

ELIMINATION OF NON-TARIFF BARRIERS IN REGIONAL TRADE INTEGRATIONS: THE CEFTA 2006 EXPERIENCE

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Abstract

For all the economies in the global world the question of trade is becoming more important by the day. But the possibility to export on the global market meets many impediments in the form of non-tariff barriers, rather than tariff these days. CEFTA 2006 regional trade integration is not an exception with more than 100 NTBs introduced during its existence. Our research found that Serbia and Albania are CEFTA 2006 signatories with the most NTBs introduced in the observed period. CEFTA has a very efficient institutional mechanism, Subcommittee on Technical Barriers to Trade (TBT) and Non-Tariff Barriers (NTBs), for the removal of NTBs between signatories. We have researched three case studies of bilateral NTBs in Serbia's intra-CEFTA 2006 which demonstrate that our trade partner uses policy oriented NTBs. The removal of NTBs at the global, as well as regional levels is crucial for the development of trade flows after the world economic crisis.

Key words: Non-tariff barriers, Trade, Trade Facilitation, CEFTA 2006, Documentary compliance, Border compliance.

УКЛАЊАЊЕ НЕЦАРИНСКИХ БАРИЈЕРА У РЕГИОНАЛНИМ ТРГОВИНСКИМ ИНТЕГРАЦИЈАМА: ИСКУСТВО ЦЕФТА 2006

Апстракт

Питање трговине постаје све значајније за све економије у глобалном свету. Могућност извоза на глобално тржиште се у данашње време суочава са многим препрекама у форми нецаринских препрека трговини, уместо са царинама. ЦЕФТА 2006 регионална трговинска интеграција није изузетак са више од 100 нецаринских баријера које су уведене од ступања на снагу до данас. Наше истраживање је открило да су Србија и Албанија ЦЕФТА 2006 потписнице са највише уведених нецаринских баријера у посматраном периоду. ЦЕФТА 2006 има веома ефикасан

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институционални механизам, Поткомитет за техничке баријере трговини (ТБТ) и нецаринске баријере трговини (НЦБ), за уклањање међусобних баријера трговини. У овом раду смо анализирали и три случаја билатералних баријера према Србији. Уклањање нецаринских баријера трговини на глобалном и регионалном нивоу веома је значајно за развој трговинских токова након светске економске кризе.

Кључне речи: нецаринске баријере, трговина, олакшавање трговине, ЦЕФТА 2006, усклађеност докумената, усклађеност на граници.

INTRODUCTION

The non-tariff barriers are instruments of trade policy that became dominant in the second half of the 20th century. With the sharp decrease in tariff rates across the world and across the different sectors, the non-tariff barriers became predominant as protectionist measures. Even if tariff rates went down, countries were unwilling to lower its barriers toward foreign competition. Now the big effort is being made in reducing and removing different non-tariff measures in global, as well as regional trade.

Non-tariff barriers can take different forms but usually we can distinguish between three groups of non-tariff barriers:

- Traditional or core non-tariff barriers
- Technical barriers to trade, and
- Administrative barriers to trade (see more Bjelić, 2004).

Most of the traditional non-tariff barriers have been regulated during the existence of General Agreement on Tariffs and Trade (GATT) while technical barriers to trade (TBT) have been regulated with the establishment of World Trade Organization in 1995 and the adoption of Technical barriers to trade agreement. The last remaining group, administrative barriers to trade, have been regulated with the adoption of WTO Trade Facilitation Agreement for WTO members which ratified it. However, many types of non-tariff barriers still remain unregulated. Many steps have been taken on the regional level to remove these barriers, since regional liberalization is always more advanced than the liberalization at the global level.

In Southeast Europe the regional integration process started in 2000. Finally, the Revised Central European Free Trade Agreement (CEFTA 2006)¹ was signed on 19th December 2006 by Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia², Moldova, Montenegro, Romania, Serbia and the United Nations Interim Administration Mission in Kosovo on the behalf of Kosovo in accordance with United Nations

¹ The Agreement on Amendment of and Accession to the Central European Free Trade Agreement (CEFTA)

² The country recently changed the name into North Macedonia.

Security Council Resolution 1244 (UNMIK/Kosovo)³. In the meantime, Bulgaria, Croatia and Romania left to join the European Union so CEFTA 2006 now has 7 Signatories. The empirical evidence suggests that CEFTA-2006 exerted positive, significant and large effect on trade between its signatories, and these effects are larger than the effect of the Stabilization and Association Agreements (SAA) that CEFTA 2006 signatories signed with the EU (Petreski, 2013, p. 43)

1. MEASUREMENT OF NON-TARIFF BARRIERS GLOBALLY

During the last two decades, many papers proved that the improvement and simplification of customs procedures have a positive impact on trade flows. (Engman, 2009, p. 81) It means that the improved procedures could facilitate trade. (Wilson, 2009, pp.67-68) The best results could be expected, concerning particularly countries with less efficient customs and administrative procedures. There is also an attitude that the linkage between TF and the ability of a country to attract Foreign direct investments is permanent (Engman, 2009, pp.105-106). Non-tariff barriers, especially, administrative barriers to trade, are currently the main barriers in international trade, related to market access, especially after tariff levels decline at less than 5% (De Melo, Nicita. 2018. p. 4).

Using the Doing Business data, especially the Trading Across Borders Methodology section, we can notice many obstacles still remaining in intra-regional trade, even if one of the main aims of many Regional Trade Agreements (RTAs) is the implementation of the Trade Facilitation (TF) measures. Among these RTAs is the CEFTA 2006, which includes important elements of the TF as well. Efforts for reducing trade costs by the implementation of the TF measures, at the regional level, shine the light on the fact that every region has its own steps. We cannot say that “one size fits all” (Hoekman, Nicita. 2018. p. 16). Measurement of all Non-tariff barriers, especially the administrative ones, is based at different methodologies, among which, the Trading across borders is very comprehensive.

The Trading across borders methodology measures the time and costs as a result of exporting and importing goods. Measurement is carried out in eight dimensions of the trading process, the time and costs for Documentary Compliance and time and costs necessary for the Border Compliance, for both exports and imports.

The time and costs are measured for Documentary compliance and for Border compliance. The time and costs for Domestic transport are not used in the calculation for Trading across borders although data about them exist. The time is measured in hours and the costs in USD. For the

³UNMIK/Kosovo is included as a separate customs territory.

purpose of collecting all necessary documents, traders need some time and that process produces costs as well. They are associated with the process of preparing, obtaining and submitting of all the required documents, by the government agencies of the country of origin and by the destination country, and also by transiting countries' agencies, if the merchandise is being transited over the territory of a certain third country. For the completion of export or import procedures, the traders need time and the process requires some costs, caused by the fulfilment of the criteria demanded by the customs administration and other border inspection agencies.

The Documentary Compliance measures one multidimensional process, consisting of a few different processes, with the same aim to enable the completion of one products' export or import. It consists of: obtaining the documents, preparing them, processing, presenting and submitting (more in: World Bank Group, 2019). Time and costs for mandatory documents are calculated primarily, but they are supplemented with the time and the costs for obtaining some documents, as, for example, the certificate of origin, with the aim of making it easier for traders to get a preferential treatment for their goods. Apart from this, there are packing lists included as well, which are not binding, but make it easier for customs officers to determine the value of goods and avoid mistakes, such as undervaluation, or misdescription of imports. It doesn't include documents which are obtained only once and used for all other exports or imports.

The Border Compliance implies the time and created costs, spent to get the compliance with the customs regulations and regulations of other agencies, mostly, inspections, whose duties are connected with the customs' clearance process, mostly and often, phytosanitary inspections. It also includes, the time and costs necessary for the port or border handling of goods. Both, the time and the costs for Border Compliance could be at level zero, for example, the trade between traders from the European Union, or other customs unions in the world.

The Trading Across Borders measures the time and costs caused by the exporting or importing goods in one economy and in some of them, after the implemented reforms, doing business, in those cases, trading, becomes easier. If the change in making it easier to trade, is more than 2%, measured by the rise of the score of one particular economy, that change becomes classified as a reform.

During 2016-2017, these reforms had Trading across borders, as the most common topic of the reforming processes that had been implemented in the Sub-Saharan Africa and Latin America with the Caribbean. Other world regions, as the main reform issue had Paying taxes, as in the East Asia and Pacific, Registering property in Europe and Central Asia, Getting credit in the Middle East and North Africa, while in the most developed, OECD countries, the main topic was Paying taxes (World Bank Group, 2018, p.6). Among the 264 reforms, implemented during the peri-

od June 2016-June 2017, with the aim of doing business more easily and among 119 economies which have implemented at least one reform, three issues were set aside as issues with the highest incidence and Trading across borders is one of them.

Table 1. Economies in Europe and Central Asia recorded the highest share of reforms making it easier to do business in 2016-2017

| Area of reform | Number of reforms 2016-2017 | Region with the highest share of reformers in 2016/2017 |
|-----------------------------------|--------------------------------|---|
| Starting a business | 38 | South Asia |
| Dealing with construction permits | 22 | Sub-Saharan Africa |
| Getting electricity | 20 | Europe and Central Asia |
| Registering property | 29 | Europe and Central Asia |
| Getting credit | 38 | South Asia |
| Protecting minority investors | 21 | South Asia |
| Paying taxes | 30 | East Asia and Pacific |
| Trading across borders | 33 | South Asia |
| Enforcing contracts | 20 | South Asia |
| Resolving insolvency | 13 | South Asia |

Source of data: World Bank Group, 2018, p. 23.

Europe and Central Asia as the Region of CEFTA 2006 signatories, represent the region with the highest share of economies, reforming in the scope of many fields during the same period. Almost all economies in the Region, exactly 79% of them, implemented at least one reform (World Bank Group, 2018, p. 23). Among CEFTA 2006 signatories, the level of TF instruments implementation is different, but the expectations for their unification in the future, are very high (Popović Petrović, Bjelić, 2017, p.351).

2. NON-TARIFF BARRIERS IN CEFTA 2006 INTRA-REGIONAL TRADE

Regional trade agreements (RTAs) formed during the last two decades deal with the TF issues, and the strong correlation between WTO and RTAs TF commitments was noticed by many UNCTAD experts. Historically, TF elements had been included in RTAs even before they became part of the Doha Development Agenda and the first WTO Draft Negotiating text about Trade Facilitation. (UNCTAD, 2011, p.6)

The result of certain research projects in this Region showed that many exporters, importers and stakeholders, as well as freight forwarders, producers, distributors, have a long list of complaints in intra-regional trade, insisting on their burdensome character. These complaints are connected with the TF field: customs procedure delays, complicated and double

documentary requirements, inconsistent application of rules, lack of transparency (Aggarwal, 2015, p. 3). The administrative barriers to trade are among the most important non-trade barriers that hinder the process of further trade liberalization within the region (Kikerkova, 2014, p. 87).

Signatories of the CEFTA 2006 have implemented many reforms during the last decade and that have made some improvements to their position at the Doing Business ranking, especially at the Trading across borders ranking. In some examples of CEFTA 2006 parties, the contribution of reforms initiated the increase at the Trading across borders ranking and it contributed to the overall improved position of the Doing Business ranking.

Table 2. CEFTA 2006 parties ranking in the Ease of doing business and Trading across borders, 2018

| CEFTA 2006 signatories | Ease of doing business ranking (1-190 countries/territories) | Trading across borders ranking |
|------------------------|---|--------------------------------|
| Albania | 65 | 24 |
| Bosnia and Herzegovina | 86 | 37 |
| North Macedonia | 11 | 27 |
| Moldova | 44 | 35 |
| Montenegro | 42 | 44 |
| Serbia | 43 | 23 |
| UNMIK/Kosovo | 40 | 48 |

Source of data: World Bank Group, 2018, pp. 142-190.

For some CEFTA 2006 signatories, their position at the Trading across borders ranking is more favorable than its overall position at the Doing Business ranking. For 2018, this was the case for Albania, Bosnia and Herzegovina, Moldova and Serbia. Deeper analysis, by decomposing the overall Trading across borders indicator, could point out excellent elements of the trading process in CEFTA 2006 signatories individually and could shine the light on elements which have to be improved.

If we assume that Trade Facilitation would be one of the main objectives of any Free Trade Agreement, including CEFTA 2006, following tables would lead us to conclusion that majority of the work is still ahead for CEFTA 2006 signatories. When we look at the time necessary for export (Table 3) and import (Table 4) we can conclude that there are huge differences among CEFTA2006 signatories.

If we assume that the Total Time to export (hours) is calculated by adding Time to exportBorder compliance and Time to exportDocumentary compliance, we can conclude that the fastest completion of export procedure is conducted in Serbia. It takes slightly longer in Bosnia and Herzegovina, followed by North Macedonia, Montenegro and Albania. Export procedure is the longest in Moldova and UNMIK/Kosovo. The main contributor to long export time in Moldova is the verification of

documentary compliance (48 hours) while in UNMIK/Kosovo it is distributed evenly. With the exception of these two, in all CEFTA 2006 parties, it takes more hours for border compliance than for document compliance verification. Looking at the CEFTA 2006 Region as a whole, the total export time is 24.4 hours, time for border compliance is 9.4 hours while the time for documentary compliance is 15 hours.

On the other hand, adding Time to importBorder compliance and Time to importDocumentary compliance would provide us with the Total time for import. In this category, Moldova is “the best” closely followed by Serbia as only two signatories with one-digit result. North Macedonia, Bosnia and Herzegovina and Albania are in the range between 11 and 18 hours and in UNMIK/Kosovo it takes 22 hours. Import procedures last the longest in Montenegro, 33 hours. Only in Bosnia and Herzegovina it takes more time for documentary compliance than for border compliance verification. If we look at the CEFTA 2006 Region as a whole, the total import time is 15.9 hours, time for border compliance is 10.1 hours and time for documentary compliance is 5.8 hours.

Comparing Time for export and Time for import we can see that with the exception of Moldova and UNMIK/Kosovo, all other CEFTA 2006 parties recorded longer Total Time for import than Total Time for export. Regarding Border compliance, Albania, Bosnia and Herzegovina, Moldova and Montenegro have higher values for import while North Macedonia and UNMIK/Kosovo have higher values for export. In Serbia the times are equal. As for the documentary compliance, only in Moldova and UNMIK/Kosovo it takes more time to complete these procedures for export than for import.

Table 3. Export time in CEFTA 2006 parties, countries in the Region and OECD high income countries

| | Time to export Border compliance (hours) | Time to export documentary compliance (hours) | Time to export Total (hours) |
|------------------------|--|---|------------------------------------|
| Albania | 9 | 6 | 15 |
| Bosnia and Herzegovina | 5 | 4 | 9 |
| North Macedonia | 9 | 2 | 11 |
| Moldova | 3 | 48 | 51 |
| Montenegro | 8 | 5 | 13 |
| Serbia | 4 | 2 | 6 |
| UNMIK/Kosovo | 28 | 38 | 66 |
| CEFTA 2006 Average | 9.4 | 15 | 24.4 |
| Bulgaria | 4 | 2 | 6 |
| Croatia | 0 | 1 | 1 |
| Hungary | 0 | 1 | 1 |
| Romania | 0 | 1 | 1 |
| OECD high income | 12.7 | 2.4 | 15.1 |

Source of data: World Bank Group, 2018

Looking at the export and import time for the CEFTA 2006 region, we can see that in all categories except Time to export Border compliance it takes more time to complete the procedure than in OECD high income countries.

When comparing individual Parties with the Bulgaria, Croatia, Hungary and Romania which are countries from the region and former CEFTA parties, now EU Members, it is obvious that there is a lot of space for improvement in these categories.

Table 4. Import time in CEFTA 2006 parties, countries in the Region and OECD high income countries

| | Time to import Border compliance (hours) | Time to import documentary compliance (hours) | Time to import Total (hours) |
|------------------------|--|---|---------------------------------|
| Albania | 10 | 8 | 18 |
| Bosnia and Herzegovina | 6 | 8 | 14 |
| North Macedonia | 8 | 3 | 11 |
| Moldova | 4 | 2 | 6 |
| Montenegro | 23 | 10 | 33 |
| Serbia | 4 | 3 | 7 |
| UNMIK/Kosovo | 16 | 6 | 22 |
| CEFTA 2006 Average | 10.1 | 5.8 | 15.9 |
| Bulgaria | 1 | 1 | 2 |
| Croatia | 0 | 1 | 1 |
| Hungary | 0 | 1 | 1 |
| Romania | 0 | 1 | 1 |
| OECD high income | 8.7 | 3.5 | 12.2 |

Source: World Bank Group, 2018

3. ELIMINATION OF NON-TARIFF BARRIERS IN CEFTA 2006

To facilitate the process of identification and elimination of trade barriers CEFTA 2006 signatories established Subcommittee on Technical Barriers to Trade (TBT) and Non-Tariff Barriers (NTBs) (CEFTA 2006, 2007). Its task was to identify and oversee the elimination of TBT through the harmonization of technical regulations, standards and mandatory conformity assessment procedures among parties. The basis for harmonization were rules and procedures of the World Trade Organization and European Union standards and procedures. The work was also focused on regular exchange of information regarding NTBs with the purpose of their elimination. One of the important tasks of the Subcommittee was also to create reporting systems for identification and elimination of NTBs (CEFTA 2006, 2007).

With the further strengthening of CEFTA 2006, the parties realized that the Subcommittee on TBT and NTBs was not able to cope with the

new challenges. The decision was made to replace the Subcommittee on TBT and NTBs with the Subcommittee on Non-Tariff Measures (NTMs). Its focus is on regular exchange of information through CEFTA 2006 Transparency Pack tools, especially CEFTA 2006 Market Access Barriers Database, with an aim to identify and review potential NTMs and propose steps for the elimination of trade barriers. It is a forum for discussions regarding common problems and finding ways for their resolution, and if possible, the adoption of the measures at the regional level. At the same time, it should identify the most effective domestic measures and best practices for the elimination of NTBs in each Party. With identification of TBT, new tasks include identification and elimination of burdensome sanitary, phytosanitary and administrative measures. Subcommittee on NTMs directly reports to Committee on Trade Facilitation (CEFTA 2006, 2015).

The above mentioned CEFTA 2006 Transparency Pack was established in 2014 to enhance transparency which is one of the main principles of World Trade Organization and CEFTA 2006. It consists of several databases which are interlinked and has a search engine incorporated in it. It contains all the necessary information related to trade within the region. The Transparency Pack comprises four databases, i.e. TBT Platform, Sanitary and Phytosanitary (SPS) Database, Market Access Barriers Database (MABD) and Trade Portal (CEFTA 2006 Transparency Pack, 2019).

Trade Portal contains general information about trade among CEFTA 2006 signatories. Information is divided into main categories such as customs regulations, licensing procedures, technical requirements, SPS and veterinary controls, trade regimes as well as the regulations for border/administrative line controls applied (CEFTA 2006 Transparency Pack, 2019).

The SPS Database was established to increase the transparency of relevant laws and regulations regarding the trade in agricultural goods across the region. Most important laws and by-laws and specific measures in the sanitary, phytosanitary and veterinary field are available on-line in English and in local languages. It offers information on membership to the international organizations, list of accredited laboratories and the border/administrative line crossing contact details (CEFTA 2006 Transparency Pack, 2019).

The TBT Platform contains information on technical requirements and quality infrastructure in the region. Main laws and bylaws, and lists of accredited laboratories, certification and inspection bodies can be found in it. Information about quality infrastructure in general, accreditation, standardization, conformity assessment, metrology and market surveillance is also on the platform.

The MABD contains all the reported trade barriers since 2006 based on the UNCTAD classification of non-tariff measures. The following table (Table 5) presents trade barriers by CEFTA Party applying

measures meaning the number of NTBs that were introduced by each CEFTA Party (CEFTA 2006 Transparency Pack, 2019).

Table 5. Trade barriers by Party applying measures (introduced NTBs) from 2006 to February 2020

| Party | Total number of introduced NTBs | Share in total number of introduced NTBs | Number of unresolved NTBs | Share of removed NTBs in total number of introduced NTBs | Share in intra-CEFTA 2006 imports in 2017 | Share of total number of introduced NTBs to share of intra-CEFTA 2006 imports in 2017 ratio |
|------------------------|---------------------------------|--|---------------------------|--|---|---|
| Albania | 16 | 14.8 | 6 | 62.5 | 7.9 | 1.9 |
| Bosnia and Herzegovina | 20 | 18.5 | 1 | 95 | 25.5 | 0.7 |
| North Macedonia | 13 | 12 | 5 | 61.5 | 14.1 | 0.9 |
| Moldova | 1 | 0.9 | 0 | 0 | 0.4 | 2.3 |
| Montenegro | 1 | 0.9 | 1 | 100 | 15.5 | 0.1 |
| Serbia | 37 | 34.3 | 4 | 89.2 | 18.2 | 1.9 |
| UNMIK/Kosovo | 14 | 13 | 7 | 50 | 18.4 | 0.7 |
| ALL | 6 | 5.6 | 0 | 100 | / | / |
| Total | 108 | 100 | 24 | 77.8 | / | / |

Source of data: CEFTA Transparency Pack, 2019

Since the creation of CEFTA 2006, a total of 108 NTBs have been reported in trade among signatories. The number could be referred as high or not having in mind that it is recorded for 11 years of implementation among 7 trading partners. Serbia introduced 37 NTBs (34.3% of total CEFTA 2006 NTBs), Bosnia and Herzegovina 20 (18.5% of total CEFTA 2006 NTBs), Albania 16 (14.8% of total CEFTA 2006 NTBs), North Macedonia 13 (12% of total CEFTA 2006 NTBs), UNMIK/Kosovo 14 (13% of total CEFTA 2006 NTBs) and Moldova and Montenegro 1 each (0.9% of total CEFTA 2006 NTBs each). At the same time Serbia complained about 32 NTBs (29.6% of total CEFTA 2006 NTBs), Bosnia and Herzegovina about 28 (25.9% of total CEFTA 2006 NTBs), UNMIK/Kosovo about 20 (18.5% of total CEFTA 2006 NTBs), North Macedonia and Montenegro about 12 each (11.1% of total CEFTA 2006 NTBs each) and Albania about 3 (2.8% of total CEFTA 2006 NTBs).

Table 6 gives an overview of trade barriers by reporting CEFTA Party affected by the measure, meaning the number of NTBs that each CEFTA Party was faced with.

*Table 6. Trade barriers by affected Party (faced NTBs)
from 2006 to February 2020*

| Party | Total number of endured NTBs | Share in total number of endured NTBs | Number of unresolved NTBs | Share of removed NTBs in total number of endured NTBs | Share in intra-CEFTA 2006 exports in 2017 | Share of total number of endured NTBs to share of intra-CEFTA 2006 exports in 2017 ratio |
|------------------------|------------------------------|---------------------------------------|---------------------------|---|---|--|
| Albania | 3 | 2.8 | 2 | 33.3 | 5.7 | 0.5 |
| Bosnia and Herzegovina | 28 | 25.9 | 2 | 92.9 | 17.3 | 1.5 |
| North Macedonia | 12 | 11.1 | 6 | 50 | 11.2 | 1 |
| Moldova | 0 | 0 | 0 | 0 | 1.2 | 0 |
| Montenegro | 12 | 11.1 | 5 | 58.3 | 2.9 | 3.8 |
| Serbia | 32 | 29.6 | 7 | 78.1 | 58.2 | 0.5 |
| UNMIK/Kosovo | 20 | 18.5 | 2 | 90 | 3.5 | 5.3 |
| ALL | 1 | 0.9 | 0 | 100 | / | / |
| Total | 108 | 100 | 24 | 77.8 | / | / |

Source of data: CEFTA Transparency Pack, 2019

Except Montenegro and UNMIK/Kosovo other Parties recorded better results in removing NTBs introduced by them (Table 5, column 5) than NTBs introduced by their trading partners (Table 6, column 5). Bosnia and Herzegovina removed 95% of reported NTBs while other Parties removed 92.9% of NTBs introduced on imports from Bosnia and Herzegovina. Serbia resolved 89.2% of NTBs while NTBs on Serbia export was removed by 78.1%. Albania and North Macedonia removed about 62% of NTBs while other Parties resolved only 33.3% and 50% respectively of NTBs introduced to these two Parties. In the case of Montenegro and UNMIK/Kosovo, Parties removed 58.3% and 90% of NTBs respectively while Montenegro hasn't removed (one) introduced NTB and UNMIK/Kosovo removed 50% of NTBs on CEFTA 2006 trade.

How to evaluate the practice of identification and elimination of Non-Tariff Barriers in CEFTA 2006? At the Regional level, the approach would be to compare the number of introduced with the number of resolved NTBs. As previously mentioned, total number of introduced NTBs within CEFTA 2006 is 108 and total number of unresolved NTBs within CEFTA 2006 is 24. As shown in the Table 3 and Table 4, this means that 77.8% of all NTBs within CEFTA 2006 were successfully identified and removed. We could argue that this is relatively high percentage and that CEFTA 2006 has proven itself as a forum for resolving trade disputes among Parties and elimination of NTBs.

At Party level it is not enough to follow the same logic and compare the number of introduced and resolved NTBs due to the different

share of Parties in regional trade. It is not the same whether the NTB was introduced or endured by e.g. Moldova and Montenegro, or by Bosnia and Herzegovina and Serbia. Therefore, we would need to weigh the number of NTBs with share in trade.

When we compare the share in total number of introduced NTBs with the share of intra-CEFTA 2006 imports of the individual Parties (Table 3) interesting results emerge. Ratio higher than 1 means that the specific Party is participating in introduced NTBs in higher percentage than it is participating in the intra-CEFTA 2006 imports. The highest ratio is recorded by Moldova, although with a very small share in intra-CEFTA 2006 trade and only one NTB, followed by Albania and Serbia. On the other hand, ratio lower than 1 means that the specific Party is participating in introduced NTBs in lower percentage than it is participating in the intra-CEFTA 2006 imports. That is the case for the rest of the CEFTA 2006 signatories. If we exclude Moldova, we could conclude that Albania and Serbia are the biggest “introducers” of NTBs in CEFTA. North Macedonia would be at the third, UNMIK/Kosovo at fourth and Bosnia and Herzegovina at fifth place. It is worth mentioning that UNMIK/Kosovo has the highest number of unresolved NTBs. Montenegro would be “the best trading partner within CEFTA 2006” not just because it has the lowest ratio but because it introduced only one NTB.

The comparison of the share in total number of endured NTBs with the share of intra CEFTA 2006 exports of the individual Parties also leads to interesting conclusions. Ratio higher than 1 means that the specific Party is participating in endured NTBs in higher percentage than it is participating in the intra-CEFTA 2006 exports. This is the case for UNMIK/Kosovo, Montenegro and Bosnia and Herzegovina. On the other hand, ratio lower than 1 means that the specific Party is participating in endured NTBs in lower percentage than it is participating in the intra-CEFTA 2006 exports which is the case for Serbia and Albania. North Macedonia has the ratio of 1. We could conclude that UNMIK/Kosovo “suffered” the most from NTBs followed by Montenegro and Bosnia and Herzegovina. Fourth place would be for North Macedonia, fifth for Serbia (because of seven unresolved NTBs) and sixth for Albania. Moldova is excluded since it hasn’t reported any NTB on its export.

It is interesting to notice that Albania is the biggest “introducer” of NTBs and at the same time the smallest “sufferer” from NTBs in CEFTA 2006.

To advance in elimination of NTBs, in November 2014, Parties launched negotiations on Trade Facilitation which lasted more than two years and in April 2017 the Parties adopted Additional Protocol 5 to CEFTA 2006 on Trade Facilitation. It is a comprehensive document whose main objectives are to enable the simplification of inspections related to all clearance procedures and reduction of formalities to the possi-

ble maximum extent; the exchange of data between customs authorities to the extent that each Party legislation allows; and the establishment of mutual recognition of the Authorised Economic Operators' Programmes in each CEFTA Party, provided that both the legislation and implementation of each national programme is fully in line with the relevant EU *acquis* (CEFTA 2006, 2017).

Working further on the implementation of the Additional Protocol 5 on Trade Facilitation, in December 2019, Parties adopted the Decision on Establishing the validation procedure for the mutual recognition of CEFTA Parties' national Authorised Economic Operators' Programmes with regard to the safety and security (AEOS) whose main objective is to define detailed procedures for mutual recognition of AEOs (CEFTA 2006, 2019). In February 2020, Parties adopted Decision on Facilitating Trade for Fruit and Vegetables. The main objectives of the Decision are establishment of mechanisms, harmonized with EU legislation, for simplifying inspections related to all clearance procedures for trade in fruit and vegetables between the CEFTA Parties and the reduction of border formalities to the maximum possible extent - in particular, by use of risk-based inspection methods and through the mutual recognition of certificates issued by each CEFTA Party; establishing data and notification systems between the competent authorities of the CEFTA Parties involved in goods clearance to the extent that each CEFTA Party's legislation allows; establishing a Register of Professional Operators trading in Fruit and Vegetables in each CEFTA Party; mutual recognition of the professional operators registered in the Register of Professional Operators trading in Fruit and Vegetables of another CEFTA Party; establishing a common CEFTA List of Fruit and Vegetables for which Phytosanitary Certificates are mandatory (CEFTA 2006, 2020).

4. BILATERAL NON-TARIFF BARRIERS USED BETWEEN CEFTA 2006 SIGNATORIES AND ITS EFFECTS

After the CEFTA 2006 entered into force, the Agreement which replaced as many as 32 bilateral agreements, many advantages and new elements have emerged. Among these elements are: the diagonal cumulation of origin, gradual liberalization of trade in services, protection of intellectual property rights, equalization of investment conditions, with securing an equal treatment for local and regional investors, opening up the public procurement market, implementation of WTO rules for member and still non-member signatories and for every agreement and institution, an important element is the existence of the dispute settlement mechanism.

Soon after the start of the new-CEFTA, the rise of a dozen non-tariff barriers has been noticed. Their growth overlapped over time with the increase of their use at the international level. In the CEFTA 2006 re-

gion, for a very short period, of a few years, more than 100 non-tariff barriers have been registered.

During the last decade, Serbian Ministry of Trade, Tourism and Telecommunication, was directly and indirectly informed about the non-tariff barriers Serbian enterprises are faced within the export-import towards other CEFTA 2006 markets. It was also informed by the Serbian Chamber of Commerce, which is directly informed by companies, participants in intra-regional trade. Using these data and data of other CEFTA 2006 signatories, the CEFTA 2006 Secretariat has formed a regional database for non-tariff barriers recording. As the existence of the dispute settlement mechanism was one of the most important achievements of new Agreement and as recording and implementation of very numerous non-tariff barriers in this Region is still a great challenge, this discrepancy undermines the significance of the entire Agreement. That proves the fact of the imperfection of the system for protection trading partners' rights and indicates that this Agreement is not fully respected.

As the volume of intra-CEFTA trade and the share of intra-CEFTA trade in the structure of trade of all signatories, during last few years, has shown just modest increase and as the political problems have reinforced the apparent inability to prevent obstruction of the agreement itself by some signatories, the further improvements and development of intra-CEFTA 2006 trade, has been slowed. The obstruction of the implementation of the CEFTA Agreement could be continued since the decision making system, based upon a consensus system, is inefficient. Only one CEFTA Signatory could vote differently and, that way, could block the decision.

Although many of these non-tariff barriers, implemented in intra-CEFTA 2006 trade, could be grouped in traditional, technical and administrative trade barriers, more deeply analyzed they mostly belong to the administrative non-tariff barriers. The participants in intra-CEFTA 2006 trade are faced with complicated border procedures, corruption, the lack of accredited laboratories, problems with radiological, veterinary, sanitary and phytosanitary inspections whose working hours do not match the customs working hours, non-recognition of standards and certifications of quality. The regulation process for administrative non-tariff barriers has started recently, after the adoption of the Trade Facilitation Agreement in 2013 at the Bali Ministerial conference, which entered into force in February 2017. Besides them, as the most contemporary non-tariff barriers, in intra-CEFTA 2006 trade, some of traditional or technical trade barriers are very often implemented. The indicator that these problems are not the result of an accidental mistake, but of intentions for protecting its own economies, are the data showing the maintenance of same, reduced, volume of export of certain goods from Serbia to the parties concerned. About intra-CEFTA 2006 trade problems, Serbian enterprises are pointing out some individual problems, concerning the type of product and the importing Signatory.

The barriers in flour trade are one of the biggest problems in Serbia's trade with North Macedonia. Namely, North Macedonia introduced, every year, starting from 2009, measures to reduce its imports of flour from Serbia. If we observe Figure 1, we can see that Serbian export of flour to Macedonia, recorded a sharp increase, starting from 2007, when Serbia became a part of CEFTA 2006 and, at the contrary, sharp decrease, a few years after, starting from 2009. This decrease in 2009 corresponds to the effect of world economic crisis. Every year, from 2010, North Macedonia started introducing non-tariff measures, with the aim to maintain flour imports up to 12 mil. USD. That is significantly lower, compared to the value of Serbian flour exports to Northern Macedonia during the few previous years, when it was at a value of more than 17 mill. USD.

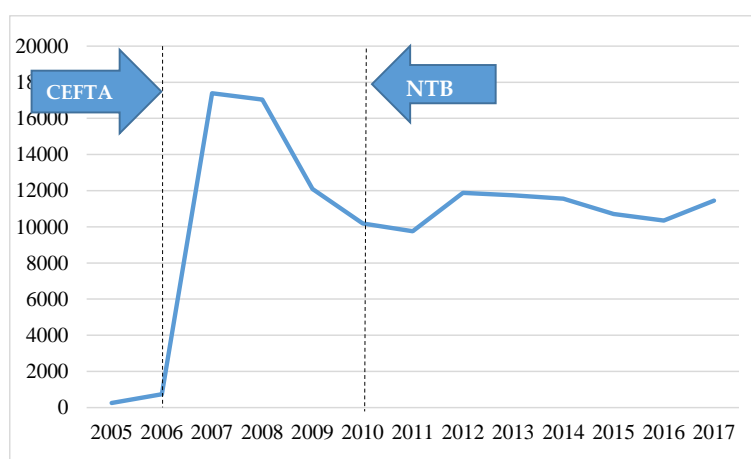


Figure 1. Exports of wheat flour from Serbia to North Macedonia, 2005-2017, in thousands of USD

Source: Bjelić, Dragutinović Mitrović, 2018, pg.58.

After the signing of the CEFTA 2006, the volume of malt beer exports from Serbia to Bosnia and Herzegovina has increased sharply from approximately 25 million USD in 2005 to more than 55 mill. USD in 2008 with the top level of more than 60 mill. USD in 2011. Starting from 2014 and the introduction of discriminatory excise tax, by Bosnia and Herzegovina, malt beer exports declined sharply in 2015 and especially in 2016, falling below the initial, 2004 and 2005, monitoring level. This introduction of excise duties is already a trade barrier itself, but it is accompanied with the fact that the level of these taxes is not the same for all beer producers, because it is a 0.20 KM for producers who produce the quantity lower than 400000 hectolitres and higher, 0.25 KM, for those who produce more (discriminating measure).

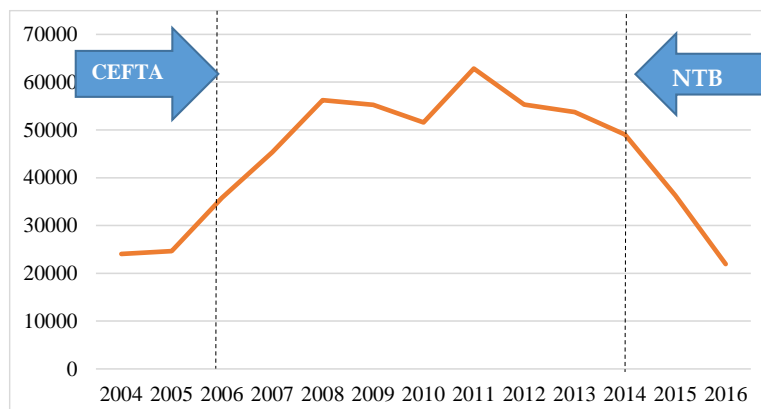


Figure 2. Malt beer export from Serbia to Bosnia and Herzegovina, 2004-2016 in thousands of USD

Source: Bjelić, Dragutinović Mitrović, 2018, pg.58.

Serbian export to UNMIK/Kosovo has also suffered because of the implementation of non-tariff barriers, even before 2018 introduction of 100% tariff rates. This is evident from the data on the implementation of barriers to the export of Serbian building, ceramics blocks, mostly blocks ceramic for floors and blocks brackets.⁴

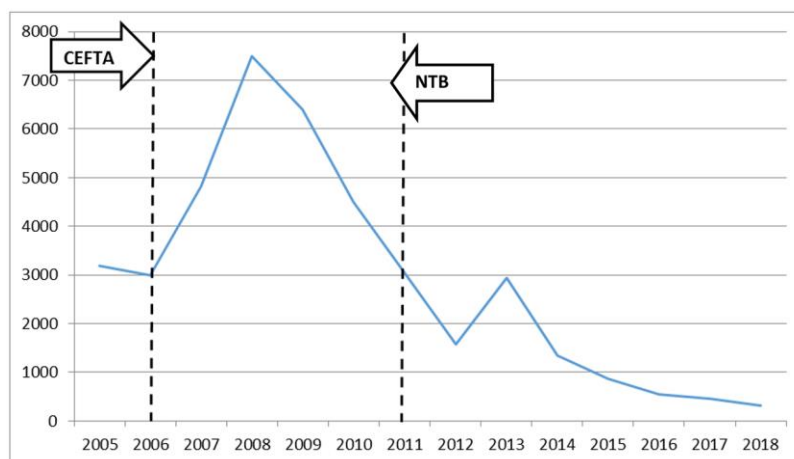


Figure 3. Serbian Export of ceramic blocks to UNMIK/Kosovo, 2005-2018, in 000 EUR

Source: Authors calculations based on Serbian Chamber of Commerce data for period 2005 to 2010 and Serbian Agency for Statistics data for period 2011 to 2018.

⁴ Blocks ceramic for floors and blocks brackets – HS 6094.90.0000

Disclaimer: Serbian Chamber of Commerce data in USD have been transferred to EUR using yearly average courses from <https://www.ofx.com/en-au/forex-news/historical-exchange-rates/yearly-average-rates/>.

In a more than a decade of the CEFTA 2006 implementation, non-tariff barriers, implemented in trade between trade partners from only two CEFTA 2006 signatories, have been resolved successfully in a bilateral trade negotiation. That is an example of trade between partners from Serbia and Bosnia and Herzegovina. Serbian and Bosnian traders complained about the problems in relation with a mutual export of chicken meat and meat products. The problem with other products are solved by signing the Protocol about the removal of barriers to trade between these two countries, in December 2017 (Ministry of Trade, Tourism and Telecommunications RS, 2019). At the time of signing the Protocol, there were 13 trade barriers noted, most of which were immediately removed. Beside the problem with Malt beer export from Serbia to Bosnia and Herzegovina, caused by the introduction of excise tax, by Bosnia and Herzegovina, one more barrier was noticed also. This is the problem with the lack of a trade infrastructure which is one of two main reasons (along with the intention to implement measures which have the duty to protect the domestic market) for the implementation of administrative non-tariff barriers in the world trade. The problem was noticed as a lack of trade capacity and a new task for Trade Capacity Building, at the border crossing Kotroman-Vardište and Ljubovija-Bratunac (RTS, 2019). These negotiations are one of many examples of the efforts made at the bilateral level for finding a way out from the slowing down and disabling normal intra-regional trade flows.

CONCLUSIONS

The contemporary world trade is faced with many obstacles that countries introduce to obstruct international trade. The proliferation of non-tariff barriers has cancelled the effects of tariff liberalization in the last two decades. But many countries have managed to further liberalize their trade with regional partners.

CEFTA 2006 regional trade Agreement is not the exception from this global trend. The revised CEFTA 2006 agreement has significantly liberalized the trade regime in intraregional trade, covering goods, including agricultural products, and even going into other areas such as services and investments. But CEFTA 2006 Signatories have made the biggest breakthrough with the additional protocol on trade facilitation. It is set to remove administrative barriers in intra-CEFTA trade, going even further than WTO Trade Facilitation Agreement.

In our paper, we discussed three examples of NTBs, introduced in bilateral trade by CEFTA 2006 parties. We can clearly observe that the export of Serbian companies has been curtailed in three different products by different CEFTA trade partners. The partners have introduced policy barriers that restrict Serbian exports in observed products.

The implementation of Non-tariff barriers from the beginning of the CEFTA 2006 implementation and the process of decision-making as the most significant issue in the recent period, has become two major obstacles in expected functioning of this Agreement. Due to these two reasons, primarily, the Agreement has come to a stage of stagnation and in order to be functional it requires many changes in the Trade Facilitation issue and making some improvements in its decision-making system.

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УКЛАЊАЊЕ НЕЦАРИНСКИХ БАРИЈЕРА У РЕГИОНАЛНИМ ТРГОВИНСКИМ ИНТЕГРАЦИЈАМА: ИСКУСТВО ЦЕФТА 2006

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Резиме

Питање трговине постаје све значајније за све економије у глобалном свету. Могућност извоза на глобално тржиште се у данашње време суочава са многим препрекама у форми нецаринских баријера трговини, уместо са царинама. Нецаринске баријере трговини су инструмент трговинске политике који је постао преовлађујући у другој половини двадесетог века. Са значајним снижавањем царинских стопа, нецаринске баријере трговини постале су најважније протекционистичке мере.

Процес регионалне економске интеграције је у Југоисточној Европи отпочео 2000. године. Ревидирани Споразум о слободној трговини у Централној Европи (ЦЕФТА 2006) потписале су 19. децембра 2006. године Албанија, Босна и Херцеговина, Бугарска, Хрватска, Македонија, Молдавија, Црна Гора, Румунија, Србија и УНМИК у име Косова у складу са резолуцијом 1244. У међувремену, Бугарска, Хрватска и Румунија напустиле су ЦЕФТА 2006 и постале чланице ЕУ, а Македонија је променила име у Северна Македонија.

У овом раду је, између осталог, коришћена и методологија Светске банке за анализу нецаринских баријера трговини. Поменута методологија мери време и трошкове увоза и извоза робе. Просечно време потребно за извоз робе потписница ЦЕФТА 2006 је 24,4 сата, што је значајно дуже од развијенијих ОЕЦД земаља, код којих је 15,1 сат. Код увоза је заостајање нешто мање, па је тако просечно време потписница ЦЕФТА 2006 15,9 сати, а развијенијих ОЕЦД земаља 12,2 сата.

ЦЕФТА 2006 има веома ефикасан институционални механизам за идентификацију и уклањање међусобних нецаринских баријера трговини. Још 2007. године основан је Поткомитет за техничке баријере трговини (ТБТ) и нецаринске баријере трговини (НЦБ), чији је то један од основних задатака. Поменуто тело 2015. године мења назив и постаје Поткомитет за нецаринске мере.

ЦЕФТА 2006 није изузетак у погледу коришћења протекционистичких мера са више од 100 нецаринских баријера које су уведене од ступања на снагу до данас. Наше истраживање је открило да су Србија и Босна и Херцеговина увеле највећи број баријера до сада, али да су Србија и Албанија ЦЕФТА 2006 потписнице са највише уведених нецаринских баријера у односу на учешће у укупном увозу у оквиру ЦЕФТА 2006. Са друге стране, према Србији и Босни и Херцеговини је уведен највећи број баријера, односно према УНМИК-у/Косову и Црној Гори ако се у обзир узме учешће у укупном извозу у оквиру ЦЕФТА.

У овом раду анализирали смо и три случаја билатералних нецаринских баријера трговини према Србији. Разматрана су органичења пласмана пшеничног брашна у Северну Македонију, пива у Босну и Херцеговину и керамичких грађевинских блокова у ЦЕФТА 2006 потписницу УНМИК/Косово. У сва три случаја, уведене нецаринске баријере трговини имале су на поменутим тржиштима значајан негативан ефекат на пласман конкретних производа.