



Agricultural products trade barriers in the Western Balkans

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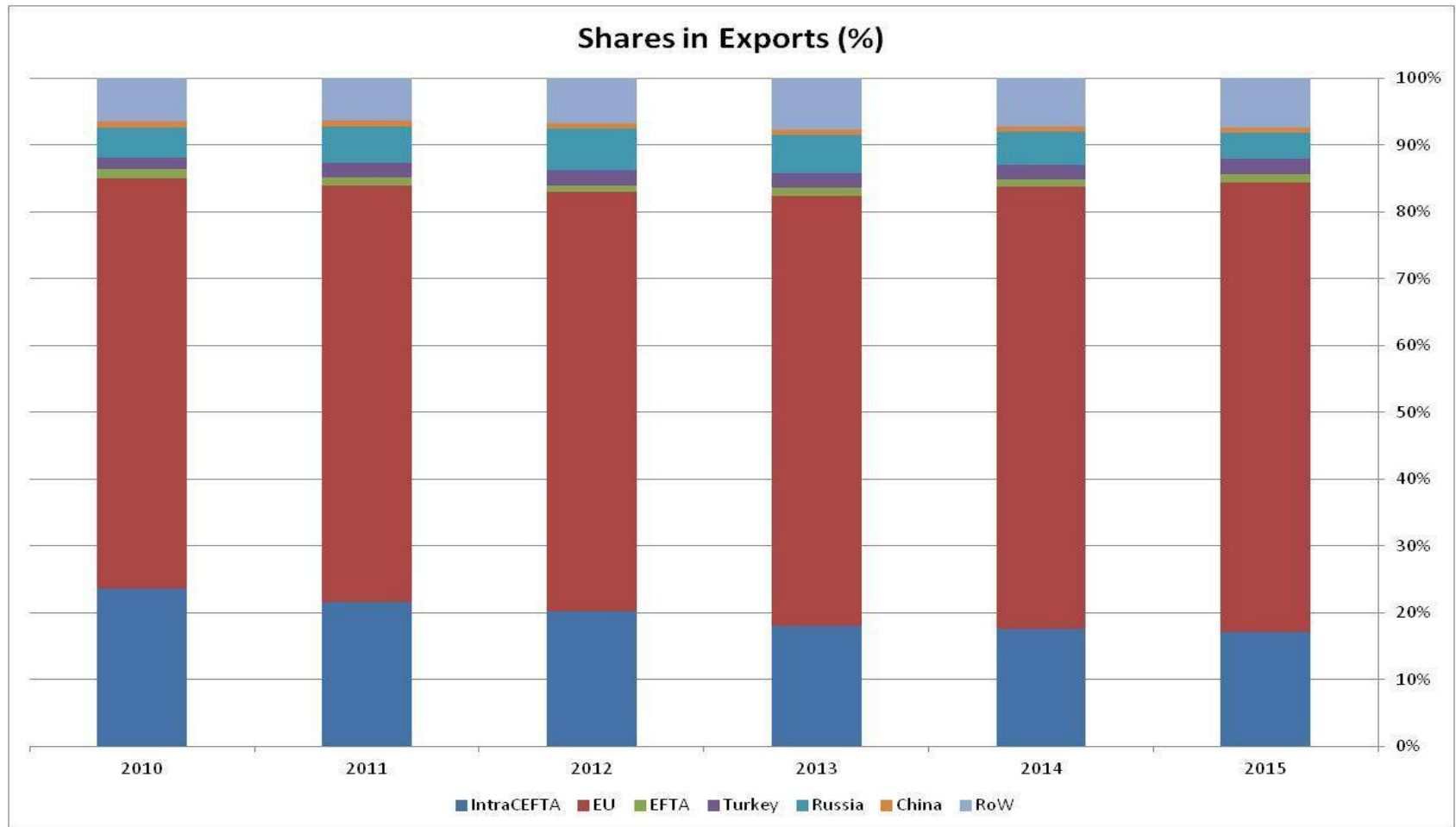


OUTLINE

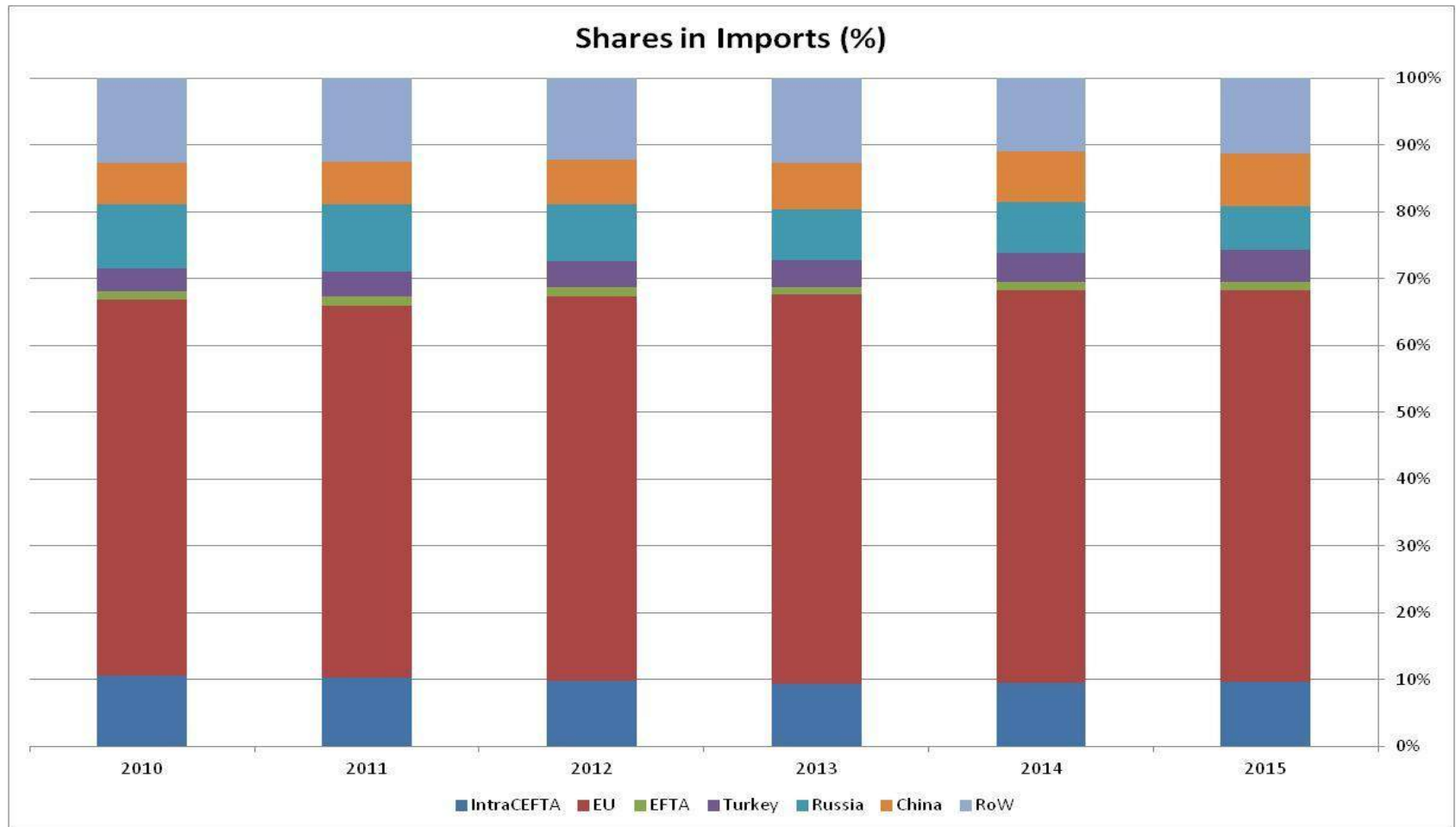
OUTLINE

- OUTLOOK OF TRADE IN CEFTA
- SUCCESSES IN 10 YEARS OF IMPLEMENTATION OF CEFTA
- BASIS OF THE PREPARATIONS OF CEFTA CONSOLIDATED AGENDA AND ACTION PLAN
- MINISTERIAL CONCLUSIONS OF CEFTA JOINT COMMITTEE
- HIGHLIGHTS OF CEFTA'S CONTRIBUTION TO WB 6 MAP ON REA

Largest trade partner of the CEFTA Parties is EU while CEFTA ranks the second in exports. If the EU member states are counted as individually and CEFTA as one country, the CEFTA will be the largest exports destination of CEFTA Parties with a share of 17,2%, followed by Germany (16,7%) and Italy (15.3%)

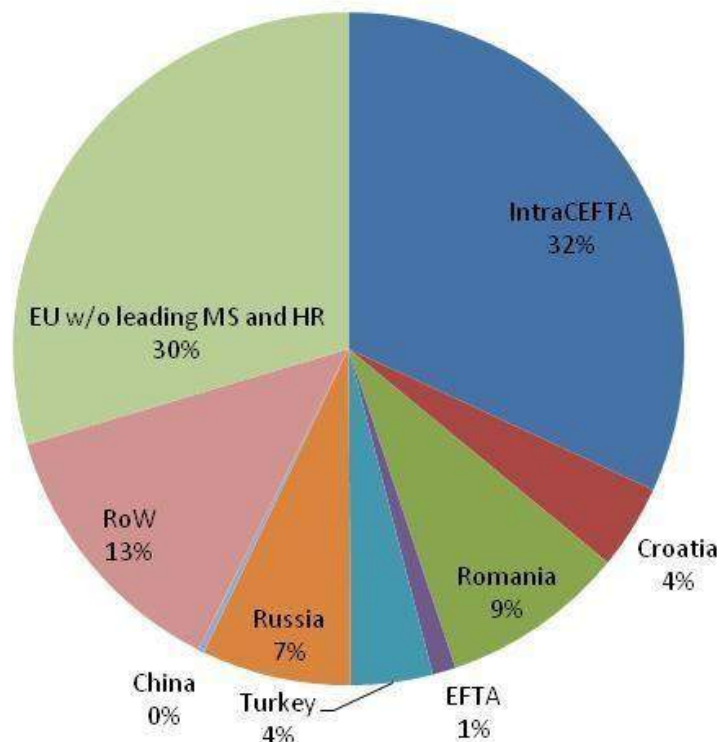


In imports, CEFTA has a lower share than its share in exports. Intra-CEFTA imports ranks third in the overall imports of CEFTA Parties having a 9,6% share after Italy (11,3%) and Germany (11,1%)



Intra-CEFTA exports in agricultural sectors represents 32% of the overall exports of CEFTA Parties in the same sectors.

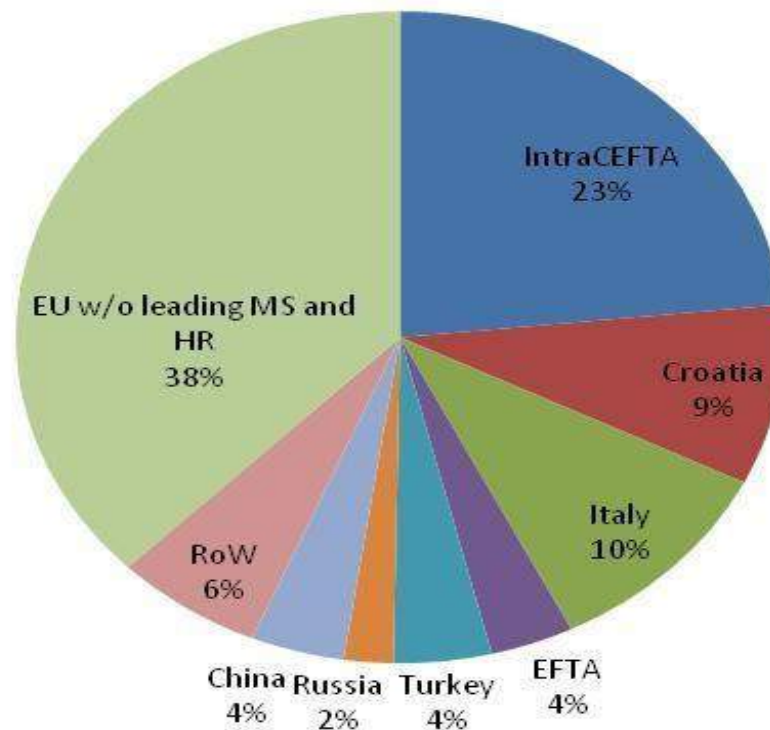
Share of Countries in Exports (Agricultural Sectors)
(2015)



SITC Sectors 0, 1, 4

Intra-CEFTA exports in minerals and mining represents 23% of the overall exports in the same sectors of CEFTA Parties.

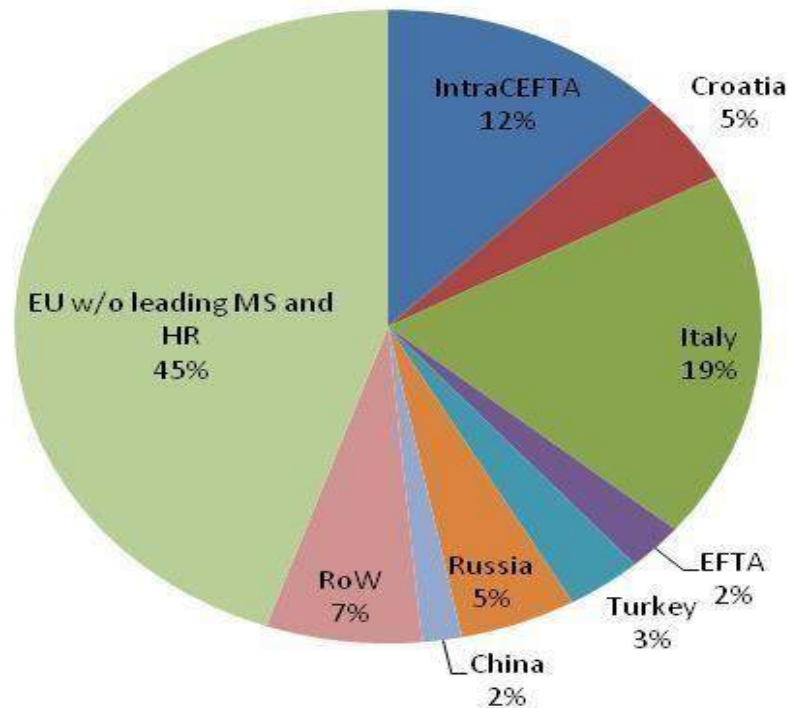
Share of Countries in Exports in Crude Materials and Mineral Fuels (2015)



SITC Sectors 2, 3

The EU has a total of 73% share in the CEFTA exports of manufacturing sectors compared to 12% share of CEFTA intra-exports.

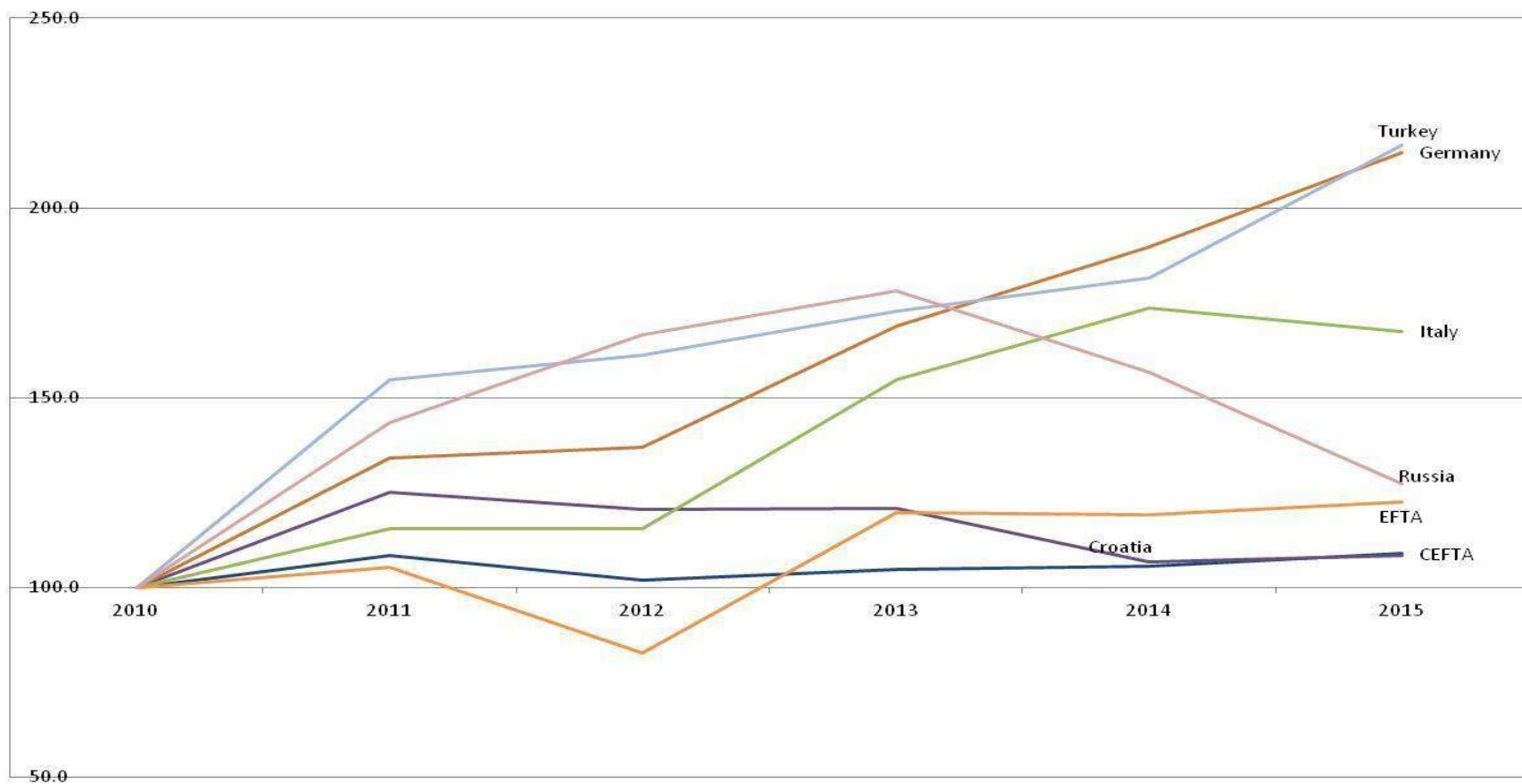
Share of Countries in Exports in Manufacturing Sectors (2015)



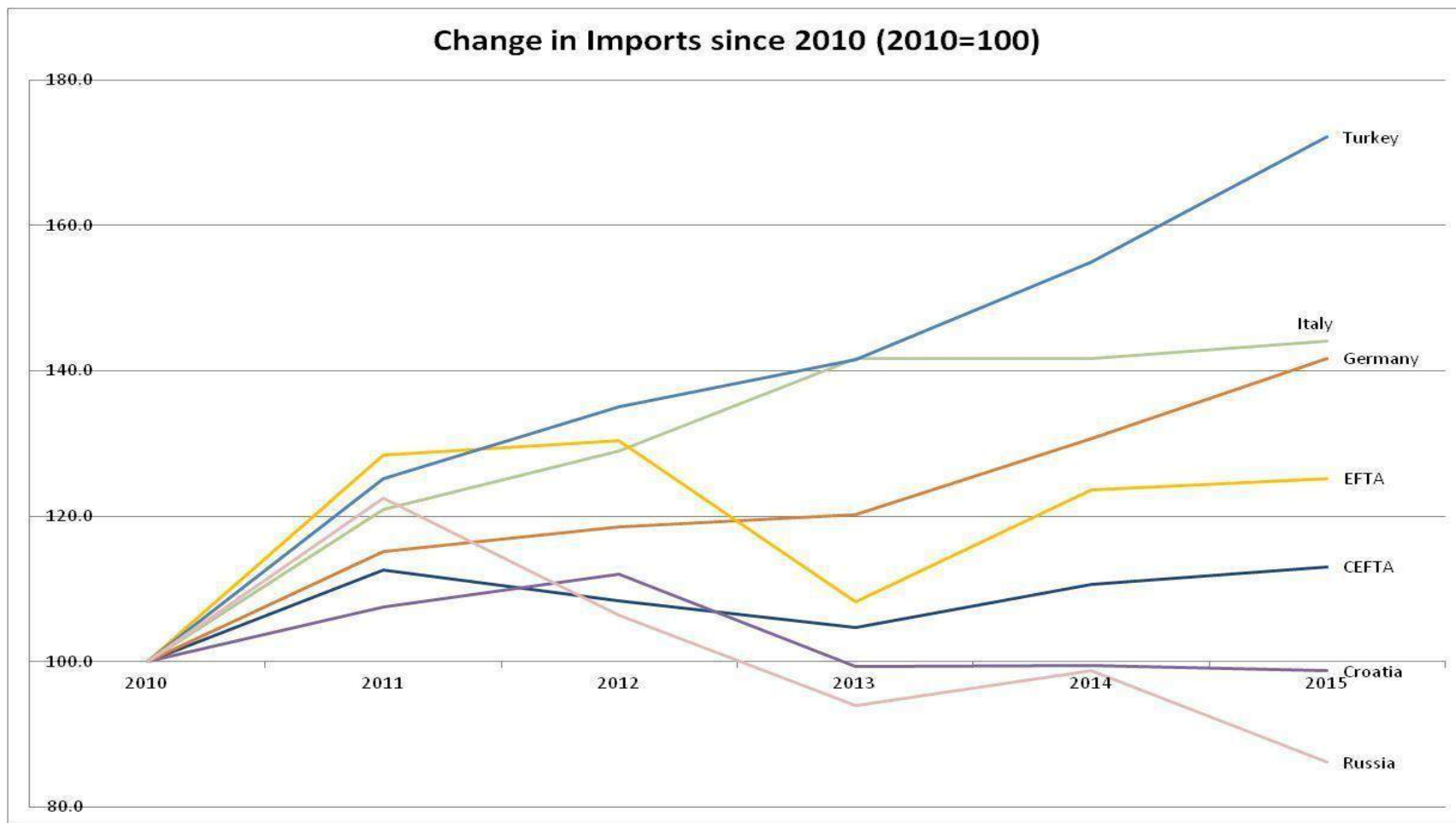
SITC Sectors 5,6,7, 8

Intra-CEFTA exports increased by 9% compared to 2010. While, exports to Turkey increased by 116%, Germany by 115%, France by 80% and Italy by 68% compared to 2010.

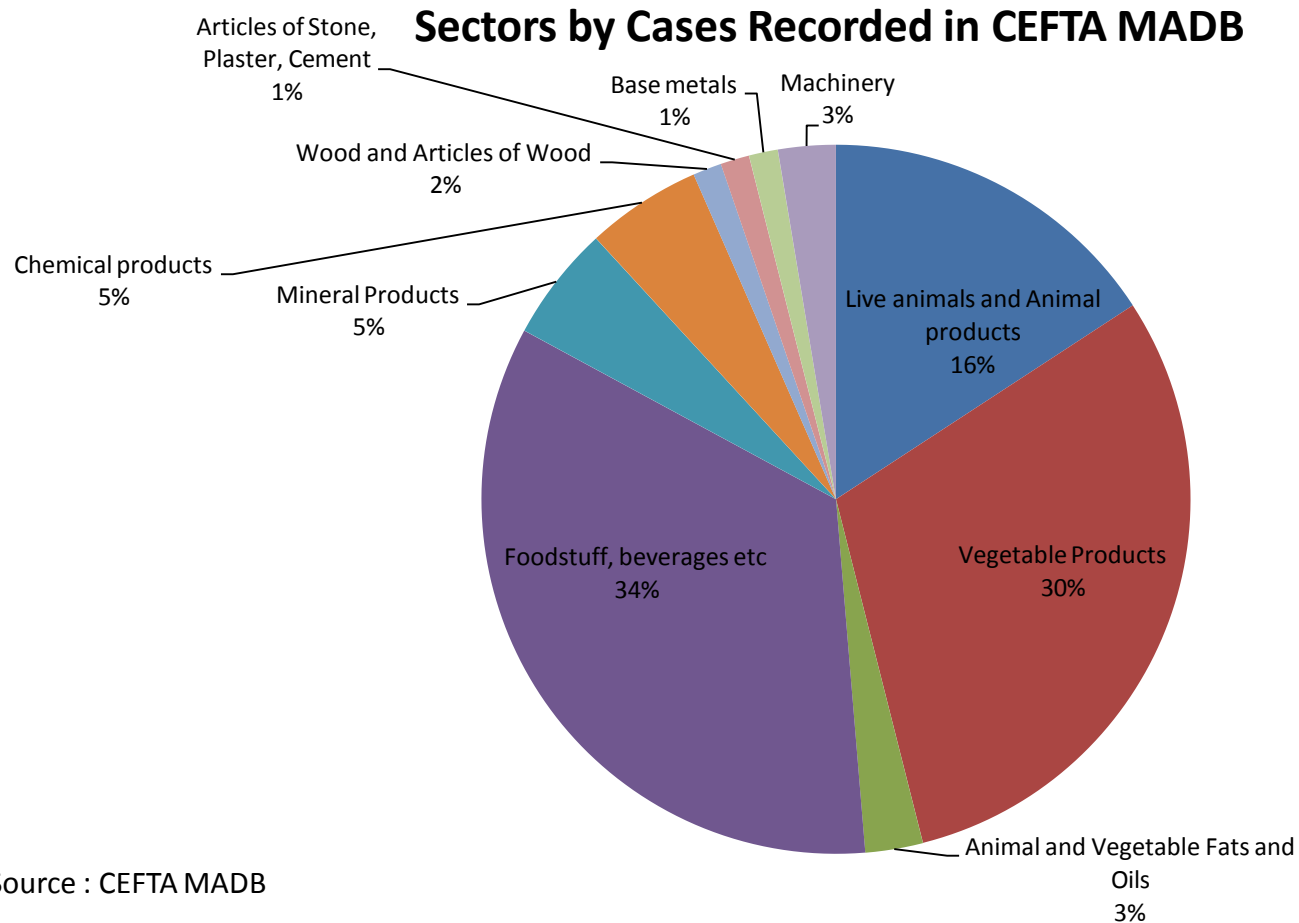
Change in Exports since 2010 (2010=100)



**Intra-CEFTA imports increased by 13% compared to 2010.
Such increased in imports from Turkey is recorded as
72%, Italy 44%, Germany 42%, EFTA and France 25%.**



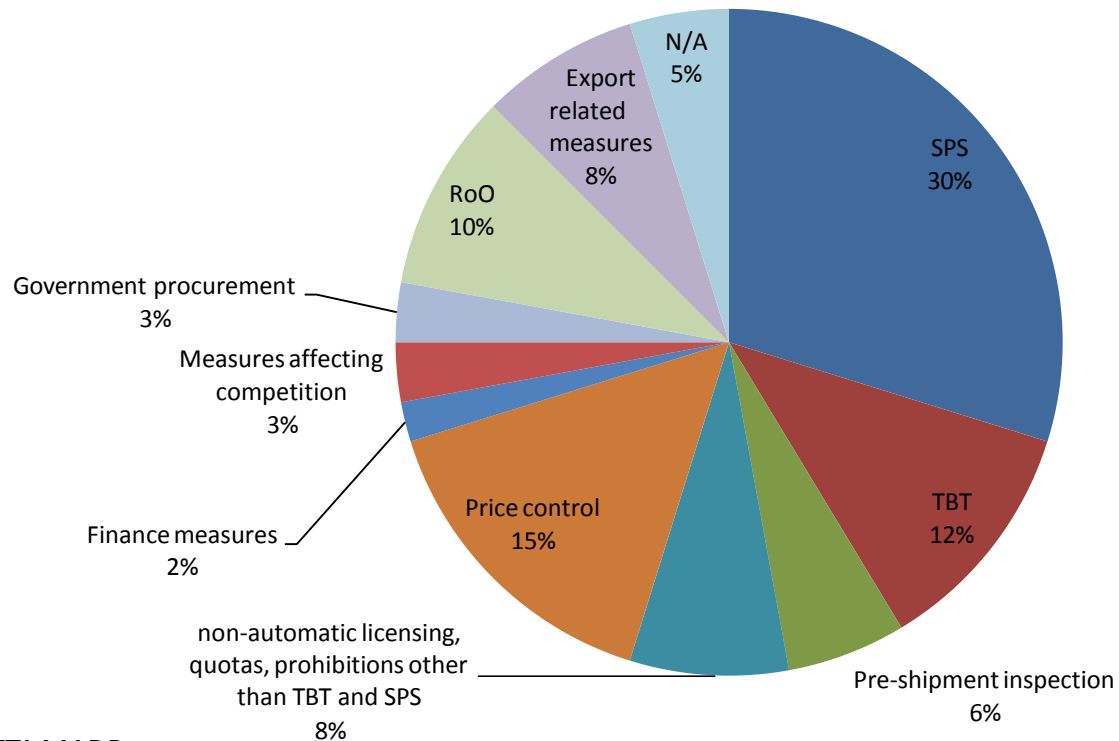
Market Access Barriers in CEFTA



Source : CEFTA MADB

Market Access Barriers in CEFTA

Cases by Problem Categories



Source : CEFTA MADB



SUCCESSSES IN 10 YEAR OF IMPLEMENTATION

EVOLUTION OF PRIORITIES IN CEFTA

CEFTA 2008 - 2013

- All commitments and deadlines met
 - Full liberalisation of trade in goods (both in industrial and non-industrial goods)
 - Diagonal cumulation (CEFTA Cumulation)
 - Opening of PP Market (non-discrimination in CEFTA PP Markets)
 - TBT notification (CEFTA Transparency Pack)
 - State Aid notification (State Aid reports)
 - IPR review (CEFTA Annexe 7)
 - Non-discrimination in Investment
 - Transparency tools: Market Access Database, SPS Database, CEFTA Trade Portal (CEFTA Transparency Pack)

CEFTA 2013 - 2016

- Implementation of Agreement focused on
 - Liberalisation of trade in services (negotiations concluded)
 - Trade Facilitation (Additional Protocol 5) (negotiations concluded)
 - Transparency (ongoing priority)
 - Investment (ongoing priority)
 - Diagonal cumulation (linkage to PEM, SAP + cumulation, full cumulation and drawback)

KEY CHALLENGES

- Increase in CEFTA Parties bi-lateral trade with their FTA partners is more than the increase of intra-CEFTA trade since 2010).
- CEFTA liberalised trade in goods though some long-lasting non-tariff barriers exist and substantial reforms need to be done in trade facilitation and dispute settlement.
- No mutual recognition exists in CEFTA at the regional level despite its 10th year of implementation.
- Trade in services needs to be liberalised though it should be better incorporated into investment and trade facilitation agenda.
- CEFTA dispute settlement mechanism needs to be reformed.
- CEFTA should have an equal footing in PEM Cumulation Zone (full cumulation and drawback).
- In most of the cases, trade policy and CEFTA are singled out and developments in other policy areas do not fully take into account of the possibilities and potentials in CEFTA.
- While the EU acquis alignment is top priority for all CEFTA Parties, no strong linkage is established with CEFTA until recently.



CEFTA PRIORITIES IN 2017

MINISTERIAL CONCLUSIONS OF CEFTA JOINT COMMITTEE OF 09 DECEMBER 2016

- **REGIONAL ECONOMIC AREA**
- Our aim is **to establish a regional economic area in CEFTA on the basis of the EU compliance** with an objective to support our efforts to attract more investment, decrease the cost of trade and production, and eliminate market access barriers.
- The **EU accession process** at national level in each CEFTA Party and **regional integration through CEFTA** shall represent the two main pillars of our efforts.
- CEFTA Region will be in which **goods, services, investments, and skilled people move freely** without tariffs, quotas or other unnecessary barriers, where trade is facilitated higher than WTO Rules, aiming at recognition of all border documents, procedures, and programmes related to trade **once the EU alignment by one or more CEFTA Parties is reached.**
- The **legal basis** of regional economic area will be the CEFTA Agreement extended by **Additional Protocols on Trade Facilitation and on Trade in Services, and strengthened with more efficient and effective dispute settlement procedures.**
- Regional economic area shall be part of the Pan-Euro Mediterranean Cumulation zone in equal footing as other countries in the Zone.

MINISTERIAL CONCLUSIONS OF CEFTA JOINT COMMITTEE OF 09 DECEMBER 2016

- **TRADE FACILITATION**
- to conclude the preparation of **implementing provisions for the mutual recognition of border documents and Authorised Economic Operators**, and to make **the implementing provisions** ready for the adoption of the Joint Committee by the end of 2017.
- to conclude **signing the Memoranda of Understandings** between the customs authorities of CEFTA Parties and other competent authorities involved in the clearance of goods.
- to prepare **a list of preparatory actions** need to be undertaken by CEFTA Parties in the context of the Additional Protocol before it enters into force

MINISTERIAL CONCLUSIONS OF CEFTA JOINT COMMITTEE OF 09 DECEMBER 2016

- **TRADE IN SERVICES**
- (urge) to proceed without delay with necessary domestic procedures with the aim of **adopting the Additional Protocol on Trade in Services** and its annexes no later than end of April 2017.
- to support successful functioning of **the CEFTA Secretariat System on Reporting data on trade in services and FDI** with the objective of facilitating implementation of commitments undertaken by trade in services liberalization and monitoring SEE2020 priorities.

MINISTERIAL CONCLUSIONS OF CEFTA JOINT COMMITTEE OF 09 DECEMBER 2016

- **FREE MOVEMENT OF EXPERTS**
- (Urged) to continue vigorously with creating conditions for **recognition of professional qualifications in sectors and professions of mutual interest** with the aim of opening negotiations by mid-2017.

MINISTERIAL CONCLUSIONS OF CEFTA JOINT COMMITTEE OF 09 DECEMBER 2016

- **CUMULATION OF ORIGIN**
- to **start full cumulation and duty drawback** at the earliest possible in 2017 once the **required derogation** is granted by the PEM Convention Joint Committee
- (encouraged) **to coordinate with each other** their positions in the revision exercise of the PEM Convention according to the CEFTA Regional Position and to undertake concerted actions to propose the modifications of their bi-lateral free trade agreements with **the EU, EFTA States, and Turkey** to include **full cumulation and duty drawback** in the respective free trade agreements in case the delay remains in the revision exercise of the PEM Convention.

MINISTERIAL CONCLUSIONS OF CEFTA JOINT COMMITTEE OF 09 DECEMBER 2016

- **DISPUTE SETTLEMENT**
- to continue discussing the possibilities with the aim **to launch negotiations for an Additional Protocol on Dispute Settlement** in order to regulate the legal and procedural aspects of the implementation of CEFTA Dispute Settlement which is a key factor for the deepening of CEFTA.

MINISTERIAL CONCLUSIONS OF CEFTA JOINT COMMITTEE OF 09 DECEMBER 2016

- **CEFTA CONSOLIDATED AGENDA AND ACTION PLAN**
- ACKNOWLEDGING the successful efforts of CEFTA Parties initiating the discussion to consolidate the agendas of Trade Facilitation, Liberalisation of Trade in Services, and Free Movement of Experts in our Region under the higher objectives of promotion of investment and trade to contribute to the economic growth of CEFTA Parties, we **instruct the CEFTA Secretariat to propose the draft consolidated agenda with an action plan to facilitate the efforts of CEFTA structures under the CEFTA chairmanship of Serbia in 2017 to deepen the regional economic integration** as emphasized by the conclusions of the latest Western Balkans Summit in Paris.



HIGHLIGHTS OF CEFTA RELATED PARTS IN MULTIANNUAL ACTION PLAN FOR CREATING A REGIONAL ECONOMIC AREA

CEFTA'S CONTRIBUTION TO WB 6 MAP

- **Objective:**
- The objective of the CEFTA Consolidated Agenda and Action Plan is to consolidate the actions that need to be undertaken by the CEFTA Parties which are stemming from individual trade policy agendas with the **aim to facilitate the efforts of CEFTA Parties to establish regional economic area in CEFTA on the basis of the compliance to the EU acquis.**

HIGHLIGHTS OF CEFTA CONSOLIDATED AGENDA (1)

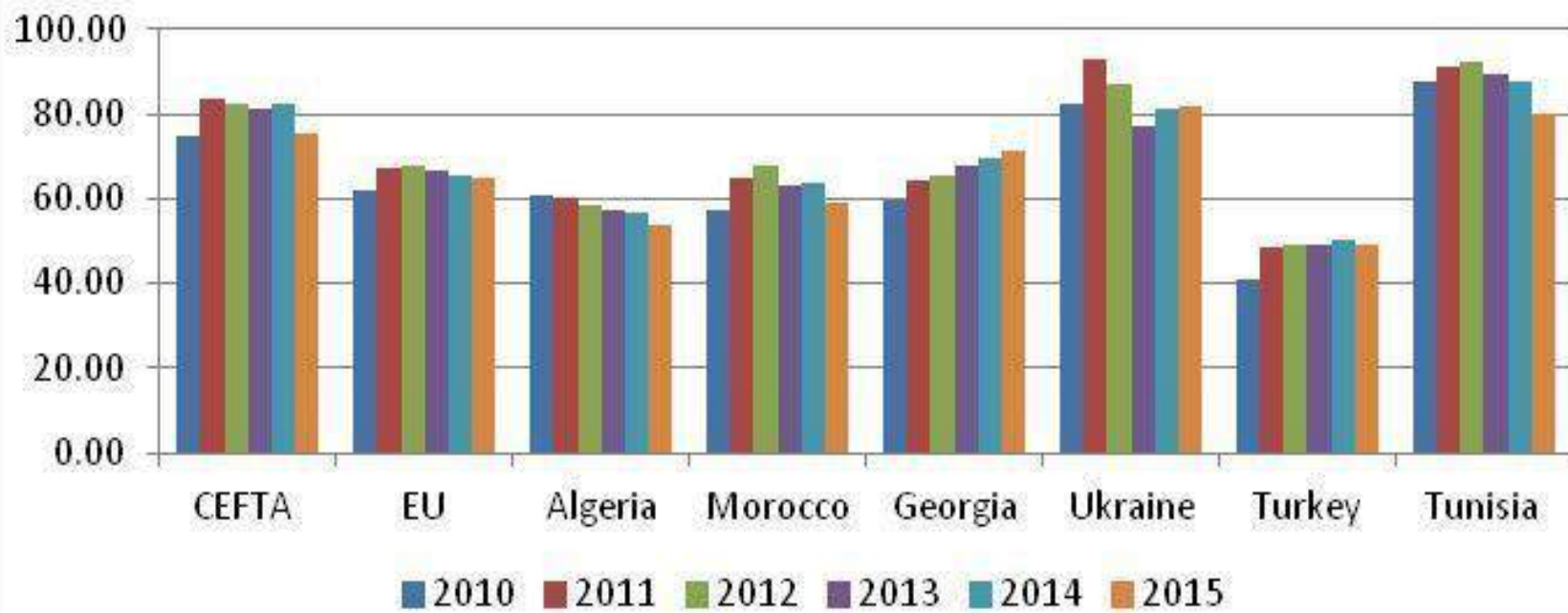
- The trade policy implemented by the CEFTA Parties based on the CEFTA Agreement and their bi-lateral Free Trade Agreements with third countries ensured a substantial level of merchandise trade openness in the CEFTA Parties. ([Please see the graph](#))
- The merchandise trade is liberalised. In parallel, during the negotiations of the Additional Protocol 6 the CEFTA Parties agreed to commit liberalisation of trade in services.
- No substantial drawbacks in market access are observed despite a number of bilateral non-tariff barriers. ([Please see the graph](#))
- Further improvements can be made in the areas of dispute settlement, trade facilitation, liberalisation of trade in services (in particular key infrastructural services such as finance, insurance, and transport) , movement of highly skilled labour, regional investment friendly environment , full cumulation of origin and duty drawback opportunities which the CEFTA Agreement have a clear mandate.
- The trade in CEFTA is not supported by economic growth prospective of the economies in the Region. In addition, the investment inflows in the CEFTA Region do not seem having a strong impact either on the regional trade or economic growth. ([Please see the graph](#))

HIGHLIGHTS OF CEFTA CONSOLIDATED AGENDA (2)

- The analysis reveals that the positive developments in trade thanks to progressive and successful implementation of CEFTA for 10 years do not have a direct relation with economic growth performance of the CEFTA Parties in the given period. ([Please see the graph](#))
- In this regard, any further improvements to be made in trade related policy areas might contribute to the economic growth perspectives of the CEFTA Parties provided that reforms in the economies stimulating their competitiveness, productivity and private industrial sector are undertaken.
- Beside this, much more comprehensive regional economic integration conducive to economic growth for competitiveness and productivity should be developed which trade related policy areas can directly contribute to.

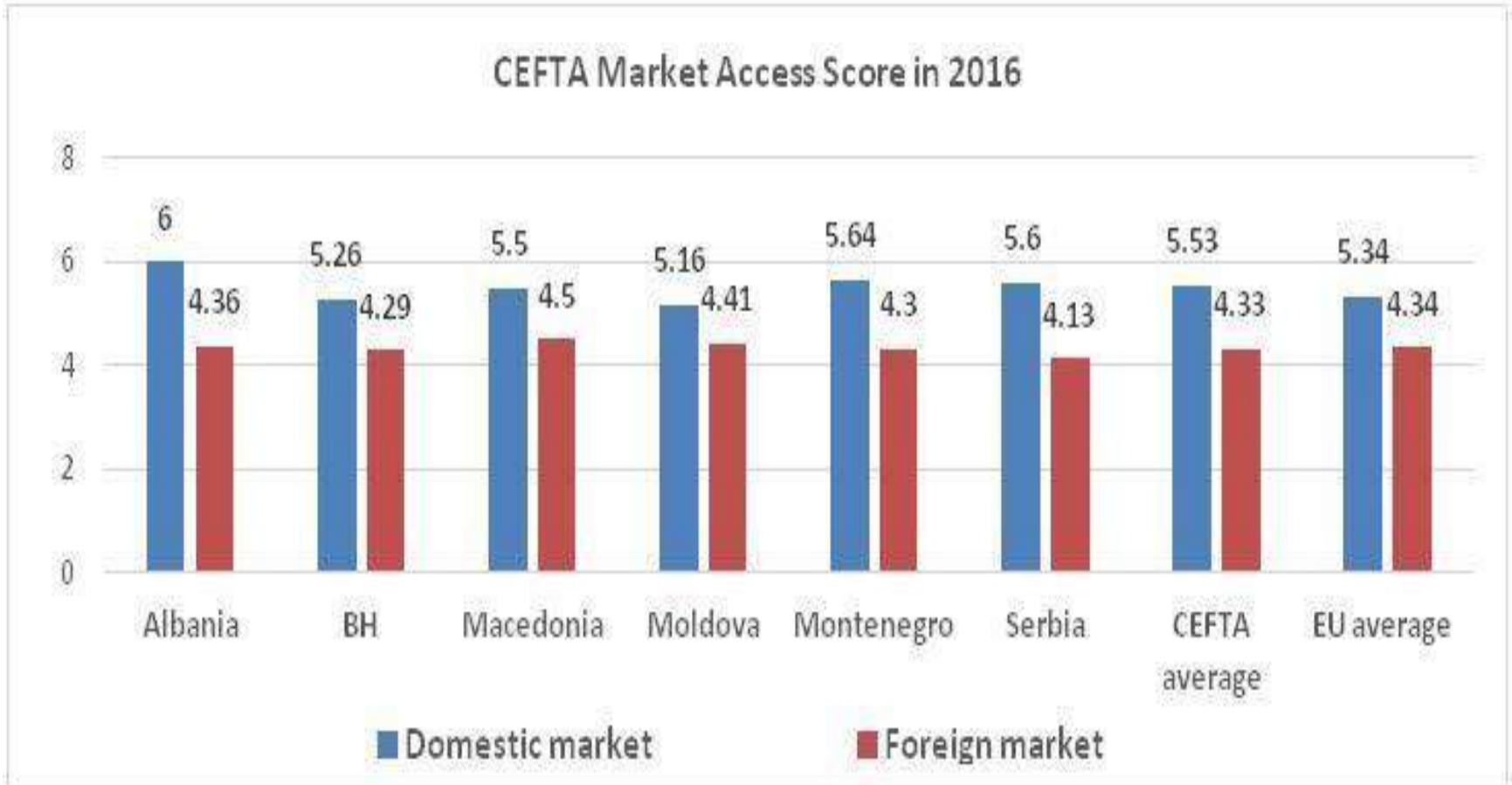
MERCHANDISE TRADE OPENNESS

Merchandise Trade Openness in PEM Region (Trade/GDP) (%)



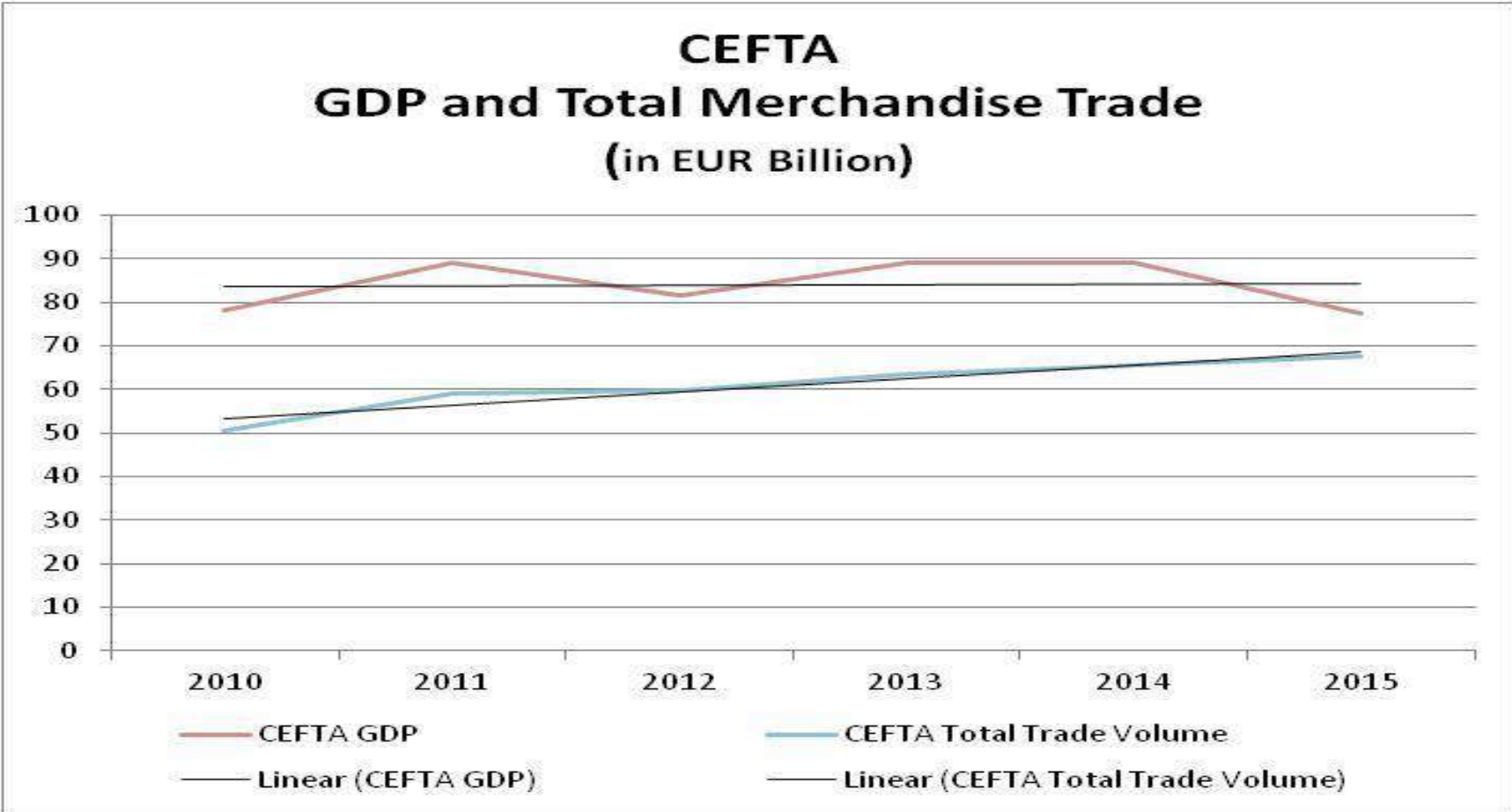
Source : Author's calculations based on WB data

CEFTA MARKET ACCESS



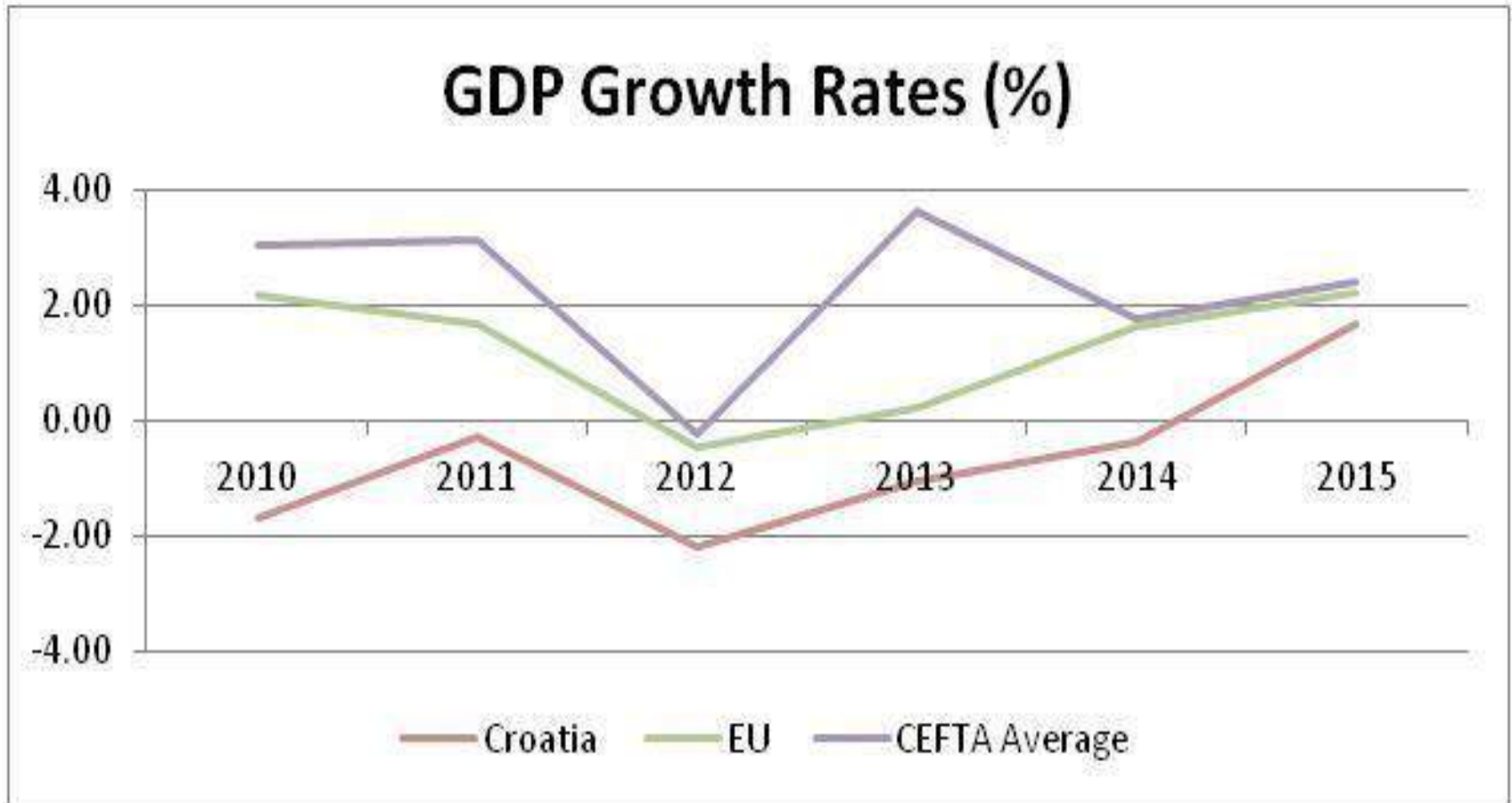
Source: WEF Enabling Trade Index Range of Index 1 to 7 (best)

CEFTA MERCHANDISE TRADE AND ECONOMIC GROWTH



Source: World Bank

CEFTA ECONOMIC GROWTH



Source: World Bank

POLICY AREAS AND OBJECTIVES OF MAP ADOPTED IN JULY 2017

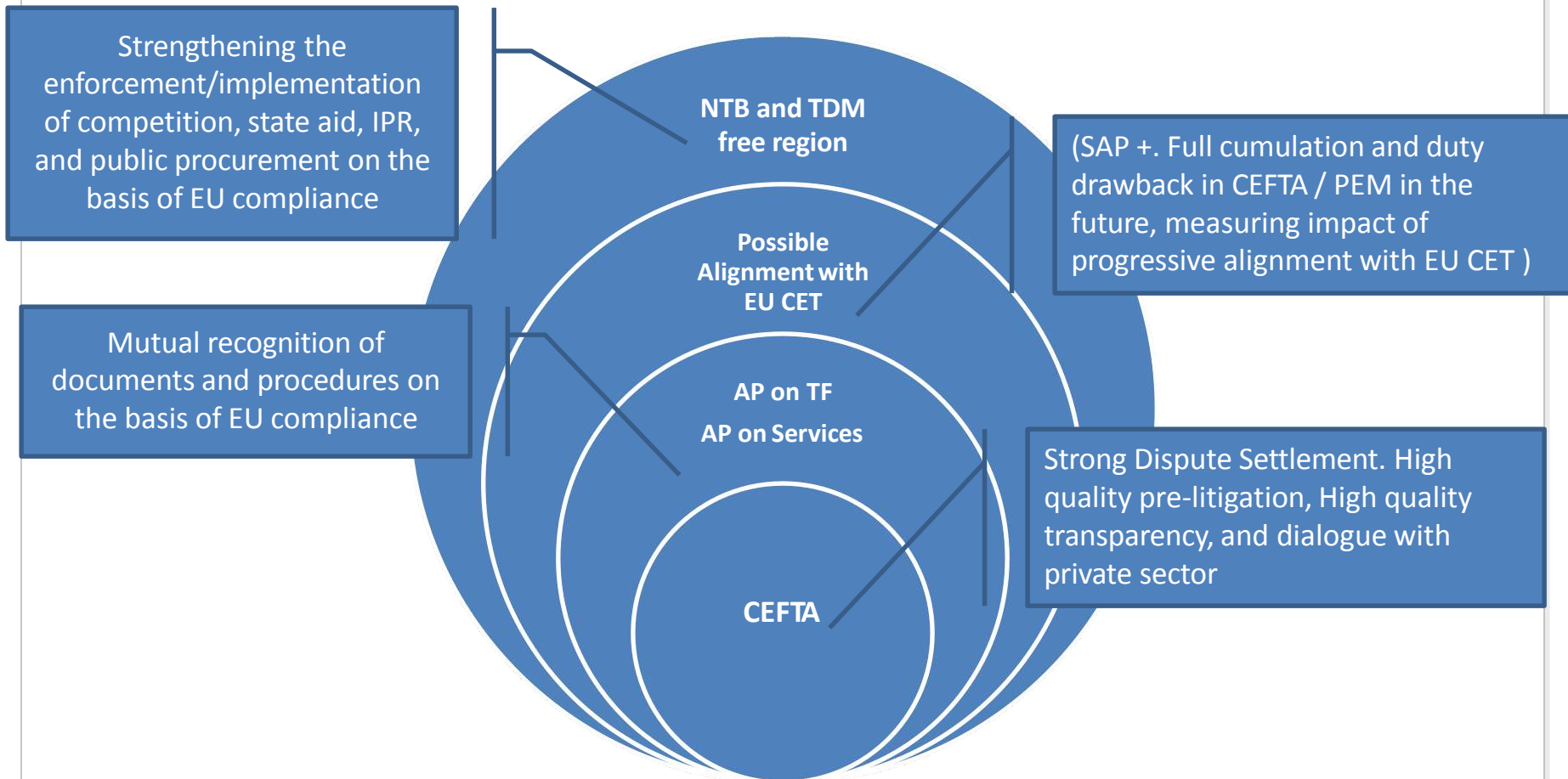
MULTI-ANNUAL PLAN FOR A REGIONAL ECONOMIC AREA

I. TRADE	II. INVESTMENT	III. MOBILITY	IV. DIGITAL INTEGRATION
<ol style="list-style-type: none"> 1. Facilitation of free trade in goods 2. Harmonisation of CEFTA Markets with the EU 3. Creating NTMs and TDMs- free region 4. Facilitation of free trade in services 	<ol style="list-style-type: none"> II.1. Regional investment agenda II.2. Formalisation of agenda through appropriate instruments II.3. Implementation and monitoring of investment reforms II.4. Promotion of WB as a common investment destination II.5. Diversification of financial systems to boost investments II.6. Smart Growth 	<ol style="list-style-type: none"> 1. Mobility of researchers 2. Mobility of professionals III.3. Mobility of students and the highly skilled labour 	<ol style="list-style-type: none"> 1. Digital environment networks and services, connectivity and access 2. Trust and security in digital services 3. Digital economy and society 4. Digital economy and society, data economy, standards and interoperability, innovation

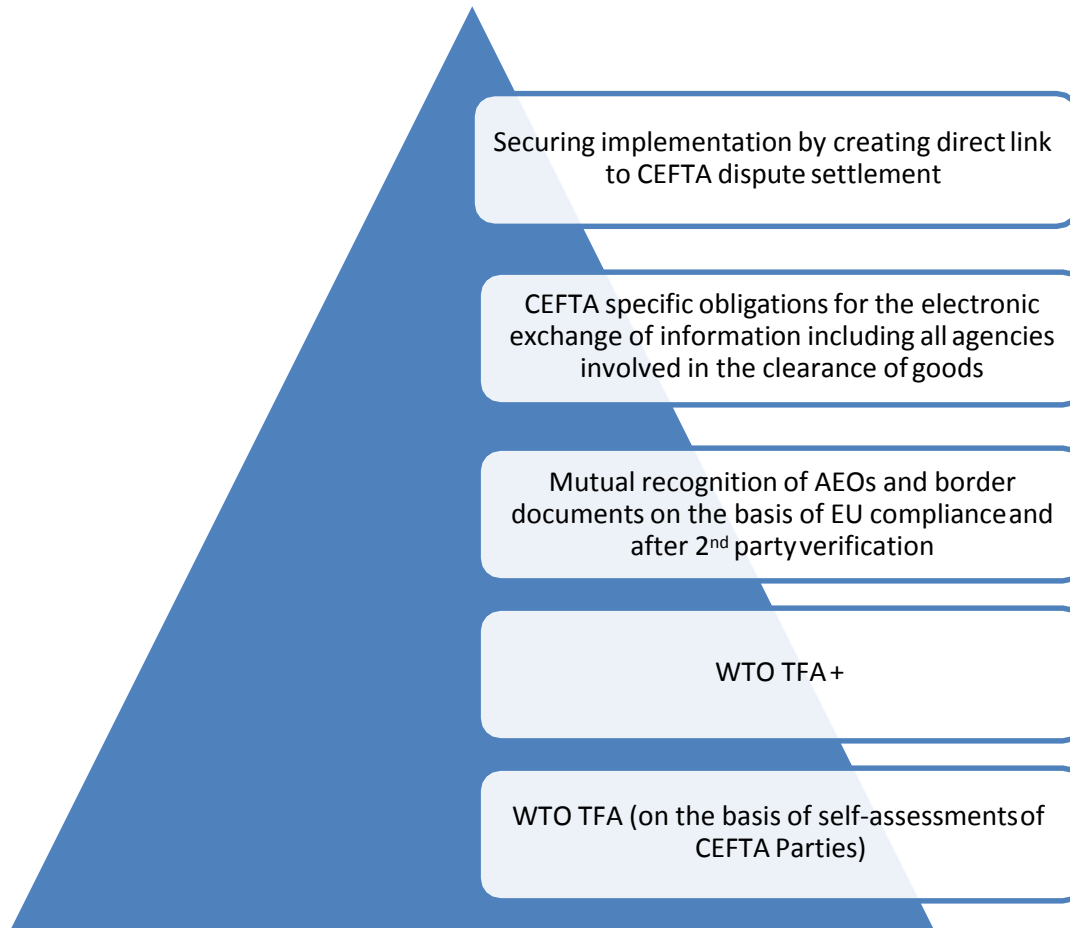


FUTURE

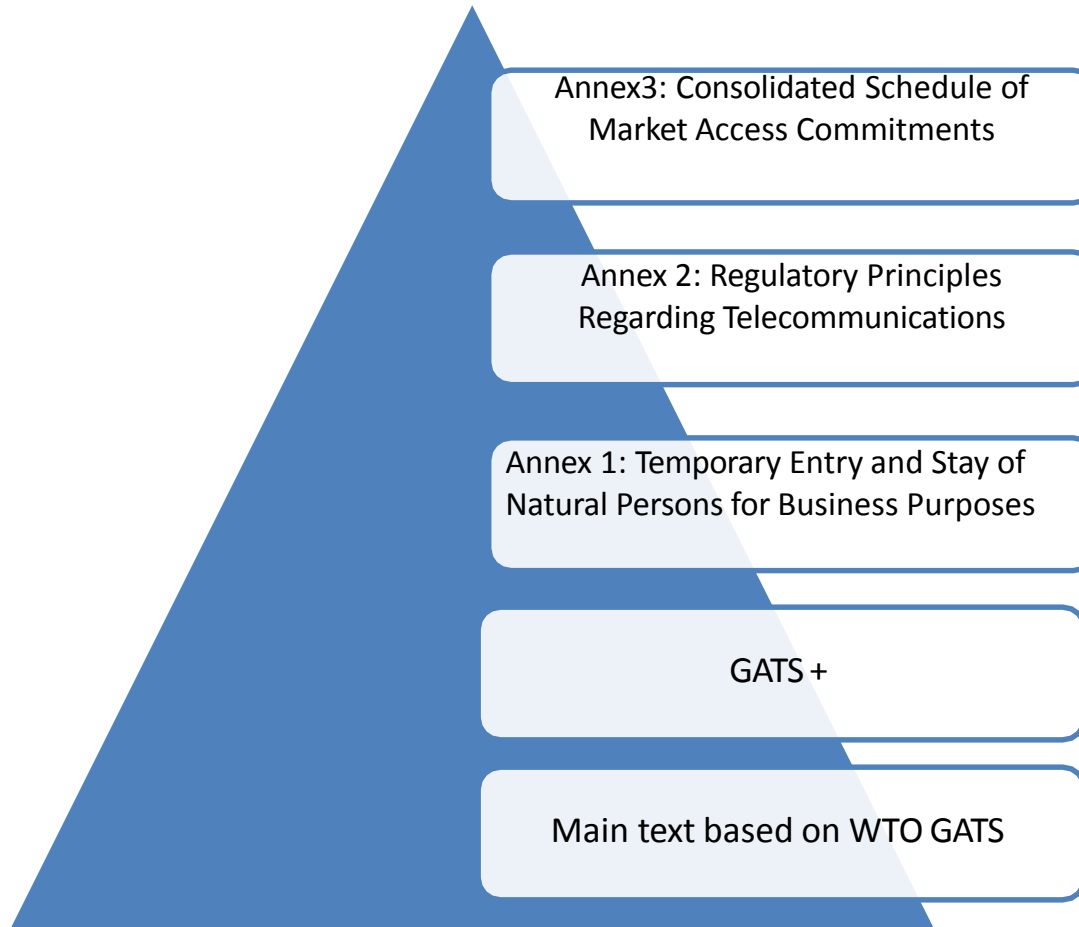
DEVELOPMENT AND DEEPENING of CEFTA



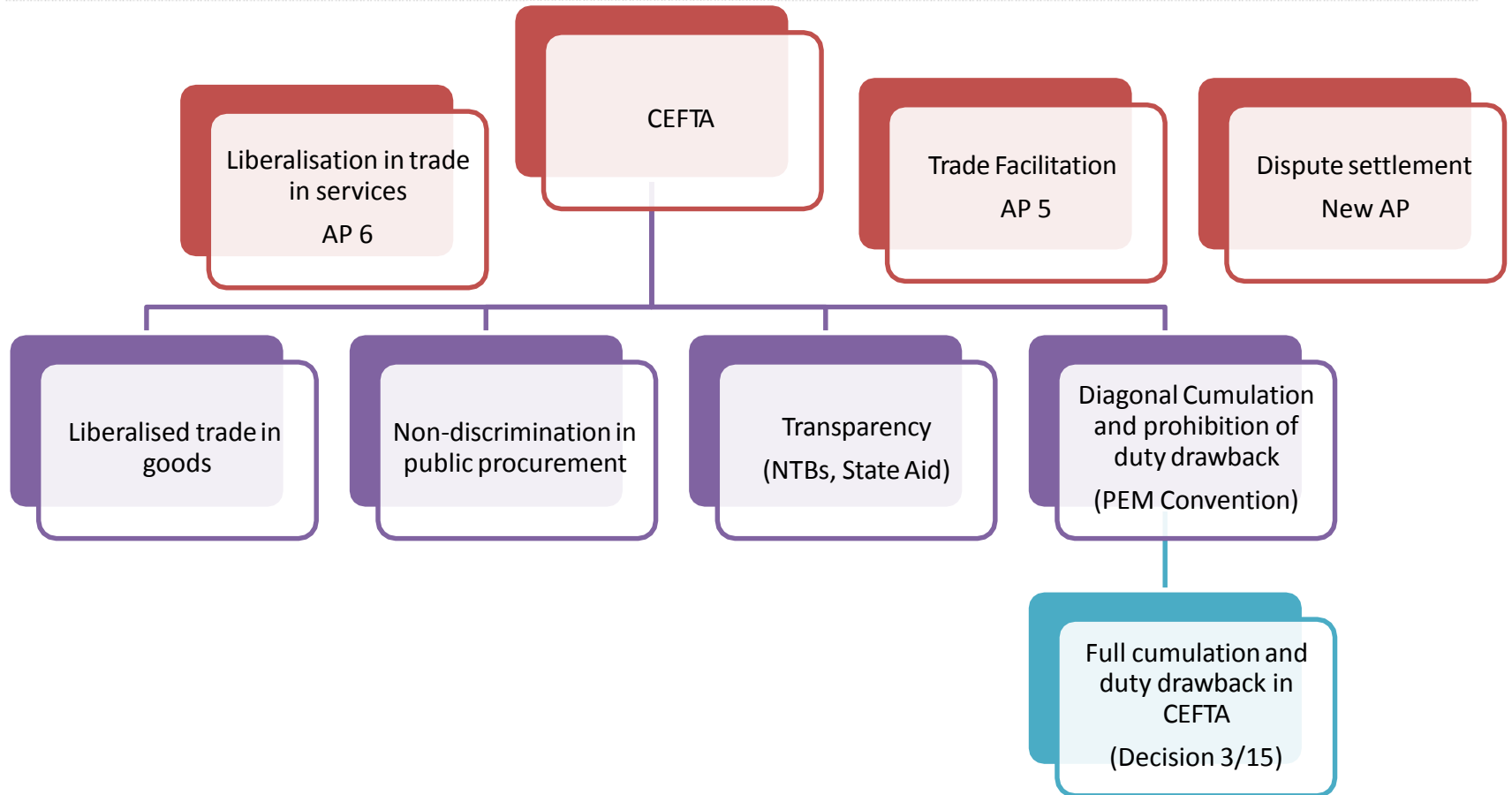
Structure of AP 5 (Acquis + and WTO TFA+)



Structure of Additional Protocol on Trade in Services



CEFTA IN THE FUTURE





THANK YOU.

