

# EVALUATION OF THE IMPACT OF REGIONAL TRADE INTEGRATION

## BACKGROUND

The CEFTA Parties have been working towards the reduction of non-tariff barriers (NTBs) and were interested to evaluate how existing NTBs are preventing the formation of regional integration in the agro-business sector. Drawing on its expertise in trade policies and building on its longstanding relationship with CEFTA economies, the OECD undertook the task of evaluating the existing NTBs in the agro business sector (a sector which was identified by the CEFTA Parties as a priority for NTBs reduction and greater harmonisation).

## OVERALL OBJECTIVE

The overall objective of the project was to assist the CEFTA Parties in implementing the Agreement by examining the state of regional integration in the agro-business sector based on analysing trade patterns and identifying key obstacles to regional trade.

The primary aim was to examine the existing supply chain linkages between CEFTA Parties within the agro-business sector and the potential restrictions for their formation.

## ACTIONS AND ACTIVITIES

In order to gauge to what degree trade was sensitive to business cycles, the OECD analysed the existing trade linkages between the CEFTA Parties and the EU. The analysis aimed to identify factors that were facilitating, or more importantly still hampering trade integration between CEFTA Parties (and the EU) in the agro-business sector.

The OECD undertook:

### 1. A trade elasticity calculation, to understand how sensitive CEFTA trade was to EU GDP fluctuations.

The overall results of the initial statistical analysis confirmed that the CEFTA Parties' exports are highly dependent on EU aggregate demand and that even slight changes in the EU level of GDP resulted in a significant reduction in CEFTA exports (conversely, the recovery, albeit marginal, has had positive effect on trade patterns).

CEFTA agro-business trade is very uneven within and outside of CEFTA. The basket of agro-business related goods traded between CEFTA Parties is composed of a mix of both primary and processed products. However, exports from CEFTA to the EU are almost exclusively dominated by primary goods (i.e. raw inputs).

Additionally, the OECD's statistical analysis identified that baked goods, processed meats, and beverages (the most exported agro-business goods), were among the chief agro-business sectors that would benefit from further efforts towards CEFTA regional integration.

### 2. A firm-level survey in key agro-business subsectors

For each of the three sub-sectors a firm-level survey was undertaken to examine the existence of restrictions that were preventing the development of regional supply chains. In parallel, an additional survey aimed to identify specific import/export sanitary and phytosanitary (SPS) trade barriers and other general trade barriers. Both regulators and large producers from the CEFTA region were interviewed.

Key findings included:

- CEFTA Parties tend to import inputs from the EU-27 and other non-CEFTA markets and a low proportion of inputs are imported from within the CEFTA
- The most frequent export destination of final goods is the CEFTA market, a marginal amount is exported to the EU-27 market and other non-CEFTA markets

### 3. Report on findings and recommendations

The OECD recommendations emphasised:

- i. Reducing regulatory/bureaucratic burdens on traded goods in the agro-business sector, including avoiding unnecessary re-testing of already approved and low risk goods

- ii. Pushing towards the harmonisation of veterinary and SPS standards. The latter would help develop regional supply chains with uniform standards that could meet EU requirements

### IMPACT ON CEFTA

The Project contributed directly to the work of the CEFTA Sub-Committee on Agriculture and SPS on trade facilitation and increased the availability of information on CEFTA's trade in a key sector.

## SUMMARY PROJECT INFORMATION

Dates:	March 2012 - November 2014
Budget:	<i>n.a.</i>
Partners:	OECD, CEFTA, EC, Forum of Chambers of Commerce of CEFTA, IFC, GIZ, the IPA Quality Infrastructure Project
Financiers:	EU (IPA)
Beneficiaries:	Ministries responsible for trade and agriculture

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