

Trade arrangements and their impact on food sector development in Balkan Region Countries / candidate countries.



DR ŽELJKO VAŠKO
DR GORDANA ROKVIĆ

UNIVERZITY BANJALUKA
FACULTY OF AGRICULTURE

Central European Free Trade Agreement - CEFTA



- the Republic of Albania,
- Bosnia and Herzegovina,
- the Republic of Croatia,
- the Republic of Macedonia,
- the Republic of Moldova,
- the Republic of Montenegro,
- the Republic of Serbia
- the United Nations Interim Administration Mission in Kosovo on behalf of Kosovo in accordance with United Nations Security Council Resolution 1244

The objectives of the present Agreement



- Consolidate in a single agreement the existing level of trade liberalization achieved through the network of bilateral free trade agreements already concluded between the Parties;
- Improve conditions further to promote investment, including FDI;
- Expand trade in goods and services and foster investment by means of fair, clear, stable and predictable rules;
- Eliminate barriers to and distortions of trade and facilitate the movement of goods in transit and the cross-border movement of goods and services between the territories of the Parties;
- Provide fair conditions of competition affecting foreign trade and investment and gradually open the government procurement markets of the Parties;
- Provide appropriate protection of intellectual property rights in accordance with international standards;
- Provide effective procedures for the implementation and application of this Agreement; and
- Contribute thereby to the harmonious development and expansion of world trade.

Advantages of CEFTA in relation to bilateral agreements



- Diagonal accumulation of origin of goods in trade
- The liberalization of trade in services
- Equating the conditions for investment
- Market opening and equal treatment in public procurement
- Protection of intellectual property rights
- Region much more attractive for foreign investment
- Faster EU accession
- Improving mutual economic cooperation and eliminate the negative effects of the economic crisis

Impact assessment



- Difficult to measure isolated from the other influence factor such:
 - Stabilization and succession agreement
 - Decline in import due to the economic crisis (especially reflected in 2009)
 - Decrease of import taxes together with the decrease of world prices (2009);
 - Influence of energy and fuel prices

Characteristics of the economy of the CEFTA countries



- Small markets
- Small volume of intra trade, the larger with EU
- Incompatibility with international norms and standards
- Lack of competitiveness
- Unfavorable export structure
- Negative balance in foreign trade
- Insufficient infrastructure
- Lack of working capital and credit support
- High share of the gray economy

Trade barriers



- Complicated procedures for the flow of goods and bottlenecks at border crossings
- Lack of internationally recognized accreditation and certification bodies and insufficient number of authorized laboratories and institutions
- Non-recognition of certificates of quality, phytosanitary, sanitary and veterinary documents
- Inadequate international standards and technical regulations
- Lack of adequate infrastructure (transport, banking, insurance, telecommunications)

Comparative indicators of member countries, 2011



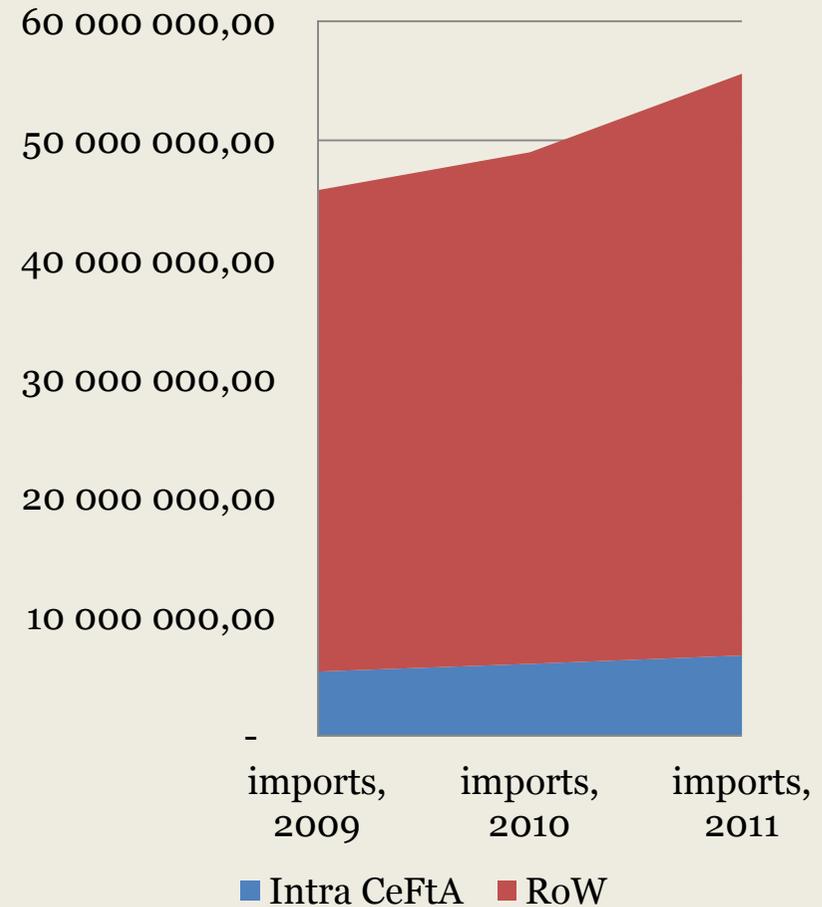
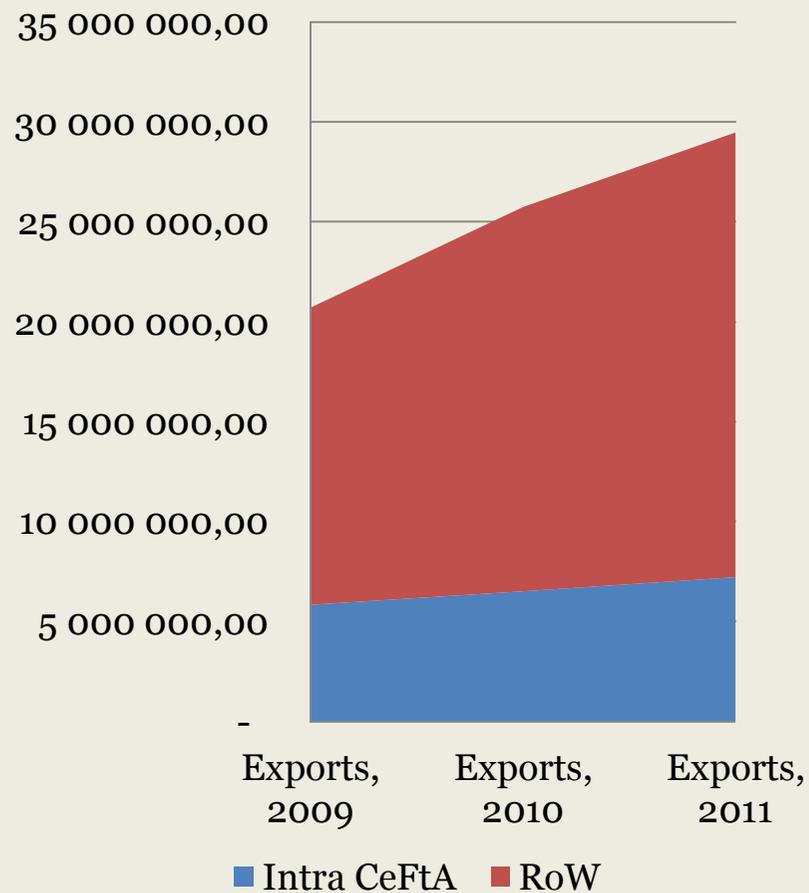
Countries	Population (000s)	GDP (billion USD)	GDP per capita (USD)	GDP growth (%)
Albania	2832	12847	4131	2
Bosnia and Herzegovina	3839	17965	4618	1.7
Croatia	4291	63842	14457	0
Macedonia	2058	10055	5012	3
Moldova	3560	7559	2128	6.4
Montenegro	625	4332	6668	2.5
Serbia	7400	43192	6267	1.8
UNMIK Kosovo	1734	5601	3103	5

Liberalization within CEFTA



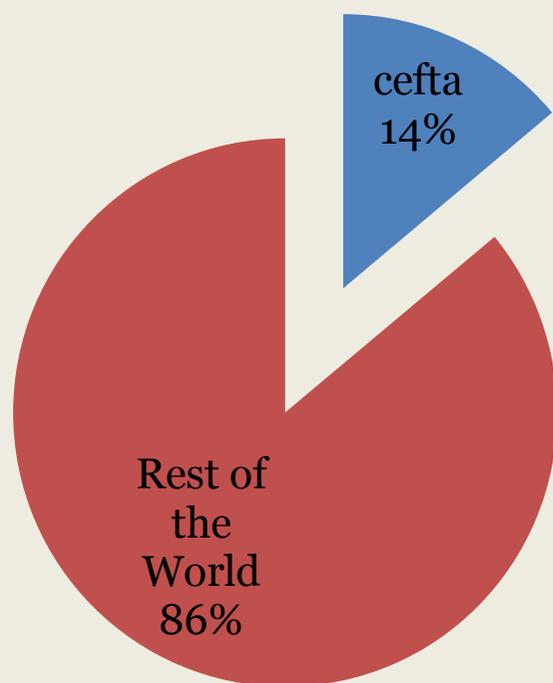
	AL	BA	CRO	MK	MO	SR	MNE
AL							
BA		X	X	X	X	X	X
CRO		X					
MK		X				X	X
MO		X					
SR		X		X			X
MNE		X		X		X	

Trade within RTAs as a share of total trade

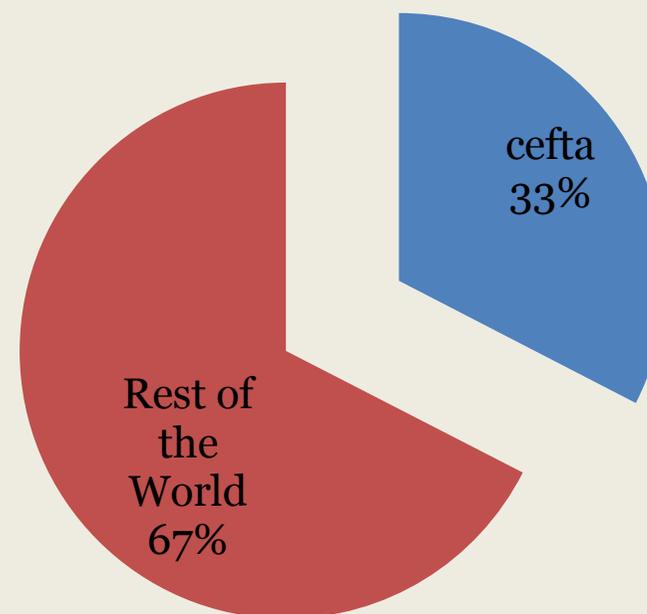


Destination of the export

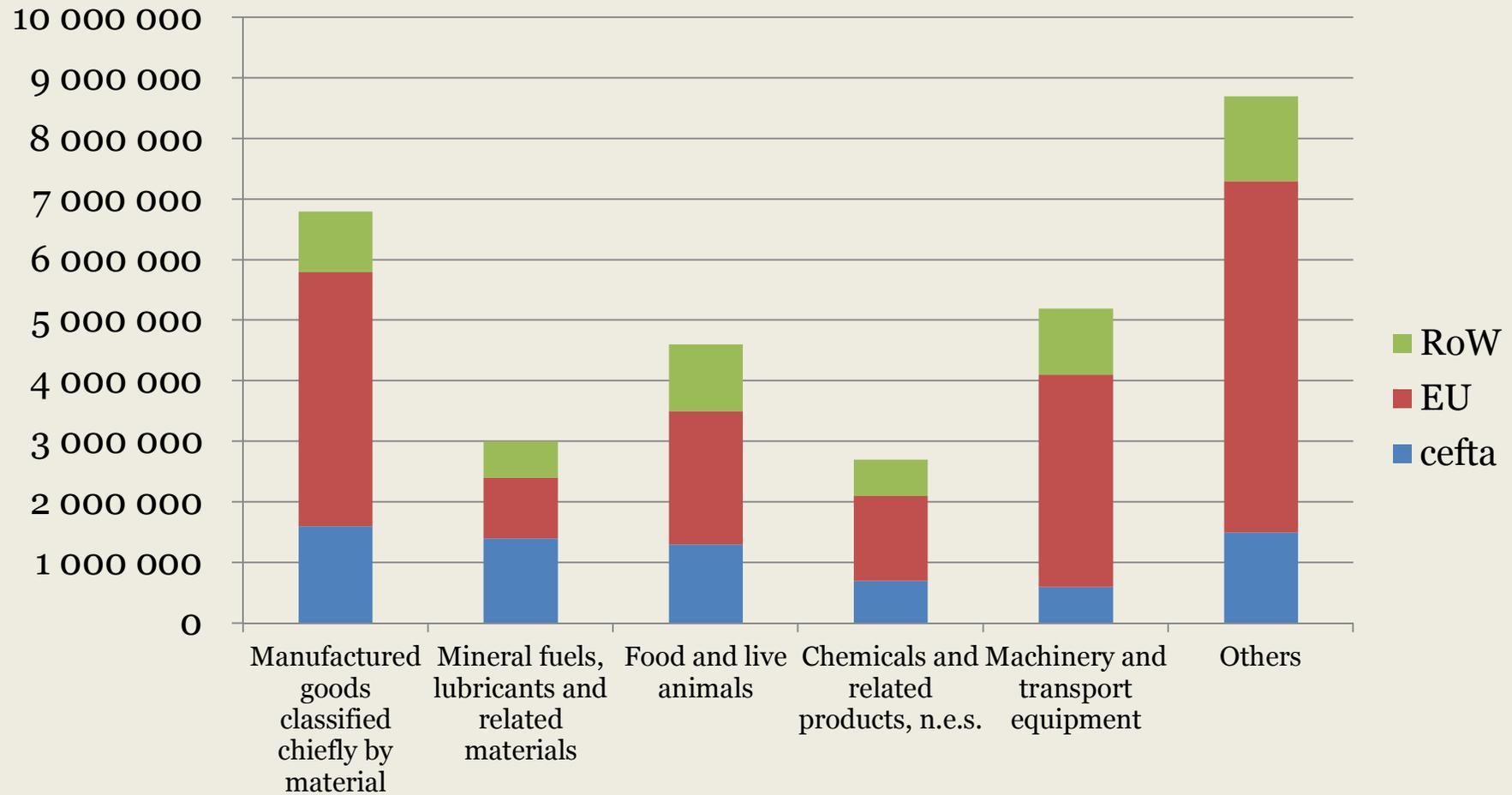
Destination of non-Agricultural exports



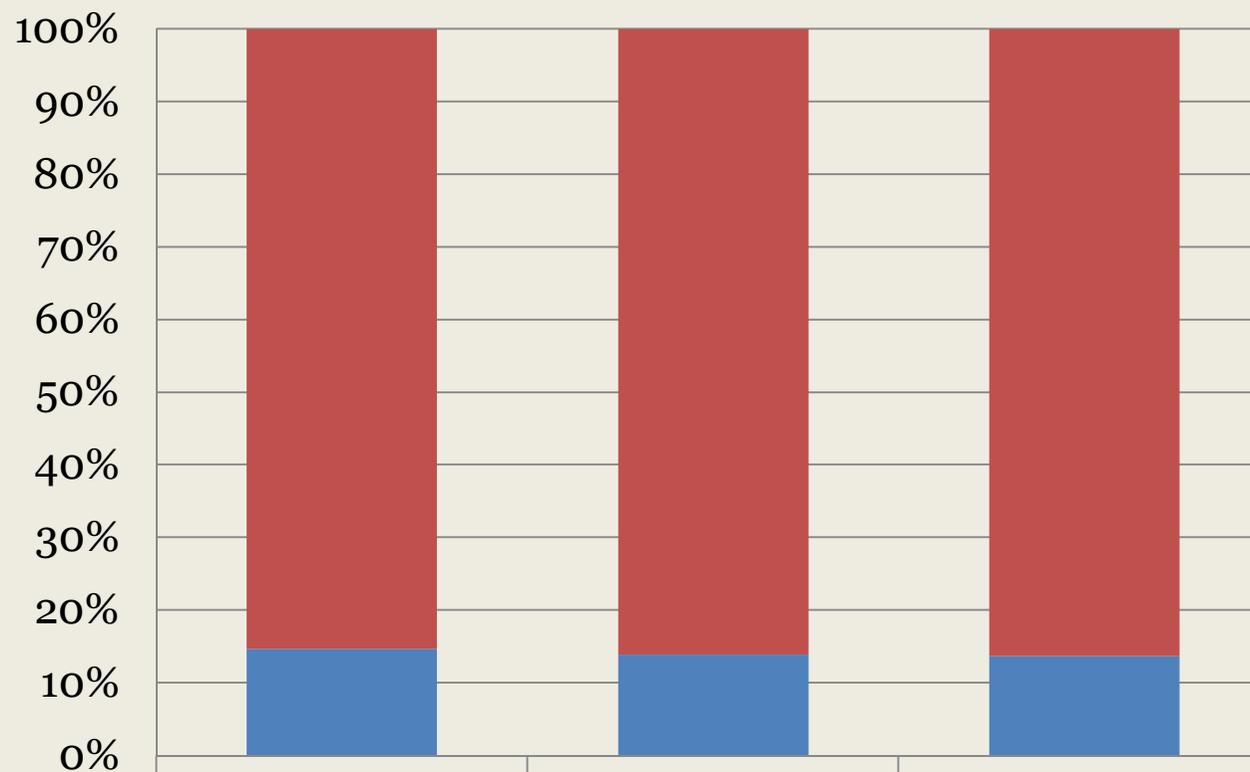
Destination of Agricultural exports



Structure of the export

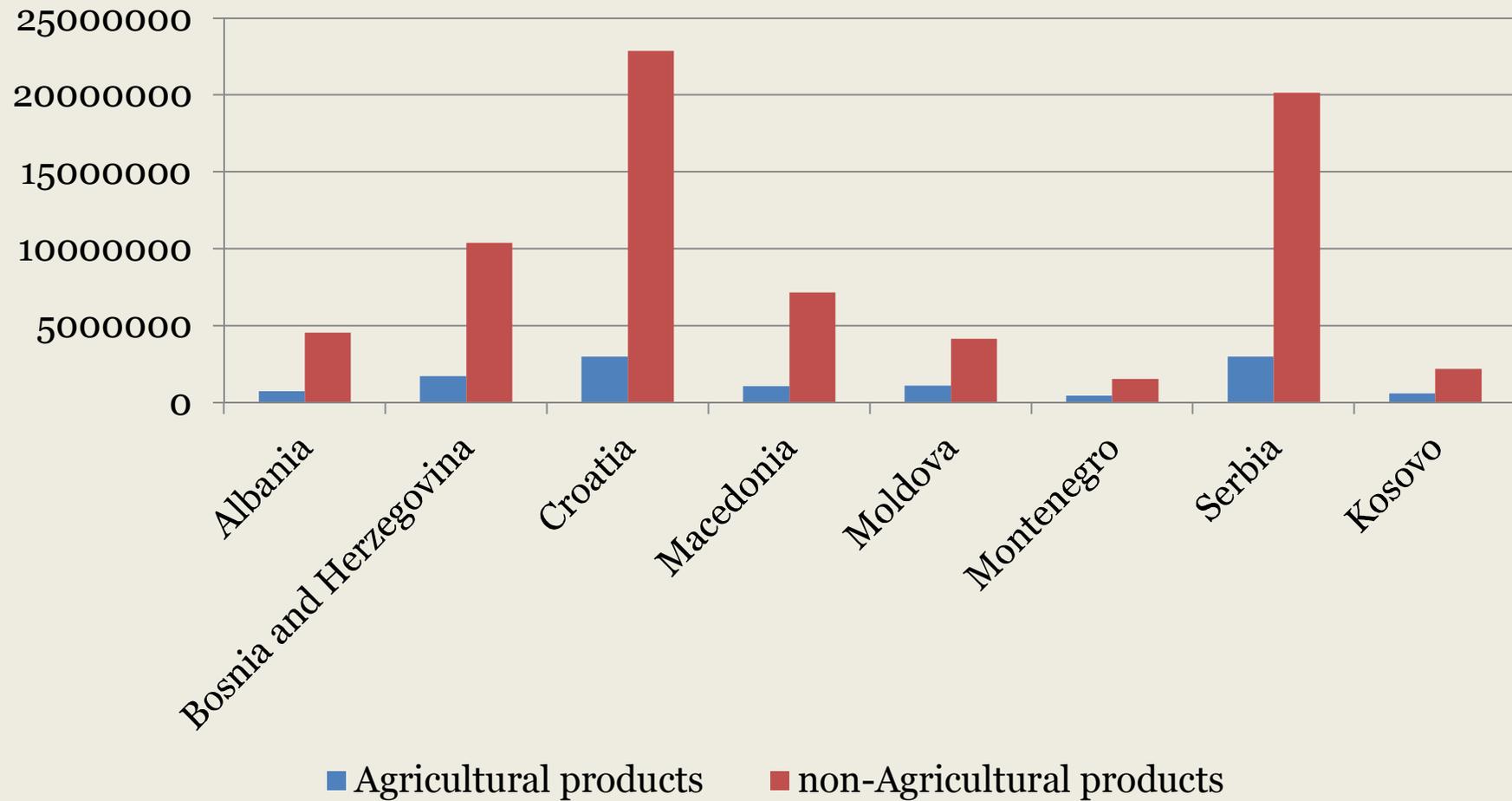


Total trade volume of RTA countries

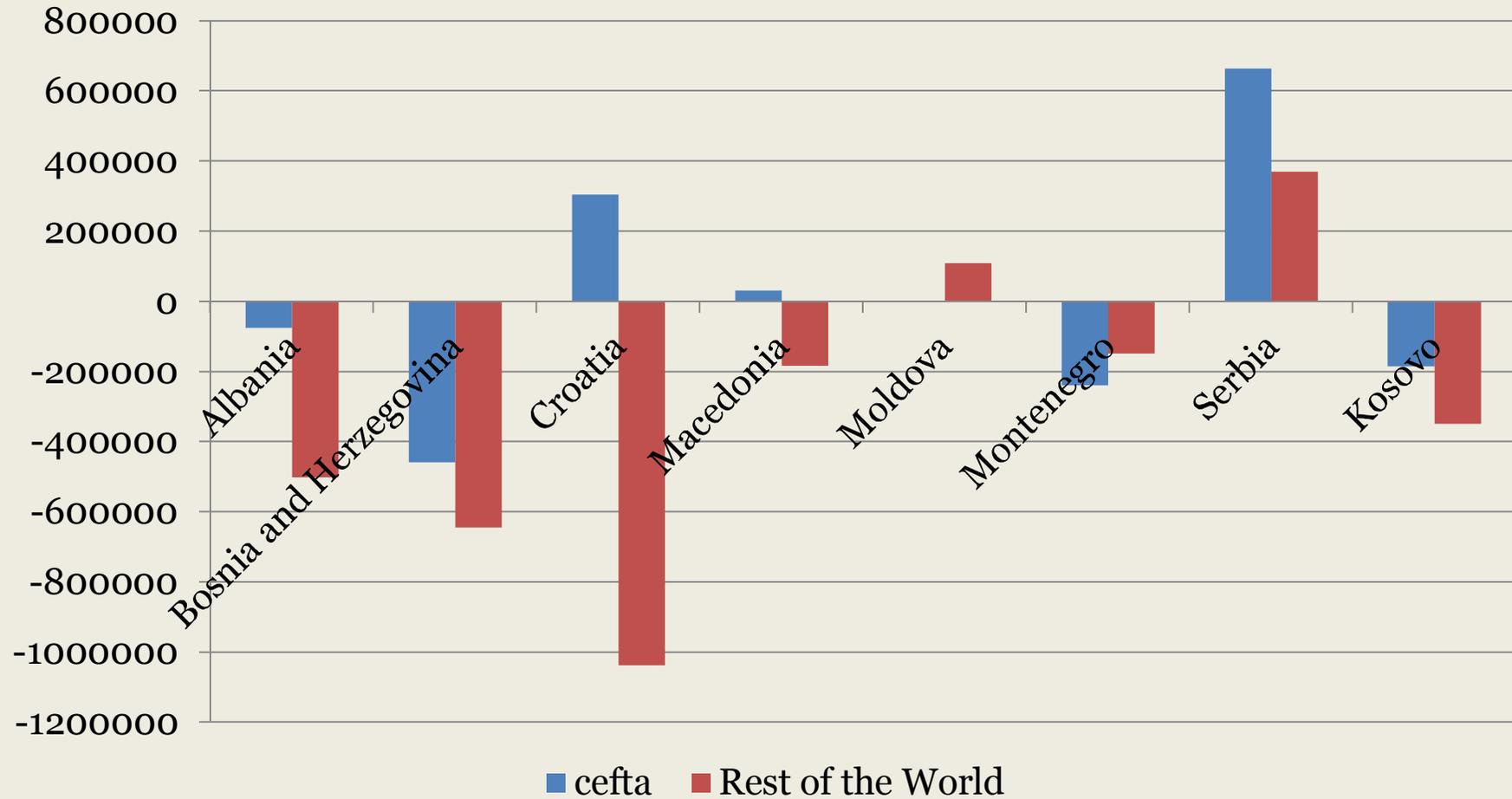


■ non-agricultural products	56 788 664	64 325 339	73 347 360
■ Agricultural products	9 770 699	10 443 948	11 707 088

Trade volume by members of selected RTAs

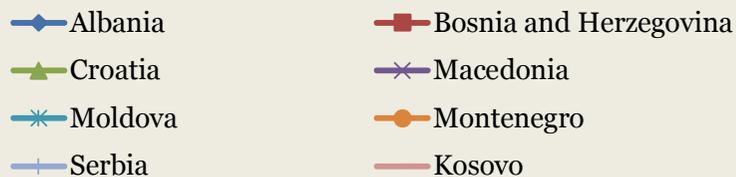
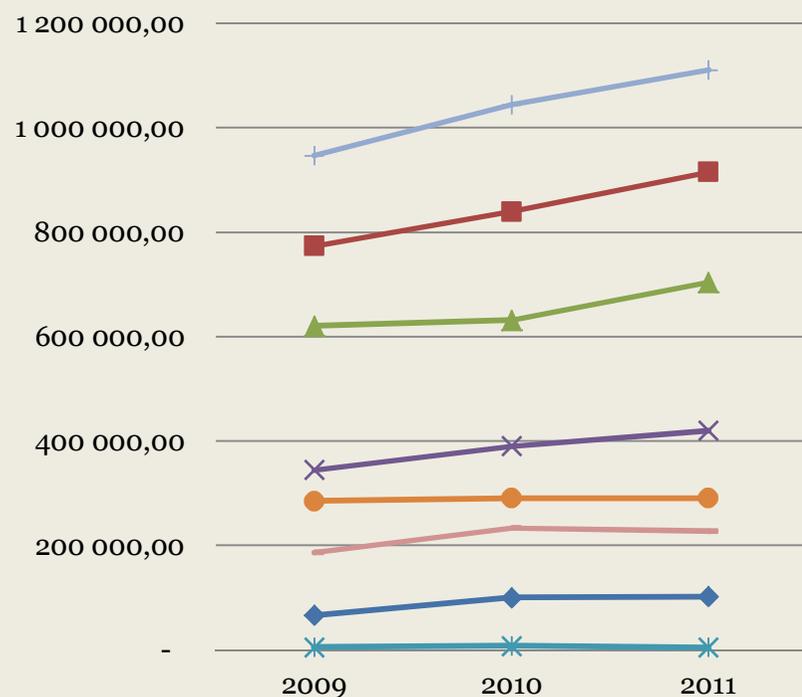


CEFTA intra- and extra-trade in agricultural goods

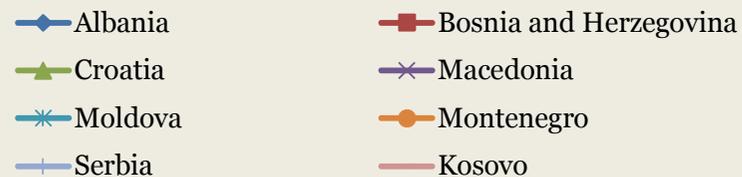
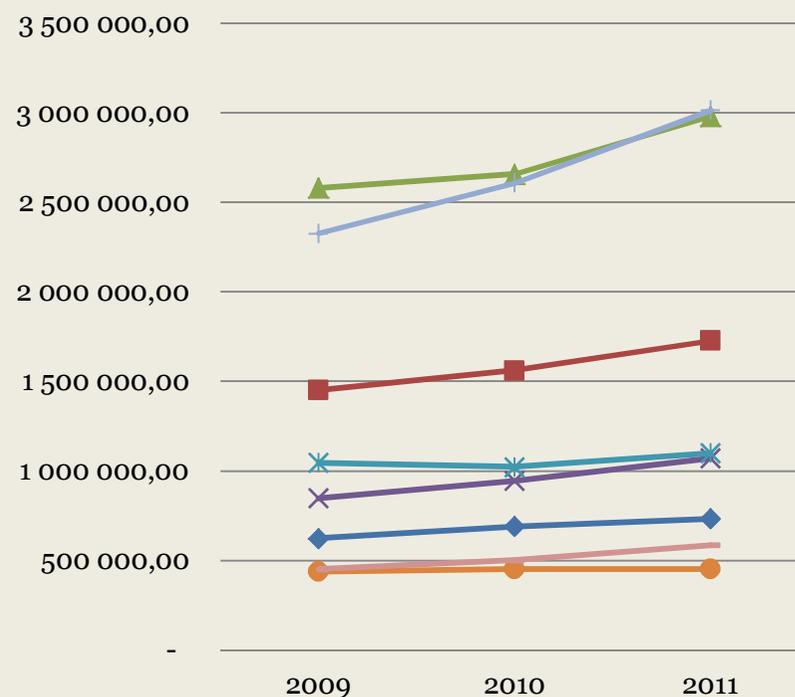


Trade volume

CEFTA

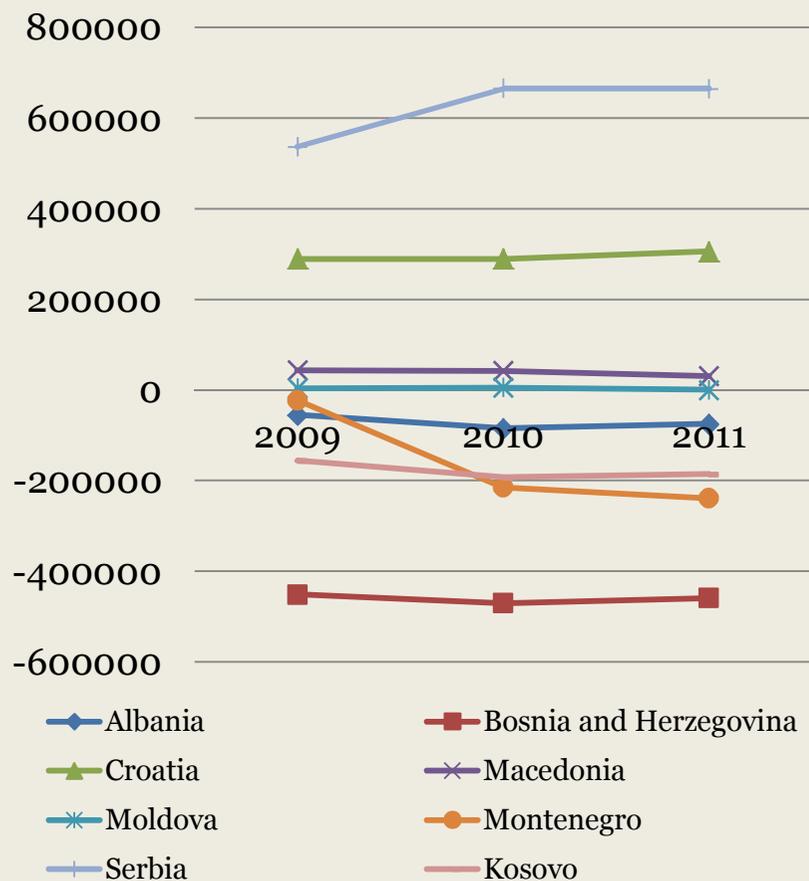


CEFTA and RoW

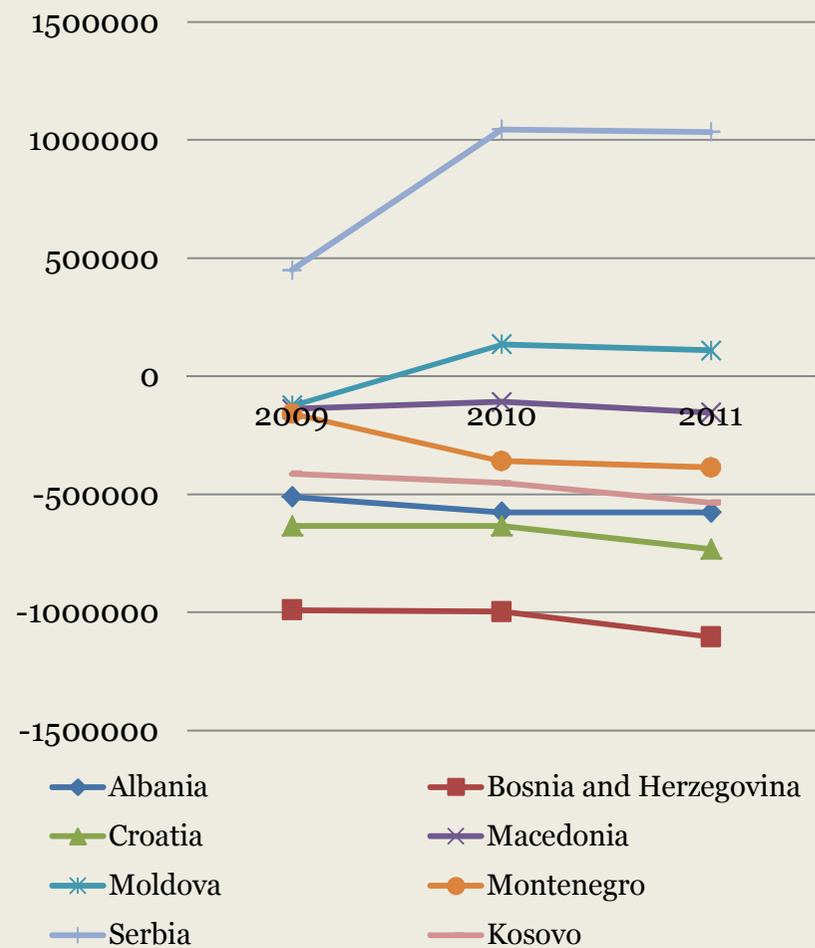


Trade balance

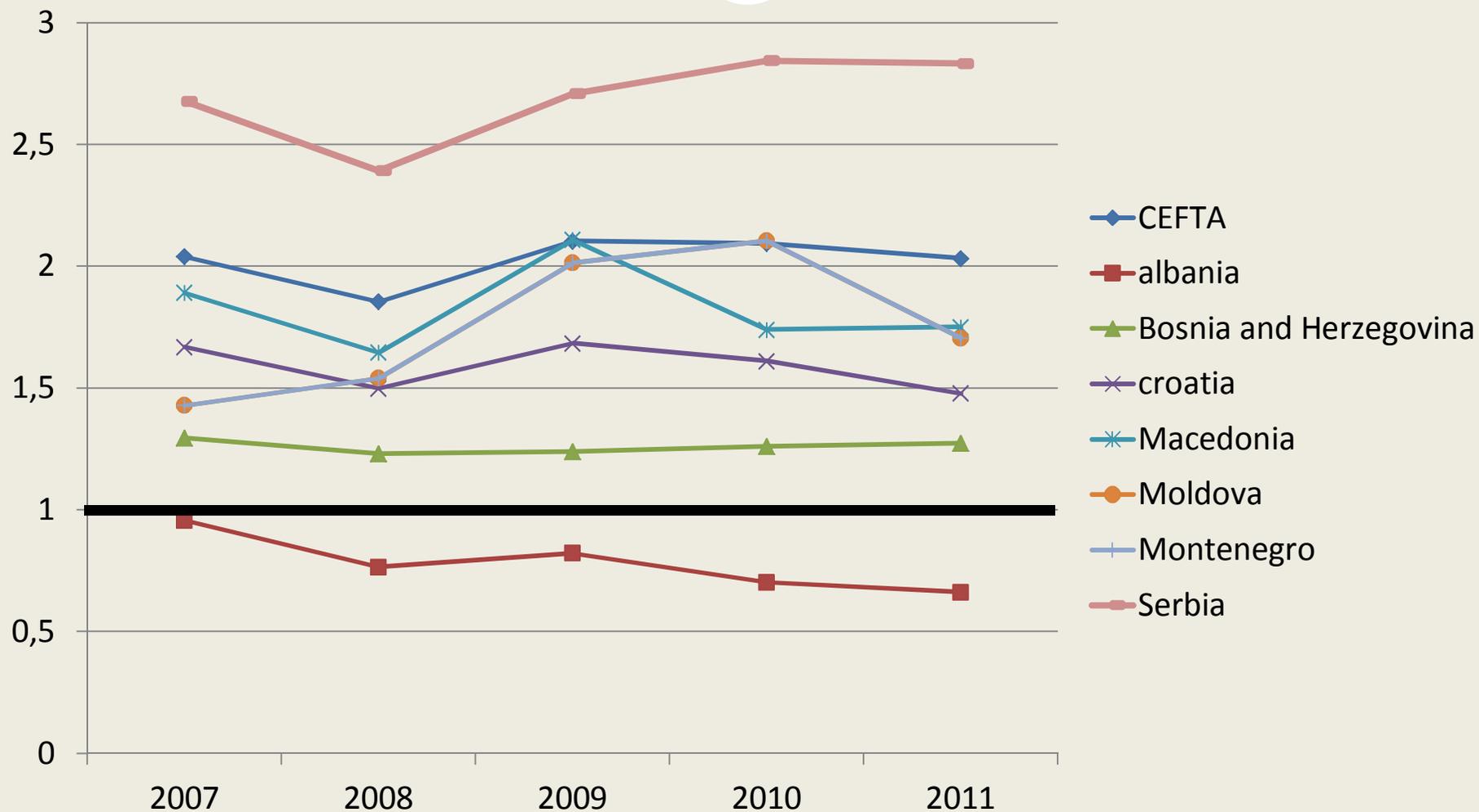
Within CEFTA



CEFTA and RoW



Reveiled Comparative Advantage – RCA index in agriculture goods



Positive impact of liberalization



- creation of a large aggregate markets and stronger aggregate demand, which induce the strengthening of supply and economic growth for all involved in the integration
- elimination of tariff and non-tariff trade barriers parts, reducing transaction costs, increasing competition, and "pushes" all actors to the constant improvement and rational use of resources, and the establishment of adequate pricing policy, which should ultimately cause price reductions
- Price reduction is reflected in the strengthening of aggregate demand and opportunities for further development growth of foreign direct investment

Negative impact of liberalization



- contraction of the economy, the fall in employment, increase the current account deficit, reducing the profitability, depending on the increase in FDI, increasing poverty
- a positive effect can cause a number of both positive and negative effects:
 - lower tariffs introduced under CAFTA agreements (Central American Free Trade Agreement) have had a negative effect on the level of income of all groups, but at the same time reduce the cost of living, and the overall net effect is positive, ie showed improvement of quality of life

Conclusions



- Type and intensity of the effects will depend on the capacity of participating countries to build an adequate institutional and regulatory framework
- Efficient functioning of internationally recognizable institutions for certification, accreditation, measurements and standards should boost export capacities of domestic companies and promote development of the manufacturing sector
- The export / import procedures at the borders could also be simplified and made more predictable (in terms of waiting times).

Thank you for your attention

