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Serbia and CEFTA – opportunities in the coming period

CEFTA (Central European Free Trade Agreement) was established on December 21st, 1992 by Czechoslovakia, Hungary and Poland. The Agreement came into effect in March 1993 and **represents one of the most important agreements on free trade in Europe.**

The purpose of the agreement is to eliminate the customs and other charges/barriers for trading and the membership in CEFTA is deemed to be preparation for admission into the European Union, on account of such criteria.

On January 1st, 2007 the membership was extended to “Western Balkans” countries and Moldova. In the meanwhile, since Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia were admitted into EU and therefore left CEFTA, the members list contained: **Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Serbia, UNMIK-Kosovo** (the territory of Kosovo and Metohija, which, subject to the SC Resolution 1244, is under the UN administration).

Since Croatia has got the “green light” for admission into EU from 2013, it will also leave CEFTA.

This has opened space for the **Republic of Serbia** to become the main pillar of CEFTA, i.e. the question arises whether Serbia, which even now has very positive economical results in trade with the member countries, will manage to take advantage from this fact. As after being admitted into EU, the country has to leave CEFTA and trade in accordance with the EU rules, which means that its products will no longer be included in the agreement on the customs free trade (with CEFTA countries = Non-EU-countries) – accordingly, the Croatian products in the neighboring countries will have to become more expensive. For example, in Bosnia and Herzegovina, milk, meat, meat products, beverages, flour from Croatia will be more expensive, and therefore less competitive.

This will open the door for Serbia enabling it to take over and fill in the additional market share (e.g.: in 2011, B&H imported 57.4% of the goods from Croatia).

Although Serbia has itself become a candidate for EU membership, Serbia has a long way to go until an effective membership and therefore, **the trade with CEFTA members will be of great significance for the foreign trade balance of the Republic of Serbia.**

In the **previous years** Serbia had **significant surplus** in trade with B&H, Macedonia and Montenegro. The **CEFTA members are the second largest foreign trade partner of the Republic of Serbia**, and in the first six months of 2012 Serbia had a **surplus of USD 616.2 million**. In 2011, the surplus amounted even to USD 1.5 billion. Therefore, this region is the market at which Serbia has a continuous surplus in exchange of the goods, with export exceeding the import (comparison with other markets is not so favorable for Serbia; e.g., the deficit, as compared to the EU, during the period January – June 2012 was EUR 3 billion).

The important facts for trade with the countries in this region are lower transportation costs, product awareness in the neighboring countries, which ensures a specific status for the products (familiar brands, connection with the country of origin, habit, nostalgia), and on the other hand, the advantage of Serbia is also the fact that some of the CEFTA countries have much smaller production (Montenegro, Macedonia, Republic of Srpska).

Therefore, considering Croatia's leaving of CEFTA by the beginning of the next year, the Republic of Serbia should increase its presence on this market, as it is certain that it will require much less effort and funds to strengthen the position on the well known market, at which its products have already been accepted, than it will be the case with conquering of new markets, especially today – in the crisis period.

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