

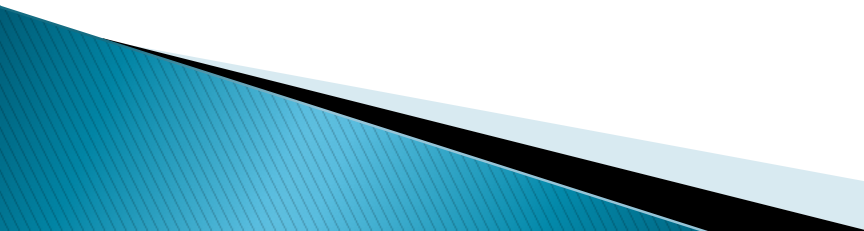


INCREASING TRADE INTEGRATION THROUGH TRADE FACILITATION IN CEFTA-2006 PARTIES

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INCREASING TRADE INTEGRATION THROUGH TRADE FACILITATION IN CEFTA-2006 PARTIES – *questions covered*

- ▶ Has CEFTA-2006 reached its' potential to increase trade integration in the region?
 - ▶ Why is trade facilitation important for increasing trade integration?
 - ▶ Many regional initiatives for increasing trade integration among CEFTA-2006 parties!
 - ▶ Is trade integration possible through trade facilitation?
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TRADE LIBERALIZATION IN CEFTA-2006

- ▶ CEFTA-2006 is a free trade area that entered into force in 2007 among Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo (UNMNIK). Croatia left in 2013 after becoming EU member.
- ▶ By the end of 2010 the full liberalization of industrial and agricultural goods was completed.
- ▶ All CEFTA members (except Moldova) have signed SAA with the EU and since 2010 enjoy preferential treatment for almost all export to EU to enter free, without customs duties. Only sugar, wine, baby beef and certain fisheries enter the EU market under preferential tariff quotas.

TRADE LIBERALIZATION IN CEFTA-2006

- ▶ EU is the leading trade partner of all CEFTA member-countries accounting almost 70% of the whole regions' export and around 60% of all import.
- ▶ CEFTA is the second largest destination for the regions' export, but China has become the second largest source of import.
- ▶ Research in 2021 has shown that for Macedonia EU member-states have higher significant influence over trade. While CEFTA membership has shown not to be significant for increasing Macedonia's trade. (*Determinants of the Bilateral Trade Flows of North Macedonia – A Gravity Model Approach, 2021*)

IMPORTANCE OF TRADE FACILITATION

- ▶ All countries agree that undertaking trade facilitation measures (measures for expediting the movement, release and clearance of goods, including goods in transit) is beneficial for increasing trade.
 - ▶ WTO Agreement on Trade Facilitation entered into force in February 2017. The agreement has been ratified by 154 countries (93.9%).
 - ▶ Estimates show that full implementation of the TFA could reduce trade costs by 14.3% and boost global trade by \$1 trillion per year. By 2030 the implementation of the TFA should lead to 2.7% export growth and more than 0.5% of world GDP growth.
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IMPORTANCE OF TRADE FACILITATION – REALITY

- ▶ The whole text of the agreement has been “watered down” to accommodate the different interests of the member-countries.
- ▶ Division of provisions (trade facilitation measures) into three categories: A, B and C.
- ▶ “Too Special and Differential Treatment” for DC and LDCs.
- ▶ Until today 70.5% of all commitments undertaken by the agreement have been implemented by all members. Lowest rate of implementation by Least-Developed countries (37.3%).
- ▶ December 2040 is the last implementation date notified for Category C commitments by LDCs.

HOW TO INCREASE INTRA-CEFTA TRADE

- ▶ Many research studies indicate the presence of administrative and non-trade barriers in intra-CEFTA trade:
 - In 2014 gravity model has shown that certain administrative and customs procedures hindered trade among the countries of SEE (documents, days at border, costs at border);
 - In 2015 another model has shown that OECD Trade Facilitation Indicators with highest significant influence over trade among SEE countries were: Information availability, Involvement of the trade community, Appeals procedures, Formalities – Automation, and Border agency cooperation – External.
 - In 2016 a Time Release Comparative Study gave three recommendations to increase mutual trade among CEFTA countries:
 - Increased application of electronic data and information;
 - Increased transparency of trade facilitation regulation;
 - Increasing external border agency cooperation.

HOW TO INCREASE INTRA-CEFTA TRADE

- ▶ In 2018 a research was done in Macedonia on identifying non-trade barriers in trade. For 30-40% of the companies the strongest negative effects in trade in goods resulted from the existing administrative barriers within CEFTA, such as:
 - Unusually high taxes and fees for customs clearance procedures;
 - Random tariff classification of the goods;
 - Bottlenecks on the border crossings and prolonged waiting time;
 - Insufficient customs infrastructure;
 - Significant number of physical checks at the border;
 - Huge number of documents and agencies involved;
 - Frequent changes in the legislation without notification;
 - Prolongation of administrative procedures;
 - Unannounced changes of customs duties;
 - 35% Of the companies had no knowledge on the existence and possibilities of the established E-customs tools.

TRADE LIBERALIZATION IN CEFTA-2006

- ▶ Protocol 5 was added to the FTA in regard of trade facilitation in trade in goods (for elimination of administrative and other non-trade barriers);
- ▶ Protocol 6 was signed on trade liberalization of services;
- ▶ Additional protocol 7 is planned on Dispute settlement;
- ▶ In 2017 under the Berlin Process the idea for creating Regional Economic Area was accepted due to be fully implemented in a period of 6 years (by 2023):
 - Trade facilitation;
 - Enhancement of investment flows;
 - Mobility of natural persons;
 - Enhancing digital integration.

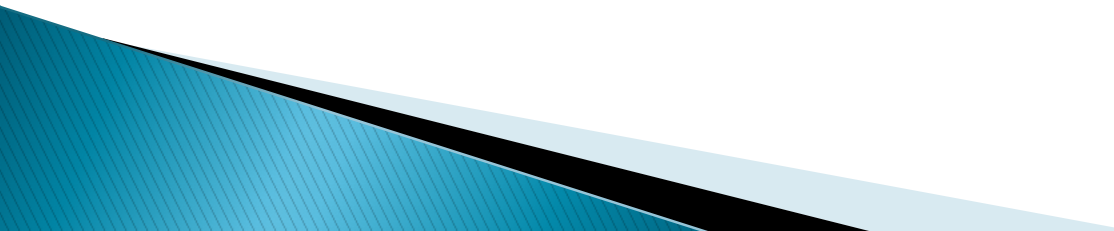
TRADE LIBERALIZATION IN CEFTA-2006

- ▶ Instead of liberalization and trade integration in 2019 CEFTA members were faced with increased trade protectionism:
 - The process of digitalization was not synchronized among the countries.
 - Different countries used different platforms which are not interconnected – no possibility to implement paperless trade within the region.
 - There was only one joint customs control point between Serbia and Macedonia.
 - Many bottlenecks at the border crossing points.
 - Besides the ineffectiveness of elimination of NTBs, classical protectionist measures were re-introduced.

TRADE LIBERALIZATION IN CEFTA-2006

- ▶ In the beginning on 2020 and the upsurge of the COVID-19 pandemics the region has reacted sharply with the creation of green corridors/lanes for essential goods and medical supplies.
- ▶ In 2020 an Action plan is envisaged for the creation of Common Regional Market based on EU rules in the period 2021-2024 with targeted actions in four areas:
 - Regional trade area: free movement of goods, services, capital and people;
 - Regional investment area;
 - Regional digital area;
 - Regional industrial and innovation area.

CONCLUSION AND RECOMMENDATIONS

- ▶ World Bank estimates that higher trade integration among these countries on the level of EFTA may lead to 2.5% GDP growth; In case of EU level integration it may lead to 6.7% GDP growth.
 - ▶ Intensified application of trade facilitation measures is necessary for increased trade integration among CEFTA member countries.
 - ▶ The positive effects of implemented measures should be used as good examples: expanding the concept of green corridors and green lanes in all border crossing points (or in other areas-goods?);
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CONCLUSION AND RECOMMENDATIONS

- ▶ Expanding the Mutual Recognition Programmes in more fields. Quicker application of the MRA of Authorized Economic Operator programmes.
- ▶ Increase the number of joint customs control points.
- ▶ Increased application of common regional digital platforms that are needed for trade support.
- ▶ High political will and awareness is essential in the region in order to have higher level of application of trade facilitation measures and thus higher trade integration! – The Initiative “Open Balkan” between Macedonia, Serbia and Albania: free movement of goods and free movement of workers.

THANK YOU FOR YOUR ATTENTION!

