

**JPM Newsletter August 2011 II****Agreement on Free Trade with Russia Expanded**

On July 22, 2011 the Government of the Republic of Serbia and the government of the Russian Federation signed a protocol on expanding the free trade agreement that liberalized the sale of 99% of products. This has completed the procedure of harmonizing Serbian trade with the Customs Union of Russia, Belarus and Kazakhstan.

This protocol introduces the liberalization of mutual trade for all carpets and floor spreads, furniture, cash registers, monitors and projectors, television receivers, starch and glucose sugar. Customs will, despite the protocol, still be paid on goods from Serbia such as sugar, cars, tractors, used motor vehicles, cigarettes, sparkling wines, cotton yarns and fabrics, undenatured ethanol, meat and edible remains of poultry, certain types of cheeses and fabrics.

The Ministry for Economy of the Republic of Serbia has stated that identical rules regarding to origin of goods will be applied in trade between Serbia and Russia, Belarus and Kazakhstan. The possibility of applying diagonal cumulation of origin has also been introduced.

The exchange of goods between Serbia and Russia in the first five months of this year amounted to 1.36 billion USD, which is by 40.2% more than in the same period last year. Serbian exports amounted to 280 million USD, which is an increase of 64.3% as compared to the first five months of 2010, while imports from Russia amounted to 1.08 billion USD, which constitutes an increase of 35.1%.

The Agreement on Free Trade with Russia, entered into on August 28, 2000 (by the then FRY), offers greater possibilities for increasing the competitiveness of these countries' industries, increasing exports and advancing exchange of goods – according to said agreement the majority of goods is exempt from payment of customs duties, which prior to the agreement amounted to 25%. In order for customs duties on goods to be charged at the much more favorable rate of 1%, it is necessary to prove that the goods originate from Serbia and are intended for the Russian market.

On a side note, Serbia is the only country in Europe that has concluded an agreement on free trade with Russia, which constitutes immense potential for the Serbian industry as it enables investors to make planned investments in production plants in Serbia with the end goal of exporting the finished goods to the huge market of the Federation of Russia, Belarus and Kazakhstan.

**Saša Vračar**

Kontakt: [sasa.vracar@jpm.rs](mailto:sasa.vracar@jpm.rs)

Tel. +381 11 207-6850