

# **Free Trade in Southeast Europe (2000-2005) – Trade Flows and Trends**

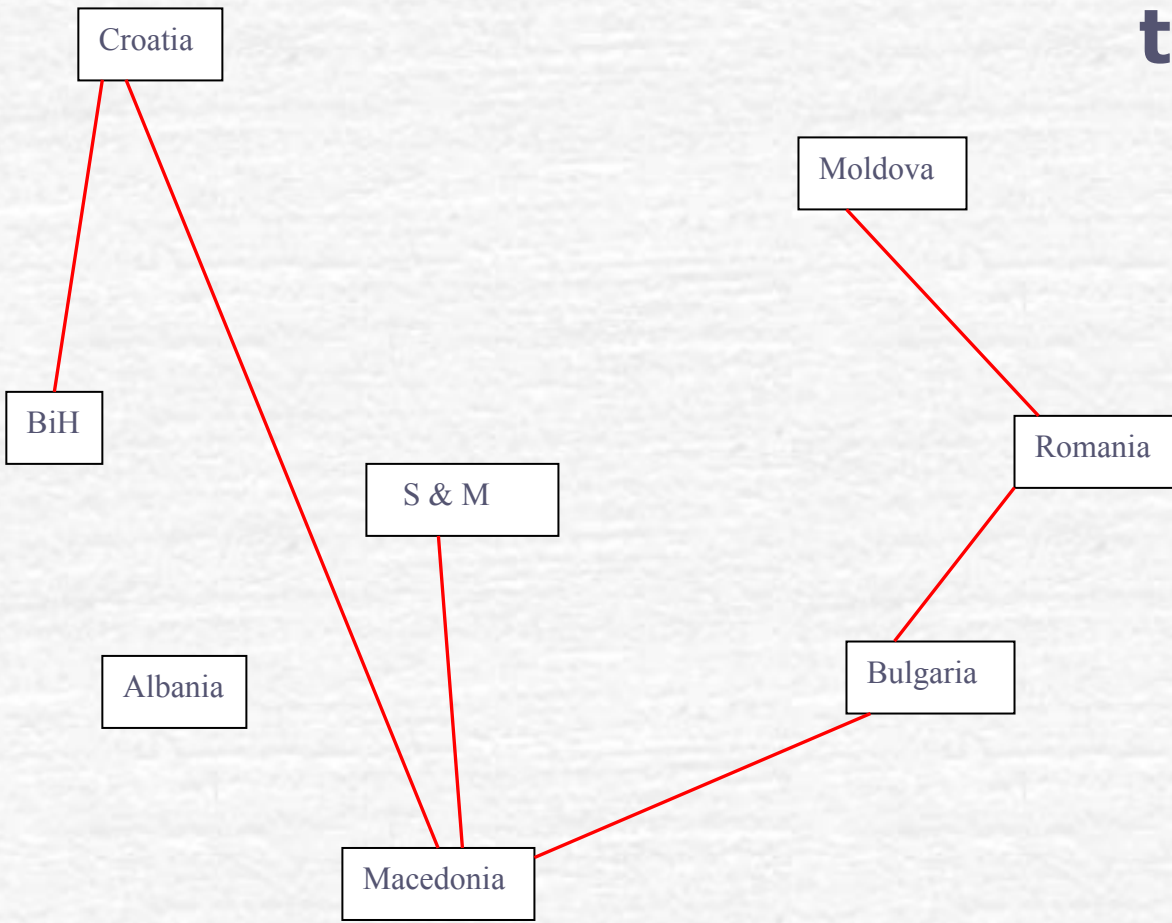
Ana S. Trbovich



# Regional trade liberalization

- 31 Bilateral FTAs: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, Serbia and Montenegro and UNMIK/Kosovo
- region-wide trade liberalization initiated in June 2001, under auspices of Stability Pact for South Eastern Europe
- next step: regional free trade zone

# Bilateral FTAs prior to June 2001...



# Regional free trade zone in 2007

- Free trade for 90% exchange throughout the region
- 650,000 km<sup>2</sup> and 58 million people
- CEFTA – enlarged and ‘modernized’:
  - Enhance liberalization where possible
  - Harmonize trade policies
  - Clarify dispute settlement procedure
  - Facilitate diagonal cumulation of origin

# Free trade and WTO and EU

- Bilateral FTAs and CEFTA compatible with WTO rules
- EU does not allow a free trade area within EU – once states join EU the EU trade regime is in force – liberal for the region via 'autonomous trade measures'

# EU Accession Process

- Bulgaria and Romania posed to join EU in 2007/08
- Croatia and Macedonia official candidates – Croatia initiated negotiations on full membership
- Albania concluded SAA – associate EU member
- Bosnia, Serbia and Montenegro negotiating SAA (negotiations paused)

# Trade Flows 2000-2005

- Volume increased, especially for exports

Table 1. Exports to Other SAP Countries (US\$ mil.)

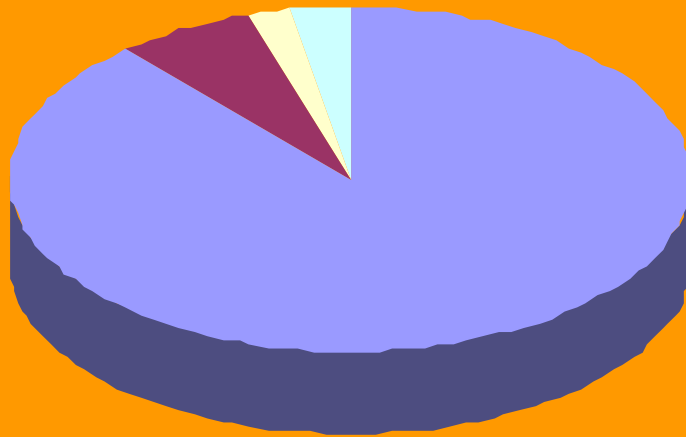
	2000	2005	Total	Growth %	
				Annual	World Annual
Albania	9.3	44.8	382	51.1	21.2
Bosnia-Herzegovina	307.3	884.5	188	24.3	17.3
Croatia	671.2	1,756.4	162	21.4	15.2
Macedonia	481.8	618.6	28.4	9.5	10.2
Serbia and Montenegro	436.9	1,235.9	183	24.1	24.2

Source: Global Insight and personal calculations, based on trade data from the individual countries

# Trends

- Revival of historic links : trade among the ex-YU countries; Albania – UNMIK/Kosovo
- Lower competitiveness – structural problems
- Benefits: direct impact of free trade, increase in FDI
- Great potential for growth

# ALBANIA



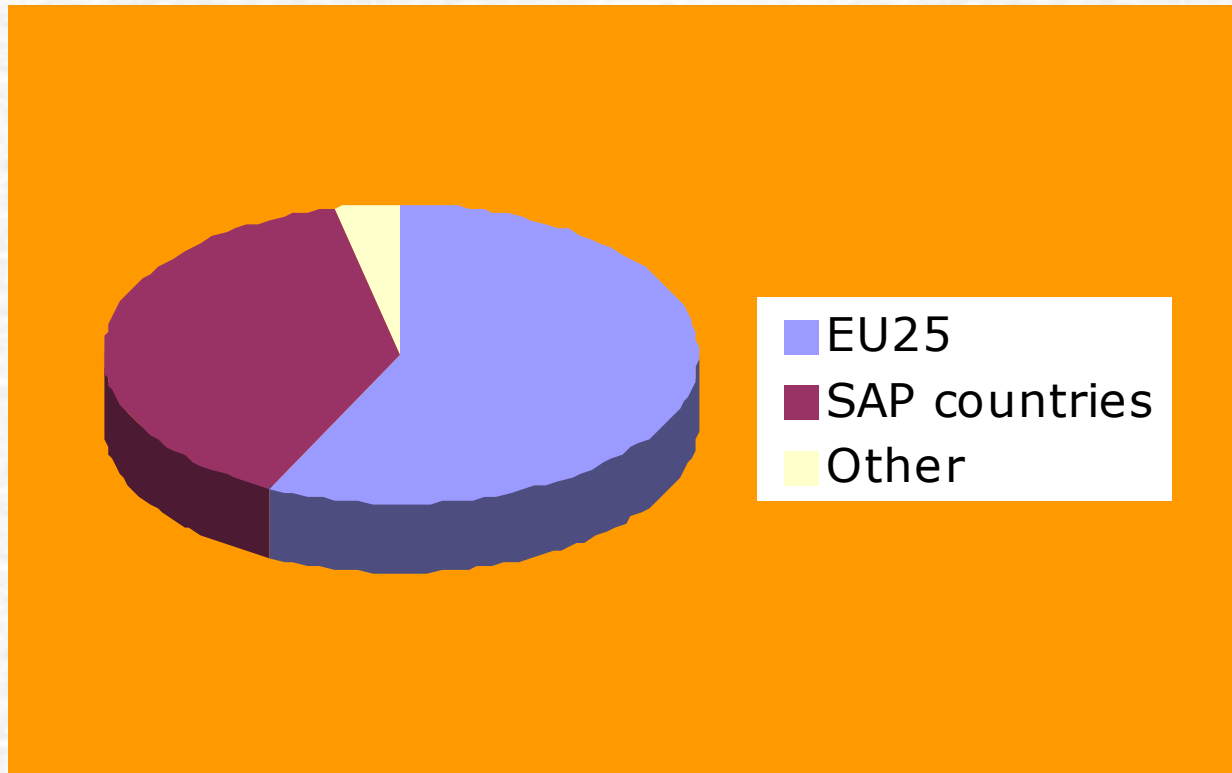
■ EU25

■ SAP countries

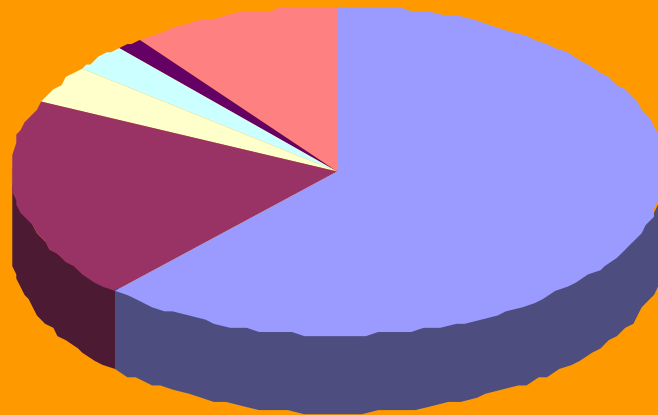
■ Turkey

■ Other

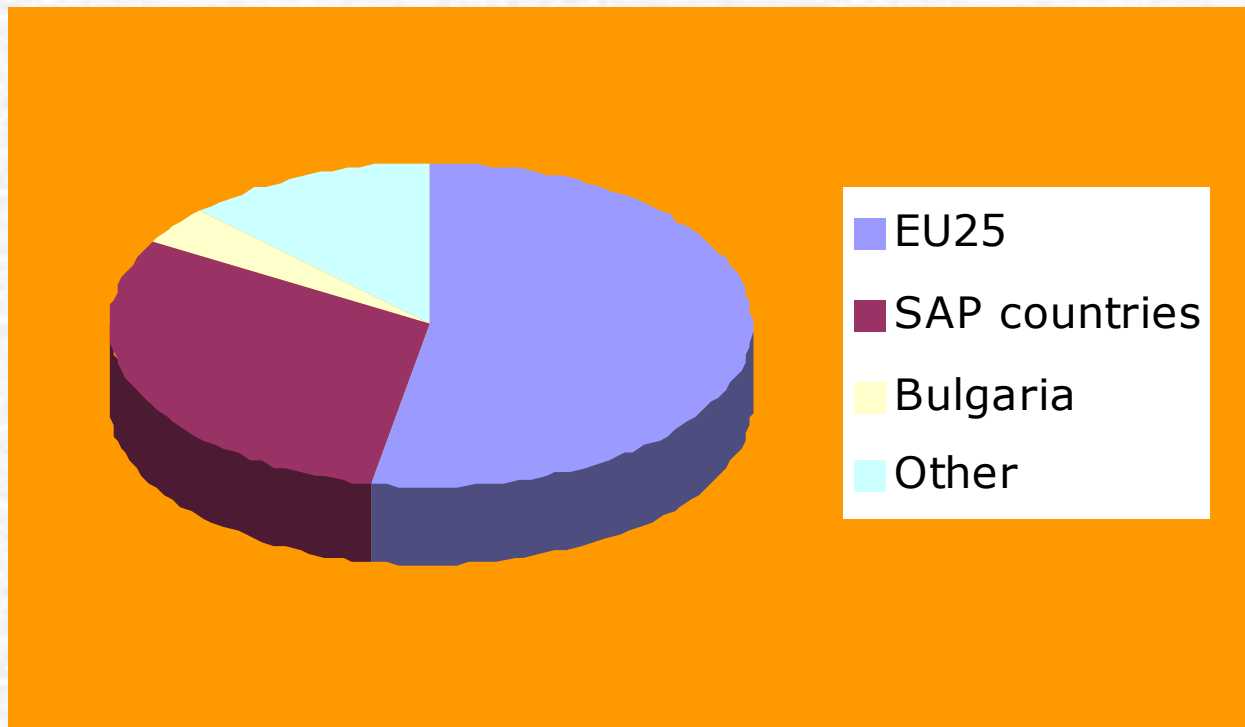
# BOSNIA AND HERZEGOVINA



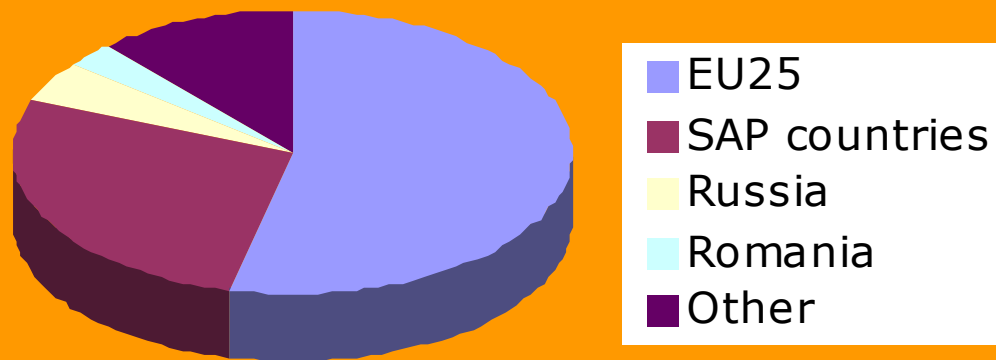
# CROATIA



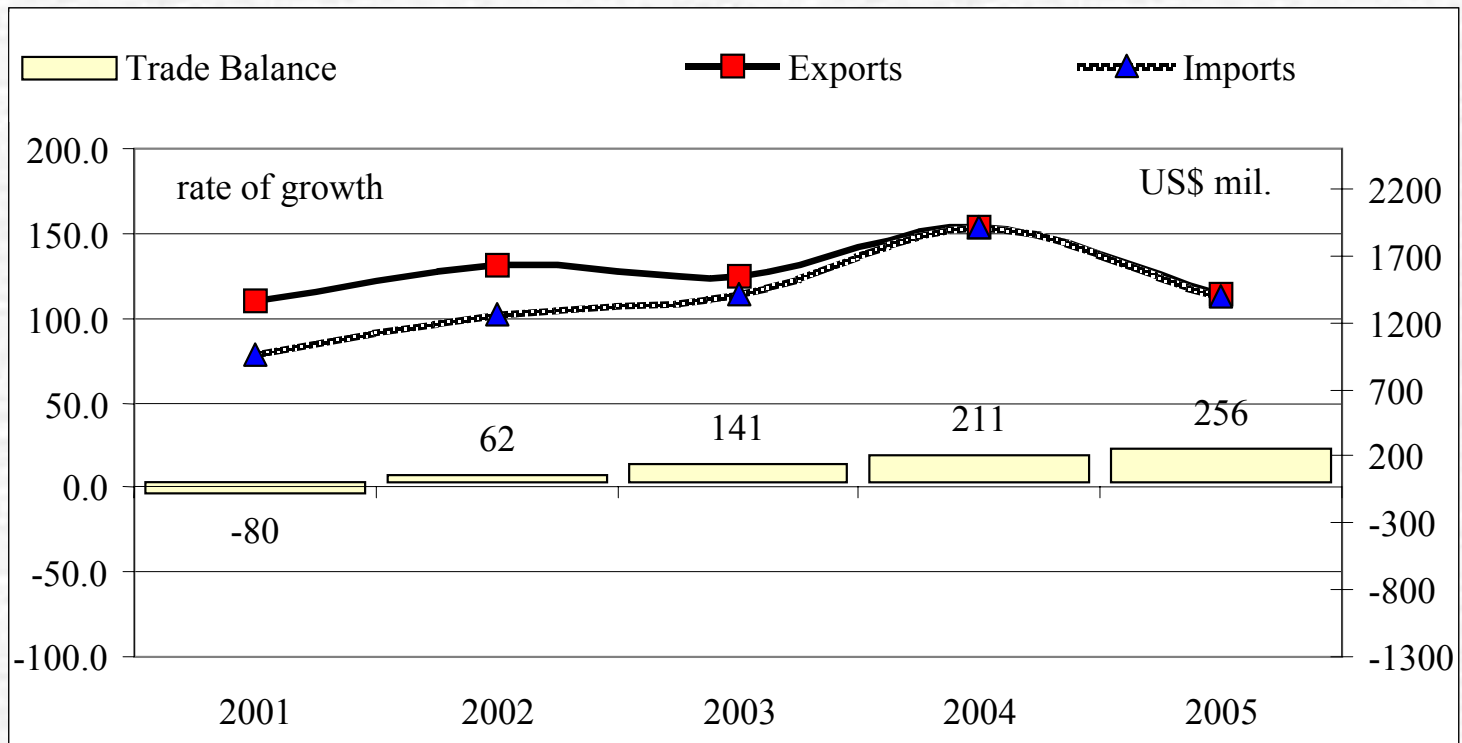
# MACEDONIA




# SERBIA




# Serbia - SEE





• Bulgaria, Romania and Moldova also record growth in regional trade...



# IMPROVING REGIONAL COMPETITIVENESS...

- ☛ persist in policies that attract FDI inflows
- ☛ strengthen intraregional cooperation and stability
- ☛ increase the quality of and access to skill-enhancing education

# NON-TARIFF BARRIERS

- ☛ Politics
- ☛ Certification and customs procedures – Rules of Origin
- ☛ Visa Policy and Practice
- ☛ Harmonization of Transport and Transit Regulations
- ☛ Infrastructure
- ☛ Different Tax Rates, Import Licensing, Quotas etc.

# Increase in trade volume 2004-2005 for Henkel Merima

Country	2004		2005	
	tons	1000Eur	tons	Eur
Bulgaria	2.116	181	14.702	1.630
Croatia	1.827	1.284	5.950	3.825
Romania	0	0	1.252	975
Bosnia	36	30	29	29
Macedonia	313	261	457	372
<b>Total</b>	<b>4.292</b>	<b>1.756</b>	<b>22.390</b>	<b>6.831</b>

# FTA impact

Tariff no 3402	Basic tariff rate, %	Tariff rate for imports from Serbia with EUR, %
Bulgaria	18,0	7,9
Croatia	6,5	1,3
Romania	7,0	1,4
Bosnia	20,0	0,0