meat and meat preparations has been dominant importing agricultural sector during the analysed period. Its share in the total import of agricultural products ranged from 29.1% in 2001, 23.8% in 2004, 20.4% in 2010 and 18.9% in 2016. In absolute numbers, the sector increased over 2 times, i.e. increased from 63 million USD in 2001 up to 131 million USD in 2016. Apart of the "Meat and meat preparations, another important sector on the import side is "Fruits and vegetable sector". Similar to the export side, it experienced serious increase of over 5 times. It increased from 16 million USD in 2001 up to 92 million USD in 2016. Therefore, it represents one of the leading importing agricultural sectors in the recent years.

The third sector by importance is the sector "Cereals and cereals preparations", which share in the total agricultural export ranges from 18.3% in 2004 down to 12.5% in 2016, which is mostly due to the increase of the share of other sectors. In absolute terms, the import has increased from 40 million USD in 2000 to 93 million USD in 2016. It is worth mentioning that respective domestic industries in this sphere registered upward trend, implying that they have also placed their products on the domestic market. In addition, the sectors of "Beverages" and "Tobacco and tobacco manufactures" are also included in the list of the top importing sectors, which is expected due to the nature of products incorporated in this sector (prone to wider consumption). However, these two sectors have more relevance with regards to the export, than to the import.

35 Ministry of Agriculture, Forestry and Water Economy of the Republic of Macedonia, *Annual Report on the Implementation of the IPARD Programme 2007-2012: For the period 1 January 2015 – 31 December 2015*, June 2016, p. 44

36 Prizma.birn.eu.com

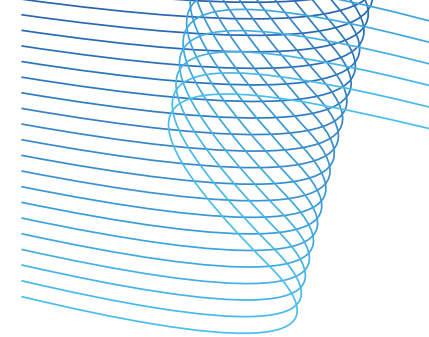
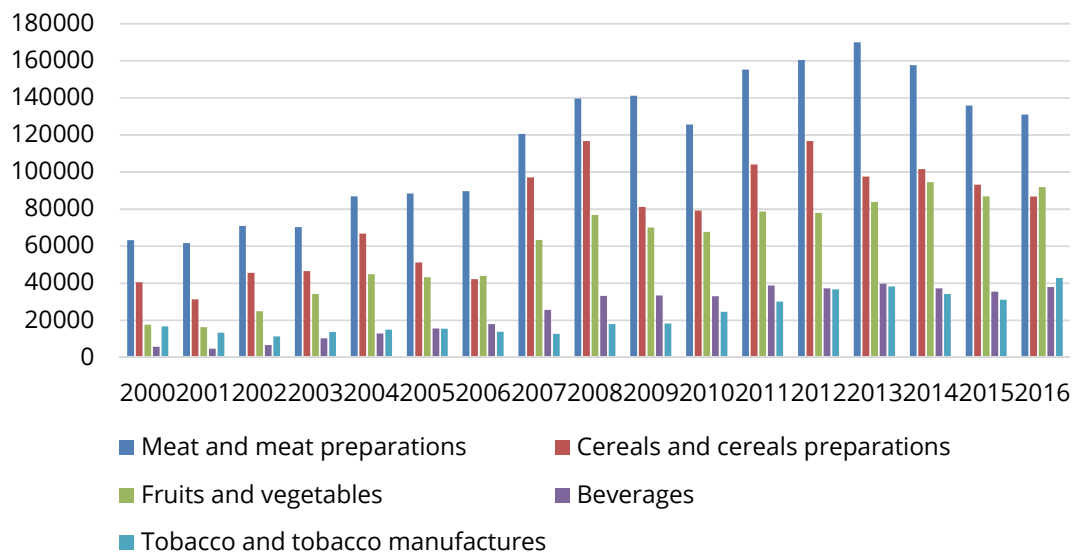


Chart 13: Major SITC imported agricultural sectors of Macedonia (in '000 USD)



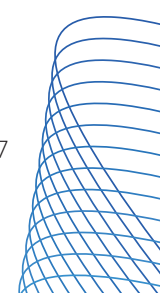
Source: National Bank of the Republic of Macedonia (http://nbrm.mk/nadvoresno_trgovska_razmena-en.nsp)

The analysis of the five most relevant imported agricultural sectors in the Republic of Macedonia indicates that the two leading sectors (meat and cereals) define the structure of the Macedonia's import. Both sectors have experienced almost continuous upward trend over the analysed period, including the period 2001-2011 of implementation of the SAA, marked with gradual removal of the tariffs of imported products from EU in the Republic of Macedonia. This could speak in favour of certain impact of the SAA on the import of agricultural products in the form of trade diversion, as, presumably, part of the import from other countries was diverted to EU. However, as mentioned above, the import from this sector is related to different certificates and other trade costs, implying that the tariff removal for most of the products could not serve as a sole factor relevant for trade increase/decrease.

3.4 Top imported agricultural products from EU into the Republic of Macedonia

The analysis of the top imported agricultural products from EU reveals very limited structure of the top products, with dominance of the import of meat (Appendix: SAA Table 4c and Table 4d). The data has been derived from the INTRACEN database and refer to Harmonized System (HS), level 6 digits.

Chart 14 represents selected top imported agricultural products from EU in the period 2000-2016. The main characteristic of the import has been scattered distribution to many products, with modest individual value of the imports. If the agro-industrial products are included in the selection, the category "Food preparations, n.e.s." dominates into the import. Given that this category incorporates products which could not be specified and distributed into specific category, it was omitted from the analysis of the import of agricultural products from EU, with the aim of better comprehension of the trade with agricultural products per specific categories. In addition, products from the SITC categories "Cereals and cereal preparations", and "Meat and meat preparations" were included into this analysis.



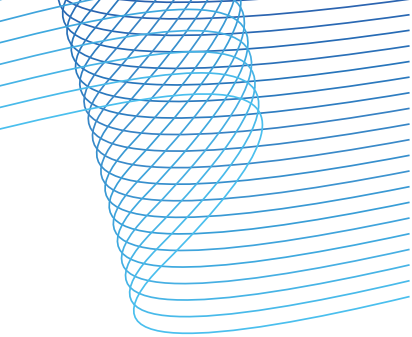
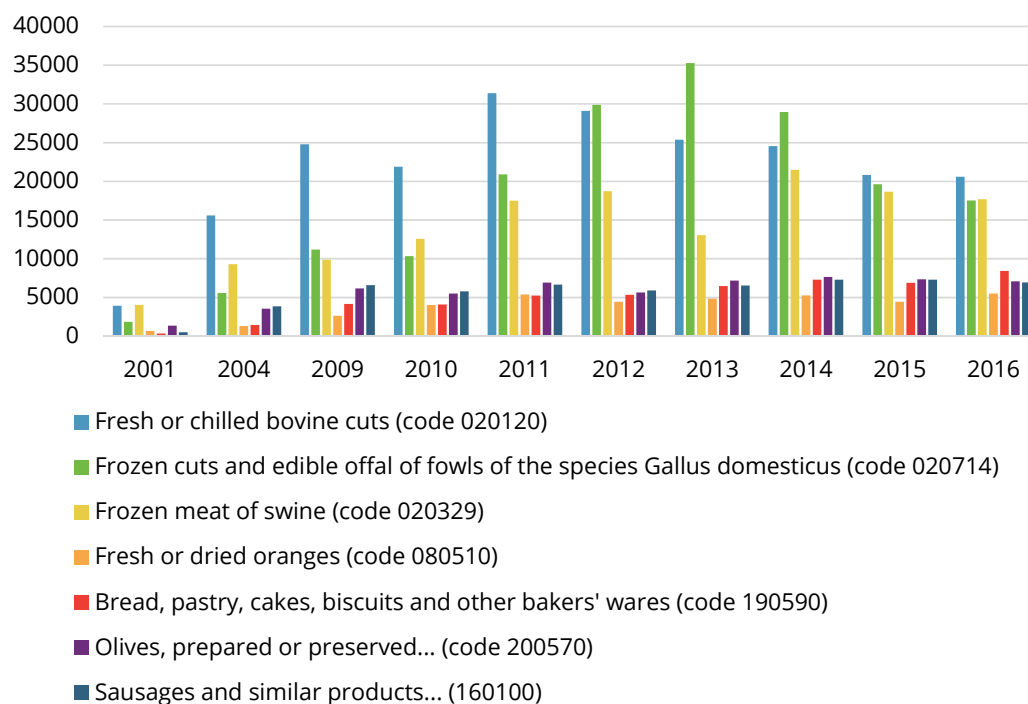


Chart 14: Top imported agricultural products from EU in Macedonia (in '000 USD)



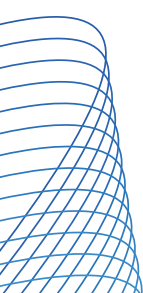
Source: INTRACEN database (<http://www.intracen.org/itc/market-info-tools/trade-statistics>); Appendix: SAA Table 4c

As presented on the Chart 14, the first three products in the top five belong to the group of meat. The categories of “Fresh or chilled bovine cuts”, “Frozen cuts and edible offal of fowls of the species Gallus domesticus” and “Frozen meat of swine” appear on the list of top five imported agricultural products from EU over whole analysed period. The import of these products has experienced more intense growth since 2009, mostly due to the trade diversion of the import of meat from Brazil to EU (related to certain issues of Brazilian export of meat on global level).

The combined share of the top five imported agricultural products from EU in the total Macedonia's import from EU ranges from 2% to 3.5% over the period. This is relatively low and indicates that the agricultural import has been less concentrated compared to the industrial import. However, it should be noted that large amount of the dominant import product (meat) is aimed for the meat processing industry. This industry has an upward trend in the Republic of Macedonia, with potential for further growth. In this perspective, the policy makers should pay attention to the links among import of agricultural products and respective industries, in terms of provision of support to export oriented production of agro-processing industries.

Chapter 4 – Foreign Direct Investments

The Republic of Macedonia has been open for inflow of foreign capital from mid 1990s, when the relevant legislation was adopted. Given the small size of the country, as well as limited domestic capacity for investment, FDI has been considered as a valuable source of capital, which could contribute to the country's development. In this context, greenfield investments are crucial, as their effects include new jobs, increase of the competitiveness of the national industrial structure, etc. However, the competition for FDI attraction is immense, as many countries have



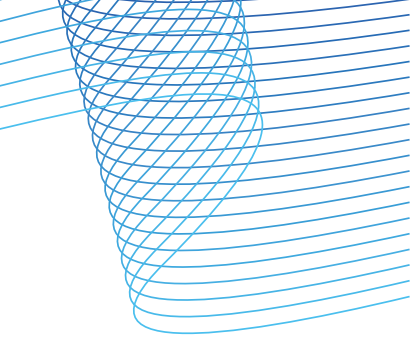
very favourable FDI policies for investors, consisting of various incentives. Such policies are particularly relevant for small economies, as market is one of the crucial factors for the investors. Therefore, countries also undertake activities for regional integration, in purpose of getting access to larger market. In this context, the SAA could be considered very relevant for the Republic of Macedonia, as it enables free access to goods produced in the country to EU market of 508 million. Also, SAA provides for tariff free import of products from EU, which is very relevant for the foreign investors, in particular the ones operating in supply chains.

Table 1: FDI in Macedonia per sectors (in million USD)

	2003	2007	2008	2011	2013	2014	2015	2016
AGRICULTURE, FORESTRY AND FISHING	1.84	14.47	5.91	3.68	11.04	14.22	3.09	1.78
MINING AND QUARRYING	-2.1	12.16	102.67	60.95	5.56	37.78	-207.21	7.10
MANUFACTURING		175.81	-25.28	285.64	112.43	80.16	68.21	214.02
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	21.38	-7.13	39.13	6.92	19.99	35.85	-2.94	41.03
WATER SUPPLY; SEWAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	-0.02	n/a	n/a	-1.14	0.71	-0.17	-2.24	0.52
CONSTRUCTION	11.98	20.13	30.33	29.97	56.34	7.52	41.08	91.80
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	3.34	81.33	n/a	31.68	128.50	96.81	256.94	-29.51
TRANSPORTATION AND STORAGE	-1.06	1.12	n/a	34.57	50.58	0.88	1.38	-6.49
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	6.77	6.54	n/a	0.95	1.99	-3.19	1.53	-0.57
INFORMATION AND COMMUNICATION	17.99	155.05	n/a	-110.50	0.21	-5.81	17.99	-12.65
FINANCIAL AND INSURANCE ACTIVITIES	39.02	166.70	n/a	104.48	9.16	66.97	51.59	32.20
REAL ESTATE ACTIVITIES	0.23	55.99	n/a	11.20	38.41	3.63	4.61	4.24
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	n/a	37.24	n/a	-5.06	17.17	-2.53	-4.94	2.01
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	n/a	n/a	n/a	1.94	-2.96	0.28	9.31	11.98
EDUCATION	n/a	n/a	n/a	0.68	6.07	-0.21	-0.42	-0.12
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	n/a	n/a	n/a	29.68	-0.49	2.04	2.55	10.43
ARTS, ENTERTAINMENT AND RECREATION	n/a	n/a	n/a	-11.67	1.40	7.54	4.65	12.56
OTHER SERVICE ACTIVITIES	n/a	n/a	n/a	-0.16	6.65	0.95	-0.18	-2.67
TOTAL	117.75	699.09	586.95	473.54	334.70	272.45	245.86	372.99

Source: National Bank of the Republic of Macedonia (http://nbrm.mk/ns-newsarticle-diriektni_inviestitsii_vo_riepublika_makedonija.nsp)

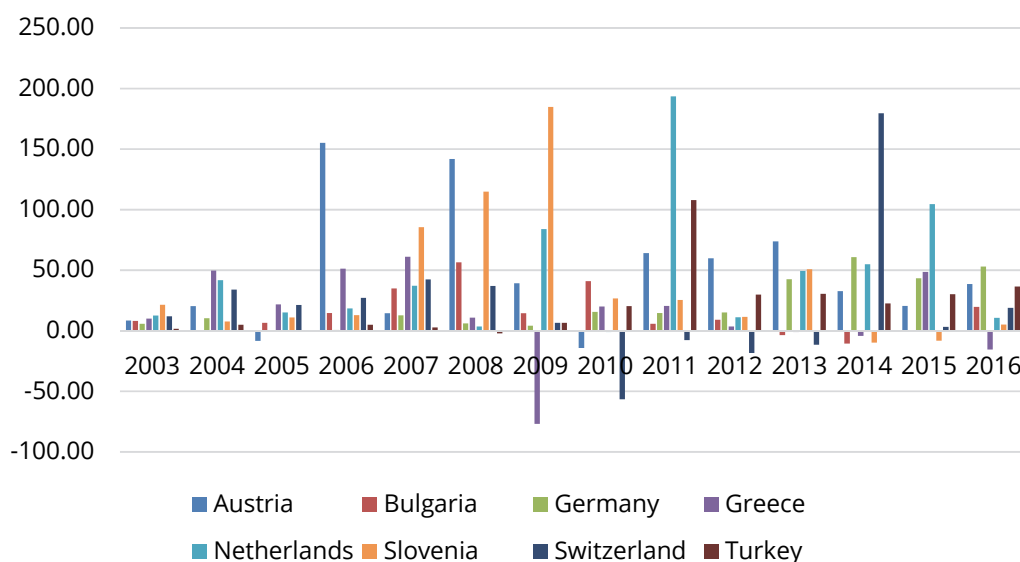
The data on FDI inflows in the Republic of Macedonia are presented in Table 1. The period covered refer to 2003-2016, due to the availability of the data from National Bank of the Republic of Macedonia. As presented in the Table 1, the manufacturing sector absorbed total FDI of 1.5 billion USD in the analysed period, which represents 1/3 of the total inflows of FDI of



4.3 billion USD in the country. Although this could not be perceived as significant FDI inflow in manufacturing sector, compared to the other countries, it is rather important for the Republic of Macedonia. In addition to the manufacturing sector, FDI inflows were also noted into the sectors "Wholesale and retail trade; repair of motor vehicles and motorcycles" of total 709.7 million USD over the period, "Financial and insurance activities" with total inflow of 602.8 million. USD, as well as "Electricity, gas, steam and air conditioning supply" and "Construction" with around 340 million USD.

Most of the FDI in the Republic of Macedonia originated from EU countries. Among top eight investors (Chart 13) six countries are members of the European Union, while the other two (Switzerland and Turkey) also have special links to the Union. In the analysed period, the largest amount of FDI in the Republic of Macedonia originated from Austria (646.7 million USD), Netherlands (635.5 million USD) and Slovenia (539.8 million USD). Their combined share in the total FDI inflow over the period amounts to 40.5%.

Chart 15: Top investor countries in Macedonia (in million USD)



Source: National Bank of the Republic of Macedonia³⁷

Further disaggregation of the manufacturing subsectors where FDI flow into, shows that almost ½ of the total FDI in manufacturing or 733 million USD have been directed into the sector "Motor vehicles, trailers and semitrailers". FDI in this sector started in 2009, with the first investment of 71.9 million USD. The process of investment in this sector continued in subsequent years as well, with FDI inflows ranging from lowest 28.8 million USD in 2012 and highest 128 million USD in 2013. The investment in this particular sector has been targeted by the intense FDI policy of the country, pursued since 2008, which incorporated many tax and other incentives for the investors. The FDI plants were placed in technological industrial zones, with strong export orientation. The investors included prominent companies such as "Johnson Matthey", "Johnson Controls", "Lear Corporation", "Delphi", "Kromberg and Schubert", etc.

Apart from the sector of "Motor vehicles, trailers and semitrailers", as major recipient of FDI, the sector "Food products, beverages and tobacco products" had inflow of 197 million USD over

³⁷ "Директни инвестиции во Република Македонија", National Bank of Republic of Macedonia. <http://nbrm.mk/ns-newsarticle-direktni-investicii-vo-republika-makedonija---metodologija-bpm6.nspix>





the period 2003-2016, followed by sectors of “Textile and wearing apparel” that received FDI in total of 18.1 million USD and “Basic metals and fabricated metal products” with inflow of 170 million USD. These three sectors also have notable share in the Macedonia’s trade, implying that investment was primarily done into the established sectors, with export orientation. Exception has been the sector of “Motor vehicles, trailers and semitrailers”, which was launched as new industry in the Republic of Macedonia.

The analysis in the previous sections with regards to the Macedonia’s export and import to/from EU has pointed out that changes in the structure of the Macedonia’s trade were attributable to the FDI in the automotive industry. Also, other manufacturing industries relevant for the Macedonia’s export/import were also recipients of FDI. In this respect, it could be argued that the SAA was a positive factor in the process of attraction of FDI, as it provided free access to the EU market (crucial for export-oriented investors), as well as tariff free import in the Republic of Macedonia after 2011.

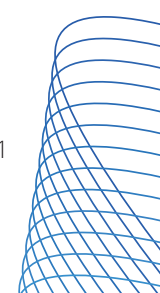
Chapter 5 – Conclusion and Recommendations

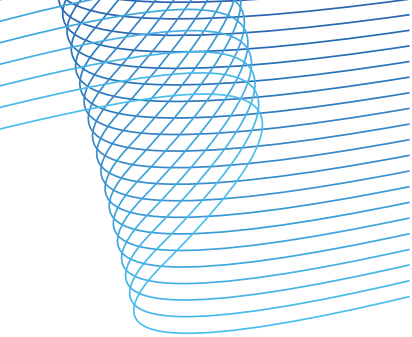
The analysis of the dynamic of development of the Macedonia’s foreign trade through the perspective of implementation of the SAA had revealed that export and import had registered upward trend during the analysed period 2000-2016. The total trade increased from 3.4 billion USD in 2000 to 11.5 billion USD in 2016, while share of EU in the total Macedonia’s foreign trade grew from 40% in 2000 to 69% in 2016.³⁸ On the side of export, the EU share in the total Macedonia’s export reached 79% in 2016. The figures clearly show that opening of the EU market had positive impact on the Macedonia’s trade, although the import experienced faster growth, resulting into deepening of the trade deficit with EU from 317 million USD (2006) to 1.2 billion USD (2012). This indicates that Macedonian companies did not manage to increase their competitiveness on a level sufficient to ensure relatively higher export to EU, due to limited industrial structure, despite 10 years asymmetrical trade regime in favour of Macedonia, provided by the SAA. In this context, better use of the SAA is related to investments.

Domestic investments were limited, while more serious FDI in manufacturing sector started their inflow from 2010 onwards, which resulted into shift of the export and import structure of the Macedonia’s trade. FDI in automotive related industries has enabled serious increase of the Macedonia’s export, which resulted in shrinking of the trade deficit to 364 million USD in 2016. This was largely attributable to the changes in the exports’ structure which included higher value-added products. Also, such change was an indicator that Macedonia could have utilized the SAA potential better, if the trade policy was accompanied with respective measures in industrial policy, i.e. with stimulation of domestic investment in certain industries. On the other hand, the agricultural policy of the Republic of Macedonia has been extensively based on subsidies in the last decade, as well as there were available Funds of 85 million EUR from IPARD I (2007-2013), and yet, no structural changes have been achieved in the agricultural sector. The analysis has shown limited export/import structure of the Macedonia’s agricultural sector, implying to inadequate use of the available instruments.

Given that process of implementation of the SAA have been completed for the Republic of Macedonia, resulting in symmetrical trade regime of both Parties as of 2011, further advancement of the Macedonia’s trade with EU could be related to certain policy interventions aiming for structural changes into industrial and agricultural sector, as well as further simplification of the customs procedures. In this context, the following recommendations should be taken into consideration:

38 Calculations based on MAKSTAT database of State Statistical Office of the Republic of Macedonia <http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>



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- Constant monitoring and evaluation of the trade structure by the policy makers with the purpose of enhancing fact-based strategic decision making, in particular with regards to further development of the industrial and agricultural sector;
 - Revision of the policy outlook(s) related to further integration of the Republic of Macedonia into the value chains in European Union. The changes of the export/import structure of the Macedonia's trade since 2010, driven by FDI plants in the country, should serve as a roadmap for structural changes and implicitly, for formulation and implementation of policy measures for enabling/supporting integration of the domestic companies into international value chains;
 - Development of instruments for stimulation of domestic investment, such as support of market research, co-financing of the innovative ideas, mentoring system of the new entrepreneurs by established exporters/importers, clustering of the industries, etc., in line with the strategic outlook of the country for development of specific industries;
 - Continuous rise of awareness of the young, highly educated people about the possibilities provided by the EU market, supported by assistance for networking with foreign companies; legal support for issues related to export/import to/from EU, etc.
 - Elimination of the constraints for low absorption of the available EU and other Funds in the country, in particular IPARD, with the aim of improvement of the structure and efficiency of the Macedonia's agricultural sector;
 - Identification and elimination of the non-tariff barriers with regards to Macedonia's trade with EU, aiming towards faster and efficient customs clearance, with minimal costs included.

The recommendations mostly focus on enhancing structural changes in both industrial and agricultural trading sectors –. This is not an easy task, but necessary for achieving substantial results. The developments in the Macedonia's industrial sector since 2010 versus steadiness into the agricultural sector during the analysed period have illustrated the impact on policy measures on the outcome. In this respect, FDI policy brought significant changes to Macedonia's trade, while subsidies-based agricultural policy did not show notable trade results. In this context, policy making should be coherent, i.e., incorporating many aspects (trade, industrial, etc.), as well as subject of constant monitoring and evaluation. Also, there is a need for narrow, instead of broad policy topics, i.e. support to increase of the Macedonia's trade to EU should be focused on particular subsectors (industrial and agricultural), with the aim of optimisation of the policy measures outcomes.



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APPENDIX

Macedonia SAA (see tables on pages 362–402)

Table 1 MK trade with EU (in '000 USD)

Table 2. MK trade with EU (in '000 EUR)

Table 3a. Most exported Macedonian industrial products to EU (in '000 USD)

Table 3b. Most exported Macedonian industrial products to EU (in '000 EUR)

Table 3c. Most exported Macedonian agricultural products to EU (in '000 USD)

Table 3d. Most exported Macedonian agricultural products to EU (in '000 EUR)

Table 4a. Most imported industrial products in the Republic of Macedonia from EU (in '000 USD)

Table 4b. Most imported industrial products in the Republic of Macedonia from EU (in '000 EUR)

Table 4c. Most imported agricultural products from EU (in '000 USD)

Table 4d. Most imported agricultural products from EU (in '000 EUR)

Table 5a. Most important Macedonian trade partners from EU on the export side (in '000 USD)

Table 5b. Most important Macedonian trade partners from EU on the export side (in '000 EUR)

Table 6a. Most important Macedonian trade partners from EU on the import side (in '000 USD)

Table 6b. Most important Macedonian trade partners from EU on the import side (in '000 EUR)

Table 7a. Most important Macedonian trade partners outside EU on the export side (in '000 USD)

Table 7b. Most important Macedonian trade partners outside EU on the export side (in '000 EUR)

Table 8a. Most important Macedonian trade partners outside EU on the import side (in '000 USD)

Table 8b. Most important Macedonian trade partners outside EU on the import side (in '000 EUR)

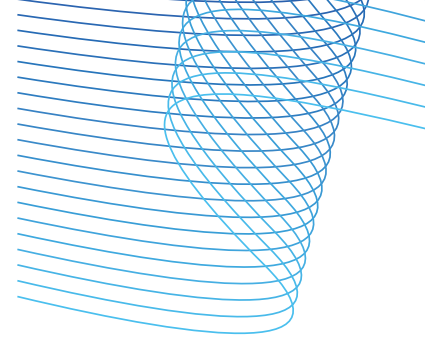
SITC Tables (see tables on pages 403–415)

Macedonia: **Export** of goods divided by sectors and sections according to the system of international trade classification (in mil **EUR**)

Macedonia: **Import** of goods divided by sectors and sections according to the system of international trade classification (in mil **EUR**)

Macedonia: **Export** of goods divided by sectors and sections according to the system of international trade classification (in mil **USD**)

Macedonia: **Import** of goods divided by sectors and sections according to the system of international trade classification (in mil **USD**)



Legal approximation of the legislation with the EU acquis under the SAA framework

MALINKA RISTEVSKA JORDANOVA³⁹

Chapter 1 – Introduction

The Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Macedonia, on the other part was signed on 9 April 2001.⁴⁰ The Agreement entered into force on 1 April 2004, following ratification in all EU MS and by the Republic of Macedonia. This was the first agreement of this kind that was signed and entered into force. At the time, it was seen as a major achievement of the Republic of Macedonia, which was also perceived as a confirmation of its leading role in the EU integration process in the region.

The Interim Agreement covering trade issues entered into force on June 1, 2001.⁴¹ Most obligations related to the areas of the internal market under consideration in this study are defined in the Interim Agreement.

In line with the SAA (Article 5), the association should have been fully realised over the period of ten years following the entering into force of the Agreement – that means on 1 April 2014. Upon the expiry of the first four years, the Stabilisation and Association Council was supposed to decide on the entering the second stage. In October 2009, the Commission proposed to the Council to move to the second stage of the Agreement.⁴² The Council never took a position on the second stage, due to the blockage by Greece of any progress of Macedonia on the EU integration path, so the second stage of the SAA never entered into force. Formally, the SAA is still in its first stage of implementation.

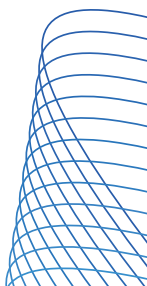
This did not have a direct impact on the area of trade and internal market as to the terms for implementation, as they were prioritized in the first stage of the implementation of the SAA – many of them in a certain period following the entering into force of the Interim Agreement (4-5 years, meaning 1 June 2005 or 2006).

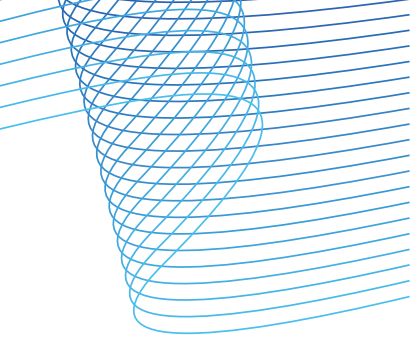
39 European Policy Institute - Skopje.

40 EU Treaties Office Database, *Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Macedonia, of the other part*, OJ L 84/47, 2004, accessed on 12 January 2018, <http://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&treatyId=158>.

41 *Ibid.*

42 European Commission, *Progress Report 2010*, p.6.





The general article of the SAA related to approximation of legislation (Article 68) sets out that the gradual approximation would take place in two stages.

The obligation for a program of approximation of laws (Article 68 of the SAA) was consistently implemented by the Republic of Macedonia. The first National Plan for Approximation of Legislation was drafted and enacted before the SAA was concluded (2001). Immediately after the conclusion of the SAA, the Macedonian government adopted a plan for the implementation of the Agreement.⁴³ A plan for implementation of the recommendations of the SAP reports was developed in 2002, to address the recommendations of the first SAP report. Upon the introduction of the European Partnership, another planning instrument was introduced – the European Partnership Action Plan, with focus on implementation measures, which was rigorously monitored.⁴⁴ Finally, the first NPAA was drafted in 2006 and adopted in 2007 and it became the main instrument for planning and monitoring the process of EU-related reform, consolidating all previous planning and monitoring instruments.⁴⁵ Consequently, monitoring and reporting was rigorous during the entire period of the implementation of the SAA and also went far beyond the requirements of the SAA, as Macedonia got the candidate status in 2005.

The European Union embedded the monitoring of the SAA within its monitoring and reporting system of the EU integration process overall, which was gradually also developed and modified – following the Regional approach reports until 2001, the Stabilisation and Association reports were issued in the period 2002-2004, and since 2005 – the regular progress report. These were renamed, and the system of grading has been modified since the 2015 reports – now titled just “reports”.

In the absence of negotiations, the main framework for dialogue between the EU and Macedonia remained the bodies established within the Stabilisation and Association Agreement.

Chapter 2 – Competition, State Aid and Liberalization (Public undertakings)⁴⁶

All articles related to competition, state aid and liberalisation are part of the Interim Agreement and entered into force on June 1, 2001.

According to Article 39 of the SAA the Republic of Macedonia was obliged to progressively adjust any State monopolies of a commercial character so as to ensure that, by the end of the fifth year following the entry into force of the Agreement (2006), no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Member States and of the Republic of Macedonia.

Article 69 of the SAA (Competition and other economic provisions) defines the cases of incompatibility with the Agreement, “insofar as they may affect trade between the Community and the Republic of Macedonia”. The SAA has adapted the concept of state aid in EU defined as “non-compatibility with the internal market” with “non-compatibility with the functioning of the Agreement, as much as it affects trade between the Republic of Macedonia and the European community”. This adaptation, although important, does not have high practical impact on the interpretation, especially having in mind the significant shift in the trade relations of all states – candidates for EU membership towards exchange with the EU.

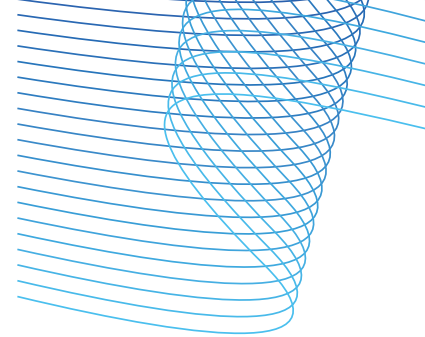
The first two cases defining incompatibility relate to prevention, restriction or distortion of competition and abuse of dominant position, while the third case relates to state aid.

43 Government of the Republic of Macedonia, *Plan for Implementation of the SAA*, July 2001, Skopje (in Macedonian).

44 Government of the Republic of Macedonia, *European Partnership 2005 Action Plan*, Skopje (in Macedonian).

45 Government of the Republic of Macedonia, *National Programme for the Adoption of the Acquis*, 2007.

46 Chapter 8 in accession negotiations (Competition Policy).



In addition, the Article regulates the manner of interpretation – assessment of the related practices and contains more detailed provisions on the application of the rules on state aid.

In terms of assessment of the practices contrary to the Agreement, the SAA makes a reference to Articles 81, 82 and 87 of the Treaty establishing the European Community⁴⁷. This practically means that these articles of the primary law of the EU would be used as a basis for interpretation of the SAA's provisions.

Regarding public undertakings, and undertakings to which special or exclusive rights have been granted, reference to the TFEU, Article 86 is made. This imposes an obligation to subject these undertakings to the rules of competition, “in so far as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them”. The term for application of this provision was set earlier than for the other cases – three years following the entering in force of the IA – June 1, 2004.

The SAA provisions related to competition are most detailed in the area of state aid. Still, compared to other, later SSAs, the area of state aid is regulated in the most general manner in the Macedonian agreement. All later agreements set out much more detailed provisions on state aid, not only in material but also in procedural terms. The SAA between the EC and Macedonia does not contain an obligation for protocols on more detailed procedures for mutual notification and communication on state aid, as it is the case with the other Europe Agreements and SAAs, neither for adoption of a state aid map.

The SAA includes the obligation for transparency of state aid, inter alia, by reporting annually on the total amount and the distribution of the aid given and by providing, upon request, information on aid schemes. It also contains the possibility to take “appropriate measures” to address cases of practice that “causes or threatens to cause serious injury to the interests of the other Party or material injury to its domestic industry, including its services industry” – after consultation within the Stabilisation and Association Council or after thirty working days following referral for such consultation.

Provisions related to state aid entered into force four years following the entering into force of the IA – on June 1, 2005. In the first four years, the state aid in the Republic of Macedonia was treated in terms of Article 87(3)(a) of the Treaty Establishing the European Community – as an area aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment. These four years were the time provided for adjustment to the EC rules of state aid – approximation of legislation. Upon the expiry of the fifth year, the country had the obligation to actually implement the rules on state aid and to report it to the EC.

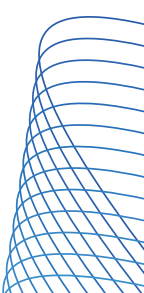
Furthermore, the Agreement (Protocol 2) stipulates specific State aid disciplines for the steel sector, including the obligation for Macedonia to present a restructuring and conversion programme for its steel industry to the Commission.

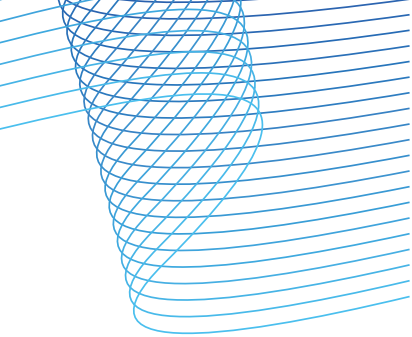
The SAA excludes the agricultural products from the application of state aid rules, referring to the specific provisions of the TFEU regarding the EU agricultural policy (Articles 36 and 37).

2.1 Baseline assessment against the SAA requirements at the time of the signing of the SAA/Interim Agreement

In its Feasibility report, the European Commission noted that a relevant law was drafted and that in terms of price liberalisation around 80% of prices of commodities and services were free.⁴⁷

47 European Commission, *Feasibility Report*, p. 7.





At the time of the signature of the agreement, two laws had already been put in force that already ensured alignment with the SAA – the Law against disloyal competition and the Law against restricting competition from 1999.⁴⁸ The Monopoly Authority, established in 2000, which was within the Ministry of Economy, was still not fully in line with the *acquis*, as it was not independent. However, the assessment of its functioning is rather positive in the Commission report of 2002.⁴⁹

The most critical gap was related to state aid. There was neither a law, nor concerted practices in the institutions related to the state aid. In addition, the awareness of the concept of state aid among officials and the public administration was extremely low. There was no inventory of state aid. The commission noted that a separate Law would be adopted and an Authority responsible for the monitoring of state aids would have to be appointed. It assessed that limited internal capacity and the lack of adequately trained and experienced staff would pose a major problem.⁵⁰

There were no major issues raised regarding public undertakings.

2.2 Current legal and policy gap assessment

After almost fifteen years of the implementation of the SAA, the European Commission assesses the Republic of Macedonia as “moderately advanced” in the chapter of Competition Policy. This could be considered as a downgrade compared to the assessment “advanced” in 2015. However, the analysis of the assessments shows that reasons for this “downgrade” should be sought rather in the change of methodology of the EC, than the actual situation.

The current assessment on the legislative framework in the area of antitrust is that it is “broadly aligned with Articles 101 (restrictive agreements) and Article 102 (abuse of dominant position) of the TFEU and with the corresponding provisions of the SAA. It also provides for *ex ante* control of mergers, in line with the principles of the Merger Regulation. Some gaps in secondary legislation have yet to be filled.⁵¹ The assessment on the alignment of the legislative framework is a result of continuous approximation efforts in the past fifteen years of implementation of the SAA.

Already, the new Law on Protection of the Competition in 2005 addressed the European Partnership recommendations from 2004, so that the Analytical report on Macedonia’s application for membership concluded that it reflected the *acquis* and covered all the sectors.⁵² The subordinate legislation, transposing the most relevant *acquis* was also enacted in 2005. A new law on protection of competition entered into force in November 2010, introducing leniency measures. The approximation of legislation was a continuous process systematically planned first in the European Partnership Action Plan and afterwards in the NPAA.

An independent Commission for the Protection of the Competition was established in 2005.

The main issue encountered in the area of antitrust until now was the enforcement of decisions of the CPC – first of all the legal framework for enforcement, and secondly, the enforcement record itself.

Already the EC Analytical Report of 2005 recommended that in order to ensure proper enforcement of the legislation, the Macedonian constitutional order “would need to be changed,

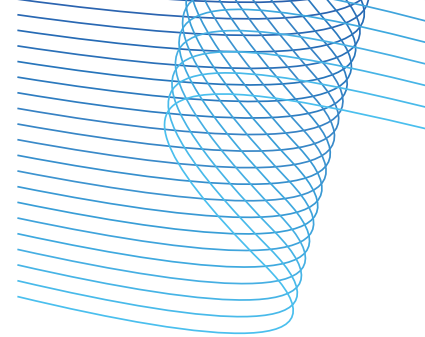
48 *Official Gazette of the Republic of Macedonia*, No 80/1999.

49 European Commission, *SAP Report 2002*, p.21.

50 *Ibid.*

51 European Commission, *Annual Report 2016*, p. 39. and *Annual Report 2018*, p. 60.

52 European Commission, *Analytical report, 2005*, p. 67.



without prejudice to the right of judicial review, so that the CPC could impose fines or other sanctions directly, without having to pass through the courts.”⁵³ This recommendation appeared much more difficult to realise than initially conceived. The Constitutional amendments of 2006 allowed for administrative bodies to issue penalties. However, the right to judicial review, also granted by the Constitution contravened this recommendation of the Commission. A series of actions were taken in the following years to ensure that decisions of the CPC have a deterrent effect. The Constitutional amendments of 2006 provided for the power to public authorities to issue fines, so that the CPC was empowered to impose fines or other sanctions directly, without having to pass through the courts.⁵⁴ However, the suspension clause delayed enforcement in case of appeal before the Administrative Court. The suspension clause was removed with the new Law in 2010, allowing for enforcement of penalties before the final decision of the Administrative Court.⁵⁵ However, the right to appeal, as granted by the Constitution, remains. The administrative court has overruled many of the CPC decisions, mainly based on procedural provisions. The number of overruled decisions of CPC remained relatively high, despite the intensified trainings of the judges on competition law. For example, in 2013 the Administrative court overruled seven decisions of the CPC.⁵⁶ It seems that the solution is no longer sought for in legislative measures, but rather in increasing both the capacity of the CPC and the courts to enforce competition law.

Another issue was the duality in criminal proceedings on the basis of the criminal act defined in the Criminal Code, pursued by the Public Prosecutor and the misdemeanour procedures pursued by the CPC, which could be resolved by the amendments to the Criminal Code.

The leniency measures introduced in the Law of Competition in 2010 could be implemented only after introducing relevant provisions in the Criminal Code in 2013.

The case of the wider legal set-up for enforcement of decisions on anti-trust law clearly demonstrates the challenges that the adoption of the *acquis* poses in the national legal and institutional system. Selected focus on separate areas of reform or selected institutions does not guarantee successful adoption of the *acquis* – the whole legal system, including the judiciary needs to adapt to its requirements.

More complex and challenging was the area of **state aid**. While the founding treaties (TFEU, Article 107) define the types of state aid, which are compatible to the internal market or may be considered compatible, the Commission established the compatible types of state aid. The main document synthesizing the EU policy of regional state aid are the Guidelines on state aid. They are adopted for a period of one financial perspective, which clearly points to the embeddedness of the competition policy in the EU economic policy.

Compared to other SAAs, the area of state aid is most generally regulated in the SAA between the Republic of Macedonia and the EC.⁵⁷ The Agreement neither does contain an obligation for the Stabilisation and Association Council to adopt protocols, which would set out in more detail the procedures for communication and notification of state aid, nor the obligation to adopt a Map of regional aid.

The key legislative progress in the area of state aid was the adoption of the Law on State Aid in 2003, transposing the most significant *acquis* and fully aligning with the *acquis*. However, this was not enough for the Commission to consider that Macedonia has fulfilled its obligations in terms of the SAA. The high level of criticism in the assessments of the Commission pertained in the reports and in the dialogue of the SAA bodies.

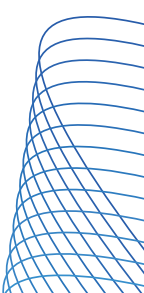
53 *Ibid.*

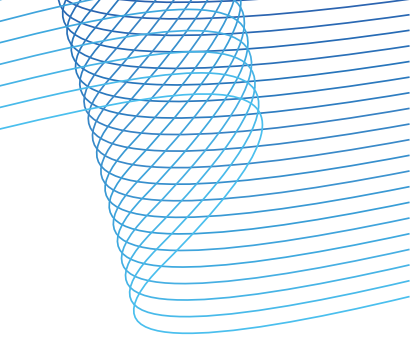
54 European Commission, *Progress Report 2006*, p. 31.

55 “Law on the Protection of Competition”, *Official Gazette of the Republic of Macedonia*, No. 145/10 (in Macedonian).

56 European Commission, *Progress Report 2013*, p. 27.

57 Marise Cremona, “State Aid Control: Substance and Procedure in the Europe Agreements and the Stabilisation and Association Agreements”, *European Law Journal*, Vol. 9, Issue 3, 2003.





The first major issue encountered was the high degree of evasion of social security contributions and taxes, which the Commission qualified as “*distortion of competition by State aid, impairing the establishment of a level playing field for companies*”.⁵⁸ Actually, in addition to evasion, the Government intentionally wrote-off debts of some companies, for political and social reasons, without any economic reasoning. Following the relations of the Commission, as well as of the companies that regularly paid their contributions and taxes, the Government addressed the issue.

The Commission also noted the low level of awareness related to the state aid and recommended that it was necessary “*to nourish a culture of state aid at all government levels*”, as well as to introduce *ex-ante* state aid control.⁵⁹ The Government reacted to these recommendations, by establishing a specific mechanism – assessment of whether a draft act (in government procedure) includes elements of state aid. This mechanism, in addition to the trainings, gradually contributed to raising the awareness among the public administration on state aid.

However, the EC Report of 2007 notes the chapter of competition as one of the three most problematic chapters.⁶⁰

The first reason was the obligation in accordance with the SAA (Article 69) to report state aid in five years following the entering into force of the Agreement (IA), which was far from being comprehensively fulfilled. The initial positive steps in regard to registering state aid could only be observed when the responsibility shifted from the Ministry of Economy to the Commission for the Protection of Competition, which started to tackle the issue.⁶¹ It took years to establish a register of state aid, which is still considered to be incomplete.

The second major issue was the Law on Technological Industrial Zones, the content of which was contrary to the rules for regional aid and even discriminatory for domestic operators and favouring some foreign companies.⁶² The, at that moment, new Government, driven by its political priorities to attract foreign investments, adopted the Law despite the negative opinions of the CPC and the Secretariat for European Affairs of the Government, which claimed that the Law was contrary to the rules for regional aid; therefore it would lead to breaching the SAA, as well as WTO obligations. It is interesting that the law was discriminatory against domestic companies, which is opposite of the majority of cases in EU MS, most of which concern privileged positions for domestic operators. But the competition for investors in candidate countries drives them to sacrifice the rules of competition when competing for foreign investors.

When the Government faced the warning by the EC that the Law would be seen as a breach of the SAA (and implementation of the SAA was the first benchmark for accession negotiations), dialogue with the EC took place, resulting in two amendments to this law (in 2008 and 2009).⁶³ Macedonia perceived the requests by the Commission as non-justified, as such issues – benefits to investors during the CEE enlargement had been previously addressed during accession negotiations. However, the EC applies all the tools of the conditionality policy to ensure alignment at the earliest stage of accession possible. The EC had had a difficult experience with the CEE candidates, with which the focus of negotiations in the competition chapter was on alignment of previously concluded contracts with private companies awarded subsidies contrary

58 European Commission, *Analytical report 2005*, p.67.

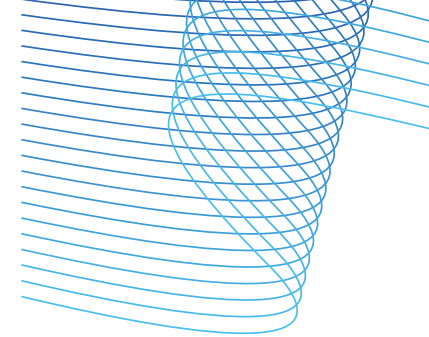
59 European Commission, *Progress Report 2006*, p. 30.

60 European Commission, *Progress Report 2007*, p. 32.

61 Compared to Macedonia, the SAA of Republic of Serbia contains the obligation for establishing an independent organ not only for anti-trust, but also for state aid.

62 “Law on Technological Industrial Zones”, *Official Gazette of the Republic of Macedonia*, No. 14/2007.

63 *Official Gazette of the Republic of Macedonia*, No. 103/2008, 139/2009.



to EU rules for public aid.⁶⁴ The fact that the issue had significant financial implications for the acceding countries led to difficult negotiations, as well as granting transitional periods.⁶⁵

The obligation to adopt a conversion and restructuring program for the steel sector was fulfilled within the given term and was not pointed out as a problematic issue by the EU in terms of competition. However, if this issue is analysed in a wider framework, it should be noted that two procedures for anti-dumping have so far been raised against companies operating in Macedonia in the steel industry.

The existence of an independent body in the area of competition is a key requirement of the *acquis*. The focus from legislative alignment in the years immediately following the entering into force of the SAA/IA gradually shifted to implementation and especially the enforcement record. The CPC has gradually improved its enforcement record, with oscillations during the years. There have been several issues that have persistently been emphasised by the European Commission related to the functioning of the CPC. The first one is the low budget of the CPC, which in the case of Macedonia is financed by the State Budget. While in the first years the need for raising the capacity was emphasised, in recent years it has been noted that the existing capacities of the staff were not fully used, as well as the need for advanced training. However, continuous concerns over the low budget of the institution have impact on its independence.

In the recent years the CPC has been increasingly investigating economically important areas, particularly telecommunications and broadcasting.⁶⁶ In 2013, the banking sector was analysed.

The interest of the general and academic public for competition and especially state aid gradually shifted from pure legalistic issue of compliance with the SAA/EU *acquis*, to the economic essence – its role in economic development.

The research on state aid for the period 2007-2011 shows high fluctuations in the total amount of granted state aid for the given period. In 2007, state aid amounted to 0.11% of GDP, in 2008 and 2009 it was 0.09%, in 2010 it was 0.009%, and in 2011 it increased to 0.19%. The average annual amount of state aid in the Republic of Macedonia amounted was 6 million EUR per year, which is 32 times less than the new member states (NMS) average of 189 million EUR. For comparison, the state aid for the new member states of the EU in the period 2000-2003 (before their accession to the EU) accounted for an average of 1.42% of GDP. Assistance per capita for the analysed periods was 150 EUR in the NMS, 3.14 EUR in Macedonia. As a general conclusion, the total amount of provided state aid is below the needs for support to economic development of the country. A part of the problem can be attributed to the lack of transparency of state aid and lack of its consistent registering; however, the main conclusion on the low level of provided state aid remains valid.⁶⁷

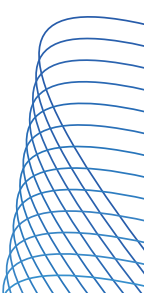
The analysis of objectives of the provided aid in the period 2007-2011 shows inconsistency, as the amounts of aid provided for different objectives (environmental protection, regional devel-

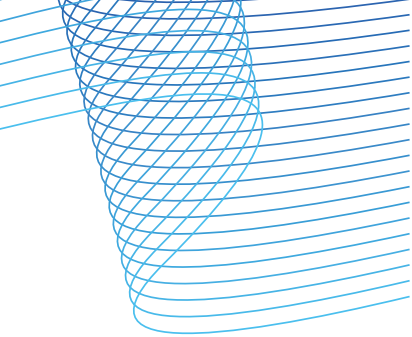
64 European Commission, *Report on the Results of the Negotiations on the accession of Cyprus, Malta, Hungary, Poland, the Slovak Republic, Latvia, Estonia, Lithuania, the Czech Republic and Slovenia to the European Union*, January 2003; *Report on the Results of the Negotiations on the accession of Bulgaria and Romania*, February 2005, 5895/05; Directorate General for Enlargement, *Enlargement of the European Union, Guide to the Negotiations, Chapter by Chapter*, 17 December 2004.

65 Slovenia, Latvia, Lithuania, Malta, and Bulgaria did not have transitional periods, while all the other countries in the CEE enlargement had transitional periods with complex arrangements due to the needed alignment of granted state aid incompatible with EU rules. The duration of the granted transitional periods was from 2005 until 2011. The negotiations lasted from 19 months with Latvia and Lithuania to 50 months with Romania. The average duration of the negotiations was 34 months. - 38 for the first group, 24 - for the second group and 45 for Romania and Bulgaria.

66 *Annual Report 2012*, p. 33

67 Dr. Daniela Mamuchevska, M-r Kristina Cuculoska, M-r Natasha Fogt Jovanova, "State aid in the Republic of Macedonia: An instrument of 'Europeanisation' of Macedonian Economy or an Instrument of Maintaining the Status Quo", in *Collection of working papers on public policy*, EPINET [in Macedonian], (Skopje: European Policy Institute, 2013), p. 78.





opment, support to small and medium enterprises, support to employment, etc.) significantly fluctuated during the years. The highest amount of provided aid was directed to increasing employment, which still was not proportionate to the challenge of the unemployment problem in Macedonia. Regional aid had a trend of increase. The most used instruments were grants and subsidies. On the other hand, the local government participated only with 3% of the provided aid – only one case in the analysed period, which practically means that state aid was not used as an instrument for local development.⁶⁸

Further research on the benefits and costs from foreign direct investments in the Technological Industrial Development Zones has lead, *inter alia*, to the conclusion that “*without the Government’s investment, the investors wouldn’t have a beneficial return on investment according to NPV, with the exception of one company, which raises the question of adequacy of the strategy for attracting foreign investments regarding the long-term sustainability of the investments in order to avoid the investors leaving after the termination of the tenth year, which would impose an abrupt capital drain, firing of employees, and a need for seeking other investors in the zones*”.⁶⁹ In addition, the study concluded that “*the potential benefit for positive externalities, such as the transfer of knowledge, faces a challenge, taking into consideration that the sectors that are generators of new experience, as well as transfer or spill-over of know-how: research and development, marketing, sales, are accumulated in the parent-companies or in the regional centres, which limits the factor spill-over of knowledge as an argument for attracting FDI in the Republic of Macedonia*”.⁷⁰

The EU approach in the monitoring of the implementation of the SAA was rather formalistic. It applied the methodology of monitoring and assessing the adoption, implementation and enforcement of the *acquis*, without putting the issues in a development perspective.

The country responded to the recommendations, although its assessments on the periods needed for the intervention were rather optimistic. On the other hand, the dynamics of the interventions largely depended on the rather slowed down dynamics of the accession process, which was not providing further incentives for alignment, beyond the pure implementation of the SAA formal requirements.

2.3 Recommendations

To the institutions of the Republic of Macedonia:

- The Government of the Republic of Macedonia should shift the focus from pure alignment with the EU *acquis* to establishing a sustainable policy of state aid, with clearly defined objectives in support of the sustainable development of the country. Costs and benefits of the policies should be precisely estimated. This is not contrary, but within the spirit and the objectives of the Stabilisation and Association Agreement.

- It goes without saying that compliance with the SAA should not be jeopardised.
- Transparency of state aid should be significantly increased. The register of state aid should be comprehensive and published.
- Aid for local development should increase.
- The independence of the CPC should be strictly observed, its budget raised, and more focus put on the quality of its work.

68 *Ibid.*

69 Vesna Garvanlieva Andonova, Marjan Nikolov, Gabriela Dimovska; Igor Mitevski, “Benefits and Costs from Foreign Direct Investments in the Technological Industrial Development Zones, in Domestic vs. Foreign Investments in the Republic of Macedonia: Policies for Support and Their Effects”, *Working papers*, European Policy Institute, Skopje, 2016, p. 33-34.

70 *Ibid.*, p. 34

- The CPC should continue with the analysis of markets.
- The CPC should also be more transparent and open more to the public and businesses.
- The Parliament should strengthen its supervisory role in the area through deliberation of the annual reports of the CPC, commission debates, parliamentary hearings and even oversight hearings.
- More specialised trainings should be provided to the Administrative court for competition and state aid cases.

To the EU institutions:

- More attention and support should be provided to developing the capacities for developing a sustainable policy of competition, including state aid, than to formalistic compliance with the EU rules.
- Targeted assistance should be provided not only to the independent regulatory body (CPC), but also to the policy making bodies and other institutions, especially courts.

Chapter 3 – Intellectual Property Rights (Intellectual, industrial and commercial property)⁷¹

The right to intellectual property is one of the priorities in the first phase of the Stabilisation and Association Agreement (Article 68). Within five years after the entry into force of the Interim Agreement (1 June 2006), the Republic of Macedonia should provide a level of protection of intellectual property rights similar to that of the Community (Article 71, Paragraph 1).

The Republic of Macedonia also undertook the obligation to accede, within the same time-period, to the relevant multilateral conventions regulating the sector (list annexed to the SAA). This was also seen within the country's preparation for accession to the WTO and to be able to implement the TRIPS provisions.⁷²

3.1 Baseline assessment against the SAA requirements at the time of the signing of the SAA/Interim Agreement

The Feasibility Report positively assessed the accession of Macedonia to several WIPO international conventions and noted that the Law on copyright was in line with the relevant EC directives as it was drafted in cooperation with WIPO.⁷³ A Law on Protection of Layout Design on Integrated Circuits was also enacted in 1998.

The alignment in the field of industrial property was not as advanced, although the first law was adopted as early as in 1993.⁷⁴ The legislative framework in the area of industrial property was lagging behind that in the copyright law and assessed as "*still incomplete*".⁷⁵

⁷¹ Chapter 7 in accession negotiations (Intellectual Property Rights).

⁷² European Commission, *SAP Report*, 2002, p. 24.

⁷³ European Commission, *Feasibility Report 1999*, p. 7.

⁷⁴ "Law on Industrial Property", *Official Gazette of the Republic of Macedonia*, No. 42/1993

⁷⁵ European Commission, *SAP Report*, 2002, p. 24.



3.2 Current legal and policy gap assessment

The amended Law on Copyright and Neighbouring Rights from 2005, according to the EC, was largely aligned with the EU legislation.⁷⁶ Further amendments to the Law (from 2007) had the aim of institutional restructuring - changing the competence for inspection by a special copyright inspectorate to the State Market Inspectorate, as well as introducing more severe penalties.⁷⁷ In the field of penalties (tightening, introducing new acts), interventions were also done to the Criminal Code. A new law on Copyright and Neighbouring Rights was adopted in 2010. The EC included an explicit criticism on this Law in the 2013 Progress report: "The law on copyright and neighbouring rights is not aligned with the World Intellectual Property Organisation (WIPO) Performances and Phonograms Treaty. The exclusion of phonogram rights and several disputes impeded the work of the two licensed collective rights management societies. The head of unit for copyright and neighbouring rights in the Ministry of Culture was dismissed, reducing the capacity of the unit, and co-operation between the unit and relevant institutions remain limited."⁷⁸ Following the explicit EC criticism, the law was amended, in cooperation with WIPO. The issue of collective rights, which has also received public interest, has still not been addressed, due to the highly antagonised representatives of the stakeholders, the lack of political will and capacity of the Ministry of Culture.

In the field of industrial property, a high level of legislative harmonization of the Industrial Property Act from 2002 was achieved. It was amended in 2004, after which the secondary legislation was adopted. A new law was enacted in 2009, shortly after the ratification of the European Patent Convention and the Treaty on European Patent. After the adoption of the new law in 2009, the EC's statement remained that "compliance needs to be confirmed".

The European partnerships, i.e. the accession partnerships were specific with regard to the harmonization of the legislation - the 2004 EP sets the priority of adoption of the secondary law with the Law on Industrial Property and their application, as well as the continuation of the promotion of the legislation on copyright and related rights.⁷⁹ The AP from 2006 sets as a priority, and in the 2008 AP it is required to adopt a comprehensive strategy and action plan for capacity building.⁸⁰ The strategy with an action plan was adopted in 2009, which in a systematic way determines the strategic goals and activities. The document properly focuses on the implementation, as well as the capacity building of individual carriers and business communities.

The enforcement area for which the Enforcement Directive is the legal basis is the most problematic in this chapter.⁸¹ The Directive provides for specific rights, their holders and procedures to achieve respect for intellectual property rights. It is transposed into the adopted Law on Industrial Property in 2009 and the new draft Law on Copyright and Related Rights. In 2005, in order to strengthen the enforcement, a Law on Customs Measures for Protection of Intellectual Property was adopted, replaced by a new one in 2015.⁸²

It is noticeable that the level of legislative compliance is assessed as "moderately advanced", while the chapter was under constant pressure in the EC reports to meet the requirements of the SAA or a violation of the SAA would be established. The basis for this is that in the SAA practically the whole *acquis* is exported, so that the critical area of enforcement is part of the strict

76 *Annual Report 2006*, p. 28.

77 "Amendments to the Law on Copyright and Neighbouring Rights", *Official Gazette of the Republic of Macedonia*, 131/07.

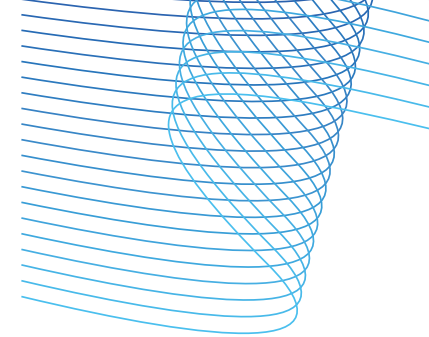
78 European Commission, *Annual EC Progress Report 2013*, p. 25

79 European Partnership 2004.

80 *Accession Partnership 2006; Accession Partnership 2008*.

81 European Parliament and of the Council, *Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights*.

82 *Official Gazette of the Republic of Macedonia*, No. 38/2005; No. 88/2015



obligations of the Republic of Macedonia. The Intellectual Property Law in the SAA (Article 71) is the most comprehensive and at the same time, at first glance, the most general: the Republic of Macedonia has an obligation to take all necessary measures to guarantee, at the latest five years after the entry into force of the Agreement a level of protection of intellectual, industrial and commercial property rights similar to that existing in the Communities, including effective means of exercising these rights. We say that “at first glance” is most common, if we do not consider the principle that *acquis* is externalized in the SAA, which means that the source of the obligation lies in the *acquis*, or in the specific case - in the Enforcement Directive. The 2006 Report provided an explicit assessment that “*the necessary measures to guarantee no later than June 2006 a level of protection of intellectual, industrial and commercial property rights similar to that existing in the Community, including effective means of enforcing such rights, have not yet been taken. Therefore, the former Yugoslav Republic of Macedonia does not comply with the Stabilisation and Association Agreement*”.⁸³ It was a sign of “alarm” and increased coordination and activity of all bodies involved in the protection of intellectual property. These included, *inter alia*, the Ministry of Interior, the Customs Office, the State Intellectual Property Office, and the Market Surveillance Inspectorate. In addition, a coordinating body at the central level of the Government was established and functioning. While the priority measures were related to enforcement, several legislative interventions were also needed – such as amendments to the Law on Customs Measures for Protection of Intellectual Property, amendments to the Law on Market Surveillance, etc. The results in detection, prosecution and confiscation, were evident. In addition, with a public campaign and active communication on the coordinating body, the public awareness was raised. Another priority also emerged – raising the capacity the courts in the area of intellectual property rights, which was done in cooperation with the Academy for Judges and Prosecutors. The academia was also actively involved.

Consequently, since 2010, the EC assessment shifted to highly positive, so that the 2012 assessment was that “*In the area of industrial property rights, the country remains well advanced*”.⁸⁴

The current EC assessment on intellectual property rights is less positive than 7-8 years ago and containing more criticism, especially compared to the EC reports in the period 2010-2012. The chapter is assessed as “moderately prepared”, while the recommendations are practically repeating – to intensify efforts to investigate and prosecute infringements of intellectual property and improve coordination among the law enforcement institutions. The efforts have not been sustainable, which is explained, *inter alia*, by the low level of political will and lack of support to the coordinative body.⁸⁵ The intensity and quality of the work of the body and the involved institutions decreased. On the other hand, the low level of political will can be explained by the fact that in this period none of the mechanisms of the EC conditionality worked, due to the lack of perspective in the EU accession process. Other issues emerged, which have not been effectively tackled, such as e.g. proper evidence of cases and electronic data base of cases.

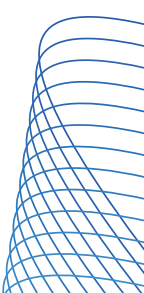
The second violation of the SAA was the delay in fulfilling the explicit obligation to ratify the UPOV Convention on Plant Varieties, which, according to the SAA, should have been also realised by June 2006. The Convention was ratified in 2009.

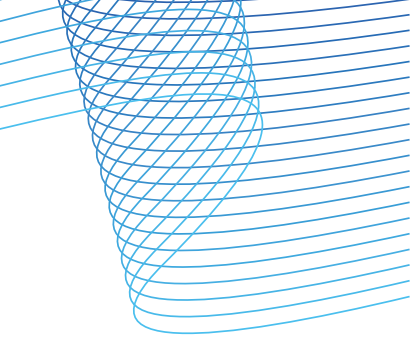
The two examples of violations of the SAA in the field of intellectual property are different - the reason for the non-existence of a level of intellectual property rights similar to that in the EU is related to the lack of capacity to execute and the absence of strategic coordination. The delay in ratifying the UPOV Convention is linked, in addition to the lack of capacity and inter-ministerial cooperation, with hidden interests of maintaining a status quo. In both cases, the EC applied all the mechanisms of conditionality policy, but mostly punishment and persuasion. The pressure was far greater in the enforcement of intellectual property rights than the ratification of UPOV

83 *Annual EC Report, 2006, p.29.*

84 *Annual EC Report, 2012, p.32.*

85 *Annual EC Report 2018, p.60*





Convention, even though the obligation in the latter case is much more explicit. This can be explained by the higher sensitivity of the EC to the first question, given the experience of the NMS, as well as the nature of the obligation itself, which stems from the key acquis for the chapter.⁸⁶

3.3 Recommendations

To the national institutions:

- Demonstrate political will for enforcement and revive the work of the Coordinating Body for Intellectual Property Rights;
- Raise the capacity of the Ministry of Culture to deal with collective rights management and act in the cases without political interference;
- Further improve training of judges on intellectual property rights;
- Encourage the systematic cooperation with WIPO, the European Patent Organisation and other relevant international institutions;
- Raise public campaigns on intellectual property rights.

To the EU institutions:

- React promptly to cases of backsliding/status quo.

Chapter 4 – Public Procurement⁸⁷

The primary law of the Union does not contain specific provisions for public procurement, but the provisions on the freedom of movement of goods, establishment and services and of capital, as well as the principles of competition, are the legal basis for the secondary EU legislation in this field. Nevertheless, public procurements are precisely stated and prioritized in the SAA (Article 72), according to which the Republic of Macedonia undertook the obligations:

- a) to provide access to Community companies established in the Republic of Macedonia shall have access to contract award procedures in which they must be treated no less favourably than national companies as of 1 April 2004;
- b) in five years after the entry into force of the SAA/IA to provide equal treatment for companies not established in the country - at the latest as of 1 April 2009.

In addition, public procurement law is one of those considered “fundamental elements of the acquis” that should be approximated in the first phase of the Agreement.

⁸⁶ Malinka Ristevska Jordanova, “The transposition of the EU acquis in the law of the Republic of Macedonia - a normative perspective” (PhD theses, University Cyrillus and Methodius, Skopje, 2010) [in Macedonian]

⁸⁷ Chapter 5 in accession negotiations (Public Procurement).



4.1 Baseline assessment against the SAA requirements at the time of the signing of the SAA/Interim Agreement

The Feasibility report states that the law on public procurement which was in force at that moment *“has been drafted on the model of laws in force in the EU.”*⁸⁸ This Law was adopted in 1998, and several times amended afterwards.⁸⁹

In the reports of the Regional Approach, considerable attention has already been paid to the Law on Public Procurement. In 2002, it was assessed as *“prepared according to the relevant EC Directives and UNCITRAL Model Law”*.⁹⁰ In 2003, it was evident that the EC has analysed the Law, and it is considered that *“even if it is directed towards the transposition of EC directives, the existing legislation needs further amendments to be fully harmonized with the legislation of the EU.”*⁹¹

4.2 Current legal and policy gap assessment

The approach and achievements in the area of public procurement have been oscillating. For a long time, this was an area that the EC assessed with highest grades both in terms of level of alignment with the EU *acquis* and the progress each year. This was especially the case in the years 2008 and 2009. The alignment related to general principles was assessed as *“well on track”* and in the area of awarding public contracts preparations are assessed as *“advanced”*.⁹² This assessment followed the adoption of the law of 2007, which *“substantially transposes the *acquis*, covering the sector of public (communal) services”*.⁹³

Even following the previous Law on Public Procurement of 2004, the public procurement legislation of the Republic of Macedonia was assessed as *“largely harmonized in the classical sectors (supply of goods, works and services)”*.⁹⁴

Transposition continued systematically at the level of secondary legislation, in the implementation of the laws of 2004 and 2007, as well as implementation activities - capacity raising activities, including providing trainings for public bodies and economic operators; provision of comprehensive information for bidders on the web site of the Public Procurement Bureau and other relevant information for the public, etc.

Since 2010, gradual, but permanent backsliding has been observed in the area of public procurement. Although the Law on Public Procurement of 2007 has remained in force until today, frequent consecutive amendments resulted in lowering the level of alignment with the *acquis* from 2004, while approximation with the 2014 EU public procurement package has not even started. The alignment with the EU Directive on Defence and Sensitive Security Procurement is also pending. Consequently, the assessment of the Commission on the alignment in the whole chapter now is *“moderately prepared”*.⁹⁵ The Commission also gradually lowered the assess-

88 European Commission, *Feasibility Report 1999*, p.7.

89 “Law on Public Procurement”, *Official Gazette of the Republic of Macedonia*, No. 26/1998.

90 European Commission, *SAP Report 2002*, p. 24;

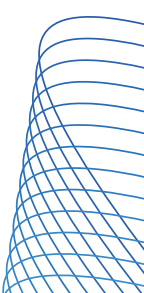
91 European Commission, *SAP Report 2003*, p. 24; *SAP Report for 2004*, p. 26.

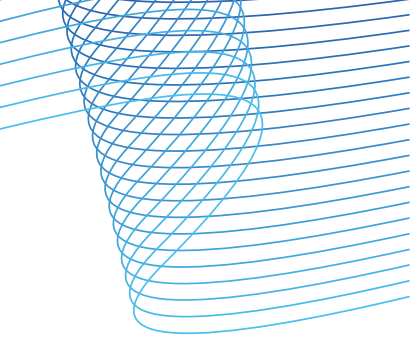
92 European Commission, *Progress Report 2008*, p. 35; *Progress report 2009*, p. 35-36.

93 European Parliament and the Council, *Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts*, OJ L 134, April 30, 2004, p. 114-240; *Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors*, OJ L 134, April 30, 2004, p. 1-113.

94 European Commission, *Analytical report*, 2005, p. 61.

95 European Commission, *Annual report 2018*, p. 57.





ments – until 2013, the assessment was that the alignment was “advanced”⁹⁶, while in 2014 it only stated that “from a legislative point of view, preparations remain at an advanced stage”.⁹⁷ In 2015, when the Commission introduced a new system of grading, the assessment of “moderately prepared” was given, which is significantly lower than the assessments several years before.

The level of legislative alignment decreased due to several reasons.

- The first one is the generalised use of the ‘lowest price’ criterion for award of contracts, which is not in line with the *acquis*, which establishes the principle of “most ‘economically advantageous’” award;
- The second one was the obligation for contracting authorities to e-auction, which upper limit for mandatory e-procurement was raised from 30% of the total estimated value of all public contracts to 70% in 2011.⁹⁸
- The third one was the introduced keeping of records on professional misconduct of companies, excluding them from future tenders. The Commission assessed that “this ‘blacklisting’ practice is not in line with European Court of Justice case-law.”⁹⁹
- Furthermore, the amendments to the Law obliged tenderers to obtain approval from the (newly formed in 2014) Public Procurement Council if they wish to use non-price criteria.

In addition, the Commission notes that the fee required for registering EU-based economic operators in the e-procurement system is less favourable than that charged to domestic companies, despite the fact that the SAA provides for access under the same conditions as national companies.¹⁰⁰ It is indicative that for the first time the EC referred to relevant SAA provisions, after 15 years of its implementation. Yet, the Commission has not raised an issue of breaching the SAA, at least not in the published documents.

In terms of remedies, progress was achieved more slowly. The 2007 Law on Public Procurement partially transposed the Remedies Directive. After some progress noted in the period until 2012, when the competencies of the State Appeal Commission were expanded to also cover appeals in the field of concessions and PPP¹⁰¹, reports have become increasingly critical to implementation. Furthermore, the criticism on the politicisation of the institutions dealing with public procurement is explicit.¹⁰² According to the most recent assessment “*The structure and the independence of the legal remedy system, remains formally compliant with the *acquis*. However, full alignment with the Remedies Directive, in particular related to a standstill period and time limits, has not yet been achieved.*”¹⁰³

Regarding public (communal) services and concessions, the degree of compliance was initially lower. The Law on Concessions and Public-Private Partnership of 2008 was assessed as “*not aligned with the *acquis* or with good international practice*”.¹⁰⁴ The new law of 2011¹⁰⁵ was assessed as being “*in line with the *acquis**”.¹⁰⁶ Implementing legislation was adopted, but the harmonisation of 16 sectorial laws was achieved over the following years. The capacity of the Ministry of Economy, which is in charge of concessions and public-private partnerships, has not improved over the years, so the implementation remains problematic.

96 European Commission, *Progress Report 2013*, p. 25.

97 European Commission, *Progress Report 2014*, p. 21.

98 European Commission, *Progress Report 2011*, p. 35.

99 European Commission, *Progress Report 2012*, p. 31; Annual Report 2015, p. 36.; *Annual Report 2018*, p. 57.

100 European Commission, *Annual report 2016*, p.36, *Annual report 2018*, p. 36.

101 European Commission, *Progress Report 2012*, p. 31.

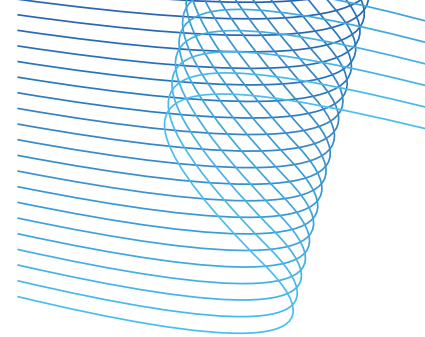
102 European Commission, *Progress Report 2015*, p. 36.

103 European Commission, *Annual Report 2018*, p.57.

104 European Commission, *Progress Report 2009*, p.36.

105 “Law on Concessions and Public-Private Partnerships”, *Official Gazette of the Republic of Macedonia*, No. 6/2012.

106 European Commission, *Progress Report 2012*, p. 30.



Indicative is the gradual introduction and Commission's emphasis on the link of public procurement practices with corruption and conflict of interest. Of course, this can be attributed to the legal basis in the *acquis* – the introduction of preventing conflict of interest and fight against corruption in the 2014 EC Public Procurement Package. In earlier reports, the cooperation of the Public Procurement Bureau with the State Anti-Corruption Commission was praised.¹⁰⁷ In recent years, the criticism on the lack of cooperation between the relevant bodies prevails, as well as specific statements on the link with corruption, especially related to the Government Project "Skopje 2014". In the reports from 2011, 2012 and 2013 these are dealt in a more technical way, by criticism on the conclusion of annexes and changing the terms of reference.¹⁰⁸ Only after strong public reactions, especially of the civil society (often funded by EC funds)¹⁰⁹, the Commission became increasingly focused on the Skopje 2014 Project. The EC introduced the issue in the reports – firstly just referencing to relevant reports¹¹⁰, and only in 2015 stating that *"there has been no investigation of the alleged irregularities reported by the municipality of Centar about the 'Skopje 2014' project, of allegations of serious irregularities in the award of some large infrastructure and health contracts, or of other allegations of serious conflict of interest and abuse of public office, calling for investigation"*.¹¹¹ Finally, *"ensuring that reports of irregularities related to public procurement in general are properly investigated and offenders are sanctioned"* becomes one of the three main recommendations of the EC in the 2018 Annual report.¹¹² However, this statement followed only after the change of Government.

The role of the different institutions in the implementation of the SAA in the public procurement chapter and, more generally, in the adoption and implementation of the *acquis* has been changing. The relative success in this chapter until around 2009 can be largely attributed to the Public Procurement Bureau. Indicative is the EC assessment of *"the developed competence and pro-active approach in the management of public policy"* of the Public Procurement Bureau.¹¹³ This is an example when a newly formed structure, largely socialized with the EU, plays the role of a change agent. However, as in other cases, the specifically created body for implementation of the *acquis*, cannot compensate for the lack of policy making capacities, or the lack of political will, which are the main determinants of change. This is largely demonstrated by the practices in the recent years, when the role of the Public Procurement Bureau decreased, as the political support for its proper functioning diminished. Even a new body was introduced in 2014 – Public Procurement Council, which was not compliant with the *acquis*.¹¹⁴ As the matter was rated high in the political preferences of the governments, the lack of alignment and backsliding can be explained by essential divergence with political preferences.¹¹⁵

4.3 Recommendations

To the institutions of the Republic of Macedonia:

- The Government should create a comprehensive policy of public procurement, following detailed analysis of the impact of public procurement on the market;

107 European Commission. *Progress Report 2009*, p.36.

108 European Commission, *Progress Report 2011*, p. 36; European Commission, *Progress Report 2013*, p. 24.

109 e.g. the Prizma project <http://skopje2014.prizma.birn.eu.com/>

110 European Commission, *Progress Report 2014*, p. 24.

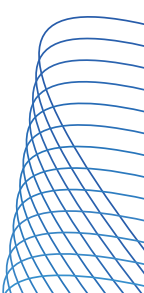
111 European Commission, *Annual Report 2015*, p. 36.

112 European Commission, *Annual Report 2018*, p. 57.

113 European Commission, *Progress Report 2008*, p. 34.

114 The Council was abolished soon after the new Government came into power in 2017.

115 Malinka Ristevska Jordanova, "The transposition of the EU *acquis* in the law of the Republic of Macedonia - a normative perspective", (PhD theses, University Cyrillus and Methodius, Skopje, 2010) [in Macedonian], p. 201.



- Alignment with the 2014 EU public procurement package should start and current provisions conflicting with the *acquis* abolished;
- The principle of the award of the most economically advantageous contract should be introduced;
- Efficient mechanisms for preventing corruption in the public procurement system should be established and implemented;
- The capacities of the Ministry of Economy for policy creation in this chapter should be significantly increased;
- The Public Procurement Bureau should be supported to “recover” its role;
- The oversight role of the Parliament should be increased;
- The judiciary should effectively proceed the cases of corruption related to public procurement.

The EU institutions:

- The EU institutions should react more promptly to backsliding, such as in the public procurement, especially in cases of corruption.

Chapter 5 – Internal Market *acquis*¹¹⁶

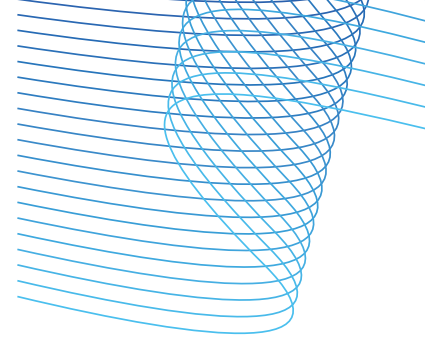
Under the heading “free movement of goods” the SAA covers, liberalization of trade in industrial products and the schedule for the gradual reduction of customs rates. The SAA also contains special provisions for the agricultural products, as well as provisions that practically imply approximation to the application of Articles 34-36 TFEU (prohibition of quantitative restrictions and equivalent measures).

Specific provision related to standardisation, metrology, accreditation and conformity assessment are set in Article 73 of the SAA, which obliges the Republic of Macedonia “to take the necessary measures in order to gradually achieve conformity with Community technical regulations and European standardisation, metrology, accreditation and conformity assessment procedures”. Furthermore, this Article sets as obligations of both parties to:

- “promote the use of Community technical regulations and European standards, tests and conformity assessment procedures,
- to conclude, where appropriate, European Conformity Assessment Protocols,
- to foster the development of the quality infrastructure: standardisation, metrology, accreditation and conformity assessment,
- to promote participation in the work of specialised European organisations (CEN, CENELEC, ETSI, EA, WELMEC, EUROMET, etc.)”

However, no specific term for the alignment of legislation is set, apart from the general provision set in Article 68 – that standardisation and certification, as part of the Fundamental elements of the EU internal market *acquis*, will be prioritised in the first phase of the Agreement.

¹¹⁶ Chapter 1 in accession negotiations (Free Movement of Goods).



5.1 Baseline assessment against the SAA requirements at the time of the signing of the SAA/Interim Agreement

The EC assessment at the time when the SAA was introduced was that *"the process is apparently at its very beginning and needs to be accelerated"*.¹¹⁷ Laws on metrology and standardization had been in force since 1995, as well as the Law on Prescribing Technical Requirements for Products and Conformity Assessment.¹¹⁸ A single Bureau for metrology and standardization was functioning, until the separation of these functions, following the entering into force of the IA in 2001.

In March 2001, the National Quality Program was adopted, supported by the EC PRAQ assistance in which a solid basis for the establishment of the horizontal system.

Although in the first SAP Report, it is concluded that the Republic of Macedonia is a relatively open country in terms of the free movement of goods, it is simultaneously identified as a *"serious gap in the legislation"*.¹¹⁹

At the time of signing the Agreement, the Republic of Macedonia *"had just started implementing European standards"* and was *"far from meeting the requirements for affiliate membership in CEN and CENELEC"*. However, it was already a member of ISO. It was also assessed that in *"the absence of a functioning market surveillance system and adequate product liability legislation, the New Approach directives cannot be effectively implemented"*.¹²⁰

5.2 Current legal and policy gap assessment

Currently, the Republic of Macedonia is assessed as *"moderately prepared"* in the area of free movement of goods. The EC remarks related to alignment with the *acquis* mainly relate to the need to align with the new *acquis* within the chapter.

Progress in the area of free movement of goods was gradual. Until 2007 the level of alignment was assessed as *"at an early stage"*. The legal and the institutional framework has gradually upgraded, so that in 2010 it was assessed as *"advanced"*.¹²¹

Regarding the general principles, the EC current assessment is that the country has a *"well-established institutional framework for production, distribution and marketing of industrial products"*. The assessment comes after many years of capacity building of the relevant institutions – the Institute for Standardisation, The Metrology Bureau and the Institute for Accreditation. The establishment of the separate institutional structures for implementation of the *acquis* under this chapter in 2002-2003 was not enough for the EC to commend the institutional framework. The Commission still had objections even in 2008, stating that *"the segregation of tasks has yet to be ensured"*.¹²²

The Institute for Standardisation was established in 2003, following the separation from the Service for Metrology and Standardisation. In March 2003, the membership in ISO (International Organization for Standardization) was transferred from the Bureau of Standardization and Metrology to ISRM. In 2003, ISRM was accepted as associate member in IEC (International

117 European Commission, *Feasibility Report 1999*, p. 6-7.

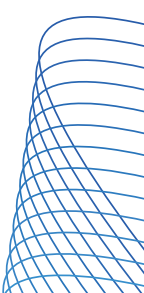
118 "Law on Standardisation", "Law on Measuring Units and Measuring Instruments", *Official Gazette of the Republic of Macedonia*, No. 23/1995;

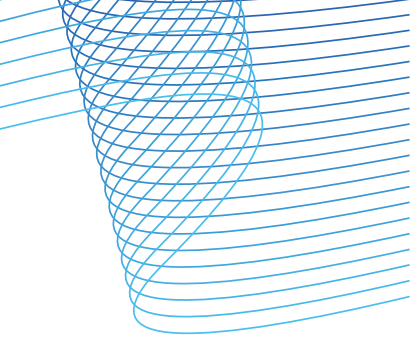
119 European Commission, *SAP Report 2002*, p. 21.

120 *Ibid.*

121 European Commission, *Progress Report 2010*, p. 33.

122 European Commission, *Progress Report 2008*, p. 31.





Electrotechnical Commission), and in March 2005, it became associate member in CENELEC (European Committee for Electrotechnical Standardization). ETSI (European Telecommunications Standards Institute) in December 2006, recognised ISRM as NSO (National Standardization Organization).¹²³ The ISRM became a full member of the European Committee for Standardisation (CEN) and of the European Committee for Electrotechnical Standardisation (CENELEC) in 2012.

The Bureau of Metrology has been an associate member of CGPM - General Conference for Weight and Measure of Metre since October 2006. In the beginning of 2007, the Bureau of Metrology become associate member of EURAMET in 2008 and a full member in 2010. The Bureau became an associate member of WELMEC (European Cooperation in Legal Metrology) in 2008.¹²⁴

The Institute for Accreditation of the Republic of Macedonia (IARM) has been a member of the European Organizations for Accreditation (EA) since 2007. It has also been a member of the International Laboratory Accreditation Cooperation (ILAC) since 2008.¹²⁵ The Institute of Accreditation has been a full member of the International Accreditation Forum since September 2015.

Consequently, in terms of the SAA provision on membership in the relevant international bodies, we can conclude that the obligation has been realised, however, much later than foreseen by the SAA.

Macedonia adopted an Action Plan for Conformity with the Articles 34-36 of TEU in 2009, following the recommendations provided in the Accession Partnership 2006.¹²⁶ According to the EC Report, nine "*identified legal obstacles to trade*" still need to be removed.¹²⁷ According to the NPAA, 7 measures remain to be implemented, related to Eurocodes.¹²⁸ There is evidently a different interpretation of the number and type of measures from the Plan that are not realised.

The basic benchmark for progress in standardization is the pace of adoption of European standards. Most of the standards in the Republic of Macedonia are adopted with the method of endorsement, i.e. European standard, then by drafting a national standard, as well as by reprinting and translating international or European standard. In parallel to the introduction of the new standards, the previous Macedonian standards were withdrawn. By the end of 2017, Macedonia had endorsed 23.686 EN standards and withdrawn all conflicting standards. Furthermore, until 2017, the Macedonian Institute of Standardisation had notified CEN of 17 original Macedonian standards, while the procedure was on-going for 9 more.¹²⁹ The pace of adopting EU standards was slow in the first years after the conclusion of the SAA and has significantly accelerated in the last several years. We would argue that the acceleration was rather a result of the convergence of government priorities with the EC requirement, than the pressure by the EC.

The number of conformity assessment bodies has significantly increased – in 2017 there were 206 conformity assessment bodies in the country for calibration, testing, medicinal laboratories, product and process certification and inspection, compared to e.g. 107 in 2012.¹³⁰

Despite the progress in the area of conformity assessment, The EC concludes that "*The alignment of conformity assessment with the *acquis* remains advanced but not yet sufficient to allow an*

123 "About us", Standardization Institute of the Republic of Macedonia, accessed on 3 March 2018. http://www.isrm.gov.mk/en/button_4.html

124 "About Bureau of metrology", Bureau of metrology, accessed on 3 March 2018, <http://www.bom.gov.mk/eng/index.php/en/id-of-bom>

125 "Cooperation", Institute for Accreditation of the Republic of Macedonia, accessed on 3 March 2018, http://www.iarm.gov.mk/index.php?option=com_content&view=article&id=56&Itemid=37&lang=en

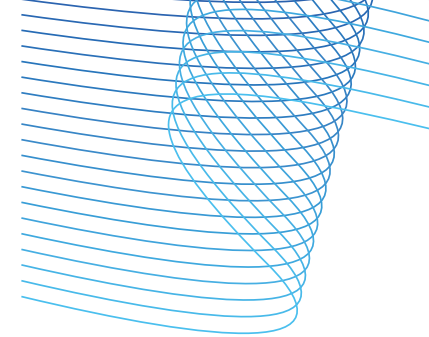
126 Council of the European Union, *Accession Partnership 2006*.

127 European Commission, *Report 2018*, p. 53.

128 Government of Republic of Macedonia, *National programme for adoption of the *acquis* (NPAA)*, Update 2017, p. 48.

129 *Ibid.*, p. 49.

130 European Commission, *Report 2018*, p. 54; *Progress Report 2012*, p. 26.



agreement on conformity assessment acceptance to be negotiated".¹³¹ *Legislative alignment is yet insufficient to negotiate an Agreement on Conformity Assessment and Acceptance and no progress was made in this area*".¹³² The 2018 Report does not refer to this issue. And, 17 years after the entering into force of the Interim Agreement and 14 years after entering into force of the SAA, having in mind the assessment of being "advanced" or "moderately prepared" in this chapter, there is no ground for the EC to further avoid the negotiation of the ACAA.

The current gap related to general product safety refers to the planned alignment with the directives from 2014, which is already running late compared to the initial plans in the NPAA.¹³³

The most critical in the area of horizontal measures are the EC's market surveillance scores, which is essentially a critique of implementation and enforcement, under the responsibility of the state inspectorates (market, technical). There are no specific transposition measures for market surveillance, but it is necessary to adapt the competent national structures to the new principles of functioning on the internal market and have the capacity to enforce effective penalties. The failure to adapt to the administrative structures was compensated by a separate law – Law on Market Surveillance.¹³⁴ However, if it is considered that the issue of inspections is regulated horizontally at the same time by the Law on Inspection Supervision, and that other special inspections are regulated by special laws, it becomes clear that the area becomes over-regulated, and the essence of the problem is not solved. Moreover, overriding, overlapping and parallelism pose a great danger to the effective conduct of market surveillance. The law itself did not ensure compliance, but actual implementation measures, so that, finally, in the recent years the assessment of the EC in its annual reports have been slightly more positive in this regard.

In the areas of the old and new approaches, the dynamics of transposition significantly enhanced after the adoption of the Law on Product Safety in 2006. In the area of the old approach, the directives for cosmetic products, chemicals, medicines, and vehicles have been transposed. In the new approach, the Law on Construction Products (2006) was adopted, as well as several national transposition bylaws. The Law on Medicines and Medical Devices has only achieved partial compliance with the deadlines for issuing permits for medicines. The political discussion was leading to placing the domestic producers in an unequal (worse) position to the foreign ones. In the past enlargement, the transitional periods in this chapter have been agreed upon by five candidate countries, but the essence of the issue is the opposite - the desire of the candidate countries is to provide a longer protected market for domestic pharmaceutical companies. Further, the regulation of the field of chemicals by the Law of 2007 was made based on the acts that were applicable before the adoption of the new EU REACH regulation in 2006. The effort to achieve a "result" in the transposition in 2007 prevailed over the rational approach - in the transposition to consider the new regulation. Consequently, the SAA was formally observed in terms of the legislative approximation.

The current EC assessment is that *"The country has already adopted legislation designed to be aligned with the EU acquis in many sectors, particularly toys, gas appliances, machinery and medical devices. However, no progress was made on alignment with the latest acquis in these areas or in the area of conformity with civil explosive standards."*¹³⁵

In the procedural measures, the directive for reporting in the area of technical standards and regulations was transposed in 2007. This area includes the Directive on Weapons, as well as the EU measures governing the cross-border transfer of cultural goods transposed in the Law on Weapons and the Law on the Protection of Cultural Heritage and their bylaws. However, due to

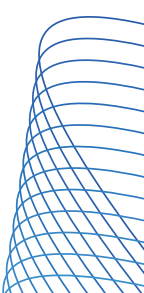
131 European Commission, *Report 2015*, p. 33.

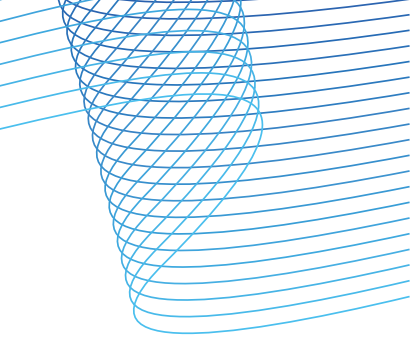
132 European Commission, *Report, 2016*, p. 32.

133 Government of Republic of Macedonia, *National programme for adoption of the acquis (NPAA)*, Update 2016, p. 68.

134 *Official Gazette of the Republic of Macedonia*, No. 47/2010.

135 European Commission, *Annual Report 2018*, p. 54.





amendments to the *acquis*, further alignment of the latest 'Old Approach' *acquis* on the return of cultural goods is needed.¹³⁶

The chapter on free movement of goods noted the first case of breach of contractual obligations with the Interim Agreement on Trade and Trade Issues, in the very beginning of the implementation of the Agreement. The European Commission concluded that by the fact that OKTA was exempted from import duties of oil, i.e. paid only 1% on behalf of the import costs, while other importers paid 20% customs duties, quantitative restrictions were made. Once the promise that the violation will be halted (delivered in 2001) was not fulfilled, this issue was constantly on the agenda of the EC dialogue in 2002 (regardless of the fact that in the meantime there were elections and a change of government). The sanction - suspension of the working groups within the Cooperation Council in 2002 was also applied. The case turned into a test of the capacity of the (in the meantime, the new elected) government to carry out all the undertaken obligations of the state with full responsibility and to implement the obligations arising from the contractual relations with the European Union, in accordance with the principle *Pacta sunt servanda*. The violation was interrupted in 2003 after the Constitutional Court's decision to repeal the Law on Ratification of the Agreement with OKTA, based on the violation of the constitutional principle of equality of the market participants as a violation of the constitutional principle of the rule of law. After several years, the Republic of Macedonia was forced to pay compensation to OKTA for failing to comply with the concluded agreement after the Arbitration Court ruling in Paris. The case is the absence of a real convergence with the EU norms, contrary to the declared and normative-legal convergence for market freedom and the equity of the entities on the market. In this case, the European Commission uses the "carrot and stick" - persuasion (up to the highest political level), criticism in the report, threat of punishment, and even punishment (which is the only case of the use of a penalty so far for the Republic of Macedonia). At least in the whole process, there is learning as a method of internalization of norms, and according to our estimation, ignorance and non-perception of the possible consequences are also major factors in the violation. Finally, this example proves the thesis of a major influence of domestic policy on the incorporation of EU norms. The position and the opposition had diametrically opposite views, and the issue was highly exposed on the domestic political scene, including in elections. Respect for EU law was made possible only after the change of power.¹³⁷

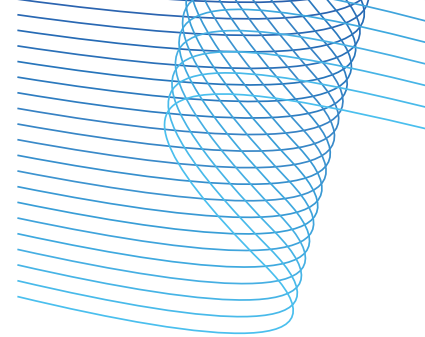
5.3 Recommendations

To the institutions of the Republic of Macedonia:

- To create a comprehensive strategy for further development of the quality infrastructure, focusing on the development priorities and needs of companies, including a cost-benefit analysis;
- In line with the strategy, to step up the legislative alignment in this area;
- Implement the Action plan for implementation of the Articles 34-36 of TFEU;
- To keep the focus on implementation and continue the support to the specific institutions for the implementation of the *acquis* in this chapter;
- Be more pro-active in raising awareness of the general public and especially the economic operators on the *acquis* in this chapter;

¹³⁶ *Ibid.*

¹³⁷ Malinka Ristevska Jordanova, "The transposition of the EU *acquis* in the law of the Republic of Macedonia - a normative perspective" (PhD theses, University Cyrillus and Methodius, Skopje, 2010) [in Macedonian], p. 185.



To the EU institutions:

- To launch the negotiations for ACAA and prioritise their finalisation;
- To provide targeted assistance that would assist Macedonian companies to adapt to EU standards.

Chapter 6 – Consumer protection¹³⁸

Consumer protection is the only area under consideration in this study that is not prioritised in the first stage of the SAA. Consumer protection is addressed under Title VIII: Cooperation policies. The SAA (Article 97) sets as objectives of the cooperation between the parties “to align the standards of consumer protection in the Republic of Macedonia with those of the Community”. Furthermore, pointing to the necessity of “consumer protection in order to ensure that the market economy functions properly”, the SAA provisions emphasise that the protection “will depend on the development of an administrative infrastructure in order to ensure market surveillance and law enforcement in this field”. The SAA defines the following priorities:

-
- the harmonisation of legislation and the alignment of consumer protection in the Republic of Macedonia with that in force in the Community,
- a policy of active consumer protection including the increase of information and development of independent organisations,
- effective legal protection for consumers in order to improve the quality of consumer goods and maintain appropriate safety standards.

Consequently, it can be concluded that the SAA defines the cooperation in consumer protection ambitiously and comprehensively, not just focusing on the legislation, but on ensuring effective consumer protection.

6.1 Baseline assessment against the SAA requirements at the time of the signing of the SAA/Interim Agreement

At the time of signing of the SAA, a Law on Protection of Consumers was already in force.¹³⁹ Its preparation was also noted in the Feasibility Report, with the observation that the draft was “in line with basic EC Directives, except for the directives regarding cosmetics and toy safety.”¹⁴⁰

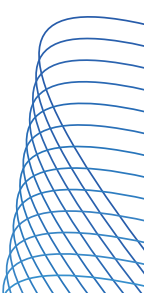
The Organisation for Protection of Consumers had already been formed in 1996 and active at the time when the SAA entered into force.¹⁴¹

138 Chapter 28 in accession negotiations (Consumer and health protection).

139 “Law on Protection of Consumers”, *Official Gazette of the Republic of Macedonia*, No. 63 / 2000

140 European Commission, *Feasibility Report 1999*, p.7.

141 “Што е ОПМ”, Организацијата на потрошувачите на Македонија, accessed on 30 January 2018. <https://opm.org.mk/shto-e-opm/>, accessed on 30 January 2018





6.2 Current legal and policy gap assessment

In terms of alignment of the legislation, activities have been continuous since the entering into force of the SAA. As is the case with other areas, also in the area of consumer protection, the most intense alignment endeavours took place upon or immediately after the entering into force of the SAA. Following the first law of 2000, a new law on Consumer Protection was enacted in 2004, which was amended several times, in the aim of further approximation and ensuring provisions for implementation.¹⁴² The Law had initially transposed 11 directives – fully or partially.¹⁴³ The Product Safety Directive, which is dealt with in the chapter of Consumer Protection (in addition to the Chapter of Free Movement of Goods), was transposed into the Law on Security of Products, adopted in 2006.¹⁴⁴ The package arrangement and tourist travel directive have been transposed into the Tourism Law from 2004, while the Consumer Credit Consumer Loan Directive - in the special law on consumer protection in consumer loan agreements, the compliance of which was partial. At the same time, the Law on Amendments to the Law on Obligations of 2008 transposed, inter alia, the Product Liability Directive and the Directive on unfair terms in consumer contracts, with the concept of responsibility (objectivity) not corresponding to the concept of liability in the Directive (causal).

The legislative alignment activities have resulted in relatively high assessment by the European Commission of the progress and level of alignment rather early in the process – already in 2007 the level of alignment was assessed as “*moderately advanced*”.¹⁴⁵ Criticism at that time pertained mainly to implementation issues – such as the non-existence of an effective and transparent market surveillance system.¹⁴⁶ In the years 2011, 2012 and 2013 the preparations in consumer protection are assessed as “*advanced*”.¹⁴⁷ Since 2014, the Commission has graded explicitly the level of alignment only at the level of the chapter (which also includes the area of public health) – as “*moderately advanced*”.¹⁴⁸

A comprehensive analysis of the level of alignment in consumer law has precisely identified the gaps in legal and policy alignment in consumer protection.¹⁴⁹ The following status is established:

142 “Law on Protection of Consumers”, *Official Gazette of the Republic of Macedonia*, No. 38/2004.

143 Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products, *Official Journal L 210*, 07/08/1985 p. 0029 – 0033; Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts, *OJ L 95*, 21.4.1993, p. 29; Council Directive 85/577/EEC of 20 December 1985 to protect the consumer in respect of contracts negotiated away from business premises (Doorstep selling Directive), *OJ L 372*, 31.12.1985, p. 31; Directive 98/6/EC of the European Parliament and of the Council of 16 February 1998 on consumer protection in the indication of the prices of products offered to consumers, *OJ L 80* 18.3.1998, P. 27-31; Directive 1999/44/EC of the European Parliament and of the Council of 25 May 1999 on certain aspects of the sale of consumer goods and associated guarantees, *OJ L 171* 7.7.1999, p. 12-16; Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts - Statement by the Council and the Parliament, *OJ L 144* 4.6.1997, p. 19-27; Council Directive 87/357/EEC of 25 June 1987 on the approximation of the laws of the Member States concerning products which, appearing to be other than they are, endanger the health or safety of consumers, *OJ L 192* 11.7.1987, p. 49-50.

144 “Law on Safety of Products”, *Official Gazette of the Republic of Macedonia* No. 33/2006

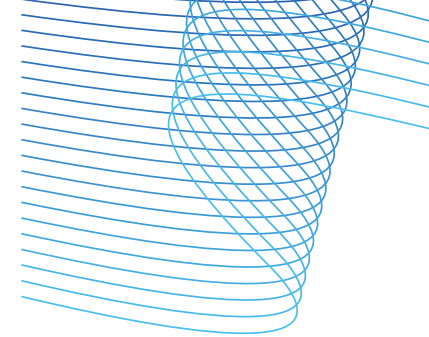
145 European Commission, *Progress Report 2007*, p. 61.

146 European Commission, *Progress Report 2009*, p. 73.

147 European Commission, *Progress Report 2011*, p. 75; *Progress Report 2012*, p. 63; *Progress Report 2013*, p. 55.

148 European Commission, *Annual Report 2016*, p. 78; *Annual Report 2018*, p. 81.

149 Ardita Abazi-Imeri, “Protection of Consumers in the Process of Accession of the Republic of Macedonia in the EU, Transposition of the Consumer Acquis in the Consumer Legislation of the Republic of Macedonia”, (PhD Theses, University “Cyrillus and Methodius”, Institute for Sociological, Political and Legal Research, Skopje, 2017) [in Macedonian].



In the area of product safety:

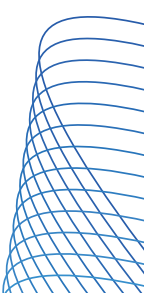
- The following EU measures have been fully transposed: Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety; Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products; Regulation (EC) No 764/2008 of the European Parliament and of the Council of 9 July 2008 laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State and repealing Decision No 3052/95/EC, Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93, Decision No 768/2008/EC of the European Parliament and of the Council of 9 July 2008 on a common framework for the marketing of products, and repealing Council Decision 93/465/EEC.

The established gaps in this area relate to the following issues:

- Concerning liability for defective products, the Directive from 1999/34/EC of the European Parliament and of the Council of 10 May 1999 amending Council Directive 85/374/EEC on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products should be transposed.
- Commission Decision of 16 December 2009 laying down guidelines for the management of the Community Rapid Information System RAPEX established under Article 12 and of the notification procedure established under Article 11 of Directive 2001/95/EC (the General Product Safety Directive) (notified under document C (2009) 9843) should be implemented.

In the area of economic interests:

- Further alignment is needed of Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights, amending Council Directive 93/13/EEC and Directive 1999/44/EC of the European Parliament and of the Council and repealing Council Directive 85/577/EEC and Directive 97/7/EC of the European Parliament and of the Council in terms of the definition of the "consumer", rights to information, contract duration and inertia selling.
- The following directives have been transposed, but further alignment is needed: Directive 1999/44/EC of the European Parliament and of the Council of 25 May 1999 on certain aspects of the sale of consumer goods and associated guarantees; Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts, Council Directive 90/314/EEC of 13 June 1990 on package travel, package holidays and package tours; Directive 98/6/EC of the European Parliament and of the Council of 16 February 1998 on consumer protection in the indication of the prices of products offered to consumers; Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services and amending Council Directive 90/619/EEC and Directives 97/7/EC and 98/27/EC; Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council ('Unfair Commercial Practices Directive'); Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC.



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- Further alignment is also needed related to directives that have been already transposed but have been amended: Directive 2009/22/EC of the European Parliament and of the Council of 23 April 2009 on injunctions for the protection of consumers' interests (Codified version); Directive 2008/122/EC of the European Parliament and of the Council of 14 January 2009 on the protection of consumers in respect of certain aspects of timeshare, long-term holiday product, resale and exchange contracts.
 - The following EU measures have not been transposed: Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising (codified version) (Text with EEA relevance); Regulation (EC) No 2006/2004 of the European Parliament and of the Council of 27 October 2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws (the Regulation on consumer protection cooperation); Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR); Regulation (EU) No 524/2013 of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Regulation on consumer ODR).¹⁵⁰

As evident from the analysis, the transposition following the initial phase of alignment has been patchy and rather fragmented. Therefore, the academic community and civil society (especially the Organisation of Consumers) have advocated for a new law on Consumer protection, as well as for a well-planned and structured process of harmonisation.

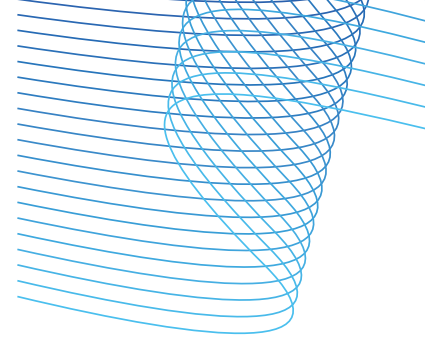
Transposition of the Directives in the Consumer Protection chapter causes dilemmas from a legal point of view for all the countries that transpose them - whether the concepts to be incorporated in civil codes, that is, laws that regulate contractual relations or to adopt special laws. This applies in particular to the aforementioned directives transposed in the Republic of Macedonia in the Law on Consumer Protection and the Law on Obligations.¹⁵¹ The experiences of the new MS indicate that the process of harmonization of national law with EU law does not contribute to the coherence of the national legal system, bearing in mind that *"the main driving force of the European regulation concerning contract law is consumer protection, which does not belong to the classical institutions of private law; therefore, in as far as implementation takes place through modification of the civil code, it increases the probability of contradictions, ambiguities, and a fragmented character for the code. In addition, implementation inevitably entails reception of foreign or international legal institutions, notions, and concepts that are unfamiliar to the national legal system and local legal traditions and, by being so, may cause further incoherence"*.¹⁵² This challenge is realistic in the case of Macedonia, as potential overlaps or gaps due to transposition in the "general civil laws" or specific laws and their hierarchy is a challenge.

Based on the Law on Consumer Protection, the Government enacts an annual Program for Consumer Protection, allocating funds for information activities and for activities of independent consumer organisations. However, these funds have not been sufficient to cover the needs. In addition, the EU funds for this purpose have decreased over the years. The Organisa-

¹⁵⁰ *Ibid.*, p. 188-195.

¹⁵¹ Malinka Ristevska Jordanova, "The transposition of the EU acquis in the law of the Republic of Macedonia - a normative perspective" (PhD theses, University "Cyrillus and Methodius", Skopje, 2010) [in Macedonian], p. 305.

¹⁵² András Kisfaludi, "The Influence of Harmonisation of Private Law on the Development of Civil Law in Hungary", *Juridica International* XIV, 2008, p. 134.



tion of Consumers of Macedonia¹⁵³, has been struggling with funds even for its participation in international organisations, as well as funds for raising awareness.¹⁵⁴

The administrative capacities for consumer protection, for which the Ministry of Economy is responsible, have also decreased. Efforts have been invested in more efficient market surveillance, however, the focus on consumer protection is missing and important aspects of the implementation and enforcement of consumer law are not covered. This clearly demonstrates that consumer protection has not been the Government's priority.¹⁵⁵

6.3 Recommendations

To the institutions of the Republic of Macedonia:

- To develop a consistent long-term policy for consumer protection – possibly through a strategy for consumers' protection, in which appropriate policy mechanisms would be developed and appropriate financial support allocated for its implementation;
- In line with the strategy, plan the harmonisation measures with the EU acquis, in order to gradually reach full compliance with the acquis and systematically transpose the new acquis;
- Increase the capacities of the responsible bodies – especially the Ministry of Economy and the Market Surveillance Inspectorates for consumer protection.
- Ensure sustainable support to the consumer organisations;

To the EU institutions:

- Bring the consumer protection back to the focus of the EU agenda;
- Provide more concrete assessments and recommendations on consumer protection;
- Allocate EU funds to further support consumer organisations.

Chapter 7 – Conclusions

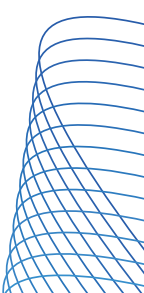
The approach of the Macedonian institutions in the first years after the entering into force of the SAA/IA – it could be freely stated until 2008-2009 - was systematic and rather ambitious. The SAA was a genuine driving force of reform. However, as the EU integration process including the second phase of the SAA got blocked, the alignment efforts slowed down and, in some areas, even backsliding was noted. The approach of the Government towards the SAA gradually became rather formalistic – to ensure formal compliance, while prioritising its political preferences.

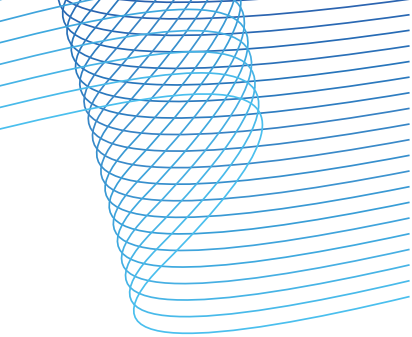
It is paradoxical that the cases of infringement of the SAA can be noted exactly in the period when the reform efforts were more genuine and systematic. This could be explained partly

153 The OPM is a member of Consumers International, the European Consumers' Organisation – BEUC and the European Consumer Voice in Standardisation – ANEC.

154 Ardita Abazi-Imeri, "Protection of Consumers in the Process of Accession of the Republic of Macedonia in the EU, Transposition of the Consumer Acquis in the Consumer Legislation of the Republic of Macedonia", (PhD Theses, University "Cyrillus and Methodius", Institute for Sociological, Political and Legal Research, Skopje, 2017), [in Macedonian], p. 103-108.

155 *Ibid.*, p. 93-99.



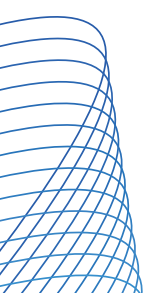


by the existing structural deficiencies that needed major changes and the partly to the lack of capacities. However, this paradox can also be attributed to the changed focus and approach of the EU.

The analysed cases also indicate that the initial efforts for consistent strategic planning and policy creation in the first years of the implementation of the SAA have not sustained. While in the Macedonian case it is obvious that the SAA, with a blocked second phase cannot be a driving force of reform, it is essential that the Republic of Macedonia establishes a consistent approach to the implementation of the SAA within its EU accession strategy – of course, taking into account its interests and assessment of all the available options, embedding the selected objectives and measures in the national policies.

A conclusion can be drawn that the capacities of institutions in charge of the internal market have not significantly increased, following the initial advancement. Especially critical is the capacity of the Ministry of Economy, which is responsible for most of the areas of the internal market. On the other hand, much focus was put (especially by the EC) on the independent regulatory bodies, specialised bodies, including through the support provided by the EC. However, the raised capacities of the independent regulatory and specialised bodies could not substitute for the lack of capacity of the policy-making bodies.

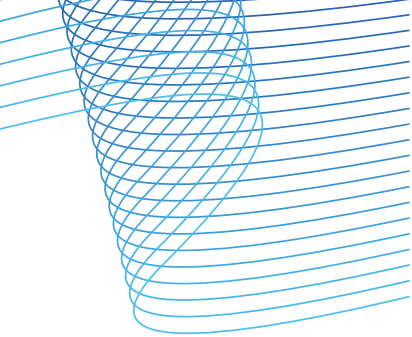
The focus of the European institutions has significantly changed over the years, prioritising rule of law issues. While we are not contesting the need for this focus, it should definitely not be pursued on the account of integration in the internal market, which is of utmost importance for the economy, which is also part of the “fundamentals first” approach.

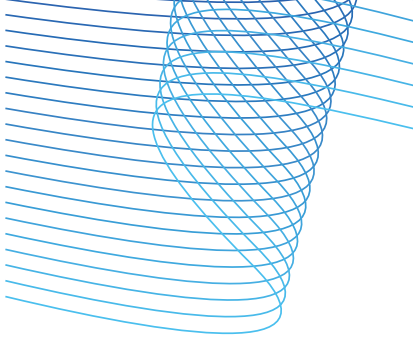


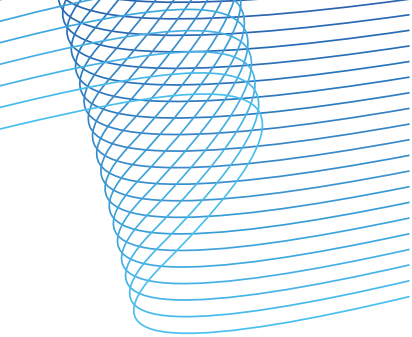


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III. THE CASE OF SERBIA

Effects of the SAA on trade with the EU

PREDRAG BJELIĆ and MILOŠ MILOVANOVIĆ¹⁵⁶

Chapter 1 – Introduction

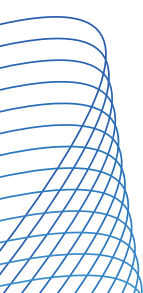
Republic of Serbia has signed the Stabilisation and Association Agreement (SAA) with the European Union and its member states on 29 April 2008. This was the first agreement of this kind the Republic of Serbia has signed with the EU as an independent state. This agreement also meant re-establishing close contractual relations with the EU after 16 year and collapse of Yugoslavia, followed by introduction of UN sanctions. The same day SAA was signed, Serbia and EU signed the Interim Agreement on Trade and Trade Related Matters (IA) that covered trade related issue and issues related to harmonisation of legislation in certain areas. Interim agreement came into force on 1 February 2010. Following the ratification of the SAA in all EU member states, the SAA came into force on 1 September 2013, establishing association between the EU and Serbia. The SAA envisaged a six-year transitional period in which free trade area would be established. This transitional period ended on 1 January 2014, establishing free trade area between the EU and Serbia.

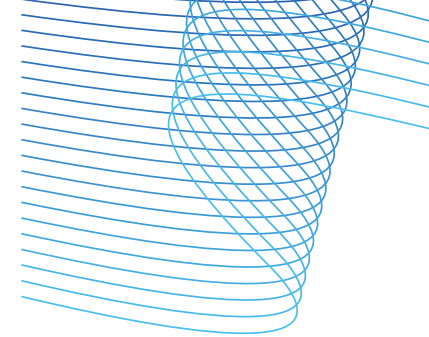
The European Union (EU) has a vision to incorporate all European countries that share common values enshrined in the Treaty on European Union.¹⁵⁷ This aim is set in the founding Treaty of Rome. But this vision is now jeopardized with the decision of the United Kingdom to leave the Union. Brexit will lead to a great restructuring of the Union that can redefine the links between Union members. Nevertheless, even after Brexit, the EU will remain the largest regional trade integration in the world.

Regional trade integration is an important economic process since it has great effects on countries included in the integration. These effects are sometimes described as widening of a market and explained through better allocation of resources. There are several different levels of regional trade integration and each new step brings new benefits. That is why many countries in the world opt for ever closer regional integration. But higher levels of trade integration

¹⁵⁶ European Movement in Serbia, Belgrade.

¹⁵⁷ Article 49 of the Treaty on European Union.





presume that countries are firmly tied in trade blocks that have a single trade policy, losing their autonomy in trade relations.

In our analysis we will focus on the period 2000-2016. Serbia reappeared as a subject of international trade as Montenegro unilaterally decided in 1999 to define trade policy for its separate customs territory, which was later agreed in the 2003 Belgrade agreement that created the State Union of Serbia and Montenegro. In 1999, Kosovo* was defined as a separate customs territory from Serbia under UNSCR 1244, and trade policy creation for this territory was vested to UN Mission in Kosovo (UNMIK). All data on Serbia trade provided in this study do not include Kosovo* data, rather Kosovo* is treated as a CEFTA 2006 trade partner.

In our research we will use predominantly national data sources. For trade data we will rely on the Republic of Serbia Statistics Office (RZS) database. If some data are not available, we will complement it from UNCTADStat database and UN COMTRADE database. We need to collect trade data on trade in total products, trade in industrial products and trade at individual product level (Harmonised System 6 figures level). For data on foreign direct investments (FDI) we will consult the National Bank of Serbia (NBS) database. Most of the data are available on-line.

Serbia's trade with the rest of the world in the observed period has a rising trend. From a very low level in 2000 (less than 2 billion USD for exports and less than 4 billion USD for imports), Serbia's trade grew significantly and reached the maximum in 2008 (11 billion USD exports and 24 billion USD imports). But then, due to the global crisis, exports and imports of Serbia decreased significantly and dropped to 2006 levels. After the crisis, exports and imports of Serbia slowly started to recover.

Chart 1: Serbia's trade with World, 2000-2016 (in mil. USD)



Source: RZS data158

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

158 Author thanks Mr. Duško Bugarski, M.Sc. for his help in processing trade data.

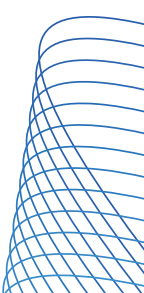
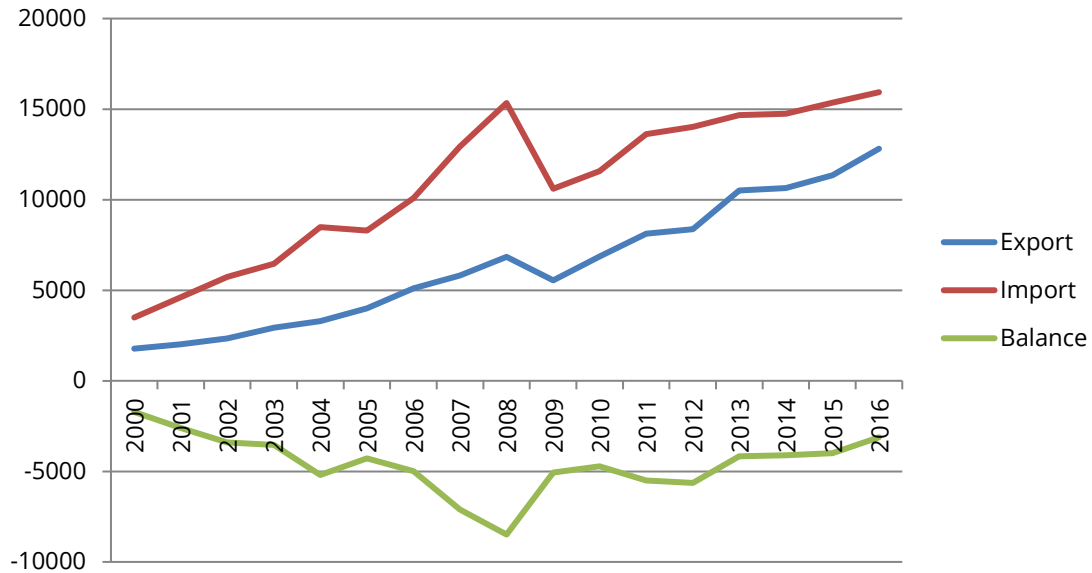


Chart 2: Serbia's trade with World, 2000-2016 (in mil. EUR)

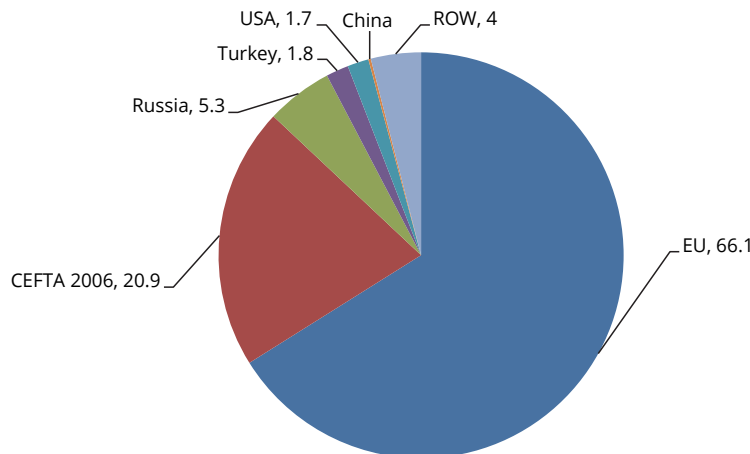


Source: NBS data

Concerning the trade balance, Serbia is recording permanent trade deficit in its trade exchange with the rest of the world. The maximal trade deficit was recorded in 2008 and from that point deficit is constantly decreasing. One of the reasons for the trade deficit decrease is the world economic crisis. The good thing is that the gap between imports and exports, i.e. trade deficit, has been constantly narrowing from 2008 onwards.

The European Union is the most important trade partner of Serbia. EU accounts for more than 60% of both Serbia's exports and imports. This has been the situation since we started to follow the trade statistics on the goods exchange in 2000. EU is a trade block with the common trade policy and a single customs area. However, countries that are among the most relevant partners from the EU are Italy and Germany, while the third position is reserved for regional and neighbouring countries, like Greece, Slovenia or Romania.

Chart 3: Geographical structure of Serbia's export in 2016



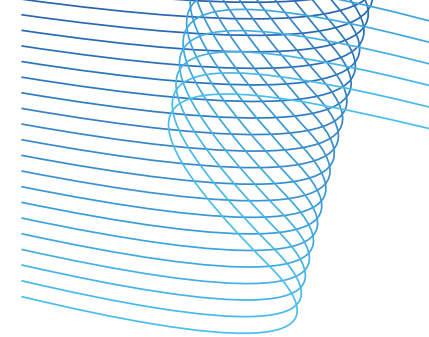
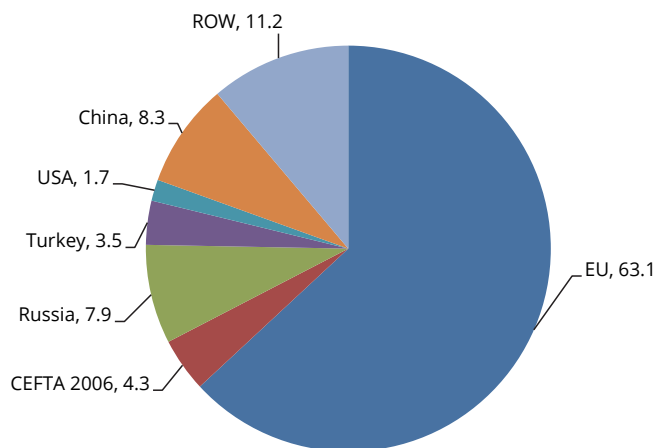


Chart 4: Geographical structure of Serbia's import in 2016



Source: Predrag Bjelić (2018), *Međunarodna trgovina*, Centar za izdavačku delatnost Ekonomskog fakulteta Univerziteta u Beogradu, Beograd, str. 518.

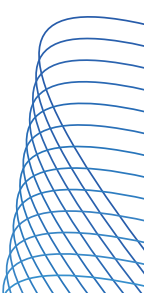
Trade relations between Serbia and the EU were initially regulated by the unilateral trade measure introduced by the EU - Autonomous Trade Measures (ATMs) adopted in 2000 and applied to Serbia and Montenegro in 2003. These measures granted Serbia and Montenegro, as well as the other Western Balkans economies, tariff-free and quota-free access to the EU market, except for some sensitive products. Since 2009, the main instrument of regulation of trade relations was a bilateral trade agreement - Stabilisation and Association Agreement (SAA) - that incorporated ATM preferences for Serbia with the obligation that Serbia opens up its market for EU goods within a six-year transitional period.

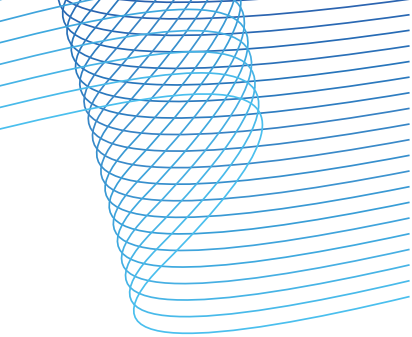
In its regional economic integration, Serbia's strategic goal is the membership in the EU. Serbia has a candidate status for the EU membership and the accession negotiation has started. At the same time, Serbia is a part of the Central European Free Trade Agreement revised in 2006 (CEFTA 2006). This is very important trade integration since Serbia is now the most important economy in the Western Balkans and records trade surplus in its trade exchange with CEFTA signatories. But when the time comes for Serbia to become a EU member, and in some recent EU documents year 2025 is envisaged as a target year, it will have to significantly change its trade regime towards CEFTA 2006 partners, as well as other trade partners, especially the Russian Federation etc. Serbia is still not a World Trade Organization (WTO) member, which is very important for regulating basic trade principles.

The liberalisation of trade in Southeast Europe started in 2001 and resulted in the network of 34 bilateral trade agreements that were later superseded with Revised CEFTA in 2006.

1.1 Trade with the EU – General Overview

Serbia's trade with the EU in the observed period has a rising trend as well as Serbia's trade in general. Export of Serbia to the EU had been rising significantly until 2008. The rise in export is especially dynamic in the period from 2004 to 2008 since Serbian exporters started to benefit from the preferential trade regime extended by the EU to Serbia and Montenegro in 2000, which was applied in 2003. This trade regime, referred to as **Autonomous Trade Measures**

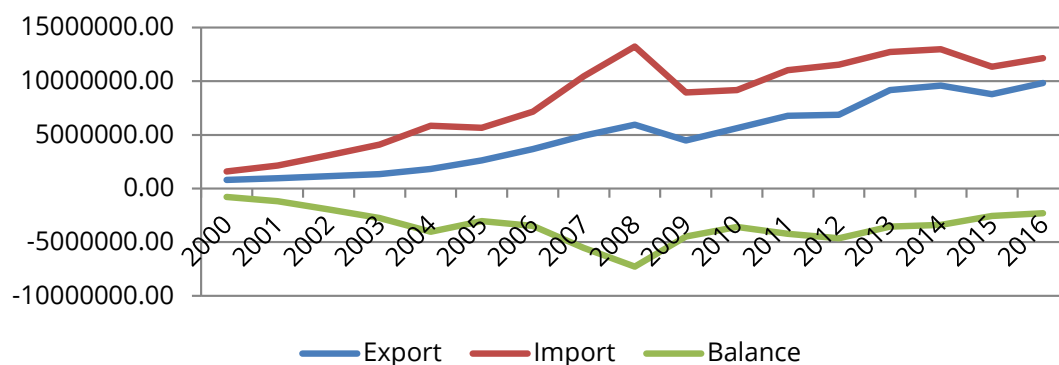




(ATMs),¹⁵⁹ extended to all Western Balkans economies, contained unilateral trade concessions by the EU that are asymmetrical to the benefit of Western Balkans economies. This regime allowed beneficiary economies from the Western Balkans to export majority of the products tariff-free and quota-free. But ATM defines some of the sensitive products, like wine, sugar, some types of meat etc. for which export to the EU is limited by quotas. This regime was asymmetrical in favour of Western Balkan economies but unilateral and limited to the period until they sign the formal agreement (SAA) to regulate trade relations with the EU. The trade in textiles was regulated by a separate agreement. Serbia signed a textiles trade agreement with the EU in March 2005 when EU abolished tariffs on this type of trade with Serbia, and Serbia had an obligation to abolish its taxes on trade in textiles with the EU until 2008. Sugar trade was briefly suspended in 2003 due to the abuse of rules of origin when a compromise was reached that Serbia needed to strengthen the rules of origin division in Customs Authority.¹⁶⁰

In 2009, exports of Serbia to the EU dropped due to the world economic crisis and this is consistent to global trade trends. But this fall was not that significant as a fall in global trade exports. In just two quarters of 2008 global export dropped to the level at which they were 3 years before, according to the WTO data. Serbia's export to the EU started to pick up already in 2010 and constantly was rising until 2016, reaching around 10 billion USD in 2016. Stagnation in export was only recorded in 2012.

Chart 5: Serbia's trade with the EU, 2000-2016 (in 000 USD)

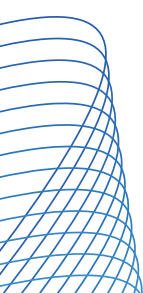


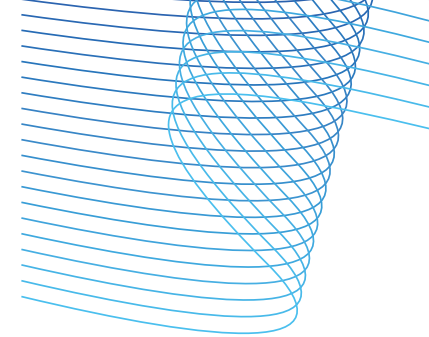
Source: RZS data

On the import side, Serbia's trade with the EU was also very dynamic, rising dynamically and reaching its maximum of 13.2 billion USD in 2008. The only slowdown in this period was recorded in 2005. In 2009, the imports to Serbia from the EU significantly decreased, much more than its exports, and did not recover until 2016, even if import was rising from 2010 onward. So the world economic crisis hit more imports from the EU than the exports. This was also very strange since Serbia started to apply the **Stabilisation and Association Agreement (SAA)** in 2009, that implied introduction of symmetry in trade regime with the EU in a 6-year transitory period, meaning that Serbia started to reduce its trade tariff for imports of goods from the EU, finally establishing a free trade zone between Serbia and the EU for industrial goods on 31. December 2013.

159 Council of the European Union. "Council regulation (EC) No 2007/2000 of 18 September 2000 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's Stabilisation and Association process, amending Regulation (EC) No 2820/98, and repealing Regulations (EC) No 1763/1999 and (EC) No 6/2000", *Official Journal*, L 240, 23.9.2000, p. 1.

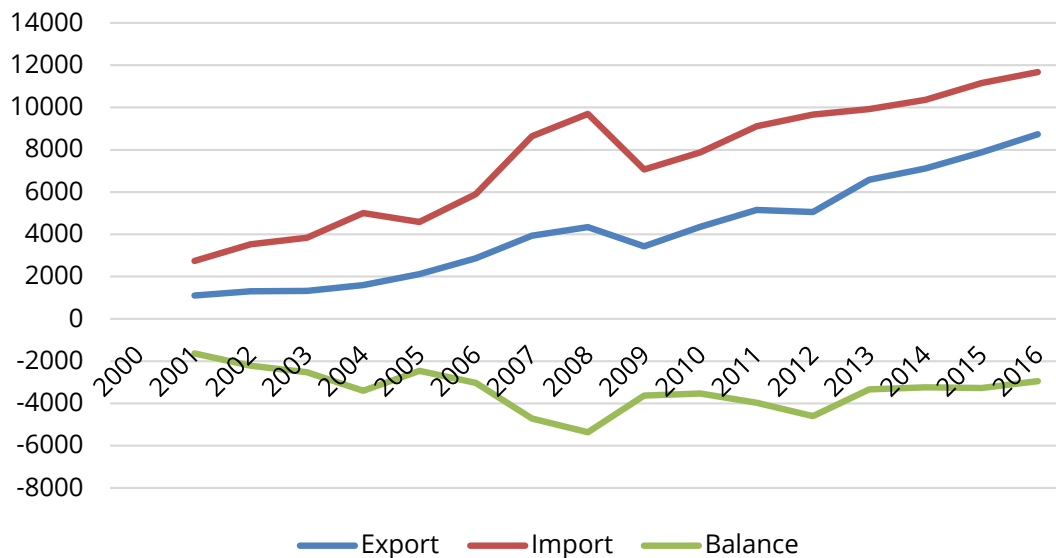
160 More in: Predrag Bjelić, *Međunarodna trgovina*, (Beograd: Centar za izdavačku delatnost Ekonomskog fakulteta Univerziteta u Beogradu, 2018).





The small fall in import was recorded in 2015. We must bear in mind that the increase in number of EU member countries has influenced significantly the rise in trade after 2009, since important Serbian partners from the region became EU members, Romania and Bulgaria, and afterwards Croatia in 2013.

Chart 6: Serbia's trade with the EU, 2000-2016 (in mil. EUR)



Source: EUROSTAT data.

In the entire observed period, Serbia recorded the trade deficit in its trade with the EU. The deficit had a rising trend until 2008 and after that year it started to diminish. The gap was narrowing between Serbia's imports to the EU and its exports to the EU, and reached 2,3 billion USD in 2016 (12,14 billion USD of imports and 9,83 billion USD of exports), a minimal value if we exclude the period 2000–2002 when the values of exports and imports were too small and unrepresentative and trade relations between Serbia and the EU unregulated.

Trade regime represents a very important stimulus for trade exchange, especially in the EU accession process. In the article¹⁶¹ that investigated the effects of different trade regimes on bilateral trade of Western Balkans and Central and Eastern European countries in the EU accession process for the period from 2001 to 2010, authors Dragutinović-Mitrović and Bjelić have corroborated that along with significant effects of standard gravity model variables, trade regime variation in the EU accession process stimulated bilateral trade of the observed countries. The results for Western Balkan countries indicate that trade integration with the EU has a positive effect on their trade. But conclusions indicate that greater positive effects on Western Balkans trade had been achieved during the first stages of their EU integration, when asymmetric trade preferences (ATMs) were applied, than in the later stages when SAA came into effect introducing symmetry, when no significant impact occurred. This is due to the low international competitive position of Western Balkans economies vis-à-vis the EU as their main partners. As less competitive partners, Western Balkans countries enjoyed asymmetric trade benefits unilaterally granted by the EU, and the SAA did not bring any new benefits in their trade with the EU since it absorbed the benefits granted by the ATMs. Even more, the SAA introduced symmetrical trade preferences

161 Radmila Dragutinović – Mitrović and Predrag Bjelić, "Trade Regimes and Bilateral Trade in the EU Enlargement Process: Focus on the Western Balkans", *ACTA OECONOMICA*, vol. 65 no. 2, , 2015, pp. 249-270.



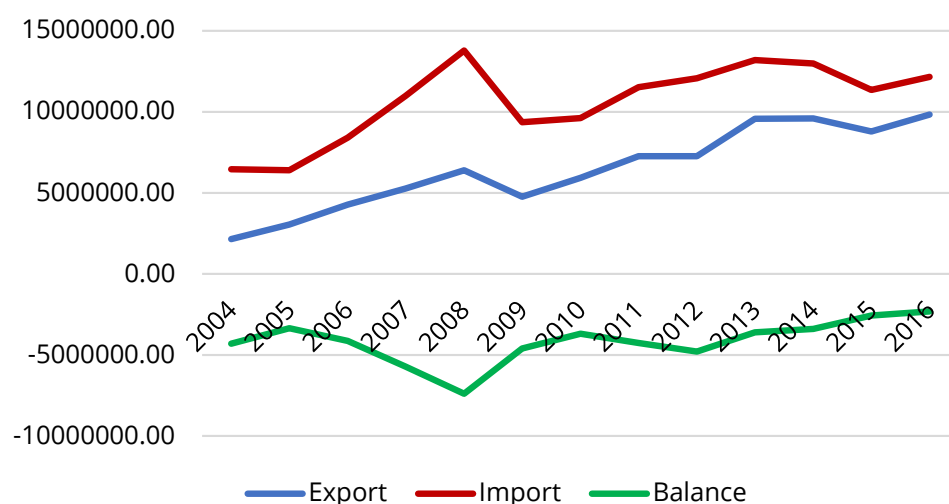
and forced Western Balkans countries to open their market to EU goods. But even with the liberalization of imports on the Serbian side the trade balance was changing to Serbia's benefit.

The further analysis confirmed the increase in Western Balkans exports to *Central and Eastern European* countries after their adoption of ATMs, as new EU members. Also, the opening of the WB markets towards CEE, with the application of SAA, created more favourable trade regime that boosted CEE exports toward these countries. Further, analyzing the final stage of CEE countries on their path to EU membership, they conclude that the completion of trade integration in the EU led to further increase of their bilateral exports to the EU.

Conclusions of the article, that analyzed the effects of the SAA but also CEFTA 2006, suggest that CEFTA 2006 represents the highest contributing factor to WB intra-regional trade. This is expected since these countries are natural trade partners with convergent economies at the same level of competitiveness. Contrary to some other obstacles in their trade with the core EU members, such as technical barriers to trade, fewer barriers are present in intra-CEFTA 2006 trade. Effects of CEFTA 2006 agreement will be analyzed in a separate chapter of this paper.

If we want to investigate the effects of other factors on Serbia – EU trade in the observed period, we have to eliminate the increase in the number of EU members as a factor of trade growth. We calculated the trade with all present 28 EU members from 2004 onward. This is the theoretical construction since EU has 28 members since mid-2013. We can observe that both Serbia's import and export have a rising trend from 2004. Serbian export had been rising dynamically until 2008, which is due to preferential and asymmetrical trade regime with the EU. However, in 2008 the world economic crisis started and this affected Serbia exports to the EU. After the crisis, export quickly rebooted and continued to rise dynamically until 2013. The rise after this period was less dynamic since the SAA was fully applied and Serbian market is now open for the most of EU goods.

Chart 7: Serbia's trade with EU28 in 000 USD, 2004-2016



Source: RZS data

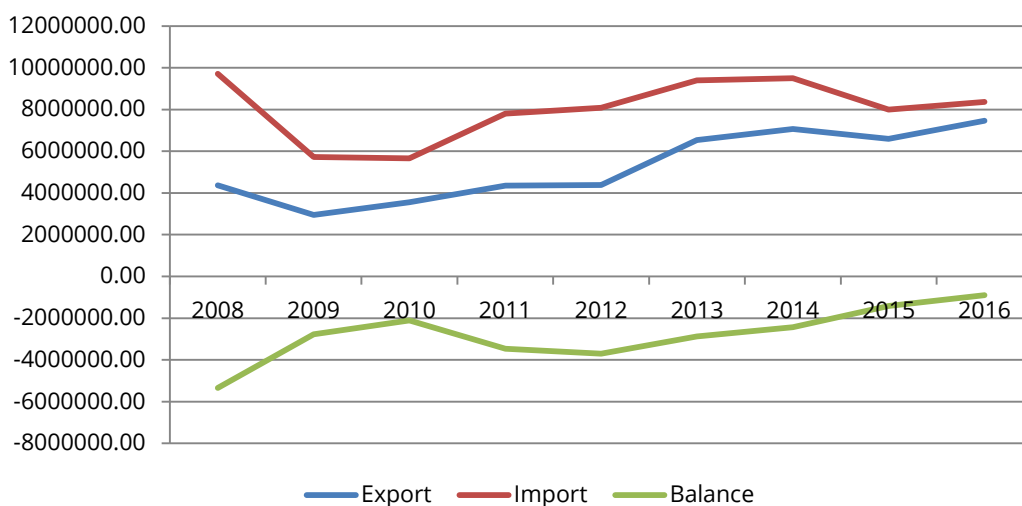
Even if the imports from the EU are also rising very dynamically, we must observe the tendency of diminishing trade deficit on the Serbian side. Serbia's imports from the EU are also affected by the world economic crisis and the recovery after 2009 is slow, so the gap between Serbia's imports from the EU and Serbia's export to the EU is narrowing.

Chapter 2 – Industry

Our focus in this chapter is on **trade in industrial products or manufactures**. Statistically industrial products trade are covered by Standard International Trade Classification (SITC) groups 5, 6, 7 and 8, without subgroups 667 and 68. The data are obtained from the Republic of Serbia Statistics Office database with some supplements from UNCTADStat database. Available data are for the period from 2008 to 2016.

In the observed period we can see that the world economic crisis has significantly affected Serbia trade in industrial products with the EU. But the imports in Serbia were much more affected than Serbia's exports in industrial goods. One of the reasons for this was a low level of Serbian exports of industrial products before the crisis. And while Serbian exports recovered in just 2 years, achieving pre-crisis export levels already in 2011, imports of industrial products from the EU did not reach pre-crisis levels until 2014. This affected Serbia's deficit in trade in industrial products with the EU which significantly decreased in 2016 and represented only 12% of exports that year.

Chart 8: Serbia's trade with the EU in industrial products in 000 USD, 2008-2016

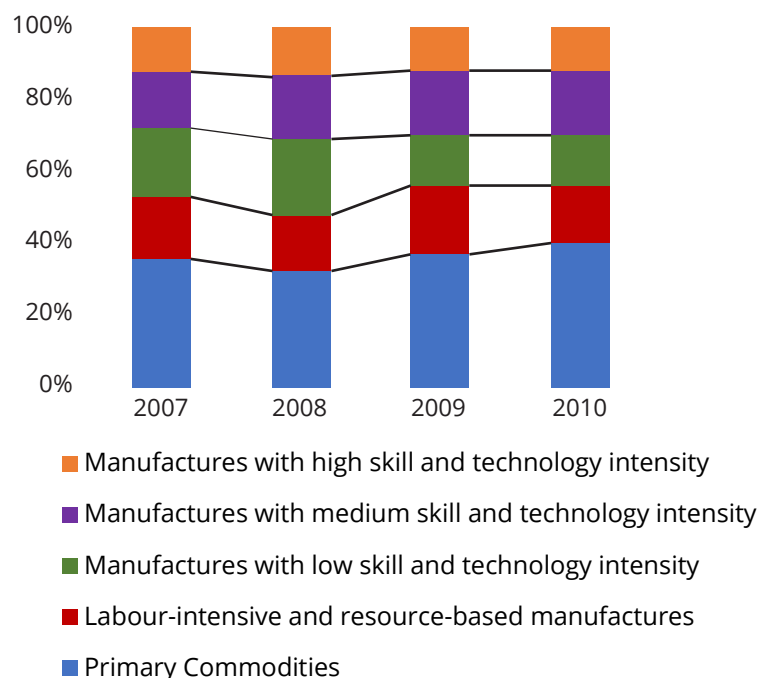


Source: RZS and UNCTADStat

Exports of industrial products from Serbia to the EU started to rise dynamically in 2013. Trade in industrial products between the EU and Serbia is regulated by the SAA which was fully applied at the end of 2013. On the other hand, the imports of industrial products from the EU started to decrease from 2014.

Effects of the world economic crisis on Serbia-EU trade in industrial products can be observed through a changing composition of products' structure of this trade. Starting from a basic classification introduced by the International Trade Center (ITC) on the level of factor intensity of products, all industrial products can be classified as: labour-intensive and resource-intensive manufactures, low-skill and technology-intensive manufactures, medium-skill and technology-intensive manufactures and high-skill and technology-intensive manufactures. Products that contain low value added in their production, like primary commodities but also labour-intensive and resource-based manufactures and manufactures with low skill and technology intensity, dominate the export of Serbia with a share of more than 50%. This means that the value added exported i.e. the content of exports of Serbia is much lower.

Chart 9: Structure of Serbia's export by factor intensity, 2007-2010



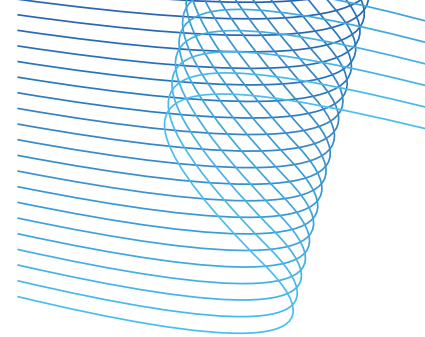
Source: UNCTADStat data

During the world economic crisis, the products with low value added are increasing their share in exports of Serbia. Especially we see that primary commodities are increasing their share in Serbia's exports after the decrease during 2008, such as labour-intensive and resource-based manufactures and manufactures with medium skill and technological intensity. Medium-skill and technology-intensive manufactures include automobiles, tires but also household appliances and these are product groups that are becoming relevant in exports of Serbia. Quite the opposite, manufactures with medium skill and technology intensity have expanded their share in 2008 but that share had shrunk in 2009 and 2010.

If we go to the **individual product level**, we can observe a significant change in the structure of exports of Serbia to the EU. We see that primary products had played an important role up to 2012 when industrial products took the lead in exports of Serbia to the EU. In the period 2006-2011, the main products exported in the EU from Serbia included iron and unalloyed steel, sugar, corn, flat rolled copper, raspberries, tires, and socks.

Table 1: Five most important products in Serbia export to the EU, 2006-2011

	2006	2007	2008	2009	2010	2011
Product ranked 1st	Iron and unalloyed steel, clad	Iron and unalloyed steel, clad	Iron and unalloyed steel, clad	Iron and unalloyed steel, clad	Iron and unalloyed steel, clad	Iron and unalloyed steel, clad
Product ranked 2nd	Sugar	Iron and unalloyed steel, not clad	Iron and unalloyed steel, not clad	Corn	Corn	Corn
Product ranked 3rd	Copper, flat rolled	Copper, flat rolled	Machine parts, group 716	Raspberries, frozen	Raspberries, frozen	Semiconductors



	2006	2007	2008	2009	2010	2011
Product ranked 4th	Corn	Sugar	Raspberries, frozen	Tires	Tires	Tires
Product ranked 5th	Tires	Tires	Sugar	Socks	Copper, flat rolled	Raspberries, frozen
Total of above (000 USD)	884752.00	1032671.00	1307122.00	890310.00	1130178.00	1285336.00
% of total trade with the EU	23.97	20.92	21.95	19.88	20.13	18.93

Source: RZS data

These 5 most important products constituted around 20% of total Serbia's export to the EU (from 19% to 24% in specific years). This is a significant concentration in the products structure of Serbia's exports.

In the period from 2012, and especially since 2013, when SAA was in full application, we can observe that automobiles become star products in Serbia's export to the EU. Automobiles appeared as the third most important export product to the EU in 2012 and have since dominated our exports. There are three types of cars that are recorded:

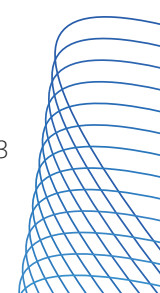
- Automobiles, diesel, up to 1500 cm³
- Automobiles, diesel, 1500-2500 cm³
- Automobiles, 1000-1500 cm³

This is a result of the operation of the Fiat Serbia factory that exports most of its production to Italy, to its parent company.

Table 2: Five most important products in Serbia's export to the EU, 2012-2016

	2012	2013	2014	2015	2016
Product ranked 1st	Corn	Automobiles, diesel, up to 1500 cm ³	Automobiles, diesel, up to 1500 cm ³	Automobiles, diesel, up to 1500 cm ³	Automobiles, diesel, up to 1500 cm ³
Product ranked 2nd	Semiconductors	Automobiles, diesel, 1500-2500 cm ³	Automobiles, diesel, 1500-2500 cm ³	Semiconductors	Semiconductors
Product ranked 3rd	Automobiles, diesel, up to 1500 cm ³	Semiconductors	Semiconductors	Automobiles, diesel, 1500-2500 cm ³	Corn
Product ranked 4th	Machine parts, group 716	Automobiles, 1000-1500 cm ³	Corn	Corn	Automobiles, 1000-1500 cm ³
Product ranked 5th	Sugar	Machine parts, group 716	Machine parts, group 716	Machine parts, group 716	Automobiles, diesel, 1500-2500 cm ³
Total of above (000 USD)	1293744.00	2013554.50	2235386.60	1792852.20	1934318.20
% of total trade with the EU	18.79	21.97	23.30	20.40	19.67

Source: RZS data



All of these products also constituted around 20% of total Serbia's export to the EU from 2012 to 2016. Export of all Fiat cars goes to Italy directly, and from there they are exported to the rest of the world.

We must conclude that SAA itself was not a major factor in the restructuring of Serbia's exports to the EU, since all the benefits, namely preferences in its trade relations with the EU, Serbia has been enjoying since 2003 due to ATM, and they were just reconfirmed with the signing of SAA. But an important factor is that SAA creates contractual bilateral relations between Serbia and EU, thus increasing legal certainty in foreign trade, since ATM were unilateral measures implemented by the EU that could have been revoked unilaterally at any time.

The larger effects of the implementation of the SAA can be observed on the import side, so we will also analyse the structure of Serbia's imports from the EU for 5 most important products. SAA has been applied from 2009 and the big change was the opening of the Serbian market to products from the EU. The full application of SAA was possible from 2014. It must be noted that the biggest reduction in customs tariffs of Serbia came after unilateral opening of the FRY market in 2002, when Federal Government abolished most of the tariffs.

As we can observe in table 3, the most important import products from the EU for Serbia are gas oils and other light oils, from the group of energy products, but also automobiles, medicines and refined copper. Serbia is a big importer of automobiles from the EU and these are the cars with larger motor volumes, above 1500 cm³.

Table 3: Five most important products in Serbia's imports to the EU, 2006-2011

	2006	2007	2008	2009	2010	2011
Product ranked 1st	Gas oils	Gas oils	Gas oils	Automobiles, diesel, 1500-2500 cm ³	Gas oils	Gas oils
Product ranked 2nd	Automobiles, diesel, 1500-2500 cm ³	Refined copper	Automobiles, diesel, 1500-2500 cm ³	Medicines for retail	Medicines for retail	Medicines for retail
Product ranked 3rd	Medicines for retail	Other light oils and other products	Other light oils and other products	Refined copper	Automobiles, diesel, 1500-2500 cm ³	Automobiles, diesel, 1500-2500 cm ³
Product ranked 4th	Automobiles, 1000-1500 cm ³	Automobiles, diesel, 1500-2500 cm ³	Refined copper	Iron and unalloyed steel, not clad	Refined copper	Refined copper
Product ranked 5th	Other light oils and other products	Electric energy	Medicines for retail	Automobiles, 1500-3000 cm ³	Other parts for motor vehicles	Automobiles, 1500-3000 cm ³
Total of above (000 USD)	721172.00	792391.00	954472.00	610241.00	1325020.00	610241.00
% of total trade with the EU	10.05	7.58	7.21	6.81	14.43	14.09

Source: RZS data.

Since 2012, the structure of five most important import products from the EU has changed for Serbia with the appearance of new type of products – Other parts for motor vehicles and unclassified goods. Unclassified goods are a statistical tool for recording of goods that come through customs warehouses of free zones and can include all sort of products, making product classification imprecise. Other products that are present in the top five import products from the EU,

such as medicines, automobiles and gas oils are still present and dominate Serbia's imports. But in this period from 2012 to 2016, the share of the first five products in total EU imports is much larger, more than 20%, while this share in the period 2006-2011 ranged between 6-14%. But before we make any assumption on the product diversification of Serbia's imports from the EU, we must bear in mind that the statistical category of "unclassified goods" only appears in the period from 2012 to 2016, since it was not defined as a separate category before 2012.

Table 4: Five most important products in Serbia's imports from the EU, 2012-2016.

	2012	2013	2014	2015	2016
Product ranked 1st	Unclassified goods	Other parts for motor vehicles	Other parts for motor vehicles	Unclassified goods	Unclassified goods
Product ranked 2nd	Gas oils	Unclassified goods	Unclassified goods	Other parts for motor vehicles	Other parts for motor vehicles
Product ranked 3rd	Medicines for retail	Medicines for retail	Medicines for retail	Medicines for retail	Automobiles, diesel, 1500-2500 cm ³
Product ranked 4th	Other parts for motor vehicles	Gas oils	Gas oils	Automobiles, diesel, 1500-2500 cm ³	Medicines for retail
Product ranked 5th	Automobiles, diesel, 1500-2500 cm ³	Automobiles, diesel, 1500-2500 cm ³	Automobiles, diesel, 1500-2500 cm ³	Gas oils	Gas oils
Total of above (000 USD)	2479292.00	3593819.30	3450168.80	3013847.40	3424003.40
% of total trade with the EU	21.50	28.24	26.56	26.52	28.18

Source: RZS data.

The category Other parts for motor vehicles is closely connected with the operation of FIAT factory in Serbia, since many parts come from abroad and make Serbian factory a part of the global production chain. This intra-firm trade between Serbian facility and its parent company in Italy is made possible by the reduction in export and import barriers in trade with the EU. In table 5 we presented some of the trade flows connected to automobiles trade of Serbia with the EU, observing just five top products each year, for the period 2013-2016. We can see that Serbia has a significant export of automobiles to the EU, above one billion USD each year except in 2015. Import of automobiles in that period, those significant flows that make the top five import products from the EU, were rising from 251 million USD in 2013 to 401 million USD in 2016 and this is a direct result of the SAA.

Table 5: Automobile trade in Serbia in top 5 products in trade for period 2013 to 2016, USD

	2013	2014	2015	2016
Automobiles exports	1,365,314,700	1,169,772,600	860,991,100	1,085,514,400
Automobiles part imports	1,488,916,600	1,283,742,600	931,597,300	837,704,900
Automobiles imports	251,720,800	287,302,900	304,804,700	401,856,900

Source: RZS data.

We can observe that even if Serbia is a net exporter of automobiles to the EU, since exports in 2016 were around 1 billion USD and imports around 401 million USD, this export is not that significant if we observe value-added trade and deduct import of automobile parts, which amounted to around 840 million USD in 2016. In 2016, if we observe automobile trade flows in just top 5 trade products, we can see similar tendencies. Export of automobiles was 1,085,514,400 USD, while import of automobile parts was 837,704,900 USD, and import of cars was 401,856,900 USD.

However, this is the situation for just five most important products in exports and imports of Serbia. Let us research in detail the Serbian automobiles trade in the last years. We have obtained data from the RZS Statistical Yearbook of the Republic of Serbia for 2016.

Table 6: Automobile trade in Serbia in the period from 2013 to 2015, 000 USD

Exports			Imports			
2013	2014	2015	2013	2014	2015	
1946451	1780226	1300533	265142	304744	320412	Motor cars, diesel or semi-diesel, of a cylinder capacity exceeding
1306693	1379166	1011831	101175	100820	93372	1500 cm ³ but not 2500cm ³
353174	182454	88002	44540	63249	66134	Germany
98499	68300	60812	29131	33665	36055	Hungary
35122	28751	19501	26026	34293	34730	France
35580	11239	18501	507	5548	22277	Czech Republic
117384	110316	101888	14839	15220	14651	Republic of Croatia
			651	633	13074	Italy
			6531	6855	8329	Romania
			10686	8330	8141	Japan
			31056	36131	23649	Republic of Slovenia
						Other countries
148756	182973	185047	1568608	1356019	995221	Other parts and accessories of the motor vehicles
24905	49171	52396	745302	592755	418563	Italy
26611	34068	25990	362955	335889	243978	Poland
20680	12923	17661	65417	71789	56121	Romania
10570	13831	17391	77468	73725	55213	Germany
9719	13516	15757	49012	51065	35876	Czech Republic
56270	59463	55854	46624	42596	31886	Turkey, Republic of
			36569	34314	22838	Hungary
			185261	153886	130746	Other countries

Source: RZS, Statistical Yearbook of the Republic of Serbia 2016.

We can observe that Serbia has significantly raised its automobiles exports from 2013. This is due to the FDI into renewed automobiles plant in Kragujevac owned by Fiat Serbia. The automobiles export reached nearly 2 billion USD in 2013 and most of that export, around 67%, went to Italy to the FIAT parent company and from there they were distributed around the world. Around 75% of automobiles exports went to the EU countries, including Italy. In the second place was the USA as an export destination for automobiles exported from Serbia. In the following years, automobile exports were 1.7 billion USA in 2014 and 1.3 billion USD in 2015. Even if this is a significant fall compared to 2013, we must admit that automobiles export had reached a significant rise in this period that affected the decrease of Serbia's trade deficit with the world. But Serbia also imported cars in this period and made automobiles trade intra-industry type of trade. The import of automobiles reached 320 million USD in 2015, which made Serbia a net exporter of cars.

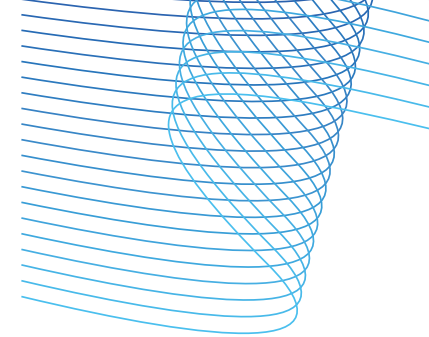


Table 7: Automobile trade in Serbia in the period from 2013 to 2015, 000 USD

	2013	2014	2015
Automobiles exports (1)	1,946,451	1,780,226	1,300,533
Automobiles imports (2)	265,142	304,744	320,412
Net exports of Automobiles (1-2)	1,681,309	1,475,482	980,121
Automobiles parts exports (3)	148,756	182,973	185,047
Automobiles parts imports (4)	1,568,608	1,356,019	995,221
Net exports of auto parts (3-4)	-1,419,852	-1,173,046	-810,174
Value-added automobiles exports (1-4)	377,843	424,207	305,312

Source: Author calculations based on RZS data.

Operation of FIAT automobiles Serbia attracted a lot of subcontracting firms that produce parts for FIAT and they started operating in Serbia. Part of their production is also exported from Serbia, around 180 million USD annually. But Serbia also imported a lot more automobile parts needed in the FIAT production, which made Serbia a net importer of automobile parts.

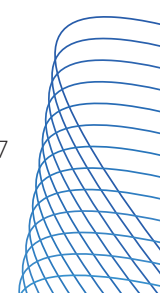
Contemplating about the benefits of this increased automobile exports, we must apply the concept of value added trade, deducting automobile part imports¹⁶² from automobile exports we see that the net export of automobiles from Serbia was only around 305 million USD in 2016. Or to put it in another terms, Serbia automobiles export contains a lot of foreign content.

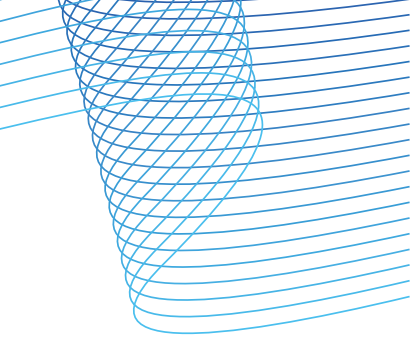
Chapter 3 – Agriculture

Agriculture in the Republic of Serbia is an economic sector with great potentials based on its resources, tradition of dealing with this branch of economy, favorable climate and excellent geostrategic position of the country, but also, with even greater expectations of the general public. The public expectations are grounded on the fact that agriculture has a high share in gross domestic product, total exports of the country, labour force, as well as natural, processing and human potentials, which are indisputable. In addition, there is a widespread viewpoint that this sector represents a logical choice for the economy, such as the economy of Serbia. In confirmation of the thesis that agriculture should take an even more important place in the overall economy of the country, the integration of the Republic of Serbia into the European Union is set as one of the main foreign policy priorities of the country. In this context, the Stabilization and Association Agreement with the EU is welcomed by a large part of the public and private sector of the country's agro-food industry. Nevertheless, a certain part of the people engaged in this field of economy sees this Agreement with insecurity in relation to its positive effects on the agriculture of Serbia.

Accession to the European Union, in the sense of reforms that the country has to accomplish in order to successfully integrate into this complex system, will be a major challenge for everyone involved in the process of production, processing and placement of food, but also in a broader sense, for those who have direct and indirect links with this sector. The regulation of systemic issues in agriculture in a way that is adapted to Serbia, and which is also in line with the respective European legislation, will greatly affect the speed and quality of EU accession. Although the country has been in the process of accession for many years now, Serbia's major changes in the field of agriculture are yet to come.

¹⁶² This can include the importation of parts for other car dealers other than FIAT. But most of the parts are used in the production of FIAT cars in Serbia.





There is no doubt that out of all integration processes that Serbia has completed (membership in CEFTA, EFTA, as well as a series of bilateral trade agreements applied), or led to the final phase (WTO access), the most complex is the process of accession to the European Union – due to the volume and number of areas under negotiations, but also due to the expected volume of legislative and institutional changes in the existing system in the country. This is particularly true for the agro-food complex as one of the most strictly regulated areas within the EU, with almost half of the applicable legal acts in the Community relating to agriculture in a wider sense.

3.1 Important moments for agriculture in the relationship between Serbia and the EU in the period 2001-2016

In the observed period, free access to the European Union market for agro-food products originating in Serbia was achieved through the so-called Autonomous Trade Measures (ATMs) at the end of 2000, which marks the beginning of positive changes in agricultural exports of the country. Unrestricted access to the EU market (except for just a few products that are under quota regime – beef, sugar and wine) has enabled the launch of larger exports from Serbia to this market, which takes a positive trend from that moment onward, leading up to a positive foreign trade balance in favour of Serbia in 2005 for the first time.

Probably the most important foreign policy moment in our country in the observed period, and of direct importance for agriculture, is the implementation of the Stabilization and Association Agreement (SAA) or the European Union (SAA). During the six-year transition period, trade in agricultural and food products with the European Union had been liberalized in a very high percentage. For the primary agricultural products (the so-called AGRI), the last year of the transition period was 2014, whereas for processed agricultural products (so called PAPs) and for the concessions given for products from the category of fisheries this was 2013. The average import protection of agro-food products imported from the European Union to Serbia was reduced up to 8 times in average – from the initial 23.2% at the time of the start of implementation, the SAA was lowered at the end of the transition period to only 2.8%. Measured according to the average volume of imports, 75% of the trade in the field of agriculture is completely liberalized. About 15% of the customs duty was reduced by 10% or even 20% of the valid MFN customs duty, and for 12% of the trade MFN customs duties were retained also after the expiration of the transitional period (sunflower refined oil, sugar, tobacco and cigarettes).

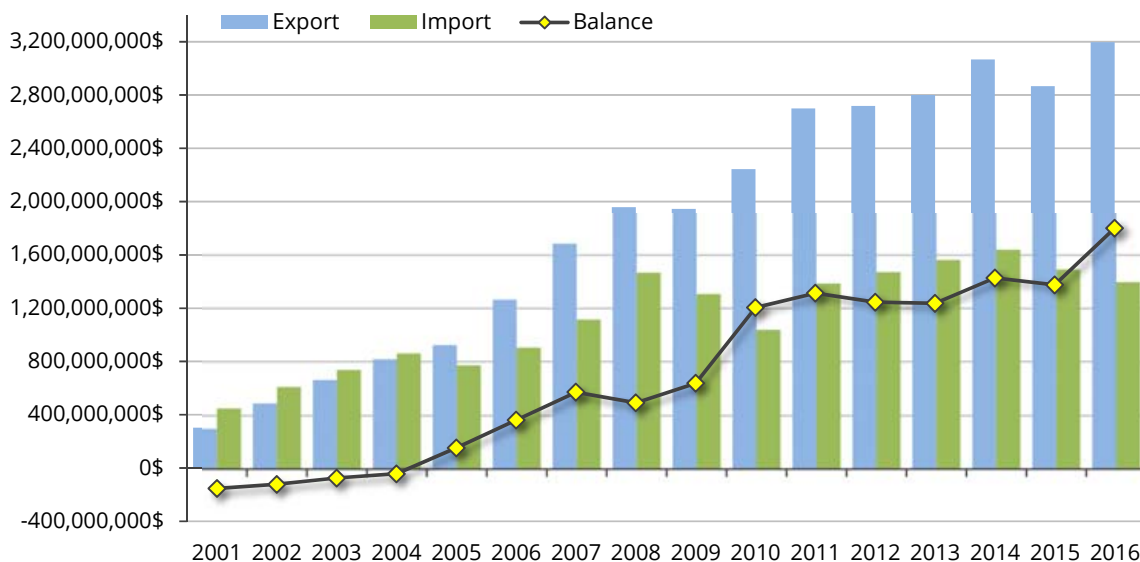
The next important moment on the European path of the Republic of Serbia agriculture was the acquisition of the EU candidate status in March 2012. By transitioning from the group of “potential candidates” to the group of “candidates for membership” Serbia had fulfilled the formal assumptions for the start of the so-called national accreditations for the use of EU pre-accession funds for agriculture and rural development (commonly known as IPARD – Instrument for Pre-Accession for Rural Development). A sum of EUR 25 million a year (on average) for agriculture and rural development will be distributed by the Ministry of Agriculture of the Republic of Serbia through various support programs, where the measures of so-called investment support to agriculture have a dominant participation. However, although Serbia became a candidate for the EU in March 2012, IPARD funds could be used only in the beginning of 2018, therefore, work on better utilization of pre-accession funds is an imperative in the next period.



3.2 Trade of the Republic of Serbia in agro-food products

The volume of foreign trade in agricultural and food products of the Republic of Serbia registered a constant growth in the observed period. In the period from 2001 to 2016, the total trade volume in the field of agriculture increased six times. Certainly, a very positive fact is that exports grew faster than imports in the stated period, so exports increased by more than 10 times (10.6 times) and imports three times. However, the positive foreign trade surplus in the exchange of agricultural and food products was realized in 2005 for the first time (USD 152 million or EUR 122.5 million), and since then it is growing continuously.

Chart 10: Serbia's foreign agricultural trade 2001-2016



Source: Statistical Office of the Republic of Serbia

In the same period, the volume of Serbia's agricultural food trade with the EU is growing faster than the volume of Serbia's trade with the whole world, i.e. seven times. Serbia's exports to the EU increased 18 times, while imports to Serbia increased 3.4 times. The surplus in the foreign trade exchange on the side of Serbia was already achieved in 2002 and amounted to USD 41.9 million (EUR 44.4 million), and since then it has been increasing steadily, up to USD 659.5 million (EUR 596.5 million) in 2016.

In 2011, Serbia achieved the largest positive balance in the foreign trade of agricultural and food products with the EU, amounting to USD 752 million (EUR 540.7 million). On the other hand, if we observe the agricultural trade of Serbia with the whole world (which includes the EU) then the record-high positive foreign trade balance was registered in 2016, amounting to USD 1,800 million (EUR 1,627 million).

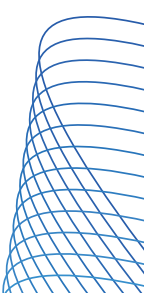
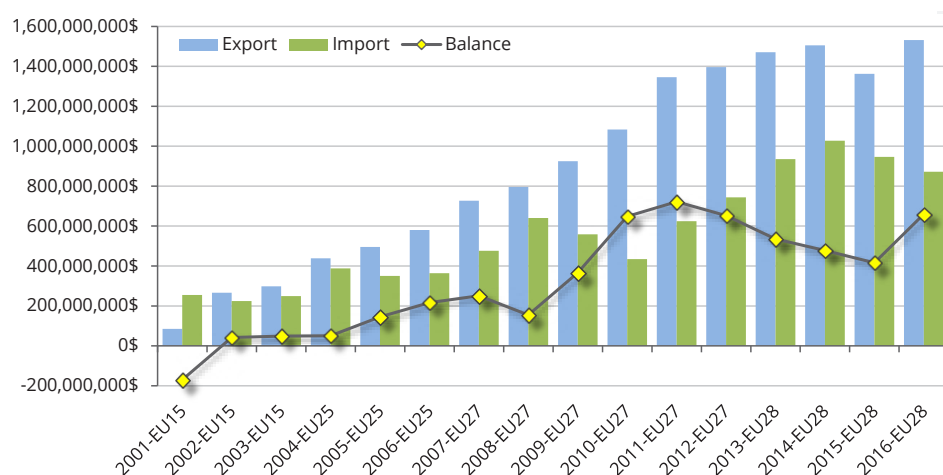


Chart 11: Serbia's agricultural trade with the EU 2001-2016



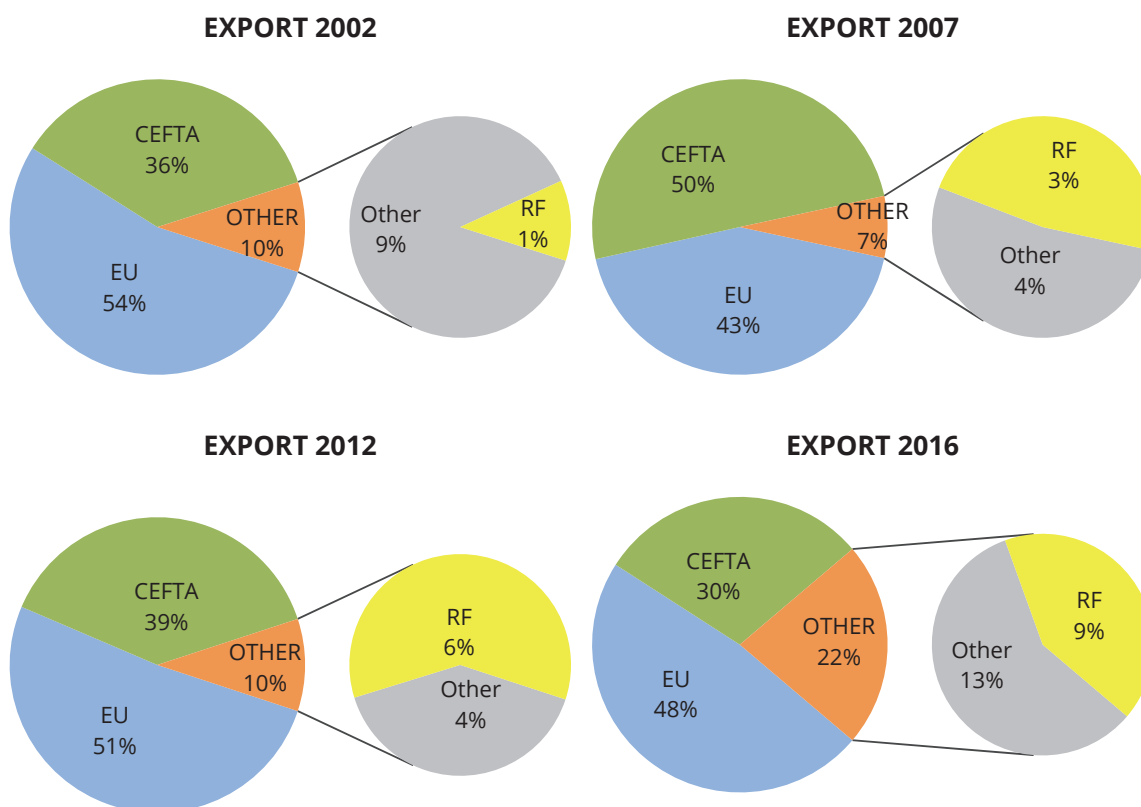
Source: Statistical Office of the Republic of Serbia

Mutual introduction of trade sanctions between the Russian Federation and the EU in 2014, with the establishment of the Free Trade Agreement between Serbia and the Russian Federation, contributed to the Russian market becoming more and more interesting for Serbian exporters in recent years. Especially since the introduction of sanctions, there was a significant increase in Serbia's exports of agricultural products to the Russian market, which is one of the reasons for reducing the surplus with the EU and increasing the surplus in the overall foreign trade of Serbia.

However, traditionally, the export of agro-food products from the Republic of Serbia is directed mostly to the two main markets – the European Union and the members of the CEFTA agreement. Bearing in mind the proximity of these markets, i.e. the fact that Serbia borders with both the EU and CEFTA members, as well as the historical commitment to economic cooperation with the countries from this region, and the existence of free trade agreements, such an export orientation for the country's agriculture is completely logical. An additional argument is the nature of agro-food products, which is suitable for the regional trade (especially given the structure of domestic exports).

Observed by trade directions, i.e. according to relevant markets, in 2016, almost half (47.9%) of total export of agro-food products of Serbia was directed towards the European Union market, then to the CEFTA region market (29.7% of exports), while the remaining 22.4% of the total export value was exported to the markets of all other countries. In the same year, imports from the European Union amounted to 62.4%, while the imports from CEFTA accounted for only 11.9%. Imports from all other markets amounted to 25.7% of total imports. Nevertheless, it is interesting that, regardless of the further EU enlargements in the observed period (2004, 2007 and 2013), the relative share of agricultural exports from Serbia to this market is stagnating and even declining. Namely, in 2002, the EU absorbed 54% of Serbia's exports, in 2005 this share was 56.4%, in 2009 it was 47.31%, 49.1% in 2014, and in 2016 the share of the EU was 47.9%.

Chart 12: Structure of Serbia's agricultural exports, selected years



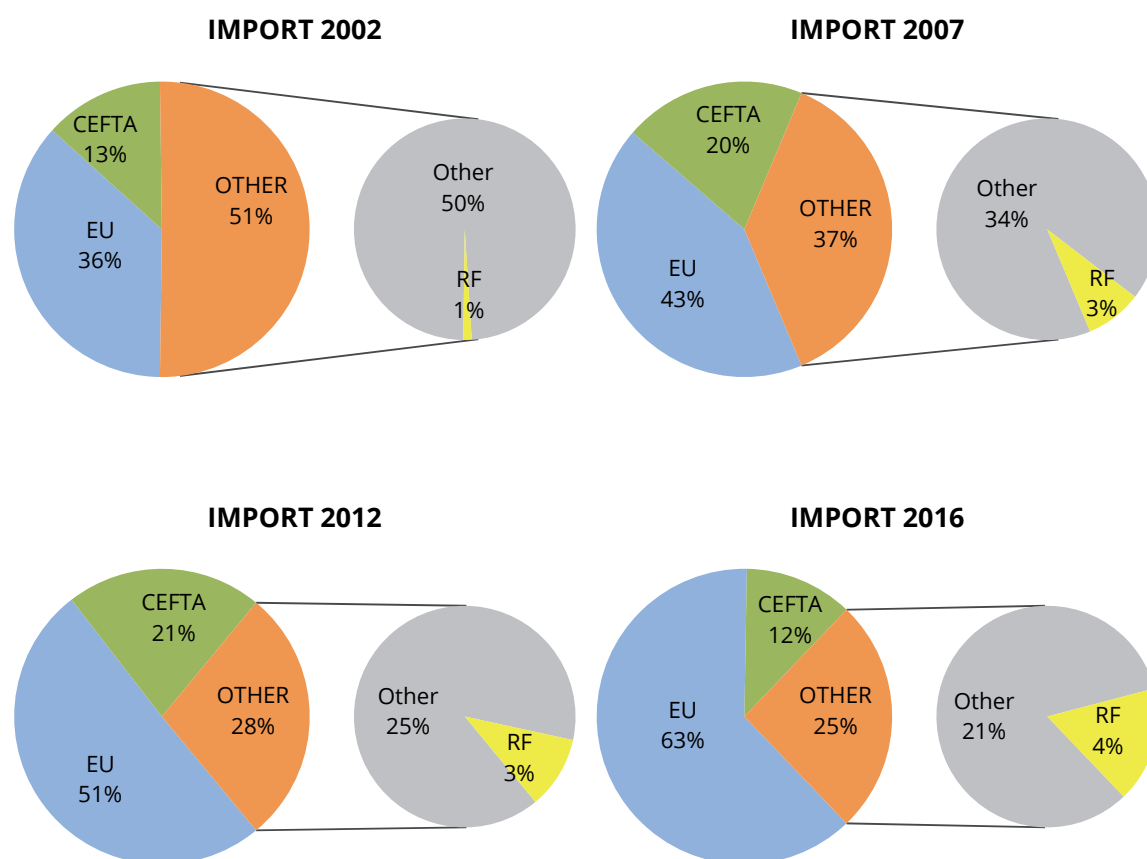
Source: Statistical Office of the Republic of Serbia

Although export to the European Union has an upward trend, reaching a maximum value of USD 1,531 million in 2016 (which is close to the 2013 and 2014 levels), it seems that export is slowing down and stagnating. In the last five-year period (2011-2016), export was more or less stable and ranged from USD 1,346 to USD 1,531 million. In the following years, it remains to be seen whether Serbia's agricultural exports have achieved their maximum capacity in the EU market currently, or whether growth trends would continue.

If we do not observe the final (record-high 2016) export year, but we take a more representative year from this period instead (e.g. 2014) and analyze the structure of exports by countries within the European Union, we can see that the majority of exports was made to the market of Romania (25.1%, mainly corn¹⁶³), Germany (15.1), Italy (11%), Croatia (7.8%) and Austria (6.2%). Imports of agro-food products from the European Union to Serbia in the same year show that most of the imports came from Germany (14.2%), Croatia (10.6%), Italy (10.5%), Hungary (10%) and Poland (6.9%). Serbia had the highest surplus in the exchange of agricultural products with Romania, Germany, Italy and France, while in exchange with Spain, Poland, Croatia and Hungary, a significant deficit was recorded.

¹⁶³ Most of the corn exports from Serbia take place by ship transport, via Danube to the port of Constanta in Romania, and this export is recorded as exports to Romania, although these goods are most often exported to the further markets of the Middle East and North Africa.

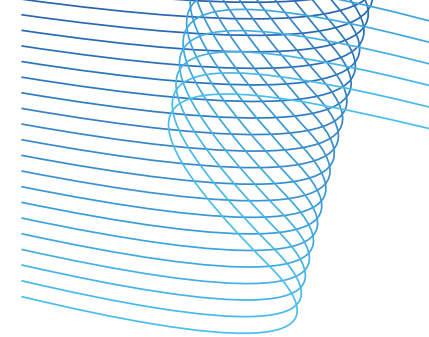
Chart 13: Structure of Serbia's agricultural imports, selected years



Source: Statistical Office of the Republic of Serbia

The primary agricultural products (raw materials) dominate in the export of Serbian agriculture and fisheries products to the European Union, with about 87% share in 2014, which is about 3% less than in 2013, and 8% less than the five-year average. The primary agricultural products also accounted for the largest share of imports, however, at a significantly lower level compared to the share of exports, i.e. 65%. During 2014, there was an increase in exports of processed agricultural products, with a higher realized value of their export by 39% in relation to 2013, while the share of these products in foreign exchange increased from 10% in 2013 to 12% in 2014 (five-year average was 6%). The share of these products in imports, unlike exports, increased in 2014, and it amounted to 31.4%.

The rising prices of grains in the world market, the preferential approach for domestic agricultural products to the main world markets, with the traditional orientation to this branch of production (especially in the northern parts of the country), and the lack of budgetary resources to support other branches of agricultural production more strongly (primarily cattle breeding as a generator of the development of the whole agriculture) caused a deterioration in the export structure of agro-food products. This is also confirmed by the fact that primary agricultural products accounted for as much as 78% in the total export of agro-food products in the period 2010-2014. On the other hand, the share of processed agricultural products in total agro-food exports was reduced to 21.5% (in the previous years it was 25% or more), while the share of fish and fishery products in exports was below 1%.



In addition to the positive trends reflected in the growth of exports, as well as the constant increase in the surplus of Serbia in the foreign trade of agro-food products, there are also missed opportunities in the observed period. Unused tariff quotas allocated to Serbia through the SAA is one of them. Namely, neither the annual quota for beef meat (the so-called baby beef), nor the wine export quotas were fully utilized in the observed period. The reasons lie in the structural problems of Serbian agriculture, characterized by unstable agrarian politics, unfavourable conditions for financing long-time production, loss of traditional markets due to country's isolation in the 90s, disappearance of state organizers of production and large integrated agricultural state-owned companies from the market, etc. On the other hand, the annual sugar quota has been fully utilized, which resulted in the timely privatization of this part of the country's agricultural and food complex.

Failure to use IPARD funds is certainly another missed opportunity for the domestic agribusiness sector. The EU grants, adding to the amount of contribution from the beneficiaries and the national budget, would be a significant stimulus to the development of the competitiveness of this sector of the economy. In addition, the non-utilization of IPARD funds in the observed period represents a loss for the national administration and harmonization of the fund allocation procedures with EU principles mandatory for all member states.

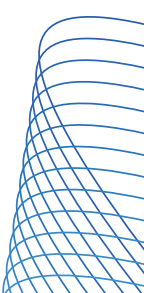
However, the area of agro-food products in foreign trade of the Republic of Serbia can be characterized as a dynamic sector with positive trends. In addition to the negative aspects embodied in the structure of exports/imports, great dependence on weather conditions and great orientation to only two regional markets (EU and CEFTA), this segment of total foreign trade has a great potential for further growth, in both directions of exchange.

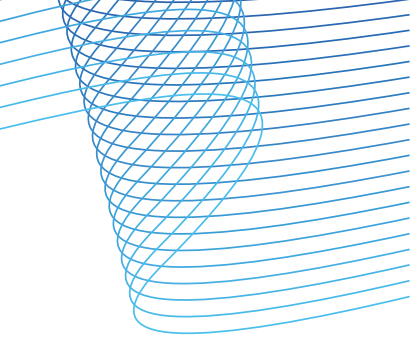
BOX 1: Agricultural trade with the Russian Federation – a missed opportunity?

The Republic of Serbia has been / is a signatory of a number of bilateral trade agreements of relatively limited importance for its total trade in agricultural products. Some of these agreements have gradually turned into regional ones, as is the case with the Free Trade Agreement with the Russian Federation, which now applies to the Customs Union Russia, Belarus and Kazakhstan. Thus, duty-free access to products from Serbia has been extended to Kazakhstan and Belarus, in addition to Russia. Among a number of bilateral agreements that Serbia is a signatory to, the treaty with the Russian Federation stands out in its importance. The free trade agreement between the Republic of Serbia and the Russian Federation was signed in August 2000, and ratified in May 2001 (by the Republic of Serbia).¹ The concessions provided for in this agreement are asymmetrical in favor of the Russian Federation. Imports of agro-food products to Serbia were completely liberalized, while the Russian side maintained customs protection for the import of certain agro-food products into its market (poultry, sparkling wine, cognac, alcohol, sugar, cigarettes). This agreement was amended in early 2009 (valid since April 2009) by expanding the list of products for duty-free imports into Russia: sausages, sugar products (including white chocolate), chocolate and other food products containing cocoa, apple juice, beer and other wine from fresh grapes.

The market of the Russian Federation is distinguished as highly important, from the aspect of agriculture and total agricultural trade of Serbia. Over time, this market has emerged as the most important national market of a single country with which Serbia has a free trade agreement, regulating their mutual trade in the field of agricultural products (excluding EU and CEFTA, which gather a number of countries). Since 2001, i.e. the implementation of the

1 "Law on the Confirmation of the Agreement between the Federal Republic of Yugoslavia and the Government of the Russian Federation on Free Trade between the Federal Republic of Yugoslavia and the Russian Federation", *Official Gazette of the FRY - International Treaties*, No. 1/2001.





Free Trade Agreement between the two countries,² external trade in agricultural products has recorded an obvious growth. There is a significant increase in trade volume after 2006, with a constant surplus on the side of Serbia, which was evidently increasing. The surplus, in particular, recorded a sharp jump in 2014 when it reached a value of USD 312 million. In the first year of implementation of the Free Trade Agreement (2001), Serbia's export amounted to just USD 6.17 million, whereas in 2016 it reached USD 298.56 million. This way, the market of the Russian Federation is distinguished by a significant value of exports with respect to the Serbian agriculture, and an obvious indicator thereof is the share of exports to Russia, compared to the total exports of Serbia to other markets (markets outside the EU and CEFTA) amounting to 42%. In 2014, when EU/Russia sanctions were established, Serbia exported as much as 58% of agricultural exports to Russia, out of the exports intended for the markets outside of EU and CEFTA.

Export to Russia in the observed period is growing at a significant rate, while export to other markets is stagnating, therefore, it is expected that Russia will continue to play a very important role in Serbia's agricultural exports. On the other hand, Russia's import did not record nearly as much growth, increasing from USD 4.64 million (2001) to USD 60.91 million in 2016. In the observed period, exports to Russia increased 50 times, while imports increased "only" 13 times. However, it is important to note that at the time of the implementation of the Agreement (2001) bilateral trade in agricultural products was very low and amounted to less than USD 11 million. Nevertheless, it is important to emphasize that, although the trends in the export of agricultural products from Serbia to Russia are very good, the Russian Federation market absorbs only 9% of total agricultural exports.

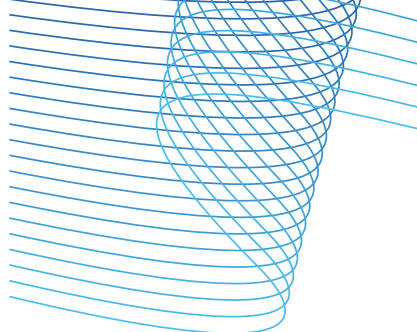
Unlike the general picture of the foreign trade of the Republic of Serbia, where the dominant products are clearly distinguished according to the value of trading (and especially on the export side), it is not possible to identify similar trends in the trade between the Republic of Serbia and the Russian Federation. There are no more constant products that would be distinguished by the value of imports or exports, but it could still be said that apples are the main agricultural product in Serbia's exports to the Russian Federation year after year. In addition, significant Serbian export products are soft cheese, sour cherries and cherries, plums, strawberries, seed corn, etc. Imports from Russia are dominated by cigarettes and tobacco. The situation changed in 2014, and it is completely obvious that the trade sanctions between Russia and the EU are a direct cause to a large extent. Export of pork to the Russian Federation skyrocketed during 2014, and especially since the imposing of sanctions (early August), and pork came second by the value of exports, immediately after apples, with USD 46.78 million. A similar but notably milder trend is also observed in the export of soft cheese from Serbia to Russia in the same period.

Trade data clearly show the time coincidence between meat exports growth from Serbia to Russia and trade sanctions introduced by Russia to a group of countries, including EU, at the beginning of August 2014.³ It is also interesting that most meat exported from Serbia to this market was pork. However, it is important to note that the trend of pork export growth had also been recorded before 2014, largely due to the restrictions imposed by Russia on the EU, upon the occurrence of African Swine Fever, but in August, September and most of October 2014, a sharp increase in the export of pig meat was recorded.

At the time when the Russian Federation imposed trade sanctions on a group of countries, including the Serbia's largest foreign trade partner (European Union), the prevailing attitude in Serbia expressed by representatives of the Government, scientific and professional associations and the economy was that this is "a huge, historical, never recorded before..." opportuni-

2 During that period, the Republic of Serbia was a member of the Federal Republic of Yugoslavia, together with Montenegro.

3 The ban was made on August 6, 2014, and its duration was initially planned for a period of one year and it refers to products in the category of fruits, vegetables, meat and milk, as well as fishery products.



ty to increase the volume of exports of goods from Serbia to Russia. These claims were especially related to the export of agricultural and food products originating in Serbia, which were believed to be competitive in the Russian Federation market under normal circumstances, and even more so in the new situation, with the imposed trade sanctions against regular suppliers of this market. However, the explosion of exports from the category of meat and milk was not long-lasting, and things have already returned to the previous situation in the first half of 2015, i.e. the export of modest quantities of products from these categories. Several factors have contributed to this, among which the most important ones are: the devaluation of the Russian ruble, entry of global players from the pork production field into the Russian market (Brazil and China) and the inability to transport pork across the EU territory due to the unresolved status of swine fever in Serbia. As early as 2015, the value of pork exports to Russia drops to 22.69 million (from 46.78 million in 2014) and cheese to 17.9 million (from 22.01 million in 2014). Next, in 2016, cheese continues to keep the value on the Russian market (19.3 million), but pork from Serbia is no longer in the top 10 products for export to Russia.

3.3 Agricultural Policy of the Republic of Serbia in the period 2001-2016

Policy of the Republic of Serbia in the field of agro-food production in the period 2000-2016 was marked by frequent changes, periodic dedication of greater political attention to certain sectors of agriculture, i.e. to users of the agricultural budget, as well as very frequent changes in the level of total budgetary allocation of the state for the promotion of agriculture and rural development.

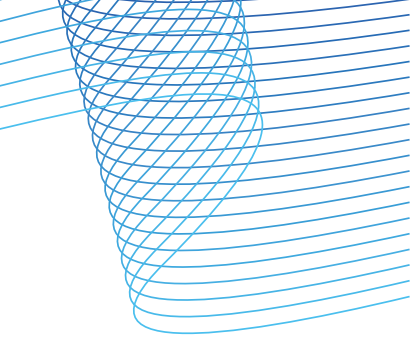
The concept of agrarian policy was applied in the period from 2000 to 2003, which was essentially oriented to prices and focused on selected agricultural products, i.e. crops. Measures based on prices were implemented in the sectors of industrial crops, wheat and milk production, with the primary goal of simply increasing the physical volume of production, rather than qualitative improvement.

The period from 2004 to 2006 is characterized by the modification of agrarian policy towards investment forms of budget support for the development of agricultural production and the elimination, or reduction, both of measures and of the level of price support. During this period, the work on the institutional arrangement of the sector is obvious, resulting in the adoption of a package of systemic laws that further regulate this area.

Since 2007, a system of support for agricultural production has been applied through direct payments per hectare of arable land, irrespective of the production and yield realized. Direct payments per head of livestock are introduced, while simultaneously reducing the price support to agricultural milk production, as well as the investment support in general. In addition, a number of legal acts in the field of agriculture and food safety are adopted.

The policy of direct payments per hectare and per head of livestock, as well as the price support for milk production, which absorb most of the country's agricultural budget, has continued in the period after 2012 to date. Also, budget allocations for investment support to agriculture, i.e. development of competitiveness, are still insufficient. It is important to note that in 2014 there was a significant reduction in payment per hectare (three times), as well as a reduction in the maximum supported area per user (five times), but nevertheless, these three measures continue to absorb most of the country's agricultural budget.

In the observed period, the level of funds from the national budget allocated for the purpose of stimulating agriculture (agrarian budget) varied considerably, until finally stabilizing at around 4% of the national budget. Although in relative terms, this represents a significant



allocation to support agriculture, however, if we look at the absolute amount, it is about EUR 300 million directed through different agrarian / rural policy measures and represents a very modest sum, compared to the overall needs of this sector of the economy. The lack of budgetary funds for supporting agriculture was often the reason for introducing restrictions on the right to incentives, minimum and maximum incentives, and the application of certain measures of agrarian / rural policy.

Frequent changes in the applied concepts of the agrarian policy of the country, with the restriction of the right to incentives and exclusion of certain groups of beneficiaries (legal entities) from the system of state support to agriculture, followed by insufficient budgetary allocations for the promotion of agriculture and rural development, as well as the non-harmonized legislative framework in this sector with EU acquisitions in this area, made it impossible to use the potential of agriculture in a higher degree. Structural reforms of the sector have not been completed and the business climate for dealing with agriculture has not been improved to the level that would make this area of economy attractive enough for some more noteworthy investments that would match this field's opportunities.

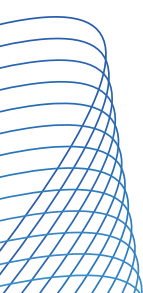
3.4 Ways forward?

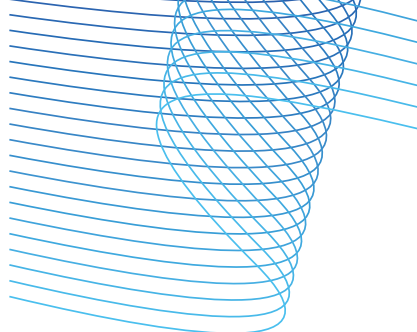
The coming period in Serbia's agriculture will bring about the continuation and completion of the integration processes, the country is involved in, followed by structural changes within the agricultural and food industry sector. Major changes can also be expected in the field of rural economy, i.e. issues related to agriculture in an indirect way. This process will be followed by demographic changes in the country, the outflow of labor from the agricultural production sector into non-agricultural activities, the strengthening of the productivity of agricultural production in different areas, and the concentration of resources engaged in production, their transfer from less to more productive users.

There are numerous challenges to find the answer in the years to come. In the period ahead, the national agricultural policy must achieve full compatibility with the EU Common Agricultural Policy, which is still not the case. This process implies the separation of the direct payments policy from the rural development policy (the so-called I and II pillars of the ZAP) with a significant strengthening of part of the budgetary funds defined for rural development of the country. In the previous period, this segment of the policy was insufficiently represented among state policy instruments, and much more attention should be paid to it in the future. In addition to the enormous needs arising from the growing differences in urban-rural relations, the reasons for strengthening this segment of national policy are changes and tendencies within the CAP. Rural development policy continues to grow stronger, and there is an obvious attempt of EU policy makers to strengthen competitiveness of agricultural production (through measures of investment support) in this way, but also to stimulate the development of rural areas and environmental protection.

National policy must also observe the obligations arising from the expected membership of Serbia in the World Trade Organization, in addition to the imperatives for harmonization with EU policy in this area. This means that they will no longer use measures which are illegal from the WTO viewpoint, such as export subsidies for agro-food products.

This policy instrument has been widely applied in previous years and will no longer be available to encourage agricultural exports. Also, price support measures for agriculture will be less and less present in the domestic practice of encouraging agriculture, as there is a limit of maximum 5% of the value of the specific production in the developed countries within the WTO. In that sense, it remains open whether some of the member states will demand that Serbia reduces the milk premium, since it currently accounts for about 23% of the value of production. The already achieved membership of the Republic of Serbia in multilateral and bilateral trade





agreements will not impose additional restrictions on the country's agrarian policy makers in addition to generally applicable international trade standards, such as refraining from applying the measures of restriction of imports and exports, introducing measures of a technical nature that constitute a non-tariff barrier to trade, etc. Important remarks are the imperative of amending the existing GMO Law (adopted in 2009) and its alignment with the rules and principles of the World Trade Organization in this field, as well as EU acquis (also from the aspect of the EU accession process).

From the standpoint of creating an adequate environment for business operations in agriculture, in the following period, it is very important to create, implement and monitor a national agricultural policy that will be stable, predictable and consistent in the long run, which was not the case so far. Only this way, the agro-food production sector can be provided with the necessary basis for long-term planning of production processes, which are very often multi-annual.

For the effective transformation of this sector of economy, successful completion of the privatization process in the field of agriculture is essential. Still, significant resources in the field of agriculture are engaged in a way that does not lead to the maximization of the use of very favourable land and some facilities under the control of entities undergoing privatization, in which the issue of ownership has not yet been resolved. The release of this potential, by ownership transformation towards more productive users than the existing ones, would significantly improve the performance of the country's agriculture and contribute to producing a higher total value.

Restitution is another issue that needs to be solved in the years to come in the process of preparing the country for EU integration. Significant land resources are used by entities/persons who are not original owners. The return of these areas to the market will enable their transfer to the most productive users and, therefore, to better overall performance of the agricultural sector.

From the aspect of the future budget allocation plan, with the aim of promoting the development of agriculture, the obvious imperative of increasing the competitiveness of agro-food production, resulting from the country's growing involvement in the global market, clearly indicates that investment support has to take a far greater place in the budget than it has done so far. Only by investing in all points of the process of production, processing and placement of agro-food products, accompanied by wide structural reforms of the agribusiness complex as a whole, the competitiveness of domestic agriculture can be improved considerably.

Finally, the further diversification of exports of agro-food products from Serbia remains an imperative. Namely, a significant (and growing) participation of exports to the Russian market is certainly a positive sign (at least partial sign) of the use of opportunities in this large market, but also a signal for further work by the private and public sector in opening new and using the already open markets better. The moment when Serbia becomes a member of the EU, the agreement with Russia (and all third countries outside the EU) will cease to apply, and Serbia will switch to the trade regime that the EU has with those countries. At that moment, the competitiveness of Serbian products on the Russian market will be jeopardized.

Chapter 4 – Foreign Direct Investments

The changes in the structure of the Serbian trade with the EU have not completely influenced only the trade regime between two economies (defined by ATM and SAA), but rather foreign direct investment (FDI) policies of Serbia and inflow of FDI from the EU member countries. The EU countries are not just the most important trade partners of Serbia but also the dominant investment partners. Most of the major top five investor partners by FDI inflow into Serbia are EU countries. The share of EU countries in the top 5 partners in FDI inflow for the period from 2010 to 2016 was rarely below 50%, and in some years it reached a nearly 90% share.

Table 8: Top five countries in FDI inflow in Serbia from 2010 to 2016, 000 EUR

Partner rank	2010	2011	2012	2013	2014	2015	2016
Partner ranked 1st	Russia, 216,218	Luxembourg, 885,040	Russia, 232,451	Russia, 379,753	Netherlands, 372,685	Netherlands, 361,698	Netherlands, 341,839
Partner ranked 2nd	Slovenia, 180,388	Austria, 613,192	Austria, 168,969	Austria, 189,705	Switzerland, 139,077	Austria, 352,470	Switzerland, 234,580
Partner ranked 3rd	Cyprus, 108,664	Russia, 488,499	Netherlands, 153,498	Luxembourg, 151,841	Austria, 119,231	Luxembourg, 172,305	Luxembourg, 232,947
Partner ranked 4th	France, 107,746	Netherlands, 215,499	Luxembourg, 134,520	France, 102,703	Italy, 101,130	Italy, 144,863	Austria, 232,424
Partner ranked 5th	Germany, 103,543	Germany, 198,723	France, 131,379	Switzerland, 99,341	Greece, 89,696	United Arab Emirates, 120,509	Germany, 179,561
Total of above	716,558	2,400,953	820,817	923,343	821,819	1,151,844	1,221,354
% of total FDI	56.05	67.74	81.37	59.65	54.77	54.48	57.42
% of FDI from EU in top 5	69.83	79.65	71.68	48.11	83.07	89.53	80.79

Source: NBS data

The most important investment partners of Serbia from a group of EU member states are Netherlands, Austria, Germany, Italy but also Luxembourg, Slovenia, France and Greece. Other important investment partners are Russia, Switzerland and United Arab Emirates. Russia was the number one investor in Serbia in 2010, 2012 and 2013.

We have presented the data on Serbia's investment partners in two distinct periods, since the change in methodology of presenting data on FDI according to IMF standards changed starting from 2010. National Bank of Serbia (NBS) warns that all of its data published before 2010 are not precise and in some areas misleading. Before 2010, data for investment economies were recorded according to the nationality of the bank that makes the transfer rather by the nationality of foreign investor. In table 9 we presented data for the period from 2005 to 2009 for illustration purposes.

Table 9: Top five countries in FDI inflow in Serbia from 2005 to 2009, 000 EUR

Partner rank	2005	2006	2007	2008	2009
Partner ranked 1st	Greece, 183,137	Norway, 1,296,061	Austria, 848,627	Netherlands, 336,711	Russia, 419,751
Partner ranked 2nd	Austria, 168,864	Greece, 672,010	Greece, 237,108	Italy, 333,665	Austria, 234,149
Partner ranked 3rd	Germany, 154,868	Germany, 645,37	Luxembourg, 185,226	Austria, 330,567	Netherlands, 172,627
Partner ranked 4th	Slovenia, 149,854	Austria, 409,815	Montenegro, 152,631	Croatia, 100,428	Italy, 167,386



Partner rank	2005	2006	2007	2008	2009
Partner ranked 5th	Luxembourg, 88,331	Hungary, 179,26	Italy, 111,504	Switzerland, 82,319	Switzerland, 62,883
Total of above	745,054	3,202,516	1,535,096	1,183,69	1,056,796
% of total FDI	59.59	96.39	84.31	64.88	77.00

Source: NBS data

In this period, apart from traditional investment partners that we listed above, we must observe the relevance of certain other partners such as Greece and even Hungary and Montenegro in one year. Most of the FDI had entered the sectors like banking and trade in the period 2010-2016, but in the recent years some other Serbian sectors have become attractive for FDI, such as construction, mining and light industry.

EU is the most important trade partner in exports and imports of Serbia. It has a dominant share of above 50% and in 2016 it accounted for 66% of Serbian exports and around 63% of Serbia's imports. Since EU is a single customs territory and it has its internal market, we examine it as a single partner in trade. But if we observe which member countries play the most significant role in trade with Serbia, we must point out Italy and Germany as dominant country partners of Serbia. In the observed period 2000-2016, Italy is the most important partner of Serbia, except in 2008-2009 and 2011-2012 when Germany takes over the lead. Germany is the number one partner of Serbia in its imports, except in 2013 when Italy was ranked first. Also, Germany is dominant as the second most important partner in export while Italy is important as the second most important partner in imports, in the whole observed period.

Table 10: Top five EU PARTNER COUNTRIES in Serbia's exports to the EU from 2010 to 2016, 000 USD

Partner rank	2010	2011	2012	2013	2014	2015	2016
Partner ranked 1st	Italy, 1118493.1	Germany, 1330705.7	Germany, 1310228.2	Italy, 2379329.7	Italy, 2576937.8	Italy, 2162973.6	Italy, 2168783.4
Partner ranked 2nd	Germany, 1008215.6	Italy, 1306210.3	Italy, 1198499.3	Germany, 1735103.9	Germany, 1773217.6	Germany, 1672587.9	Germany, 1940369.3
Partner ranked 3rd	Romania, 650721.6	Romania, 812528.7	Romania, 904409.8	Romania, 785508.1	Romania, 829987.4	Romania, 745626.6	Romania, 851608.4
Partner ranked 4th	Slovenia, 425897.5	Slovenia, 526117	Slovenia, 421556.2	Slovenia, 478508.7	Slovenia, 471160.8	Croatia, 443108.9	Croatia, 518772.1
Partner ranked 5th	Austria, 338417.4	Austria, 371640.2	Hungary, 315646.1	Croatia, 415833.8	Croatia, 458845	Slovenia, 416857.5	Slovenia, 474922.6
Total of above	3541745.20	4347201.90	4150339.60	5794284.20	6110148.60	5441154.50	5954455.80
% of total trade with the EU	63.08	64.01	60.28	63.22	63.69	61.90	60.56

Source: RZS

Apart from Italy and Germany, most important partners from the EU are Greece, Slovenia and Romania in exports, while Hungary, Slovenia, France and Austria play a major role in the imports of Serbia.

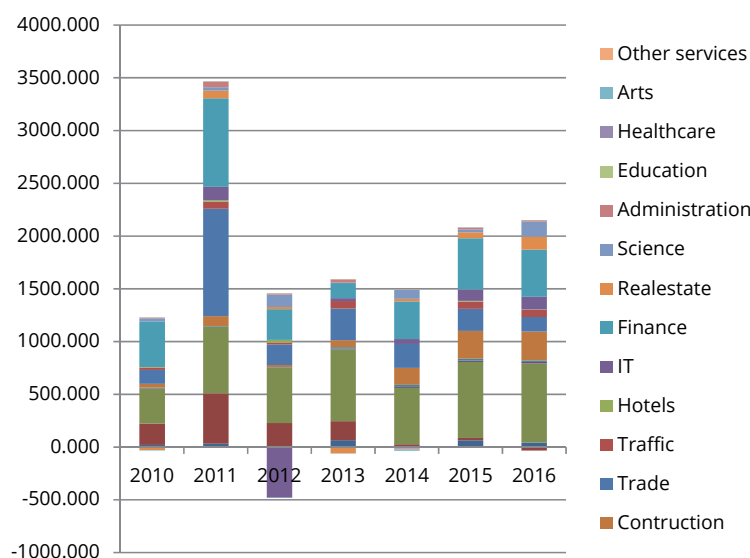
Table 11: Top five EU PARTNER COUNTRIES in Serbia's imports from the EU from 2010 to 2016, 000 USD

Partner rank	2010	2011	2012	2013	2014	2015	2016
Partner ranked 1st	Germany, 1731564.3	Germany, 2149789.9	Germany, 2058118.6	Italy, 2357556.8	Germany, 2425559.3	Germany, 2256268.7	Germany, 2425337.6
Partner ranked 2nd	Italy, 1389553.1	Italy, 1771444.3	Italy, 1825835.1	Germany, 2255775.9	Italy, 2302683	Italy, 1922449.3	Italy, 1957297.3
Partner ranked 3rd	Hungary, 788635.6	Hungary, 909693.2	Hungary, 935111.6	Hungary, 1014128.7	Hungary, 1017609	Hungary, 866919.2	Hungary, 876266.6
Partner ranked 4th	Romania, 593664.1	Romania, 883002.1	Romania, 817731.4	Poland, 972731.5	Poland, 983271.6	Poland, 761902.9	Poland, 824309.9
Partner ranked 5th	Bulgaria, 579688.8	Austria, 678032.3	Austria, 654394.8	Austria, 630696.2	Austria, 642577.2	Slovenia, 549151.3	Austria, 575646.4
Total of above	5083105.90	6391961.80	6291191.50	7230889.10	7371700.10	6356691.40	6658857.80
% of total trade with the EU	55.35	57.97	54.55	56.82	56.74	55.95	54.81

Source: RZS

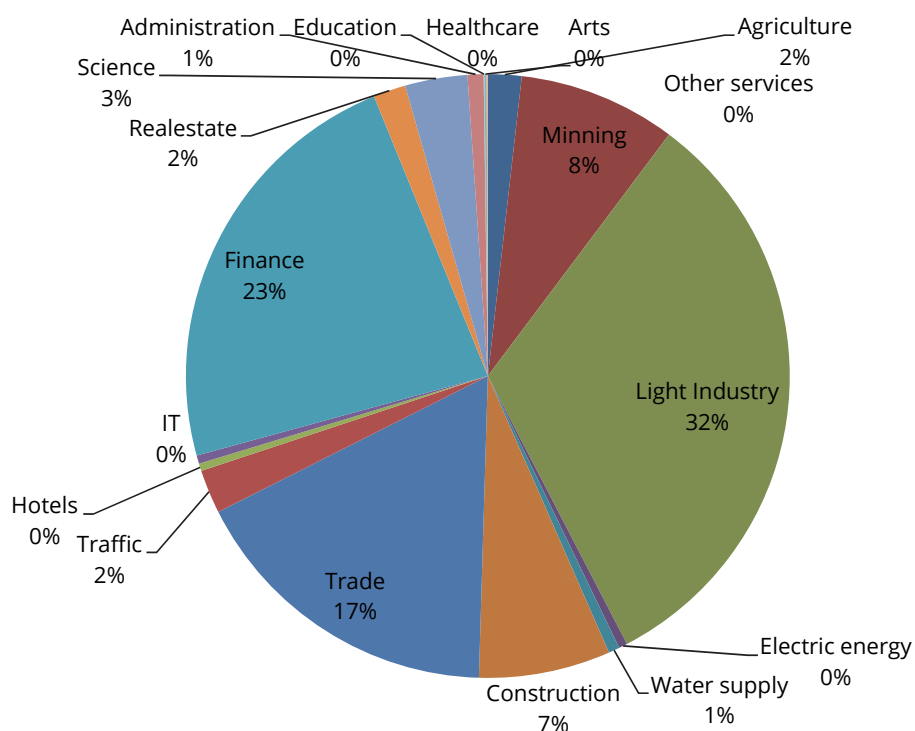
If we look at the sectoral structure of the FDI inflow in Serbia in the period 2010-2016, we can observe significant changes from year to year.

Chart 14: Sectoral structure of FDI inflows in Serbia, 2010-2016



Source: NBS

Chart 16: Sectoral structure of FDI inflows in Serbia, shares in the period 2010-2016 cummulative



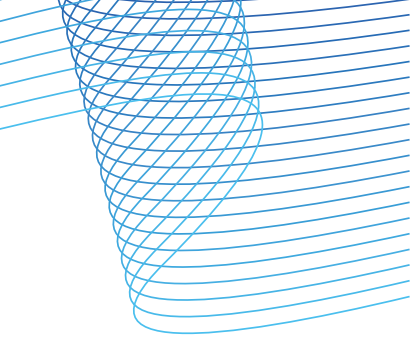
Source: NBS

Most of the FDI that entered Serbia in the period 2010-2016 went to the sector of light industry, while finance sector attracted 23% of FDI inflows in that period. Agriculture received 2% while mining received 8% of total FDI inflows in the period 2010-2016.

As we have already observed, EU member countries are also most important investment partners of Serbia. Since 2013, RZS publishes the data on Foreign Affiliates Trade Statistics (FATS) which indicate the influence of activities of foreign affiliates in the Serbian economy (inward FATS).

Table 12: Foreign Affiliates Trade Statistics for Serbia in 2015, number and mil. EUR

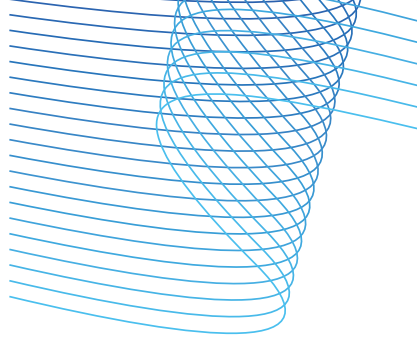
	Number of Affiliates	Number of employees	Turnover mil. EUR	Value of Production	Value-added
Serbia	2615	198732	23819.31	15810.40	4394.92
EU Members States, total	2022	156319	16509.43	10508.42	3109.10
Austria	234	12230	1935.65	1028.88	354.46
Belgium	26	9347	764.27	239.79	107.65
Bulgaria	80	3173	177.82	110.12	41.54
Great Britain	74	6359	993.91	776.28	159.59



	Number of Affiliates	Number of employees	Turnover mil. EUR	Value of Production	Value-added
Greece	66	2432	269.28	148.43	37.89
Denmark	20	1398	224.54	142.19	33.57
Italy	202	20398	1888.47	1790.20	337.51
Ireland	10	555	79.05	34.56	8.06
Cyprus	121	7554	1283.45	484.52	168.58
Luxembourg	28	1229	74.06	26.61	10.79
Hungary	91	3345	458.53	202.17	55.14
Germany	193	26298	1837.77	1322.71	490.17
Poland	21	1542	176.97	98.09	20.17
Romania	29	914	41.62	24.22	10.10
Slovakia	28	975	58.85	27.12	11.55
Slovenia	283	14109	1424.14	834.10	209.93
France	71	8165	882.96	744.79	256.42
Netherlands	137	12650	1836.90	1520.89	483.39
Croatia	222	16388	1770.98	755.20	232.75
Czech Republic	15	87	16.46	5.01	1.32
Sweden	34	5087	188.83	111.61	52.07
Spain	17	860	77.41	42.14	14.46
Other EU members states	20	1224	47.53	38.82	12.00
Countries outside EU	544	39920	6954.35	5192.49	1251.35
Australia	8	79	2.24	2.20	1.09
Bosnia and Herzegovina	67	916	98.70	32.76	10.14
Israel	22	1208	55.93	33.96	14.74
Canada	8	136	10.58	9.26	0.09
China	38	481	34.88	14.33	4.87
Norway	7	1131	394.63	332.62	164.75
Macedonia	55	716	169.35	68.10	11.88
Montenegro	32	1327	116.31	31.03	13.87
Russian Federation	56	7843	3447.22	2698.75	560.61
USA	75	8849	909.76	869.60	199.56
Turkey	14	1344	48.69	25.16	10.38
Switzerland	129	8633	1074.89	550.52	172.64
Other countries	33	7257	591.18	524.20	86.74
Offshore financial centers	49	2493	355.53	109.49	34.46

Note: Original RZS data in RSD have been transferred to EUR using median NBS exchange rate for 2015 of 120.7328 RSD per 1 EUR.

Source: RZS data



The EU companies have a share of 77.3% in total number of foreign affiliates in Serbia in 2015 with 2022 affiliates. They control around 70% of value added created in foreign affiliates in Serbia 2015 and they employ 78.6% of people working in foreign affiliates in Serbia that year.

The biggest stimulus to export expansion of Serbia to EU may come from the possibility of regional and diagonal cumulation of origin that is enabled with Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention). PEM Convention introduces the system of Pan-Euro-Mediterranean cumulation of origin allows for the application of diagonal cumulation between the EU, EFTA States, Turkey, the countries which signed the Barcelona Declaration, the Western Balkans and the Faroe Islands.

Chapter 5 – Conclusions and Recommendations

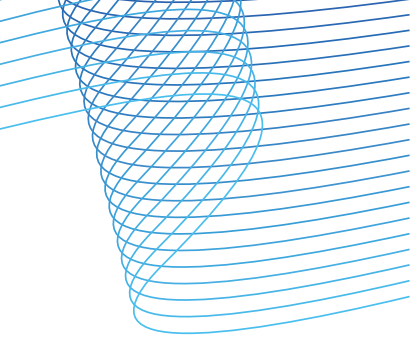
As Serbia started to benefit in 2003 from trade preferences extended by the EU unilaterally and unreciprocally through ATP in 2000, we can observe the rising trend in Serbia`s export to the EU until 2008. The drop in export due to the world economic crisis was short and export continued to rise, reaching USD 15 billion in 2014.

When trade regime changed in 2009 due to the SAA, introducing symmetry in trade relations between Serbia and the EU, the imports from the EU did not increase dramatically but rather stabilized around USD 20 billion. As an effect of this, deficit in Serbia`s trade with the EU continued to decrease and reached the level of USD 2.3 billion in 2016, which represented 23.5% of Serbia`s exports to the EU that year.

Trade in agro-food products between Serbia and the EU had been constantly increasing in the observed period, both before the entry into force of the SAA (2001-2008), during the period of liberalization provided for by the SAA (2009-2014), and after its expiration (after 2014). The surplus on the side of the Republic of Serbia had been constantly present for 11 years and cannot be brought into direct connection with the SAA, but it can with the previously available ATM. The Stabilization and Association Agreement did not further open the EU market for agricultural exports from Serbia, but it had taken over preferences already granted to Serbia (available through ATM for 5 year periods) but without time limitations. Although the EU itself has repeatedly expanded to new members in the observed period (the enlargement of 2004, 2007 and 2013), there seems to be no significant increase in exports to the EU market in line with the extension of the territory to which the SAA relates.

In direct relation with the previously stated, Serbia managed to diversify its own exports in the field of agriculture, which was significantly encouraged by the Free Trade Agreement with the Russian Federation, as well as the trade sanctions on the EU/Russia. The structure of exports of Serbia`s agro-food products to the EU market has deteriorated, but the reason for this is the general market trend in agriculture in the observed period, and not the SAA itself. The export value in the EU, at approximately the same level as its structure (the orientation on raw materials), can be interpreted as a proof of non-competitiveness, i.e. the inability of certain parts of the food industry to meet the health and safety criteria applicable in the EU, partly due to unresolved systemic issues in the country (such as the presence of a classical pig plague). The structure of imports into Serbia is worsened in terms of higher imports of value-added products, which can be directly linked to the liberalization of the domestic market through the SAA, but also the inadequate competitiveness of parts of the domestic food industry.

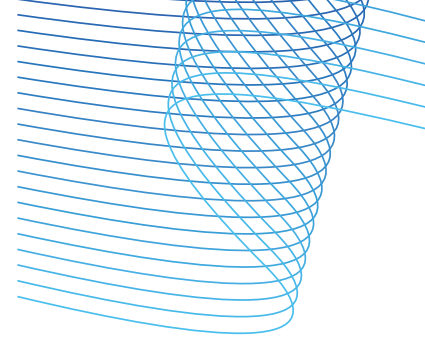
Concerning trade in industrial products, Serbia has significantly improved its position from 2008, even after a small rise in trade deficit during 2011 and 2012, after the application of SAA, the deficit started to decrease after 2012, reaching the level of just 6% of Serbia`s export of industrial products to the EU in 2016.



European Union has been the most important and dominant partner of Serbia for a long time, and this position has been just reaffirmed with ATM and SAA. But EU member countries are also important investors in the Serbian economy, rising economic links with our country. The inflow of FDI originating from EU member countries in Serbia is rarely below 50% of total FDI inflow in Serbia in observed years, and sometimes reaching almost 90%. The effects of EU integration do not come just through trade regime improvement, with ATM and SAA, but also through investment cooperation. In this way Serbian companies become part of European and global value chains.

The structure of our export changed during the period of establishment of free trade area with the EU, since we moved from domination of primary products in our export to more finalized and value-added products. But some examples, like automobile industry, show that this growth in exports is stimulated by large imports of intermediary products. So we need to work more on measures to integrate more value-added in Serbia in products produced in foreign affiliates in Serbia.

The biggest stimulus to export expansion of Serbia to EU and other European markets, including CEFTA 2006, comes from the possibility of regional and diagonal cumulation of origin that is enabled with Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention).



Legal approximation of the legislation with the EU acquis under the SAA framework

ZORAN SRETIĆ¹⁶⁴

Chapter 1 – Introduction

The Republic of Serbia and the EU signed the SAA in April 2008. Important part of the SAA regulates the obligation of Serbia to progressively approximate its legislation with the EU acquis. It contains the entire Title VI (Articles 72 to 79) regulating the issue of approximation of laws, law enforcement and competition rules.

The focus of Title VI provisions is directed to policy areas related to establishment of the free trade area between Serbia and EU. These areas are chosen since the lack of approximation in these fields can seriously affect the establishment of the free trade area and effectiveness of the implementation of the entire SAA. These areas are of particular importance for the future participation of Serbia in the EU internal market, as well.

We shall analyse what Serbia has done in these areas in order to approximate its legislation. The analyses will cover the baseline position from which Serbia started the process at the moment of signing the SAA, current legal and policy gap assessment against the SAA requirements, and give recommendations for improvement.

Chapter 2 – Competition, State Aid and Liberalisation (Public Undertakings)¹⁶⁵

The internal market¹⁶⁶ “includes a system ensuring that competition is not distorted”.¹⁶⁷ Chapter 8 (Competition Policy) covers rules of the system prohibiting cartels and abuse of dominant position, control of market concentrations and the State aid.¹⁶⁸ The EU competition policy “plays

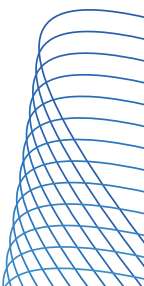
164 European Movement in Serbia, Belgrade.

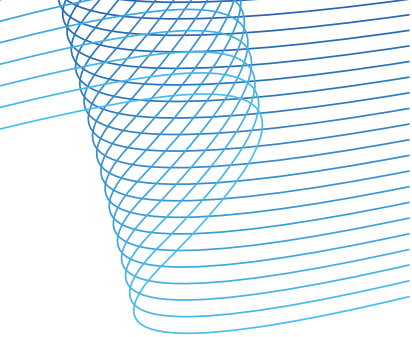
165 Chapter 8 in accession negotiations (Competition Policy).

166 Article 26.2 of the Treaty on the Functioning of the European Union defines the internal market as “an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of the Treaties.”

167 “Treaty on European Union”, Protocol 27, *Official Journal* C 326 , 26/10/2012, P. 0001 – 0390.

168 European Commission, *Screening report Serbia Chapter 8 – Competition Policy*, MD 205/15, 23 November 2015, p. 1.





a hugely important part in an overriding goal of achieving single market integration.”¹⁶⁹ These rules prevent an artificial resurrection of barriers to trade according to national borders “or making the interpenetration of national markets more difficult”¹⁷⁰ by means of private restrictive practices or unilateral State’s subsidization.

The **antitrust** *acquis* is based on Articles 101 and 102 of the Treaty on the functioning of the European Union (TFEU). These rules prohibit the coordinated behaviour of undertakings to restrict competition and unilateral abuses of the market power by a dominant company in the internal market. The Implementing Regulation¹⁷¹ empowers National Competition Authorities (NCAs) and courts to apply Articles 101 and 102 of the TFEU fully. The Antitrust Damages Actions Directive¹⁷² empowers companies and individuals to seek redress for harm caused by practices infringing the EU antitrust rules before national courts. The EU **Merger**¹⁷³ Regulation¹⁷⁴ controlling **concentrations** of market powers between the competitors by mergers and acquisitions that may significantly reduce competition on the internal market complements the antitrust system.

Article 107 of the TFEU regulates the **State aid**. Unlike the antitrust rules, these are “State-directed competition provisions”.¹⁷⁵ They regulate selective transfers of financial advantage to market players by the State or through the resources controlled by the State in any form whatsoever distorting the competition and affecting the intra-Community trade.

Article 106. TFEU (**liberalisation**) and related interpretative instruments regulate applicability of the EU competition *acquis* to undertakings entrusted with the operation of services of general economic interest or having a character of a revenue-producing monopoly.

The Interim Agreement (IA)¹⁷⁶ and the Stabilisation and Association Agreement (SAA)¹⁷⁷ signed in 2008 mirror the EU competition *acquis*. SAA provides that any practices contrary to its competition and State aid rules “shall be assessed on the basis of criteria arising from the application of the competition rules applicable in the [EU], in particular from Articles [101, 102, 106 and 107] of the [TFEU] and interpretative instruments adopted by the [EU] institutions.”¹⁷⁸ A separate Protocol 5 establishes the specific State aid rules applicable to the restructuring aid to the Serbian steel industry. Article 74 extends the application of the antitrust and the State aid

169 Richard Whish, *Competition Law* (6th ed.), (Oxford: Oxford University Press, 2009), p.22.

170 Joined Cases C-501/06 P, C-513/06 P, C-515/06 P and C-519/06 P *Glaxo Smith Kline Services Ltd. v Commission*, [2009] E.C.R. I-9291, paragraph 61.

171 Council of the European Union, *Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty (Text with EEA relevance)*, OJ L 1, 4.1.2003, p. 1–25.

172 *Directive 2014/104/EU of the European Parliament and of the Council of 26 November 2014 on certain rules governing actions for damages under national law for infringements of the competition law provisions of the Member States and of the European Union Text with EEA relevance*, OJ L 349, 5.12.2014, p. 1–19

173 There is no obligation for Member States to establish a merger control under the *acquis* (Commission (n 3) 1). Serbia is not required to introduce the system of control of concentrations under the SAA (*Ibid.*). Nevertheless, the merger control is an element of Serbian competition policy. Certainly, the merger control relates to the protection of competitive market structure, market access and trade between Serbia and the EU. Also the merger control as a policy choice reflects on how Serbia uses available institutional capacities. Therefore, it is a relevant subject and it will be covered by the research.

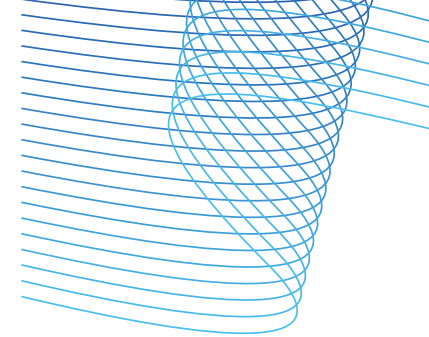
174 Council of the European Union, *Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings*, OJ L 24, 29.1.2004, p. 1–22.

175 Koenig et al, *European Competition Law in a Nutshell*, (Lexxion Publisher: 2011), p. 2.

176 *Interim Agreement on Trade and Trade-Related Matters between the European Community, of the one part, and the Republic of Serbia, of the other part (IA)*, L28, 30/01/2010, p. 2. IA governed the trade between the EU and Serbia, including the competition and State aid rules, before the entering into force of the SAA 01/09/2013.

177 *Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Serbia, of the other part*, L 278, 18/10/2013, p. 16

178 *Stabilisation and Association Agreement*, Art. 73.2. Procedural element of the competition *acquis* has not been referred to by the SAA, explicitly. Nevertheless, powers conveyed to the European Commission may serve as a benchmark for effectiveness of powers of the Serbian institutions to a certain degree.



rules to public undertakings and undertakings with special and exclusive rights and prohibits quantitative restrictions on imports from the EU into Serbia. SAA orders Serbia „to ensure that an operationally independent authority is entrusted with the powers necessary for the full application“ of these rules.¹⁷⁹ Indeed, the SAA antitrust and State aid rules complement provisions regulating free movement of goods, freedom of establishment, and facilitate the further opening-up of services and capital markets.

The first part of the research shall provide for the baseline assessment of Serbian level of alignment against the SAA competition requirements on the date of the signing of the SAA/ Interim Agreement. It will indicate key challenges to full implementation of the SAA and the reference EU competition *acquis*. Current legal and policy gap assessment against the SAA requirements will be covered by the second part to indicate and critically discuss the progress (or regression where applicable) made against the baseline situation. The effectiveness of the enforcement of SAA competition rules will be assessed by **identifying value added to the minimum liberalisation**, i.e. a liberalisation kept at the level of the mere implementation of free trade rules (provisions prohibiting duties and quantitative restrictions). On the basis of the findings and „lessons learned“ further country-specific strategic and tactical recommendations will be provided, as well recommendations to the EU institutions, exploring the potential for further elimination of barriers to market access prior to the accession by means of the SAA competition rules. Where possible country-specific recommendations applicable to other WB countries will be indicated.

2.1 Baseline Assessment Against the SAA Requirements at the Time of the Signing

Serbia signed the SAA and the IA on 29 April 2008, a date from which an approximation obligation started with “focus on fundamental elements of the Internal Market”.¹⁸⁰ The IA entered into force on 1 February 2010. Article 38 provided for an immediate obligation for Serbia to enforce Article 73 of the SAA and related competition *acquis* as of its coming into force.¹⁸¹ IA, Protocol 4 (SAA, Protocol 5) provided rules on the restructuring aid to the steel industry. On the same date, a 3-year deadline for phasing in of public undertakings into a full-enforcement of the SAA antitrust and State aid regime started.¹⁸²

2.1.1 Antitrust and mergers¹⁸³

The Commission for the Protection of Competition (CPC) was established in 2006. However, CPC lacked the power to enforce fines.¹⁸⁴ In addition, the mandatory notification threshold for mergers was set low, thus, a majority of the CPC resources was devoted to the handling of merger applications. Only 17% of investigations concerned restrictive agreements and abuse of dominance in 2007¹⁸⁵ and 16% in 2008.¹⁸⁶

179 *Stabilisation and Association Agreement*, Articles 73.3 and 73.4.

180 *Stabilisation and Association Agreement*, Art. 72.3.

181 Interim Agreement, Article 38 (SAA, Article 73).

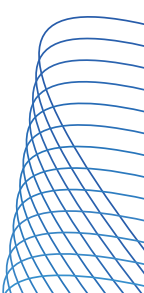
182 Interim Agreement, Article 39 (SAA, Article 74).

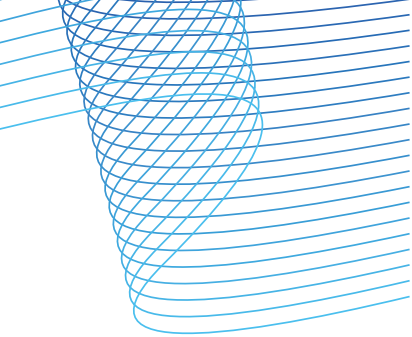
183 Articles 101 and 102, TFEU/Articles 73.1(i) and 73.1(ii), SAA

184 European Commission, *Serbia 2008 Progress Report*, COM(2008)674, p. 35.

185 European Commission, *Serbia 2007 Progress Report* COM(2007)663, p. 29

186 European Commission (n 18) 35 and Commission, *Serbia 2009 Progress Report*, COM(2009) 533, p. 35.





Serbia adopted the new Law on Competition Protection in July 2009 (Competition Act) which marked a substantial leap forward in alignment with the SAA and the Interim Agreement.¹⁸⁷ CPC was „entrusted with the powers necessary for the full application“ of Articles 73.1(i) and 73.1(ii). Namely, the Competition Act mandated the CPC with wider investigative powers and ability to directly impose fines on undertakings restricting the competition. The competence to review the CPC’s decisions moved from misdemeanour courts to the Administrative Court. The Act increased the notification threshold for mergers enabling more resources to be devoted to the antitrust conducts and to the mergers with a real impact on a market structure. Principles regarding services of general economic interest set out in SAA’s Article 74 and Article 106(2) of the TFEU were incorporated in the Competition Act, therefore, covering private and public sectors of the economy under the domestic antitrust regime. A secondary legislation implementing the Competition Act was adopted in 2010, regulating market definition, merger notifications, individual and block exemptions for restrictive agreements fines and leniency program.

However, the Competition Act kept the prior notification system for individual exemption of restrictive commercial agreements akin to the repealed Council Regulation No 17 of 6 February 1962, which is not in compliance with the Implementing Regulation and self-assessment in the area.

Overall, the European Commission assessed in 2011 that „all fundamental aspects of the legal and institutional frameworks were aligned with the EU *acquis*“¹⁸⁸ in the antitrust and merger area. The CPC started to build a track record on enforcing competition rules on the Serbian market. Therefore, key elements of the antitrust and the merger *acquis* were in place.

However, the European Commission assessed the CPC’s capacity as insufficient to fulfil its tasks.¹⁸⁹ The CPC had 28 employees in 2011. The capacities for economic analyses were sourced outside the CPC. The CPC was expected to hire additional economists as case-handlers.¹⁹⁰ A number of CPC decisions were overturned by the Administrative Court on appeal for procedural reasons, indicating a systemic issue.¹⁹¹ Furthermore, „[t]he capacity of the judiciary to assess complex legal and economic evidence in competition cases [was] weak.“¹⁹² Finally, the practice of adopting conflicting sector legislation limiting the scope and effectiveness of the competition law was noted and need of prior consultation of the CPC was emphasized by the European Commission.¹⁹³

2.1.2 State aid¹⁹⁴

The SAA/IA charged Serbia with an obligation „to establish an operationally independent authority which is entrusted with the powers necessary for the full application of [State aid rules] [including] the powers to authorise State aid schemes and individual aid grants in conformity with [Article 107 of TFEU and interpretative instruments adopted by the EU institutions], as well as the powers to order the recovery of State aid that has been unlawfully granted.“

187 European Commission, *Serbia 2009 Progress Report* COM(2009) 533, p. 35.

188 European Commission, *Commission Opinion on Serbia’s application for membership of the European Union Opinion Analytical Report* COM(2011) 668, p.69.

189 *Ibid.*

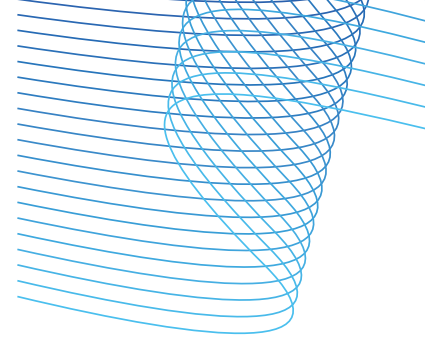
190 *Ibid.*

191 *Ibid.*

192 *Ibid.*

193 *Ibid.*

194 Article 107, TFEU/Article 73.1(iii) SAA.



The Law on State Aid Control (the State Aid Act)¹⁹⁵ was adopted in July 2009 introducing the subject matter for the first time in the Serbian legal system. The Commission for the State Aid Control (CSAC), a State aid authority, was established in December 2009 and became operational in April 2010.¹⁹⁶ CSAC is the collegiate decision-making body and consists of a President appointed by the Ministry of Finance, a Vice-President nominated by the CPC and three members appointed by the Ministry of Economy and Regional Development, the Ministry of Infrastructure and the Ministry of Environment.¹⁹⁷

The CSAC was charged with the competences to implement *ex-ante* and *ex-post* controls of compatibility of the aid measures, including the power to order a State aid grantor to recover unlawful aid from a beneficiary.¹⁹⁸ The Division for Control of State Aid (DCSA) in the Ministry of Finance provides for a day-to-day operation of the CSAC.¹⁹⁹ The DCSA investigates State aid notifications and drafts CSAC's decisions.²⁰⁰ The State Aid Act did not envisage a block-exemption system. As a result, any proposed State aid measure was subject to the mandatory notification to the DCSA.²⁰¹

Furthermore, CSAC is a body competent for the development of an inventory of State aid schemes and of an individual aid granted prior to its establishment. Namely, Serbia was to establish a comprehensive inventory of aid schemes instituted before the establishment of the CSAC and to align the aid measures with the *acquis* within 4 years from the entry into force of the IA (SAA, Art. 73.6).

DCSA had five permanent employees and one person employed on a temporary basis, at the time. The staff level was assessed by the European Commission as inadequate to fulfil all the CSAC's tasks required by the SAA/IA.²⁰² In addition, "given the institutional set-up of the Serbian State aid authority the *de facto* operational independence of the authority must be closely monitored."²⁰³ In other words, the European Commission left the assessment of existence of "an operationally independent authority" open until "CSAC demonstrates its ability to act independently of aid-granting institutions (in particular ministries) and establishes a solid track record of well-reasoned decisions."²⁰⁴

2.1.3 Liberalisation²⁰⁵

Public enterprises and undertakings entrusted with special or exclusive rights were covered by the scope of the Competition Act and State Aid Act, except if enforcement of these rules would prevent them from performing public obligation services entrusted by the public authorities. As assessed by the European Commission, the Acts largely reflect Article 106 of the TFEU and Article 74 of the SAA.²⁰⁶

195 *O.J. of the Republic of Serbia* no. 51/2009.

196 European Commission (n 22) 69.

197 *Ibid.*

198 *The State Aid Act*, Art. 9.

199 *Ibid.* Art. 10.

200 *Ibid.* Art. 10.

201 *Ibid.* Art. 11.

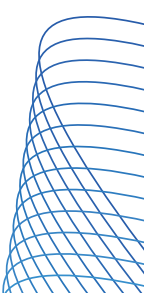
202 European Commission (n 22) 69.

203 *Ibid.* 69.

204 *Ibid.* 70.

205 Article, 106 TFEU/Article, 74 SAA

206 *Ibid.*





2.2 Current Legal and Policy Gap Assessment Against the SAA Requirements

The SAA provides for the baseline free trade rules, eliminating duties and charges having an equivalent effect, and quantitative restrictions and measures having an equivalent effect (**minimum liberalisation**). Articles 73 and 74 of the SAA complement these baseline free trade rules by prohibiting private and state inflicted harm to the competition affecting the free trade between Serbia and the EU. Indeed, competition rules are concerned with combined market power, unilateral market power, and with state measures with an appreciable impact on trade. Therefore, an angle from which we have chosen to discuss the enforcement gap against the SAA requirements is not limited to a formalistic outline of the legal and policy gap. Our intention goes further from there. We are concerned with the effectiveness of implementation of Articles 73 and 74 **to make SAA perform better against the business as usual scenario, i.e. to keep the things at the minimum liberalisation**. Therefore, in this part of the document, we shall concisely indicate the **status** of progress in terms of alignment. Second, we will discuss the **effectiveness** of the approximation process and if expected results have been achieved. Finally, having in mind the critical assessment, we shall indicate main **causes of delays in reforms/bottlenecks**, critical assessment of the policy choices made, and counterfactual analyses of the opportunities lost.

2.2.1 State of the legal and institutional alignment

a) Antitrust and Mergers²⁰⁷

Restrictive agreements and Cartels²⁰⁸

2009 Competition Act, Articles 10 and 11 are mirroring the system of Article 101 TFEU.²⁰⁹ Serbia applies *ex-ante* individual exemption of restrictive agreements, combined with the power of the Government to adopt block-exemption regulations to provide automatic immunity of certain categories of commercial agreements/clauses from prohibition. Serbian **block-exemption** regulations are based on the EU R&D Block-Exemption Reg.²¹⁰, Specialization Agreements Block-Exemption Reg.²¹¹ and Vertical Agreements Block-Exemption Reg.²¹² Certain aspects of Serbian block-exemption rules are more stringent than the EU models (see more detailed under 3.2.1). Serbia has yet to implement Technology Transfer Agreements Block-Exemption (TTBER)²¹³ and Motor Vehicles Block Exemption²¹⁴.

207 Articles 101 and 102, TFEU/Articles 73.1(I) and 73.1(II), SAA

208 Article 73.1(i)

209 Article 10 prohibits restrictive agreements, decisions by associations of undertakings and concerted practices and declares such collusive practices automatically void in accordance with Article 101.1 and 101.2 TFEU, respectively. Article 11 defines efficiencies aligned with Article 101.3 TFEU exempting restrictive agreement from prohibition.

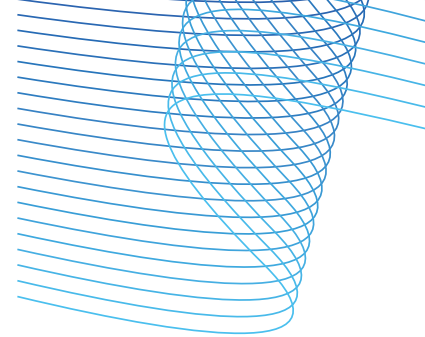
210 Commission Regulation (EU) No 1217/2010 of 14 December 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to certain categories of research and development agreements (Text with EEA relevance), OJ L 335, 18.12.2010, p. 36–42

211 Commission Regulation (EU) No 1218/2010 of 14 December 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to certain categories of specialisation agreements (Text with EEA relevance) OJ L 335, 18.12.2010, p. 43–47

212 Commission Regulation (EU) No 330/2010 of 20 April 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices (Text with EEA relevance), OJ L 102, 23.4.2010

213 Commission Regulation (EU) No 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements (Text with EEA relevance), OJ L 93, 28.3.2014, p. 17–23

214 Commission Regulation (EU) No 461/2010 of 27 May 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices in the motor vehicle sector (Text with EEA relevance), OJ L 129, 28.5.2010, p. 52–57



European Commission **guidelines** interpreting Article 101.3 of the TFEU, vertical and horizontal agreements, and technology transfer agreements have not been introduced in Serbia. Guidelines applicable to the specific sectors such as transport, agriculture, insurance, motor vehicles and transport are not in place as well. Lack of guidelines makes the CPC policy less predictable for commercial contracts that do not benefit from the block-exemption.

Serbia has introduced a system of total or partial immunity from fines for undertakings approaching the CPC admitting **cartel agreement**, providing evidence and cooperating during an entire investigation (leniency).²¹⁵

*Abuse of dominance*²¹⁶

Article 16 of the Competition Act mirrors Article 102 of the TFEU. The definition of abusive practices complies with Article 102 of the TFEU.²¹⁷ The concept of the relevant market and the concept of the dominant position comply with the Commission Notice on the Market Definition²¹⁸ and *United Brands*²¹⁹ and *Hoffmann-La Roche* judgments.²²⁰ However, the rebuttable *AKZO presumption*²²¹ of dominance with a market share of 50% and more has not been introduced in the Serbian system.

Mergers

The Competition Act's merger control system is based on the EU Merger Regulation. The Competition Act adopts the significant impediment to effective competition/SIEC²²² test²²³, thereby, extending substantive appraisal of concentrations beyond the concept of dominance, which is in accord with the EU Merger Regulation.²²⁴ Serbia applies the mandatory notification system. The concentration must be notified to the CPC when combined turnover of the merging parties exceeds certain thresholds. The CPC may open an in-depth investigation procedure for concentrations that are potentially problematic. Otherwise, it will apply a simplified procedure. The CPC may accept structural remedies, including divestiture, and/or behavioural commitments eliminating the SIEC concerns or otherwise block the concentration entirely.

Procedure

The CPC is entrusted with powers comparable to competition authorities of the Member States in accordance with Article 5 of the EU Implementing Regulation.²²⁵ The CPC may require that an infringement be brought to an end, order interim measures, accept commitments, and

215 The Competition Act, Art. 69

216 Article 73.1(ii)

217 Compare Article 16 of the Competition Act with the text of Article 102 TFEU.

218 Commission Notice on the definition of relevant market for the purposes of Community competition law, OJ C 372, 9.12.1997, p. 5–13. Compare Article 15.1 of the Competition Act and paragraph 10 of the Notice.

219 *Judgment of the Court of 14 February 1978 in Case 27/76 United Brands Company and United Brands Continentaal BV v Commission of the European Communities*, para. 65: *THE DOMINANT POSITION REFERRED TO IN THIS ARTICLE RELATES TO A POSITION OF ECONOMIC STRENGTH ENJOYED BY AN UNDERTAKING WHICH ENABLES IT TO PREVENT EFFECTIVE COMPETITION BEING MAINTAINED ON THE RELEVANT MARKET BY GIVING IT THE POWER TO BEHAVE TO AN APPRECIABLE EXTENT INDEPENDENTLY OF ITS COMPETITORS, CUSTOMERS AND ULTIMATELY OF ITS CONSUMERS.*

220 Court of Justice in its judgment of 13 February 1979 in Case 85/76, *Hoffmann-La Roche* [1979] ECR 461

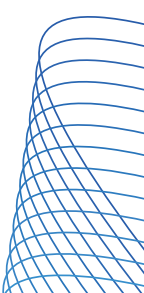
221 Judgment of the Court (Fifth Chamber) of 3 July 1991 in Case C-62/86 *AKZO Chemie BV v Commission of the European Communities*, para. 61.

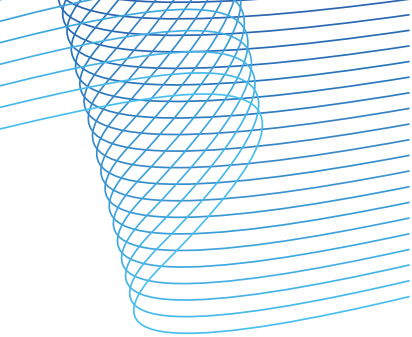
222 SIEC – Significant Impediment of Effective Competition. The test asks whether or not a concentration would „significantly impede effective competition [...] in particular as a result of the creation or strengthening of a dominant position“ (EU Merger Regulation, Art. 2.2).

223 The Competition Act, Article 19.1.

224 See Recital 25 of the EU Merger Regulation.

225 European Commission, (No 3) 11.





impose fines and periodic penalty payments. The CPC may as well force behavioural or structural remedies, with an aim to eliminate negative effects of an infringement. The CPC may issue requests for information. Addressees are under the legal obligation to provide the information requested and they can be fined in case of an obstruction. The CPC may carry out regular searches and *dawn-raids* (unannounced on-site inspections at companies' premises). An undertaking may apply for full immunity, or benefit from reduced fines in exchange of admitting an existence of a cartel agreement and provision of evidence provided they cooperate fully with the authority's investigation of the cartel (leniency program). In other words, CPC has powers necessary to implement Articles 101 and 102 of the TFEU directly.

However, the Competition Act has been challenged before the Constitutional Court by the Serbian Bar Association. Furthermore, its power to conduct dawn raids and to search business premises without a court order and to decide on what represents privileged communication are under the Constitutional Court scrutiny.²²⁶

Court Appeals and private enforcement

CPC decisions may be appealed before the Administrative Court on grounds of law and on grounds of errors of procedure. Unless it is established that enforcement of the decision would cause irreparable damages for the alleged infringer, the appeal does not stay the execution of the decision. The Court may not substitute the CPC decision with its own, however. The Administrative Court's judgments may be appealed before the Supreme Court of Cassation on grounds of interpretation of the law or procedural error. Serbia has yet to transpose The Antitrust Damages Actions Directive to provide an effective private enforcement.

State of institutional capacities

The European Commission assessed the CPC's capacity as insufficient to fulfil its tasks in 2011.²²⁷ Furthermore, capacities of the judiciary to assess complex legal and economic evidence in competition cases were assessed as weak, and specialization of judges was recommended.²²⁸ The practice of adopting conflicting sector legislation limiting the effectiveness of competition policy was noted.²²⁹

However, the enforcement capacities of the CPC improved. Number of employees increased from 28 to 46 (29 case handlers alone).²³⁰ The upgrade was reflected on increased number of antitrust cases "and the relative size and significance of companies under investigation"²³¹, which "contributed to improving its credibility and public image."²³² The CPC stepped up its advocacy activities.²³³ Indeed, the remark made by the EC in 2015 still stands. "The CPC [...] is now a relatively well-established institution".²³⁴

However, the powers of the CPC have been challenged, recently, before the Constitutional Court and by the *EPS Distribucija* decision of the Supreme Court of Cassation (see analyses of the effectiveness below). Indeed, wider powers must come with an adequate measure of control. As a result, an introduction of the stronger checks and balances mechanism can be expected, which would require further reinforcement of the capacities of both the CPC and the judges in

226 D. Gajin, „Serbia: Competition Act Under a Constitutional Challenge”, posted on September 19, 2017, <https://www.gajin.rs/2017/09/serbia-competition-act-under-a-constitutional-challenge/> accessed 4 April 2018.

227 *Commission* (No 22) 69.

228 *Ibid.*

229 *Ibid.*

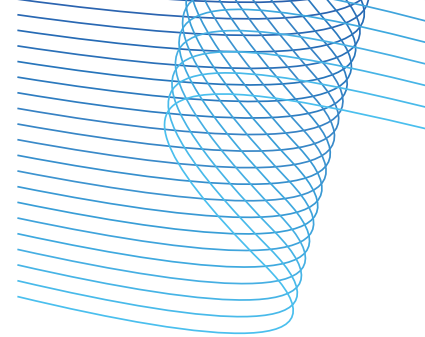
230 European Commission, "Serbia 2018 Report", COM(2018) 450 final, 61.

231 *Ibid.*

232 *Ibid.*

233 *Ibid.*

234 European Commission, (No 3) 11.



the future to assess complex cases. That being said, the capacities of the Administrative Court remain to be a concern.²³⁵ “The capacity of the judiciary to handle complex competition cases needs to be strengthened significantly.”²³⁶ The CPC, on the other hand, should embrace the stronger interest of the judiciary and keep on reinventing itself.

b) State aid²³⁷

Substantive rules – the concept of the State aid²³⁸

The State Aid Act broadly reflects Article 107 of the TFEU and Article 73(1)(iii) of the SAA.²³⁹ However, Article 2(1) of the Regulation on Rules on the State Aid²⁴⁰ excluded state-owned enterprises in the process of privatization from the concept of the beneficiary, and therefore from the State aid regime altogether, which is not in compliance with Article 107.1 TFEU and Article 73(1)(iii).²⁴¹ Furthermore, it appears that the definition of the State aid under the State Aid Act (Article 2(1)) does not recognize the theory of the *State origin* and the concept of the *immutability*²⁴² of the measure to the State. Namely, according to the CSAC practice, “resources originating from the commercial operations”²⁴³ of the public undertaking are not considered State resources, and they can be transferred to the undertakings without need to be notified to the CSAC.²⁴⁴ Indeed, this reading of the State Aid Act by the CSAC is not in accord with Article 107.1 TFEU and Article 73(1)(iii), which qualify public undertakings as State resources as such.²⁴⁵

Substantive rules – compatibility of the State aid with the internal market/SAA²⁴⁶

The Act’s material conditions for an exemption of an aid from the prohibition broadly reflect Article 107.3 of the TFEU.²⁴⁷

235 European Commission, (No 3) 11; *Commission* (No 62) 61.

236 European Commission, (No 62) 61.

237 Article 107 and 108 TFEU/Articles 73.1(iii) and 73.4-9 SAA

238 Article 107.1 TFEU/ Article 73(1)(iii)

239 *Ibid.*

240 O.J. of the Republic of Serbia no. 13/2010, 100/2011, 91/2012, 37/2013, 97/2013 and 119/2014

241 European Commission, (No 3) 11.

242 The granting of an advantage directly or indirectly through State resources and the imputability of such a measure to the State are two separate and cumulative conditions for State aid to exist. [...] In cases where a public authority grants an advantage to a beneficiary, the measure is by definition imputable to the State [...]. Imputability is less evident, however, if the advantage is granted through public undertakings. In such cases, it is necessary to determine whether the public authorities can be regarded as having been involved, in one way or another, in adopting the measure. [...] [T]he imputability to the State of a measure taken by a public undertaking may be inferred from a set of indicators arising from the circumstances of the case and the context in which the measure was taken (Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union, 2016/C 262/01, paragraphs 38, 39, 40 and 42)

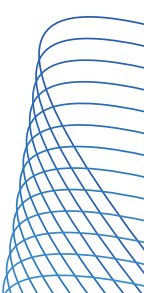
243 CSAC Decision No. 401-00-00088/1/2017-01 *Senke nad Balkanom TV series*

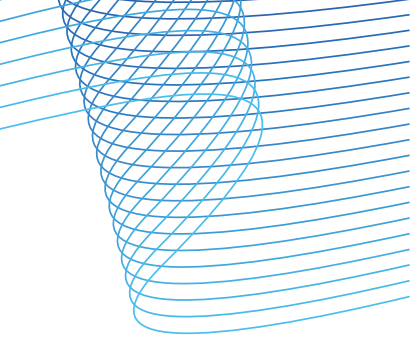
244 CSAC Decision No. 401-00-00088/1/2017-01 *Senke nad Balkanom TV series*. The decision concerned the question if financial support to the production of the TV series by a public enterprise “Srbijagas” is an aid in terms of Article 2(1) of the State Aid Act. According to the CSAC the money did not come from the state resources since financial support originated from “commercial operations” of the state-owned company. However, under the EU law, public undertakings including state-owned companies operating in commercial markets (such as commercial state-owned bank) are by definition resources of the State. The only question is, if the measure of the public undertaking may be imputed to the public authorities in particular case in order to be qualified as a State aid (See C-482/99 - *France v Commission* [2001] I-04397- Stardust Marine).

245 Judgment of the General Court of 12 December 1996, *Air France v Commission*, T-358/94 [1996] II-02109, paragraphs 58 to 62. See also *Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union*, 2016/C 262/01, paragraphs 47-49.

246 Article 107.3 TFEU/ Article 73.2

247 *Ibid.*





However, Serbian legislation is not aligned with 2014 General Block Exemption Regulation (GBER)²⁴⁸. In particular, Regulation on Rules on the State Aid adopted in 2010, which prescribes national compatibility criteria, has not been amended substantially, even though, the regulatory environment has changed at the EU level considerably since that year.²⁴⁹ “The Serbian rules on **environmental [and energy] aid** are not in line with the *acquis*”.²⁵⁰ The European Commission Guidelines on State Aid for Environmental Protection and Energy 2014-2020 are not included in the Serbian legislation. As Serbia explained during the Bilateral Screening in 2014, “these rules concern aid for environmental protection with higher intensity and that it is unlikely that Serbia will grant aid with such high intensities.”²⁵¹

Serbian legislation is aligned with the 2014 Commission Guidelines for **Regional State aid**²⁵², as well.²⁵³ In particular, rules regulating the scope of regional aid, operating aid, and the assessment of large investment projects have not been aligned.²⁵⁴ Furthermore, the CSAC did not develop regional aid map in line with its obligation under Article 73(6) of the SAA.²⁵⁵

Serbia has yet to introduce the requirement that a company benefiting from the **rescue and restructuring aid** must provide its *own contribution* to a supported restructuring program as stipulated by Commission Guidelines on State aid for Rescue and Restructuring.²⁵⁶

Serbia instituted three aid schemes before the establishment of the CSAC in the area of **taxation**, which are not in compliance with the *acquis*.²⁵⁷ Non/compliant taxation aid schemes should have been aligned by 1 February 2014 under Article 73(6) of the SAA and have been singled out as of particular concern.²⁵⁸

Following a State aid investigation, the European Commission cleared in November 2017 an asset deal tender through which Serbia sold *Zelezara Smederevo* assets to the Chinese steel company *Hesteel*.²⁵⁹ Serbia will need to ensure that aid granted to the *Zelezara Smederevo* prior to the asset deal is claimed and recorded within the procedure of liquidating the company.²⁶⁰ Indirectly, the EC confirmed that aid disbursed to the state-owned steel company was not compliant with Protocol 5 to the SAA regulating aid to the **steel sector**.

*Rules of procedure*²⁶¹

CSAC has the power to order a state aid grantor to recover aid from a beneficiary, which is incompatible with the State Aid Act. The CSAC's decisions may be appealed before the Administrative Court.

248 Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance, OJ L 187, 26. June 2014, p. 1–78 (General Block-Exemption Regulation - GBER)

249 *Commission* (No 3) 7

250 *Ibid.* 12

251 *Ibid.* 7.

252 European Commission, „Guidelines on regional State aid for 2014-2020 Text with EEA relevance“, OJ C 209, 23.7.2013, p. 1–45

253 European Commission (no 3)12.

254 *Ibid.* 12.

255 *Ibid.* To comply with GBER and Guidelines, a regional investment aid must be directed to the investment located in the area which qualifies for the regional aid in accordance with the regional aid map.

256 *Ibid.* Commission, „Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty“, OJ C 249, 31.7.2014, p. 1–28

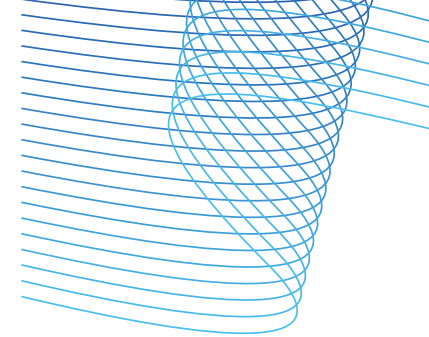
257 In particular, Articles 46 and 50a of the Law on Corporate Income Tax, allowing income tax exemptions for large investments coupled with Article 21c and 21d of the Law on Personal Income Tax and Article 19 and Article 26 of the Law on Free zones.

258 *Ibid.* 12

259 European Commission (No 62) 61.

260 *Ibid.*

261 Article 108 TFEU and Council Regulation (EU) 2015/1589/Article 73.4 SAA



Serbia applies the system of prohibition of the State aid and compulsory *ex ante* control of a compatibility of State aid measures. "At the suggestion of the [European] Commission"²⁶², Serbia decided not to apply the system of bloc-exemption akin to the GBER²⁶³ in the EU. "The [European] Commission notes positively that Serbia does not make use of the possibility to block exempt certain types of measures (with the exception, for the time being, of certain aid measures in the form of compensation of services of general economic interest)."²⁶⁴ Therefore, any plan to grant the State aid must be notified to the CSAC before being put into effect. As a result, any new measure notified to the competent authority is suspended automatically and may not be disbursed before a final decision has been passed.²⁶⁵

However, "[a]wareness of state aid rules among stakeholders remains low, especially among the authorities granting aid. This is indicated in particular in the low number of CSAC decisions that were appealed against the courts." The Administrative Courts knowledge of the rules can as well be assumed as limited. Advocacy activities of the CSAC are virtually non-existent.²⁶⁶ As a result, the idea not to introduce the system of block-exemption in order „to raise awareness of State aid rules"²⁶⁷ among stakeholders proved utterly misplaced.

CSAC may initiate *ex post* control of aid that was not notified or misused. The competent authority may issue a suspension injunction prohibiting further disbursement of non-notified aid, albeit, under condition of establishing existence of threat of "causing a serious disturbance to the competition",²⁶⁸ which is not in compliance with Article 13.1 of the EU Regulation on the Application of State Aid Rules.²⁶⁹ Furthermore, the CSAC does not have investigative powers comparable to the European Commission nor may fine grantors or company benefiting from the aid if they fail to cooperate in provision of information or provide incorrect data. *Ex post* monitoring of the approved measures is, equally, weak "including compliance with the conditions for "cumulation" of aid."²⁷⁰

*Operationally independent authority*²⁷¹

The structure of the CSAC has not changed since adoption of the State Aid Act in 2009. A day-to-day operation is administered by the DCSA, a unit of the Ministry of Finance, which drafts the acts of the CSAC. DCSA has 5 employees, hence the number of staff has not increased since 2011. The composition of the CSAC consists of five members appointed by aid-granting ministries. The annual budget of the CSAC and DCSA is financed from the government budget and it is approximately EUR 80,000.00.²⁷² So far, "a single decision prohibiting state aid, nor conditional

262 European Commission (No 3) 6.

263 General Block-Exemption Regulation (GBER) refers to Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance, OJ L 187, 26. June 2014, p. 1–78

264 European Commission (No 3) 11.

265 The State Aid Act, Article 15.

266 European Commission (No 62) 62.

267 European Commission (No 3) 6.

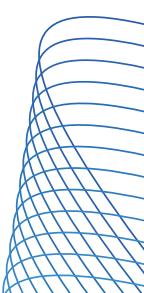
268 The State Aid Act, Article 16.4.

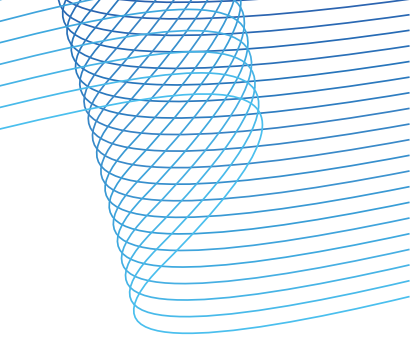
269 Council Regulation (EU) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union (Text with EEA relevance). Article 13.1 stipulates that the European Commission „may, after giving the Member State concerned the opportunity to submit its comments, adopt a decision requiring the Member State to suspend any unlawful aid until the Commission has taken a decision on the compatibility of the aid with the internal market ('suspension injunction')." No further qualifications are necessary.

270 European Commission (No 62) 61.

271 Article 73.4 SAA

272 European Commission (No 3) 9.





decision or a decision in favour of recovery” has not been adopted by the CSAC.²⁷³ A testimony that “the CSAC cannot be considered as operationally independent, as required by the SAA.”²⁷⁴

Other SAA rules²⁷⁵

Serbia has not provided information on certain individual aid measures under Article 73(5) and Protocol 5 of the SAA necessary for the European Commission to assess their compatibility.²⁷⁶ Serbia has yet to complete inventory of existing State aid measures within the meaning of Article 73(6) of the SAA and provide an action plan with a clear timetable for their alignment with the EU rules.²⁷⁷ The regional aid map has yet to be drafted.²⁷⁸

c) Liberalisation²⁷⁹

The Competition Act and the State Aid Act apply to public undertakings and undertakings with special or exclusive rights, except where this would prevent them from carrying out the mission assigned to them to provide services of general economic interest (SGEI), in line with Article 106 of the TFEU and with Article 74 of the SAA.²⁸⁰ The rules on compensation for the financing of services of general economic interest are largely in line with the State aid *acquis*.²⁸¹ The CPC stepped up its enforcement on public enterprises abusing market power.²⁸²

To enable full implementation of the EU SGEI rules, Serbia must transpose and enforce the Directive on Transparency of Public Undertakings²⁸³ governing the transparency of public funds transfers to the public undertakings and state-owned companies. Serbia still leaves outside of the coverage of the State aid rules and recovery orders the state-owned companies subject to the privatization. The CASC’s practice which puts “resources originating from the commercial operations” of the state-owned enterprises outside the State aid regime must be reversed.

273 European Commission (No 62) p. 61.

274 *Ibid.*

275 Article 73.5-9 SAA and Protocol 5

276 *Ibid.*

277 European Union, „Chapter 8- Screening Results“ < http://www.mei.gov.rs/upload/documents/eu_dokumenta/Skrining/rezultati_skrininga/screening_result_ch_8.pdf > assessed 6 April 2018.

278 European Commission (No 62) 61.

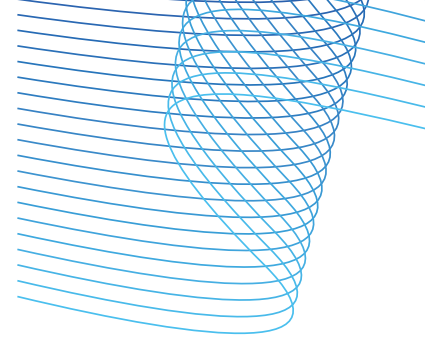
279 Article 106 TFEU/Articles 74 SAA

280 *Ibid.*

281 *Ibid.*

282 *Ibid.*

283 Commission Directive 2006/111/EC of 16 November 2006 on transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings (Codified version), Official Journal L 318, 17.11.2006, pages 17 - 25



2.2.2 The effectiveness of the approximation process

a) Effectiveness of the Antitrust enforcement²⁸⁴

Cartels

The CPC carried out a number of dawn raids lately and use of the tool is more frequent. “The CPC adopted five decisions on restrictive agreements in 2016 and 2017 each”.²⁸⁵ As a result, the CPC has some success against *collusive tendering*²⁸⁶ and *vertical price-fixing cartels*²⁸⁷.

However, a few cases would qualify under SAA “insofar as they may affect trade between the Community and Serbia”.²⁸⁸ The *N-Sport* decision (involving vertical RPM²⁸⁹ cartel in sportswear market) and *Vital/Victoria Oil* decision (concerning capacity sharing and exchange of information of two major producers of sunflower oil) considered an appreciable combined market share of infringers that may affect the SAA trade. Recently, the CPC reported dawn raids in two major importers and distributors of baby equipment involved in alleged RPM practices.²⁹⁰

Except in the cases mentioned above, a combined market power of undertakings involved in infringements discovered is often limited. The CPC enforcement record on busting horizontal cartels is missing.²⁹¹ CPC cannot claim a single *hard-core* cartel (price fixing, product quotas, territorial allocation of customers, customer groups sharing, etc.) “under its belt”.

Serbia has introduced the system of immunity from fines for undertakings approaching the CPC with evidence unveiling cartels. Information suggesting the considerable employment of the leniency program in practice is not available, however. Limited effectiveness of the CPC in busting hard-core cartels of “**relative size and significance**” may as well owe to the fact that case-handlers are excessively engaged in managing individual exemption procedures and mergers. In any case, to make it effective and less obscure, the CPC could do more to make leniency program more vivid to the business community.

The CPC practice often has marginal impact on consumer welfare and the EU/Serbia trade. Indeed, considering robust investigative tools available to the CPC, a list of SAA relevant cases appears limited.

Restrictive (commercial) agreements

The CPC has been hesitant to introduce a system of self-assessment. Instead, somewhat rigid *ex-ante* individual notification procedures have been relied upon. Namely, a failure to notify restrictive commercial agreement is considered a self-standing harm to the competition subject to fines. Agreements implemented prior to the notification are void *per se* with an *ex tunc* effect. As a result, even if cleared against claimed efficiencies *pro futuro*, the parties to the restrictive agreement enforced prior to the CPC clearance may be fined anyway (the CPC may consider

284 Articles 101 and 102, TFEU/Articles 73.1(I) and 73.1(II), SAA

285 European Commission (No 62) 61.

286 See CPC, Decision No. 4/0-02-76/2017-21, 8 December 2017, TENT

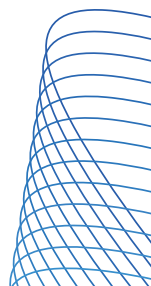
287 See CPC, Decision No. 4/0-02-89/2017- 31, 1 December 2017, N-Sport; Decision No. 4/0-02-26/2016-2, 28 January 2016, *Umbrella Corporation LTD*.

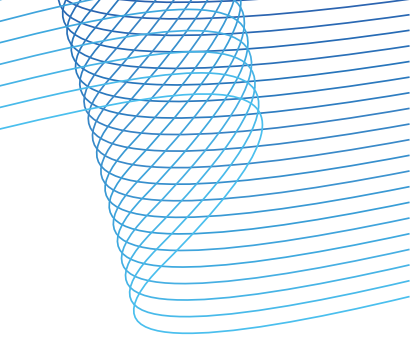
288 SAA, Article 73.1

289 Retail Price Maintenance

290 CPC, „Komisija sprovela nenajavljene uviđaje u kompanijama Keprom i Yuglob“, 25 April 2018 <<http://www.kzk.gov.rs/komisija-sprovela-nenajavljene-uvida>> accessed 6 May 2018.

291 European Commission, (No 62) 61.





reduction of fine).²⁹² Therefore, restrictive agreements not benefiting from the block exemption are void *ipso jure* until cleared by the CPC even if they comply with Article 101.3 TFEU.²⁹³ As a result, many EU-compliant transactions may not be legally and effectively enforced in Serbia without risk of being fined and declared void.

The CPC approach has been “heavy-handed” on distribution agreements in particular. The CPC applies formalistic approach, which led to treatment of agreements by form rather than economic effect. Namely, Serbian Vertical Block-Exemption Regulation²⁹⁴ presumes certain types of distribution agreements as restrictive *per se*.²⁹⁵ The block-exemption, effectively, operates as a presumption of the existence of restrictive contracts outside the block-exemption. The CPC even declared *single branding* and exclusive distribution as restrictive agreements *per object*²⁹⁶ before getting into an in-depth analysis of clauses and economic context of transactions. The legal standpoint is not consistent with the EU case law.²⁹⁷ As a result, it appears that Serbian system of individual exemption and block-exemption allows the CPC not to discriminate scrupulously between restrictions *per object* and *per effect*. The weak capacities of the judiciary to constrain overuse of powers and direct the CPC do not help either.

Furthermore, the regulation applies stricter market share thresholds (25%) than the EU vertical restraints block-exemption for qualifying for the benefit of the exemption.²⁹⁸ Non-compete clauses may not be severed from the rest of distribution contracts.²⁹⁹

The system of prior-notification has been a source of revenues for the CPC, which may be the reason for deferment in alignment with the *acquis* in this department (1,200.00 € per notified agreement).³⁰⁰ The *ex-ante* notification procedure may delay (or even prevent) imports from the EU, or modify distribution system that operators would choose due to the strict treatment of otherwise pro-competitive and non-problematic distribution models. “This may therefore mean that [Serbian] competition law is a relevant factor when a business is deciding how to distribute. Arguably, this should not be the case. Rather, unless there is a good reason, businessmen should be left to select the most cost-effective method with as little distortion as possible induced by the competition rules.”³⁰¹ Indeed, *ex-ante* individual notification procedure

292 CPC, „Instruction of the CPC on application for an individual exemption of a restrictive agreement from the prohibition“, 11 February 2016. 2 and 5.

293 Competition Act, Article 10.2.

294 O.J. of the Republic of Serbia, no. 11/2010

295 Vertical Block-Exemption Regulation implements Article 11 of the Competition Act, which mirrors conditions of Article 101.3 of the TFEU. Article 3 of the Vertical Block-Exemption Regulation „exempts from prohibition“ exclusive distribution, exclusive customer allocation, selective distribution, single branding, exclusive supply, exclusive agency, and franchise agreements. Therefore, the provision implies that these agreements are restrictive and fall under scope of Article 10 of the Competition Act (Article 10 mirrors Article 101.1 TFEU) and under duty to notify such agreement to the CPC. Commission Regulation (EU) No 330/2010, on the other hand, presumes legality of agreements falling under its scope, but it does not presume that vertical agreements outside block-exemption fall within the scope of Art. 101.1

296 CPC, Official Opinion No. 1/0-06-515/2009-2, 1 December 2009. See also CPC <http://www.kzk.gov.rs/misljenja-u-vezi-primene-propisa-u-oblasti-zastite-konkurencije> assessed 8 May 2018.

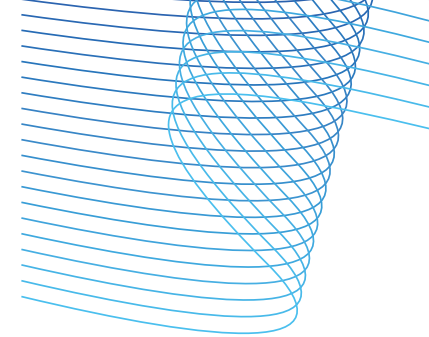
297 For single branding see Case C-234/89 *Stergios Delimitis v Henninger Bräu AG*, [1991] ECR I-935, paras 10-13 and Case T-65/98 *R Van den Bergh Food Ltd v Commission*, CFI [2003] ECR II-4653, [2004] 4 CMLR 1, para. 80. For exclusive distribution see Case 56-65, *Société Technique Minière (L.T.M.) v Maschinenbau Ulm GmbH (M.B.U.)*, ECJ, [1966] ECR 235, [1966] CMLR 357. p. 249-250.

298 *Ibid.* Art. 4. Supplier’s and buyer’s market share must each be 25% or less. Commission Regulation (EU) No 330/2010 applies 30% threshold.

299 Namely, Article 6 of the Vertical Block-Exemption Regulation puts outside entire distribution contract if its non-compete clauses are excluded from the benefit of the block exemption.

300 CPC, „Tarifnik o visini naknada za poslove iz nadležnosti Komisije za zaštitu konkurencije“, No. 1/0-04-138/2011-1, 7 March 2011.

301 A.Jones and B. Sufrin, “EU Competition Law” (4th edition) OUP, 2011, 634.



(coupled with notification fee and with the threat of fines) may operate as a disproportional impediment to the SAA trade, i.e. as a measure having the equivalent effect to the quantitative restrictions.

Furthermore, the handling of individual application takes away capacities from dealing with issues with a real impact on the competition and trade, namely busting hard-core cartels, tackling exclusionary and exploitative abuses of market power, and handling the concentrations significantly altering the competitive market structure.

Abuse of Dominance

“There were three decisions on abuse of dominance cases in 2016 and 2017 each”,³⁰² some of them being capable of affecting the SAA trade. The CPC issued a 3 million € fine against the *EPS Distribucija*, a state-owned distribution system operator, for leveraging dominance at the level of the distribution network at the downstream supply market by applying “dissimilar condition” to access to the distribution network, thereby, favouring its vertically integrated supplier *EPS Snabdevanje*, over its competitors.³⁰³ Furthermore, the CPC launched an investigation in 2018 against *Serbia Broadband (SBB)*, the largest Serbian cable operator, for excessive pricing to exploit locked-in consumers.³⁰⁴

However, the *EPS Distribucija* decision was annulled by the Administrative Court in February 2018.³⁰⁵ Furthermore, *SBB* case may indicate that the prior merger clearance was problematic from the beginning.³⁰⁶

Historically, CPC has been pursuing *per se* abuse of dominance cases (exclusive dealing,³⁰⁷ cabinet exclusivity,³⁰⁸ English clauses,³⁰⁹ price discrimination,³¹⁰ tying³¹¹). The CPC has yet to tackle more complex abuses such as predatory pricing, margin squeeze, tying and bundling, rebate schemes with exclusionary effect, etc. The annulled *EPS Distribucija* decision may suggest that the CPC has difficulties handling the *effect-based* cases.

302 European Commission (No 62) 61. However, the CPC’s webpage reports two cases in 2016 and 2017.

303 CPC, Decision No. 5/0-02-563/2016-60, *EPS Distribucija*, 23 December 2016.

304 SBB increased unilaterally prices of services for end users contrary to the commitment under clearance of a takeover of a local cable operator (See. CPC Takeover Decision No. 6/0-03-01/2017-26 *Serbia Broadband – Srpske kablovske mreže d.o.o. – I.KOM*).

305 Prior to that, on 17 November 2017, Supreme Court of Cassation annulled the Administrative Court judgment that originally confirmed the *EPS Distribucija* decision. Judgments have not been published yet. From the information available, however, it appears that the Supreme Court found errors concerning violation of right to the fair trial by Administrative Court and CPC. In addition, it appears that reversed judgment of the Administrative Court indicated the need by the CPC to establish adverse effects of the alleged abusive conduct on the EPS’s competitors and harm to end-consumers (see Gecic Law, „Historic Ruling: Biggest Fine in Serbian Competition Law Annulled“, 30 March 2018 <https://www.geciclaw.com/historic-ruling-biggest-fine-in-serbian-competition-law-annulled/> accessed 4 April 2018).

306 The CPC cleared conditionally concentration with combined market share of 70% in the market of distribution of media content (Herfindahl-Hirschman Index of concentration increased from 3310 to 4730 - Delta 1420). See CPC Decision No. 6/0-03-01/2017-26 *Serbia Broadband – Srpske kablovske mreže d.o.o. – I.KOM*, 13 March 2017, p. 28-29.

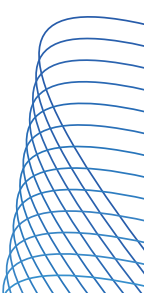
307 CPC Decision No. 5/0-02-10/10-1, 12 January 2010, *Eki Transfers*; CPC Decision No. 5/0-02-329/2012-16, 19 November 2012, *Frikom*.

308 CPC Decision No. 5/0-02-329/2012-16, 19 November 2012, *Frikom*

309 CPC Decision No. 5/0-02-233/2012-12, 9 August 2012, *Imlek*

310 CPC Decision No. 5/0-02-90/2017-131, 23 October 2017, *Inter Turs Plus*

311 CPC Decision No. 5/0-02-27/14-15, 27 November 2014, *Public Enterprise „Pogrebne usluge“*





Mergers

Over the past two years, the CPC imposed remedies in two merger cases.³¹² So far, CPS has never prohibited a merger.³¹³ Indeed, outright blocking merger is „a rare animal“ at the EU level since adoption of 2004 Merger Regulation, except lately.³¹⁴ Nevertheless, cases like SBB/I. KOM³¹⁵ involving merger of two biggest players in highly concentrated market with locked-in consumers and significant barriers to enter was an opportunity for the CPC to „flex the muscles“.³¹⁶

Competition Advocacy

Screening Report noted in 2015 that Serbia must ensure that the recommendations of the CPC “are properly taken into account”³¹⁷ by legislators. Meanwhile, CPC’s “competition advocacy activities increased. Over the past two years, the CPC issued a total of seven opinions on draft legislation in the fields of communal services, services, criminal law, railways and interbank charges, postal services and road transport of freight.”³¹⁸ However, data regarding the degree of acceptance of the CPC opinions is not available.

Overall

Overall, the SAA had a positive impact on the development of the competition rules and competition policy in Serbia. While Serbia did have some sort of antitrust regulation starting from 1974, an effective enforcement began in 2011 with first fine issued against an undertaking conspiring against the market. Therefore, from no enforcement at all we come to the point where we are critically discussing more legally sophisticated issues of implementation of rules and policies. Currently, „the number of antitrust cases and the relative size and significance of companies under investigation has increased.”³¹⁹ With dawn raids regularly practiced and the CPC stepping up its activity against “big fish”, deterrent effect begins to creep hence changing anti-competitive patterns among economic operators. Indeed, some added value to the minimum liberalisation can be identified. However, the level of the improvement is a matter of a degree. A critical issue regarding the effectiveness of enforcement Article 73 against the minimum liberalisation is not the quantity of cases, but the capacity of the cases tackled by the CPC to “affect trade between the Community and Serbia”. Distribution of “relative size and significance” of cases is uneven considering combined market power of cartels and market power of companies whose abuses of market power was tackled by the CPC (see below). The CPC has yet to start dismantling hard-core cartels and complex schemes of abuse of dominance. The system of ex/ante control of agreements served its purpose. The CPC gained the knowledge on com-

312 Progress Report 2018, p. 61

313 *Ibid.*

314 „Outright prohibitions of mergers by DG COMP have been rare since the current merger control regime came into force in 2004, with 3 of the 8 prohibitions coming in the last 12 months alone.” (J. Finn „European Commission Blocks Two Mergers“ 18 April 2017 <https://www.lexology.com/library/detail.aspx?g=f8c99653-317d-4865-b14a-dcc50475a602> accessed 4 April 2018.

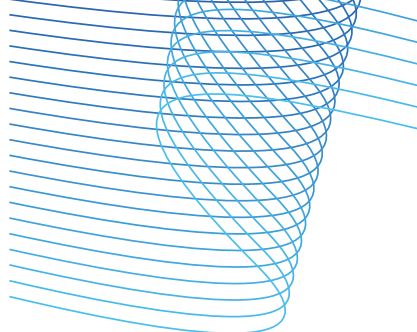
315 The CPC cleared, albeit with commitments, concentration with combined market share of 70% in the market of distribution of media content (Herfindahl-Hirschman Index of concentration increased from 3310 to 4730 - Delta 1420). See CPC Decision No. 6/0-03-01/2017-26 Serbia Broadband – Srpske kablovske mreže d.o.o. – I.KOM, 13 March 2017, p. 28-29.

316 In 2017 European Commission blocked “joint acquisition of Cemex (Croatia’s largest cement producer) by Schwenk and Heidelberg Cement (a large importer of cement) on the basis that the transaction would have eliminated competition between companies otherwise competing in Croatian cement markets and created significant barriers to market entry by competitors” (*Ibid.*).

317 European Commission (No 3) 11

318 European Commission (No 62) 61.

319 *Ibid.*



mercial patterns and markets. However, the CPC practice regarding commercial agreements is, somewhat, rigid and wastes the CPC's resources on issues with less or no antitrust concern. Moreover, the system of exemption that qualifies Article 101.3 compliant transactions (if not being cleared by the CPC) as void and self-standing infringement of the Competition Act affects the SAA trade as such. Therefore, there is room for further SAA liberalization in the antitrust department.

b) Effectiveness of the State aid enforcement³²⁰

Substantive rules – the concept of the State aid³²¹

“The portfolio of the Privatisation Agency included 399 enterprises as of August 2015.”³²² The exception of state-owned enterprises in the process of privatisation from the coverage of the State aid regime has a considerable effect, given a number and significance of companies concerned. Furthermore, exclusion of the commercial revenues of the state-owned companies from the concept of the State resources in accordance with *Senke nad Balkanom* decision³²³ may open „Pandora's box“ and have profound effect on the trade.

Substantive rules – compatibility of the State aid with the internal market/SAA³²⁴

Serbian failure to align the criteria of compatibility of aid with the GBER and relevant 2014 Guidelines, and to develop regional maps, means that aid measures were being approved without application of credible contrafactual scenarios. Hence, the incentive effect of the aid (schemes) approved by the CSAC and their aptness to solve “market failures” (if any) has been questionable. In addition, CSAC approved the Regulation on Attracting Direct Investments³²⁵ as an aid scheme unconditionally in 2017³²⁶ and 2018.³²⁷ As a result, the scheme operates as a *de facto* block exemption, since all individual investment aid granted under the scheme need not to be notified to the CSAC individually. However, the scheme is not GBER compliant. A number of the Ministry of Economy aid measures are now beyond the CSAC scrutiny and monitoring. A controversial, labour intensive 9.5 million € aid (19,000.00€ per employee) granted under the scheme to the *Continental*, a multinational company with an annual turnover surpassing Serbian GDP, for opening IT development department may serve as an example.³²⁸ Namely, IT sector is growing, software market works, and employment is a nonissue.

Rules of procedure³²⁹

Serbia has not introduced the block-exemption system. Compatibility criteria of State aid rules in force are not aligned with the GBER and the EC's Horizontal Guidelines. As a result, „0“ („zero“) aid was directed at projects or investments in the environmental protection, climate

320 Article 107 and 108 TFEU/Articles 73.1(iii) and 73.4-9 SAA

321 Article 107.1 TFEU/ Article 73(1)(iii)

322 European Commission (No 3) 11.

323 CSAC Decision No. 401-00-00088/1/2017-01 *Senke nad Balkanom* TV series

324 Article 107.3 TFEU/ Article 73.2

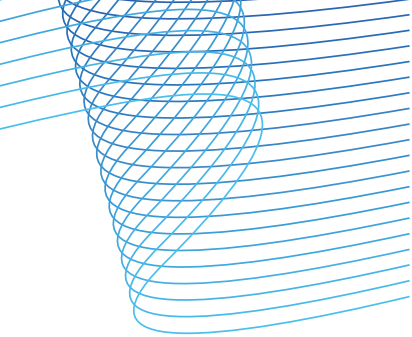
325 *O.J. of the Republic of Serbia* No 110/2016.

326 CSAC Decision No. 110-00-00010/1/2016-01 *Regulation on Attracting Direct Investments I*

327 CSAC Decision No. 110-00-00003/2018-01 *Regulation on Attracting Direct Investments II*. New Regulation is published in *O.J. of the Republic of Serbia* no. 18/2018.

328 N. Rangelov, „Ministarstvo privrede daje 9.500.000€ subvenciju stranoj firmi — ugrožena obećavajuća novosadska IT industrija“ <<https://startit.rs/continental-drzavne-subvencije/>> accessed 6 May 2018

329 Article 108 TFEU and Council Regulation (EU) 2015/1589/Article 73.4 SAA



change, energy efficiency, and R&D in 2015 (and close to nothing in years preceding 2015).³³⁰ Besides, a lack of block-exemption tools means that the already limited resources of the CSAC are devoted to assessment of compatibility of measures of local authorities with marginal or no effects on the trade between Serbia and the EU.

Overall

Indeed, the SAA made Serbia regulate incompatible transfers of state sources to market players distorting of the free market mechanism and trade patterns. The State Aid Act resembles Article 107 structure and established the competent authority with power to order recovery of unlawful aid. Nevertheless, the SAA has not been performing better against the minimum liberalisation benchmark in the State aid department. The enforcement track-record is basically non-existent. Serbia failed to establish operationally independent competent authority. By 2018, a single decision prohibiting State aid, conditional decision or a decision ordering recovery has not been recorded in Serbia. The advice given by the European Commission to Serbia not to introduce the system of block-exemption in order „to raise awareness of State aid rules“ among stakeholders proved utterly misplaced. A major chunk of aid granted is operational, non-transparent, multiplies inefficiencies, instead to tackle market failures and pursue EU policies' goals. SAA State aid rules effectiveness stands at the level where it was in 2009 when the Agreement was signed. No added value to the minimum liberalisation can be identified.

c) Effectiveness of the liberalisation³³¹

The CPC reflects the potential to go against abuses of market of public undertakings, which will improve effectiveness of the SAA against the liberalisation benchmark in future. On the other hand, effective and compliant implementation of the State aid rules on public undertakings depends on transposition and enforcement of the Directive on Transparency of Public Undertakings³³² and the EU SGEI package. In general, the delays in privatization of the state-owned companies remain a factor for lack of enforcement of the State aid regulation. The *Senke nad Balkanom* decision which effectively leaves resources of the state-owned enterprises outside the State aid regime may significantly affect the SAA trade in future.

2.2.3 Main causes of delays in reforms/bottlenecks, critical assessment of the policy choices made, and counterfactual analyses of the opportunities lost

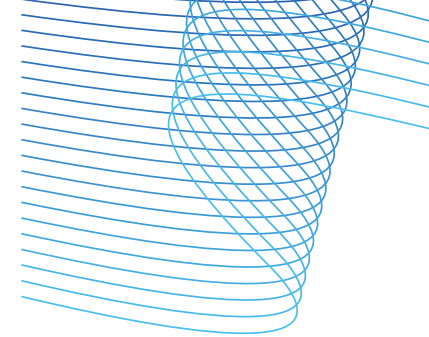
The level of liberalisation achieved under the **antitrust rules** of the SAA has been improved against the baseline scenario. Serbia established the operationally independent institution equipped with legal powers and staff to implement antitrust rules. The CPC exercises effectively the powers provided. In addition, Serbia chooses to apply national rules on control of concentrations as a tool to prevent the creation of market structures less conducive to the competition and trade.

Nevertheless, the CPC needs to start building a track-record in busting hard-core cartels with appreciable size and effect on the competition and SAA trade. At the same time, “heavy-hand-

330 CSAC, 'Report on State aid granted in 2015' p. 26 <<http://www.kkdp.gov.rs/doc/izvestaji/Izvestaj%20o%20dodeljenoj%20drzavnoj%20pomoci%20u%20Republici%20Srbiji%20u%202015.%20godini.pdf>> assessed 6 May 2018.

331 Article 106 TFEU/Articles 74 SAA

332 “Commission Directive 2006/111/EC of 16 November 2006 on transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings (Codified version)”, *Official Journal* L 318, 17 November 2006, pages 17 – 25.



ed” approach to the distribution agreements embodied in the robust pre-notification system of individual exemption should be revisited. First, it served the purpose as the CPC already gained sufficient experience on commercial transactions going on and built the tools and capacities to monitor markets, through sector analyses and dawn raids in particular. Second, the regime is more stringent than the EU regime on restrictive commercial agreements, thus, it distorts the level playing field. Third, the pre-notification system consumes the administrative resources of the CPC that could have been better used for busting hard-core cartels with an appreciable effect on the competition and SAA trade and tackling abuses of market power with a penetrating effect on the consumer welfare.

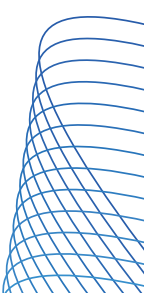
The CPC powers are under the challenge before the Constitutional Court. Indeed, this may suggest that executive powers provided by the Competition Act must be supported by an adequate measure of checks and balances by a judiciary. In addition, the CPC should take a recent annulment of the *EPS Distribucija* decision by the court as an impetus to reinforce its methods of analyses of more complex cases. The CPC has yet to show that it has capacities to handle effect-based abuses of market power on the regular basis.

Furthermore, the Administrative Court still needs to build capacities to be able to take over responsibilities to directly apply Articles 101 and 102 of the TFEU in accordance with the Implementing Regulation, while safeguarding principles of the due process of law.

On the other hand, the main bottlenecks causing the delays to further liberalisation under the SAA are identified in the **State aid** department. Basically, no improvement against the baseline scenario was detected. Following factors can be identified as probable cause:

- a weak political will to establish operationally independent authority to handle the State aid with sufficient powers and capacities to resonate tangible authority over State aid grantors and beneficiaries alike and trust to competitors harmed by incompatible aid;
- weak awareness, and knowledge of the main stakeholders over the purpose of the system;
- delays in privatization of state-owned companies and modernization of public undertakings and utility services;
- an underdeveloped industrial policy which is either non-existent or non-codified thus directing the state incentives in areas which are not compatible with the EU industrial policies and Horizontal State aid Guidelines;
- lack of the block-exemption system to help to direct industrial policies into direction compatible with the EU policies thus leaving more resources free to the CSAC to handle and monitor aid measures with intensity and real impact on the SAA trade.

The advice by the European Commission to Serbia not to develop block-exemption system was misplaced. The grantors and beneficiaries did not get the clear directions regarding *good* and *bad* areas for planning aid measures. As a result, Serbia **lost the opportunity** to use the State aid system as a tool to progressively develop and steer industrial policies towards EU policy goals and to adjust state interventions and to direct aid at tackling identified market failures. Instead, the aid distribution massively perpetuates market failures.





2.3 Recommendations

CPC's available capacities freed and directed „where it matters“, i.e. at activities busting hard-core market restrictions and abuses of market power with the appreciable effect on the competition and the SAA trade

In the antitrust area, Serbia should direct limited resources of the CPC where it matters more. Available resources (manpower and time) dedicated to less or non-problematic areas, i.e. handling mandatory individual exemption procedures (classic distribution and specialization agreements where efficiencies override market restrictions) should be freed and devoted to issues with more appreciable effect on the consumer welfare and SAA trade. Namely, a major part of working hours of case handlers should be dedicated to investigating and busting hard-core horizontal cartels, vertical price-fixing cartels and market power abuses with an appreciable effect on the competition and the SAA trade. Therefore, Serbia should consider the following:

- The mandatory notification procedure for restrictive agreements should be scrapped and the self-assessment system should be introduced coupled with CPC guidelines declaring its policy on such agreements. Otherwise, if some form of the mandatory notification is to be retained, new Competition Act should at least supply the CPC with the power to declare a restrictive agreement compliant with Article 101.3 TFEU criteria (Competition Act, Art. 11) *ex tunc* as a transitional solution. Under no circumstance should commercial agreements compliant with Article 101.3 TFEU and Article 73.2 of the SAA be declared void nor penalized;
- Relax the system of control of commercial transaction and reduce interference of competition rules in the choice of distribution models. Make the block-exemption system to operate as a *safe harbour* rule only.
- Regarding agreements outside the benefit of the *safe harbour* rule, leave the question of existence of infringement of Article 101.1 TFEU (Competition Act, Article 10) to an in-depth individual assessment of an agreement, taking into account economic context of a commercial transaction before the CPC may discharge the burden of proof to economic operators to prove efficiencies under 101.3 TFEU (Competition Act, Article 11);
- In order to ensure the SAA-wide level playing field, approximate block-exemption conditions with the EU rules in force;
- Reconsider if current notification thresholds for mergers are adequate and flexible enough, having in mind the aim of freeing the CPC resources to tackle *hard-core* restraints without compromising effectiveness of the antitrust policy and sustainable financing of the CPC.
- The release of the CPC's capacities may aid to the following tasks as well:
- More aggressive promotion of the leniency program among the business community;
- Ongoing development of capacities of the CPC to tackle more complex restrictive practices and effect-based cases of abuse of market power;
- Preparedness of the CPC and its internal procedures for eventual impact of the potential introduction of safeguards of the due process of law to counterbalance its wide investigative and discretionary powers, without compromising the effectiveness of the competition policy.

In any case, Serbia will need programs and training for specialization of judges of Administrative Court and Supreme Court of Cassation to handle complex antitrust cases and prepare the judiciary to directly apply Articles 101 and 102 of the TFEU and to safeguard the principles of the due process of law.



More State aid regulatory power „where it matters“, balanced with more flexibility for national investment policies aligned with the EU agenda

It is a *no-brainer* to advise (or order) Serbia to introduce operationally independent authority with powers to halt non-compatible State aid measures and order their recovery from beneficiaries. However, the State aid grantors and undertakings alike need clear rules easy to understand and navigate to adjust their practices. Furthermore, besides powers, the future operationally independent authority will need to use its resources more efficiently to prioritize aid measures with higher intensities, real distorting effect, and impact on trade, instead of handling bundle of measures of local authorities with a less than marginal effects on the trade between Serbia and the EU.³³³ Indeed, it goes against the logic to advise Serbia not to use flexibilities of clear rules of the block-exemption system as a tool to steer its industrial policies to the desired direction (*good aid*), and leave capacities free for monitoring problematic issues. In the end, *good aid* is compatible with the internal market and the SAA.

In other words, Serbian system of State aid control needs reformed authority with more and strict regulatory power to tackle incompatible aid and clear and flexible set of rules creating *safe harbours* for the desirable direction of State aid measures (*good aid*) that generates more legal certainty for economic operators.

Having in mind the above said, the following changes in Serbian and EC's approach are recommended:

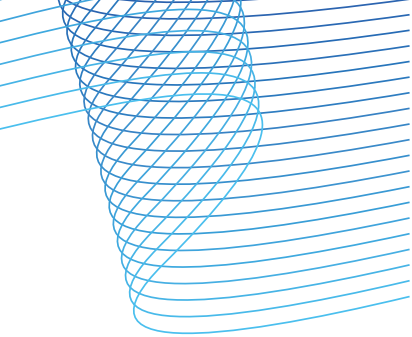
- the EC should encourage Serbia to mandate reformed Serbian Commission for State Aid Control with a power to adopt block-exemption rules aligned with GBER³³⁴ (*flexibility*);
- reformed Commission for State Aid Control should be mandated with a power to issue guidelines and „safe harbour“ notices aligned with the European Commission instruments (and adjusted to the pre-accession phase) coupled with simplified procedures for assessment of the compatibility of *good aid* (simplified procedures for *good aid*³³⁵);
- the EC should advocate for leeway and *safe harbour* policies for the EU funds available to Western Balkans Investment Framework (and under control of Serbian authorities) as well as for the investments by International Financial Institutions supporting Flagship Initiatives (*leeway and safe harbour rules for EU money*);
- transform the CASC into the regulatory body. Serbian Commission for Protection of Competition should be entrusted with comparable regulatory and investigative powers, and with the similar level of autonomy from the State aid grantors (*more power where it matters and more independence from grantors*);

In short, we advocate for more regulatory power „where it matters“, balanced with more flexibility for national investment policies aligned with the EU agenda. Therefore, the State aid rules should be used as a policy tool to gradually re-direct public funds from perpetuating economic inefficiencies to supporting investments that are compatible with the internal market, while creating a predictable legal environment for grantors and beneficiaries in the process. Otherwise, State aid control shall remain an obscure, misunderstood legal field beyond the grasp for those who are supposed to be regulated.

333 See a list of decisions adopted by the Serbian Commission for State Aid Control from 20 January 2015 onwards <http://www.kkdp.gov.rs/odluke-komisije-20-01-2015.php>

334 Commission Regulation (EU) N°651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block-Exemption Regulation – GBER)

335 For the purposes of the text, a „good“ aid is aid aligned with the EU policies (including the EU pre-accession policies) and with the applicable EC's State aid Guidelines.



Transpose the Directive on Transparency of Public Undertakings, finalize privatization of state-owned companies, and integrate resources of the state-owned enterprises into the State aid regime.

Chapter 3 – Intellectual Property Rights (Intellectual, industrial and commercial property)³³⁶

Chapter 7 *acquis* approximates elements of a subject-matter of national copyright and related rights, industrial property rights, and trade secrets³³⁷ and sets minimum standards of their enhanced enforcement within the internal market.³³⁸ The rules aid to eliminating differences of national law which may hamper proper functioning of free flow of goods and services and adapt operation of intellectual property rights (IPR) to the digital age and Information Society. The regional EU-wide exhaustion of IP distribution rights over reproduced products protected by the IP, in particular, facilitates free circulation of goods by means of parallel imports in the European Economic Area.³³⁹ The EU law introduces novelties to existing protected subject-matter such as *sui generis* right for database producers, supplementary protection certificates (SPCs) for pharmaceuticals and specific rules on protection of computer programs and semiconductor.

On top of these rules, the EU law established an additional layer of EU-wide unitary rights and the EU-wide system of registration of EU trademarks and EU design.³⁴⁰ Furthermore, a necessary element of the EU-wide patent system is accession to the European Patent Convention and the European Patent Organisation (EPO).³⁴¹

Directive 2004/48/EC on the enforcement of intellectual and industrial property rights (the Enforcement Directive) requires Member States to set up adequate implementing mechanisms, and effective enforcement capacity with dissuasive and proportionate remedies and penalties against IP infringers. The EU is a member of the World Trade Organization (WTO) which administers the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement). In particular, customs administrations' role is critical in preventing the circulation of products infringing copyright or industrial property under Regulation (EC) No 1383/2003.

In accordance with the Interim Agreement³⁴² Serbia had to take the necessary measures to establish, no later than January 2015, a level of protection of intellectual property rights simi-

336 Chapter 7 in accession negotiations (Intellectual Property Law)

337 In 2016, the EU adopted Directive (EU) 2016/943 on trade secrets. EU countries have to incorporate it into national law by 9 June 2018.

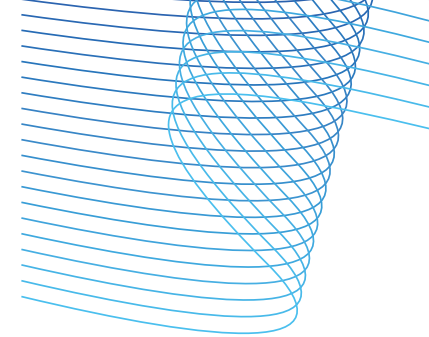
338 Article 26.2 of the Treaty on the Functioning of the European Union defines the internal market as "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of the Treaties."

339 The rule allows the legal purchaser to have control over the reproduced (copy, patented, etc.) product, including the right to resell it free from interference by the IPR owner.

340 An important element of the EU-wide trademark and design system is participation in the Madrid Protocol and the Hague Agreement concerning the international registration of trademarks and industrial designs. Provisions exist with regard to supplementary protection certificates (SPCs) for pharmaceuticals.

341 European Commission (DG Growth) https://ec.europa.eu/growth/industry/intellectual-property/patents/unitary-patent_en accessed May 13, 2018.

342 Interim Agreement on Trade and Trade-Related Matters between the European Community, of the one part, and the Republic of Serbia, of the other part (IA), L28, 30/01/2010, p. 2.



lar to that existing in the EU, including effective means of enforcing such rights.³⁴³ Serbia was required to accede to multilateral IPR conventions listed in Annex VII of the SAA³⁴⁴ by the same date.³⁴⁵ Furthermore, a general approximation clause (SAA, Art. 72) requires Serbian law “to be gradually made compatible with the [EU] *acquis*” as of signing of the SAA.

Joint Declaration on Article 75 of Parties to the SAA clarified the concept of “commercial property” to include protection against competition contrary to honest practices in industrial or commercial matters as defined by Article 10bis of the Paris Convention for the Protection of Industrial Property and protection of undisclosed information as referred to in Article 39 of TRIPS Agreement. The term “level of protection” stands for “the availability of the measures, procedures and remedies provided for in Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.”³⁴⁶

Effectively, the SAA implied establishment of the level playing field between Serbia and the EU in terms of the level of protection of the protected subject matter and its enforcement based on the relevant EU rules regulating substance of IP and protection of trade secrets and enforcement procedures.

First part provides for the baseline assessment of Serbian level of alignment against the SAA free movement of goods requirements at the time of the signing of the SAA/Interim Agreement, indicating key challenges to full implementation. Current legal and policy gap assessment against the SAA requirements will be covered by the second part to indicate and critically discuss the progress (or regression where applicable) made against the baseline situation. On the basis of the findings and „lessons learned“, further country-specific strategic and tactical recommendations will be provided, as well recommendations to the EU institutions, exploring the potential for further elimination of barriers to free movement of goods and related services between the Parties to the SAA, prior to the accession. Where possible, country specific recommendations applicable to other WB countries will be indicated.

3.1 Baseline Assessment Against the SAA Requirements at the Time of the Signing

Serbia signed the SAA on 29 April 2008, a date from which the approximation obligation started,³⁴⁷ with “focus on fundamental elements of the Internal Market”³⁴⁸ in an early stage. In the field of intellectual property, a similar level of protection and effective enforcement of “intellectual, industrial and commercial property rights” to that in the internal market was expected five years from entry into force of the Interim Agreement, i.e. from 1 February 2010.³⁴⁹ At the time of signing of the SAA, Serbia already had a well-established system of rules protecting copyright and related rights and industrial property rights. “The legislative alignment required by the SAA was well advanced.”³⁵⁰

343 The provision of the Interim Agreement was taken over by Art. 75 of the SAA.

344 SAA stands for Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Serbia, of the other part, L 278, 18/10/2013, p. 16

345 *Ibid.*

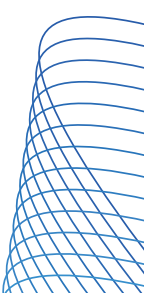
346 SAA, Joint Declaration on Article 75.

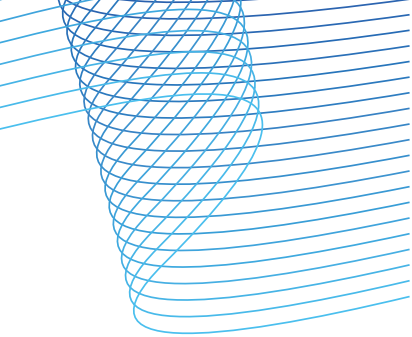
347 SAA, Art. 72.2: „[A]pproximation shall start on the date of signing of this Agreement, and shall gradually extend to all the elements of the Community *acquis* referred to in this Agreement by the end of the transitional period defined in Article 8 of this Agreement.“

348 SAA, Art. 72.3.

349 Interim Agreement, Art. 40 (see SAA, Article 139).

350 European Commission, *Serbia 2009 Progress Report*, COM(2009) 533, 36.





Rules regulating **industrial property rights**, including its legislation on industrial design and trademarks, were largely reflecting the EU *acquis*.³⁵¹ The Law on **copyright and related rights** was adopted in December 2009, closing the gap between Serbian rules and Computer, Database and Information Society Directives substantially. The Law on the Protection of **Trade Secrets** was adopted in September 2011. Serbia has acceded to all the relevant multilateral conventions, as required by Annex VII of the SAA, apart from the TRIPS Agreement, which is subject to Serbia's accession to the WTO. In October 2010, Serbia became a member of the European Patent Organisation (EPO). The Intellectual Property Office of the Republic of Serbia (IPO), a longstanding institution in the field,³⁵² asserted the role as national coordinator for approximation of intellectual property rights to the EU law early. The Law on Special Powers for the Purpose of Efficient Protection of IPRs,³⁵³ which entered into force in 2006, provided the **enforcement** powers to the administrative authorities against pirated and counterfeited products and infringers to comply with TRIPS Agreement. The Decree on the terms and means of enforcement of measures for protection of intellectual property rights at the border, on the basis of the Customs Law, entered into force in January 2011. The fight against high-tech crime units were established in 2007 in the Public Prosecutor's Office and the Ministry of the Interior.

Nevertheless, some elements for full compliance with the SAA were missing. The effective transposition of the remaining legal gap with directives in the industrial property, copyright and related right rules were still needed. A system of measures, procedures and remedies for protection of the IPRs before the court was not aligned with the Enforcement Directive. Effective remedies available to the IP holders that were in force, were distributed unevenly between different types of IP subject-matters. Administrative enforcers and judiciary required specialisation and training on intellectual property law. Inter-institutional cooperation was only sporadic and informal. A lack of coordination mechanisms for effective enforcement of IPRs was missing.³⁵⁴ Enforcement statistics was underdeveloped. Overall, enforcement was assessed as weak. Therefore, Serbia needed *additional efforts* to be in a position to align with the EU IPR *acquis* and to implement it effectively in the medium term.³⁵⁵

3.2 Current Legal and Policy Gap Assessment Against the SAA Requirements

3.2.1 State of the legal and institutional alignment

Indeed, Serbia has achieved good level of preparation on intellectual property rights as assessed by the Commission in 2018. It reached a good level of alignment with the *acquis* and it demonstrated that it has the basic administrative capacity to enforce IPR effectively. Therefore, Serbia moved from "moderately prepared" in 2011 to "good". The IPO is relatively well staffed and efficiently manages IP registration procedures and databases.

Full and effective alignment to close the remaining legal gap with the *acquis* regulating the IP subject-matter was not achieved, however. The permanent coordination body for the enforcement of IPR was established in October 2014, but it did not meet in 2016 and lacks convincing

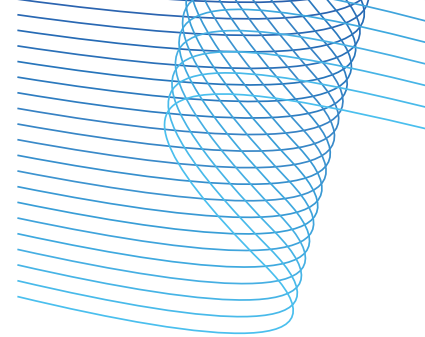
351 Commission, 'Commission Opinion on Serbia's application for membership of the European Union Opinion Analytical Report' COM(2011) 668, 66.

352 The IPO was established in 1920 by King Aleksandar Karađorđević's Regulation on protection of industrial property as Administration for Intellectual Property of the Kingdom of Serbs, Croats and Slovenes. Republic of Serbia (then Kingdom of Serbia) and other 10 founder states, established the Paris Union in 1883.

353 *OJ of Republic of Serbia*, no. 46/2006.

354 European Commission (no 15) 66.

355 European Commission, "Commission Opinion on Serbia's application for membership of the European Union", COM(2011) 668 final, 10.



track-record. IT infrastructure enhancing coordination among different institutions involved in IPR enforcement will be needed. A revised strategic framework for IPR has yet to be adopted. Indeed, the enforcement is on-going but the alignment of the legislation with the Enforcement Directive is slow. As a result, no progress was detected by the EC from 2016 onwards.

a) Transposition gap with directives regulating protected subject-matter

The level of alignment of Serbian law with the **copyright and related rights *acquis*** remained partial and at the level achieved in 2010. In particular, Information Society Directive,³⁵⁶ Computer Programs Directive,³⁵⁷ Database Protection Directive,³⁵⁸ Rental and Lending Rights Directive,³⁵⁹ etc. were only partially transposed. Serbia has yet to transpose Directive 2012/28/EU on certain permitted uses of orphan works and Directive 2014/26/EU on collective management of copyright and related rights. Regarding **the industrial property**, draft laws closing the remaining gap with the Trademark Directive and directives in the patent related area (on legal protection of biotechnological inventions, on SPCs, on the compulsory licensing of patents) have been kept on hold. Therefore, only Law on Industrial Design can be assessed as fully aligned.

In 2016, the EU adopted the **Trade Secrets** Directive. Therefore, the assessment of the degree of the alignment of the Law on the Protection of Trade Secrets will be needed.

Serbia currently operates the system of national **exhaustion of IPR rights**. Operational provisions of Serbian IP legislation in force, however, extend the exhaustion of rights to the territories of EU and EEA countries with their effect postponed until entry into force of the Accession Treaty.³⁶⁰

b) Transposition gap in the IP enforcement

The IPO prepared the draft laws aligning copyright and related rights and industrial rights, eliminating the remaining gap with the EU directives, in the period 2014/2015. The drafts included transposition of the Enforcement Directive as well. The drafts were reviewed by the European Commission and assessed positively.³⁶¹ Nevertheless, they have remained in the draft phase, and never progressed into the government procedure.

3.2.2 The effectiveness of the approximation process

Effectively, Serbia did achieve similar level of protection of the IPR in terms of the degree of alignment with the EU directives regulating protected subject-matter. Indeed, some gap remains in that department. However, Serbia had a good head start in 2009 and 2010 with new legislation adopted at the time. Nevertheless, Serbia failed to close the remaining legal gap, although the IPO did prepare drafts to do so.

However, the deadline for the transposition of the Enforcement Directive expired already on 1 February 2015. With exception of the industrial design, Serbia failed to transpose the Enforcement Directive across the line, thus, the track-record on its full enforcement cannot be reported.

356 Directive 2001/29/EC

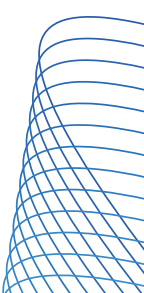
357 Directive 2009/24/EC

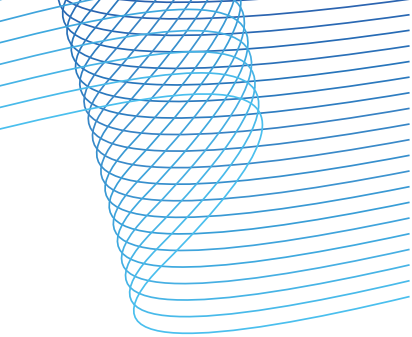
358 Directive 1996/9/EC

359 Directive 2006/115/EC

360 European Commission (no 20)10.

361 *Ibid.*





The number of pirated and counterfeited products removed from circulation and intercepted at the border and destroyed decreased from 2016 to 2017. On the other hand, indictments brought by the Public Prosecutor's Office increased in 2016 and again in 2017. The facts alone may not be used as a reliable indicator if the administration became more or otherwise less efficient, since the decrease in numbers of intercepted products may also reflect the decrease in circulation of infringing products. Indeed, enforcement is on-going.

Overall, the SAA did help to improve the level of approximation of Serbian rules with the *acquis*. However, the level playing field in the form of similar level of enforcement of IPRs as in the internal market has yet to be achieved.

3.2.3 Main causes of delays in reforms/bottlenecks, critical assessment of the policy choices made, and counterfactual analyses of the opportunities lost

Indeed, Serbian legislation closed the gap with the EU rules substantially in 2010. The level of enforcement and capacities of the competent authorities and judiciary improved. The IPO operates registration procedures smoothly and runs the training centre for IPR. Overall, legal and enforcement environment improved compared to the situation at the time of signing of the SAA. Implementing and coordinating structures have been established. Nevertheless, the performance of the SAA is below the projected in all but one legal area compared to Article 75 requirements.

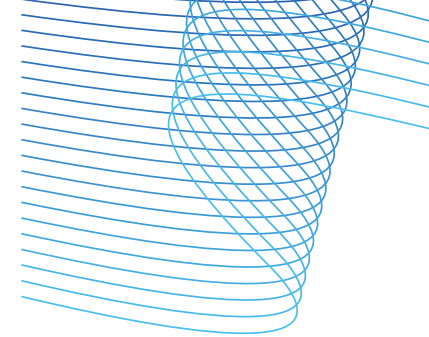
Namely, the process of approximation has slowed down, except in the area of industrial design, since 2010. The Enforcement Directive has not been transposed fully; therefore, distribution of measures and remedies available to the right holders is not evenly distributed between different types of the intellectual property subject-matters. Serbia struggles with the pace of changes at the EU level. The transposition of 2012 Directive on permitted uses of orphan works and 2014 Directive on collective management of copyright and related rights has not started yet. The system aligned with the EU rules regulating proper functioning of the management of copyright and related rights by collective management organisations and multi-territorial licensing by collective management organisations of authors' rights in musical works for online use has yet to be introduced in Serbia. A mechanism for monitoring the EU case law, especially regarding the operation of IPRs in the digital environment, should be considered.³⁶²

Serbia should have achieved full approximation by now, as estimated in Analytical Opinion on Serbian Candidacy of the Commission in 2011. Indeed, the approximation delays can be characterized as lost opportunity as such. The IPO is the main coordinator in the IPR field and the drafter of the legislation. The text prepared by the IPO and cleared by the European Commission, closing the legal gap further in the copyright and database protection, trademarks and patents, was held off the pipeline. The IPO does not have immediate power to propose legal texts to the Government, which may be a cause for delays in the approximation.³⁶³

Serbia applies the system of national exhaustion of IPRs. Indeed, this is a legitimate policy choice and operates as an authorized restriction to trade in accordance with Article 45 of the

362 Ground-breaking cases such as *UsedSoft* (Case C-128/11) governing exhaustion of rights in digital environment regarding marketing of used licences for computer programs downloaded from the internet or cases interpreting the scope of *sui generis* rights of database producers, etc. should be followed, translated, commented, publicised and communicated to the judiciary.

363 Law on Ministries (OJ of the Republic of Serbia, no. 44/2014, 14/2015, 54/2015, 96/2015 and 62/2017). Art. 14.2 The Ministry of Education, Science and Technological Development is in charge of putting drafts into government procedure. The Ministry has inferior capacities and knowledge to the IPO and often fails to defend properly legal proposals in IP area.



SAA, albeit, it may run contrary to the standstill rule in some areas.³⁶⁴ The EU applies the regional EEA-wide exhaustion with the same effect to the SAA trade. However, the policy choice restricts the parallel imports of IP protected goods from the EU into Serbia. The local dealers running the exclusive distribution in Serbia may legally block imports of goods, which were put on the EU market by or with the consent of the IP right holder, and legally acquired by the parallel importers. As a result, intra-brand competition is restricted and prices of products with incorporated IP are often higher in Serbia than in the EU accumulating the *deadweight* loss³⁶⁵ due to artificial scarcity of supply. In addition, it may as well be that many intercepted products at the border were not pirated or counterfeited.

All in all, although the SAA improved the performance in the IPR sector overall, it could have brought SAA trade closer to the level playing field if all potentials had been exhausted.

3.3 Recommendations

Therefore, as a strategic recommendation Serbia, needs to:

- speed-up approximation in the field, identify and eliminate the bottlenecks in the legislative procedure for adoption of the IPR laws, and establish more stringent procedures to follow the pace of changes in the EU legislation and development of the EU case law; and
- consider eliminating further barriers to the SAA trade by switching the national exhaustion of the IP distribution rights for SAA-wide exhaustion to eliminate barriers for legitimate price-cutting parallel imports, in order to enhance the consumer welfare.³⁶⁶ Also, the shift would facilitate administering the EEA-wide exhaustion upon the Accession.

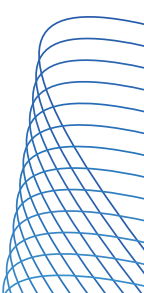
Having in mind the above said, the following tactical recommendation to Serbia can be given:

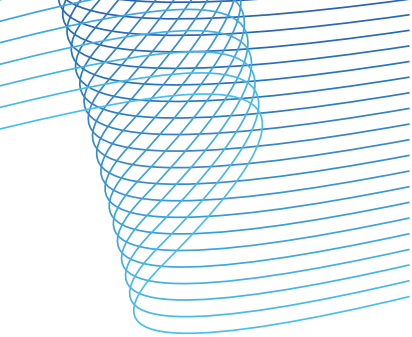
- Identify the major bottlenecks affecting the pace of the approximation and address them as soon as possible. Make this as a priority over other non-EU implementation related tasks. If necessary, create additional capacities within competent authorities which have faced major challenges enforcing the IP *acquis*, especially regarding market monitoring and monitoring of non-compliant imports. The additional capacities should be streamlined and tasked specifically with the Chapter 7 approximation duties. These capacities should not be tasked with other duties not related to the Chapter 7 approximation.
- Create capacities and additional arrangements to transpose timely new EU instrument such as the Trade Secrets Directive in accordance with transposition deadlines applicable to the Member States. Make it become a normal routine of the administration. The existing coordination arrangements created for the purposes of the accession negotiations in

364 Art. 36.2 of the SAA - *Standstill* (Art. 21.2 of the Interim Agreement) prohibits introduction of new measure having equivalent effect to the quantitative restriction on imports or exports, nor shall those existing be made more restrictive, in trade between the EU and Serbia from the date of entry into force of the Interim Agreement. For example, Serbia was applying international exhaustion for trademarks before entry into force of the Interim Agreement on 1 February 2010 and until 2013. Introduction of the national exhaustion of distribution rights over trademarked products following the entry into force of the Interim Agreement may run against the standstill requirement described, as it is a more restrictive measure to parallel imports than the international exhaustion applied prior to the coming into force of the Interim Agreement.

365 A deadweight loss, also known as excess burden or allocative inefficiency, is a loss of economic efficiency that can occur when equilibrium of supply and demand for a good or a service is not achieved.

366 Indeed this may have as an effect an increase of imports from the EU thus affecting negatively the trade balance with the EU in short-term. However, the local dealers would react swiftly by reducing the price to meet the price-cutting competition and imports at the competitive level. As a result, the unnecessary deadweight loss for economy will be eliminated.





Chapter 7 can be used, refined by additional procedures aimed at regular monitoring and reporting on progress made by a competent authority in charge of the transposition of the EU measure. Make the competent authority accountable for meeting the deadlines.

- To speed-up the approximation, an immediate mandate to IPO should be considered, giving the power to submit draft law proposals directly to the Government without prior approval of the Ministry of Education, Science and Technological Development.
- IPO may consider introducing the monitoring of the EU case law and dissemination of information on the EU case law to the stakeholders, and especially to the judiciary as its regular activity.
- Avoid fragmented and scattered transposition where possible to facilitate smooth and effective implementation of the EU rules by economic operators and judiciary. For example, consider if *sui generis* database protection warrants the separate legal instrument to avoid confusion with an operation of related rights and mandatory exemptions to the enforcement of related rights.
- Serbia should consider introducing the explicit references in the transposition instruments to the EU IPR Directives as soon as possible.

Chapter 4 – Public procurement³⁶⁷

The EU Public Procurement *acquis* is a tool for opening national markets of public contracting to the EU-wide competition. It sets minimum harmonized standards on the way public authorities and certain public utility operators purchase goods, works and services and award concessions. The EU legislation under Chapter 5, therefore, contains common rules governing national public procurement procedures and procedures for awarding concessions with an aim of maintaining undistorted competition within the internal market.

Chapter 5 *acquis* is based on the **general principles** such as transparency, equal treatment, free competition and non-discrimination descending from the Treaty on the Functioning of the European Union (TFEU) and the case law of the European Court of Justice (ECJ). The general principles are baseline rules applicable to all procurement procedures awarding public contracts, including those falling outside the scope of the EU procurement directives.

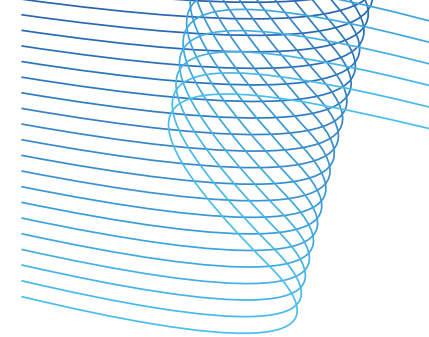
The **award of public contracts** (public works, public supply and public service contracts) is governed by the Public Procurement Directive³⁶⁸ covering contracting authorities, and by the Utility Sector Directive³⁶⁹ covering procurement by entities operating in the water, energy, transport and postal services sectors. The Concession Directive sets standards for the award of concession contracts.³⁷⁰ The directives establish framework for electronic procurement, including electronic means of communication, e-submission, dynamic purchasing systems, electronic auctions, and electronic catalogues. Directive 2009/81/EC regulates the award of certain contracts in the fields of defence and security.

367 Chapter 5 in accession negotiations (Public Procurement)

368 European Parliament, *Directive 2014/24/EU*, (Brussels: European Union, 2014), and European Council, *Directive on public procurement and repealing Directive 2004/18/EC*, (Brussels: European Union, 26 February 2014), (Text with EEA relevance).

369 European Parliament, *Directive 2014/25/EU*, (Brussels: European Union, 2014), and European Council, *Directive on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC*, (Brussels: European Union, 26 February 2014), (Text with EEA relevance).

370 European Parliament, *Directive 2014/23/EU*, (Brussels: European Union, 2014), and European Council, *Directive on the award of concession contracts*, (Brussels: European Union, 26 February 2014), (Text with EEA relevance).



The procurement *acquis* entails two directives on **remedies**³⁷¹ containing requirements for the establishment of effective and independent review procedures against decisions taken by contracting authorities and the availability of remedies including subject-matter outside the scope of application of the classic and utility sector directives.

Article 76 of the Stabilisation and Association Agreement (SAA) governs progressive liberalization of mutual access to national public award procedures in Parties to the EU and Serbian companies. Article 76, together with the general approximation clause in Article 72, regulates mutual and staged opening-up of public procurement markets to create an effect of the level playing field prior to the accession based on the *SAA territory*.

First part of the research provides for the baseline assessment of Serbian level of alignment against the SAA public procurement requirements at the time of the signing of the SAA/Interim Agreement. Current legal and policy gap assessment against the SAA requirements will be covered by the second part to indicate and critically discuss the progress (or regression where applicable) made against the baseline situation. On the basis of the findings and „lessons learned“, further country-specific strategic and tactical recommendations will be provided, as well as recommendations to the EU institutions, exploring the potential for further elimination of barriers to free access to SAA-wide public procurement markets prior to the accession in accordance with Art. 76. Where possible, country specific recommendations applicable to other WB countries will be indicated.

4.1 Baseline assessment against the SAA requirements at the time of the signing

Serbia signed the SAA on 29 April 2008, a date from which an approximation obligation started,³⁷² with “focus on fundamental elements of the Internal Market”³⁷³ in an early stage, including the public procurement *acquis*. Furthermore, Article 76 provides explicit rules regulating access to the public procurement markets. However, Article 76 was outside the Interim Agreement and, thus, not operational at the date of the signing of the Agreement.

Nevertheless, the signing alone had a positive impact in the sector. Serbia adopted new Public Procurement Act in December 2008. Until then, Serbia lacked a consistent, effective and fully independent public procurement system with streamlined award procedures.³⁷⁴ The 2008 Act was a positive step towards alignment with then applicable *acquis* and “paved the way for a major overhaul of the Serbian procurement framework.”³⁷⁵ The Act was largely based on the EU public procurement legislation in force.³⁷⁶ It markedly improved transparency of procedures and operation of equal treatment, free competition and non-discrimination principles. Namely,

371 European Economic Community, *Directive 89/665/EEC on the application of review procedures to the award of public supply and public works contracts (applicable to the “classical sector” and to concessions covered by Directive 2014/23/EU)*, (Brussels: European Union, 1989) and European Economic Community, *Directive 92/13/EEC on coordinating the laws, regulations and administrative provisions relating to the application of EU rules on the procurement procedures of entities operating in the water, energy, transport and telecommunications (utilities sector)*, (Brussels: European Union, 1992).

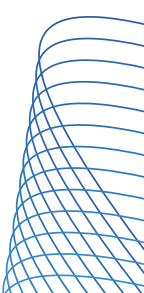
372 *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 72.2: „[A]pproximation shall start on the date of signing of this Agreement, and shall gradually extend to all the elements of the Community *acquis* referred to in this Agreement by the end of the transitional period defined in Article 8 of this Agreement.“

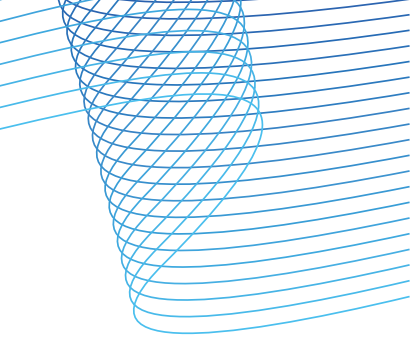
373 *Ibid.*, Art. 72.3.

374 European Commission, *Serbia 2008 Progress Report*, COM(2008)674 (Brussels: European Union, 2008), 36.

375 European Commission, *Serbia 2009 Progress Report*, COM(2009) 533, (Brussels: European Union, 2009), 35.

376 European Commission, *Commission Opinion on Serbia’s application for membership of the European Union Opinion Analytical Report COM(2011)*, (Brussels: European Union, 2011), 64.





the law introduced the court review of public procurement decisions, the institutional independence of the public procurement bodies, notably the Public Procurement Office (PPO) and the Commission for the Protection of Bidder's Rights in public procurement matters (CPBR) and certification of professional public procurement officials.³⁷⁷ The Act improved transparency by introduction of e-procurement and by establishment of an electronic public procurement portal.³⁷⁸ The CPBR was set up in October 2010 as a body directly accountable to the Parliament with its own budget and premises.

However, some legal gaps remained. The scope for using negotiated procedures was more generous, while the scope for use of the restricted procedure was more limited compared to the EU rules. Utility sector was not fully aligned with the *acquis* regulating award of contracts in that area.³⁷⁹ The concessions and other forms of public-private partnerships remained unregulated³⁸⁰ and not in line with the general principles of the EU law and case law regulating free competition, transparency, equal-treatment, and non-discrimination.³⁸¹

Public Procurement Act granted preferential treatment to Serbian companies' bids and to the Serbian products as well in accordance with the exemption provided under Article 76 of the SAA.

4.2 Current legal and policy gap assessment against the SAA requirements

4.2.1 State of the Legal and Institutional Alignment

a) Direct Access to the SAA Public Procurement Market³⁸²

Coming into force of the SAA marked the beginning of the opening-up of markets for award of public contracts. Domestic preferences are completely abolished in 2018 in accordance with Article 76.5 of the SAA. The EU companies not established in Serbia shall have non-discriminatory and immediate access to Serbian public awards procedures as of 1 September 2018.³⁸³ Formally, Serbian companies got unconstrained access to contract award procedures in the internal market under no less favourable treatment than that accorded to the companies incorporated in the EU as of 1 September 2013, without need to be established in the EU.³⁸⁴ Theoretically, these provisions should operate directly.

However, the Public Procurement Act lacks explicit reference to Article 76.4 of the SAA to direct conduct of contracting authorities, PPO and CPBR. Certainly, the contracting authorities in the EU may be even less familiar with the SAA requirement and the effect of the SAA as well.

Furthermore, the opening-up of Utility Sector market for Serbian companies is linked to the approximation of Serbian rules with the Utility Sector Directive.³⁸⁵

³⁷⁷ *Ibid.*

³⁷⁸ *Ibid.*

³⁷⁹ *Ibid.*

³⁸⁰ *Ibid.*

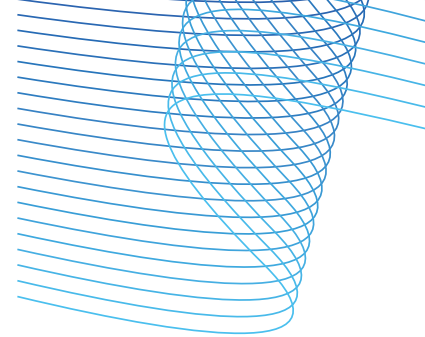
³⁸¹ The national procedures for awarding concessions were not harmonized by the EU approximation instruments at the time. Still, the subject-matter was regulated by directly applicable provisions on freedom of establishment of the Treaty on establishing of the European Community and subsequently by the TFEU and related case law.

³⁸² *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 76.

³⁸³ *Ibid.*, Art. 76.4.

³⁸⁴ *Ibid.*, Art. 76.2.

³⁸⁵ *Ibid.*, Art. 76.2 subparagraph 2.



Finally, as regards establishment, operations, supply of services between the EU and Serbia, and also employment and movement of labour linked to the fulfilment of public contracts, the provisions of Articles 49 to 64 are applicable. As a result, some obstacles to unrestrained access to the public procurement markets on the SAA territory may be affected by lack of liberalisation of cross-border movement of services.

*b) Approximation*³⁸⁶

Public procurement system broadly reflects Chapter 5 *acquis*.³⁸⁷ However, building capacities for the implementation and enforcement capacities at all levels remains a key challenge for Serbia. Serbia remains *moderately* prepared in this area.³⁸⁸

The Serbian legislation is in conformity, to a large extent, with the general principles of transparency, free competition, and equal treatment. The system of price preferences for national operators and products has been abolished, enabling non-discriminatory treatment of services and products notwithstanding the nationality and origin, as well. However, the provisions of the Public Procurement Act and the Concession Act provide for general disapplication of competitive procedures in case of international agreements. Provisions are not compliant with directives' similar provisions. Namely, the EU directives give preference to the international agreements only under condition that they comply with the Treaties. In other words, international agreements must themselves provide procedures that safeguard general principles of transparency, free competition, non-discrimination and equal treatment in accordance with the TFEU. As a result, certain bilateral international agreements entered in by Serbia, exempting certain works and projects from public procurement and concession rules, are not compliant with the *acquis* and should be terminated prior to the accession.³⁸⁹

Serbia adopted new Public Procurement Act in 2012, which was amended in 2015. The Act provides for an adequate level of alignment with the Public Procurement Directive. As regards facilitating access to green, SME and innovation related procurement, Serbia is relatively advanced.³⁹⁰ However, Serbia applies same and unmodified rules on awards of contracts in all utility sectors notwithstanding their specific features. Serbia has yet to transpose Utility Sector Directive, which provides for flexible procedures for utilities such as the option to use a periodic indicative notice as the sole means of publication and to foresee higher thresholds for supply and service contracts as well as for certain social services. The Concession Act was adopted in 2011 prior to the adoption of the Concession Directive and it needs alignment. The legislation on defence and security procurement is not fully compliant with Directive 2009/81/EC. It operates too many exemptions to the competition open to excessive and discretionary application.³⁹¹

386 *Ibid.*, Art. 72.

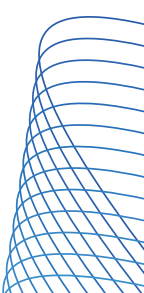
387 European Commission, *Screening report Serbia Chapter 5 – Public Procurement*, MD 4/15, 02.02.15, (Brussels: European Union, 2015), 11.

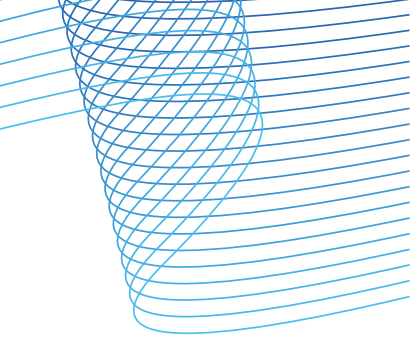
388 European Commission, *Serbia 2018 Report*, COM(2018) 450 final, (Brussels: European Union, 2018) 57.

389 For example, Article 6 of the Agreement on Cooperation between the Government of the Republic of Serbia and the Government of United Arab Emirates („OJ of the RS“ – International agreements, no. 3/2013) provides that “[a]greements, contracts, programs and projects agreed in accordance with this Agreement will not be subject to public procurement, public tender, public competing procedure or any other procedure defined in National legislation of the Republic of Serbia.” Furthermore, Article 5 stipulates that “all investment and mutual cooperation arrangements that are included in fields of cooperation pursuant [...] [to] Agreement will be implemented and agreed under terms and conditions agreed by the Parties to this Agreement, or each Party and private sector”. Therefore, the arrangement display national procedures, while not introducing competitive procedure of its own that satisfies principles of free competition, transparency, equal treatment and non-discrimination.

390 European Commission, *Screening report Serbia Chapter 5 – Public Procurement*, MD 4/15, 02.02.15, (Brussels: European Union, 2015), 11.

391 European Commission, *Serbia 2018 Report*, COM(2018) 450 final, (Brussels: European Union, 2018), 57.





The legislation on the right to legal remedy broadly reflects the *acquis*.³⁹² It is enforced by the CPBR, an independent state body. Administrative courts' capacity to deal with more complex and numerous public procurement cases remains weak and proceedings are very lengthy. The PPO has a total of 28 staff members at present. It needs reinforcement to carry out many of its responsibilities and more efficient distribution of tasks.³⁹³ The Commission for Public-Private Partnerships and Concessions is understaffed with only the Vice-President of the Commission working full time on project proposals. Its capacity to access efficiencies of the PPP proposals against contra factual scenarios is non-existent, and opinions are not available to the public.

4.2.2 The effectiveness of the approximation process and enforcement of Art. 76 of the SAA by Parties

The level of approximation of Serbian rules with Chapter 5 improved compared to the state of play on the date of signing of the SAA. Indeed, the approximation with the EU directives means more predictable legal environment for the EU companies in Serbia. Indeed, many EU companies operate through subsidiaries and have been exploiting access to the public procurement markets since signing of the SAA. Effectively, however, progressive opening-up of the SAA public procurement markets of the Parties started on 1 September 2013 with entry into force of the SAA and it is linked to the effective operation of Article 76 of the SAA by both Parties to the Agreement. We shall first focus on Serbian part of the implementation, with short references to the EU.

a) Serbia

The proportion of negotiated procedures without prior notice remains low, meaning that competitive procedures dominate, providing market access to the competition. It dropped from 4% in 2015 to 3 % in the first half of 2017.³⁹⁴ In the same time, transparency improved with share of open procedures increased to 93 % of the total value of contracts in the first half of 2017 from 89 % in 2015.³⁹⁵ It appears that the intensity of competition has increased as a result. Namely, the average number of bids per tender increased from 2.9 bids per tender in both 2016 and 2015 to 3.3 in the first half of 2017. However, contracting authorities divide some public purchases in lots and report all bids collected in different lots as a total number of offers received. As a result, statistics may inflate the degree of effective competition achieved.

Centralised public procurement contracts rose to represent 15 % of the total annual procurement budget in 2016 and the first half of 2017, from 10.7 % in 2015, suggesting savings, better efficiency, volume purchases, avoiding duplication costs, and exploiting benefits of economy of scale.³⁹⁶ On the other hand, the use of the most economically advantageous tender criterion fell sharply from 19 % in 2015 to 12 % in 2016 and the first half of 2017.³⁹⁷ The lowest price may not be a best deal for taxpayers since selection criterion might ultimately lead to higher product life-cycle costs and it may have locked-in effect on contracting authorities by limiting competition in aftermarkets (for example maintenance of printing equipment) to one supplier. "No

392 *Ibid.*

393 *Ibid.*

394 European Commission, *Serbia 2018 Report, COM(2018) 450 final*, (Brussels: European Union, 2018), 58.

395 *Ibid.*

396 Central management and volume purchases lead to better prices and terms as well as the ability to work with larger suppliers. This central control enables more efficient inventory control, lower staffing costs and a decrease in overheads. Staff also benefit with better training, while government may focus training efforts more efficiently.

397 European Commission, *Serbia 2018 Report, COM(2018) 450 final*, (Brussels: European Union, 2018), 58.



progress has been made in the field of e-procurement using e-tools, such as e-submission and e-auctions.”³⁹⁸ A detailed and comprehensive plan to facilitate introduction of e-procurement is required.³⁹⁹

Furthermore, after increasing to 5 % in 2016 from 2 % in 2015, the share of contracts awarded to foreign bidders fell to 1 % in the first half of 2017.⁴⁰⁰ Therefore, the figure does not correlate with the formal progressive opening of the public procurement markets to the EU competition envisaged by Article 76 of the SAA. Indeed, companies established in Serbia by the EU capital are considered as Serbian bidders. However, Article 76.4 SAA should have as an effect increase of direct bidders (bidders from the EU not incorporated in Serbia)

Finally, in some areas the public spending is governed by international agreements which do not provide for procedures open to the effective competition.

b) EU

Article 76.2 provided the access to the classic public procurement markets of EU Member States to companies established in Serbia and national treatment from 1 September 2013.

However, there is no data to which extent Serbian companies exploited the opening of the EU market. Indeed, there is no track-record if the EU and Member States implement this rule properly.

The opening of the utility sector procurement is linked to the approximation of Serbian rules with the Utility Sector Directive, which lacks.

4.2.3 Main causes of delays in reforms/bottlenecks, critical assessment of the policy choices made, and counterfactual analyses of the opportunities lost

Indeed, Serbian legislation closed the gap with the EU rules substantially in 2010. The gap closed further in 2012 and 2015 with adoption and amendments of new Public Procurement Act in the classic public procurement sector. The predictability of the legal environment for the EU companies increased providing potential for more competition and reduced prices. Many EU companies operate as local if incorporated in Serbia and have unrestrained access to public award procedures.

However, the transposition with the Utility Sector Directive, the Concession Directive and Directive 2009/81/EC regulating award of contract in security and defence area had slowed the liberalisation that could have been achieved. The delays in transposition of the Utility Sector Directive deprived Serbia to at least formally open the EU utility sector markets for Serbian bidders. The delays in privatization and reform of public utility sector may be identified as a cause.

Furthermore, the disapplication of competitive procedures by international agreements, besides restricting the market access, may have as an effect sub-optimal services received by the community on higher costs.⁴⁰¹

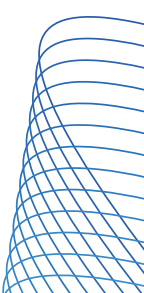
Article 76 is fully operational as of 2018. Therefore, it is too early to discuss its effects on access to the public procurement markets in Serbia. The data on operation of Article 76 in the EU

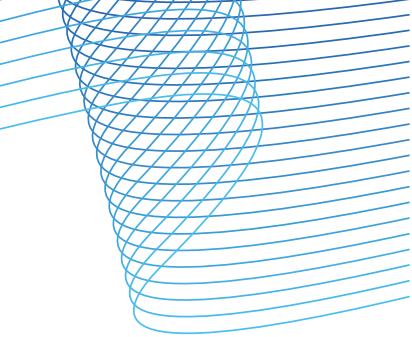
398 *Ibid.*

399 *Ibid.*

400 *Ibid.*

401 Namely, the price of works awarded without tender may be inflated from the beginning. Hence, even if the loan is on more favourable interest compared to the financial markets, if capital costs of project are bloated, such advantage is lost.





are not available. Nevertheless, both Parties to the SAA should make sure that Article 76 is effectively applied by the contracting authorities and monitor effectiveness of its implementation in practice. The liberalisation of services should be pursued. Parties to the SAA may consider steps to make Article 59 of the SAA operational to eliminate any bottlenecks to smooth operation of Art. 76, prior to the accession.

4.3 Recommendations

Both Parties to the Agreement should be concerned with the smooth operation of Article 76. The European Commission must make sure that contracting authorities of Member States implement Article 76.2 of the SAA for direct bids from Serbia (bids from Serbian companies not established in the EU). Serbia on its part must make sure that contracting authorities, PPO, CPBR and Administrative court implement Article 76.4 in particular, providing direct access to public procurement procedures to EU companies not established in Serbia. That said, Parties to the SAA should inquire if effective impediments exist for full operation of Article 76, freedom of establishment and liberalisation of services. They should identify any impediments to freedom to start business operation within the SAA territory and exploit possibilities for progressive liberalisation of cross-border movement of services in accordance with Article 59 of the SAA. Furthermore, Parties may consider the expansive interpretation of the SAA through its bodies to cover concessions under Art. 76 umbrella.

Strategically, Serbia should consider the following:

- close the transposition gap as soon as possible. In particular, speed up transposition of the Utilities Sector Directive, especially to open up the EU utility sector procurement market for Serbian companies in accordance with Art. 76.2. Consider if the specific law would be the appropriate instrument for its transposition.
- approximate concessions with the Concession Directive and create capacities to evaluate efficiencies of PPPs;
- assess to what extent Serbian economy used opportunities provided by Art. 76. Explore awareness of Serbian companies over rights provided by Article 76.2 regarding access to the internal public procurement market and identify if they face any impediments in the EU market contrary to this rule. Serbian companies may be competitive to exploit access to public procurement markets in the immediate neighbourhood (Bulgaria, Croatia, Hungary, Romania, Hungary, Slovenia, etc.) if not in entire EU;
- avoid entering into bilateral international (investment) agreements that do not comply with the TFEU and thus eliminating free competition and award public contracts on terms which inflate capital costs of projects;
- make sure that Art. 76.4 operates smoothly in Serbia, but “do not be shy” to ask the European Commission to report on the application of Art. 76.2 by the Member States within the SAA institutions.

Having in mind the above said, the following tactical recommendation to Serbia can be given:

- Identify the major bottlenecks affecting the pace of the approximation and address them as soon as possible. Make this a priority over other non-EU implementation related tasks. If necessary, create additional capacities within competent authorities which have faced major challenges to enforcing the public procurement *acquis*. The additional capacities should be streamlined and tasked specifically with the Chapter 5 approximation duties. These capacities should not be tasked with other duties not related to the Chapter 5 approximation.

Chapter 5 – Internal market acquis⁴⁰²

Chapter 1 (Free Movement of Goods) *acquis* regulates the free circulation of goods within the internal market.⁴⁰³ The principles, rules and standards of Chapter 1 serve as implementing tools for the EU policy of progressive elimination of internal barriers to trade between the Member States (intra-EU trade) coming in any form whatsoever. The EU system is two-layered. The first layer is based on the principle of general prohibition of quantitative restrictions on imports and exports and all measures having equivalent effect⁴⁰⁴ between the Member States, laid down by Articles 34 and 35 of the Treaty on the Functioning of the European Union (TFEU). The principles „prevent Member States from adopting and maintaining unjustified restrictions on intra-EU trade.“⁴⁰⁵ The prohibition is complemented by the process of approximation of national technical rules by means of the EU legislation (based on Articles 114 and 115 TFEU)⁴⁰⁶ as a second layer. The EU instruments of approximation eliminate further the remaining barriers to trade, stemming from national restrictions that otherwise would have been justified by Article 36 of the TFEU⁴⁰⁷.

The system, therefore, can be divided between *non-harmonized* legal area as a first layer and *harmonized* legal area complemented by so called horizontal rules as a second layer.⁴⁰⁸

The **non-harmonized area** has been regulated by directly applicable TFEU principles of prohibition of quantitative restrictions and measures having equivalent effect (Articles 34 and 35) subject to a limited and restrictive set of exceptions (Article 36), and refined by the CJEU case-law based on the *mutual-recognition principle*⁴⁰⁹ and regulations implementing the principle.

The **harmonized area** substitute's national technical rules with the common rules adopted at the EU level. It is divided between the Old Approach EU legislation and New and Global Approach legislation. The **Old Approach legislation** sets detailed EU-wide technical requirements for putting on the EU market of motor vehicles and chemicals. The **New and Global**

402 Chapter 1 in accession negotiations (Free Movement of Goods)

403 Article 26.2 of the Treaty on the Functioning of the European Union defines the internal market as “an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of the Treaties.”

404 “All trading rules enacted by Member States which are capable of hindering, directly or indirectly, actually or potentially, intra-Community trade are to be regarded as measures having an effect equivalent to quantitative restrictions.” (Case 8/74 *Procureur du Roi v Benoît and Gustave Dassonville*, para. 5).

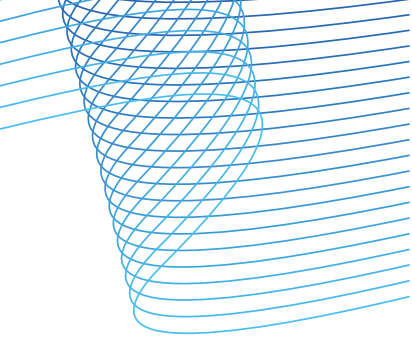
405 European Commission, *Screening report Serbia Chapter 1 – Free Movement of Goods* (Brussels, European Union, 2014) 2. Accessed April 14, 2018. http://www.mei.gov.rs/upload/documents/eu_dokumenta/Skrining/screening_report_ch_1.pdf

406 In accordance with Articles 114 and 115 of the TFEU the EU may adopt „the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market“ (Art. 114). It may „issue directives for the approximation of such laws, regulations or administrative provisions of the Member States as directly affect the establishment or functioning of the internal market“ (Art. 115).

407 Article 36 of the TFEU: „The provisions of Articles 34 and 35 shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.“

408 The division is based on the fact if the product-specific technical requirements are regulated by the EU legislation (normally by a directive, sometimes by a regulation) in accordance with Articles 114-115 of the TFEU or remained under the national jurisdiction, thus, non-harmonized.

409 The rule of mutual recognition provides that products lawfully produced and marketed in one of the Member States may not be prohibited to circulate into any other Member State (see Case 120/78 *Rewe-Zentral AG Bundesmonopolverwaltung für Branntwein*, para. 14). Therefore, in principle, a mere difference in national rules/requirements between the Member States shall not prevent free circulation of products.



Approach EU directives set the common, so called *essential requirements* for putting on the EU market certain products, providing the benefit of the free circulation of compliant products based on the (voluntary) EU-harmonized standards.⁴¹⁰ The New Approach is based on *ex-post* market monitoring, hence, it eliminates national market authorization procedures (while not introducing additional one at the EU level at the same time). The New Approach directives cover low voltage equipment (LVD), electromagnetic compatibility (EMC), toys, machinery, lifts, noise emissions by outdoors equipment, emissions of pollutants from non-road mobile machinery engines, personal protective equipment (PPE), equipment and protective systems intended for use in explosive atmospheres (ATEX), medical devices, gas appliances, pressure vessels, cable-way installations, construction products, recreational craft, eco-design requirements for energy-related products (ErP), and radio and telecommunications terminal equipment (R&TTE).⁴¹¹

The **horizontal rules** „define the quality infrastructure which Member States should put in place in areas such as standardisation, conformity assessment, accreditation, metrology and market surveillance.“⁴¹²

The Stabilisation and Association Agreement (SAA), roughly, replicates the two-pronged structure of the *acquis*. Namely, Articles 20.2 and 21.2 prohibit import and export quantitative restrictions and measures having equivalent effect, and Article 36.2 prohibits introduction of new ones. The SAA also provides grounds for exemption from the prohibition of national measures necessary for protecting health and life of humans, animals or plants or other mandatory requirements (grounds for justified trade restrictions under Art. 45 mirroring Article 36 of the TFEU). Article 72 imposes the obligation for Serbia to progressively align national technical rules with the EU harmonized area. Article 77 provides for the progressive approximation of national rules with the EU horizontal legislation. In addition, it provides for the possibility of introduction of mutual acceptance of industrial products by means of international agreement between the EU and Serbia, provided the sufficient alignment of the Serbian legislation with the *acquis* and availability of appropriate expertise.

However, the SAA does not provide for the mutual recognition of products and conformity assessments. Therefore, the SAA does not provide for the territorial extension of the internal market to Serbia. Namely the principle of mutual recognition is not applicable in trade between Serbia and the EU, automatically. Furthermore, the approximation of Serbian rules with the EU product and horizontal legislation does not bring the automatic application of the principle of free circulation of compliant products, mutual acceptance of industrial products, recognition of conformity assessment procedures and certificates of conformity assessment bodies (CAB) of the Parties.

Nevertheless, the SAA is not a static instrument. It provides legal basis for exploiting trade liberalisation pathways further from the baseline rules including improvement of the market access by the mutual recognition of industrial products and conformity assessment procedures prior to the accession. Namely, SAA bodies may adopt binding rules for the Parties,⁴¹³ progressively interpreting the baseline SAA rules in accordance with its goals⁴¹⁴ and taking into account the progress of the association achieved,⁴¹⁵ with the possibility of providing for concomitant and progressive elimination of justified technical barriers (measures having equivalent effect)

410 The manufacturer has a choice to reach a compliance with essential requirements through EU-harmonized standards, or by application of its own technical solutions. However, the compliance with the EU-harmonized standards provides a benefit of a presumption of compliance of a product with the essential requirements of an applicable directive.

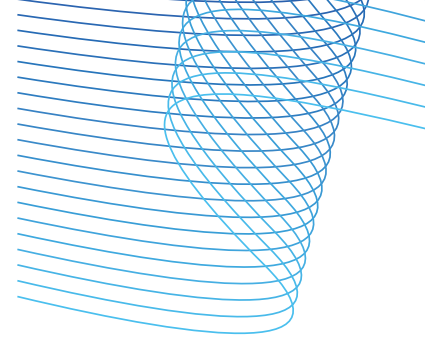
411 European Commission (n 3) 2.

412 *Ibid.*

413 *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 8.3-4. and Art. 121.

414 The goal of the Association between Serbia and the EU is „to promote harmonious economic relations and gradually develop a free trade area between the [EU] and Serbia“ (Art. 1.2(f)).

415 *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 8.4.



between Serbia and the EU, beyond Article 45. Apart from the agreement envisaged by Article 77, mutual recognition principle and free circulation rules, based on the effective progress in alignment of Serbian technical rules with the EU, may be introduced by binding decisions of SAA bodies as well.

Indeed, the full potential of the SAA has not been reached. The Chapter 1 part of the research will explore the possibilities to do so. First part provides for the baseline assessment of Serbian level of alignment against the SAA free movement of goods requirements at the time of the signing of the SAA/Interim Agreement, indicating key challenges to full implementation. Current legal and policy gap assessment against the SAA requirements will be covered by the second part to indicate and critically discuss the progress (or regression where applicable) made against the baseline situation. For purposes of providing critical assessment of opportunities lost, the degree of liberalisation possible under the SAA shall be divided between the *business as usual scenario* (**minimum liberalisation**) and **maximum liberalisation** possible under the SAA (mutual recognition of industrial products, i.e. access to the market).⁴¹⁶ On the basis of the findings and „lessons learned“, further country-specific strategic and tactical recommendations will be provided, as well recommendations to the EU institutions, exploring the potential for further elimination of barriers to free movement of goods and related services between the Parties to the SAA, prior to the accession. Where possible, country specific recommendations applicable to other WB countries will be indicated.

5.1 Baseline assessment against the SAA requirements at the time of the signing

Serbia signed the SAA on 29 April 2008, a date from which an approximation obligation started,⁴¹⁷ with “focus on fundamental elements of the Internal Market”⁴¹⁸ in an early stage. Furthermore, Serbia assumed an obligation “to take the necessary measures in order to gradually achieve conformity with Community technical regulations and European standardisation, metrology, accreditation and conformity assessment procedures.”⁴¹⁹ In other words, Serbia committed to take over and to fully implement substantial harmonized and non-harmonized elements of the free movement of goods *acquis* in national legislation and to build the quality infrastructure in accordance with the horizontal rules, albeit on its own pace.⁴²⁰

The Ministry of Economy⁴²¹ had taken a central and coordinating role in the area of approximation with the free movement of goods *acquis* in December 2007.⁴²² In addition, Serbia had started building quality infrastructure prior to signing of the SAA. In November 2006, Serbia es-

416 For the purposes of the research the term „maximum liberalisation“ relates to the degree of an undistorted market access achieved under the SAA framework.

417 *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 72.2: „[A]pproximation shall start on the date of signing of this Agreement, and shall gradually extend to all the elements of the Community *acquis* referred to in this Agreement by the end of the transitional period defined in Article 8 of this Agreement.“

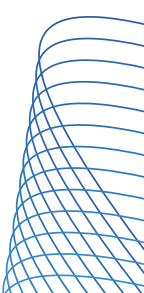
418 *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 72.3.

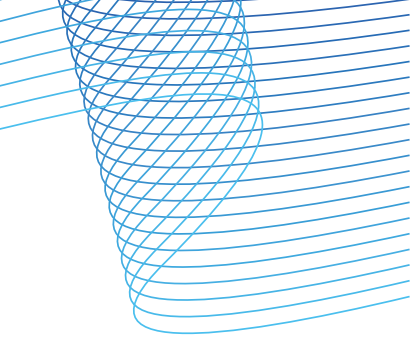
419 *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 77.1.

420 However, following “a transitional period of a maximum of six years” the Stabilisation and Association Council (SAC) “shall make a thorough review of the application of [the SAA] [...] evaluate progress made by Serbia [and if finds it necessary] “take decisions governing the following stages of association” (*Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 8(4). The transitional period expires 6 years from the entry into force of the SAA 1 September 2013.

421 Then Ministry of Economy and Regional Development.

422 European Commission, *Serbia 2007 Progress Report COM(2007)663*, (Brussels: European Union, 2007) 26; European Commission, *Serbia 2008 Progress Report COM(2008)674*, (Brussels: European Union, 2008), 31.





established a state accreditation body as an independent non-profit organisation⁴²³ in accord with the European Commission recommendation.⁴²⁴ In August 2007, Serbian Government formed the Institute for Standardization of Serbia (ISS)⁴²⁵ tasked with adoption of European standards (ENs) as Serbian standards.⁴²⁶ The ISS became a Partner Standardization Body in the European Committee for Standardization (CEN) and an affiliate member of the European Committee for Electrotechnical Standardization (CENELEC) in 2007.⁴²⁷ ISS became an affiliate member of the European Committee for Standardization (CEN) in January 2008.⁴²⁸ Responsibility for metrology moved to the Ministry of Economy in 2007.

The level of formal alignment with **horizontal rules** was weak at the time of the signing of the agreement. However, during 2009 and 2010 Serbia adopted new legislation on accreditation, standardisation, metrology, and on technical requirements for products and conformity assessment. Overall, “these measures have brought Serbian legislation substantially closer to the EU *acquis*”.⁴²⁹

In the area of **standardisation**, Law on Standardisation, a framework law, was adopted in 2009 and, after a change of status, the ISS became a public institution at the beginning of 2010.⁴³⁰ By August 2011, a total of 12,216 EN standards had been adopted as Serbian standards, a sharp increase from 2,805 adopted in September 2008. Serbia has repealed all mandatory standards, as well. In the same time, the efforts to repeal mandatory standards were intensified. All mandatory standards were repealed by June 2009.⁴³¹ ISS was not a full member of CEN and CENELEC.

The Law on Technical Requirements for Products and Conformity Assessment was adopted in 2009, regulating **conformity assessment** procedures. The Law did not take into account the changes in horizontal rules in 2008 at the EU level in the area of conformity assessment procedures, hence requiring revision already then.⁴³²

The 2010 Law on Accreditation set the **accreditation** framework “fully” in accord with the new legislative framework (Regulation 765/2008)⁴³³ hence “aligning Serbia’s policy with the EU principles.”⁴³⁴ The Accreditation Body of Serbia (ABS) in charge of accreditation of conformity assessment bodies was set up as a not for-profit public body, professionally and financially independent of its clients. In line with Regulation (EC) 765/2008, accreditation remains, in principle, voluntary for the designation of conformity assessment bodies unless prescribed otherwise in the sectorial laws. Nevertheless, the number of accredited CABs was increasing from 347 in

423 *Ibid.*

424 European Commission, *Main Administrative Structures Required for Implementing the Acquis Overview* (Brussels: European Union, 7 June 2004), 9.

425 *Ibid.*

426 European Commission, *Serbia 2008 Progress Report COM(2008)674*, (Brussels: European Union, 2008), 31.

427 *Ibid.*

428 European Commission (n 24).

429 European Commission, *Commission Opinion on Serbia’s application for membership of the European Union Opinion Analytical Report COM(2011) 668*, (Brussels: European Union, 2011), 55.

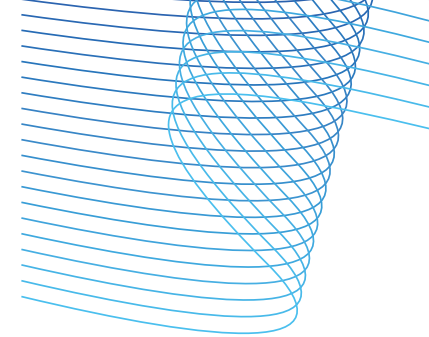
430 European Commission (n 27) 55.

431 European Commission, *Serbia 2009 Progress Report COM(2009) 533*, (Brussels: European Union, 2009), 30; European Commission (n 27) 55.

432 European Commission (n 27) 55. Namely, Decision No 768/2008/EC — a common framework for the marketing of products in the EU, adopted in 2008, introduced new rules on a common set of different conformity assessment procedures, known as modules. In addition, Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products laid down new rules on the accreditation of conformity assessment bodies and provided a framework for the market surveillance of products and for controls on products from third countries, and laid down the general principles of the CE marking.

433 European Commission, *Serbia 2010 Progress Report COM(2010) 660*, (Brussels: European Union, 2010), 31.

434 European Commission (n 27) 55.



2008⁴³⁵ to 413 in 2010.⁴³⁶ A vast number of laboratories and certification and inspection bodies were authorised to carry out conformity assessment activities under the new legal framework.⁴³⁷ Five CABs have been designated in accordance with the EU directives.⁴³⁸

The framework Law on **Metrology** was adopted in 2010. Verification was separated from market surveillance functions⁴³⁹ by clarifying the institutional setup of the Directorate of Measures and Precious Metals. The process of upgrading of calibration laboratories started.⁴⁴⁰ Directorates' laboratories for calibration and for testing have been accredited by 2011.⁴⁴¹

At the time of the signing of the SAA, the level of the alignment with the *acquis* in the **harmonized area** was weak.⁴⁴² Serbia progressed rather slowly, in approximation with the product-specific rules from that date as well.⁴⁴³ The Law on Technical Requirements for Products and Conformity Assessment adopted in 2009 provided the legal basis for the transposition of the **New and Global Approach** directives. First legislation aligning with the New Approach Directives on safety of machinery, electromagnetic compatibility and low voltage equipment was adopted in 2010.⁴⁴⁴ However, majority of the New Approach directives remained to be transposed.⁴⁴⁵ As a result, contrary to the New Approach, pre-market controls remained in many product areas.⁴⁴⁶

By 2011, the approximation gap with the **Old Approach** legislation remained significant. Serbia had yet to be aligned with the vast majority of sector-specific EU legislation.⁴⁴⁷ Serbian legislation became partially aligned with EU *acquis* on motor vehicles, medicinal products for human use, medicinal products for veterinary use and chemicals in 2011.⁴⁴⁸ On the other hand, legislation aligned with the *acquis* on cosmetics, pre-packaging, units for measurement, aerosol dispensers, emission of pollutants from non-road mobile engines, crystal glass, textiles and footwear was missing.⁴⁴⁹

Regarding **non-harmonized** area, although SAA does not provide for the territorial extension of the internal market,⁴⁵⁰ the European Commission expressed an early interest on approximation of Serbian legislation with the general principles of Articles 34 to 36 of the TFEU.⁴⁵¹ Indeed, the non-harmonized requirements are the element of the *acquis* and Serbia as a candidate country is required to take this obligation of the membership on board and put in place competent authority and prepare judiciary to directly apply Articles 34-36 of the TFEU in due time before the accession. In particular, the EC insisted on alignment with the **principle of mutual recognition** designed by the case law of the European Court of Justice. The fact that the principle does not bind the EU in relation to Serbian exports to the Member States makes the requirement contentious and unclear. Namely, the principle is a two-way street and it makes

435 European Commission (n 24) 31.

436 European Commission (n 31) 31.

437 European Commission (n 27) 55.

438 *Ibid.*

439 *Ibid.*

440 European Commission (n 24) 31.

441 European Commission (n 27) 55.

442 See European Commission (n 20) 26 and European Commission (n 24) 31.

443 European Commission (n 24) 31.

444 European Commission (n 31) 31.

445 European Commission (n 27) 57.

446 See Commission (n 20) 26 and European Commission (n 24) 31.

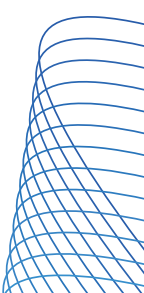
447 European Commission (n 27) 56.

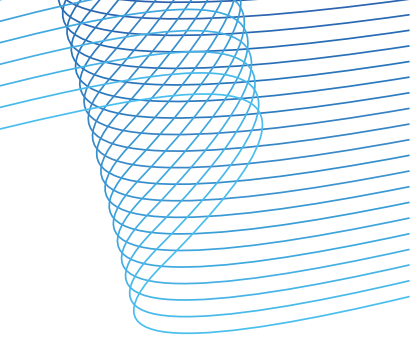
448 European Commission (n 27) 56-57.

449 European Commission (n 27) 57.

450 See *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 77.

451 European Commission (n 27) 55.





no economic sense for a trading party to apply it unilaterally. Nevertheless, Serbian system of regulating placement of non-harmonized products on the market, exchange of information on national technical measures and physical barriers to trade, was not aligned with the EU *acquis* at the time, as well as with other aspects of non-harmonized branch of rules. In particular, Serbian legislation was not aligned with the **Rapid Intervention Regulation**⁴⁵² while **Mutual Recognition Regulation**⁴⁵³ was adopted in July 2008, three months after the signing of the SAA. Serbia partially transposed **Directive 98/34/EC on provision of information in the field of technical standards**⁴⁵⁴ and regulations. In particular, **standstill periods** were not introduced.⁴⁵⁵

The slow pace in approximation with the product-specific directives affected the progress in the area of **market surveillance**. The appropriate market surveillance structure was not in place at the time of the signing of the Agreement.⁴⁵⁶ The Serbian system of controls in force relied heavily on pre-market controls and the phasing-out of non-compliant national product-specific products was rather slow.⁴⁵⁷ However, the start of implementation of legislation in the area of general product safety and the Market Surveillance Strategy for the period 2010-2014 adopted in 2010 improved the picture. As a result, “the rapid exchange system providing information on dangerous products similar to RAPEX, NEPRO, was established.”⁴⁵⁸ The Memorandum of Understanding was signed in 2011 between the key market surveillance authorities (Ministry of Economy, Ministry of Trade and the Customs Administration) to initiate coordination and to develop a common database.⁴⁵⁹ However, the EU *acquis* compliant market surveillance system remained to be established.

In general, Serbia started the approximation with the Chapter 1 *acquis* early in accordance with Article 72 of the SAA. By the end of 2010, the framework laws on accreditation, standardisation, and metrology compliant with the *acquis* were in force and administrative infrastructure necessary to implement EU *acquis* under the Chapter was in place.⁴⁶⁰ Standardisation, accreditation and metrology functions were separated. The legal basis for approximation with New and Global Approach was in place as well.

However, some major elements of the EU *acquis* were missing. In particular, the transposition of Old and New Approach product legislation was rather slow. The framework legislation on

452 Regulation (EC) No 2679/98 of 7 December 1998 on the functioning of the internal market in relation to the free movement of goods [1998] OJ L 337/8. The Regulation „provides for special procedures to cope with serious obstacles to the free movement of goods among Member States which cause heavy loss to the individuals affected and require immediate action. Those obstacles may, for example, be the result of passivity of national authorities in the face of violent action by individuals or non-violent blockages of borders, or of action by a Member State, such as an institutionalised boycott of imported products“ (Commission, ‘Free movement of goods Guide to the application of Treaty provisions governing the free movement of goods’ (Brussels, 13 Dec. 2013) 36. The Regulation, therefore, regulates procedure regarding rapid exchange of information between Member States and the European Commission in relation to physical obstacles/informal barriers to trade causing serious disruption to the free movement of goods, and prompt restoration of undistorted circulation of goods.

453 Regulation (EC) No 764/2008 laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State and repealing Decision No 3052/95/EC [2008] OJ L 218/21-29. „The main objective of this regulation is to define the rights and obligations of national authorities and businesses when the former intend to deny mutual recognition and to refuse market access of a product lawfully marketed in another Member State. [...]The regulation also establishes ‘product contact points’ in each Member State, which provide information about technical rules on products and the implementation of the mutual recognition principle to enterprises and competent authorities in other Member States“ (Commission (n 50) 36).

454 Directive 98/34/EC was repealed in 2015 by new Directive (EU) 2015/1535 of the European Parliament and of the Council of 9 September 2015 laying down a procedure for the provision of information in the field of technical regulations and of rules on Information Society services.

455 European Commission (n 27) 57.

456 European Commission (n 24) 31.

457 *Ibid.*

458 European Commission (n 31) 31.

459 European Commission (n 27) 56.

460 European Commission (n 27) 57.



technical requirements for products and conformity assessment procedures and on market surveillance was not completely aligned with the EU *acquis*. Administrative capacity and coordination needed the strengthening. As it was indicated in the European Commission's Opinion on Serbian Application for Membership in 2011, with *additional efforts*⁴⁶¹ Serbia „should be in a position to align with the EU *acquis* and to implement it effectively in the medium term“.⁴⁶²

5.2 Current legal and policy gap assessment against the SAA requirements

The key aspect of the Chapter 1 rules is removal of barriers to trade between the Member States affecting free circulation of goods. They establish the level playing field for the economic operators and their products within the internal market. To that end, we shall identify possibilities to harness the SAA rules to work in similar fashion. Namely, the SAA provides for the baseline free trade rules, eliminating duties and charges having equivalent effect, and quantitative restrictions and measures having equivalent effect, but for the justified exceptions (minimum liberalisation). Further to this, SAA envisages the duty to approximate Serbian rules with the EU quality infrastructure and product-specific rules, albeit, without obligation to the Parties to enforce the mutual recognition of industrial products and conformity assessment procedures. Nevertheless, the SAA has a number of progressive clauses providing for the possibilities to the Parties to explore ways to liberalise trade further from the baseline rules, i.e. further from the minimum liberalisation.

Having in mind the above said an angle from which we have chosen to discuss the legal and policy gap against the SAA requirements is not limited to a formalistic outline of the legal and policy gap. Our intention goes further from there. It is to grasp any opportunity and identify policy options **to make SAA perform better against the business as usual scenario, i.e. to keep the things at the minimum liberalisation**. Therefore, in this part of the document, we shall concisely indicate the **status** of progress in terms of alignment. Second, we will discuss the **effectiveness** of the approximation process and if expected results have been achieved. Finally, having in mind the critical assessment, we shall indicate main **causes of delays in reforms/bottlenecks**, critical assessment of the policy choices made, and counterfactual analyses of the opportunities lost.

5.2.1 State of the legal and institutional alignment

The progress made compared to the baseline assessment against the SAA requirements at the time of the signing of the Agreement was limited. Serbia had a good head start with institutional set-up for quality infrastructure in place already by the end of 2010. The legal basis for taking over the EU product-specific rules was adopted in 2009 as well. Indeed, “Serbia has established the Accreditation Body of Serbia (ATS), as the sole accreditation body in Serbia, and ISS, which has aligned Serbian standards to a large percentage of EU standards.”⁴⁶³

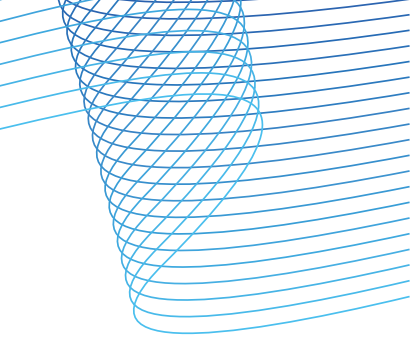
With that in mind, and given the estimate made by the European Commission in 2011, Serbia should have been in the position to close the accession negotiation under Chapter 1 by now. Instead, Serbia was estimated as *moderately prepared* for the Chapter in November 2016.⁴⁶⁴ In

461 European Commission, *Opinion on Serbia's application for membership of the European Union* COM(2011) 668 final, (Brussels: European Union, 2011), 10.

462 European Commission (n 27) 57.

463 European Commission (n 3) 18.

464 European Commission, *Serbia 2016 Progress Report*, (Brussels, European Union, 9 November 2016), 33.



addition, in order to open the negotiations, the EU tasked Serbia in 2015 to prepare certain documents as opening benchmarks. Serbia must deliver “an action plan for compliance with Articles 34-36 TFEU”⁴⁶⁵ and “a strategy and an action plan with milestones for the implementation of the EU legislation”⁴⁶⁶ in Chapter 1, in particular, covering sector (New Approach and Old Approach) horizontal legislation (standardisation, accreditation, metrology, and market surveillance) and the relevant horizontal institutional set up.⁴⁶⁷

In the **non-harmonized** area, the legal and institutional gaps can be summarized as follows:

1. Serbia needs to amend its legislation in several cases in order to remove additional customs or other controls prior to marketing imported goods. In particular, where importers currently have to provide a certificate of conformity at the border before importing the goods in question.⁴⁶⁸
2. The general principles of Serbia’s framework for the free movement of goods are partly in line with Articles 34-36 of the Treaty on the Functioning of the EU (TFEU). In 2015, Serbia adopted rules regulating mandatory procedures on notification of any technical regulations at the draft stage according to EU regulation and international agreements on technical barriers to trade.⁴⁶⁹ However, Serbia has to adopt an action plan for compliance with Articles 34-36 identifying “(1) outdated technical or other product requirements that are not in line with the *acquis* and (2) individual regulations that lack mutual recognition clauses.”⁴⁷⁰ In addition, Serbia has to introduce procedures in accordance with Mutual Recognition Regulation and Rapid Intervention Regulation.

The main legal and institutional gaps in **harmonized sectors** can be summarised as follows:

1. In general, the major gaps can be identified in the product-specific legislation. Substantial approximation gap exists in both New Approach and Old Approach department.
2. Serbian legislation is not compliant with the **New Approach** *acquis* on Toy Safety, Medical devices, Gas appliances, Aerosol dispensers, Cableways, Construction products, Recreational craft, and Explosives for civil uses and Pyrotechnic articles. Serbian legislation is partially compliant with regard to Equipment and protective systems intended for use in potentially explosive atmospheres (ATEX), Eco-design requirements for energy-related products (ErP) and Energy Labelling of products, Low Voltage equipment (LVD), Electromagnetic compatibility (EMC), Radio Telecommunications terminal equipment (RTTE) and machinery. Further to this, items imported in last four categories are subject to barriers to market access in the form of additional ex-ante marketing controls. Namely, prior to imports from the EU, importers “have to provide the certificate of conformity at the border”.⁴⁷¹ In some sectors, such as in the area of toys and of cableway installations, to enable effective transposition of the *acquis*, some national rules in force must be adapted or removed. In other words, to approximate properly and eliminate unjustified barriers to trade, Serbia must remove existing conflicting rules, besides adopting new ones.
3. Serious gaps exist in the **Old Approach** sector as well. Serbian legislation is not complaint with motor vehicles *acquis*, and with the EU rules on emissions of pollutants from non-road mobile machinery engines. Serbian legislation is only partially aligned with the *acquis* in the

465 European Commission, *Screening Result* (Brussels, European Union, 2015). Accessed April 15, 2018. http://www.mei.gov.rs/upload/documents/eu_dokumenta/Skrining/rezultati_skrininga/screening_result_ch_1.pdf

466 *Ibid.*

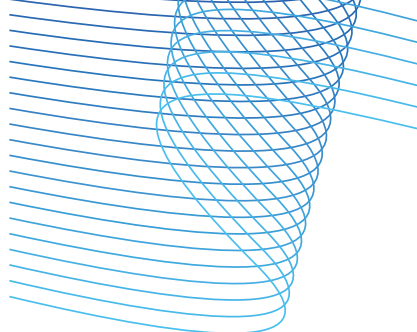
467 *Ibid.*

468 European Commission (n 3) 18.

469 European Commission (n 62) 33.

470 *Ibid.*

471 European Commission (n 3) 18.



areas of Chemicals – Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), Chemicals (Classification, Labelling and Packaging, CLP), Detergents, Drug precursors, and Good laboratory practice (GLP). A competent authority for REACH and CLP has yet to be designated and mutual recognition introduced for GLP monitoring programmes.

4. Administrative and surveillance capacities to implement the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and the Classification, Labelling and Packaging of substances and mixtures is inadequate.⁴⁷²

In the area of **horizontal** legislation, the legal and institutional gaps can be summarized as follows:

1. Serbian legislation regulating conformity marking is not fully compliant with the *acquis*. Serbian legislation in force, apart from the manufacturer and authorised representative, includes importers among the entities accountable for affixing the conformity mark, which is not compliant with the *acquis*.⁴⁷³ Furthermore, instead CE mark, Serbian conformity mark is in force as a transitional measure. Serbian rules condition acceptance of CE mark by signing Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) in accordance with Article 77 of the SAA or by the date of the accession.⁴⁷⁴ However, “Serbia has not yet envisaged transitional provisions for products that will be placed on the market before an ACAA comes into force/before accession and it will now have to foresee transitional provisions in this regard.”⁴⁷⁵ In other words, the EU expects further and effective removal of barriers to market access of EU exports in good time before the accession.
2. Legislation in force is partly compliant with the *acquis* on metrology and market surveillance. Administrative and financial capacity for market inspection remains insufficient.
3. ISS is not a full member of CEN and CENELEC and its competences are not yet fully aligned with EU standardisation bodies (including electro-magnetic standardisation).

5.2.2 The effectiveness of the approximation process

The major approximation gaps in the sector product-specific legislation affect the pace and degree of the liberalisation under the SAA. In addition, even in areas where a degree of alignment has been achieved, i.e. in product sectors where identity between national technical requirements and *essential requirements* set by the EU directives exists, barriers to access to Serbian market remains, mainly in the form of ex-ante controls at the border. Serbian rules do not accept CE mark and fully functioning ex-post system of market surveillance has yet to be established. The mutual recognition rule is not applicable yet between Serbia and the EU. As a result, SAA does not perform further from the business as usual scenario. In other words, SAA operates at the minimum liberalisation mode, limited to the effective implementation of prohibitions of duties and charges having equivalent effect and quantitative restrictions between the Parties. Theretofore, a significant space for maximising liberalisation potential of the SAA exists by further elimination of barriers stemming from measures having equivalent effect to the quantitative restrictions.

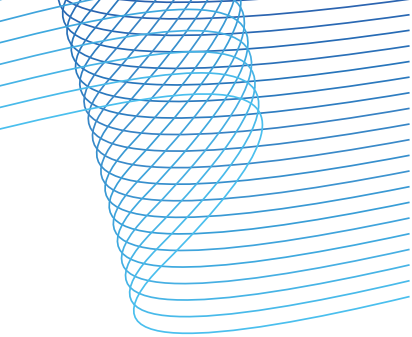
Nevertheless, in some sectors Serbia progressed further than in the others. As indicated in the Screening Report, “[i]mplementing structures have been established or identified in sever-

472 European Commission (n 62) 34.

473 European Commission (n 3) 17-18.

474 *Ibid.* 18.

475 *Ibid.*



al sectors". Serbia achieved a *reasonable level* of legislative alignment in the areas of Personal protective equipment (PPE),⁴⁷⁶ Pressure equipment, and Simple Pressure Vessels (SPVD). In the Old Approach department, „Serbia has reached a reasonable level of legislative alignment in the area of Fertilizers." In addition, Serbia has reached a good level of alignment with the *acquis* on standardisation and accreditation, as well. "The conformity assessment legislation is in place, along with the relevant administrative structures." The Accreditation Body of Serbia is operational. There are 533 conformity assessment bodies in Serbia.⁴⁷⁷ In the area of legal metrology, 78 bodies were authorised to verify more than 24 types of measuring instruments.⁴⁷⁸

To address certain gaps, "Serbia adopted a strategy for development of quality infrastructure for 2015-2020" in October 2015. "The strategy is in line with the *acquis* on technical regulations, standards, accreditation, metrology and market surveillance". National strategy on market inspection complemented with an action plan has been integrated within the Strategy. A new Law on Metrology was adopted in February 2016.

As indicated by the European Commission in the Screening Report, and in accordance with the Screening Results, the lack of compliance with the EU conformity marking, non-acceptance of CE marking and ex-ante controls are a cause of a major concern. The EU expects from Serbia to "**foresee transitional provisions** for products that will be placed on the market before an ACAA comes into force/before accession". Furthermore, an action plan for compliance with Articles 34-36 TFEU, an opening benchmark, which will include milestones for the introduction of mutual recognition clauses, is not in place.⁴⁷⁹ In other words, the EU expects further and effective removal of barriers to market access of EU exports in good time before the accession.

It appears, therefore, that effectively Serbia is required to establish a system of unilateral recognition industrial products and conformity assessment procedures as a springboard for full implementation of mutual recognition, only after the accession. In other words, while genuine mutual recognition assumes reciprocity, Serbia is required to provide somewhat *unilateral* mutual recognition prior to the accession.

However, the EU and the EC have not expressed credible intention to sign ACAA with Serbia so far, either. Mutual recognition is a two way street, and unilateral liberalisation of market access to Serbian market (not followed with concomitant and comparable degree of liberalisation of the access for Serbian products to the internal market) is not a proportional request by the EU, if not utterly unfair to begin with. It appears more logical to seek for genuine mutual recognition between the Parties within the SAA framework instead, starting from sectors where Serbia reached mature level of alignment. In other words, the EU should „foresee transitional provisions in this regard" as well.

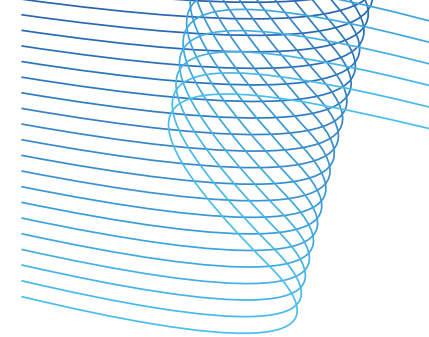
Serbia, on the other hand, should speed up alignment with specific-product rules, especially, in sectors where substantial production and (potential for) exports to the EU already exists. Serbia has significant market players and SMEs in construction, chemical sector, arms production sector, etc. At the same time, Serbia should pragmatically indicate the areas where it believes the mature level of alignment (including competent institutions and competitive industry) is already (or about to be) achieved, to seek acceptance of its industrial products by the EU prior to the accession.

476 However, the EU adopted Regulation (EU) 2016/425 — safe personal protective equipment effective from 21 April 2018, which replaces earlier legislation (Council Directive 89/686/EEC).

477 European Commission (n 62) 34.

478 *Ibid.*

479 European Commission, *Serbia 2018 Report COM(2018) 450 final*, (Brussels, European Union, 2018), 53.



5.2.3 Main causes of delays in reforms/bottlenecks, critical assessment of the policy choices made, and counterfactual analyses of the opportunities lost

The level of liberalisation achieved under the SAA does not go further from the business as usual scenario. Namely, it is limited to the routine implementation of Freedom of Movement of Goods Title provisions by the Parties (minimum liberalisation). The delays in alignment of Serbian sectors' rules with the specific-product *acquis* were main cause. Major delays have been spotted in the area of construction products, and chemicals, sectors where Serbia has number of market players. Alignment with the Construction Products Regulation (and previously with the Construction Product Directive) is subject of particular concern given the strategic importance (employing 5.58% of the Serbian workforce)⁴⁸⁰ and significant share (5%) of the industry in Serbia's GDP⁴⁸¹. Besides, "its chemicals industry has a significant share of the national economy, with around 1,700 legal entities, mostly SMEs and micro-enterprises, [while] 30,000 to 40,000 chemicals (i.e. substances and mixtures) (around 9,000,000 tons) have been placed on the Serbian market."⁴⁸² Serbia has 100 manufacturers in the detergents sector alone.⁴⁸³

Even where a degree of alignment is in place, barriers persist in the form of *ex ante* controls at the border. For example, Serbia indicated that for products covered by its legislation on low voltage equipment (LVD), electromagnetic compatibility (EMC), radio and telecommunications terminal equipment (R&TTE) and machinery safety (MD), importers must provide a confirmation of conformity at the border, before placing the goods in the Serbian market.⁴⁸⁴ At the same time, willingness by the EU to reach mutual recognition of products through ACAA agreement with Serbia has not been detected so far. As a result, the degree of the approximation achieved thus far did not bring the SAA trade closer to the internal market effect (maximum liberalisation scenario).

The main bottlenecks causing the delays to further liberalisation can be summarised as follows:

- In certain areas, the competent authorities charged with the adoption of the technical rules, lack adequate administrative capacities. Namely, "Serbia signalled concerns regarding the capacity and resources of some line ministries in charge of adopting and implementing technical legislation".⁴⁸⁵ The Commission singled out the Toys sector (Ministry of Health) as an example where Serbia must reinforce administrative capacity to ensure the effective implementation of the *acquis*.⁴⁸⁶ In addition, the construction product sector (Ministry of Construction, Transport and Infrastructure) is a reoccurring area with the lack of approximation progress.⁴⁸⁷ Extra human resources and further capacity building in chemical sector is needed as well (see below).
- The capacity of the administration to timely close the gap between the adoption of a new rule at the EU level and transposition is insufficient and it is not evenly distributed. Serbia has not transposed yet a number of New Approach directives adopted from 2012-18.⁴⁸⁸

480 European Commission (n 3) 11.

481 Tanjug, "Mihajlović: Cilj Vlade da udeo građevinarstva u BDP bude sedam odsto." *Politika*, May 19, 2017. Accessed April 15, 2018. <http://www.politika.rs/sr/clanak/378757/Mihajlovic-Cilj-Vlade-da-udeo-gradevinarstva-u-BDP-bude-sedam-odsto>

482 European Commission (n 3) 13.

483 European Commission (n 3) 14.

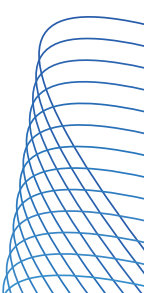
484 European Commission (n 3) 3.

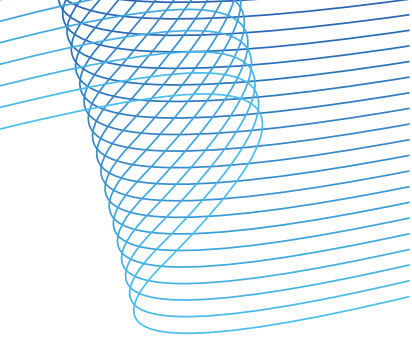
485 European Commission (n 3) 7.

486 European Commission (n 3) 18.

487 European Commission (n 3) 11.

488 For example, the EU adopted Regulation (EU) 2016/425 — safe personal protective equipment effective from 21 April 2018, which replaces earlier legislation (Council Directive 89/686/EEC). Serbian activity on approximation lags behind. Namely, Serbia started alignment with assistance of the Policy and Legal Advice Centre (PLAC II) only recently.



- 
- Serbia applies its own marking system. Serbia does not recognize CE marking. There are a number of cases with regard to New and Global Approach *acquis* where Serbia imposes additional customs or other controls prior to marketing imported goods, where importers have to provide a certificate of conformity (known in Serbia as a “Confirmation of Conformity”) at the border before importing the goods in question.⁴⁸⁹
 - Serbia stressed the concern about capacities of the industry to comply with the EU requirements in at least one area (Noise emissions by outdoors equipment).⁴⁹⁰
 - Implementation of some rules is dependent on the EU membership. As a result, some approximation and implementation gap is due to the fact that it is unreasonable to replicate the EU centralised systems by national (REACH⁴⁹¹ in particular).
 - In the chemical sector, the Chemical Agency as regulatory and expert body in charge of preparing the industry to adapt to the REACH and chemical *acquis* was abolished⁴⁹² and competences for carrying out statutory duties related to issuing permits and decisions were removed.⁴⁹³ Serbia estimated that it needs to allocate extra human resources and ensure further capacity building in order to implement REACH.⁴⁹⁴
 - Market surveillance budget is being under pressure due to budget restrictions, it is an ongoing concern for years.⁴⁹⁵ For example, with regard to Market Surveillance on Toys, the expected budget 2012-2013 was not provided, and budgetary limitations have impacted the provision of the necessary administrative capacity regarding REACH.⁴⁹⁶ Ministry of Construction, Transport and Infrastructure, in charge of market surveillance of construction product, lacks capacities to execute market monitoring.⁴⁹⁷

Indeed, the approximation delays can be characterized as lost opportunity as such. As we have noted, the Chapter 1 could have been opened and closed by now if *additional efforts* by Serbian government had been taken to close the approximation gap once the quality infrastructure was put in place in 2009. Abolition of the Chemical Agency was the step in the wrong direction too. With this institution’s disappearance, elements of its expertise have disappeared as well. The number of employees in the ISS remained the same for years (around 60 full time employees). The lack of investment in the market surveillance system, in addition, may be partially blamed for keeping pre-market controls at borders.

Nevertheless, implementing structures have been established or identified in several sectors and a *reasonable level* of legislative alignment in the areas of Personal protective equipment (PPE), Pressure equipment, and Simple Pressure Vessels (SPVD) EU. Alignment with the EU *acquis* on machinery safety for pesticides, electromagnetic compatibility and on electrical equipment was reported in 2016 as well.⁴⁹⁸ The number of CABs has been steadily increasing from the time of the signing of the SAA. Having that in mind, it appears that the EU and Serbia never

489 European Commission (n 3) 8.

490 European Commission (n 3) 9.

491 Regulation (EC) No 1907/2006 of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) [2006]OJ L 396/1

492 European Commission, *Serbia 2012 Progress Report Brussels COM(2012) 600*, (Brussels: European Union, 2012), 58.

493 European Commission, *Serbia 2013 Progress Report Brussels COM(2013) 700 final*, (Brussels: European Union, 2014), 56.

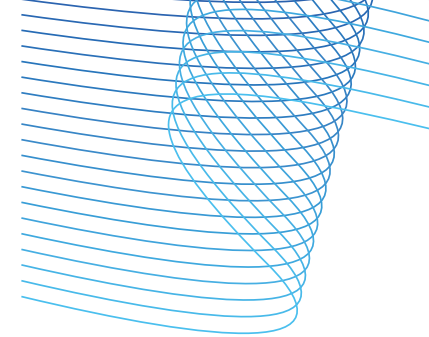
494 European Commission (n 3) 13.

495 European Commission (n 3) 4. See also last two European Commission reports *Serbia 2016 Report* from November 9, 2016 and *Serbia 2018 Report* from April 17, 2018.

496 *Ibid.*

497 European Commission (n 3) 11.

498 European Commission (n 62) 33.



seriously explored possibilities to introduce mutual recognition of industrial products (or otherwise set the tentative dates to achieve it) by means of ACAA agreement or binding decision of the SAA Council.

Therefore, when it comes to Serbian export to the EU it appears that the barriers remained the same. But for the SAA, it appears that not much progress has been achieved in terms of market access compared to the Autonomous Trade Measures introduced in 2000, which allowed products originating in the Western Balkan countries to benefit from duty free access with most quantitative restrictions lifted.⁴⁹⁹ At the same time, measures having equivalent effect remained a distortive factor for the EU exports into Serbia. The SAA market access liberalisation, hence, remains at the minimum.

5.3 Recommendations

There is plenty of room left to explore further trade liberalisation opportunities under the SAA framework. Although tariffs and quantitative restrictions have been abolished, measures having equivalent effect distort free movement of goods between Serbia and the EU. Indeed, the delays in approximation by Serbia can be partly blamed for the problem. As we have learned, however, even where a degree of alignment has been achieved, this does not bring to the free market access of the EU product in Serbian market, automatically. Some procedural barriers in the form of pre-marketing controls remain, delaying and, hence, affecting the free access to the market. Serbian Confirmation of Conformity is required.

The similar applies for the Serbian industrial products exported to the EU. Manufacturers from Serbia who wish to place industrial products in the EU market „are responsible for designing and manufacturing products that comply with all applicable requirements and for carrying out the required conformity assessment procedure.“⁵⁰⁰ Serbian manufacturer „takes the entire responsibility for the conformity assessment (design and production) of the product [...] [and] he must be in the possession of all documentation and certificates necessary to demonstrate the conformity of the product“.⁵⁰¹ Since Serbian conformity assessment procedures and certificates of Serbian CABs are not recognized in the EU, Serbian manufacturer must verify compliance with the EU technical requirements through the applicable EU conformity assessment procedures⁵⁰² and *notified bodies*⁵⁰³ in the EU jurisdiction.⁵⁰⁴ EU declaration of conformity is required. Therefore, compliance of the product with Serbian technical rules does not suffice, notwithstanding the degree of their alignment with the EU legislation.

In short, the costs of the trade between Serbia and the EU in both directions are higher compared to the trade within the internal market. However, the SAA is not a static legal instrument. It has a number of progressive liberalisation clauses, indicating that liberalisation further from the minimum achieved is possible and a natural outcome. In other words, the SAA provides

499 European Commission, Autonomous trade measures. Accessed April 15, 2018. https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/association-trade-measures_en

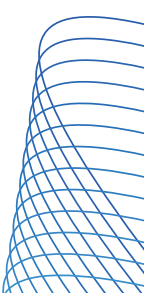
500 European Commission, *Decision No 768/2008/EC*, (Brussels: European Union, 2008), Annex I, Article R2 (1). See also European Commission, *Notice - The 'Blue Guide' on the implementation of EU products rules 2016 2016/C 272/01*, (Brussels: European Union, 2016), 29.

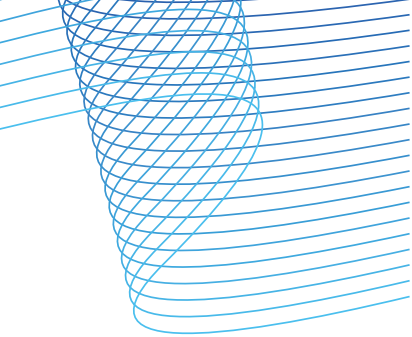
501 European Commission, *Notice - The 'Blue Guide' on the implementation of EU products rules 2016 2016/C 272/01*, (Brussels: European Union, 2016), 29.

502 „Depending on the Union harmonisation act, the manufacturer may be required to submit the product to a third party (usually a notified body) to have the conformity assessment carried out, or to have a quality system approved by a notified body“ (European Commission (n 82) 29).

503 „Notified bodies carry out the tasks pertaining to the conformity assessment procedures referred to in the applicable technical harmonisation legislation when a third party is required“ (European Commission (n 82) 75).

504 European Commission (n 82) 76.





legal pathways to further liberalise market access by means of mutual recognition of industrial products and conformity assessment procedures, albeit, under the condition of the effective approximation of Serbian with the EU technical rules.⁵⁰⁵

Therefore, as a strategic recommendation:

- **Serbia and the EU may seek to agree upon mutual recognition programmes under the SAA framework** with the goal to introduce legally binding **SAA-based mutual recognition** in product sectors where the effective approximation with the EU rules in Serbia has been achieved. The SAA-based mutual recognition may be introduced by means of the binding decision of the SAA Council⁵⁰⁶ to avoid time-consuming procedure for signing and coming into force of the ACAA agreement.
- The programmes could be coordinated with **measures to liberalise cross-border provision of services of the conformity assessment bodies (CABs)** in accordance with the relevant SAA provisions (Title V, Chapter III, Supply of Services)⁵⁰⁷.

Having in mind the above said, the following tactical recommendation to Serbia can be given:

- **Speed-up the approximation** with the EU technical rules. In particular, priority should be given to sectors where Serbia has a substantial number of manufacturers (construction sector, chemicals, medical products, defence etc).
- **Make a case for the SAA-based mutual recognition** in the product sectors where effective approximation has been already achieved or about to be. Namely, product areas where sufficient degree of alignment and expertise (availability of the conformity assessment bodies) is already available (or feasible in near future) could be detected and subject to the mutual recognition programmes between Serbia and the EU.
- **Identify the major bottlenecks affecting the pace of the approximation and address them as soon as possible.** Make this a priority over other non-EU implementation related tasks. If necessary, create additional capacities within competent authorities which have faced major challenges to timely approximate sector rules and/or for sectors where industry struggles to meet requirements. The additional capacities should be streamlined and tasked specifically with the Chapter 1 approximation duties. These capacities should not be tasked with other duties not related to the Chapter 1 approximation. The same applies to the need to introduce the capacities to perform ex-post market surveillance.
- **Create capacities and additional arrangements to transpose timely any amendments to the EU technical rules** in force or introduction of new technical rules at the EU level by national rules. This needs to become a normal routine of the administration. The existing coordination arrangements created for the purposes of the accession negotiations in Chapter 1 can be used, refined by additional procedures aimed at regular monitoring and reporting on progress made by a competent authority in charge of the transposition of the EU measure. Make the competent authority accountable.
- **Resolve on-going problems in the financing of the market surveillance functions. Re-direct resources unrelated to the EU approximation activities if necessary.**

Other WB Countries may as well proactively seek to agree upon mutual recognition pro-

505 *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 77. See also Articles 8, 35, 59, as SAA provisions reflecting the progressive liberalisation as the aim of the Agreement.

506 The legal basis for the decision may be found under Articles 8 and 121 of the SAA.

507 *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 59.1 provides that „[the EU] and Serbia undertake [...] to take the necessary steps to allow progressively the supply of services by [EU] companies, Serbian companies or by [EU] nationals or nationals of Serbia which are established in the territory of a Party other than that of the person for whom the services are intended. SAA, Article 59.3 provides that „[a]fter four years, the Stabilisation and Association Council shall take the measures necessary to progressively implement the provisions of paragraph 1. Account shall be taken of the progress achieved by the Parties in the approximation of their laws.“



grammes under the SAA framework with the EU. To that end, they may as well make their case for the SAA-based mutual recognition in areas where they have achieved the effective approximation.

The European Commission supported the development of *mutual recognition programmes* on the basis of CEFTA and the Regional Economic Area.⁵⁰⁸ In addition, the trade between the EU and the Western Balkans reached EUR 43 billion in 2016.⁵⁰⁹ However, there is a significant space for further growth by improving the market access to the WB products to the internal market and *vice versa*. To realise this potential, and to complement the Regional Economic Area, **the Commission may initiate the development of the mutual recognition programmes based on the relevant SAAs.**

Chapter 6 – Consumer protection⁵¹⁰

Consumer protection *acquis* approximates national rules in relation to product safety, dangerous imitations and liability for defective products and other economic interest of consumers. In particular it includes legislation on general product safety and the European Union's Rapid Alert System (RAPEX), cross-border enforcement cooperation, consumer redress, injunctions for the protection of consumer interests, sale of consumer goods and associated guarantees, unfair contract terms, price indications, consumer rights, distance marketing of financial services, consumer credit, misleading and comparative advertising, unfair commercial practices, timeshare, and package travel.⁵¹¹ The SAA, Art. 78 requires cooperation of the Parties with the aim of alignment of consumer protection standards with the EU rules. To ensure effective protection of consumers and proper functioning of the internal market in Serbia, the strong administrative structure for market surveillance and enforcement of the *acquis* is required in particular. Besides approximation of laws, Serbia needs to establish an active consumer protection policy, effective legal protection for consumers, access to justice, compliance with product safety standards and system of exchange of information.

6.1 Baseline assessment against the SAA requirements at the time of the signing

Serbia signed the SAA on 29 April 2008, a date from which an approximation obligation started,⁵¹² with "focus on fundamental elements of the Internal Market"⁵¹³ in an early stage, including the consumer protection *acquis*. Article 78 prescribes the duty of enhanced cooperation aiming at closing the gap in consumer standard protection in Serbia with the EU requirements.

Serbia started building the system of consumer protection in 2009 with the adoption of a new

508 See European Commission, *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans (Communication) COM(2018) 65 final*, (Brussels: European Union, 2018).

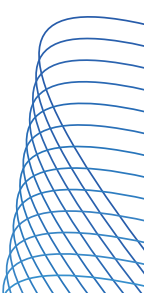
509 European Commission (n 103) 12.

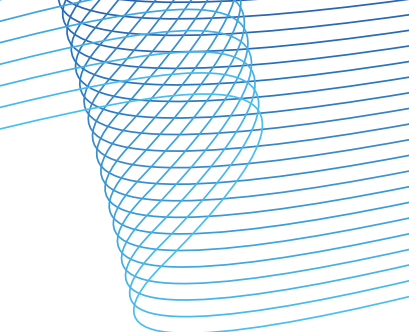
510 Chapter 28 in the accession negotiations (Consumer and health protection).

511 European Commission, *Screening report Serbia Chapter 28 – Consumer and health protection, MD 146/16, 15.06.16*, (Brussels: European Union, 2016), 1

512 *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 72.2: „[A]pproximation shall start on the date of signing of this Agreement, and shall gradually extend to all the elements of the Community *acquis* referred to in this Agreement by the end of the transitional period defined in Article 8 of this Agreement.“

513 *Stabilisation and Association Agreement (SAA) between the EU and Serbia*, (Brussels, 2013) Art. 72.3.





Law on General Product Safety and a Law on Electronic Trade.⁵¹⁴ The Law on Consumer Protection was adopted in 2010 aligning legislation with a significant part of the EU *acquis* in the area of consumer protection.⁵¹⁵ Ministry in charge of trade⁵¹⁶ took overall responsibility for consumer protection policy. The administrative capacities were weak as well as capacities of consumer protection organisations in Serbia.⁵¹⁷

The Law on General Product Safety provided partial alignment with the General Product Safety Directive.⁵¹⁸ It set the basis for the establishment of the market surveillance system. The legal framework was supplemented by a relatively comprehensive system of active coordination of market surveillance across different ministries, including a system for rapid exchanges of information on dangerous products between authorities and between authorities and the public.⁵¹⁹

Building effective market surveillance system and effective legal protection of consumers based on active consumer protection policy was the key challenge.

6.2 Current legal and policy gap assessment against the SAA requirements

Serbia has reached „a satisfactory level“ of approximation with the *acquis* in the area of consumer protection.⁵²⁰

A general institutional framework is in place including system of out-of-court settlement of consumer disputes.⁵²¹ The national consumer complaint register was introduced and it became operational and publicly accessible. The number of complaints filed by consumers in the reported period amounted to 16,928. However only 25 are solved in court and 14 were solved by out-of-court procedures.⁵²² Overall, enforcement of consumer rights and the implementation of consumer policies need to be further improved. Administrative capacity-building needs to continue. Particular attention needs to be paid to the enforcement of the *acquis* and systematic application of risk-based controls.

The new Law on **General Product Safety** is under preparation, aimed at closing the remaining approximation gap to cover misleading products.⁵²³ The Law on safety of items of general use, regulating issues regarding cosmetics, remains to be adopted as well. Efforts need to continue to ensure adequate functioning of market surveillance, including coordination between different stakeholders and technical training of market inspectors. The Strategy of Development of Quality Infrastructure 2015-2020, notably covering Market Surveillance, was adopted in October 2015.⁵²⁴

514 European Commission, *Serbia 2009 Progress Report*, COM(2009) 533, (Brussels: European Union, 2009), 31.

515 European Commission, *Commission Opinion on Serbia's application for membership of the European Union Opinion Analytical Report COM(2011)*, (Brussels: European Union, 2011), 121.

516 In 2010, it was Ministry of Agriculture, Trade, Forestry and Water Management.

517 European Commission, *Commission Opinion on Serbia's application for membership of the European Union Opinion Analytical Report COM(2011)*, (Brussels: European Union, 2011), 121.

518 *Ibid.*

519 *Ibid.*

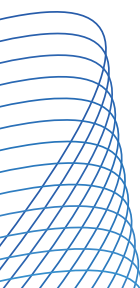
520 European Commission, *Screening report Serbia Chapter 28 – Consumer and health protection*, MD 146/16, 15.06.16, (Brussels: European Union, 2016), 11.

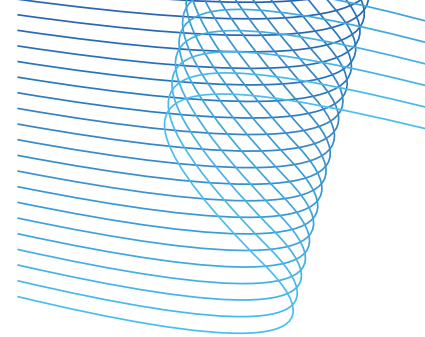
521 European Commission, *Serbia 2018 Report*, COM(2018) 450 final, (Brussels: European Union, 2018), 82.

522 *Ibid.*

523 *Ibid.*

524 European Commission, *Serbia 2016 Report*, (Brussels: European Union, 9 November 2016), 78.





The new Law on Consumer Protection was adopted in 2014 further aligning national legislation with most of the *acquis* concerning **non-safety related issues**.⁵²⁵ The new Law on Advertising, which aims at further alignment with the *acquis* on misleading and comparative advertising, was adopted in January 2016 and entered into force in May.⁵²⁶ Some progress was made with the adoption of the Law on Medical Devices in 2017. Serbia needs to align to the remaining *acquis* in this area.

Overall, the system that started developing in 2009 and 2010 is well established now. The level of the approximation increased since the signing of the SAA. However, „strengthening the administrative capacity of relevant authorities for consumer protection, market surveillance and sanitary inspection“⁵²⁷ is an ongoing issue, including an active consumer protection policy.

6.3 Recommendations

In general, Serbia should focus its efforts on development of the effective risk-based market surveillance system. To improve active consumer protection policies, Serbia should identify bottlenecks that cause backlog of unresolved complaints by consumers.

Serbia should prioritize and direct its limited resources at the EU approximation and enforcement purposes instead at other non-EU implementation related tasks. In particular, additional capacities should be streamlined into compliance with market monitoring requirements. These capacities should not be tasked with duties not related to the consumer protection and other *acquis* closely related to the operation of the internal market (health protection, free movement of goods, etc.).

Serbia should start adopting an administrative mindset of a Member State in order to reduce the time-gap between the adoption of a new EU legislation and national legal and policy response in the consumer protection area.

Chapter 7 – Conclusion

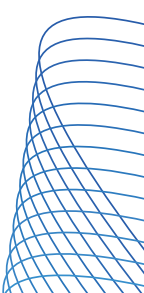
Overall, the level of approximation of Serbian legislation has improved substantially since the signing of the SAA in 2008 in all legal areas subject to the analyses. A stable and operational institutional framework has been established in the area of the competition law, intellectual property rights (IPR), product quality infrastructure, public procurement and consumer protection.

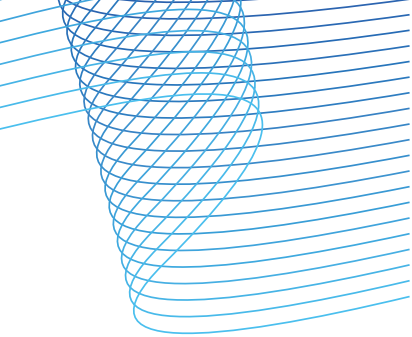
However, major legal and institutional gaps were identified in the area of the State aid and market surveillance system. These issues need to be addressed, urgently. In particular, the operationally independent State aid authority has not been established, and State aid grantors, beneficiaries, and competitors lack clear legal and policy directions on good aid and remedies against bad aid creating the legal vacuum, uncertainties, and market distortions. Inadequate financing of the market surveillance functions remains a concern, and it could be blamed partially on overuse of border controls of goods hence affecting free circulation of goods within the SAA territory. Furthermore, the lack of capacity or adequate allocation of existing administrative resources to follow and timely react to the pace of changes and developments of the *acquis* at the EU level in order to accord Serbian rules and economic operators on time has been no-

525 *Screening report Serbia Chapter 28 – Consumer and health protection, MD 146/16, 15.06.16*, (Brussels: European Union, 2016), 11.

526 European Commission, *Serbia 2016 Report*, (Brussels: European Union, 9 November 2016), 78.

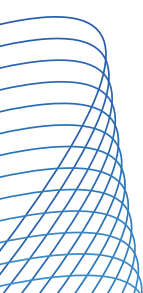
527 European Commission, *Serbia 2018 Report, COM(2018) 450 final*, (Brussels: European Union, 2018), 82.





ticed. Serbia should adopt a mindset of the EU Member State with administration that monitors changes in the EU rules and reacts accordingly within the (transposition) timeframes that the EU sets for its Members. Indeed, Serbia should distribute existing resources to the activities conducive to closing the remaining approximation gap and consider scrapping public expenses to other purposes.

Finally, it is questionable if the degree of the approximation achieved so far has brought to further elimination of non-tariff barriers and more trade with EU. Certainly, Serbia and the EU have not achieved the degree of the level playing field possible under the progressive SAA clauses. Serbia should accelerate the pace of closing the gap with the EU technical rules. The EU and the European Commission, on the other hand, may signal their willingness to establish mutual recognition of products and conformity assessment procedures based on the SAA rules and Serbia's progress in the approximation. Indeed, if the approximation process remains mechanical, the potential for further removal of trade barriers under the SAA prior to the accession will be lost.





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IV. CONCLUSIONS AND RECOMMENDATIONS

VLADIMIR MEĐAK

The Study shows effects of the Stabilisation and Association Agreement on three WB countries: Albania, Macedonia and Serbia. These countries have been chosen for three different reasons. Macedonia was the first WB country to sign the SAA in 2001 and has the longest track record of its implementation. Serbia, on the other hand, is the largest of WB countries, by far the largest exporter and importer of goods from the region, with the largest industrial and agricultural complex that would benefit from the SAA. Albania is the only non-former Yugoslav state in the WB covered by SAP and analysing effect of the SAA in Albania gives a good contrast to effects on Serbia and Macedonia that both emerged from former Yugoslav single market.

The Study shows effects that the SAA has brought to these countries in trade (both in industrial and agricultural products); level of foreign direct investments (FDIs) and on legal systems due to process of approximation of their legislation with the EU acquis.

Overall, the SAA has brought positive effects to all three countries. The SAA has brought these countries closer to the EU and made their, above all economic, relations with the EU stronger than ever. EU is the main trading partner of the three countries and by far the largest investor in them. Volume of trade with the EU has increased significantly; volume of exports from these countries to the EU has increased. Some countries have managed to reduce the level of trade deficit with the EU and levels of foreign direct investments have increased, as well. Through harmonisation of legislation these countries have brought their legal systems closer to the EU model.

On the negative side, all countries (as well as the rest of the WB) still have trade deficit with the EU, some being reduced over time and some showing persistence. Level of deficit and its persistence show the lack of competitiveness of these countries and how much they should prepare before joining the EU market. Raise in exports to the EU is highly dependent on inflow of FDIs from the EU showing that national business has not fully seized the opportunity given by the SAA.

Even though operating under similar conditions, different economic policies of countries and (objective) constraints they face result in different effects of the SAA on trade with the EU. SAA has given an important opportunity to these countries but cannot create miracles by itself. Economic policies of governments are crucial for using possibilities SAAs have brought and for economic development of a country. Missing the opportunity to develop industrial capacities and lack of strategic planning when it comes to further development of the industrial and agricultural sector is evident.

All countries have recorded significant increase in exports to the EU that can be attributed



to the opening of the EU market through the SAA⁵²⁸. This was also followed by increase of imports from the EU, leading to increasing the trade deficit. Combined deficit with the EU of these three countries was around 4 billion USD in 2016. However, Serbia⁵²⁹ and Macedonia⁵³⁰ have managed to reduce trade deficits with the EU significantly in recent years, while trade deficit of Albania⁵³¹ has demonstrated more persistency. This can be attributed to large investments in export oriented industries in Serbia and Macedonia that changed the structure of their economy and consequently exports. Export structure of Albania remained the same in the observed period. All countries have reached high level of trade integration with the EU. All countries have high share of total exports going to the EU: Macedonia 79%, Albania 77% and Serbia 66.1%. This shows that these three countries are already very much integrated into EU trade patterns, with room for improvement when it comes to deficit.

While the SAA has caused increase in volumes of trade, traditional trade partners, the EU as a block and individual EU member states within the block, remained the same as they were before signing the SAA. While the SAA opened markets of all 28 EU member states, Germany, Italy and the neighbouring countries remain the most important trading partners. In case of Macedonia, in 2016 79% of the total Macedonian export to the EU went to only five EU member states,⁵³² in the case of Serbia this amounts to 60.5%,⁵³³ and in the case of Albania it is around 80% but to only three EU member states.⁵³⁴ This demonstrates that there is room for improvement of trade with other EU countries and for trade growth. This also demonstrates that even with a preferential trade regime, without active engagement of both the Government and business community, new trade opportunities will not emerge by themselves.

Changes in patterns of trade (export or import) were recorded, but they could be mostly attributed to inflow of **foreign direct investments (FDIs)** from EU in certain sectors in certain countries. As mentioned before, this occurred in Macedonia and Serbia but not in Albania. This change of pattern of trade happened with the Great Britain and Macedonia due to important investment from the Great Britain in the automotive sector in Macedonia. In this case the share of Great Britain in the total Macedonian import from EU rose from 4% in 2000 to 19.3% in 2014. Products coming from this particular FDI were mostly sold to Germany, thus increasing Macedonia's trade with Germany, as well. In Serbia, investment of Italian FIAT in automotive industry in Serbia has completely turned around the structure of export. Before this investment was made, the most important export products from Serbia in 2010 were iron, steel, corn and raspberries, while in 2013 it was automobiles and semiconductors. Changes in patterns of trade occurring due to investments from the EU can also imply that level of domestic investments is low and that national business has not managed to use the opportunity SAA has opened.

Signing the SAA has brought greater legal certainty to these countries thus increasing their international competitiveness and opening the possibility for companies from WB to participate in global value chains and find new business opportunities. This has resulted in greater confidence from foreign investors. Again, EU member states are the most important foreign investor in these three countries. Volumes of investments have increased, but traditional partners of these countries remained the main origin of investments. These FDI have managed to change the structure of economy, production and consequently the exports from Serbia and Macedonia, while investments in Albania focused on sectors that were traditionally export oriented (like textiles, metals/construction materials and footwear). As already demonstrated due to size of

528 In case of Serbia (due to signing of the SAA only in 2008) with combined effects of the ATM regime and the SAA

529 From the highest recorded deficit of 7.27 billion USD in 2008 to 2.32 billion USD in 2016

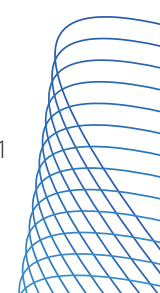
530 From the highest recorded deficit of 1.28 billion USD in 2012 to 364 million in 2016

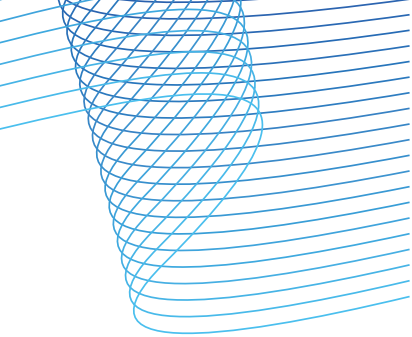
531 1.38 billion USD in 2008 compared to 1.28 billion USD in 2016

532 Germany, Bulgaria, Belgium, Italy, Greece.

533 Italy, Germany, Romania, Croatia and Slovenia.

534 Italy, Germany and Greece.





these countries, one large size FDI can make a significant difference in the structure of economy and exports. This has led to change in export structure of Serbia and Macedonia with the rise of exports of automotive industry taking the important share of the export.

Conclusion is made that the SAA is an important element in increasing the competitiveness, but only a sound economic policy of the government and a sound policy of attracting foreign investors can make the change.

Technical barriers to trade (TBT) are currently the main obstacles when goods are exported from the WB to the European Union. This should be tackled as a matter of urgency if the deficit is to be reduced. The EU should apply to its trade with the WB the same recommendations it gave to the WB in the Enlargement Strategy from February 2018 and sign bilateral Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAA) with WB countries to eliminate (unnecessary) constraints to trade development.

In addition to eliminating TBTs, the EU should guide the WB in using **state aid rules** within SAAs as a policy tool to gradually re-direct public funds from perpetuating economic inefficiencies to supporting investments that are compatible with the internal market. However, the EU should also demonstrate flexibility for national investment policies aligned with the EU agenda, allowing for the reindustrialization of the region, leading to higher exports and reduction of trade deficit.

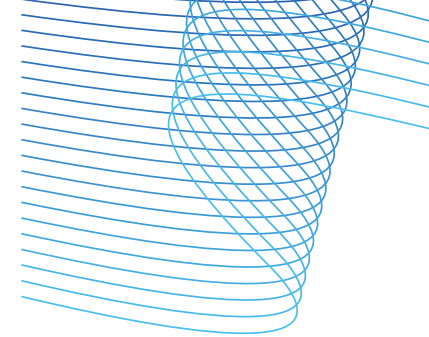
Export of **agricultural** products to the EU shows the same rising trend of volume of exports from Albania, Serbia and Macedonia. However, while Serbia is reporting huge surplus in trade with EU in agricultural goods, Macedonia and Albania are facing deficit. Common position for all three countries is that there is no significant change in structure of exports or in agricultural sectors and that primary agricultural products take the largest share in the structure of exports. Even though EU has opened its markets for agricultural products, countries have not seized the opportunity. For instance, Serbia uses to the fullest extent only the quota for sugar while the quotas for baby beef and wine were not significantly utilized in the observed period. Albania is using the entire fishing quota, only. Macedonia has managed to use the entire quota for bottled wine only in 2014. Very few foreign investments went to agricultural sector in all three countries suggesting that this sector is not attractive for investments and that structural change are required.

In the part of the SAA dealing with **legal approximation** with the EU acquis, countries covered by the Study have heterogeneous positions and challenges in different areas. This makes drawing common conclusions for each policy area difficult. Nevertheless, some common conclusions can be drawn on the entire process of approximation, going beyond areas covered by this Study.

All three countries have been developing their legislation according to the EU model even before signing the SAA. SAA had transformed this voluntary practice into contractual obligation allowing for Commission's monitoring and better streamlining of their efforts.

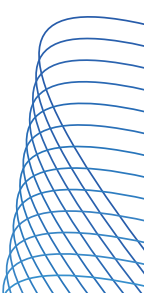
The SAA has influenced legal systems of these countries significantly, bringing them closer to EU acquis and the EU model. In some areas such as competition and state aid, approximation brought entirely new types of regulation to these, former socialist, countries and anticompetitive behaviour being prohibited and tackled with for the first time. In order to reach high level of approximation, only legislative activities are not sufficient. They should be followed by capacity building activities in institutions responsible for policy development and policy implementation. Frequent changes in institutional setup and high turnover of qualified staff occurring after the change of government represent serious obstacles in the process. Special emphasis should be placed on relevant courts. Approximation cannot be successful without developing competent and independent judiciary.

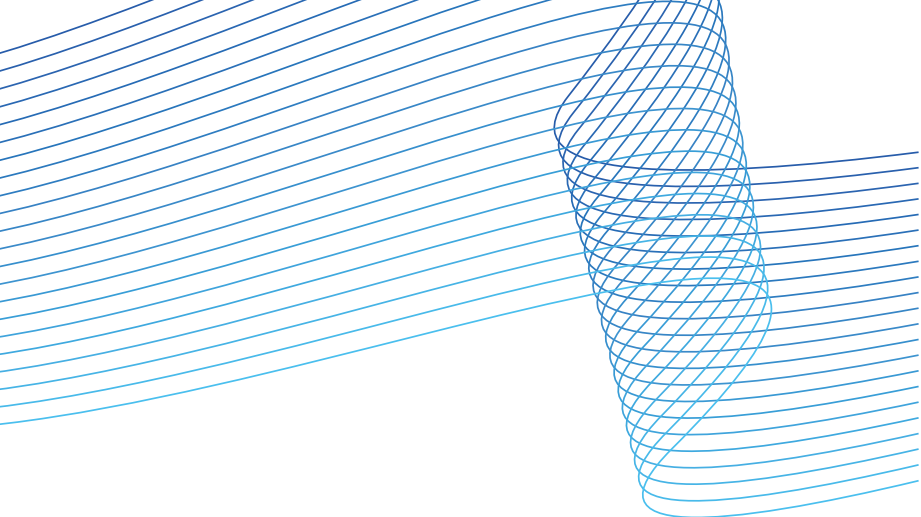
Approximation process and particularly implementation of legislation is highly influenced by (none) existence of political will to support this process. Last 20 years of the SAP show that political will is stronger if the process of EU accession is running smoothly without long-term stalemates and blockades.



Implementation of the SAA can be improved in order to give better effects in countries signing it. The room for improvement lies both on the side of these three countries as well as on the side of the EU:

1. Countries having SAA with the EU should make sure that implementation of the SAA runs smoothly and without breaches.
2. More proactive engagement of governments and of national business community, as well as the EU, is necessary to remedy shortcomings that prevent better use of opportunities for trade development brought by the SAA.
3. Opening of markets of EU member states whose share in trade is now negligible should be a priority for governments of the three countries. Trading with only a few EU member states shows that there is a significant opportunity that is currently being missed, for increasing exports to the EU and reducing deficit.
4. Economic policies of governments have to be developed in a proactive manner enabling the country to get out of traditional, historically set, trade patterns and change the structure of economy and exports. This can be done through stimulating national investments and assisting national business in seizing the opportunity given by the SAA to increase exports and find new business partners.
5. Structural changes in the agricultural sector of all three countries are needed in order to make them more competitive with the EU and to use all opportunities opened by the SAA, particularly in increasing the exports of products with higher added value. Better use of available instruments particularly EU pre-accession assistance remains an opportunity for change and growth.
6. These countries should focus on improving the climate for business by properly harmonizing national legislation with the *acquis* and developing institutions necessary for its implementation. Approximation should not be seen just as another activity performed mechanically, to satisfy the Commission and to tick the box, but as a genuine opportunity for development of the legal system and of the entire country.
7. Developing capacities of institutions responsible for policy development and policy implementation is essential task of governments of these countries. Frequent changes in institutional setup and high turnover of qualified staff occurring after the change of government represent serious obstacles in the process. Special emphasis should be placed on relevant courts. Approximation cannot be successful without developing competent and independent judiciary.
8. The EU should focus on eliminating technical barriers to trade (TBT) hindering trade with the WB by signing bilateral Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAA) with WB countries.
9. The EU institutions should react more promptly to backsliding in the process of approximation of legislation and its implementations, particularly in areas of state aid and public procurement that are directly opening the possibility for corruption.
10. The EU should guide the WB in using state aid rules within SAAs as a policy tool to gradually re-direct public funds from perpetuating economic inefficiencies to supporting investments that are compatible with the internal market. However, the EU should also demonstrate flexibility for national investment policies aligned with the EU agenda, allowing for the reindustrialization of the region.





PART II

THE EFFECTS OF CEFTA2006 ON WESTERN BALKANS



I. THE CASE OF ALBANIA

LEDION KRISAFI ⁵³⁵

Chapter 1 – Introduction

In 2006, the Central European Free Trade Agreement (CEFTA) was amended to include Albania, Bosnia and Herzegovina, Serbia, Moldova, Romania, Montenegro, the Republic of Macedonia and the United Nations Interim Administration Mission in Kosovo on behalf of Kosovo in accordance with the UNSC resolution 1244.⁵³⁶

The agreement entered into force on 1 May 2007, but that year Romania and Bulgaria became part of the European Union and they were no longer part of CEFTA. The original CEFTA agreement was signed in 1992 by the Czech Republic, Poland, Slovakia and Hungary. Its intention was “to eliminate progressively the obstacles to substantially all their mutual trade, in accordance with the provisions of the General Agreement on Tariffs and Trade, Firmly convinced that this Agreement will foster the intensification of mutually beneficial trade relations among them and contribute to the process of integration in Europe”.⁵³⁷

The 2006 amending was done by “recognizing the contribution of the Central European Free Trade Agreement...to improve the readiness of Parties for membership in the European Union as witnessed by the accession on 1 May 2004 of the Czech Republic, the Republic of Hungary, the Republic of Poland, Slovak Republic and the Republic of Slovenia and the forthcoming accession of the Republic of Bulgaria and Romania”.⁵³⁸

This agreement substituted all 32 bilateral relations that existed between these countries prior to the signing of CEFTA2006. Before 2006, Albania had signed bilateral trade agreements with Macedonia in 2002, with Bosnia and Herzegovina in 2004, with Moldova in 2004, with Serbia and Montenegro in 2004, with Kosovo/UNMIK in 2003 and with Croatia in 2003.⁵³⁹

The aim of these trade and economic agreements was to create free trade areas between Albania and the respective countries and among others by eliminating restrictions on trade in

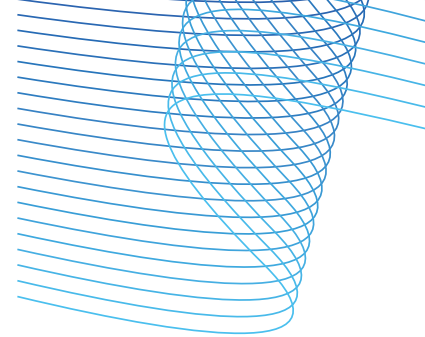
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537 “Central European Free Trade Agreement”, WIPO, http://www.wipo.int/edocs/trtdocs/en/cefta/trt_cefta.pdf

538 “Agreement on Amendment of and Accession to the Central European Free Trade Agreement”, CEFTA, <http://cefta.int/legal-documents/#1463498231136-8f9d234f-15f9>

539 “Bilateral and Regional Trade Agreements Notified to the WTO”, WorldTradeLaw.net, <http://www.worldtradelaw.net/databases/ftas.php>



goods, by removal of barriers to trade and “to create conditions for further promotion of investments, particularly for the development of joint investment in both countries”.⁵⁴⁰

Before signing CEFTA2006, Albania had other free trade agreements with the European Union, but also several bilateral agreements with the countries of the region. Even before the signing of CEFTA2006, Serbia and Montenegro and later Serbia, Montenegro and Kosovo, alongside Macedonia, were already Albania’s major trade partners in the region, especially for Albania’s exports. In 2000, Albania’s exports to Serbia and Montenegro were just 7.4 million USD, but in 2004 they had grown to 29.4 million USD. Also in 2000, Albania’s exports to Macedonia were 2.4 million USD, but in 2004 they had grown to 7.45 million USD.

As data on trade after the signing of CEFTA2006 will show, Albania’s trade with Serbia and Montenegro in the years 2000-2006 was mainly with Kosovo, not with Serbia or Montenegro. Even after the signing of CEFTA2006, Albania’s main export destination in the region will continue to be Kosovo.

Chapter 2 - Trade in CEFTA2006

2.1 Trade volume in the first 2 years (2007, 2008)

CEFTA2006 entered into force on 1 May 2007 and in the first year there was a large increase in the trade volume between Albania and CEFTA countries. In 2006, the trade volume between Albania and CEFTA member countries was 153.6 million Euros, with export amounting to 47.5 million Euros and import amounting to 106.1 million Euros, while in 2007, after the signing of CEFTA the trade volume increased to 287.2 million Euros, exports amounted to 78 million Euros, almost double of 2006 and imports amounted to 209.2 million Euros, again double of 2006. Numbers show that signing of CEFTA2006 had an immediate impact on the trade volume between the countries of the region. It immediately doubled the trade volume between them.

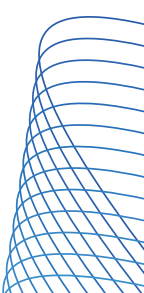
But the increase was uneven. The biggest increase was in trade with Kosovo. Exports to Kosovo changed from 23.7 million Euros in 2006 to 37.6 million Euros in 2007, while imports decreased considerably. Also in the first year of CEFTA, there was a considerable increase in Albania’s exports to Macedonia, from 10 million Euros in 2006 to 17.7 million Euros in 2007. Also there was a big increase in imports from Macedonia, from 38.8 million Euros in 2006 to 59.1 million.

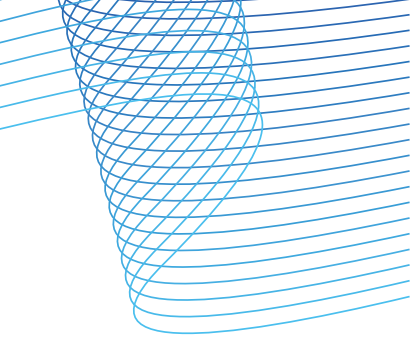
In 2006, almost half (49.9%) of Albania’s exports with CEFTA went to Kosovo. This percentage diminished to 48% in 2007, even though Albania’s exports to Kosovo increased considerably. Exports to Macedonia increased from 21.1% to 22.6% of the total Albania’s exports to CEFTA.

The biggest increase in the first year of CEFTA2006 was in imports. Imports from Serbia (in 2006 it was still Serbia and Montenegro) increased from 21.6 million Euros in 2006 to 88.5 million Euros in 2007. 50.6% of all Albania’s imports with CEFTA in 2007 came from Serbia, while in 2006 it was 20.1%.

In the first year of CEFTA2006, Serbia (Serbia and Montenegro at that time) emerges as the most important trade partner for Albania. In 2006, the trade volume between the two countries was 30.1 million Euros, while in 2007 it increased to 103.8 million Euros. In this first year, Albania’s exports to Serbia also increased from 8.5 million Euros in 2006 to 15.3 million Euros in 2007.

540 “Free Trade Agreement between Albania and Serbia and Montenegro”, WorldTradeLaw.net, <http://www.worldtradelaw.net/fta/agreements/albsermonfta.pdf>.download





In 2007, imports from Kosovo decreased to 267 million Euros from 525 million in 2006. Kosovo's share in Albania's imports with CEFTA decreased considerably from 32.6% in 2006 to 8% in 2007.

2008 was the year that the economic and financial crisis began in the United States and the European Union, but numbers show that this crisis had no immediate effect on the trade volume between CEFTA2006 countries. On the contrary, the trade volume between them increased considerably even in 2008, with Albania's exports and imports with CEFTA2006 almost doubling in 2008.

In 2008, the trade volume between Albania and CEFTA2006 increased to 423.3 million Euros from 287.3 million Euros in 2007. Exports increased to 124.8 million Euros and imports increased to 298.5 million Euros.

As was the case in 2007, the biggest increases in imports for 2008 were from Serbia and Macedonia. Imports from Serbia reached 145.7 million Euros and constituted 48.8% of all Albania's imports from CEFTA countries.

In 2008, the biggest increase in Albania's exports was to Kosovo and Macedonia. Exports to Kosovo reached 60 million Euros from 37.6 million Euros a year before. Exports to Kosovo constituted 48.1% of all Albania's exports to CEFTA members. Also exports to Macedonia reached 26.2 million Euros from 17.7 million Euros a year before.

From the analysis of the first two years after the signing of CEFTA2006, we can reach three conclusions:

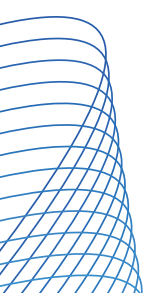
1. Signing of CEFTA2006 increased considerably the trade volume between Albania and CEFTA2006 member countries from 153.1 million Euros in 2006 to 423.3 million Euros in 2008. There was a big increase in exports and imports. Albania's exports to CEFTA2006 member countries went from 47.5 million Euros in 2006 to 124.8 million Euros in 2008. Albania's imports from CEFTA2006 member countries went from 106.1 million Euros in 2006 to 298.5 million Euros in 2008.
2. There was a strong change in the trade structure of Albania in the first two years after CEFTA2006. Serbia emerged as the main trade partner for Albania in 2007 and 2008. Trade volume between Albania and Serbia in 2006 was 30.1 million Euros, while in 2008 it reached 162.2 million Euros. The biggest increase was in Serbia's exports to Albania while Albania's exports to Serbia had a small increase.

Also compared with 2006, almost half of Albania's imports from CEFTA2006 members came from Serbia in 2007 and 2008, while in 2006 Macedonia and Kosovo were respectively no. 1 and no. 2.

3. Kosovo is the main destination for Albania's exports in the first year after CEFTA2006 as it will be in the next years. Based on the analysis of the first 4 years of CEFTA2006, trade with Kosovo is the main beneficiary of Albania's CEFTA2006 membership. But, it is difficult to predict how trade with Kosovo would look like without CEFTA2006. Because Albania and Kosovo are two Albanian-majority countries and trade between them, especially after Kosovo's independence in 2008, would have been expected to increase considerably even without CEFTA2006, as it has.

2.2. The year of the Crisis, 2009

According to statistical data from the trade volume between CEFTA2006 members, in 2008 the European and American economic and financial crisis didn't have any effect on the trade volume and patterns between Albania and the CEFTA2006 member countries. The following





year, 2009, was the only year when trade volume between Albania and CEFTA2006 members decreased in relation to the year 2008, but still it was bigger than in 2007. In 2009, trade volume between Albania and CEFTA2006 reached 309.8 million Euros from 423.3 million Euros in the year before. The fall is even bigger when expressed in Albanian national currency Lek, because in 2009 there was a strong jump in the exchange rate of Albanian Lek with Euro.

The biggest decrease was in the imports from Serbia and Macedonia. In 2009 imports from Serbia reached 86.7 million Euros from 145.7 million Euros a year before, a 40% decrease in one year. Imports from Macedonia reached 59.3 million Euros, a 24.7% decrease.

In 2009, Albania's exports to CEFTA2006 members decreased also, reaching 94 million Euros from 124.8 million Euros a year before, a 24.6% decrease. The biggest fall was in the exports to Serbia, which decreased by 62.8% just in one year. A considerable decrease happened also with Albania's exports to Kosovo and Macedonia.

Respectively, Albania's exports to Kosovo decreased in 2009 by 10% while exports to Macedonia decreased by 17.5%.

In 2009, in spite of the decrease in imports and exports, Serbia was still Albania's main trade partner among the CEFTA2006 member countries. Imports from Serbia constituted 40% of Albania's imports from CEFTA2006, while 57.4% of all Albania's exports with CEFTA2006 go to Kosovo.

Table 1: Albania's trade with CEFTA2006, in million EUR

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exports	47.53	78.05	124.82	94.02	119.06	175.55	184.32	190.95	214.34
Imports	106.1	204.04	298.51	215.8	317.03	335.05	353.56	290.51	355.83

2.3. Trade in the period 2010-2016

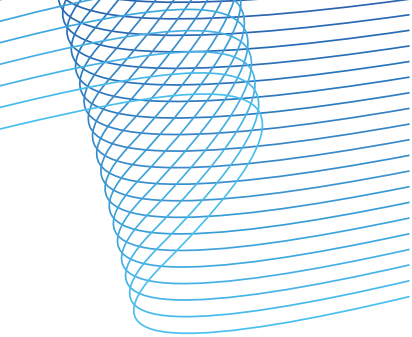
The six-year period after the crisis of 2009 and the considerable decrease in trade volume between Albania and CEFTA2006 member countries in that year, is a period of gradual growth and consolidation of the trade patterns between Albania and the CEFTA2006 member countries.

The change began in 2010, when the trade volume between Albania and CEFTA2006 reached the highest level ever, with 119 million Euros exports and 317 million Euros imports. The increase in imports was with each CEFTA2006 member except for Macedonia. Imports from Serbia continued to constitute the highest share in Albania's imports with CEFTA2006, with 40.5%. Imports from Serbia increased to 128 million Euros in 2010 from 86.7 in 2009, but still short of the value in 2008.

Table 2: Albania's trade with CEFTA2006 in 2016, in million Euros

	Serbia	Kosovo	Montenegro	Macedonia	Moldova	Bosnia and Herzegovina
Exports	34.2	120.8	31.8	46.7	0.17	6.69
Imports	131.4	42.34	19.73	56.5	0.55	26.3





2.3.1 Albania – Croatia

In 2010, Croatia becomes Albania's second largest importer from the CEFTA2006 countries. In 2010, imports from Croatia reached 68 million Euros from 29.6 million Euros in 2007, a 56% increase in 3 years. After 2010 Albania's imports from Croatia were approximately at the same values. In 2011, 49.8 million Euros, 26.7% lower than a year before. In 2012, they increased to 50.1 million Euros. In 2013 and 2014, they decreased again to 41.4 and 43.8 million Euros respectively. As of 2016, Albania's imports from Croatia have not reached again the value of 2010. The highest value after 2010 was in 2015 when Albania's imports from Croatia reached 53.3 million Euros after which they decreased again by approximately 40% in 2016 to the lowest value since 2009.

On the other hand, Albania's exports to Croatia do not show that many oscillations as the imports. Only in 2013 and 2014, there is a decrease in Albania's exports to Croatia compared with 2012. In 2012, Albania's exports to Croatia were 2.9 million Euros, while in 2007, the year when CEFTA2006 began to function, Albania's exports to Croatia were just 720 thousand Euros. In 5 years of CEFTA2006, there was a 305% increase in Albania's exports to Croatia.

In 2013 and 2014, Albania experienced the lowest GDP growth since the year 2000. This influenced also Albania's exports with most of the CEFTA2006 member countries. In 2013 and 2014, Albania's exports to Croatia fell by 6% and 17% respectively compared with 2012.

The next two years, 2015 and 2016, were good years for Albania's exports to Croatia. In 2016, Albania's exports to Croatia reached their highest level, 6.8 million Euros, while in 2015, they were 3.4 million Euros.

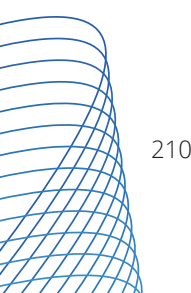
Since 2013, when Croatia became part of the European Union, trade between Albania and Croatia is conducted according to the Stabilization and Association Agreement and not according to CEFTA.

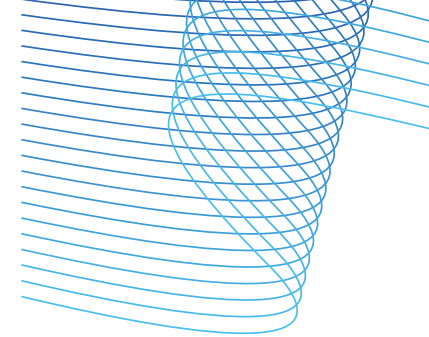
2.3.2 Albania – Macedonia

After 2010, Albania's imports from Macedonia had grown compared with 2009 and 2010, but they had not reached again the value in 2008. The values for the six years after 2010 had been almost the same. In the last 3 years, 2014, 2015 and 2016, imports from Macedonia had decreased. They were 63.3 million Euros in 2011, but they decreased to 56.5 million Euros in 2016. This was the third consecutive decrease. In 2014, they were 59.6 million Euros and in 2015, 61.3 million Euros. Compared with 2008, which was the year with the highest imports from Macedonia, Albania's imports from Macedonia in 2016 have decreased by 28.2%.

A different picture emerges from Albania's exports to Macedonia. While in imports there have been a considerable decrease in the last years, especially when compared with the best year 2008, Albania's export to Macedonia have increased steadily every year. In 2015 and 2016, they reached the highest level in the last two decades, with 45.9 and 46.7 million Euros respectively.

Albania's exports to Macedonia increased even in 2013 and 2014 when Albania recorded a low GDP growth and the exports with most of the other CEFTA2006 countries decreased.





2.3.3 Albania – Serbia

As mentioned above, the biggest change in Albania's trade patterns after the signing of CEFTA2006 was the increase in trade with Serbia. Of all the CEFTA2006 countries, Serbia has the largest GDP and the largest exports value. In this view, the fact that Serbia's imports to Albania increased considerably after the signing of CEFTA2006 has to do also with the fact that Serbia's potential to export more to the other CEFTA2006 countries is a result of the fact that its economy is much bigger compared to other CEFTA2006 countries.

There is a constant growth in Albania's exports and imports with Serbia in the years 2011-2016. 2012 and 2014 had been the best years for Serbia's exports in Albania, with 167.7 and 169 million Euros respectively, while in 2013 there was a considerable decrease from a year earlier down to 108 million Euros.

The year 2016 was the best year ever for Albania's exports to Serbia, reaching 34.2 million Euros in 2016, rising from 8.5 million Euros in 2006, the year when CEFTA2006 was signed, a 302% increase in 10 years.

Only in 2014 there was a 28.6% decrease of Albania's exports to Serbia. As mentioned above, 2013 and 2014 saw the lowest GDP growth in Albania since 2000. Nevertheless, Albania's exports to Serbia in 2016 are still less than those to Kosovo and even Macedonia.

On the other hand, beginning in 2007, one year after the signing of CEFTA2006, Serbia became Albania's main importer from the signatory countries of CEFTA2006, changing in this way Albania's trade patterns with these countries. Since that year, Serbia has continued to remain Albania's main importer inside the CEFTA2006.

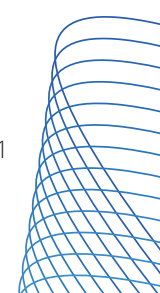
The case of Albania-Serbia economic relations shows that CEFTA2006 has created better trade opportunities for the countries of the region, but for these opportunities to be fully utilized, better political relations between the countries of the region are needed.

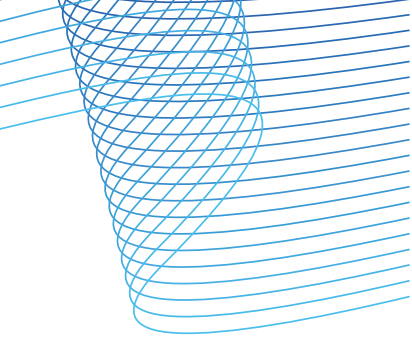
2.3.4 Albania – Kosovo

Before the signing of CEFTA2006, of all the countries that would become part of this agreement, Kosovo was the prime destination for Albania's exports. At the same time, Kosovo was the second largest importer in Albania after Macedonia. The trend in exports will continue for the next 10 years after the signing of CEFTA2006. In all this period, Kosovo remains the first destination for Albania's exports to the CEFTA2006 member countries. Except for the years 2013 and 2016, Albania's exports to Kosovo have increased gradually.

In 2006, the year when CEFTA2006 was signed but before it came into force, Albania's exports to Kosovo amounted to 23.7 million Euros. 10 years later, Albania's exports to Kosovo were 120.8 million Euros, a 409% increase in 10 years. The trade between the two countries has increased considerably even though there have been some minor problems. The best year for Albania's exports to Kosovo was 2015, when Albania exported 149.7 million Euros worth of goods and products. Compared with 2015, in 2016 there was a 19.3% decrease, to 120.8 million Euros.

While Albania's trade patterns with CEFTA2006 countries have changed in imports since 2007, in exports Kosovo has remained Albania's main export destination in the last 10 years. This trade pattern may not be fully contributed to CEFTA2006 because Albania and Kosovo have increased their trade since the end of the war in Kosovo in 1999 and 2000. This is understandable for geographical reasons (the two countries share a border) and for national reasons (these are two Albanian-majority countries). For these two reasons, the economic relations between the two countries are different than between Albania and Serbia or Albania and Montenegro or Albania and Croatia.





2.3.5 Albania – Montenegro

Montenegro gained independence from the State Union with Serbia following its 2006 referendum. A year later, in 2007, Albania's exports to Montenegro were 3.4 million Euros. In 2008 there was a big increase, reaching almost 19 million Euros. In the next 4 years, Albania's exports to Montenegro decreased compared with 2008. In 2012, they were 12.8 million Euros, 32% less than 4 years ago. This situation changed in the next 4 years. In 2013, 2014, 2015 and 2016, there was a big increase in Albania's exports to Montenegro. 2016 was the best year ever for Albania's exports to Montenegro, reaching 31.8 million Euros. In 2016, Albania exported to Montenegro mostly minerals.

In 2007, Albania's imports from Montenegro were 2.5 million Euros. Imports from Montenegro continued a steady growth until 2016. In 2012, they were 12.1 million Euros, almost an 80% increase compared with 2007. In 2015, they were almost 22 million Euros, 45% higher than in 2012.

In 2016, Albania's imports from Montenegro decreased by 10.4%, reaching 19.7 million Euros.

2.3.6 Albania – Moldova

In 2006, the year that CEFTA2006 was signed, Albania's exports to Moldova were zero, while Albania's imports from Moldova were 4.3 million Euros. In the years 2007-2009, Albania's imports from Moldova decreased considerably. In 2009, they were 1.3 million Euros. There was a big increase of 161% in 2010 when imports from Moldova reached 3.4 million Euros. After 2010 imports from Moldova had decreased considerably, reaching their lowest value in 2013, 152.3 thousand Euros. Since the lowest point in 2013, imports from Moldova have increased to 550 thousand Euros.

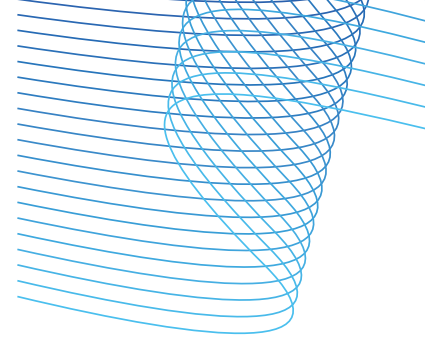
On the other hand, Albania's exports to Moldova have remained very low. Most of the years analyzed in this study, those had been zero or close to zero. Only in 2016 there was a big increase, when Albania's exports to Moldova reached 173.9 thousand Euros. In 2016, Albania exported mostly chemical products to Moldova.

2.3.7 Albania – Bosnia and Herzegovina

In 2005, Albania's imports from Bosnia and Herzegovina were 2.6 million Euros, while a year later, in 2006, they reached 6.5 million Euros. Since the signing of CEFTA2006, Albania's imports from Bosnia and Herzegovina have fluctuated considerably. They increased in 2007 and 2008, when they were 10.3 million Euros. Then, in 2009, there was a big decrease, followed by a bigger increase in 2010, when they were 27.5 million Euros. In 2011, there was another big increase of 28.7%, reaching 38.6 million Euros.

Since 2011, Albania's imports from Bosnia and Herzegovina have fluctuated between small increases and decreases. They decreased in 2012 and 2013 compared with 2011. They increased in 2014, but decreased again in 2015. In 2016, there was a 12% increase from 2015, reaching 26.3 million Euros, a lot less than in 2011.

On the other hand, Albania's exports to Bosnia and Herzegovina were 3.4 million Euros in 2006. In the 7 years after the signing of CEFTA2006, Albania's exports to Bosnia and Herzegovina decreased considerably. Their lowest value was in 2009, 794 thousand Euros.



2.4. What was traded?

In the period 2005-2016, the bulk of Albania's exports to CEFTA2006 members had been mostly construction materials (especially cement), metals, minerals and electrical energy. In 2005, minerals and electrical energy was Albania's main export to CEFTA2006, while food (especially fruit and vegetables) was the second main product. A year later, in 2006, construction materials and metals became the second most exported product. In 2008, there was a big increase in the export of construction materials and metals, reaching 62 million Euros, from just 8 million Euros in 2005. The export of construction materials and metals reached the highest value in 2013, 80.6 million Euros, while the export of minerals and electrical energy reached the highest value in 2015, 96.2 million Euros. During the entire period from 2005 to 2016, these two products had changed the first and second place between each other.

One peculiarity of Albania's exports to CEFTA2006 is that textiles and footwear, which are Albania's main exports overall, are not in the top 5 exported products to CEFTA2006. This is because the majority of textiles and footwear are exported to Italy.

Albania's third most exported product to CEFTA2006 are fruit and vegetables. In 2005, food, beverages and tobacco amounted to 8.3 million Euros. They reached the highest value in 2016, with 48.3 million Euros.

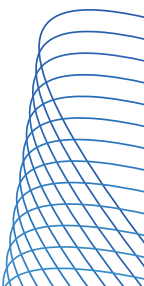
Albania's main imported products from CEFTA2006 are electrical energy, food and construction materials and metals. In 2006, food, beverages and tobacco were the main imports, with 33.5 million Euros. In 2007 and 2008, electrical energy/minerals were the main imports, with 62 and 130 million Euros respectively. For the period 2012-2016, food, beverages and tobacco had remained the main imports. They reached the highest value in 2016, with 114.9 million Euros.

2.5. Conclusions

The signing of CEFTA2006 agreement did not mean that Albania's trade with the signatory countries would necessarily increase. In many cases (exports to Moldova, Bosnia and Herzegovina, Croatia, imports from Moldova) signing of CEFTA2006 did not change much, on the contrary, trade with several countries decreased compared with the year 2006, when CEFTA2006 was signed. In this case, for Albania, an agreement that professes free trade does not necessarily mean an increase in exports or imports.

Old trade patterns are difficult to change, for geographical reasons or cultural and historical reasons. The cultural or historical reasons do not have a big place in the economic literature, but in this case they are very important for explaining Albania's trade patterns. Trade with Kosovo is a natural trade pattern for Albania, because Albania and Kosovo are two Albanian-majority countries. Even without CEFTA2006, the trade between these two countries probably would have had increased considerably.

One big change in Albania's trade pattern with CEFTA2006 signatories was Serbia's growing exports to Albania. Immediately after the signing of CEFTA2006, Serbia became the main importer in Albania from the signatory countries.





Chapter 3 – Major Obstacles in Functioning of CEFTA

In the case of Albania, CEFTA2006 has had a considerable impact on Albania's economic relations with its neighbours and with Moldova. Albania's exports and imports with CEFTA2006 member countries have increased considerably in the 10 years between the signing of CEFTA2006 in 2006 and the year 2016, and the latest data from 2017 show that this trend of growth is continuing.

However, a closer analysis of export and import data shows that liberalizing the market, lowering or eliminating trade tariffs and barriers between the countries of the region is not enough to increase the trade volume and the economic cooperation between these countries. These trade measures should be accompanied by better political relations between the countries and also by investments and major economic and financial reforms in the countries themselves. Also the lack of a definite date for the EU integration of the CEFTA2006 members has left the agreement in a limbo situation.

In spite of growing trade between Albania and CEFTA2006, in Albania itself among the business community the CEFTA2006 agreement is considered as almost failed.⁵⁴¹ Gjergj Buxhuku, administrator of Konfindustria⁵⁴² in Albania, in 2015 declared that the main problem with CEFTA2006 have been non-tariff barriers between the countries of the region. For example, several times Macedonia and Kosovo have deliberately stopped Albanian products from entering their respective internal markets. According to Konfindustria, the failure of CEFTA2006 is at the same time a failure of the European Union, because it was the urge and the incentive of the European Union that led to the signing of CEFTA2006.

Also in 2015, Konfindustria in Albania demanded from the Albanian government to renegotiate several chapters of the CEFTA2006 agreement. At the same time, according to Konfindustria, the lack of defined date of accession to the EU and the lack of major investments in the region makes it difficult for similar agreements and ideas to work in practice, because there is a wide gap in the economic and financial potential of the CEFTA2006 member countries.⁵⁴³

In this view, politics and political relations are the first major obstacle in the economic and trade relations between CEFTA2006 member countries. The case of Albania-Serbia relations demonstrates the crucial impact that better political relations have in the economic relations between the two countries.

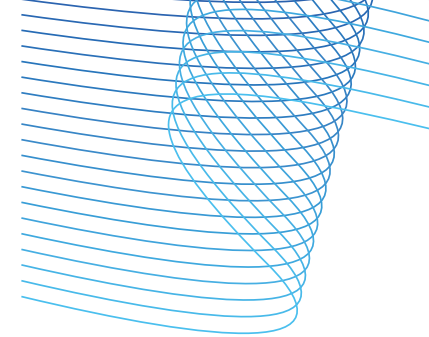
Usually it is being said that politics follows economics, but in this case the contrary is true: economics follows politics. But, even though Albania's exports to Serbia have grown in the last years, they are still far less than Albania's exports to Kosovo and Macedonia. Serbia currently is the third destination for Albania's exports in the CEFTA2006 after Kosovo and Macedonia. Based on the improvement in the political relations between Albania and Serbia and the fact that Albania's exports to Macedonia in the last three years have had a slow growth, it could be predicted that in the next 4-5 years, Serbia will probably become the second destination for Albania's exports after Kosovo.

Protectionist tendencies are the second major obstacle. As was mentioned above, in several cases, Albania, Kosovo or Macedonia have not allowed products from the other CEFTA2006 member countries to enter their internal markets. Serbia has done the same thing with products from Kosovo. Even though in many cases it is cited that these products did not meet the required standards, most producers see this as a justification for protectionist tendencies.

541 "Tregu rajonal, veshtire i suksesshem pa strategji te mirëfillta," Konfindustria <http://www.konfindustria.al/mat.php?lang=1&idm=410>

542 Konfindustria Shqiptare (Albanian Confindustria) is an independent, non-political, non-profit organization, a voluntary gathering of businesses with different profiles that are currently operating in Albania's territory.

543 *Ibid.*



For example, in the last few years, there have been several times when tariff and non-tariff barriers have been applied to products from Albania to Kosovo or from Kosovo to Albania.⁵⁴⁴ This happens even though Albania and Kosovo, apart from being members of CEFTA2006, have also signed several bilateral agreements in order to facilitate trade between them.

Long established trade patterns are the second major obstacle. In the last two decades, the trade patterns of CEFTA2006 member countries have gone in different directions. For example, Albania's trade in the last two decades has been oriented more towards Italy, Greece, Turkey and China. In 2016, 54.6% of Albania's exports went to Italy and 15.7% to Kosovo. In the period 2012-2016, exports to EU constituted on average 76.6% of Albania's exports, while exports to CEFTA2006 just 12.4% of Albania's exports.⁵⁴⁵ This percentage of Albania's exports to CEFTA2006 in the period 2012-2016 had been almost the same as the percentage in the period 2008-2010.⁵⁴⁶

The same thing is with imports. In 2016, 29.3% of Albania's imports came from Italy. For the period 2012-2016, imports from the European Union accounted for 62.7% of Albania's imports, while imports from CEFTA2006 were just 7.3%.⁵⁴⁷

The figures above show that Albania's trade patterns are difficult to change in a 10 years period. Because of geography and consumer preference, Italy has remained Albania's main trade partner in the last 10 years and it is difficult for this to change in the future. The same thing applies to other CEFTA2006 member countries. Serbia, Bosnia and Herzegovina and Kosovo traditionally have more trade with other ex-Yugoslav countries and the Central European countries such as Austria, Hungary and Germany. CEFTA2006 has increased relatively the trade between these countries, but it hasn't changed the trade patterns of these countries for different reasons.

The internal economic situation of the respective countries is the third major obstacle. As mentioned above, there is a wide gap in the economic and trade potential of the different CEFTA2006 member countries. For example, Serbia in 2017 exported goods with a value of 17 billion USD,⁵⁴⁸ while Albania's exports in 2017 were approximately 2.5 billion USD⁵⁴⁹. In this situation, an agreement that favours trade between several countries without trade tariffs and barriers, will consequently favour the country with the biggest GDP and the biggest exports. This point was seen above in the analysis of the value of exports and imports between Albania and Serbia since the signing of CEFTA2006. Serbia's exports to Albania increased considerably and Serbia became immediately after the signing of CEFTA2006 the largest exporter to Albania from the CEFTA2006 member countries. Almost half of all Albania's imports from CEFTA2006 member countries come from Serbia. In this view, Albania is disadvantaged compared with Serbia or Croatia whose potential to export more goods than Albania, Kosovo or Macedonia, favours them in these kind of agreements.

While Albania's imports from Serbia have increased considerably, Albania's exports to Serbia have not gone the same way. The gap between imports and exports in Albania's trade with Serbia is very wide and CEFTA2006 has done nothing to change the situation, because CEFTA2006 cannot change the internal economic situation of the signatory countries.

544 Prodhuesit e Kosovës: Po aplikohen barriera nga pala shqiptare; Kërcënojnë me protesta në rast se nuk zgjidhet problemi, Monitor, February 28, 2018. <http://www.monitor.al/prodhuesit-e-kosoves-po-aplikohen-barriera-nga-pala-shqiptare-kercenojne-protesta-ne-rast-se-nuk-zgjidhet-problemi/>

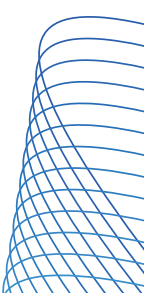
545 INSTAT. *Tregtia e jashtme, 2012 - 2016* (INSTAT 2017), 6.

546 INSTAT. *Foreign Trade, 2006-2010*, (INSTAT 2011), 17.

547 INSTAT. *Tregtia e jashtme, 2012-2016*, (INSTAT 2017), 9.

548 "Foreign trade data for December 2017", Statistical Office of the Republic of Serbia, <http://www.stat.gov.rs/en-US/oblasti/spoljna-trgovina/spoljnotrgovinski-robni-promet>

549 INSTAT. *Tregtia e jashtme e mallrave, dhjetor 2017*, <http://instat.gov.al/media/3726/tregtia-e-jashtme-dhjetor-2017.pdf>





Chapter 4 – Ways Forward

2016 was the best year in the economic relations between Albania and Serbia, while 2015 was the best year for Albania's exports to CEFTA2006 countries. At the same time, it could be said that 2016 and 2015 were also the best years for the political relations between Albania and Serbia. These two developments, the political and the economic, have gone hand-in-hand in the last three years in the relations between the two countries.

As shown by the analysis of the exports and imports in the last 11 years, especially after the signing of CEFTA2006, its impact on the trade volume and economic relations of the CEFTA2006 member countries has been enormous, but not all of it should be attributed to CEFTA2006. As the Albanian-Serbian relations in the last three years have shown, in some cases, good economic relations come after good political relations.

But the problems mentioned in the preceding chapter continue to plague from time to time the movement of goods between CEFTA2006 member countries. The first thing that could be done, in order to improve the trade flow between CEFTA2006 member countries, is to guarantee a genuine free trade between them, which until now has not been the case.

Numerous non-tariff trade barriers between Albania and Macedonia, Kosovo and Serbia, Macedonia and Kosovo, Albania and Serbia, etc., have shown these countries to be more protective of their internal production than committed to genuine free trade with their neighbors.

10 years is a period long enough to judge an agreement such as CEFTA2006. In general, it has been a good agreement. The trade between CEFTA2006 member countries has increased, but for the business community in Albania it has fallen short of the expectations.

Two things must be changed in the near future. First, signatory countries must adhere to a genuine free trade between them, by eliminating all non-tariff barriers between them. Only in this case, the CEFTA2006 agreement will be fully implemented. Until now, this has not been the case.

Secondly, large internal economic reforms are needed in order to increase the economic growth of these countries and consequently their ability to trade with each other. The problem of these countries is that they have "mostly small industries, products are not competitive enough and all the countries have deficit of balance of trade and budget". Also these countries have "dissatisfactory infrastructure, lack of working capital and non-sufficient and non-adequate credit support".⁵⁵⁰ Only internal economic and financial reforms accompanied by a more robust economic growth, will make them more competitive. Small economies with a meagre economic growth do not have much to trade with each other.

Also, the European Union should invest more in the smaller economies, like Albania, Kosovo, Macedonia, Montenegro, in order to alleviate the imbalances that exist between these small economies and the larger ones of Serbia and Croatia.

4.1 WB Custom Union

A custom union of the Western Balkan countries would be a continuation of the CEFTA2006 without Moldova. For Albania, this project would have the same issues as with CEFTA2006. A WB custom union would favor the biggest economy of the Western Balkans, namely, Serbia, as CEFTA2006 has done until now.

⁵⁵⁰ Dijana Grahovac and Biljana Baraković, "The Impact of CEFTA 2006 to Economies of Member Countries", *Poslovne Studije/Business Studies*, Volume 9, Issue 17-18, (2017): 153.



In Albania, this project has been met with mixed reaction, but mostly negative. In July 2017, Konfindustria warned that a Western Balkan custom union would favor Serbia. "It is clear that in today's conditions because of infrastructural, financial and economic heritage, Serbia would be in a much more favored position than the other countries of the region", said Gjergj Buxhuku, Chairman of Konfindustria.⁵⁵¹

In Albania, it is not seen favourably also because of political issues. Few Albanians would prefer to have a custom union with Serbia. In the same declaration in July 2017, Mr. Buxhuku, said that the Head of the Secretariat for Regional Cooperation is a former foreign minister of FR Yugoslavia, and this according to him is a proof that this project would favour Serbia.⁵⁵²

Also, Mr. Buxhuku said the distribution of the EU and Berlin process projects should be done in order to soften the differences between the different countries of the region.⁵⁵³

Moreover, in Albania the idea of a common market with Kosovo has gained ground in the last years.⁵⁵⁴ In the last year the trade volume between the two countries has increased considerably and the two economies are complimentary with each other. In this situation a common market, custom union with Serbia would not be that much accepted.

Chapter 5 – Conclusions

CEFTA2006 had an overall good influence on Albania's trade with other CEFTA2006 countries. In the first two years after the signing of CEFTA2006, there was a big and immediate increase of Albania's exports and imports with CEFTA2006 countries. In 2007, a year after the signing of CEFTA2006, Albania's exports almost doubled and its imports also saw a considerable increase. The following year also, in 2008, Albania's exports increased from 106 million Euros to 182 million Euros, while its imports from CEFTA2006 members increased from 286 million Euros to 436 million Euros. So, the analysis of the data shows that in the first two years there was a big and dramatic increase in Albania's exports and imports with CEFTA2006 countries.

In 2009, the effects of the global financial and economic crisis were felt. Albania's exports and imports with CEFTA2006 signatories decreased considerably. The other decrease in exports and imports was in 2012, which was the year when Albania's GDP growth reached the lowest level in the last 16 years, only 1%. After 2011, Albania's exports to CEFTA2006 countries have increased and decreased occasionally without a clear pattern. They decreased in 2012, 2015 and 2016.

At the same time, Albania's imports had also increased and decreased occasionally without a discerning pattern. They decreased in 2013, 2014 and 2016.

In the first 2 years after the signing of CEFTA2006, Albania's trade balance with the other signatory countries became even more negative than it was before CEFTA2006. This happened because the increase in imports was bigger than the increase in exports. Then, in 2009, the effects of the global financial and economic crisis decreased Albania's negative trade balance with CEFTA2006. After 2009, there had been a trend of decreasing of the negative trade balance, reaching -68 million Euros in 2016 from -262 million Euros in 2010.

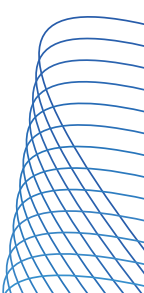
There hasn't been a visible change in the products that Albania exports and imports with CEFTA2006 signatories. During the entire period analyzed in this study, mostly minerals, con-

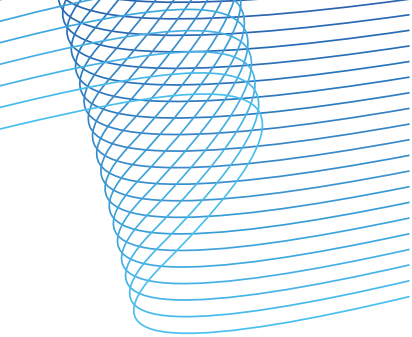
551 "Konfindustria jep alarmin: Tregu i përbashkët ballkanik favorizon Serbinë e jo Shqipërinë", Syri.net <http://www.syri.net/politike/80008/konfindustria-jep-alarmin-tregu-i-perbashket-ballkanik-favorizon-serbine-e-jo-shqiperine/>

552 *Ibid.*

553 *Ibid.*

554 "Kosova dhe Shqipëria duhet të kenë treg të përbashkët", Telegrafi.com. <https://telegrafi.com/kosova-dhe-shqiperia-duhet-te-kene-treg-te-perbashket/>





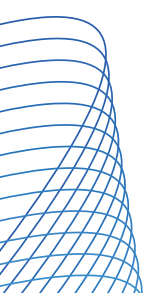
struction materials (cement) and metals were exported. On the other hand, the imports are more varied but have been almost the same: food, beverages, tobacco, construction materials and electrical energy. CEFTA2006 has increased the volume of trade but not what is traded.

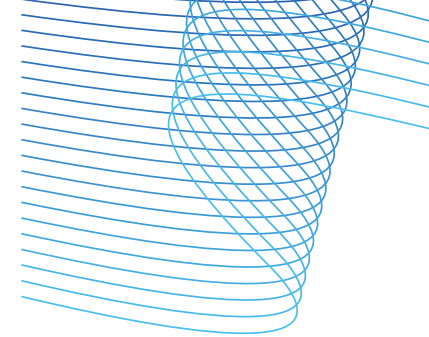
The overall effects of CEFTA2006 on Albania's economy have been positive. Data shows that there was a considerable increase in Albania's exports and imports with CEFTA2006 signatories. The problem is that this increase was bigger with particular countries and not with all the countries. There was a big increase especially in exports to Kosovo and imports from Serbia. The increase in exports and in general in the trade with Kosovo probably would have happened even without CEFTA2006, and the increase in trade with Serbia has gone hand-in-hand with the amelioration of the political relations between the two countries. These effects were not the same with every country. For example, CEFTA2006 and the liberalization of trade in the long run have diminished Macedonia's exports to Albania.

In general, it is difficult to say if these positive effects were entirely the result of CEFTA2006 and the liberalization of trade, because of several other conditions beyond the economic ones. For example, the fact that Albania and Kosovo are two Albanian-majority countries facilitates the economic relations between the two countries, even without CEFTA2006. Serbia, Bosnia and Herzegovina and Kosovo traditionally have more trade with other ex-Yugoslav countries and the Central European countries such as Austria, Hungary and Germany. CEFTA2006 has increased relatively the trade between these countries, but it has not changed the trade patterns of these countries for different reasons.

Non-tariff barriers have been the main obstacle in CEFTA2006 intra-trade. The agreement stipulates free trade between the signatory countries, but in practice, these countries have shown protectionist tendencies several times.

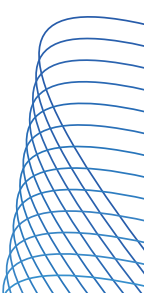
In the last 10 years of functioning, CEFTA2006 had not been a real free trade agreement in practice. The signatory countries have tried to protect native industries or business by blocking the products of other signatory countries from entering their internal market.





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APPENDIX

ALBANIA CEFTA (see tables on the page 358–361)

Table 1. Albania's top 5 products in exports to CEFTA, in million EUR

Table 2. Albania's top 5 products in exports to CEFTA, in million USD

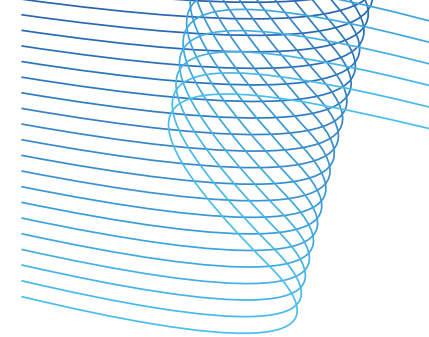
Table 3. Albania's imports from CEFTA, in million EUR

Table 4 Albania's imports from CEFTA, in millions of USD

Table 5. 3 most important trade partners from CEFTA2006, in imports, in million USD

Table 6. Albania's trade with CEFTA2006, in million USD

Table 7. Albania's trade with CEFTA2006, in million EUR



II. THE CASE OF BOSNIA AND HERCEGOVINA

AMELA HRASNICA⁵⁵⁵

Chapter 1 – Introduction

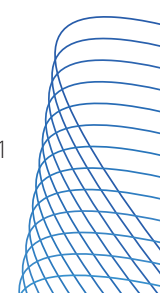
During the late 1990s and early 2000s Bosnia and Herzegovina was going through the post-war rehabilitation process which required reconstruction from basic infrastructure to policy frameworks. With substantial international assistance and expert engagement, the process of transition to a market economy had not been easy to implement or to understand. Additionally complicating the process were the complex and uncoordinated efforts at nation-building, evident in fragmented economy and lack of key institutions necessary for efficient economic management and oversight.

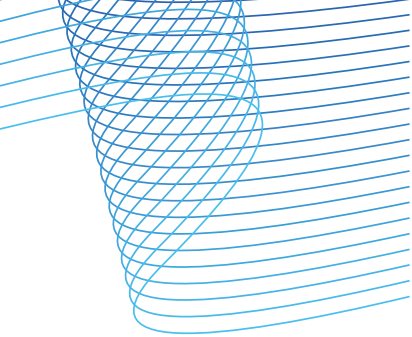
Given the complex constitutional setup of the country, the entities (Federation of BiH, Republika Srpska and Brcko District) grew to enjoy a high level of independence when designing and implementing economic policies, thus leaving the state level maneuvering over reclaiming competencies and control over key economic policies. The perspective of negotiations with the EU over the Stabilization and Association Agreement helped in reaching a compromise and assisted the more rapid capacity building and legislation adoption. BiH Ministry of Foreign Trade and Economic Relations (MoFTER) has been leading the process of EU legislative harmonization, despite the limited resources and porous coordination with other institutions.

BiH and the other Western Balkan countries have benefited from “autonomous trade measures” (ATM) in period between 2000 and 2015. This helped exporters from BiH to be exempt from EU specific duties on imports of fresh fruits and vegetables related to *the so called* entry price system which had the potential to bring substantial gains to the country's agriculture as they gained access to the EU market. The aim of the entry price system is to stabilize the EU market by preventing price level in non-EU countries from influencing the prices within the Union. By the EU Regulation 2015/2423 and the Council Decision of 16 December 2015, these exceptional trade measures lifting the entry price system have been prolonged until 31 December 2020. The same regulation suspended the application of ATM to BiH from January 2016, due to the lack of agreement on the adaptation of the SAA. From February 2017, BiH producers gained the benefit from some agricultural products (fruits and vegetables) which meant they will be able to export to the EU without specific EU duties, thus making them more competitive in the EU market.

For BiH and as well as for the countries of the Western Balkans, integration in the European Union is seen as key strategic political and economic priority. The country's small and open

555 Foreign Policy Initiative BH, Sarajevo.





economy cannot influence the world market which is why foreign trade and inclusion in the world and European economic developments is of great importance. However, this comes as a big challenge for BiH's underdeveloped economy which is characterized by a small market, foreign trade balance deficit, unfavourable export structure, lack of competitiveness of enterprises, non-compliance with European standards, underdeveloped infrastructure, burden of political problems, grey economy and corruption which is why significant involvement in the global economy is rather unrealistic.

Yet, since the 2003 and Thessaloniki Summit, Croatia was the only Western Balkans country which was a member of CEFTA 2006 to join the European Union. Many internal and external factors can be seen as contributing to such slow pace of the EU integration process, but the reality is that the progress in the region was uneven and that generally speaking, WB6 countries are still far from the EU standards in terms of economy, environment, judiciary and other important aspects.

Furthermore, and especially in economic terms, the pace of alignment with the EU standards has been even slower in past years. As an example, the Regional Cooperation Council notes that "while the previous decade had brought the region's per capita GDP almost 8.5% closer to the EU average, this convergence has since halted to a standstill, narrowing the gap by only 1% in the first half of this decade".⁵⁵⁶

Following the announcement from 2014 that the EU enlargement will be halted until 2019, the EU initiated the so called Berlin Process, a diplomatic initiative to keep the pace of the EU 'integration' for WB6 countries without a formal accession perspective over a medium term; the process focuses heavily on regional connectivity for the WB6 countries. This stronger focus on regional integration did not come as a surprise, as the EU integration process has always had an important aspect concerning regional integration. From the Stabilization and Association Agreements (SAAs) and Central European Trade Agreement (CEFTA), up to harmonization with the *acquis*, the countries integrate simultaneously within the region, as well as – gradually – into the EU. Following the meetings in Sarajevo and the request of the WB6 Prime Ministers regarding a joint approach which would further deepen the economic integration in the region, at the Trieste Summit held in June 2017, a new project was presented in the form of Regional Economic Area (REA). The new, envisioned Regional Economic Area has a goal of removing all of the remaining non-tariff barriers, attracting more investments into the region, improving mobility, as well as stimulating innovations in order to fully use the potential of the private sector in the joint market of around 20 million people. As such, this new project holds a big potential for Bosnia and Herzegovina, a country which is still waiting for a candidate status, not only in terms of faster alignment with the EU standards, but also in the improvement of the overall welfare of BiH citizens.

Chapter 2 – Trade in CEFTA2006

2.1 BiH foreign trade - consequences of supervised export and (un)supervised import

Following a long experience of trade liberalization in South Eastern Europe, gained through implementation of bilateral free trade agreements, by deciding to enhance their economic and trade cooperation, the countries of the region saw the implementation of a single trade agreement as the viable and sustainable option. One of the biggest successes of CEFTA is the successful regional, particularly economic cooperation, crucial for nearing the countries of the Western Balkans to the membership in the European Union, given that the new trade agreement, i.e.

⁵⁵⁶ Regional Cooperation Council, *South East Europe 2020: 2017 Annual Report on Implementation*. (Sarajevo: Regional Cooperation Council, 2017), http://www.rcc.int/docs_archive#page2

CEFTA 2006 brought to easing of administrative burdens, introduction of new trade areas, and significant equalization of regional investment conditions which was particularly important for Bosnia and Herzegovina.

The Agreement, in comparison with other bilateral contracts BiH was a signatory of before, was more complex and comprehensive, and came into force on 22 November 2007.⁵⁵⁷ It brought forth new issues which were not previously covered and introduced some significant improvements to stipulations which were inadequately precise or efficient in bilateral agreements.⁵⁵⁸ Having in mind that the original CEFTA agreement was a good preparation for the candidate countries, the new agreement was to bring changes to both content and structure. If BiH, and the countries of the region had gone beyond the provisions of the early CEFTA and deepened integration, the results could have been significantly higher and issues, in particular regarding agricultural trade,⁵⁵⁹ could have been avoided from the early onset of the Agreement.

When looking at the implementation of the previous CEFTA agreement and its consequences to trade relations of the signatories, the biggest conclusion to be drawn in BiH's case was the realization that trade values reflect the effects of complex interactions of domestic and neighbouring market conditions and trade liberalization. Lowering of trade barriers among not financially stable partner countries may not bring to immediate results. Considering the gains of the opening of economy and implementation of domestic reforms required for sustainable economic growth, BiH could expect medium term results, should it focus on efficient reform implementation.

Table 1: Selected data on BiH foreign trade 2001 - 2006

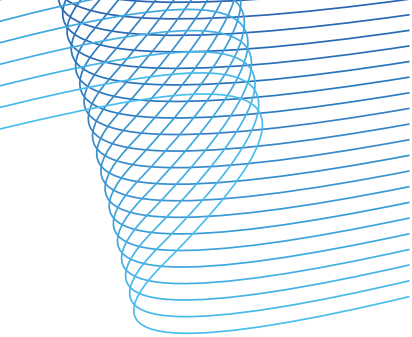
	2001	2002	2003	2004	2005	2006
Import (billion euro)	3,748	4,114	4,253	4,757	5,715	5,823
Import - annual growth rate (%)	11.4	9.8	3.4	11.9	20.1	1.9
Export (billion euro)	1,152	1,068	1,188	1,441	1,934	2,640
Export - annual growth rate (%)	-0.5	-7.3	11.1	21.3	34.2	36.6
Trade deficit (billion euro)	2,595	3,046	3,066	3,317	3,781	3,183
Trade deficit (%GDP)	42.6	47.1	45.0	44.2	46.9	-
Current account balance (%GDP)	-13.6	-19.4	-21.2	-19.2	-21.1	-
Openness (X + M)/GDP	80.5	80.1	79.9	82.7	95.0	-

Source: BiH Agency for Statistics; Central Bank of BiH

557 *BiH Official Gazette* 9/07

558 BiH Ministry of Foreign Trade and Economic Relations, *Commentary on CEFTA*. Available at: <http://mvteo.gov.ba/sporazumi/trgovinski/regionalni/default.aspx?id=1031&langTag=bs-BA>

559 BiH demanded separate annexes with Croatia and Serbia concerning trade in agricultural products to be concluded, thus introducing trade barriers in these sectors for imports to BiH. BiH and Serbia were not satisfied with the outcome of negotiations and did not sign the joint declaration in November 2006 with other countries (Albania, Bulgaria, Croatia, Moldova, Montenegro, Romania, the Former Yugoslav Republic of Macedonia, and Kosovo). BiH retained reservations on the rules for trade in agricultural goods with Croatia and Serbia. A week before the signing ceremony, BiH conceded to compromise – it resigned from protective measures for agricultural products in turn for ensuring that CEFTA 2006 allows safeguards for enabling the introduction of protective measures in the event of market disturbance caused by excessive imports from another party.



In comparison to other countries of the region, BiH was at first adamant in implementing the opening of the agricultural products market. Later on, BiH unilaterally introduced protective measures for several products (mostly dairy and meat) from Croatia, Montenegro and Serbia. This caused problems and BiH's trade partner pointed at the unilateral character of the policies which were not supported by evidence with regard to the suspension of certain elements of FTA agreements. Issues in reaching compromise lead to difficult negotiations on BiH joining CEFTA 2006.

BiH remained to have one of the most liberal trade regimes following the signing of the agreement. Several stipulations of the new agreement were particularly relevant for BiH, amongst them primarily the additional liberalization of agricultural products, no export subventions (with the implementation of bilateral agreements, BiH was exposed to export subventions from the neighbouring countries. Furthermore, the mechanism for resolving technical barriers and regulations was improved given that the previous showed to be inadequate for successful resolving of issues which were a massive barrier for BiH's placement on the Signatories' markets).⁵⁶⁰

By implementing bilateral agreement on free trade, many controversial questions regarding sanitary and phytosanitary issues were opened for BiH, particularly regarding the expectations of the business community which is involved in production and processing of agricultural products (BiH lacked institutional capacities resulting in increase of import to BiH, with limitations to export). When the new trade agreement came into force BiH had functioning Veterinary Office, Agency for Protection of Plants and Food Safety Agency. However, BiH needed to further improve its capacities in order to ensure equal trade status of the agricultural producers on the regional market.

Due to the restructuring of certain sectors and foreign direct investments, from **2003**, BiH's export rose significantly. In the period 2002-05, BiH witnessed the trade deficit of 45% GDP (even lower if grey economy is taken into consideration). BiH export is in practice limited to the EU market (cca. 55%) and the South Eastern Europe (35-40%), i.e. the closest regions. Import is somewhat more diverse, with around 20% of import being from other than these two regions. The problem for the country is its small manufacturing and export power, which leaves it susceptible to various oscillations on the international markets. The export is mostly focused on exploitation of natural resources and work intensive product manufacturing in fields which employ cheap labour force. Base metals and metal products dominate BiH export with the growth potential. Agricultural products form a small part, 6%, and are mostly focused to the East European market given the lack of institutions (sanitary and phytosanitary) for export to the EU.

Analysing the trade statistics of the country, it can be concluded that the relations are still strongest with the neighbouring countries (Croatia, Serbia and Montenegro). They appear to be even stronger than the economic potential of the partners which can be explained by the strong historic industrial relations from the former joint country, common borders and language similarities which eases the trade process. On the contrary, the EU did not form the majority of BiH exports, despite the preferential trade treatments being in place. The explanation for this could lie in non-tariff barriers which protect the EU common market or that BiH needs more time and experience to ease the access to the EU market. The EU is slightly less present in BiH's import markets, which is exemplified by the negative indicative variable for the EU in the import equalization.

After EU, the most important foreign trade partners of Bosnia and Herzegovina are CEFTA countries and when it comes to the geographic location of CEFTA countries and traditional custom of shopping products from these countries this is actually expected, especially from Croatia and Serbia. The data about merchandise trade of BiH with regions is shown in table 2.

⁵⁶⁰ BiH Ministry of Foreign Trade and Economic Relations, *Commentary on CEFTA*. Available at: <http://mvteo.gov.ba/sporazumi/trgovinski/regionalni/default.aspx?id=1031&langTag=bs-BA>



Table 2: Geographic structure of trade in goods of BiH 2008 - 2015 (in thousands EUR)

Region	2010		2012		2014		2015	
	Size	Participation	Size	Participation	Size	Participation	Size	Participation
CEFTA	3,563,244	33.79	3,770,370	31.89	1,888,420	14.9	1,943,684	15.44
EU	5,445,085	51.64	6,181,235	52.28	8,623,917	68.2	8,748,917	69.50
Rest of the world	1,536,180	14.57	1,870,931	15.83	2,131,392	16.9	1,894,341	15.06
TOTAL	10,544,509	100.00	11,822,536	100.00	12,643,729	100.00	12,586,942	100.00

Source: Foreign Trade Chamber of BiH; Foreign trade of BiH (2010, 2012, 2014, 2015), available on www.komorabih.ba

Table 3: Trade in goods with CEFTA members 2013-2015 (in thousands EUR)

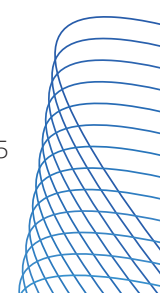
	2013			2014			2015		
	Export	Import	Coverage (%)	Export	Import	Coverage (%)	Export	Import	Coverage (%)
Serbia	392,030	759,580	51.6	409,386	833,161	49.1	394,050	883,763	44.6
Macedonia	47,460	73,319	64.6	48,098	73,006	65.9	58,589	75,249	77.9
Montenegro	138,430	18,528	747.1	150,227	36,686	409.5	134,390	28,797	466.7
Other CEFTA	105,021	7,045	1,490.8	86,745	9,726	891.9	95,169	12,871	739.4
TOTAL	682,941	858,472	79.55	694,456	952,579	72.9	682,198	1,000,680	68.17

Source: BiH Agency for Statistics, available on www.bhas.ba

Free trade agreements were at the time a relatively new concept for a country which was only in the initial phases of restructuring its economy and institutional infrastructure for their direct effects to be noticeable and significant. Also, it is possible to note that some agreements were efficient in lowering of trade barriers for BiH export, while some other did not play such a role.

When analysing BiH's trade policies in regards to previous bilateral agreements and the new CEFTA agreement, the key issue was the level of liberalization of agricultural products trade. For the country, it was based on the preconceived perception of unloyal competition for several products (meat and dairy mostly) which are being produced by BiH's trade partners (Croatia and Serbia). BiH was not to make significant gains, in the long run, by protecting and developing selected local sectors by introducing or increasing trade barriers. Considering the, at that time, poor institutional capacities and international consequences of trade policies, any increase in trade barriers could actually hamper the country's trade interests. By investing in certification, accreditation and standardization institutions, BiH could increase its export capacities and promote the manufacturing sector.

BiH's tariff structures, albeit simple and made so it avoids high rates, carries issues given that specific policy elements are being determined by big pressure lobbies, without considering the larger economic effects. Looking at the customs tariffs of raw materials which are not produced in BiH (or other CEFTA countries), but are used in manufacturing processes in BiH, it lowers the effect of protection of manufacturing industries and can be detrimental for the local manufacturing capacities.





2.2 Trade statistics with CEFTA members from 2005-2016⁵⁶¹

Regarding technical barriers for trade, in 2011, BiH has made some progress in the areas of standardization and external cooperation, adoption of EU standards and accreditation and external cooperation. Smallest progress was visible in the areas of transposition of EU technical regulation, conformity assessment procedures and information and notification mechanisms (operational procedures for notification and information should be established, as well as a national cooperation mechanism). The process of transposition of technical regulations was of highest importance. Also, limited capacities for conformity assessments formed an obstacle for external trade relations.

While BiH had a good track record of cooperation among SPS agencies, the institutional framework needed to be strengthened. The biggest areas of concern remained the framework legislation and the transposition of EU Directives. The openness of trade is primarily reliant on its foreign trade policy, followed by the level of productivity and technological development and the production structure and diversity, etc. EU is the country's most important foreign trade partner and at the same time, the largest global market, participating with 20% in the global GDP. Given its important role in creating the global market system (the GDP value is 14 billion EUR) and internal market openness (2,415 billion EUR export value and 2,188 billion EUR import value), activities of the Union helped in creation of the World Trade Organization. The openness of the trade continues to benefit the EU, considering that more than 30 million jobs depend on the foreign trade but also points at the relevance of maintaining and safeguarding the system. The principles of risk analysis, transparency and harmonization needed to be integrated into the legislation and revised in accordance to WTO and EU requirements.

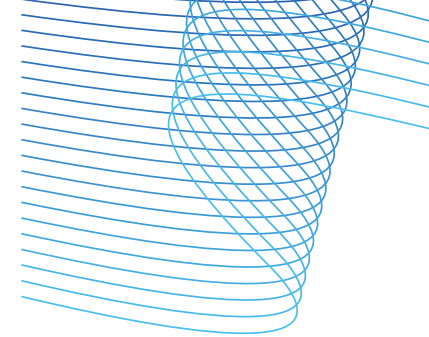
Table 4: Trade openness (foreign trade coefficient) of BiH 2010 - 2015

Year	Import (in thousand EUR)	Export (in thousand EUR)	GDP (in million EUR)	Openness
2010	6,961.85	3,627.87	12,959	82%
2011	7,938.03	4,203.90	13,401	90%
2012	7,798.75	4,017.05	13,392	88%
2013	7,756.38	4,284.88	13,673	88%
2014	8,282.56	4,438.90	13,942	91%
2015	8,104,841	4,595,079	14,583	87%

Source: BiH Agency for Statistics

The table above refers to BiH's foreign trade coefficient which shows that high openness and uncompetitive trade result in a high foreign trade deficit. It is relevant to note that foreign trade volume does not necessarily indicate a good openness rate given that many industrial sectors can be exposed to foreign competition which does not reflect on import growth. Such sectors can keep their market share and prevent imports by being competitive and keeping low prices. Increase in employment, growth of international reserves and national competitiveness bring to the increase of exports, as well as the sustainable growth and development. In hand, export minimizes the reliance of local firms to local market and implies risk dispersion. Liberalization and freeing up of foreign trade result in a higher living standard for the citizens, under the premise of equal development level. Being involved in the free trade, BiH gained benefits, but

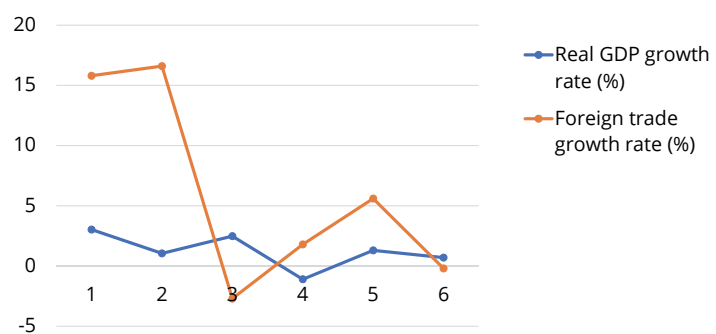
⁵⁶¹ Sources: BiH Foreign Trade Chamber. <http://komorabih.ba/vanjskotrgovinska-razmjena-2/>; BiH Agency for Statistics. Available at: http://www.bhas.ba/tematskibilteni/ETS_2009_001_01-bh.pdf



also exposed itself to the disorder of the global trade which was presented in the ways of the external shock to the small internal market. In an effort to become a part of the global trade union and not be left on the margins, BiH became a WTO observer in the early days of post-war economic recovery in 1999, unfortunately, with indications that it might become a member in 2018.

Table 5: The real GDP growth and foreign trade growth rates, 2010-2015

Year	Real GDP growth rate (%)	Foreign trade growth rate (%)
2010	3.03	15.8
2011	1.05	16.6
2012	2.48	-2.7
2013	-1.1	1.8
2014	1.3	5.6
2015	0.7	-0.2



Source: BiH Agency for Statistics

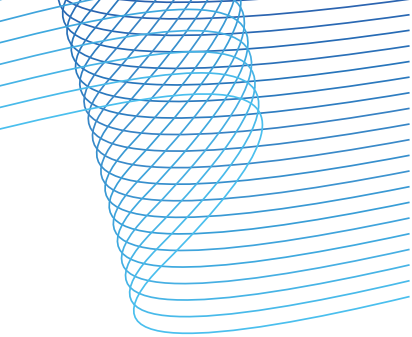
Looking at the graphs, we can see that in 2010, 2011 and 2014 real GDP growth and foreign trade growth had positive correlation while the correlation was negative in the following period. Having in mind that foreign trade is not the only source of economic growth of the country, the prognosis that the situation will significantly change with the SAA coming into force was not substantial. Improvement of productivity and production growth, competitiveness, trade and foreign trade policies can bring to significant influence of foreign trade to the overall growth. However, much effort is to be done, primarily internally within the country in order to achieve such results.

Regarding the administrative procedures, BiH made progress in having a more involved trade community, however, the administrative procedures, agency cooperation remained weak. Single entry points for customs should be established to deal with enquiries on trade related legislation and procedures. Moreover, at the administrative stage of appeal procedures, any party should have the right to submit an appeal to authority, independent of the authority which issues the original decision. Improvement of documentation management, in cooperation with other CEFTA Parties would lead to significant improvements in the field. Improved cooperation between customs and relevant agencies with clearly defined roles and responsibilities would improve the administrative procedures.⁵⁶² Simplification of border and customs procedures for import/export would increase the space for promotion of trade and attract foreign investments.

High percentage of trade was being done without adequate financial insurance or guarantees which limited the possibilities for new trade contacts and disabled a fast growth of trade. Considering the limitations on foreign offers and the fact that small businesses operate on low margins, the gradual development of this sector is of key significance for further support to BiH export. While observing the regional statistics, BiH was lacking an efficient and affordable telecommunication infrastructure.

562 CEFTA, *Elimination of Non-Tariff Barriers in CEFTA*, (Brussels: 2012). <https://www.google.ba/search?q=elimination+of+non+trade+barriers+in+cefta&aq=chrome..69i57j0.7269j0j4&sourceid=chrome&ie=UTF-8>





BiH has been struggling with **the privatization process** which could be vital to attracting foreign direct investments, necessary for improvement of BiH manufacturers' competitiveness. The restructuring of state owned companies could bring to more productivity, and the increase of foreign investments could enable the development of competitiveness of different sectors and integration of companies in regional and transnational companies' chains. Proposed reforms aiming to improve flexibility of labour market should entice the companies to restructure in this way, however, results have been lacking due to the inability to implement the reform activities and reach country wide consensus. Lowering of tax burdens for employers and better qualified work force would bring to resolving the issue.⁵⁶³ The amendment of the Law on foreign investment policy in 2009 shortened the lengthy procedures for starting a foreign owned business (average of 83 days), with the registration being made in local courts.⁵⁶⁴ However, due to the enforcement capacities of key institutions, despite the enacted legislative framework, the implementation remained weak (corruption, poor rule of law, judiciary and data registries). Taking into consideration the poorly developed infrastructure in the country, the low track record of investments and competitiveness of BiH companies comes as no surprise. By creating an enabling environment for development of privately owned infrastructural services, results would be easily achievable and noticeable.

2.3 New path for BiH foreign trade: CEFTA 2006

BiH's foreign trade policy was highly influenced by the post-war state structure and fragmented institutional capacities. With the implementation of key policies being delegated to the entities, non-harmonized practice and legislation were introduced which took laborious efforts throughout the next decade to be harmonized. Under these circumstances, BiH struggled with foreign trade policies given that two entities operated within same customs territory under different trade regimes.⁵⁶⁵ The beginning of 2000s marked the beginnings of development of macroeconomic policies, however, without ensured economic stability and self-sustained growth.⁵⁶⁶ Weak productive capacities and exports, low inflow of FDI were not sufficient to balance out the large account imbalances. However, the rise of agricultural production in 2005, coupled with the rise of industrial production brought to a higher growth rate and increase of GDP (from EUR 1642 in 2003 to EUR 1732 in 2004). With a noticeable trade openness increase (privatizations of mining and metal industry resulted in production of raw materials, base metals value of export increased, mineral products and wood and wood products), the export price competitiveness remained weak primarily due to high wage rates, which increased faster than inflation. However, the composition of exports limited the country's trade openness with a dependency on a few markets and products. The privatization process brought to a rise of industrial production as well as the FDI inflows, with a high role in financing account deficit. During 2006, BiH implemented the Law on Excises, however, it was not fully aligned with the European standards given that some provisions discriminated against import which is contrary to the acquis, as well as WTO and CEFTA rules, which the country intended to join in the same year.

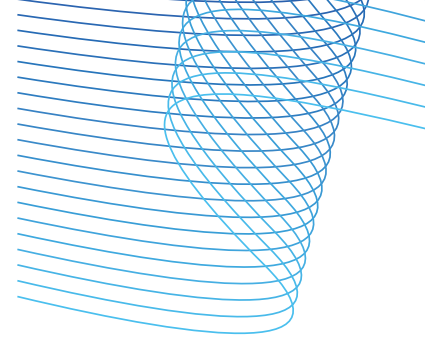
The economic growth BiH witnessed during 2007 was driven by a strong increase in domestic demand, supported by widening of current account deficit and a pick-up of core inflation.

563 Measures proposed under the Compact for Growth in 2014 and BiH Reform Agenda, with the implementation of measures lacking.

564 Prior to this, the registration had to be done with the State Ministry of Foreign Trade and Economic Relations.

565 Until 1999, FBiH had a free trade agreement with Croatia, while RS has a similar agreement with Serbia and Montenegro. This was possible due to high fragmentation of economic space within the country along the entity borders and their connections with neighbouring countries.

566 European Commission, *BiH Progress Report 2005*, http://europa.ba/wp-content/uploads/2015/05/delegacijaEU_2011121404174977eng.pdf



Furthering of domestic lending followed by fiscal relaxation spurred economic growth and at the same time enticed consumption and investment. This was achieved in the time when agriculture was affected by drought, electricity from hydro-powered plants, the rise of global financial crisis and rise of prices. BiH's trade deficit widened from 35% of GDP in 2006 to 37% GDP in 2007, with import rising by 19% (outperforming the 15% export growth). During 2008, current account deficit widened by 60% compared to previous year, which was influenced by the expansion in the trade deficit, as the value of imported goods rose higher than the price of exports. Furthermore, the improvements made in the administrative and legislative framework eased the process of doing business in the country which helped spur the economic growth. During the last quarter of 2008, BiH started to feel the impact of the global economic crisis with a deterioration of economic activity and rise of unemployment. Due to drastic decrease of demand, trade relations slowed down, threatening the fiscal stability in October 2008 when 6% of deposits were withdrawn.⁵⁶⁷ While the BiH Central Bank managed to stabilize domestic financial market, the slowdown of economic activity which continued into 2009 with reduced trading activity and foreign direct investment brought to the worsening of the situation – lowering of production, high spending commitments which prompted the country to turn to the IMF.

Trade deficit grew to 38.1% of GDP in 2008 (from 37.4% in 2007). During the first half of 2009 the drop of imports (25.3%) exceeded that in export (23.4%), producing an improvement of the trade deficit by 26.7% year-on-year. In 2009, BiH endured recession with real GDP dropping by 2.9% (5.7% increase in 2008) which was caused by drop in private domestic consumption, falling investments and contraction of external demand. Drastic slowing of trade, construction activity and industrial production with high rise of unemployment worsened the economic stability of country. The trade balance witnessed improvement in 2010 with the fall of deficit by 10%. The development was driven by exports (28.8%), with a moderate increase of imports by 7.7%. Agriculture and manufacturing were the only sectors in which growth was recorded, despite the constant turbulence in the trade gap during the period which was significantly supported by the World Bank and the IMF.

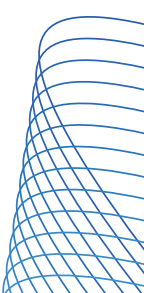
The biggest export partner of BiH for the period 2007 – 2009, following the implementation of the Agreement, were CEFTA partners and participation of these countries in the total export was 38.05%. When looking at the imports from the CEFTA countries, comparing the data from 2008 and 2009, it can be seen that the import decreased by 29.66%, while comparing 2008 and 2007, import had a 16.59% growth.

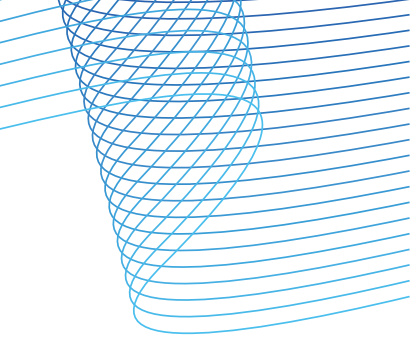
Comparison of import data for 2010 and 2009, the import from CEFTA countries grew by 11.07%, while in 2009 a significant fall of import was marked – 29.63%. In 2009, BiH foreign trade statistics show a fall of export to the EU member states, in comparison to 2008, by 18.99% and CEFTA partners by 15.54%. Furthermore, a fall of export is noticeable in two major product groups (industry and agriculture), where the most significant fall of import of industrial products is evident with CEFTA countries (38.78%), and at the same time a fall of import of agricultural products from CEFTA countries is evident (4.55%).

In the total BiH import of industrial products from CEFTA countries in 2009, the biggest trade was with Eurodiesel (EUR 99.55 million /9.20%). The total import from the CEFTA countries in 2008 for industry was EUR 1,767,517,081, while in 2009 it was EUR 1,082,125,790. Compared to agricultural products, total import was EUR 641,454,195, while in 2009 it was EUR 612,271,389.

According to the export data for 2008 and 2009, a significant fall in exports is noticeable with industry products to all regions BiH trades with (19.76% with the EU, 18.13% with CEFTA). However, the export of agricultural products continued to rise (2.22% for the EU, 3.85% for CEFTA). The total export for CEFTA countries for 2008 was EUR 1,123,665,901 for industrial products

⁵⁶⁷ European Commission, *BiH Progress Report 2009*, http://europa.ba/wp-content/uploads/2015/05/delegacijaEU_2011121405213536eng.pdf





and EUR 150,267,687 for agricultural products, while in 2009 it totalled in EUR 919,915,824 for industry and EUR 156,050,341 for agriculture. The biggest part of the export to CEFTA countries was electrical energy which participated with EUR 173.51 million or 18.86%.

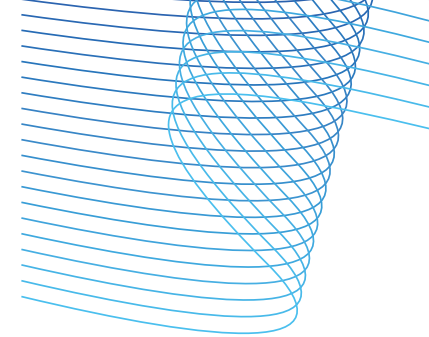
The biggest disproportion in deficit fall for the given period was with CEFTA countries, industry products witnessed the fall of 74.81%, while agricultural 7.12% (total deficit for CEFTA countries for 2008 was EUR 643,851,179 for industry and EUR -491,186,508 for agriculture, while in 2009 it was EUR -162,209,966 for industry and EUR -456,221,048 for agriculture). The total deficit of agricultural products for 2009 was EUR 986,793,331, out of which CEFTA countries participated with 46.33%.

During 2009, a fall of import from CEFTA countries was 29.66% in comparison to the previous year. While comparing 2008 with 2007, the rise of import from CEFTA members was 16.59%. Import from Croatia decreased by 33.30%, while import from Serbia decreased by 25.70%. In the total BiH import from CEFTA countries, the two biggest trade partners, Croatia and Serbia participate with 25.39%. When analysing the export trends, the fall of 15.54% was evident. However, when comparing the previous two years, a rise of export to CEFTA countries was 17.23%. Export to Croatia decreased by 18.39%, while BiH-Serbia trade relations recorded the fall in export of 21.29%. Out of total exports with CEFTA countries, Croatia and Serbia participated with 30.48%.

The country managed to moderately recover in 2010, with GDP recording a positive growth of 0.7%, driven by external demand as well as the rise of the domestic demand (total trade increased to 85.5% of GDP compared to - 75.3% in 2009). Led by export-oriented businesses, the industrial production increased (1.6% in 2010, 5.6% in 2011), but the unemployment remained high. The trade deficit fell by 4.8% (to 27.8% GDP in 2009 - compared to 25.9% in 2010). Exports rose by 27.7% and imports by 10.2%. The current account deficit was financed by new foreign loans. By the end of the year, the nominal increase of imports exceeded exports, which continued into 2011 with the trade gap increased by 18.3%. Partners from the CEFTA region accounted for 33.2% of exports and 24.9% of imports.

In 2010, Bosnia and Herzegovina had an increase of 8.73% of import from CEFTA countries, while export was increased by 9.43% (participation of CEFTA countries was 33.2% in import and, 38.8% in export). The total import from CEFTA countries was 2,043,507, while export was 1,117,138. In 2010, export totalled at 1,341,393 while import was 2,221,851 million EUR (CEFTA participation in import 32.6%, in export 36.0%). A rise of import of agricultural products was recorded (9.33% from CEFTA countries) as well as the industrial products (12.06%). The biggest industrial products imported remained Eurodiesel (8.24%), electrical energy (5.31%). The biggest agricultural products imported were beer (2.73%), cigarettes (2.59%), and water (1.19%). Rise of export of agricultural products was at 15.05%, whereas industrial products exports rose by 22.02%. The biggest export products were electrical energy (13.85%) and milk and dairy products among agricultural products (1.21%).

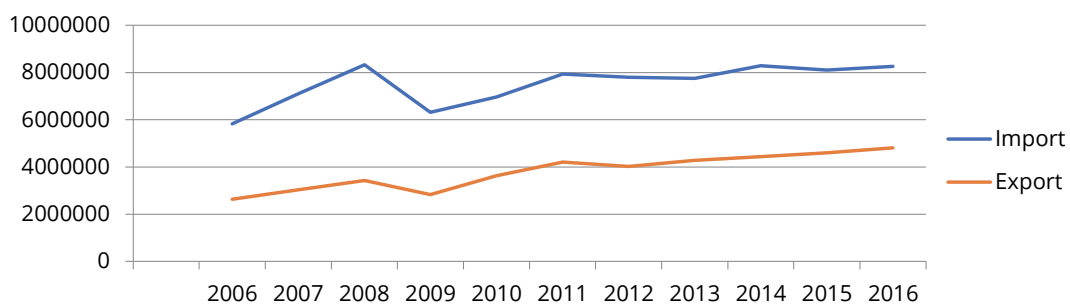
The economy continued its recovery with a GDP rise by 1.3% in 2011, with the revival of domestic demand. Private consumption and private sector investments had positive growth rates following the decline in previous years. The external demand weakened in the second half of the year with modification to the export growth. At the same time, import growth rose due to the increase of domestic demand, leading to the negative contribution of net exports to growth. Industrial production fell by 6.5% while export of goods fell by 4.3%. Led by the expansion of trade deficit, the current account deficit rose from 5.7% GDP to 8.8% in 2011. Export growth dropped to 15.6%, while imports rose by 14%. Exports fell by 9.6% year on year, being negatively influenced by the economic situation in the EU, while imports grew. Inability to create a single economic space within the country, low quality of public finances, high unemployment, high state presence in the economy and stalled privatization continued to undermine stable economic growth. Total trade fell to 84.4% of GDP in 2012, compared to 87% in 2011, with the trade with CEFTA partners slightly falling to 28.7% of total exports and 22.2% of total imports.



In 2012, BiH witnessed the negative increase of exports to CEFTA countries (-11.32%) with the import increase of 2.79%. The negative score is a result of low export to Serbia -28.08%, Montenegro -17.70%, Albania -27.14% and Macedonia -3.41%. The percentage of participation of CEFTA countries in foreign trade was 31.7% for import and 32.3% for export.

In the total foreign trade for 2012, BiH's biggest partners continued to be EU member states (50.67%) and CEFTA countries (27.3%), given that the total participation of these two regions totals at 78.04%, which points to the relevance of these markets. CEFTA countries participation in total deficit was 18.37%, while the coverage of import by export was 64.64%, with the larger participation in total export (31.60%) than total import (25.19%). Although the rise of import to CEFTA countries was 1.03% in 2012, it was 6.41% less than in 2011. The decrease of export was 13.60% which is 26.45% less than the growth rate noticed in 2011, which contributed to 4.75% of the total export downfall for the year. Trade deficit with CEFTA countries noticed a growth of 34.79% from the previous year. Import-export balance was 9.4% lower than in 2011, reaching 64.64% compared to 74.04% for the previous year. The total export decreased by 1.03%, with export to Serbia and Croatia contributing with 1.5% to the fall. These countries contribute to 94.61% of total BiH export to CEFTA countries, which is why oscillations with the trade volume with these two neighbouring countries have the biggest influence on the overall trade statistics. On the other hand, in the same year, BiH witnessed the surplus in trade with Montenegro in the amount of EUR 99,021,899, which represents a decrease by 25.46% compared to 2011, contributing to the 6.56 rise of deficit.

Chart 1: BiH foreign exchange 2006-2016 (in million EUR)



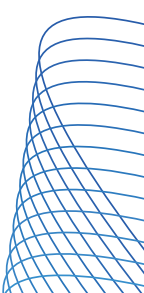
Source: BiH Agency for Statistics

With the continued support from the IMF and World Bank being narrowed due to the slow implementation and lack of effects of reform measures, the macroeconomic scenario envisaged for the period 2013-2015 seemed optimistic due to the fragmentation of reforms and no comprehensive nation-wide policies. The economy continued the slow recovery, despite being burdened by the decrease of export and fall of industrial production in 2012.

The negative export trend continued in 2013 with -20.44% for Macedonia and -52.22% for Moldova, whereas Albania was at -8.22%. Out of the total percentage, CEFTA countries participated with 13.6% in import and 16.5% in BiH export (EUR 1,031,419 and EUR 725,382 for export). It is important to note that from 2013, Croatia, BiH's biggest CEFTA partner country, became an EU member state and is thus excluded from the statistics. The data for Croatia show import of EUR 1,373,956 and export of EUR 625,739.

The beginning of **2013** witnessed the economic recovery with 6.8 % growth of industrial output. Favorable trade developments supported further narrowing of the current account balance, despite the fragile export led recovery. Also, net FDI tripled in comparison to the previous year financing the current account deficit.⁵⁶⁸ Main drivers of the economic growth were the

568 FDI was positively influenced by drawing of two tranches under the Stand-By Arrangement with the IMF.



net exports, as a result of declining imports (stagnation of private consumption, high unemployment). Heavy floods which affected the country in the spring of **2014** severely damaged transportation and energy infrastructure, thus creating a lasting damage to the short term GDP growth. Strong improvements of the trade deficit (30.5% of GDP in 2013 – 33.6% in 2012) led to the decrease of the current account deficit. During 2014 merchandise export rose by 1% while imports of goods rose by 6%, narrowing the external imbalances but remained unstable.

Based on the total value of trade, **Croatia** is one of BiH's largest foreign trade partners, and the largest of the CEFTA members.⁵⁶⁹ Tables 5 and 6 (see Annex) shows that out of the total export in 2009, BiH exported 17.07% of its products to Croatia, and import is at 15.01%. The coverage of import by export in the given period is 50.94%. Largest import and export products to Croatia have been industrial products. The tables show that import of industrial products had decreased significantly (41.60%) compared to the import of agricultural products (fall of 4.72%). As for export, the value of industrial products decreased by 21.28% in comparison to 2008, while the export of agricultural products increased by 0.61%. Import from Croatia had decreased significantly more (33.30%) than export (18.38%). The biggest export products are mineral fuels, mineral oils (19.60%), aluminium and aluminium products (15.08%) and steel and iron products (6.81%). The biggest imports are mineral fuels, mineral oils (26.5%), beverages, alcohol and vinegar (5.81%), electrical machinery and equipment (4.61%), tobacco (4.51%). In the period 2010-2011, the level of import from Croatia was increased by 8.53% while export grew by 13.55%. The coverage of export by import was still lower than 50% (43.6% for 2010, 45.6% for 2011), however, export increased in 2011.

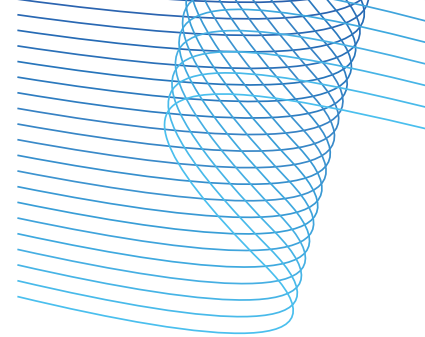
With Croatia's accession to the EU in 2013, the pending adoption of quality standards required for placing BiH products on the EU market, lowered the share of trade relations with the country. Croatia speeded up the resolution of transition problems, however, the economy did not improve at the same pace. By leaving CEFTA 2006, Croatia lost a privileged place on the market given that it was the leader among the signatories and that CEFTA was its second most important foreign partner after the EU. It came as no surprise that European Commission demanded from CEFTA countries that Croatia holds a preferential trade treatment in trade which it had before entering the Union. Additional incentive for the EU were the companies which had production facilities in Croatia and whose products were burdened by customs when imported to CEFTA trade market. Although it was forecasted that many companies would move to BiH, it did not happen. Considering that Croatia was BiH's biggest trade partner, the implications for the country's economy would surely rise. Despite the fact that a preferential treatment was approved in BiH for import of goods to EU unilaterally (without obligation of reciprocity), there were limitations to placement of BiH products to the EU, which now included Croatia. Limitations related mostly to export of food products due to the lack of food safety protocols and compliance with the relevant EU directives and regulations.

Table 6: Overview of foreign trade indicators for BiH and Croatia for 2015 (in thousands EUR)

	Bosnia and Herzegovina	Croatia
GDP	14,422,467	44,326,000
Total import	7,874,891	18,481,973
Total export	4,712,946	11,481,973
Coverage of import by export	59.8%	62.1%
Export to partner country	483,629	1,244,022
Import from partner country	1,244,022	483,629

Source: BiH Statistics Agency; Foreign Trade Chamber of BiH; Foreign trade of BiH; State Statistics Institute of Republic of Croatia

⁵⁶⁹ Croatia joined the EU in July 2013 as 28th member of the Union.



The table above indicates that the most important foreign trade partner of Croatia is EU with which it has almost 67% of Croatian exports and 79% imports. Although Croatia made a deficit in foreign trade (in 2015 the deficit was EUR 7.01 billion), the trade with BiH marked a surplus. According to data of BiH Foreign Trade Chamber, imports to BiH with which Croatia has the largest volume of free trade among CEFTA members, amounted to EUR 1.32 billion in 2014, which was a decrease by 5.3 % compared to 2013. On the other side, exports from BiH to Croatia decreased in 2014 compared to 2013 by 20% amounting to EUR 501.7 million. In 2015, the value of foreign trade with Croatia continued to decrease (export decreased by 3.1% and import by 9.6%).

The trade relations marked a negative trend (in 2014 import was -3.58% and export -19.82%). During 2014, share of export to the EU countries fell due to a 20% slump in exports to Croatia and stagnation of exports to Germany. Failure to adopt EU standards in the veterinary and food safety sectors caused the inability to export products of animal origin to the EU market. Croatia's accession and loss of market for BiH producers pointed at this problem.⁵⁷⁰ The loss of Croatian market was compensated by the placement of milk and dairy products within the country and by the increase of export to CEFTA members. In the beginning of 2016, the conditions for the continuance of export of milk and dairy products to the EU market were confirmed, with the widening of list of approved producers. The development of milk industry is significant given the rise of competitiveness in the region, marked by the recovery of the sector in Serbia, resulting in increased production and export.⁵⁷¹ The trade relations with Croatia normalized in 2016, with the increase of import by 5.03% and export by 7.59%.

CEFTA countries remained the second single most important trading partner, accounting for 16% of merchandise exports and 11% of imports of goods. Only 22% of imports value and 7% of exports value come from countries with which BiH does not have preferential trade regime, while the markets of EU and CEFTA account for around 86% of total BiH exports.⁵⁷²

BiH's second largest CEFTA trade partner is **Serbia**.⁵⁷³ The data show that in the total import in 2009, Serbia participated with 10.38%, while export to Serbia is in total of 13.41%. 2009 witnessed the fall of import of agricultural products from Serbia, while an increase in export is noticed (3.68% for agricultural and 23.64% fall of industrial products). All of the exports to Serbia were industrial: mineral fuels, mineral oils (35.59%), wood and wood products (9.23%), steel and iron (9.18%). Most of the products BiH imports from Serbia are agricultural (beverages, alcohol and vinegar (9.68%), grains (5.03%), plastics and rubber (4.87%).

570 BiH needed to adopt: the Veterinary Law, the Law on Food Safety and the Law on Agriculture and Rural Development. https://europa.ba/wp-content/uploads/2015/05/delegacijaEU_2014120414181618eng.pdf

571 "Growth of Milk and Dairy Products", BiH MoFTER, <http://mvteo.gov.ba/vijesti/saopstenja/default.aspx?id=9088&langTag=bs-BA>

572 Ministry of Foreign Trade and Economic Relations, *Bosnia and Herzegovina: 10 years of the implementation of the CEFTA agreement*, (Sarajevo: 2016). <http://cefta.int/wp-content/uploads/2016/09/CEFTA.10god.implementacije.brosura.pdf> -

573 Prior to 12.02.2007 data were analysed for Serbia and Montenegro. From 13.02.2007 data are processed separately for the two countries.

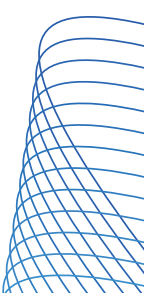
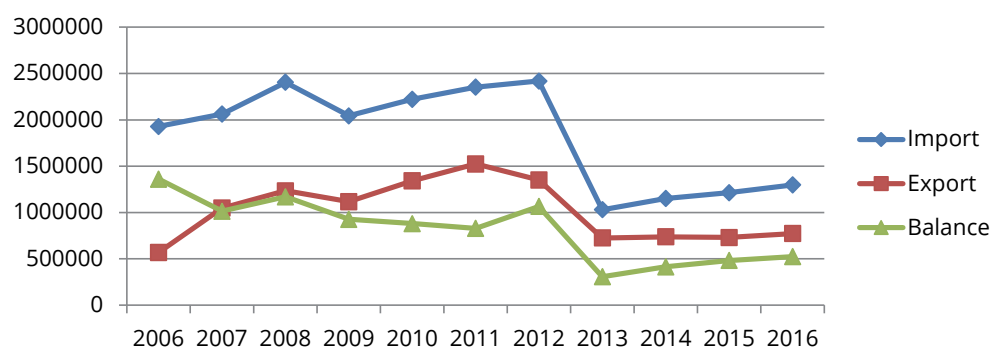


Chart 2: BiH trade in goods with CEFTA 2006-2016 (in EUR)



Source: BiH Agency for Statistics

In 2011, BiH had a trade surplus with CEFTA countries and the highest value of goods exported since the agreement is in place. The biggest contribution to the surplus increase for the years to come would have the trade with Serbia, and in particular the increase in the export of mineral oils, mineral fuels and its by-products, crops, and beverages, alcohol and vinegar. During 2010-2011, import from Serbia grew by 3.11% while export rose by 12.37%. Despite the slight increase in trade with Serbia, the most noticeable for this period were the increases in trade relations with Macedonia and Albania (81.56% rise in export for Macedonia and 62.55% for Albania). The trade with Serbia was marking a rise of 11.52% in import and 4.34% in export in 2014. During 2014-2015, import from Serbia made 57.76% of total import from CEFTA countries while export to Serbia decreased by 3.75%. The import from Serbia rose by 7.30% in 2016 and export rose by 8.08%.

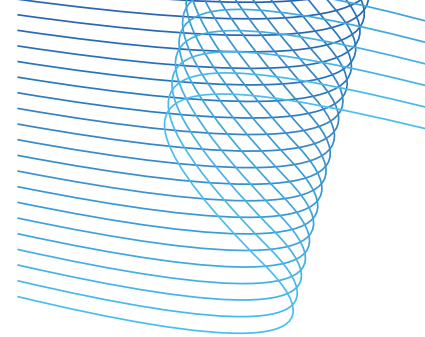
Identification of key economic policy issues led to the creation of the Compact for Growth initiative, led by the EU in **2014**, exemplifying an agreement on the economic policy essentials. The reform package, focusing of socio-economic reforms, identified six key measures (1. taxes on jobs; 2. barriers to jobs; 3. business climate; 4. enterprises; 5. corruption; 6. social protection)⁵⁷⁴ which grew into the first comprehensive reform package, the BiH Reform Agenda 2015-2018.⁵⁷⁵ The rise of the GDP in 2014 was driven by the domestic demand, rather than net exports. Investments into the country were stimulated by the flood recovery programme,⁵⁷⁶ accounting to 2.2% of GDP, with stagnation of investments into the private sector. The recovery of industrial production was marked in 2015, while the agricultural production was influenced by the draught. Import growth, resulting from after flood reconstruction resulted in the current account deficit rising from 5.7% of GDP in 2013 to 7.6% in 2014. Decrease of construction activities and strengthening of exports resulted in GDP being 6.2% in 2015. Stronger foreign demands led to the strengthening of industrial production, supporting a slow and solid economic growth in 2015-2016. Improvement of trade and current account balances was influenced by the stronger demand for export and lower import prices for energy and raw materials. The trade deficit shrank from 29.6% in 2014 to 26.4% in 2015 with the current account deficit decreasing from 7.5% GDP in 2014 to 5.6% in 2015.

In 2014, BiH's biggest export market for BiH goods was **Montenegro** with the import being increased by 66.51% and export by 7.06%. The trade relations with Kosovo marked -22.75% for

574 "Compact for Growth and Jobs", European Union, http://europa.ba/wp-content/uploads/2015/05/delegacijaEU_2014090816171626eng.pdf

575 In support to the Reform Agenda, BiH authorities agreed with the IMF on a three year reform programme which was hampered by inability to reach inter-governmental consensus within the country.

576 "EU Floods Recovery Programme", European Union, http://europa.ba/?page_id=541



export and -9.35 for import. This accumulated to total of 11.61% increase of import from CEFTA members and 1.63% increase of export in 2014. The total percentage of CEFTA participation in BiH's foreign trade decreased significantly as compared to previous years given that it covered 14.3% for import and 16.1% for export. This data remained similar for 2015 with 15.4% for import and 15.5% for import. During 2015, BiH's trade relations with Macedonia and Kosovo recovered, marked by 21.15% and 21.55% increase in exports, respectively. However, trade percentages for all other CEFTA countries remained negative, totalling in -0.91% increase, whereas import increased by 5.39%.

Foreign trade statistics show that more than half of total exports to the EU during 2016 were directed to Germany, Italy and Croatia, indicating a drop in the EU share of the exports, due to the strong export growth to Turkey and other non-EU countries. BiH's openness to trade continued to be slow and economy uncompetitive when considering the country's economic size, with exports and imports accounting to 90% of GDP, with a poor range of export products. However, non-tariff barriers to trade with the EU (sanitary standards) continued to hamper trade relations. One of the key recommendations for improving the relations was the simplification of complex export procedures, followed by coordinated border controls and improved border infrastructure. In order to increase export of agricultural products, BiH needed to develop a comprehensive and strategic approach in the field of EU food safety and sanitary and phytosanitary standards which would enable EU accreditation for the export of agricultural and food products, the lack of which hampered the overall exports and economic stability of the country.

Chapter 3 – Major Obstacles in Functioning of CEFTA

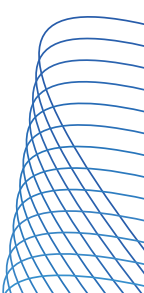
Certain non-tariff barriers remain in the CEFTA region. As mentioned in the paragraph above, some of these barriers are the consequence of the faster pace of the EU integration process and adoption of the EU *acquis* for some countries compared to the others, while others are related to the need for improved efficiency, harmonization, and simplification of customs procedures in the CEFTA countries. Currently, Bosnia and Herzegovina has five unsolved cases submitted regarding non-customs barriers, while there are three cases submitted against Bosnia and Herzegovina.⁵⁷⁷ Further work on the removal of non-customs barriers inside the CEFTA region would cut the costs of WTO members willing to trade in the region as well as for intra-CEFTA trading. While representatives of the business community identified the lack of information about CEFTA as the main obstacle for its full implementation in BiH, it is important to underline that political situation is also recognized as one of the major barriers.⁵⁷⁸

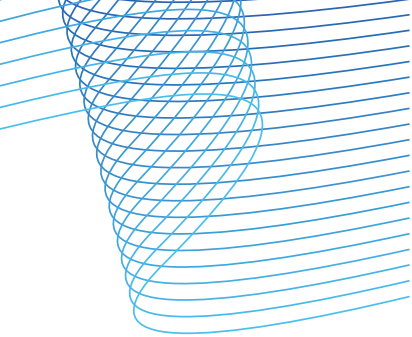
The main macroeconomic challenges facing BiH in joining the EU are the high level of public consumption, high budget deficit, high public debt and high foreign trade deficit. The biggest problem is the lack of economic integration in the country itself. The precondition for achieving all the advantages of accessing the EU market, i.e. for optimal economic development, is both legal and institutional unity in the country, not only by harmonizing the entity's legal framework and coordination of all levels of government, but through the creation of a comprehensive, unified legal system within the country. The lack of a single legislative framework within the country makes the alignment with EU regulations difficult for the country. Having a large potential for development, the agriculture sector (in raspberries production BiH is at 11th place in the world,⁵⁷⁹ healthy food production, etc.) with its significant share in foreign trade deficit

577 Ministry of Foreign Trade and Economic Relations, *Analysis of the Foreign Trade of Bosnia and Herzegovina*; 2016. (Sarajevo: 2017). http://www.mvteo.gov.ba/izvjestaji_publikacije/izvjestaji/default.aspx?id=8622&langTag=bs-BA

578 "Through Numbers: Analytical Report. 2016.", CEFTA. <http://cefta.int/info-and-resource-centre/reports-publications/>

579 Guide for the export of fruit/vegetables in the European Union (Vodič za izvoz voća/povrća u Evropsku Uniju), 2016





is unable to develop further since BiH cannot withdraw pre-accession funds and thus boost the production. The lack of political consensus prevents the creation of country level bodies and state level legislation. Without a stable policy, the economic stability cannot be guaranteed and no growth and development can happen. Regarding the export of food products, EU food safety and consumer protection is adamant in protection of the market and the consumers and ensured through legal requirements which BiH is yet to comply with. Due to the low laboratory capacity to carry out tests and control products in its own market, BiH producers are forced to perform analysis in neighbouring countries. The additional burden for the exporters is the administrative taxes which need to be paid. BiH needs to expand the capacities and lower the taxes in order to encourage exporters and increase their competitiveness. Another complication in BiH is the lack of legal harmonization within the country, due to the division of competencies and different legislation across the state, entity and lower government levels, which is why foreign investors tend to avoid BiH. Direct foreign investments were down by 40% in 2015 (Foreign Investment Promotion Agency of Bosnia and Herzegovina). In the World Bank 14th annual report, 'Doing Business 2017 - Equal Opportunities for All', the country is ranked 81st in the world for its ease of doing business for foreign investors. It is the lowest ranked country in the region, taking 65 days and 12 procedures to start a business, and 179 days and 15 procedures to obtain a building permit, which is more than the regional average.

Also, it is important to state, having in mind the stagnation in the volume of traded goods, that further liberalization of trade in services could contribute to more sustainable growth of the Western Balkan countries.⁵⁸⁰ While the original CEFTA 2006 agreement does not contain sectorial measures for trade liberalization in services, and it refers to general gradual liberalization under the Article 27, the Article 29 opened the possibility for negotiations with a goal of deeper liberalization of trade in services. On the basis of Article 29, further liberalization is planned to come in the form of Additional Protocol 6, which can be seen as an "upgrade" to the original agreement.

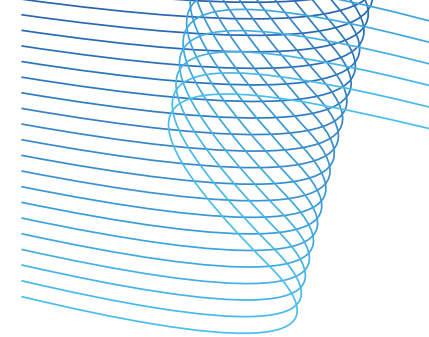
It seems that the same trends apply to Bosnia and Herzegovina as to the former CEFTA members, but with some important differences. As it was the case with the former CEFTA members, the years which would follow after the agreement entered into force were marked by the growth in trade with EU partners, while there was no significant rise in the intra-CEFTA trade. As it was mentioned previously in the paper, this rise would only occur after the GDP and production capacities would have grown significantly, which happened seven years after the agreement entered into force. By that time all of the former CEFTA members obtained EU candidate status, the negotiations were in the late stages and all of the countries were members of WTO. On the other hand, let's not forget, Bosnia and Herzegovina does not hold candidate status for EU and therefore no chapters have been opened yet and, as stated before, is still not a WTO member.

These facts lead to the non-surprising conclusion that Bosnia and Herzegovina is still far in terms of production capacities and competitiveness levels that the member states which have recently joined EU had at the time of the joining to the EU. The export of BiH is still at low levels. It makes up to around 30-35% of the GDP, while for an upper middle-income country in transition, it should be to around 50-60% of the GDP.

The private sector is weak, overshadowed by the huge public sector and in large part - the exports are low, because the production is low. Transport infrastructure is inadequate and in terms of business innovations and technology, with each year, BiH is lagging more and more behind. FDI levels continue to be remarkably low, reflecting complicated and unfavourable business environment. Further evidence is the evaluation of EU Commission from 2016 that "*Bosnia and Herzegovina is still at an early stage in developing a functioning market economy*".⁵⁸¹

580 World Bank, *WESTERN BALKANS: Regional Economic Integration Issues Notes*. (Washington D.C.: World Bank, 2017). <http://documents.worldbank.org/curated/en/521241498836042507/Western-Balkans-Regional-economic-integration-issues-notes>

581 Bosnia and Herzegovina and Kosovo* received the lowest assessments out of the WB6 countries.

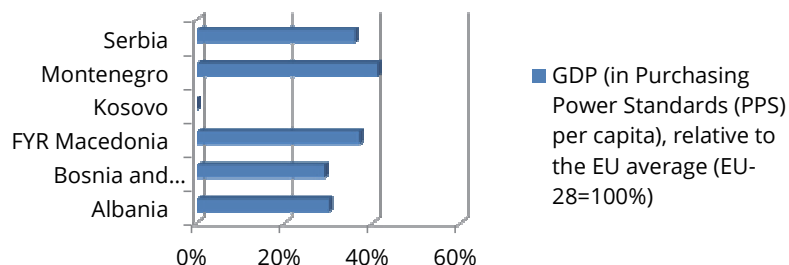


Chapter 4 – Ways Forward

4.1 From Berlin to Berlin Plus

For the WB6 countries in general, including Bosnia and Herzegovina, it is worth noting that the slower progress has been made in the last decade, but also that **there is an additional space for the improvement** in the pace of the EU integration process through the strengthening of regional integration.⁵⁸² The new report of the World Bank,⁵⁸³ focusing on economic issues of WB6 region, states that the overall pace of development of the WB6 countries was well below the one of the European small economies. Furthermore, in the aftermath of the global financial crisis, the already slow development was further weakening. The report states that most of the non-EU members had the same income levels in 1995; yet in 2015, the situation was different, with WB6 countries substantially lagging behind. It is noted that *"today, the average "transition score" for the Western Balkans is similar to the one that other small transition economies had in 1996"*. Finally, and probably the most defeating statement is the estimate that if this pace continues, countries of WB6 would need at least 50 years to fully converge to the average EU standards of living. These conclusions go hand in hand with the IMF, which reports that, on average, the current share of exports as a percentage of GDP for the WB6 countries is less than half of the share of the new member states of the EU.⁵⁸⁴ Finally, a useful indication can be seen in the table comparing GDP (in Purchasing Power Standards (PPS) per capita) of WB6 relative to the EU average for 2016.

Chart 3: GDP in PPS per capita of WB6 in % of the EU average (EC, 2016)



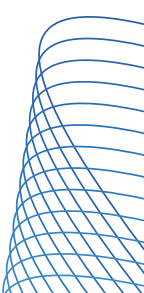
Slow economic development, structural problems, political crisis and unsolved disputes among the countries in the Western Balkans have all contributed to the overall slow pace of the European integration process for the countries in the region. Slow developmental pace coupled with the recent internal problems in the EU and, in general, weak perspective of EU membership for WB6 countries in the near future, have all resulted in growing influences on WB6, both political and economic, of other rising powers. Weakening of EU influence in WB6 can be seen both through stronger voices opposing the EU integration process and increased appeals for the EU to strengthen its leadership in the region.

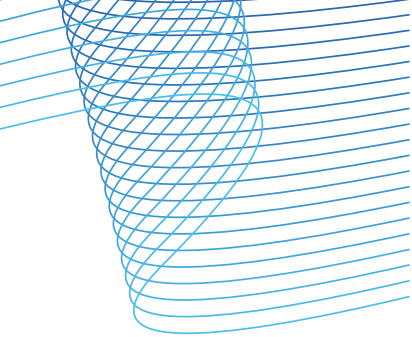
Following the 5-year halt on the EU enlargement announced by the President of the European Commission in 2014, the Berlin Process was initiated. It represents the EU's diplomatic initiative with a goal of keeping the dynamics of the EU accession process for the WB6 countries. The Process consists of numerous initiatives including intergovernmental high-level meetings aimed

582 For detailed breakdown of indicators see RCC annual report on the implementation of SEE2020 strategy: <http://www.rcc.int/pages/119/annual-report-on-implementation-of-the-see-2020-strategy>

583 World Bank, *WESTERN BALKANS: Regional Economic Integration Issues Notes*. (Washington D.C.: World Bank, 2017). <http://documents.worldbank.org/curated/en/521241498836042507/Western-Balkans-Regional-economic-integration-issues-notes>

584 From IMF report titled: *The Western Balkans. 15 Years of Economic Transition*, (Washington D.C.: International Monetary Fund, 2015), 24.





at improving economic and political stability and cooperation in the region. In the heart of the process is the focus on connectivity in various areas of interest relating to development and EU accession both between EU and WB6 countries and among WB6 countries. At the first conference in Berlin, the EU integration process of WB6 countries has been reaffirmed both by the EU representatives and the WB6 countries themselves. It is important to state that the intensification of regional cooperation has been recognized as an “essential basis” for political stability and economic development of the region. Furthermore, the strengthening of good governance and increasing prosperity through sustainable economic growth have been recognized as future challenges as well as opportunities crucial for the EU integration process of the countries.⁵⁸⁵

At the second summit in 2015, it was evaluated that the Berlin Process has provided a positive momentum for regional cooperation in the Western Balkans in terms of connectivity as the key principle. It was assessed that more efforts were needed in solving bilateral issues among the countries and in the acceleration of domestic reforms in the countries. The establishment of regional cooperation structures as well as the progress in transport connectivity have been noted as successful so far. The countries recognized the need for further work in number of areas regarding structural reforms, energy connectivity plans, trade facilitation, enhancement of mobility and especially youth mobility in the region, etc. At the Vienna Summit agreements were reached on specific regional transport and energy projects as well as number of soft measures. It is important to note that the countries recognized the importance of civil society and its contributions on the topics discussed at the Summit. The proposal was made - and was welcomed by the participating countries - that civil society will be included in Berlin Process as an important additional element of the process itself.

In 2016, the third Western Balkans Summit was held in Paris which resulted in number of conclusions aimed at “ensuring increased coherence with the different regional initiatives promoting regional cooperation in light of the region’s European perspective, especially the Brdo-Brijuni process”. Finally, at the end of the Summit, it was recognized that there is a strong need for the “intensification of cross-border and multi-country initiatives together with creation of joint ventures in the region, as a crucial instrument to reducing fragmentation, enhancing trust and incentivizing economic growth”.⁵⁸⁶

Still, despite numerous joint projects and initiatives in the region and especially in the area of connectivity, since the Paris Summit, the need for closer integration in economic terms has been highlighted. It is seen that the infrastructural developments and funding during past two years alone will not be enough for faster convergence of WB6 countries with EU member states.⁵⁸⁷ This point was recognized on a political level as well. New, concrete idea for deepening of regional economic integrations and cooperation was presented in February 2017, in the form of the proposal of a customs union for WB6 countries. The proposal that all WB6 countries negotiate and apply common import quotas was received with different level of enthusiasm among experts and officials. While most believed that this idea would benefit the WB6 countries in theory, a number of concerns had been raised, primarily political, about how realistic the prospect for the formation of such a union is. Negotiations would be extremely tough and long, having in mind that some countries already have free trade agreements with third party countries.⁵⁸⁸ Finally, customs union would be a CEFTA replacement and the question that arises is whether CEFTA has outlived its usefulness and whether all of the potential benefits of CEFTA for WB6 countries have been already achieved.⁵⁸⁹

585 European Commission, *BiH Progress Report 2014* (Brussels: European Union, 2014). http://europa.ba/wp-content/uploads/2015/05/delegacijaEU_2014100811032318eng.pdf

586 From the Final Declaration by the Chair of the Paris WB Summit.

587 Regional Cooperation Council, *South East Europe 2020: 2017 Annual Report on Implementation*. (Sarajevo: Regional Cooperation Council, 2017). http://www.rcc.int/docs_archive#page2

588 i.e. Serbia with Russia, BiH with Turkey.

589 “A western Balkans customs union: pie in the sky?”, *The Economist*, (2017). <http://country.eiu.com/article.aspx?articleid=65206190&Country=Albania&topic=Economy&subtopic=Regional+outlook&subsubtopic=Economic+growth>



Whether realistic or not, this proposal was successful in the fact that the topic of strengthening of regional economic cooperation in the EU integration process was discussed amongst political leaders of the WB6 countries and EU officials more intensively. Despite having differences on the idea for the customs union, it seemed that all stakeholders were at least interested to further discuss the potential of regional integration through new forms of cooperation.

What is particularly worrying is the high foreign trade deficit with Serbia and Croatia, countries with which BiH has no major geographical, traffic, linguistic and social barriers and with whom it achieves 45.3% of the whole foreign trade. So, in 2015, in exchange with Serbia, the coverage of import by export was 38.25% and with Croatia it was 38.88%. The Croatian accession to the EU has brought new problems for BiH's economy. Trade statistics show that the volume of trade with Croatia is in constant decline (by 10.9% in 2014 in relation to 2013 and by 7.4% in 2014 in relation to 2015). In addition, the phasing out of the Agreement of CEFTA and the loss of preferential treatment to export their products to this market, declined import from Croatia to BiH. In this way, there was a rise in prices of goods from Croatia, as well as the effect of diverting trade, when many products from Croatia were replaced by products from Serbia or Turkey. Relevant to note is that trade agreements do not necessarily have to increase foreign trade, the level of foreign investment, and general well-being of the country unless it carries out necessary reform processes. The reform process is primarily related to the development of small and medium-sized enterprises, supporting export-oriented sectors, reform of the business environment, support to the development of innovation, awareness of producers of the needs of the market.

During the WB6 leaders meeting in Sarajevo in 2017, they requested that the WB6 representatives - together with the Regional Cooperation Council and with the support of the EC - start working on a joint approach and initiatives to further deepen economic cooperation in the Western Balkans, which could include *"for example on circulation of goods, services and capital, free flow of skilled workforce, a common digital approach and a dynamic investment space"*.⁵⁹⁰ These proposals were met with positive response in the EU. In the words of EU Commissioner Johannes Hahn, common market of 20 million people could be attractive for investors, which would then help achieving economic growth, higher living standard among the people living in WB6 countries and would help in overcoming both trade and non-trade barriers. Further EU's recognition and response can be seen through the initiation of the so called *"Berlin Plus"* process.⁵⁹¹

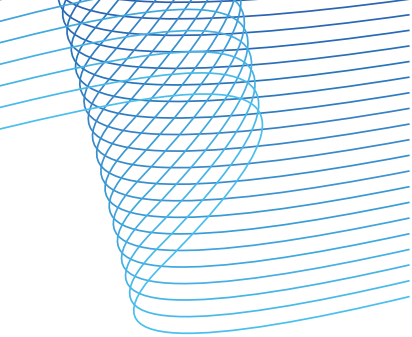
4.2 Trieste Summit and Regional Economic Area

Moving from Berlin in 2014 to Trieste in 2017, it seems that the Berlin Process has strongly matured and evolved. Coming off as a diplomatic initiative to keep the regions' momentum of the EU integration process, it has become a useful, concrete platform for the EU integration with all stakeholders included in the process. Looking at the final declaration from Sarajevo, it became quite foreseeable what the focus of Trieste Summit would be.

Primarily in the area of connectivity, the key stakeholders negotiated 7 new projects of a total value of EUR 500 million. New initiative was agreed, *"Central and South Eastern Europe Gas Connectivity"*, which has a goal of connecting EU energy market with the ones of WB6 countries. Perhaps the most sounding, tangible outcome of the Summit in this aspect was the signing of the *"Transport Community Treaty"*. Specifically, this treaty aims to increase regional cooperation in the field of transport through harmonising national legislations of the Western Balkan countries with the EU *acquis*, as regards transport and relevant social policies, something similar to the Energy Community Treaty. In Trieste, Bosnia and Herzegovina was the only country not to sign

590 Joint Statement - Western Balkans Six Prime Ministers meeting.

591 The initiative launched by Germany in spring 2017, prioritized economic cooperation within the region, in particular connectivity in the energy, transport and digital sectors.



the “*Transport Community Treaty*”, due to the unsolved question of internal coordination and representation in the Transport Community - among the entity and state ministries. Matters of high importance, such as this one, require coordinated policies and long-term planning. With that in mind, the solution and compromise among the ministries should have been reached prior to the Summit, in order to avoid unnecessary delays. Yet again, in Bosnia and Herzegovina, internal political problems have resulted in the delay on matters highly important for the EU integration process and regional cooperation. It should be noted that the Treaty was ultimately signed, but three months after the Trieste Summit, in September 2017.

Following the request by WB6 Prime Ministers from May 2017, the Multiannual Action plan (MAP) for Regional Economic Area in the WB6 countries has been created and presented at the Trieste Summit. The consolidated multiannual plan was endorsed at the Summit by the leaders of WB6 countries where the full commitment for the implementation of MAP has been expressed.⁵⁹² Beforehand, it **is important to point that this further deepening of economic integration is not in any form a substitution for the EU integration process** but can be seen as a complementary plan which would further contribute to better convergence with the EU standards.

Given that regional cooperation is deeply embedded with the European Union, REA seemed to grow naturally out of the accession process. Further evidences to this are the Stabilization and Association Agreements between EU and WB6 countries. Under the Title III of SAA with the EU, Bosnia and Herzegovina has committed that it will promote regional cooperation. In more detail, this means that the country will cooperate with other parties that have signed the SAA with the EU through political dialogue, work on the establishment of FTAs, matters of mobility and other areas such as Justice and Home Affairs. Although Title III in the SAA primary concerns bilateral conventions with other SAA countries, it can be seen that the concept of regional cooperation is deeply embedded in the contractual relations between the EU and BiH, where it is noted that the readiness to conclude conventions related to regional cooperation will influence the pace of the EU integration process.⁵⁹³

Based on the various different sources, **it is evident that the REA concept can only benefit the countries in pursuit of EU membership.** EU Commissioner Hahn stressed that Regional Economic Area (REA) is based on the already made commitments of the countries themselves and that EU is responding to the calls of the region itself (EWB, 2017). In the final declaration of the Trieste Summit it was stated that REA is based on the CEFTA and EU principles which are reflected in SAAs and that “*This work is neither an alternative nor a parallel process to the European integration: it will reinforce the capacity of Western Balkans economies to meet the EU accession economic criteria, and to implement EU acquis on a regional scale before joining the EU*”. The European Commission noted that the approach of the Regional Cooperation Council, which is based on rules and principles of the EU will secure deepening of the regional and EU integrations and that it represents an important milestone for both.

Besides assisting the countries to advance in the EU integration process, the Regional Economic Area should contribute to political stability as well as to bring different economic benefits. In times when most WB6 countries face challenges and problems such as unemployment, emigration of young people, low levels of FDI, etc. further regional economic integrations would help ease and speed up the transition from the current to a more sustainable economic growth model. It would reduce the costs of trade, help in good practice and knowledge transfer, development of regional financial products and contribute to the better interconnected labour markets, where mobility would help in the better allocation of the workforce. Further on, it could attract new investments to the region of 20 million people and therefore

592 Regional Cooperation Council, *South East Europe 2020: 2017 Annual Report on Implementation*. (Sarajevo: Regional Cooperation Council, 2017). http://www.rcc.int/docs_archive#page2

593 From *Stabilisation and Association Agreement (SAA) between the EU and Bosnia and Herzegovina*, Title III, Chapters 13 and 14.



help in creation of new jobs. **But it is important to state that deepening of regional economic integrations through formation of REA is aimed at improving the growth potential of the region.**⁵⁹⁴

REA alone will not solve the issues that the WB6 countries are facing, but the value of closer economic integration is in that the “*Growth strategies have more chance of success if they are embedded in a consolidated system of regional cooperation in all relevant areas*”.⁵⁹⁵ Generally speaking, what is required for the success in convergence to EU standards, is macroeconomic stability, but coupled with structural reforms and economic integration. **In order to reap all the benefits that REA could bring, it is essential for the countries to continue the pursuit internal structural reforms and macroeconomic policies which will ensure stability and further liberalization of markets.** As it will be seen, in the form of MAP,⁵⁹⁶ the Regional Economic Area holds a big potential for the WB6 countries. But as the WB6 leaders themselves requested the Multi-Annual Action Plan (MAP) for REA, most of the work and the success of the REA in enhancing the potential of the region will depend on the WB6 countries themselves: through the integrated approach in implementation of the three mentioned mutually reinforcing factors. The same applies for the timeframe for the establishment of the REA. The pace will largely depend on the willingness and cooperation of the countries in this joint effort.

The activities within the first area of the MAP relate to the matters of CEFTA agreements. As such, the coordination of the activities is divided among the signatory parties of the CEFTA, CEFTA Joint Committee, CEFTA Subcommittee on Trade in Services, other CEFTA committees and RCC. Some of the activities relate to adoption and implementation of Additional Protocols 5 and 6 of CEFTA, new protocol on dispute settlement and other measures and sub measures which would contribute to the further trade liberalization and regional cooperation under the CEFTA agreements and harmonization of the CEFTA markets with the EU *acquis*. In this sense the implementation of CEFTA remains pivotal for the liberalization of trade in the WB6 countries.

Additional Protocol 5 is directly derived from the WTO agreement on trade facilitation which was negotiated as a part of the “*Bali Package*”. As such, it aims for the simplification, modernization and harmonization of different export and import processes.⁵⁹⁷ With that in mind, an adequate implementation of the additional protocol will directly target some of the remaining non-tariff barriers that currently exist. More concretely, regarding inspections - the procedures and formalities will be substantially eased. The exchange of data among the customs authorities of WB6 countries will be enhanced through one joint electronic, modernized system for data exchange. Such system will decrease the cost and time in clearance procedures where the goods will be processed prior to the arrival on the border. The process of unification of documents should significantly contribute in reduction, simplification and harmonization of data.

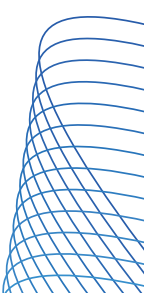
Another important aspect targeted by the **Additional Protocol 6 will be further liberalization of trade in services.** Generally, in some CEFTA countries, temporary entry privileges for foreign workers in the execution of short term services contracts are not given and the movement of foreign workers or professionals is still limited. Number of sectors providing services such as construction, IT and transport are still subjected to the barriers in forms of (non)accep-

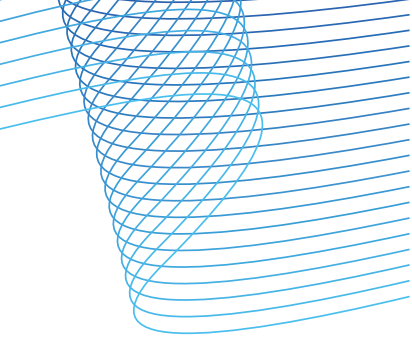
594 World Bank, *WESTERN BALKANS: Regional Economic Integration Issues Notes*. (Washington D.C.: World Bank, 2017). <http://documents.worldbank.org/curated/en/521241498836042507/Western-Balkans-Regional-economic-integration-issues-notes>

595 Regional Cooperation Council, *Consolidated Multi-Annual Action Plan for A Regional Economic Area in the Western Balkans Six*. (Sarajevo: Regional Cooperation Council, 2017). <http://www.rcc.int/docs/383/>

596 The Multi-Annual Action Plan (MAP) sets the objectives in four main areas of interest for the WB6 countries regarding the regional economic integration. The four areas which are covered include trade, investments, mobility and digital integration (they consist of 17 objectives, which have 107 activities). The time span planned for the activities stretches from 2017 up until 2023 with clearly set deadlines.

597 World Trade Organization, *Bali Package*. (Geneve: World Trade Organization, 2017) https://www.wto.org/english/thewto_e/minist_e/mc9_e/mc9_e.htm





tance of foreign licences, limitations on cross border supply and too heavy or too light domestic regulations.⁵⁹⁸ Among the CEFTA members domestic regulations and barriers that occur vary, so assessment, harmonization and joint approach are needed. The implementation of AP 6 will help in overcoming these barriers, contribute to the economic growth, attract investments and promote trade for the WB6 countries.⁵⁹⁹

With regards to the mobility of resources, a number of activities are planned to enable the removal of obstacles for the researches, recognition of professional and academic qualifications and faster and more efficient exchange of information related to the matter. This includes removal of legal barriers, mutual recognition agreements on professional qualifications in the negotiated areas, fast track recognition of higher education qualifications etc. In brief, as a result of the activities in this area, the countries of WB6 will conclude mutual recognition agreements on the agreed qualifications, which would enable better mobility of the researchers, professionals, students and highly skilled workers, which is also an important aspect of Additional Protocol 6 of CEFTA.

Chapter 5 – Conclusion

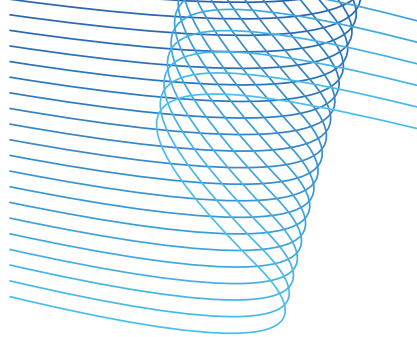
For Bosnia and Herzegovina, as for any other Western Balkan country, there are many opportunities and challenges in the EU integration process. As the EU accession process is multidimensional, so are the opportunities and challenges for the countries involved in this process. The concept of regional integration definitely represents one of such opportunities from which WB6 countries should benefit. As an approach, regional integration alone will not solve all the challenges the countries are facing, but it aims to strengthen the stability of the region, improve cooperation and create potential which no country alone could achieve.

BiH is suffering from chronically large trade deficits, mostly due to rebuilding efforts after the war which the country had been unable to finalize. In all aspects, the European economy is more competitive than the BiH economy, and many negative effects of liberalization will be shown very quickly, as positive effects are evident only in the long term. But, since BiH has opted for the European path, the country needs to be fully aware of the toll of the undertaking of the reform processes. In progressing in the accession process, BiH needed to open its border to the much more competitive EU products while at the same time it has been failing to ensure competitiveness of domestic producers by making a positive business climate and promotion of producers, both in the domestic and foreign market. This is highly relevant for the agricultural sector, wood sector and tourism where BiH has great potential that should be exploited. Even limited analyses of foreign trade and the general state in the BiH economy, suggests that authorities should be dedicated to solving numerous legal, institutional, political and economic issues in order to achieve the desired rate of economic growth and, in time, economic development and economic convergence with EU countries. At present, foreign trade is based on large imports, and thus cannot be the basis of economic growth and development. In the current economy conditions, growth will certainly not be driven by exports. There is also a need for inevitable painful structural reforms, which should increase the competitiveness of the BiH economy.

The CEFTA 2006 regime was **very useful for Bosnia and Herzegovina**. There was a significant rise in the intra-region trade just after the agreement entered into force, throughout the years BiH did harmonize better its market with the other WB6 markets and increased conver-

598 Borko Handjinski and Lazar Šestović, *Barriers to Trade in Services in the CEFTA Region*, (Washington D.C.: World Bank, 2011). <http://cefta.int/wp-content/uploads/2016/05/Barriers-to-Trade-in-Services-in-the-CEFTA-Countries.pdf>

599 After two and a half years, technical conclusion of Additional Protocol 6 has been reached. Also, in May 2017, at the CEFTA Special Joint Committee, Additional Protocol 5 of CEFTA was adopted.



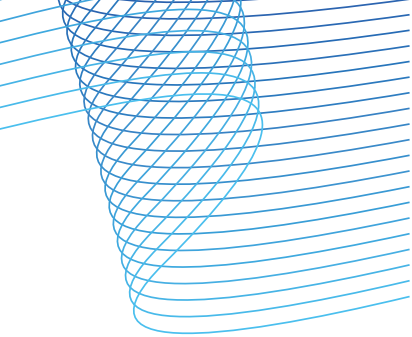
gence to the EU markets, and CEFTA 2006 did contribute to the improved political stability in the region. But as seen, there is still work to be done in terms of CEFTA and especially in terms of the removal of non-tariff barriers and further liberalization of trade in services, which would further help in creation of the better growth potential for the country and the region as whole, but this growth potential will be fully achieved only under the condition that it is coupled with the macroeconomic stability and structural reforms within the country.

The measurement of the share of intra-industry trade in foreign trade, as well as in individual economic branches, could be a very significant indicator of the competitiveness and BiH economic development in the context of macroeconomic policy as a whole. BiH has been exposed to foreign trade liberalization and adaptation of the national economy because of CEFTA 2006 creation and SAA implementation, which should bring higher BiH international competitiveness before its full entrance into EU membership. As stated before, it is relevant to note that foreign trade volume does not necessarily indicate a good openness rate given that many industrial sectors can be exposed to foreign competition which does not reflect on import growth. Such sectors can keep their market share and prevent imports by being competitive and keeping low prices. Increase in employment, growth of international reserves and national competitiveness bring to the increase of exports, as well as the sustainable growth and development. In hand, export minimizes the reliance of local firms to local market and implies risk dispersion. Liberalization and freeing up of foreign trade result in a higher living standard for the citizens, under the premise of equal development level. Also, having in mind the stagnation in the volume of traded goods, the further liberalization of trade in services could contribute to more sustainable growth of the Western Balkan countries.

The most successful example of the regional integration is the European Union itself which the EU recognizes and it seems that in the past years the new, stronger focus on the regional integration and connectivity among WB6 countries has given some positive momentum. The basis of this new approach from the European Commission can be found in projects and initiatives regarding the connectivity in terms of transport and energy systems. Yet, as it was seen by the leaders of WB6 countries, further economic integration would also provide better growth potential and faster convergence with the EU standards for the region. As such, further deepening of economic integration with the technical, economic and political support from the EC and its partners has resulted in the initiative for the creation of Regional Economic Area. The multiannual plan for the REA was presented at the Summit in Trieste and endorsed by all of the political leaders of WB6 countries, including Bosnia and Herzegovina.

From the MAP it is evident that the establishment of REA is closely related to the EU *acquis*, WTO rules and procedures that are in line with SAA, under the CEFTA and SEE 2020 strategy. But it is important to state that as REA is the request of the countries themselves, it is not a condition in the EU accession and the time needed for the creation of REA will depend on the WB6 countries alone. Implementation of such a project would be an important milestone for the EU integration process and would serve as a good preparatory phase from which the countries in the region can strongly benefit, but it will not be an easy task.

Creation of REA will require full commitment from WB6 authorities, ministries and institutions and close coordination and cooperation with existing structures in the region related to the REA. With this in mind, institutional capacities of key stakeholders will play an essential role in the realization of REA. The policies regarding REA represent a serious endeavour, which will be especially challenging for Bosnia and Herzegovina as it is still facing difficulties regarding matters which are essential to the EU integration process. Bosnia and Herzegovina still does not have strategies with regards to important developmental areas; the lack of political will has resulted in many of the structural reforms being late or not properly implemented and the political instability has been scaring off the investors for more than a decade. In order for BiH to truly fulfil what was envisioned for the REA, serious approach and political will shall be strongly needed, both often scarce in BiH throughout the past years. Considering that 2018 will be an

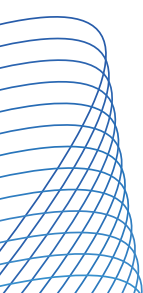


election year in BiH, it carries significant risks not only for the work on initiatives such as REA, but also for the functionality of the country in general. Past experiences have demonstrated the strength of the influence which overall political ambient has on the economy of BiH, which in turn makes the responsibility of the governments and political elites even bigger.

In order to benefit from the REA and use the potential that it will create, the countries will need to continue with the structural reforms. This is valid for BiH as for any other WB6 country and it means that BiH still needs to keep the focus on the reforms in the areas listed in the Reform Agenda as an initial document. Private sector in the country is weak, production is low, development should be more export oriented, and in general, Bosnia and Herzegovina has a low export, because there are not enough products and services to be exported. Also, if the trend of political instability in BiH continues, which already reflected on the FDI in the past years, Regional Investment Agendas or any other agenda will not be of much help - the investors will turn to other WB6 countries and avoid Bosnia and Herzegovina. Only coupled with macroeconomic and political stability, proper structural reforms and political willingness, BiH will be truly part of and benefit from the regional integrations.

One of the key recommendations, as stated above, for improving the relations was the simplification of complex export procedures, followed by coordinated border controls and improved border infrastructure. In order to increase export of agricultural products, BiH needed to develop a comprehensive and strategic approach in the field of EU food safety and sanitary and phytosanitary standards which would enable EU accreditation for the export of agricultural and food products, the lack of which hampered the overall exports and economic stability of the country. Also, attention needs to be directed towards finding out systems solutions that will enable BiH to open opportunities to increase its competitiveness and maximize the benefits of this free trade Agreement by trade liberalization, harmonization of investment policies, public procurement, etc.

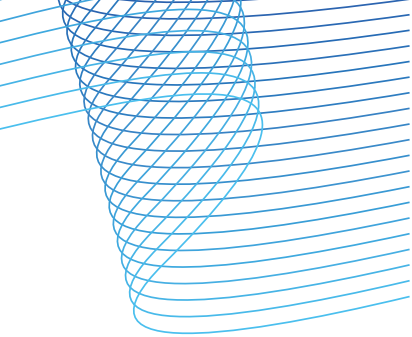
In his recent state of the Union address, President of the European Commission, Mr. Jean-Claude Juncker, announced that the Union needs to maintain credible enlargement perspective for the countries of Western Balkans. In February 2018 EU Commission published "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans" with 2025 as perspective for EU accession of Serbia and Montenegro as frontrunner candidates in the Western Balkans. Following the 5 year halt, this represents an important signal from the Brussels that the "door to the EU" is still open for the WB6 countries. As such, it should serve as an impetus not only for Serbia and Montenegro as the frontrunners, but for the other WB6 countries as well. There is no doubt that the initiatives, such as Regional Economic Area, which reflect the process of the EU accession in every sense, except the formal, will contribute to the better EU perspective of the WB6 countries.

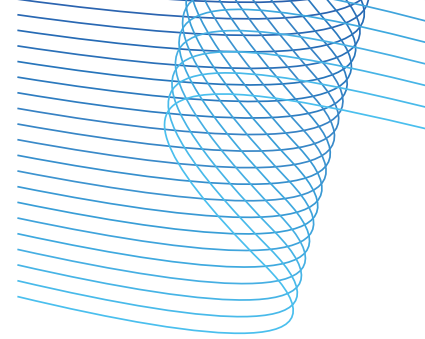




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III. THE CASE OF MACEDONIA

SILVANA MOJSOVSKA⁶⁰⁰

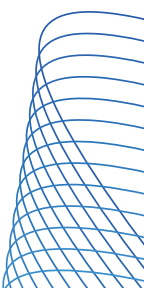
Chapter 1 – Introduction

CEFTA 2006 is a Regional Trade Agreement of the SEE region that had operated for over a decade. Seven Parties (Albania, Bosnia and Herzegovina (B&H), Republic of Macedonia, Moldova, Montenegro, Serbia and Kosovo*) comprise CEFTA, which was created in 2006 as an instrument to facilitate future integration of these Parties into the European Union. CEFTA was built on the ground of traditional trade linkages among five Parties (apart of Albania and Moldova) that were part of single Yugoslav market until 1991, with the aim of further trade creation in the region.

This study aims to identify major dynamic of Macedonian trade (export and import) within CEFTA and, in particular, trends and causes of changes of volume, structure and export/import partners. The analysis covers the period 2000-2016, enabling wider time perspective prior to establishment of CEFTA in 2006. The methodological approach primarily includes methods of analysis and synthesis of the extensive data on trade, gathered and processed for this particular study. During the research, national statistical databases at State Statistical Office and National Bank were used as primary sources, while detailed trade analysis on the level of products was conducted with data from International Trade Centre database (INTRACEN). The study contains Appendix of collected data for the purpose of this research. All further calculations needed for illustration of particular trends in the text, elaboration of Charts, etc. were done by use of data included in the Appendix: CEFTA.

This document consists of four parts – Macedonia's trade with CEFTA (export and import) in the period 2000-2016; Discussion about major impediments in intra-regional CEFTA trade; Ways Forward for improvement of the state of affairs; Conclusions and recommendations. The first part provides overview of the volume and trade partners of Macedonia's export/import to/from CEFTA and deeper analysis of the structure of the export/import in terms of specific products using Harmonized System classification. The HS analysis has been done on the groups of industrial and agricultural products, in order to get deeper insight into the trade specifics, as well as to enable basis for commenting the CEFTA developments in more specific terms. The discussion about major impediments in intra-regional trade within CEFTA tends to focus on the factors and potential for further intensification of the trade within CEFTA of the Republic of Macedonia, followed by the discussion about the ways forward and corresponding recommendations.

600 European Policy Institute - Skopje



Chapter 2 – Trade in CEFTA2006

CEFTA 2006 Agreement was signed in December 2006, consolidating 32 bilateral free trade agreements in the Southern European Region into a Single Regional Trade Agreement.⁶⁰¹ Accordingly, the Republic of Macedonia had FTAs with all of the future members of CEFTA, prior to its establishment (Table 1). The FTAs were symmetrical, envisaging immediate trade liberalization for most of the industrial products, with certain stipulations for gradual trade liberalization with regards to specific products, mostly agricultural. Those stipulations were also incorporated into the CEFTA 2006 Agreement.

Table 1: Macedonian FTAs with countries from Southeastern Europe and Moldova

Party	Date of signing	Date of entry into force
Albania	29 March 2002	1 July 2002
Bosnia and Herzegovina	20 April 2002	15 July 2002
Croatia	9 May 1997	9 June 1997
Moldova	28 February 2004	1 December 2004
Serbia and Montenegro	21 October 2005	1 June 2006
UNMIK (Kosovo)	31 August 2005	2 February 2006

Source: World Bank Global Preferential Trade Agreement Database (<https://wits.worldbank.org/gptad/library.aspx>)

With CEFTA 2006 Agreement,⁶⁰² Republic of Macedonia confirmed already provided FTAs' zero or MNF tariffs to other countries for most of the products (industrial and agricultural), while tariff quotas for import of specific products were arranged with Albania, Croatia and Moldova. The majority of the protected products were from the dairy group, meat, fruits and vegetables, as well as wine and tobacco. Most of the tariff quotas were arranged with Moldova, despite lack of trade between countries. Also, Macedonia's export of certain products, mostly from the same categories, was subject of import tariff quotas of these three CEFTA members. Removal of those restrictions was stipulated gradually by 2011 with Albania and Croatia and partially, Moldova. Complete removal of tariff barriers with Moldova was scheduled for 2015. No restrictions of trade were arranged with Serbia, Montenegro and Kosovo.

In accordance with the FTAs, the implementation of CEFTA agreement for the Republic of Macedonia has started on already liberalized ground. However, the analysis of the intra CEFTA trade of the Republic of Macedonia indicates trend of decrease of the relevance of trade with CEFTA Parties over the analyzed period 2000-2016. The share of CEFTA in the total Macedonian foreign trade ranged from 19.5% in 2000; 17.7% in 2004 and 20% in 2008, declining to 12.9% in 2013 and down to 11% in 2016.⁶⁰³ The figures indicate notable decrease of the CEFTA share, which is even more relevant given the country's total trade growth of 3.4 times over the period 2000-2016. In absolute numbers, the total Macedonian trade rose from 3.4 billion USD in 2000 to 11.5 billion USD in 2016.

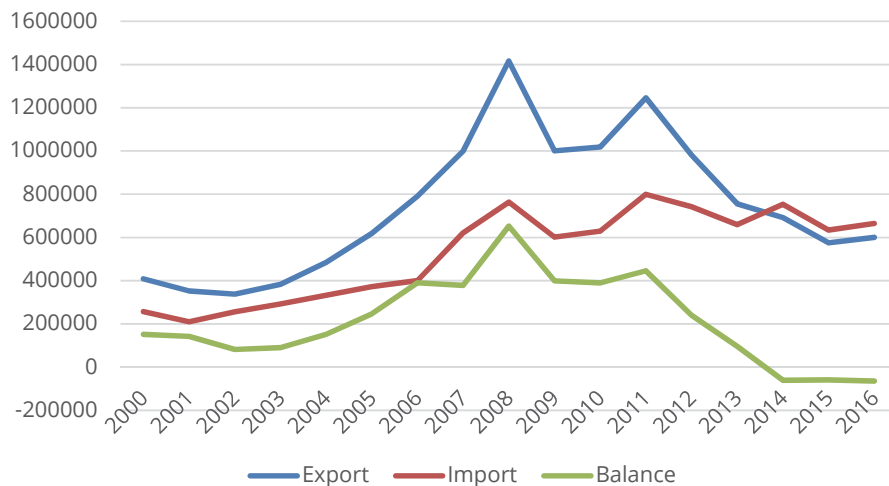
601 "Legal documents", CEFTA, <http://cefta.int/legal-documents/>

602 "Agreement on Amendment of and Accession to the Central European Free Trade Agreement", CEFTA, <http://cefta.int/legal-documents/#1463498231136-8f9d234f-15f9>

603 Calculations based on MAKSTAT database of State Statistical Office of the Republic of Macedonia, Data Base, MAKSTAT, <http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>



Chart 1: Macedonia's trade with CEFTA (in '000 USD)



Source: State Statistical Office of the Republic of Macedonia (MAKSTAT database)

Since establishment of CEFTA 2006, Macedonia's trade within this RTA could be divided in two periods – expansion (2006-2011) and contraction (2012-2016). More specifically, it rose from 1.2 billion USD in 2006 to 2.2 billion USD in 2008 and 2 billion USD in 2011. The period of decline followed, and total Macedonia's trade within CEFTA shrank to 1.3 billion USD in 2016. In addition, the country's trade with CEFTA Parties registered positive movement prior to entry into force of the Agreement, as it rose from 665 million USD in 2000 to 1.2 billion USD in 2006. Changes occurred on both sides – export and import, although not in a balanced manner (Graph 1; Appendix: CEFTA Table 1 and Table 2). Import from CEFTA noted an increase from 400.8 million USD in 2006 to 664.8 million USD in 2016, while export to CEFTA decreased from 791 million USD in 2006 to 600.4 million USD in 2016. Meanwhile, the export to CEFTA had its peak of 1.4 billion USD in 2008. These movements resulted in change of Macedonia's trade balance with CEFTA – from surplus in the period 2006-2013 it shifted to deficit over 2013-2016. The trade surplus in Macedonia's trade with CEFTA ranged from 390.2 million USD in 2006 down to 96.7 million USD in 2012, with its peak of 652.3 million USD in 2008. The deficit in the last three years of the analyzed period was about 60 million USD. Macedonia's trade with CEFTA has been also presented in EUR, on Graph 2.

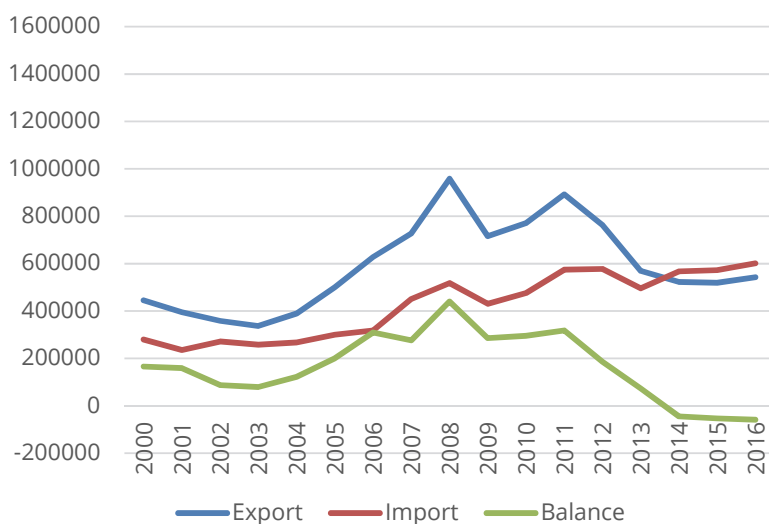
The presented trends could be linked to two factors:

- Departure of Croatia from CEFTA, due to its membership into the EU (2013)
- Intensification of Macedonia's trade with EU from 2010 onwards, which resulted in decrease of the relative share of Macedonia's trade with CEFTA.

The first factor was crucial for the changes of Macedonia's trade within CEFTA. Croatia was among top three Macedonia's trade partners in CEFTA over the period 2000-2012, on both sides – export and import. The trade balance was favorable for Macedonian party, as the Republic of Macedonia registered almost continuous trade surplus with Croatia (with exception of 2000 and 2012). Both countries enjoyed tariff-free trade regime as of 1st of January 2000, as stipulated in their FTA signed in 1997. Nevertheless, Macedonia's trade surplus with Croatia experienced growth within CEFTA 2006, as it increased from 45.7 million USD in 2006 to 92.7 million USD in 2008. Sharp decline of its surplus followed in 2009-2011, from 34.3 million USD to 6.5 million USD over the period. The latest year of the Croatian membership in CEFTA was marked with deficit on the Macedonian side of 22.5 million USD. This indicates that the trade among both parties have started to change in favour of Croatia. As Croatia joined EU in 2013, that contributed significantly to the drop of CEFTA share in the total Macedonian trade from 16.3% in 2012 to 12.9% in 2013.



Chart 2: Macedonia's trade with CEFTA (in '000 EUR)



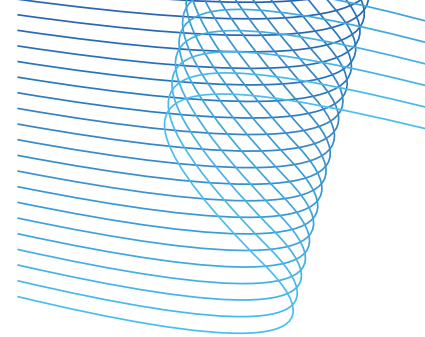
Source: State Statistical Office of the Republic of Macedonia (MAKSTAT database)

The second factor that contributed to the decline of the relative importance of CEFTA in the total Macedonian trade was notable increase of the trade with EU since 2010. The surge was largely attributable to the export/import activities of the FDI plants operating in the Republic of Macedonia, mostly from automotive or related industries. However, it has to be noted that the newly created trade with EU was neither related to CEFTA, nor it contributed to any trade diversion from CEFTA to EU. In this context, there was only an indirect impact of the increase of the trade with EU due to FDI plants' activities, as it significantly affected the relative share of Macedonia's trade within CEFTA in the total trade of the country. On the other hand, Macedonia's trade with CEFTA declined from 2008 onwards (in absolute figures), indicating that some of its traditional trade with CEFTA was diverted to other trade partners, primarily EU. Therefore, this part of the increase of the trade with EU could be considered to have direct impact on Macedonia's trade with CEFTA.

Summarized, both factors – membership of Croatia and intensification of the trade activities with EU had rather constraining impact on Macedonia's trade with CEFTA. This is a general overview of the state of affairs on this subject, while more detailed insight into the export/import in terms of volume, trade partners and structure (products) is given below.

2.1 Macedonia's export to CEFTA

The analysis of Macedonia's export to CEFTA incorporates analysis of the export's volume and trade partners (exporting destinations), and specific products using Harmonized System classification. The data about Macedonia's export in terms of SITC has been available only for total Macedonia's export, while data per specific countries (including CEFTA Parties) were not at disposal. The HS analysis has been done for the groups of industrial and agricultural products, for the purpose of enabling better insight into Macedonia's export to CEFTA.

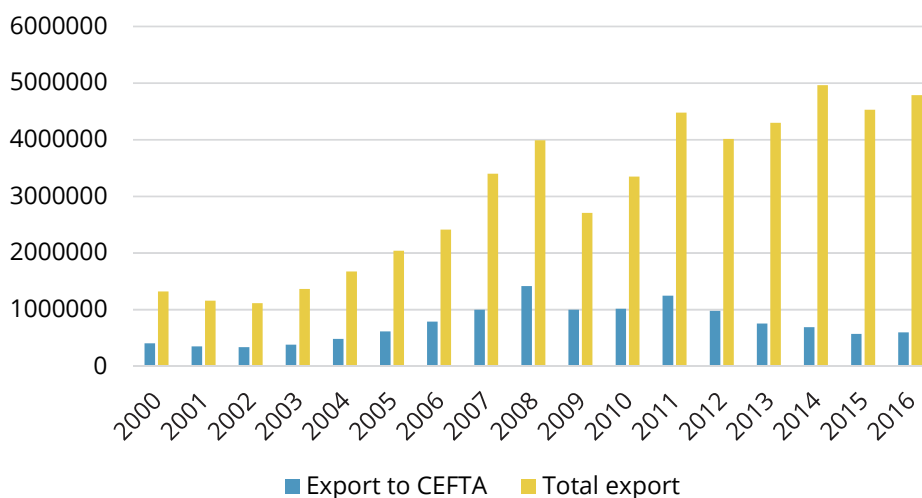


2.1.1 Export's volume and trade partners

During the analyzed period 2000-2016, CEFTA countries had registered decrease of their importance as export destination for Macedonian products (Chart 1; Appendix: CEFTA Table 1 and Table 2). Prior to joining CEFTA, the share of Macedonia's export to future CEFTA members was ranging from 30.8% in 2000, 28% in 2003 and 30.3% in 2005. Upon membership, it registered mostly positive trend over the period 2006-2009, with outmost share of Macedonia's export to CEFTA in the total country's export of 36.9% in 2009. However, it could not be argued that the increase of Macedonia's export to CEFTA was attributable to the establishment of CEFTA 2006, as the Republic of Macedonia already enjoyed tariff-free export for most of the Macedonian products to these countries. The increase was more related to pre-crisis economic boom on the global level, which implied overall increase of Macedonia's export in 2007 and 2008. Furthermore, the increase of the share of CEFTA in total Macedonia's export in 2009 could be regarded as trade diversion from EU to the region, due to the prolonged economic problems of EU members.

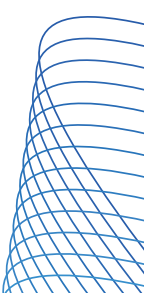
From 2010 onwards, the relative share of CEFTA in the total Macedonian export started to decline, from 30.4% in 2010 to 17.5% in 2013 and down to 12.5% in 2016. In absolute numbers, Macedonia's export to CEFTA reached its peak of 1.4 billion USD in 2008 and 1.2 billion in 2011, followed by continuous decline until 2015, marked with halved amount of 575 million USD. Certain increase of Macedonia's export to CEFTA was noted in 2016, it amounted to 600 million USD. As noted above, two factors contributed to this trend – membership of Croatia in EU (2013) and increase of Macedonia's export to EU. Croatian share in the total Macedonian export to CEFTA was 10% in 2012, which had direct effect on the decrease of the share of CEFTA in the total Macedonian export since 2013. On the other hand, the increase of Macedonia's export to EU negatively affected relative share of the export to CEFTA in total Macedonian export, as the export to EU28 rose rapidly and reached over 3.8 billion in 2014/2016 (76.7% and 79% of the total Macedonian export, respectively). As discussed above, it could be argued that only limited part of this increase has been directly linked to Macedonia's export to CEFTA in absolute terms. However, implicit to both factors (with direct or indirect impact), the importance of CEFTA in total Macedonian export declined, both in relative and absolute terms. Detailed analysis of Macedonia's export to CEFTA in terms of products is provided in the section 1.1.2.

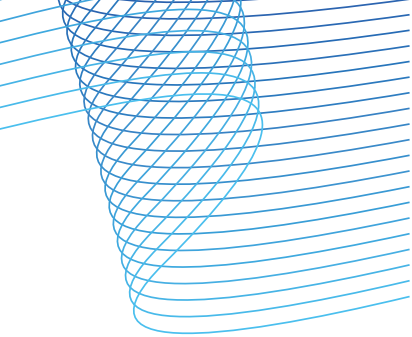
Chart 3: Macedonia's export to CEFTA and world (in '000 USD)



Source: State Statistical Office of the Republic of Macedonia⁶⁰⁴; Appendix: CEFTA Table 1

604 Data Base, MAKSTAT, <http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>

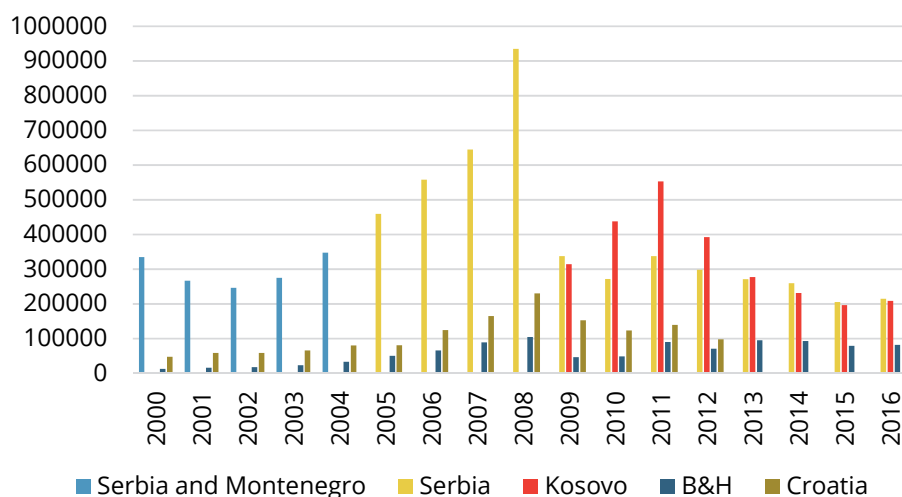




More specific analysis of the exporting destinations of the Republic of Macedonia within CEFTA indicates limited number of trade partners (Appendix: CEFTA Table 5a and Table 5b). In the period 2000-2007, Macedonia's export to CEFTA was mostly absorbed by Serbia, Croatia and B&H (in that particular order). Their combined share in the total Macedonian export to CEFTA was very high, although with declining trend from 97% in 2000 to 89.9% in 2007. Starting from 2009, the list of the top three partners regularly incorporates Serbia and Kosovo (Kosovo being top exporting destination over the period 2010-2013), while the third party was Croatia until 2012 (as it left to EU in 2013) and B&H afterwards. Albania appeared on the list of the top three exporting destinations only once, in 2008, on the 3rd position following Serbia and Croatia.

Over the period 2008-2016, the top three exporting destinations within CEFTA absorbed over 80% of the total Macedonian export to CEFTA. The share was lowest (80.4%) in 2009/2012 and highest (89.8%) in 2008. Starting from 2014, the share of the top three destinations stabilized to around 84% in the total Macedonian export to CEFTA. The analysis revealed that Serbia was dominant export destination for Macedonian products within CEFTA over the period, while Kosovo also showed significant absorbing capacity for Macedonia's export.

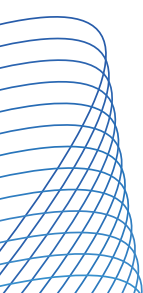
Chart 4: Macedonia's top exporting destinations within CEFTA (in '000 USD)

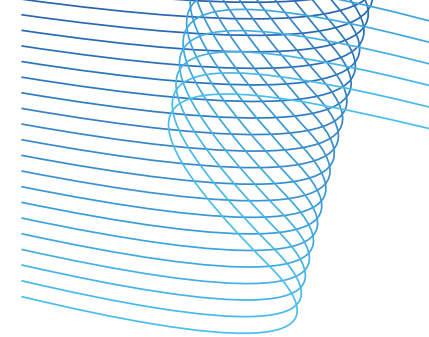


Source: State Statistical Office of the Republic of Macedonia;⁶⁰⁵ Appendix: CEFTA Table 5a

The Serbian share in the total Macedonian export to CEFTA was very high in the period 2000-2008, although with declining trend from 82% in 2000 down to 66% in 2008. Afterwards, its share dropped to 33.7% in 2009, 27% in 2010/2011 and rose again to 37.5% in 2014. It stabilized to around 36% in the last two years of the analyzed period. This trend does not reflect an actual decrease in Macedonia's export to Serbia, but rather changes of export's evidence implicit to the separation of Kosovo from Serbia. In this respect, Kosovo appeared on the list of the top exporting destinations of the Republic of Macedonia within CEFTA from 2009 onwards. The relative share of Kosovo in the total Macedonian export to CEFTA ranged from 31.4% in 2009 up to outmost 44.4% in 2011, while it stabilized to around 34% in the last three years of the analyzed period. The combined share of both countries corresponds to the previous share of Serbia, indicating that Macedonian companies have not changed significantly their trading partners. In absolute terms, Macedonia's export to both countries registered continuous decline over the period 2011-2015. The export to Serbia declined from 337.5 million USD in 2011 to 205.5 million USD in 2016, while Kosovo's figures were 552.3 million USD and 196.8 million USD, respectively.

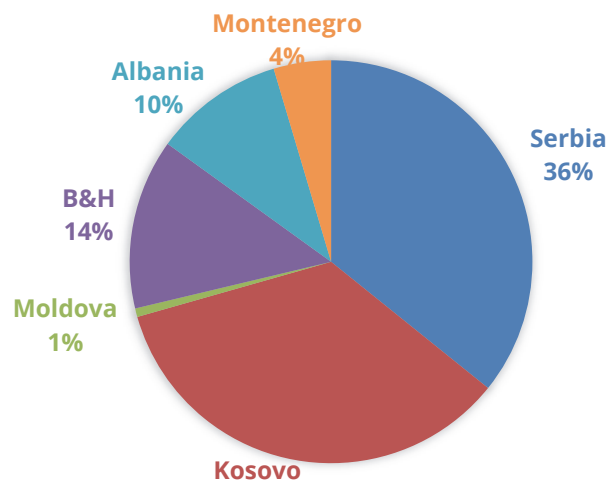
605 Data Base, MAKSTAT, <http://makstat.stat.gov.mk/PXWeb/pXweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>





Certain increase occurred in 2016, although without significant impact on the CEFTA share in the total Macedonia's export. The share of all CEFTA Parties in Macedonia's export in 2016 has been presented on Graph 3.

Chart 5: Share of CEFTA Parties in Macedonia's export in 2016



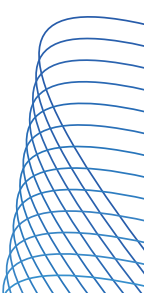
Source: State Statistical Office of the Republic of Macedonia⁶⁰⁶

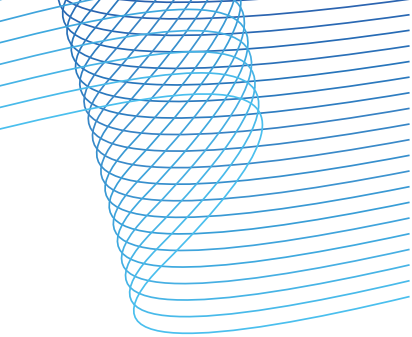
With regards to the other countries from CEFTA, Croatia had important role for Macedonia's export to this RTA, as explained above. B&H relevance increased after Croatia left CEFTA, as it started to participate in Macedonia's export to CEFTA with around 13% over the period 2013-2016. Previously, its share ranged from 3.1% in 2000 to 8.9% in 2007. Albania's highest share in Macedonia's export to CEFTA was 7.6% in 2008, while Macedonia's export to Montenegro is modest, and, furthermore, rather minor to Moldova. In this context, it could be argued that Macedonia's export to CEFTA has been currently pursued to two subgroups within CEFTA. The first subgroup consisting of Serbia, Kosovo, and, to some extent, B&H, determines the export pattern of Macedonia's trade to CEFTA. The other group, consisting of Albania, Montenegro and Moldova, is less relevant in terms of Macedonia's export. However, Macedonia's export to the first group experiences decline, as discussed above, implying unsteadiness in the further developments of Macedonia's export to CEFTA.

2.1.2 Structure of Macedonia's export

The analysis on the structure of Macedonia's export to CEFTA in accordance to SITC sectors has been constrained by lack of available data from national statistical sources (State Statistical Office and National Bank) about Macedonia's export structure per specific countries, as discussed above. These data were available only for the total Macedonian export. Therefore, the analysis of total Macedonian export according to SITC sectors is provided in this section, as a base for further cross-cutting with the analysis on exported Macedonian products to CEFTA (according to HS classification), aiming to reveal the correspondence of the top export products to CEFTA with top sectors of the total Macedonian export. The analysis of the export structure according to HS classification has been done separately for industrial and agricultural products, for the purpose of getting more detailed insight into the subject.

⁶⁰⁶ Data Base, MAKSTAT, <http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>



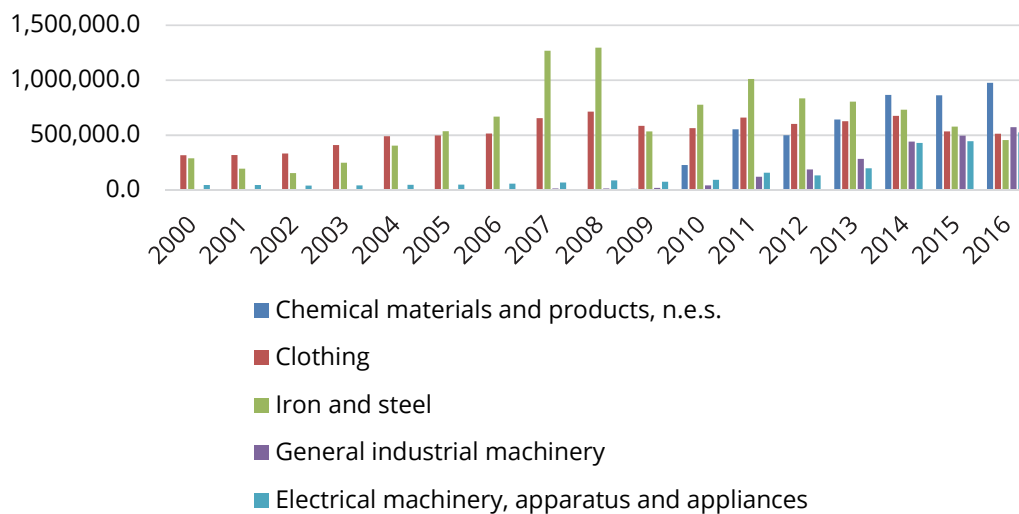


a) Export of industrial products by SITC sectors

Macedonia's export of industrial products is characterized by dominance of limited number of sectors. According to SITC classification, the major exporting sectors up to 2014 were textile and metal sector. Afterwards, chemical materials and products become dominant in Macedonia's export (Chart 6; Appendix: SITC Tables). As mentioned above, the data refer to total Macedonian export. Given the share of around 20% of CEFTA in the total Macedonian export in the last years, the analysis of total Macedonian export is not likely to apply to Macedonia's export to CEFTA, but it would provide basis for cross-cutting with the analysis on the level of products, as explained above.

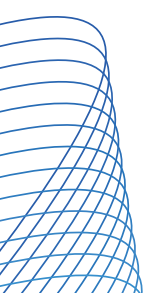
As evident on the Chart 3, clothing has been dominant export sector up to 2004, with its share reaching 30% in the total export (2002-2004). Later on, the relative share of the textile in the total Macedonian export experienced downward trend, shrinking to 19.3% in 2007, 14.7% in 2011 and 10.7% in 2016. This occurred due to increase of the export in other sectors. In absolute numbers, the clothing sector had continuous growth in the period 2000-2008, rising from 320 million USD to 715 million USD, respectively. After decline of the sectors due to the crisis in 2009/2010, the period 2011-2016 was marked with recovery. The textile export reached its peak of 676 million USD in 2014, followed by decline down to 513 million USD in 2016.

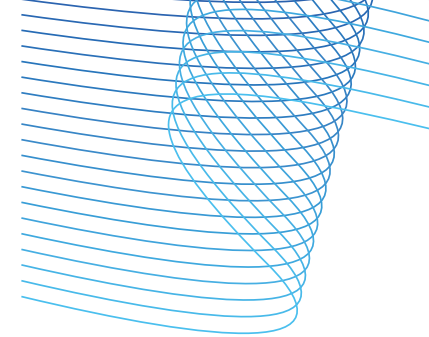
Chart 6: Major SITC exporting industrial sectors of the Republic of Macedonia (in '000 USD)



Source: National Bank of the Republic of Macedonia (http://nbrm.mk/nadvoresno_trgovska_razmena-en.nsp)

Apart of the textile sector, another milestone of the Macedonian export has been metal sector or sector of "Iron and steel". It was dominant export category in the period 2005-2014, with highest share of 37.3% in the total Macedonian export in 2007. In absolute numbers, iron and steel export reached its peak of 1.3 billion USD in 2008. Continuous downward trend started in 2011, falling to 455 million USD in 2016 or 9.5% of the total Macedonian export. The decline of this sector was due to the fall of the metal prices on the world markets (2012-2015, with eventual upward movements) and problems in functioning of "FENI", one of the leading metal factories in the Republic of Macedonia. "FENI" faces problems of financial and ownership matters, which led to significant downsizing of its production from 2015 onwards. Both factors – metal prices and "FENI" had significant impact on the metal industry in the Republic of Macedonia. It is still





one of the most important sectors in the country, although its relevance in the export declined. Resolving the problems of “FENI” is expected to have significantly positive impact on the export movements.

Negative changes in the metal sector, as well as expansion of the production of newly opened FDI plants in the Republic of Macedonia, mostly in automotive industry, resulted in overtaking of the top export position by the sector “Chemical materials and products”. Rise of this sector started in 2010, when the exporting value was 229 million USD or 6.8% of the total export. In 2016, the corresponding figures were 977 million USD or 20.4% of the total Macedonian export. The fast growth of this sector has made serious changes to the Macedonia’s export, with tendency for further strengthening of its role in the Macedonian foreign trade.

The other two exporting sectors in the top five are “Electrical machinery, apparatus and appliances” and “General industrial machinery”. The first one has been relevant for Macedonia’s export from the start of the analyzed period 2000-2016, with tendency of almost continuous growth. In absolute numbers, the sector of “Electrical machinery, apparatus and appliances” grew from modest 46.5 million USD in 2000 to 159 million USD in 2011. However, more intense growth occurred in the period 2013–2016, when the sector’s export rose from 199.6 million USD to 524.6 million USD. In relative figures, the share of this sector in the total Macedonian export ranged from 3.5% (2000) to 4.6% (2011) and up to 11% (2016). The increase of the importance of this sector could be also related to greenfield FDI in the Republic of Macedonia, as some of the products of newly opened plants (aimed for exports) are classified into this sector. Same applies to the “General industrial machinery”, which importance for Macedonia’s export rose from 2011 onwards. The share of this sector in the total Macedonian export was 0.5% in 2000, 2.7% in 2011 and up to 12% in 2016. In absolute figures, the export of “General industrial machinery” rose from 6.2 million USD in 2000, 122.8 million USD in 2011 to 572.8 million USD in 2016.

b) Top exported Macedonian industrial products to CEFTA

The analysis of the top exported Macedonian products to CEFTA reveals very limited number of products with high share in Macedonia’s export to CEFTA (Appendix: CEFTA Table 3a and Table 3b). The data has been derived from the INTRACEN database and refer to Harmonized System (HS), level 6 digits,⁶⁰⁷ as well as MAKSTAT data of the State Statistical Office of the Republic of Macedonia.⁶⁰⁸

Chart 7 represents top exported Macedonian products to CEFTA in the period 2000-2016. The major exporting product of the Republic of Macedonia over the period has been “Medium oils and preparations of petroleum or bituminous minerals, not containing biodiesel”, which have dominated the export in the period 2003-2013. Starting from 2014, the top position was undertaken by “Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes”. The change occurred due to decrease of the export of oil and petroleum preparations, which experienced sharp decline from 2013 onwards. In absolute figures, Macedonia’s export of oil and petroleum preparations declined from 114.4 million USD in 2012, to 39.4 million USD in 2013 and furthermore, reaching the lowest value of 21.3 million USD in 2015. The decrease partially reflected changes in the oil prices on the world markets, while the major cause for the decrease was termination of the production of petroleum products of Macedonian oil refinery “OKTA”.

607 “List of products exported by Macedonia, The Former Yugoslav Republic”, Trade Map – International Trade Statistic, https://www.trademap.org/tradestat/Product_SelCountry_TS.aspx?nvpm=1|807|||TOTAL||2|1|1|2|2|1|1|1|1

608 Kosovo data are not included in INTRACEN, therefore data on Macedonia’s trade with Kosovo has been taken from MAKSTAT. The correspondence of INTRACEN and MAKSTAT was checked for the data of other countries – it is very high, with minor, insignificant differences.

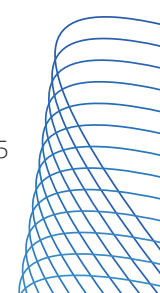
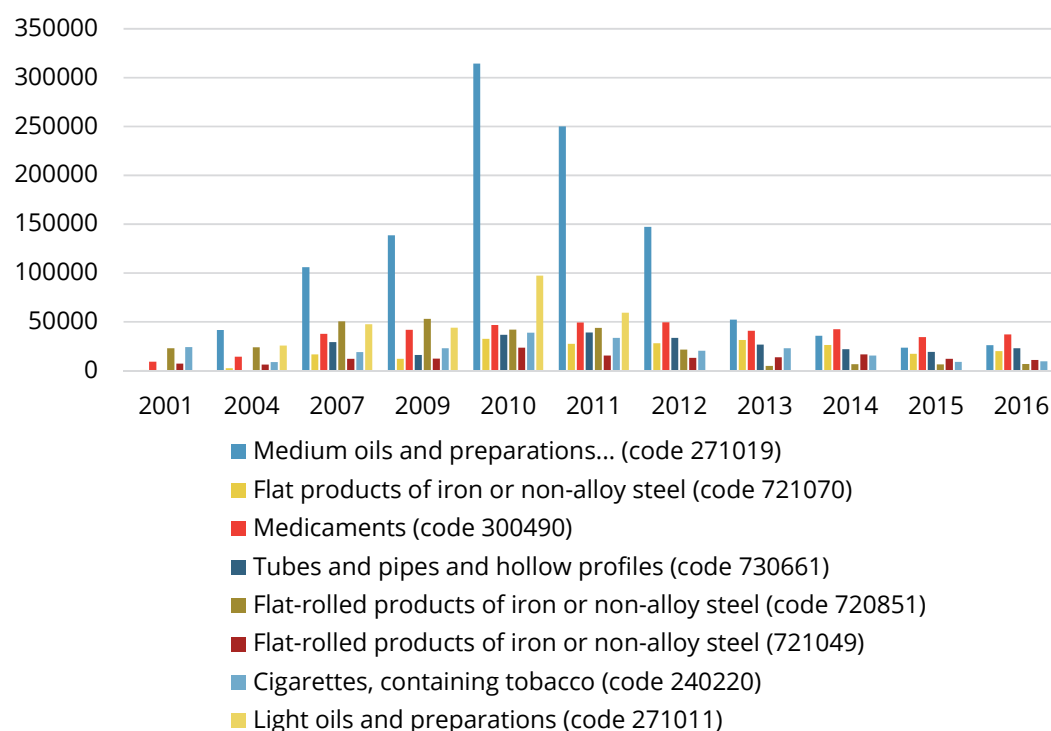


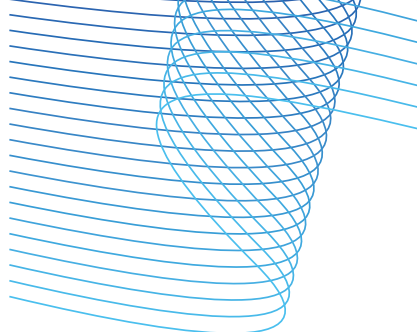
Chart 7: Top exported industrial Macedonian products to CEFTA (in '000 USD)



Source: INTRACEN database (<http://www.intracen.org/itc/market-info-tools/trade-statistics>); Appendix: CEFTA Table 3a

It has to be noted that the Republic of Macedonia imported crude oil (mostly from Greece) to produce refined petroleum products, which were sold on the domestic market and exported, mainly to Serbia and Kosovo. Starting from 2008, the production of "OKTA" has started to decline and was almost annulled in 2014. The company is still active in trade of finished petroleum products (mainly imported from Greece to be sold on the Macedonian market), while the production is on hold. It is a part of the Greek Petroleum Group since 1999, which consist of eight companies from the wider region (Greece, Bulgaria, Serbia, Republic of Macedonia and Cyprus). The company completed 210 km pipeline for oil transport from OKTA (Skopje) to another refinery in Thessaloniki, Greece, in 2002, which has not been used since 2013. The changes in the operation of OKTA occurred due to the change of the company's policy not to transport crude oil through the pipeline, but diesel, which implied necessary activities for preparation of the pipeline. However, the process for obtaining license for transport of diesel from the Macedonian institutions has been an ongoing and long lasting one. The changes in the operation of OKTA had negative impact on Macedonia's export to CEFTA, given the importance of the petroleum products as major exported products from the Republic of Macedonia to this RTA. In this context, two products of this industry ("Medium oils and preparations" and "Light oils and preparations") were among top three exported products to CEFTA in the period 2003-2011.

Another two categories of products which continuously participate in the top five exported Macedonian industrial products to CEFTA are Pharmaceutical products (medicaments) and products of Iron and steel industry (Appendix: CEFTA Table 3a and Table 3b). Macedonia's export of medicaments experienced mostly upward trend over the analyzed period, rising from 10.2 million USD in 2001 to 38.6 million USD in 2012. The export of these products' category



was 33.5 million USD in 2016. The product group of “Iron and steel” is present in Macedonia’s export through several main products – flat rolled products of iron or non-alloy steel (of different variety), bars and rods of iron or non-alloy steel, as well as tubes and pipes and hollow profiles. Both product groups – “Medicaments” and “Iron and steel”, have shown stable presence in Macedonia’s export to CEFTA. Other products were occasionally incorporated on the list of the top five Macedonian industrial products exported to CEFTA over the analyzed period, such as “Cigarettes, containing tobacco”, “Waters, mineral and aerated, with added sugar, sweetener and flavour” and “Portland cement”, all of them mostly exported to Serbia. The last two were not included on the Chart 4, due to their less frequent appearance compared to the other products.

The share of the top five Macedonian industrial products exported to CEFTA in the total Macedonian export to CEFTA ranged from 29.8% in 2001, to its peak of over 35% in 2006 and 2011, followed by a fall to 18.6% in 2015 and 19.5% in 2016. These changes were largely attributable to the decrease in the export of “Medium oils and preparations”, as discussed above. The current structure is rather diversified in terms of products, although the exported products mostly derive from limited groups of products (such as iron and steel products), which is implicit to rather narrow structure of the Macedonian industry. In addition, the absolute value of the top five Macedonian industrial products exported to CEFTA over the ten years of functioning of CEFTA 2006, declined from 283 million USD in 2006, to 117 million USD in 2016. Meanwhile, there were amplitudes of increase and decrease, as presented in the Appendix: CEFTA Table 3a and Table 3b.

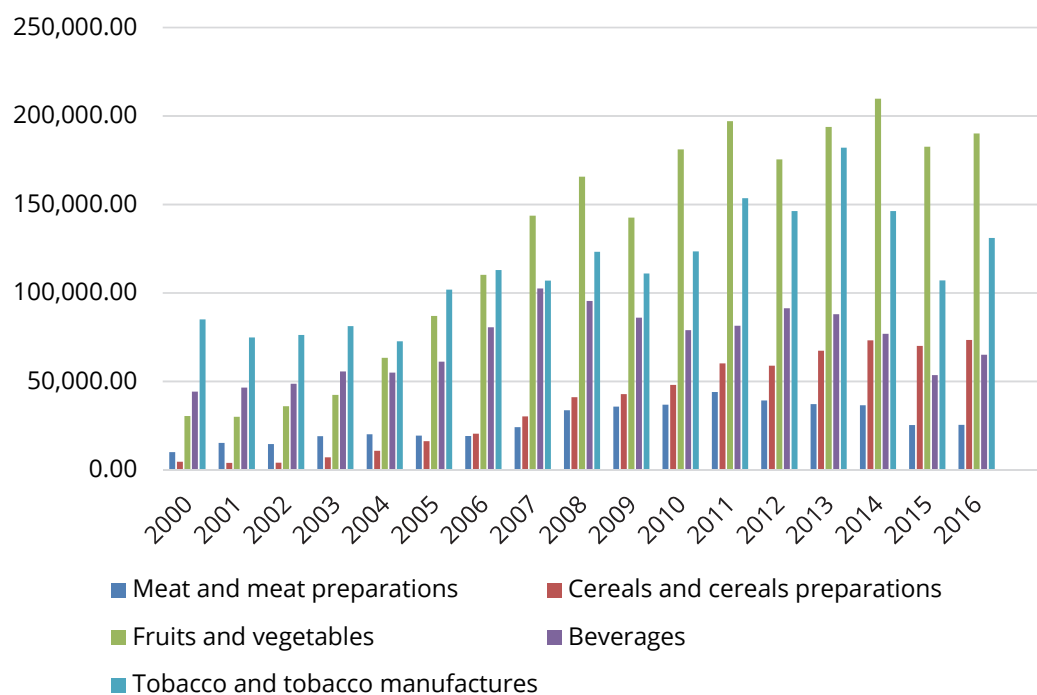
Diversification of Macedonia’s export structure to CEFTA could have been treated as positive in case of the increase of the total Macedonian export to CEFTA over the ten years of its functioning, which did not happen. Instead, the change of the structure has been caused by decline of the export of major exported products (petroleum preparations), which was not followed by significant increase of the export of other products. As noted above, there was a decline in the export from 791 million USD in 2006 to 600 million USD in 2016 (with amplitudes meanwhile). The export to Croatia was 89 million USD in 2016, implying that even if Croatia remained in CEFTA, Macedonia’s export to this RTA would still have been characterized by a downward trend. In this context, it could be argued that CEFTA did not deliver expected results on the export side for the Republic of Macedonia. The trade with CEFTA Parties prior to signing of the Agreement has been rather promising, as the total Macedonian export rose from 400 million USD in 2000 to 791 million USD in 2006. Also, the value of the top five Macedonian industrial products exported to CEFTA over this period rose from 100 million USD to 283 million USD. In 2016, the respective figure was 117 million USD. This shows high dependence of Macedonia’s export to CEFTA on one group of products (petroleum preparations) over the whole analyzed period.

With regards to the correspondence of the top exported Macedonian industrial products to CEFTA with top exporting sectors of the Republic of Macedonia (according to SITC), it is evident that only metal sector appears on both lists. **There is no significant export from other top exporting Macedonian sectors to CEFTA Parties, implying that there is no notable overlapping of the export to EU (as major trade partner which absorbed 79% of Macedonia’s export in 2016) and export to CEFTA.** This could be perceived as positive for Macedonia’s export to CEFTA, as it mostly relays on traditional linkages, although, decrease of export over the analyzed period points out the lack of investment in industries which would be export-oriented to CEFTA market. In this context, it should be argued that existence of liberal trade with EU since 1998 for most of the Macedonian products was not in favour of CEFTA, due to higher attraction of the EU market. Therefore, the trade within CEFTA should be enhanced by provision of additional trade policy measures by the national governments of its Parties, as, apparently, tariff-free export was not sufficient incentive for the Macedonian exporters.

c) Export of agricultural products by SITC sectors

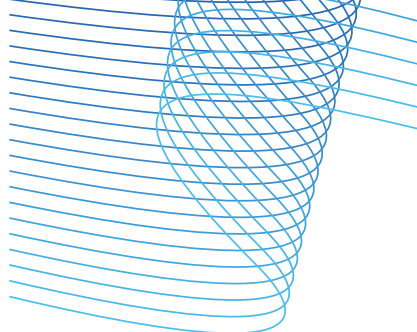
In the analysis of Macedonia's export of agricultural products, two SITC sector groups are included: "Food and live animals" and "Beverages and tobacco". The combined share of both groups in the total Macedonian export ranged from 14.8% in 2001 up to 17.7% in 2009 and down to 11.4% in 2016 (Appendix: SITC Tables). From the first group, there is one major exporting sector - Fruits and vegetables (Chart 8), while from the second, both subsectors - Tobacco and Beverages are rather important. The data refer to total Macedonian export of agricultural products, not solely to EU, due to their availability from national statistical sources. As discussed above, given the share of around 20% of CEFTA in the total Macedonian export, the analysis of total Macedonian export is not likely to apply to Macedonia's export to CEFTA, but it would provide basis for cross-cutting with the analysis of Macedonia's export to CEFTA on the level of products.

Chart 8: Major SITC exporting agricultural sectors of Macedonia (in '000 USD)



Source: National Bank of the Republic of Macedonia (http://nbrm.mk/nadvoresno_trgovska_razmena-en.nsp)

As evident on the Chart 8, "Fruits and vegetables" was the dominant Macedonian agricultural exporting sector during 2007-2016. Its share in the total Macedonian export of agricultural products ranged from 15.4% in 2001, 31.2% in 2008 to 34.9% in 2016. In absolute numbers, the sector has experienced serious increase of over 6 times, i.e. surged from 30 million USD in 2001 up to 190 million USD in 2016. Around 48% of the export of "Fruits and vegetables" (fresh and processed) was exported to EU28 market (2016). Apart from the "Fruits and vegetables", another important sector is "Tobacco and tobacco manufactures". This was the leading Macedonian exporting agricultural sector in the period 2000-2006 and remained second after "Fruits and vegetables" took the dominant position. In absolute terms, tobacco export has also grown - from 85 million USD in 2000 to 131 million USD in 2016. It is still one of the most important



industries in the country, although its share in total agricultural export declined from 43.6% in 2000 down to 24.1% in 2016 (due to the rise of the sector “Fruits and vegetables”). The third sector by importance is the sector of “Beverages”. Volume of export of beverages was 44 million USD in 2000 and rose up to 65 million USD, mainly owing to the export of wine. The other two exporting sectors on the list of top five - “Cereals and cereals preparations” and “Meat and meat preparations” are lagging behind other sectors, but have an upward tendency and potential for further growth.

d) Top exported Macedonian agricultural products to CEFTA

The analysis of the top Macedonian agricultural products exported to CEFTA reveals that the structure of the top five exported products didn't change significantly over the years (Appendix: CEFTA Table 3c and Table 3d). The data has been derived from the INTRACEN database and refer to Harmonized System (HS), level 6 digits.

Chart 6 represents top exported Macedonian agricultural products to CEFTA over the period 2001-2016. Products from the group “Cereal and cereals preparations” were not included in the product analysis, as Republic of Macedonia is not an exporter of cereals, while the products of bakery and other related industries have an upward trend in the past few years. This implies that their inclusion on this list would have distracted the attention from the unprocessed agricultural products of the Republic of Macedonia. Same applies to the products from the sub-group “tobacco manufactures”, as cigarettes were the major Macedonian product from this sub-group exported to CEFTA. The raw (unprocessed) tobacco is included in the analysis.

The share of the top five agricultural products in the total Macedonian export to CEFTA was around 6% in most of the period, with lowest share of 5.4% in 2011 and highest of 7.1% in 2014. In absolute figures, their combined value ranged from 20.5 million USD in 2000, 50.5 million USD in 2006, and up to the peak of 66.8 million USD in 2011. Downward trend followed in the subsequent years, with decline to 49.5 million USD in 2013 and 40.1 million USD in 2016. The amplitudes of the top five Macedonian agricultural products exported to CEFTA were in line with the trend of the total Macedonian export to CEFTA, implying their stable relative share over the period, as mentioned above. This share indicates that the Macedonian agricultural export to CEFTA is scattered to variety of products exported in limited quantities, as the top five have relatively low share in the total Macedonian export to CEFTA. However, it has to be noted that most of the Macedonian export to CEFTA consists of industrial products, as discussed above.

The combined share of top products of Macedonia's export to CEFTA from both groups (five industrial + five agricultural products) in the total Macedonian export to CEFTA was around 26% in 2016.

The top exported Macedonian agricultural products to CEFTA over the analyzed period include: wine (bulk and bottled), fresh grapes, tomatoes and unprocessed tobacco. The export of wine has incorporated both bulk and bottled wine over the whole analyzed period, with dominance of the bottled wine from 2013 onwards. This reflects the development of the wine industry in the Republic of Macedonia in the past decade, characterized by opening of new wineries and increase of the production of bottled wine. The share of bottled wine in the total Macedonian export to CEFTA increased from 1.2% in 2006 to 1.9% in 2016. In absolute terms, the value of exported bottled wine rose from 10 million USD in 2006 up to 16.7 million USD in 2011 (highest value), followed by decrease down to 11.5 million USD in 2016. In the same manner, the export of bulk wine rose from 13.8 million USD in 2006 to 16.1 million USD in 2012, followed by a decline to 9.3 million USD in 2016.

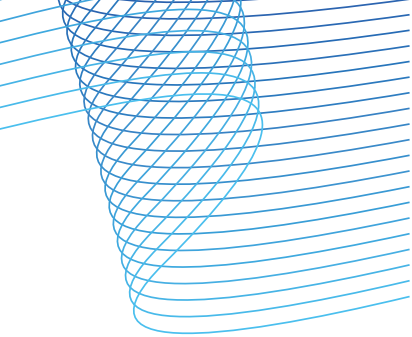
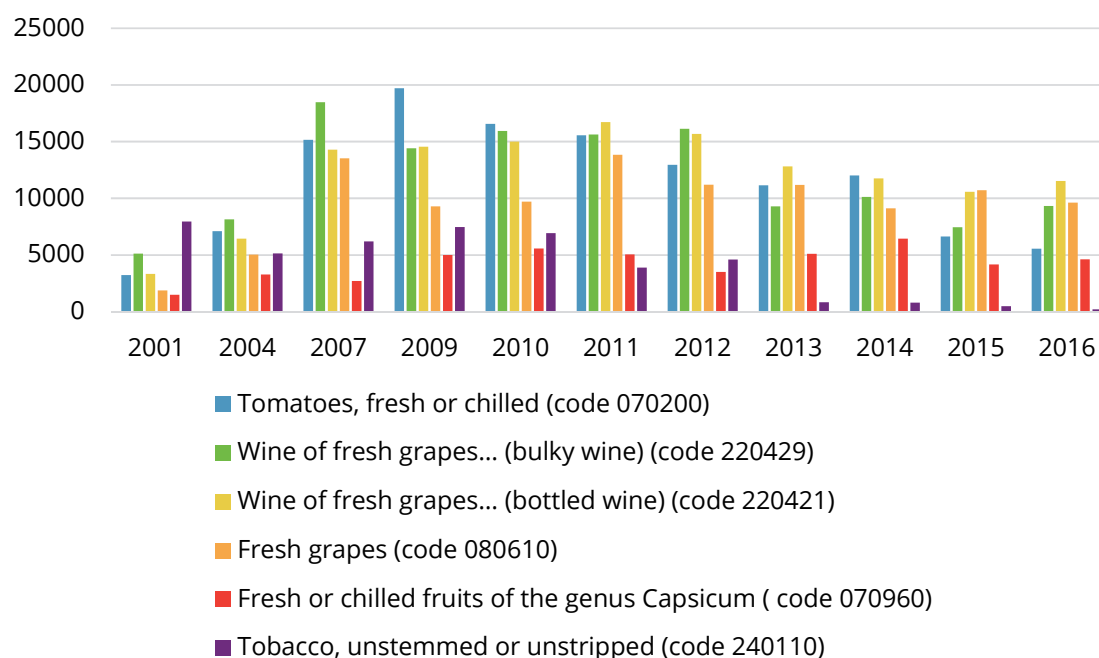


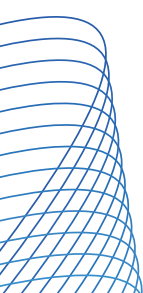
Chart 9: Top exported Macedonian agricultural products to CEFTA (in '000 USD)

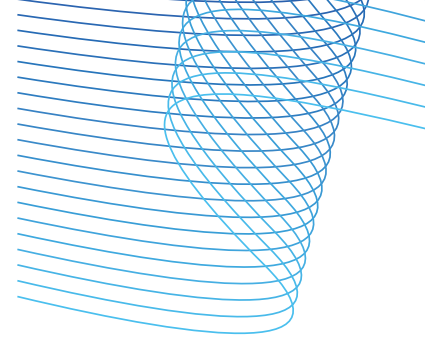


Source: INTRACEN database (<http://www.intracen.org/itc/market-info-tools/trade-statistics>); Appendix: CEFTA Table 3c

In addition to wine (bulk and bottled), two other products from the sector of “Fruits and vegetables” have been regularly exported to CEFTA. Those are fresh grapes and fresh tomatoes. As discussed in the analysis according to SITC, the sector of “Fruits and vegetables” is the leading exporting agricultural sector of the Republic of Macedonia. However, it consists of many products, implying export of various products in lower quantities. Fresh tomatoes and grapes have been exported to CEFTA relatively well, resulting in their positioning as top exported Macedonian agricultural product to CEFTA in respective years of the analysed period, such as 2009, 2014 and 2015 (Chart 9). In absolute figures, export of both products experienced amplitudes of growth and decline, which is implicit to the impact of season (weather) on their harvest, as well as market conditions of demand in the CEFTA Parties. Furthermore, unprocessed tobacco has been important in Macedonia’s export to CEFTA up till 2012. Its relevance declined with Croatian membership to EU in 2013, as significant part of the export of raw tobacco to CEFTA has been absorbed by Croatia. Instead, the export of pepper (Capsicum), as part of the sector “Fruits and vegetables” was incorporated into the top five products of Macedonia’s export to CEFTA.

With regards to the correspondence of the top exported Macedonian agricultural products to CEFTA with top exporting agricultural sectors of the country according to SITC, it is evident that major exported agricultural products from the Republic of Macedonia derive from three of the five top exporting sectors in this sphere. This is implicit to the fact that the agricultural sector has not experienced structural changes as the industrial one (although those were not positive with regards to the export to CEFTA, as explained above). The export of the agricultural products derived from the traditional sectors (production of wine, tobacco, fruits and vegetables), which have been exported to both markets – CEFTA and EU. In this context, it could be argued that the agricultural sector could be more prone to trade diversion (from one to another market) than to trade creation, given the limited capacity of the Macedonian agricultural production. **Implicitly, investment in agricultural sector as well as in the sectors of food processing is needed in order to enhance agricultural export to CEFTA, as well as to EU.**





2.2 Macedonia's import from CEFTA

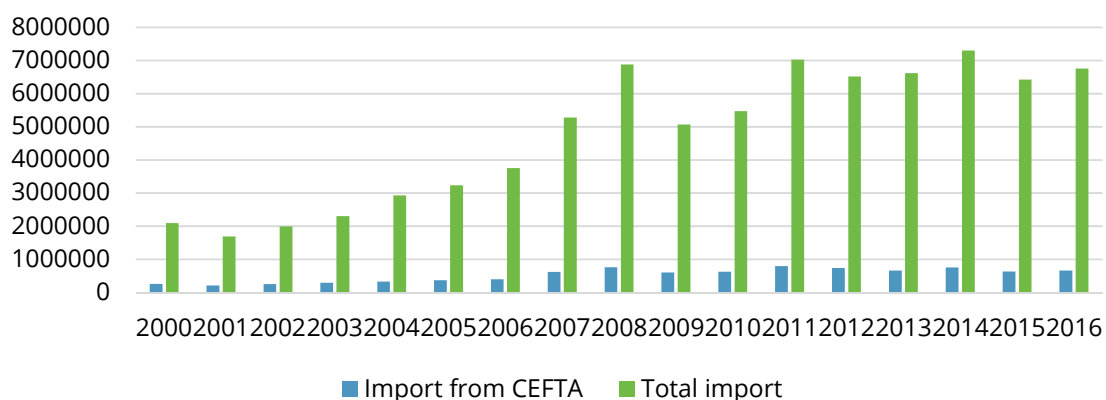
The analysis of Macedonia's import from CEFTA incorporates analysis of the import volume and trade partners (countries of import), and specific products using Harmonized System classification. As mentioned above, the data about Macedonia's import in terms of SITC has been available only for the total Macedonian import, while data per specific countries (including CEFTA Parties) were not at disposal. The HS analysis was done on the groups of industrial and agricultural products, with the purpose of enabling better insight into Macedonia's import from CEFTA.

2.2.1 Import volume and trade partners

During the analyzed period 2000-2016, the importance of CEFTA Parties as import source for the Macedonian market has not changed much in relative terms (Chart 10; Appendix: CEFTA Table 1 and 2). Prior to joining CEFTA, the share of Macedonia's import from future CEFTA members was ranging from 12.3% in 2000, 11.3% in 2004 to 10.7% in 2006. Upon membership, it was around 11-12% up till 2012, decreasing down to 10% over period 2013-2016 (due to Croatian departure from CEFTA). In absolute terms, Macedonia's import from CEFTA increased since its establishment, rising from 400 million USD in 2006 to 665 million USD in 2016. The peaks were reached in 2007 and 2011, with import from CEFTA of 763.6 million USD and 799.6 million USD, respectively. However, as on the export side, it could not be argued that the increase of the absolute value of Macedonia's import from CEFTA was attributable to this RTA, as the Republic of Macedonia already had tariff-free import of most of the products from CEFTA Parties. For illustration, the import from these countries rose from 256.8 million USD in 2000 to 400 million USD in 2006. In this context, as discussed previously, the increase is more related to pre-crisis economic boom on the global level, which implied overall increase of Macedonia's import in 2007 and 2008, while the import from CEFTA did not experience significant positive changes of its relative share in the total Macedonian import.

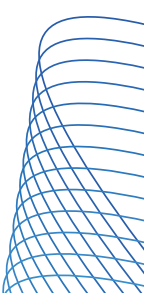
The increase of Macedonia's import from CEFTA in absolute terms versus steady relative share over the analyzed period was attributable to the overall tendency of increase of the total import, which registered higher growth rate, compared to Macedonia's import from CEFTA. The slower growth rate of Macedonia's import from CEFTA, compared to overall import is evident on Chart 7.

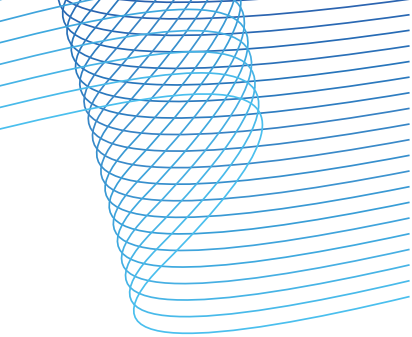
Chart 10: Macedonia's import from CEFTA and world



Source: State Statistical Office of the Republic of Macedonia⁶⁰⁹; Appendix: CEFTA Table 1

609 Data Base, MAKSTAT, <http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>

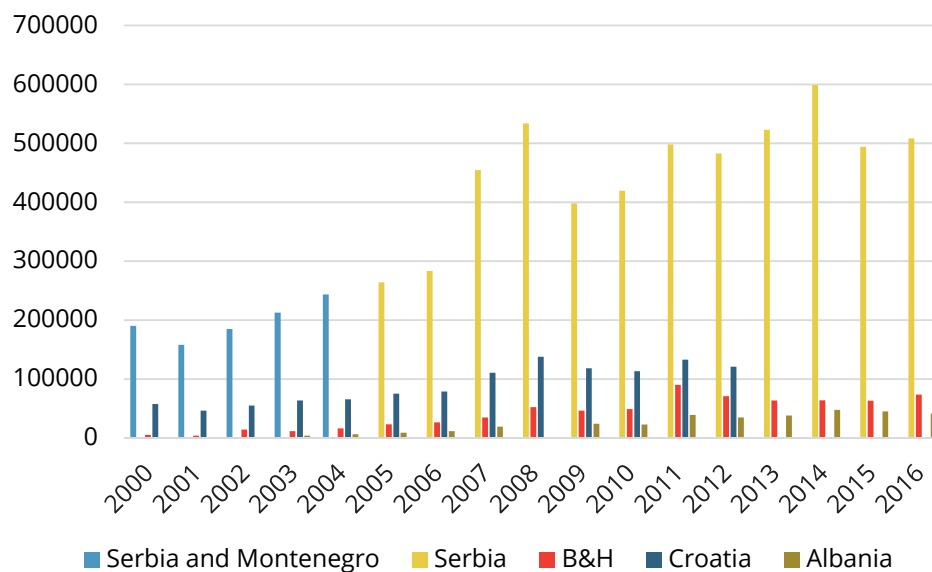




More specific analysis of the countries of import of the Republic of Macedonia from CEFTA indicates limited number of trade partners (Appendix: CEFTA Table 6a and Table 6b). In the period 2000-2012, Macedonia's import from CEFTA mostly originated from Serbia,⁶¹⁰ Croatia and B&H (in that particular order). Their combined share in the total Macedonian import from CEFTA was very high, although with declining trend from 98.7% in 2000 to 90.9% in 2012. Starting from 2013, and owing to Croatian membership into EU, the list of the top three countries of import in the Republic of Macedonia from CEFTA consists from Serbia, B&H and Albania. Their share in the total Macedonian import from CEFTA ranges around 94%.

The analysis revealed that Serbia was dominant import source for the Republic of Macedonia within CEFTA over the whole analyzed period. Its share in the total Macedonian import from CEFTA has been always very high, ranging from 74% in 2000 down to 62% in 2011. Upon Croatian membership into EU (2013), Serbian share rose again to 79% in 2013, with mild decrease to 76.5% in 2016. This indicates that no significant trade diversion happened upon Croatian departure from CEFTA, in favour of other countries.

Chart 11: Top CEFTA countries in Macedonia's import (in '000 USD)

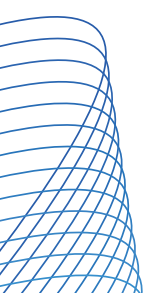


Source: State Statistical Office of the Republic of Macedonia;⁶¹¹ Appendix: CEFTA Table 6a

Also, it should be noted that there were no changes of the Serbian share in the total Macedonian import from CEFTA implicit to the separation of Kosovo from Serbia, as Macedonia's import from Kosovo is low. In absolute numbers, Macedonia's import from Serbia increased from 190 million USD in 2000 (including Montenegro), 283.2 m USD in 2006 and up to 508.3 million USD in 2016. The share of all Parties in Macedonia's import from CEFTA in 2016 is presented on Chart 12.

610 Until 2004, Serbia and Montenegro appear as one country in the trade statistics.

611 Data Base, MAKSTAT, <http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>



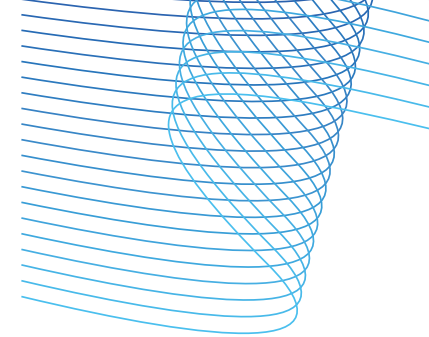
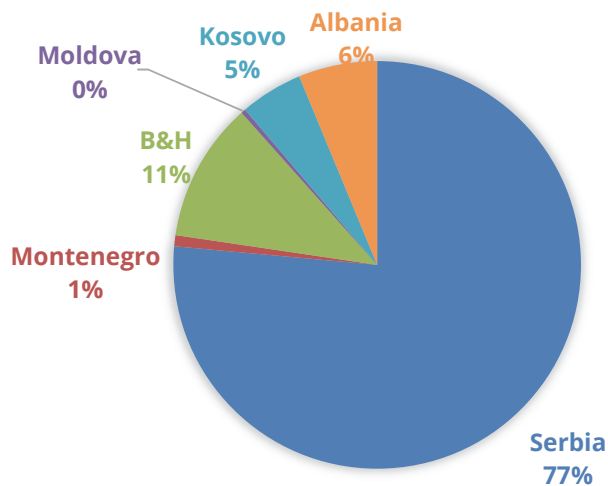


Chart 12: Share of CEFTA Parties in Macedonia's import



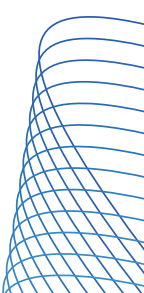
Source: State Statistical Office of the Republic of Macedonia⁶¹²

With regards to the other countries, Croatia had an important role in Macedonia's import from CEFTA, as explained above. At the start of the analyzed period, its share in Macedonia's import from CEFTA was 22.5% in 2000, declining to 19.7% in 2006 and down to 16.3% in 2012, in the last year of its membership in CEFTA. B&H relevance in Macedonian's import from CEFTA Parties rose from 2% in 2000 to 6.6% in 2006, with tendency of increase until 2011, when its share reached 11.3%. In the period afterwards, Bosnian share in Macedonia's import from CEFTA declined to 8.5% in 2014, but recovered back to 11% in 2016. In absolute numbers, the Macedonian import from B&H increased by around three times in the period of CEFTA functioning, rising from 26.5 million USD in 2006 to 73.7 million USD in 2016. Furthermore, Albania's share in Macedonia's import from CEFTA was around 6-7% over the last several years, while Macedonia's import from Montenegro, Kosovo and Moldova is rather negligible. In this context, same as on the export side, it could be argued that Macedonia's import from CEFTA is determined by one group of countries - Serbia, B&H and to some extent, Albania. The other group, consisting of Kosovo, Montenegro and Moldova is less relevant in terms of Macedonia's import from CEFTA.

2.2.2 Structure of Macedonia's imports

Similar to the export side, the analysis of the structure of Macedonia's import from CEFTA in accordance to SITC sectors has been constrained by the lack of available data from national statistical sources regarding Macedonia's import structure from specific countries. These data were available only for the total Macedonian import. Given that the share of Macedonia's import from CEFTA was within range of 10% in the past several years, it could not be expected that the data referring to total Macedonian import would provide insight into SITC sectors relevant for Macedonia's import from CEFTA. However, it would serve as a basis for cross-cutting with the analysis on imported products from CEFTA (according to HS classification), aiming to reveal the correspondence of the top import products from CEFTA with top sectors in the total Macedonian import. The analysis of the import structure according to HS classification was done separately for industrial and agricultural products, with the purpose of getting more detailed insight into the subject.

612 Data Base, MAKSTAT, <http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>

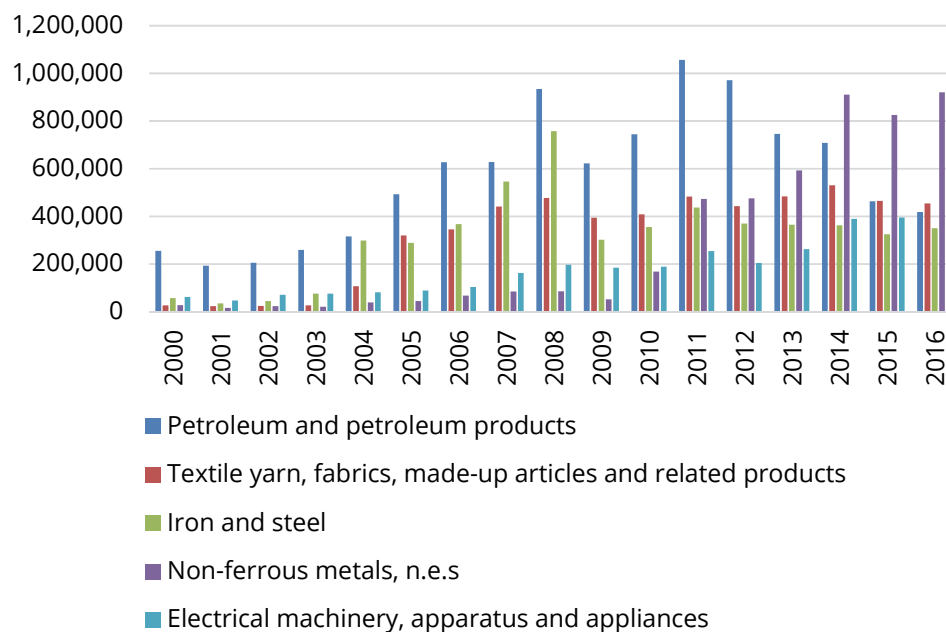


a) Import of industrial products by SITC sectors

Macedonia's import of industrial products is characterized by dominance of limited number of sectors/products (Appendix: SITC Tables). According to SITC classification, the major importing sector until 2013 was "Petroleum and petroleum products". This is logical, due to the country's dependence of these products from abroad. The data refer to total Macedonian import, owing to their availability from national statistical sources.

As evident on the Chart 13, "Petroleum and petroleum products" had been the dominant import sector until 2014, with its share reaching the highest 16.7% of the total import in 2006. Starting from 2011, its share in the total Macedonian import started to decline, shrinking to 11.3% in 2011, 7.2% in 2015 and 6.2% in 2016. This occurred due to turbulences in oil prices on the global markets, as well as changes in the operation of Macedonian refinery "OKTA", as explained above. In addition, there was an increase of import in other sectors, in particular import of raw materials for export oriented FDI plants. The latter resulted in change of Macedonia's import structure, evident through the dominance of the sector of non-ferrous metals from 2014 onwards. The import of non-ferrous metals rose from modest 27 million USD in 2000, up to 169 million USD in 2010 and reached 920 million USD in 2016. Intense upward trend resulted in increase of the share of this sector in the total Macedonian import from the EU, from 1% in 2009 up to 13.6% in 2016. As mentioned earlier, the rise was due to the import of raw materials for the export oriented production of FDI plants in the country, in particular, platinum for catalysts production of British company "Jonson Matthey".

Chart 13: Major SITC importing industrial sectors of Macedonia (in '000 USD)



Source: National Bank of the Republic of Macedonia (http://nbrm.mk/nadvoresno_trgovska_razmena-en.nsp)

The other two sectors in the top five imports are "Textile yarn, fabrics, made-up articles and related products" and "Electrical machinery, apparatus and appliances". The first one has been relevant for Macedonia's import from 2005 onwards, and it relates to one of the most prominent export sectors in the Republic of Macedonia – Clothing. The Macedonian textile industry



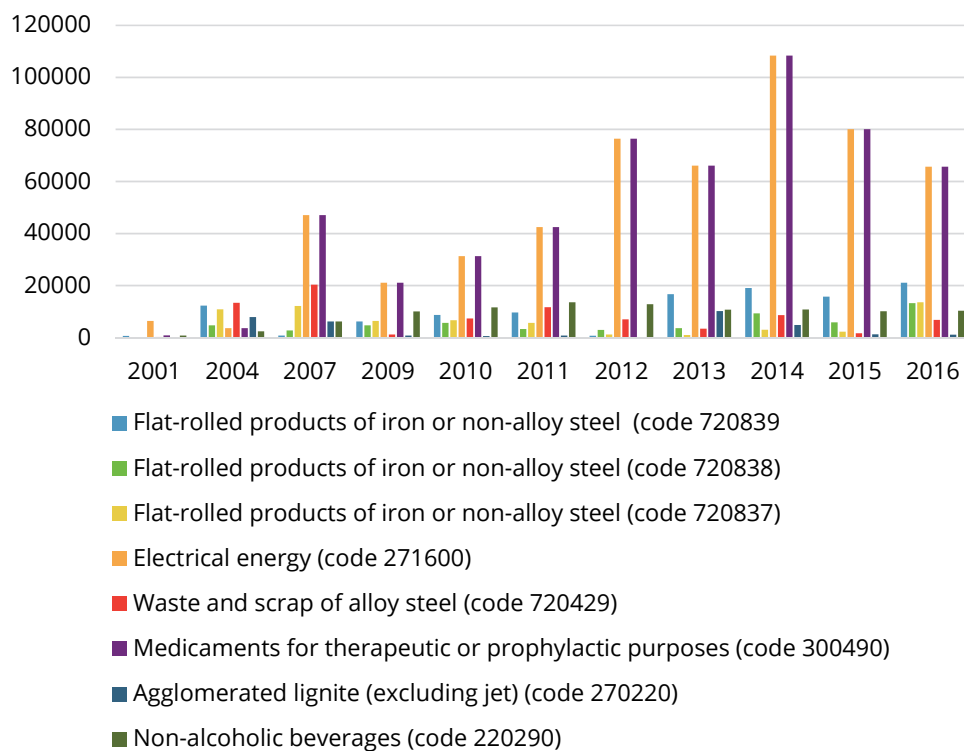
belongs to the group of the so called “further processing industries”, implying that usually only the final phase of the production is conducted in the country, i.e. the industry works solely with imported inputs, apart from the labor force. This explains presence of the “Textile yarn, fabrics, made-up articles and related products” in the total Macedonian import, whose share was 9.9% in 2005 and stabilized at around 7% from 2011 onwards. The import from the other sector - “Electrical machinery, apparatus and appliances” grew from 61.7 million USD in 2000 to 254 million USD in 2011 and up to 451.4 million USD in 2016. In relative figures, the share of this sector in the total Macedonian import ranged from 2.9% (2000) to 6.7% (2016). The increase of its importance could be also related to greenfield FDI in the Republic of Macedonia, as most of the equipment for the new FDI plants, as well as for the domestic companies, had to be imported.

The other relevant sector from the group of top importing sectors in the Republic of Macedonia is the sector of “Iron and steel”. The share of this sector in the total Macedonian import was 2.7% in 2000, rising up to 11% in 2008 and decreasing to 5.2% in 2016. In absolute numbers, the import of iron and steel rose from 57 million USD in 2000 to outmost of 757 million USD in 2008, shrinking down to 350.6 million USD in 2016. The figures show impact of the metal prices of the world markets on Macedonia’s import, evident through the amplitudes in the import volume and share, as well as problems in the operation of “FENI”, as discussed above.

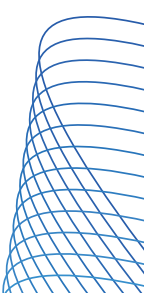
b) Top imported industrial products from CEFTA in the Republic of Macedonia

The analysis of the top imported industrial products from CEFTA reveals dominance of limited number of products (Appendix: CEFTA Table 4a and Table 4b). The data has been derived from the INTRACEN database and refer to Harmonized System (HS), level 6 digits.

Chart 14: Top imported industrial products from CEFTA in Macedonia (in ‘000 USD)



Source: INTRACEN database (<http://www.intracen.org/itc/market-info-tools/trade-statistics>); Appendix: CEFTA Table 4a



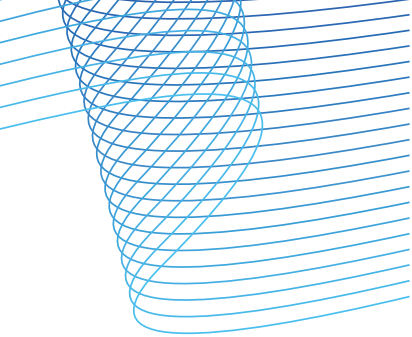


Chart 14 represents selected top imported products from CEFTA in the period 2000-2016. The dominant imported product from CEFTA in the Republic of Macedonia had been “Electrical energy”. It had been at the top position for most of the analyzed period, while continuously from 2007 onwards. The share of electrical energy in the total Macedonian import from CEFTA had ranged 0-14% over the analyzed period. The peak of both - relative and absolute value of import of electrical energy was registered in 2014, when it amounted to 108.4mil USD or 14% of the total import from CEFTA. In 2016, the share of electrical energy in the total Macedonian import from CEFTA was 10%. The electrical energy had been predominantly imported from Serbia. The amplitudes in the import of electrical energy reflect on the share of the top five imported products from CEFTA in the Republic of Macedonia. Their combined share ranged from 9.7% in 2000 up to 25.1% in 2014. If we excluded electrical energy, the share of the other four top imported products in the Republic of Macedonia would be stable and around 10% over the analyzed period.

Apart from electrical energy, Macedonia’s import from CEFTA mostly consists of different types of metal products, such as a variety of flat rolled products, as well as waste and scrap of iron or steel. Analyzed year on year, two of these products had been usually among the top five most imported products from CEFTA in the Republic of Macedonia. Also, the top five products imported from CEFTA also included “Medicaments” and “Medium oils and preparations”. Medicaments had been on the list of most imported products until 2012, due to the origin of these products from Croatia. Starting from 2013, the import of medicaments from Croatia has continued, but as import from the EU, instead of CEFTA. With regards to import of “Medium oils and preparation” from CEFTA, it appears occasionally on the list, as import of this product category had been mainly done from the EU.

Furthermore, the structure of import of the top industrial products from CEFTA could be viewed from the perspective of the leading importing SITC sectors, as discussed in the previous section. Out of the top five sectors, only sector of “Iron and steel”, had been present in the top five industrial products imported from CEFTA. As on the side of export, this indicates the different pattern of import of industrial products that the Republic of Macedonia had developed with regards to CEFTA and the EU (as major import source). In this context, the possibilities for trade diversion of import from the EU to CEFTA are limited, i.e. aligned with the competitiveness of the respective import sources. Given the size and level of development of EU countries, it’s likely to expect more diversified and competitive market offer on the EU side. Implicitly, as on the export side for the Republic of Macedonia, increase of import of industrial products from CEFTA is related to the provision of more incentives, rather than the tariff-free import.

c) Import of agricultural products by SITC sectors

In the analysis of Macedonia’s import of agricultural products, two SITC sector groups are included: “Food and live animals” and “Beverages and tobacco”. The combined share of both groups in the total Macedonian import ranged from 13.3% in 2003 (highest) down to 9.8% in 2008 (lowest), while it stabilized at around 10% from 2014 onwards (Appendix: SITC Tables). The data refer to total Macedonian import of agricultural products, not solely to the EU, due to their availability from national statistical sources.

As evident on the Chart 15, meat and meat preparations had been the dominant agricultural sector of import during the analyzed period. Its share in the total import of agricultural products ranged from 29.1% in 2001, 23.8% in 2004, 20.4% in 2010 and 18.9% in 2016. In absolute numbers, the sector increased over 2 times, i.e. rose from 63 million USD in 2001 up to 131 million USD in 2016. Apart from the “Meat and meat preparations”, another important sector on the import side is the “Fruits and vegetable sector”. Similar to the export side, it experienced serious increase of over 5 times during the analyzed period. It rose from 16 million USD in 2001 up to 92 million USD in 2016. Therefore, it represents one of the leading importing agro-industrial sectors in the recent years.

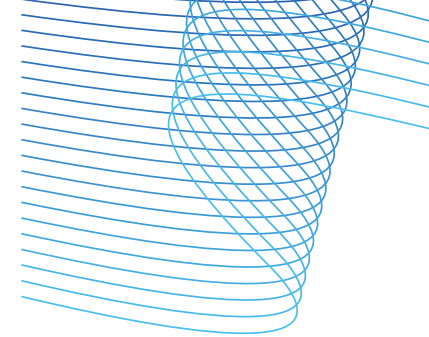
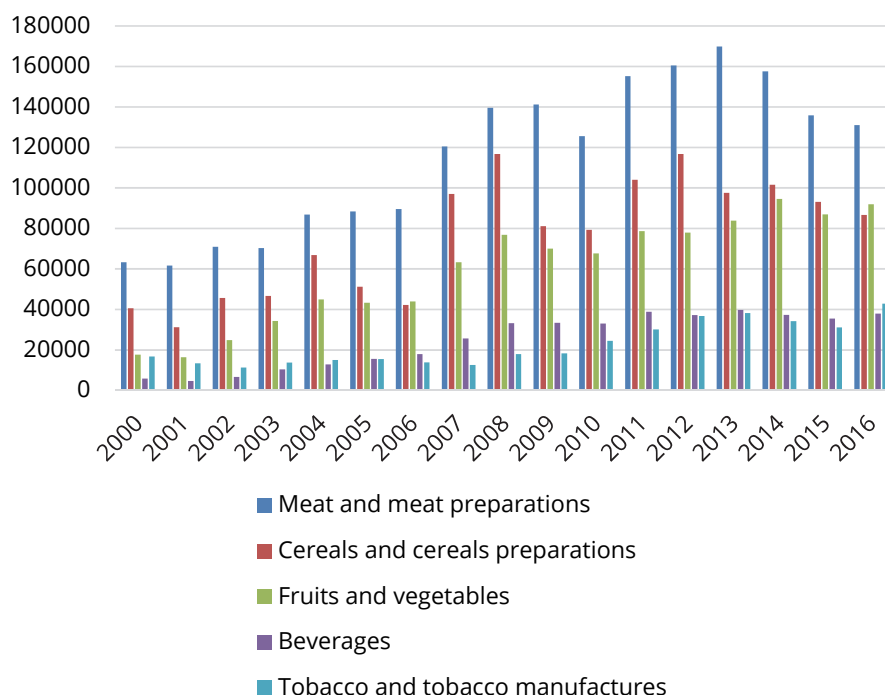


Chart 15: Major SITC imported agricultural sectors of Macedonia (in '000 USD)



Source: National Bank of the Republic of Macedonia (http://nbrm.mk/nadvoresno_trgovska_razmena-en.nspj)

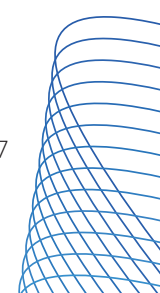
The third sector by importance is the sector “Cereals and cereals preparations”, whose share in the total agricultural export ranged from 18.3% in 2004 down to 12.5% in 2016, which is mostly due to the increase of the share of other sectors. In absolute terms, import had increased from 40 million USD in 2000 to 93 million USD in 2016. It is worth mentioning that respective domestic industries in this sphere have been registering an upward trend, implying that they are also selling their products on the domestic market. In addition, the sectors of “Beverages” and “Tobacco and tobacco manufactures” are also part of the list of top sectors of import. However, these two sectors have more relevance with regards to export, than to import.

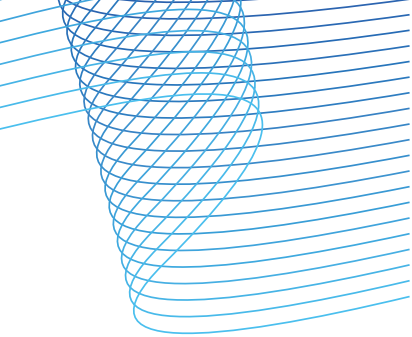
The analysis of the five most relevant importing agricultural sectors in the Republic of Macedonia indicates that the two leading sectors (Meat and Cereals) define the structure of the Macedonian import. Both sectors had experienced almost continuous upward trend over the analyzed period. However, import from these sectors is related to different certificates and other trade costs, implying that the tariff removal could not serve as a sole factor relevant for trade increase.

d) Top imported agricultural products from CEFTA in the Republic of Macedonia

The analysis of the top imported agricultural products from CEFTA reveals very limited structure of the top products, with dominance of import of cereals and sunflower seed or oil (Appendix: CEFTA Table 4c and Table 4d). The data has been derived from the INTRACEN database and refer to Harmonized System (HS), level 6 digits.

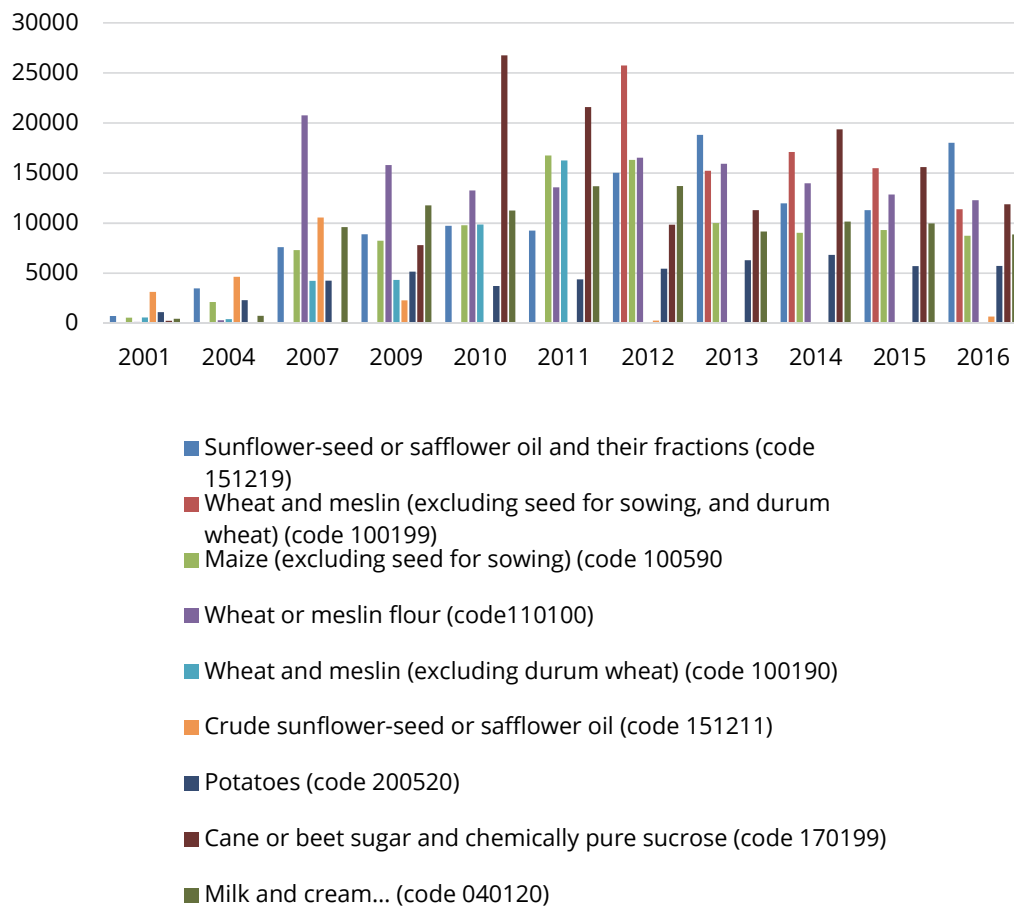
Chart 16 represents top imported agricultural products to the Republic of Macedonia from CEFTA over the period 2001-2016. Various types of cereals dominate Macedonia’s import from





CEFTA, such as wheat and meslin, maize, wheat and meslin flour, etc. In the analysis of imported products from CEFTA over the years, it is evident that cereals frequently participate in the group of top five imported products. Apart from the cereals, another two products usually incorporated in the group of imported top five are “Crude sunflower-seed or safflower oil” and “Sunflower-seed and safflower oil and their fractions”. This indicates that Macedonia’s import from CEFTA has been highly concentrated around these two groups of products (cereals and sunflower seed/oil), implying limited diversity of the import. Their combined share in the top five imported products from CEFTA was usually over 50% over the period. Both subgroups of products are mainly imported from Serbia.

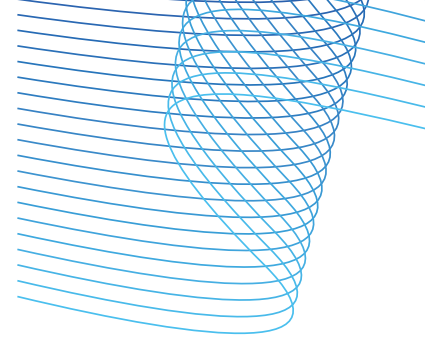
Chart 16: Top imported agricultural products from CEFTA in Macedonia (in ‘000 USD)



Source: INTRACEN database (<http://www.intracen.org/itc/market-info-tools/trade-statistics>); Appendix: CEFTA Table 3c

Furthermore, additional products that occur occasionally on the list of top five imported products from CEFTA include “Cane or beet sugar and chemically pure sucrose”, “Milk and cream products”, as well as “Fresh and chilled bovine cuts” and “Potatoes”. “Cane or beet sugar” has been imported from CEFTA since 2009, although, it is not a product originating from CEFTA, but re-exported to the Republic of Macedonia. It is predominantly imported from B&H and to smaller extent from Serbia, which indicates that importing on the regional level and re-exporting to the CEFTA Parties could be an option for further trade development in the region. However, it took the top position in Macedonia’s imports from CEFTA in 2010-2011 and 2013-2014. The absolute value of the import of cane or beet sugar reached its peak of 25.8 million USD in 2010





or 6.2% of the total import from CEFTA, while it decreased to 11.9 million USD in 2016 or 2% of the total import from CEFTA. It is used as raw material in bakery and related industries, which had an upward trend in the recent years.

The share of the top five agricultural products imported from CEFTA in the total import from CEFTA was ranging from 4.1% in 2000 up to 11.8% in 2012, followed with decline to 9.4% in 2016. This confirms that Macedonia's import of agricultural products from CEFTA is rather scattered on various products imported in limited quantities. In terms of correspondence of import of the top agricultural products from CEFTA with leading importing SITC sectors discussed in the previous section, it could be argued that Macedonia's import from CEFTA mainly corresponds to one of the leading sectors – "Cereals and cereal preparations". Similar to the industrial products, this confirms the different patterns of import of agricultural products that the Republic of Macedonia has developed with regards to EU and CEFTA.

Chapter 3 – Major Obstacles in Functioning of CEFTA

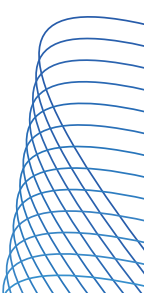
As the results from data analysis of Macedonia's trade with CEFTA show decline of its relevance over the analysed period, there is a need for discussion about possible impediments in the trade within the region. Moreover, the decline of CEFTA relevance for Parties' trade is not a case just for the Republic of Macedonia, as there is a general downward trend of the intra-CEFTA trade. There are several studies dealing with performance and factors affecting intra-CEFTA trade, mostly through the perspective of value chains as one of the instruments for enhancing trade on a global level. Increase in trade among the CEFTA Parties is closely related to the integration of these countries into value chains of specific industries.

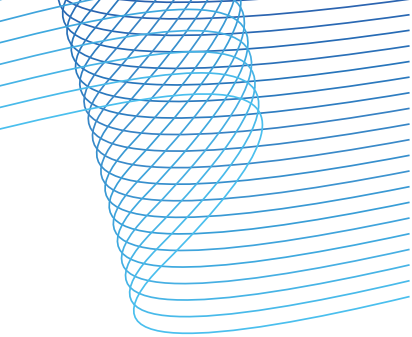
An OECD study: "Trade in Intermediate Goods and International Supply Chains in CEFTA"⁶¹³ points out that "CEFTA economies export more than 70% of their products to countries that are not part of their free trade agreement, indicating the overall importance of international supply chains for the region. However, depending on the industry, supply chains tend to be more regional, intra-CEFTA, or more international, extra-CEFTA. While the food supply chain has a significant regional aspect with 43% of intermediate goods being exported intra-CEFTA, the metals supply chains are more internationally organized as more than 70% of intermediate goods exports of CEFTA economies go to countries outside CEFTA 2006."⁶¹⁴ These findings provide an argumentation about Macedonia's limited trade with CEFTA, as well as diversified export/import structure, as there is no evidence about sound integration of the country into value chains (intra or extra CEFTA). This factor determinates the volume of Macedonia's intra-CEFTA trade, as well its structure and should be addressed on a policy level. If the trade policy is not accompanied with measures of other economic policies, then no particular effects could be expected.

Another issue that should be addressed by policy-makers in the region, including the Republic of Macedonia, are physical conditions for trade in the region. The transport infrastructure in the Republic of Macedonia should be further developed to ensure effective transport to other countries, as well as within the country. The geographical location of the country is good, although sound transport infrastructure is missing. In addition, the organization of transport of goods of the small exporters/importers from the Republic of Macedonia is also an issue, given that the costs of transport are high if they are not importing/exporting the whole load of truck. There is often collective transport for several small imports/exports, which affects the efficien-

613 Gabriel Boc and Rainer Lanz, *Trade in Intermediate Goods and International Supply Chains in CEFTA*, (Paris: OECD, 2013).

614 *Ibid*, p.2





cy (time-wise) of the delivery of goods to their final destination. This is also related to the first discussed issue of the supply chains, as supply efficiency has been considered crucial for the integration of the local companies into the regional or integrational value chains.

Furthermore, the performance of the intra-CEFTA should be seen in the light of non-tariff barriers. According to the market access database of CEFTA Secretariat,⁶¹⁵ out of 106 cases reported by CEFTA parties in the period 2009-2017, 31 or around 30% were from the category “Sanitary and phytosanitary measures”, followed by “Price control measures including additional taxes and charges” (17 cases or 16%), “Technical barriers to trade” (12 cases or 11.3%) and “Rules of origin” (10 cases or 9.5%). This clearly indicates the areas for further work with regards to trade advancement within CEFTA. Most of the sectors affected by non-tariff measures (NTMs) are “Prepared Foodstuffs; Beverages, Spirits and Vinegar; Tobacco and Manufactured Tobacco Substitutes” (33%) and “Vegetable products” (32%), as well as sector of “Live animal and animal products” (15.3%). This is expected, as trade in these products is related to certificates, licenses and control(s) of quality, often implying excessive paperwork in export/import transactions. The Republic of Macedonia reported 12 cases (out of which 6 had been solved), while it had been reported for applying measures in 13 cases (out of which 5 had been solved). No data about sectors, neither issue per CEFTA Parties were publicly available. However, the overview of the market database basic indicators indicates the major problems which should be addressed within CEFTA. These are particularly relevant for the Republic of Macedonia, as majority of the reported problems are related to agricultural products which are subject of the intra-CEFTA trade of the country.

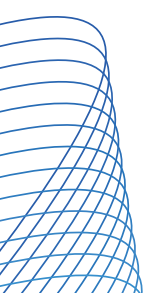
Sanitary and phytosanitary measures are considered the most problematic global trade barrier at the present time, due to different standards applied by various countries. In the case of CEFTA, all Parties are in the process of approximation of their national legislation in this area to the EU acquis, which should eventually result in aligned SPS measures. However, given that CEFTA Parties are in different phases of their processes of EU integration, the approximation of the legislation has not been done in a harmonized manner.⁶¹⁶ This mostly causes problems during import of specific products, serving as trade impediment. The SPS measures directly affect the time needed for customs clearance during import, as lack of precise information about mutual recognition of certain documents or different practices at customs offices with respect to frequent import of same product, would negatively affect the process and increase the time and costs of the import procedures. Same issues apply with regards to standards requested for certain exported/imported products, given the different standards and practices in CEFTA Parties. Other mentioned impediments should also be alleviated for the purpose of increasing the attractiveness of the region for the intra-CEFTA trade among its Parties.

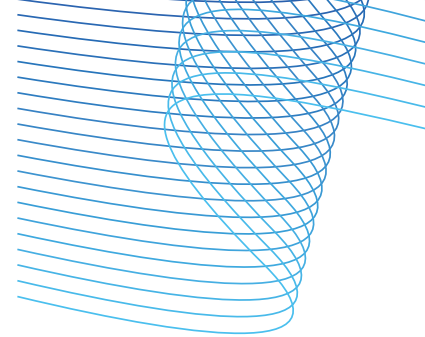
Chapter 4 – Ways forward

The analysis of Macedonia’s trade pattern within CEFTA has stressed out two issues: necessity for improvement of the business environment for intra-CEFTA trade (primarily through alleviation/elimination of non-tariff barriers in intra-CEFTA trade and support to Macedonian companies for market penetration on CEFTA market), as well as increase of the coherence of Macedonia’s trade policy with other related policies (industrial, investment, agricultural, etc.) for the purpose of increasing the attractiveness of intra-CEFTA trade.

615 “Transparency Pack”, CEFTA, <http://transparency.cefta.int/mabd/charts/reporting/#trans-pack-title>

616 Gabriel Boc and Rainer Lanz, *Trade in Intermediate Goods and International Supply Chains in CEFTA*, (Paris: OECD, 2013), 3.





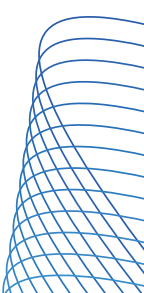
With regards to alleviation/elimination of the non-tariff barriers in intra-CEFTA trade, certain activities have already been undertaken by the CEFTA Parties. In this respect, CEFTA Parties have signed “Additional Protocol 5” to CEFTA Agreement in May 2017, with prospects of its entry into force in 2018. The Republic of Macedonia ratified the Protocol in January 2018. The Protocol 5 aims to simplify customs clearance procedures and reduce formalities to the possible maximum extent; enable increase of the exchange data between Customs authorities and ensure mutual recognition of the national Authorised Economic Operators’ Programmes in each CEFTA Party (if aligned with the relevant EU acquis). These measures are likely to contribute to increase of attractiveness of CEFTA as a market for its Parties, as well as an option for investment by investors originating from CEFTA or abroad. Nevertheless, strong efforts are needed for implementation of the Protocol 5, along with necessity for clarification of other genuine impediments for intra-CEFTA trade and their elimination in a short period of time. The intra-regional trade should be perceived as smooth and fast option by the companies. Otherwise, other options of tariff-free trade would gain on their attractiveness, such as trade with the EU.

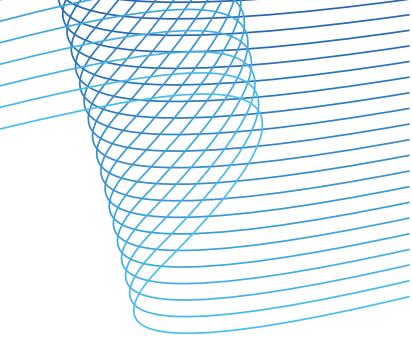
In addition to alleviation/removal of non-tariff barriers, the increase in Macedonia’s intra-CEFTA trade would be enhanced by provision of state support to Macedonian companies through different instruments for market research and market penetration, legal support for issues related to intra-CEFTA trade, as well as inclusion of the business community in formulation of the stimulus packages for intra-CEFTA trade advancement. In this respect, the latest document outlining economic policies in the Republic of Macedonia, titled “Plan for economic growth”, adopted by the Macedonian Government in December 2017, includes reimbursement of 20% of the costs of the Macedonian companies related to penetration on the Western Balkans markets.⁶¹⁷ The corresponding measure for penetration on other markets equals to 10% of the costs, implying that the Macedonian government favors the intra-CEFTA cooperation.

Creation of favorable trade environment is crucial for stimulating Macedonian companies to intensify their trading activities with partners from CEFTA Parties. In this context, redefinition of the policy outlook for intra-CEFTA cooperation should take into consideration the latest initiative of the Western Balkans countries under the auspices of the European Union, within the “Berlin Process”, for establishing the regional economic area of the Western Balkans. Apart from trade, this initiative includes three other dimensions – investment, mobility and digital dimension. As stated by the European Commission:

- “On trade, the parties agree to mobilise their efforts to implement successfully CEFTA additional protocols on trade facilitation, to swiftly conclude the adoption of Additional Protocol on trade in services and start without delay its implementation (in particular for key services such as finance, insurance, and transport), and to launch negotiations of a new protocol on dispute settlement. Provisions for e-Commerce and external tariffs are also included.
- On investment, the parties agree to establish a regional investment agenda, which will include exchanges of information and best practices on investment policies and identify policies that could be harmonised. The parties also agree to stimulate private sector development in order to maximise the benefit of the Regional Economic Area to the local economies.
- On mobility, the parties agree to removing obstacles to mobility of professionals, through regional mutual recognition agreements of professional qualifications and removing obstacles to mobility of students, researchers and academics.
- The digital dimension covers roaming and broadband deployment, cybersecurity and data protection, and will address the needs of digital skills over the region.”

617 “План за економски раст», Влада на Република Македонија, mk/PlanEkonomskiRast





Establishing a regional economic area could be considered as a rather ambitious vision of the Western Balkan countries under EU auspices, which would require strong political commitment of these countries, revision of the respective national policies, as well as engagement of a large number of resources in the process. No time frame was set for its completion, which could easily result into further prioritization of individual EU agendas of the Western Balkan countries, instead of the regional one. With regards to CEFTA, it is important that the first dimension on trade points out the necessity of implementation of Protocol 5, as well as adoption and implementation of Protocol 6 on Trade in Services, and launch the new Protocol of Dispute Settlement. In this context, enforcement of the agenda for the regional economic area of the Western Balkans could be beneficial for CEFTA and could result in necessary policy interventions for intra-CEFTA trade advancement. However, it must be noted again that 10 years' efforts for trade integration of the CEFTA Parties were not very successful, according to the volume and structure of trade. Implementation of Protocol 5 could be a turning point for the further development of CEFTA, although, it must be set as a priority for Parties' authorities and should be reflected in all of their strategic and most importantly, operational economic policy documents. At present, this could be perceived as an immense challenge for the CEFTA Parties. In this context, the system of monitoring and evaluation of the Berlin process should be established, with precise goals and adopted time frame by all Parties. Without harmonization of the dynamics of the efforts related to this process, undertaken by all respective Parties, no considerable results could be expected.

The second perspective of the possibilities for increase in Macedonia's trade with CEFTA is related to the coherence of the economic policies. Since the independence of the country in 1991, Macedonia's foreign trade policy has been developed on the idea of trade liberalization, which was achieved with major trading partners at the beginning of the 21st century. After that, the focus of the trade policy has been on further regional trade integration with the EU and CEFTA, from the perspective of removal of certain non-tariff barriers. The current attention of the trade policy relates to the above mentioned processes within CEFTA (Protocol 5) and the idea of establishing the regional economic area (Berlin Process). In this sense, it could be argued that Macedonia's trade policy deals well with so called "process related issues" of further trade integration, while the segment of result-orientation delivery in terms of volume and structure of trade should be enhanced. In this perspective, the trade policy should be further linked with other economic policies. Given the changes of Macedonia's trade due to the activities of FDI plants in the country, the need for coherence among trade, industrial, investment and FDI policy is evident. Changes in intra-CEFTA trade of the Republic of Macedonia depend on similar policy links. Provided that CEFTA has not been a target market of the FDI plants' export, enhancing of intra-CEFTA trade is not likely to be externally driven, i.e. it needs to be a result of coordinated policy actions in many areas.

Another perspective that should be taken into consideration with regards to further development of trade relations of the Republic of Macedonia with CEFTA Parties is the idea of creating the customs union, launched in February 2017 by the Serbian president Aleksandar Vucic.⁶¹⁸ Realization of this idea would mean establishing the common trade policy of the Western Balkans towards third parties, which could be beneficial for CEFTA Parties that are not members of WTO, as well as those whose SAA with the EU has not been fully implemented, in the sense of setting more favorable trade terms with third parties. Given that the Republic of Macedonia has been a member of WTO since 2003 and its SAA with the EU has been fully implemented since 2011, it would not have particular "instant" gains, such as a more favorable trade regime with third parties. If the customs union of the Western Balkans had been an option in 2006, when CEFTA was established, it is likely to expect that it would have delivered benefits for all countries. At the time-being, the Republic of Macedonia would bear costs in terms of harmonization of trade

618 „Vučić proposes regional customs union“, European Western Balkans, <https://europeanwesternbalkans.com/2017/02/17/vucic-proposes-regional-customs-union/>



terms of the Western Balkans with the third parties, related to considerable time and resources, which do not correspond to the minor expected benefits. In addition, the advantage of eventual customs union has not been clearly defined, in particular with regard to the current processes of the EU integration of the CEFTA Parties. As discussed above, CEFTA Parties simultaneously deal with three processes – individual EU integration, further CEFTA integration and creation of regional economic area. Although the establishment of the customs union could correlate well with the second and third process, and could be compatible with the first, the lack of comprehensive common goals of the mentioned processes, as well as policy coherence shortcomings enhance divergence of the countries' efforts for faster integration into the EU and building the regional perspective of the Western Balkans.

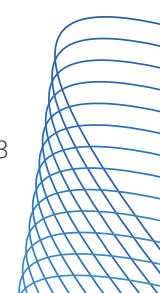
Chapter 5 – Conclusions

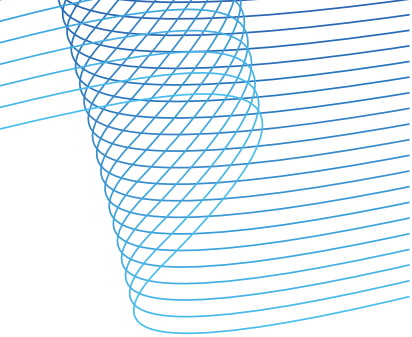
The liberalization of Macedonia's trade with CEFTA Parties was already well advanced prior to establishment of CEFTA 2006, as the Republic of Macedonia had FTAs with other countries from the region and Moldova. In absolute terms, Macedonia's trade within CEFTA experienced expansion in the first years of functioning of CEFTA 2006, as the trade increased from 1.2 billion USD in 2006 up to 2.2 billion USD in 2008 and 2 billion USD in 2011. The period of contraction followed afterwards, marked with a fall of the total Macedonian trade within CEFTA to 1.3 billion USD in 2016. These movements resulted in change of Macedonia's trade balance with CEFTA – from surplus in the period 2006-2013, it shifted to deficit over 2013-2016. The trade surplus in Macedonia's trade with CEFTA ranged from 390.2 million USD in 2006 down to 96.7 million USD in 2012, with its peak of 652.3 million USD in 2008. The deficit in the last three years of the analyzed period (2013-2016) was about 60 million USD. In relative terms, the share of CEFTA in the total Macedonian foreign trade declined from 20% in 2008 to 11% in 2016.⁶¹⁹

The figures indicate notable decrease of the CEFTA relevance in total Macedonian trade. These trends are relative to two factors – membership of Croatia in the EU (2013) and general increase in Macedonia's trade with the EU since 2010. The share of the EU in the total Macedonian trade rose from 56% in 2008 up to 69% in 2016. Logically, the EU market is a more attractive destination compared to CEFTA, owing to its size, as well as variety of demand and supply. The Republic of Macedonia has enjoyed free trade regime with EU since 2001 for most of the Macedonian products exported on the EU market, while import of most of the EU products has been fully liberalized since 2011. However, it has to be mentioned that there was no significant trade diversion from CEFTA to the EU over the period, as the increase in trade with the EU has been mostly attributable to trade creation by the newly established FDI plants in the Republic of Macedonia since 2009. Nevertheless, the decline in Macedonia's trade within CEFTA (in absolute and relative terms) indicates that the increase of the attractiveness of CEFTA should be based on more elements than tariff-free trade, as the free trade is enjoyed with larger markets, too, such as the EU.

Furthermore, the analysis of Macedonia's trade with CEFTA revealed a pattern of concentration of the export/import around limited number of major partners (Serbia, Croatia (up to its membership in the EU), B&H and Kosovo on export/Albania on import side) and several major products, while the rest of the trade has been scattered to various other products traded in limited quantities. Over the analyzed period, medicaments and few products of metal industry had been dominating Macedonia's export and import of industrial products within CEFTA, along with electricity which had been imported from CEFTA in respective years, and processed petroleum products that were exported until 2013. Wine (bulk and bottled) and fresh fruits dominate

619 Calculations based on MAKSTAT database of State Statistical Office of the Republic of Macedonia. Data Base, MAKSTAT, <http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>





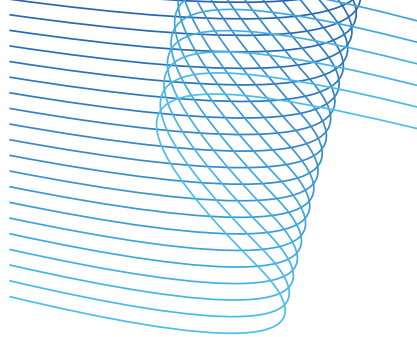
Macedonia's export of agricultural products, with cereals and sunflower seed/oil having prevalence on the import side. This structure indicates that Macedonia's trade within CEFTA relies on traditional linkages, which is rather positive in terms of building credibility among CEFTA Parties, although, there is a need for development of further linkages among them, for the purpose of increasing the intra-regional trade.

The analysis pointed out several major impediments that hindered development of intra-CEFTA trade. Macedonian companies, as well as the companies from the region, have not been integrated into value chains of specific industries, which contributes to their competitive disadvantage either for intra or extra CEFTA trade, given that the global value chains mark the international production and trade at the present time. In this sense, creation of coherent policies is needed, which would tackle all important issues of trade advancement within CEFTA and creation of value chains. Furthermore, diversified Macedonia's trade with CEFTA, scattered to many products exported and imported in limited quantities, implies higher costs of trade. This particularly refers to transport expenses, as well as costs related to sanitary and phytosanitary measures, which are considered to be the most problematic non-tariff barrier at the present time. Currently, all CEFTA Parties are in the process of approximation of their national legislation in this area to the EU acquis, which eventually, should result in the aligned SPS measures. However, the current state of affairs indicates recognition of the non-tariff barriers as the most problematic issue by the CEFTA Parties. In that respect, Parties has signed the Additional Protocol 5 to the CEFTA Agreement, with the purpose of alleviating some of these barriers.

Based on the analysis, the following recommendations for the advancement of the intra-CEFTA trade should be taken into consideration:

- Revision of the policy outlook(s) with regards to CEFTA on the national level, in terms of creation of new/support of the existing value chains in the region. This should be applied by all CEFTA Parties;
- Establishing/enhancing the links among the trade policy and other respective policies (industrial, transport, FDI policy, competitiveness policy, accession to the EU, etc.), with focus on CEFTA. This is related to the first recommendation, as it includes value chains. However, the links between policies with the purpose of trade advancement, should focus on many other aspects, with the purpose of undertaking policy actions based on “clear goals” and “opportunity costs” principles. For instance, accession to the EU has been considered the strategic priority in all of the CEFTA Parties, including the Republic of Macedonia, implying that policy actions (incorporating trade policy actions, too) are driven by this process. In this context, results of the undertaken trade analysis suggest that CEFTA does not seem to have the proper policy attention in the Republic of Macedonia, focused on the delivery of results in the form of increase of intra-CEFTA trade;
- Implementation of the “Additional Protocol 5” by the CEFTA Parties, as it tackles the specific non-tariff impediments in the intra-CEFTA trade;
- Provision of state support to the Macedonian companies in terms of enhancing trade creation within CEFTA, through different instruments for market research, market penetration to markets in the region, as well as subsidies for investment in the sectors with potential of intra-CEFTA trade, such as agro-food sector, etc;
- Establishing a system of monitoring and evaluation of the process of creation of regional economic area of the Western Balkans, under the EU auspices, with the purpose of synchronization of the individual EU integration processes of the countries with their efforts for CEFTA advancement, particularly with regards to optimal allocation of the available resources of the Parties.

Implementation of the above stated recommendations is conditioned by devotion and substantial efforts by all CEFTA Parties, as progress is not possible by individual actions of the Parties. In this perspective, the Republic of Macedonia should be more engaged in creation of more



favorable environment for intra-CEFTA trade and provision of support to the companies for penetration on the CEFTA market, while it should also adjust its activities to the dynamics of the common CEFTA agenda, as well as the Berlin process agenda. As noted in the analysis, the enforcement of the idea of the regional economic area of the Western Balkans could be beneficial for CEFTA and could result in policy coherence necessary for intra-CEFTA trade advancement, as long as CEFTA Parties demonstrate awareness about the points of complementarity of both processes and undertake proper action. In this sense, investment dimension of the regional economic area is closely related to the initial idea of CEFTA to serve as a hub for investors, mobility of the professionals is among current discussions within CEFTA, while digital dimension would certainly enable better business environment in the region. Although the most important issues with regards to these dimensions should be put in operational framework, CEFTA Parties need to develop realistic expectations regarding delivery of specific results from the Berlin Process, and therefore, to focus primarily on removal of non-tariff barriers within CEFTA and support of the domestic companies for market penetration in the region, as only these activities could provide increase of intra-CEFTA trade in short term, which is the ultimate goal of CEFTA.



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APPENDIX

Macedonia CEFTA (see tables on pages 421–457)

Table 1. MK trade with CEFTA (in '000 USD)

Table 1. MK trade with CEFTA (in '000 EUR)

Table 3a. Most exported Macedonian industrial products to CEFTA (in '000 USD)

Table 3b. Most exported Macedonian industrial products to CEFTA (in '000 EUR)

Table 3c. Most exported Macedonian agricultural products to CEFTA (in '000 USD)

Table 3d. Most exported Macedonian agricultural products to CEFTA (in '000 EUR)

Table 4a. Most imported industrial products to the Republic of Macedonia from CEFTA (in '000 USD)

Table 4b. Most imported industrial products to the Republic of Macedonia from CEFTA (in '000 EUR)

Table 4c. Most imported agricultural products from CEFTA (in '000 USD)

Table 4d. Most imported agricultural products from CEFTA (in '000 EUR)

Table 5a. Most important MK trade partners in CEFTA on export side (in '000 USD)

Table 5b. Most important MK trade partners in CEFTA on export side (in '000 EUR)

Table 6a. Most important MK trade partners within CEFTA on import side (in '000 USD)

Table 6b. Most important MK trade partners within CEFTA on import side (in '000 EUR)



IV. THE CASE OF MONTENEGRO

MOMČILO RADULOVIĆ and MILA BRNOVIĆ

Chapter 1 – Introduction

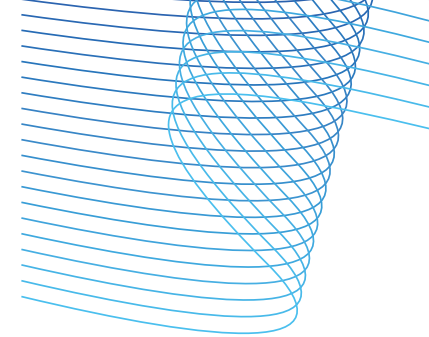
Establishing of the free trade zone in the region of the South East Europe (SEE) started with the Memorandum of understanding on trade liberalization and facilitation within the context of the Stability Pact for South Eastern Europe in Brussels on 27 June 2001. The founding states were: Republic of Albania, Bosnia and Herzegovina, Republic of Bulgaria, Republic of Croatia, Republic of Macedonia, Republic of Moldova, Romania and Federal Republic of Yugoslavia (Serbia and Montenegro). On this basis, bilateral agreements were signed, which resulted in a network of 28 agreements based on the principles of General Agreement on Trade and Tariffs (GATT 1994) and Agreement on founding of the World Trade Organization. The idea on unified multilateral agreement on free trade in the region emerged with the need to rationalize rather complicated network of, at the time, 32 agreements. On 19 December 2006 in Bucharest, on the basis of Sofia and Bucharest conclusions and after four rounds of official negotiations on modernization, CEFTA 2006 was signed by: Republic of Albania, Bosnia and Herzegovina, Republic of Bulgaria, Republic of Croatia, Republic of Macedonia, Republic of Moldova, Romania, Republic of Montenegro, Republic of Serbia and temporary administrative mission of the United Nations in Kosovo (UNMIK) on behalf of Kosovo*, in accordance with the UNSCR 1244.⁶²⁰ Montenegro ratified the agreement on 27 July 2007.

Principles on which this agreement was founded and to which Montenegro adhere as a member state are:

- free flow of people, goods and ideas;
- increase in trade followed by economic growth and alignment of the markets;
- creation of the joint market which will attract foreign direct investments;
- increase in technological level of production, efficiency and modern management;
- diversification and higher quality of products for the consumers;
- acceleration of the process of accession to the EU and WTO.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

⁶²⁰ Croatia, Bulgaria and Romania are not members of CEFTA since the day of their accession to the EU.



Beside these principles, this agreement aimed towards the overall goal of more than just preparedness of the region for WTO and EU. "CEFTA2006 started operating with two basic objectives: i) it had to test the SEE's capacity to work together within a regional agreement and build their competitiveness; and ii) it had to oppose the growing dependence of these countries on the trade with the EU by re-establishing the regional market. However, bringing SEE countries under single umbrella has likely political side also: working together would enable those countries to join the EU faster and hence prevent further political tensions and conflicts in the Balkan, which earmarked the last decade of the XX century."⁶²¹

Since 2006, there have been many phases in the development of CEFTA and its image in member states. On one hand, it has often been claimed that it helped the region to increase their export and enhance trade within itself. On the other hand, others claim that these trends would either way happen due to geographic proximity and cultural and ethnic connections between countries in question. Thus, it is necessary to take a closer look at the trading trends before creation of CEFTA with later developments.

When it comes to Montenegro, it is important to be aware of the fact that its trading activities were functioning within a federation before 21 May 2006, when it re-gained its independence. In addition, rising trends in trading from 2006 onwards can be associated with the fact that Montenegro began its rapid economic and political development since this event. Thus, each change and progress has to be taken into account with caution.

According to the data from WTO, Montenegro has a GDP of 6825 US\$ per capita, with trade amounting to 3 544 US\$ per capita. Its total exports, according to the WTO data from 2015 can be divided into: fuels and mining products 46.2%, agricultural products 27.5%, manufactures 24.9% and other 1.4 %. On the other hand, imports consist of: manufactures 60.9%, agricultural products 25.7% and fuels and mining products 13.3%.⁶²²

Besides being important for the fact it marked a decade of the existence of CEFTA 2006, 2016 was the year of Montenegrin chairing of CEFTA with key priority to ensure preparation of Protocol 5 for the adoption, which was fulfilled. During Montenegrin chairing, 45 meetings of CEFTA working bodies were held with following topics addressed:

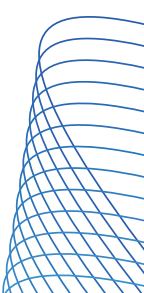
- Additional Protocol 5 on Trade Facilitation: based on the WTO Agreement on trade facilitation from 2013 aiming at lowering the expenses of trade for 14.3%;
- Defining Additional Protocol 6 on Liberalization of Trade of Services: entrance and stay of natural persons providing services, regulatory principles related to telecommunications, postal and courier services and list of specific obligations related to services;
- Regular meetings of working bodies;
- Election of the Head of the Secretariat;
- CEFTA Week 2016 with Chamber of Commerce.⁶²³

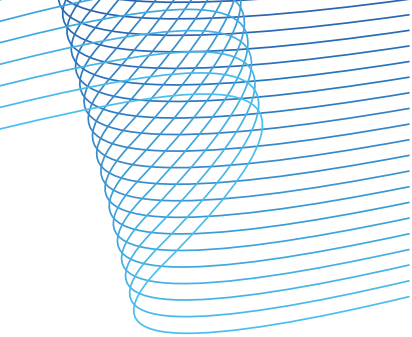
CEFTA Agreement together with each following annex, amendment and protocol is adequately implemented in Montenegrin legislative framework. Two overarching and key legal documents directly dealing with this issue are **Law on Ratification of Agreement on Amending and Accession to the Central European Free Trade Agreement** and **Customs Law of Montenegro**. Of course, these are not the only two documents within this field, but are definitely the most important. On one hand, Law on Ratification of CEFTA 2006 translates all the provisions of the original agreement. On the other hand, Customs Law of Montenegro follows necessary instructions provided with CEFTA 2006 and following protocols on how to ensure free trade

621 Marjan Petreski, *South-Eastern European Trade Analysis: A role for Endogenous CEFTA-2006?*, (Skopje: University American College, 2006), 1.

622 "Country profile of Montenegro", World Trade Organization, http://stat.wto.org/CountryProfiles/ME_e.htm

623 Ministry of Economy, *Report on the Montenegrin chairing the CEFTA 2006 Agreement in 2016*, (Podgorica: Ministry of Economy, 2017).





without trade barriers in this economic area. Thus, Customs Law regulates such issues as advance rulings for tariff classification and for rules of origin, while validity and other conditions are defined with the bylaws. Moreover, it has established Authorized Economic Operator (AEO) system in which precise criteria are defined which can lead a company to receiving the status of AEO, with the right to use simplified customs procedures.

When it comes to transparency, all laws and bylaws, as well as free trade agreements are regularly published in the Official Gazette of Montenegro. Those laws and bylaws related to customs are published also on the website of the Customs Administration in Montenegrin and English, while the free trade agreements are also published on the website of the Ministry of Economy.

Key institution for the implementation of CEFTA is the **Ministry of Economy**. It coordinates all key activities, follows foreign investments and trade developments. Nonetheless, this agreement applies to different fields of trade, it involves other institutions dealing with customs, agriculture and business environment. Beside the Ministry, the following institutions and organizations work closely on CEFTA implementation or monitoring: **Customs Union, Chamber of Commerce** (connection and communication with business sector), **Ministry of Agriculture and Rural Development** and **Ministry of European Affairs** (monitoring in terms of accession process to the EU). Of course, this does not mean that other institutions are not involved, but abovementioned have concrete roles directly connected with implementation of CEFTA. In the end, since it is an important agreement on foreign trade, both Ministry of Foreign Affairs and the Government of Montenegro are important pieces of the whole process.

Although Montenegro often points out that it fully implements CEFTA agreement, challenges it faces in practice require strategic approach in addressing them on longer term. Thus, in accordance with the Government Report on the Overview of Trade Policies, adopted 11 January 2018, it is stipulated that both European integration process and further trade facilitation necessary within CEFTA umbrella require adoption of the **Strategy of Trade Facilitation**. This document will encompass all the necessary elements and institutions involved in the process of trade facilitation.⁶²⁴

In addition to this, since mid-2017, European Union, Ministry of Economic Cooperation and Development of Germany together with the GIZ and International Trade Center, started implementing a project whose main goal is to support the implementation of the Additional Protocol 5 and deepen economic integration between CEFTA member states through innovative approach of close cooperation with private sector.

Chapter 2 – Trade in CEFTA2006

In this section, the main tendencies of Montenegro's trade with CEFTA partners are analyzed. The period observed is 2005-2016, as the data for Montenegro is not available for the period prior to 2005 although there is some data related to the trade of Serbia and Montenegro. We use publicly available data provided by the Statistical Office of Montenegro - MONSTAT. Since Montenegro gained independence and signed the CEFTA agreement during the same year - 2006, changes in the trade patterns should be analyzed taking into consideration both of these factors.

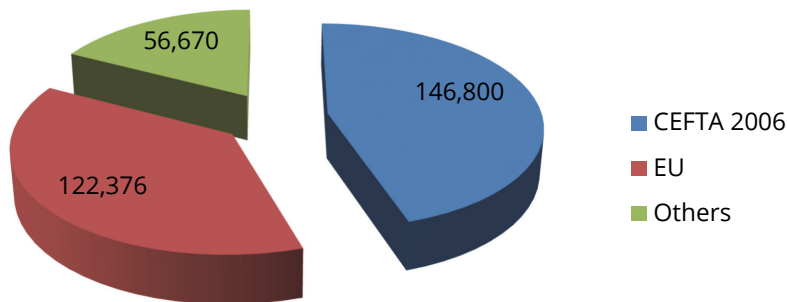
The total external trade in goods of Montenegro in 2016 was 2,388 million EUR, with the value of exports of goods reaching 325.8 million EUR and the value of imports of goods reaching 2,062.2 million EUR.

⁶²⁴ Expert support is ensured through the Trade Facilitation Support Program of the World Bank Group. Data found in the Government of Montenegro, *Report on the Overview of Trade Policies*, Podgorica: Government of Montenegro, 2018.



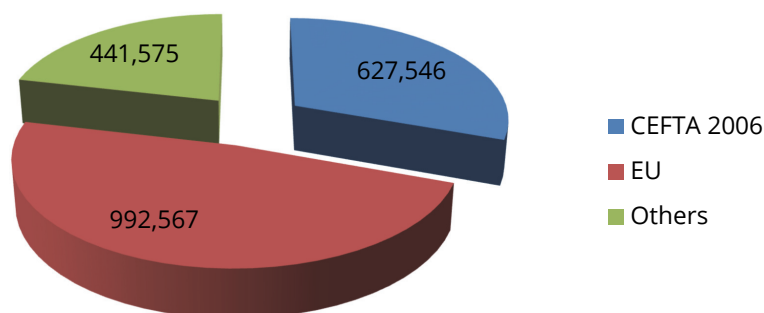
2,061.7 million EUR. Although there is a steady increase in exports over the years, Montenegrin imports rose much more rapidly thus resulting in a persistent trade deficit which started at -673,506 thousand EUR in 2005 and reached staggering -1,735,842 thousand EUR in 2016.

Chart 1: Montenegro's exports per partners in 2016 (value of trade in 000 EUR)



Source: Statistical Office of Montenegro - MONSTAT

Chart 2: Montenegro's imports per partners in 2016 (value of trade in 000 EUR)



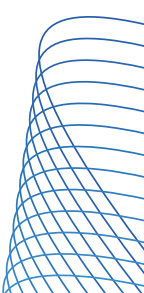
Source: Statistical Office of Montenegro - MONSTAT

In the structure of exports, in accordance with the Standard International Trade Classification (SITC), the most present products were Manufactured goods classified mainly by material (Section 6, consisted of: Non-ferrous metals and Iron and steel). In the structure of imports, in accordance with the SITC, the most present products were Machinery and transport equipment (Section 7 consisted of: Road vehicles and Electrical machinery, apparatus and appliances).

The main trading partners in exports on an individual basis were Serbia, Bosnia and Herzegovina, Italy, Croatia, Slovenia and China, while the main import partners on an individual basis were Serbia, Greece, Bosnia and Herzegovina, Germany and China. According to WTO data for 2016, main trading partners of Montenegro were:

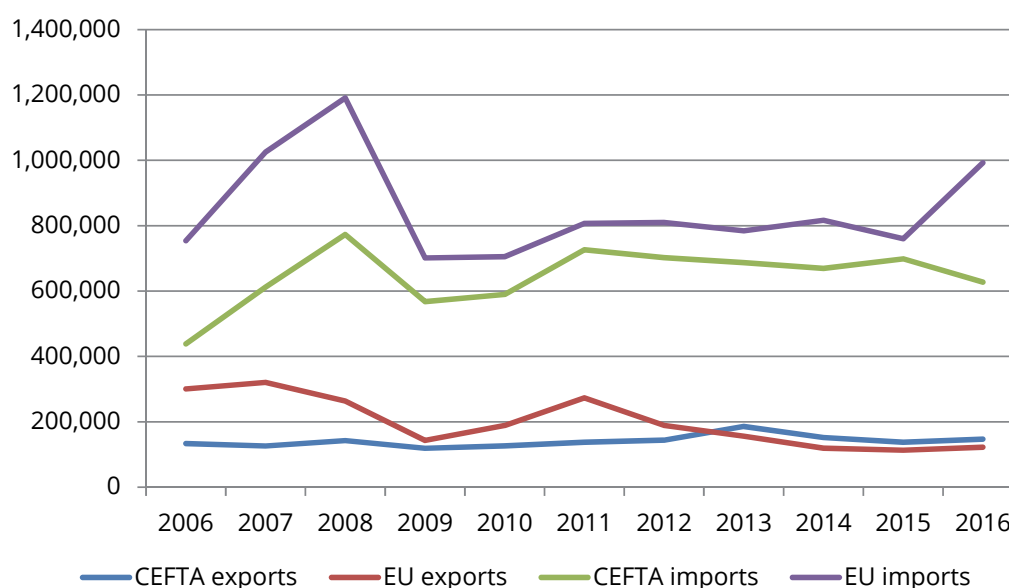
- Export: EU 28 (36.6%), Serbia (25.6%), Bosnia and Herzegovina (8.3%), China (5.9%), Albania (4.5%) and Others (19.2%);
- Import: EU 28 (48.1%), Serbia (22.3%), China (9%), Bosnia and Herzegovina (5.5%), Turkey (3.3%) and Others (11.9%).⁶²⁵

625 "Country profile of Montenegro," World Trade Organization, http://stat.wto.org/CountryProfiles/ME_e.htm



Countries from the CEFTA region are important trade partners of Montenegro. During the reporting period, they constituted around 35% of total Montenegrin imports and around 40% of total Montenegrin exports. From 2013 onwards, CEFTA countries became Montenegro's most significant export partner thus replacing the EU, which previously held this position. However, when it comes to imports, the EU still holds the position of the most significant Montenegrin partner with around 50% share in total Montenegrin import.

Chart 3: Montenegro's trade with CEFTA and the EU in 000 EUR, 2006-2016



Source: Statistical Office of Montenegro - MONSTAT

Table 1: Total Montenegrin imports and exports in each observed year with the share of Montenegrin imports and exports to CEFTA (value of trade in 000 EUR)

	Total imports	CEFTA imports	% of CEFTA imports in total imports	Total exports	CEFTA exports	% of CEFTA exports in total exports
2005	1,042,828	331,785	31.8%	369,321	152,609	41.3%
2006	1,457,350	438,405	30.1%	441,133	133,626	30.3%
2007	2,073,085	612,307	29.5%	454,739	125,775	27.7%
2008	2,529,736	773,249	30.6%	416,165	142,521	34.2%
2009	1,654,162	567,786	34.3%	277,011	118,822	42.9%
2010	1,657,326	589,848	35.6%	330,367	126,477	38.3%
2011	1,823,330	726,171	39.8%	454,381	137,698	30.3%
2012	1,820,850	702,314	38.6%	366,896	143,667	39.2%
2013	1,773,352	687,091	38.7%	375,585	185,771	49.5%
2014	1,784,214	669,580	37.5%	333,166	151,754	45.5%
2015	1,841,524	698,476	37.9%	317,172	137,483	43.3%
2016	2,061,688	627,546	30.4%	325,846	146,800	45.1%

Source: Statistical Office of Montenegro - MONSTAT

During the reporting period, Montenegro failed to achieve significant increase in total exports in CEFTA. On the contrary, the value of exports to countries of CEFTA was bigger in 2005 than in 2016 with the sharp decline in 2009, following the financial crisis. It was only during 2013 that Montenegro achieved 17.9% of increase in CEFTA exports when compared to 2005.

When it comes to Montenegro's import from CEFTA countries, there is a steady increase when compared to the period before 2007. The value of imports was the biggest in 2011 when it amounted to 39.8% of total imports.

During the reporting period, Montenegro has been recording deficit in total trade, as well as in CEFTA trade. Its CEFTA trade deficit increased when compared to 2005 when it amounted to -179,176 thousand EUR. CEFTA trade deficit reached the highest value in 2008 when it amounted to -630,728 thousand EUR.

Table 2: Montenegro's trade in goods with CEFTA (value of trade in 000 EUR)

	Export	Import	Balance
2005	152,609	331,785	-179,176
2006	133,626	438,405	-304,779
2007	125,775	612,307	-486,532
2008	142,521	773,249	-630,728
2009	118,822	567,786	-448,964
2010	126,477	589,848	-463,371
2011	137,698	726,171	-588,473
2012	143,667	702,314	-558,647
2013	185,771	687,091	-501,320
2014	151,754	669,580	-517,826
2015	137,483	698,476	-560,993
2016	146,800	627,546	-480,746

Source: Statistical Office of Montenegro –MONSTAT

Montenegro's main partner within CEFTA is Serbia, with the highest share in both imports and exports. In 2016, the shares stood at 72.7% of total CEFTA imports and 64.2% of total CEFTA exports. Bosnia and Herzegovina's and Macedonia's shares in imports and exports are quite balanced. Namely, in 2016 Montenegro imported from B&H 17.8% of total CEFTA imports and exported to B&H 18.1% of total CEFTA exports. Similarly, it imported from Macedonia 4.3% of total CEFTA imports and exported to Macedonia 3.1% of total CEFTA exports. On the other hand, Albania and Kosovo are more important on the **export** side. Namely, in 2016 Montenegro exported to Albania double the import share - 9.8% of total CEFTA exports as opposed to 4.5% of total CEFTA imports. When it comes to Kosovo, the difference is even more significant - 13% of total CEFTA exports as opposed to 0.5% of total CEFTA imports. Trade with Moldova is of minor importance for Montenegro.

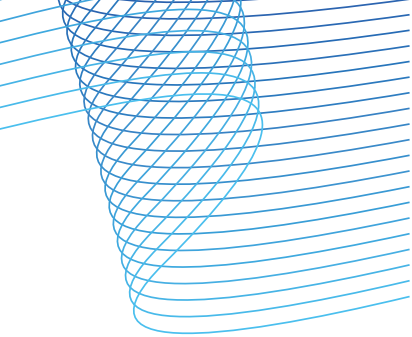
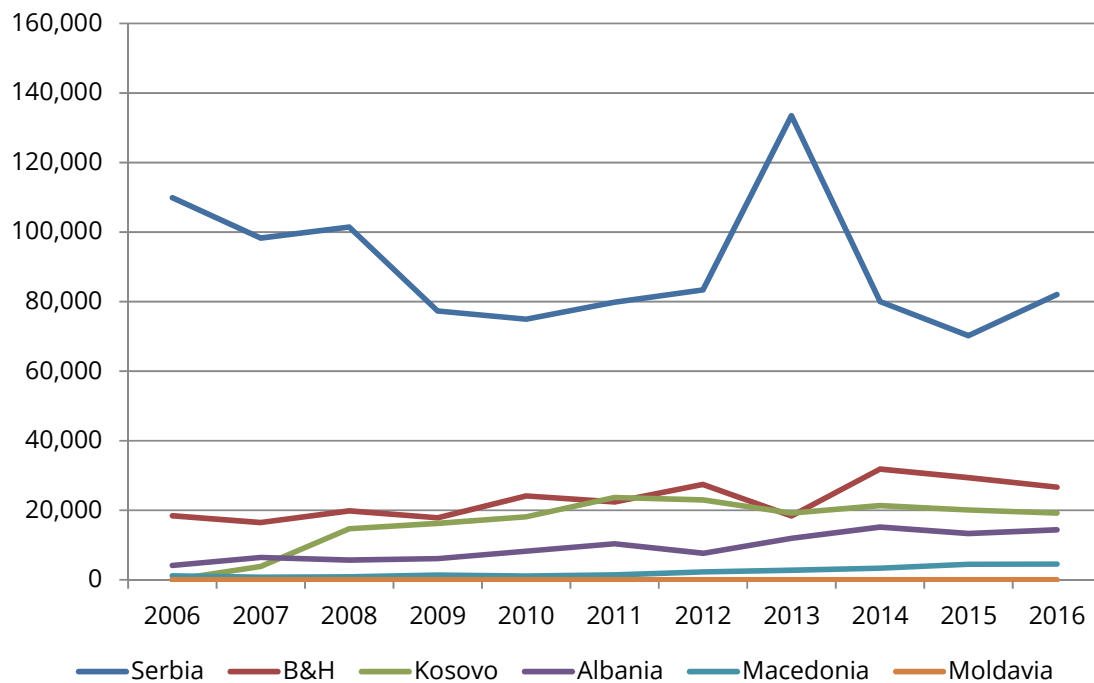
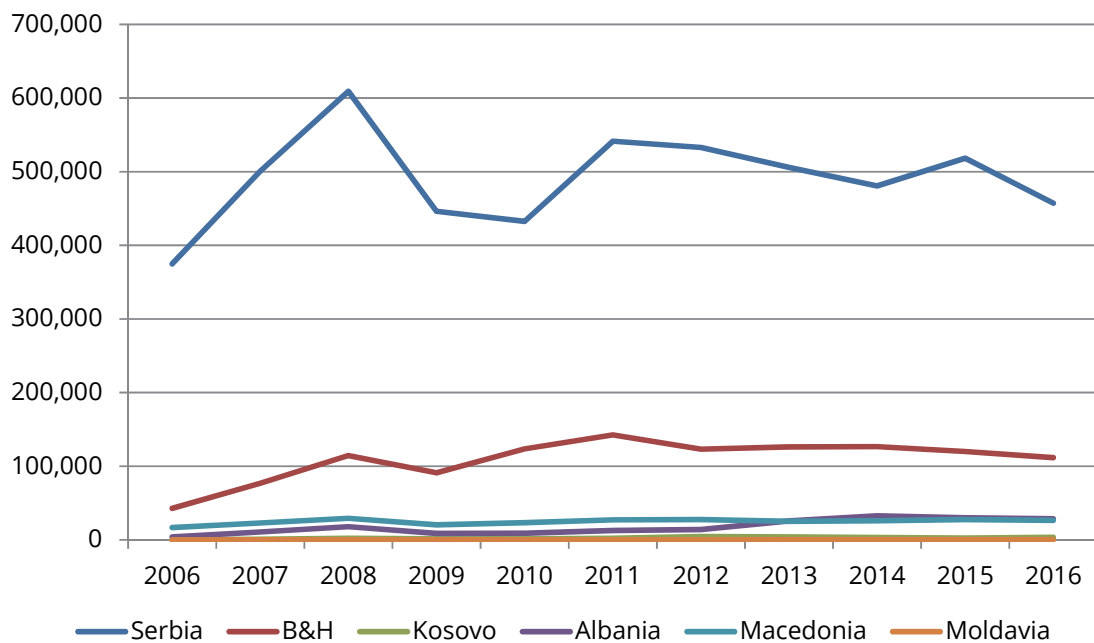


Chart 4: Montenegro's exports to CEFTA partners in 000 EUR, 2006-2016

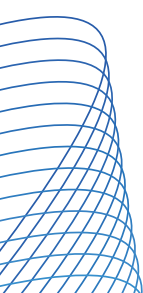


Source: Statistical Office of Montenegro - MONSTAT

Chart 5: Montenegro's imports from CEFTA partners in 000 EUR, 2006-2016



Source: Statistical Office of Montenegro - MONSTAT



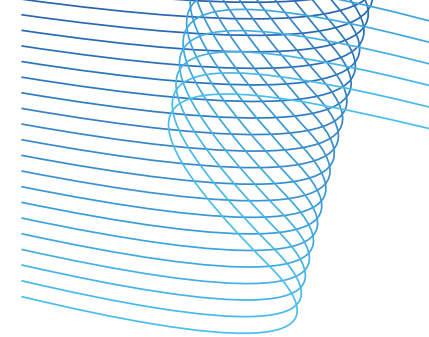


Table 3: Three most important trade partners from CEFTA 2006 signatories in each observed year in exports (value of trade in 000 EUR)

	Partner ranked 1st	Partner ranked 2nd	Partner ranked 3rd	Total of above and % of total trade with CEFTA
2005	Serbia 132,527	Bosnia and Herzegovina 16,987	Albania 2,440	151,954 99.6%
2006	Serbia 109,881	Bosnia and Herzegovina 18,410	Albania 4,145	132,436 99.1%
2007	Serbia 98,270	Bosnia and Herzegovina 16,473	Albania 6,429	121,172 96.3%
2008	Serbia 101,454	Bosnia and Herzegovina 19,841	Kosovo 14,681	135,976 95.4%
2009	Serbia 77,295	Bosnia and Herzegovina 17,816	Kosovo 16,262	111,373 93.7%
2010	Serbia 74,927	Bosnia and Herzegovina 24,109	Kosovo 18,111	117,147 92.6%
2011	Serbia 79,820	Kosovo 23,688	Bosnia and Herzegovina 22,412	125,920 91.4%
2012	Serbia 83,360	Bosnia and Herzegovina 27,413	Kosovo 22,968	133,741 93.1%
2013	Serbia 133,473	Kosovo 19,177	Bosnia and Herzegovina 18,385	171,035 92.1%
2014	Serbia 80,006	Bosnia and Herzegovina 31,858	Kosovo 21,353	133,217 87.8%
2015	Serbia 70,213	Bosnia and Herzegovina 29,385	Kosovo 20,085	119,683 87.1%
2016	Serbia 82,035	Bosnia and Herzegovina 26,636	Kosovo 19,179	127,850 87.1%

Source: Statistical Office of Montenegro – MONSTAT

Most of Montenegrin commodities are exported to Serbia, Bosnia and Herzegovina, and Kosovo (Table 5). The three most important trade partners in exports comprise around 90% of total trade with CEFTA.

When compared to the period before the introduction of CEFTA, there is a positive trend of increasing the number of Montenegro's export trade partners. Namely, before CEFTA, Montenegro relied heavily on exports to only one country - Serbia, with the value of exports to this country reaching 87.2% of total exports to CEFTA in 2005. However, following 2007 there is a pattern of steady increase of exports to Kosovo, Albania and Macedonia.



Namely, exports to Kosovo rose exponentially - from 3,856 thousand EUR in 2007 to 23,688 thousand EUR in 2011 when it reached the highest value. Similarly, value of Montenegro's exports to Albania rose from 2,440 thousand EUR in 2005 to 15,169 thousand EUR in 2014 when it reached the highest value. Increase of exports to Macedonia is also remarkable - from 655 thousand EUR in 2005 to 4,526 thousand EUR in 2016.

Table 4: Three most important trade partners from CEFTA 2006 signatories in each observed year in imports (value of trade in 000 EUR)

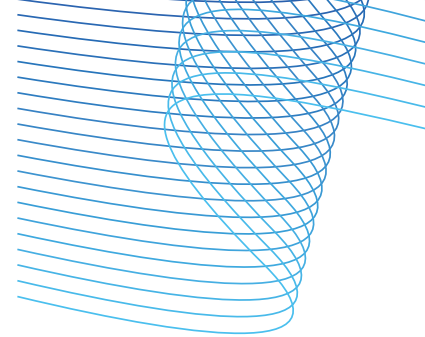
	Partner ranked 1st	Partner ranked 2nd	Partner ranked 3rd	Total of above and % of total trade with CEFTA
2005	Serbia 291,403	Bosnia and Herzegovina 26,140	Macedonia 12,156	329,699 99.4%
2006	Serbia 374,816	Bosnia and Herzegovina 42,823	Macedonia 16,704	434,343 99.1%
2007	Serbia 500,699	Bosnia and Herzegovina 76,960	Macedonia 22,949	600,153 98%
2008	Serbia 609,149	Bosnia and Herzegovina 114,558	Macedonia 29,279	752,986 97.4%
2009	Serbia 446,088	Bosnia and Herzegovina 91,123	Macedonia 20,439	557,650 98.2%
2010	Serbia 432,631	Bosnia and Herzegovina 123,523	Macedonia 23,230	579,384 98.2%
2011	Serbia 541,456	Bosnia and Herzegovina 142,507	Macedonia 27,158	711,121 97.2%
2012	Serbia 532,886	Bosnia and Herzegovina 123,225	Macedonia 27,527	683,638 97.3%
2013	Serbia 505,939	Bosnia and Herzegovina 126,201	Albania 25,645	657,785 95.7%
2014	Serbia 480,664	Bosnia and Herzegovina 126,703	Albania 32,645	640,012 95.6%
2015	Serbia 518,360	Bosnia and Herzegovina 120,006	Albania 29,882	668,248 95.7%
2016	Serbia 457,276	Bosnia and Herzegovina 111,630	Albania 28,542	597,448 95.2%

Source: Statistical Office of Montenegro – MONSTAT

When it comes to CEFTA import partners, Montenegro **imported** the majority of goods from Serbia, Bosnia and Herzegovina, Macedonia, and Albania (Table 6). When compared to the period before the introduction of CEFTA, there is a sharp increase in the value of imports from Bosnia and Herzegovina and Albania and a steady increase in the value of imports from Serbia and Macedonia.

Namely, the value of Montenegro's imports from B&H rose from 26,140 thousand EUR in 2005 to 126,703 thousand EUR in 2014. Similarly, Montenegro's imports from Albania rose from 2,007 thousand EUR in 2005 to 32,645 thousand EUR in 2014. Although value of exports to Serbia decreased, the value of imports increased from 291,403 thousand EUR in 2005 to 457,276 thousand EUR in 2016. Imports from Macedonia also increased from 12,156 thousand EUR in 2005 to 26,521 thousand EUR to 2016.

It is quite alarming that Montenegro records exponential trade deficit with five out of six CEFTA partners - all except Kosovo. Montenegro records the largest trade deficit with Serbia - it amounted to -375,241 thousand EUR in 2016 while it started at -158,876 thousand



EUR in 2005. Prior to CEFTA implementation, Montenegro had a positive trade balance only with Albania (433 thousand EUR in 2005) while from 2008 it was continuously negative and reached -14,154 thousand EUR in 2016. Trade deficit with Bosnia and Herzegovina rose as well - from -9,153 thousand EUR in 2005 to -84,994 thousand EUR in 2016. Negative balance with Macedonia almost doubled from -11,501 thousand EUR in 2005 to -21,995 thousand EUR in 2016, while with Moldova it started at -78 thousand EUR in 2005 and reached -132 thousand EUR in 2016. On the other hand, trade surplus with Kosovo rose exponentially, starting at 2,895 thousand EUR in 2007 and reaching 15,771 thousand EUR in 2016.⁶²⁶

During the reporting period, the most present products in Montenegro's exports were manufactured goods classified mainly by material (Section 6 of the Standard International Trade Classification SITC), out of which with the highest export value were non-ferrous metals and iron and steel. However, there is a trend of decrease in export of these goods over time, with bigger increase in 2016.

The value of other important products in Montenegro's export increased over time. The value of export of food and live animals, crude materials, inedible, except fuels, mineral fuels, lubricants and related materials, animal and vegetable oils, fats and waxes, and machinery and transport equipment had steady growth when compared to the period before 2007.

During the reporting period, the most imported products were manufactured goods classified chiefly by material (Section 6 of the Standard International Trade Classification SITC), with sharp decline in 2009, after which it rose constantly, and food and live animals (Section 6 of the Standard International Trade Classification SITC) with steady rise over the years.

Chapter 3 – Major Obstacles in Functioning of CEFTA

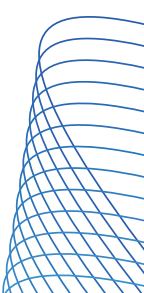
3.1 Overall overview of barriers

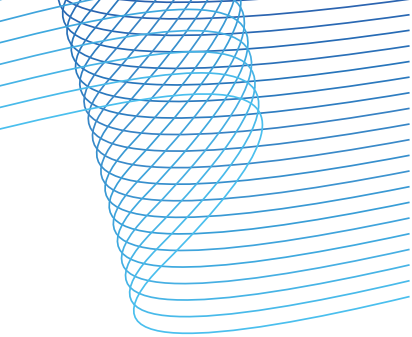
Although various indicators point towards benefits CEFTA provides for all its members and importance of this preparatory step towards full EU membership, there is a number of loopholes used in practice in order to bypass the basic rule of removing trade barriers. Namely, there are techniques of creating trade barriers, which are not quantitative and often are masked as standards in different fields – **non-tariff barriers**. Although such practices are prohibited by CEFTA agreement, it would be impossible to explicitly prohibit such practices since often they can be justified as a part of administrative procedure or safety precaution measure. Non-tariff barriers can be detrimental for the establishment and successful functioning of free trade. Thus, they ought to be recognized and addressed adequately.

It is important to note that if a country decides to impose such measures, mechanism for enforcement of CEFTA rules is limited. Potential options are:

- 1) Other participating countries can impose similar or other reciprocal measures for a definite period in order to force the original country to remove or abolish such barriers.
- 2) Joint committee of CEFTA may recommend specific measures.
- 3) Sub-committee or a working group can be organized with assigned mediator to deal with the issue.
- 4) Arbitration Tribunal can be set up to decide on the best solutions for a specific situation.

626 Statistical Office of Montenegro - MONSTAT, <https://www.monstat.org/eng/index.php>





Unfortunately, if all of the above-mentioned methods fail, not much is left to be done and this drives countries to constantly fall back to opposing each other with reciprocal moves in terms of non-tariff barriers. It should be noted that non-trade barriers *per se* do not necessarily pose a threat for the trade, if they are imposed transparently and fairly for all participants. Nonetheless, in the case of actual CEFTA 2006 members, often fairness and transparency is what it's lacking.⁶²⁷

In June 2016, GIZ published set of recommendations based on the research and analysis of non-tariff barriers, focusing on two major fields for case studies: beverages and auto-parts supply chains in CEFTA.

"The first phase of the project included collection of views expressed by the business community in CEFTA parties. Issues were grouped into two categories of NTM problems:

1. non recognition of certificates for wine and beer, creating a problem of double testing of consignments, in all CEFTA parties; and
2. discriminatory and high excise duties, recorded in Bosnia and Herzegovina, Albania and Kosovo*.⁶²⁸

First, mutual recognition of certificates, in the case of wine and beer, has proven that there are significant differences between each of the CEFTA countries, with some being completely aligned with ISO standards and some lagging behind. In some cases, countries do not accept certificates of other bodies and test the samples of these products again. The end result might be that a product which is on the EU market does not reach a market of a specific CEFTA member. Thus, adjustments of procedure ought to be made in terms of either standardized parameters for testing or legal provisions that will allow for the import of a product which is not necessarily tested by national authorities, provided it has internationally or EU recognized certificate. Second, some of the countries of CEFTA impose excise duties on wine and beer which are above allowed values. Montenegro follows recommendations and international standards, but it does face barriers which are *para-tariff* in their character with other CEFTA members. "In Kosovo* the excise duty for wine and beer is set by the Law on Excise and Customs Code at 500 EUR per hl for wine and 800 EUR per hl for beer. But Administrative instruction no. 2/2015 on Measure and Criteria for Direct Support in Agriculture and Rural Development of the Ministry of Agriculture envisaged that domestic producers of wine can claim back the excise tax under form that the product has been used "for a purpose other than that for which excise tax had been charged".⁶²⁹

In general, most common non-tariff barriers' practices can be roughly divided into three following groups:

- **Technical barriers** – related to number of technical differences which might lead to serious obstacles to free trade: national standardization bodies and legislation, alignment with the EU legislation and standards, national accreditation framework, conformity assessment criteria and bodies. Differences in any of the abovementioned fields or lack of alignment might become an issue between two or more countries.
- **Sanitary and phytosanitary measures** – relates to mutual recognition of assessment of product safety and it is founded on: institutional framework and information management system, internal and external cooperation of agencies, alignment and acceptance by inter-

627 Article on the non-tariff barriers Albania imposed on import of Montenegrin wine, beer and milk products due to a substance which was not equally restricted in imports from other countries, according to the statements of Chamber of Commerce of Montenegro and Montenegrin manufacturers: <https://www.slobodnaevropa.org/a/crna-gora-albanija-cefta/28118815.html>

628 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, *Trade Facilitation and Non-Tariff Measures in Beverages and Auto-Parts Supply Chains in CEFTA: Regional Analysis and Policy Recommendations*, Sarajevo: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, June 2016, 17.

629 *Ibid*, p. 29.



national organizations and conventions, as well as international and EU standards. In practice, it happens that specific countries require their own assessment of quality or safety control of the product which creates additional costs, prolongs waiting periods and eventually blocks import of the product in question.

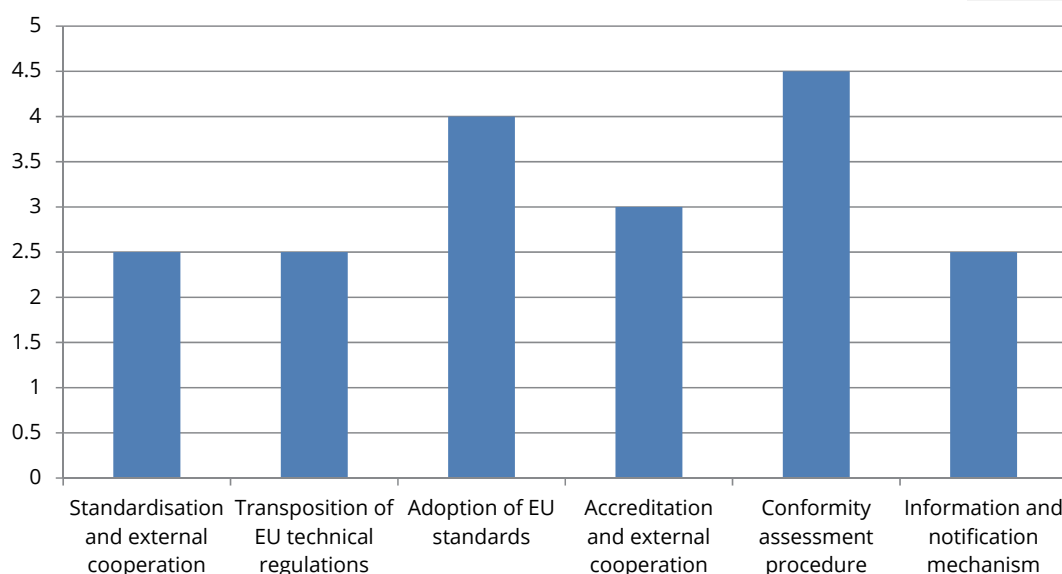
- **Administrative procedure** – relates to the functioning of state border itself: duration of procedures of control and verification of documents proving origin of goods, availability of electronic information on procedures and newly adopted rules, transparent calculation and simplification of fees and charges. In this stage, important factor is not just on sight functioning of border sites, but also availability of information and knowledge of rules and procedures. At this level, corruption can be a factor which can influence free and fair trade.

3.2 Perception of Montenegro as trading partner

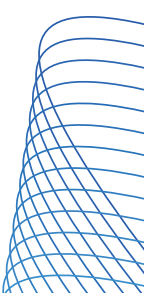
In 2012, OECD and CEFTA published a research with scorings of individual countries of CEFTA "Elimination of Non/Tariff Barriers in CEFTA". It showcases at which stage were Montenegrin scores according to the relevant criteria for measuring the level of potential non-tariff barriers at that point in time. The OECD developed sub-dimensions to each of the three major groups of non-tariff barriers and compared the progress and current rating of each of the countries.

In terms of technical barriers and six sub-groups developed by OECD to measure success of each of the countries, Montenegro has high level of adoption of EU standards and implementation of the process of accreditation with good external cooperation (chart 6). On the other hand, the progress is not as good in the field of standardization, conformity assessment or information and notification mechanism. First of all, since Montenegro, in the meantime became member state of WTO, and fulfils necessary criteria, scores would now probably be higher. Second, practice shows that most of the shortcomings related to institutional framework can be connected with the lack of financial resources and administrative capacities.

Chart 6: Scores in fulfilling different subgroup criteria for technical measures



Source: Paper "Elimination of Non/Tariff Barriers in CEFTA", based on the results of the 2011 OECD assessment on the elimination of Non-Tariff Barriers in CEFTA



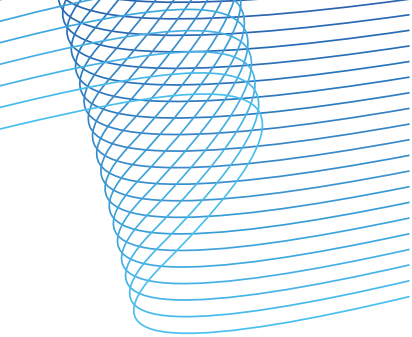
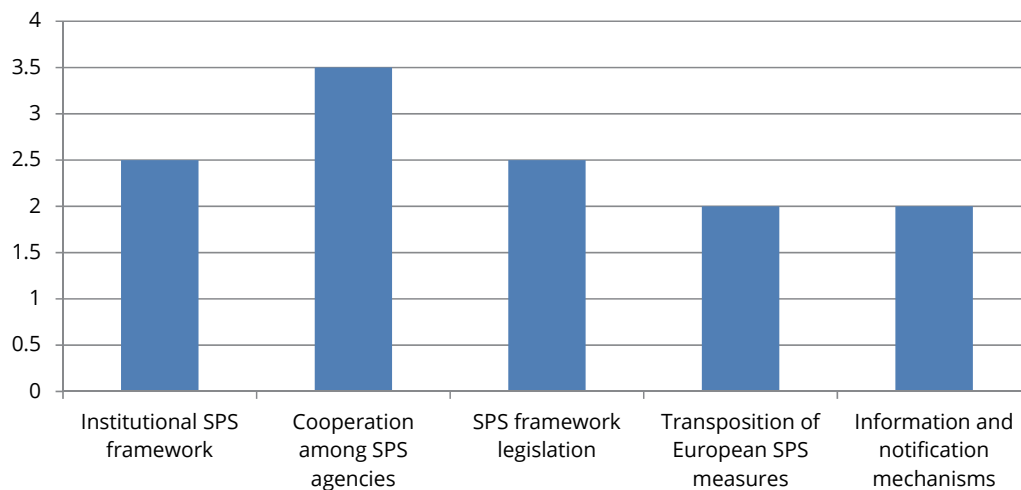


Chart 7 shows Montenegrin scores in the field of sanitary and phytosanitary measures. Here the results are visible when it comes to external cooperation of the agencies within this field, while less was achieved in terms of institutional and legislative framework, as well as the transposition of EU standards. Again, the question of institutional and administrative capacities is a rather limiting factor.

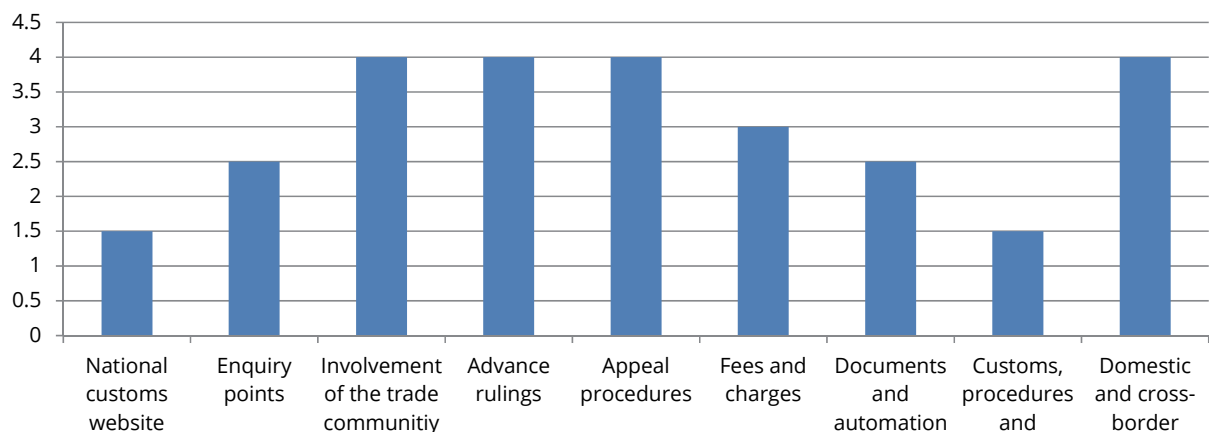
Chart 7: Scores in fulfilling different subgroup criteria for sanitary and phytosanitary measures



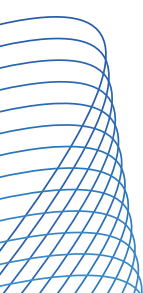
Source: Paper "Elimination of Non/Tariff Barriers in CEFTA", based on the results of the 2011 OECD assessment on the elimination of Non-Tariff Barriers in CEFTA

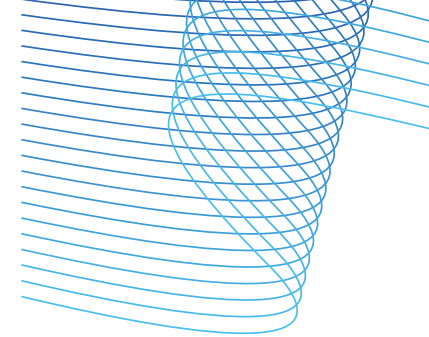
When it comes to administrative barriers, OECD developed nine subgroups relevant for measuring scores of individual countries (chart 8). In this field, differences in the levels of development are greater, but Montenegro has rather high positive notes in terms of: appeal procedure, advance rulings, involvement of the trade community and domestic and cross-border agency cooperation. It has moderate success in clear and transparent setting of fees and charges, while it records slower development in terms of national customs website, enquiry points, documentations and automation and customs procedures and processes.

Chart 8: Scores in fulfilling different subgroup criteria for administrative measures



Source: Paper "Elimination of Non/Tariff Barriers in CEFTA", based on the results of the 2011 OECD assessment on the elimination of Non-Tariff Barriers in CEFTA





Another important aspect of free trade and one of the objectives of CEFTA 2006 is attracting foreign investments. Here we will just briefly make a connection between the issues identified by OECD in 2011 – procedural framework and institutional capacities, with findings of EURO-CHAMBERS analysis of FDIs in Western Balkans. They interviewed representatives of private sector, which were among the most enthusiastic in the region and with the most positive take on the situation in their own country. Nonetheless, in the case of Montenegro they concluded that: *“the private sector seeks the consolidation of a public-private partnership in the field with an ex ante consultation process and an in-depth training of the administration dealing with standards and certificates.”*⁶³⁰ Thus, connecting point that can affect both FDIs and free trade relates to the procedures in place, especially preliminary evaluations.

3.3 Montenegrin perception of CEFTA

3.3.1 CEFTA research – business owners

In 2016, CEFTA Secretariat published a research⁶³¹, which was conducted through interviewing business owners in each country of the Western Balkans. Although Montenegrin sample is rather small, it is quite indicative, especially when compared to the results of interviews conducted with other stakeholders in Montenegro by European Movement in Montenegro in 2017 (next subchapter).

Overall results show that around one third of business owners know the institution in charge of CEFTA implementation in their own country, while in Montenegro, this percentage is 23% versus 77% of those who do not know the responsible institution. Out of those, which claimed to know responsible institution, 15% named Ministry of Economy, 27% Ministry of Finance and 10% Chamber of Commerce. This displays rather alarming lack of information by those who are the most important entities in functioning of CEFTA.

When asked “How do you see the implementation of CEFTA Agreement up to now?”, 52% of interlocutors from Montenegro refused to give any answer, 33% stated it was successful, 10% said it was neither successful nor unsuccessful, while 5% stated it was unsuccessful. Compared to this, at the CEFTA level 41% estimates that the implementation of the Agreement was previously neither successful nor unsuccessful. The fact that Montenegro has such a high percentage of those who did not provide an answer can point either to lack of understanding of the Agreement or lack of information on its implementation.

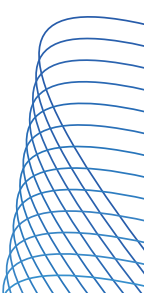
When asked about the main obstacles for successful implementation of CEFTA Agreement, at the regional level most responses were as follows: lack of awareness of opportunities (49%), lack of skilled and educated workforce (35%) and insufficient promotion of benefits and trade gaps in the CEFTA Parties (32%). In Montenegro, results were the similar.

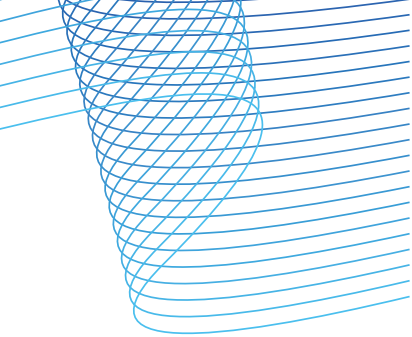
Another indicative question was to rate improvement of trade with the EU, especially compared to the improvement of the trade with CEFTA. Here, 44% of Montenegrin interlocutors stated that the trade with the EU improved, while 38% of them said the same for CEFTA region.

To following statements, Montenegrin business owners replied with “neither agree nor disagree” in vast majority (approximately 50-60%): 1) CEFTA treats both foreign and domestic investors equally; 2) CEFTA stimulates free competition; 3) CEFTA treats both big and small com-

630 Eurochambers, *Obstacles to Investing in the Western Balkans: The View of the Private Sector*, Brussels: Eurochambers, January 2010, 8.

631 Vladimir Gligorov, ed., “CEFTA Through Numbers”, Brussels: CEFTA Secretariat, 2016 http://cefta.int/wp-content/uploads/2016/05/GfK_CEFTAthroughNumbers_FIN1.pdf





panies equally; 4) CEFTA has no influence on local government sovereignty; 5) CEFTA has no influence on protection of domestic production.

When it comes to competitiveness, Montenegrin business owners are among the most optimistic countries in terms of its vision of competitiveness at national, CEFTA and EU level. "When it comes to the CEFTA market, 60% of the respondents have no doubt they will be able to compete better (47% consider their products/services are currently competitive). Compared to the question on present competitiveness (40%), the number of those who expect a future improvement on the EU market is also increased (49%)."⁶³² Interestingly enough, once asked about agriculture, Montenegrin business owners lost their "optimism". 83% of them stated that working in the agricultural sector was "very hard"; while the remaining 17% said it was "hard". Montenegrin business owners differ from the rest of the CEFTA region in the reasoning behind such difficulties, as well: 50% stated that there is lack of Government support, while 33% blames it on the decreasing demand.

3.3.2 Findings from the interviews

EMIM conducted extensive interviews with 10 representatives from Montenegro, belonging to various governmental and non-governmental institutions/organizations related to CEFTA implementation: 5 stakeholders from public institutions (sectors: Economy, Finance, Foreign Affairs, Customs, Agriculture) and 5 from non-government organizations (2 from NGO sector, 1 each from: academia, media and Chamber of Commerce). The general questions were similar to those posed to business owners (see previous sub-section), and can be divided into the following areas:

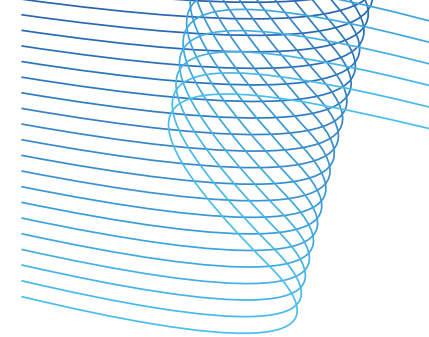
Knowledge of the institution in charge: the answers were divided between two institutions: 4 stakeholders opted for the Ministry of Economy as the main institution in charge, while 6 interlocutors stated Ministry of Finance as the leading institution. From the government sector, 60% provided the correct answer as opposed to 20% from the non-government sector.

Impression of CEFTA success so far: the possible answers were divided into 3 categories, so out of 10 interlocutors, 2 saw CEFTA implementation in Montenegro as successful, 5 claimed it has been neither successful nor unsuccessful, while 3 interviewees regarded the implementation as unsuccessful. All interviewees from the latter category belonged to the non-government sector.

Main challenges and obstacles to successful CEFTA implementation: the interviewees could name several options, which can be grouped in the following way:

- 9 stakeholders named answers that fall in the category of unawareness of CEFTA possibilities and lack of knowledge about CEFTA in both public and private sector;
- 8 stakeholders stated that CEFTA is not implemented as agreed and that many countries are using loopholes in the agreement to enforce some sort of protectionism with regards to their domestic products, non-tariff barriers etc;
- 8 stakeholders also recognized the lack of financial resources needed to be invested in businesses in order to curtail a possibly negative impact of opened regional market, as well as insufficient access to finance. This section also included the recognition of the general economic crisis and the insufficient dynamics of FDI in the region in the past period;
- 8 stakeholders recognized and acknowledged the problem with Albania making the export of Montenegrin wine, beer and dairy products more difficult. The other 2 stakeholders are both from the government sector. Four out of the former 8 stakeholders believe that Montenegro should introduce reciprocal measures, all 4 from the non-government sector;

⁶³² Group of authors, *CEFTA: Myths and Facts*, Belgrade, Serbia, p. 70.



- 5 stakeholders believed that there is insufficient information on CEFTA opportunities for businesses, as well as that the government has insufficient capacities to inform businesses and proceed according to the agreement;
- 4 stakeholders believed that there are insufficient incentives for governments to adhere to CEFTA provisions;
- 4 stakeholders stated lack of skills and education of available labor force in the region;
- 4 stakeholders also recognized complicated and often unclear export/import procedures;
- 2 stakeholders mentioned insufficient capacities with regards to the transportation network and infrastructure among the countries in the region;
- 2 stakeholders from the non-government sector mentioned the failure of the region to keep up with the advancement in technologies and information systems.

Interestingly, majority of stakeholders from government institutions also recognized the need for a larger role of public administration to implement and promote CEFTA provisions and get in touch with local businesses and SMEs.

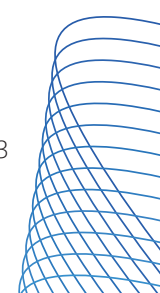
All 10 stakeholders stated that, according to their opinion, CEFTA stimulates free competition. However, upon further clarifications, the majority thought that this statement is true in principle, if CEFTA were implemented thoroughly and equally. As a result, 8 of the interlocutors answered that CEFTA “moderately stimulates” free competition while only 2, both from the government sector, responded that the stimulation is “significant”.

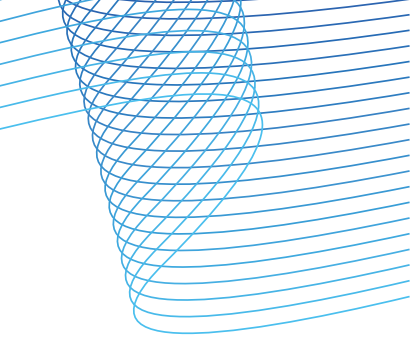
Interestingly, when asked whether Montenegro should exercise retaliatory measures to unfair competition pursued by other CEFTA signatories, 6 responded yes, while 2 of the remaining 2 were undecided (both from public institutions). Further, when asked the question: “How competitive do you think Montenegrin products and services will be in the CEFTA market?”, 4 stakeholders said “very competitive”, 2 said “not competitive” while 4 said neither competitive nor non-competitive/I don’t know;

Improvements suggested and who should initiate them: several improvements have been recognized and a variety of actors mentioned as initiators of those improvements. The results can be grouped in the following way:

- All 10 stakeholders called for the increase of the level of compliance and transparency within CEFTA, and all 10 stakeholders recognized the government sector as the main actor, mainly through bilateral and multilateral efforts. Regional cooperation has been recognized as essential. Seven out of 10 stakeholders call for the improvement of CEFTA compliance via specific measures introduced by CEFTA joint committee, while 6 supported the idea of introducing sub-committees/working groups as potential mediators. Only 2 stakeholders mentioned the need for potential Arbitral Tribunal.
- 7 stakeholders mentioned that inspections and customs procedures should be improved to become less administratively demanding, reducing the time spent at border crossings. However, only 1 stakeholder offered a general vision of how these simplified procedures should look like. Again, all stakeholders mentioned the government as the main actor behind this improvement.
- 7 stakeholders mentioned the need for improvement of access of information and promotional activities, so that local businesses and SMEs can be introduced to CEFTA more thoroughly (especially benefits). Out of these 7, 5 belong to the non-government sector. The responsibility of initiating this improvement, according to the interlocutors, should fall on both government and non-government agents.

In general, the main findings of this study were supported by this limited, yet representative sample of stakeholders from both governmental and non-governmental sectors. The problem of ***selective adherence to CEFTA provisions by other countries*** has been recognized as a rel-





evant issue, with the majority of interlocutors suggesting some form of retaliatory measures. Both stakeholders from the government and non-government sector agree that **more should be done on educating the public on CEFTA responsibilities and benefits**, as well as **improve the access to this type of information**. Interlocutors from public institutions generally called for the **private and non-governmental sector to increase their capacities, dynamics of creating associations and, in general, bringing their products and services to the required standards**. Their counterparts from the non-government sector were adamant in the **government doing more to protect domestic products and increase the visibility of actions and policies devised within the scope of CEFTA implementation**.

Chapter 4 – Ways forward

On 28 August 2014, six heads of government, foreign ministers and economics ministers of Western Balkans countries, together with their colleagues from Slovenia and Croatia and support of the representatives of the European Commission and the EU defined their joint path of cooperation in the next 4 years. This framework was initiated as an annual forum of cooperation with four main principles: dedication to the EU accession process, regional reconciliation through cooperation, principle of good governance and sustainable economic growth. Since that date, the platform further developed through concrete areas of cooperation, and annual meetings broadened and included civil society as well: Vienna (2015), Paris (2016) and Trieste (2017). It is expected that the next summit is hosted by the UK in 2018.

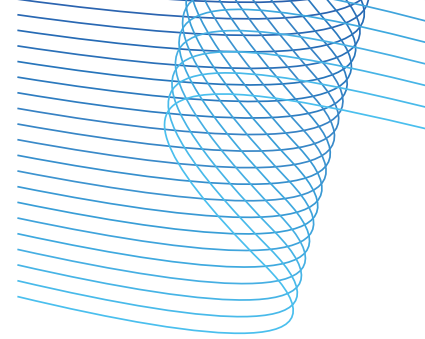
Vienna summit (2015) made more concrete steps towards developing priority lines of cooperation. Thus, it led to creation of the *Western Balkans Fund* and *Regional Youth Cooperation Office*, while emphasizing that one of the priorities of the process is **connectivity** of the region especially through *road and energy infrastructure*. Thus, heads of states identified priority corridors, concrete projects and their expenses. Montenegro can benefit from all of the planned projects, since they all reflect needs of the region, although some of them will expect its ownership in implementation, such as: *Trans-Balkan Electricity Corridor (I): Grid Section in Montenegro*⁶³³ and *Orient/East-Med Corridor (R4): Montenegro – Serbia Rail Interconnection*.⁶³⁴ Additional conclusions have been made regarding the *investment planning*. Moreover, on this occasion, chambers of commerce from the region agreed on the creation of the *Western Balkans Chamber Investment Forum* with the task of ensuring: “more efficient inclusion of the business communities of the countries in the Region in the implementation of the on-going and planned infrastructure and other projects important for the economic prosperity of the Western Balkans.”⁶³⁵

Paris summit (2016) focused more on cooperation of the civil sector and provided for a forum to hear the voice of civil society organizations, which sent clear messages from both Skopje and Belgrade civil society forums. It focused more strongly on the Youth and coordination with other mechanisms of regional cooperation, but also raising security challenges in Europe

633 Partners on the project: Montenegro Electricity Transmission Company (CGESa.d.) and Ministry of Finance, Montenegro; EU contribution: €25 million (20% of investment cost), €3.5 million (project identification and preparation costs); Estimated total investment: €127 million; Estimated KfW loan: €25 million; Estimated EBRD loan: €60 million; Beneficiary contribution and other grants: €17 million. Data found in the European Commission, *CONNECTIVITY AGENDA Co-financing of Investment Projects in the Western Balkans in 2015*, Brussels: European Union, 2015, <http://wb-csf.eu/wp-content/uploads/2017/11/Connectivity-Agenda.pdf>

634 Partners on the project: Railway Infrastructure of Montenegro (ŽICG AD) and Ministry of Transport and Maritime Affairs, Montenegro; EU contribution: €20 million (50% of investment cost), €1 million (project preparation support); Estimated total investment: €40 million; Estimated EIB loan: €20 million. Data found in the European Commission, *CONNECTIVITY AGENDA Co-financing of Investment Projects in the Western Balkans in 2015*, Brussels: European Union, 2015, <http://wb-csf.eu/wp-content/uploads/2017/11/Connectivity-Agenda.pdf>

635 *Agreement on establishment of the Western Balkans Chamber Investment Forum*, Article 1.



and the region. More precisely, the focus was on the migration, fight against terrorism and radicalization. Since migration was primarily great challenge for the EU, WB6 were seen as the most important partners in addressing this issue and securing migration routes. Concerning road and energy infrastructure, three new railway projects were agreed upon (one of them is *Mediterranean Corridor: Montenegro - Albania – Greece Rail Interconnection*), which will receive EU co-financing of almost €100 million. Moreover, energy sector was given a boost of the additional EU funding of €50 million. This will include examining hydropower potential of the region of WB, since EU “commissioned a regional hydropower master-plan for the Western Balkans which will help define how to develop the region’s hydropower potential in a way that balances energy generation with environmental concerns.”⁶³⁶

Trieste summit (2017) built upon previous ones and reinforced certain priorities while strongly elaborating on new ones. The end results were the following most important conclusions and outputs:

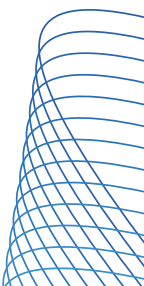
- *Connectivity agenda* was reviewed, called upon completion and reinforcement of existing projects, while adding seven new ones: “with a total investment of over 500 million, of which €194 million in EU grant co-financing and the balance loans from the EIB and the EBRD and national funding by the Western Balkans.”⁶³⁷ In total, since 2015, this means that it encompasses 20 investment projects with funding of over 1,4 billion Euros. In addition to this, EU grant of 11,4 million Euros was provided for through mobilization of the Connectivity Europe Facility (CEF) for the first time. Moreover, ‘Central and South Eastern Europe Gas Connectivity’ initiative will serve as a tool for linking regional electricity markets with the EU. For this purpose, CESEC Electricity and the Energy Community Secretariat were invited to examine potentials and opportunities for such cooperation. Further development of the Regional Strategy for Sustainable Hydropower of Western Balkans was supported.
- *Regional economic integration and development* focused on several developments. First of all, Western Balkans’ leaders had joint initiative for creating **Regional Economic Area**, based on CEFTA and EU rules and principles, which is expected to achieve “increased free movement of goods, services, investment and skilled workers, in full coherence with each country’s path.”⁶³⁸ They also adopted the Action Plan for Regional Economic Area covering trade, investment, mobility and digital economy. It is considered to be a complementary process to CEFTA implementation and enlargement and alignment procedures. Additionally, EC announced it will support REA with 7 million Euros in order to empower it for concrete business endeavours.
- *Private sector and SME development* relates primarily to diversification and modernization of businesses. EC announced additional funding of 48 million Euros channelled through the Western Balkan Enterprise Development and Innovation Facility for boosting entrepreneurial capacities and creating new opportunities for businesses in the region. In addition to this, Secretariat of the Chambers of Commerce of the Western Balkans has been inaugurated and has started to operate.
- *Youth (people to people)* has been dealt with within the newly created and operational platform of RYCO, as a tangible and positive result of the whole process. In addition to this, continuation of successfully implemented first year of the Young Civil Servants pilot scheme was recommended.

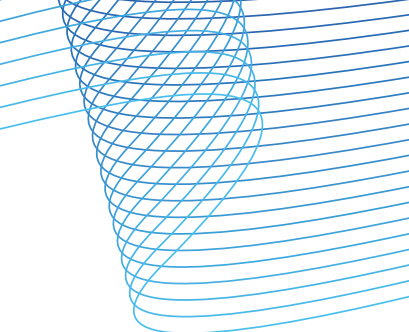
Civil society organizations in Trieste summit reflected more on the regional business environment and trade, which can be indicative for a shift in the trends from before, at least in the context of the Berlin Process. In their Recommendations from Civil Society Forum in Tirana, they conclude: “The Western Balkan region’s intensive trade, business relationships, and com-

636 *Final Declaration by the Chair of the Paris Western Balkans Summit*, July 4, 2016, 3-4.

637 *Declaration by the Italian Chair*, Trieste Summit Western Balkans, 12 July 2017, 3.

638 *Ibid.*, 4.





merce relationships constitute a pillar of the region's stability and security. At the same time, region suffers from unprecedented unemployment, poverty and inequality. The investment, business and innovation climate is dismal, foreign direct investments are low, GDP per capita spans from 27% to 41% of the EU average, the most of the region's countries' export portion of their respective GDP is below the EU average and the emigration levels from the region are alarmingly high.⁶³⁹ When it comes to recommendations, they are mostly focused on culture and creative industries, social economy and social enterprises, entrepreneurship and innovation, rather than on the improvement of the trade.

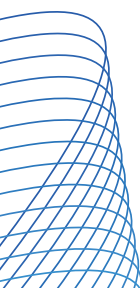
Consolidated Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six was the result of agreed further steps by WB6 leaders in Sarajevo (March 2017) along the lines of "promoting further trade integration, introducing a dynamic regional investment space, facilitating regional mobility and creating a digital integration agenda."⁶⁴⁰ It was developed on the basis of CEFTA and EU rules, SEE 2020 Strategy, as reflected in Stabilization and Association Agreements. It reiterated CEFTA key principles of enabling free flow of goods, services, capital and highly skilled labour, which will make the region more appealing for investment and commerce, while promptly improving convergence and alignment with the EU. Components of the Regional Economic Area are: **trade** (as laid out by CEFTA Agreement), **investment** (development of the Regional Investment Agenda and evaluation of whether it can be formalized through CEFTA platform), **mobility** (Mobility Agenda: mutual recognition agreements of professional qualifications in sectors of mutual interest – doctors of medicine, dentists, architects, engineers; procedures for automatic recognition of quality assured academic qualifications; mobility of students, researchers and academics) and **digital integration** (Digital Agenda: unlock access to the digital economy by integrating the region into the pan-European digital market). Reporting on Multi-Annual Plan is left in the hands of CEFTA/RCC's Secretariats and it does not provide for creation of any additional institutions. It sends a positive alarm of strengthening and improving already existing regional mechanisms and their support for the further implementation.

Transport Community was stipulated in the Treaty signed on its establishment and will be operating in the field of "road, rail, inland waterway and maritime transport as well as the development of the transport network between the European Union and the South East European Parties."⁶⁴¹ It will work toward integrating SEE markets into the market of the EU through process of convergence and approximation with relevant *acquis*. This will include technical standards, interoperability, safety, security, traffic management, social policy, public procurement and environment for all models of transport except for the air transport. The Treaty was signed between EU and WB6. It establishes bodies for its implementation and monitoring: Ministerial Council, Regional Steering Committee and Permanent Secretariat, and for entrance into force requires ratification by the EU and at least four SEE countries, which are signatories to the Treaty. Basically, since entering into force, the Treaty will provide facilitation of administrative formalities and procedures, right to access to the infrastructure in all EU Member States and SEE signatories to the Treaty. An important part of this is removal of restrictions on the validity of licenses, certificates and authorizations of railway undertakings and trained drivers by either the EU or SEE signatory to the Treaty.

639 Civil Society Forum, *Tirana Recommendations*, Tirana: Civil Society Forum, 2017, <http://wb-csf.eu/wp-content/uploads/2017/12/Civil-Society-Forum-Tirana-recommendations.pdf>, 3.

640 Consolidated Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six <http://wb-csf.eu/wp-content/uploads/2017/11/Consolidated-Multi-annual-Action-Plan-for-a-Regional-Economic-Area-in-the-Western-Balkans-Six.pdf>, 1.

641 Civil Society Forum, "Treaty on Establishing the Transport Community", *Official Journal of the European Union*, (Brussels: European Union, 2017), Article 1, <http://wb-csf.eu/wp-content/uploads/2017/12/Treaty-Establishing-the-Transport-Community.pdf>





Creation of Transport Community and MAP for Regional Economic Area are both a signal of the desire of Western Balkans leaders to reaffirm their preparedness to strongly stay on the EU accession path. Moreover, it is a signal that regional cooperation, especially in economic sphere with emphasis on trade, is seen as constant goal by all parties. Closer trade means stronger political and social ties between countries which are naturally tied due to common history, geography and culture. Nonetheless, both of these initiatives are a compromise compared to what was proposed and supported by Serbia – **customs union in Western Balkans**. Prior to Trieste summit, messages coming from the EU member states, especially influential actors were that they would support the creation of the customs union in the region. Not all leaders of WB countries agreed to such proposal, due to the differences of scale of markets and economic developments. Montenegrin Minister of European Affairs, Mr. Aleksandar Andrija Pejovic stated: “We are not going to say ‘no’ to any initiative if it relates to cooperation and creation of better digital network which is something that we support anyway. We also support having better transport corridors and routes, better energy connections and cooperation on mutual recognition of diplomas, but we are not going to support anything that would be considered an alternative to the EU market.”⁶⁴² Some media experts even commented on this initiative as so-called “creation of mini Yugoslavia” and even a symbol that would showcase that “Western Balkans being trivial for the EU”.⁶⁴³

Although these headlines tend to be overly sensational, one still needs to be careful about the idea of creating of the customs union due to several factors: uneven development of potential members, different macro policies, different exchange rates and monetary policies, trade regimes and free trade agreements with third countries. All of these issues and rather different stages of development in each of the potential member state of such customs union could make its implementation difficult. Obviously, these are the issues that will have to be dealt beforehand, but one needs to be realistic about the political willingness of each individual country to go in this direction. This is especially case for Montenegro, which has rather high trade deficit. Of course, it is clear that in the current situation some aspects of functioning of CEFTA need to be dealt with. Both political and economic trends in the region show that the biggest obstacles to full implementation of CEFTA are various non-tariff barriers. The best solution in the current situation, with regards to both intra-CEFTA trade and relations to the EU, would be to develop compulsory mechanisms of fighting unfair barriers to trade and have strong monitoring mechanism with enforcement powers. Only with more stable and improved trade between members of CEFTA Agreement, there is a potential for attracting investments and improving overall relations between Western Balkans countries.

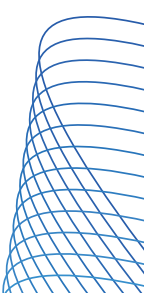
Chapter 5 – Conclusions

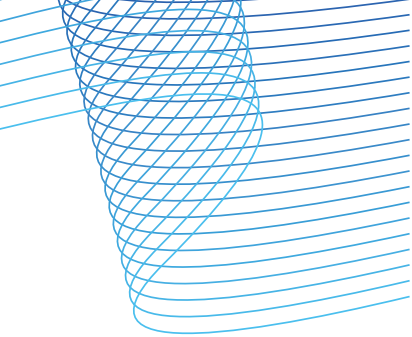
5.1 Key Findings

Montenegro is among the smallest markets functioning within the CEFTA 2006 Agreement in Western Balkans. Its trade patterns are improving with smaller setbacks, which can be seen through comprehensive data on its position in regional trading scheme under the umbrella of CEFTA 2006. Available data from 2005 onwards show that Montenegro has achieved remarkable success and profited of the free trade area, although what remains unclear is whether the

642 Snežana Bjelotomić, “The Western Balkan Customs Union: A real prospect”, *Serbian Monitor*, April 11, 2017, <http://serbianmonitor.com/en/economy/31657/the-western-balkan-customs-union-real-prospect/>

643 Reporting about the Western Balkans Summit in Trieste, German newspaper Die Welt, source: INDEX.HR, July 13, 2017.





same trends would occur if bilateral free trade agreements were in place without the CEFTA 2006 regional framework. Additional point to keep in mind is the fact that in 2006 Montenegro regained its independence (same year the CEFTA Agreement was signed, although it entered into force in 2007).

Nonetheless, some trends are evident. The total external trade in goods of Montenegro in 2016 was 2,388 million EUR, with the value of exports of goods reaching 325.8 million EUR and the value of imports of goods reaching 2,061.7 million EUR. Although there is a steady increase in exports over the years, Montenegrin imports rose much more rapidly thus resulting in a persistent trade deficit which started at -673,506 thousand EUR in 2005 and reached staggering -1,735,842 thousand EUR in 2016. This can point out that Montenegrin products were not developed enough for trade liberalization in 2006/2007.

When it comes to CEFTA 2006, member states are Montenegrin important trade partners. During the reporting period, they constituted around 35% of total Montenegrin imports and around 40% of total Montenegrin exports. From 2013 onwards, CEFTA countries became Montenegro's number one **export partner** thus replacing the EU, which previously held this position. However, when it comes to imports, the EU still holds the position of the most significant Montenegrin partner with around 50% share in total Montenegrin **import**.

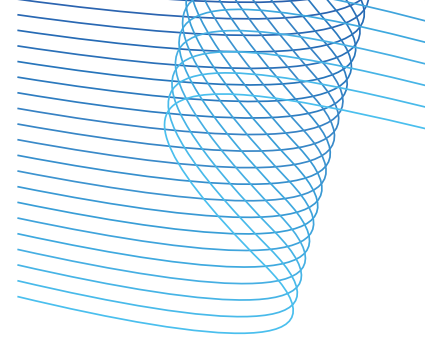
Since 2007, Montenegro did not perform significant increase in total exports in CEFTA. On the contrary, the value of exports to countries of CEFTA was bigger in 2005 than in 2016 with the sharp decline in 2009, following the financial crisis. It was only during 2013 that Montenegro achieved 17.9% of increase in CEFTA exports when compared to 2005. On the other hand, there is a steady increase of imports from CEFTA, with its peak in 2011 when it amounted to 39.8% of total imports.

Interesting developments within CEFTA 2006 trading can be noticed when analysing volume of trade with individual member states. When compared to the period before the introduction of CEFTA, there is a positive trend of increasing the number of Montenegro's export trade partners. Namely, before CEFTA, Montenegro relied heavily on exports to only one country - Serbia, with the value of exports to this country reaching 87.2% of total exports to CEFTA in 2005. However, following 2007 there is a pattern of steady increase of exports to Kosovo, Albania and Macedonia.

Additionally, exports to Kosovo rose exponentially - from 3,856 thousand EUR in 2007 to 23,688 thousand EUR in 2011 when it reached the highest value. Similarly, value of Montenegro's exports to Albania rose from 2,440 thousand EUR in 2005 to 15,169 thousand EUR in 2014 when it reached the highest value. Increase of exports to Macedonia is also remarkable - from 655 thousand EUR in 2005 to 4,526 thousand EUR in 2016.

When it comes to CEFTA import partners, compared to the period before the introduction of CEFTA, there is a sharp increase in the value of imports from Bosnia and Herzegovina and Albania and a steady increase in the value of imports from Serbia and Macedonia. Namely, the value of Montenegro's imports from B&H rose from 26,140 thousand EUR in 2005 to 126,703 thousand EUR in 2014. Similarly, Montenegro's imports from Albania rose from 2,007 thousand EUR in 2005 to 32,645 thousand EUR in 2014. Although value of exports to Serbia decreased, the value of imports increased from 291,403 thousand EUR in 2005 to 457,276 thousand EUR in 2016. Imports from Macedonia also increased from 12,156 thousand EUR in 2005 to 26,521 thousand EUR to 2016.

It is quite alarming that Montenegro records exponential trade deficit with five out of six CEFTA partners - all except Kosovo. Montenegro records the largest trade deficit with Serbia - it amounted to -375,241 thousand EUR in 2016 while it started at -158,876 thousand EUR in 2005.



5.2 Obstacles in CEFTA 2006 Implementation

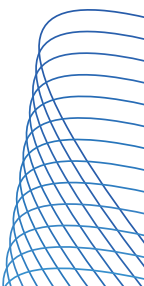
When real life cases are compared to opinion of business owners, together with opinions of stakeholders dealing directly or indirectly with this topic, following issues can be summarized as the most pressing:

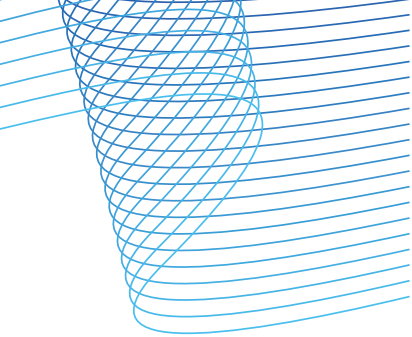
- Lack of understanding of the functioning of CEFTA 2006;
- Lack of visibility of CEFTA 2006 initiatives;
- Lack of enforcement mechanism for CEFTA 2006 rules;
- Technical, administrative and sanitary and phytosanitary measures as non-tariff barriers to free trade;
- Differences in systems and stages of economic development and convergence with the EU among CEFTA 2006 members;
- Underdeveloped IT capacities of border crossings and national systems, in general;
- Different quality of products among CEFTA 2006 members;
- Lack of business involvement in CEFTA 2006;
- Lack of comparable annual data developed on the basis of same methodology for both CEFTA and other partners;
- Lack of transparency on procedures in place.

5.3 Recommendations for the future

Overall positive effects of CEFTA 2006 can be noted, but more decisive and stronger steps should be made in order to ensure that: a) regional trade is enhanced, b) members of CEFTA 2006 are prepared for the EU market and c) foreign direct investments rise. Recommended steps for the future are:

- Strengthen control and enforcement mechanism of CEFTA 2006 rules;
- Clearly stipulate prohibited activities under the umbrella of non-tariff barriers;
- Analyse needs and limitations of each specific country and propose joint regional trade pattern which will be applicable in all members of CEFTA 2006 on how to tackle the most complicated and lengthy procedures which pose biggest barriers for trade;
- Adjustments of procedure ought to be made in terms of either standardized parameters for testing or legal provisions that will allow for the import of a product which is not necessarily tested by national authorities, provided it has internationally or EU recognized certificate;
- Use all available regional mechanisms for further promotion of CEFTA 2006, such as Berlin Process;
- Increase the involvement of business sector in each of the member states of CEFTA 2006 through joint meetings and events;
- Inform civil sector on latest development in trade within CEFTA 2006 and raise awareness of the importance of greater competitiveness;
- Strengthen capacities of institutions dealing with foreign trade in terms of both infrastructure and administrative capacities;
- Educate and constantly inform customs services on the newly adopted regulations under the umbrella of CEFTA 2006;



- 
- Develop IT mechanism for electronic correspondence in timely manner on customs procedures;
 - Increase transparency and clearly stipulate rules on import and export trading procedures in each of the member state of CEFTA 2006;
 - Publish annual reports containing not just CEFTA 2006 activities, but also inputs of each member state of CEFTA 2006 on their trade and especially non-tariff barriers cases in a given year;
 - Examine extension of free trade and deepening of the commitments among member states of CEFTA 2006.

5.4 Potential for the creation of the customs union of Western Balkans

Idea of the creation of customs union of Western Balkans, at first sight, seems like a logical development, which could successfully deal with non-tariff barriers and ensure what CEFTA 2006 lacks – deeper involvement of member states and better preparedness for the EU customs union, i.e. functioning on the EU market.

Nonetheless, practice shows that even the current level of compliance does not function in the best possible manner. Lessons learned from Montenegrin case, show how inadequately prepared smaller markets react to sudden trade liberalization. Namely, it did bring rise in export and import with certain countries, but volume of trade and rising trade deficit point out that its market needs to be strengthened and developed further. This can be dealt with through investments, diversification of products, specialization in types of services provided etc.

Many experts fear the idea of creating of the customs union due to several factors: uneven development of potential members, different macro policies, different exchange rates and monetary policies, trade regimes and free trade agreements with third countries. All of these issues and rather different stages of development in each of the potential member state of such customs union could make its implementation difficult.

Additionally, there are trading partners outside EU and CEFTA 2006 with whom Western Balkans countries have free trade agreements on special tariffs, which in a customs union, would have to be dealt with jointly. As in any other aspect of regional, European or international economic relations, political will and interests have to be taken into account.

CEFTA 2006 should look towards more clear rules against non-tariff barriers, which have detrimental effect on trade, while expanding more into different aspects of trading.



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APPENDIX

Table 5: Ten most important products in total trade of Montenegro in the period 2005-2016 in exports (value of trade in 000 EUR)⁶⁴⁴

Exports according to Standard International Trade Classification (SITC)												
Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sectors of products	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR
0 Food and live animals	12,359	9,803	7,651	11,557	13,310	18,673	21,933	22,448	23,502	23,052	21,446	22,426
1 Beverages and tobacco	30,341	22,515	23,596	22,046	18,075	17,128	17,450	15,539	13,616	13,474	15,363	14,674
2 Crude materials, inedible, except fuels	19,128	18,406	18,539	15,528	14,623	20,787	23,513	18,929	25,479	30,201	30,848	26,917
3 Mineral fuels, lubricants and related materials	2,895	3,653	2,885	2,342	3,080	13,191	34,938	37,030	89,440	41,182	27,890	30,162
4 Animal and vegetable oils, fats and waxes	183	138	73	169	239	1,224	1,357	3,170	2,182	3,178	553	487
5 Chemicals and related products	9,235	9,619	8,259	9,248	11,004	12,087	11,357	10,763	7,667	7,344	9,035	11,484
6 Manufactured goods classified chiefly by material	62,698	54,587	50,357	65,720	43,595	25,036	12,599	23,909	8,559	19,980	19,043	24,980
7 Machinery and transport equipment	7,087	10,598	6,635	10,039	9,184	13,275	9,336	6,259	8,531	6,667	6,908	8,156
8 Miscellaneous manufactured articles	2,838	3,905	7,709	5,867	5,708	5,071	5,210	5,616	6,790	6,673	6,393	7,508
9 Commodities and transactions not classified elsewhere in the SITC	5,839	398,337	66,164	0	0	0	0	0	0	0	0	0
Total	152,608	133,626	125,775	142,520	118, 822	126,476	137,698	143,667	185,770	151,754	137,482	146,799

644 MONSTAT provided data in May 2018 in accordance with the free access to information.

Table 6: Ten most important products in total trade of Montenegro in the period 2005-2016 in imports (value of trade in 000 €)⁶⁴⁵

Imports according to Standard International Trade Classification (SITC)												
Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sectors of products	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR	Value in EUR
0 Food and live animals	65,637	79,953	128,161	188,995	170,541	171,324	190,354	191,633	194,621	189,712	200,634	195,268
1 Beverages and tobacco	27,761	33,415	47,954	57,640	50,217	49,355	51,641	51,018	49,868	47,359	49,608	50,175
2 Crude materials, inedible, except fuels	20,873	23,096	37,207	45,275	25,858	56,873	66,458	46,564	38,327	24,602	29,252	17,120
3 Mineral fuels, lubricants and related materials	6,860	31,417	32,115	36,538	37,543	35,531	105,402	92,903	67,440	58,420	54,782	47,258
4 Animal and vegetable oils, fats and waxes	9,255	8,766	8,576	11,861	10,705	11,067	13,132	13,907	12,465	10,651	11,313	11,396
5 Chemicals and related products	29,430	36,372	49,934	65,733	54,366	52,665	65,972	66,850	75,898	80,807	85,018	66,771
6 Manufactured goods classified chiefly by material	51,112	79,053	141,609	203,526	112,962	116,329	125,900	127,158	132,755	136,754	136,870	131,176
7 Machinery and transport equipment	17,052	25,089	39,912	56,555	31,990	30,585	35,753	40,451	41,658	44,505	49,992	31,707
8 Miscellaneous manufactured articles	39,257	52,260	80,153	107,077	73,599	66,114	71,553	71,826	74,055	76,766	81,002	76,617
9 Commodities and transactions not classified elsewhere in the SITC	64,544	68,980	46,683	45	0	0	1	0	0	0	0	53
Total	331,785	438,404	612,307	773,249	567,786	589,848	726,171	702,313	687,091	669,580	698,476	627,546

645 MONSTAT provided data in May 2018 in accordance with free access to information.



V. THE CASE OF SERBIA

PREDRAG BJELIĆ and MILOŠ MILOVANOVIĆ⁶⁴⁶

Chapter 1 – Introduction

Southeastern Europe was a region without any regional trade integration long after the dissolution of Yugoslavia. Under the initiative that came from the EU, as a precondition for future membership, regional cooperation had to be developed. The regional trade integration in this region started with the Memorandum of Understanding on Trade Liberalisation and Facilitation (MoU) of June 2001. This integration included Western Balkans economies, as well as Romania, Bulgaria and Republic of Moldova. This Memorandum envisaged signing of bilateral trade agreement between signatory countries until the end of 2002. This would create the free trade network with the liberalisation of at least 90% of products traded. The deadline for the establishment of full free trade area was until 2008. In reality the whole process was stalled due to the disintegration of the single market of the Federal Republic of Yugoslavia. Some attempts had been made to align the customs territories of Serbia and Montenegro but after the Belgrade Agreement from 2003 establishing a State Union of Serbia and Montenegro, the separate custom territories inside FRY had been legalised. The network of 32 bilateral trade agreements had been signed between Memorandum signatories but they were not applied in full. Specific situation was also towards Kosovo* which was a territory under UN mandate.

New attempt was made in 2006, when under the initiative of Croatia the existing Central European Free Trade Agreement (CEFTA) was revised and included the Western Balkans economies. The original CEFTA created in 1992 included Eastern European countries that aspired to be EU members. Most of the CEFTA members became EU members in 2004 when Romania, Bulgaria and Croatia remained as only CEFTA members. Croatia suggested widening the CEFTA with Western Balkan economies other than creating Southeast European Integration. In 2006, the revised Agreement was signed by Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Moldova, Serbia and UNMIK in the name of customs territory of Kosovo*. This new agreement was a single undertaking but the trade concessions created with the network of bilateral trade agreements were incorporated into the new agreement. Bulgaria and Romania left the CEFTA in 2007 when they became EU members, thus leaving the CEFTA 2006 with eight signatories.

⁶⁴⁶ European Movement in Serbia, Belgrade.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

The free trade area envisaged by the revised CEFTA (CEFTA 2006) was created by the end of 2010 for industrial products. Trade in agricultural products within CEFTA 2006 was liberalised in 2001 with an additional protocol. CEFTA 2006 is a subregional trade integration and all its signatories are aspiring to become EU members. When they become EU members they will have to leave CEFTA 2006, like Croatia in June 2013.

New liberalisation in CEFTA 2006 is envisaged in the area of services with the signing of a new protocol planned for this year (2018). The new liberalisation plan includes removal of administrative barriers (Trade Facilitation) but also free movement of capital and labour.

But still a lot of non-tariff barriers (NTB) obstruct intra-CEFTA 2006 trade. Most of the barriers that prevail are administrative barriers to trade that individual CEFTA 2006 signatories introduce. We must observe that for most of CEFTA parties the EU is the dominant trade partner and then CEFTA 2006 partners come as a second most relevant group of partners.

Chart 1: Share of CEFTA2006 partners in Serbia's exports in 2016 (%)

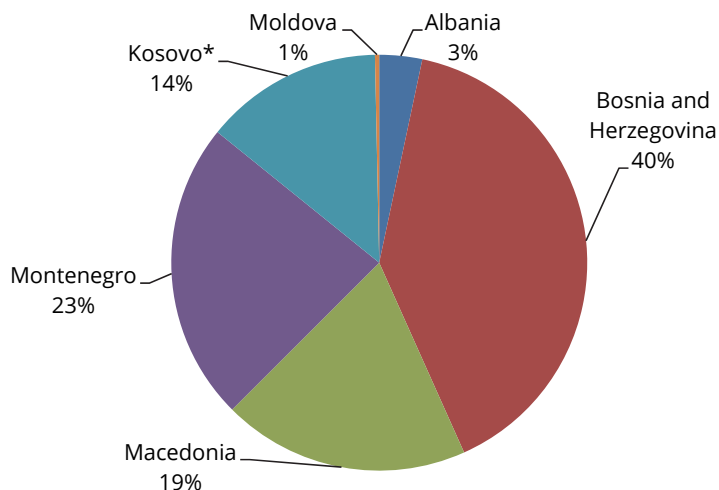
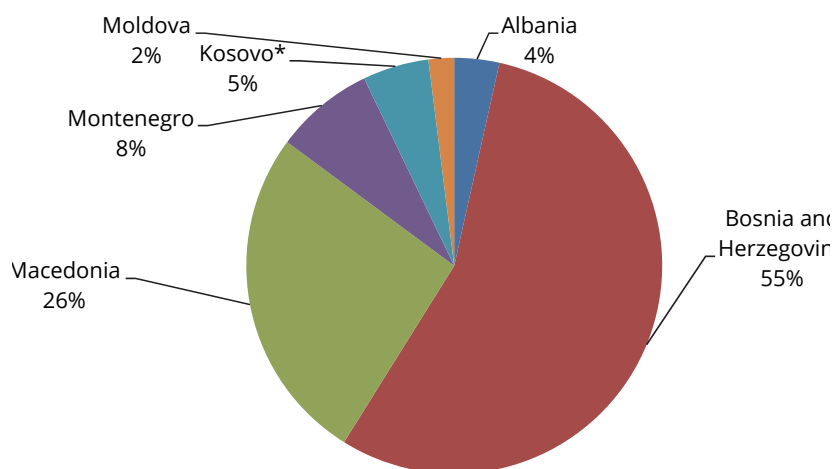


Chart 2: Share of CEFTA2006 partners in Serbia's imports in 2016 (%)



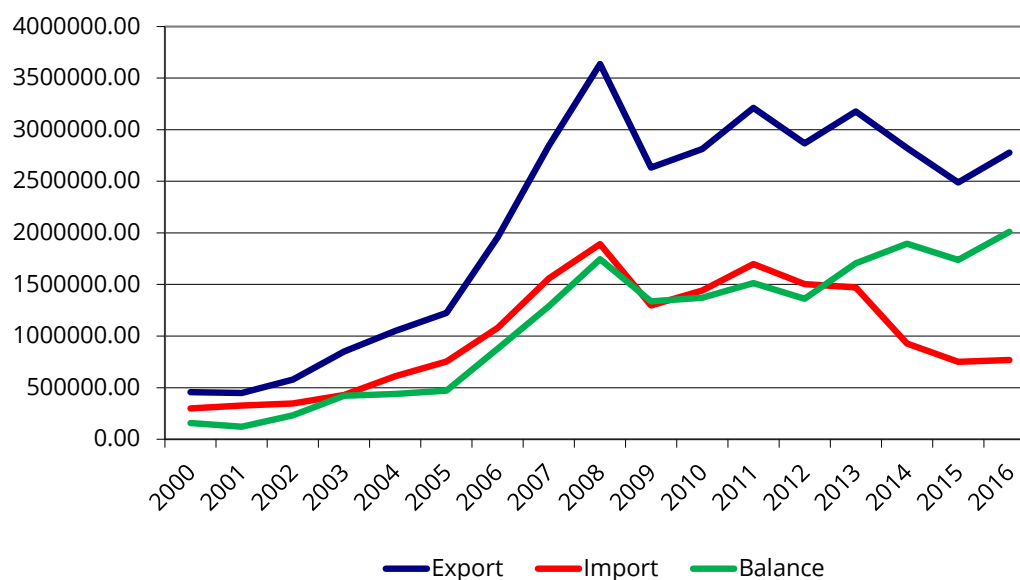
Source: Predrag Bjelić (2018), *Međunarodna trgovina*, Centar za izdavačku delatnost Ekonomskog fakulteta Univerziteta u Beogradu, Beograd, str. 518.

Chapter 2 – Trade in CEFTA2006

CEFTA 2006 signatories include economies created with the dissolution of SFR Yugoslavia, and Albania and Moldova. This is very important market for Serbia since it was a part of a single market until 1992 and includes most of the Serbia's neighbors.

Serbia, alongside Croatia until 2013, is the largest economy and most developed economy in CEFTA 2006. It has the most developed industrial sector of all CEFTA 2006 signatories and is most competitive. This is reflected also in trade flows of Serbia and results in a large surplus that Serbia has in trade with CEFTA 2006 economies. The trade surplus of Serbia in its trade with CEFTA 2006 partners was a modest 157 million USD in 2000 which constituted 34% of Serbia exports that year. In 2016, this surplus was above 2 billion USD and represented 72% of Serbia exports to CEFTA 2006 partners.

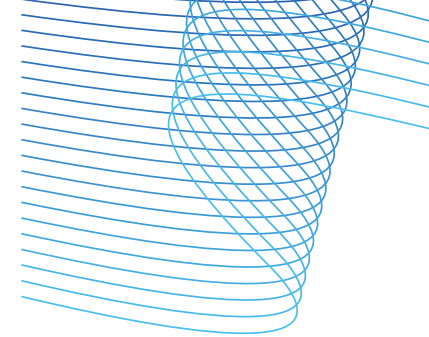
Chart 3: Serbia's trade with CEFTA 2006 in 000 USD, 2000-2016



Source: RZS data

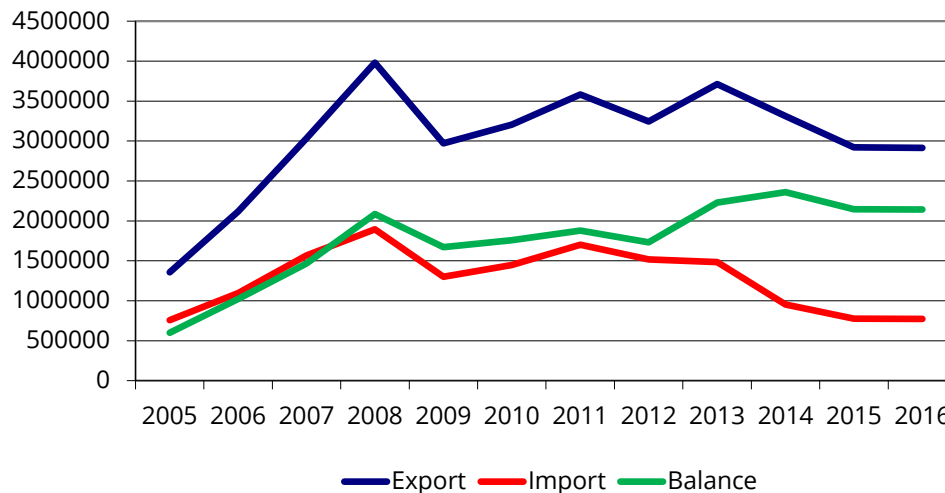
After the start of regional trade liberalization in Southeastern Europe, Serbia's trade with these partners started to rise dramatically. The main obstacle to the trade in the region in the years before 2000 was due to the violent disintegration of Yugoslavia that cut all trade ties. The rise of Serbia's export to CEFTA 2006 was very dynamic from 2000 and especially growing exponentially from 2005 due to the application of free trade agreement within the region, reaching the maximum above 3.5 billion USD. This growth was sustainable until the start of world economic crisis in 2008, when we record the fall in Serbia's exports which later stabilized at a bit lower level, fluctuating around 3 billion USD. This stabilization is due to the fact that trade potential in Serbia's export had been exhausted and was not present as in the period before 2008.

Imports of Serbia from CEFTA signatories had similar dynamics but were at a lower level. After the period of rise until 2008, the imports started to fall during the world economic crisis, stabilizing afterwards around the level of 1.5 billion USD. Imports started to drop further after 2013, and from that period Serbia's surplus in its trade with CEFTA 2006 is larger than the total imports from these economies. The period after 2013 is affected by Croatia leaving the CEFTA 2006.



Official RZS data still do not include trade of Serbia with Kosovo* as foreign trade data, so we needed to use Chamber of Economy of Serbia (PKS) data on trade with Kosovo*. We incorporated these data and the picture below represents trade with all CEFTA 2006 signatories, including Kosovo*.

Chart 4: Serbia's trade with CEFTA2006 (including Kosovo*) in 000 USD, 2005-2016



Source: RZS and PKS data

The trend in Serbia's export and import is similar but the values are larger. The maximal Serbian export to CEFTA 2006 parties was achieved in 2008 reaching 4 billion USD. After the world economic crisis, exports stabilized at around 3.5 billion USD and dropped below 3 billion USD from 2015. Imports from CEFTA 2006 partners also rose until 2008 but less significantly than exports of Serbia. After the crisis, it stabilized at around 1.5 billion USD and dropped further after 2013.

In one of our previous researches⁶⁴⁷ we discovered that the Western Balkans economies (CEFTA 2006 signatories) represent a region significantly integrated into the global economy, and the global economic crisis affected the region through diminishing exports to its traditional export markets such as the EU, and through reduction of FDI inflows to the region from its traditional investment partners, usually developed countries. Because the economies in the Western Balkan region export mostly agricultural and commodity products, the effects of the crisis were less damaging than in developed countries. The significant result obtained by estimating the model is that membership in regional trade integrations had a positive effect on exports. We specifically researched two integrations, the European Union and CEFTA, and observed that the effect of membership in these trade integrations was especially significant during the world economic crisis. An interesting fact was that the crisis negatively affected the region's trade with the EU more than intraregional trade in the Western Balkans. This is a good argument for fostering regional cooperation and integration in the Western Balkans.

If we analyze more comprehensively the product structure of Serbia's exports and imports into the CEFTA 2006, we can observe that Serbia exported iron and steel products and electric energy in the period from 2006 to 2011. Also Serbia is important exporter of agricultural products to CEFTA 2006 partners that include wheat flour and wheat, beer, corn and sugar. Other top export products include medicines and confectionery products, such as Sweet biscuits and waffles.

647 Predrag Bjelić, Danijela Jaćimović and Ivan Tašić, "Effects of the World Economic Crisis on Exports in the CEEC: Focus on the Western Balkans", *Economic Annals*, Volume LVIII, No. 196 / January – March 2013, 71-98.

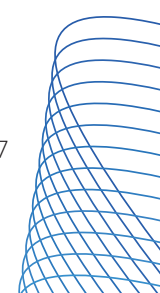


Table 1: Five most important products in Serbia export to CEFTA 2006 partners, 2006-2011

	2006	2007	2008	2009	2010	2011
Product ranked 1st	Iron and unalloyed steel, clad	Iron and steel scrap	Electric energy	Electric energy	Electric energy	Electric energy
Product ranked 2nd	Electric energy	Electric energy	Iron and steel scrap	Beer	Iron and steel scrap	Iron and steel scrap
Product ranked 3rd	Iron and steel scrap	Iron and unalloyed steel, clad	Iron and unalloyed steel, clad	Medicines for retail	Iron and unalloyed steel, clad	Corn
Product ranked 4th	Beer	Beer	Beer	Iron and unalloyed steel, clad	Sugar	Beer
Product ranked 5th	Corn	Wheat Flour	Wheat Flour	Sweet biscuits and waffles	Beer	Wheat Flour
Total of above (000 USD)	248739.14	350207.8	409105.0	294567.8	398835.3	403890.3
% of total trade with the EU	12.71	12.31	11.25	11.18	14.18	12.58

Source: RZS data

In the second period, from 2012 to 2016, we still see Electric energy as most important export product in first few years but later on, Corn takes the dominance as a single most important product in Serbia's export to CEFTA 2006 market. Beer is still very relevant export product for Serbia with a rising importance of confectionery products, such as Sweet biscuits and waffles. Some other beverages take the stage as top export products, but of non-alcoholic nature.

Table 2: Five most important products in Serbia export to CEFTA 2006 partners, 2012-2016

	2012	2013	2014	2015	2016
Product ranked 1st	Electric energy	Electric energy	Corn	Corn	Corn
Product ranked 2nd	Beer	Corn	Beer	Wheat	Iron and unalloyed steel, clad
Product ranked 3rd	Corn	Beer	Sweet biscuits and waffles	Beer	Wheat
Product ranked 4th	Sunflower oil, refined	Sweet biscuits and waffles	Wheat	Sweet biscuits and waffles	Sweet biscuits and waffles
Product ranked 5th	Other non-alcoholic beverages	Sunflower oil, refined	Other non-alcoholic beverages	Other non-alcoholic beverages	Other non-alcoholic beverages
Total of above (000 USD)	304215.3	366271.7	265253.7	222258.1	273091.0
% of total trade with the EU	10.61	11.53	9.39	8.93	9.83

Source: RZS data

If we take a look at the import side, we can observe that Serbia's imports most the Coke and semi coke from stone coal and Electric energy from CEFTA 2006 partners, in the period 2006-2011. The other products include Rods of iron and steel and wires but also pine wood as raw materials. We can observe also that the category of unclassified goods appears also in imports from CEFTA 2006 as it was present in imports from the EU.

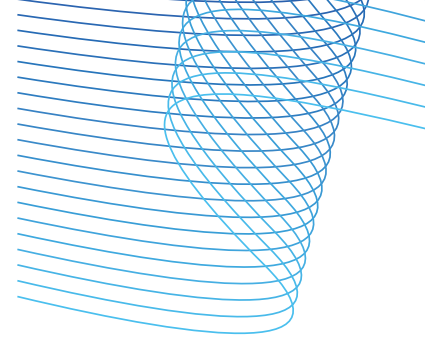


Table 3: Five most important products in Serbia import to CEFTA 2006 partners, 2006-2011

	2006	2007	2008	2009	2010	2011
Product ranked 1st	Coke and semi coke from stone coal	Coke and semi coke from stone coal	Coke and semi coke from stone coal	Electric energy	Electric energy	Coke and semi coke from stone coal
Product ranked 2nd	Pine wood	Rods, from iron and steel	Unclassified goods	Unclassified goods	Coke and semi coke from stone coal	Electric energy
Product ranked 3rd	Electric energy	Unclassified goods	Rods, from iron and steel	Coke and semi coke from stone coal	Pine woods	Sets of semi-conductors
Product ranked 4th	Rods, from iron and steel	Pine wood	Wires	Pine woods	Wires	Gas oils
Product ranked 5th	Wires	Wires	Electric energy	Wires	Lubricating oils	Lignite
Total of above (000 USD)	210990.0	341023.2	463561.7	276418.9	318091.5	375026.6
% of total trade with the EU	19.54	21.89	24.51	21.30	22.05	22.08

Source: RZS data

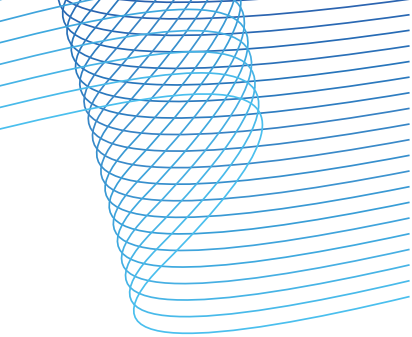
In the period 2012-2016, the top imported products are Coke and semi coke from stone coal and Electric energy, very similar to the previous period, with the similar products. New products on the list include medicines for retail and wine.

Table 4: Five most important products in Serbia's import to CEFTA 2006 partners, 2012-2016

	2012	2013	2014	2015	2016
Product ranked 1st	Sets of semiconductors	Electric energy	Coke and semi coke from stone coal	Coke and semi coke from stone coal	Coke and semi coke from stone coal
Product ranked 2nd	Electric energy	Sets of semiconductors	Electric energy	Wires	Unclassified goods
Product ranked 3rd	Gas oils	Medicines for retail	Sets of semiconductors	Medicines for retail	Wires
Product ranked 4th	Medicines for retail	Lubricating oils	Wires	Electric energy	Wine
Product ranked 5th	Lignite	Wires	Medicines for retail	Sets of semiconductors	Pine wood
Total of above (000 USD)	247465.4	301255.9	209561.9	162922.1	160312.3
% of total trade with the EU	16.45	20.49	22.60	21.71	20.90

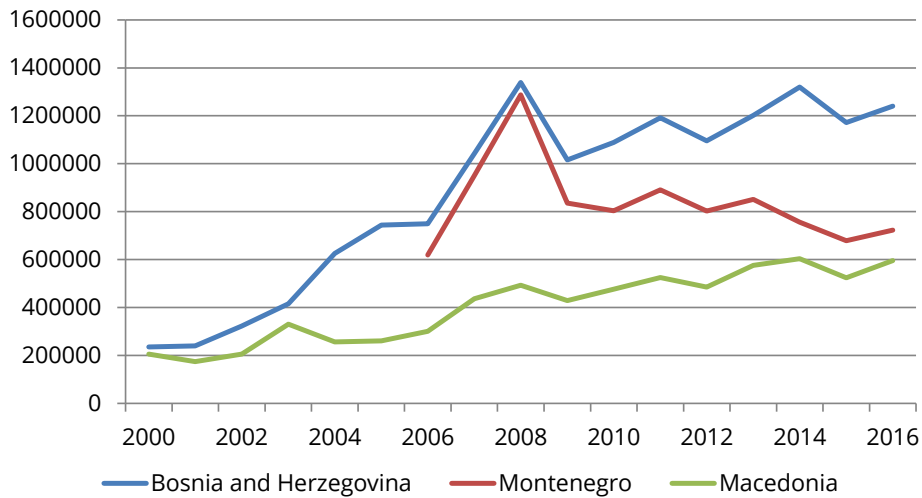
Source: RZS data





CEFTA 2006 group is the second most important group of partners in Serbia trade, after the EU. From this group, individually, the most important partners in exports are Bosnia and Herzegovina, Montenegro (after 2006) and Macedonia.

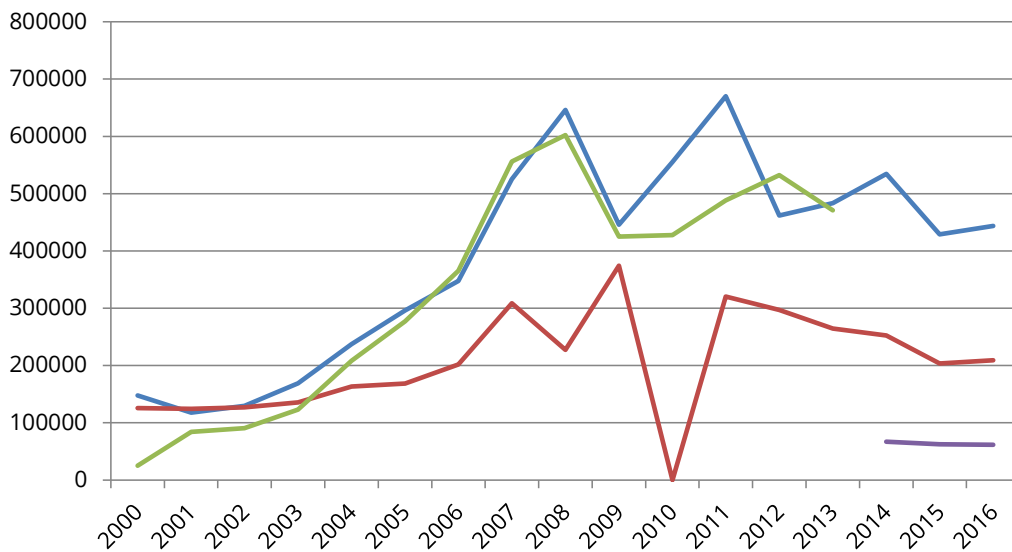
Chart 5: Top three export partners from CEFTA2006 in 000 USD, 2000-2016



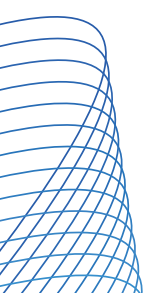
Source: RZS data

Most important trade partners from CEFTA 2006 group in Serbia's imports are Bosnia and Herzegovina, Croatia (until 2013), Macedonia and Montenegro (from 2013).

Chart 6: Top three import partners from CEFTA2006 in 000 USD, 2000-2016



Source: RZS data





2.1 Trade in Agricultural products

There is no doubt that CEFTA 2006 has brought a lot of benefits to the agriculture in the region. It significantly increased the total volume of trade in the field of agro-food products among its members, contributed to the transparency and simplicity of trade, established an institutional framework for communication and resolution of disputes, profiling (lack of) competitiveness of certain sectors within the agro-food complexes of the member states. However, one aspect of the contribution is ranked above the others – it created a mini-playground, i.e. a demonstration field of global liberalized trade for its members, which clearly points out the directions of moving forward towards the accomplishment of full involvement of all members in the international market.

The regional trading system called CEFTA 2006 brings together the countries of the former SFRY, except for Slovenia and Croatia (after 2013), but including Albania and Moldova. The system created under the influence of the Stability Pact of South East Europe today has a different importance for its members in political and economic-trade terms, but the common interest of all countries gathered therein, is that this market absorbs a significant part of their exports. However, agriculture and trade in agro-food products occupy a special place within the system itself, from the aspect of institutional arrangements and interests of the members reflected in trade conflicts more than once.

CEFTA region represents a very important export market for agro-food products from Serbia. In 2016, this market absorbed 29.7% of the total agricultural exports of the country, while the average for the period 2010-2014 was 37%. In the period 2001-2016, Serbia's exports to this market increased from USD 128.33 million to USD 949.49 million, i.e. 7.5 times. In parallel, the import of agro-food products to Serbia in the same period increased from USD 88.07 million to USD 165.88 million, i.e. only twice. In the same period, Serbia increased the surplus in the exchange of agro-food products from 40.27 million to 783.61 million, i.e. by as much as 19.5 times. The volume of trade between Serbia and CEFTA members in the field of agricultural products increased 5.2 times in the observed period.

Bearing in mind the part of Serbia's agricultural exports that has CEFTA market as the final destination, there is no doubt about the contribution of the region to agriculture in Serbia. There are more reasons for that, among which primarily:

- Economic cooperation from the period of former common state (within the SFRY)
- Proximity of the markets
- Good product recognition among consumers
- Habits formed in the recent past
- In general, lower level of complexity of these markets in comparison to the EU (in terms of standards in the process of production, processing and food placement).

The products that Serbia exports to this region are only slightly different from the general picture of agro-food exports of the country, hence, besides wheat, corn, flour, oils, etc. among the traditional top ten products by value are beer and cigarettes, but also meat and dairy products. On the import side, there are mainly wine, tomatoes, meat, cigarettes, grapes.

The most important individual market for Serbia within the CEFTA region is Bosnia and Herzegovina, with USD 470.32 million exports in 2016, which is also the most important individual market for Serbia in general. Also, Montenegro and Macedonia represent important markets (251.96 million, i.e. 179.22 million within the same year), traditionally among the top ten individual countries with respect to the value of Serbian agricultural exports. On the import side, Bosnia and Herzegovina and Macedonia are constantly appearing among the top ten importers to Serbia and, at the same time, represent the most important individual CEFTA members for Serbia.



2.1.1 Republic of Serbia bilateral agreements on free trade before CEFTA

Prior to the entry into force of the Agreement, the Republic of Serbia was a signatory of a number of free trade agreements with the countries of the region, i.e. members of the later CEFTA 2006 Agreement. Thus, the agreement was signed with Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Moldova, Romania and Croatia.

Bilateral agreements implied a different level of customs liberalization, which was harmonized in the process of direct negotiations with the signatory countries, based on the basic idea of liberalization of the largest part of mutual trade, as well as with the understanding of certain specificities of some parts of the agricultural systems of the signatory countries. The result was the realized level of liberalization which did not reflect the real possibility for liberalization (the so-called sensitive sectors for the national economy continued to enjoy an enviable level of customs protection) which inevitably resulted in the failure to use all the options that were at their disposal.

2.1.2 Agreement's entry into force and its significance for the agriculture of the region

A tremendous step forward in the regional trade and cooperation has been made with the establishment of CEFTA 2006. This mechanism has led to an increase in trade volume among all members, better allocation of resources engaged in agriculture, better visibility of the region in the light of attracting foreign investments, transferring land and resources to more productive users, to shaping regional trade in the spirit of the WTO rules and principles, but also to creation of a constructive dialogue between members, and making of an institutional framework for issues of great importance to the economy, but also for the day-to-day functioning of the market. In many ways, this multilateral system served as a basis for the subsequent full integration of the Western Balkan countries into the international market, as well as the crystallization of the real (im)possibilities of the agriculture sectors of the region, from the international point of view.

With the entry into force of CEFTA, agro-food products trade between members was completely liberalized in most parts, but also made much simpler and clearer / more transparent.

Overview of full liberalization foreseen by CEFTA 2006:

- Albania: with UNMIK / Kosovo (excluding one tariff mark)
- Bosnia and Herzegovina: with all signatories, except for Albania, with which the exchange per MFN customs rates was agreed for 64 products
- Macedonia: with B&H, Montenegro, Serbia and UNMIK / Kosovo
- Moldova: with B&H and UNMIK / Kosovo
- Montenegro: with B&H, Macedonia, Serbia and UNMIK / Kosovo
- Serbia: with B&H, Macedonia, Montenegro and UNMIK / Kosovo

2.1.3 "Brakes" for trade promotion in the field of agriculture

The experience in the implementation of bilateral trade agreements before CEFTA 2006 entered into force, as well as the subsequent trade institutionalized by this agreement, is sufficient to address the observed shortcomings. There is no doubt that there are obvious obstacles to the full implementation of agreements that seriously diminish the free trade capacity of the



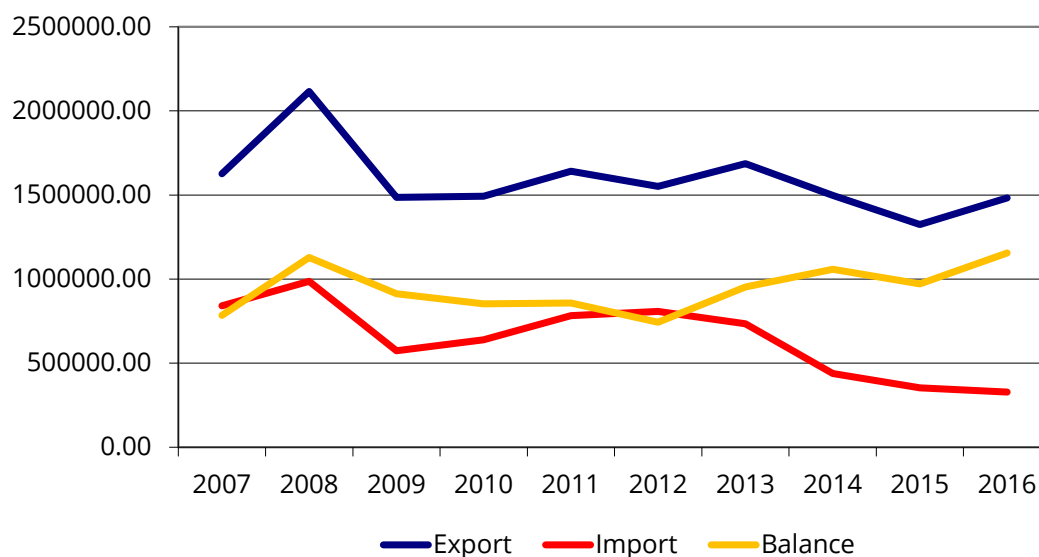
region. Bearing in mind the character of this work, as well as the limited length thereof, it is nevertheless worth mentioning some of the most important ones:

- Inequality in terms of applied measures of agrarian policy and monetary allocations for this purpose
- Application of non-tariff protection measures on a sporadic basis that often have the character of import prohibition for certain products
- Application of factually unfounded veterinary and sanitary measures, aimed at protecting national markets
- Administrative slowdown of trade flows with the aim of temporary protection of the market

2.2 Trade in Industrial Products

If we observe trade in industrial products of Serbia with CEFTA 2006 trade partners, we can use the available data from 2007. Serbia, as one of the largest producers of industrial products in CEFTA 2006, has a large value of exports, with maximum achieved in 2008 surpassing 2 billion USD. After the fall recorded in exports due to the world economic crisis in 2009, the export of industrial products from Serbia to CEFTA 2006 partners was fluctuating around 1.5 billion USD. Import of industrial products to Serbia from CEFTA 2006 partners was always below 1 billion USD making the trade surplus constant and almost all the time larger than imports (except in 2012).

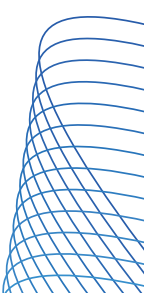
Chart 7: Serbia's trade in industrial products with CEFTA2006 signatories in 000 USD, 2007-2016

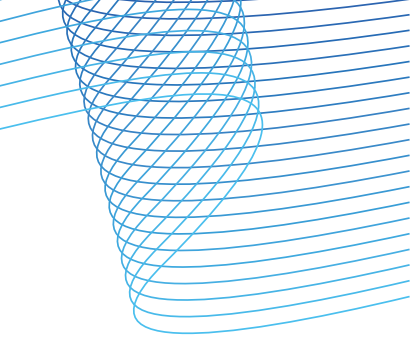


Source: Author's calculations based on RZS and UNCTADStat data

CEFTA 2006 has envisaged the establishment of Free trade area between the signatories that was completed at the end of 2010. This was a great stimulus for the trade in industrial products. The liberalization of agricultural products came a bit later so we can see that agricultural products dominate Serbia's trade with CEFTA more starting from 2012.

CEFTA 2006 parties have not developed its investment cooperation. None of the CEFTA 2006 parties is a relevant investor in Serbia, like Croatia used to be as a CEFTA 2006 party until 2006.





Only significant investments from Montenegro were recorded in one observed year, according to NBS data. Many of CEFTA 2006 parties have signed bilateral investment protection treaties (BITs) and other relevant agreements but we cannot see much of the transfer of capital in CEFTA 2006, except larger FDI from Serbia that goes to Bosnia and Herzegovina in the last years. Maybe an additional protocol in CEFTA 2006 on free flow of capital can be a right stimulus for intra-CEFTA 2006 FDI flows in the future.

Chapter 3 – Major Obstacles in Functioning of CEFTA

Since the beginnings of CEFTA 2006, application of this regional trade agreement did not run smoothly and without problems. After the memorandum of 2001 and start of the conclusion of the network of bilateral trade agreements, the full application of these agreements was prolonged due to the political problems, specifically in Federal Republic of Yugoslavia (FRY) due to the appearance of three separate customs territories and the dissolution of the single FRY market. All these problems had been solved until 2006 when the Revised CEFTA was been concluded, that integrated the trade concession between signatories, that was exchanged on the bilateral basis. The liberalisation in CEFTA 2006 had been gradual and the first step was a full liberalization of trade in industrial products that was achieved until 2010. After the trade in industrial products, the next step was liberalisation of trade in agricultural products.

Since CEFTA 2006 agreement abolished all the tariffs in intra-CEFTA trade and the creation of free trade area was successful, the CEFTA 2006 signatories were reluctant to fully liberalise its trade. They started to use different non-tariff measures to restrict regional trade. One of the sectors that were usually protected with non-tariff barriers was agriculture. The basic problem is that many of the economies in the region are still not WTO members, so they are not safe from discrimination in trade. Also they have no obligation to notify the WTO on all new non-tariff barriers, that include technical barriers to trade (TBT). Similar situation is with administrative barriers to trade since many of the countries of the region covered by the research have been in conflict and political turmoil, so many did not report data, even to organizations which are UN specialised agencies, such as the World Bank.

But there are several studies on non-tariff barriers in the region that use the questionnaire to get the view of business community in the region and in this way they obtain the data on NTBs in the region. One of the researches was realised under the auspices of OECD in 2011. Concerning the technical barriers to trade in the region of CEFTA 2006 signatory countries, the OECD research shows that countries from the region more advanced in the process of accession to the EU, have adopted more EU standards and have the higher presence of technical barriers to trade. These countries are Croatia, Macedonia and Serbia. All other countries except Albania are below CEFTA average.

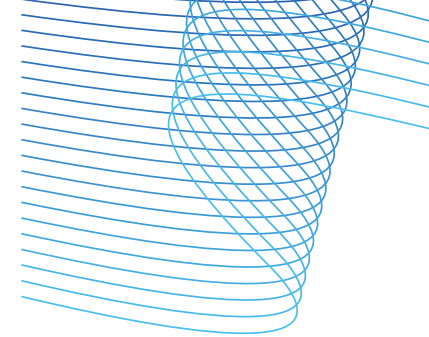
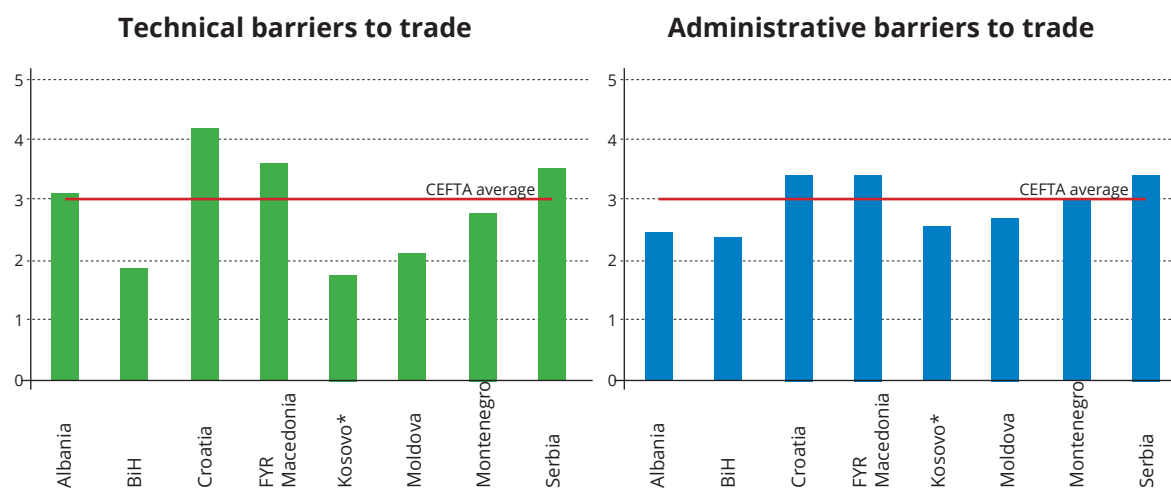


Chart 8: Overall scores for technical and administrative barriers to trade in CEFTA 2006 region



Source: Scores are based on the results of the 2011 OECD assessment conducted on the basis of the “Multilateral Monitoring Framework (MMF) on the elimination of the Non-Tariff Barriers in CEFTA 2006” and have been published in: OECD/CEFTA, *Elimination of Non-Tariff Barriers in CEFTA, CEFTA Issues Paper 4, 2012, Figure 1.8, p. 41 and Figure 3.11, p. 81*. Cited from: Predrag Bjelić, Radmila Dragutinović Mitrović i Ivana Popović Petrović “Administrative Barriers to Trade as Predominant Non-Tariff Barriers in the Western Balkans Trade” International Conference for International Trade and Investments (ICITI 2013) Conference Proceedings, University of Mauritius and World Trade Organization, 4-6 September 2013, pp. 0-26.

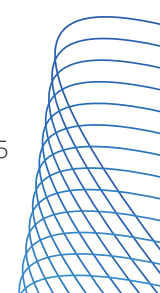
In the case of administrative barriers, the figure shows different levels that CEFTA countries have reached in the administrative barriers reduction. Serbia, Croatia and Macedonia are above the regional average, while Bosnia and Herzegovina and Albania expect intensive adjustments with the aim of decreasing the impact of administrative procedural non-tariff barriers. These improvements mean that CEFTA countries have increased transparency of publications, of some decisions in advance, in the way they introduce fees, procedures, manage all services associated with the operation of the customs service, as well as the decisions taken in the event of appeal. These countries improved the risk management system and filling documents electronically.

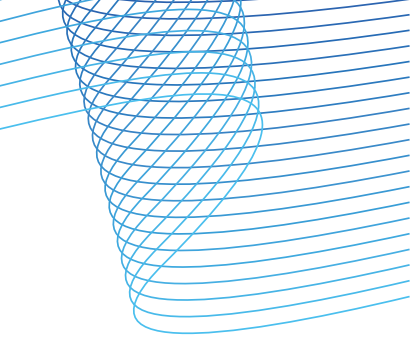
Similar research carried out by the OECD in 2005 has shown that exporters from the West Balkan countries, exporting to countries of the EU mostly face barriers from the group of technical non-tariff barriers. On the contrary, when exporting to other Western Balkan countries, exporters from this region face barriers connected with customs procedures i.e. administrative barriers to trade, while technical standards and certification take the third position. It seems that among all non-tariff barriers, the administrative barriers to trade have the most negative impact on the intraregional trade.

Table 5: Ranking of barriers faced by Western Balkans exporters, by market, 2004

Ranking (by importance of barrier)*	EU Market	South-Eastern European market
1	Technical standards and certification	Customs procedures
2	Quality control and consumer protection	Bureaucratic registration
3	Customs barriers	Technical standards and certification

Source: Adapted from OECD (2005), based on Western Balkan survey (2004), Internet: www.oecd.org/dataoecd/25/31/43892876, (04.06.2011.), Cited from: Predrag Bjelić, Radmila Dragutinović Mitrović i Ivana Popović Petrović “Administrative Barriers to Trade as Predominant Non-Tariff Barriers in the Western Balkans Trade” International Conference for International Trade and Investments (ICITI 2013) Conference Proceedings, University of Mauritius and World Trade Organization, 4-6 September 2013, pp. 0-26.





Latest research using the gravity model of trade confirmed that technical barriers to trade are main barriers when goods are exported from CEFTA parties to the European Union. Administrative barriers are also important factor that affect CEFTA trade with all significant trading partners, but these effects are not significantly higher for the CEFTA intraregional trade. The reason is possibly that there is still strong positive influence of CEFTA 2006 integration in the observed period until 2011.⁶⁴⁸

In one study,⁶⁴⁹ where we analysed intra-CEFTA trade in beverages (wine and beer) and auto parts, we have identified the biggest obstacles in trade in the region in these sectors. The first phase of the project that included collection of views expressed by the business community in CEFTA parties carried out by the International Trade Centre (ITC), singled out the most relevant problems in intraregional trade, which included:

1. Non recognition of certificates for wine and beer, creating a problem of double testing of consignments, in all CEFTA parties;
2. Discriminatory and high excise duties, recorded in Bosnia and Herzegovina, Albania and Kosovo*;
3. Labelling issues in Serbia, Bosnia and Herzegovina and Albania;
4. Radioactivity tests, in Montenegro;
5. Administrative barriers problems related to customs procedures.

In all CEFTA parties the consignments of goods traded across borders are accompanied by a set of documents proving, among other things, that a variety of tests have been performed looking at both quality and safety parameters. But authorities in importing CEFTA party decide to conduct additional testing despite the results from tests conducted in other CEFTA parties by accredited laboratories and this creates a problem of double testing for business community trading in wine and beer. This created additional cost to traders as well as prolonged procedures of import and longer time for goods to be cleared.

Excise duties are taxes that countries charge on specific products. They are similar to tariffs but not as widely applied, usually refer to as para-tariffs, and they are charged in addition to the tariff duty on the same goods. Countries introduce excise duties in order to dissuade consumption of certain products, such as tobacco products, alcoholic beverages etc. in order to protect the population. But excise duties are also perceived as important source of state budget since they are also levied on strategic products, i.e. products not so elastic to a change in prices, such as oil and oil products. Even if GATT has laid basic rules on tariffs and similar fees, most of countries apply excise duties even today.

In the area of administrative barriers to trade in CEFTA 2006, integration concerns from the private sector were related to delays in clearance and release of goods as well as transparency, lack of consultations and time to adapt to new laws and regulations. Issues were mostly raised for the auto-parts industry. However, trade facilitation may contribute to address concerns in the beverages value chain, by adopting risk management schemes within food and agriculture inspectorates. Five measures contained in the WTO TFA have been identified for having the greatest impact on improvement of intraregional trade: 1) Advance Rulings, 2) Pre-arrival Processing, 3) Post-Clearance Audit, 4) Authorised Economic Operators (AEO), and 5) Single Window.

648 More in: Predrag Bjelić, Radmila Dragutinović Mitrović and Ivana Popović Petrović "Administrative Barriers to Trade as Predominant Non-Tariff Barriers in the Western Balkans Trade" in *Proceedings of the International Conference for International Trade and Investments (ICITI 2013), September 4-6, 2013*, (Mauritius: University of Mauritius and World Trade Organization, 2013), 0-26.

649 Predrag Bjelić, *Trade Facilitation and Non-Tariff Measures in Beverages and Auto-Parts Supply Chains in CEFTA — Regional Analysis and Policy Recommendations*, (Sarajevo: GIZ, June 2016).

If we observe different methodologies that try to measure impact of administrative barriers to trade we can see that the region of Southeast Europe is performing better than most of developing countries and especially countries in transition but underperform comparing to the EU member countries.

World Bank in its flagship publication *Doing Business Report* publishes annual data on trade facilitation in the section Trading Across Borders Indicators (TABs). In 2016, the Report methodology slightly changed and the new indicators that are evaluated, in two dimensions – export and import, are:

1. Time - Border compliance (hours);
2. Time - Documentary compliance (hours);
3. Cost - Border compliance (USD);
4. Cost - Documentary compliance (USD).

Table 6: Trading Across Borders Indicators for CEFTA parties 2016

Region / Economy	Rank	DTF	Time to export: Border compliance (hours)	Cost to export: Border compliance (USD)	Time to export: Documentary compliance (hours)	Cost to export: Documentary compliance (USD)	Time to import: Border compliance (hours)	Cost to import: Border compliance (USD)	Time to import: Documentary compliance (hours)	Cost to import: Documentary compliance (USD)
East Asia & Pacific	..	68.67	51.4	395.7	74.7	166.9	59.3	420.8	69.7	148.1
Europe & Central Asia	..	82.42	27.6	219.2	30.7	143.8	23.2	202.4	27.4	108.1
Latin America & Caribbean	..	66.02	86.1	492.8	68	134.1	106.8	665.1	93.3	128.1
Middle East & North Africa	..	54.2	65.4	445.1	78.8	351.1	119.7	594.3	104.7	384.6
OECD high income	..	93.33	15.2	159.9	4.5	35.6	9.4	122.7	3.9	24.9
South Asia	..	57.75	60.9	375.6	79.8	183.9	113.9	652.8	108.1	349.3
Sub-Saharan Africa	..	48.96	108.2	542.4	96.6	245.6	159.6	643	123	351.3
Albania	37	91.61	18	181	6	57	9	101	8	56
Bosnia and Herzegovina	28	93.59	5	106	4	67	6	87	8	57
Croatia	1	100	0	0	1	0	0	0	1	0
Kosovo*	71	78.97	56	137	62	227	16	83	6	92
Macedonia, FYR	26	93.87	9	103	2	45	8	150	3	50
Moldova	33	92.39	3	76	48	44	3	83	2	41
Montenegro	42	88.75	8	158	5	67	23	306	10	100
Serbia	23	95.08	4	47	2	66	3	52	3	71

Source: World Bank, *Doing Business Report, Trading Across Borders Indicators, 2016.*

The best ranked economy out of CEFTA parties is Serbia with trading across borders indicators (TAB) global rank of 23 out of around 200 national economies in the world. The distance to the “border” indicator for Serbia was 95.08 out of maximum 100 which represents ideal conditions for trade. In Serbia, you needed on average 6 days for export and to import. Least efficient CEFTA party was Kosovo*. CEFTA parties are now more above its region average (Europe and Central Asia) and very close to OECD i.e. developed economies average.

Until 2015, methodology for Doing Business Report had three indicators central for Trading across border indicators: Documents (number), Time (days) and Cost (shipping a standard container in USD), for both export and import.

Table 7: Trading Across Borders Indicators for CEFTA 2006 parties, 2015

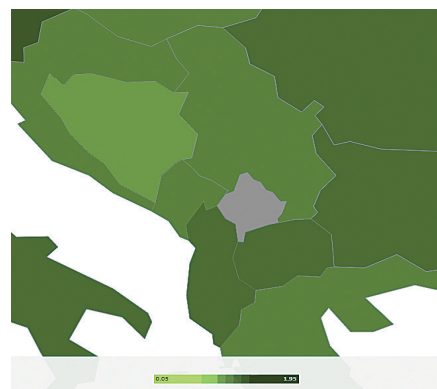
Economy	rank	EXPORT			IMPORT		
		Documents (number)	Time (days)	Cost (USD per container)	Documents (number)	Time (days)	Cost (USD per container)
Albania	95	7	19	745	8	18	730
Bosnia and Herzegovina	104	8	16	1,260	8	13	1,200
Kosovo*	118	8	15	1,695	7	15	1,730
Macedonia	85	6	12	1,376	8	11	1,380
Montenegro	52	6	14	985	5	14	985
Serbia	96	6	12	1,635	7	15	1,910

Source: World Bank, Doing Business Report, Washington DC, Trading Across Borders Indicators, 2015.

Best ranked CEFTA party by TAB in 2015 was Montenegro, ranked 52 on a global scale, while Kosovo* was least efficient with rank 118. A business needed around 6-8 documents to export its goods from CEFTA parties, around two weeks with costs of shipping a container ranging from 745 USD to 1635 USD. Similar data are for import with slightly more documents and time.

Organisation for Economic Cooperation and Development (OECD) has developed Trade Facilitation Indicators (TFI) that follow the measures envisaged by the WTO FTA and measure how countries perform in fulfilment of these measures. The Average TFI for CEFTA parties in 2015 has been graphically presented in the following picture. We can observe that average TFI is the highest in Macedonia and Albania, substantial in Serbia and Montenegro, and very low in Bosnia and Herzegovina. Kosovo* has not been covered by this OECD analysis while Republic of Moldova, another CEFTA party, is not in the focus of our analysis.

Chart 9: Average TFI for CEFTA parties in 2015



Source: OECD, Internet, <http://compareyourcountry.org/trade-facilitation>, Accessed 15/01/2016.

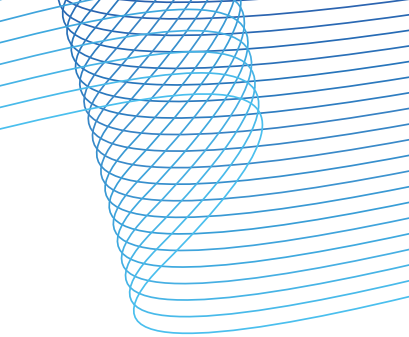
If we observe individual TFI for CEFTA parties, and if we compare two sets of data from 2012 and 2015, we can see that CEFTA parties have regressed in many areas covered by TFI in 2015 compared to 2012 TFI data. Nevertheless, Macedonia has most TFI with maximum of 2 (Advance rulings, Fees and charges, Border agency cooperation – internal) while Montenegro has 2 (Fees and charges, Border agency cooperation – internal) and Albania only in Advance rulings.

Table 8: Trade Facilitation Indicators for CEFTA parties

	Albania		Bosnia&H.		Macedonia		Montenegro		Serbia	
	2012	2015	2012	2015	2012	2015	2012	2015	2012	2015
Information availability	1.600	1.500	1.111	1.111	1.900	1.600	1.900	1.400	1.833	1.200
Involvement of trade community	2.000	1.500	0.500	1.500	2.000	1.667	-	0.667	0.500	1.000
Advance rulings	2.000	2.000	1.8333	1.857	2.000	2.000	1.800	1.833	-	1.667
Appeal procedures	1.667	1.500	1.200	1.500	1.667	1.667	1.833	1.667	1.286	1.250
Fees and charges	1.750	1.750	1.750	1.500	2.000	2.000	2.000	2.000	-	1.667
Formalities - documents	1.000	1.000	1.500	1.167	1.833	1.500	2.000	1.500	2.000	1.333
Formalities - automation	0.750	1.500	1.000	0.750	2.000	1.500	1.000	1.000	1.667	1.500
Formalities - procedures	1.133	1.200	1.154	0.786	2.000	1.467	-	0.933	1.250	1.533
Border agency cooperation – internal	2.000	1.000	2.000	0.667	2.000	2.000	2.000	2.000	2.000	1.000
Border agency cooperation – external	1.667	1.667	0.000	0.000	1.667	1.500	-	0.333	-	1.250
Governance and impartiality	1.857	1.429	-	0.500	-	0.667	1.857	1.571	-	0.833

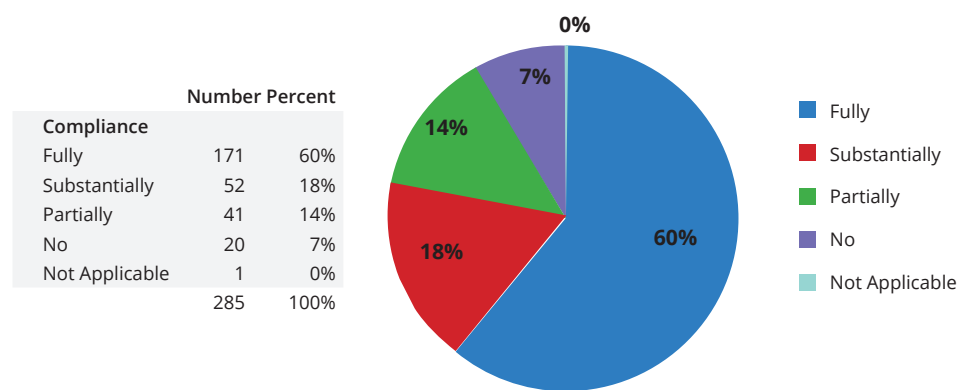
Source: OECD, OECD Trade Facilitation Indicators, Paris, 2015.

Many previous studies on trade facilitation that focused on CEFTA parties indicated specific measures that will greatly benefit the region. International Financial Corporation (IFC) of the World Bank, in the framework of the Western Balkans Trade Logistics Project that was realised from February 2012 until June 2014 and which aimed to reduce regulatory and administrative bottlenecks to cross border trade in the region, focused on streamlining of operations and simplification of procedures of customs, technical agencies and private sector companies involved in imports and exports as well as assistance with risk based controls and post clearance audit. The measures that this project points out are: post clearance audit, pre-arrival processing and authorised economic operators. The International Trade Center (ITC) in the first phase of our project has recorded the views and problems of business operators in intraregional CEFTA trade and indicated following four measures that would greatly benefit trade facilitation in the region: pre-arrival processing, post-clearance audit, authorised economic operators and single window. After the adoption of the WTO Trade Facilitation Agreement (TFA), USAID has financed self-evaluation of CEFTA parties on possibility of application of trade facilitation measures and pointed out that most relevant for CEFTA parties are: advance rulings, pre-arrival processing, authorised economic operators, treatment of perishable goods, single window and National trade facilitation committees.



At the Western Balkans Summit in Vienna, CEFTA parties have committed “to bring to a successful closure the on-going negotiations in CEFTA on a framework agreement to facilitate trade, thus allowing the Trade Facilitation Agreement to be signed by all parties before mid-2016.”⁶⁵⁰ The problem is that half of the CEFTA 2006 signatories are not WTO members so they cannot apply the WTO Trade Facilitation Agreement (WTO TFA) directly. Analysis shows that CEFTA 2006 is significantly aligned with WTO TFA provisions.

Chart 10: CEFTA Parties Alignment with WTO TFA



Source: Violane Konar-Leacy and Gordana Toseva, *Creating Trusted Partnerships for Trade Facilitation Reforms: National Trade Facilitation Committees in CEFTA Parties*, Presentation at CEFTA week 2015, slide 4.

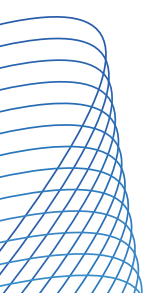
The analysis on the self-assessment of CEFTA parties showed that CEFTA parties comply with 60% of WTO TFA regulations. From the TFA measures for CEFTA parties, 67% fall into the category of measures that can be applied right away (category A), 14% of measures can be applied in the transitory period (so-called category B), while 14% of measures can be applied after the transitory period set in WTO TFA (category C). The rest or 5% of measures are not either B or C. Most of the relevant provisions of WTO TFA, 70%, can be immediately applied, 5% of regulation can be applied in 6 months, 9% in one year period, 12% in three year period, and 3% in 5 years.

Chapter 4 – Ways Forward

All CEFTA 2006 signatories aspire to become EU members, as all previous CEFTA members did in 2004, Romania and Bulgaria in 2007 and Croatia in 2013. This makes CEFTA 2006 a transitory and subregional integration. But CEFTA 2006 is an important tool for dynamization of trade in the Western Balkans and especially important for Serbia as a central economy in the region, with the largest trade potential, industrial production and competitiveness. CEFTA 2006 is a playground where signatories learn about rules and procedures of a membership in regional trade integration, preparing themselves for future EU membership.

CEFTA 2006 partners have agreed to abolish tariffs in intraregional trade and other obstacles. But problems in mutual trade remain. Since all CEFTA 2006 signatories are on the way to EU membership, harmonisation with EU standards and technical regulation is an obligation. But since CEFTA 2006 signatories are at different stages of EU accession, different level of transposition of EU standards creates technical barriers in intraregional trade. This was a problem with

⁶⁵⁰ Final Declaration by the Chair of the Vienna Western Balkans Summit, August 27, 2015, Point 26.





Croatia in the last years of its membership in CEFTA 2006. This requires a special solution since it affects intra-CEFTA trade. It is unreasonable to expect that all CEFTA 2006 signatories will be in the same phase in EU negotiation but they can arrange to apply specific technical regulation for CEFTA 2006 partners, until they become full EU members.

However, CEFTA parties tend to create new and additional NTBs in order to obstruct intra-regional trade. In this way they obstruct regional trade. Usually for this purpose they use technical and administrative barriers to trade. In our previous chapter we have indicated the problems of unrecognition of certificates in beer and wine trade, but also we have examples of administrative barriers that Macedonia has adopted to reduce imports of wheat flour from Serbia and these measures are repeated each year in a specific period. The problem is that the CEFTA Dispute settlement process is not well developed since all parties need to agree on a ruling, even the party that adopted the measures that are contrary to CEFTA 2006 rules. If CEFTA 2006 parties were all WTO members, they would have the WTO dispute settlement mechanism to resolve these problems. But half of them are still not and this indicates the urgent need for them to become WTO members as soon as possible. In the meantime, CEFTA 2006 parties could work on an introduction and implementation of a new dispute settlement mechanism that is more adjusted to WTO rules.

Also, most of the administrative barriers used in the CEFTA 2006 region are related to the customs clearance procedures at the border. The customs clearance can take several days, trucks with goods are stuck at the border crossings and this causes huge delays and additional costs making goods exported from CEFTA 2006 parties less competitive. This is one of the reasons why CEFTA 2006 Parties have started working on trade facilitation in the region, a process that will lead to the abolition of administrative barriers to trade. Since only half of CEFTA 2006 parties are WTO members, the recently adopted WTO Trade Facilitation Agreement cannot be successfully enforced in the entire region. The newly drafted Additional Protocol 5 to the CEFTA 2006 Agreement focuses on trade facilitation in the region and enables the application of all trade facilitation measures envisaged by the WTO. The application of this additional protocol is envisaged for 2018, but there are some procedural problems related to its adoption.

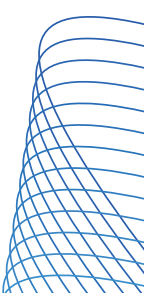
The problem is that sometimes membership in the EU for Western Balkans countries looks very distant. Even though the European perspective for the Western Balkans economies was reaffirmed at the EU-Western Balkans Summit (Thessaloniki Summit)⁶⁵¹ held on 21 June 2003, there have been different setbacks in the process of Western Balkan economies coming closer to the EU. The Stabilisation and Association Process (SAP) was designed as a tool of approach of this region to the EU. Since that time, Croatia had become a member in 2013, and now Western Balkans continues as Western Balkans 6 (WB6)⁶⁵² on the road to the EU. But in the period after the Thessaloniki Summit, the EU became preoccupied with its internal problems that were caused by world economic crisis, crisis of the euro and, finally, decision of the United Kingdom to leave the EU in the future (Brexit).

When the new EU Commission was inaugurated in 2014, the newly elected President of the Commission Mr. Jan-Claude Juncker emphasised that there will be no new enlargement in the next five years.⁶⁵³ This has discouraged the Western Balkans on their EU path and produced renewed conflicts in this region as well as greater influence by other external actors. In this period, the *Berlin process* was initiated by the German Chancellor Ms. Merkel, and the representatives of WB6 met with European Commission and representatives of Germany, Austria, France, Slovenia and Croatia on 28 August 2014. On that occasion, Ms. Merkel stated that "All states of Western Balkans should have the opportunity to join the EU if they fulfil the Accession require-

651 European Commission, *Press Reliase: EU-Western Balkans Summit, Thessaloniki, 21 June 2003*, Brussels: European union, 2003, http://europa.eu/rapid/press-release_PRES-03-163_en.htm

652 This term refers to Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Kosovo* and Serbia.

653 Speech in European Parliament, Strasbourg, July 15, 2014.



ments".⁶⁵⁴ The EU membership is a powerful magnet for WB6 economies since they link future EU membership with economic prosperity. The Berlin Process became one of the motivating steps in this period of stagnation in Western Balkans approachment to the EU.

The Berlin process was intended to serve as a flanking initiative for slowed EU enlargement but grew into permanent platform for political, infrastructural and economic cooperation. After the Berlin Conference, the economies of WB6 started to meet regularly. The second summit of the Berlin Process was organised in Vienna on 27 August 2015 and the result of this summit was the agreement on specific regional transport and energy priority projects.⁶⁵⁵

The third summit of the Berlin process was organised in Paris on 4 July 2016. France welcomed in Paris the heads of government, foreign ministers and ministers of economy of Albania, Bosnia and Herzegovina, Kosovo*, Macedonia, Montenegro, Serbia, as well as Croatia, Slovenia, Austria, Germany, Italy, and representatives of the European Union and international financial institutions. While two previous summits led to progress in areas such as youth cooperation and connectivity in the fields of transport and energy, the Paris summit emphasized the importance of economic cooperation. It was clearly stated that the future of the Western Balkans lies in the European integration and in intra-regional cooperation. Regional cooperation is underlined as a key element for economic growth within the Western Balkans as it leads to increased connectivity between populations, multiplication of cross-border and multi-country initiatives as well as of joint ventures.⁶⁵⁶

Table 9: WB6 Exports to Berlin Process EU Partner Countries in 2015 (in 000 USD)

	Exports							World	Share
	DE	IT	AT	FR	SI	HR	Total		
AL	60,951	924,923	17,839	33,115	3,775	3,910	1,044,513	1,929,657	54.1
BA	591,858	726,064	499,002	71,783	632,747	528,333	3,049,787	5,099,118	59.8
MK	1,990,053	181,363	40,632	39,225	55,727	80,033	2,387,033	4,489,934	53.2
ME	16,635	44,593	2,645	5,107	13,289	3,479	85,748	353,080	24.3
KS*	12,700	21,200	13,300	6,050	2,170	3,200	58,620	351,530	16.7
RS	1,672,588	2,162,974	352,010	409,854	416,858	443,109	5,457,393	13,378,934	40.8

Source: UNCTADstat, Internet, <http://unctadstat.unctad.org> and Kosovo Agency of Statistics (ASK) Note 1 Data for Kosovo* have been converted from EUR according to the exchange rate on 31 December 2015 at www.x-rates.com

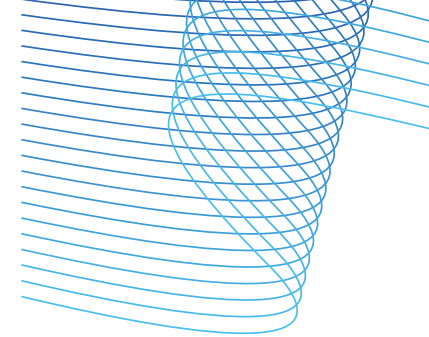
The EU Member States involved in the Berlin Process are the leading trade and investment partners of the West Balkan 6 economies⁶⁵⁷ and Serbia specifically. The share of the Berlin Process partner countries in WB6 exports ranges from 16.7% (Kosovo*) to 59.8% (Bosnia and Herzegovina). Italy and Germany are the most relevant export markets for the WB6. The share of the Berlin Process partners in WB6 imports ranges from 23.7% (Serbia) to 53.2% (Bosnia and Herzegovina). The WB6 intraregional trade in CEFTA 2006 accounts for an important share of its imports. EU Member States involved in the Berlin Process are some of the leading investors in the WB6, measured by the FDI stock in WB6 in 2015. The shares of the Berlin Process partners in the WB6 FDI stocks ranged from 21.5% (Montenegro) to 55.2% (Bosnia and Herzegovina) in

654 Final Declaration by the Chair of the Conference on the Western Balkans, Berlin, 28.08.2014, Internet, <https://www.bundesregierung.de/Content/EN/Pressemitteilungen/BPA/2014/2014-08-28-balkan.html>

655 Mario Holzner, *Policy Options for Competitiveness and Economic Development in the Western Balkans: the Case for Infrastructure Investment*, Policy Notes and Report 16, (Vienna: The Vienna Institute for International Economic Studies, 2016), 1.

656 Final Declaration by the Chair of the Paris Western Balkans Summit, Paris, July 4, 2016, 2.

657 These include CEFTA 2006 partners except Republic of Moldova.



2012. The greatest investments have come from Austria and Italy, but Slovenia and Croatia have also played a significant role. Important investments in the WB6 have come from Greece, Cyprus and Norway as well.⁶⁵⁸

Since CEFTA 2006 has brought many benefits in trade for signatory economies, they were motivated to go into deeper economic integration. The CEFTA 2006 Parties welcomed the conclusions of the Western Balkans Summit in Paris of July 4th, 2016, acknowledging with satisfaction the deepening of economic integration between CEFTA Parties.⁶⁵⁹ The establishment of a customs union has recently been proposed as the next logical step in upgrading CEFTA trade integration, inter alia by Serbian Prime Minister Aleksandar Vučić.⁶⁶⁰ Reacting on the initiative from the region, the EU welcomed this initiative, and there were even some suggestion for an establishment of a Common Market in the Western Balkans, such as from the European Enlargement Commissioner Johannes Hahn.⁶⁶¹

Deepening of regional trade integration can pass through different stages. At present, CEFTA 2006 is a Free Trade Area (FTA) and this level of integration is concentrated on liberalization of intraregional trade. At this level, trade relations with countries outside the region are not considered. This means that CEFTA 2006 Parties regulate these relations on their own, by creating different trade regimes. For example, Serbia has a preferential trade agreement with the Russian Federation. Abuse of trade preferences through re-exports of goods originating outside CEFTA 2006 is precluded by the strict application of the rules of origin procedures. The FTA represents lower level of regional trade integration and allows a member to keep autonomy in its trade policy towards non-members.

The next stage in regional trade integration is a Customs Union (CU). This level includes the preferences for members that were introduced by the FTA but go even further in the joint regulation of trade relations with the countries outside the region. The most important step towards a CU will require the adoption of a Common external tariff schedule to be applied in trade with all countries outside CEFTA 2006. This means that the CEFTA Parties have to negotiate and adopt a common tariff schedule regardless of their potentially different trade interests. The CU is the first stage of higher levels of regional trade integration and it requires the existence of a Common trade policy that will be applied in the new and single custom territory that will be created by the CU. For that purpose usually it requires the establishment of standing integration structures that will be in charge of designing and implementing such a policy.

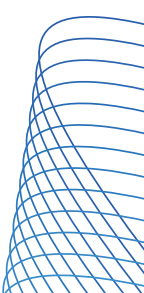
The problem that all present CEFTA 2006 signatories, including Serbia will face, if they decide to further CEFTA 2006 integration to the level of CU, is that this would require the revision of all the trade agreements CEFTA 2006 Parties are now basing their trade relations with third countries on, including SAA Agreements with the EU, Serbia's trade agreement with the Russian Federation, etc. This is logistically and administratively a lengthy and time consuming process and the question which arises is, "is it worth it" since CEFTA 2006 is a transitory and subregional integration. All CEFTA 2006 parties will face this problem when they enter the EU. When WB6 economies become EU members, they must follow the common EU trade policy and enforce the external EU tariff schedule. This process must be coordinated with the EU accession of all WB6 economies. Another problem that needs to be resolved before creating the CU is the status of Kosovo* and its institutions. Countries cannot create joint institutions with the party that they do not fully recognise (as an independent country).

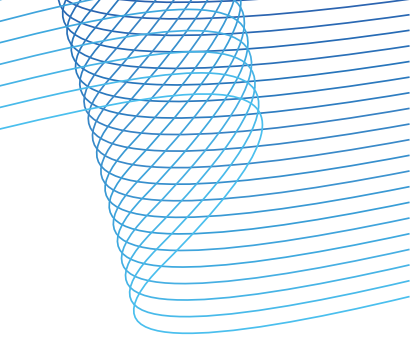
658 Predrag Bjelić, "Towards a More Integrated Regional Market, in: Stocktaking of the Berlin Process", *Foreign Policy Papers* no. 01/2017, (Belgrade: European Movement in Serbia, 2017), 17-22.

659 CEFTA, *Ministerial Conclusions*, Tenth Joint Committee Meeting, (Podgorica: CEFTA, December 9, 2016), 1.

660 "Vučić: Moj san je carinska unija Balkana, ali ne Jugoslavija", *Blic*, September 14, 2016. <http://www.blic.rs/vesti/politika/vucic-moj-san-je-carinska-unija-balkana-ali-ne-jugoslavija/4ves7qh>

661 "Hahn: The EU wants a common market and even development within the Western Balkans region", Delegation of the EU in Serbia, March 16, 2018. <https://europa.rs/hahn-the-eu-wants-a-common-market-and-even-development-within-the-western-balkans-region/?lang=en>





On the other hand, there are some advantages of deepening regional cooperation in the Western Balkans. First, each next step in trade liberalization brings new benefits that are apparent in the rise of the regional GDPs, especially when economies in the region trade substantively. Second, deeper trade integration can remove many of the obstacles in intraregional CEFTA 2006 trade caused by different degrees of alignment of the WB6 countries' rules and standards with those of the EU. Typical example are technical barriers to trade in CEFTA 2006 caused by the faster transposition of EU standards in Montenegro and Serbia. **But this means that the WB6 will be able to join the EU only collectively since the disintegration of its highly integrated regional trade will cause major problems.**

An even higher level of trade integration in the region, such as the Common Market (CM), that goes beyond a customs union and includes the free movement of factors of production, will require even bigger integration of the economies of the CEFTA 2006 parties. It would lead to free movement of not only goods and services, but labour and capital as well. This level of integration would add new benefits to economic development by optimizing the use of factors of production.

At this point of time, taking into consideration the problems in functioning of CEFTA 2006 as a FTA and willingness of CEFTA 2006 parties to become EU members, it is unrealistic to expect that majority of CEFTA 2006 parties will be in favour of the establishment of the CU. Some of the goals suggested at WB6 summits can be achieved, even lead to strengthening of CEFTA 2006 at present level of FTA. At the WB6 summit in Sarajevo in March 2017, the Regional Cooperation Council (RCC) was tasked with developing a comprehensive Action Plan of the Establishment of a Balkan Economic Area that would be presented at the Trieste Summit of the Berlin Process. RCC already had an initiative to establish free movement of labour in the Western Balkan region.

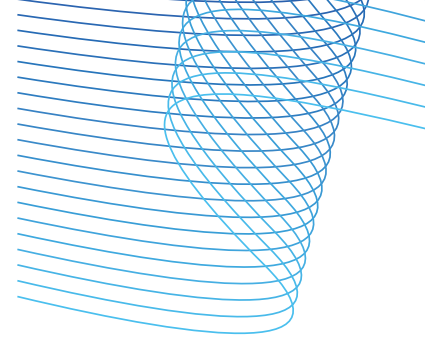
At the last Berlin Process Summit organized in Trieste,⁶⁶² Italy on 12 July 2017, the initiative on **Regional Economic Area** was launched, with the adoption of the RCC Action Plan for Regional Economic Area.⁶⁶³ This Multi-annual Action plan (MAP) covered the areas of trade, investments, mobility and digital economy. This deepening of regional integration in the Western Balkan is not envisaged as alternative or a parallel process to the European integration. Further regional integration in the CEFTA 2006 integration will reinforce the capacity of Western Balkans economies to meet the EU accession economic criteria, and to implement EU Acquis on a regional scale before joining the EU. The plan is that this will also increase prosperity and employment. The Action plan also includes initiatives for improving regional smart specialisation and creating value chains, and accelerating innovation and technology transfer. The aim is to create a region where goods, services, investments and skilled people move freely without tariffs, quotas or other unnecessary barriers and where trade is facilitated even more than it is envisaged in the WTO.

CEFTA 2006 free trade area for goods (industrial and agricultural products), that exists at present, is to be deepened and to include service. CEFTA 2006 parties have already negotiated the Additional protocol 6 on free trade in services that will be applied soon. Also a specific framework will be created in the future that will ensure safe exchange of investments between CEFTA 2006 parties. RCC is already working on an initiative to allow free movement of skilled labour and ensure recognition of professional qualification. The establishment of a new dispute settlement procedure in CEFTA 2006 is also planned.

All this will be facilitated through already adopted Additional protocol 5 that will apply trade facilitation measures that ensure recognition of all border documents, procedures and pro-

662 "Declaration by a Italian Chair", Trieste Western Balkans Summit, <https://europa.rs/trieste-western-balkans-summit-2017-declaration-by-the-italian-chair?lang=en>

663 Regional Cooperation Council, *Multi-Annual Action Plan for a Regional Economic Area in the Western Balkans – Map*, https://www.rcc.int/priority_areas/39/map-rea



grammes related to trade, including the exchange of information between customs authorities of CEFTA 2006 parties (SEED and SEED+ programmes). The CEFTA Secretariat will continue to monitor the non-tariff barriers and through Mutual Recognition Agreements work on abolishing specific technical barriers to trade. Action plan also envisages the measures to identify and remove barriers to eCommerce in CEFTA 2006 parties.

The existing CEFTA 2006 structures have to be further strengthened in order to implement the planned expansion of regional integration. All these measures envisaged in the Multi-annual Action Plan aimed at creation of the Regional Economic Area do not lead to the establishment of the Customs union nor Common market. It will widen Free trade area with liberalization in new areas and make application of CEFTA 2006 agreement more efficient. It will facilitate flow of goods, services and investment in the region using trade facilitation measures rather than creating a single customs territory. All CEFTA2006 parties and Serbia in particular, have interest in deepening regional integration because facilitation of trade will increase GDP, living standard of people, decrease employment and increase investments.

Chapter 5 – Conclusions

Signing of Revised CEFTA in 2006 that built on the network of 34 bilateral trade agreements negotiated after 2001 in the Western Balkans, has enabled the region to re-establish trade ties from Former Yugoslavia that have been disrupted due to dissolution of Yugoslavia. The stimulus for greater regional co-operation in our region came externally, from the EU, which make this a precondition for EU integration. The trade liberalization in Western Balkans has strongly stimulated intraregional trade, and Serbia, as the biggest and most competitive economy in the region, has strong export in the region and a rising trade surplus.

The new stimulus for development of regional cooperation will come through further liberalization, such as in the sector of services. Intraregional trade in CEFTA 2006 is also strongly affected by the PEM Convention. It allows CEFTA 2006 economies to combine local resources and use regional rules of origin to gain EU trade preferences.

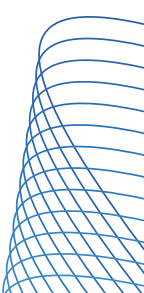
During the world economic crisis of 2008, the fall in exports in the CEFTA 2006 region was smaller than the fall in exports towards the EU. Intraregional co-operation in CEFTA 2006 had shown more resilience during the crisis.

Since almost all trade disputes between CEFTA members are conducted in the field of agro-food trade, and bearing in mind the importance of this market for Serbia and other CEFTA members, further work on improving trade in the region in this area is indispensable.

The trade in industrial products between Serbia and its CEFTA 2006 partners is constant with a substantial trade surplus on the Serbian side. The cooperation in CEFTA has been a solution to some very important political problems in the region. It has helped Serbia and Kosovo* to boost trade in a climate of political disagreement and conflict.

Major obstacles in intraregional CEFTA 2006 trade include non-tariff barriers such as administrative barriers to trade that obstruct flow of goods in the region. The additional Protocol 5 on trade facilitation negotiated by CEFTA 2006 parties will solve this problem. Additional Protocol 5 is expected to be implemented in 2018.

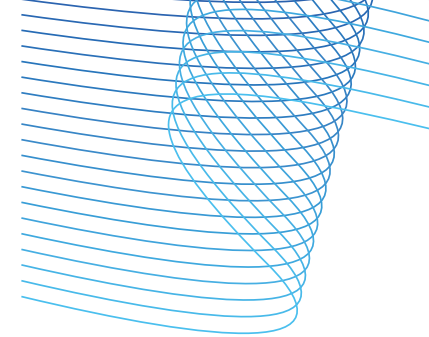
The investment co-operation between CEFTA 2006 parties is still not very developed. Maybe an additional protocol in CEFTA 2006 on free flow of capital can be a right stimulus for intra-CEFTA 2006 FDI flows in the future.





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VI. THE CASE OF KOSOVO

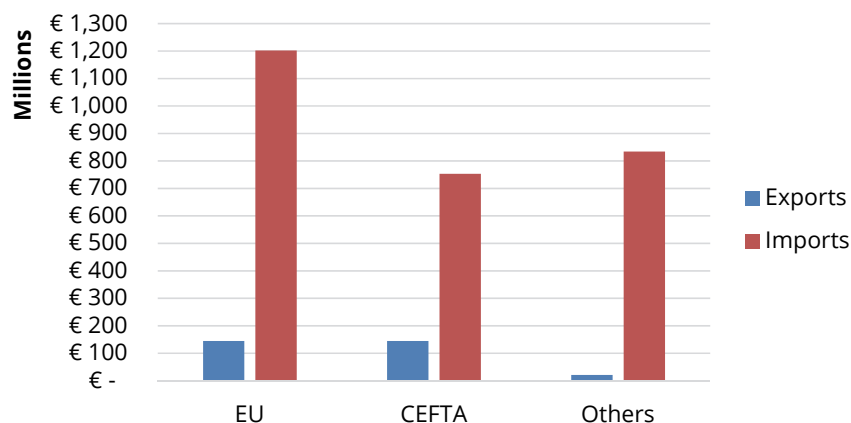
VISAR VOKRI⁶⁶⁴

Chapter 1 – Introduction

This report aims to provide a short analysis from Kosovo's perspective on the impact that Central Europe Free Trade Agreement (hereafter "CEFTA", "Agreement", "CEFTA 2006") had on economic integration of Western Balkans during the first decade of its implementation.

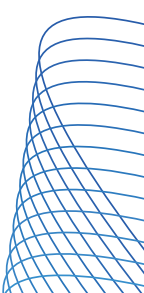
Trade flows between the countries in the region have been intensified since 2007 although it is not clear to what extent the steady increase in the volume of trade may be attributed to this agreement. Historically, regional countries, namely ex-Yugoslav entities, were the main trading partners of Kosovo, mainly due to the political circumstances in the region as well as geographic proximity and other cultural ties. Structure of trading partners is more or less the same also in the modern history of Kosovo. Today, neighboring countries, namely Albania, Serbia and Macedonia, account for 30% of Kosovo's trade flows or 90% of trade within CEFTA. Due to its narrow export base, Kosovo mainly exports raw materials, including scrap as well as semi-processed metals. Domestic industry, albeit at a slow pace, is increasing and so the volume of exported value added products. On the other hand, imports from CEFTA market include mainly processed, more sophisticated, goods.

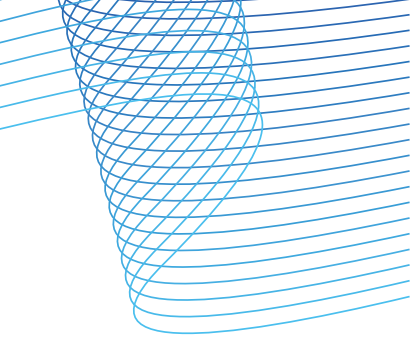
Chart 1: Regional structure of trade flows (2016)



Source: Kosovo Agency of Statistics

664 Riinves Institute, Pristina





Following the ratification of the agreement, all barriers that restrict and harm the trade should have been immediately eliminated. However, free movement of goods between CEFTA countries was systematically obstructed by both economically and politically motivated obstacles. Unfair trade practices, including non-tariff barriers and sanitary and phytosanitary standards related barriers, have prevailed. Unfortunately, CEFTA does not have a permanent dispute settlement mechanism that would ensure compliance with the agreement. Besides institutional mechanism that would guarantee a level playing field, a closer integration of the region requires credible commitment as well as joint actions endorsed by all the parties.

Ad-hoc politically motivated projects without consensus would only harm the political stability of the region. Therefore, any kind of initiative aiming to further integrating of Western Balkans need to be carefully analysed and it should internalize both political and economic environment of each of the six countries. Customs union or a common market requires, among others, strong institutions at the level of Western consolidated democracies. Moreover, Western Balkan countries already have free trade agreements with third countries which need to be adjusted if a customs union or a common market is created. All Western Balkans countries have bilateral Stabilization and Association Agreements (SAA) with the EU. Harmonization of SAA arrangements would be at Kosovo's disfavour since it has been ratified only two years ago.

Western Balkans and its further economic integration was recently one of the priorities of the EU. Due to the weakness of state institutions and the rule of law in these countries, the EU is developing specific programmes for faster social and economic convergence of the Western Balkans. Recently, the so called Action Plan for a Regional Economic Area in the Western Balkans (MAP)⁶⁶⁵ was developed upon the request of all six governments. This plan aims a gradual and progressive rule-based economic integration in the areas of trade, investment, mobility as well as digital field. However, little efforts been made so far in fulfilling objectives of this initiative. Having said that, the EU institutions must be meaningfully involved in the entire process of the EU integration of the Western Balkan countries.

Chapter 2 – Trade in CEFTA2006

Western Balkans countries were traditionally among Kosovo's main trading partners, both in terms of imports and exports. During the period 2007-2016, on average, Kosovo exported to CEFTA partners around one third of its total exports. The average share of imports from member countries in total Kosovo's imports during the same period was more or less similar to exports. However, as the following figure shows, the share of exports toward CEFTA partners was systematically growing during the last decade while the share of imports was decreasing.

⁶⁶⁵ "Multi-Annual Action Plan for a Regional Economic Area in the Western Balkans – Map", *Regional Cooperation Council*, https://www.rcc.int/priority_areas/39/map-rea

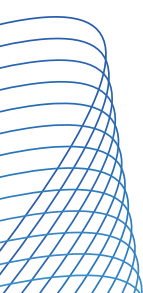
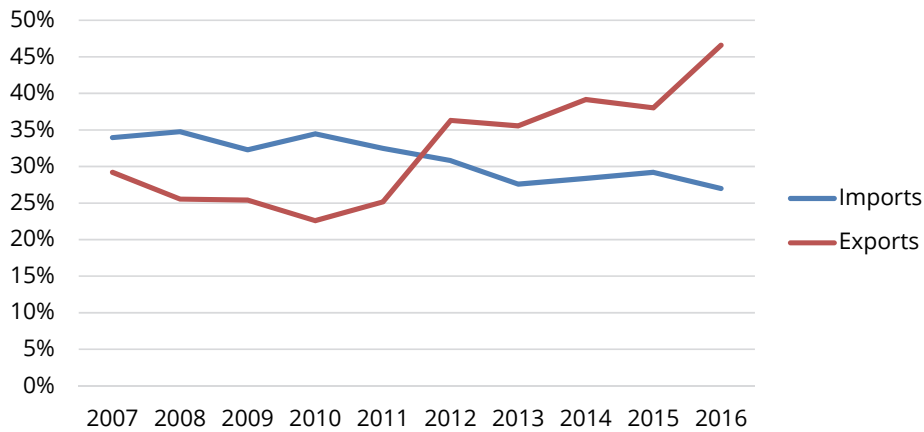




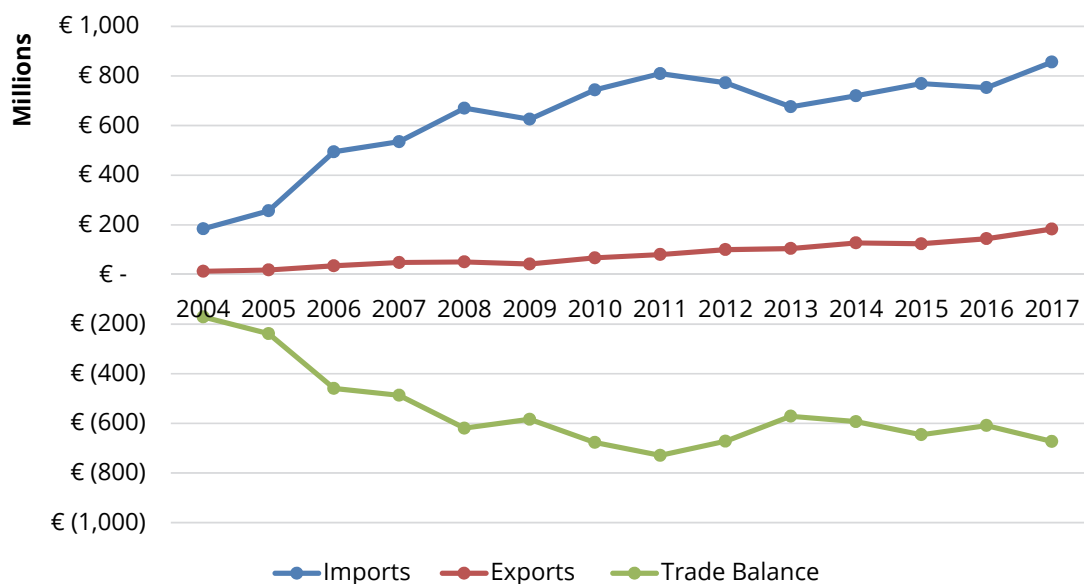
Chart 2. Share of trade with CEFTA in total Kosovo's trade flows



Source: Kosovo Agency of Statistics

In nominal terms, the value of both imports and exports with CEFTA region is increasing, albeit disproportionately, leading to an ever increasing gap. Trade balance in Kosovo was systematically negative since early 2000s, in particular with CEFTA partners. In 2017 the total trade deficit was around 2.5 billion Euros which in relative terms is equivalent to almost 45% of Kosovo's GDP for the reporting year. The trend of trade flows between Kosovo and CEFTA member countries is displayed graphically in the figure below.

Chart 3. Trade flows with CEFTA



Source: Kosovo Agency of Statistics

When considering trade partners individually, we don't see any change in patterns after joining CEFTA. The figure below depicts the breakdown of exports and imports in 2016 with each CEFTA partner individually.

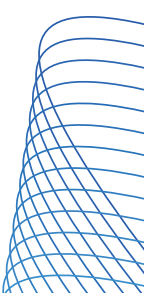
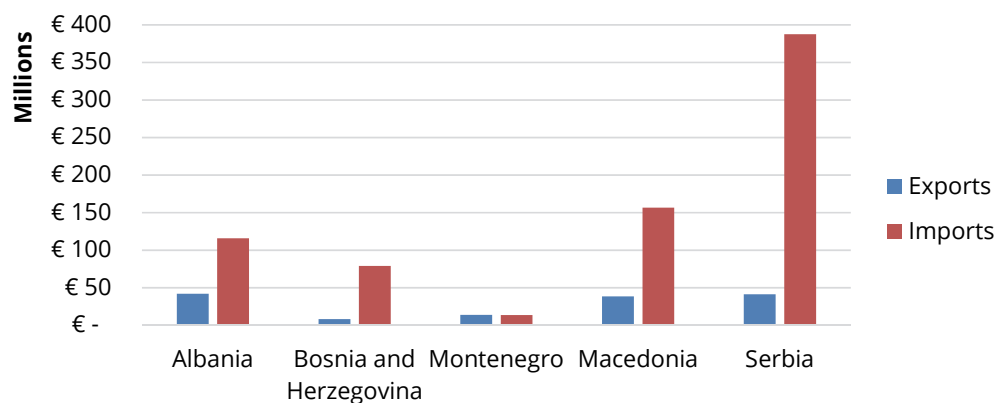


Chart 4. Trade flows with CEFTA members in 2016



Source: Kosovo Agency of Statistics

On average, during the last decade, top three partners, namely Albania, Macedonia and Serbia, accounted for almost 90% of trade flows within CEFTA.

Table 1. Ranking of top regional trade partners before joining CEFTA

Imports	2006		2007	
Partner ranked 1st	Macedonia	€ 260,156,762	Macedonia	€ 235,309,308
Partner ranked 2nd	Serbia	€ 192,205,059	Serbia	€ 221,260,145
Partner ranked 3rd	Albania	€ 23,260,147	Albania	€ 34,762,115
Sub-total	€ 475,621,968		€ 491,331,568	
Total CEFTA	€ 494,356,486		€ 535,113,023	
% of total trade with CEFTA	96.2%		91.8%	
Exports	2006		2007	
Partner ranked 1st	Serbia	€ 11,855,448	Albania	€ 18,328,241
Partner ranked 2nd	Albania	€ 10,476,567	Macedonia	€ 13,069,113
Partner ranked 3rd	Macedonia	€ 8,241,450	Serbia	€ 11,259,794
Sub-total	€ 30,573,465		€ 42,657,148	
Total CEFTA	€ 35,042,131		€ 48,216,274	
% of trade within CEFTA	87.2%		88.5%	

During the pre-CEFTA period, around one-third of Kosovo's trade was done with only three neighbouring countries. The structure of partners as well as trade share was more or less the same also before Kosovo entered the trade agreement. A plausible explanation for the persistence in trading partners is that neighbouring countries provide the easiest market access for the majority of tradable goods as trade costs are lower over small distances. In addition, the region suffers from lack of competitiveness in general, in manufacturing sector in particular, which could also explain the persistence in trade patterns within CEFTA.

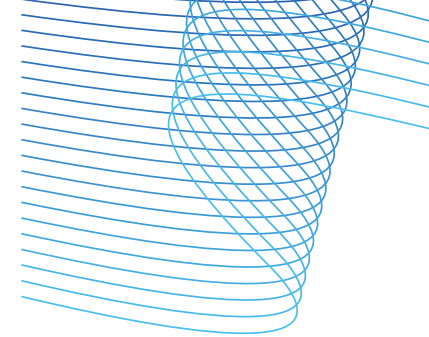
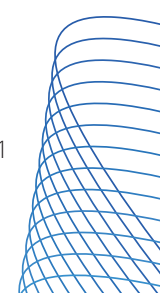


Table 2. Ranking of top regional import partners after joining CEFTA

	2008		2009	
Partner ranked 1st	Macedonia	€ 346,152,991	Macedonia	€ 289,484,196
Partner ranked 2nd	Serbia	€ 208,942,388	Serbia	€ 208,751,826
Partner ranked 3rd	Albania	€ 61,199,810	BiH	€ 59,588,300
Sub-total	€ 616,295,189		€ 557,824,322	
Total CEFTA	€ 670,212,255		€ 625,618,796	
% of total trade within CEFTA	92.0%		89.2%	
	2010		2011	
Partner ranked 1st	Macedonia	€ 316,703,245	Macedonia	€ 363,408,853
Partner ranked 2nd	Serbia	€ 254,229,975	Serbia	€ 250,103,726
Partner ranked 3rd	BiH	€ 82,841,733	Albania	€ 92,672,946
Sub-total	€ 653,774,953		€ 706,185,525	
Total CEFTA	€ 730,582,079		€ 798,068,892	
% of total trade within CEFTA	89.5%		88.5%	
	2012		2013	
Partner ranked 1st	Macedonia	€ 285,746,441	Serbia	€ 270,504,185
Partner ranked 2nd	Serbia	€ 266,578,108	Macedonia	€ 184,106,905
Partner ranked 3rd	Albania	€ 106,451,327	Albania	€ 107,393,497
Sub-total	€ 658,775,876		€ 562,004,587	
Total CEFTA	€ 753,341,747		€ 656,470,466	
% of total trade within CEFTA	87.4%		85.6%	
	2014		2015	
Partner ranked 1st	Serbia	€ 354,510,143	Serbia	€ 372,066,485
Partner ranked 2nd	Macedonia	€ 137,658,799	Albania	€ 144,314,358
Partner ranked 3rd	Albania	€ 128,034,857	Macedonia	€ 141,920,860
Sub-total	€ 620,203,799		€ 658,301,703	
Total CEFTA	€ 698,731,651		€ 749,303,221	
% of total trade within CEFTA	88.8%		87.9%	
	2016			
Partner ranked 1st	Serbia	€ 382,132,720		
Partner ranked 2nd	Macedonia	€ 154,502,656		
Partner ranked 3rd	Albania	€ 112,771,909		
Sub-total	€ 649,407,285			
Total CEFTA	€ 741,960,574			
% of total trade within CEFTA	87.5%			



Except geographical proximity, cultural ties play also an important role in the trade flow patterns between the member countries. Albania was the main export partner since early 2000s while the intensity of exports has increased markedly after the highway in Northern Albania was inaugurated in mid-2009 (Table 3).

Table 3. Ranking of top regional export partners after joining CEFTA

	2008		2009	
Partner ranked 1st	Albania	€ 19,225,511	Albania	€ 21,837,185
Partner ranked 2nd	Macedonia	€ 16,867,737	Macedonia	€ 14,016,155
Partner ranked 3rd	Serbia	€ 7,203,881	Montenegro	€ 2,778,035
Sub-total	€ 43,297,129		€ 38,631,375	
Total CEFTA	€ 50,674,467		€ 41,984,424	
% of total within CEFTA	85.4%		92.0%	
	2010		2011	
Partner ranked 1st	Albania	€ 27,255,930	Albania	€ 30,607,088
Partner ranked 2nd	Macedonia	€ 22,030,764	Macedonia	€ 25,056,593
Partner ranked 3rd	Montenegro	€ 2,876,083	Serbia	€ 5,416,712
Sub-total	€ 52,162,777		€ 61,080,393	
Total CEFTA	€ 55,281,612		€ 66,667,991	
% of total within CEFTA	94.4%		91.6%	
	2012		2013	
Partner ranked 1st	Albania	€ 31,210,496	Albania	€ 27,618,678
Partner ranked 2nd	Macedonia	€ 19,046,782	Macedonia	€ 16,688,978
Partner ranked 3rd	Montenegro	€ 16,043,077	Montenegro	€ 16,357,120
Sub-total	€ 66,300,355		€ 60,664,776	
Total CEFTA	€ 77,238,836		€ 73,257,202	
% of total within CEFTA	85.8%		82.8%	
	2014		2015	
Partner ranked 1st	Albania	€ 29,797,672	Albania	€ 29,242,592
Partner ranked 2nd	Macedonia	€ 26,138,153	Serbia	€ 27,933,626
Partner ranked 3rd	Serbia	€ 23,235,880	Macedonia	€ 24,400,622
Sub-total	€ 79,171,705		€ 81,576,840	
Total CEFTA	€ 96,398,488		€ 96,415,760	
% of total within CEFTA	82.1%		84.6%	
	2016			
Partner ranked 1st	Serbia	€ 39,746,957		
Partner ranked 2nd	Albania	€ 36,405,885		
Partner ranked 3rd	Macedonia	€ 31,455,540		
Sub-total	€ 107,608,382			
Total CEFTA	€ 128,402,546			
% of total within CEFTA	83.8%			

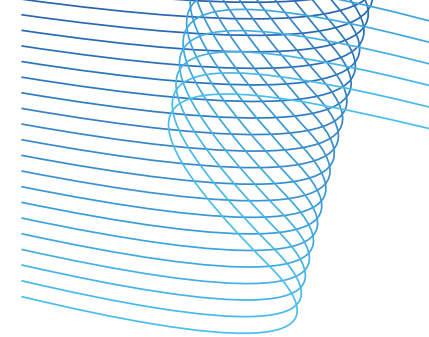


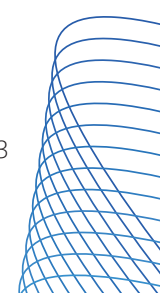
Table 4. Kosovo's trade in goods with CEFTA

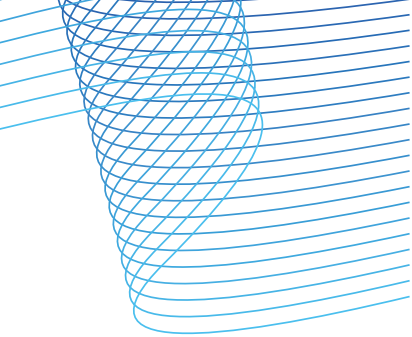
Year	Imports	Exports	Trade Balance
2004	€ 183,986,504	€ 12,936,910	€ (171,049,594)
2005	€ 256,786,124	€ 18,257,982	€ (238,528,142)
2006	€ 494,356,486	€ 35,042,131	€ (459,314,355)
2007	€ 535,113,023	€ 48,216,274	€ (486,896,749)
2008	€ 670,212,255	€ 50,674,467	€ (619,537,788)
2009	€ 625,618,796	€ 41,984,424	€ (583,634,372)
2010	€ 743,938,000	€ 66,857,000	€ (677,081,000)
2011	€ 809,345,000	€ 80,313,000	€ (729,032,000)
2012	€ 772,474,000	€ 100,257,000	€ (672,217,000)
2013	€ 675,891,000	€ 104,498,000	€ (571,393,000)
2014	€ 720,245,000	€ 127,139,000	€ (593,106,000)
2015	€ 769,237,000	€ 123,666,000	€ (645,571,000)
2016	€ 752,969,000	€ 144,257,000	€ (608,712,000)
2017	€ 855,941,000	€ 183,022,000	€ (672,919,000)

Industrial goods, mainly raw metals, represents Kosovo's leading exports to CEFTA partners while imports mainly consist of finished, more sophisticated, products. The following tables show trade patterns at the product level with each CEFTA partner during the period 2011-2017. The data disaggregated at trade partner and product level are not available for the pre-CEFTA period. The value of products is calculated using the 4-digit Combined Nomenclature which is used as official goods' nomenclature by Kosovo relevant authorities. It is developed on the basis of the Harmonized System of the World Customs Organization and the Combined Nomenclature of the European Union.

Chapter 3 – Major Obstacles in Functioning of CEFTA

The main objectives of CEFTA 2006, among others, are to expand trade in goods and services and foster investment by means of fair and predictable rules, eliminate barriers to trade between the member countries, provide protection of intellectual property rights in accordance with international standards as well as to harmonize provisions on modern trade policy issues such as competition rules and state aid. In order to meet its basic objective and become the agreement on free trade in the region, with relevant market rules and equal treatment of all exporters, barriers that restrict and harm the trade should be eliminated. However, its implementation has been systematically challenged by political barriers and unfair trade practices, mainly non-tariff barriers that have been introduced by the parties. Moreover, the lack of proper dispute settlement mechanism that would deal with unfair practices introduced by any of the agreement signatories, has also contributed to intensification of such prohibited practices. The majority of reported problems by member countries refer to technical barriers to trade, sanitary and phytosanitary measures, unnecessary pre-shipment inspections at the place of departure and additional charges. The majority of the reported problems have been appearing in the food processing and beverages industry.





Exporting companies in Kosovo have been regularly reporting unfair practices that they faced at the border of exporting markets within CEFTA region. Most common barriers that have been identified by Kosovo authorities are of technical nature (TBT) as well as sanitary and phytosanitary standards (SPS).

There are several cases reported by exporting companies engaged in exporting of agricultural products to Albanian market that official papers issued by certified laboratories are not recognized by relevant food authorities in Albania. In addition, application of seasonal reference prices related to different agricultural products originating from Kosovo, remain one of the main challenges that Kosovan agri-businesses face. There are also several reported cases of anti-competitive practices (dumping prices) applied by Albanian firms exporting to Kosovo (e.g. the case of eggs). Such distortions restricted competition and directly affected the domestic industry in Kosovo.

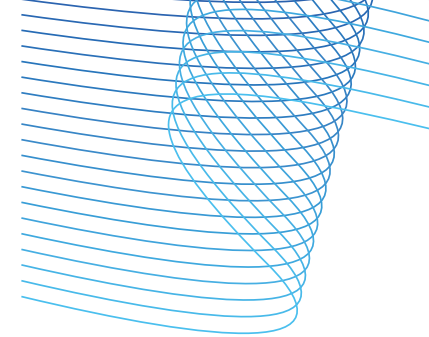
Dumping prices were also applied by Serbian businesses. Department of Trade within the Ministry of Trade and Industry in Kosovo reported that construction industry as well as wheat sector, namely wheat flour, were mainly affected by such anti-competitive practices. On the other hand, Kosovo exporters systematically were facing different challenges when exporting to Serbia. Long delays at the border and SPS related requirements are few of the most common barriers. Serbian authorities still do not recognize quality standards related certificates issued by relevant institutions in Kosovo. There are also cases where Serbian authorities, allegedly for political reasons, have been neglecting issuance of import licences for several industrial products with Kosovo origin. Documentation issued by relevant authorities in Kosovo related to fish and many other animal origin related products still are not being fully recognized by Serbian counterparts. Since the declaration of independence, Kosovan businesses very often are forced to use alternative routes when exporting/importing to/from EU market since they are not allowed to use Serbian territory as a transit route. Lastly, businesses from Kosovo also reported that they are discriminated in public procurement activities in Serbia as any documentation issued by Kosovo authorities are considered as void.

Producers of construction materials have also been complaining about excessive requirements from Macedonian Customs. Clay materials originating from Kosovo without European Conformity certificate (CE Mark) were not allowed to enter Macedonian market. Unless clay products are destined for the European market, such a measure was considered as a discrimination against Kosovan producers.

Montenegrin authorities have also imposed technical barriers towards made-in Kosovo products. Additional tests and examination required by border authorities in Montenegro are among the most common issues preventing fair trade between the two countries.

As with Serbia, most of the barriers imposed by BiH authorities were of political nature. Sporadic obstructions due to non-recognition of relevant Kosovo authorities and official papers issued by them, mainly Food and Veterinary Agency of Kosovo, still hinder the normal trade flows as well as free movement of people and via respective countries. However, non-tariff obstacles were also reported by businesses importing goods from BiH such as customs clearance delays imposed by Kosovan authorities. According to importers, such delays were imposed only towards "made in BiH" products as a retaliatory measure in response to BiH actions towards Kosovo exports. This barrier was mainly applied to animal origin related products and occasionally to other imported products from BiH.

Except the above mentioned obstacles that prevent proper functioning of the trade agreement between the member countries, the lack of an independent dispute settlement mechanism is further hindering closer economic integration of the region. Any trade agreement is not worth if its obligations cannot be enforced when one of the signatories fails to comply with such obligations. An effective mechanism to settle disputes will certainly strengthen the commitments that signatories undertake in a trade agreement. Most of the disputes that were



reported by Kosovo relevant authorities to CEFTA secretariat have been resolved, when there was political will, through mutual understanding. In the cases where implementation of the agreement was challenged due to open political issues with Serbia and BiH, Joint Committee as a governing body of CEFTA failed to ensure compliance with settlement procedures as set out in the agreement.

Although there were several attempts to push forward the idea of establishing a proper dispute settlement body, the lack of political will from the member countries, remains a major stumbling block in overcoming current compliance challenges and the overall implementation of the agreement.

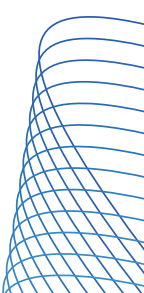
Chapter 4 – Ways Forward

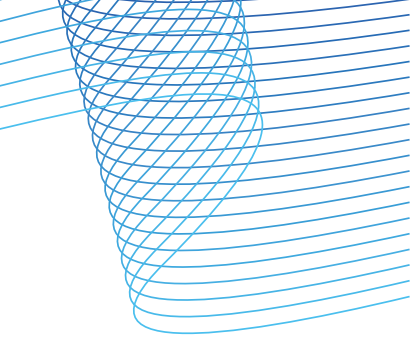
This section provides a local perspective on the overall functioning of CEFTA during the last decade as well as recent ideas and proposals about the intensification of WB market integration. During this period, as detailed in the previous section, regardless of the benefits that this regional agreement has brought for every member, it has been systematically subject to serious setbacks.

The economic role of CEFTA is very important, but so is the political one. One of the key objectives of CEFTA agreement was to prepare the region in its EU integration course through closer economic integration of the region. Its political impact is that it would help countries join the EU more quickly, more easily, and better prepared. Through this agreement, member countries were supposed to reinforce economic relationships and simplify customs procedures which would result in more efficient and quicker exchange of goods at the border. Initially, CEFTA 2006 established a free trade regime in the industrial sector, only. Few years later (2011), agricultural products were also fully liberalized. With the new trade regime, tariffs and quotas as well as export subsidies should have been eliminated completely otherwise appropriate measures against the anti-competitive practices in accordance with the agreement may have been taken if such practices persisted.

Although Western Balkans historically were the main trade partners of Kosovo, intensification of the trade over the last decade with each partner, to some extent, may be attributed to the CEFTA agreement. However, during this period the proper functioning of the agreement has been challenged due to several factors. Political issues, trade distorting measures and other barriers affecting trade flows between partners and movement of goods in transit, in contrast to Article 1.d of the CEFTA 2006 agreement, are not yet fully abolished. Due to contested political status by Serbia and BiH after declaration of the independence, Kosovo was not able to fully reap the benefits of the agreement. Kosovo is the poorest country among the group and its narrow export base has resulted in an ever-increasing trade deficit since the ratification of the agreement and such political barriers have also contributed to widening this gap.

In order to ensure proper functioning of the agreement, several actions need to take place. First and most importantly, a permanent dispute settlement mechanism to deal with issues related to unfair trade practices in accordance with the provisions of the agreement needs to be established. Currently the Joint Committee as a governing body, among others, serves as a platform for disputes settlement in CEFTA. However, in this context the role of the Joint Committee is to mediate disputes through direct consultations rather than being an enforcement mechanism. In cases where consultations are unsuccessful, the Joint Committee may initiate an arbitral tribunal to settle a dispute. Article 43 of the agreement foresees arbitration procedures for the disputes arising between the parties in case they fail to settle them through consultations in the Joint Committee. Unfortunately, mediation and the whole dispute settlement process is rather lengthy and most of the time parties take “appropriate” measures without prior notifications





to the Secretariat or other parties affected by such measures. Having said the above, parties should agree to extend competences of both the Secretariat and Joint Committee so they can fully act as an enforcement mechanism. This would prevent parties abusing the agreement unilaterally at their discretion.

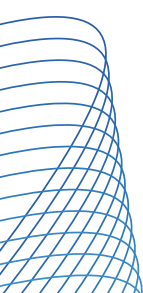
Compliance with common rules and regulations requires approximation, if not harmonization, of relevant legal framework as well as democratic and accountable institutions. Member countries currently use different legislation to protect their domestic industry and address anti-competitive practices, which creates additional difficulties in the implementation of the agreement. There were several cases where different TBT or SPS measures, in contrast to procedures laid down in the agreement, have been undertaken by members based on their local legal framework. Member countries need to harmonize the legal framework although most of them are in the process of harmonization of their legislation with EU acquis. However, they are progressing at different speeds with the accession process and are also at different stages as far as harmonization of legislation is concerned.

Closer economic integration of the Western Balkans and reconciliations within and between the societies in the region were also on top of the institutional agenda of the EU. A recent initiative for further integration of Western Balkans was proposed in the so called Berlin Process. This initiative was a political commitment of the European Union to its future enlargement towards the Western Balkans which focuses mainly on economic governance and infrastructure projects aiming to improve neighbourly relations and economic growth of the region. While support and similar initiatives from the EU are of great importance for the political stability and economic development of the region, ideas and initiatives for a possible Customs Union or a Common Market (both ideas have been explicitly mentioned by the Commissioner for European Neighbourhood Policy and Enlargement Negotiations) in the Western Balkans need careful consideration and most importantly consensus among partners.

Even though a better integrated region would potentially facilitate the EU integration process of the region, a proper functioning of a common market requires, among others, strong institutions. Unfortunately, the region is still facing various challenges in consolidating the democracy. Having in mind institutional weaknesses and the level of democracy in Western Balkans, an interstate institutional mechanism that would ensure proper functioning of the union, seems very complicated and challenging venture. Expectations are that national capacities will be transferred to this interstate mechanism which would be an additional barrier to current economic challenges of the region. Moreover, improper functioning of such a mechanism, after it is established, may also harm peace and stability of the region.

Western Balkan countries already have free trade agreements with third countries which need to be adjusted if a customs union is created. This would imply a common regime with the rest of the world which clearly generates some loss for the countries that have trade agreements with third countries over the others who do not. Creation of the Customs union would also imply that the Stabilisation and Association Agreements (SAA) between the EU and each CEFTA member need to be harmonized. Kosovo is the last country in the region that has entered into (SAA) with the EU. While most of the CEFTA member countries have progressed in this process, SAA with Kosovo has entered into force two years ago. This would have additional implications for some specific import sensitive sectors and industries. Under this arrangement with the EU, there are around 11,000 different products in the agriculture sector, food processing and other sensitive industries, that have been negotiated and will be liberalized gradually during the next ten years.

Instead of ad-hoc initiatives that are not unanimously endorsed by all the parties, better prepared joint projects would certainly have a bigger impact on economic integration of the region. A joint approach to further increasing economic cooperation in the Western Balkans has been proposed following the Trieste Summit in July 2017. This was an action plan for a Regional Economic Area in the Western Balkans (MAP) aiming to promote further trade integration, regional





harmonization of investment policies, facilitating regional mobility, and the digital integration of the region. This plan foresees implementation of different actions detailed in three year framework – 2017 through 2020. Regardless of the commitment from high level representatives of each country, unfortunately, in the first year little efforts have been put to push forward this agenda. Implementation of this Action Plan will undoubtedly lead to a closer integration of the region which will enable free flow of goods, services, capital and labour, and most importantly, it will make the region more attractive for investment and commerce.

Chapter 5 – Conclusions

This short analysis summarises the main issues related to the functioning of CEFTA2006 and its impact on trade balance of Kosovo during the last decade. In addition, it also covers some institutional aspects as well as a local perspective on the new promises and initiatives from the Berlin agenda and Trieste Summit regarding Western Balkans' economic integration.

During the first decade of membership with CEFTA, trade flows with the partners have steadily increased. Western Balkans historically were the main trade partners of Kosovo, however, intensification of trade with each partner individually, to some extent, may be attributed to the agreement. Roughly one third of Kosovo exports on average during this period have gone to its neighbouring countries. More or less the same share of imports were coming from the region. The largest trading partners among CEFTA are also three biggest neighbouring countries, namely Albania, Macedonia and Serbia with around 90% of total trade with CEFTA. Those three countries were top three – both exporting and importing - partners back in 2006, a year before entering into the agreement, and remain the biggest partners also ten years later. A reasonable explanation for the persistence in trading partners is the geographical proximity. In addition, cultural ties as well as the lack of competitiveness which makes products less attractive in other markets, could also explain such persistence.

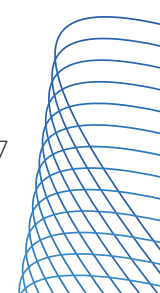
Kosovo exported mainly industrial goods and raw metals to CEFTA while imported mainly finished, manufactured products. Kosovo exporters have systematically reported irregularities and unfair practices when exporting to CEFTA market. Most common obstacles were technical barriers as well as sanitary and phytosanitary standards related barriers. In several cases, albeit to a lesser extent, reciprocal measures have been taken.

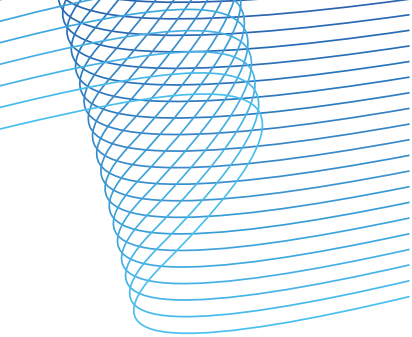
When it comes to each market individually, barriers range from administrative to politically motivated ones. Kosovan firms exporting to Albania mainly reported technical barriers of bureaucratic nature aiming to discourage them in entering Albanian market. Moreover, seasonal reference pricing strategy for different agricultural products has been used on occasional basis.

Trading with Serbia has been very challenging since the declaration of independence of Kosovo in February, 2008. Non-recognition of official documents issued by relevant authorities in Kosovo, TBTs and excessive SPS requirements, were among the most common barriers faced by Kosovan exporters aiming Serbian market. Although in most of the cases the Serbian territory was used for transit purposes only, the same obstacles were present. Unfair trade practices have been identified in some imported products of Serbian origin. Dumping prices, mainly in construction materials and wheat flour, have systematically injured competing domestic industries.

Kosovan construction industry was also facing difficulties when exporting to Macedonian market. Producers of clay materials in Kosovo were not allowed to export to Macedonia without having CE Mark although the final destination was Macedonia.

Although exports to Montenegro include mainly scrap and other unprocessed metals, Montenegrin authorities have imposed different technical barriers towards Kosovan exporters. Food





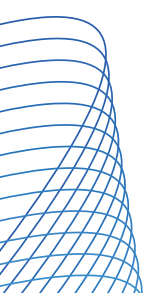
processing industry was mainly affected by technical barriers such as excessive tests and examinations required by border authorities.

BiH remains one of the main trading partners among ex-Yugoslav entities regardless of existing challenges that prevent normal relations between the two countries. Obstructions imposed by BiH border authorities were of political nature; Kosovo Customs and Food and Veterinary Agency of Kosovo were not recognized by BiH counterparts for several years after Kosovo's independence. The amount of traded goods with Moldova remains on a very low level.

Addressing trade related obstacles in a free trade environment requires institutional mechanism that will enforce obligations arising from the agreement. The lack of a dispute settlement mechanism in CEFTA region is hindering further integration of the region. The lack of political will among the member countries is the main impediment in addressing CEFTA challenges. An additional challenge in implementation of the agreement is the use of unharmonized policy in addressing anti-competitive practices and other unfair trade practices which often leads to misuse of discretionary power by each member country.

Intensification of trade relations and further economic integration of Western Balkans was also part of the EU enlargement institutional agenda. Several options were discussed, including creation of a Customs Union and even Common market of the Western Balkans. Such proposals were not endorsed by all member countries, including Kosovo. Similar initiatives need careful consideration and most importantly consensus among partners, notably due to institutional weaknesses of member countries. In addition, Western Balkan countries already have free trade agreements with third countries which need to be adjusted if a customs union is created and this would create economic losses for some of the member countries. Kosovo is also the last country in the region that signed the SAA with the EU while creation of the Customs Union implies that this agreement needs to be harmonized with those that already reaped the benefits of the SAA.

Lastly, closer integration of the region requires credible political commitment as well as joint actions endorsed by all the parties. The Action Plan for a Regional Economic Area in the Western Balkans (MAP) is a detailed proposal that will lead to a better integration of the region through unobstructed flow of goods, services, labour and capital. However, in order to materialize the implementation of this plan, coordinated and serious efforts must be made by all the parties involved. During the first year of the plan, very little effort has been made to foster this economic integration of the region through this agenda.





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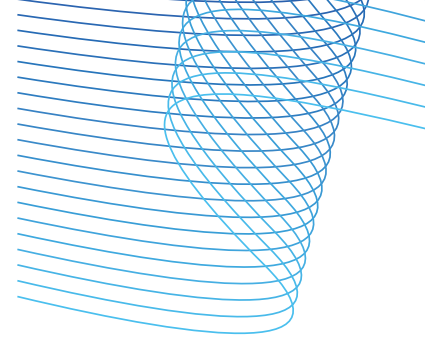
APPENDIX

Table 5. Top five imported products from CEFTA 2006 partners (2011 – 2017)

	2011	2012	2013	2014	2015	2016	2017
Product ranked 1st	Petroleum oils	Petroleum oils	Iron or non-alloy steel	Petroleum oils	Iron or non-alloy steel	Iron or non-alloy steel	Iron or non-alloy steel
Product ranked 2nd	Iron or non-alloy steel	Iron or non-alloy steel	Petroleum oils	Iron or non-alloy steel	Petroleum oils	Waters, incl. mineral waters	Petroleum oils
Product ranked 3rd	Petroleum coke	Cement	Cement	Electrical energy	Electrical energy	Petroleum oils	Electrical energy
Product ranked 4th	Cement	Waters, incl. mineral waters	Waters, incl. mineral waters	Cement	Cement	Cement	Waters, incl. mineral waters
Product ranked 5th	Waters, incl. mineral waters	Wheat	Bread, pastry, cakes	Waters, incl. mineral waters	Waters, incl. mineral waters	Electrical energy	Cement
Total (EUR)	321,669,082	304,076,753	213,435,714	209,962,760	218,483,906	181,161,059	272,861,571

Table 6. Top five exported products to CEFTA 2006 partners (2011 – 2017)

	2011	2012	2013	2014	2015	2016	2017
Product ranked 1st	Ferrous waste and scrap	Ferrous waste and scrap	Ferrous waste and scrap	Ferrous waste and scrap	Electrical energy	Electrical energy	Electrical energy
Product ranked 2nd	Wheat	Lead ores	Lead ores	Electrical energy	Ferrous waste and scrap	Ferrous waste and scrap	Ferrous waste and scrap
Product ranked 3rd	Tubes, pipes and hollow profiles	Wheat	Wheat	Lead ores	Lead ores	Lead ores	Waste and scrap of copper
Product ranked 4th	Electrical energy	Tubes, pipes and hollow profiles	Tubes, pipes and hollow profiles	Tubes, pipes and hollow profiles	Tubes, pipes and hollow profiles	Waste and scrap of copper	Lead ores
Product ranked 5th	Waste and scrap of aluminium	Waste and scrap of copper	Waters, including mineral waters	Wheat	Waste and scrap of copper	Tubes, pipes and hollow profiles	Tubes, pipes and hollow profiles
Total (EUR)	39,457,082	46,687,628	49,829,583	58,983,457	46,995,603	59,223,940	77,873,871



VII. CONCLUSIONS AND RECOMMENDATIONS

CEFTA2006 signatories in the region of Western Balkans all record an increase in trade after the accession to the Agreement. General trend of closer cooperation in the exchange of goods can be explained with both benefits stemming from CEFTA2006 and closer economic and political cooperation expressed also via FTAs signed before CEFTA2006. Nonetheless, it is evident that in all six cases of the CEFTA2006 signatories, there has been either a moderate or even double increase in trade value with CEFTA2006 members with new trade patterns and partnerships established. Moreover, value of trade is not the only indicator – improved political and cultural cooperation also reflected certain benefits stemming from the Agreement. Increased trade between Albania and Serbia can be seen as a joint result of both opportunities brought by CEFTA2006 and improved political relations between two countries that followed. It is apparent that CEFTA2006 has given a good opportunity for trade but for these opportunities to be fully utilized, better political relations in the region are needed.

In the past decade, there have been several setbacks and developments which influenced intra-CEFTA2006 trade and not always in favourable manner. This refers both to the financial crisis, but also internal political circumstances or relations between partners. Even though the general cooperation in all fields improved in the region, individual disputes between members did influence the trade amongst them, at least for a limited period of time.

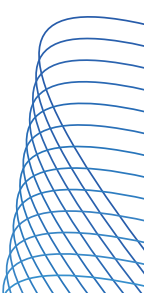
Another factor which influenced trade in the region has been the increase in trade with the EU, although it did not hamper significantly intra-CEFTA2006 exchange. Interestingly enough, with the exception of Serbia, which is the largest economy and exporter amongst CEFTA2006 members, most of the others recorded trade deficit in different amounts.

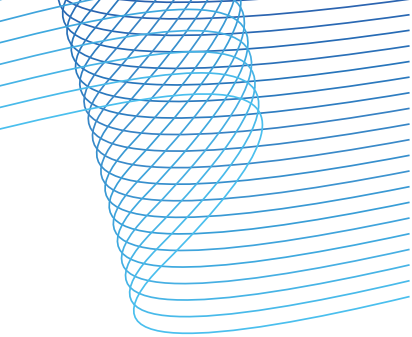
Every single CEFTA2006 partner has overall positive effects of their mutual agreement. However, the fact remains that usually throughout the entire past decade, individual CEFTA2006 members had recorded majority of trade with only several other CEFTA2006 members. Reasons behind this are of both economic and political nature. It must be noted that the liberalization of trade in services is not at a high level and needs to be achieved in the future as an important economic aspect.

This would contribute to greater growth potential for all partners individually and for the region as such, which, combined with the macroeconomic stability and structural reforms, can truly influence trade in the region and with external partners in the long run.

The most striking phenomenon within the whole process of intra-CEFTA2006 trade is the fact that albeit prohibited, practice shows numerous cases of various non-tariff barriers hindering actual free trade. Generally speaking, the reasons for introduction of non-tariff barriers (technical, administrative and sanitary and phytosanitary measures) are twofold – purposeful protection of the market of the country and differences in systems and levels of development, such as quality of products.

This is a rather complicated set of issues that can result in preventing entry of a certain product in a country, delaying the entry, imposing fees which pose unfair burden on the importer. Usually such barriers are followed with either lengthy procedures or procedures which are not transparent and not familiar to businesses.





Additional important aspect of trade among CEFTA2006 members is the fact that many border crossings and national systems, in general, have underdeveloped IT capacities. . These technical obstacles are creating initial slowdowns at the border crossings, and both individual or group passengers and transporters of goods are experiencing hours of unnecessary waiting and losses in time and quality of goods and services. Even though creation of more efficient IT capacities at border crossings could be overcome in a relatively short period of time, it is hard to avoid a conclusion that members are not investing significant effort in resolving this issue.

In general, amongst business owners there is lack of understanding of the effects of CEFTA2006 on their everyday business and export/import potentials. This results in the fact that the investment cooperation between CEFTA2006 is not developed enough and that a stimulus for intra-CEFTA2006 FDIs in the future would be useful.

All of the abovementioned obstacles, mutual for all CEFTA2006 members, are covered by the Agreement or additional protocols to a certain extent, while at the same time being violated by its signatories. Such practice points to the issue of the lack of enforcement mechanism and bodies which would conduct true monitoring and evaluation, while being able to enforce the rules stipulated in the Agreement. Creation of new and improving of existing regulatory and enforcement mechanisms should be among priorities for the forthcoming period.

It is important to note that regional cooperation and liberalization of trade is a political priority in all CEFTA2006 members. This willingness was showcased through the initiative for the creation of Regional Economic Area, which is closely related to the EU acquis, WTO rules and procedures that are in line with the SAA, under the CEFTA2006 and SEE 2020 strategy. It has been initiated by the members themselves and not imposed by the EU, thus it is seen as an important step in both regional cooperation and a milestone for the EU integration process.

One of the ideas in the process of closer regional cooperation and market liberalization has been the idea of the creation of a customs union of Western Balkans. While it might seem as a logical step forward, it was followed by a controversy, since not all parties could agree on it. One of the main arguments is that it would successfully deal with non-tariff barriers and ensure what CEFTA2006 lacks – deeper involvement of parties and better preparedness for the EU customs union, i.e. functioning on the EU market.

Nonetheless, current differences between the markets are rather large in some aspects, and inadequately prepared markets can react poorly to sudden trade liberalization, pointing out that market needs to be strengthened and developed further before further liberalisation.

Downsides to the creation of such a union could be: uneven development of potential members, different macro policies, different exchange rates and monetary policies, trade regimes and free trade agreements with third countries. All of these issues and rather different stages of development in each of the potential members could make its implementation difficult. Additionally, currently, there are trading partners outside EU and CEFTA2006 with whom different CEFTA2006 members have individual free trade agreements. These agreements would have to be dealt with jointly in a customs union, meaning that these FTAs would have to be renegotiated or even abolished if the other partner would not agree to extend the scope of such an FTA to other CEFTA2006 members.

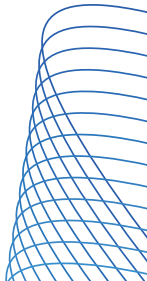


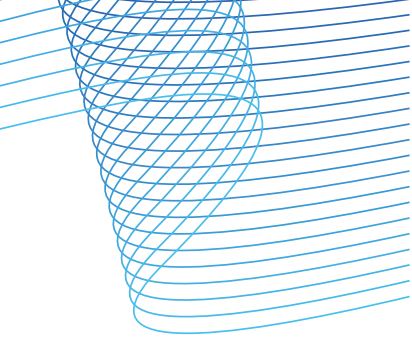


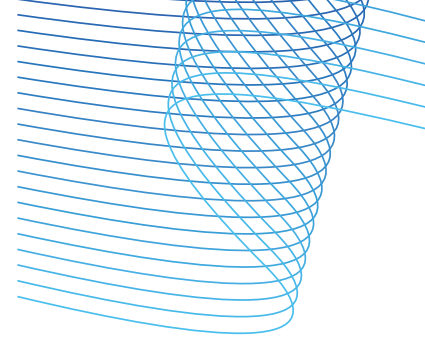
RECOMMENDATIONS

Overall effects of CEFTA2006 are positive. Volume of trade has increased significantly, previous interrupted trade relations have been largely re-established and new trade relations have been built.

However, there is still a considerable room for improvement in order to achieve: a) full liberalization of the free trade, b) improved readiness of the CEFTA2006 members for the EU market and c) rise in the FDIs. In order to improve efficiency and benefits for all sides of CEFTA2006 agreement, following steps should be considered for the future:

1. Revision of CEFTA2006 Agreement in terms of:
 - Establishing effective enforcement mechanisms;
 - Stipulating actions for promotion of intra-CEFTA2006 FDIs;
 2. Fully implement changes to the CEFTA2006 Agreement that have already been agreed:
 - Implement Additional Protocol 5 on the Facilitation of Trade to the CEFTA Agreement.
 - Implement Additional protocol 6 on free trade in services
 3. Continuous efforts on elimination of technical barriers to trade (TBTs);
 4. Analyse specific needs and limitations of each member and propose joint regional trade pattern which will be applicable in all members of CEFTA2006 on how to tackle the most complicated and lengthy procedures which pose biggest barriers for trade;
 5. Adjustments of procedure ought to be made in terms of either standardized parameters for testing or legal provisions that will allow for the import of a product which is not necessarily tested by national authorities, provided it has an internationally or EU recognized certificate;
 6. Use all available regional mechanisms for further promotion of CEFTA2006, such as Berlin Process. Even though Berlin Process is already used for this purpose, more coherent policies and actions should be defined within this format of cooperation in order to facilitate creation of new and to improve function of existing regulatory and enforcement mechanisms of CEFTA2006;
 7. Educate and constantly inform customs services on the newly adopted regulations under the umbrella of CEFTA2006. It could be considered to organize and establish a Regional Education/Capacity Building centre for this purpose or to use already existing regional education centres, such as ReSPA, for this purpose;
 8. Strengthening of IT and other technical capacities at border crossings of CEFTA2006 members in order to facilitate border and customs procedures and to prevent potential losses in time and quality of goods and services provided between them;
 9. Creation of new and development of existing IT channels, procedures and mechanisms for mutual electronic correspondence and other ways of communication in timely manner on customs procedures, between the customs and border authorities among respective CEFTA2006 members;
 10. Increase transparency and clearly stipulate rules on import and export trading procedures in each CEFTA2006 member. In order to increase transparency and level, as well as overall efficiency of the procedures, it would be worthwhile to consider creating a separate data base with all the relevant procedures of CEFTA2006 members with easy-to-access and business-friendly structure;
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11. Publish annual reports containing not just CEFTA2006 activities, but also inputs of each of CEFTA2006 members on their trade and especially non-tariff barriers cases in a given year. This should be followed by creation of data base with previous cases and incidents with clear and unified instructions for prevention and resolving of potential new similar situations;
 12. Improve promotion activities to business communities throughout the WB on how to better use opportunities and potentials CEFTA2006 is offering.



Note on Contributors

(In alphabetical order)

ALBAN HASHANI, PhD. Alban holds the position of the Executive Director at Riinvest Institute. He holds a graduate degree in Economics from the Prishtina University. He also holds post-graduate and PhD degree in Economics from the Staffordshire University in the UK, in the area of ownership transformation and efficiency estimation. Within Riinvest Institute, Alban has been involved in many research projects related to socio-economic issues, including, among others, the issue of privatization, corporate governance, trade relations, corruption, energy, and labour market. He leads a team of 16 researchers and is in charge of steering and overseeing various projects and programmes. Besides, Alban regularly publishes in scientific journals and participates in international conferences on the topics of industrial democracy and ownership transformation. He is also a lecturer at the university where he covers subjects related to research methods and economics.

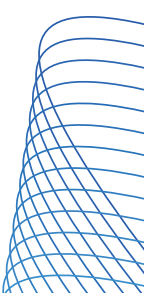
AMELA HRASNICA holds an MA degree in English language and literature from the Faculty of Philosophy in Sarajevo. She has been working in FPI BH since February 2016, engaged as Communication/Project Officer and Junior Researcher on Public Administration Reform, Rule of Law and Economic Governance issues.

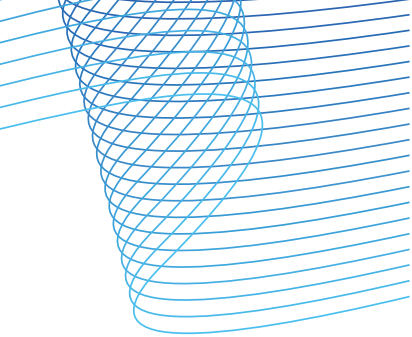
DENATA RROJË was born in Shkodër, Albania. She works at the Albanian Ministry for Europe and Foreign Affairs. Previously, she had worked at the Albanian Ministry of European Integration. She has a long experience in issues dealing with the EU integration of Albania.

LEDION KRISAFI, PhD, works as a researcher and project coordinator at the Albanian Institute for International Studies (AIIS), in Tirana, Albania. He is also the Head of the European Program at AIIS. He has been involved in many projects concerning Albania's EU integration, geopolitical situation in the Balkans, Albania's and region's energy security, relations between Albania and Serbia, etc. He holds a PhD in International Relations and Political Sciences from the European University of Tirana. He has published a book about the relations between Albania and Yugoslavia in the period 1945-1948. His main research interests are Albania's relations with other Balkan countries and Eastern Europe and history of international relations of the Balkan and Eastern European countries.

LEJLA RAMIĆ-MESIHOVIĆ is Executive Director/Senior Researcher at Foreign Policy Initiative BH. She has obtained a masters degree in the field of Diplomacy at the Faculty of Political Sciences, University of Sarajevo. Currently she is finalizing the PhD program at the Faculty of Business and Administration at the International University of Sarajevo. During her rich professional experience, Lejla worked as a journalist, senior consultant and project manager on various projects and initiatives supported by the international community in BiH.

MALINKA RISTEVSKA JORDANOVA has been engaged in the EU integration process in Macedonia since the late 1990s, holding high public administration positions in the Parliament and Government. As a State Advisor at the Secretariat for European Affairs, she chaired the MK-EU SAA Subcommittee on Justice and Home Affairs from 2002 to 2008 and the SAA Committee



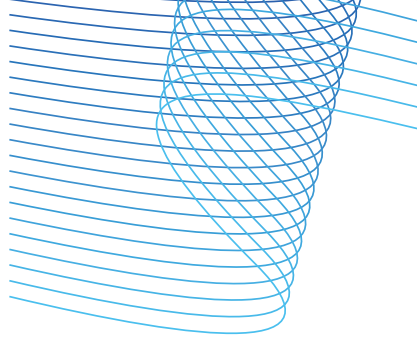


from 2008 to 2010, and was the coordinator of the national programme for the adoption of the acquis. She gave a special contribution to the candidacy of the Republic of Macedonia for the accession to the EU, the fulfilment of recommendations for starting accession negotiations and realising the benchmarks set in the roadmap visa liberalization. Dr. Ristevska – Jordanova is a former director (from 2011 to February 2017) of the Macedonian think tank European Policy Institute. She is currently the Team Leader of the EU funded project SMEI IV in Albania. In her research, Dr. Jordanova has focused on the application of the EU policy of conditionality in Macedonia and region, as well as on the transposition of the EU acquis.

MILA BRNOVIĆ is the management consultant in the m:con Congress Center Rosengarten in Mannheim, Germany. Prior to that, she had worked for a year (until June 2018) as an expert for policy coordination within the International Consulting Expertise Consortium on a capacity building project of the Ministry of European Affairs of Montenegro. Additionally, from October 2011 to May 2017, she was a Program Coordinator at the European Movement in Montenegro. The primary focus of her work was capacity building of administration in the negotiation process and the issues of the gender equality. She was born in 1987, in Podgorica, Montenegro, where she completed elementary school and graduated from high school “Slobodan Skerovic”. She completed her bachelor and specialist studies at the Department for European Studies at the Faculty of Political Science in Podgorica. She completed her master studies at the Center for European Integration Studies, University of Bonn, Germany, as a scholarship student of the Foundation Konrad Adenauer. She speaks English, Russian and German. From March 2015 to June 2018, she occasionally worked as a teaching assistant at the University of Donja Gorica, in the field of international relations.

MILOŠ MILOVANOVIĆ joined the FAO Investment Centre in 2013 as an agricultural policy consultant after nine years with the Serbian Ministry of Agriculture. Between 2008 and 2013, he served as Assistant Minister, leading agricultural policy and international cooperation departments and being the World Trade Organization and EU agricultural negotiator for Serbia. Under the FAO/EBRD Cooperation Programme, Miloš has managed projects in Serbia, Croatia and Montenegro and participated in projects in Ukraine, Kazakhstan, Kyrgyz Republic, among others. His expertise is on agricultural and trade policy formulation and implementation. Miloš holds a bachelor's degree in agricultural economics, a master's degree in economics (University of Belgrade) and a Ph.D. in agricultural economics (University of Novi Sad).

MOMČILO RADULOVIĆ is president of the European Movement in Montenegro, an NGO based in Podgorica (2012/2018). He is also an independent consultant for EU integration, public administration, security, education, capacity building and HR, with the focus on the Western Balkans countries. He also served as a Secretary General of EMIM (2005/2012), Head of DVV International Office in Podgorica (2009/2011), Senior Political Advisor to OSCE Ambassadors (Heads of Office, 2004/2005) in Montenegro, as well as Project Manager and National Advisor to the OSCE/DIHR project Media Task Force 2002/2003 in Montenegro. Also, he was working as an expert in the field of media and political analysis (both domestic and international affairs) for various domestic and local organizations and institutions. He graduated from the Faculty of Political Sciences, International Affairs Department, at the Belgrade University. He graduated with his MA thesis in November 2007, within the EURAC, Bolzano, University of Graz and EIPA, Luxembourg postgraduate programme in the field of European Integration and Regionalism. In addition, he attended various specialist courses, seminars and education programmes organized by the University of Oslo, George Mason University, Charles University, Georgetown University, etc. He was a lecturer and speaker at numerous local and international educational programmes, seminars, conferences and round tables. He has published his articles, essays, researches and analyses in various local and international editions. He was also the author and/or editor of various publications in the area of European integration, security, public administration reform, human rights, education, capacity building and vocational education.



Prof. PREDRAG BJELIĆ, PhD, is a Professor of International Trade at the Faculty of Economics, University of Belgrade. He is the author of several books, chapters and over 100 articles for scientific and other journals. His academic visits include: London School of Economics, UK (2004, Visiting Fellow, Chevening Fellowship), Harvard University, Cambridge, USA (2005, Visiting Scholar, Fulbright Fellow), Faculty of Economics, University of Oslo, Norway (2005, Visiting Scholar, RCN Fellowship). He held lectures as a Visiting Professor at many domestic and international educational institutions, especially in the region of Southeast Europe. He is a World Trade Organization and UN Conference on Trade and Development expert and also works as a consultant for major domestic consulting firms.

SIDONJA MANUSHI was born in Tirana, Albania. In 2016, she graduated from the American University in Bulgaria with a double major in Journalism and Political Science. After graduating, she completed a six month internship at Albania's Ministry of Foreign Affairs, at the Public Diplomacy sector. She speaks English and Greek fluently and her area of interest is civil society. She works as a project assistant at the Albanian Institute for International Studies (AIIS) in Tirana, Albania.

Prof. SILVANA MOJSOVSKA, PhD, is a full-time professor at the Institute of Economics – Skopje, University "Ss. Cyril and Methodius", Republic of Macedonia. Her main professional interest is in the area of International Economics and EU integration. Dr. Mojsovska has worked on many research projects and published academic and policy papers with a focus on South East Europe. Currently, she is a coordinator of the CEFTA Academic Network in the field Trade Facilitation and Investment, operating under the auspices of London School of Economics and Political Science (LSE) and CEFTA Secretariat.

VISAR VOKRI has completed his undergraduate studies at the University of Prishtina in the field of Management. Moreover, he is a graduate with a master's degree from the University of Nottingham in the UK in Development Economics and Economic Policy Analysis with a particular focus on trade policies. Currently, Visar is a PhD candidate at the Department of Economics at "Università Politecnica delle Marche" in Ancona, Italy. Visar is also a university lecturer covering subjects of International Economics and the EU Integration Economics. Visar has worked in various institutions in the public as well as the private sector in Kosovo including the banking industry, privatization process in Kosovo, UNDP, EBRD and the World Bank projects, and also the Government of Kosovo. Furthermore, Visar has been engaged in various research and advocacy activities related to open government, Kosovo's export potential, market development in manufacturing industries, and many other projects related to the development of the private sector.

VLADIMIR MEĐAK, PhD, is the president of Research Forum of the European Movement in Serbia. Vladimir Međak has 13 years of experience in working on EU integrations of Serbia in the Government of Serbia. He was a chief legal expert of the Negotiation Team of Serbia for Accession Negotiation to the EU in the period 2015-2017. He was assistant director at the former Serbian European Integration Office (SEIO) of the Government of Serbia, responsible for harmonisation of legislation, implementation of the SAA and accession negotiations. He received his doctorate from the Faculty of Political Sciences in Belgrade in 2013 and his M.A. from the Faculty of Political sciences and diplomacy at the University of Bologna, Italy in 2002 and graduated from the Faculty of Law in Belgrade in 2000. He has been a vice-president of European Movement in Serbia since 2017.

ZORAN SRETIĆ, LL.M. IN COMPETITION LAW, is the EU internal market law expert with over 13 years of experience in the approximation of the national legislation with the EU law. His practice focuses on competition law and State Aid, free movement of goods, environmental law, computer law and intellectual property rights (IPR). Zoran's experience also includes advising the Serbian Government on trade-related aspects of the Stabilization and Association Agreement (SAA). He obtained his Competition Law LL.M. degree from the Queen Mary University of London and the LL.M. on the EU Law and International Business Law from the European Center for Peace and Development in Belgrade.



Note on Organizations

(In alphabetical order)

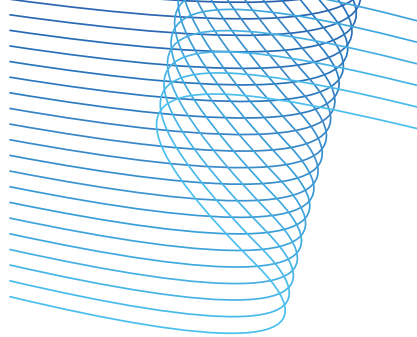
EUROPEAN MOVEMENT IN SERBIA is a key stakeholder in the reform process in Serbia. The EMinS has proven to be a dependable partner in the implementation of local and international development programmes and is recognised for its experience and professionalism regarding project management, expertise in policy research and advocacy and human and technical capacities. EMinS was founded in 1992 with a mission of advocating peaceful, democratic and full European integration of a democratic and modern Serbia into the EU. From the very beginning it joined forces with activists, experts, and volunteers to promote European ideas and advocate inclusive and sustainable public policies in building a solid and contented Serbian society that enjoys benefits and takes on obligations of quality full-fledged membership in the EU.

EUROPEAN MOVEMENT IN MONTENEGRO is a non-governmental organization which deals with projects and activities in the field of European integration in Montenegro. Main direction of activity of European Movement is education on the European Union, its values and structure, way of functioning, as well as the European integration process. The organization deals with education of citizens of different target groups, but particularly the education of employees in state institutions and local governments.

FOREIGN POLICY INITIATIVE BH is a non-governmental, non-profit, independent organization dedicated to investigating and analysing foreign policy, international relations and international obligations of Bosnia and Herzegovina. It was established in 2004 with the aim of improving and influencing the debate and discussion among academics, activists, and policy and decision makers in Bosnia and Herzegovina. Apart from the regular official reports on the progress of reforms in BiH by governmental institutions and international organizations, we seek to present a critical view on the reform process, covering political, economic, and social issues.

RIINVEST INSTITUTE is the oldest “think tank” in Kosovo operating since 1995. Riinvest promotes modern economic development based on the philosophy of entrepreneurship. Over the past two decades, Riinvest has produced analyses, publications and different socio-economic reports; developed markets, sectors, and interventions in the value chain; organized seminars, conferences, roundtables and meetings with high economic and business value for the country. The knowledge and experience allowed Riinvest to be competitive and competent in addressing socio-economic and business issues. Today, this institution is a leading, non-partisan, “think-tank”, in the field of socio-economic development in the country.

THE ALBANIAN INSTITUTE FOR INTERNATIONAL STUDIES is a non-governmental, non-profit research and policy institute created in recognition of the need for an independent, in-depth analysis of the complex issues surrounding Albania’s security. AIIS was founded by a group of academics and analysts with extensive experience on foreign policy and policy-making issues. Since then, AIIS has sharpened its technical capacities to become a leading think tank trusted by Albanian policy makers and international partners in the fields of security studies, democracy, Euro-Atlantic integration and regional cooperation. In order to promote discussion and debate



among the policy community, AIIS engages Albanian and international scholars as well as provides its products free of charge on its website. These services are made possible by the contributions of national and international donor community to fund its activities. As a results-oriented, methodologically interdisciplinary team, AIIS aims to produce timely advice as well as analysis to the challenges facing Albania's policy makers. Given the changing nature of security threats, AIIS has turned to domestic issues such as democratization as primary challenges to a secure and stable Albania. Having carved out a niche in the policy-making environment, AIIS has become an important partner in Albania's road to democratization and market economy.

THE EUROPEAN POLICY INSTITUTE – SKOPJE was founded in 2011 as an association of citizens in Macedonia. EPI's mission is to provide a sound base for debate and solutions through high-quality research and proposals on European policy, targeting decision-makers and the wider public. Its area of activities encompasses democracy, institutions, law; human rights and media; enlargement and regional cooperation, foreign policy and security; market and competitiveness; social development/diversity and cohesion; network industries and environment.

ALBANIA

SAA APPENDIX

Table 1. Albania's trade with EU28, in million EUR

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Exports				360.91	398.56	418.12	497.89	630.8	681.1	650.72	895.41	946.02	1118.27	1234.69	1246.24	1164.57	1291.77
Imports				1179.96	1297.96	1394.9	1563.66	1854.9	2202.68	2121.19	2187.31	2330.14	2443.8	2326.2	2468.07	2519.53	2705.93
Balance				-819.05	-899.4	-976.78	-1065.77	-1224.1	-1521.28	-1470.47	-1291.9	-1384.12	-1325.53	-1091.51	-1221.83	-1354.96	-1414.16

Table 2. 5 most important partner countries from EU28 in each observed year 2000-2016, in exports, in million USD

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Italy (184.6)	Italy (216.5)	Italy (236.8)	Italy (334.9)	Italy (440.4)	Italy (476.8)	Italy (575.5)	Italy (733.6)	Italy (837.6)	Italy (683.02)	Italy (787.54)	Italy (1039)	Italy (1005)	Italy (1080)	Italy (1264)	Italy (981.5)	Italy (1070)
2nd	Greece (33.3)	Greece (38.7)	Greece (42.3)	Greece (57.3)	Greece (72.5)	Greece (68.9)	Greece (76.1)	Greece (89.74)	Greece (119.2)	Greece (80.3)	Greece (83.79)	Greece (98.8)	Spain (181.9)	Spain (227.9)	Spain (158.5)	Spain (100.03)	Greece (89.8)
3rd	Germany (17.1)	Germany (16.8)	Germany (18.3)	Germany (15.2)	Germany (18.7)	Germany (21.89)	Germany (25)	Germany (26.3)	Germany (36.3)	Slovak Republic (60.2)	Spain (53.21)	Spain (69.4)	Greece (87.3)	Malta (156.5)	Greece (84)	Greece (75.4)	Germany (66.7)
4th	Denmark (2.69)	France (2.02)	France (2.08)	Austria (5.5)	France (3.09)	France (4.56)	Sweden (6.66)	Sweden (17.03)	Netherlands (19.57)	Germany (37.1)	Germany (43.30)	Germany (56.4)	Germany (61.07)	Germany (89.5)	Germany (68.5)	Germany (60.05)	Malta (64.5)
5th	France (1.97)	Denmark (0.768)	UK (1.43)	France (2.09)	Sweden (2.93)	Bulgaria (3.6)	France (5.53)	Bulgaria (7.43)	France (11.5)	Spain (13.15)	Czech Republic (16.79)	Malta (46.4)	Malta (35.4)	Greece (73.5)	France (26.1)	Bulgaria (25.06)	Spain (64.4)

Table 3. 3 most important trade partners outside the EU, exports, in millions USD

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Serbia & Montenegro (7.1)	Serbia & Montenegro (9.55)	Serbia & Montenegro (7.48)	Serbia & Montenegro (10.48)	Serbia & Montenegro (29.4)	Serbia & Montenegro (32.6)	Serbia & Montenegro (40.56)	Serbia & Montenegro (72.5)	Serbia (113.07)	China (51.9)	Serbia (170.5)	Serbia (180.6)	Serbia (175.6)	Serbia (175.4)	Serbia (193.7)	Serbia (191.4)	Serbia (171.6)
2nd	Macedonia (2.42)	Macedonia (6.4)	United States (5.43)	Turkey (3.7)	Turkey (11.38)	Turkey (11.32)	Macedonia (12.65)	China (27.65)	Macedonia (38.8)	Macedonia (30.26)	Turkey (92.65)	Turkey (143.52)	Turkey (124.3)	China (108.3)	Turkey (95.9)	Turkey (55.09)	China (60.04)
3rd	United States (2.33)	Switzerland (4.47)	Macedonia (4.96)	Macedonia (3.03)	Macedonia (7.45)	Macedonia (10.3)	Turkey (10.04)	Macedonia (24.3)	China (37.5)	Serbia (23.5)	China (85.17)	Switzerland (52.31)	China (53)	Turkey (87.2)	China (83.04)	China (52.1)	Macedonia (51.7)

Table 4. 5 most important partner countries from EU28 in each observed year 2000-2016, in imports, in millions USD

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Italy (383.7)	Italy (424.4)	Italy (519.3)	Italy (624)	Italy (749.8)	Italy (766.6)	Italy (858.4)	Italy (1138)	Italy (1390)	Italy (1186)	Italy (1298.05)	Italy (1646)	Italy (1555)	Italy (1614)	Italy (1556)	Italy (1308)	Italy (1367)
2nd	Greece (288)	Greece (343.3)	Greece (326.4)	Greece (373.5)	Greece (426.1)	Greece (429.9)	Greece (480.6)	Greece (612.4)	Greece (768.1)	Greece (705)	Greece (602.57)	Greece (573.1)	Greece (462.9)	Greece (432.9)	Greece (492.9)	Greece (338.8)	Germany (443.4)
3rd	Germany (66.3)	Germany (78)	Germany (84.3)	Germany (105.4)	Germany (142)	Germany (142.1)	Germany (173.1)	Germany (230.4)	Germany (318.9)	Germany (293.9)	Germany (258.19)	Germany (309.1)	Germany (295)	Germany (284.2)	Germany (312.4)	Germany (288.3)	Greece (368.1)
4th	Bulgaria (25.9)	UK (47.3)	UK (46.1)	UK (45)	Bulgaria (45.8)	Bulgaria (73.2)	Bulgaria (83.3)	Bulgaria (74.7)	Bulgaria (100.3)	France (95.2)	France (100.16)	France (129.9)	Spain (95.8)	France (126.9)	France (101.2)	France (95.6)	Spain (102.1)
5th	France (14.9)	Finland (27.2)	Croatia (32.3)	Bulgaria (40.9)	Spain (34.4)	Austria (45.4)	Romania (52.7)	Spain (55.9)	Spain (73)	Bulgaria (85.6)	Croatia (88.42)	Spain (113.4)	France (78.1)	Bulgaria (81.4)	Spain (90.7)	Spain (69.1)	France (92.5)

Table 5. 3 most important partners outside the EU, in imports, in million USD

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Turkey (58.2)	Turkey (80.7)	Turkey (91.4)	Turkey (122.3)	Turkey (163.5)	Turkey (195.9)	Turkey (232.9)	Turkey (304.7)	China (390.8)	China (329.2)	China (290.73)	China (344.5)	China (310.1)	China (331.4)	China (381.9)	China (369.4)	China (409.6)
2nd	Russia (19.1)	China (26.8)	Russia (38.9)	China (65.5)	China (102.2)	China (172.7)	China (182.3)	China (278.6)	Turkey (313.2)	Turkey (292.5)	Turkey (260.25)	Turkey (299.5)	Turkey (280.6)	Turkey (311)	Turkey (369.4)	Turkey (346.8)	Turkey (368)
3rd	United States (15.9)	Croatia (17.3)	China (37.5)	Russia (52.6)	Russia (64.4)	Russia (105.5)	Russia (124.5)	Switzerland (204.9)	Serbia (244.8)	Russia (122.6)	Serbia	Serbia (239.2)	Serbia (262.6)	Serbia (200.9)	Serbia (280.6)	Serbia (208.1)	Serbia (192.7)

Table 6. 5 most important products in Albania's trade with EU28, in exports, in million EUR

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Textiles, footwear (306.29)	Textiles, footwear (343.8)	Textiles, footwear (379.15)	Textiles, footwear (396.08)	Textiles, footwear (362.01)	Textiles, footwear (400.50)	Textiles, footwear (452.36)	Textiles, footwear (443.16)	Minerals, electrical energy (522.28)	Textiles, footwear (609.16)	Textiles, footwear (639.60)	Textiles, footwear (765.18)
2nd	Metals (67.95)	Metals (90.5)	Metals (93.09)	Metals (112.09)	Minerals, electrical energy (66.96)	Minerals, electrical energy (145.14)	Minerals, electrical energy (250.38)	Minerals, electrical energy (391.71)	Textiles, footwear (489.31)	Minerals, electrical energy (421.91)	Minerals, electrical energy (255.83)	Minerals, electrical energy (172.41)
3rd	Food, beverages, tobacco (30.83)	Food, beverages, tobacco (39.37)	Minerals, electrical energy (58.93)	Minerals, electrical energy (84.7)	Metals (59.04)	Metals (112.62)	Metals (139.72)	Metals (143.35)	Metals (117.30)	Metals (131.07)	Metals (139.32)	Metals (132.01)
4th	Machinery (16.52)	Minerals, electrical energy (23.09)	Food, beverages, tobacco (42.17)	Food, beverages, tobacco (46.84)	Food, beverages, tobacco (46.00)	Food, beverages, tobacco (56.54)	Food, beverages, tobacco (60.70)	Food, beverages, tobacco (68.07)	Food, beverages, tobacco (74.94)	Food, beverages, tobacco (81.44)	Food, beverages, tobacco (98.48)	Food, beverages, tobacco (123.00)
5th	Minerals, electrical energy (13.08)	Wood, paper (20.01)	Wood, paper (24.03)	Wood, paper (28.85)	Machinery (32.42)	Machinery (35.47)	Machinery (43.08)	Machinery (38.30)	Machinery (47.43)	Wood, paper (57.95)	Machinery (62.41)	Machinery (68.89)

Table 7. 5 most important products in Albania's trade with EU28, in exports in millions USD

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Textiles, footwear (380.79)	Textiles, footwear (431.42)	Textiles, footwear (518.39)	Textiles, footwear (579.53)	Textiles, footwear (503.39)	Textiles, footwear (531.17)	Textiles, footwear (629.63)	Textiles, footwear (569.31)	Minerals, electrical energy (693.25)	Textiles, footwear (808.36)	Textiles, footwear (709.15)	Textiles, footwear (847.18)
2nd	Metals (84.48)	Metals (113.56)	Metals (127.28)	Metals (164.06)	Minerals, electrical energy (93.11)	Minerals, electrical energy (192.49)	Minerals, electrical energy (348.49)	Minerals, electrical energy (503.22)	Textiles, footwear (649.49)	Minerals, electrical energy (559.88)	Minerals, electrical energy (283.64)	Minerals, electrical energy (190.89)
3rd	Food, beverages, tobacco (38.32)	Food, beverages, tobacco (49.41)	Minerals, electrical energy (80.57)	Minerals, electrical energy (123.98)	Metals (82.09)	Metals (149.36)	Metals (194.48)	Metals (184.16)	Metals (155.69)	Metals (173.94)	Metals (154.47)	Metals (146.16)
4th	Machinery (20.6)	Minerals, electrical energy (28.97)	Food, beverages, tobacco (57.66)	Food, beverages, tobacco (68.55)	Food, beverages, tobacco (63.96)	Food, beverages, tobacco (74.99)	Food, beverages, tobacco (84.49)	Food, beverages, tobacco (87.44)	Food, beverages, tobacco (99.47)	Food, beverages, tobacco (108.08)	Food, beverages, tobacco (109.18)	Food, beverages, tobacco (136.19)
5th	Minerals, electrical energy (16.27)	Wood, paper (25.11)	Wood, paper (32.86)	Wood, paper (42.23)	Machinery (45.08)	Machinery (47.05)	Machinery (59.96)	Machinery (49.21)	Machinery (62.95)	Wood, paper (76.91)	Machinery (69.19)	Machinery (76.27)

Table 8. 5 most important products in Albania's trade with EU28, in imports, in millions EUR

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Food, beverages, tobacco (231.88)	Food, beverages, tobacco (258.11)	Machinery (451.38)	Machinery (538.55)	Machinery (502.30)	Machinery (472.66)	Machinery (544.81)	Machinery (495.67)	Machinery (500.20)	Machinery (515.53)	Machinery (553.18)	Machinery (629.54)
2nd	Textiles, footwear (199.90)	Minerals, electrical energy (222.99)	Food, beverages, tobacco (262.77)	Food, beverages, tobacco (349.61)	Food, beverages, tobacco (352.90)	Food, beverages, tobacco (390.34)	Minerals, electrical energy (457.84)	Minerals, electrical energy (479.28)	Minerals, electrical energy (453.24)	Food, beverages, tobacco (383.35)	Food, beverages, tobacco (403.27)	Food, beverages, tobacco (426.29)
3rd	Chemical products (156.99)	Textiles, footwear (219.19)	Construction materials, metals (245.81)	Construction materials, metals (309.65)	Construction materials, metals (295.93)	Construction materials, metals (341.39)	Food, beverages, tobacco (399.45)	Food, beverages, tobacco (374.28)	Food, beverages, tobacco (382.64)	Minerals, electrical energy (355.24)	Chemical products (337.64)	Chemical products (373.59)
4th	Minerals, electrical energy (152.91)	Chemical products (192.98)	Textiles, footwear (231.06)	Minerals, electrical energy (291.97)	Minerals, electrical energy (270.31)	Minerals, electrical energy (316.61)	Construction materials, metals (324.57)	Chemical products (299.94)	Chemical products (295.64)	Chemical products (329.45)	Textiles, footwear (319.56)	Textiles, footwear (373.06)
5th	Machinery (121.23)	Machinery (140.03)	Minerals, electrical energy (225.17)	Textiles, footwear (235.54)	Chemical products (267.22)	Chemical products (290.61)	Chemical products (293.39)	Construction materials, metals (276.77)	Textiles, footwear (268.62)	Textiles, footwear (303.73)	Minerals, electrical energy (261.73)	Construction materials, metals (341.32)

Table 9. 5 most important products in Albania's trade with EU28, in imports, in millions USD

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Food, beverages, tobacco (288.29)	Food, beverages, tobacco (323.83)	Machinery (617.15)	Machinery (788.26)	Machinery (698.46)	Machinery (626.87)	Machinery (758.31)	Machinery (636.76)	Machinery (663.93)	Machinery (684.12)	Machinery (613.33)	Machinery (697.01)
2nd	Textiles, footwear (248.53)	Minerals, electrical energy (279.82)	Food, beverages, tobacco (359.27)	Food, beverages, tobacco (511.71)	Food, beverages, tobacco (490.72)	Food, beverages, tobacco (517.70)	Minerals, electrical energy (637.25)	Minerals, electrical energy (615.71)	Minerals, electrical energy (601.60)	Food, beverages, tobacco (508.72)	Food, beverages, tobacco (447.12)	Food, beverages, tobacco (471.98)
3rd	Chemical products (195.18)	Textiles, footwear (275.05)	Construction materials, metals (336.09)	Construction materials, metals (453.22)	Construction materials, metals (411.50)	Construction materials, metals (452.78)	Food, beverages, tobacco (555.98)	Food, beverages, tobacco (480.83)	Food, beverages, tobacco (507.89)	Minerals, electrical energy (471.41)	Chemical products (374.35)	Chemical products (413.63)
4th	Minerals, electrical energy (190.11)	Chemical products (242.16)	Textiles, footwear (315.92)	Minerals, electrical energy (427.35)	Minerals, electrical energy (375.88)	Minerals, electrical energy (419.92)	Construction materials, metals (451.76)	Chemical products (385.32)	Chemical products (392.42)	Chemical products (437.19)	Textiles, footwear (354.30)	Textiles, footwear (413.04)
5th	Machinery (150.73)	Machinery (175.72)	Minerals, electrical energy (307.86)	Textiles, footwear (344.75)	Chemical products (371.58)	Chemical products (385.44)	Chemical products (408.36)	Construction materials (355.55)	Textiles, footwear (356.56)	Textiles, footwear (403.06)	Minerals, electrical energy (290.19)	Construction materials, metals (341.32)

FDI APPENDIX

Table 1. FDI in Albania, per sector, in million EUR

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Transport, communication (590.44)	Financial sector (547.56)	Financial sector (613.85)	Financial sector (699.61)	Financial sector (715.28)	Extracting industry (809.98)	Transport, communication (1157)	Transport, communication (1219)	Information, communication (1217.1)	Information, communication (1214.5)
2nd	Financial sector (587.57)	Transport, communication (383.20)	Transport, communication (356.70)	Transport, communication (399.54)	Extracting industry (611.79)	Financial sector (753.45)	Financial sector (818)	Financial sector (768)	Financial sector (857.3)	Energy (1109.1)
3rd	Processing industry (217.81)	Processing industry (363.17)	Processing industry (352.01)	Processing industry (378.04)	Processing industry (431.21)	Transport, communication (437.25)	Extracting industry (742)	Extracting industry (677)	Extracting industry (635.1)	Financial sector (936.5)
4th	Construction (132.08)	Trade (270.95)	Trade (252.74)	Extracting industry (311.42)	Transport, communication (388.75)	Processing industry (387.83)	Processing industry (394)	Processing industry (412)	Energy (628.7)	Extracting industry (651.8)
5th	Trade (99.47)	Construction (196.38)	Construction (188.74)	Trade (240.06)	Electrical energy (246.54)	Trade (153.07)	Real estate, IT (362)	Real Estate, IT (400)	Processing industry (574.3)	Processing industry (607.3)

Source: Ministry for Europe and Foreign Affairs

Source: INSTAT

Table 2. FDI in Albania, by country of origin, in million EUR

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Greece (520.56)	Greece (565.61)	Greece (559.63)	Greece (601.05)	Greece (507.45)	Greece (766.54)	Greece (1070.43)	Greece (1179.6)	Greece (1204.8)	Greece (1232.6)
2nd	Netherlands (273.88)	Italy (321.46)	Italy (347.86)	Italy (386.79)	Austria (443.60)	Austria (386.61)	Austria (377.94)	Canada (725.3)	Netherlands (702.8)	Canada (739.5)
3rd	Italy (220.10)	Turkey (189.70)	Turkey (235.12)	Austria (353.69)	Italy (427.36)	Netherlands (297.38)	Netherlands (350.57)	Italy (523.7)	Canada (691.4)	Netherlands (718.0)
4th	Turkey (154.05)	Netherlands (187.90)	Austria (220.54)	Netherlands (222.67)	Netherlands (253.05)	Turkey (234.77)	Czech Republic (307.53)	Netherlands (506.0)	Italy (547.5)	Italy (604.4)
5th	Austria (146.72)	Austria (186.42)	Netherlands (207.33)	Turkey (186.66)	Turkey (187.78)	Czech Republic (220.21)	Turkey (279.34)	Austria (358.4)	Austria (386.9)	Switzerland (550.1)

FDI in Albania, in million USD

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
143.00	207.3	135.00	178.03	327.68	258.41	314.63	647.36	874.47	950.21	1043.84	847.55	835.68	1225.63	1073.72	911.93	1060.04

FDI in Albania, in million Euros

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
		138	170	267	209	250	464	610	689	789	717	727	923	812	871	983

Source: Open Data Albania

CEFTA APPENDIX

Table 1. Albania's top 5 products in exports to CEFTA, in million EUR

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Minerals (9.66)	Minerals (15.61)	Construction materials, Metals (26.73)	Construction materials, Metals (62.58)	Construction materials, Metals (36.76)	Minerals, electrical energy (44.02)	Construction materials, Metals (66.85)	Construction materials, Metals (75.84)	Construction materials, Metals (80.63)	Minerals, electrical energy (85.07)	Minerals, electrical energy (96.22)	Construction materials, Metals (78.62)
2nd	Food, beverages, tobacco (8.32)	Construction materials, Metals (11.49)	Minerals, electrical energy (23.44)	Minerals, electrical energy (37.96)	Minerals, electrical energy (36.24)	Construction materials, Metals (42.75)	Minerals, electrical energy (66.81)	Minerals, electrical energy (56.98)	Minerals, electrical energy (61.54)	Construction materials, Metals (69.15)	Construction materials, Metals (71.08)	Minerals, electrical energy (68.72)
3rd	Construction materials, Metals (8.01)	Food, beverages, tobacco (8.87)	Food, beverages, tobacco (11.55)	Food, beverages, tobacco (7.27)	Machinery (7.40)	Machinery (11.43)	Food, beverages, tobacco (13.72)	Food, beverages, tobacco (18.11)	Food, beverages, tobacco (20.21)	Food, beverages, tobacco (25.49)	Food, beverages, tobacco (39.41)	Food, beverages, tobacco (48.34)
4th	Chemical products (1.37)	Machinery (3.84)	Machinery (6.67)	Machinery (7.21)	Food, beverages, tobacco (5.86)	Food, beverages, tobacco (7.81)	Machinery (10.05)	Machinery (14.54)	Chemical products (8.24)	Chemical products (9.43)	Machinery (11.59)	Chemical products (13.21)
5th	Leather (1.07)	Leather (3.58)	Leather (2.75)	Chemical products (3.38)	Chemical products (4.83)	Chemical products (3.60)	Chemical products (5.89)	Chemical products (6.65)	Machinery (6.78)	Machinery (8.01)	Chemical products (11.39)	Machinery (11.47)

Source: INSTAT

Table 2. Albania's top 5 products in exports to CEFTA, in million USD

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Minerals, electrical energy (12.01)	Minerals, electrical energy (19.59)	Metals (36.55)	Construction materials, Metals (91.59)	Minerals, electrical energy (57.07)	Minerals, electrical energy (58.39)	Construction materials, Metals (93.04)	Construction materials, Metals (97.43)	Construction materials, Metals (106.40)	Minerals, electrical energy (112.89)	Minerals, electrical energy (106.68)	Construction materials, Metals (87.04)
2nd	Food, beverages, tobacco (10.34)	Construction materials, Metals (14.41)	Minerals, electrical energy (32.05)	Minerals, electrical energy (55.56)	Construction materials, Metals (51.12)	Metals, construction materials (56.70)	Minerals, electrical energy (92.99)	Minerals, electrical energy (73.20)	Minerals, electrical energy (81.69)	Construction materials, Metals (91.77)	Construction materials, Metals (78.81)	Minerals, electrical energy (76.09)
3rd	Construction materials, Metals (9.95)	Food, beverages, tobacco (11.13)	Food, beverages, tobacco (15.80)	Food, beverages, tobacco (10.64)	Machinery (10.29)	Machinery (15.16)	Food, beverages, tobacco (19.10)	Food, beverages, tobacco (23.27)	Food, beverages, tobacco (26.83)	Food, beverages, tobacco (33.83)	Food, beverages, tobacco (43.70)	Food, beverages, tobacco (53.52)
4th	Chemical products (1.70)	Machinery (4.82)	Machinery (9.12)	Machinery (10.56)	Food, beverages, tobacco (8.15)	Food, beverages, tobacco (10.36)	Machinery (13.99)	Machinery (18.68)	Chemical products (10.94)	Chemical products (12.52)	Machinery (12.85)	Chemical products (14.63)
5th	Leather (1.33)	Leather (4.49)	Leather (3.76)	Chemical products (4.95)	Chemical products (6.72)	Chemical products (4.78)	Chemical products (8.20)	Chemical products (8.54)	Machinery (9.004)	Machinery (10.63)	Chemical products (12.63)	Machinery (12.70)

Source: INSTAT

Table 3. Albania's imports from CEFTA, in million EUR

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Food, beverages, tobacco (33.52)	Minerals, electrical energy (62.05)	Minerals, electrical energy (129.93)	Food, beverages, tobacco (59.64)	Construction materials, metals (92.56)	Construction materials, metal (102.55)	Minerals, electrical energy (131.87)	Food, beverages, tobacco (83.68)	Food, beverages, tobacco (98.76)	Food, beverages, tobacco (111.03)	Food, beverages, tobacco (114.95)
2nd	Machinery (23.1)	Construction materials, metal (61.25)	Construction materials, metals (69.25)	Construction materials, metals (53.76)	Food, beverages, tobacco (91.73)	Food, beverages, tobacco (88.42)	Food, beverages, tobacco (89.5)	Construction materials, metals (79.76)	Minerals, electrical energy (95)	Minerals, electrical energy (84.69)	Construction materials, metals (56.22)
3rd	Minerals, electrical energy (16.75)	Food, beverages, tobacco (40.37)	Food, beverages, tobacco (50.97)	Minerals, electrical energy (52.95)	Minerals, electrical energy (66.53)	Minerals, electrical energy (77.97)	Construction materials, metals (68.19)	Minerals, electrical energy (60.18)	Construction materials, metals (91.06)	Construction materials, metals (72.66)	Minerals, electrical energy (54)
4th	Chemical products (11.93)	Chemical products (17.22)	Chemical products (19.78)	Chemical products (24.8)	Chemical products (29.36)	Chemical products (66.95)	Chemical products (31.37)	Chemical products (33.38)	Chemical products (35.14)	Chemical products (33.39)	Chemical products (36.84)
5th	Wood, paper (10.38)	Machinery (12.54)	Machinery (13.37)	Wood, paper (10.94)	Machinery (17.57)	Machinery (15.65)	Wood, paper (13.88)	Wood, paper (15.76)	Wood, paper (15.87)	Machinery (22.39)	Wood, paper (23.45)

Source: INSTAT

Table 4 Albania's imports from CEFTA, in millions of USD

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Food, beverages, tobacco (42.06)	Minerals, electrical energy (84.84)	Minerals, electrical energy (190.17)	Food, beverages, tobacco (82.93)	Construction materials, metals (122.77)	Construction materials, metals (142.74)	Minerals, electrical energy (169.41)	Food, beverages, tobacco (111.07)	Food, beverages, tobacco (131.08)	Food, beverages, tobacco (123.11)	Food, beverages, tobacco (127.27)
2nd	Machinery (28.99)	Construction materials, metals (83.7)	Construction materials, metals (101.36)	Construction materials, metals (74.75)	Food, beverages, tobacco (121.67)	Food, beverages, tobacco (123.07)	Food, beverages, tobacco (115.07)	Construction materials, metals (105.86)	Minerals, electrical energy (126.07)	Minerals, electrical energy (93.9)	Construction materials, metals (62.3)
3rd	Minerals, electrical energy (21.02)	Food, beverages, tobacco (55.2)	Food, beverages, tobacco (74.6)	Minerals, electrical energy (73.62)	Minerals, electrical energy (88.24)	Minerals, electrical energy (108.53)	Construction materials (87.6)	Minerals, electrical energy (79.88)	Construction materials (120.84)	Construction materials, metals (80.56)	Minerals, electrical energy (59.79)
4th	Chemical products (14.98)	Chemical products (23.55)	Chemical products (28.95)	Chemical products (34.48)	Chemical products (39.33)	Chemical products (93.19)	Chemical products (40.3)	Chemical products (44.31)	Chemical products (46.63)	Chemical products (37.2)	Chemical products (40.79)
5th	Wood, paper (13.03)	Machinery (17.14)	Machinery (19.57)	Wood, paper (15.21)	Machinery (23.3)	Machinery (21.79)	Wood, paper (17.84)	Wood, paper (20.92)	Wood, paper (21.06)	Machinery (24.82)	Wood, paper (25.96)

Source: INSTAT

Table 5. 3 most important trade partners from CEFTA2006, in imports, in million USD

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1st	Macedonia (23.71)	Croatia (17.30)	Croatia (32.34)	Croatia (28.52)	Croatia (29.98)	Macedonia (31.99)	Macedonia (48.80)	Serbia (121)	Serbia (213.3)	Serbia (120.58)	Serbia (170.5)	Serbia (194.50)	Serbia (215.52)	Serbia (143.80)	Serbia (224.29)	Serbia (164.9)	Serbia (145.6)
2nd	Croatia (12.88)	Macedonia (15.29)	Macedonia (16.56)	Serbia and Montenegro (10.25)	Macedonia (23.78)	Croatia (31.03)	Croatia (43.60)	Macedonia (81.36)	Macedonia (115.60)	Macedonia (82.79)	Croatia (88.42)	Macedonia (88.04)	Macedonia (77.27)	Macedonia (81.52)	Macedonia (79.1)	Macedonia (68.04)	Macedonia (65.2)
3rd	Serbia and Montenegro* (10.11)	Serbia and Montenegro (6.11)	Serbia and Montenegro (12.97)	Macedonia (5.47)	Serbia and Montenegro (16.65)	Serbia and Montenegro (25.87)	Kosovo (43.4)	Croatia (40.83)	Croatia (52.25)	Croatia (44.89)	Macedonia (72.57)	Croatia (69.32)	Croatia (64.42)	Kosovo (56.88)	Croatia (58.18)	Croatia (59.1)	Kosovo (46.88)

* Until 2005 Serbia/Montenegro/Kosovo

Source: WTI, INSTAT

Table 6. Albania's trade with CEFTA2006, in million USD

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Export	11.03	16	12.63	13.85	37.72	44.21	59.64	106.72	182.69	130.74	157.91	244.34	236.8	253.46	284.43	278.15	273.86
Import	48.22	39.3	63.66	46.09	74.54	97.92	176.67	286.11	436.92	300.08	420.48	466.34	454.21	385.61	472.2	385.68	342.17
Balance	-37.19	-23.3	-51.03	-32.24	-36.82	-53.71	-117.03	-179.39	-254.23	-169.34	-262.57	-222	-217.41	-132.15	-187.77	-107.53	-68.31

Table 7. Albania's trade with CEFTA2006, in million EUR

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Export	47.53	78.05	124.82	94.02	119.06	175.55	184.32	190.95	214.34	250.87	247.35
Import	106.1	204.04	298.51	215.8	317.03	335.05	353.56	290.51	355.83	347.85	309.05
Balance	-58.57	-125.99	-173.69	-121.78	-197.97	-159.5	-169.24	-99.56	-141.49	-96.98	-61.7

Source: WTI, INSTAT

MACEDONIA

Macedonia SAA appendix

Table 1. MK trade with EU (in '000 USD)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Export	565647	566493	570230	747494	956874	1084151	1326087	2214838	2376853	1527699	2071423	2704668	2522615	3122856	3801460	3490505	3824968
Import	800533	719573	894887	1009226	1460864	1470827	1643918	2625062	3314578	2650910	2912609	3823087	3807023	4151423	4633071	3985940	4188937
Balance	-234886	-153080	-324657	-261732	-503990	-386676	-317831	-410224	-937725	-1123211	-841186	-1118419	-1284408	-1028567	-831611	-495435	-363969

Source: State Statistical Office of the Republic of Macedonia: MAKSTAT database (<http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>)

Table 2. MK trade with EU (in '000 EUR)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Export	616555	634472	548298	597995	768200	871195	1060858	1617350	1606013	1092713	1566083	1942576	2038704	2350292	2866833	3148974	3459044
Import	872581	805922	860468	807380	1173388	1185924	1305572	1907715	2249734	1899311	2199329	2750974	3057054	3125326	3490315	3596730	3783552
Balance	-256026	-171450	-312170	-209385	-405188	-314729	-244714	-290365	-643721	-806598	-633246	-808398	-1018350	-775034	-623482	-447756	-324508

Source: State Statistical Office of the Republic of Macedonia: MAKSTAT database (<http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>)

Table 3a. Most exported Macedonian industrial products to EU (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Ex- port val- ue		"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	n.a	n.a	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520)	54601	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520)	57997	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520)	71927	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520)	74679	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520)	79157	Ferro-nick-el (code 720260)	201511	Ferro-nick-el (code 720260)	503748	n.a.	n.a
Product ranked 2nd	n.a	n.a	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	35904	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	32787	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	46250	Ferro-nick-el (code 720260)	69128	Tobacco, un-stemmed or unstripped (240110)	66542	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520)	78573	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520)	97073	n.a.	n.a
Product ranked 3rd	n.a	n.a	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	32552	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	28533	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	35662	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	52651	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	64463	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	51894	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	69087	n.a.	n.a

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Export value	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	n.a	n.a	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721049)	27682	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721049)	17515	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted (code 620630)	32160	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted (code 620630)	46877	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	48761	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted (code 620630)	49132	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	65187	n.a.	n.a
Product ranked 5th	n.a	n.a	Unwrought zinc, not alloyed, containing by weight >= 99,99% of zinc (code 790111)	20480	Unwrought zinc, not alloyed, containing by weight >= 99,99% of zinc (code 790111)	15554	Ferro-silicon, containing by weight > 55% of silicon (code 720221)	17160	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	39175	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted (code 620630)	46857	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	46321	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted (code 620630)	60751	n.a.	n.a
Total of above				171219		152386		203159		282510		305780		427431		795846		
Total share in trade with the EU (in %)				30.4		26.7		27.2		28		26.3		31		37.3		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520)	82803	Supported catalysts with precious metal or a precious-metal compound as the active substance (code 381512)	218429	Supported catalysts with precious metal or a precious-metal compound as the active substance (code 381512)	534998	Supported catalysts with precious metal or a precious-metal compound as the active substance (code 381512)	471680	Supported catalysts with precious metal or a precious-metal compound as the active substance (code 381512)	589333	Supported catalysts with precious metal or a precious-metal compound as the active substance (code 381512)	753653	Supported catalysts with precious metal or a precious-metal compound as the active substance (code 381512)	735523	Supported catalysts with precious metal or a precious-metal compound as the active substance (code 381512)	793193
Product ranked 2nd	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	52376	Ferro-nickel (code 720260)	191874	Ferro-nickel (code 720260)	187643	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139)	175570	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139)	266977	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139)	423380	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139)	473795	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139)	547262
Product ranked 3rd	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted) (code 620630)	51413	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils (code 720851)	83179	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139)	103014	Ferro-nickel (code 720260)	135800	Ferro-nickel (code 720260)	206022	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships (code 854430)	206879	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships (code 854430)	225734	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships (code 854430)	325772

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (code 620463)	29584	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	78426	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	96967	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	84958	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	85373	Ferro-nickel (code 720260)	133179	Reaction initiators, reaction accelerators and catalytic preparations, n.e.s. (excluding rubber, etc.) (code 381590)	121219	Reaction initiators, reaction accelerators and catalytic preparations, n.e.s. (excluding rubber, etc.) (code 381590)	179007
Product ranked 5th	Men's or boys' jackets and blazers of synthetic fibres (excluding knitted or crocheted, etc) (code 620333)	27777	Lead ores and concentrates (code 260700)	68249	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	96761	Boards, cabinets and similar combinations of apparatus for electric control or the distribution (code 853710)	80024	Boards, cabinets and similar combinations of apparatus for electric control or the distribution (code 853710)	81874	Reaction initiators, reaction accelerators and catalytic preparations, n.e.s. (excluding rubber, etc.) (code 381590)	106298	Motor vehicles for the transport of >= 10 persons, incl. driver, with compression-ignition, etc. (code 870210)	104306	Motor vehicles for the transport of >= 10 persons, incl. driver, with compression-ignition, etc. (code 870210)	141820
Total of above		243953		640157		1019383		948032		1229579		1623389		1660577		1987054
Total share in trade with the EU (in %)		18.8		31.5		37.7		37.6		40.5		42.7		47.9		51.9

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 3b. Most exported macedonian industrial products to EU (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	n.a.	n.a.	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	60900	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	61314	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	63536	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	60039	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	63558	Ferro-nickel (code 720260)	160410	Ferro-nickel (code 720260)	367499	n.a.	n.a.
Product ranked 2nd	n.a.	n.a.	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	40045	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	34663	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	40855	Ferro-nickel (code 720260)	55576	Tobacco, unstemmed or unstripped (240110)	53432	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	62547	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	70819	n.a.	n.a.
Product ranked 3rd	n.a.	n.a.	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	36307	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	30165	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	31501	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	42330	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	51762	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	41309	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	50400	n.a.	n.a.

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	n.a.	n.a.	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721049)	30876	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721049)	18517	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted (code 620630)	28408	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted (code 620630)	37686	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	39152	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted (code 620630)	39112	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	47557	n.a.	n.a.
Product ranked 5th	n.a.	n.a.	Unwrought zinc, not alloyed, containing by weight >= 99,99% of zinc (code 790111)	22842	Unwrought zinc, not alloyed, containing by weight >= 99,99% of zinc (code 790111)	16443	Ferro-silicon, containing by weight > 55% of silicon (code 720221)	15158	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	31494	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted (code 620630)	37622	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	36874	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted (code 620630)	44322	n.a.	n.a.
Total of above				190970		161102		179458		227125		245526		340252		580597		
Total share in trade with the EU (in %)				30.4		26.7		27.2		28		26.3		31		37.3		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets, etc. (code 620520))	59371	Supported catalysts with precious metal or a pre-cious-met-al compound as the active substance (code 381512)	164494	Supported catalysts with precious metal or a pre-cious-met-al compound as the active substance (code 381512)	384107	Supported catalysts with precious metal or a pre-cious-met-al compound as the active substance (code 381512)	366758	Supported catalysts with precious metal or a pre-cious-met-al compound as the active substance (code 381512)	443690	Supported catalysts with precious metal or a pre-cious-met-al compound as the active substance (code 381512)	566977	Supported catalysts with precious metal or a pre-cious-met-al compound as the active substance (code 381512)	662637	Supported catalysts with precious metal or a pre-cious-met-al compound as the active substance (code 381512)	716699
Product ranked 2nd	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or crocheted) (code 620640)	37555	Fer-ro-nickel (code 720260)	144494	Fer-ro-nickel (code 720260)	134720	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139))	136515	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139))	200999	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139))	318511	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139))	426844	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139))	494486
Product ranked 3rd	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted) (code 620630)	36867	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils (code 720851)	62641	Machinery and apparatus for filtering or purifying gases (excluding isotope separators, etc. (code 842139))	73959	Fer-ro-nick-el (code 720260)	105591	Fer-ro-nickel (code 720260)	155108	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships (code 854430)	155636	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships (code 854430)	203365	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships (code 854430)	294356

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (code 620463)	21213	Men's or boys' shirts of cotton (excluding knitted or crocheted, night-shirts, singlets, etc. (code 620520))	59062	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, etc. (code 720851)	69618	Men's or boys' shirts of cotton (excluding knitted or crocheted, night-shirts, singlets, etc. (code 620520))	66061	Men's or boys' shirts of cotton (excluding knitted or crocheted, night-shirts, singlets, etc. (code 620520))	64277	Fer-ro-nickel (code 720260)	100191	Reaction initiators, reaction accelerators and catalytic preparations, n.e.s. (excluding rubber, etc.) (code 381590)	109207	Reaction initiators, reaction accelerators and catalytic preparations, n.e.s. (excluding rubber, etc.) (code 381590)	161744
Product ranked 5th	Men's or boys' jackets and blazers of synthetic fibres (excluding knitted or crocheted, etc) (code 620333)	19918	Lead ores and concentrates (code 260700)	51397	Men's or boys' shirts of cotton (excluding knitted or crocheted, night-shirts, singlets, etc. (code 620520))	69470	Boards, cabinets and similar combinations of apparatus for electric control or the distribution (code 853710)	62222	Boards, cabinets and similar combinations of apparatus for electric control or the distribution (code 853710)	61640	Reaction initiators, reaction accelerators and catalytic preparations, n.e.s. (excluding rubber, etc.) (code 381590)	79969	Motor vehicles for the transport of >= 10 persons, incl. driver, with compression-ignition, etc. (code 870210)	93970	Motor vehicles for the transport of >= 10 persons, incl. driver, with compression-ignition, etc. (code 870210)	128142
Total of above		174924		482088		731874		737147		925714		1221284		1496023		1795427
Total share in trade with the EU (in %)		18.8		31.5		37.7		37.6		40.5		42.7		47.9		51.9

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 3c. Most exported macedonian agricultural products to EU (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	n.a.	n.a.	Fresh or chilled lamb carcases and half-carcases (code 020410)	10753	Tobacco, un-stemmed or un-stripped (code 240110)	16728	Tobacco, un-stemmed or un-stripped (code 240110)	23539	Tobacco, un-stemmed or un-stripped (code 240110)	37670	Tobacco, un-stemmed or un-stripped (code 240110)	66542	Tobacco, un-stemmed or un-stripped (code 240110)	75149	Tobacco, un-stemmed or un-stripped (code 240110)	78515	n.a.	n.a.
Product ranked 2nd	n.a.	n.a.	Tobacco, un-stemmed or un-stripped (code 240110)	10473	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	13570	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	13618	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	15916	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	18310	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	17282	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	21484	n.a.	n.a.
Product ranked 3rd	n.a.	n.a.	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	14201	Fresh or chilled lamb carcases and half-carcases (code 020410)	8515	Fresh or chilled lamb carcases and half-carcases (code 020410)	11658	Fresh or chilled lamb carcases and half-carcases (code 020410)	14587	Fresh or chilled lamb carcases and half-carcases (code 020410)	15453	Fresh or chilled lamb carcases and half-carcases (code 020410)	16288	Fresh or chilled lamb carcases and half-carcases (code 020410)	15974	n.a.	n.a.

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	n.a.	n.a.	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	1318	Fresh or chilled edible mushrooms and truffles (excluding mushrooms of the genus "Agaricus") (code 070959)	2637	Vegetables and mixtures of vegetables, prepared or preserved otherwise than by vinegar, non-frozen (code 200590)	1527	Fresh or chilled edible mushrooms and truffles (excluding mushrooms of the genus "Agaricus") (code 070959)	4084	Fresh or chilled edible mushrooms and truffles (excluding mushrooms of the genus "Agaricus") (code 070959)	6218	Fresh or chilled edible mushrooms and truffles (excluding mushrooms of the genus "Agaricus") (code 070959)	5521	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	9511	n.a.	n.a.
Product ranked 5th		n.a.	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	955	Vegetables and mixtures of vegetables, prepared or preserved otherwise than by vinegar, non-frozen (code 200590)	1411	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	914	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	3184	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	3412	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	5048	Fresh apples	9380	n.a.	n.a.
Total of above				37700		42861		51256		75441		109935		119288		134864		
Total share in trade with the EU (in %)				5.1		7.5		6.9		7.5		9.4		8.1		6.2		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Tobacco, un-stemmed or un-stripped (code 240110)	68947	Tobacco, un-stemmed or un-stripped (code 240110)	81664	Tobacco, un-stemmed or un-stripped (code 240110)	84552	Tobacco, un-stemmed or un-stripped (code 240110)	80279	Tobacco, un-stemmed or un-stripped (code 240110)	116830	Tobacco, un-stemmed or un-stripped (code 240110)	99628	Tobacco, un-stemmed or un-stripped (code 240110)	66840	Tobacco, un-stemmed or un-stripped (code 240110)	82443
Product ranked 2nd	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	20522	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	16454	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	21958	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	30987	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	32529	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	26329	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	13022	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	18391
Product ranked 3rd	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	16133	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	14075	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	19163	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	13964	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	15755	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	17526	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	12507	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	12106

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Fresh or chilled edible mushrooms and truffles (excluding mushrooms of the genus "Agaricus") (code 070959)	6194	Fresh or chilled fruits of the genus Capsicum or (070960)	8074	Fresh or chilled fruits of the genus Capsicum or (070960)	8736	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	8357	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	8894	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	11177	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	12186	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	11830
Product ranked 5th	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	6084	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	8002	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	8559	Fresh or chilled fruits of the genus Capsicum or (070960)	5515	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	8215	Fresh or chilled fruits of the genus Capsicum or (070960)	9912	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	10365	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	10196
Total of above		117880		128269		142968		139102		182223		164572		114920		134966
Total share in trade with the EU (in %)		7.8		6.2		5.3		5.5		5.8		4.3		3.3		3.5

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 3d. Most exported macedonian agricultural products to EU (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	n.a.	n.a.	Fresh or chilled lamb carcases and half-carcases (code 020410)	11993	Tobacco, unstemmed or unstripped (code 240110)	17684	Tobacco, unstemmed or unstripped (code 240110)	20792	Tobacco, unstemmed or unstripped (code 240110)	30287	Tobacco, unstemmed or unstripped (code 240110)	53432	Tobacco, unstemmed or unstripped (code 240110)	59822	Tobacco, unstemmed or unstripped (code 240110)	57279	n.a.	n.a.
Product ranked 2nd	n.a.	n.a.	Tobacco, unstemmed or unstripped (code 240110)	11683	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	14346	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	12029	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	12796	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	14703	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	13758	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	15672	n.a.	n.a.
Product ranked 3rd	n.a.	n.a.	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	15839	Fresh or chilled lamb carcases and half-carcases (code 020410)	9002	Fresh or chilled lamb carcases and half-carcases (code 020410)	10298	Fresh or chilled lamb carcases and half-carcases (code 020410)	11727	Fresh or chilled lamb carcases and half-carcases (code 020410)	12408	Fresh or chilled lamb carcases and half-carcases (code 020410)	12966	Fresh or chilled lamb carcases and half-carcases (code 020410)	11654	n.a.	n.a.

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	n.a.	n.a.	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	1469	Fresh or chilled edible mushrooms and truffles (excluding mushrooms of the genus "Agaricus") (code 070959)	2788	Vegetables and mixtures of vegetables, prepared or preserved otherwise than by vinegar, non-frozen (code 200590)	1344	Fresh or chilled edible mushrooms and truffles (excluding mushrooms of the genus "Agaricus") (code 070959)	3283	Fresh or chilled edible mushrooms and truffles (excluding mushrooms of the genus "Agaricus") (code 070959)	4992	Fresh or chilled edible mushrooms and truffles (excluding mushrooms of the genus "Agaricus") (code 070959)	4396	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	6939	n.a.	n.a.
Product ranked 5th		n.a.	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	1065	Vegetables and mixtures of vegetables, prepared or preserved otherwise than by vinegar, non-frozen (code 200590)	1493	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	806	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	2559	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	2740	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	4019	Fresh apples	6844	n.a.	n.a.
Total of above				42049		45313		45269		60652		88275		94961		98388		
Total share in trade with the EU (in %)				5.1		7.5		6.9		7.5		9.4		8.1		6.2		

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807||26|8704||6|1|1|1|2|1|1|1|1)

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Tobacco, un-stemmed or un-stripped (code 240110)	49438	Tobacco, un-stemmed or un-stripped (code 240110)	61500	Tobacco, un-stemmed or un-stripped (code 240110)	60705	Tobacco, un-stemmed or un-stripped (code 240110)	62423	Tobacco, un-stemmed or un-stripped (code 240110)	87958	Tobacco, un-stemmed or un-stripped (code 240110)	74950	Tobacco, un-stemmed or un-stripped (code 240110)	60217	Tobacco, un-stemmed or un-stripped (code 240110)	74493
Product ranked 2nd	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	14715	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	12391	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	15765	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	24093	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	24491	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	19807	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	11732	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	16618
Product ranked 3rd	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	11568	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	10600	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	13758	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	10858	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	11861	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	13185	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	11268	Fresh or chilled lamb car-cases and half-car-cases (code 020410)	10938

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Fresh or chilled edible mushrooms and truffles (excluding mushrooms of the genus "Agaricus") (code 070959)	4441	Fresh or chilled fruits of the genus Capsicum or (070960)	6081	Fresh or chilled fruits of the genus Capsicum or (070960)	6272	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	6499	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	6697	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	8409	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	10978	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	10689
Product ranked 5th	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	4361	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	6026	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (code 071080)	6145	Fresh or chilled fruits of the genus Capsicum or (070960)	4290	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	6185	Fresh or chilled fruits of the genus Capsicum or (070960)	7458	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	9336	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	9214
Total of above		84523		96598		102645		108163		137192		123809		103531		121952
Total share in trade with the EU (in %)		7.8		6.2		5.3		5.5		5.8		4.3		3.3		3.5

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 4a. Most imported industrial products in the Republic of Macedonia from EU (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value
Product ranked 1st	n.a.	n.a.	Petroleum oils and oils obtained from bituminous minerals (code 271000)	55613	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	50351	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	20776	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	44373	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	62935	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	60621	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	37050	n.a.	n.a.
Product ranked 2nd	n.a.	n.a.	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	12410	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	42898	Mixtures of odoriferous substances and mixtures (code 330210)	11806	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	41848	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	17091	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	23400	Road tractors for semi-trailers (870120)	36954	n.a.	n.a.
Product ranked 3rd	n.a.	n.a.	Mixtures of odoriferous substances and mixtures (code 330210)	8504	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	32474	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	10606	Mixtures of odoriferous substances and mixtures (code 330210)	12145	Road tractors for semi-trailers (870120)	12990	Road tractors for semi-trailers (870120)	13295	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	31537	n.a.	n.a.

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value
Product ranked 4th	n.a.	n.a.	Road tractors for semi-trailers (870120)	5962	Mixtures of odoriferous substances and mixtures (code 330210)	7922	Motor vehicles for the transport of goods (code 870421)	7859	Motor vehicles for the transport of goods (code 870421)	11451	Mixtures of odoriferous substances and mixtures (code 330210)	12391	Mixtures of odoriferous substances and mixtures (code 330210)	11994	Motor vehicles for the transport of goods (code 870421)	17972	n.a.	n.a.
Product ranked 5th	n.a.	n.a.	Motor vehicles for the transport of goods (code 870421)	4865	Road tractors for semi-trailers (870120)	5516	Road tractors for semi-trailers (870120)	7271	Road tractors for semi-trailers (870120)	10882	Motor vehicles for the transport of goods (code 870421)	10383	Motor vehicles for the transport of goods (code 870421)	11568	Mixtures of odoriferous substances and mixtures (code 330210)	13609	n.a.	n.a.
Total of above				87354		139161		58318		120699		115790		120878		137122		
Total share in trade with the EU (in %)				12.1		15.6		5.8		8.2		7.9		7.6		5.2		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	39082	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	147399	Platinum, unwrought or in powder form (code 711011)	341879	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	543642	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	498604	Platinum, unwrought or in powder form (code 711011)	626018	Platinum, unwrought or in powder form (code 711011)	430206	Platinum, unwrought or in powder form (code 711011)	521823
Product ranked 2nd	Road tractors for semi-trailers (870120)	19953	Platinum, unwrought or in powder form (code 711011)	97444	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	333702	Platinum, unwrought or in powder form (code 711011)	339034	Platinum, unwrought or in powder form (code 711011)	403879	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	474186	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	331310	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	311329
Product ranked 3rd	Motor vehicles for the transport of goods (code 870421)	18793	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	92574	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	88264	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	73966	Palladium, unwrought or in powder form (711021)	118767	Palladium, unwrought or in powder form (711021)	170069	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	169067	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	143692

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Mixtures of odoriferous substances and mixtures (code 330210)	13562	Road tractors for semi-trailers (870120)	18340	Palladium, unwrought or in powder form (711021)	40204	Palladium, unwrought or in powder form (711021)	67743	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	72633	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	120529	Palladium, unwrought or in powder form (711021)	125379	Palladium, unwrought or in powder form (711021)	134166
Product ranked 5th	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	12914	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	17957	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	34926	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	44366	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	48916	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	74949	Chemical products and preparations of the chemical or allied industries (code 382490)	71207	Chemical products and preparations of the chemical or allied industries (code 382490)	101473
Total of above		104304		373714		838975		1068751		1142799		1465751		1127169		1212483
Total share in trade with the EU (in %)		3.9		12.8		21.9		28.1		27.5		31.6		28.3		28.9

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 4b. Most imported industrial products in the Republic of Macedonia from EU (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value
Product ranked 1st	n.a.	n.a.	Petroleum oils and oils obtained from bituminous minerals (code 271000)	62028	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	53231	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	18352	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	35673	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	50534	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	48258	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	27031	n.a.	n.a.
Product ranked 2nd	n.a.	n.a.	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	13840	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	45350	Mixtures of odoriferous substances and mixtures (code 330210)	10427	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	33644	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	13722	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	18628	Road tractors for semi-trailers (870120)	26958	n.a.	n.a.
Product ranked 3rd	n.a.	n.a.	Mixtures of odoriferous substances and mixtures (code 330210)	8373	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	34331	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	9369	Mixtures of odoriferous substances and mixtures (code 330210)	9763	Road tractors for semi-trailers (870120)	10431	Road tractors for semi-trailers (870120)	10582	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	23008	n.a.	n.a.

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value
Product ranked 4th	n.a.	n.a.	Road tractors for semi-trailers (870120)	6649	Mixtures of odoriferous substances and mixtures (code 330210)	8373	Motor vehicles for the transport of goods (code 870421)	6942	Motor vehicles for the transport of goods (code 870421)	9206	Mixtures of odoriferous substances and mixtures (code 330210)	9948	Mixtures of odoriferous substances and mixtures (code 330210)	9548	Motor vehicles for the transport of goods (code 870421)	13109	n.a.	n.a.
Product ranked 5th	n.a.	n.a.	Motor vehicles for the transport of goods (code 870421)	5426	Road tractors for semi-trailers (870120)	5830	Road tractors for semi-trailers (870120)	6423	Road tractors for semi-trailers (870120)	8749	Motor vehicles for the transport of goods (code 870421)	8337	Motor vehicles for the transport of goods (code 870421)	9209	Mixtures of odoriferous substances and mixtures (code 330210)	9929	n.a.	n.a.
Total of above				96316		147115		51513		97035		92972		96225		100035		
Total share in trade with the EU (in %)				12.1		15.6		5.8		8.2		7.9		7.6		5.2		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	28023	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	111003	Platinum, unwrought or in powder form (code 711011)	245455	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	374930	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	355285	Platinum, unwrought or in powder form (code 711011)	470957	Platinum, unwrought or in powder form (code 711011)	387575	Platinum, unwrought or in powder form (code 711011)	471500
Product ranked 2nd	Road tractors for semi-trailers (870120)	14307	Platinum, unwrought or in powder form (code 711011)	73383	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	239584	Platinum, unwrought or in powder form (code 711011)	263617	Platinum, unwrought or in powder form (code 711011)	304067	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	297793	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	280789	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	281306
Product ranked 3rd	Motor vehicles for the transport of goods (code 870421)	13476	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	69715	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	63370	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	57512	Palladium, unwrought or in powder form (711021)	89416	Palladium, unwrought or in powder form (711021)	127944	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	152314	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	129836

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Mixtures of odoriferous substances and mixtures (code 330210)	9724	Road tractors for semi-trailers (870120)	13812	Palladium, unwrought or in powder form (711021)	28865	Palladium, unwrought or in powder form (711021)	52674	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	56386	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	90675	Palladium, unwrought or in powder form (711021)	112955	Palladium, unwrought or in powder form (711021)	121227
Product ranked 5th	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s. (code 271019)	9261	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	13524	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	25077	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	34498	Ceramic wares for chemical or other technical uses (excluding of porcelain or china, (code 690919)	48916	Motor cars and other motor vehicles principally designed for the transport of persons (code 870332)	56386	Chemical products and preparations of the chemical or allied industries (code 382490)	64149	Chemical products and preparations of the chemical or allied industries (code 382490)	91688
Total of above		74791		281437		602351		783231		854070		1043755		997782		1095557
Total share in trade with the EU (in %)		3.9		12.8		21.9		28.1		27.5		31.6		28.3		28.9

Table 4c. Most imported agricultural products from EU (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value
Product ranked 1st	n.a.	n.a.	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	4063	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	7306	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	7306	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	15602	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	14533	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	9033	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	9050		
Product ranked 2nd	n.a.	n.a.	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	3932	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	5428	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	5428	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	9307	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	9534	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	7665	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	8442		
Product ranked 3rd	n.a.	n.a.	Tobacco, unstemmed or unstripped (code 240110)	2254	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)		Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	2924	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	5593	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	5469	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	6141	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	6825		

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value
Product ranked 4th	n.a.	n.a.	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	1853	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	2924	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured (code 240120)	2314	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured (code 240120)	3512	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	5237	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	5073	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	6659		
Product ranked 5th	n.a.	n.a.	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	1361	Tobacco, unstemmed or unstripped (code 240110)		Fresh or dried oranges (code 080510)	2032	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	3498	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	4527	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	5089	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	5089		
Total of above				13463		15658		20004		37512		39300		33001		36065		
Total share in trade with the EU (in %)				1.9		1.7		2		2.6		2.7		2		1.4		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	24800	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	21883	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	31381	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	29872	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	35272	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	28958	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	20824	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	20587
Product ranked 2nd	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	11192	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	12569	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	20888	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	29100	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	25392	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	24539	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	19639	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	17695
Product ranked 3rd	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	9858	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	10324	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	17498	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	18730	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	13055	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	21493	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	18657	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	17530

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	6584	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	5801	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	6918	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	5905	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	7180	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	7644	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	7343	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; (code 190590)	8427
Product ranked 5th	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	6181	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	5522	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	6659	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	5651	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	6547	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	7311	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	7300	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	7096
Total of above		58615		56099		83344		89258		87446		89945		73763		71335
Total share in trade with the EU (in %)		2.2		1.9		2.2		2.3		2.1		1.9		1.9		1.7

Table 4d. Most imported agricultural products from EU (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value
Product ranked 1st	n.a.	n.a.	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329))	4531	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	7228	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	6454	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	12544	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	11669	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329))	7191	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329))	6602	n.a.	n.a.
Product ranked 2nd	n.a.	n.a.	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	4386	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329))	3282	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329))	4793	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329))	7483	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329))	7655	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	6102	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	6158	n.a.	n.a.
Product ranked 3rd	n.a.	n.a.	Tobacco, unstemmed or unstripped (code 240110)	2514	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	2360	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	2583	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	4497	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	4391	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	4888	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	4979	n.a.	n.a.

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value
Product ranked 4th	n.a.	n.a.	Frozen cuts and edible offal of fowls of the species Gallus domesticus (020714)	2068	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	2050	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured (code 240120)	2045	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured (code 240120)	2824	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	4206	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	4038	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	4479	n.a.	n.a.
Product ranked 5th	n.a.	n.a.	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	1518	Tobacco, unstemmed or unstripped (code 240110)	1428	Fresh or dried oranges (code 080510)	1795	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	3712	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	2808	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	3604	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	3712	n.a.	n.a.
Total of above				15017		16348		17670		31060		30729		25823		25930		
Total share in trade with the EU (in %)				1.9		1.7		2		2.6		2.7		2		1.4		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	17782	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	16480	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	22530	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	23228	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	26553	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	21785	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	18761	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	18602
Product ranked 2nd	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	8026	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	9466	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	14997	15839	22627	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	19117	Fresh or chilled bovine cuts, with bone in (excluding carcasses and 1/2 carcasses) (code 020120)	18461	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	17692	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	15988
Product ranked 3rd	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	7068	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	7775	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	12563	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	14565	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	9830	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	16171	Frozen meat of swine (excluding carcasses and half-carcasses, and hams, shoulders and cuts thereof (code 020329)	16806	Frozen cuts and edible of-fal of fowls of the species Gallus domesticus (020714)	15839

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	4722	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	4370	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	4967	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	4591	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	5411	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	5751	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	6616	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; (code 190590)	7615
Product ranked 5th	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	4432	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	4159	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	4781	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	4394	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	4928	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	5500	Sausages and similar products, of meat, offal or blood; food preparations based on these products (160100)	6578	Olives, prepared or preserved otherwise than by vinegar or acetic acid (excluding frozen) (code 200570)	6412
Total of above		42030		42250		59838		69405		65839		67668		66453		64456
Total share in trade with the EU (in %)		2.2		1.9		2.2		2.3		2.1		1.9		1.9		1.7

Table 5a. Most important macedonian trade partners from EU on the export side (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Germany	257490	Germany	238736	Germany	234001	Germany	279390	Germany	317220	Germany	364206	Germany	381169	Germany	501776	Germany	564866
Partner ranked 2nd	Italy	90769	Greece	101131	Greece	116949	Greece	180398	Greece	228757	Greece	313153	Greece	361268	Greece	424654	Greece	536365
Partner ranked 3rd	Greece	84107	Italy	91196	Italy	81875	Italy	95413	Italy	134551	Italy	169806	Italy	238480	Italy	349886	Bulgaria	379293
Partner ranked 4th	Netherlands	36013	Netherlands	45407	Netherlands	44712	France	54648	France	77323	Netherlands	44579	Belgium	83867	Bulgaria	243912	Italy	321435
Partner ranked 5th	Great Britain	27239	Great Britain	26686	Great Britain	28910	Netherlands	47331	Netherlands	47310	Great Britain	42942	Holland	56463	Belgium	178080	Belgium	109214
Total of above		495618		503156		506447		657180		805161		934686		1121247		1698308		1911173
Total share in trade with the EU (in %)		87.6		88.8		88.8		87.9		84.1		86.2		83.9		76.7		80.4

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Germany	455862	Germany	712423	Germany	1242549	Germany	1180747	Germany	1539465	Germany	2046137	Germany	1993637	Germany	2248626
Partner ranked 2nd	Greece	291648	Bulgaria	294034	Bulgaria	308615	Bulgaria	287163	Bulgaria	325665	Bulgaria	327857	Bulgaria	271910	Bulgaria	246501
Partner ranked 3rd	Italy	218281	Greece	246196	Italy	291125	Italy	281177	Italy	286759	Italy	310217	Italy	186259	Belgium	189266
Partner ranked 4th	Bulgaria	216944	Italy	235356	Greece	218013	Greece	188485	Greece	213674	Greece	227729	Greece	166448	Italy	175224
Partner ranked 5th	Netherlands	61682	Belgium	80755	Slovenia	88242	Slovenia	74272	Croatia	100415	Belgium	151646	Belgium	143983	Greece	163326
Total of above		1244417		1568764		2148544		2011844		2465978		3063586		2762237		3022943
Total share in trade with the EU (in %)		81.5		75.7		79.4		79.8		78.9		80.6		79.1		79

Table 5b. Most important macedonian trade partners from EU on the export side (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Germany	280664	Germany	267384	Germany	248041	Germany	223512	Germany	245863	Germany	292077	Germany	303116	Germany	365739	Germany	382925
Partner ranked 2nd	Italy	98938	Greece	113267	Greece	123966	Greece	144318	Greece	158750	Greece	252039	Greece	286714	Greece	309618	Greece	358430
Partner ranked 3rd	Greece	91677	Italy	102140	Italy	86788	Italy	75330	Italy	83963	Italy	136576	Italy	189726	Italy	255318	Bulgaria	255235
Partner ranked 4th	Netherlands	39254	Netherlands	50856	Netherlands	47395	France	43718	France	48090	Netherlands	35760	Belgium	66310	Bulgaria	177292	Italy	219548
Partner ranked 5th	Great Britain	29691	Great Britain	29888	Great Britain	30645	Netherlands	37864	Holland	41651	Great Britain	34747	Netherlands	44904	Belgium	130117	Belgium	75066
Total of above		540224		563535		536835		525744		578317		751199		890770		1238084		1291204
Total share in trade with the EU (in %)		87.6		88.8		88.8		87.9		84.1		86.2		83.9		76.7		80.4

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Germany	327662	Germany	537280	Germany	893103	Germany	917098	Germany	1157901	Germany	1545485	Germany	1798275	Germany	2033969
Partner ranked 2nd	Greece	209423	Bulgaria	222316	Bulgaria	221270	Bulgaria	223518	Bulgaria	245198	Bulgaria	247375	Bulgaria	254052	Bulgaria	222986
Partner ranked 3rd	Italy	155693	Greece	186577	Italy	208920	Italy	218800	Italy	215983	Italy	232514	Italy	167946	Belgium	170936
Partner ranked 4th	Bulgaria	154044	Italy	178696	Greece	156216	Greece	146826	Greece	161287	Greece	170723	Greece	150129	Italy	158419
Partner ranked 5th	Holland	44118	Belgium	60227	Slovenia	63230	Slovenia	58064	Croatia	75690	Belgium	114065	Belgium	129959	Greece	147743
Total of above		890940		1185096				1564306		1856059		2310162		2500361		2734053
Total share in trade with the EU (in %)		81.5		75.7						78.9		80.6		79.1		79

Table 6a. Most important macedonian trade partners from EU on the import side (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Germany	253277	Germany	214964	Germany	284734	Germany	304773	Germany	368187	Germany	336136	Germany	372267	Germany	533128	Germany	652906
Partner ranked 2nd	Greece	201600	Greece	184634	Greece	237883	Greece	300576	Greece	282637	Greece	297723	Greece	306364	Greece	416244	Greece	511695
Partner ranked 3rd	Italy	111117	Italy	107829	Italy	118586	Italy	123129	Italy	168808	Italy	194115	Italy	228265	Italy	313284	Italy	390184
Partner ranked 4th	Netherlands	45327	Netherlands	45752	Austria	53309	Austria	56197	Slovenia	140338	Slovenia	128015	Slovenia	129584	Bulgaria	271128	Bulgaria	327919
Partner ranked 5th	Austria	41709	Austria	43879	France	53055	France	51506	Poland	78305	Poland	94645	Poland	117838	Poland	162665	Poland	265292
Total of above		653030		597058		747567		836181		1038275		1050634		1154318		1696449		2147996
Total share in trade with the EU (in %)		81.6		83		83.5		82.8		71.1		71.4		70.2		64.6		64.8

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Germany	521677	Germany	613482	Germany	729690	Greece	804342	Great Britain	726904	Great Britain	893212	Germany	810781	Germany	829913
Partner ranked 2nd	Greece	441856	Greece	448933	Great Britain	593064	Germany	634384	Greece	698523	Germany	807296	Great Britain	620672	Great Britain	726830
Partner ranked 3rd	Italy	368509	Italy	335214	Greece	569749	Great Britain	560938	Germany	694057	Greece	667961	Greece	499669	Greece	497191
Partner ranked 4th	Bulgaria	244311	Bulgaria	301962	Bulgaria	457883	Bulgaria	407836	Bulgaria	367176	Italy	459157	Italy	390480	Italy	384877
Partner ranked 5th	Slovenia	190884	Great Britain	285641	Italy	427607	Italy	401709	Italy	430040	Bulgaria	384522	Bulgaria	341184	Bulgaria	311688
Total of above		1767237		1985232		2777993		2809209		2916700		3212148		2662786		2750499
Total share in trade with the EU (in %)		66.7		68.2		72.7		73.8		70.3		69.3		66.8		65.7

Table 6b. Most important macedonian trade partners from EU on the import side (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Germany	276072	Germany	240760	Germany	301818	Germany	268200	Germany	295497	Germany	271130	Germany	295662	Germany	387028	Germany	445343
Partner ranked 2nd	Greece	219744	Greece	206790	Greece	252156	Greece	264507	Greece	227550	Greece	239935	Greece	243597	Greece	303610	Greece	346693
Partner ranked 3rd	Italy	121118	Italy	120768	Italy	125701	Italy	108354	Italy	135777	Italy	156721	Italy	181098	Italy	227761	Italy	265297
Partner ranked 4th	Holland	49406	Holland	51242	Austria	56507	Austria	49453	Slovenia	113294	Slovenia	103006	Slovenia	103091	Bulgaria	197058	Bulgaria	222213
Partner ranked 5th	Austria	45463	Austria	49144	France	56238	France	45325	Poland	61829	Poland	76119	Poland	93328	Poland	117994	Poland	178513
Total of above		711803		668704		792420		735839		833947		846911		916776		1233451		1458059
Total share in trade with the EU (in %)		81.6		83		83.5		82.8		71.1		71.4		70.2		64.6		64.8

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Germany	374264	Germany	464838	Germany	523917	Greece	627825	Great Britain	547026	Great Britain	671907	Germany	732430	Germany	750195
Partner ranked 2nd	Greece	315092	Greece	336274	Great Britain	432765	Germany	493222	Greece	526291	Germany	608762	Great Britain	558709	Great Britain	654677
Partner ranked 3rd	Italy	263870	Italy	253743	Greece	409883	Great Britain	436043	Germany	522325	Greece	502154	Greece	450967	Greece	449727
Partner ranked 4th	Bulgaria	174996	Bulgaria	228501	Bulgaria	328131	Bulgaria	316948	Bulgaria	276021	Italy	346033	Italy	352752	Italy	347990
Partner ranked 5th	Slovenia	136762	Great Britain	214992	Italy	305651	Italy	312707	Italy	324127	Bulgaria	289975	Bulgaria	307860	Bulgaria	281632
Total of above		1264984		1498348		2000347		2186745				2418831		2402718		2484221
Total share in trade with the EU (in %)		66.7		68.2		72.7		73.8		70.3		69.3		66.8		65.7

Table 7a. Most important macedonian trade partners outside EU on the export side (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	SR Yugoslavia	335103	Serbia and Montenegro	267012	Serbia and Montenegro	246384	Serbia and Montenegro	274994	Serbia and Montenegro	347601	Serbia	459660	Serbia	558276	Serbia	644739	Serbia	934820
Partner ranked 2nd	USA	165652	USA	99435	USA	77398	USA	72795	Croatia	80158	British Virgin Islands	83654	Bulgaria	130870	Croatia	165129	Croatia	230488
Partner ranked 3rd	Croatia	47689	Croatia	58487	Croatia	59077	Croatia	66173	USA	72060	Croatia	81085	Croatia	124707	USA	52728	Albania	107041
Total of above		548444		424934		382859		413962		499819		624399		813853		862596		1272349
Total share in trade with the world (in %)		41.6		36.7		34.3		30.3		29.8		30.6		33.7		25.3		31.9

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Serbia	337811	Kosovo	437911	Kosovo	552946	Kosovo	392459	Kosovo	277025	Serbia	259833	Serbia	205584	Serbia	214809
Partner ranked 2nd	Kosovo	314589	Serbia	271817	Serbia	337476	Serbia	298144	Serbia	271333	Kosovo	231567	Kosovo	196820	Kosovo	208896
Partner ranked 3rd	Croatia	152738	Croatia	123729	Croatia	139622	China	158846	China	106951	B&H	93078	China	146436	B&H	82021
Total of above		805138		833457		1030044		849449		655309		584478		548840		505726
Total share in trade with the world (in %)		29.7		24.9		23		21.1		15.2		11.8		12.1		10.6

Table 7b. Most important macedonian trade partners outside EU on the export side (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	SR Yugoslavia	308295	Serbia and Montenegro	299053	Serbia and Montenegro	261167	Serbia and Montenegro	241995	Serbia and Montenegro	279349	Serbia	371985	Serbia	442644	Serbia	469165	Serbia	631441
Partner ranked 2nd	USA	152400	USA	111367	USA	82042	USA	64060	Croatia	64570	British Virgin Islands	67573	Bulgaria	103634	Croatia	119735	Croatia	156516
Partner ranked 3rd	Croatia	43874	Croatia	65504	Croatia	62622	Croatia	58232	USA	57943	Croatia	65132	Croatia	99300	USA	37963	Albania	72817
Total of above		504569		475924		405831		364287		401862		504690		645578		626863		860774
Total share in trade with the world (in %)		41.6		36.7		34.3		30.3		29.8		30.6		33.7		25.3		31.9

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Serbia	246596	Kosovo	331765	Kosovo	241906	Kosovo	305146	Kosovo	208702	Serbia	196170	Serbia	185594	Serbia	194253
Partner ranked 2nd	Kosovo	219346	Serbia	205856	Serbia	396064	Serbia	231812	Serbia	204285	Kosovo	174621	Kosovo	177838	Kosovo	188578
Partner ranked 3rd	Croatia	110061	Croatia	93397	Croatia	99976	China	124135	China	80315	B&H	70371	China	132140	B&H	74116
Total of above		576003		631018		737946				493302		441162		495572		456947
Total share in trade with the world (in %)		29.7		24.9		23		21.1		15.2		11.8		12.1		10.6

Table 8a. Most important macedonian trade partners outside EU on the import side (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Ukraine	205770	Serbia and Montenegro	158020	Serbia and Montenegro	185190	Serbia and Montenegro	212798	Russia	271010	Russia	425244	Russia	569737	Russia	638176	Russia	932020
Partner ranked 2nd	Russia	191875	Russia	139712	Slovenia	129672	Russia	178973	Serbia and Montenegro	243715	Serbia	264215	Serbia	283280	Serbia	454537	Serbia	533957
Partner ranked 3rd	SR Yugoslavia	190361	Slovenia	118908	Bulgaria	128475	Bulgaria	149214	Bulgaria	209746	Bulgaria	234406	Bulgaria	251330	China	245645	China	315608
Total of above		588006		416640		443337		540985		724471		923865		1104347		1338358		1781585
Total share in trade with the world (in %)		28.1		24.6		22.2		23.5		24.7		28.6		29.4		25.3		25.8

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Russia	495065	Russia	552537	Russia	684326	Serbia	482724	Serbia	522790	Serbia	599012	Serbia	493969	Serbia	508260
Partner ranked 2nd	Serbia	397993	Serbia	419442	Serbia	498156	China	374926	China	379657	China	433028	China	393830	China	421227
Partner ranked 3rd	China	290056	China	288781	China	354895	Russia	362143	Turkey	316079	Turkey	377830	Turkey	322643	Turkey	349265
Total of above		1183114		1260760		1537377		1219793		1218526		1409870		1210442		1278752
Total share in trade with the world (in %)		23.3		23		21.9		18.7		18.4		19.3		18.8		18.9

Table 8b. Most important macedonian trade partners outside EU on the import side (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Ukraine	224289	Serbia and Montenegro	176982	Serbia and Montenegro	196301	Serbia and Montenegro	187262	Russia	217158	Russia	344192	Russia	452516	Russia	462814	Russia	624528
Partner ranked 2nd	Russia	209144	Russia	156477	Slovenia	137452	Russia	157496	Serbia and Montenegro	196170	Serbia	212516	Serbia	224436	Serbia	328990	Serbia	361560
Partner ranked 3rd	SR Yugoslavia	207494	Slovenia	133177	Bulgaria	136184	Bulgaria	131308	Bulgaria	168977	Bulgaria	188335	Bulgaria	199844	China	177898	China	216600
Total of above		640927		466636		469937		476066		582305		745043		876796		969702		1202688
Total share in trade with the world (in %)		28.1		24.6		22.2		23.5		24.7		28.6		29.4		25.3		25.8

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Russia	357110	Russia	419638	Russia	491517	Serbia	375362	Serbia	393205	Serbia	451266	Serbia	445969	Serrbia	459753
Partner ranked 2nd	Serbia	284970	Serbia	316953	Serbia	358448	China	291144	China	285756	China	326776	China	355651	China	381530
Partner ranked 3rd	China	207431	China	217881	China	254716	Russia	278456	Turkey	237920	Turkey	284808	Turkey	291375	Turkey	315796
Total of above		849511		954472		1104681				916881		1062850		1092995		1157079
Total share in trade with the world (in %)		23.3		23		21.9		18.7		18.4		19.3		18.8		18.9

MACEDONIA SITC Tables

Macedonia: Export of goods divided by sectors and sections according to the system of international trade classification (in mil EUR)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TOTAL	1,644.36	1,917.51	2,477.14	2,697.56	1,937.04	2,534.89	3,214.91	3,123.95	3,235.21	3,746.61	4,087.58	4,329.27	5,007.20
Food and live animals	135.01	153.06	182.12	210.15	202.49	248.81	267.42	264.45	275.16	293.54	306.19	314.54	306.72
Live animals	0.08	0.06	0.26	2.46	4.42	3.07	3.04	2.91	1.76	1.92	2.16	0.78	2.26
Meat and meat preparations	15.11	15.53	17.85	22.45	25.99	27.87	31.45	30.38	28.25	27.13	23.03	22.98	22.00
Dairy products and eggs	6.06	4.83	4.58	6.57	4.60	6.01	7.83	8.80	7.18	9.17	12.75	10.10	14.48
Fish and fish preparations	4.68	6.18	6.10	7.63	6.87	6.97	7.25	5.99	4.23	3.91	1.53	0.91	2.30
Cereals and cereals preparations	13.22	16.26	22.01	28.22	30.66	36.28	43.25	45.81	50.71	55.43	63.26	66.50	72.34
Fruits and vegetables	70.61	87.39	104.36	112.81	101.59	137.35	141.09	136.88	145.97	158.53	164.75	171.36	150.40
Sugar, preparations and honey	7.50	4.53	6.22	6.90	7.04	8.17	8.67	8.60	8.92	8.75	8.64	8.52	8.59
Coffee tea, cocoa, manufacturers thereof	6.90	7.76	9.16	9.63	8.44	10.04	10.16	10.69	11.03	11.37	12.65	14.07	14.82
Feeding stuff animals	0.20	0.22	0.14	0.20	0.58	0.41	1.42	0.94	1.44	1.39	1.44	1.15	1.03
Miscellaneous food preparations	10.64	10.30	11.44	13.29	12.32	12.65	13.26	13.45	15.68	15.94	15.99	18.18	18.50
Beverages and tobacco	131.32	153.99	152.70	148.80	141.34	153.47	169.73	185.40	203.37	167.97	144.87	177.61	197.81
Beverages	49.22	64.13	75.03	65.01	62.14	59.99	58.49	70.87	66.03	58.46	48.31	59.01	58.65
Tobacco and tobacco manufactures	82.10	89.85	77.67	83.78	79.20	93.48	111.24	114.53	137.34	109.50	96.56	118.60	139.15
Crude materials, inedible, except fuels	55.03	90.08	124.33	182.81	123.18	196.43	206.65	206.42	209.72	202.00	195.20	187.46	286.21
Hides, skins and fur undressed	3.75	4.06	4.48	3.15	2.21	4.20	7.38	7.37	7.61	5.10	4.30	3.96	4.83
Oil seeds and oleaginous fruits	0.51	0.62	1.04	1.37	0.75	1.90	2.41	2.64	2.26	2.75	1.82	1.03	2.99
Crude rubber (including synthetic and reclaimed)	0.00	0.00	0.00	0.02	0.01	0.04	0.01	0.09	0.01	0.00	0.03	0.02	0.01
Cork and wood	3.32	3.78	5.55	4.02	2.98	2.34	2.45	2.89	1.82	2.05	2.12	2.07	2.34
Pulp and waste paper	0.47	0.34	0.55	0.45	0.38	0.69	2.76	2.57	2.88	3.05	3.27	4.46	4.81
Textile fibbers and their wastes	0.68	1.09	1.20	0.71	0.38	1.23	1.81	1.12	1.54	1.48	1.52	0.70	1.57
Crude fertilizers and crude minerals	14.83	13.61	13.51	15.97	20.38	27.24	26.05	20.20	22.33	26.06	23.43	23.96	43.53
Metalliferous ores and metal scrap	26.88	61.28	92.44	151.36	91.84	153.46	157.88	163.72	164.13	155.38	149.03	137.76	210.04
Crude animal and vegetable materials n.e.s	4.58	5.30	5.56	5.77	4.24	5.33	5.89	5.81	7.15	6.12	9.66	13.51	16.08

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Mineral fuels, lubricants and related materials	132.58	178.36	120.12	210.66	144.52	195.12	279.39	200.99	80.32	65.87	55.46	49.82	75.36
Coal, coke and briquettes	2.29	2.02	2.12	0.68	0.82	1.41	0.73	1.21	0.20	0.02	0.57	0.16	0.16
Petroleum and petroleum products	128.16	161.45	114.93	204.81	136.35	164.89	238.96	160.47	71.48	55.36	42.37	39.14	48.35
Gas natural and manufactured	2.12	3.26	1.52	4.54	3.44	2.66	4.00	4.05	3.85	2.14	2.21	2.10	2.35
Electric energy	0.00	11.63	1.55	0.63	3.92	26.16	35.70	35.26	4.79	8.34	10.30	8.42	24.50
Animal and vegetable oils and fats	2.34	1.72	1.75	8.45	5.93	8.45	12.82	12.11	7.29	9.40	18.34	18.37	6.08
Chemicals	73.25	79.94	96.85	123.43	122.91	288.20	537.65	528.94	630.41	795.92	922.99	1,036.69	1,200.93
Organic chemicals	1.21	1.74	2.41	1.24	1.21	1.22	1.86	1.62	1.28	1.46	1.81	1.77	1.46
Inorganic chemicals	5.24	6.86	5.73	7.39	7.69	7.63	15.56	8.32	8.73	7.87	7.49	7.52	8.44
Dyeing tanning and coloring materials	9.96	12.51	13.97	15.37	13.31	11.20	11.77	10.95	10.48	10.39	10.78	10.82	11.85
Medical and pharmaceutical products	33.34	35.14	40.21	51.56	51.71	57.84	59.82	65.08	60.72	61.71	63.75	69.46	79.85
Essential oils and perfume materials, toilet, preparations	6.02	5.09	6.48	6.77	6.72	6.94	8.22	8.86	9.55	9.68	10.39	10.77	11.68
Fertilizers (other than crude)	0.15	0.01	0.01	0.06	0.03	0.04	0.46	0.63	0.31	0.07	0.10	0.24	0.57
Plastics in primary forms	2.59	2.95	5.00	7.33	6.23	8.08	12.31	12.88	12.74	11.19	12.00	11.90	13.47
Plastics in non-primary forms	11.30	11.90	18.21	28.42	27.11	22.69	29.48	32.54	42.63	38.13	37.48	40.78	42.01
Chemical materials and products, n.e.s.	3.43	3.74	4.84	5.30	8.88	172.55	398.17	388.06	483.97	655.42	779.17	883.42	1,031.58
Manufactured goods classified chiefly by material	546.92	676.85	1,104.75	1,079.16	551.23	750.48	884.79	808.13	775.82	725.96	724.36	622.91	674.52
Leather, leather manufactures, n.e.s. and dressed fur skin	1.51	0.78	0.63	0.93	1.02	1.22	1.78	1.33	1.45	1.12	1.12	1.14	2.54
Rubber manufactures, n.e.s.	0.34	0.31	0.44	0.52	0.65	0.49	0.45	0.46	2.54	3.71	6.22	7.37	9.21
Wood and cork manufactures(excluding furniture)	1.76	2.82	4.52	4.32	3.79	3.62	3.10	3.09	2.88	3.21	3.90	4.45	4.15
Paper, paperboard and articles of paper pulp	6.25	7.94	12.71	10.42	8.32	9.29	9.28	7.03	6.50	6.87	8.60	9.62	10.97
Textile yarn, fabrics, made-up articles and related products	40.71	36.28	36.93	38.15	32.76	42.71	43.17	46.69	58.52	59.25	60.54	70.43	71.29
Non-metallic manufactures, n.e.s	40.98	55.70	70.56	78.43	65.15	54.80	49.20	42.99	37.54	37.19	43.34	40.44	52.86
Iron and steel	427.70	530.18	926.50	870.59	381.54	589.69	725.90	649.68	605.99	551.30	522.23	411.93	435.62
Non-ferrous metals, n.e.s	4.18	6.44	6.88	5.24	4.95	6.14	5.55	10.90	16.58	10.27	15.29	7.80	11.73
Manufactures of metals, n.e.s	23.49	36.40	45.57	70.56	53.05	42.52	46.37	45.97	43.82	53.04	63.12	69.73	76.15

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Machinery and transport equipment	89.06	94.38	109.94	126.68	109.98	150.28	254.10	310.44	429.41	789.44	1,008.58	1,204.75	1,476.10
Power generating machinery and equipment	1.40	1.26	1.85	2.24	3.80	1.21	0.94	0.79	0.74	0.75	1.01	1.49	1.15
Machinery specialized for particular industries	3.78	4.05	7.77	10.33	9.02	8.12	11.84	11.78	10.69	11.93	12.94	17.30	10.91
Metal working machinery	0.90	1.00	1.22	1.18	0.53	1.57	0.84	1.70	1.01	1.18	0.92	2.07	1.54
General industrial machinery	6.59	8.99	12.03	11.43	15.01	33.58	88.13	147.20	214.31	335.00	446.57	517.93	553.62
Office machines and automatic data processing machines	1.43	1.69	2.11	2.60	3.25	2.71	4.19	3.90	3.19	3.11	4.07	4.25	3.33
Telecommunication apparatus and equipment	1.53	0.91	1.93	5.61	3.05	3.73	4.41	3.78	4.76	7.07	13.95	5.69	27.68
Electrical machinery, apparatus and appliances	41.38	47.39	50.04	61.12	54.65	71.10	114.25	105.25	149.78	326.29	401.69	474.85	640.05
Road vehicles	22.89	21.33	24.35	23.87	16.30	22.41	22.83	28.62	35.30	90.14	109.51	163.79	226.31
Other transport equipment	9.15	7.75	8.65	8.31	4.38	5.85	6.69	7.42	9.63	13.97	17.91	17.38	11.50
Miscellaneous manufactured articles	475.78	486.72	583.30	606.46	534.86	541.86	600.38	606.33	621.22	693.32	710.44	713.04	779.21
Pre fabric. buildings, sanitary plumb. heat, light fixtures and fittings	5.08	5.32	5.90	5.33	4.59	4.55	2.18	1.26	0.87	0.83	1.17	1.78	1.92
Furniture and parts thereof	8.22	10.50	17.16	23.78	22.95	25.76	30.02	42.58	49.22	76.32	123.66	144.65	196.06
Travel goods	0.06	0.40	0.33	0.23	0.17	0.18	0.67	1.24	1.74	1.49	1.49	1.19	1.43
Clothing	401.45	410.68	478.10	485.52	420.01	425.96	473.54	468.59	472.03	509.16	481.88	464.57	465.06
Footwear	47.26	45.19	62.31	62.00	58.61	57.09	59.34	53.78	58.93	63.54	57.93	51.39	57.27
Scientific and controlling instruments	0.82	0.94	1.37	8.65	9.70	8.99	11.07	10.67	8.91	10.69	12.80	12.35	14.16
Photo cameras, watch	0.17	0.33	0.54	0.49	0.32	0.35	0.44	0.55	1.01	1.31	1.39	1.56	1.87
Miscellaneous manufactured articles, n.e.s	12.72	13.35	17.58	20.46	18.51	18.98	23.11	27.64	28.50	29.99	30.12	35.55	41.46
Commodities and transactions not classified in SITC	3.09	2.42	1.28	0.94	0.59	1.79	1.98	0.74	2.49	3.19	1.15	4.08	4.27
Not classified	0.66	0.03	0.00	0.00									

Macedonia: Import of goods divided by sectors and sections according to the system of international trade classification (in mil EUR)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TOTAL	2,604.90	2,979.74	3,833.62	4,664.44	3,636.80	4,137.07	5,052.94	5,070.61	4,983.28	5,504.52	5,801.14	6,106.73	6,824.92
Food and live animals	276.37	288.29	376.75	423.98	401.22	421.19	483.43	529.84	513.05	517.79	551.66	554.26	604.97
Live animals	1.39	1.85	1.40	1.50	1.24	0.94	1.38	2.68	2.17	3.81	2.29	4.01	3.10
Meat and meat preparations	71.31	71.31	87.77	94.97	100.98	94.75	111.31	124.96	127.99	118.84	122.42	118.37	132.36
Dairy products and eggs	21.21	23.37	26.56	29.10	29.86	33.21	40.34	43.76	44.34	43.53	45.76	47.88	52.82
Fish and fish preparations	10.49	14.58	16.23	18.68	17.03	15.64	18.38	18.11	17.38	19.66	20.60	18.73	20.68
Cereals and cereals preparations	40.90	33.58	69.96	79.71	58.72	59.75	75.18	90.52	73.49	76.48	84.08	78.39	87.42
Fruits and vegetables	34.77	35.08	46.18	52.58	50.39	50.73	56.86	60.45	63.10	71.39	78.45	83.22	91.41
Sugar, preparations and honey	21.61	26.15	29.74	31.71	31.62	45.87	50.74	50.63	43.07	37.54	38.70	44.75	46.59
Coffee tea, cocoa, manufacturers thereof	31.71	34.37	39.28	45.95	46.02	50.74	55.81	60.93	58.83	59.18	67.61	71.04	75.84
Feeding stuff animals	12.31	12.17	16.57	20.31	17.60	18.76	19.13	21.24	24.67	29.11	32.75	23.19	24.89
Miscellaneous food preparations	30.66	35.83	43.06	49.47	47.77	50.80	54.29	56.55	58.01	58.26	59.00	64.69	69.86
Beverages and tobacco	25.14	25.21	27.88	34.80	36.88	43.71	49.32	57.59	58.76	54.05	60.15	72.86	74.83
Beverages	12.57	14.26	18.67	22.50	23.86	25.11	27.80	29.04	29.99	28.07	32.06	34.33	37.28
Tobacco and tobacco manufactures	12.57	10.96	9.21	12.30	13.02	18.60	21.52	28.54	28.77	25.97	28.10	38.53	37.55
Crude materials, inedible, except fuels	86.43	106.33	216.01	236.48	144.57	219.25	263.00	232.05	161.78	202.69	189.62	127.26	173.13
Hides, skins and fur undressed	2.43	1.46	1.51	1.42	1.32	1.91	4.74	2.74	2.14	1.92	1.47	1.16	1.24
Oil seeds and oleaginous fruits	5.56	5.63	6.56	8.25	7.03	8.58	7.49	8.58	9.47	12.20	13.03	13.57	12.53
Crude rubber (including synthetic and reclaimed)	1.04	0.79	0.86	1.37	1.02	0.99	2.41	2.85	2.80	2.76	2.39	1.78	2.39
Cork and wood	12.27	12.62	12.22	13.66	17.80	16.29	17.25	15.03	14.97	16.48	22.04	22.69	27.51
Pulp and waste paper	0.33	0.77	2.03	0.46	0.64	0.60	0.60	0.14	0.23	0.25	0.41	0.57	1.17
Textile fibbers and their wastes	9.75	11.67	11.38	11.18	8.73	10.07	9.24	10.36	11.55	10.11	11.67	9.80	11.20
Crude fertilizers and crude minerals	6.91	6.58	13.23	12.91	9.87	10.76	12.45	11.04	10.44	11.06	11.25	11.90	11.50
Metalliferous ores and metal scrap	39.74	57.77	157.99	173.83	83.98	156.30	193.66	167.44	96.45	132.33	111.08	48.70	89.24
Crude animal and vegetable materials n.e.s	8.41	9.04	10.24	13.40	14.19	13.76	15.16	13.86	13.73	15.57	16.28	17.08	16.35

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Mineral fuels, lubricants and related materials	499.85	602.82	705.30	956.05	583.15	729.33	1,035.13	1,079.88	808.33	789.73	633.47	548.10	666.90
Coal, coke and briquettes	23.09	23.90	27.76	34.02	8.57	24.03	36.86	35.23	35.19	30.98	21.05	19.76	18.05
Petroleum and petroleum products	398.65	497.62	455.58	627.91	444.98	563.46	758.98	754.81	561.70	531.99	418.09	378.97	443.93
Gas natural and manufactured	22.44	31.34	41.18	59.23	40.35	55.95	73.89	93.13	82.78	86.08	74.55	65.49	93.69
Electric energy	55.67	49.96	180.79	234.89	89.25	85.89	165.40	196.71	128.67	140.68	119.78	83.88	111.22
Animal and vegetable oils and fats	24.32	24.93	33.91	45.66	32.99	39.11	54.50	61.62	51.11	42.59	52.64	53.25	44.00
Chemicals	268.73	289.76	357.21	416.12	407.57	500.41	596.17	575.81	657.42	623.97	688.28	723.69	765.52
Organic chemicals	15.63	16.57	26.13	29.58	26.29	21.13	20.81	21.44	20.20	19.47	19.59	22.67	24.65
Inorganic chemicals	8.80	7.45	9.37	11.42	15.77	96.50	79.11	53.70	57.65	60.98	71.36	36.77	46.60
Dyeing tanning and coloring materials	18.48	22.19	27.38	29.48	27.72	29.86	68.42	65.18	102.43	47.91	41.55	46.08	46.94
Medical and pharmaceutical products	60.46	62.91	74.31	88.69	104.44	104.48	117.27	122.87	126.08	133.23	131.38	146.36	152.02
Essential oils and perfume materials, toilet, preparations	50.21	54.77	62.16	70.01	69.22	73.30	76.47	79.94	84.44	88.22	95.02	100.50	103.03
Fertilizers (other than crude)	13.88	13.73	17.91	21.93	19.12	19.61	24.75	23.77	27.78	25.24	24.73	26.67	21.86
Plastics in primary forms	42.57	45.98	58.49	66.93	53.28	56.38	73.70	75.37	85.47	77.35	86.51	84.23	87.28
Plastics in non-primary forms	28.02	32.99	40.79	49.36	48.05	50.86	61.59	65.02	73.83	81.67	91.30	97.37	103.52
Chemical materials and products, n.e.s.	30.67	33.17	40.68	48.72	43.68	48.29	74.04	68.51	79.54	89.89	126.84	163.04	179.62
Manufactured goods classified chiefly by material	764.73	888.41	1,099.20	1,256.51	868.25	1,047.56	1,412.87	1,427.09	1,536.44	1,883.16	2,063.54	2,273.04	2,547.61
Leather, leather manufactures, n.e.s. and dressed fur skin	25.77	26.99	28.02	29.78	25.41	26.60	29.17	29.90	32.50	33.52	27.24	36.61	52.58
Rubber manufactures, n.e.s.	22.24	22.87	27.36	29.17	29.57	28.06	35.40	37.35	38.58	44.16	51.61	53.05	55.98
Wood and cork manufactures(excluding furniture)	24.75	26.81	33.30	40.17	32.15	31.69	37.14	37.68	38.66	43.08	47.52	52.38	51.59
Paper, paperboard and articles of paper pulp	61.27	66.20	76.91	89.41	81.97	85.64	95.37	94.23	96.51	98.43	101.75	106.40	105.04
Textile yarn, fabrics, made-up articles and related products	257.93	274.49	321.51	325.25	282.13	309.13	346.77	344.21	363.60	400.40	419.76	410.94	444.67
Non-metallic manufactures, n.e.s	51.99	60.06	68.49	82.11	80.70	96.32	118.59	127.31	142.09	186.72	254.51	323.69	366.42
Iron and steel	230.34	290.82	398.08	505.21	215.85	267.93	314.04	288.16	274.58	274.31	293.50	316.90	373.59
Non-ferrous metals, n.e.s	36.13	53.67	61.93	57.71	36.94	127.05	344.60	369.45	446.09	687.07	743.58	830.42	944.72
Manufactures of metals, n.e.s	54.31	66.51	83.60	97.72	83.53	75.16	91.80	98.80	103.83	115.46	124.07	142.64	153.03

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Machinery and transport equipment	453.89	547.60	757.66	985.68	873.23	830.77	842.66	798.35	871.74	1,030.73	1,168.71	1,302.22	1,472.74
Power generating machinery and equipment	9.17	10.04	18.39	65.94	57.27	28.04	26.85	33.62	60.65	51.32	42.98	36.37	32.28
Machinery specialized for particular industries	49.95	69.11	96.58	100.92	87.58	82.45	77.75	84.00	89.35	103.80	125.37	126.73	124.47
Metal working machinery	8.54	10.36	15.92	17.25	14.67	9.95	9.75	9.39	15.05	14.35	15.12	25.72	30.34
General industrial machinery	70.02	75.94	100.59	139.73	123.23	97.41	137.82	130.58	149.89	159.06	183.85	194.09	208.82
Office machines and automatic data processing machines	41.70	50.12	57.92	72.40	69.75	59.71	51.04	52.00	52.24	59.32	58.55	56.74	56.50
Telecommunication apparatus and equipment	64.41	65.15	113.56	142.24	127.37	112.82	100.79	114.23	112.55	117.38	120.71	138.98	132.73
Electrical machinery, apparatus and appliances	72.30	82.54	117.79	134.44	132.09	142.85	181.79	159.00	197.30	294.50	356.83	408.50	545.88
Road vehicles	127.71	162.02	234.34	301.97	213.18	280.51	250.63	211.88	190.65	224.35	246.77	298.09	325.45
Other transport equipment	10.08	22.31	2.56	10.79	48.08	17.03	6.26	3.64	4.05	6.66	18.54	17.01	16.29
Miscellaneous manufactured articles	203.75	204.68	258.39	307.99	281.63	300.19	308.96	303.61	320.44	355.12	388.50	444.66	467.76
Pre fabric. buildings, sanitary plumb. heat, light fixtures and fittings	7.74	10.51	11.92	15.43	11.85	11.07	13.82	18.68	18.31	18.43	23.26	24.57	24.98
Furniture and parts thereof	17.72	19.52	24.10	31.58	27.97	29.80	28.01	33.16	34.01	36.95	40.56	52.48	61.50
Travel goods	1.60	1.80	2.59	3.61	3.32	3.37	4.38	3.94	4.26	5.28	6.04	7.45	8.38
Clothing	56.25	47.30	56.80	60.82	53.62	49.02	47.95	49.82	54.81	59.83	65.58	75.55	79.44
Footwear	14.64	17.30	22.70	27.53	26.65	26.90	27.29	28.62	29.69	32.44	36.16	38.74	39.19
Scientific and controlling instruments	26.57	24.52	35.58	45.29	45.19	48.27	54.53	41.59	49.73	51.17	47.58	58.74	63.11
Photo cameras, watch	6.09	6.23	7.19	8.43	7.29	7.60	8.16	8.65	9.22	9.27	10.54	11.13	11.35
Miscellaneous manufactured articles, n.e.s	73.13	77.51	97.51	115.29	105.74	124.16	124.81	119.16	120.41	141.76	158.79	175.99	179.81
Commodities and transactions not classified in SITC	1.70	1.70	1.30	1.16	7.31	5.56	6.90	4.78	4.20	4.69	4.58	7.38	7.45
Not classified	1.70	1.67	0.00	0.00									

Macedonia: Export of goods divided by sectors and sections according to the system of international trade classification (in mil USD)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
TOTAL	1,113.50	1,150.40	1,199.70	1,055.30	1,086.34	1,204.05	1,147.44	1,236.81	1,310.68	1,191.27	1,322.62	1,157.51	1,115.53	1,366.99
Food and live animals	31.70	63.50	183.90	116.30	110.33	131.83	86.89	70.87	66.18	66.99	65.77	64.89	74.72	92.01
Live animals	9.90	11.90	33.10	5.30	0.85	0.38	0.06	0.38	0.32	0.03	0.55	0.50	0.35	0.27
Meat and meat preparations	13.10	12.70	19.00	9.60	7.85	10.25	9.46	3.44	5.50	2.78	10.03	15.24	14.67	19.15
Dairy products and eggs	0.00	0.40	8.00	4.40	3.91	3.35	1.46	1.89	1.10	2.62	4.45	1.29	1.16	2.22
Fish and fish preparations	0.00	0.00	0.70	0.40	0.13	0.14	0.13	0.14	0.08	0.10	0.10	0.15	0.04	0.15
Cereals and cereals preparations	0.00	0.00	0.00	0.00	5.16	11.27	8.56	5.93	6.89	7.52	4.66	4.05	4.18	7.17
Fruits and vegetables	4.10	22.20	81.00	54.90	70.72	88.43	55.28	44.29	40.22	37.38	30.48	30.06	36.01	42.39
Sugar, preparations and honey	0.80	10.40	3.00	4.10	3.56	3.98	3.90	5.56	3.75	5.10	4.04	4.02	7.51	7.10
Coffee tea, cocoa, manufacturers thereof	1.80	2.00	15.40	15.40	11.82	10.29	5.17	6.00	5.19	5.83	5.78	5.32	4.96	5.99
Feeding stuff animals	0.00	0.00	0.00	0.00	0.43	0.18	0.04	0.08	0.18	0.48	1.65	0.43	0.12	0.18
Miscellaneous food preparations	2.00	3.90	23.70	22.20	5.90	3.57	2.83	3.15	2.95	5.15	4.03	3.82	5.71	7.38
Beverages and tobacco	34.40	77.90	138.50	100.40	62.04	88.02	154.92	177.12	143.77	159.88	129.43	121.50	124.93	137.09
Beverages	7.70	7.80	27.00	29.60	18.96	30.93	40.43	62.61	63.29	46.89	44.31	46.54	48.71	55.76
Tobacco and tobacco manufactures	26.70	70.10	111.50	70.80	43.08	57.09	114.49	114.51	80.48	112.99	85.11	74.97	76.22	81.32
Crude materials, inedible, except fuels	52.40	54.40	57.90	64.30	77.15	93.00	67.45	68.98	56.65	50.77	49.03	37.45	35.44	39.89
Hides, skins and fur undressed	1.00	1.40	1.70	5.50	6.01	7.66	6.38	9.16	4.12	2.54	7.99	7.19	5.54	5.48
Oil seeds and oleaginous fruits	0.00	0.00	0.40	1.10	1.32	0.76	0.79	0.54	0.51	0.27	0.29	0.30	1.54	0.79
Crude rubber (including synthetic and reclaimed)	0.00	0.00	0.00	0.00	0.00	0.03	0.25	0.09	0.19	0.08	0.00	0.00	0.00	0.02
Cork and wood	8.00	13.10	12.50	16.70	21.36	20.74	8.99	8.43	6.53	7.52	5.64	3.56	2.99	4.03
Pulp and waste paper	0.00	0.10	0.00	0.00	0.01	0.01	0.06	0.09	0.15	0.06	0.17	0.07	0.04	0.06
Textile fibbers and their wastes	19.20	20.50	23.60	18.40	23.24	27.99	21.18	22.34	11.03	7.14	5.66	1.12	0.96	1.27
Crude fertilizers and crude minerals	7.90	9.10	11.10	6.70	6.45	9.34	9.24	9.49	10.62	14.46	10.06	8.65	11.19	15.83
Metalliferous ores and metal scrap	15.30	8.90	5.90	12.70	14.46	20.04	17.15	13.60	17.65	15.91	16.19	14.46	10.03	7.21
Crude animal and vegetable materials n.e.s	1.00	1.30	2.70	3.20	4.29	6.43	3.42	5.23	5.85	2.81	3.03	2.10	3.15	5.20

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Mineral fuels, lubricants and related materials	0.30	1.30	0.10	0.00	1.40	4.84	10.04	5.56	10.46	22.54	63.02	43.39	25.08	73.75
Coal, coke and briquettes	0.00	0.00	0.00	0.00	0.00	0.05	0.02	0.01	0.01	0.00	0.03	0.00	0.02	0.27
Petroleum and petroleum products	0.00	0.00	0.00	0.00	1.38	4.73	9.92	5.55	6.84	22.53	61.16	42.32	24.50	71.43
Gas natural and manufactured	0.00	0.00	0.10	0.00	0.02	0.06	0.10	0.00	3.62	0.01	0.25	1.07	0.56	2.05
Electric energy	0.30	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.57	0.00	0.00	0.00
Animal and vegetable oils and fats	0.00	0.10	0.10	0.50	0.88	0.29	0.28	0.28	0.24	0.56	2.36	1.92	2.67	0.82
Chemicals	61.80	38.80	44.80	47.50	47.47	66.70	69.51	72.69	65.45	55.08	59.77	60.50	69.34	70.17
Organic chemicals	0.60	1.90	2.30	2.10	3.75	4.87	5.34	4.37	3.44	2.90	2.32	2.97	3.45	2.85
Inorganic chemicals	1.90	4.40	7.40	10.40	9.42	17.18	9.42	10.17	4.75	3.22	3.67	4.09	5.48	4.48
Dyeing tanning and coloring materials	0.40	0.80	0.50	1.20	1.78	1.58	2.69	3.17	2.12	2.80	3.71	3.48	4.54	5.99
Medical and pharmaceutical products	27.00	14.90	16.10	21.40	22.88	25.40	16.31	18.82	18.27	17.71	22.06	23.71	27.93	30.18
Essential oils and perfume materials, toilet, preparations	3.50	1.20	3.20	1.70	2.27	4.65	8.28	10.50	9.75	9.62	8.23	6.46	6.85	6.94
Fertilizers (other than crude)	3.20	0.30	2.50	3.00	0.14	0.24	8.06	4.81	5.84	4.84	3.39	6.71	6.84	2.86
Plastics in primary forms	20.40	12.20	6.80	2.70	1.62	4.67	7.57	9.85	9.34	3.83	4.16	2.45	2.97	3.41
Plastics in non-primary forms	4.40	2.90	3.90	3.30	3.28	4.20	8.00	7.78	9.19	8.16	9.53	8.04	8.33	10.10
Chemical materials and products, n.e.s.	0.40	0.20	2.10	1.70	2.34	3.92	3.84	3.22	2.75	2.00	2.69	2.59	2.95	3.37
Manufactured goods classified chiefly by material	525.00	479.20	358.00	353.40	409.31	441.18	350.14	422.71	448.38	354.22	487.31	372.57	316.17	398.07
Leather, leather manufactures, n.e.s. and dressed fur skin	6.40	7.70	6.30	5.70	8.20	7.57	5.47	6.29	4.09	2.83	1.73	1.94	3.00	1.33
Rubber manufactures, n.e.s.	0.00	0.00	0.00	0.00	12.33	15.31	1.57	1.67	1.47	1.41	1.22	1.00	0.74	0.23
Wood and cork manufactures(excluding furniture)	1.30	2.00	2.00	3.30	3.38	6.00	1.86	1.32	1.15	4.45	2.64	0.81	0.79	0.97
Paper, paperboard and articles of paper pulp	2.00	2.70	1.70	1.00	1.31	3.11	8.04	6.66	7.54	5.43	6.84	5.70	5.71	6.17
Textile yarn, fabrics, made-up articles and related products	76.90	54.00	61.40	76.10	72.65	71.36	71.12	60.27	58.68	40.43	36.94	37.32	35.80	42.42
Non-metallic manufactures, n.e.s	10.90	13.60	23.10	21.90	18.08	20.34	16.04	31.94	13.60	19.25	33.06	35.83	34.51	36.81
Iron and steel	334.40	314.80	173.60	114.10	79.11	104.02	142.54	187.43	249.44	182.35	289.38	195.74	156.14	250.97
Non-ferrous metals, n.e.s	71.50	67.90	69.40	105.10	185.92	183.93	82.91	103.57	85.40	73.49	90.36	73.35	61.97	40.68
Manufactures of metals, n.e.s	21.60	16.50	20.50	26.20	28.35	29.54	20.59	23.55	27.02	24.58	25.14	20.88	17.50	18.48

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Machinery and transport equipment	101.60	110.70	97.10	170.90	133.50	155.72	88.56	95.91	98.18	83.12	83.16	76.61	74.53	80.63
Power generating machinery and equipment	2.40	2.20	3.20	5.00	5.38	18.35	2.14	2.89	2.28	3.26	3.05	1.48	1.33	1.15
Machinery specialized for particular industries	5.70	9.30	1.90	4.90	4.06	6.26	3.20	2.52	3.04	3.81	2.63	2.31	3.07	2.87
Metal working machinery	14.80	5.20	10.40	6.00	3.57	7.25	4.76	1.73	1.59	1.12	1.22	0.67	0.89	0.66
General industrial machinery	5.30	4.90	5.00	9.70	11.31	19.24	4.72	4.73	4.33	3.36	6.23	3.42	3.92	4.76
Office machines and automatic data processing machines	0.70	0.00	0.10	0.00	0.08	0.15	0.09	0.23	0.14	0.79	1.55	0.43	0.96	1.28
Telecommunication apparatus and equipment	0.30	0.50	0.60	0.30	0.40	0.98	0.87	1.14	0.48	0.72	0.61	0.72	1.21	1.09
Electrical machinery, apparatus and appliances	49.30	46.40	59.50	95.70	72.75	77.40	47.84	48.25	46.18	45.38	46.51	46.85	41.99	44.39
Road vehicles	21.50	41.80	14.90	48.00	34.69	21.58	20.96	21.45	23.54	21.75	17.43	17.05	18.09	19.74
Other transport equipment	1.60	0.40	1.50	1.30	1.26	4.51	3.98	12.98	16.58	2.94	3.94	3.67	3.07	4.70
Miscellaneous manufactured articles	305.60	265.90	304.50	190.60	242.31	220.78	318.49	321.31	419.24	372.30	378.21	376.28	388.86	471.83
Pre fabric, buildings, sanitary plumb. heat, light fixtures and fittings	7.40	7.40	8.20	8.10	4.53	4.81	5.33	5.53	5.39	4.83	5.25	5.83	5.35	5.22
Furniture and parts thereof	4.30	5.80	18.40	23.70	50.12	41.40	3.68	3.52	3.86	7.33	8.55	5.53	5.02	5.40
Travel goods	0.00	0.10	0.00	0.20	0.20	0.15	0.25	0.15	0.07	0.13	0.29	0.30	0.33	0.30
Clothing	207.20	202.10	224.20	129.80	110.54	112.76	249.27	252.25	353.66	320.26	317.95	320.52	334.15	410.78
Footwear	84.00	48.90	49.90	22.00	66.05	53.84	55.13	51.70	48.85	34.12	38.44	37.40	35.84	41.39
Scientific and controlling instruments	1.50	0.50	1.70	1.50	1.54	1.18	1.15	1.97	1.74	1.55	1.21	1.57	2.62	0.92
Photo cameras, watch	0.00	0.00	0.00	0.00	0.25	0.07	0.24	0.28	0.12	0.08	0.17	0.16	0.27	0.22
Miscellaneous manufactured articles, n.e.s	1.20	1.10	2.10	5.30	9.09	6.57	3.44	5.91	5.55	3.99	6.35	4.96	5.30	7.60
Commodities and transactions not classified in SITC	0.00	0.90	0.20	0.10	1.94	1.69	1.17	0.02	0.81	0.51	4.57	2.39	3.79	2.73
Not classified	0.70	57.70	14.60	11.30	0.00	0.00	0.68	1.35	1.31	25.30	4.09	1.03	2.72	0.93

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TOTAL	1,675.88	2,042.30	2,415.16	3,398.27	3,990.64	2,708.49	3,351.43	4,478.31	4,015.40	4,298.77	4,964.13	4,530.08	4,787.20	5,671.47
Food and live animals	125.63	167.22	192.71	250.36	308.53	283.63	328.71	373.35	339.62	365.27	388.85	339.28	348.57	347.38
Live animals	0.14	0.10	0.07	0.35	3.54	6.25	4.06	4.24	3.74	2.34	2.55	2.40	0.87	2.59
Meat and meat preparations	20.15	19.43	19.23	24.22	33.79	35.91	36.98	44.07	39.28	37.27	36.51	25.37	25.55	24.46
Dairy products and eggs	3.75	7.54	6.08	6.35	9.65	6.43	7.92	10.94	11.29	9.52	12.21	14.14	11.22	16.36
Fish and fish preparations	4.57	5.73	7.89	8.40	10.68	9.79	9.12	10.14	7.66	5.66	4.96	1.70	1.01	2.63
Cereals and cereals preparations	10.91	16.30	20.51	30.26	41.15	42.89	48.12	60.18	58.94	67.40	73.24	70.10	73.47	81.88
Fruits and vegetables	63.43	86.98	110.25	143.72	165.75	142.61	181.07	197.07	175.43	193.84	209.76	182.64	190.09	170.84
Sugar, preparations and honey	7.62	9.22	5.68	8.54	10.12	9.88	10.81	12.09	11.04	11.85	11.61	9.60	9.44	9.70
Coffee tea, cocoa, manufacturers thereof	6.43	8.48	9.78	12.62	14.00	11.84	13.31	14.14	13.75	14.67	15.03	14.02	15.53	16.82
Feeding stuff animals	0.29	0.25	0.27	0.19	0.29	0.81	0.54	1.99	1.22	1.91	1.83	1.60	1.27	1.16
Miscellaneous food preparations	8.34	13.19	12.94	15.71	19.55	17.22	16.79	18.49	17.26	20.82	21.16	17.73	20.13	20.94
Beverages and tobacco	127.78	163.06	193.62	209.60	218.83	197.10	202.55	234.99	237.72	270.09	223.23	160.75	196.21	225.62
Beverages	54.96	61.17	80.66	102.54	95.55	86.12	79.03	81.46	91.36	87.99	77.01	53.64	65.12	66.31
Tobacco and tobacco manufactures	72.82	101.89	112.96	107.05	123.28	110.98	123.52	153.53	146.36	182.11	146.21	107.11	131.09	159.31
Crude materials, inedible, except fuels	44.11	67.75	113.60	170.65	272.02	173.72	259.99	288.48	265.08	278.23	268.00	216.51	207.19	323.80
Hides, skins and fur undressed	4.54	4.70	5.05	6.08	4.74	3.07	5.55	10.38	9.56	10.00	6.86	4.77	4.38	5.41
Oil seeds and oleaginous fruits	1.19	0.63	0.78	1.43	1.98	1.05	2.44	3.36	3.30	2.97	3.69	2.02	1.13	3.44
Crude rubber (including synthetic and reclaimed)	0.00	0.00	0.00	0.00	0.03	0.02	0.05	0.02	0.12	0.01	0.00	0.03	0.02	0.01
Cork and wood	4.81	4.12	4.79	7.59	5.96	4.17	3.11	3.42	3.70	2.41	2.74	2.35	2.29	2.66
Pulp and waste paper	0.65	0.59	0.43	0.75	0.67	0.54	0.92	3.86	3.31	3.83	4.06	3.63	4.93	5.45
Textile fibbers and their wastes	1.26	0.84	1.37	1.65	1.08	0.54	1.61	2.54	1.44	2.05	1.98	1.69	0.78	1.81
Crude fertilizers and crude minerals	15.85	18.37	17.19	18.55	23.57	28.79	35.81	36.49	25.83	29.62	34.65	25.99	26.49	49.63
Metalliferous ores and metal scrap	10.37	32.79	77.36	127.02	225.49	129.66	203.45	220.18	210.33	217.89	205.84	165.34	152.17	237.37
Crude animal and vegetable materials n.e.s	5.45	5.71	6.63	7.59	8.52	5.89	7.05	8.24	7.49	9.44	8.17	10.69	15.00	18.02

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Mineral fuels, lubricants and related materials	78.34	163.61	225.03	165.30	314.32	202.94	257.37	390.12	258.52	106.43	87.10	61.57	54.94	85.48
Coal, coke and briquettes	1.11	2.81	2.53	2.92	1.00	1.19	1.82	0.99	1.55	0.27	0.02	0.63	0.17	0.18
Petroleum and petroleum products	75.45	158.22	203.53	158.19	305.71	191.32	218.14	333.71	206.83	94.73	73.43	46.95	43.23	54.84
Gas natural and manufactured	1.78	2.58	4.10	2.09	6.71	4.80	3.49	5.60	5.25	5.11	2.86	2.45	2.33	2.64
Electric energy	0.00	0.00	14.86	2.10	0.91	5.63	33.93	49.83	44.89	6.33	10.78	11.54	9.21	27.82
Animal and vegetable oils and fats	7.01	2.86	2.16	2.46	12.43	8.17	11.30	17.84	15.55	9.72	12.24	20.30	20.43	6.89
Chemicals	73.42	90.80	100.66	133.09	181.07	172.25	381.81	747.20	681.14	838.00	1,053.83	1,022.55	1,146.91	1,358.63
Organic chemicals	1.09	1.50	2.19	3.33	1.83	1.70	1.61	2.58	2.08	1.70	1.94	2.02	1.96	1.66
Inorganic chemicals	4.40	6.41	8.62	7.87	10.86	10.73	10.11	21.74	10.67	11.58	10.45	8.29	8.34	9.53
Dyeing tanning and coloring materials	7.98	12.37	15.77	19.11	22.91	18.51	14.68	16.57	14.03	13.86	13.87	11.93	12.03	13.40
Medical and pharmaceutical products	38.79	41.37	44.20	55.34	75.32	72.56	76.46	83.17	83.82	80.69	81.68	70.55	76.74	90.51
Essential oils and perfume materials, toilet, preparations	7.85	7.49	6.39	8.89	9.99	9.37	9.17	11.42	11.37	12.69	12.87	11.51	11.93	13.20
Fertilizers (other than crude)	0.37	0.20	0.01	0.01	0.09	0.05	0.05	0.64	0.82	0.41	0.09	0.12	0.27	0.65
Plastics in primary forms	3.14	3.23	3.71	6.86	10.77	8.70	10.67	17.20	16.54	16.90	14.87	13.30	13.19	15.24
Plastics in non-primary forms	12.41	13.98	15.05	25.05	41.46	37.85	29.89	41.28	41.74	56.62	50.68	41.54	45.16	47.70
Chemical materials and products, n.e.s.	3.61	4.26	4.70	6.64	7.85	12.77	229.16	552.59	500.07	643.55	867.37	863.28	977.28	1,166.74
Manufactured goods classified chiefly by material	552.69	682.82	853.79	1,513.20	1,602.80	771.46	990.81	1,233.35	1,038.47	1,030.97	962.40	802.10	688.74	763.60
Leather, leather manufactures, n.e.s. and dressed fur skin	3.75	1.88	0.99	0.88	1.38	1.38	1.61	2.47	1.70	1.93	1.48	1.24	1.27	2.93
Rubber manufactures, n.e.s.	0.53	0.42	0.39	0.61	0.78	0.92	0.65	0.63	0.59	3.36	4.98	6.90	8.18	10.40
Wood and cork manufactures(excluding furniture)	1.67	2.18	3.55	6.21	6.31	5.32	4.79	4.31	3.96	3.81	4.26	4.32	4.92	4.70
Paper, paperboard and articles of paper pulp	6.86	7.72	10.00	17.42	15.37	11.67	12.29	12.94	9.05	8.62	9.09	9.53	10.66	12.46
Textile yarn, fabrics, made-up articles and related products	52.65	50.52	45.58	50.46	55.91	45.67	56.47	60.11	60.10	77.71	78.67	67.20	77.98	80.42
Non-metallic manufactures, n.e.s	43.77	50.70	70.50	97.06	115.77	91.45	72.11	69.04	55.04	49.89	49.27	47.98	44.81	60.07
Iron and steel	405.36	535.24	668.61	1,268.51	1,296.46	534.40	778.44	1,011.41	834.94	805.24	731.13	578.04	455.19	492.40
Non-ferrous metals, n.e.s	7.20	5.18	8.08	9.39	7.80	7.03	8.13	7.77	14.09	22.03	13.59	16.97	8.61	13.29
Manufactures of metals, n.e.s	24.55	28.98	46.09	62.66	103.04	73.62	56.32	64.67	59.00	58.38	69.93	69.93	77.13	86.92

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Machinery and transport equipment	92.61	109.93	118.65	151.57	186.39	153.29	198.80	353.64	398.99	571.58	1,044.29	1,118.08	1,331.72	1,671.87
Power generating machinery and equipment	1.56	1.71	1.58	2.54	3.23	5.07	1.59	1.31	1.01	0.98	1.00	1.13	1.66	1.30
Machinery specialized for particular industries	4.15	4.69	5.11	10.70	15.27	12.73	10.83	16.31	15.15	14.12	15.87	14.43	18.98	12.39
Metal working machinery	0.82	1.11	1.28	1.66	1.72	0.75	2.09	1.17	2.19	1.34	1.60	1.02	2.33	1.73
General industrial machinery	5.75	8.08	11.29	16.55	16.91	20.77	44.12	122.86	189.21	285.20	443.04	495.52	572.82	625.76
Office machines and automatic data processing machines	2.32	1.78	2.13	2.94	3.85	4.53	3.61	5.83	5.02	4.22	4.12	4.51	4.72	3.82
Telecommunication apparatus and equipment	1.04	1.90	1.14	2.69	7.93	4.21	4.95	6.14	4.84	6.31	9.36	15.51	6.25	31.08
Electrical machinery, apparatus and appliances	49.52	51.15	59.56	69.04	89.75	76.29	94.32	158.98	135.31	199.56	431.17	444.53	524.62	727.17
Road vehicles	23.73	28.22	26.77	33.51	35.43	22.80	29.51	31.73	36.73	47.09	119.70	121.57	181.12	255.58
Other transport equipment	10.07	11.29	9.79	11.93	12.30	6.15	7.79	9.30	9.54	12.75	18.44	19.87	19.23	13.02
Miscellaneous manufactured articles	570.80	590.52	612.00	800.27	892.84	745.10	717.72	836.54	779.37	825.16	920.05	787.67	787.95	883.26
Pre fabric. buildings, sanitary plumb. heat, light fixtures and fittings	6.45	6.30	6.70	8.11	7.83	6.44	6.03	3.05	1.60	1.16	1.07	1.28	1.97	2.19
Furniture and parts thereof	8.13	10.18	13.25	23.70	34.85	32.14	34.16	41.77	54.66	65.32	100.35	136.68	159.69	223.06
Travel goods	0.13	0.08	0.51	0.45	0.34	0.24	0.23	0.92	1.60	2.32	1.98	1.66	1.32	1.62
Clothing	490.32	498.53	516.13	655.95	714.68	584.63	564.57	659.32	602.75	627.12	676.45	534.62	513.37	526.28
Footwear	50.27	58.49	56.96	85.23	91.47	81.76	75.25	83.07	68.80	78.29	84.43	64.30	56.85	64.93
Scientific and controlling instruments	1.36	1.01	1.18	1.92	12.72	13.54	11.89	15.51	13.80	11.84	14.16	14.21	13.67	16.05
Photo cameras, watch	0.27	0.21	0.42	0.74	0.73	0.45	0.46	0.61	0.72	1.35	1.71	1.54	1.71	2.14
Miscellaneous manufactured articles, n.e.s	13.87	15.72	16.85	24.16	30.23	25.89	25.13	32.28	35.43	37.76	39.89	33.38	39.38	47.00
Commodities and transactions not classified in SITC	3.50	3.73	2.95	1.77	1.41	0.83	2.36	2.80	0.94	3.33	4.15	1.26	4.55	4.93
Not classified	1.33	0.81	0.04	0.01	0.00									

Source: State Statistical Office

Macedonia: Import of goods divided by sectors and sections according to the system of international trade classification (in mil USD)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
TOTAL	1,531.00	1,375.20	1,206.10	1,199.40	1,484.09	1,718.90	1,626.92	1,778.51	1,914.66	1,776.15	2,093.87	1,693.60	1,995.16	2,306.35
Food and live animals	156.80	124.30	164.70	206.30	282.27	280.73	218.25	243.14	255.94	212.18	211.57	194.00	246.50	271.18
Live animals	3.90	4.30	13.40	12.00	3.38	6.06	2.53	1.34	2.19	4.08	6.56	1.03	2.98	1.60
Meat and meat preparations	9.50	8.80	18.20	48.10	66.22	64.54	66.56	65.18	77.19	69.19	63.31	61.71	70.93	70.32
Dairy products and eggs	12.70	10.10	12.80	17.40	23.21	20.85	16.71	14.28	16.89	15.43	15.02	10.71	12.72	16.55
Fish and fish preparations	0.10	1.00	3.60	9.20	5.41	6.81	7.56	7.46	8.27	8.38	6.64	6.41	8.82	9.89
Cereals and cereals preparations	14.90	10.10	23.40	27.30	47.83	30.74	27.73	70.78	60.19	31.72	40.61	31.29	45.70	46.63
Fruits and vegetables	77.00	65.80	22.30	30.90	61.04	71.61	28.72	26.70	21.27	20.46	17.70	16.36	24.93	34.31
Sugar, preparations and honey	6.40	2.60	15.00	15.00	27.28	28.26	26.90	15.86	19.24	16.55	15.78	17.74	24.81	26.38
Coffee tea, cocoa, manufacturers thereof	25.10	16.00	11.80	20.60	20.12	24.16	15.65	18.95	24.76	19.64	16.79	19.27	22.64	27.62
Feeding stuff animals	4.60	3.40	34.20	9.30	12.02	11.33	9.57	10.47	13.56	13.46	16.23	16.36	15.61	14.01
Miscellaneous food preparations	2.60	2.20	10.00	16.50	15.78	16.38	16.34	12.11	12.37	13.27	12.94	13.13	17.36	23.87
Beverages and tobacco	46.40	43.80	23.90	31.50	24.46	17.37	17.42	19.75	25.90	32.24	22.63	18.07	17.99	24.19
Beverages	9.20	11.50	2.30	2.70	2.90	3.16	3.78	3.83	7.53	7.90	5.83	4.69	6.67	10.41
Tobacco and tobacco manufactures	37.20	32.30	21.60	28.80	21.56	14.21	13.63	15.92	18.38	24.34	16.80	13.39	11.33	13.78
Crude materials, inedible, except fuels	115.70	90.70	106.90	66.70	75.22	78.78	77.07	69.18	67.28	56.53	54.47	47.07	50.05	60.03
Hides, skins and fur undressed	15.40	10.00	7.70	6.00	7.06	11.55	13.82	11.03	6.47	2.22	2.78	2.52	1.73	1.89
Oil seeds and oleaginous fruits	6.60	6.00	3.10	2.40	2.47	2.66	3.31	3.03	5.11	4.60	4.25	4.69	5.69	4.86
Crude rubber (including synthetic and reclaimed)	2.30	2.00	2.60	3.50	2.63	2.20	1.61	1.69	1.59	1.20	1.21	1.22	1.19	1.05
Cork and wood	1.30	0.90	4.40	5.90	7.60	7.11	15.19	14.69	16.59	18.38	19.27	10.57	14.52	16.48
Pulp and waste paper	1.70	2.00	2.10	0.50	3.21	3.46	0.53	0.14	1.45	0.67	1.66	1.18	0.45	0.45
Textile fibbers and their wastes	56.70	37.30	51.30	25.50	26.11	25.14	20.27	16.19	16.24	10.64	7.47	9.24	8.39	10.05
Crude fertilizers and crude minerals	11.20	8.50	12.80	13.70	20.97	16.47	11.36	11.08	11.87	11.44	8.69	7.63	9.06	8.22
Metalliferous ores and metal scrap	17.80	21.00	21.30	7.60	0.87	2.80	4.62	6.63	1.92	1.45	3.13	3.69	2.86	10.22
Crude animal and vegetable materials n.e.s	2.70	3.00	1.60	1.60	4.30	7.39	6.36	4.70	6.03	5.94	6.01	6.33	6.16	6.81

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Mineral fuels, lubricants and related materials	215.30	145.10	142.10	191.10	160.95	198.96	148.48	197.04	162.59	162.43	289.79	234.24	263.22	323.06
Coal, coke and briquettes	2.20	4.00	9.60	13.70	13.51	13.34	19.50	19.69	26.45	17.83	14.52	13.95	12.53	23.40
Petroleum and petroleum products	212.80	135.80	127.60	176.20	144.86	181.38	127.79	173.13	131.04	135.10	255.74	192.76	205.68	258.97
Gas natural and manufactured	0.30	2.00	4.90	1.20	2.59	4.25	1.19	4.22	5.11	8.45	17.86	17.20	17.10	18.10
Electric energy	0.00	3.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.04	1.68	10.34	27.90	22.59
Animal and vegetable oils and fats	3.00	4.20	11.90	1.70	1.56	4.00	20.12	15.47	25.57	22.70	14.09	16.09	19.92	24.47
Chemicals	135.20	123.00	156.90	186.20	196.89	205.02	171.17	192.15	203.37	184.39	188.49	172.40	211.71	254.87
Organic chemicals	54.70	47.00	38.80	32.70	42.12	50.89	28.94	37.11	33.91	23.39	19.13	16.04	18.34	17.73
Inorganic chemicals	10.10	8.20	11.00	16.90	15.37	12.65	11.34	13.90	12.85	10.45	9.59	8.84	11.43	10.54
Dyeing tanning and coloring materials	12.60	11.50	17.60	22.70	18.41	14.47	11.79	11.84	11.57	9.92	9.99	8.02	10.66	14.21
Medical and pharmaceutical products	8.70	9.80	17.50	27.10	31.37	34.97	37.81	41.53	44.18	40.59	46.72	46.35	55.53	68.76
Essential oils and perfume materials, toilet, preparations	7.90	7.60	22.60	24.80	20.18	18.23	19.93	29.71	31.09	32.57	34.81	33.22	40.30	52.52
Fertilizers (other than crude)	5.70	2.90	1.10	9.60	10.71	7.31	10.49	8.55	10.59	8.54	9.44	8.48	10.46	9.30
Plastics in primary forms	18.80	17.70	20.60	23.00	26.19	34.02	18.02	18.61	20.42	23.41	22.67	20.46	25.99	30.93
Plastics in non-primary forms	3.90	2.40	5.90	6.80	7.90	9.19	7.20	8.71	11.27	11.91	13.57	12.70	17.99	23.02
Chemical materials and products, n.e.s.	12.80	15.90	21.80	22.60	24.66	23.27	25.66	22.19	27.51	23.61	22.58	18.29	21.01	27.86
Manufactured goods classified chiefly by material	291.90	262.50	205.80	203.90	204.06	269.21	306.96	343.77	278.15	272.73	270.16	206.97	264.80	333.21
Leather, leather manufactures, n.e.s. and dressed fur skin	21.70	17.90	13.90	6.60	3.83	5.44	1.44	1.20	1.05	0.74	0.72	1.37	0.81	0.97
Rubber manufactures, n.e.s.	3.30	4.70	9.50	15.70	12.41	15.14	18.83	19.46	20.72	21.07	17.31	12.95	17.15	20.30
Wood and cork manufactures(excluding furniture)	1.50	1.00	5.50	10.10	9.74	8.75	11.38	11.92	17.52	23.09	22.34	14.33	20.19	23.63
Paper, paperboard and articles of paper pulp	6.90	11.50	24.80	27.00	36.07	40.90	40.31	42.76	44.23	46.88	46.11	41.41	50.33	58.66
Textile yarn, fabrics, made-up articles and related products	77.80	45.20	45.60	50.30	37.99	41.45	43.32	35.43	33.03	33.16	26.63	23.02	24.51	27.06
Non-metallic manufactures, n.e.s	12.00	10.90	13.90	13.10	16.98	23.08	24.32	27.15	31.01	29.81	33.93	27.54	40.76	53.28
Iron and steel	114.30	126.80	51.60	45.20	38.11	75.87	66.87	112.25	53.73	46.90	57.16	34.81	44.55	75.99
Non-ferrous metals, n.e.s	42.00	33.00	22.60	15.70	22.16	31.96	68.69	54.07	35.26	32.24	27.48	16.07	23.59	20.90
Manufactures of metals, n.e.s	12.40	11.50	18.40	20.20	26.75	26.63	31.79	39.53	41.61	38.83	38.46	35.48	42.91	52.41

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Machinery and transport equipment	170.60	163.00	117.60	199.60	292.14	334.64	362.98	302.04	366.12	355.31	409.80	283.31	407.97	434.25
Power generating machinery and equipment	8.00	8.10	5.30	10.70	18.59	7.19	6.05	8.49	7.82	7.88	7.95	4.99	8.68	15.45
Machinery specialized for particular industries	35.30	44.40	21.00	33.40	34.54	43.78	49.76	57.48	64.31	62.60	63.63	51.47	53.53	49.58
Metal working machinery	5.70	9.50	2.90	2.40	2.68	4.16	2.87	2.80	5.11	3.51	5.10	4.77	4.86	5.45
General industrial machinery	33.30	42.30	28.40	51.20	41.36	51.38	47.18	48.00	43.92	53.40	51.70	44.18	49.17	60.09
Office machines and automatic data processing machines	4.70	6.20	8.20	11.20	16.02	18.62	17.27	14.10	15.23	23.74	24.90	30.11	33.17	34.92
Telecommunication apparatus and equipment	39.10	14.10	5.20	10.80	20.71	18.25	53.14	25.99	36.04	30.50	47.97	36.25	50.64	89.58
Electrical machinery, apparatus and appliances	25.90	15.90	23.20	27.20	32.07	34.20	48.64	51.68	48.46	48.53	61.70	47.68	70.94	76.03
Road vehicles	17.10	21.80	23.30	52.10	125.39	155.96	136.39	90.96	103.26	113.31	137.80	62.21	130.97	101.95
Other transport equipment	1.50	0.70	0.10	0.60	0.77	1.08	1.68	2.56	41.97	11.85	9.04	1.65	6.01	1.20
Miscellaneous manufactured articles	158.30	127.10	123.20	79.10	144.20	154.22	173.37	213.77	93.72	97.48	103.32	109.55	113.27	128.71
Pre fabric, buildings, sanitary plumb. heat, light fixtures and fittings	1.30	1.60	0.90	1.90	2.03	2.34	3.48	3.57	4.71	8.07	7.78	10.14	7.77	6.98
Furniture and parts thereof	3.30	4.00	3.30	11.20	9.15	9.32	9.85	11.11	12.88	12.30	14.32	11.71	13.81	16.27
Travel goods	1.30	0.50	0.40	0.40	0.79	0.93	0.88	0.65	0.73	0.75	1.06	1.27	1.47	1.54
Clothing	96.50	73.80	88.10	30.50	76.17	74.70	86.28	117.78	16.09	13.90	10.48	13.70	14.06	21.48
Footwear	24.00	16.70	8.50	8.00	23.10	24.04	22.07	33.03	9.93	8.72	7.45	5.75	6.92	8.74
Scientific and controlling instruments	11.10	11.20	9.60	8.70	11.17	14.90	17.80	18.16	18.15	18.30	23.86	20.42	27.05	20.15
Photo cameras, watch	0.00	0.00	0.00	0.00	4.55	4.74	4.30	3.79	3.90	4.16	5.05	3.56	4.60	5.83
Miscellaneous manufactured articles, n.e.s	20.80	19.30	12.40	18.40	17.24	23.25	28.72	25.68	27.33	31.29	33.32	43.00	37.59	47.72
Commodities and transactions not classified in SITC	237.80	190.50	153.10	33.30	102.35	175.99	118.17	171.47	424.48	371.84	529.55	411.89	399.71	452.39
Not classified	0.00	101.00	0.00	0.00	0.00	0.00	11.57	10.72	11.53	8.32	5.55	4.53	4.00	2.67

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TOTAL	2,931.63	3,232.84	3,752.26	5,280.58	6,882.65	5,072.82	5,474.48	7,027.16	6,522.39	6,619.59	7,301.37	6,426.81	6,757.45	7,719.85
Food and live animals	337.47	343.21	362.39	518.28	620.90	559.29	558.90	672.24	681.50	681.62	686.43	611.64	613.02	683.98
Live animals	2.14	1.75	2.31	1.90	2.23	1.72	1.24	1.95	3.46	2.90	5.10	2.55	4.45	3.50
Meat and meat preparations	86.83	88.38	89.66	120.55	139.61	141.18	125.62	155.26	160.46	169.90	157.64	135.87	130.98	149.83
Dairy products and eggs	21.43	26.32	29.46	36.33	43.21	41.65	43.73	56.30	56.13	58.80	57.92	50.81	53.15	59.41
Fish and fish preparations	11.37	12.95	18.35	22.34	26.77	23.83	20.74	25.62	23.22	23.14	25.91	22.81	20.64	23.55
Cereals and cereals preparations	66.80	51.25	42.21	97.07	116.74	81.17	79.29	104.04	116.73	97.59	101.63	93.14	86.75	99.06
Fruits and vegetables	44.99	43.35	43.94	63.38	76.89	70.08	67.69	78.69	77.99	83.87	94.58	86.93	91.90	102.95
Sugar, preparations and honey	22.29	26.62	32.86	40.56	45.76	43.98	60.99	70.84	64.98	57.41	49.68	42.88	49.43	52.70
Coffee tea, cocoa, manufacturers thereof	34.43	39.24	43.22	54.12	66.84	64.43	67.47	77.39	78.48	78.22	78.23	75.01	78.52	85.75
Feeding stuff animals	16.08	15.31	15.27	22.86	29.92	24.55	24.83	26.58	27.34	32.78	38.48	36.27	25.64	28.17
Miscellaneous food preparations	31.10	38.03	45.10	59.16	72.93	66.70	67.28	75.59	72.69	77.01	77.25	65.35	71.56	79.06
Beverages and tobacco	27.98	31.10	31.85	38.27	51.16	51.71	57.58	68.94	74.00	78.01	71.53	66.60	80.81	84.66
Beverages	12.94	15.58	17.98	25.64	33.20	33.42	33.00	38.80	37.21	39.77	37.27	35.49	38.00	42.27
Tobacco and tobacco manufactures	15.04	15.52	13.86	12.64	17.96	18.29	24.58	30.14	36.79	38.24	34.26	31.11	42.82	42.39
Crude materials, inedible, except fuels	77.36	106.71	133.52	298.15	351.05	203.46	289.31	365.91	299.74	215.16	268.66	209.51	140.73	195.67
Hides, skins and fur undressed	4.10	3.01	1.83	2.05	2.08	1.84	2.52	6.66	3.53	2.83	2.58	1.63	1.29	1.41
Oil seeds and oleaginous fruits	6.90	7.00	7.02	8.92	12.05	9.69	11.44	10.39	11.04	12.58	16.27	14.42	14.98	14.15
Crude rubber (including synthetic and reclaimed)	1.59	1.28	0.99	1.18	2.03	1.42	1.30	3.36	3.67	3.71	3.67	2.64	1.98	2.70
Cork and wood	16.35	15.13	15.95	16.76	20.22	24.95	21.43	24.16	19.24	19.83	21.89	24.41	25.13	31.39
Pulp and waste paper	0.31	0.42	0.97	2.76	0.69	0.90	0.79	0.86	0.18	0.31	0.33	0.46	0.63	1.35
Textile fibbers and their wastes	11.55	12.13	14.68	15.63	16.43	12.25	13.40	12.83	13.39	15.33	13.38	12.92	10.85	12.66
Crude fertilizers and crude minerals	7.42	8.55	8.28	18.22	19.05	13.90	14.26	17.41	14.21	13.90	14.62	12.45	13.19	12.99
Metalliferous ores and metal scrap	20.06	48.72	72.48	218.54	259.04	118.87	205.91	269.17	216.64	128.39	175.35	122.56	53.85	100.68
Crude animal and vegetable materials n.e.s	9.08	10.47	11.32	14.11	19.45	19.64	18.25	21.08	17.84	18.28	20.57	18.03	18.83	18.33

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Mineral fuels, lubricants and related materials	397.78	619.25	758.92	975.67	1,419.28	811.14	966.84	1,438.56	1,390.38	1,073.76	1,051.62	703.39	605.62	752.38
Coal, coke and briquettes	22.37	28.71	29.88	38.25	50.56	11.90	31.59	51.62	45.19	46.68	41.29	23.28	21.86	20.02
Petroleum and petroleum products	316.30	492.73	627.33	627.56	934.59	622.32	744.84	1,056.58	971.32	745.68	708.16	463.78	418.79	502.52
Gas natural and manufactured	20.21	27.77	39.20	56.87	87.02	56.04	74.73	102.22	120.67	110.19	114.63	83.04	72.23	105.16
Electric energy	38.90	70.04	62.52	253.00	347.11	120.89	115.68	228.14	253.20	171.20	187.54	133.28	92.74	124.67
Animal and vegetable oils and fats	52.89	30.03	31.36	46.95	67.44	45.88	51.84	75.65	79.37	68.17	56.20	58.34	58.98	49.79
Chemicals	280.95	334.00	364.55	490.17	614.14	569.41	662.99	827.58	740.59	872.31	828.10	762.04	801.16	865.58
Organic chemicals	18.52	19.41	20.91	35.87	43.70	36.74	28.00	29.01	27.54	26.78	25.89	21.73	25.10	27.82
Inorganic chemicals	10.92	10.92	9.39	12.87	16.77	22.46	128.41	108.57	68.89	76.21	79.63	78.59	40.64	52.83
Dyeing tanning and coloring materials	19.20	22.83	27.96	37.56	43.79	38.84	39.30	93.86	83.83	136.14	64.09	45.97	51.11	53.09
Medical and pharmaceutical products	78.17	75.00	79.10	102.18	130.18	146.40	138.86	163.12	158.14	167.59	176.66	145.79	161.80	172.35
Essential oils and perfume materials, toilet, preparations	56.97	62.41	68.93	85.25	103.35	96.74	96.84	106.66	102.76	112.15	117.26	105.31	111.23	116.57
Fertilizers (other than crude)	13.80	17.61	16.99	24.44	32.40	25.74	26.25	34.37	30.89	36.75	33.93	27.43	29.53	24.33
Plastics in primary forms	44.16	52.78	57.93	80.29	98.88	74.54	74.30	102.90	96.73	113.38	102.93	95.74	93.26	98.55
Plastics in non-primary forms	29.21	34.74	41.57	56.00	72.75	67.05	67.28	85.94	83.52	98.02	108.44	101.14	107.82	117.29
Chemical materials and products, n.e.s.	32.97	38.31	41.76	55.72	72.30	60.90	63.75	103.16	88.29	105.30	119.25	140.33	180.66	202.74
Manufactured goods classified chiefly by material	740.76	950.51	1,120.97	1,509.16	1,862.93	1,214.04	1,385.52	1,963.24	1,833.79	2,041.45	2,496.79	2,286.36	2,517.61	2,881.18
Leather, leather manufactures, n.e.s. and dressed fur skin	6.76	31.89	33.99	38.38	44.25	35.49	34.83	40.99	38.28	43.02	44.82	30.12	40.54	59.84
Rubber manufactures, n.e.s.	25.28	27.50	28.85	37.61	42.86	40.99	37.26	49.31	48.11	51.29	58.41	57.12	58.69	63.35
Wood and cork manufactures(excluding furniture)	29.67	30.61	33.84	45.74	59.28	45.01	41.78	51.85	48.29	51.31	57.22	52.63	58.02	58.46
Paper, paperboard and articles of paper pulp	72.86	76.06	83.38	105.73	131.82	114.42	113.27	133.04	121.14	128.22	130.66	112.70	117.66	118.95
Textile yarn, fabrics, made-up articles and related products	106.80	319.74	345.73	441.87	477.28	394.18	408.56	483.01	442.73	483.55	530.96	464.92	454.60	502.74
Non-metallic manufactures, n.e.s	61.38	64.41	75.76	94.00	121.11	113.14	126.40	165.75	163.35	188.57	247.67	281.76	358.81	415.48
Iron and steel	298.68	288.53	368.04	545.93	757.35	302.36	355.72	437.53	370.07	364.65	362.82	324.56	350.57	422.60
Non-ferrous metals, n.e.s	39.63	44.65	67.57	84.98	85.64	51.60	168.60	473.65	475.25	593.04	911.01	825.17	920.81	1,066.24
Manufactures of metals, n.e.s	57.14	67.12	83.82	114.92	143.34	116.85	99.11	128.11	126.57	137.81	153.21	137.38	157.89	173.54

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Machinery and transport equipment	504.46	563.07	688.84	1,046.28	1,442.41	1,215.20	1,097.22	1,174.86	1,026.53	1,157.94	1,365.12	1,293.94	1,439.56	1,668.27
Power generating machinery and equipment	13.28	11.40	12.68	25.75	89.86	78.55	36.89	37.54	42.47	80.96	68.63	47.63	40.13	36.58
Machinery specialized for particular industries	61.76	62.08	87.09	132.35	149.12	121.62	109.31	108.44	107.86	118.34	137.33	138.62	140.29	140.99
Metal working machinery	7.08	10.54	13.10	21.96	25.35	20.04	13.04	13.57	12.09	19.98	19.02	16.71	28.12	34.04
General industrial machinery	79.96	87.35	95.72	138.83	206.93	170.95	128.61	192.04	167.94	198.94	211.14	203.48	214.84	236.72
Office machines and automatic data processing machines	43.42	51.76	63.16	80.42	105.30	98.86	79.57	70.68	67.03	69.49	78.31	64.91	62.55	64.34
Telecommunication apparatus and equipment	73.77	79.46	82.02	158.08	206.64	178.53	149.46	139.56	147.09	149.45	154.88	133.60	153.08	150.11
Electrical machinery, apparatus and appliances	81.77	89.32	104.00	162.66	197.34	185.23	188.75	254.05	204.10	262.17	389.88	395.17	451.43	619.52
Road vehicles	184.49	158.26	203.65	322.65	445.96	296.79	369.59	350.04	273.26	253.27	297.28	273.23	330.22	368.32
Other transport equipment	1.50	12.91	27.41	3.59	15.90	64.64	22.00	8.96	4.68	5.34	8.65	20.60	18.90	17.64
Miscellaneous manufactured articles	171.85	252.86	257.73	355.86	451.64	392.74	399.26	430.81	390.27	425.64	470.71	429.90	491.91	529.89
Pre fabric. buildings, sanitary plumb. heat, light fixtures and fittings	8.41	9.54	13.28	16.45	22.69	16.66	14.63	19.22	23.99	24.34	24.33	25.70	27.11	28.42
Furniture and parts thereof	18.81	21.94	24.65	33.14	46.81	39.08	39.23	39.14	42.48	45.07	48.91	44.82	58.07	69.65
Travel goods	1.78	1.98	2.27	3.57	5.27	4.61	4.46	6.12	5.06	5.66	7.02	6.69	8.26	9.49
Clothing	28.19	69.97	59.29	78.04	89.05	74.50	64.97	66.84	64.18	72.86	79.28	72.67	83.60	89.96
Footwear	12.88	18.23	21.74	31.13	40.34	36.99	35.67	38.08	36.87	39.41	43.16	40.12	42.97	44.13
Scientific and controlling instruments	28.19	33.12	30.97	49.27	66.23	63.10	63.87	75.80	53.54	66.06	67.81	52.65	64.96	71.73
Photo cameras, watch	7.01	7.54	7.84	9.86	12.38	10.17	10.06	11.33	11.15	12.22	12.30	11.66	12.32	12.81
Miscellaneous manufactured articles, n.e.s	66.58	90.55	97.69	134.40	168.87	147.62	166.37	174.27	153.00	160.03	187.90	175.60	194.62	203.70
Commodities and transactions not classified in SITC	340.13	2.10	2.12	1.79	1.72	9.96	5.03	9.36	6.22	5.54	6.23	5.08	8.05	8.44
Not classified	2.29	2.10	2.08	1.69	1.59									

Source: State Statistical Office

MACEDONIA CEFTA APPENDIX

Table 1. MK trade with CEFTA (in '000 USD)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Exports	408669	352159	337785	382569	484614	618782	790986	999931	1416181	1000811	1018584	1245760	981331	755628	692153	575097	600329
Imports	256858	210092	255971	292675	332464	372394	400811	621528	763664	601416	629199	799634	741709	659011	753153	634149	664777
Balance	151811	142067	81814	89894	152150	246388	390175	378403	652517	399395	389385	446126	239622	96617	-61000	-59052	-64448

Source: State Statistical Office of the Republic of Macedonia: MAKSTAT database (<http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>)

Table 1. MK trade with CEFTA (in '000 EUR)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Exports	445449	394418	358052	336661	389568	500479	627627	727253	958185	715799	771212	892552	763419	569098	522598	519333	542379
Imports	279975	235303	271329	257554	267625	299931	317726	450555	518138	430308	475915	574310	577320	495841	567517	572722	601169
Balance	165474	159115	86723	79107	121943	200548	309901	276698	440047	285491	295297	318242	186099	73257	-44919	-53389	-58790

Source: State Statistical Office of the Republic of Macedonia: MAKSTAT database (<http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>)

Table 3a. Most exported macedonian industrial products to CEFTA (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	
Product ranked 1st	n.a	n.a	36716	Petroleum oils and oils obtained from bituminous minerals (excluding crude) (code 271000)	18193	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	27980	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	41565	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	104904	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	138627	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	106013	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	221923	
Product ranked 2nd	n.a	n.a	24169	Cigarettes, containing tobacco (code 240220)	16100	Cigarettes, containing tobacco (code 240220)	21378	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	25725	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	47791	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	59673	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	50463	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	83610	
Product ranked 3rd	n.a	n.a	23030	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	15316	Waters, included mineral and aerated, with added sugar, sweetener and flavour (code 220210)	20142	Waters, included mineral and aerated, with added sugar, sweetener and flavour (code 220210)	23903	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	19369	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	32098	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	47484	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	69812	

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
		Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value	"Product (HS 6 level)"	Import value
Product ranked 4th	n.a	n.a	Waters, included mineral and aerated, with added sugar, sweetener and flavour (code 220210)	12015	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	11662	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	16714	Waters, included mineral and aerated, with added sugar, sweetener and flavour (code 220210)	14908	Waters, included mineral and aerated, with added sugar, sweetener and flavour (code 220210)	15561	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	27668	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	37785	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations (721420)	55870
Product ranked 5th	n.a	n.a	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	9169	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	10194	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	12091	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	14400	Portland cement (excluding white, whether or not artificially coloured) (code 252329)	14926	Portland cement (excluding white, whether or not artificially coloured) (code 252329)	25071	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations (721420)	37007	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	50208
Total of above				105099		71465		98305		120501		202551		283137		278752		481423
Total share in export to CEFTA (in %)				29.8		21.2		25.7		24.9		32.7		35.8		27.9		34.0

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	138632	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	158620	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	250039	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	147122	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	52318	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	42344	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	34395	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	37113
Product ranked 2nd	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	53036	Light oils and preparations, of petroleum or bituminous minerals (271011)	48722	Light oils and preparations, of petroleum or bituminous minerals (271011)	59321	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	49629	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	40927	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	35756	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	23688	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	26069
Product ranked 3rd	Light oils and preparations, of petroleum or bituminous minerals (271011)	44055	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	42347	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	49231	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	33460	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721070)	31464	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721070)	26264	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	19206	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	22843

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	41729	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	37102	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	43693	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721070)	28179	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	26572	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	22009	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721070)	17205	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721070)	20016
Product ranked 5th	Portland cement (excluding white, whether or not artificially coloured) (code 252329)	34266	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	33602	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	39132	Cigarettes, containing tobacco (code 240220)	20444	Cigarettes, containing tobacco (code 240220)	22865	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ... (721049)	16761	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ... (721049)	12286	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ... (721049)	10952
Total of above		311718		320393		441416		278834		174146		143134		106780		116993
Total share in export to CEFTA (in %)		31.1		31.5		35.4		28.4		23.0		20.7		18.6		19.5

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 3b. Most exported macedonian industrial products to CEFTA (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Product ranked	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value	Product (HS 6 level)"	Export value
Product ranked 1st	n.a	n.a	Petroleum oils and oils obtained from bituminous minerals (excluding crude) (code 271000)	40937	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	19234	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	24716	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	33416	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	84235	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	110352	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	77339	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	148590
Product ranked 2nd	n.a	n.a	Cigarettes, containing tobacco (code 240220)	26579	Cigarettes, containing tobacco (code 240220)	17021	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	18885	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	20682	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	38375	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	47502	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	36814	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	56664
Product ranked 3rd	n.a	n.a	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	25687	Waters, included mineral and aerated, with added sugar, sweetener and flavour (code 220210)	16231	Waters, included mineral and aerated, with added sugar, sweetener and flavour (code 220210)	17836	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	19217	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	15553	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	25552	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	34641	Light oils and preparations, of petroleum or bituminous minerals (code 271011)	46770

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Export value	Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	"Product (HS 6 level)" Export value	
Product ranked 4th	n.a	n.a	Waters, included mineral and aerated, with added sugar, sweetener and flavour (code 220210) 13413	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019) 12329	Light oils and preparations, of petroleum or bituminous minerals (code 271011) 14764	Waters, included mineral and aerated, with added sugar, sweetener and flavour (code 220210) 12131	Waters, included mineral and aerated, with added sugar, sweetener and flavour (code 220210) 12373	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490) 22025	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490) 27565	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations (721420) 38676								
Product ranked 5th	n.a	n.a	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490) 10227	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490) 10777	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490) 10681	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490) 11578	Portland cement (excluding white, whether or not artificially coloured) (code 252329) 11985	Portland cement (excluding white, whether or not artificially coloured) (code 252329) 19958	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations (721420) 27034	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490) 34125								
Total of above			116843	75592	86882	97024	162521	225389	203393	324825								
Total share in export to CEFTA (in %)			29.8	21.2	25.7	24.9	32.7	35.8	27.9	34.0								

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	98902	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	119454	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	179152	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	114396	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	39389	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	31856	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	30987	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	33535
Product ranked 2nd	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	38592	Light oils and preparations, of petroleum or bituminous minerals (271011)	36691	Light oils and preparations, of petroleum or bituminous minerals (271011)	42407	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	38589	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	30813	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	26899	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	21341	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	23555
Product ranked 3rd	Light oils and preparations, of petroleum or bituminous minerals (271011)	31318	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	31891	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	35328	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	26017	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721070)	24359	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721070)	20131	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	20845	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	24906

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	28807	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	27941	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm (code 720851)	31122	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721070)	22151	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	23964	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	19493	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721070)	16059	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled (code 721070)	20078
Product ranked 5th	Portland cement (excluding white, whether or not artificially coloured) (code 252329)	24370	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	25304	Tubes and pipes and hollow profiles, welded, of square or rectangular cross-section, of iron (code 730661)	28048	Cigarettes, containing tobacco (code 240220)	15895	Cigarettes, containing tobacco (code 240220)	17214	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ... (721049)	12610	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ... (721049)	11069	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ... (721049)	9896
Total of above		221989		241281		316057		217048		135739		110989		100301		111970
Total share in export to CEFTA (in %)		31.1		31.5		35.4		28.4		23.0		20.7		18.6		19.5

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 3c. Most exported macedonian agricultural products to CEFTA (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Export value	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	n.a	n.a	Tobacco, unstemmed or unstripped (code 240110)	7944	Tobacco, unstemmed or unstripped (code 240110)	8544	Tobacco, unstemmed or unstripped (code 240110)	6849	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	8148	Tomatoes, fresh or chilled (code 070200)	11253	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	13848	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	18473	n.a	n.a
Product ranked 2nd	n.a	n.a	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	5122	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	4059	Wine of fresh grapes, incl. fortified wines... (bottled wine)(code 220421)	5585	Tomatoes, fresh or chilled (code 070200)	7094	Fresh grapes (code 080610)	8719	Tomatoes, fresh or chilled (code 070200)	11924	Tomatoes, fresh or chilled (code 070200)	16567	n.a	n.a
Product ranked 3rd	n.a	n.a	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	3322	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	3793	Tomatoes, fresh or chilled (code 070200)	4251	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	6436	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	8694	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	9888	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	14293	n.a	n.a

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Export value	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	n.a	n.a	Tomatoes, fresh or chilled (code 070200)	3238	Tomatoes, fresh or chilled (code 070200)	2778	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	3835	Tobacco, un-stemmed or un-stripped (code 240110)	5145	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	6661	Fresh grapes (code 080610)	7732	Fresh grapes (code 080610)	13532	n.a	n.a
Product ranked 5th	n.a	n.a	Fresh grapes (code 080610)	1870	Fresh or chilled fruits of the genus Capsicum or (070960)	1308	Fresh grapes (code 080610)	3490	Fresh grapes (code 080610)	5029	Tobacco, un-stemmed or un-stripped (code 240110)	3083	Tobacco, un-stemmed or un-stripped (code 240110)	7602	Tobacco, un-stemmed or un-stripped (code 240110)	6204	n.a	n.a
Total of above				21496		20482		24010		31852		38410		50994		69069		
Total share in export to CEFTA (in %)				6.1		6.1		6.3		6.6		6.2		6.4		6.9		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Tomatoes, fresh or chilled (code 070200)	19710	Tomatoes, fresh or chilled (code 070200)	16567	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	16719	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	16127	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	12818	Tomatoes, fresh or chilled (code 070200)	12028	Fresh grapes (code 080610)	10717	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	11536
Product ranked 2nd	Wine of fresh grapes, incl. fortified wines... (bottled wine)(code 220421)	14549	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	15948	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	15622	Wine of fresh grapes, incl. fortified wines... (bottled wine)(code 220421)	15684	Fresh grapes (code 080610)	11193	Wine of fresh grapes, incl. fortified wines... (bottled wine)(code 220421)	11756	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	10578	Fresh grapes (code 080610)	9627
Product ranked 3rd	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	14411	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	15000	Tomatoes, fresh or chilled (code 070200)	15561	Tomatoes, fresh or chilled (code 070200)	12946	Tomatoes, fresh or chilled (code 070200)	11154	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	10119	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	7461	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	8762

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Fresh grapes (code 080610)	9283	Fresh grapes (code 080610)	9704	Fresh grapes (code 080610)	13843	Fresh grapes (code 080610)	11207	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	9283	Fresh grapes (code 080610)	9118	Tomatoes, fresh or chilled (code 070200)	6630	Tomatoes, fresh or chilled (code 070200)	5565
Product ranked 5th	Tobacco, un-stemmed or un-stripped (code 240110)	7476	Tobacco, un-stemmed or un-stripped (code 240110)	6933	Fresh or chilled fruits of the genus Capsicum or (070960)	5041	Tobacco, un-stemmed or un-stripped (code 240110)	4608	Fresh or chilled fruits of the genus Capsicum or (070960)	5109	Fresh or chilled fruits of the genus Capsicum or (070960)	6440	Fresh or chilled fruits of the genus Capsicum or (070960)	4159	Fresh or chilled fruits of the genus Capsicum or (070960)	4622
Total of above		65429		64152		66786		60572		49557		49461		39545		40112
Total share in export to CEFTA (in %)		6.5		6.3		5.4		6.2		6.6		7.1		6.9		6.7

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 3d. Most exported macedonian agricultural products to CEFTA (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Export value	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	n.a	n.a	Tobacco, unstemmed or unstripped (code 240110)	8860	Tobacco, unstemmed or unstripped (code 240110)	9033	Tobacco, unstemmed or unstripped (code 240110)	6050	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	6551	Tomatoes, fresh or chilled (code 070200)	9035	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	11024	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	13477	n.a	n.a
Product ranked 2nd	n.a	n.a	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	5713	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	4291	Wine of fresh grapes, incl. fortified wines... (bottled wine)(code 220421)	4933	Tomatoes, fresh or chilled (code 070200)	5703	Fresh grapes (code 080610)	7001	Tomatoes, fresh or chilled (code 070200)	9492	Tomatoes, fresh or chilled (code 070200)	11061	n.a	n.a
Product ranked 3rd	n.a	n.a	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	3705	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	4010	Tomatoes, fresh or chilled (code 070200)	3755	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	5174	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	6981	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	7872	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	10428	n.a	n.a

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Ex- port value		"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Ex- port value
Product ranked 4th	n.a	n.a	Toma- toes, fresh or chilled (code 070200)	3611	Toma- toes, fresh or chilled (code 070200)	2937	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	3387	Tobacco, un- stemmed or un- stripped (code 240110)	4136	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	5348	Fresh grapes (code 080610)	6156	Fresh grapes (code 080610)	9873	n.a	n.a
Product ranked 5th	n.a	n.a	Fresh grapes (code 080610)	2086	Fresh or chilled fruits of the genus Capsi- cum or (070960)	1383	Fresh grapes (code 080610)	3083	Fresh grapes (code 080610)	4043	Tobacco, un- stemmed or un- stripped (code 240110)	2476	Tobacco, un- stemmed or un- stripped (code 240110)	6051	Tobacco, un- stemmed or un- stripped (code 240110)	4526	n.a	n.a
Total of above				23975		21654		21208		25607		30841		40595		49365		
Total share in export to CEFTA (in %)				6.1		6.1		6.3		6.6		6.2		6.4		6.9		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Tomatoes, fresh or chilled (code 070200)	14132	Tomatoes, fresh or chilled (code 070200)	12477	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	12004	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	12539	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	9651	Tomatoes, fresh or chilled (code 070200)	9049	Fresh grapes (code 080610)	9654	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	10424
Product ranked 2nd	Wine of fresh grapes, incl. fortified wines... (bottled wine)(code 220421)	10432	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	12010	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	11216	Wine of fresh grapes, incl. fortified wines... (bottled wine)(code 220421)	12195	Fresh grapes (code 080610)	8426	Wine of fresh grapes, incl. fortified wines... (bottled wine)(code 220421)	8844	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	9530	Fresh grapes (code 080610)	8698
Product ranked 3rd	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	10334	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	11296	Tomatoes, fresh or chilled (code 070200)	11173	Tomatoes, fresh or chilled (code 070200)	10067	Tomatoes, fresh or chilled (code 070200)	8398	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	7606	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	6722	Wine of fresh grapes, incl. fortified wines... (bottled wine) (code 220421)	8419

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Fresh grapes (code 080610)	6656	Fresh grapes (code 080610)	7308	Fresh grapes (code 080610)	9938	Fresh grapes (code 080610)	8715	Wine of fresh grapes, incl. fortified wines, and grape... (bulky wine) (code 220429)	6990	Fresh grapes (code 080610)	6858	Tomatoes, fresh or chilled (code 070200)	5973	Tomatoes, fresh or chilled (code 070200)	5029
Product ranked 5th	Tobacco, unstemmed or unstripped (code 240110)	5362	Tobacco, unstemmed or unstripped (code 240110)	5221	Fresh or chilled fruits of the genus Capsicum or (070960)	3620	Tobacco, unstemmed or unstripped (code 240110)	3560	Fresh or chilled fruits of the genus Capsicum or (070960)	3846	Fresh or chilled fruits of the genus Capsicum or (070960)	4844	Fresh or chilled fruits of the genus Capsicum or (070960)	3747	Fresh or chilled fruits of the genus Capsicum or (070960)	4176
Total of above		46916		48312		47951		47076		37311		37201		35626		36746
Total share in export to CEFTA (in %)		6.5		6.3		5.4		6.2		6.6		7.1		6.9		6.7

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 4a. Most imported industrial products to the Republic of Macedonia from CEFTA (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	n.a	n.a	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	6481	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	8444	Electrical energy (code 271600)	10360	Waste and scrap of alloy steel (excluding stainless steel, and waste and scrap, radioactive (code 720429)	13404	Electrical energy (code 271600)	13394	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils,(code 720837)	16021	Electrical energy (code 271600)	47083	n.a	n.a
Product ranked 2nd	n.a	n.a	Butanes, liquefied (code 271113)	3844	Electrical energy (code 271600)	7066	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	8416	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	12345	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	12575	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	9794	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	20394	n.a	n.a
Product ranked 3rd	n.a	n.a	Zinc ores and concentrates (code 260880)	1964	Agglomerated lignite (excluding jet) (code 270220)	4431	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	8094	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils,(code 720837)	10916	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils,(code 720837)	9358	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	7381	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils,(code 720837)	12168	n.a	n.a

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	n.a	n.a	Jerseys, pullovers, cardigans, etc. (code 611090)	1869	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	3413	Agglomerated lignite (excluding jet) (code 270220)	6485	Agglomerated lignite (excluding jet) (code 270220)	7912	Agglomerated lignite (excluding jet) (code 270220)	8718	Electrical energy (code 271600)	6296	Agglomerated lignite (excluding jet) (code 270220)	6236	n.a	n.a
Product ranked 5th	n.a	n.a	Chocolate and other preparations containing cocoa (code 180690)	1581	Butanes, liquefied (code 271113)	2042	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils,(code 720837)	5140	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	6557	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	7691	Agglomerated lignite (excluding jet) (code 270220)	6185	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290)	6238	n.a	n.a
Total of above				15739		25396		38495		51134		51736		45677		92119		
Total share in export to CEFTA (in %)				9.7		10.4		13.2		15.4		13.9		11.4		14.9		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Electrical energy (code 271600)	21100	Electrical energy (code 271600)	31332	Electrical energy (code 271600)	42503	Electrical energy (code 271600)	76462	Electrical energy (code 271600)	66086	Electrical energy (code 271600)	108394	Electrical energy (code 271600)	80110	Electrical energy (code 271600)	65692
Product ranked 2nd	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	12910	Waste and scrap of iron or steel (excluding slag, scale and other waste... (code 720449)	25779	Waste and scrap of iron or steel (excluding slag, scale and other waste... (code 720449)	27804	Waste and scrap of iron or steel (excluding slag, scale and other waste... (code 720449)	18317	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	16740	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	37669	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	15724	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	21109
Product ranked 3rd	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	11673	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	12175	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290)	13567	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290)	12828	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	12984	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	19117	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	14459	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, (code 720837)	13583

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	10059	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	11628	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	13077	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	11810	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	10736	Waste and scrap of iron or steel (excluding slag, scale and other waste... (code 720449))	16512	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	10094	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720838)	13261
Product ranked 5th	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, (code 720837)	6451	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	8704	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	11666	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	7038	Agglomerated lignite (excluding jet) (code 270220)	10227	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	10776	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720838)	5872	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	10306
Total of above		62193		89618		108617		126455		116773		192468		126259		123951
Total share in export to CEFTA (in %)		10.4		14.2		13.7		17.1		17.7		25.1		19.5		18.6

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 4b. Most imported industrial products to the Republic of Macedonia from CEFTA (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	n.a	n.a	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	7228	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	8927	Electrical energy (code 271600)	9151	Waste and scrap of alloy steel (excluding stainless steel, and waste and scrap, radioactive (code 720429)	10776	Electrical energy (code 271600)	10755	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils,(code 720837)	12753	Electrical energy (code 271600)	34349	n.a	n.a
Product ranked 2nd	n.a	n.a	Butanes, liquefied (code 271113)	4287	Electrical energy (code 271600)	7470	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	7434	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	9925	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	10097	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	7796	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	14881	n.a	n.a
Product ranked 3rd	n.a	n.a	Zinc ores and concentrates (code 260880)	2191	Agglomerated lignite (excluding jet) (code 270220)	4684	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	7150	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils,(code 720837)	8776	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils,(code 720837)	7514	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	5876	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils,(code 720837)	8877	n.a	n.a

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	n.a	n.a	Jerseys, pullovers, cardigans, etc. (code 611090)	2085	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	3608	Agglomerated lignite (excluding jet) (code 270220)	5728	Agglomerated lignite (excluding jet) (code 270220)	6361	Agglomerated lignite (excluding jet) (code 270220)	7001	Electrical energy (code 271600)	5012	Agglomerated lignite (excluding jet) (code 270220)	4549	n.a	n.a
Product ranked 5th	n.a	n.a	Chocolate and other preparations containing cocoa (code 180690)	1763	Butanes, liquefied (code 271113)	2159	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils,(code 720837)	4540	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	5272	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	6176	Agglomerated lignite (excluding jet) (code 270220)	4923	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290)	4550	n.a	n.a
Total of above				17554		26848		34003		41110		41543		36360		67206		
Total share in export to CEFTA (in %)				9.7		10.4		13.2		15.4		13.9		11.4		14.9		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Electrical energy (code 271600)	15129	Electrical energy (code 271600)	23595	Electrical energy (code 271600)	30515	Electrical energy (code 271600)	59453	Electrical energy (code 271600)	49754	Electrical energy (code 271600)	81545	Electrical energy (code 271600)	72172	Electrical energy (code 271600)	59357
Product ranked 2nd	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	9226	Waste and scrap of iron or steel (excluding slag, scale and other waste... (code 720449)	19412	Waste and scrap of iron or steel (excluding slag, scale and other waste... (code 720449)	19962	Waste and scrap of iron or steel (excluding slag, scale and other waste... (code 720449)	14242	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	12603	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	25911	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	14166	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	19073
Product ranked 3rd	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	8391	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	9229	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290)	9741	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290)	9974	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	9627	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	14382	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel (code 271019)	11116	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, (code 720837)	12273

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	7213	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	8757	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	9483	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes (code 300490)	9283	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	8083	Waste and scrap of iron or steel (excluding slag, scale and other waste... (code 720449))	12455	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	9093	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720838)	11982
Product ranked 5th	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, (code 720837)	4626	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720839)	6555	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	8753	Waste and scrap of alloy steel (excluding stainless steel, etc). (code 720429)	5516	Agglomerated lignite (excluding jet) (code 270220)	7700	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	8107	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils (code 720838)	5290	Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk (220290))	9312
Total of above		44585		67548		78454		98468		87767		142400		111837		111997
Total share in export to CEFTA (in %)		10.4		14.2		13.7		17.1		17.7		25.1		19.5		18.6

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 4c. Most imported agricultural products from CEFTA (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	n.a	n.a	Crude sunflower-seed or safflower oil (code 151211)	3120	Wheat and meslin (excluding durum wheat) (code 100190)	5414	Maize (excluding seed for sowing) (code 100590)	5396	Crude sunflower-seed or safflower oil (code 151211)	4634	Crude sunflower-seed or safflower oil (code 151211)	6810	Fresh or chilled bovine cuts (code 020120)	14525	Wheat or meslin flour (code 110100)	20760	n.a	n.a
Product ranked 2nd	n.a	n.a	Fresh or chilled bovine cuts (code 020120)	1951	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	5102	Wheat and meslin (excluding durum wheat) (code 100190)	3396	Sunflower-seed or safflower oil and their fractions (code 151219)	3478	Milk and cream... (code 040120)	5529	Milk and cream... (code 040120)	7466	Fresh or chilled bovine cuts (code 020120)	13113	n.a	n.a
Product ranked 3rd	n.a	n.a	Prepared or preserved sardines, sardinella (code 160413)	1622	Crude sunflower-seed or safflower oil (code 151211)	4834	Prepared or preserved sardines, sardinella (code 160413)	2840	Potatoes (code 200520)	2307	Maize (excluding seed for sowing) (code 100590)	4175	Maize (excluding seed for sowing) (code 100590)	6348	Crude sunflower-seed or safflower oil (code 151211)	10551	n.a	n.a

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	n.a	n.a	Potatoes (code 200520)	1110	Prepared or preserved sardines, sardinella (code 160413)	2013	Crude sunflower-seed or safflower oil (code 151211)	2013	Maize (excluding seed for sowing) (code 100590)	2134	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	3754	Potatoes (code 200520)	3634	Milk and cream... (code 040120)	9604	n.a	n.a
Product ranked 5th	n.a	n.a	Sunflower-seed or safflower oil and their fractions (code 151219)	732	Potatoes (code 200520)	1465	Potatoes (code 200520)	1691	Fresh or chilled bovine cuts (code 020120)	2047	Potatoes (code 200520)	2890	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	3625	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	7602	n.a	n.a
Total of above				8535		18828		15336		14600		23158		35598		61630		
Total share in export to CEFTA (in %)				4.1		7.4		5.2		4.4		6.2		8.9		9.9		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Wheat or meslin flour (code 110100)	15795	Cane or beet sugar and chemically pure sucrose (code 170199)	26755	Cane or beet sugar and chemically pure sucrose (code 170199)	21598	Wheat and meslin (excluding seed for sowing, and durum wheat) (code 100199)	25744	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	18828	Cane or beet sugar and chemically pure sucrose (code 170199)	19370	Cane or beet sugar and chemically pure sucrose (code 170199)	15603	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	18025
Product ranked 2nd	Milk and cream... (code 040120)	11768	Wheat or meslin flour (code 110100)	13256	Maize (excluding seed for sowing) (code 100590)	16761	Wheat or meslin flour (code 110100)	16542	Wheat or meslin flour (code 110100)	15934	Wheat and meslin (excluding seed for sowing, and durum wheat) (code 100199)	17108	Wheat and meslin (excluding seed for sowing, and durum wheat) (code 100199)	15482	Wheat or meslin flour (code 110100)	12291
Product ranked 3rd	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	8890	Milk and cream... (code 040120)	11249	Wheat and meslin (excluding durum wheat) (code 100190)	16261	Maize (excluding seed for sowing) (code 100590)	16321	Wheat and meslin (excluding seed for sowing, and durum wheat) (code 100199)	15231	Wheat or meslin flour (code 110100)	13986	Wheat or meslin flour (code 110100)	12858	Cane or beet sugar and chemically pure sucrose (code 170199)	11891

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Maize (excluding seed for sowing) (code 100590)	8240	Wheat and meslin (excluding durum wheat) (code 100190)	9868	Milk and cream... (code 040120)	13691	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	15032	Cane or beet sugar and chemically pure sucrose (code 170199)	11293	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	11966	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	11304	Wheat and meslin (excluding seed for sowing, and durum wheat) (code 100199)	11378
Product ranked 5th	Cane or beet sugar and chemically pure sucrose (code 170199)	7811	Maize (excluding seed for sowing) (code 100590)	9798	Wheat or meslin flour (code 110100)	13566	Milk and cream... (code 040120)	13707	Maize (excluding seed for sowing) (code 100590)	10008	Milk and cream... (code 040120)	10165	Milk and cream... (code 040120)	9985	Milk and cream... (code 040120)	8867
Total of above		52504		70926		81877		87346		71294		72595		65232		62452
Total share in export to CEFTA (in %)		8.7		11.3		10.2		11.8		10.8		9.6		10.3		9.4

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 4d. Most imported agricultural products from CEFTA (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	n.a	n.a	Crude sunflower-seed or safflower oil (code 151211)	3480	Wheat and meslin (excluding durum wheat) (code 100190)	5724	Maize (excluding seed for sowing) (code 100590)	4766	Crude sunflower-seed or safflower oil (code 151211)	3726	Crude sunflower-seed or safflower oil (code 151211)	5468	Fresh or chilled bovine cuts (code 020120)	11562	Wheat or meslin flour (code 110100)	15145	n.a	n.a
Product ranked 2nd	n.a	n.a	Fresh or chilled bovine cuts (code 020120)	2176	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	5394	Wheat and meslin (excluding durum wheat) (code 100190)	2999	Sunflower-seed or safflower oil and their fractions (code 151219)	2796	Milk and cream... (code 040120)	4440	Milk and cream... (code 040120)	5943	Fresh or chilled bovine cuts (code 020120)	10814	n.a	n.a
Product ranked 3rd	n.a	n.a	Prepared or preserved sardines, sardinella (code 160413)	1809	Crude sunflower-seed or safflower oil (code 151211)	5110	Prepared or preserved sardines, sardinella (code 160413)	2509	Potatoes (code 200520)	1855	Maize (excluding seed for sowing) (code 100590)	3352	Maize (excluding seed for sowing) (code 100590)	5053	Crude sunflower-seed or safflower oil (code 151211)	10542	n.a	n.a

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	n.a	n.a	Potatoes (code 200520)	1238	Prepared or preserved sardines, sardinella (code 160413)	2128	Crude sunflower-seed or safflower oil (code 151211)	1778	Maize (excluding seed for sowing) (code 100590)	1716	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	3014	Potatoes (code 200520)	2893	Milk and cream... (code 040120)	7007	n.a	n.a
Product ranked 5th	n.a	n.a	Sunflower-seed or safflower oil and their fractions (code 151219)	816	Potatoes (code 200520)	1548	Potatoes (code 200520)	1494	Fresh or chilled bovine cuts (code 020120)	1646	Potatoes (code 200520)	2320	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	2885	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	5546	n.a	n.a
Total of above				9519		19904		13546		11739		18594		28336		49054		
Total share in export to CEFTA (in %)				4.1		7.4		5.2		4.4		6.2		8.9		9.9		

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 1st	Wheat or meslin flour (code 110100)	11326	Cane or beet sugar and chemically pure sucrose (code 170199)	20149	Cane or beet sugar and chemically pure sucrose (code 170199)	15506	Wheat and meslin (excluding seed for sowing, and durum wheat) (code 100199)	20018	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	14175	Cane or beet sugar and chemically pure sucrose (code 170199)	14572	Cane or beet sugar and chemically pure sucrose (code 170199)	14057	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	16287
Product ranked 2nd	Milk and cream... (code 040120)	8438	Wheat or meslin flour (code 110100)	9983	Maize (excluding seed for sowing) (code 100590)	12034	Wheat or meslin flour (code 110100)	12862	Wheat or meslin flour (code 110100)	11996	Wheat and meslin (excluding seed for sowing, and durum wheat) (code 100199)	12870	Wheat and meslin (excluding seed for sowing, and durum wheat) (code 100199)	13948	Wheat or meslin flour (code 110100)	11106
Product ranked 3rd	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	6375	Milk and cream... (code 040120)	8472	Wheat and meslin (excluding durum wheat) (code 100190)	11674	Maize (excluding seed for sowing) (code 100590)	12690	Wheat and meslin (excluding seed for sowing, and durum wheat) (code 100199)	11467	Wheat or meslin flour (code 110100)	10521	Wheat or meslin flour (code 110100)	11584	Cane or beet sugar and chemically pure sucrose (code 170199)	10742

	2009		2010		2011		2012		2013		2014		2015		2016	
	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value	"Product (HS 6 level)"	Export value
Product ranked 4th	Maize (excluding seed for sowing) (code 100590)	5908	Wheat and meslin (excluding durum wheat) (code 100190)	7432	Milk and cream... (code 040120)	9830	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	11688	Cane or beet sugar and chemically pure sucrose (code 170199)	8503	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	9002	Sunflower-seed or safflower oil and their fractions, whether or not refined (code 151219)	10184	Wheat and meslin (excluding seed for sowing, and durum wheat) (code 100199)	10281
Product ranked 5th	Cane or beet sugar and chemically pure sucrose (code 170199)	5600	Maize (excluding seed for sowing) (code 100590)	7379	Wheat or meslin flour (code 110100)	9740	Milk and cream... (code 040120)	10658	Maize (excluding seed for sowing) (code 100590)	7535	Milk and cream... (code 040120)	7647	Milk and cream... (code 040120)	8996	Milk and cream... (code 040120)	8012
Total of above		37647		53415		58784		67916		53676		54612		58769		56428
Total share in export to CEFTA (in %)		8.7		11.3		10.2		11.8		10.8		9.6		10.3		9.4

Source: INTRACEN database (https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|807|||26|8704|||6|1|1|1|2|1|1|1|1)

Table 5a. Most important MK trade partners in CEFTA on export side (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	SR Yugoslavia	335103	Serbia and Montenegro	267012	Serbia and Montenegro	246384	Serbia and Montenegro	274994	Serbia and Montenegro	347601	Serbia	459660	Serbia	558276	Serbia	644739	Serbia	934820
Partner ranked 2nd	Croatia	47689	Croatia	58487	Croatia	59077	Croatia	66173	Croatia	80158	Croatia	81085	Croatia	124707	Croatia	165129	Croatia	230488
Partner ranked 3rd	B&H	12833	B&H	16282	B&H	18309	B&H	23793	B&H	33225	B&H	50456	B&H	65792	B&H	88966	Albania	107041
Total of above		395625		341781		323770		364960		460984		591201		748775		898834		1272349
Share in trade with CEFTA (in %)		96.8		97		95.9		95.4		95.1		95.5		94.7		89.9		89.8

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Serbia	337811	Kosovo	437911	Kosovo	552946	Kosovo	392459	Kosovo	277025	Serbia	259833	Serbia	205584	Serbia	214809
Partner ranked 2nd	Kosovo	314589	Serbia	271817	Serbia	337476	Serbia	298144	Serbia	271333	Kosovo	231567	Kosovo	196820	Kosovo	208896
Partner ranked 3rd	Croatia	152738	Croatia	123729	Croatia	139622	Croatia	98501	B&H	95458	B&H	93078	B&H	79505	B&H	82021
Total of above		805138		833457		1030044		789104		643816		584478		481909		505726
Share in trade with CEFTA (in %)		80.4		81.8		82.7		80.4		85.2		84.4		83.8		84.2

Source: State Statistical Office of the Republic of Macedonia: MAKSTAT database (<http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>)

Table 5b. Most important MK trade partners in CEFTA on export side (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	SR Yugoslavia	365262	Serbia and Montenegro	299053	Serbia and Montenegro	261167	Serbia and Montenegro	241995	Serbia and Montenegro	279349	Serbia	371985	Serbia	442644	Serbia	469165	Serbia	631441
Partner ranked 2nd	Croatia	51891	Croatia	65505	Croatia	62622	Croatia	58232	Croatia	64570	Croatia	65132	Croatia	99300	Croatia	119735	Croatia	156516
Partner ranked 3rd	B&H	13988	B&H	18236	B&H	19408	B&H	20938	B&H	26745	B&H	40927	B&H	52216	B&H	64735	Albania	72817
Total of above		431141		382794		343197		321165		370664		478044		594160		653635		860774
Share in trade with CEFTA (in %)		96.8		97		95.9		95.4		95.1		95.5		94.7		89.9		89.8

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Serbia	246596	Kosovo	331765	Kosovo	241906	Kosovo	305146	Kosovo	208702	Serbia	196170	Serbia	185594	Serbia	194253
Partner ranked 2nd	Kosovo	219346	Serbia	205856	Serbia	396064	Serbia	231812	Serbia	204285	Kosovo	174621	Kosovo	177838	Kosovo	188578
Partner ranked 3rd	Croatia	110061	Croatia	93397	Croatia	99976	Croatia	76722	B&H	71872	B&H	70371	B&H	71774	B&H	74116
Total of above		576003		631018		737946		613680		484859		441162		435206		456947
Share in trade with CEFTA (in %)		80.4		81.8		82.7		80.4		85.2		84.4		83.8		84.2

Source: State Statistical Office of the Republic of Macedonia: MAKSTAT database (<http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>)

Table 6a. Most important MK trade partners within CEFTA on import side (in '000 USD)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	SR Yugoslavia	190361	Serbia and Montenegro	158020	Serbia and Montenegro	185190	Serbia and Montenegro	212798	Serbia and Montenegro	243715	Serbia	264215	Serbia	283280	Serbia	454537	Serbia	533957
Partner ranked 2nd	Croatia	57858	Croatia	46391	Croatia	55229	Croatia	63549	Croatia	65781	Croatia	75253	Croatia	79029	Croatia	110845	Croatia	137768
Partner ranked 3rd	B&H	5336	B&H	4149	B&H	14298	B&H	11753	B&H	16305	B&H	23581	B&H	26515	B&H	34942	B&H	52603
Total of above		253555		208560		254717		288100		325801		363049		388824		600324		724328
Share in trade with CEFTA (in %)		98.7		99.3		99.5		98.4		98		97.5		97		96.6		94.8

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Serbia	397993	Serbia	419442	Serbia	498156	Serbia	482724	Serbia	522790	Serbia	599012	Serbia	493969	Serbia	508260
Partner ranked 2nd	Croatia	118396	Croatia	113286	Croatia	133162	Croatia	120960	B&H	63529	B&H	64243	B&H	63315	B&H	73716
Partner ranked 3rd	B&H	46544	B&H	49140	B&H	90121	B&H	70992	Albania	38302	Albania	47766	Albania	45067	Albania	41518
Total of above		562933		581868		721439		674676		624621		711021		602351		623494
Share in trade with CEFTA (in %)		93.6		92.4		90.2		90.9		94.8		94.4		95		93.8

Source: State Statistical Office of the Republic of Macedonia: MAKSTAT database (<http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>)

Table 6b. Most important MK trade partners within CEFTA on import side (in '000 EUR)

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	SR Yugoslavia	207493	Serbia and Montenegro	176982	Serbia and Montenegro	196301	Serbia and Montenegro	187262	Serbia and Montenegro	196170	Serbia	212516	Serbia	224436	Serbia	328990	Serbia	361560
Partner ranked 2nd	Croatia	63065	Croatia	51958	Croatia	58543	Croatia	55923	Croatia	52978	Croatia	60795	Croatia	62718	Croatia	80807	Croatia	93761
Partner ranked 3rd	B&H	5816	B&H	4647	B&H	15156	B&H	10343	B&H	13093	B&H	19049	B&H	21048	B&H	25398	B&H	35474
Total of above		276374		233587		270000		253528		262241		292360		308202		435195		490795
Share in trade with CEFTA (in %)		98.7		99.3		99.5		98.4		98		97.5		97		96.6		94.8

	2009		2010		2011		2012		2013		2014		2015		2016	
	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value	Country	Export value
Partner ranked 1st	Serbia	284970	Serbia	316953	Serbia	358448	Serbia	375362	Serbia	393205	Serbia	451266	Serbia	445969	Serbia	459753
Partner ranked 2nd	Croatia	84749	Croatia	85661	Croatia	95493	Croatia	94151	B&H	47805	B&H	48457	B&H	57209	B&H	66578
Partner ranked 3rd	B&H	33282	B&H	37227	B&H	64434	B&H	55477	Albania	28920	Albania	36013	Albania	40714	Albania	37546
Total of above		403001		439841		518375		524990		469930		535736		543892		563877
Share in trade with CEFTA (in %)		93.6		92.4		90.2		90.9		94.8		94.4		95		93.8

Source: State Statistical Office of the Republic of Macedonia: MAKSTAT database (<http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>)

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