

Title: CEFTA through Numbers
Publisher: CEFTA Secretariat, Rue de la Loi 42, boîte 10, 1040 Brussels, Belgium
Authors: Group of authors - GfK
Managing Editor: Ludmila Nistor-Mihajlova (CEFTA Secretariat)
Editor: Vladimir Gligorov, PhD (WIIW)
Layout: Team Thumm, Zagreb, Croatia
Print: Jovšić Printing Centar, Belgrade, Serbia
Circulation: 100

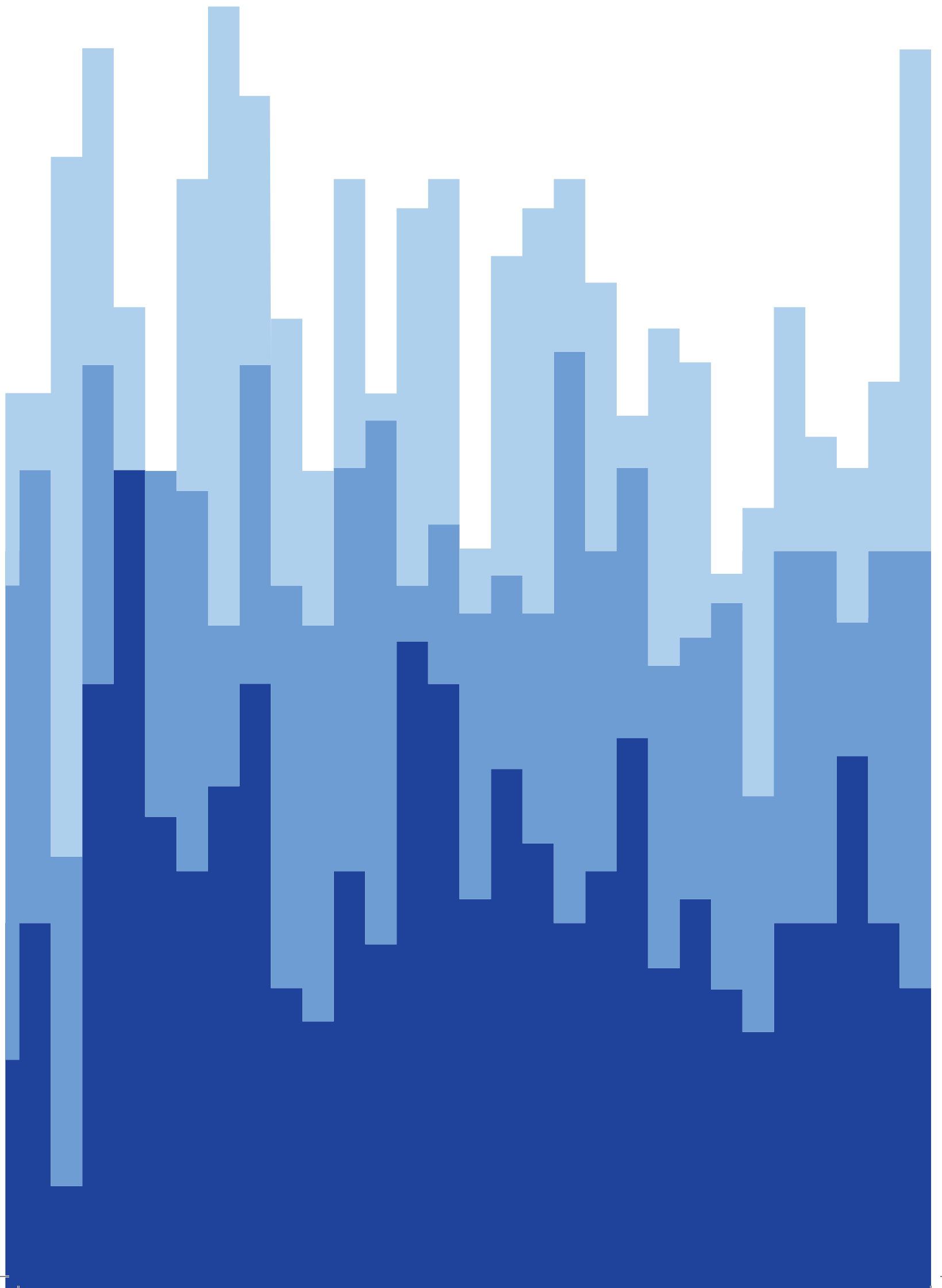
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CEFTA through Numbers

Analytical Report

Group of authors - GfK

CEFTA,
Central European Free Trade Agreement



CONTENT

CEFTA through Numbers.....	3
FOREWORD	7
INTRODUCTION	11
MAIN FINDINGS.....	15
REGIONAL OVERVIEW	19
QUANTITATIVE SURVEY	25
ASSESSMENT OF THE TRADE ENVIRONMENT AND CEFTA IMPACT.....	29
EXPORT ACTIVITY.....	87
ATTITUDES TOWARDS MOBILITY AND EMPLOYMENT.....	94
ATTITUDES TOWARDS INVESTMENT, INTERNATIONALIZATION AND VALUE-CHAINS	99
TRADE IN SERVICES.....	110
SOURCES OF ADVICE	116
SAMPLE STRUCTURE.....	69
QUALITATIVE SURVEY	125
GENERAL KNOWLEDGE ABOUT CEFTA.....	125
CEFTA IMPLEMENTATION	126
CEFTA AND LOCAL BUSINESS	127
REGIONAL DEVELOPMENT IN THE PAST TEN YEARS.....	127
TRADE DEVELOPMENT	128
DEVELOPMENT OF COMPANY COMPETITIVENESS	129
FUTURE PLANS FOR INCREASING COMPETITIVENESS OF THE LOCAL BUSINESSES	130
SOURCES OF INFORMATION ON CEFTA	131
ATTITUDES TOWARDS REGIONAL TRADE OF SERVICES.....	131
CONCLUSIONS AND RECOMMENDATIONS.....	135
NOTE ON METHODOLOGY	137



FOREWORD



The special honor is given to us to present to you the study "CEFTA through Numbers" on behalf of the CEFTA Secretariat. This is a survey which shows how CEFTA private sector and informed professionals see, understand and perceive the ten years implementation of the Agreement.

In addition to providing precious insight into current sentiment and trade situation across the Parties, the CEFTA through Numbers should be observed as an effective instrument which could be helpful in developing future strategy and activities. It also determines similarities and differences related to plenty

of topics among the CEFTA Parties, the different sized companies and the various business areas.

The encouraging fact obtained through the survey is that the CEFTA region has been pulled out of the crisis by significant growth of exports. Free trade agreements have played a crucial role in that, but for the sake of truth, exports to the EU have grown faster than within the CEFTA. Despite that, as growth in the region is speeding and domestic demand is recovering, the CEFTA trade will increase.

Among other things, the motivation for the Agreement was inducing more foreign investments and particularly making the region interesting to multinational companies. Regardless of that, the CEFTA region has an ambivalent attitude towards foreign investments - they are both greeted and recognized as increasing risks and competition. That could explain the moderately cautious attitude when it comes to surveyed aspects related to CEFTA.

Another important finding "CEFTA through Numbers" emphasizes is that the key problem of the region probably is low employment and high unemployment. To some extent, this is a consequence of skill mismatches, which should support higher intraregional mobility.

In addition to outcomes mentioned here, this brochure abounds with many other significant

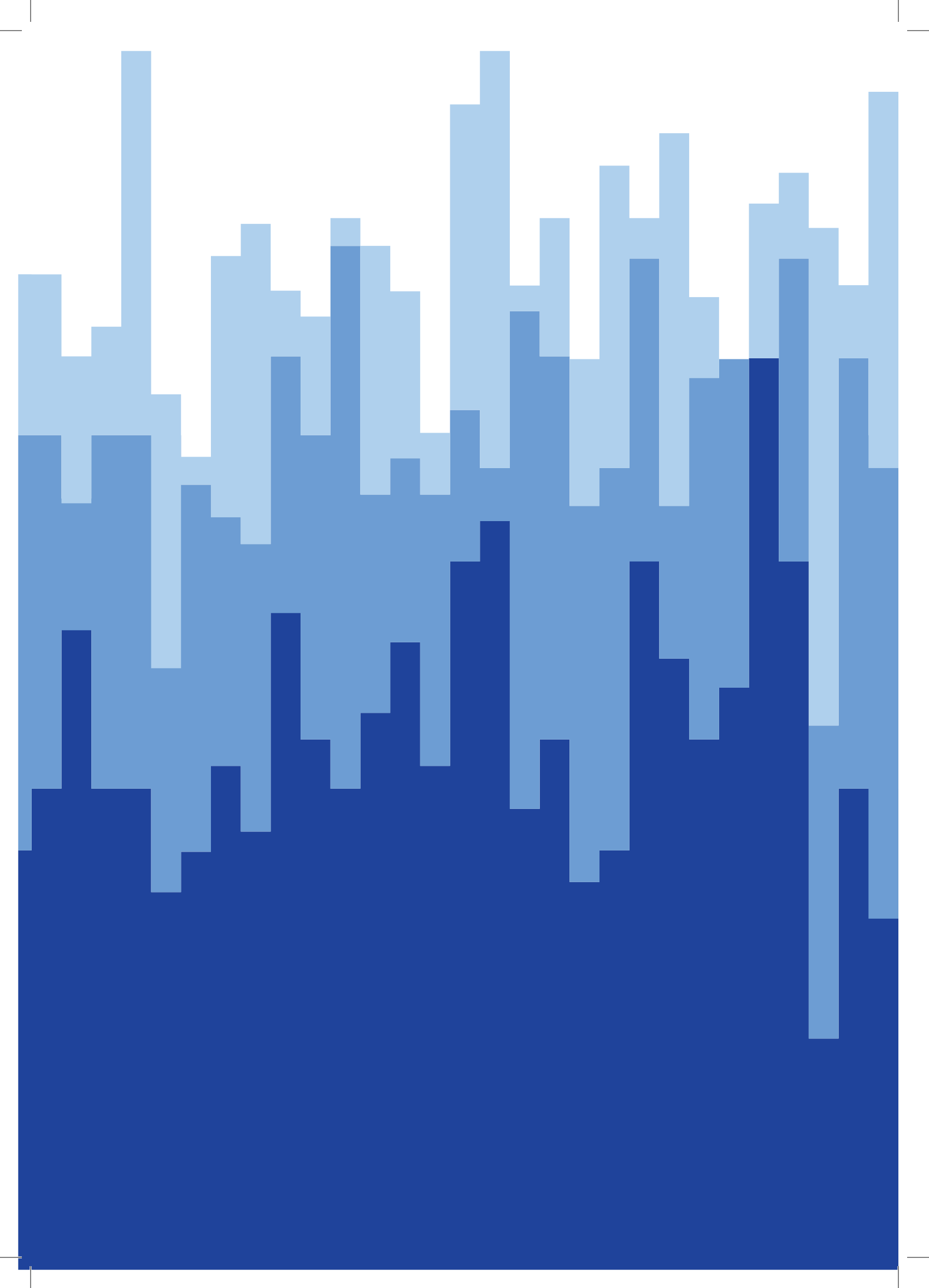
facts, we hope you will be pleased to read it. A lot of dedicated individuals took part in its preparation, we greatly appreciate all their work and efforts. Special thanks are due to the European Union for funding the entire project, to the CEFTA Secretariat for its efficient implementation and to the CEFTA Parties for reliable collaboration. We are also very thankful

to the Regional Cooperation Council which generously provided us with the results of the Balkan Barometer 2016 Business Opinion Survey, an annual survey of attitudes, experiences and perceptions of business population across the SEE economies.

Goran Šćepanović
Chair in Office 2016







INTRODUCTION

Central European Free Trade Agreement is principally settled on December 19 2006 between Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia, and the UNMIK on behalf of Kosovo* in accordance with the UNSC Resolution 1244. Economies officially adopted the Agreement in line with the own ratification processes, therefore by the end of 2007, it entered into force in all Parties. On 1 July 2013, Croatia withdrew from the Agreement to join the EU.

The Agreement's main objectives are, inter alia, to expand trade in goods and services, and foster investment by means of fair, stable and predictable rules, eliminate barriers to trade between the Parties, provide appropriate protection of intellectual property rights in accordance with international standards and harmonize provisions of modern trade policy issues such as competition rules and state aid. It also includes clear and effective procedures for dispute settlement and facilitates the gradual establishment of the EU-Western Balkan countries zone of diagonal cumulation of origin, as envisaged in the EC's Communication of 27 January 2006.

Now, ten years later, CEFTA Secretariat, as a permanent Secretariat in charge of technical

and administrative support to all other bodies responsible for the smooth implementation of the Agreement, commissioned comprehensive regional survey 'CEFTA through Numbers' which reflects the opinion and attitudes among CEFTA private sector, traders and informed experts in order to report their understanding and perceptions of the 10 years implementation of CEFTA. In agreement with Regional Cooperation Council (RCC), the survey relies on findings related to CEFTA and trade provided in Business Opinion Survey within Balkan Barometer 2016.

This report presents the results of the survey and brings data and analysis on diverse topics relevant for indicated intentions and aims. It includes two main components, which are Quantitative research targeting CEFTA private business sector, and Qualitative research focused on representatives of national chambers of commerce. The part of the report which refers to Quantitative research is divided into six sections: Assessment of Trade Environment and CEFTA's Impact on It, Export Activity, Attitudes towards Mobility and Employment, Attitudes towards Investment, Internationalization and Value-chains, Trade in Services and Advice Sources. Another part dedicated to Qualitative Research consists of

*This designation is without prejudice to position on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

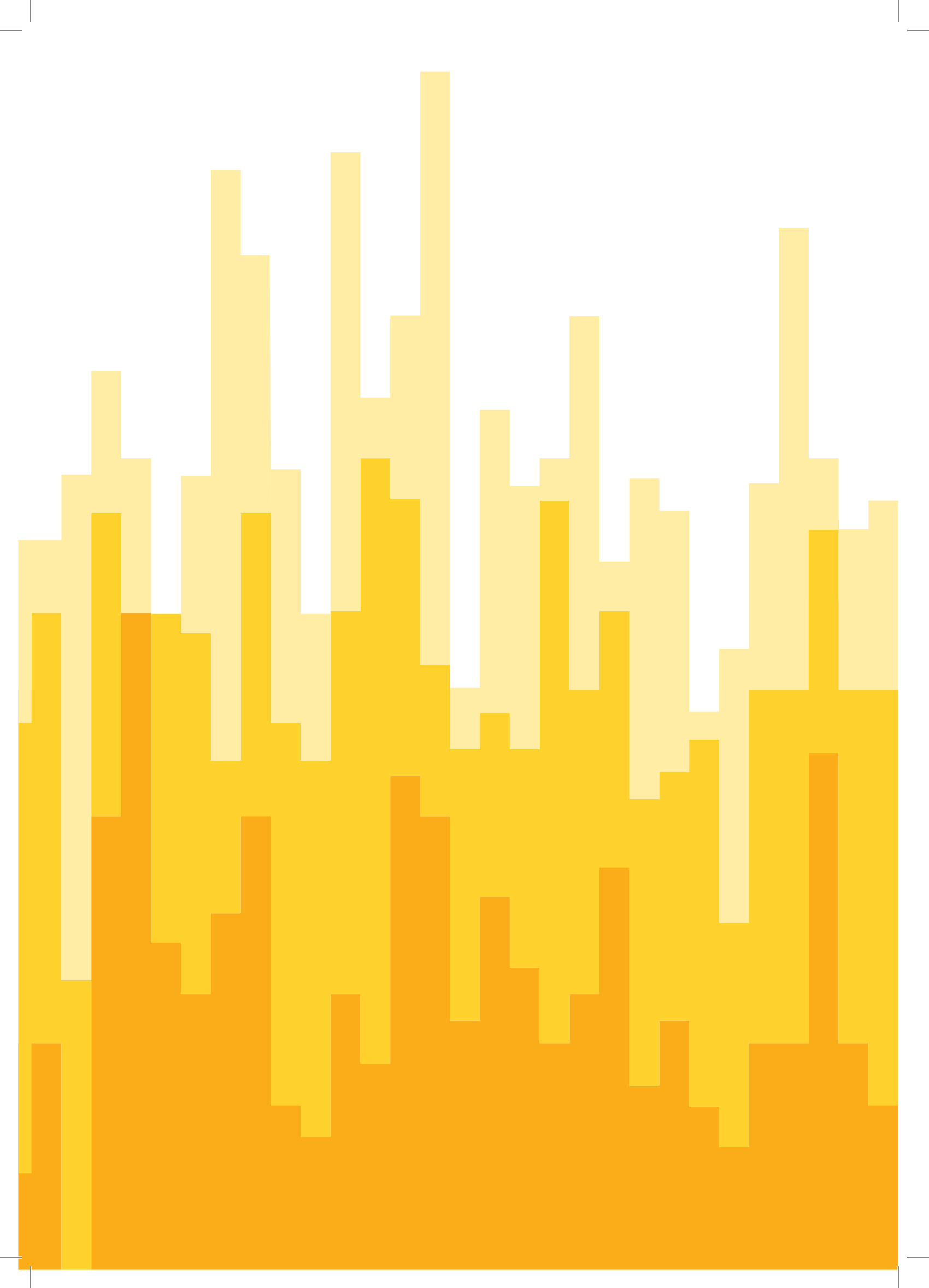
the following segments: General Knowledge about CEFTA, CEFTA Implementation, CEFTA and Local Business, Regional Development in the Past Ten Years, Trade Development, Company Competitiveness Development, Future Plans for Increasing Competitiveness of the Local Businesses, Sources of Information about CEFTA, and Attitudes towards Regional Trade of Services.

Quantitative research was conducted by telephone, covering 200 companies per each CEFTA Party, with the total being 1400 businesses of different size and different business areas, which are not majority-owned by the state or the government. Qualitative research was carried out through In-depth interviews,

with representatives of national chambers of commerce (one per Party) who are most knowledgeable in the Agreement. A technical note concerning the methodology of survey is annexed to this report.

The 'CEFTA through Numbers' report contributes to efforts and complements findings in preparing a brochure 'CEFTA Myths and Facts'. More precisely, the detailed analysis of the collected data helped identify the Myths, which reflect opinion and prejudices in the CEFTA Parties, and allowed the inputs for Facts which are further developed by national experts from the CEFTA Parties assigned under the CEFTA National Secondment Programme.





MAIN FINDINGS

Given the importance of CEFTA, it is striking that it is still not well-known. It could be argued that it is almost taken for granted. Perhaps this is also because it came after bilateral free trade agreements were negotiated and implemented. So, its additional contribution may not be appreciated.

It is particularly strange that it is not well-known and is arguably underappreciated in Serbia, though CEFTA has certainly been most advantageous to Serbia in particular. It ran high and sustained surpluses in trade with most CEFTA Parties. And given comparative advantages, e.g. in agriculture, CEFTA market will continue to be important in the long run.

Overall, CEFTA generally commands support. In particular among the exporters, which is to be expected. However, other markets are seen as offering more potential. This is temporarily reflective of reality given that exports to EU grow faster than those to CEFTA. Similarly, imports from EU may continue to provide more room for growth once recovery settles in and strengthens.



Similar to findings in e.g. Balkan Barometer, exporters are confident that their products are competitive. In part this is due to strong specialisation of trade. There is not so much of intra-industry trade, as only few products dominate trade within CEFTA and when it

comes to exports to EU. There is also the effect of home bias, in part due to the fact that these are still relatively closed economies, in particular in terms of exports.

However, there is relative preference for the domestic market, in part it seems because of the belief that it is more stable. This may be the consequence of the financial crisis which saw sharp decline in trade in initial years. This risk of sudden reversions may persist even though exports have grown very strongly in the last at least five years.

Overall, there are a number of usual cautionary attitudes when it comes to competition, labour mobility, and trade in services. Though protectionism is not all that strong, there is ingrained belief that competition is a zero-sum game rather than the way to increase option to everybody. Still these protectionist views are not strong and usually are abandoned when more specific questions are asked (e.g. employing a foreigner if there is skill mismatch in the local market and similar).

There is also trust in governments' help and support, including financial one even though in a number of economies political problems are singled out as standing in the way of commerce and investment. This is not unusual, though given the record of local governments it is somewhat counterintuitive. In the











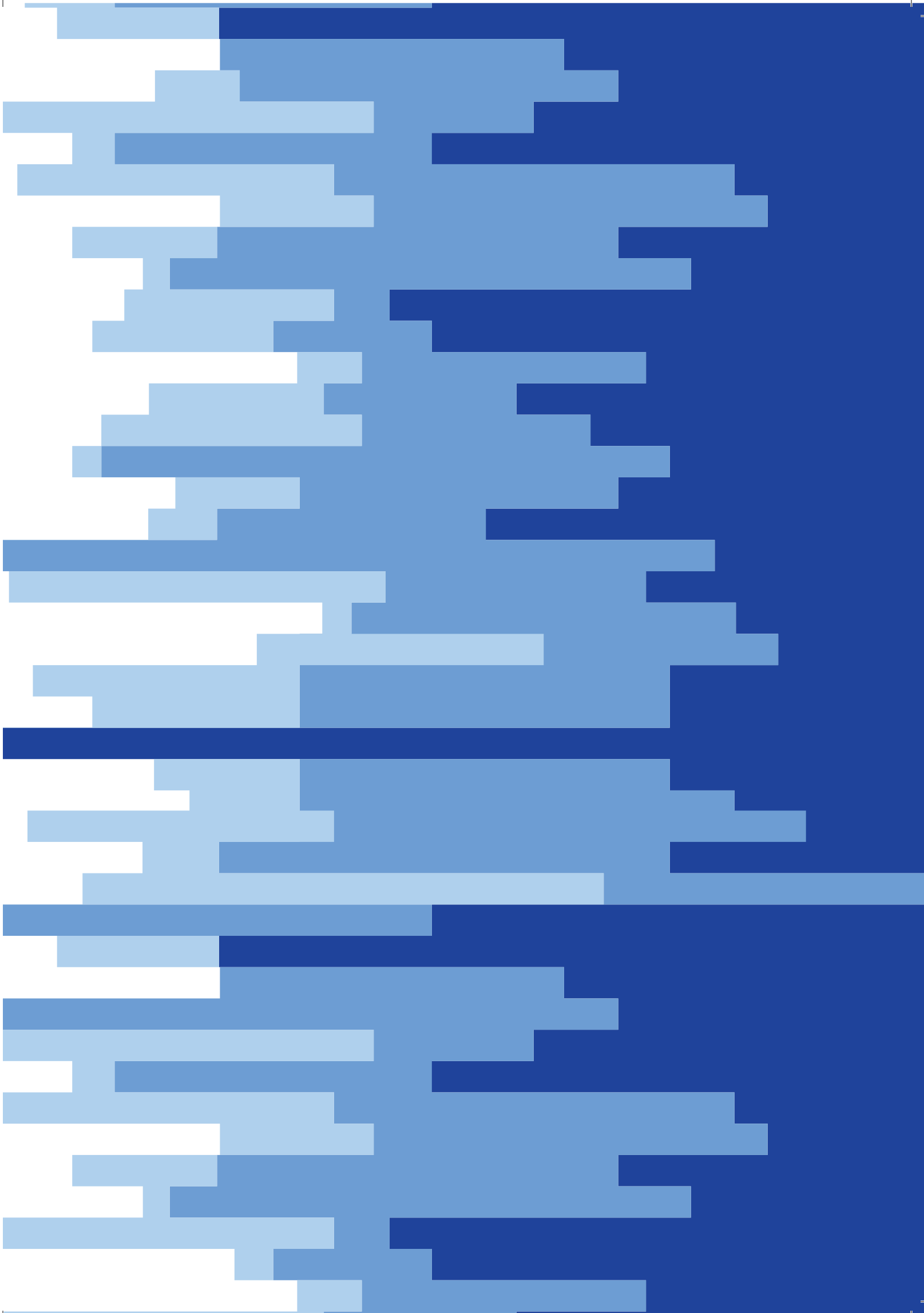
Balkan Barometer governments are seen as the main obstacles to improved opportunities and to individual and business advancement. Still, there is the strong sense that when asked about what can government do, the respondents seem to start from a hypothetical to the effect that if government wanted it could do a lot of good.

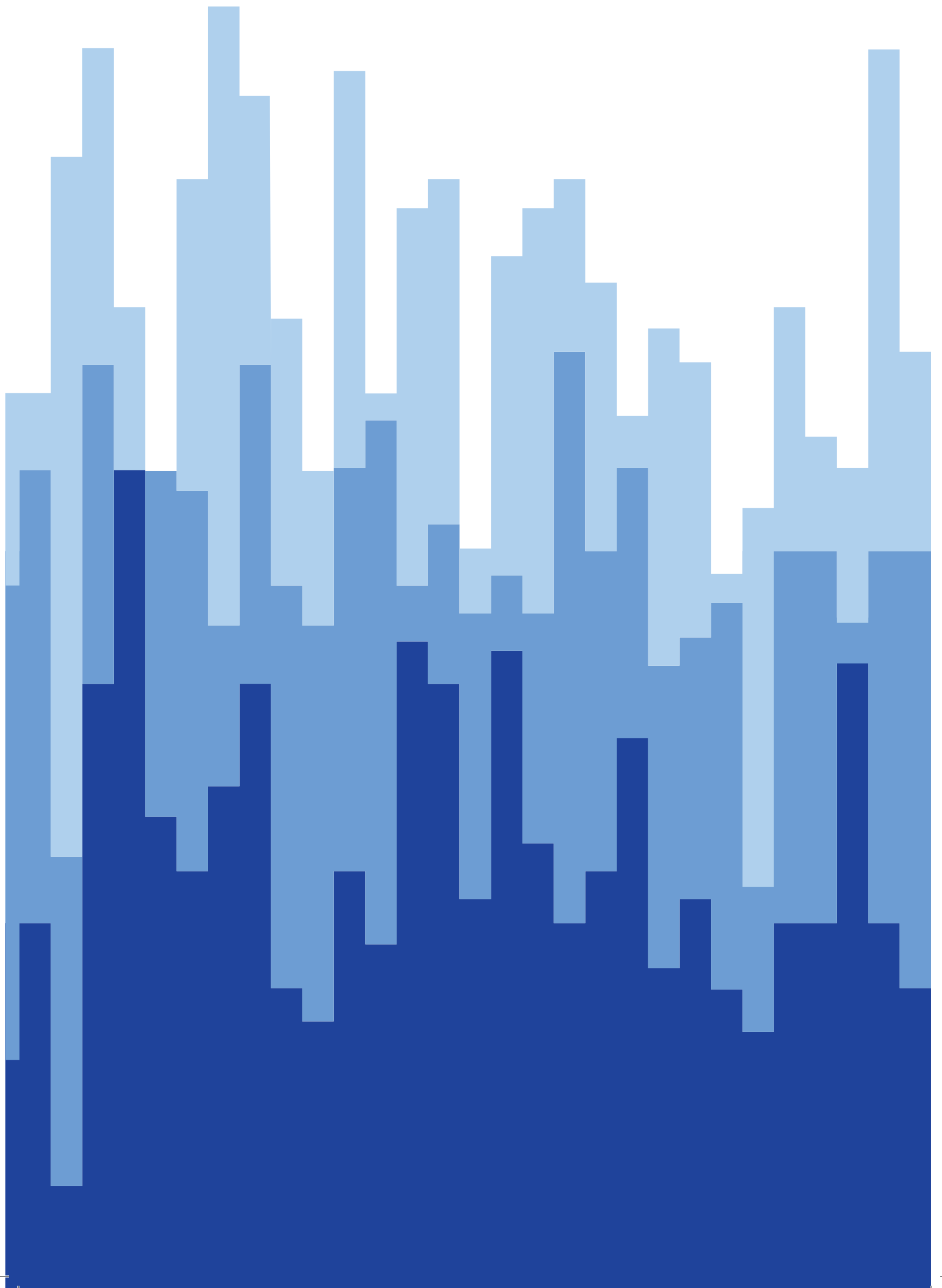
Foreign investment is both welcomed and seen as increasing risks and competition. This is another example of an ambiguous attitude

toward doing business with foreigners. On one hand, foreign investments are welcomed, mostly for good reasons, but on another the change in behaviour that they bring is seen as challenging, which in all probability is. This is not unusual for this region.

Finally, there is increased participation of Albania in the region, which is a good sign, while Moldova has relatively few points of contact with the other CEFTA Parties.







REGIONAL OVERVIEW

Southeast European economies are growing, though the rates are below those that were characteristic of the 2000 to 2008 period. While in the latter period growth rates between 4 and 5 were considered to be close to the potential of these economies, in the post-2008 era growth rates of around 3 percent were considered close to the potential, though the actual ones were mostly well below that. However, currently and in the medium run, i.e. up to 3 years or so, growth rates of around 3 are still seen as being within the potential of these economies. Beyond that, given the low levels of employment and productivity, moving toward growth rates between 4 and 5 would be certainly within the potential of the region at least as long as there is slack in the labour markets and there is ample room for productivity catch up.

In that, trade has played and should continue to play an important role. This is perhaps less visible in the pre-2008 period, because growth was spurred by consumption and foreign investments, so while exports grew, imports tended to grow at least as fast with significant external imbalances emerging and foreign debts growing. After 2008, however, the role of foreign trade and especially of growing exports is important. That was facilitated with the free trade agreements with the EU and by the introduction of the regional free trade agreement, i.e. CEFTA. In the post-2008

period, economies of the region became significantly more open either in terms of export to GDP ratios or to exports plus imports ratios. Exports have to a large degree contributed to that growth that was achieved with foreign investments declining, consumption stagnating, and investments overall falling precipitously.

Going forward, exports are expected to continue to grow with investment recovering and macroeconomic balances stabilising and improving. Current account deficits are narrowing, public debts are stabilising, financial balances are improving, though non-performing loans are still high in a number of cases, while unemployment rates are declining, admittedly from still high or very high levels. Indeed, the latter imbalance is the most important problem faced by these economies. Given the limited possibilities of spurring growth by more consumption and by adding to foreign and public debts, exports i.e. external demand will continue to play a significant role in the medium and the long run too. In that, regional market will also be increasingly important though for different reasons than in the past.

Table 1 summarises the developments since 2008. Growth has been anaemic, though it has been improving. Exports, however, have increased significantly. Interestingly enough, in most economies both exports of goods and of services have grown. Imports, by contrast,

have stagnated or grown more slowly, which is why current account and trade deficits have been improving. For instance, Serbian exports of goods and services have increased by 63 percent since 2008 and until 2015. Export of goods by 66 percent and of services by 56

percent. GDP in that period has been growing by only 0.6 percent per year in real terms, while GDP per capita in current euro has hardly increased in the whole period (4600 in 2008 and 4700 in 2015, with about 3.5 percent smaller population).

Table 1: Growth of trade and GDP, 2008-2015

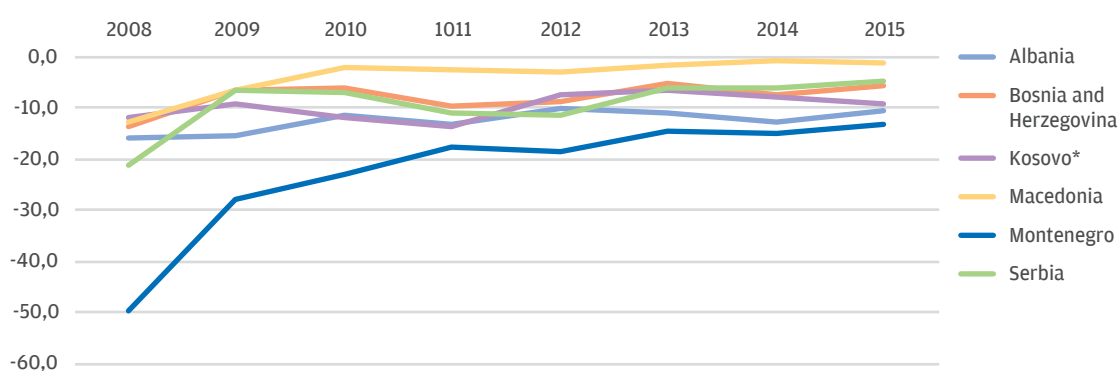
Trade, 2015/2008		GDP, real growth, average 2008-2015	
Albania		3	
export goods	-16	import goods	-8
export services	20	import services	-7
Total	11	Total	-8
Bosnia and Herzegovina		1.2	
export goods	79	import goods	0
export services	-2	import services	6
Total	44	Total	1
Kosovo*		3.7	
export goods	53	import goods	31
export services	100	import services	77
Total	84	Total	36
Macedonia		2.6	
export goods	50	import goods	23
export services	60	import services	53
Total	53	Total	27
Montenegro		1.6	
export goods	-27	import goods	-28
export services	56	import services	5
Total	26	Total	-13
Moldova		3.5	
export goods		import goods	
export services		import services	
Total	20	Total	-3
Serbia		0.6	
export goods	66	import goods	0
export services	56	import services	21
Total	63	Total	3

Source: wiiw, national statistics

In some cases, export of goods has seen negative growth, though for different reasons. In Montenegro, that is due to decline in the exports of aluminium, while Albania's exports suffered from low oil prices in the last couple of years. However, export of services was strong in Montenegro and was also significant in Albania. In Bosnia and Herzegovina and in Kosovo* exports of goods performed very well as have exports in services in the latter case, though from a rather low level.

By contrast, imports increased more slowly and in some cases not at all. Macedonia and Kosovo* are exceptions, while imports of services increased in almost all cases. Overall, trade and associated financial flows have led to significant decline in current account deficits from very high levels that they reached in 2008. Graph 1 illustrates. Similarly, trade deficits have declined, though they still tend to be rather high in part due to persistent inflows of remittances and other private and public transfers.


Figure 1: Current account, % GDP, 2008-2015



Source: wiiw, national statistics

It is important to note that exports to the EU have grown faster than those within CEFTA. Though intra-CEFTA trade growth has been strong in the initial period after the break out of the 2008 crisis, exports to EU have taken over in the last few years. This is clear from the data in CEFTA's 2015 Brochure which show slow increase of intra-CEFTA trade growth while there is significant increase in trade with Germany and Italy in particular. This is not to be taken as a sign that intra-CEFTA trade is losing its steam. In fact, it is important to understand while it can be expected that intra-CEFTA trade should start growing again with overall improvement of economic performance in the region.

The reason that exports to EU in particular have increased quite significantly and account for most of the growth shown in Table 1, this is due to structural changes in the regional economies in the post-crisis period. In particular, as external balances needed to be corrected the difference between a large European and smaller regional market proved to be important. Each CEFTA Party behaves as a small open economy in trade with the EU. So, once real exchange rate was corrected in economies with overvalued rates, EU market could absorb increasing exports from the regional small economies irrespective of the demand conditions on the EU market. So, growth of exports depend primarily on the supply conditions in the small open economies.



Trade within CEFTA is, however, dependent on demand in the respective economies. Those we can determine from the behaviour of imports. Those, however, are not growing overall in the region and also for the most from the EU also. Because of that, intra-CEFTA trade is not growing as much as that with the EU or not at all. This is of course going to change as recovery takes hold and consumption starts growing and thus also demand for imports. In a way, intra-CEFTA market is behaving as an internal market where prices and trade are to large part demand determined. By contrast, access to EU markets is determined by supply of tradable goods even though overall demand has not been buoyant especially in a country like Italy.

Finally, the promise of CEFTA has been not only that it will provide for tariff and non-tariff barriers free trade, but also that it will be attractive for regional investment. That should lead to regional internationalisation of production with chains linking intra-regional supply. This has not had the chance to develop because soon after CEFTA became operational, financial crisis hit the region. It has had differentiated impact, so some smaller economies have been able to increase their presence on the regional market too. However, regional

investment, i.e. projects that target the region as the production base have yet to develop. If that were to happen, intra-CEFTA trade will grow due to growing production chains. It will make sense to optimise investments regionally to target exports to the region as well as to continue increasing exports to the EU market. The survey highlights relatively low awareness of the importance of CEFTA and the opportunities that it provides. This is in part due to the fact these are still relatively closed economies, though this is changing fast in a number of them. In a matter of years, on current trends, export to GDP ratios will pass 50 percent and will continue to increase. Future surveys should reveal these growing awareness of the importance of the regional market.





QUANTITATIVE SURVEY

LIST OF FIGURES

Figure 1: Current account, % GDP, 2008-2015	21
Figure 2: Could you please state which governmental institution is responsible for CEFTA implementation in your economy?.....	29
Figure 3: How familiar do you think you are with what CEFTA (Central European Free Trade Agreement) means to your business?.....	30
Figure 4: How do you see the implementation of CEFTA Agreement up to now?	31
Figure 5: Please choose up to 3 reasons which you consider to be the main obstacles for full implementation of CEFTA.....	32
Figure 6: How do you evaluate the progress/development of the following issues over the last 10 years?	33
Figure 7: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of the overall business environment?.....	40
Figure 8: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of the overall business environment?.....	42
Figure 9: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of export/import procedures?	42
Figure 10: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of export/import procedures?	44
Figure 11: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with the EU?	44
Figure 12: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with the EU?	46
Figure 13: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with Russia, Turkey and EFTA?.....	46
Figure 14: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with Russia, Turkey and EFTA?.....	48
Figure 15: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade in the CEFTA region?	49

Figure 16: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade in the CEFTA region?	50
Figure 17: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with the rest of the world?	51
Figure 18: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with the rest of the world?	53
Figure 19: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of sales in the domestic market?	53
Figure 20: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of sales in the domestic market?	56
Figure 21: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of your company's competitiveness?	56
Figure 22: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of your company's competitiveness?	59
Figure 23: Please express your agreement or disagreement with following statements related to CEFTA.....	60
Figure 24: How much do you think your company's products and services are competitive in the following markets?	64
Figure 25: How competitive do you think your company's products and services will be in the following markets in the next 10 years?	69
Figure 26: How easy or hard did you find working in the agricultural sector over the previous years?	75
Figure 27: Why do you think this is so?	76
Figure 28: Why do you think this is so?	77
Figure 29: How do you evaluate trade in agriculture during the previous years?	78
Figure 30: In your opinion, what caused this situation?.....	79
Figure 31: In your opinion, what caused this situation?	80
Figure 32: Now, I would like to talk more thoroughly about your company's trade relations with other CEFTA Parties. In which of them do you export your company's products/services?	81
Figure 33: To what extent do you agree with the following statement: I would start exporting to markets of other CEFTA Parties if I could offer my products/services there?	82
Figure 34: To what extent do you agree with the following statement: I would consider increasing my export activity in the markets of other CEFTA Parties?	83
Figure 35: From which CEFTA Parties do you import products/services?	84
Figure 36: To what extent do you agree with the following statement: I would consider starting to import from other CEFTA Parties?	85
Figure 37: To what extent do you agree with the following statement: I would consider increasing my import activity from markets of other CEFTA Parties?	86

Figure 38: How long has your business been selling goods and services or licensing its products abroad?	87
Figure 39: Do you have plans to start exporting or licensing your products or services abroad in the next 12 months?	88
Figure 40: Why do you think this is so?	89
Figure 41: Within the past 3 years, has your business received any unsolicited enquiries or orders from potential foreign buyers?	91
Figure 42: If your company had not been exporting at that time, did this enquiry prompt you to consider or decide to start exporting?	92
Figure 43: Regardless of whether your company had already exported or not, could such an enquiry prompt you to consider or decide to start exporting?	93
Figure 44: How desirable do you find cross-border movement of services providers (within the CEFTA region)?	94
Figure 45: To what extent do you agree that access to workers from other CEFTA Parties is beneficial for your business?	95
Figure 46: Why do you think this is so?	96
Figure 47: Why do you think this is so?	97
Figure 48: How likely would you be to welcome foreign multinationals increasing their presence in the country and in the region?	99
Figure 49: Why do you think this is so?	100
Figure 50: Why do you think this is so?	101
Figure 51: Do you think that existing small and medium size enterprises will suffer if large cross-border firms (firms from other CEFTA Parties) increase their presence?	102
Figure 52: To what extent do you agree that multinationals are needed for development?	103
Figure 53: Why do you think this is so?	104
Figure 54: Why do you think this is so?	105
Figure 55: In your opinion, how do foreign investments affect your local economy?	106
Figure 56: Why do you think this is so?	107
Figure 57: Why do you think this is so?	108
Figure 58: To what extent do you agree that liberalization of the market for services (no restrictions for foreign firms and individuals to offer labor and other services within the CEFTA region) would benefit your business?	110
Figure 59: Why do you think this is so?	111
Figure 60: Why do you think this is so?	112
Figure 61: How do you rate the competitiveness of domestic services in your own business area?	113
Figure 62: How do you rate the competitiveness of domestic services in other service sectors?	114

Figure 63: To what extent do you agree that cross-border (within the CEFTA region) services in education and health are beneficial?	115
Figure 64: Do you seek external advice or information on matters affecting your business? Please focus on situations when this has been more than a casual conversation.	116
Figure 65: What type of assistance or support do you use?	117
Figure 66: On what issues do you use to seek external advice?.....	118
Figure 67: Where do you usually seek advice, i.e. who is your source of information or support?	119
Figure 68: In what way do you obtain the main piece of information you seek for?	119
Figure 69: Sample structure by respondent's position.....	121
Figure 70: Sample structure by majority ownership structure	121
Figure 71: Sample structure by number of employees	121
Figure 72: Sample structure by main business area.....	122
Figure 73: Sample structure by origin of ownership	122

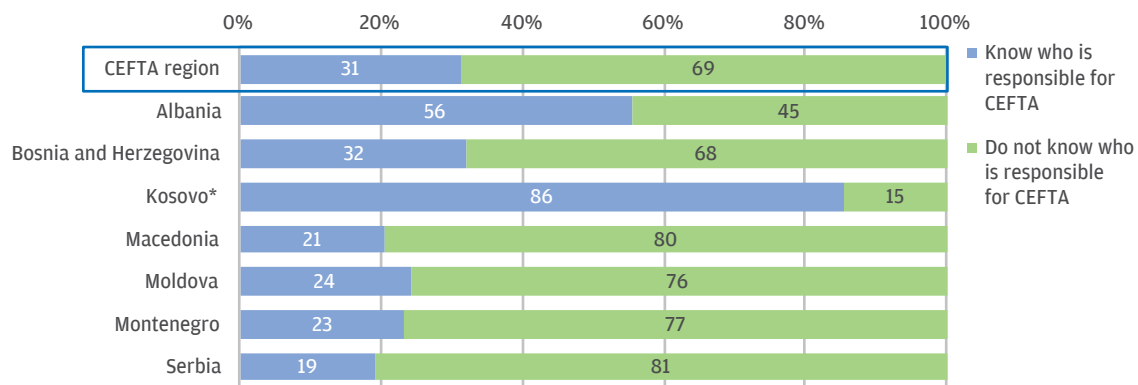
LIST OF TABLES

Table 1: Growth of trade and GDP, 2008-2015.....	20
Table 2: Party specific obstacles for full implementation of CEFTA.....	33
Table 3: Party specific reasons for worsening/improvement/stagnation of the overall business environment	40
Table 4: Party specific reasons for worsening/improvement/stagnation of export/import procedures.....	43
Table 5: Party specific reasons for worsening/improvement/stagnation of trade with the EU	45
Table 6: Party specific reasons for worsening/improvement/stagnation of trade with Russia, Turkey and EFTA	47
Table 7: Party specific reasons for worsening/improvement/stagnation of trade in the CEFTA region	49
Table 8: Party specific reasons for worsening/improvement/stagnation of trade with the rest of the world.....	52
Table 9: Party specific reasons for worsening/improvement/stagnation of sales in the domestic market	54
Table 10: Party specific reasons for worsening/improvement/stagnation of your company's competitiveness	57

ASSESSMENT OF THE TRADE ENVIRONMENT AND CEFTA IMPACT

Figure 2: Could you please state which governmental institution is responsible for CEFTA implementation in your economy?

(All respondents, N=1400, %)



Approximately one third of businessmen in the CEFTA region can identify who is in charge of CEFTA implementation in their economy. Those from Kosovo* seem to be informed significantly better than all others (86%), followed by their colleagues from Albania (56%). Company representatives from Serbia are least familiar with authority competent for this topic (19%).

One fourth of the CEFTA business people are convinced that the Ministry of Trade is in charge of implementation of the Agreement. Slightly more than one fifth indicates that Ministry of Economy is the responsible institution, while 14% think that is the duty of the Ministry of Finance.

Respondents who know who is responsible for CEFTA implementation, N=438

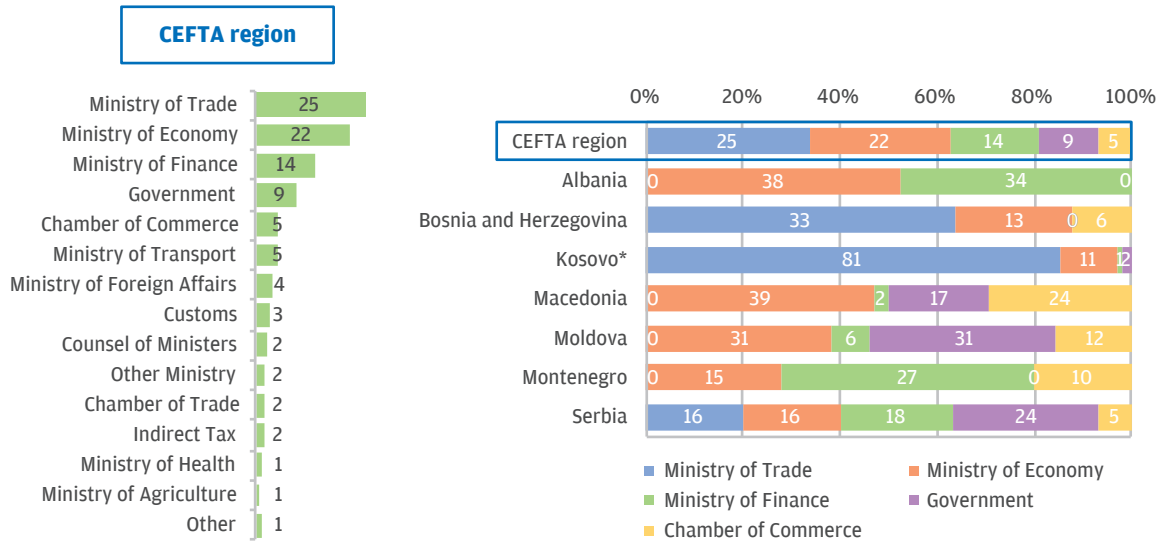
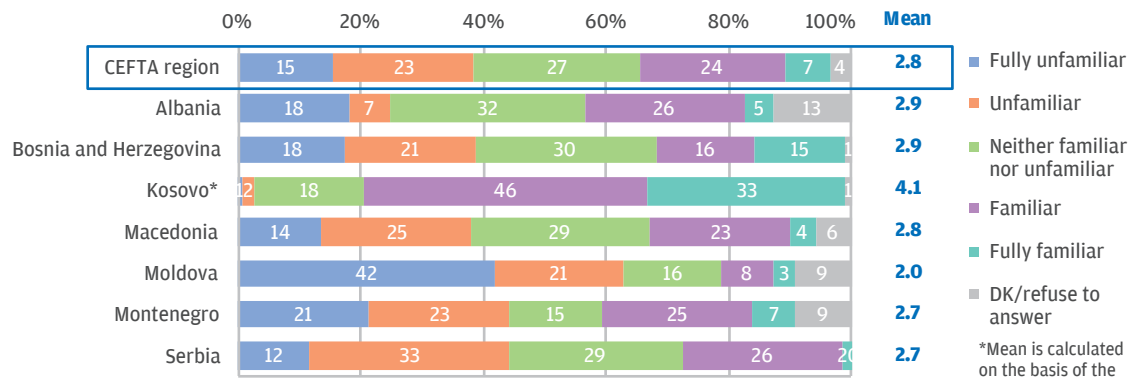


Figure 3: How familiar do you think you are with what CEFTA (Central European Free Trade Agreement) means to your business?

(All respondents, N=1400, %)



At the regional level, about one third of company leaders are well informed about what CEFTA means for their business (31%). Still, most of them are not knowledgeable on this issue (38%). It can be said that Kosovo* and Moldova are two extremes compared to the rest of the region. Four fifths of the respondents in the former economy consider themselves to be familiar with the Agreement;

while in the latter one, almost two thirds admit they are not well educated.

Looking at company activities out of local economy borders, exporters are more familiar with CEFTA than importers. In addition, compared to small companies, heads of large ones more frequently confirm they are fully informed of what CEFTA means for their business.

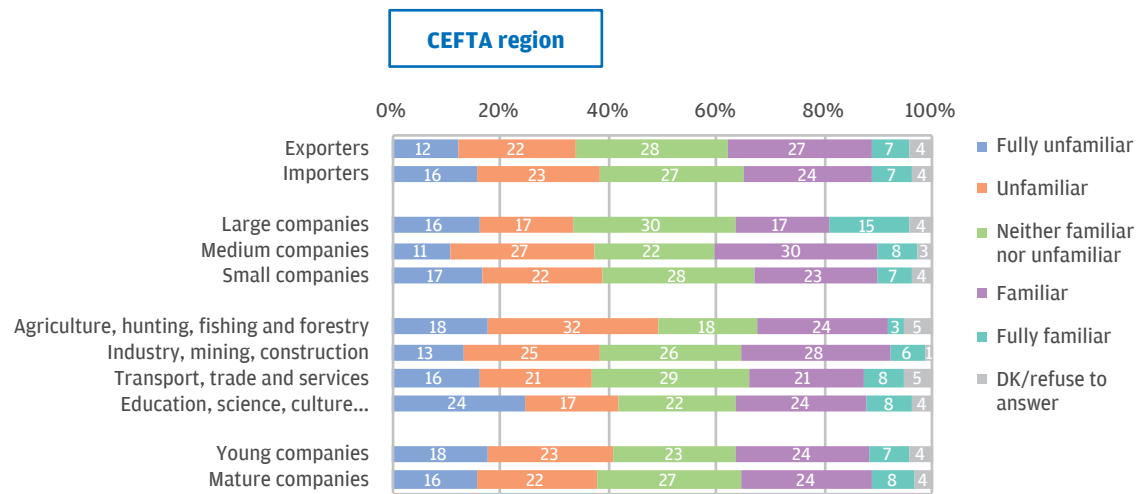
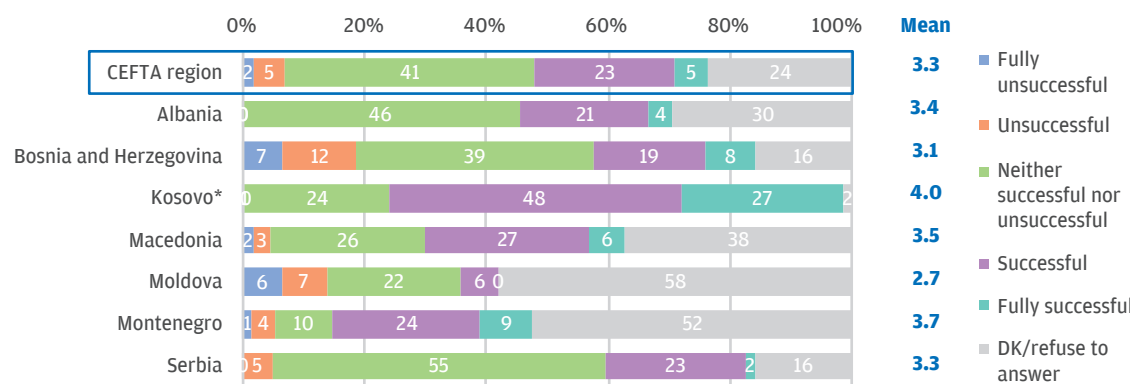


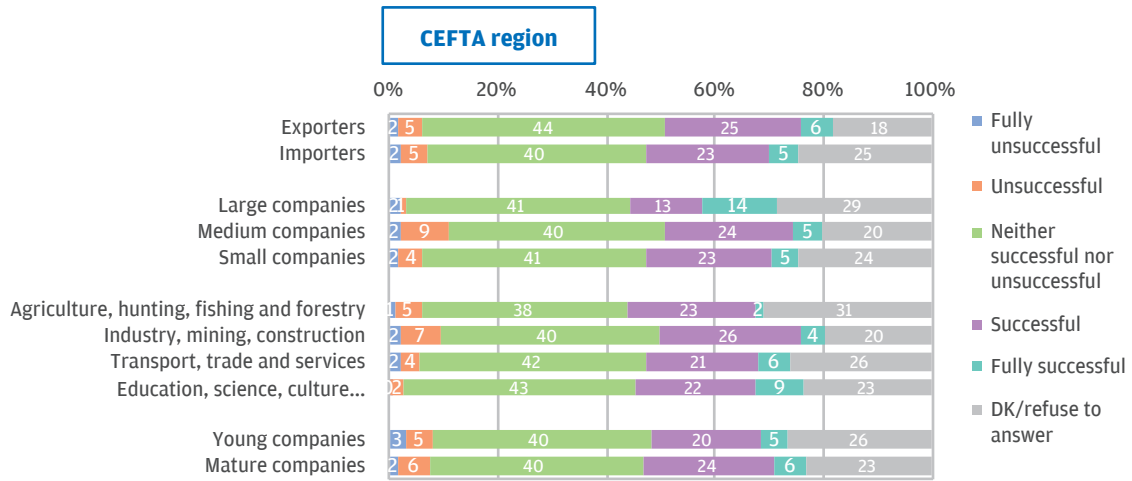
Figure 4: How do you see the implementation of CEFTA Agreement up to now?

(All respondents, N=1400, %)



The largest part of the CEFTA business community (41%) estimates that the implementation of the Agreement was previously neither successful nor unsuccessful. This opinion is particularly widespread in Serbia (55%). Almost 30% consider it to be productive, companies in Kosovo* remarkably more often than others

(75%). There are not many of those who assess the implementation as being poor (7%), but on the other hand, a significant number (24%) does not know the answer to this question. The fact that they are most numerous in Moldova (58%) confirms that this economy is least aware of the Agreement.

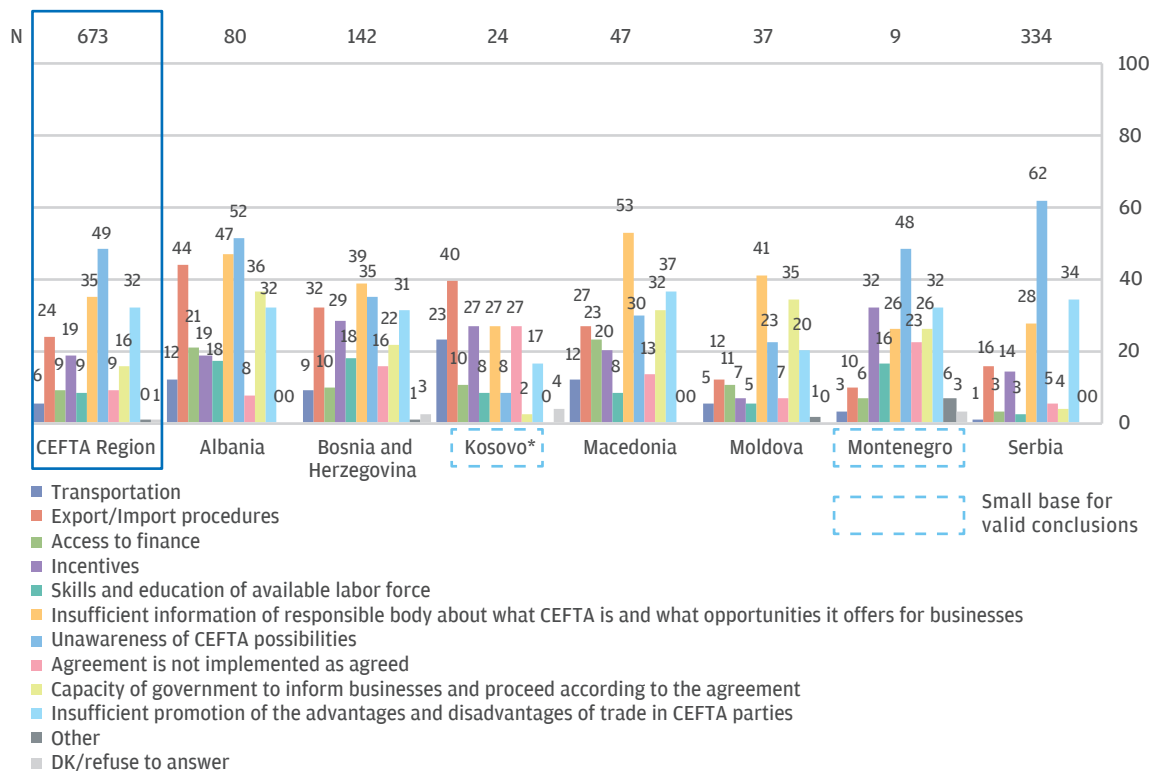


Representatives of companies with 250 or more employees rate CEFTA implementation better than their colleagues who manage

smaller firms. Also, heads of industrial manufacturing and related companies are more content than leaders in the service sector.

Figure 5: Please choose up to 3 reasons which you consider to be the main obstacles for full implementation of CEFTA.

(Respondents who think that implementation of CEFTA is neither successful nor unsuccessful at best, N=673, %)



Out of nearly half of the surveyed business people who have doubts about the implementation of the CEFTA Agreement so far, most are from Serbia. Lack of awareness of opportunities which CEFTA provides is recognized as the main reason for failure to fully execute the Agreement (49%). Lack of skilled and

educated workforce comes in second (35%), followed by insufficient promotion of benefits and trade gaps in the CEFTA Parties (32%). Respondents from Serbia (62%) and Albania (52%) find lack of knowledge about CEFTA to be more problematic than others.

Table 2: Party specific obstacles for full implementation of CEFTA

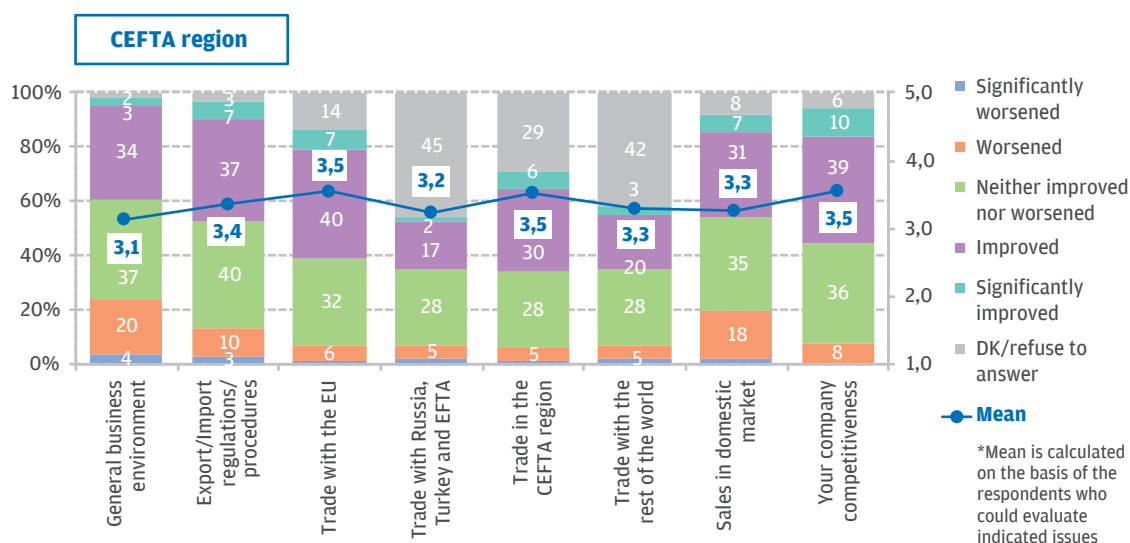
Other Party specific reasons (%)	
Bosnia and Herzegovina	Political situation
	3
Macedonia	Unfair competition
	2
Moldova	Corruption
	3
Montenegro*	Monopoly
	3

*Small base for valid conclusions

Although they do not affect a large number of respondents, it would be good to take a look at additional answers obtained from some economies. Thus, Bosnia and Herzegovina perceives the political situation as one of the barriers for full execution of CEFTA. Macedonian companies see a problem in anti-competitive practices of their competitors, and those in Moldova complain of corruption.

Figure 6: How do you evaluate the progress/development of the following issues over the last 10 years?

(All respondents, N=1400, %)



It is encouraging to see that a negative assessment does not prevail with regard to any of the investigated issues. This is corroborated by the fact that the overall business environment is the worst rated quality, but is still evaluated as being above average (the average is 3.1, on a scale from 1 to 5). CEFTA business leaders are particularly satisfied with the better competitiveness of their own company and improved trade relations with other CEFTA Parties as well as with the EU (3.5). Simplified and more transparent regulations and procedures related to export and import come in second (3.4), followed by sales in the domestic market and trade with the rest of the world (3.3).

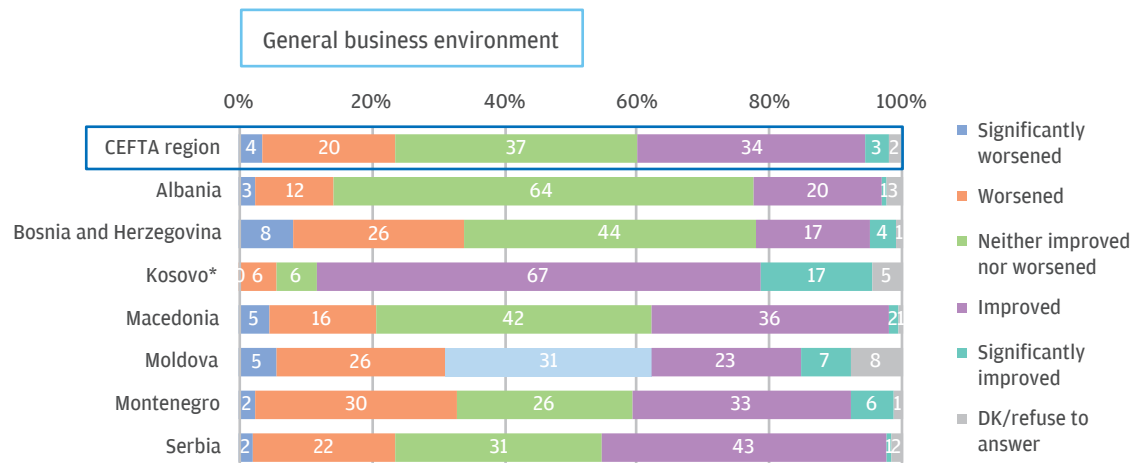
Comparison of all seven economies shows that business representatives from Kosovo* are again more enthusiastic than others on all of these issues. On the other hand, those

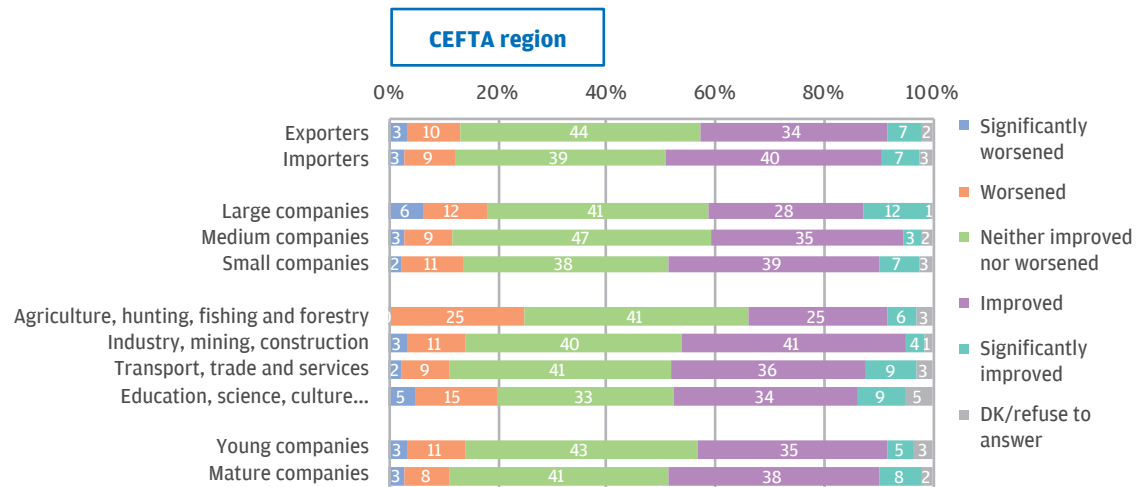
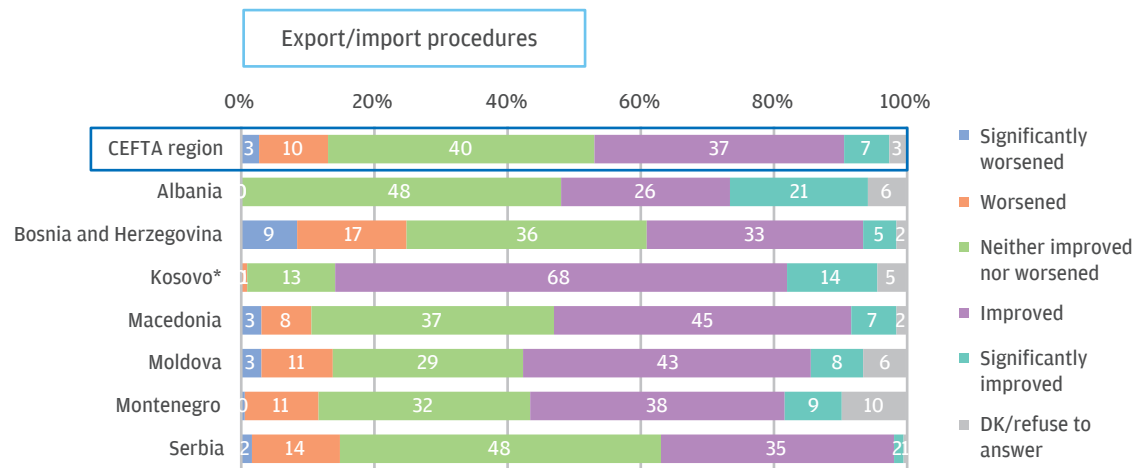
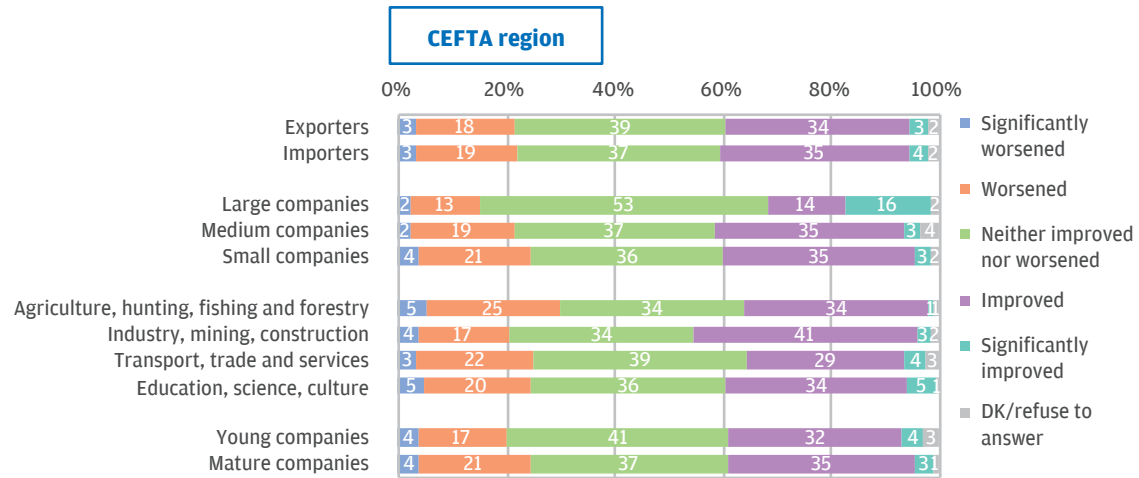
from Serbia more frequently mention stagnation in international trade and customs regulations. Moldovan companies above average stress the deterioration of trade with Russia, Turkey and third countries, as well as a drop in domestic sales. Taking into account the number of respondents who were not able to provide a response, it seems that Moldova (75%) and Albania (64%) have least developed collaboration with other CEFTA Parties. Besides Montenegro (77%), Albania has the weakest trade links with the rest of the world (93%).

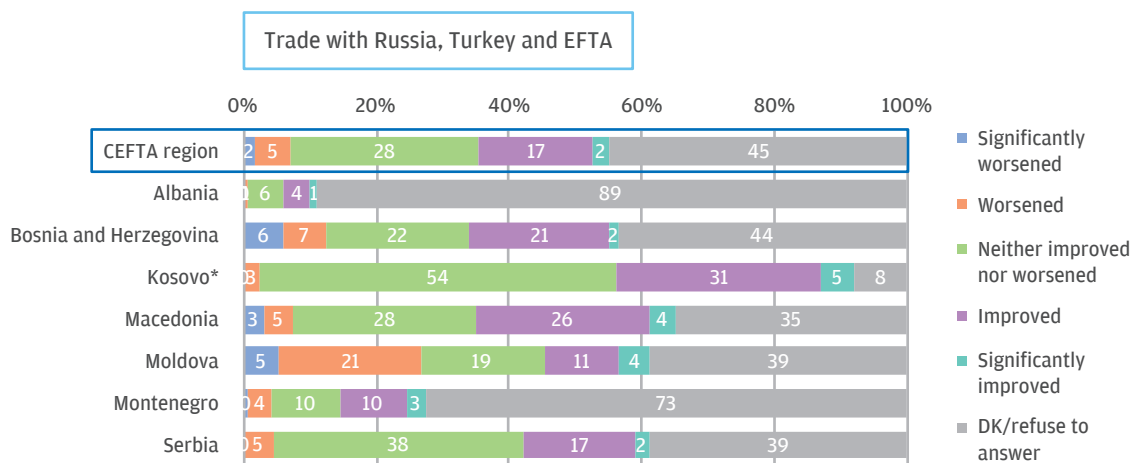
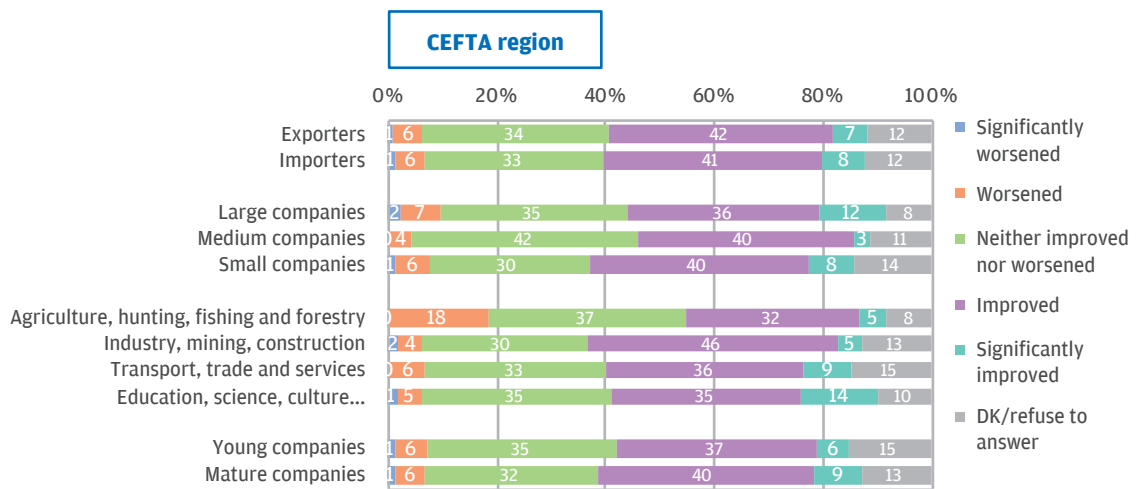
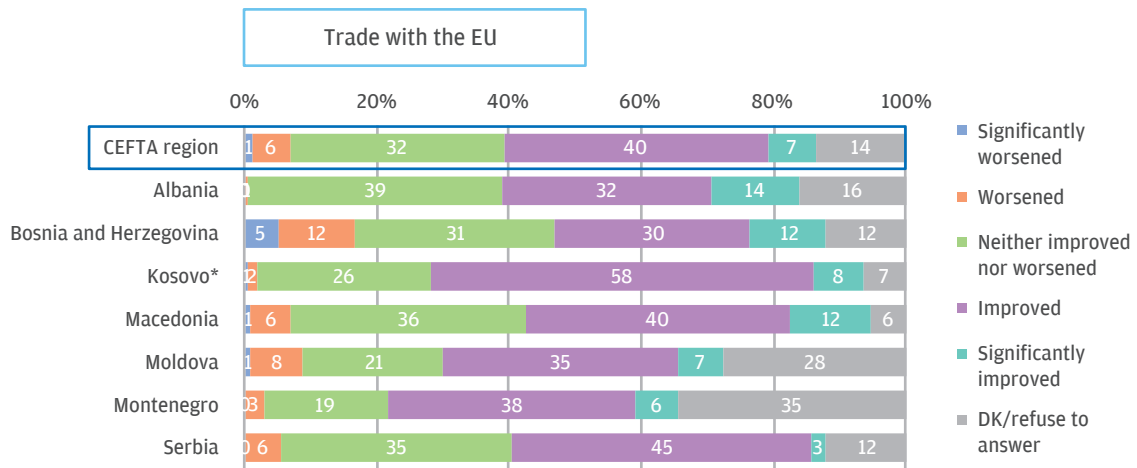
Industrial manufacturers and related companies rate recent development in foreign trade more positively than service oriented companies. Agricultural producers cite an increase in domestic sales more often than others, and the same can be concluded for those in the educational sector and related companies, in terms of their own competitiveness.

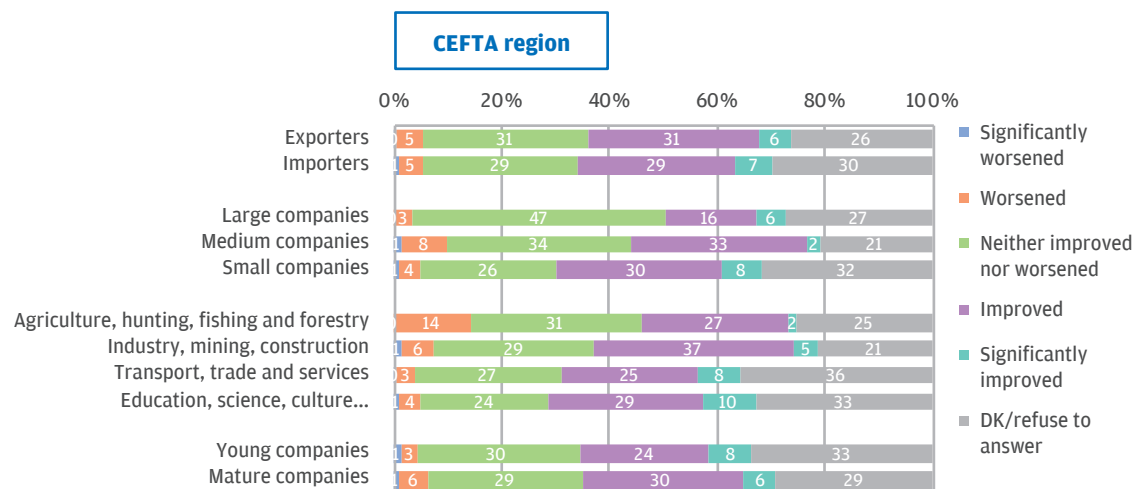
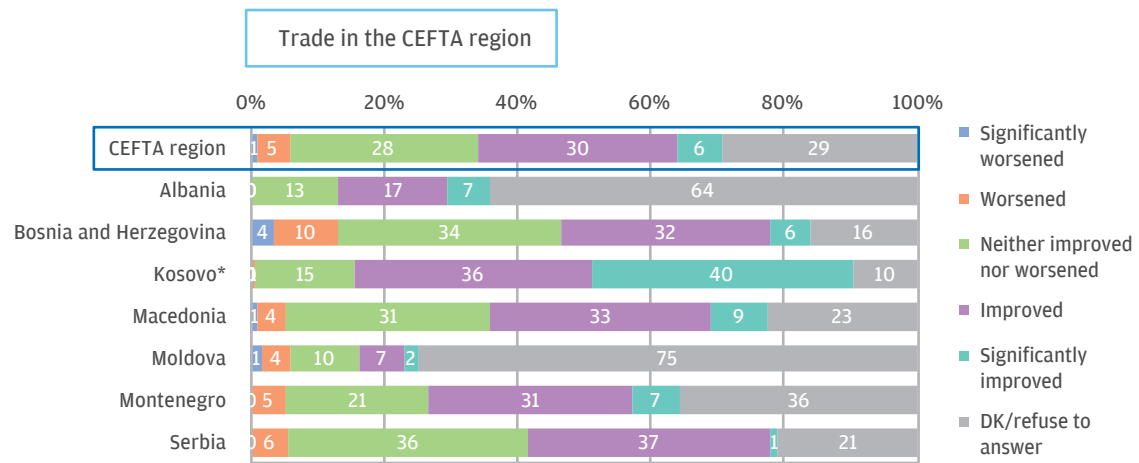
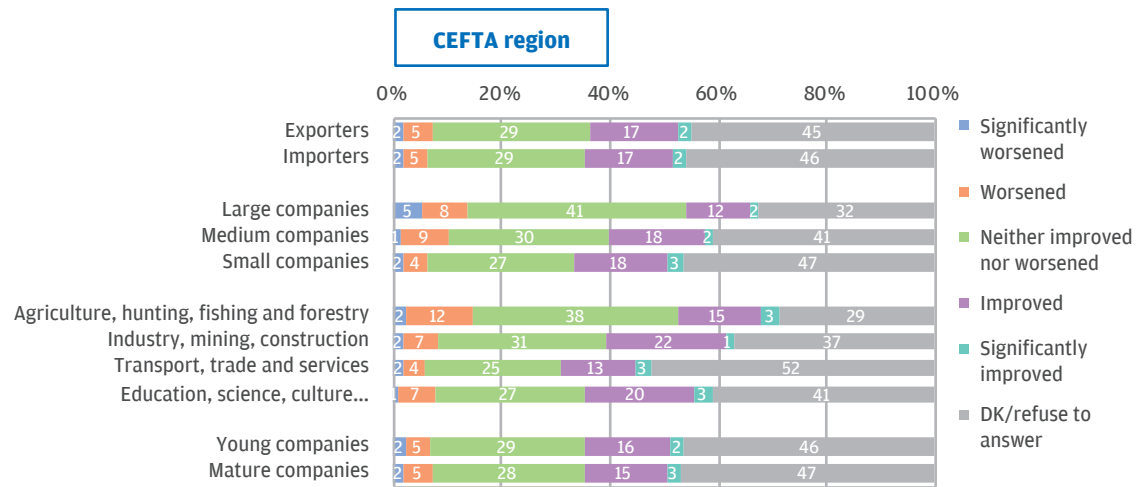
Figure 6: How do you evaluate the progress/development of the following issues over the last 10 years?

(All respondents, N=1400, %)

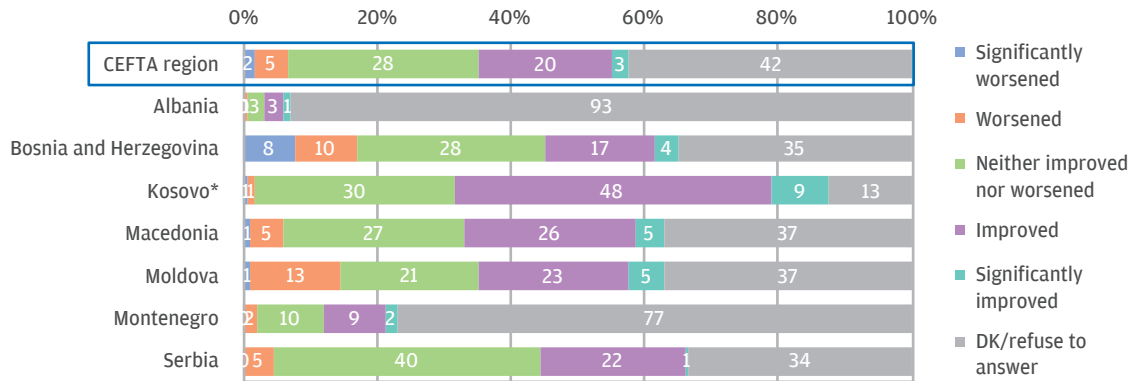




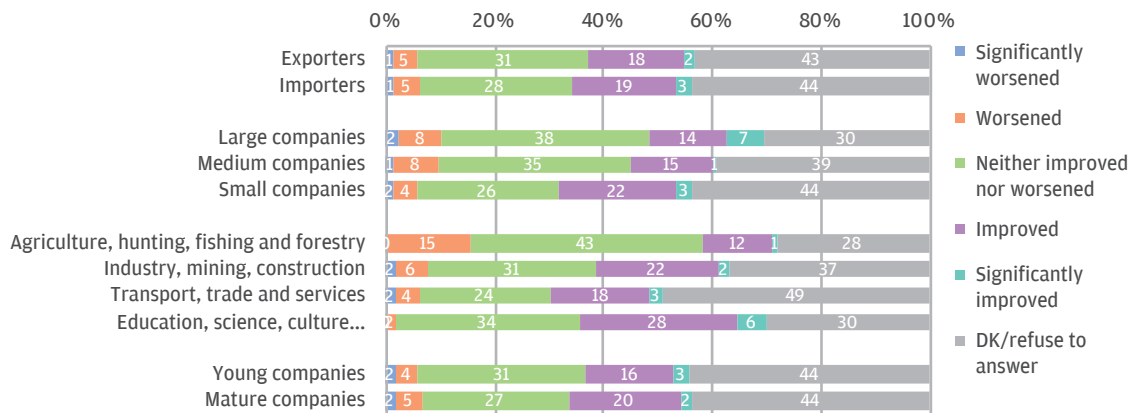




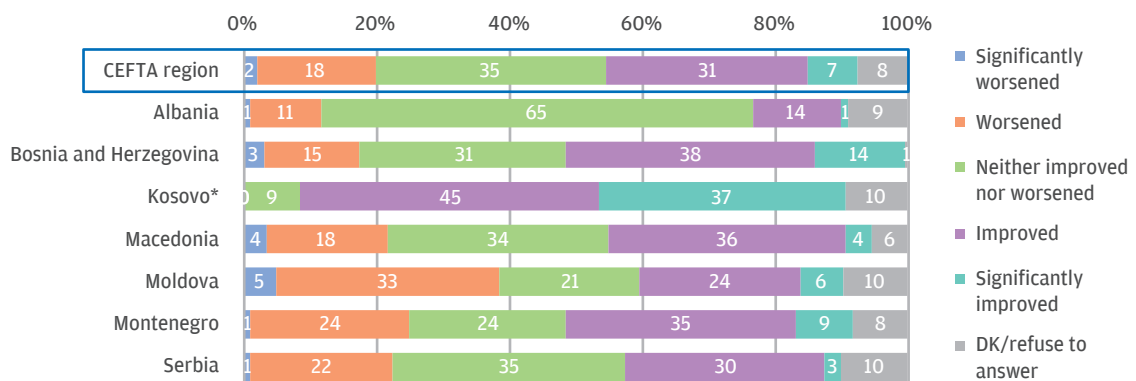
Trade with the rest of the world



CEFTA region



Sales in domestic market



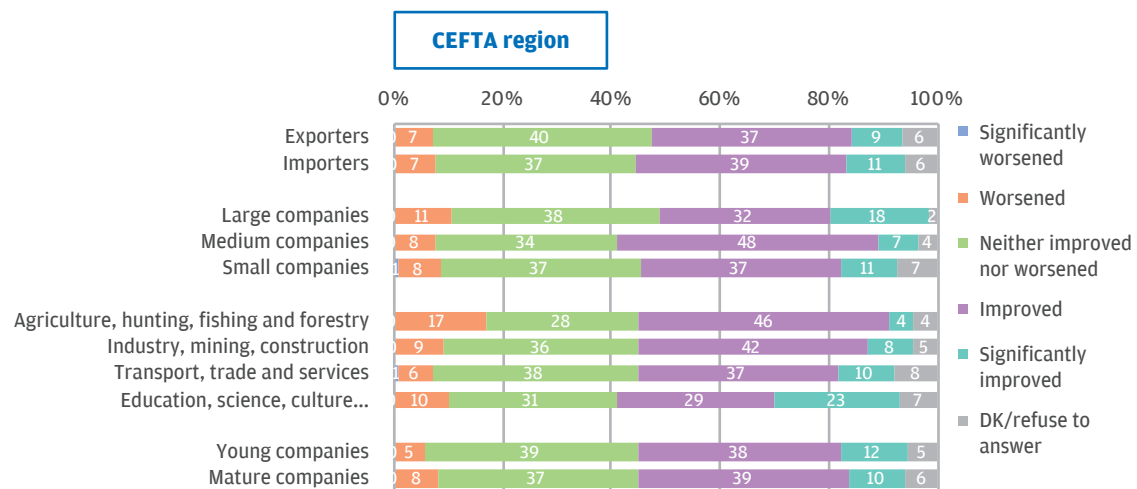
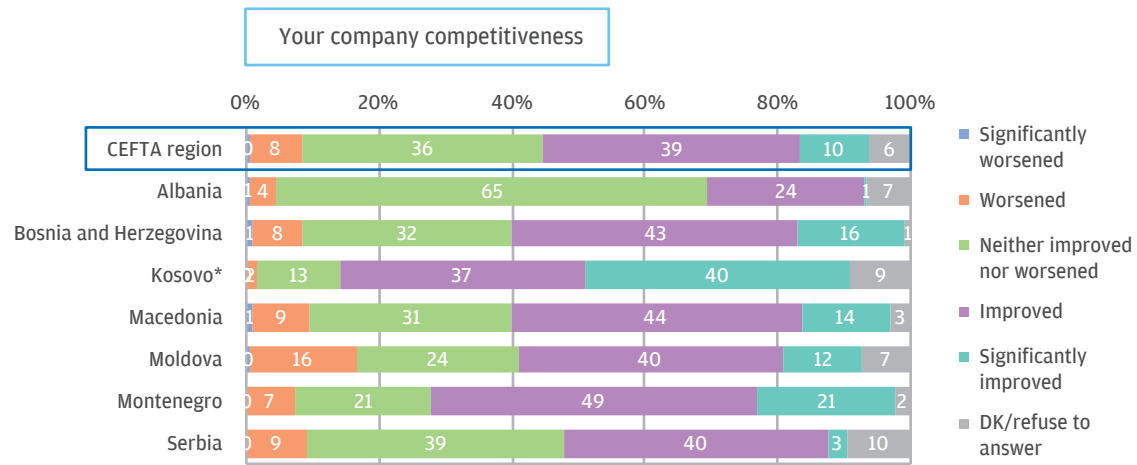
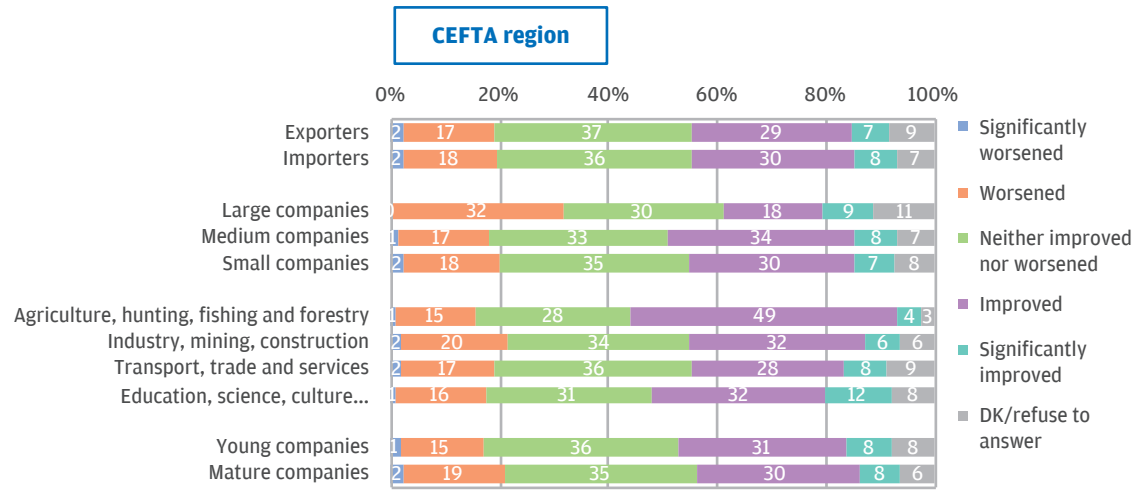
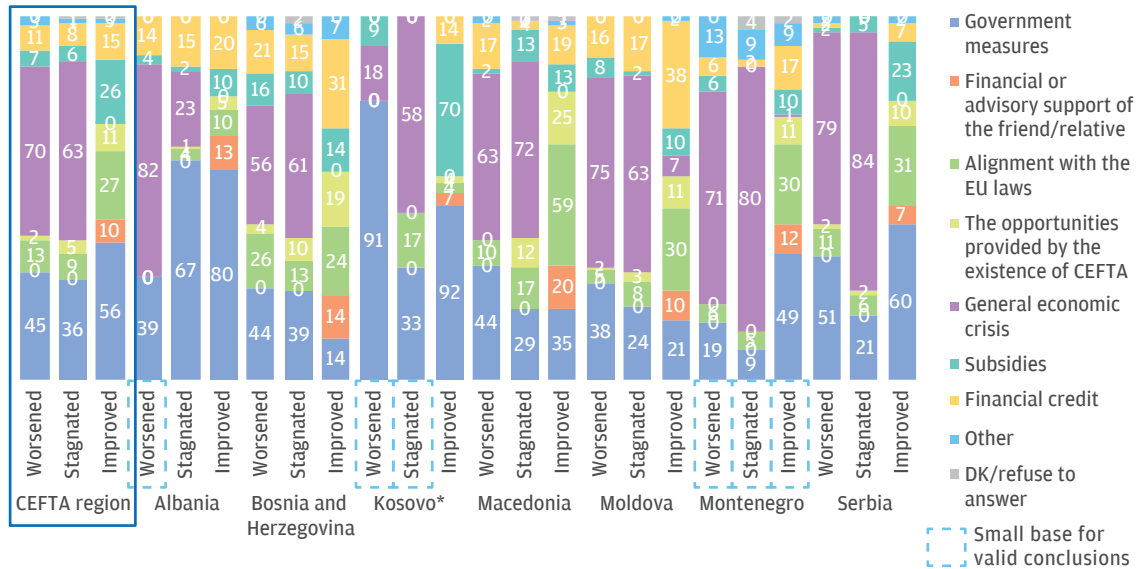


Figure 7: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of the overall business environment?

(Respondents who were able to make an estimate, N=1371, %)



The global economic crisis is perceived as the key reason for both worsening (70%) and stagnation (63%) of the business environment in general during the previous decade. Moreover, in both cases it is followed by inappropriate government measures (worsening 45%; stagnation 36%). At the same time, the latter factor is the one which most had an impact on the improvement of the business situation (56%). Alignment with EU laws (27%) and subsidies

(26%) also contributed significantly to progress. Interestingly, Albanian businessmen emphasize activities taken by the government significantly more often than others - not only when it comes to stagnation (67%), but also when they talk about improvement (80%). Compared to others, companies in Kosovo* find subsidies more important for economic recovery, while those in Macedonia give priority to alignment with laws of the EU (59%).

Table 3: Party specific reasons for worsening/improvement/stagnation of the overall business environment.

Bosnia and Herzegovina

IMPROVEMENT	Own social capital and internal capacity	Improved cooperation with partners and supplier	Improved marketing activities
	19	5	2
STAGNATION	Political situation	Corruption	Unfair competition
	3	1	1
WORSENING	Political situation		
	4		

Macedonia

IMPROVEMENT	Changes in working conditions		
	4		
STAGNATION	Unfair competition	Political situation	
	5	2	
WORSENING	Political situation	Changes in working conditions	Unfair competition
	5	2	2

Moldova

IMPROVEMENT	Improved marketing activities		
	2		
STAGNATION	Migration of population	Unfair competition	Corruption
	5	3	2
WORSENING	Corruption		
	2		

Montenegro

IMPROVEMENT	Own social capital and internal capacity	Demand increasing		
	7	2		
STAGNATION	Increased and unfair competition	Market saturation	Overdue payments which are hard to collect	Underdeveloped business awareness of the nation
	8	4	2	2
WORSENING	Increased and unfair competition	Higher taxes	Lack of money and investments	Complicated administration and inappropriate work of inspections
	7	3	3	3

Serbia

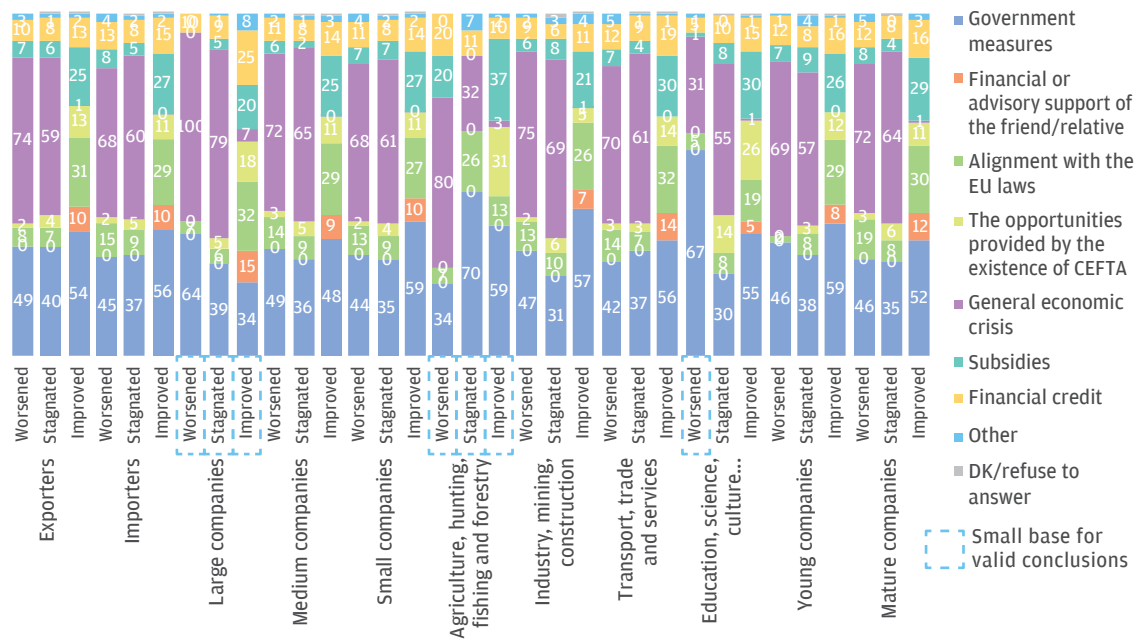
IMPROVEMENT	Improved offer of my company products/services	
	2	
WORSENING	Unfair competition	Monopoly of large companies
	2	2

Reasons recorded in Bosnia and Herzegovina and Montenegro were particularly interesting, with companies relying a great deal on their

own social capital and internal efforts to create a more favorable business climate.

Figure 8: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of the overall business environment?

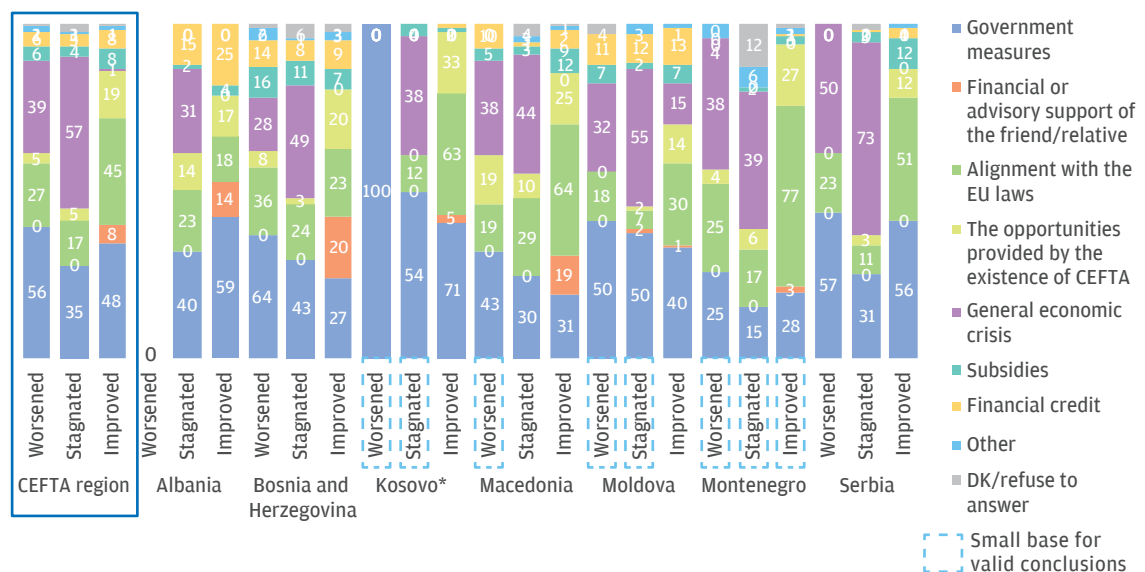
(Respondents who were able to make an estimate, N=1371, %)



It seems that exporters (74%) are hit by the economic crisis much harder than importers (59%).

Figure 9: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of export/import procedures?

(Respondents who were able to make an estimate, N=1364, %)



At the regional level, the majority claim that export and import procedures were further complicated by government measures (56%). The economic crisis is marked as the second biggest culprit (39%), followed by the necessity to harmonize local laws with EU legislation (27%). In the case of stagnation, the same reasons are selected, but their order is somewhat different - the crisis 57%, government activities 35% and law harmonization 17%. When they were asked to consider factors allowing improvement, business leaders chose actions

taken by government (48%), law harmonization (45%) and the opportunities provided by CEFTA existence (19%).

With regard to all economies, the most noticeable finding is that no-one in Albania thinks that customs regulations have worsened over the last ten years. Actually, we find the same situation in Kosovo* where only one respondent notices deterioration. Serbian companies (73%) blame the global crisis for stagnation to a greater extent than others.

Table 4: Party specific reasons for worsening/improvement/stagnation of export/import procedures.

Bosnia and Herzegovina

IMPROVEMENT	Own social capital and internal capacity	Improved relationships with customers and partners	Foreign partners are more interested
	7	3	3
WORSENING	Higher customs costs	Complicated administration	
	2	2	

Macedonia

STAGNATION	Unfair competition
	3
WORSENING	Complicated administration
	19

A common reason for dissatisfaction is the complicated, vague and insufficiently transparent paperwork required for export and import.

Montenegro

STAGNATION	High customs costs	Disrespect or poor implementation of law	Complicated administration
	2	3	11
WORSENING	Complicated administration	Lack of information	Disrespect or poor implementation of law
	8	4	4

Moldova

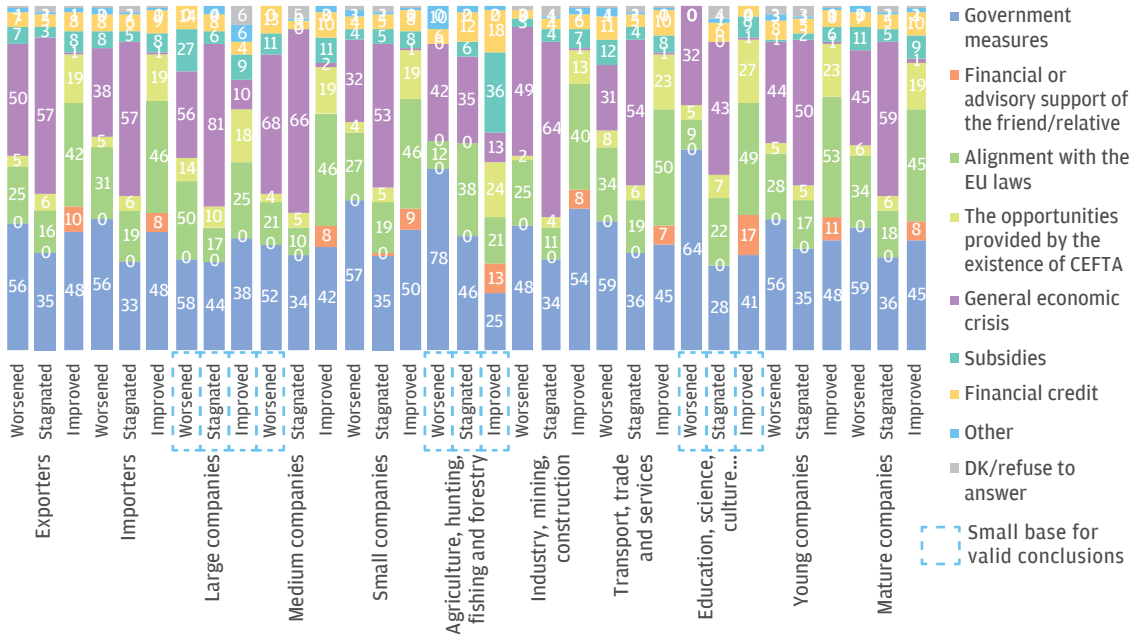
STAGNATION	High customs costs
	2

Serbia

WORSENING	Complicated administration
	13

Figure 10: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of export/import procedures?

(Respondents who were able to make an estimate, N=1364, %)

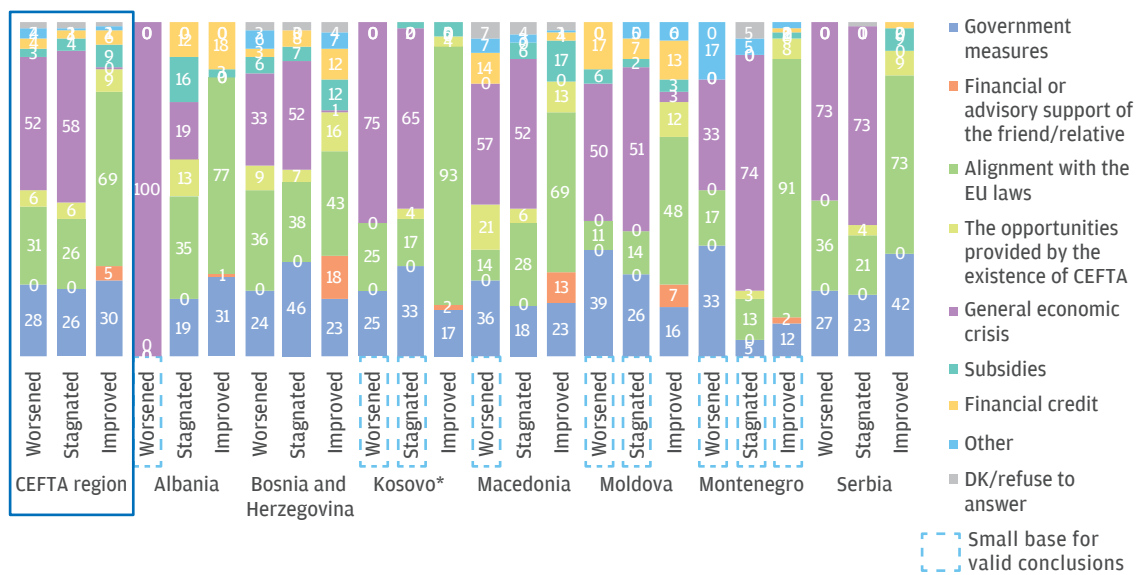


Once again, exporters complain about the economic crisis more often than importers. The latter ones, as well as representatives from

the service sector are more convinced that harmonization with EU laws brought some progress to export and import procedures.

Figure 11: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with the EU?

(Respondents who were able to make an estimate, N=1211, %)



A small part of the CEFTA business community (7%) which thinks that trade links with the EU have become weaker in the last decade think that the economic crisis is the key reason. Inappropriate government actions come in second, followed by law alignment. One third of the total number reports stagnation, caused by the same factors. Almost half of

all respondents (47%) feel an improvement in relations with EU members, brought about primarily by harmonization with their laws (69%). This opinion is particularly popular in Kosovo*, and has more supporters in Albania (77%) and Serbia (73%) than in Bosnia and Herzegovina (43%) and Moldova (48%).

Table 5: Party specific reasons for worsening/improvement/stagnation of trade with the EU.

Bosnia and Herzegovina

STAGNATION	Lack of competitiveness of domestic products/services	Political reasons
	3	2
WORSENING	Complicated administration	Political reasons
	6	3

Macedonia

IMPROVEMENT	Competitiveness of products (quality, price)	
	2	
STAGNATION	Lack of competitiveness of domestic products/services	Political situation
	3	3

Montenegro

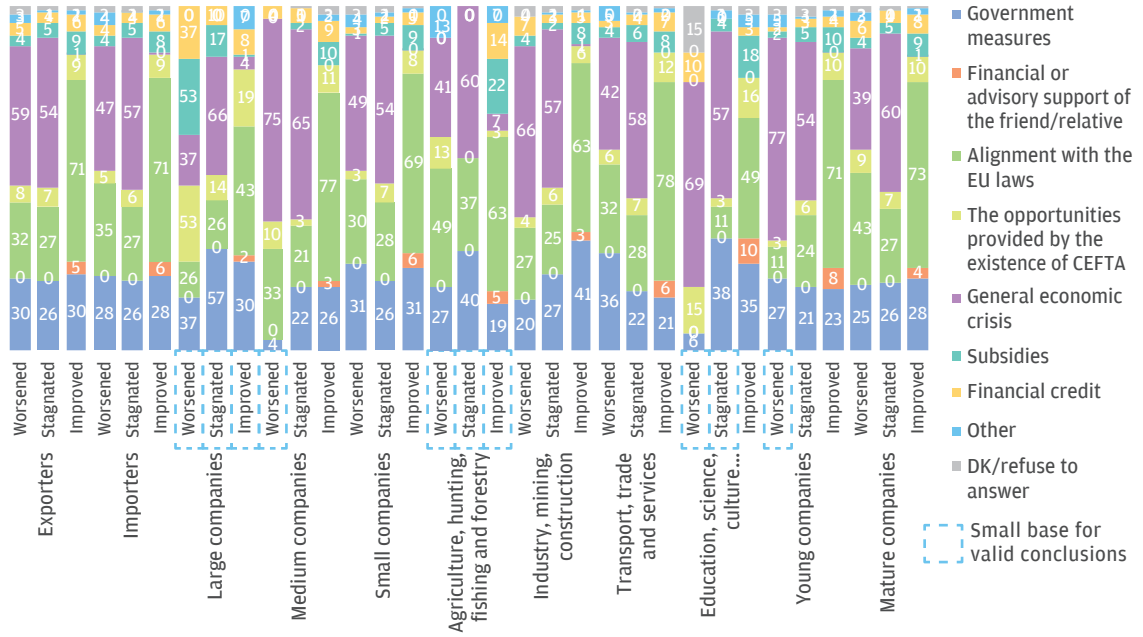
IMPROVEMENT	Lower customs costs
	2
STAGNATION	Complicated administration
	3
WORSENING	Demand decreasing
	17

Moldova

IMPROVEMENT	New contracts	Sanctions to Russia	Quality of our services
	3	2	2

Figure 12: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with the EU?

(Respondents who were able to make an estimate, N=1211, %)

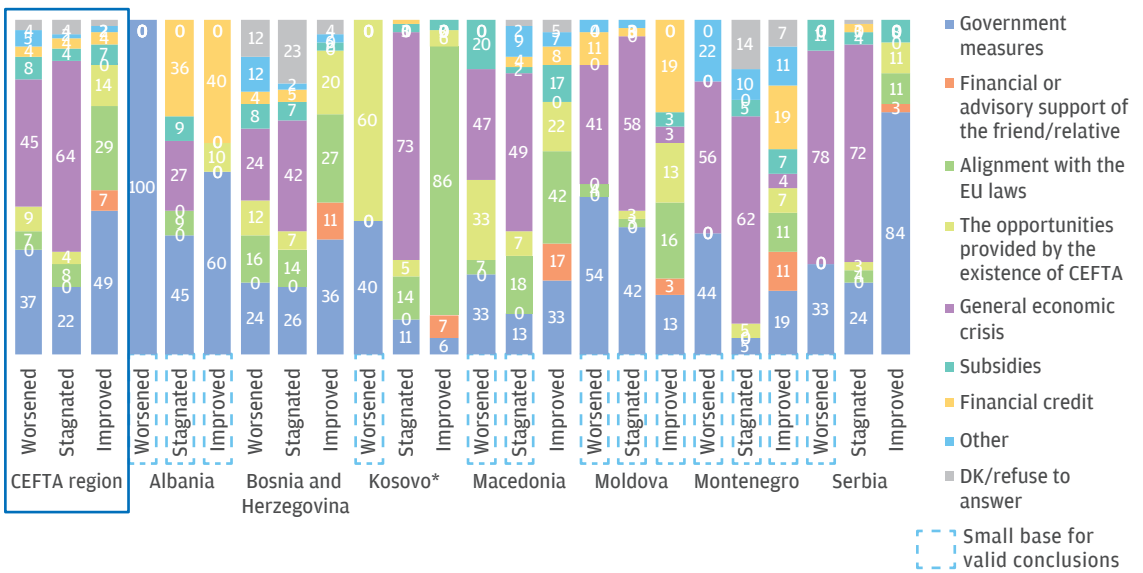


In terms of trade with the EU, the crisis was more damaging to producers and companies active in more than one market. Representatives from the service sector emphasize the positive

impact of law alignment more frequently than those from manufacturing companies and educational institutions.

Figure 13: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with Russia, Turkey and EFTA?

(Respondents who were able to make an estimate, N=771, %)



Slightly more than half of the respondents (55%) were able to give an estimate of the development of trade relations with Russia, Turkey and EFTA countries over the last ten years. Their deterioration (45%) and

stagnation (64%) are primarily explained by the global economic crisis. On the other hand, government measures are recognized as the main factor of their improvement (49%).

Table 6: Party specific reasons for worsening/improvement/stagnation of trade with Russia, Turkey and EFTA.

Bosnia and Herzegovina

IMPROVEMENT	Own social capital and internal capacity	Long term and reliable cooperation	High quality and favorable price of imported products
	7	2	2
STAGNATION	Irresponsibility, disrespect of deadlines of foreign partners	Malpractice of domestic exporters	
	5	2	
WORSENING	Political reasons		
	4		

Macedonia

IMPROVEMENT	Business growth and increased investments		
	2		
STAGNATION	Political reasons	Lack of foreign partners	Demand decreasing
	4	2	2
WORSENING	Demand decreasing		
	7		

Moldova

IMPROVEMENT	Serious and reliable foreign partners	Simplified administration	New contacts bring new contracts	Competitiveness of their products/services
	16	6	6	3

Montenegro

IMPROVEMENT	Serious and reliable foreign partners	High quality and favorable price of imported products	Competitiveness of their products/services	Business growth and increased investments
	7	4	4	4

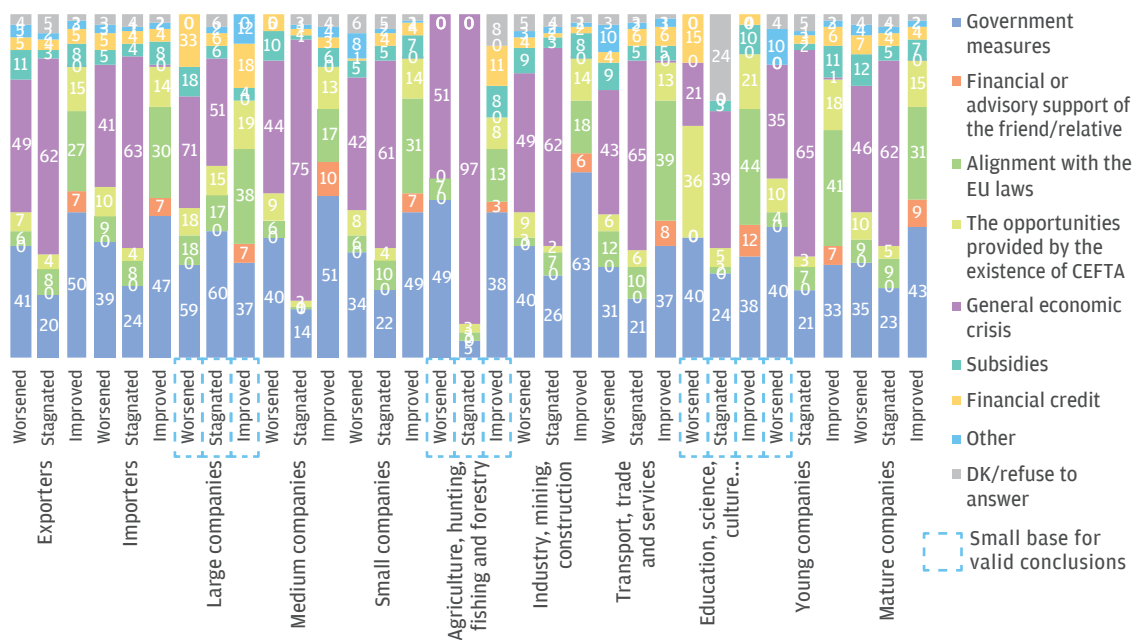
Serbia

STAGNATION	We don't cooperate/don't plan to cooperate with them
	8

Regardless of the economy, those who believe their trade relations with Russia, Turkey and EFTA have improved, consider reliable and long term partnerships to be main reason.

Figure 14: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with Russia, Turkey and EFTA?

(Respondents who were able to make an estimate, N=771, %)

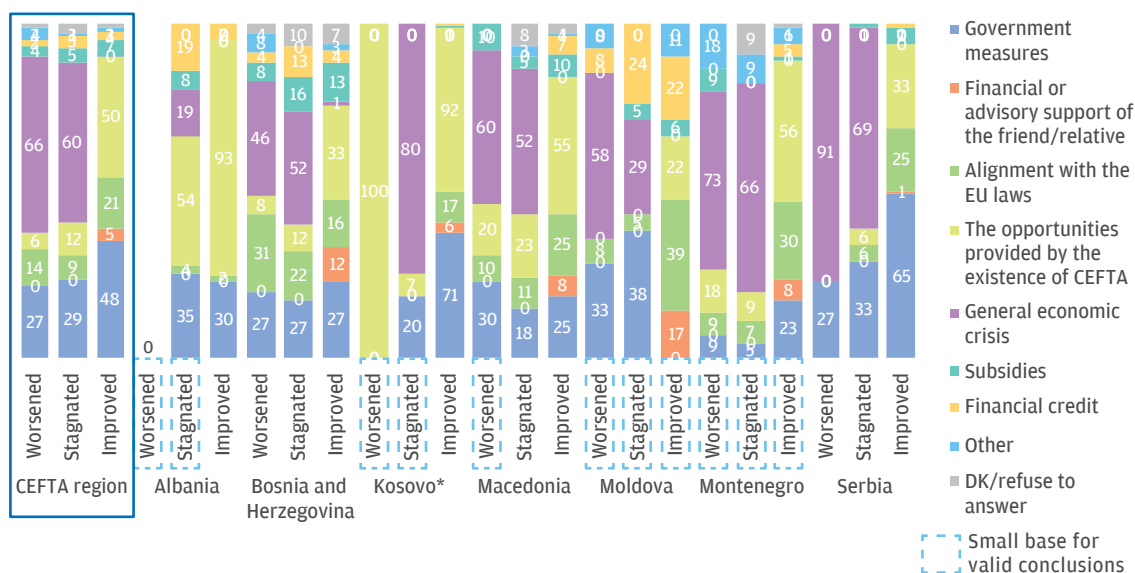


Companies employing between 50 and 249 people claim that the reason for stagnation

is the economic crisis more frequently than smaller ones.

Figure 15: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade in the CEFTA region?

(Respondents who were able to make an estimate, N=988, %)



About 70% of interviewed business people were able to provide an assessment of changes in trade within the CEFTA region which occurred over the last ten years. According to them, the global crisis is by far the biggest reason for worsening (66%) and stagnation (60%). When it comes to improvement, two factors are rated almost equally - opportunities provided by CEFTA (50%) and actions

taken by the government (48%). Companies in Albania (93%) and Kosovo* (92%) point out advantages of the CEFTA Agreement in the context of the progress of regional trade significantly more than others. Firms in Macedonia (7%) rely on financial credit to advance trade relations with neighboring economies more than those in Kosovo* (1%) and Serbia (1%).

Table 7: Party specific reasons for worsening/improvement/stagnation of trade in the CEFTA region.

Bosnia and Herzegovina

IMPROVEMENT	Own social capital and internal capacity
	5

Serbia

STAGNATION	We don't cooperate/don't plan to cooperate with them
	4

Macedonia

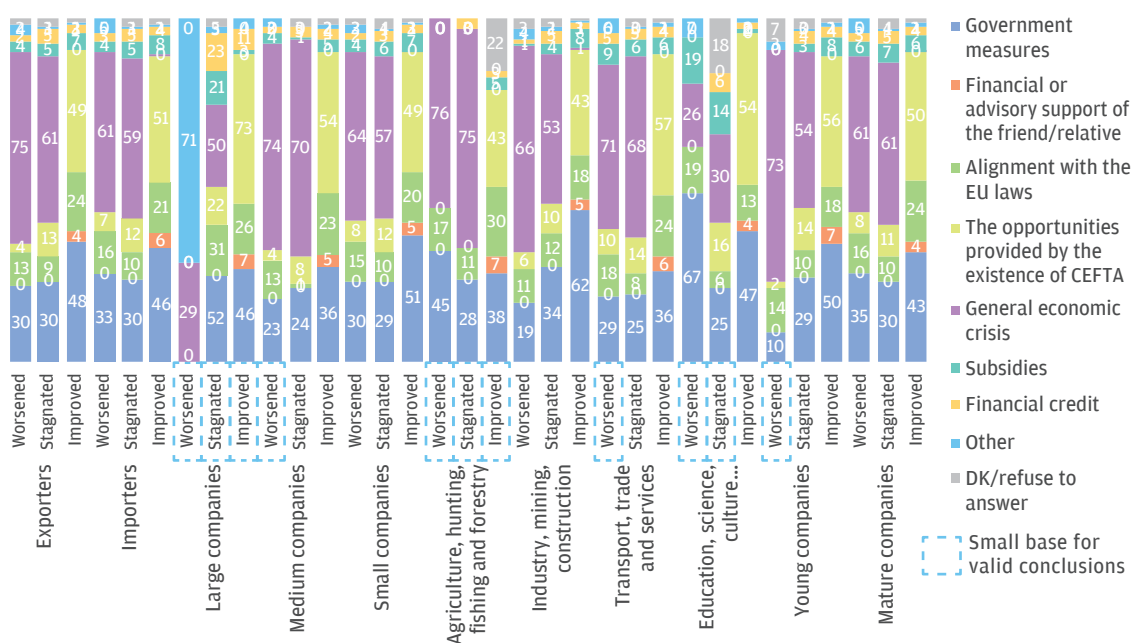
IMPROVEMENT	Competitiveness of products (quality, price)	
	2	
STAGNATION	Lack of information about CEFTA market	Lack of competitiveness of products (quality, price)
	5	3

Montenegro

IMPROVEMENT	Reliable partners within the CEFTA region	No customs	Infrastructure development	High quality of our products	Business improvement	Better cooperation within the CEFTA region
	3	3	3	5	3	3
STAGNATION	Lack of information about CEFTA market	Exit of Croatia from CEFTA	Complicated administration			
	2	5	2			
WORSENING	Complicated administration					
	18					

Figure 16: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade in the CEFTA region?

(Respondents who were able to make an estimate, N=988, %)

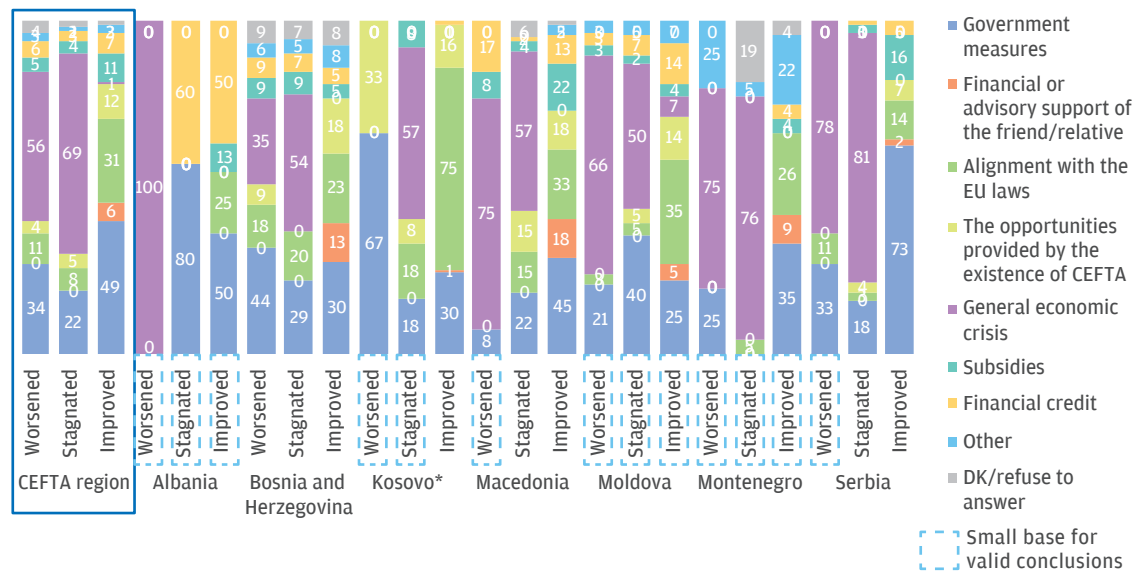


As in most previous cases, exporters (75%) stress the negative impact of the global crisis on trade links within the CEFTA region more frequently than importers (61%). Compared to

industrial manufacturers (53%), the same issue is also mentioned more often as the cause of stagnation by companies from the service sector (68%).

Figure 17: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with the rest of the world?

(Respondents who were able to make an estimate, N=807, %)



According to the number of the respondents who were able to assess how trade relations with the rest of the world have progressed in the previous period, nearly 60% of surveyed companies are active in third markets. That number significantly differs from economy to economy; more than 90% of Albanian companies, for example, remain without an answer to this question while this percentage is seven times lower in Kosovo* (13%). Once again, the global economic crisis is earmarked as the most problematic issue, while improvement is seen to be provided mainly by government

activities. Comparing two largest economies in the CEFTA region, the latter opinion has noticeably more supporters in Serbia (73%) than in Bosnia and Herzegovina (30%).

Table 8: Party specific reasons for worsening/improvement/stagnation of trade with the rest of the world.

Bosnia and Herzegovina

IMPROVEMENT	Improved relations with foreign partners	Internal efforts and capacity
	8	5
STAGNATION	Customs and borders	
	4	

Macedonia

IMPROVEMENT	Simplified administration	
	3	
STAGNATION	Distance	Political situation
	4	2
WORSENING	Political situation	Distance
	8	8

Moldova

IMPROVEMENT	Internal efforts, capacity and needs	High quality and favorable price of foreign products
	7	5
STAGNATION	Increased costs of customs clearance	
	5	
WORSENING	Increased costs of customs clearance	
	3	

Montenegro

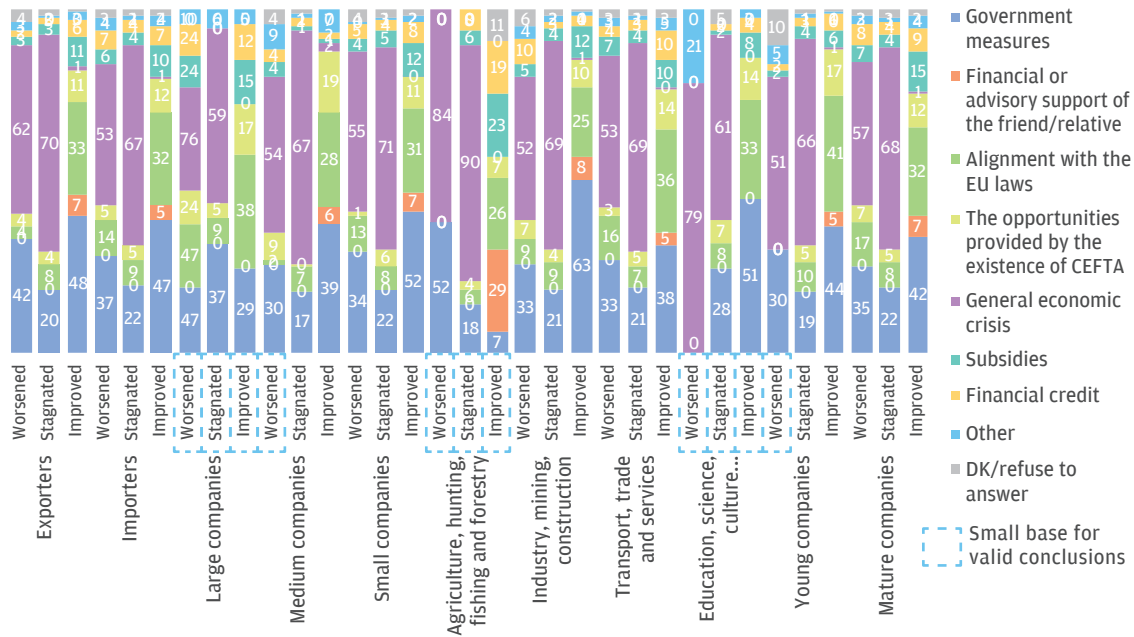
IMPROVEMENT	Reliable partners from China and other countries
	17

Serbia

STAGNATION	We don't cooperate/don't plan to cooperate with rest of the world	Transportation
	8	3

Figure 18: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of trade with the rest of the world?

(Respondents who were able to make an estimate, N=807, %)

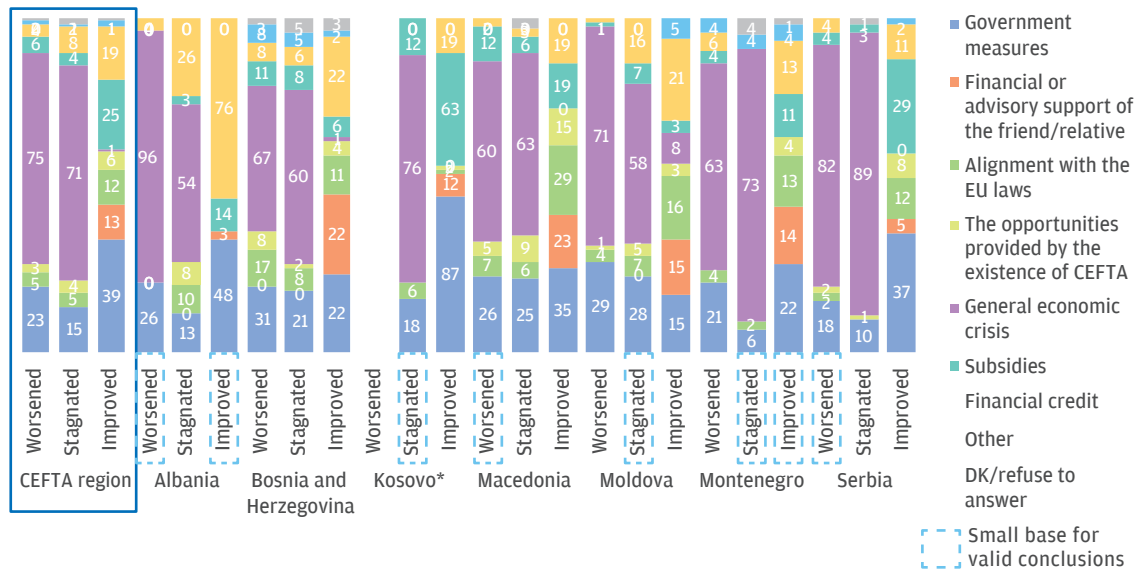


Unlike the service sector (38%), industrial manufacturing and related sectors (63%) are quite convinced that government activities have helped improve trade relations with

the rest of the world. On the other hand, the former group more often stated that harmonization with EU laws and financial credits contribute to progress.

Figure 19: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of sales in the domestic market?

(Respondents who were able to make an estimate, N=1294, %)



Taking into account the whole region, almost two fifths of respondents (38%) claim their domestic sales improved over the previous decade. They believe it is mainly due to government activities (39%), followed by subsidies (25%) and financial credits (19%). Their colleagues who have the opposite opinion see the key reason for deterioration (75%) and stagnation (71%) in the global economic crisis. Probably the most interesting finding is that

no-one in Kosovo* reports a drop in sales in the domestic market. They also emphasize the importance of the government (87%) as well as subventions (63%) for recent improvements significantly more than all others. In addition, business people from Serbia consider the economic crisis to be more problematic than those who come from Macedonia and Bosnia and Herzegovina.

Table 9: Party specific reasons for worsening/improvement/stagnation of sales in the domestic market.

Bosnia and Herzegovina

IMPROVEMENT	Internal efforts and capacity	High quality and competitiveness of our products	Good relationship with customers	
	17	8	2	
STAGNATION	Market saturation	Increased competition	Lack of finance	Deterioration of industry in general
	5	5	3	3
WORSENING	Unfair competition	Political situation	Decreased purchase power	
	8	3	3	

Macedonia

IMPROVEMENT	Competitiveness of products (quality, price)	Fair competition	Stabilization of the global economy
	14	3	3
STAGNATION	Unfair competition	Political situation	
	4	4	
WORSENING	Unfair competition	Political situation	Overdue payments which are hard to collect
	12	12	5

Montenegro

IMPROVEMENT	High quality of our products	Internal efforts and capacity	Business growth and improvement	Demand increasing	Favorable prices of our products	Investment increasing
	21	9	7	4	3	3
STAGNATION	Unfair competition	Market saturation	Increased competition	Decreased purchase power		
	10	8	6	4		
WORSENING	Increased and unfair competition	Demand decreasing	Decreased purchase power			
	10	6	6			

Moldova

IMPROVEMENT	Demand increasing	Internal efforts and capacity	High quality of our products and services
	8	6	5
WORSENING	Competition		
	3		

Serbia

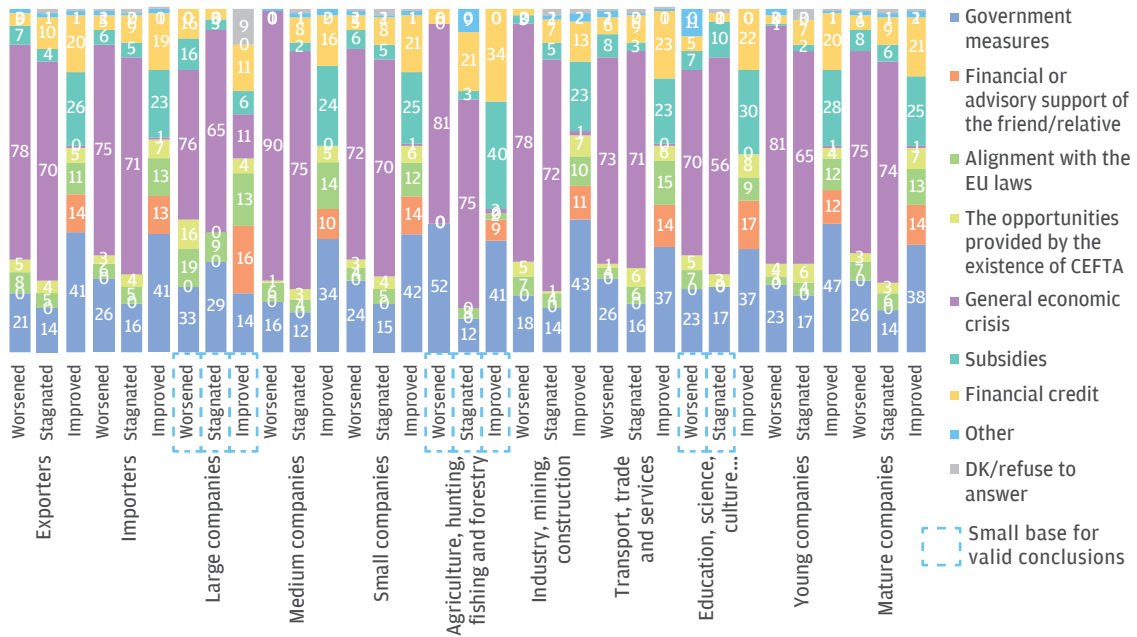
IMPROVEMENT	Improved offer	High quality of our products	Demand increasing	Improved marketing activities	Improved business environment	Increased purchase power	Business growth and improvement
	6	6	6	5	3	2	2
WORSENING	Decreased purchase power						
	2						

Bearing in mind the quantity and diversity of answers obtained, it seems that CEFTA Parties are still preoccupied with their respective domestic markets. It can be concluded they state similar reasons for all situations they were asked about. Therefore, domestic sales

increasing is mostly affected by high quality of the own products and internal efforts and hardworking. On the other hand, those who rate this aspect as being poor, consider increased and unfair competition to be main reason for their failure.

Figure 20: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of sales in the domestic market?

(Respondents who were able to make an estimate, N=1294, %)

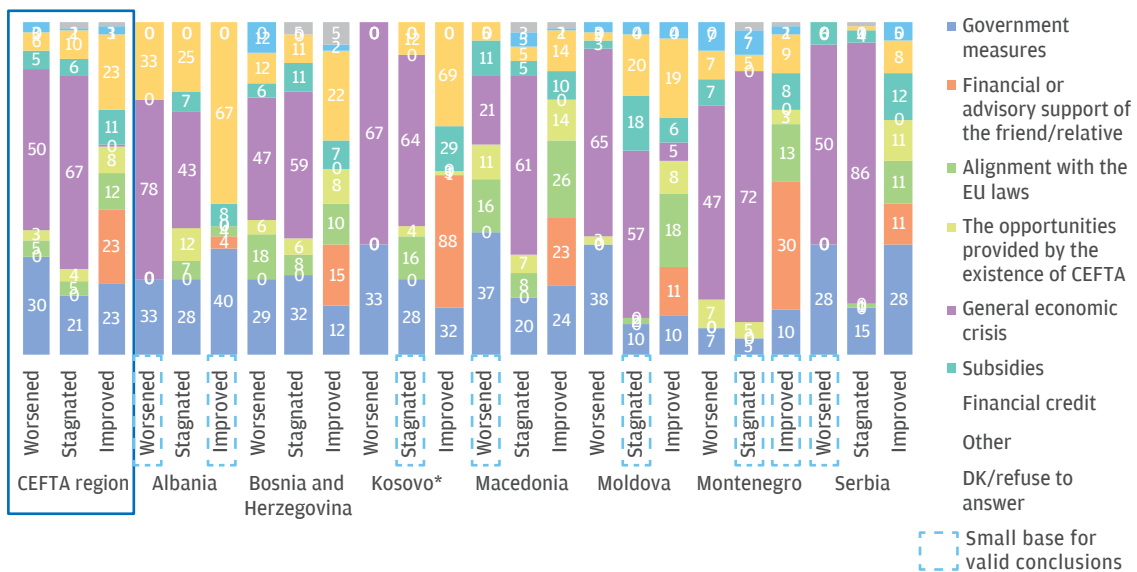


Compared to the industrial sector, heads of companies dealing with transport, trade and related activities more frequently claim that

opportunities which CEFTA provides cause stagnation of their domestic sales.

Figure 21: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of your company's competitiveness?

(Respondents who were able to make an estimate, N=1310, %)



Half of the CEFTA business leaders agree that their company’s competitiveness has recorded success during the last ten years. The opinion on reasons for improvement is quite divided – same number (23%) states government measures, financial or advisory support of close people and bank credits. Slightly more than one third (36%) of the total number observes stagnation primarily caused by the crisis (67%). The same main reason is reported by 8% of those who report deterioration of the own competitiveness.

Albania (40%), Kosovo* (32%) and Serbia (28%) credit the government with strengthening their capability to compete successfully more often than Bosnia and Herzegovina (12%), Moldova (10%) and Montenegro (10%). In context of progress, Kosovo* also relies on support of friends/relatives (88%) and subsidies (29%) more than other economies.

Table 10: Party specific reasons for worsening/improvement/stagnation of your company’s competitiveness.

Bosnia and Herzegovina

IMPROVEMENT	Constant improvement of product/service quality	Internal efforts and capabilities	Wide range, high quality and favorable price of our products	Business growth and improvement
	15	11	8	3
STAGNATION	Lack of capacities	Unstable political situation		
	5	3		
WORSENING	Unfair competition			
	18			

Macedonia

IMPROVEMENT	Competitiveness of products (quality, price)	Internal efforts and capabilities	Investment in qualified employees, equipment etc.
	18	11	3
STAGNATION	Unfair competition	Saturation of domestic market	Demand decreasing
	10	3	3
WORSENING	Unfair competition	Demand decreasing	
	37	5	

Moldova

IMPROVEMENT	Internal efforts and capabilities focused on achieving set goals	High quality of our products and service	Qualified labor force	Good relations with current foreign partners as well as finding new ones
	10	7	5	3
STAGNATION	Demand decreasing	Increased and stronger competition	Increased costs of customs clearance	Decreased purchase power
	4	2	2	2
WORSENING	Increased and stronger competition	Demand decreasing	Increased costs of customs clearance	
	12	9	3	

Montenegro

IMPROVEMENT	High quality of our products and service	Business improvement and innovation	Increased cooperation with foreign partners	Demand increasing	
	19	10	7	3	
STAGNATION	Increased and stronger competition	Financial reasons			
	12	5			
WORSENING	Increased and stronger competition	Increased number of foreign investors	Disrespect of law by competitors	Demand decreasing	Decreased purchase power
	27	7	7	7	7

Serbia

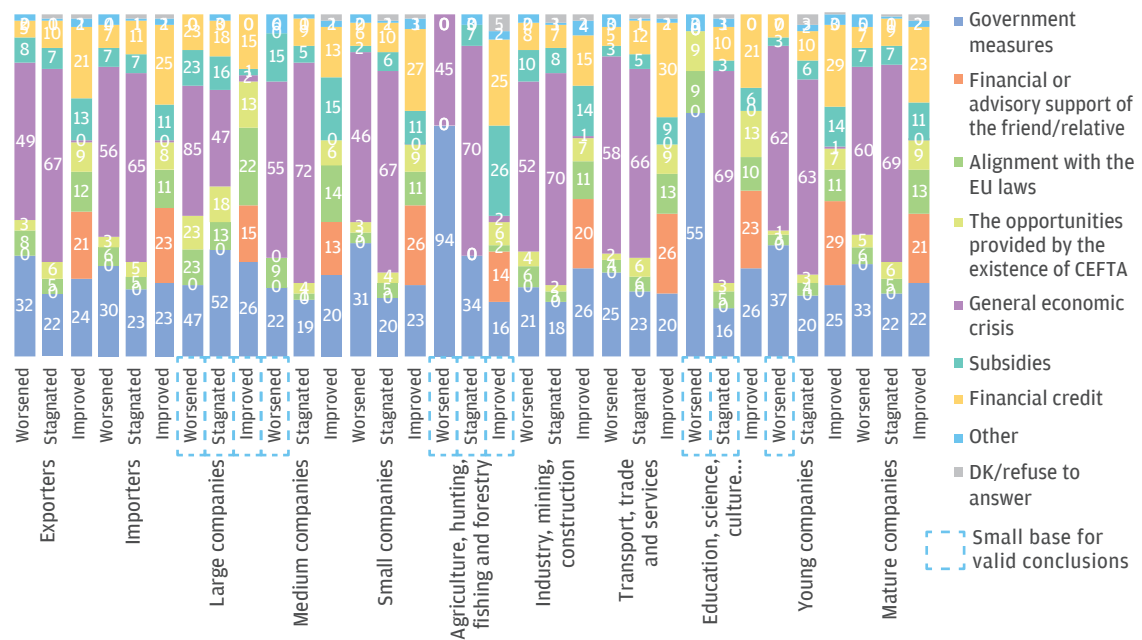
IMPROVEMENT	Business improvement and innovation	High quality of our products and service	Internal efforts and capacity	Good business decisions	Demand increasing	Improved marketing activities
	11	8	4	4	2	2
STAGNATION	Unfair competition					
	3					
WORSENING	Unfair competition	Increased number of foreign companies				
	28	11				

Analogously to the previous question, businesses are convinced their competitiveness advanced mostly due to their own efforts,

knowledge and skills. Those which recorded deterioration feel that stronger or disloyal competition is responsible.

Figure 22: In your opinion, which of the following had an impact on the worsening/improvement/stagnation of your company's competitiveness?

(Respondents who were able to make an estimate, N=1310, %)

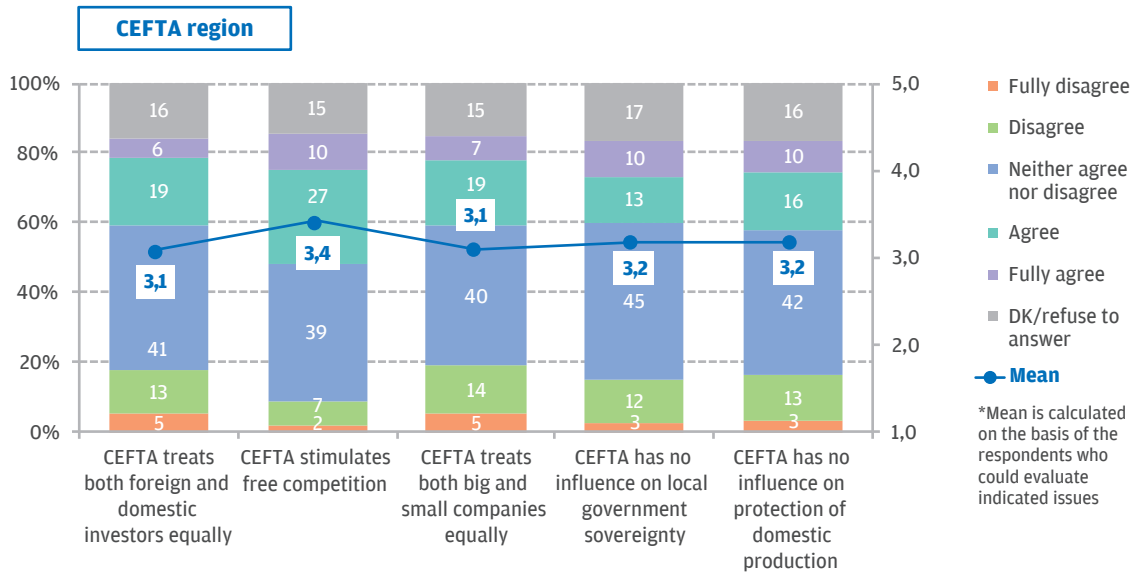


Firms from the service sector again stress that they feel threatened by competitors from neighboring economies due to the influence of

CEFTA more often than manufacturers. They also apply for bank loans in order to improve their competitiveness more frequently.

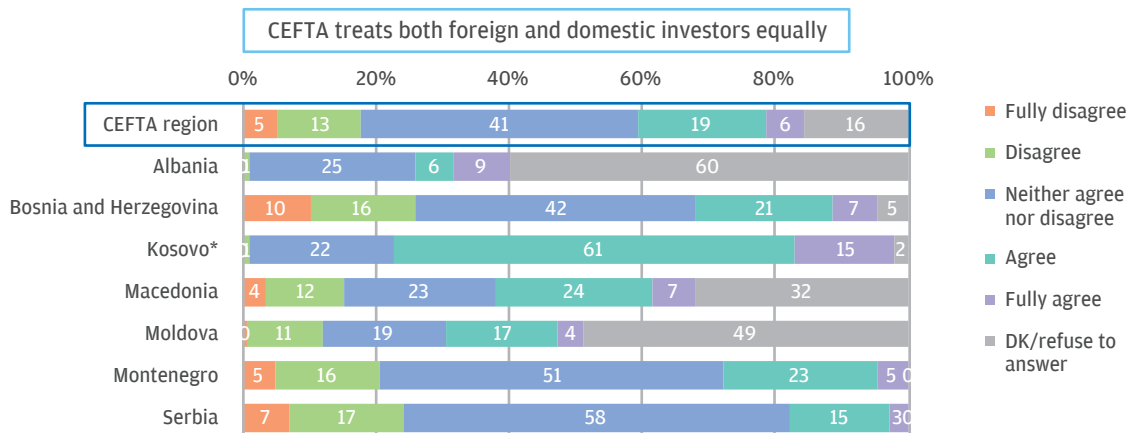
Figure 23: Please express your agreement or disagreement with following statements related to CEFTA.

(All respondents, N=1400, %)



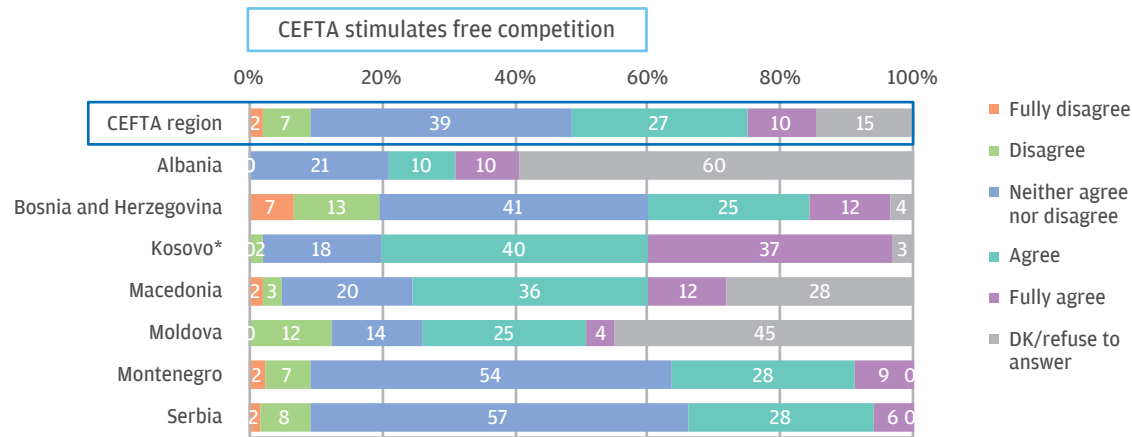
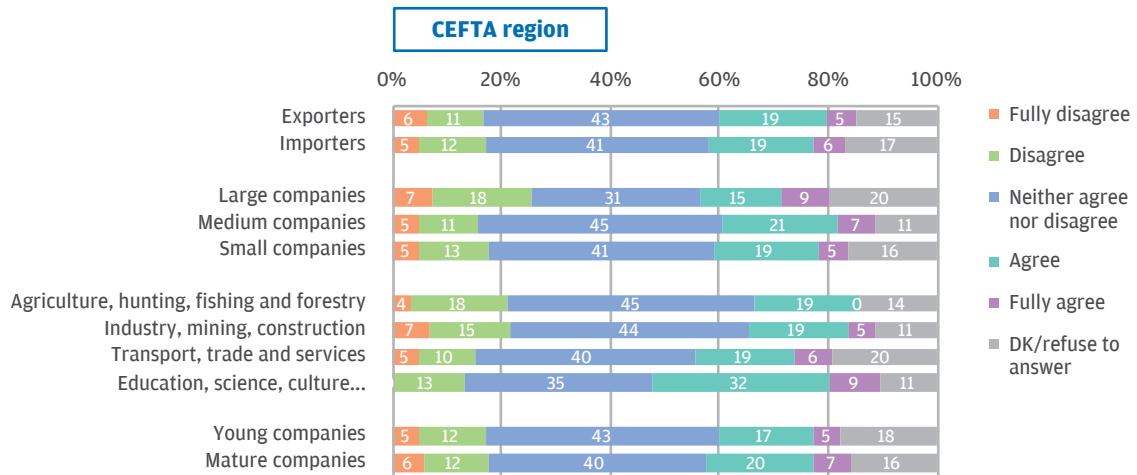
When it comes to CEFTA, its focus and aim, almost 40% of the respondents would agree that the most positive aspect of the Agreement is encouragement of free competition (the average is 3.4 on a scale from 1 to 5). Slightly less than one fourth (23%) is convinced that CEFTA does not affect local government sovereignty, but on the other hand, 26% believe it

cannot protect domestic production (for both statements the average is 3.2). It seems that company leaders are most skeptical about the influence of CEFTA on businesses of different sizes and origins - almost one fifth does not agree it treats foreign and domestic investors or large and small companies equally (in both cases the average is 3.1).



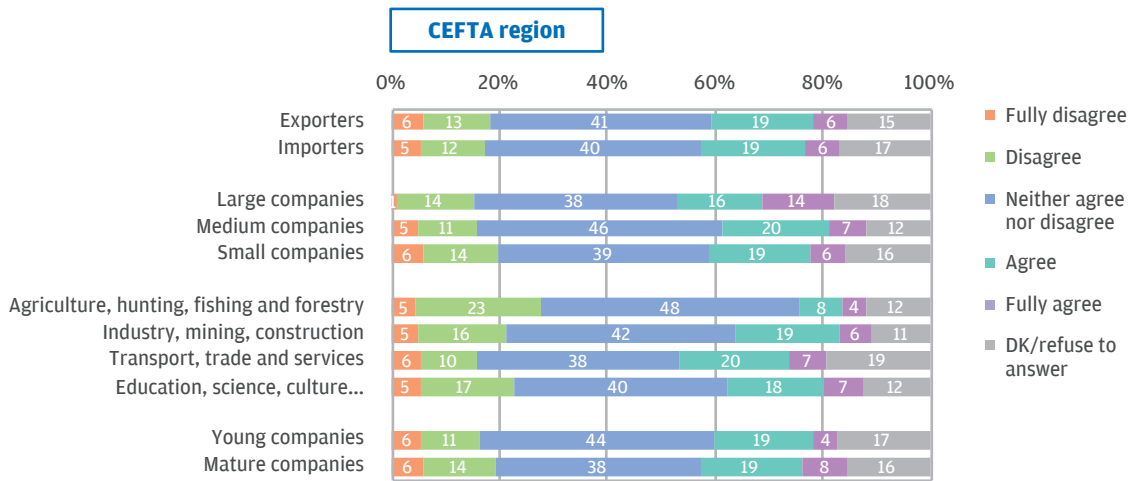
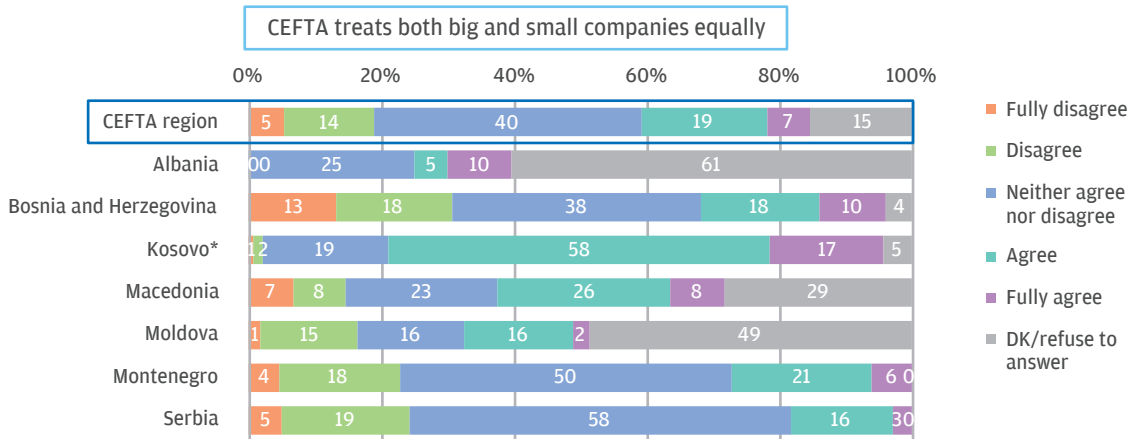
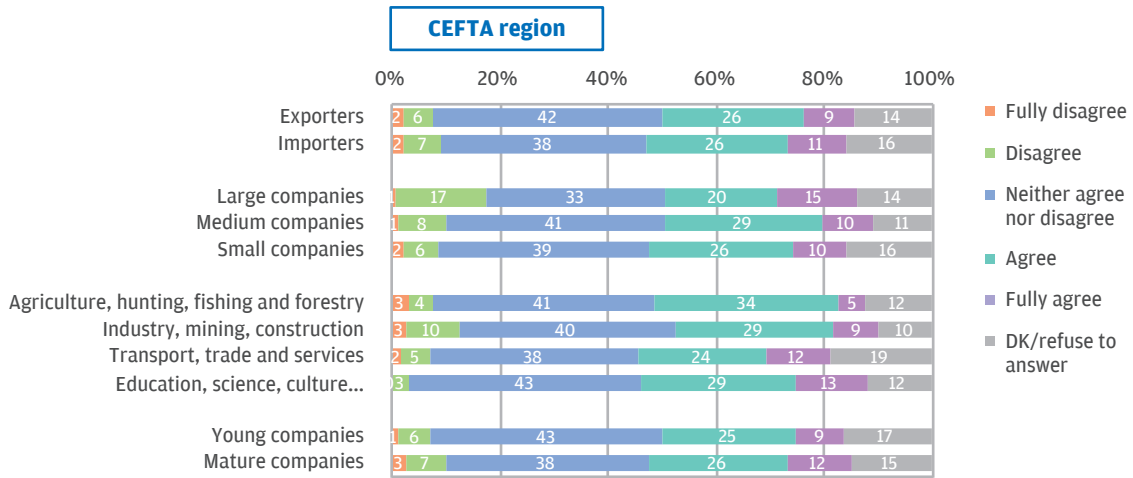
Comparing economies to each other, and bearing in mind all listed aspects, it can be said that Kosovo* has a more positive attitude to CEFTA than other Parties. Those reserved towards the Agreement and its intentions are more numerous in Serbia, Montenegro and Bosnia

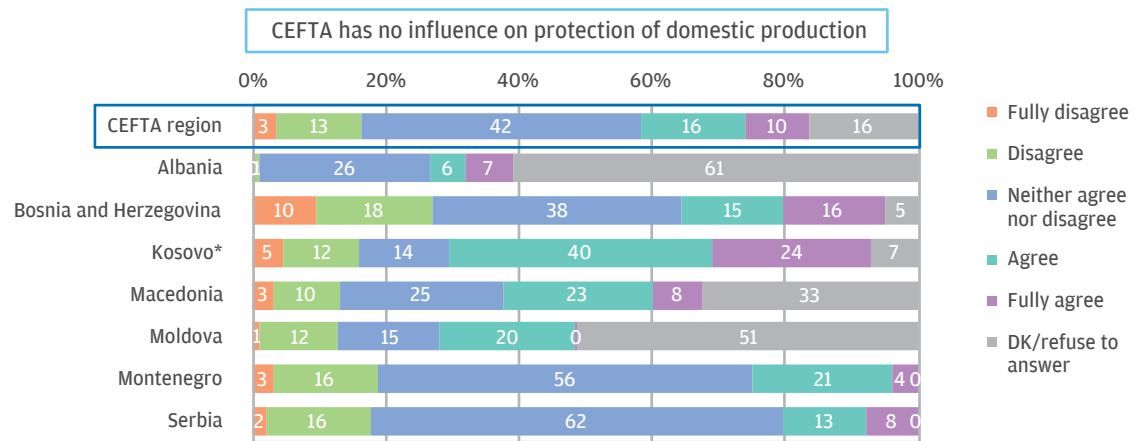
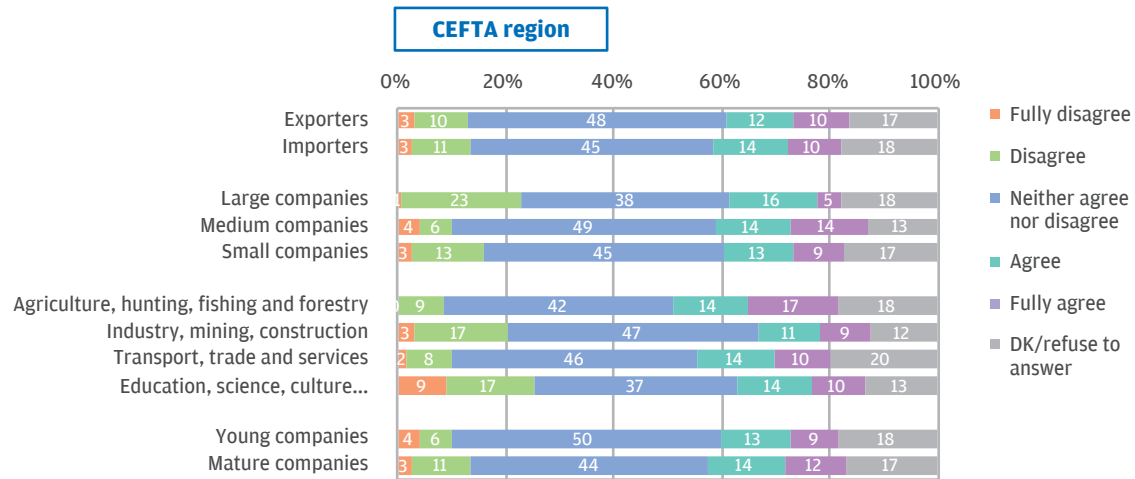
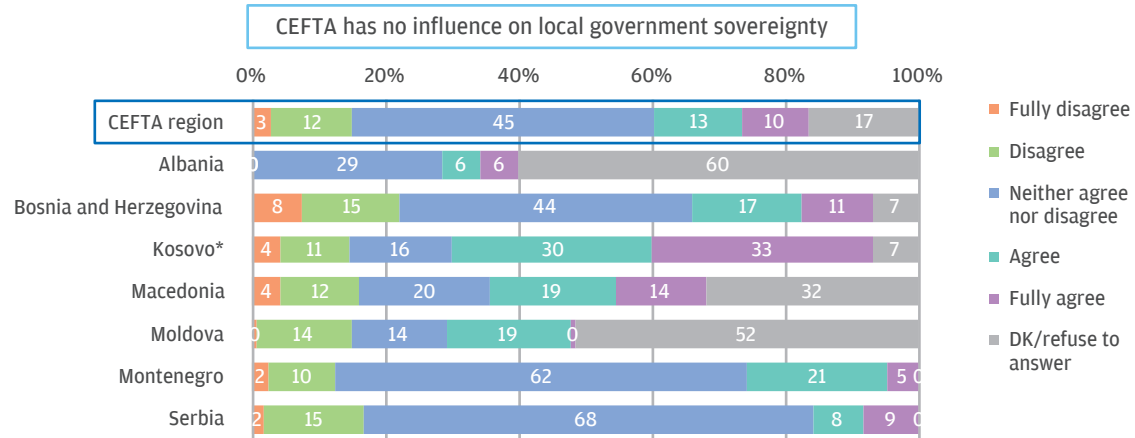
and Herzegovina than in the rest of the region. Judging by the number of respondents who were not able to provide an evaluation, there is a lack of relevant information on CEFTA in Moldova and Albania.



Industrial manufacturing and related firms seem more cautious about CEFTA than those

from trade, transport and associated service sectors.





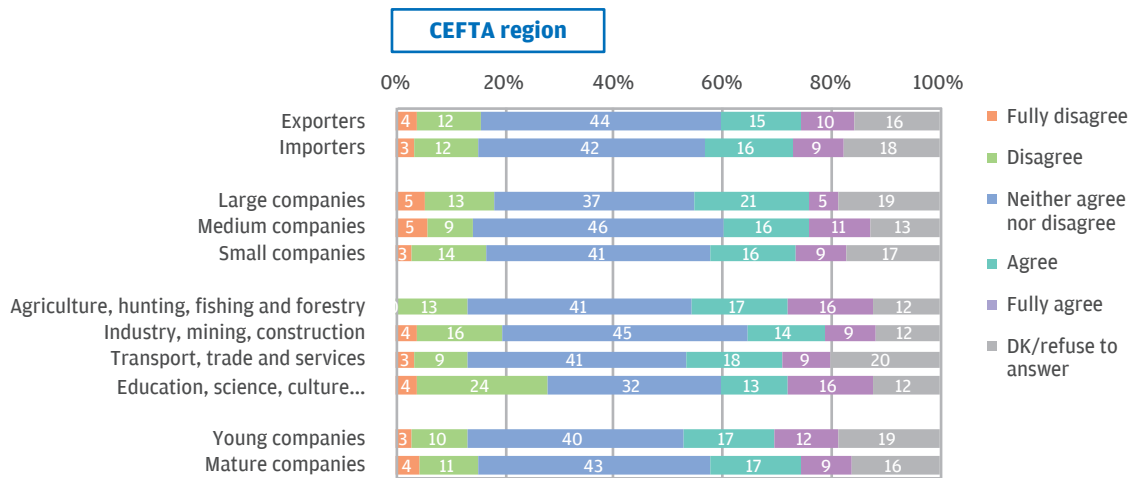
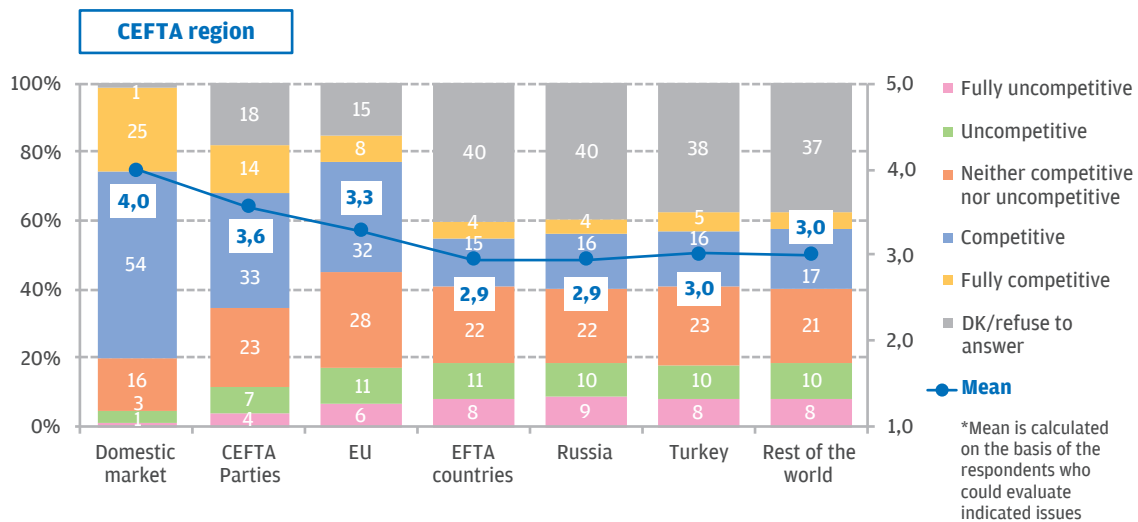


Figure 24: How much do you think your company's products and services are competitive in the following markets?

(All respondents, N=1400, %)

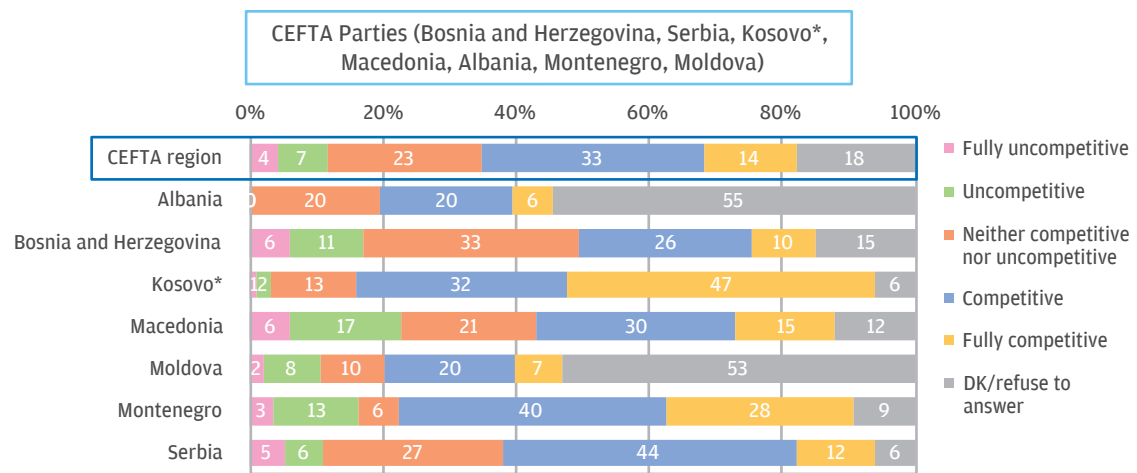
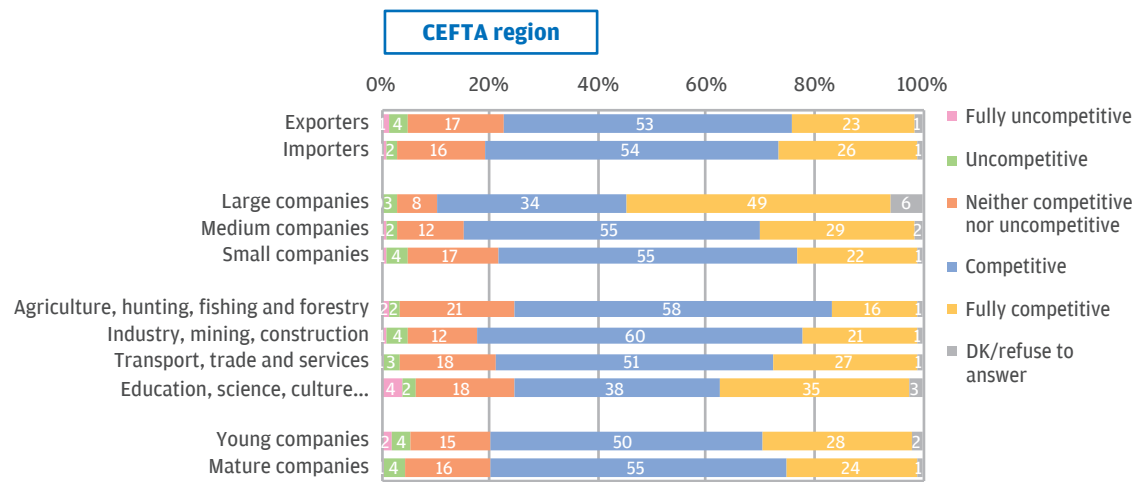
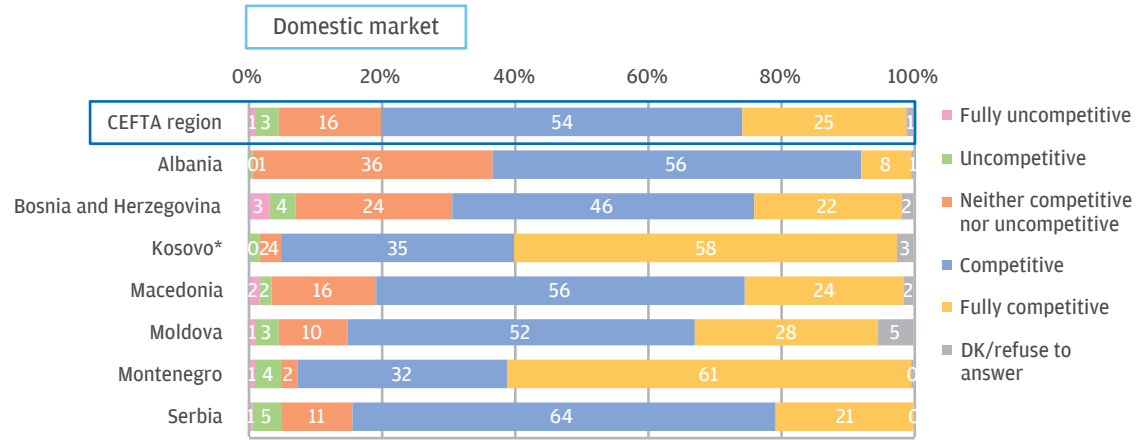


As might be expected, company representatives show the highest level of self-confidence regarding their company's competitiveness in the domestic market - as much as four fifths (4.0). Nearly half of the respondents (47%) confirm that the situation is the same in other CEFTA markets (3.6), while 40% believe their products and services can compete successfully in the EU market as well (3.3). Percentage of

those who remain without answer proves that businesses within the CEFTA region are significantly less familiar with other listed markets. Compared to others, Kosovo* and Montenegro are more self-assured with regard to their competitiveness in the local market as well as CEFTA one. In Serbia, the opinion is the same, but to a more moderate extent. An analysis of results makes it clear that Kosovo* is actually more optimistic, even when it comes to more

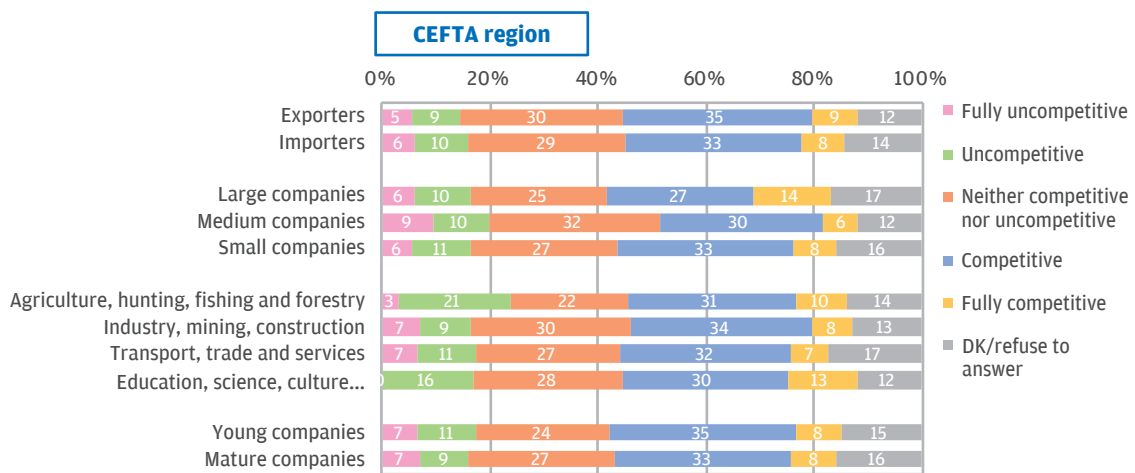
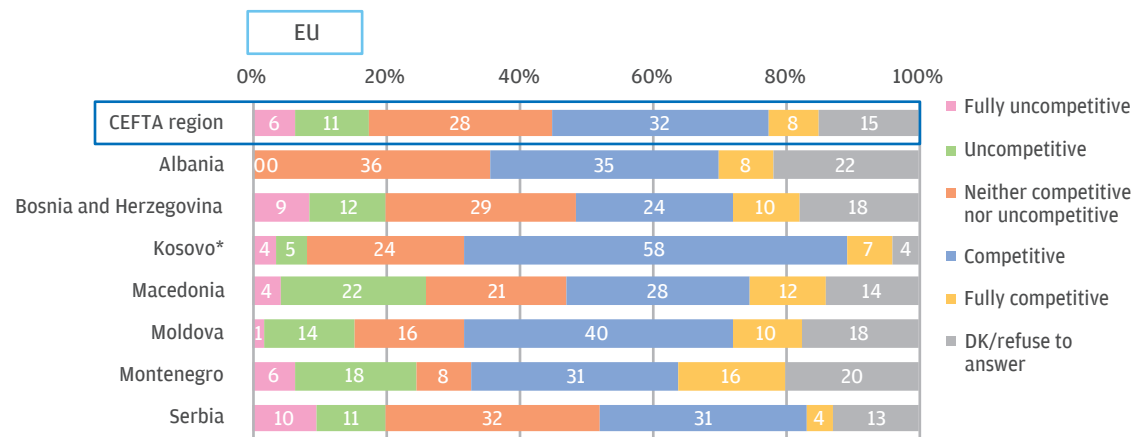
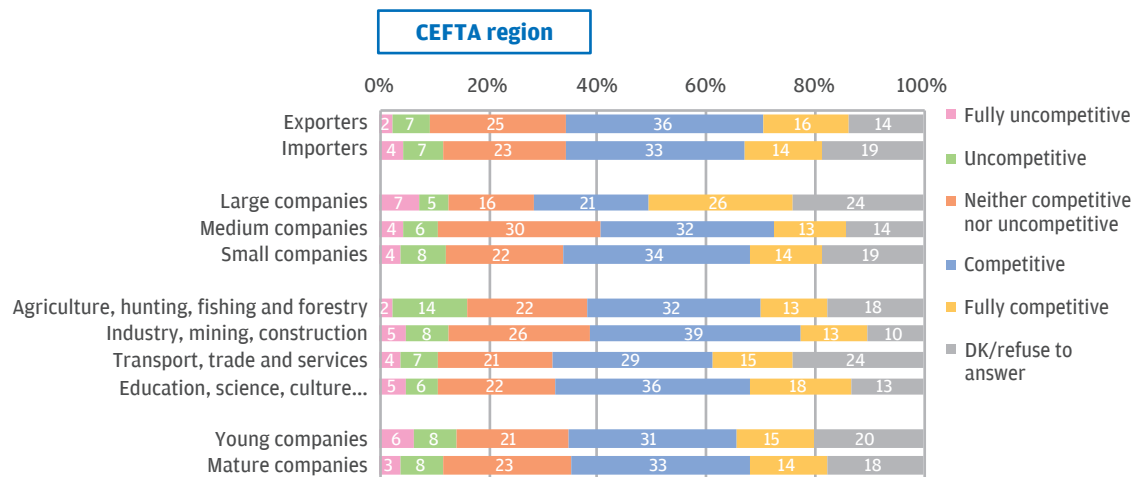
distant markets. Macedonia and Moldova see their chance in cooperation with Turkey, and

the latter also has faith in opportunities offered by the Russian market.



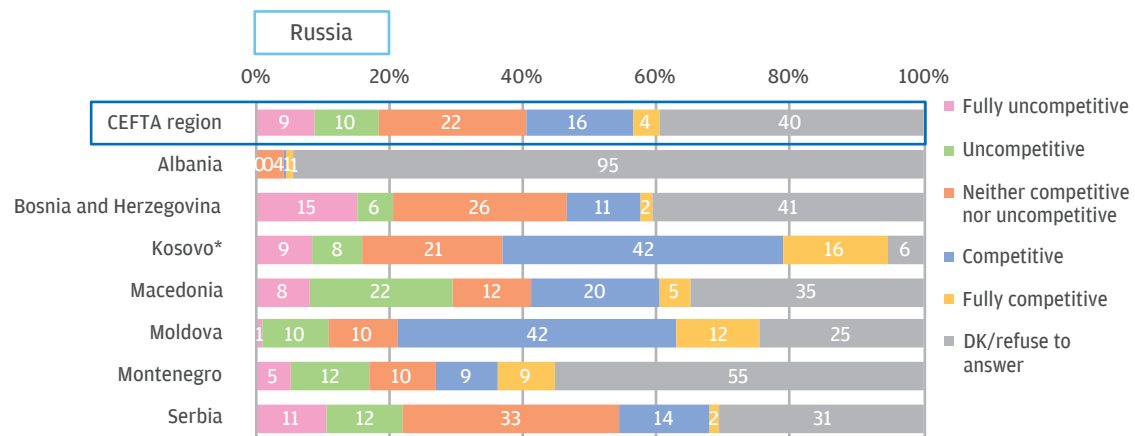
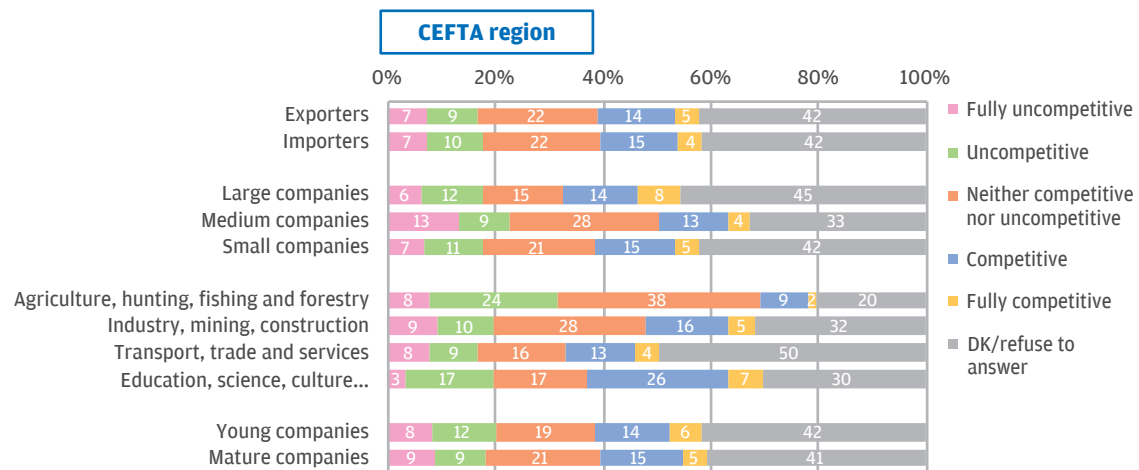
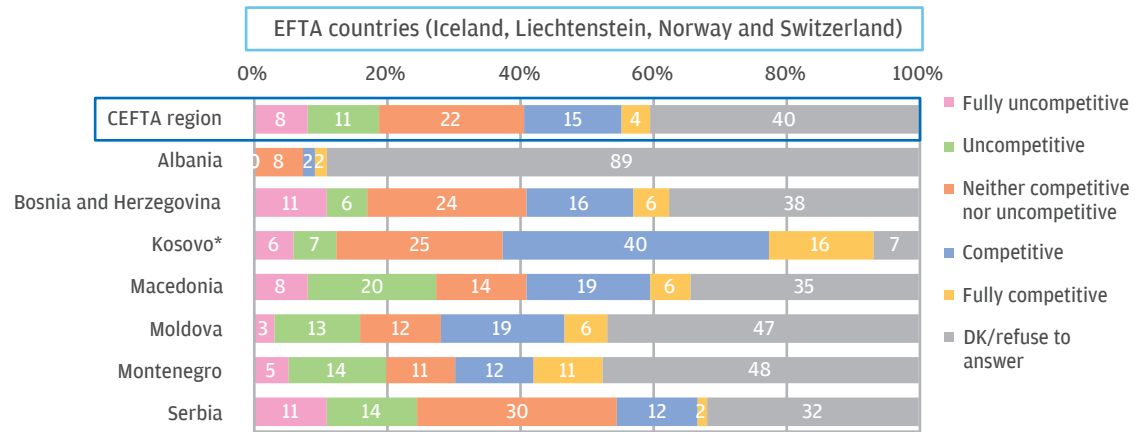
It is not surprising that the largest companies rate their own competitiveness on domestic, neighboring and the EU market better than

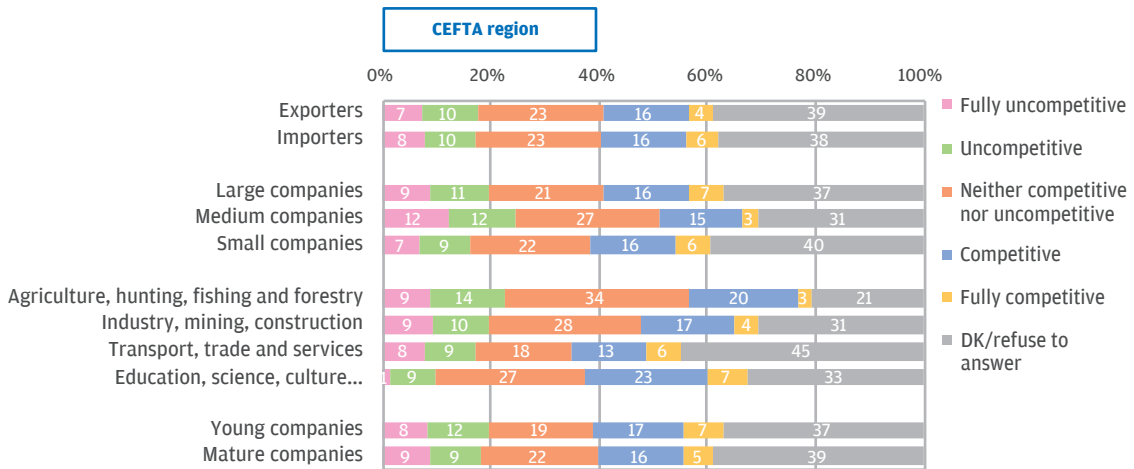
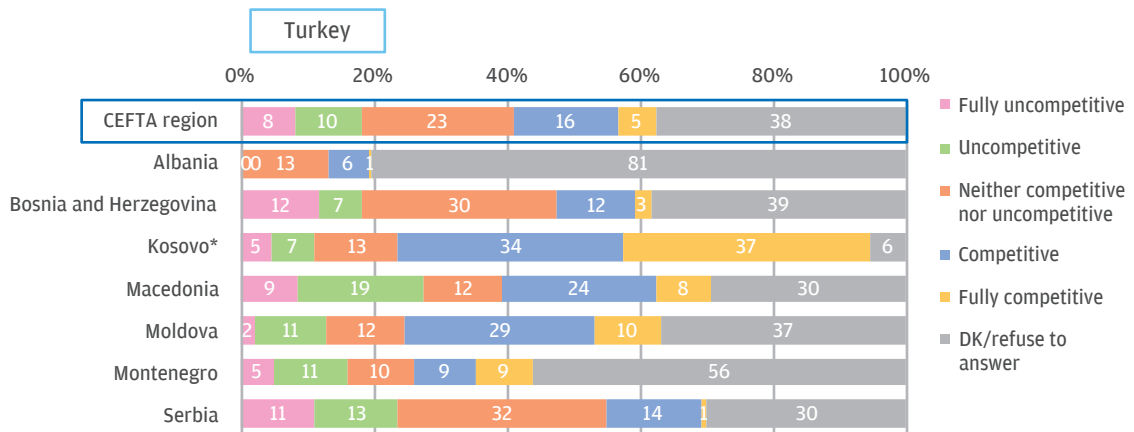
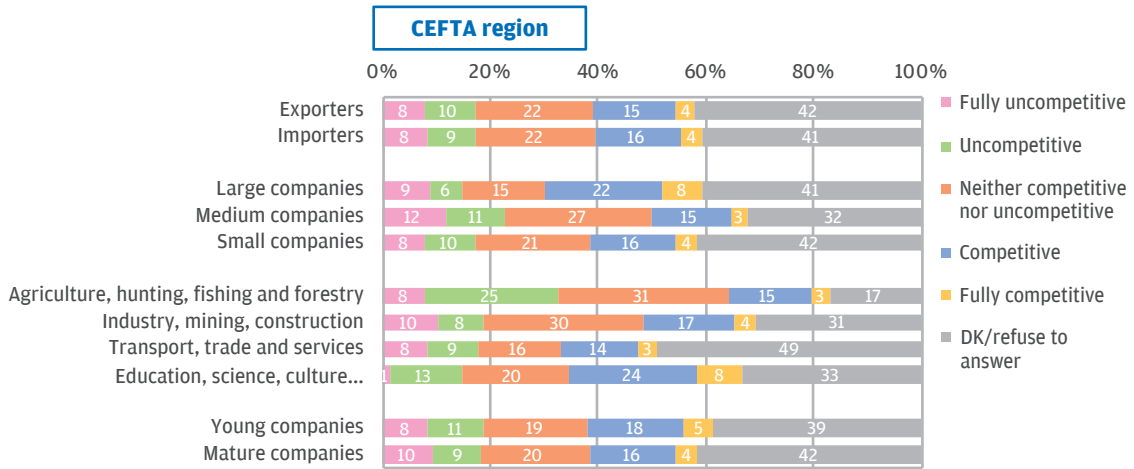
smaller ones do; there are no significant differences, however, when it comes to distant markets or those which are not well known.



The same can be concluded by comparing production and service sectors. The former

is bolder in the assessment of their own strengths in local and CEFTA markets.





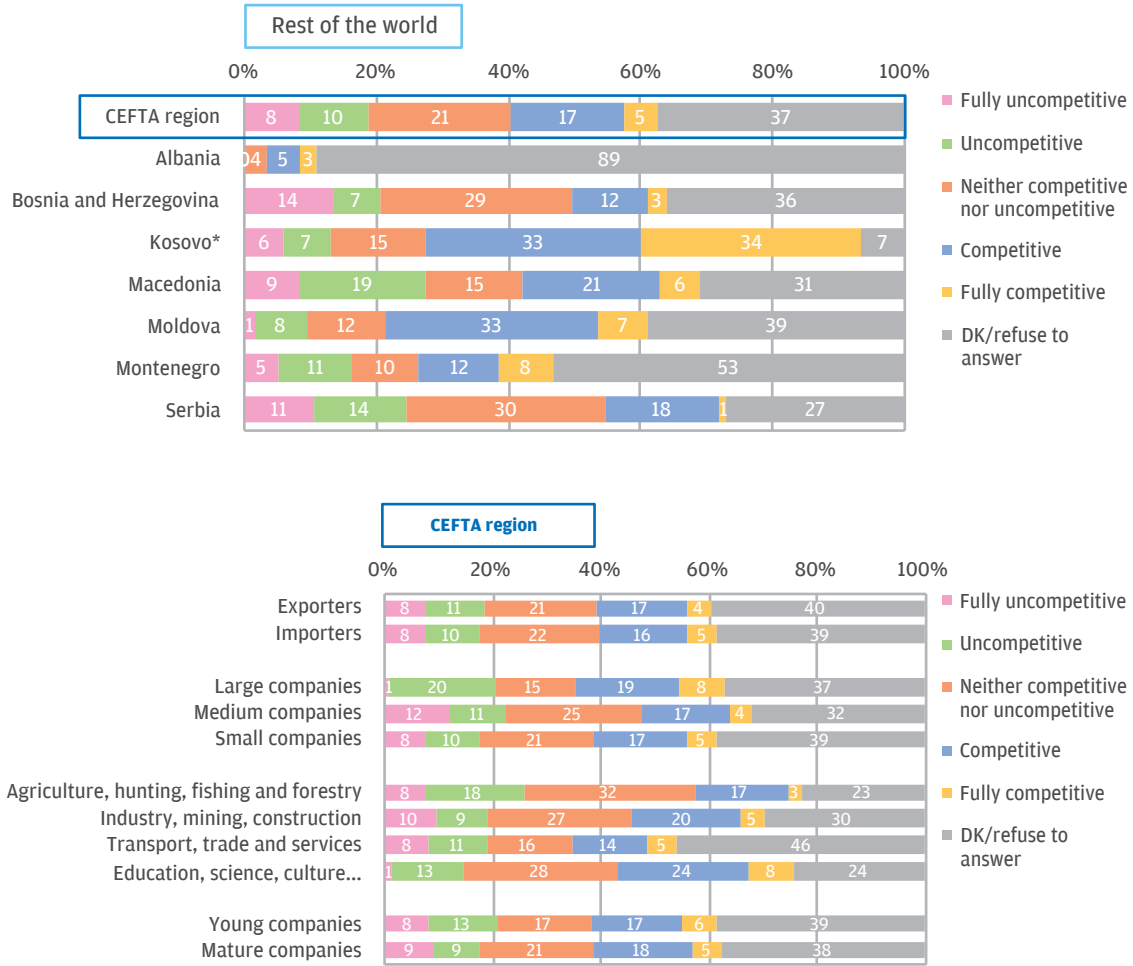
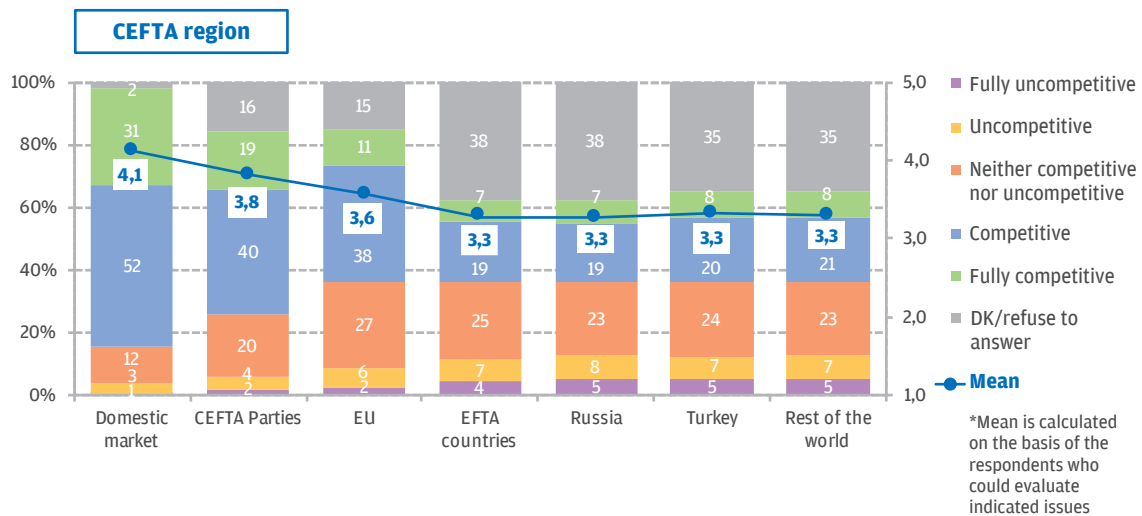


Figure 25: How competitive do you think your company's products and services will be in the following markets in the next 10 years?

(All respondents, N=1400, %)

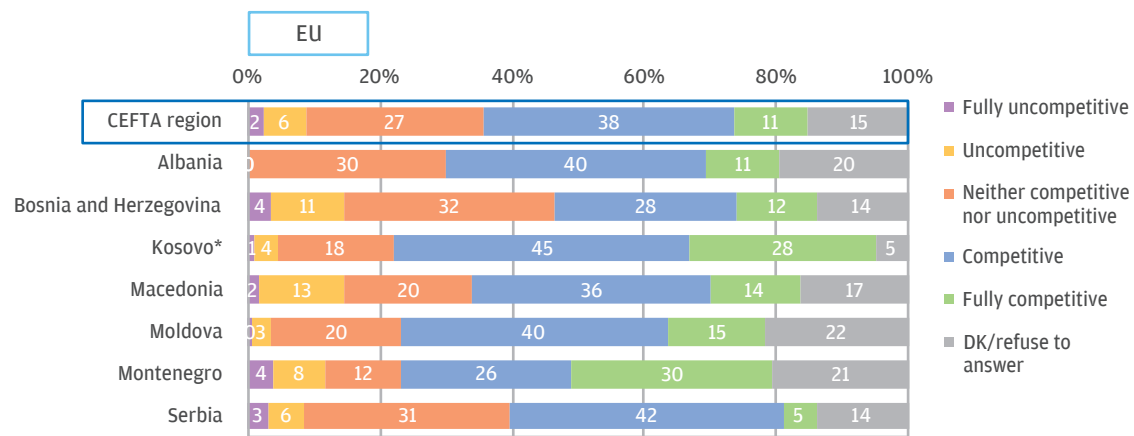
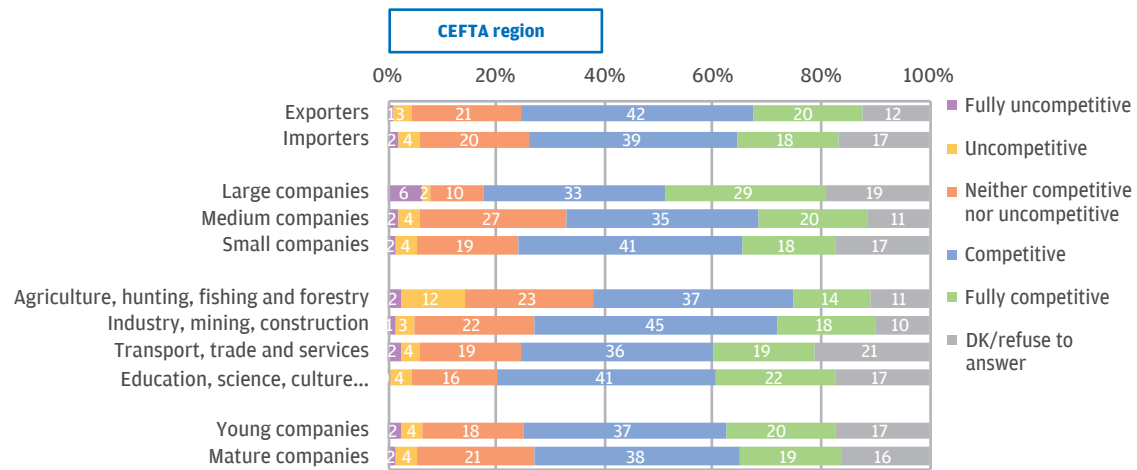
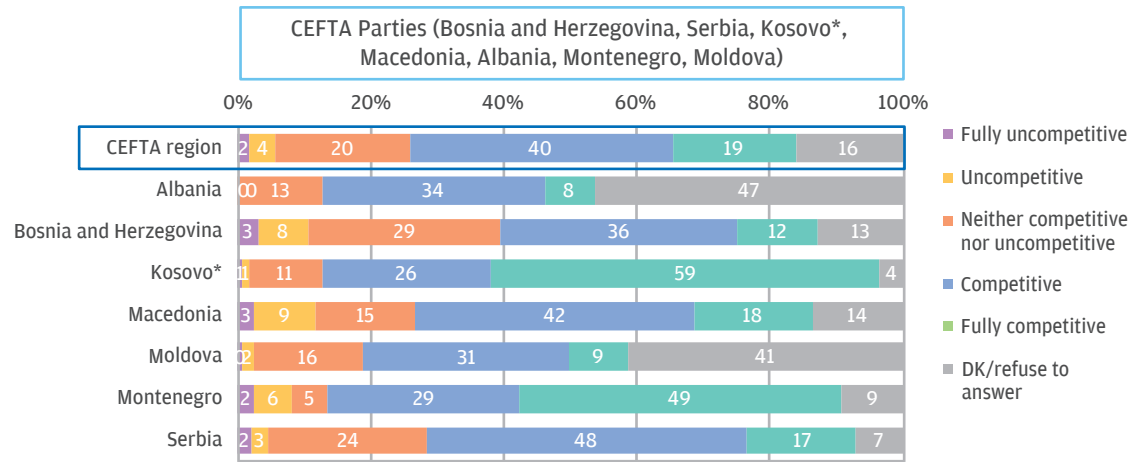


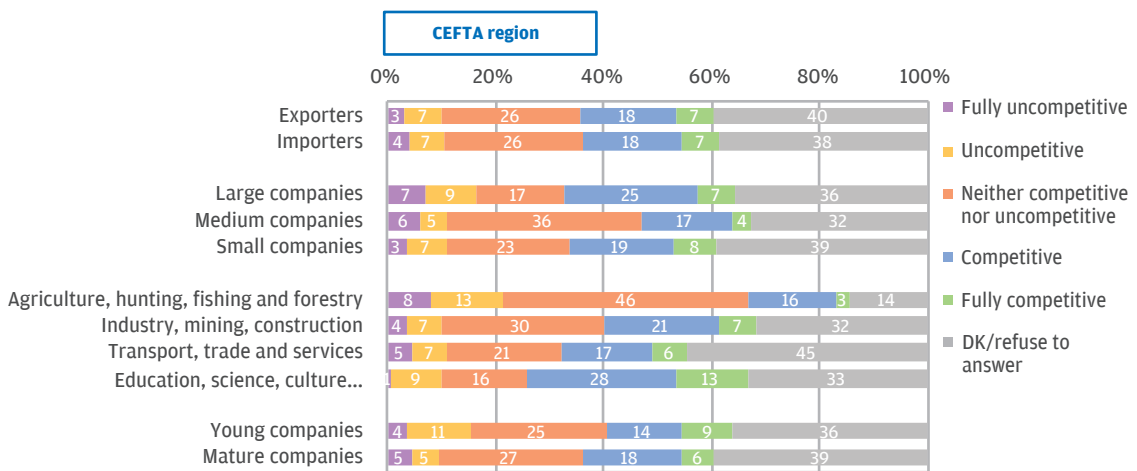
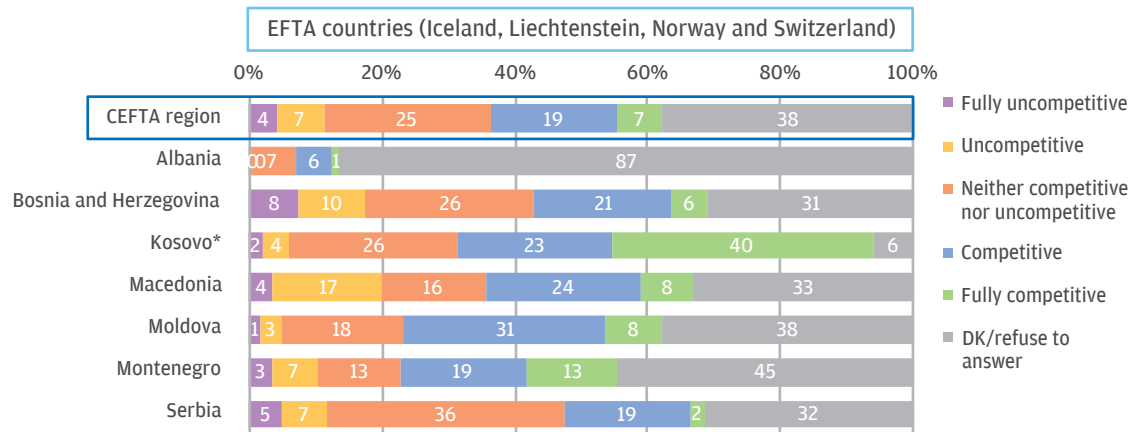
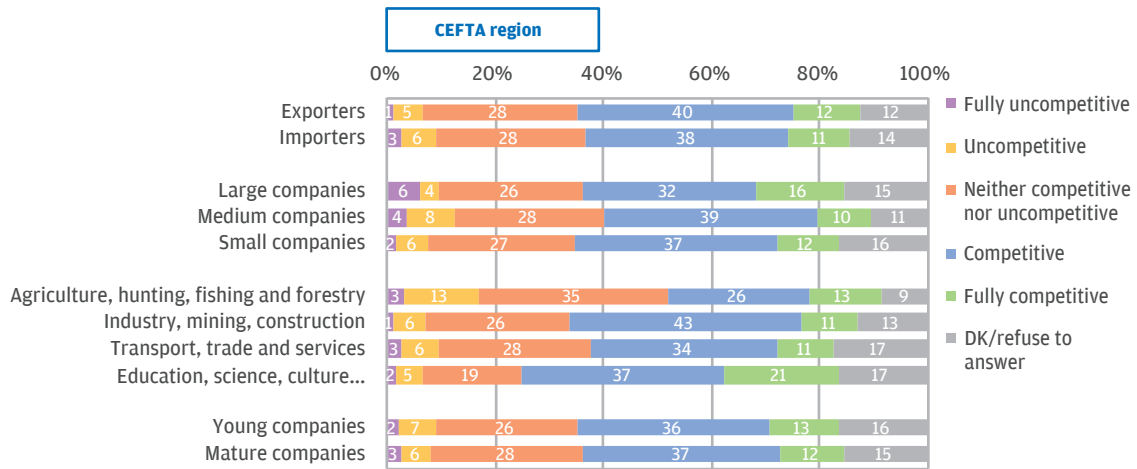
It is immediately clear that the CEFTA business community is convinced of a rise in its competitiveness in all markets in forthcoming period. The largest discrepancy between current assessment and future expectation is evident in case of EFTA countries and Russia (2.9 vs. 3.3). When it comes to the CEFTA market, 60% of the respondents have no doubt they will be able to compete better (47% consider their products/services are currently competitive). Compared to the question on present competitiveness (40%), the number of those who expect a future improvement on the EU market is also increased (49%).

Once again, Kosovo* and Montenegro are most optimistic about their local, CEFTA and EU markets. Serbia follows with more modest expectations, as was the case of current competitiveness. Compared to the rest, with the exception of Kosovo*, Moldovan businesses more often expect to become more important players in EFTA, Turkey, and especially Russia.

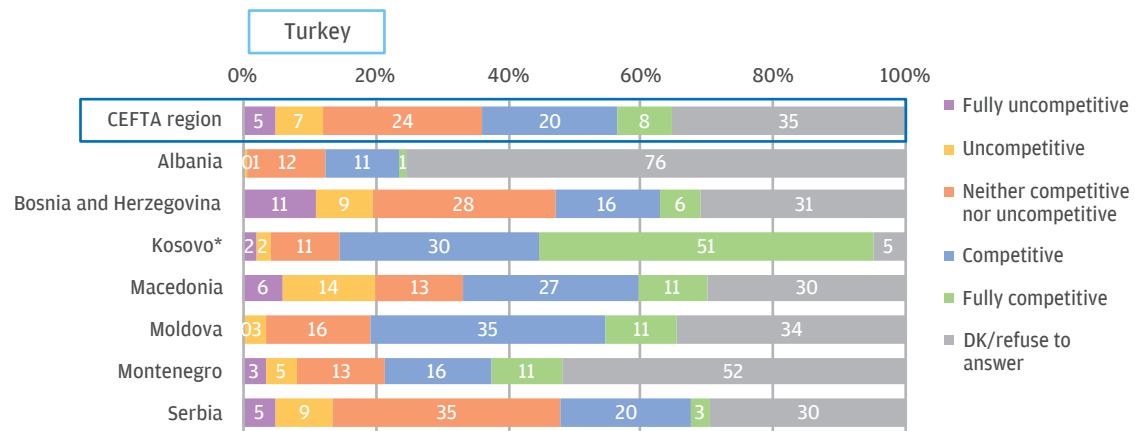
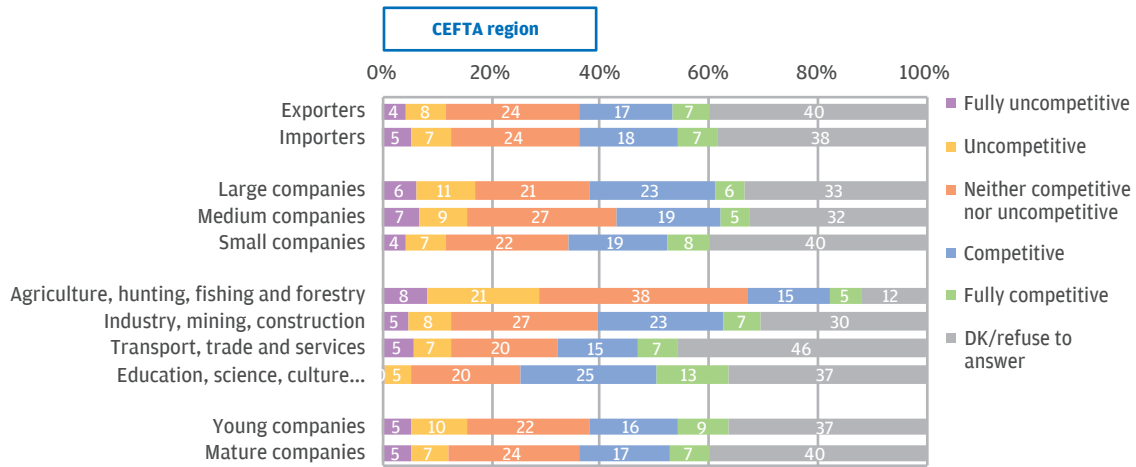
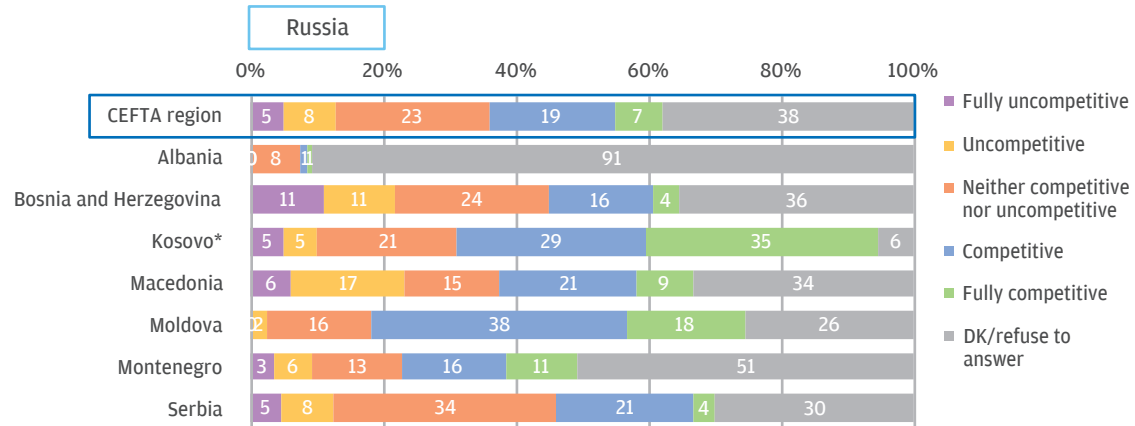
As expected, exporters have brighter forecasts regarding their positioning on neighboring and EU markets in the next decade. In addition, companies with a larger workforce and industrial manufacturers are more self-confident about future opportunities.







CEFTA THROUGH NUMBERS



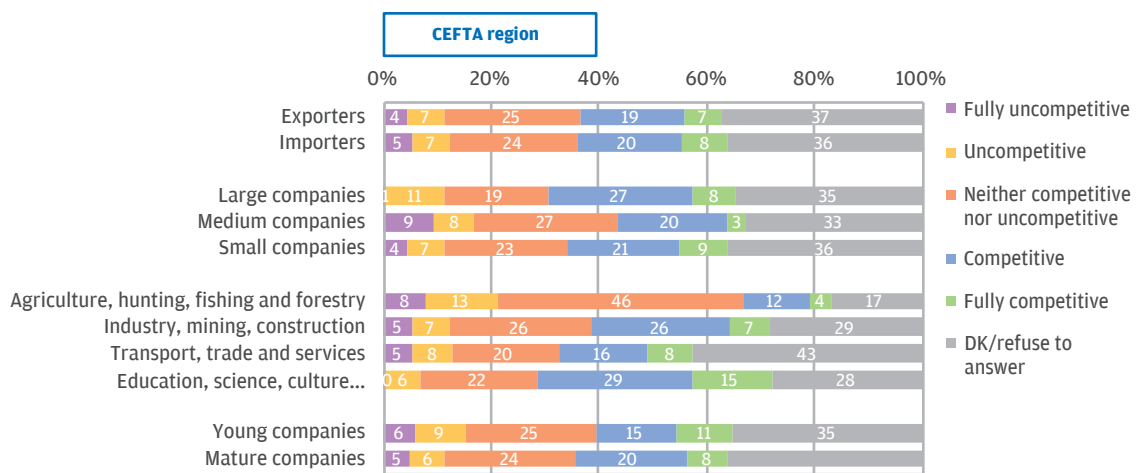
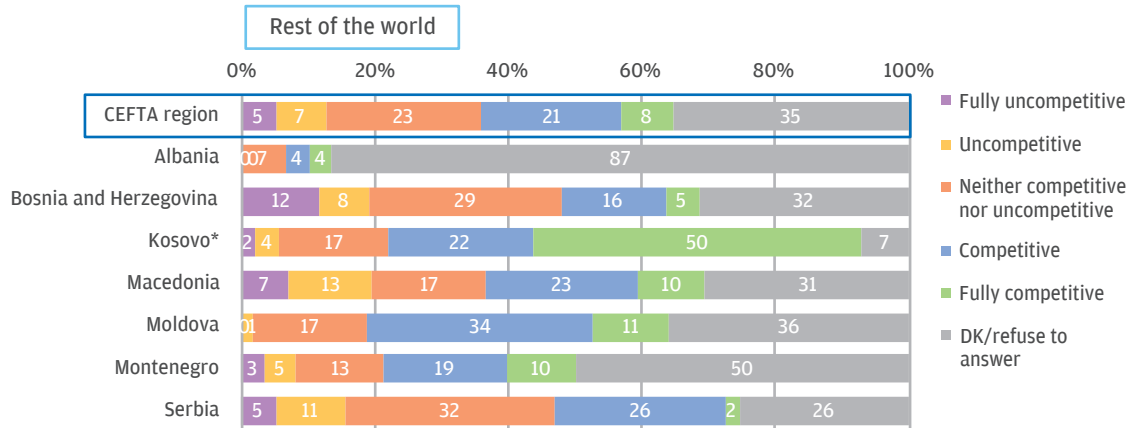
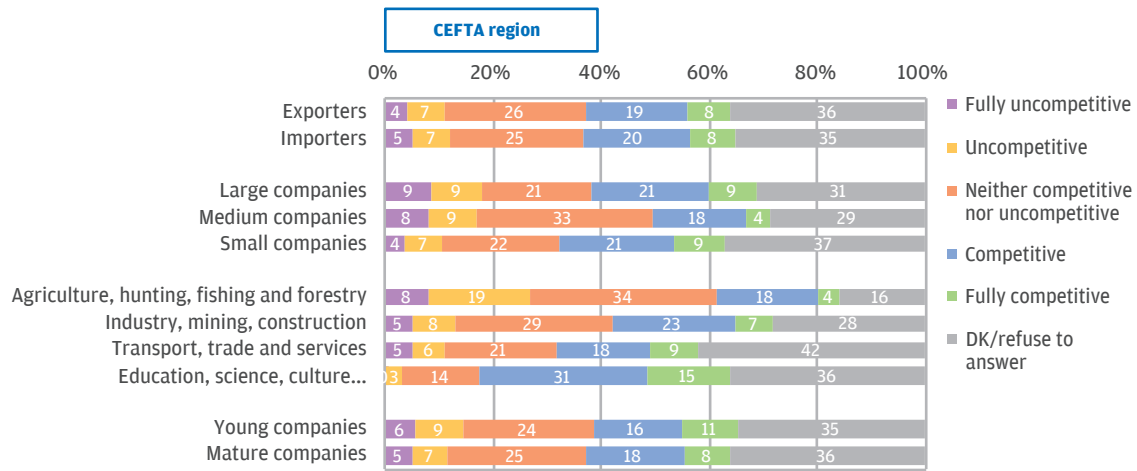
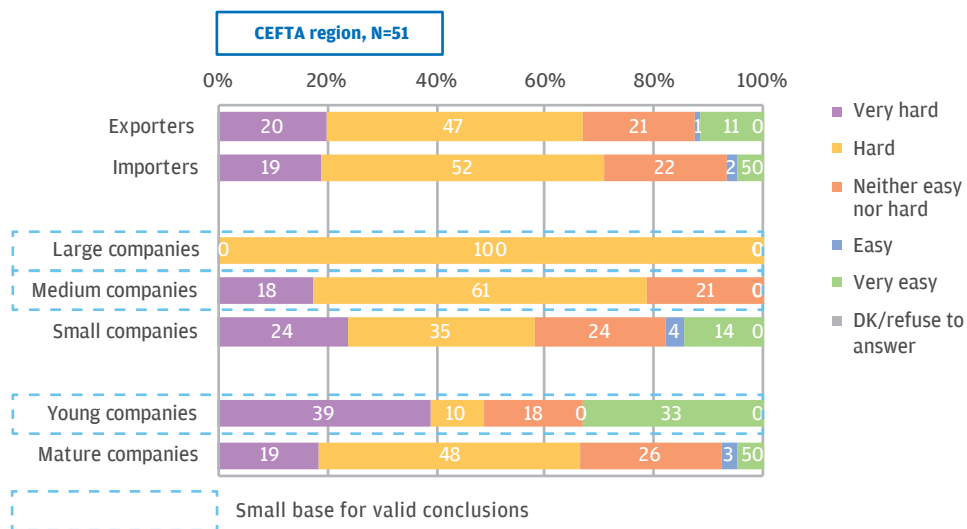
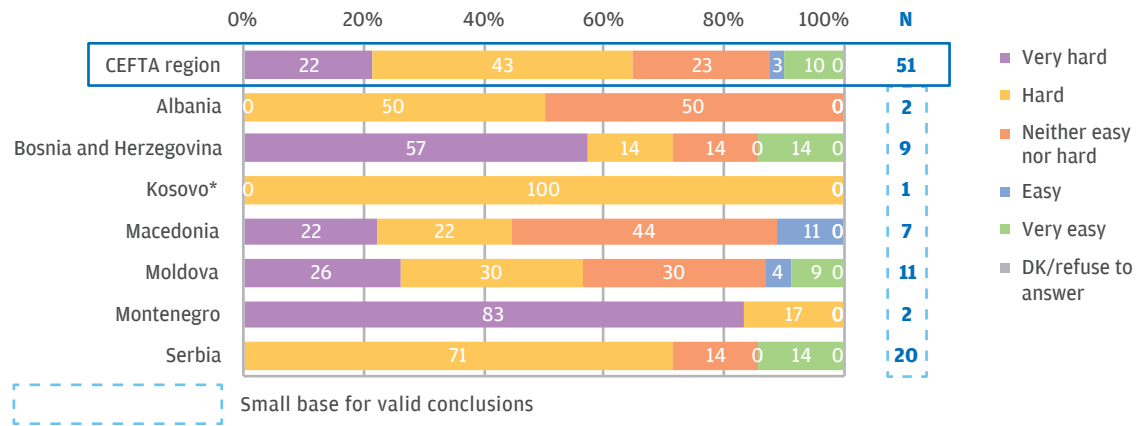


Figure 26: How easy or hard did you find working in the agricultural sector over the previous years?

(Respondents whose main activity is agriculture, forestry or fishing, N=51, %)

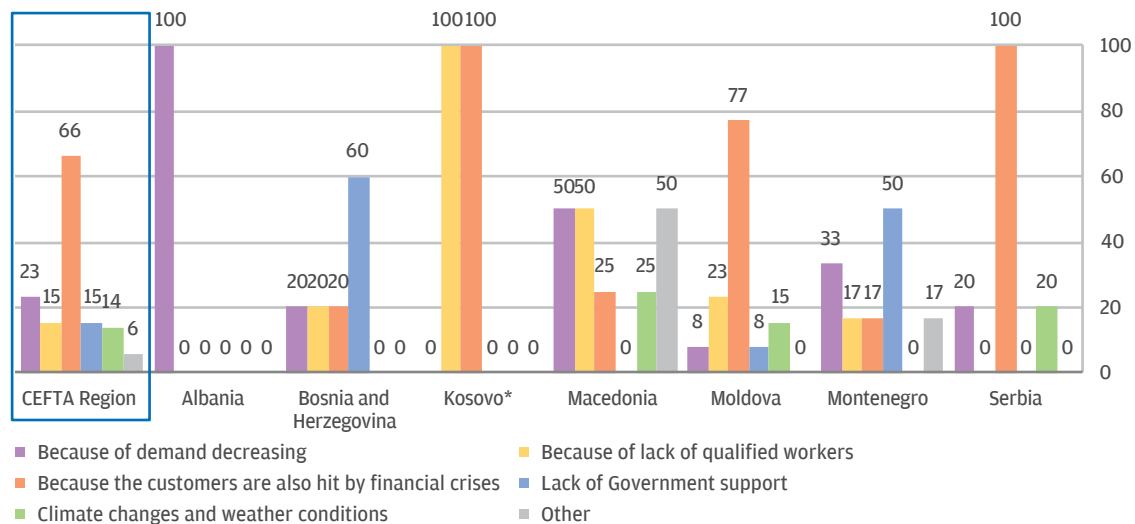


There is an insufficient number of companies which listed agriculture or related activities as their main occupation, and therefore the responses to the next few questions can only be interpreted for the regional level, except in cases where the total base is also too limited.

Asked to evaluate the recent situation in their business sector, two thirds agree it was hard to work in agriculture over the previous years, and 13% are of the opposite opinion.

Figure 27: Why do you think this is so?

(Respondents who think that operating in the agricultural sector is very hard or hard, N=33, %)



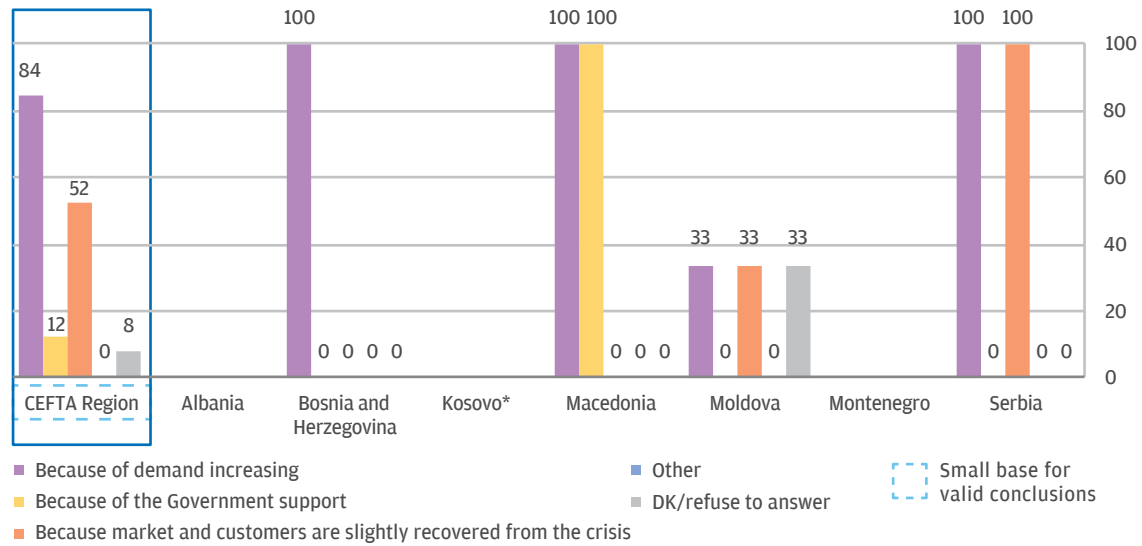
The majority of agricultural enterprises which currently find their businesses hard to manage think the reason lies in the fact their customers are also hit by the financial crisis (66%). That

explains the drop in demand, which is seen as the second most important factor (23%).

CEFTA region	Because of demand decreasing	Because of lack of qualified workers	Because the customers are also hit by financial crises	Lack of Government support	Climate changes and weather conditions	Other
Exporters	15	14	65	17	17	1
Importers	28	13	71	12	13	6
Large companies	0	100	100	0	100	0
Medium companies	23	4	86	10	0	0
Small companies	23	20	54	19	20	9
Young companies	23	20	27	67	0	6
Mature companies	26	16	70	7	7	6

Figure 28: Why do you think this is so?

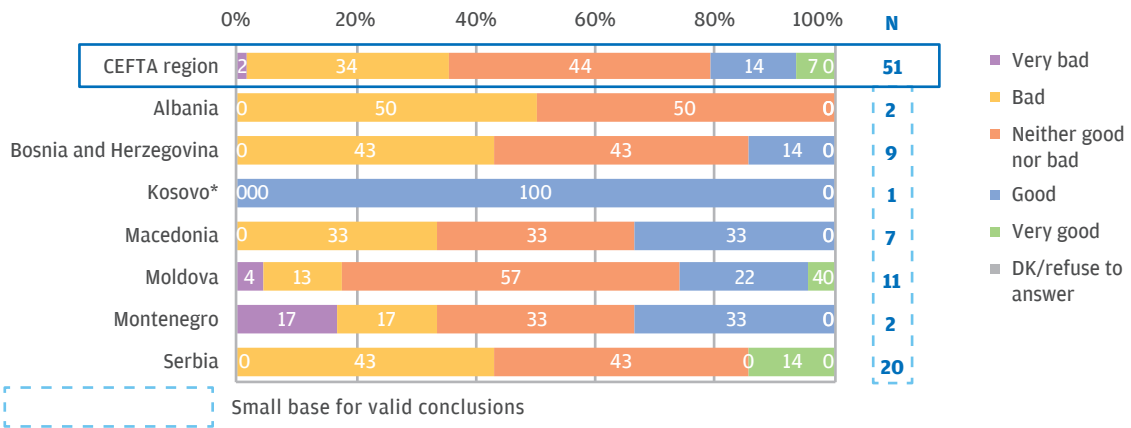
(Respondents who think that operating in the agricultural sector is very easy or easy, N=6, %)



CEFTA region	Because of demand increasing	Because of Government support	Because market and customers are slightly recovered from the crisis	Other	DK/ refuse to answer
Exporters	90	0	66	0	0
Importers	80	31	0	0	20
Large companies	0	0	0	0	0
Medium companies	0	0	0	0	0
Small companies	84	12	52	0	8
Young companies	85	0	100	0	0
Mature companies	83	26	0	0	17

Figure 29: How do you evaluate trade in agriculture during the previous years?

(Respondents whose main activity is agriculture, forestry or fishing, N=51, %)



More than two fifths of companies (44%) in agricultural fields consider trade in their business

to be neither good nor bad. One third is not satisfied, while one fifth does not complain.

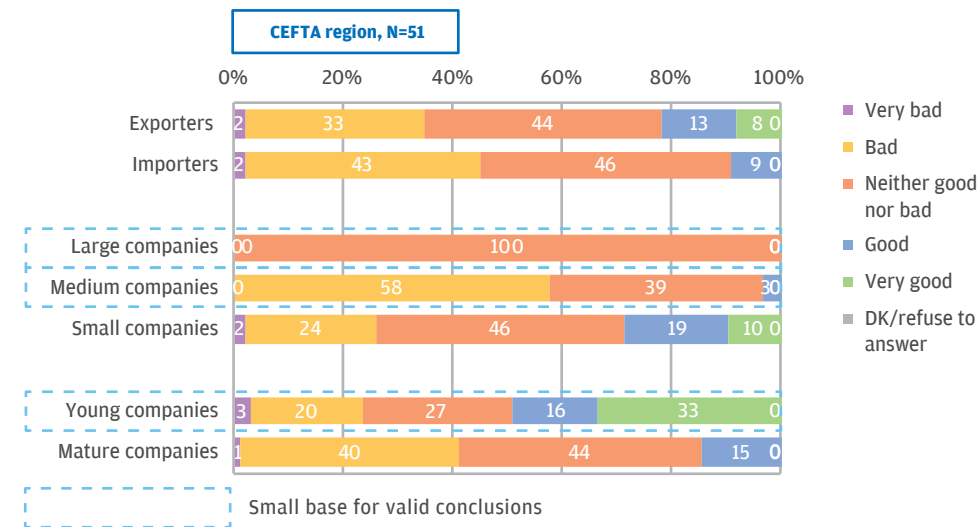
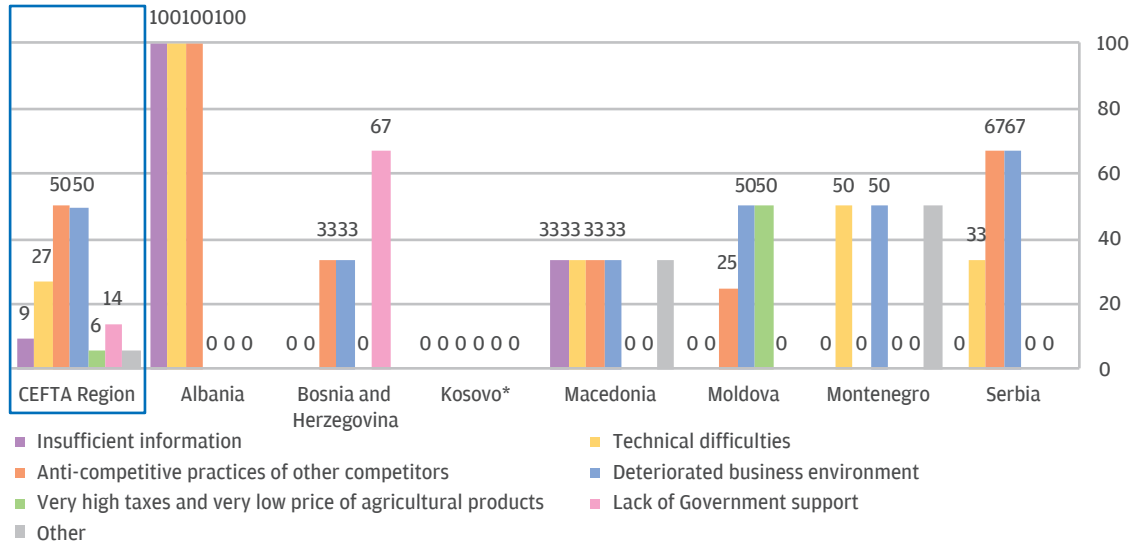


Figure 30: In your opinion, what caused this situation?

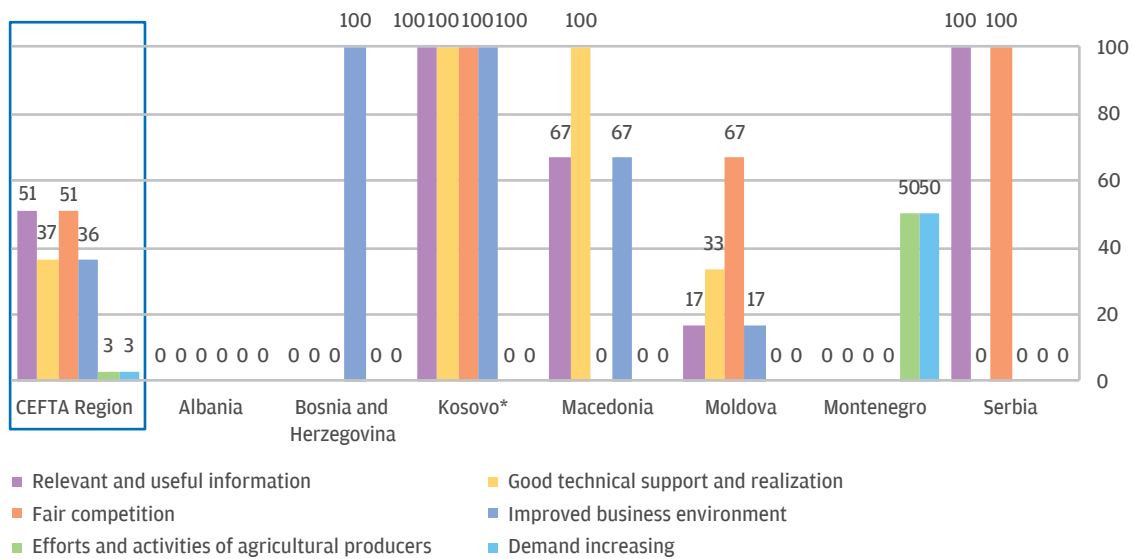
(Respondents who think that agricultural trading during the previous year was very hard or hard, N=18, %)



CEFTA region	Insufficient information	Technical difficulties	Anti-competitive practices of other competitors	Deteriorated business environment	Very high taxes and very low price of agricultural products	Lack of Government support	Other
Exporters	12	34	45	44	4	18	2
Importers	10	29	51	51	3	15	5
Large companies	0	0	0	0	0	0	0
Medium companies	0	31	69	69	0	0	0
Small companies	18	22	32	31	11	27	12
Young companies	0	13	0	13	21	53	13
Mature companies	11	29	58	55	3	8	5

Figure 31: In your opinion, what caused this situation?

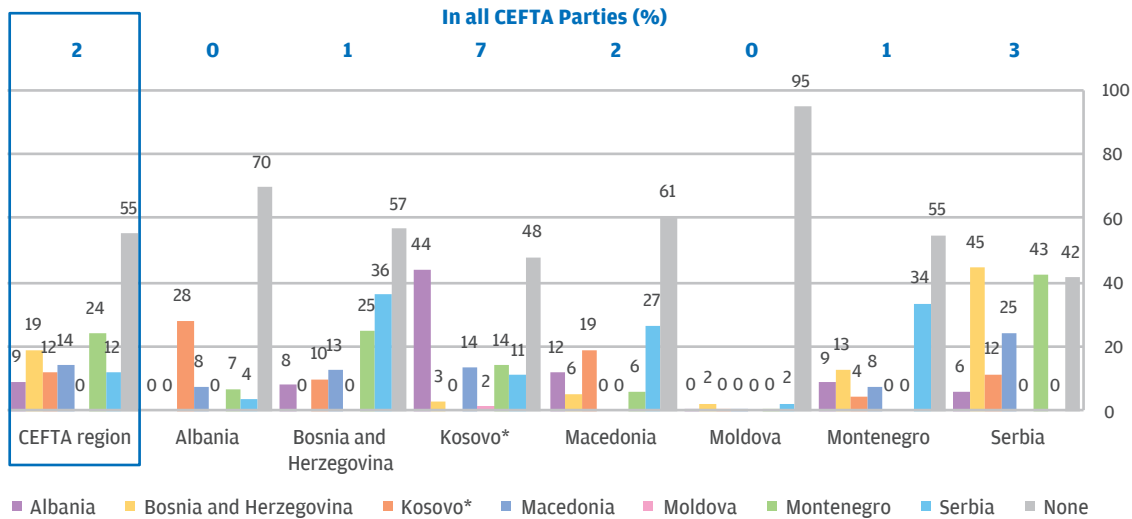
(Respondents who think that agricultural trading during the previous year was very easy or easy, N=10, %)



CEFTA region	Relevant and useful information	Good technical support and realization	Fair competition	Improved business environment	Efforts and activities of agricultural producers	Demand decreasing
Exporters	53	35	50	44	3	3
Importers	24	24	30	37	9	0
Large companies	0	0	0	0	0	0
Medium companies	0	0	100	100	0	0
Small companies	54	38	48	33	3	3
Young companies	68	36	68	26	0	6
Mature companies	37	37	36	45	5	0

Figure 32: Now, I would like to talk more thoroughly about your company's trade relations with other CEFTA Parties. In which of them do you export your company's products/services?

(All respondents, N=1400, %)

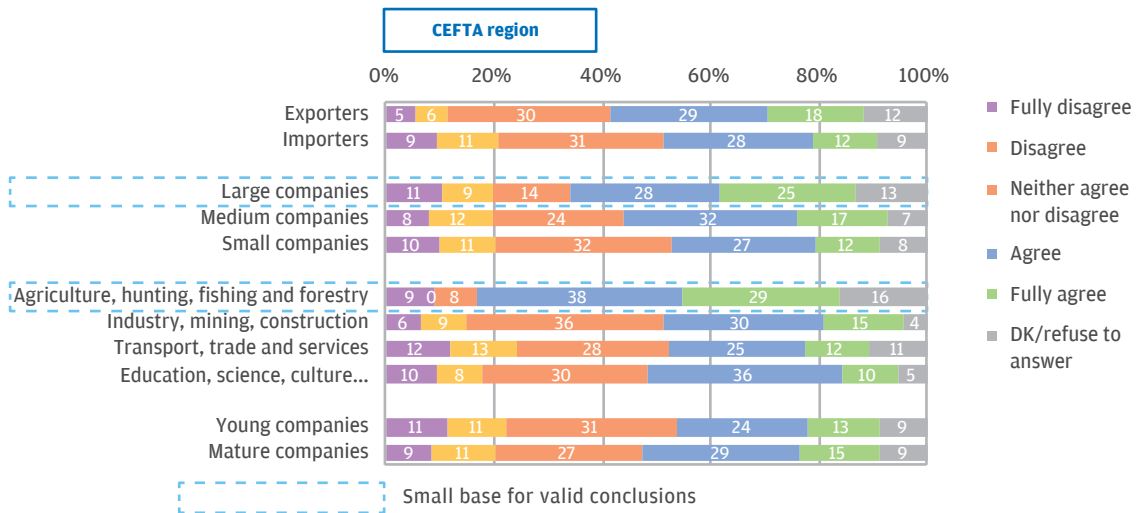
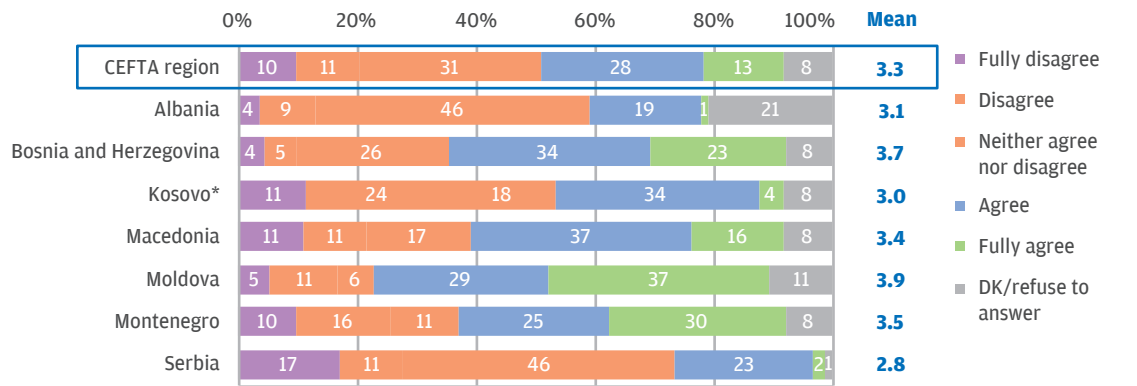


Looking at regional results, it can be seen that Montenegro is the largest importer from other CEFTA Parties (24%). This is not surprising, bearing in mind that the two largest economies in the region, Serbia (43%) and Bosnia and Herzegovina (25%), have a higher export rate to Montenegro than to other markets. On the other hand, Moldova has the least developed trade exchange with the rest of the CEFTA region – as much as 95% of businesses do not cooperate with neighboring markets in terms

of export. Kosovo* and Albania collaborate more with each other than with other Parties. Also, compared to those coming from the rest of the region, Macedonian products are more present in Kosovo's market.

Figure 33: To what extent do you agree with the following statement: I would start exporting to markets of other CEFTA Parties if I could offer my products/services there?

(Companies which do not export to other CEFTA Parties, N=765, %)



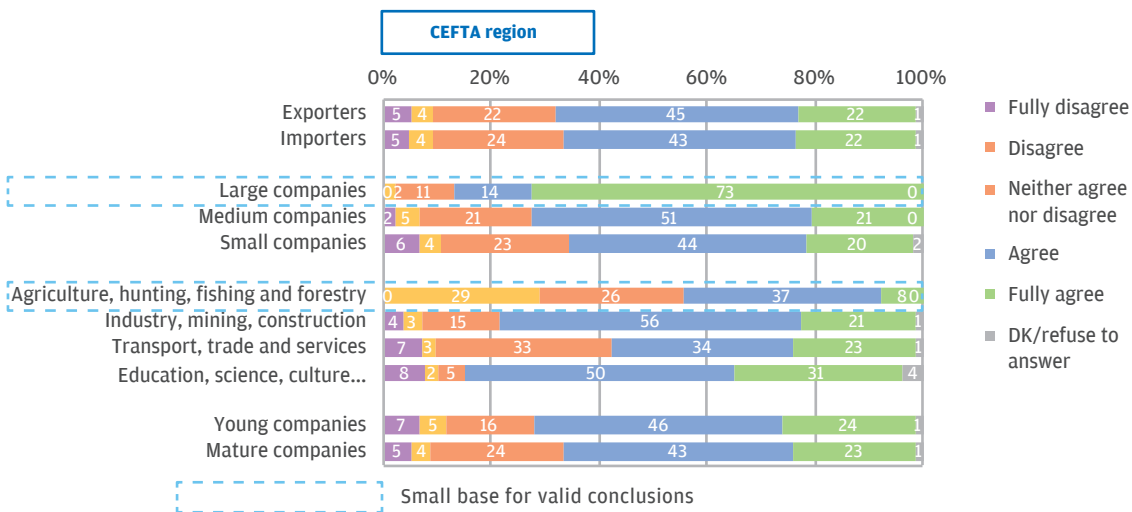
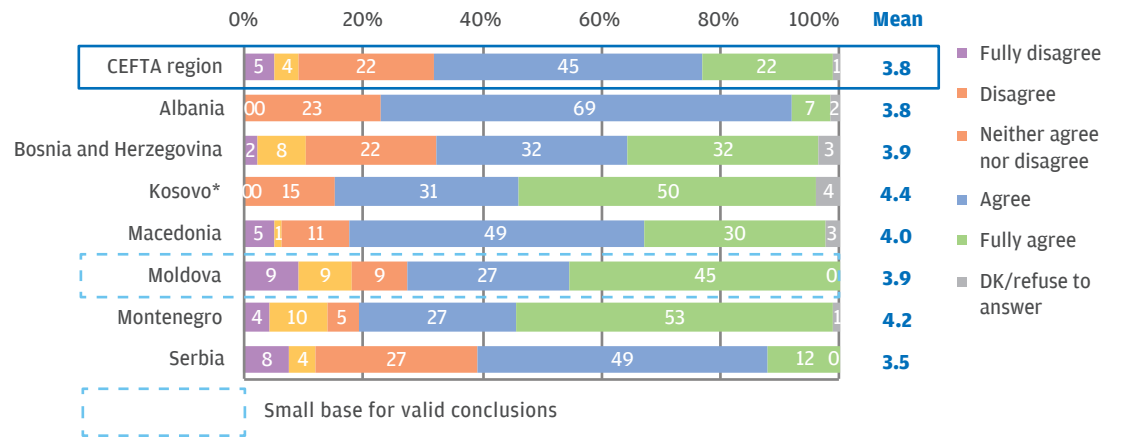
Two fifths of non-exporters in CEFTA region would gladly export there if they could offer their products/services in those markets. Moldovan companies seem to be most willing to consider this opportunity, with as much as two thirds confirming this. Bosnia and Herzegovina follows with 57% of like-minded leaders. On the other hand, there are

significantly less of those who agree with this attitude in Albania (20%) and Serbia (25%).

As expected, the answer given by representatives of companies active in foreign markets is affirmative more often than those given by their colleagues heading firms which operate exclusively in domestic markets.

Figure 34: To what extent do you agree with the following statement: I would consider increasing my export activity in the markets of other CEFTA Parties?

(Companies which export to other CEFTA Parties, N=635, %)

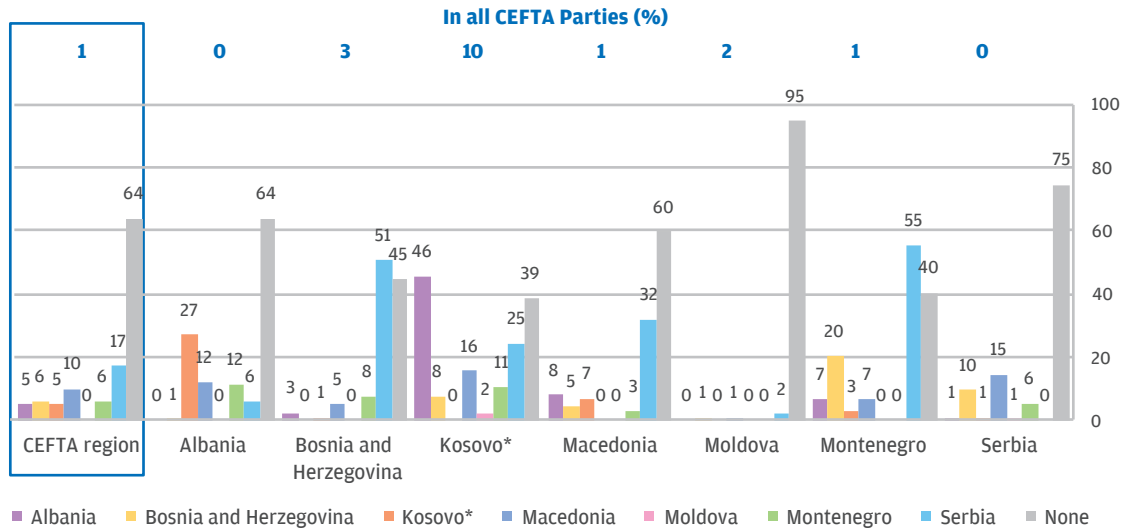


Two thirds of enterprises which already export their goods to neighboring economies are ready to consider expanding this activity. Supporters of this opinion are more numerous

in Kosovo* (81%), Montenegro (80%) and Macedonia (79%) than in other Parties. But even in Serbia, where this number is the lowest, it exceeds 60%.

Figure 35: From which CEFTA Parties do you import products/services?

(All respondents, N=1400, %)

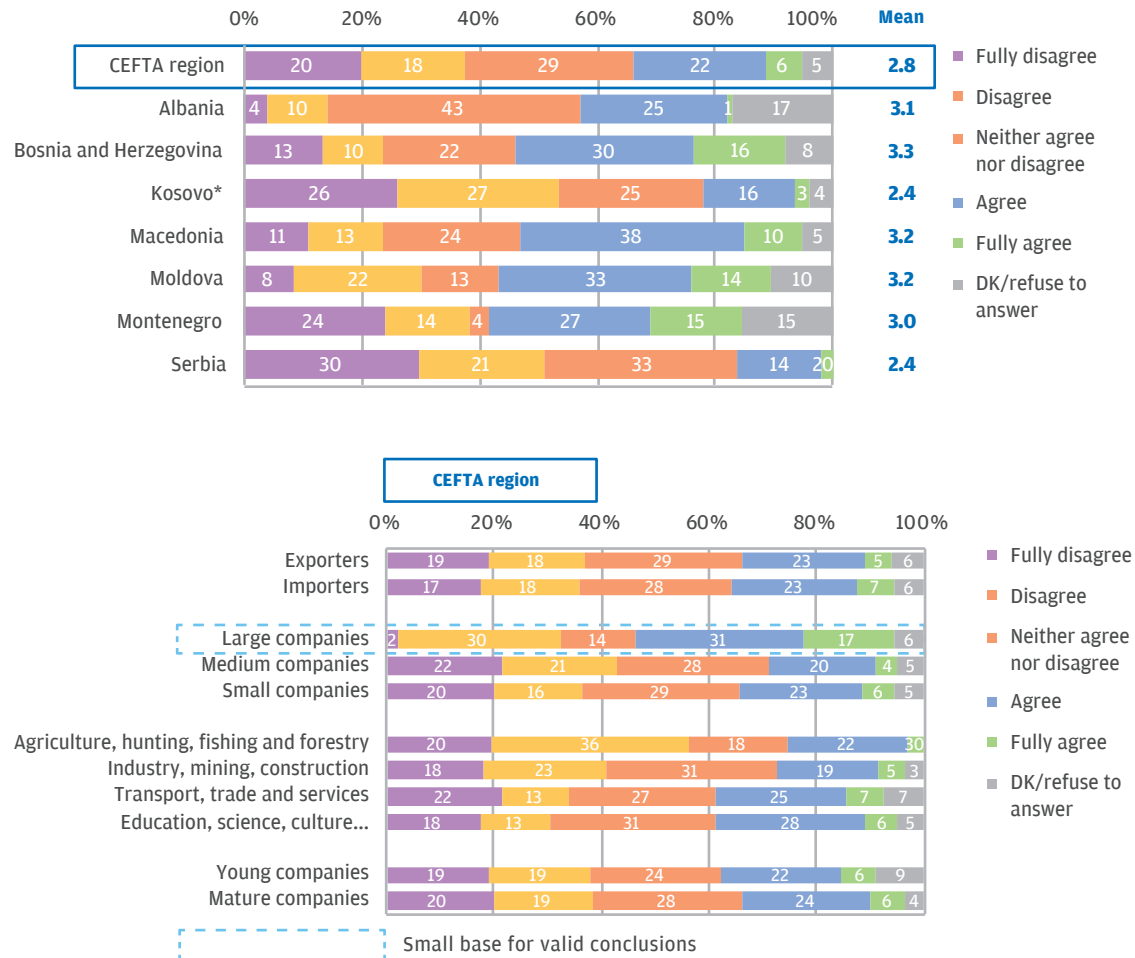


At the regional level, Serbia is established as the economy with the highest rate of export to other CEFTA economies (17%). The import of Serbian goods by Montenegro (55%) and Bosnia and Herzegovina (51%) is significantly above average. The same can be concluded on Montenegrin import activity related to Bosnia and Herzegovina (20%). As in the case of exports, Kosovo* and Albania have a closer cooperation with each other than with other

economies. Moldova is again notable for its number of companies which do not import from any CEFTA Parties (95%).

Figure 36: To what extent do you agree with the following statement: I would consider starting to import from other CEFTA Parties?

(Companies which do not import from other CEFTA Parties, N=891, %)

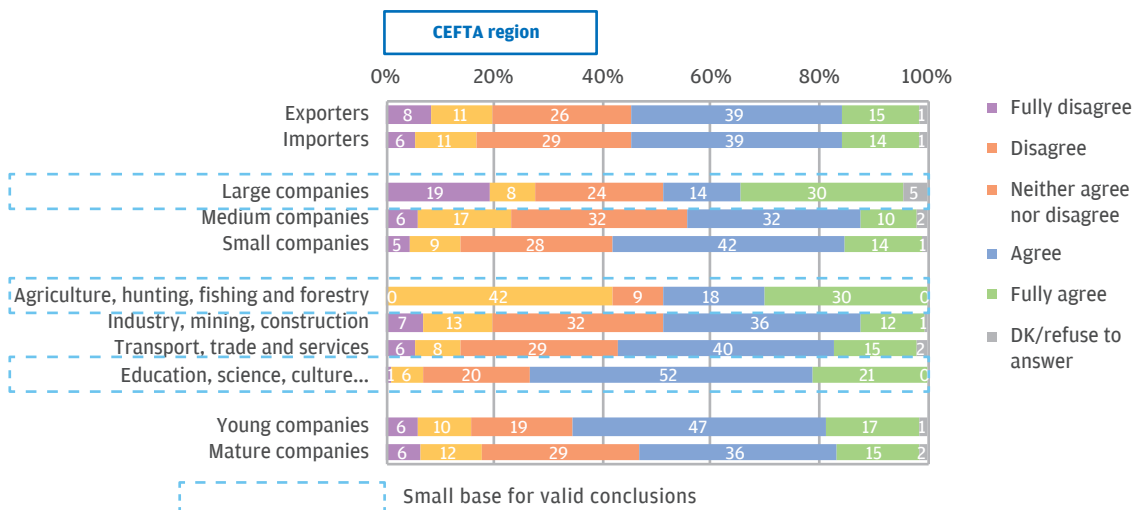
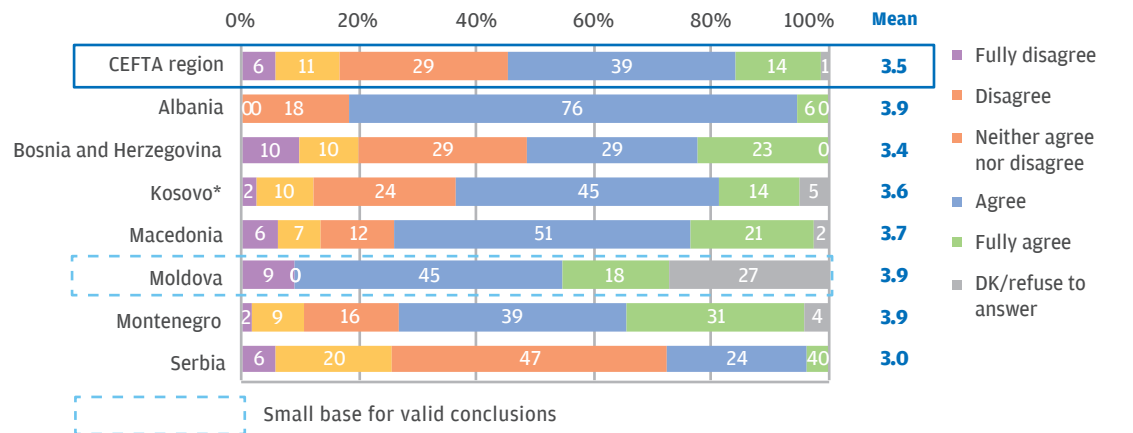


Unlike exporting, companies within the CEFTA region are not so willing to start importing from other Parties (the average is 2.8). Although the opinion is divided, those who are not interested prevail (38%). Observing economies separately, significant differences can be noticed. Business leaders from Bosnia and

Herzegovina, Macedonia and Moldova seem particularly enthusiastic about potential opportunities which could improve their import activity. On the other hand, their colleagues from Serbia and Kosovo* are not very pleased with the idea.

Figure 37: To what extent do you agree with the following statement: I would consider increasing my import activity from markets of other CEFTA Parties?

(Companies which import from other CEFTA Parties, N=509, %)



More than half of the respondents (53%) from companies which already import from other CEFTA Parties are interested in expanding this area. Those from Albania have the most positive attitude towards this type of opportunity – as much as 82% of them would try to import more from neighboring economies. Macedonia

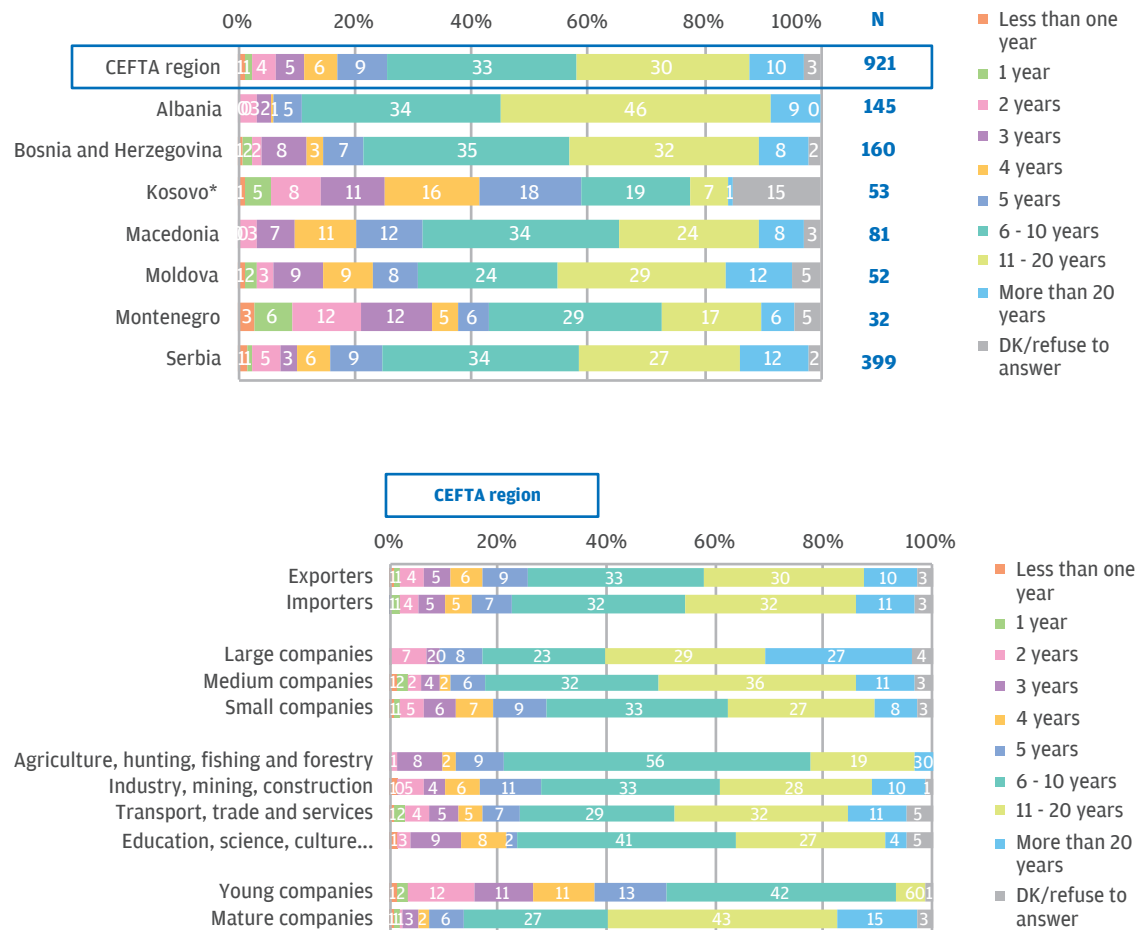
follows, with 72% of business people having the same opinion.

Compared to more experienced ones, companies founded after 2004 seem to be more ready to expand their import activity within the region.

EXPORT ACTIVITY

Figure 38: How long has your business been selling goods and services or licensing its products abroad?

(Respondents whose companies export, N=921, %)

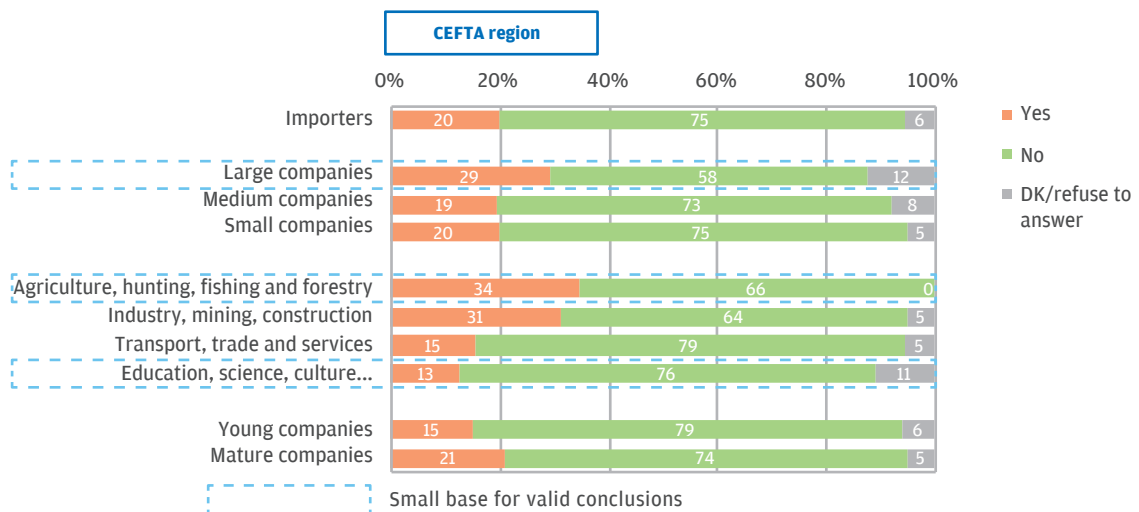
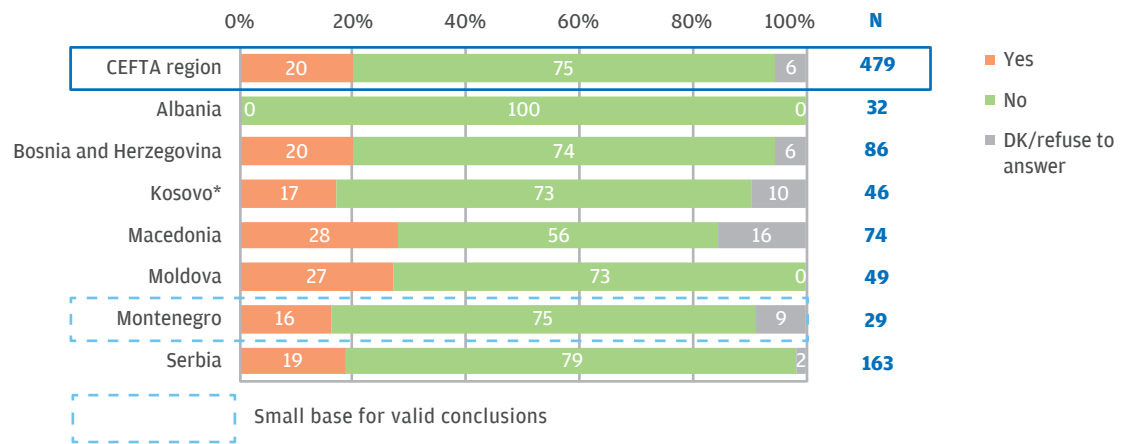


Two thirds of all surveyed companies sell their products and services abroad. Most exporters (40%) have been exporting more than ten years while one third have been exporting their goods for the past six to ten years. Compared to other Parties, the percentage of most experienced businesses in terms of export is significantly higher in Albania.

Interestingly, it appears that companies operating in agriculture and related fields have been active in foreign markets longer than others.

Figure 39: Do you have plans to start exporting or licensing your products or services abroad in the next 12 months?

(Respondents whose companies do not export, N=479, %)

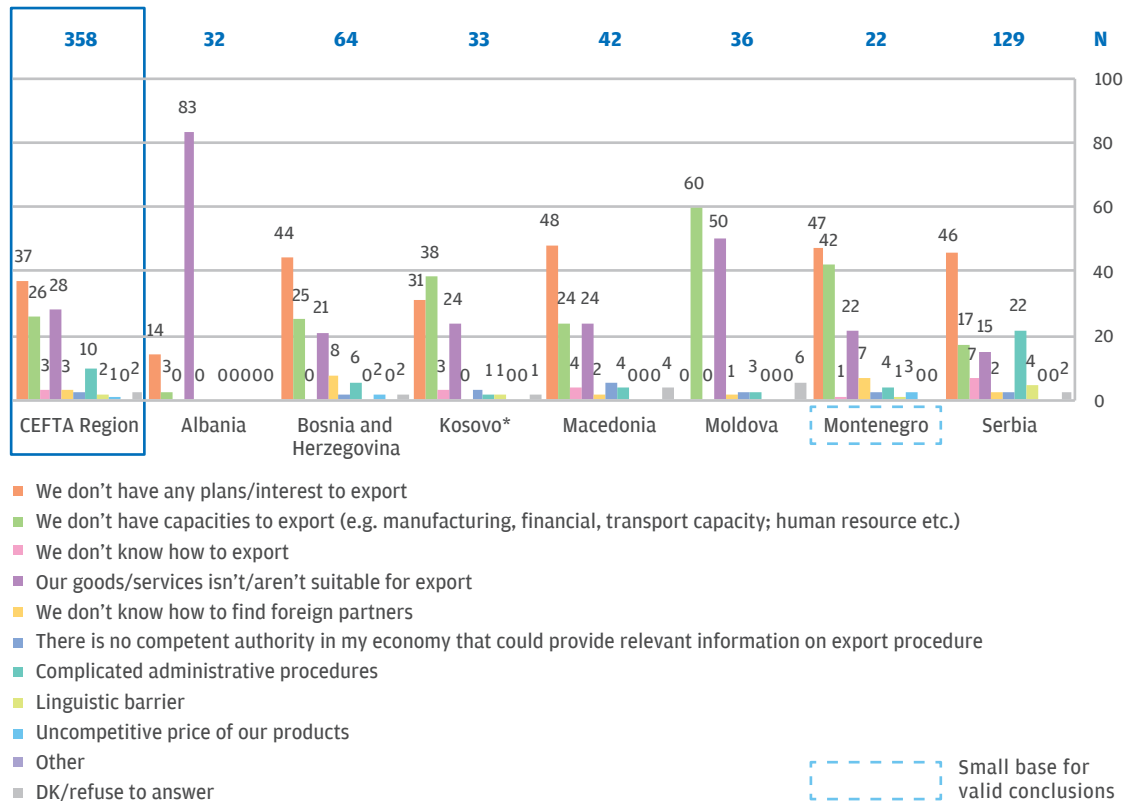


When they were asked to talk about potential expanding of their business to foreign markets, one fifth of non-exporters stated that they plan to do so in the near future.

Managers of industrial manufacturing companies are more interested in starting to export their goods than those representing firms from the service sector.

Figure 40: Why do you think this is so?

(Respondents who do not have plans to start exporting in the next 12 months, N=358, %)



Most enterprises (37%) which do not plan to start selling their goods abroad in the coming period actually state that they are not interested in expanding their business out of their domestic market. The second most important reason is a lack of knowledge and skills pertaining to export activity and procedures (28%), followed by insufficient capacities (26%). The Party outlook on this topic mostly complies with the regional one, except for Albania, where lack of knowledge is by far the most common reason, as well as Moldova and Kosovo* which consider their own capacities to be restricted. In addition, the existing

administration is perceived as an obstacle more often in Serbia than in other economies.

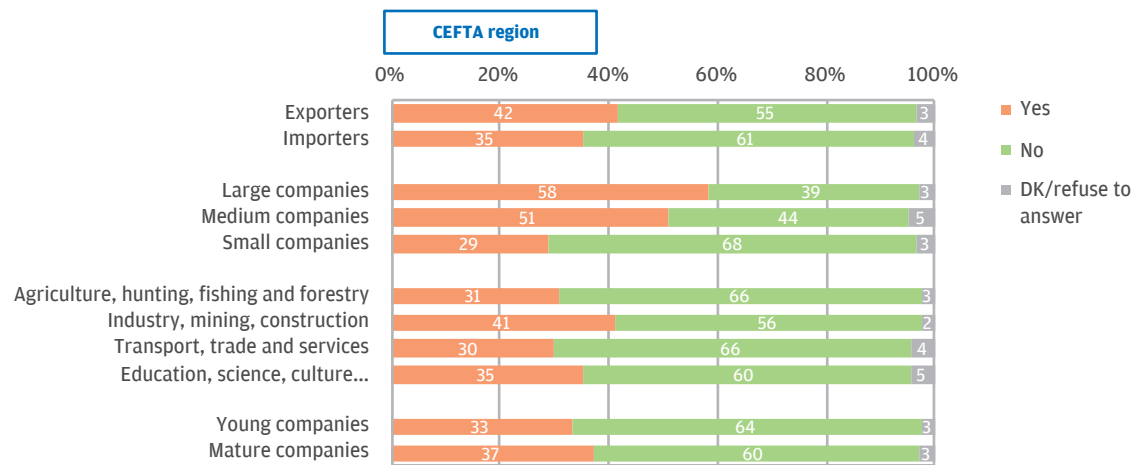
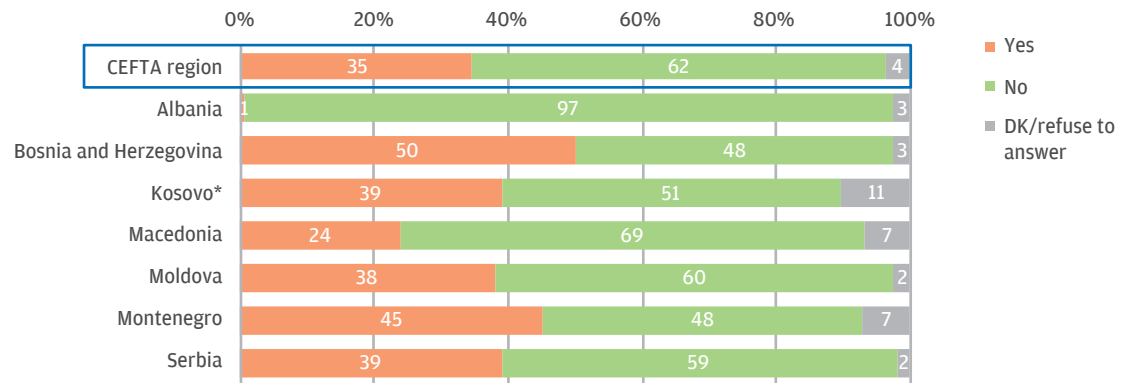
Managers of industrial firms have doubts about their knowledge, but also complain about complicated administrative procedures and linguistic differences more frequently than their colleagues from the service sector.

CEFTA region	We don't have any plans/interest to export	We don't have capacities to export	We don't know how to export	Our goods / services isn't /aren't suitable for export	We don't know how to find foreign partners	There is no competent authority in my economy that could provide relevant information on export procedure
Importers	37	26	3	28	3	2
Large companies	15	20	55	10	0	0
Medium companies	56	31	0	21	0	1
Small companies	35	25	3	29	3	3
Agriculture, hunting, fishing and forestry	89	11	0	0	0	0
Industry, mining, construction	29	19	7	18	4	5
Transport, trade and services	38	28	2	32	3	2
Education, science, culture	39	29	1	28	1	4
Young companies	40	23	5	33	4	2
Mature companies	36	29	1	28	2	2
CEFTA region	Complicated administrative procedures	Linguistic barrier	Uncompetitive price of our products	Other	DK/refuse to answer	
Importers	10	2	1	0	2	
Large companies	0	0	0	0	0	
Medium companies	1	0	0	0	1	
Small companies	11	2	1	0	2	
Agriculture, hunting, fishing and forestry	0	0	0	0	0	
Industry, mining, construction	25	7	2	0	5	
Transport, trade and services	5	0	0	0	1	
Education, science culture	18	0	0	0	5	
Young companies	4	3	1	0	1	
Mature companies	8	1	0	0	3	

Small base for valid conclusions

Figure 41: Within the past 3 years, has your business received any unsolicited enquiries or orders from potential foreign buyers?

(All respondents, N=1400, %)



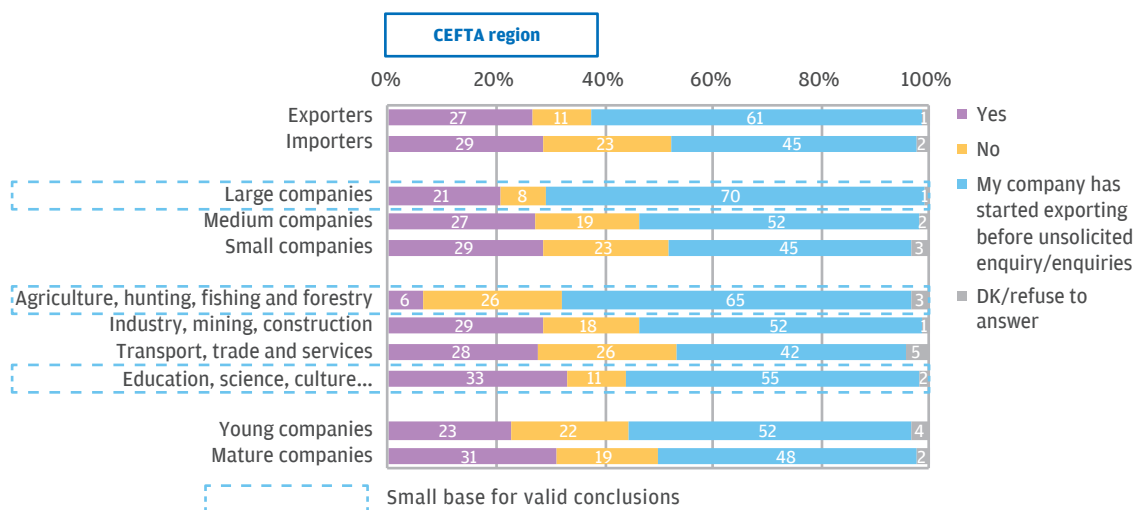
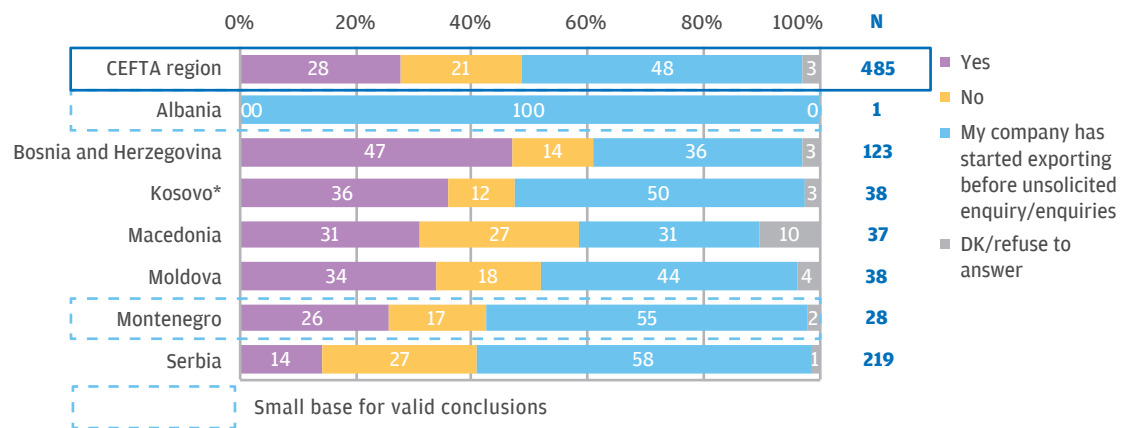
Slightly more than one third of companies in the CEFTA region (35%) have been contacted by potential foreign buyers in the previous three years. It appears that businesses in Bosnia and Herzegovina (50%) receive unsolicited enquires more frequently than those in Albania (1%), Macedonia (24%), Moldova (38%) and Serbia (39%). According to the

number of companies which report this type of requests, Albanian goods seem to be least interesting to purchasers from abroad.

Compared to others, exporters, larger companies and industrial manufacturers more often claim that foreign buyers initiate contacts with them.

Figure 42: If your company had not been exporting at that time, did this enquiry prompt you to consider or decide to start exporting?

(Respondents who received unsolicited enquiries or orders from potential foreign buyers, N=485, %)

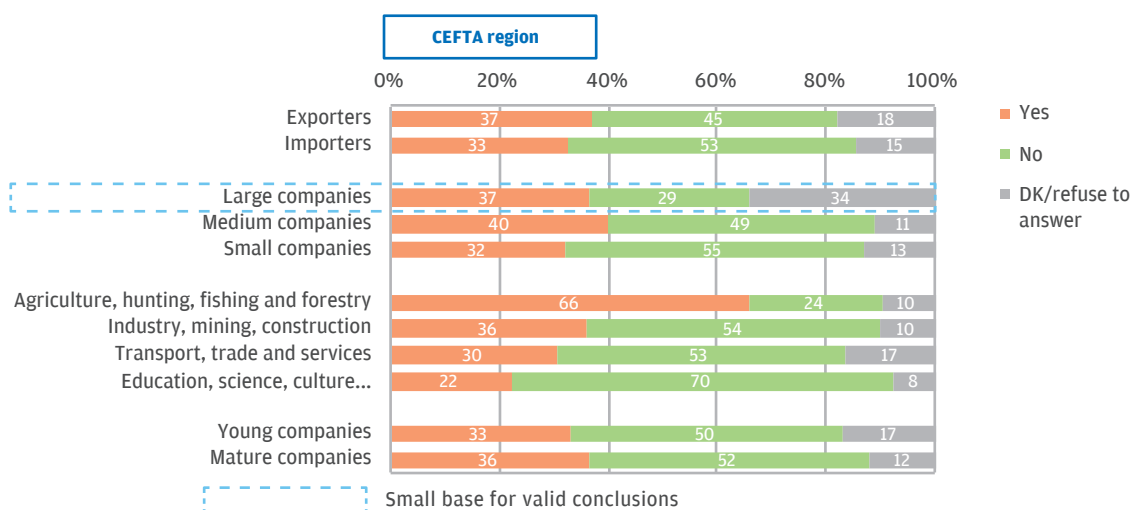
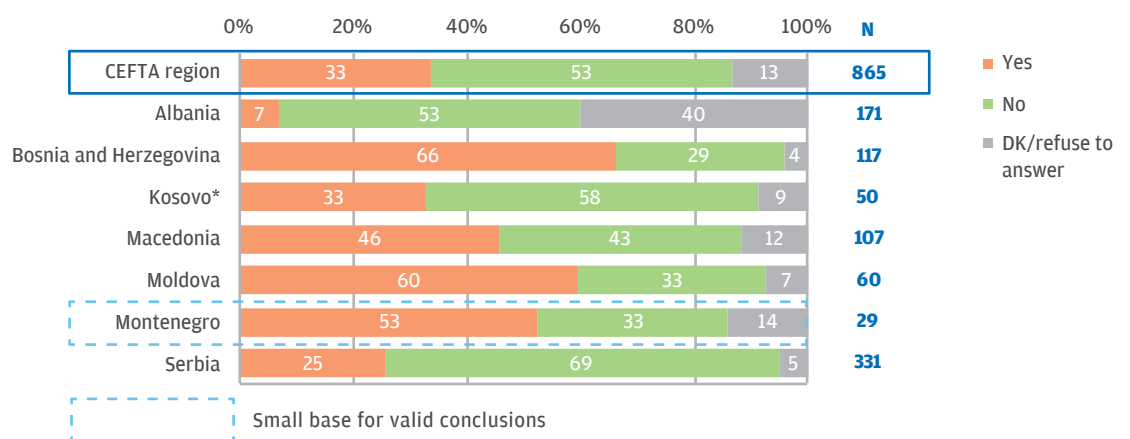


Unsolicited enquiries prompted 28% of companies which received them to consider or decide to start exporting. Such requests are

perceived as a greater incentive in economies other than Serbia.

Figure 43: Regardless of whether your company had already exported or not, could such an enquiry prompt you to consider or decide to start exporting?

(Respondents who did not receive unsolicited enquiries or orders from potential foreign buyers, N=865, %)



One third of the CEFTA business community agrees that unsolicited enquiry from potential foreign partner could prompt them to consider, or even decide to start selling their goods abroad. Enterprises in Bosnia and Herzegovina would be particularly motivated to explore new opportunities (66%). On the other hand,

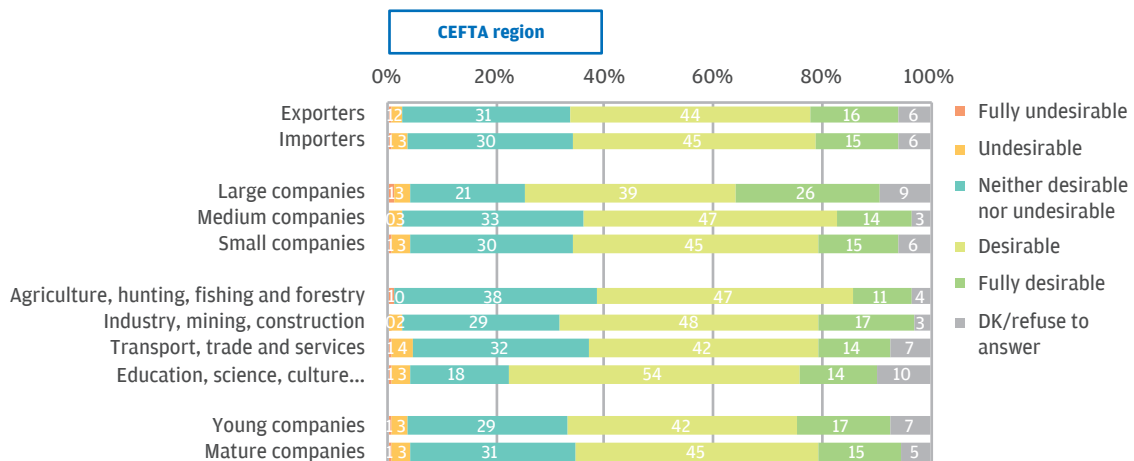
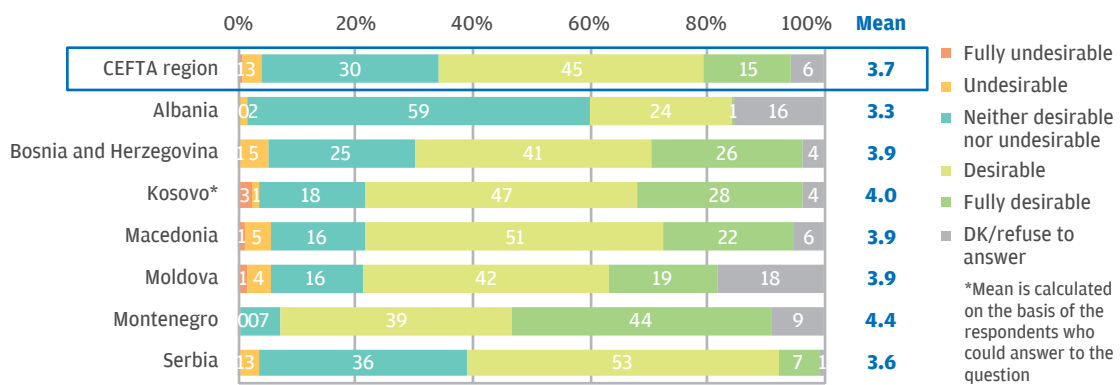
those in Serbia are again the least interested, or perhaps the most skeptical, on this issue.

Companies dealing with agriculture and related activities would be more willing to consider cooperation after an unexpected enquiry from abroad. The same is true for exporters.

ATTITUDES TOWARDS MOBILITY AND EMPLOYMENT

Figure 44: How desirable do you find cross-border movement of services providers (within the CEFTA region)?

(All respondents, N=1400, %)

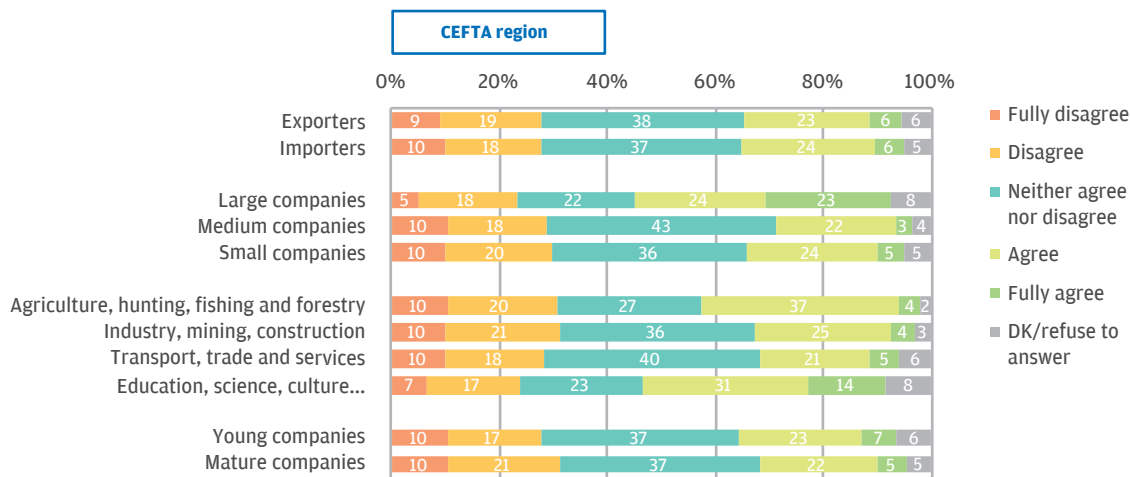
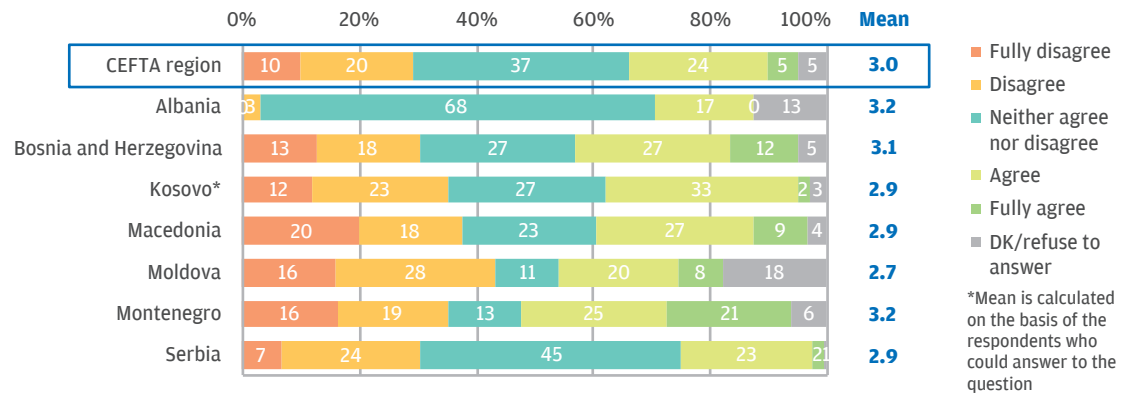


Taking into account the entire region, the majority of company leaders (60%) would gladly welcome cross-border movement of services providers within the CEFTA region (the average is 3.7). Considering economies separately, the biggest difference is observed between Albania, with fewest business leaders who would support this action (25%) and Montenegro where 83% of the respondents would be pleased about it.

Representatives of largest companies (250 or more employees) emphasize the importance of cross-border movement of services providers more often than others. Interestingly, this type of liberalization has less support among companies in service sectors. Probably due to concerns about an increase in competition, they do not recognize the benefits it could offer.

Figure 45: To what extent do you agree that access to workers from other CEFTA Parties is beneficial for your business?

(All respondents, N=1400, %)



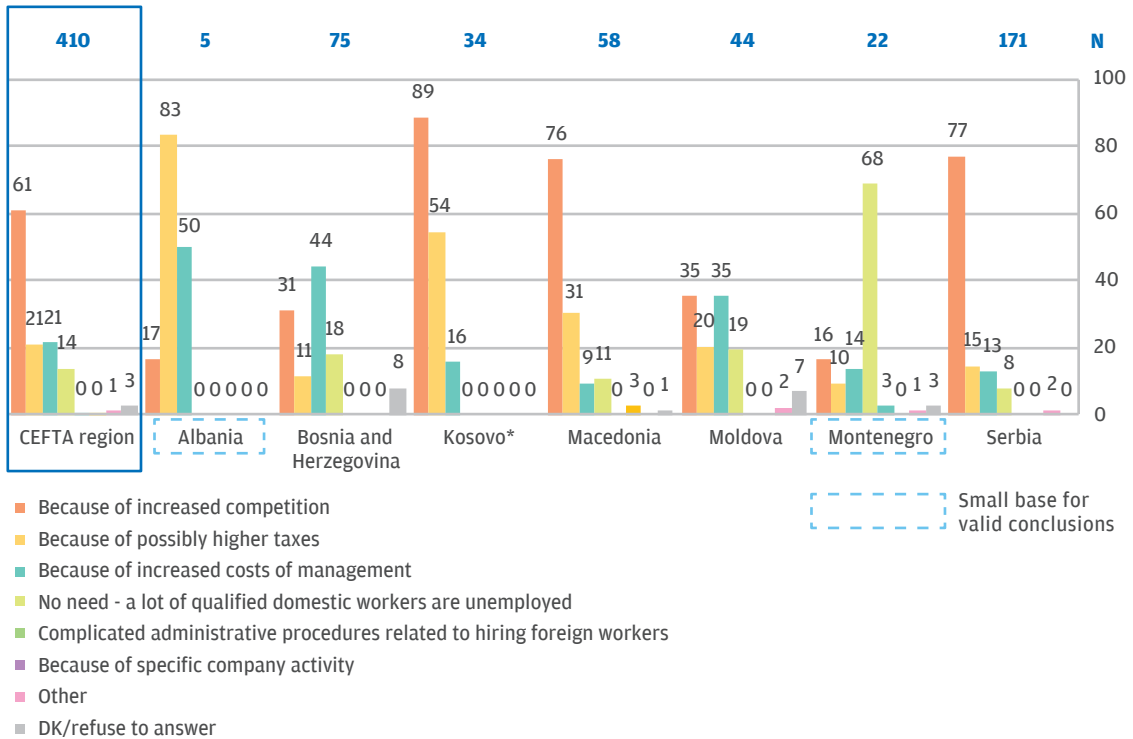
The opinion on potential benefits of the availability of the workers from other CEFTA Parties is quite divided. About 30% find it beneficial, 37% remain indifferent towards this issue, and other 30% consider it to be without any value for their business. Montenegrin businesspeople more frequently say that access to foreign employees contributes to their business than their colleagues from other economies. The fact that most of those who have the opposite

opinion live in Moldova (44%) confirms again that this economy has the weakest relations with the rest of the CEFTA region.

Analogous to the previous question, the largest companies are more enthusiastic about the possibility of reaching the neighboring labor force. On the other hand, compared to other fields, service sectors are more convinced of its lack of merit.

Figure 46: Why do you think this is so?

(Respondents who disagree that access to workers from other CEFTA Parties is beneficial for their business, N=410, %)



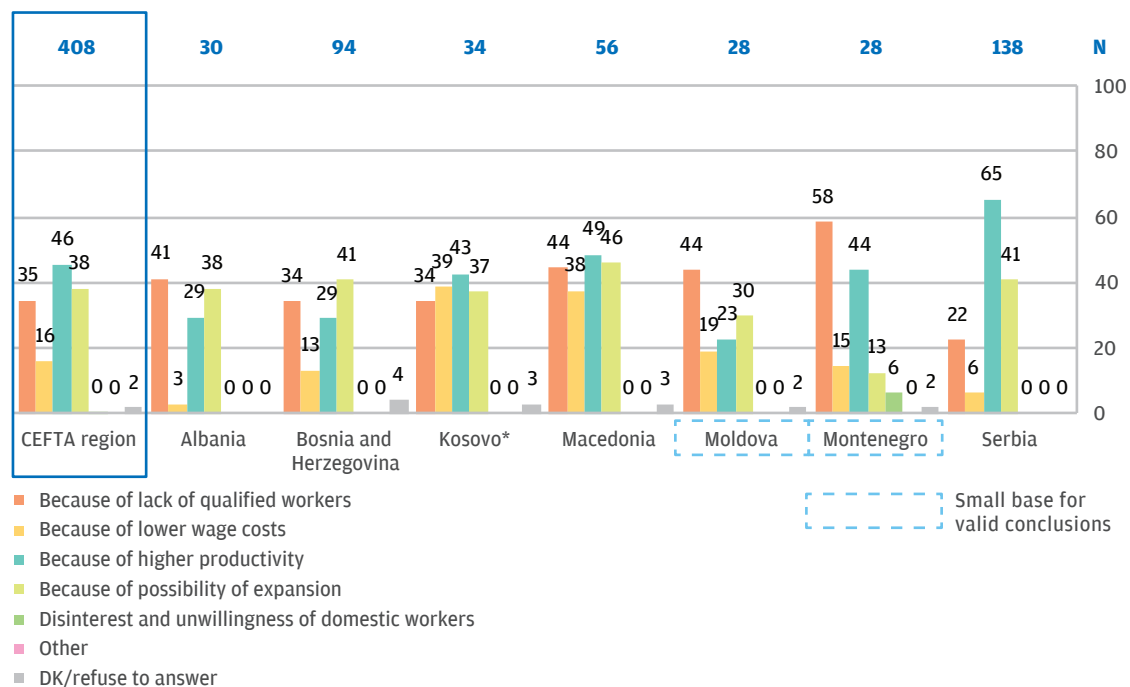
CEFTA region	Because of increased competition	Because of possibly higher taxes	Because of increased costs of management	No need - a lot of qualified domestic workers are unemployed	Complicated administrative procedures related to hiring foreign workers	Because of specific company activity	Other	DK/refuse to answer
Exporters	64	20	21	12	0	0	1	2
Importers	62	20	21	13	0	0	1	3
Large companies	31	24	37	20	0	0	0	9
Medium companies	62	15	22	10	0	0	0	3
Small companies	62	22	21	15	0	0	1	2
Agriculture, hunting, fishing and forestry	62	33	30	11	0	0	3	3
Industry, mining, construction	59	17	22	17	0	0	2	3
Transport, trade and services	64	25	19	12	0	0	0	2
Education, science, culture...	54	11	26	11	0	8	0	3
Young companies	61	19	23	13	0	0	0	5
Mature companies	61	22	21	13	0	1	1	2

Some CEFTA business leaders who do not support hiring foreign workers are primarily concerned about increased competition (61%). The possibility of higher taxes and increased management costs come in second (21%). Another reason which has come up refers to

high unemployment rates in the local economy (14%). Strengthening of the competition as a result of labor market liberalization is perceived more seriously in Kosovo* (89%), Macedonia (76%) and Serbia (77%).

Figure 47: Why do you think this is so?

(Respondents who agree that access to workers from other CEFTA Parties is beneficial for their business, N=408, %)



Company representatives are of the opinion that employing workers from other CEFTA Parties would positively affect their productivity (46%), followed by their business growth (38%). In addition, one third finds it beneficial because they are not content with the number of qualified employees in domestic labor market (35%). Enterprises in Kosovo* and Macedonia believe it would cause a drop in wage costs, while those in Serbia are convinced that it would improve efficiency more than others.

Compared to service providers, lower wage costs are more frequently highlighted by the other three business sectors.

CEFTA region	Because of lack of qualified workers	Because of lower wage costs	Because of higher productivity	Because of possibility of expansion	Disinterest and unwillingness of domestic workers	Other	DK/refuse to answer
Exporters	36	15	42	43	0	0	1
Importers	34	16	46	37	0	0	2
Large companies	44	6	37	26	0	0	0
Medium companies	37	9	38	47	0	0	2
Small companies	33	18	48	37	1	0	2
Agriculture, hunting, fishing and forestry	26	30	39	59	0	0	0
Industry, mining, construction	34	8	51	34	0	0	3
Transport, trade and services	34	18	44	40	1	0	1
Education, science, culture...	45	33	35	38	1	0	3
Young companies	34	17	42	41	1	0	2
Mature companies	37	14	44	40	0	0	2

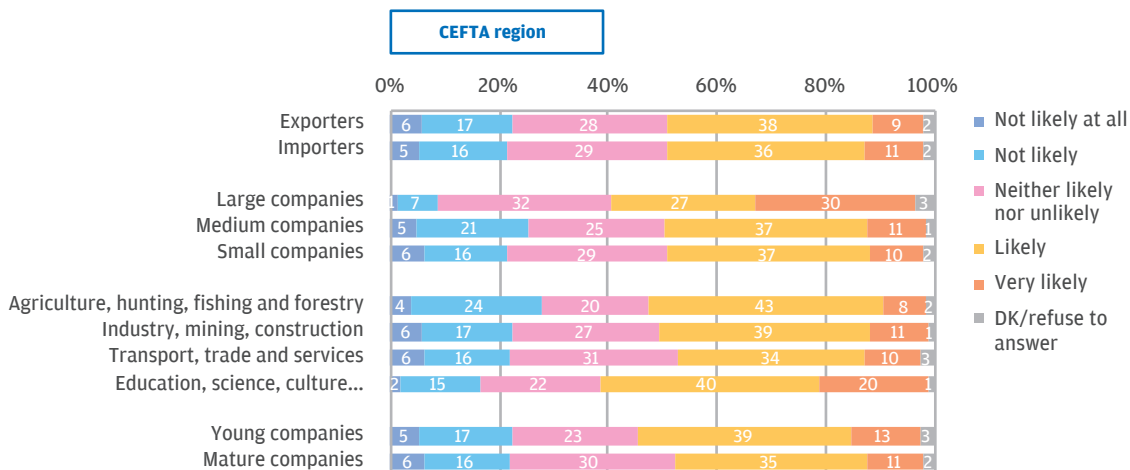
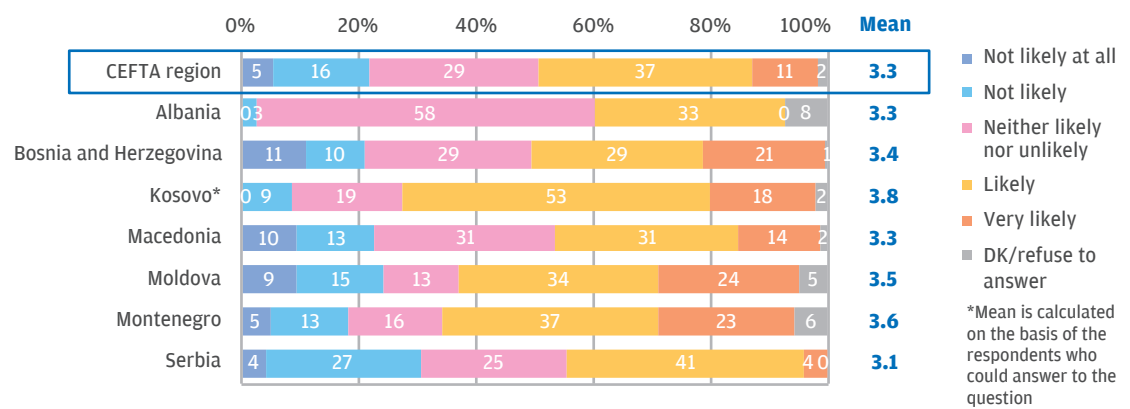
Large companies Small base for valid conclusions



ATTITUDES TOWARDS INVESTMENT, INTERNATIONALIZATION AND VALUE-CHAINS

Figure 48: How likely would you be to welcome foreign multinationals increasing their presence in the country and in the region?

(All respondents, N=1400, %)

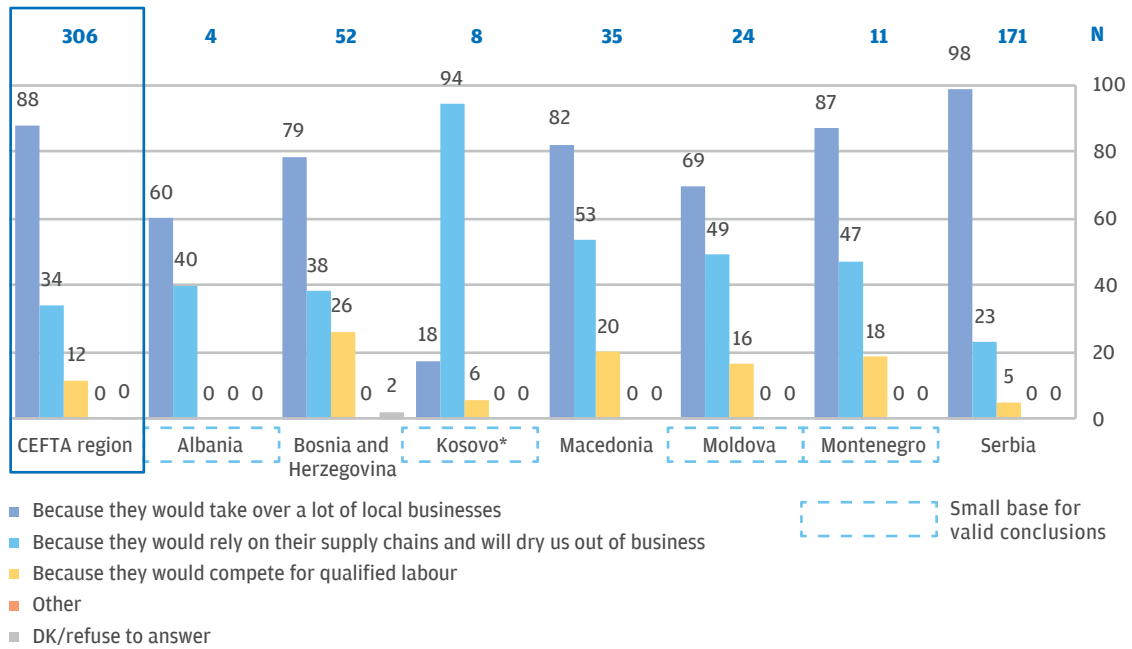


At the regional level, approximately half of the companies would welcome increasing the number of foreign multinationals in local and regional market (the average is 3.3). Kosovo* is particularly enthusiastic about that opportunity (71% of supporters), while Serbia seems most reserved (with 45% supporters).

Heads of largest companies claim that it would be important more often than those who manage smaller firms. Also, firms operating in the education sector and related activities recognize opportunities in the increased presence of multinationals more clearly.

Figure 49: Why do you think this is so?

(Respondents who would not like foreign multinationals to increase their presence in the country and in the region, N=306, %)



CEFTA region	Because they would take over a lot of local businesses	Because they would rely on their supply chains and will dry us out of business	Because they would compete for qualified labor	Other	DK/refuse to answer
Exporters	90	31	11	0	1
Importers	87	35	11	0	0
Large companies	100	59	7	0	0
Medium companies	91	33	10	0	0
Small companies	86	34	12	0	1
Agriculture, hunting, fishing and forestry	92	42	9	0	0
Industry, mining, construction	90	25	11	0	0
Transport, trade and services	84	40	11	0	1
Education, science, culture...	98	39	29	0	0
Young companies	85	43	11	0	0
Mature companies	87	32	13	0	1

Small base for valid conclusions

One fifth of the total number of surveyed companies thinks it is not smart to increase the presence of foreign multinationals in their

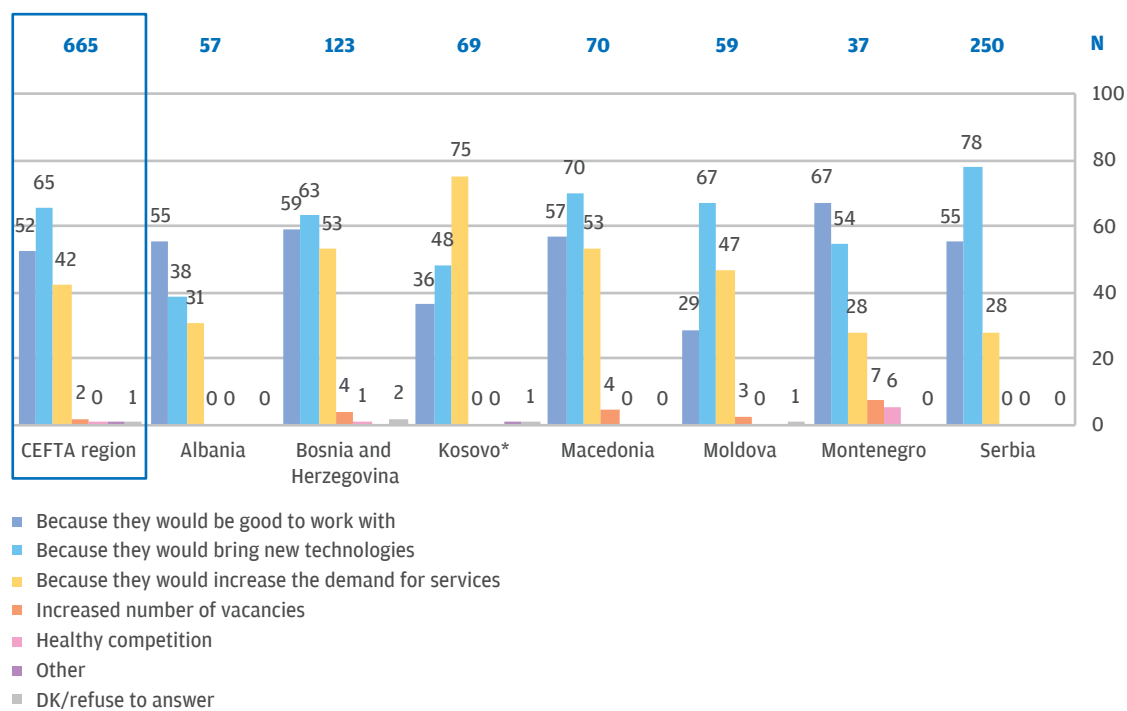
economy and in the region. A vast majority (88%) state the potential of taking over a lot of local businesses as the main reason for this

attitude. This is followed by the belief that relying on existing supply chains will dry local companies out of business (34%). Comparing economies to each other, Serbia is once again the most skeptical towards opportunities coming from abroad.

Compared to industrial manufacturers, firms operating in transport, trade and related areas are more concerned about declining business if foreign multinationals rely on their own suppliers. Exporters have similar fears related to taking over large segments of local businesses.

Figure 50: Why do you think this is so?

(Respondents who would like foreign multinationals to increase their presence in the country and in the region, N=665, %)



Two thirds of those who support activities of foreign multinationals in local and regional market believe they bring innovations and new technologies which will improve their business. More than half emphasize it is good to cooperate with big global players, while two fifths are convinced it would increase demand for domestic services. The former opinion is more common in Serbia (78%), and the latter one is particularly widespread in Kosovo* (75%).

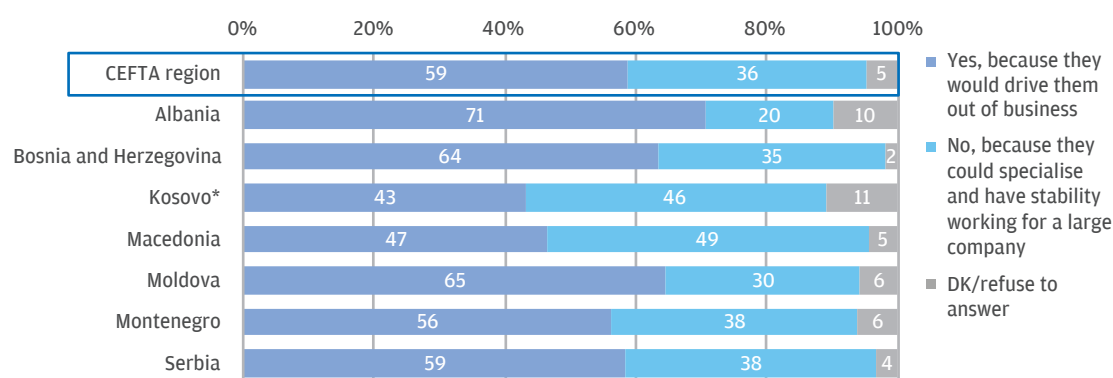
Industrial manufacturers seem to be more willing to accept new technologies provided by foreign multinationals than firms in service sectors.

CEFTA region	Because they would be good to work with	Because they would bring new technologies	Because they would increase the demand for services	Increased number of vacancies	Healthy competition	Other	DK/refuse to answer
Exporters	55	65	41	2	0	0	1
Importers	51	64	44	2	1	0	0
Large companies	48	52	59	0	0	0	0
Medium companies	55	66	40	3	0	0	1
Small companies	52	66	42	2	1	0	0
Agriculture, hunting, fishing and forestry	49	75	43	5	0	0	0
Industry, mining, construction	51	73	41	1	0	0	0
Transport, trade and services	54	58	43	2	1	0	0
Education, science, culture...	56	61	41	4	1	0	2
Young companies	54	60	46	3	1	0	1
Mature companies	54	66	43	1	0	0	0

Small base for valid conclusions

Figure 51: Do you think that existing small and medium size enterprises will suffer if large cross-border firms (firms from other CEFTA Parties) increase their presence?

(All respondents, N=1400, %)



The majority of CEFTA business representatives (59%) agree that small and medium companies will be threatened if large cross-border firms increase their presence. Albanian leaders (71%) are more worried than others, except

for those from Bosnia and Herzegovina (64%) and Serbia (59%). On the other hand, Kosovo* (43%) and Macedonia (47%) seem to be the least troubled about this issue.

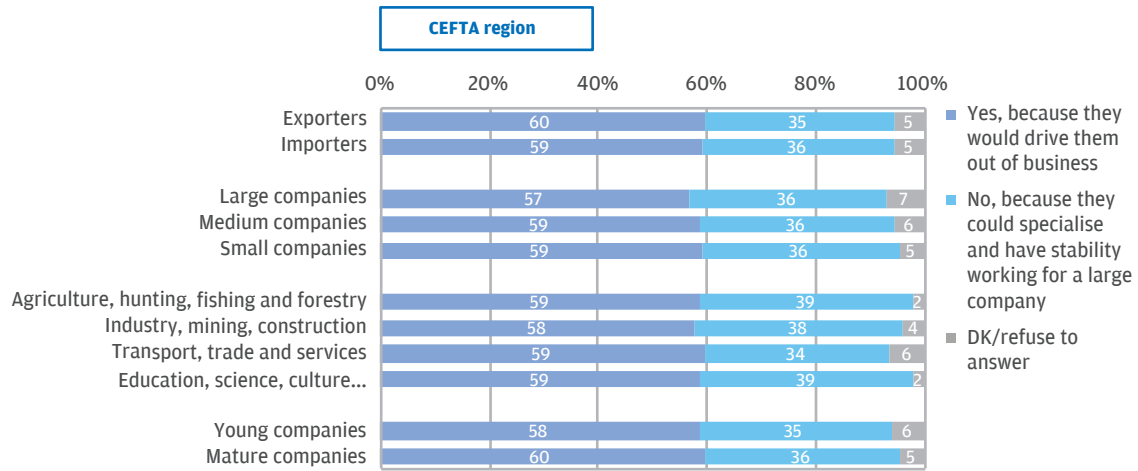
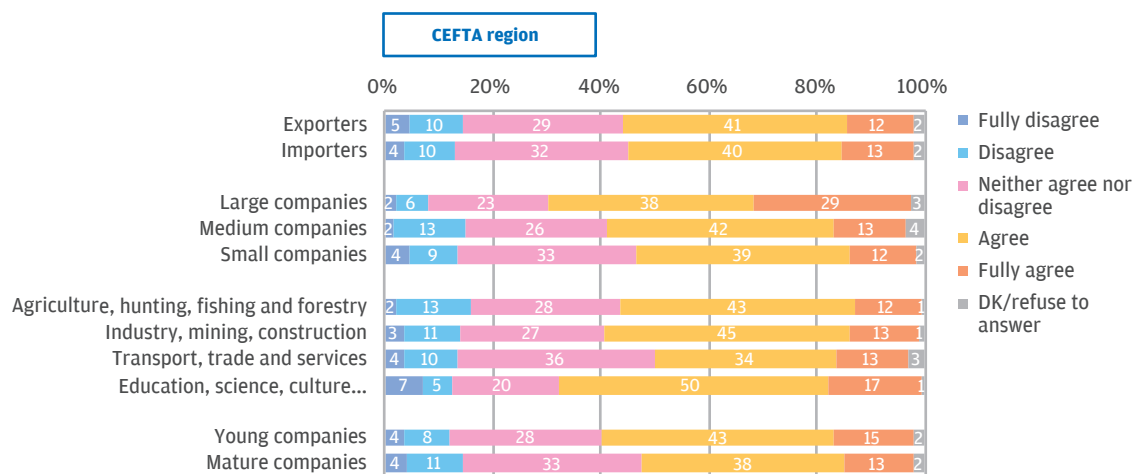
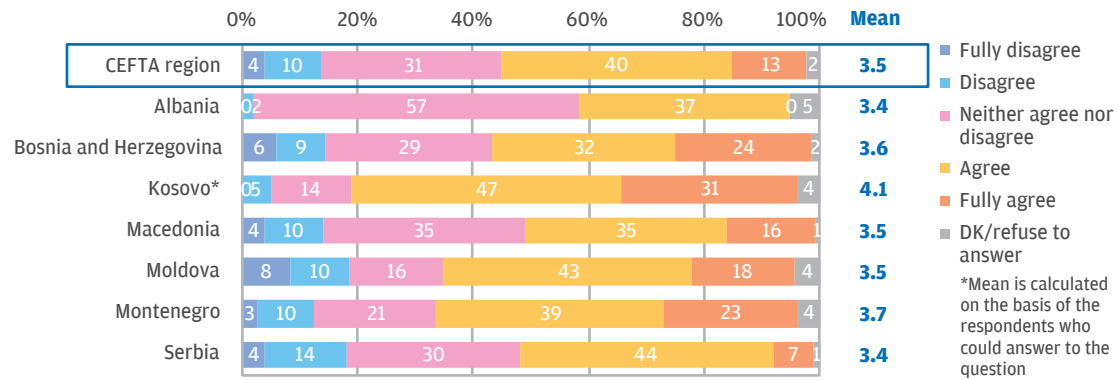


Figure 52: To what extent do you agree that multinationals are needed for development?

(All respondents, N=1400, %)



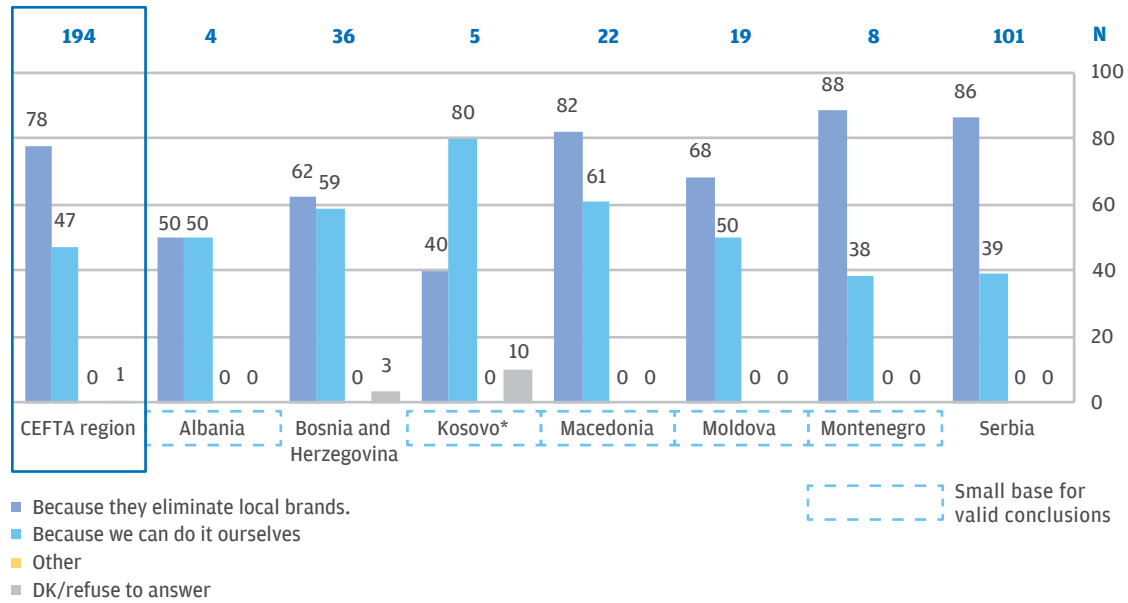
Regardless of their concerns about how multinationals could affect local businesses, more than half of the CEFTA business community (53%) is of the opinion that foreign companies are necessary for further development; 30% are restrained while 14% think differently.

Companies in Kosovo* (78%) support the arrival of multinationals more than others.

Heads of large companies (250 or more employees) more often completely agree that businesses coming from abroad are needed for progress.

Figure 53: Why do you think this is so?

(Respondents who disagree that multinationals are needed for development, N=194, %)



CEFTA region	Because they eliminate local brands	Because we can do it ourselves	Other	DK/refuse to answer
Exporters	77	49	0	0
Importers	78	46	0	1
Large companies	87	13	0	0
Medium companies	69	38	0	0
Small companies	80	51	0	1
Agriculture, hunting, fishing and forestry	47	69	0	0
Industry, mining, construction	79	52	0	0
Transport, trade and services	82	41	0	2
Education, science, culture...	58	57	0	0
Young companies	83	44	0	2
Mature companies	77	46	0	0

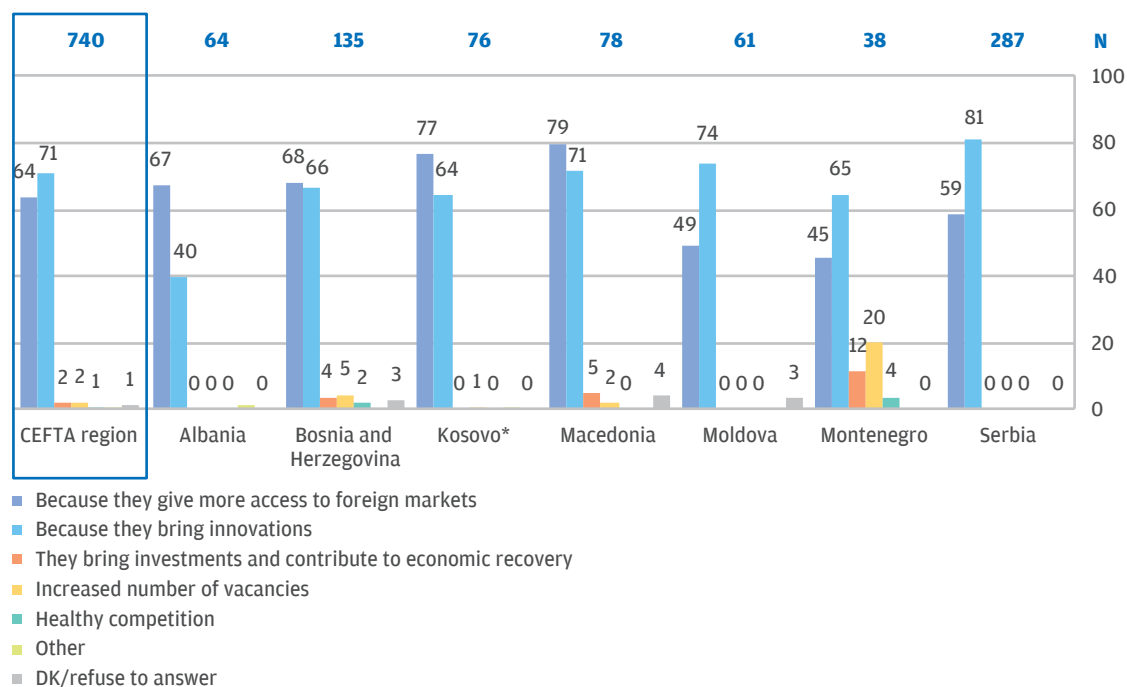
Small base for valid conclusions (dashed box)

Those convinced of the harmful impact of multinationals have this attitude mostly because of concerns they will eliminate local brands (78%). Almost half of them are quite self-confident and claim that improvement can be achieved using local resources and capacities.

Serbian business people (86%) cite the potential risk of eliminating domestic brands more frequently than their colleagues in Bosnia and Herzegovina (62%), who are almost equally cautious about both possible threats.

Figure 54: Why do you think this is so?

(Respondents who agree that multinationals are needed for development, N=740, %)



Business leaders who support the arrival of multinationals consider innovations they bring to be of major importance for further development (71%). Almost two thirds also agree they provide more access to foreign markets and make this access easier. Enterprises in Serbia (81%) are more inclined to cite the former reason than others, except for Moldova (74%) and Macedonia (71%). Another benefit which is particularly frequently recorded in Montenegro, refers to increasing the number of jobs. The latter is also more frequently mentioned by representatives from the service

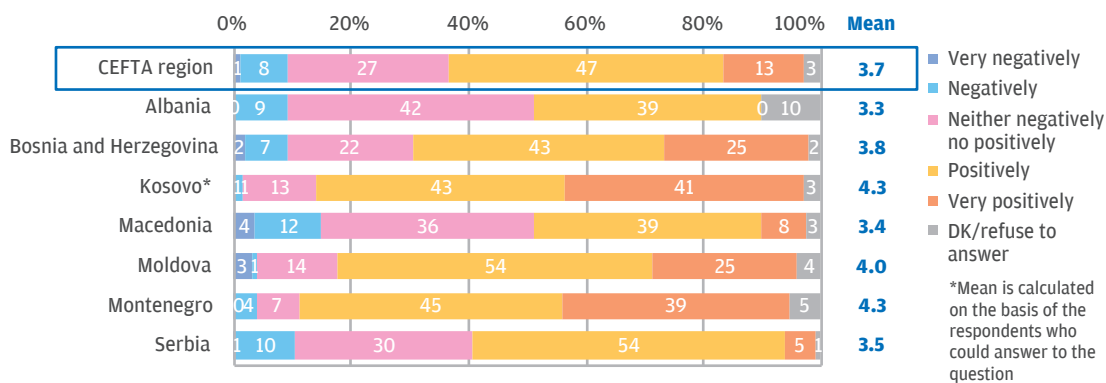
sector. The number of managers of the largest companies who believe multinationals benefit the local business environment by creating healthy competition is above average.

CEFTA region	Because they give more access to foreign markets	Because they bring innovations	They bring investments and contribute to economic recovery	Increased number of vacancies	Healthy competition	Other	DK/refuse to answer
Exporters	65	69	2	1	1	0	1
Importers	64	69	2	2	1	0	1
Large companies	59	80	0	1	4	0	4
Medium companies	65	66	2	2	0	1	1
Small companies	64	71	2	2	0	0	1
Agriculture, hunting, fishing and forestry	67	83	0	0	0	0	0
Industry, mining, construction	64	73	1	1	0	0	2
Transport, trade and services	65	67	3	4	1	0	0
Education, science, culture	58	78	1	1	2	0	2
Young companies	68	68	2	2	1	0	2
Mature companies	65	69	2	3	1	0	1

Small base for valid conclusions

Figure 55: In your opinion, how do foreign investments affect your local economy?

(All respondents, N=1400, %)



Taking into consideration the entire CEFTA region, three fifths of respondents are convinced that the impact of foreign investments on their economy is positive (the average is 3.7). Looking at markets separately, a positive attitude also prevails. With 84% of companies

which believe that foreign investments contribute to improvement, Kosovo* and Montenegro would welcome them more gladly than others (the average is 4.3 in both economies), followed by Moldova (4.0). Albania is most distrustful of overseas capital (3.3) and

this is corroborated by the fact there are no respondents who think foreign investments affect local economy very positively.

Firms employing 250 or more people and those established after 2004 emphasize their favorable impact more than others.

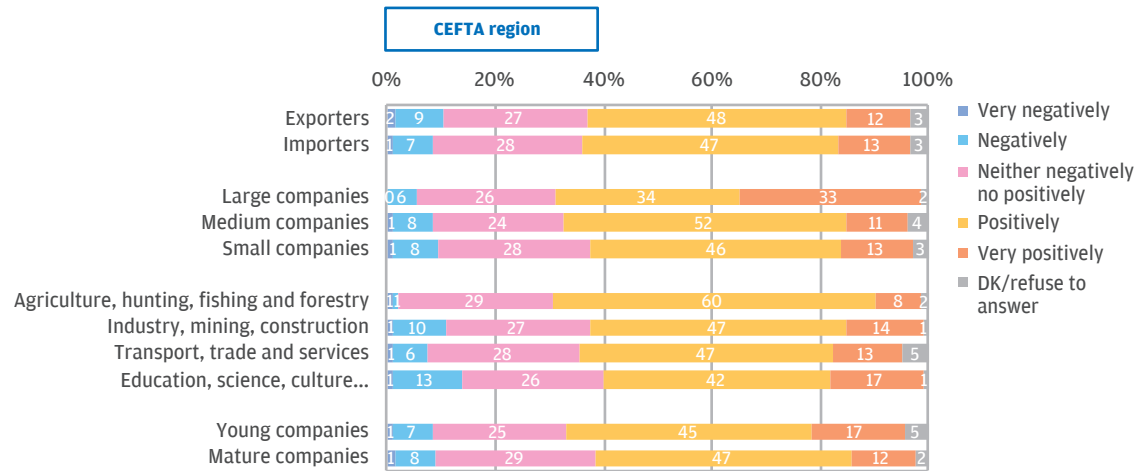
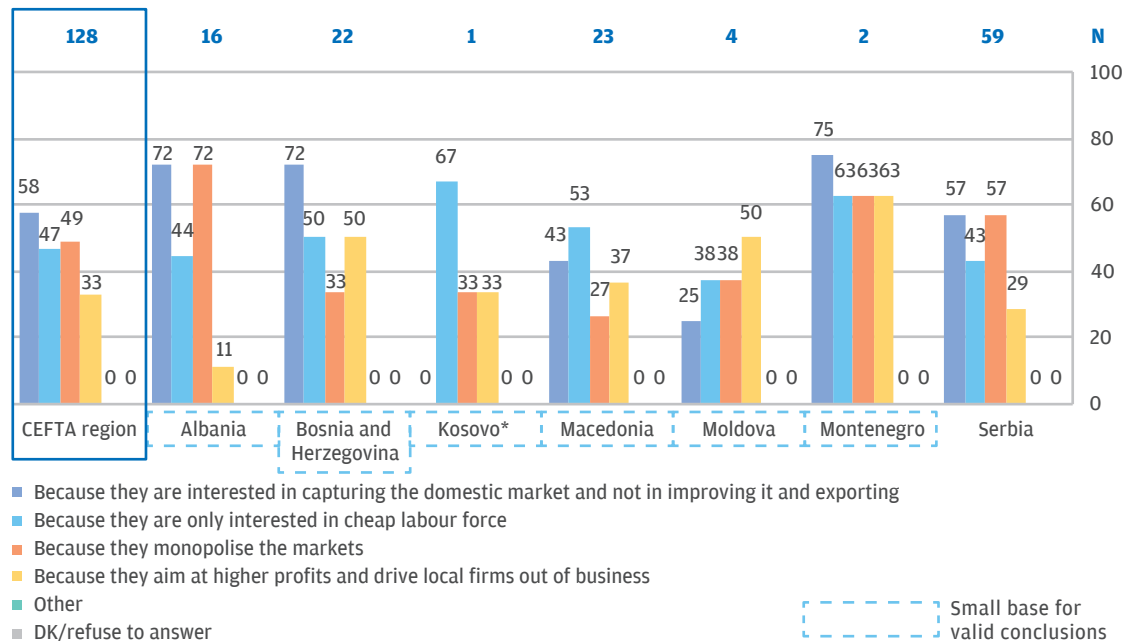


Figure 56: Why do you think this is so?

(Respondents who think that foreign investments affect the local economy negatively, N=128, %)



The minority (9%) who doubt that effects of foreign investments are positive state that the reason is that companies from abroad

are primarily interested in capturing the domestic market and will let it deteriorate (58%). Furthermore, they state that the local

market is attractive to investors from abroad only because it provides an easy opportunity for establishing monopoly (49%) and cheap workforce (47%).

Representatives of mature companies (established before 2005) are more concerned about the possibility of being driven out of business.

CEFTA region	Because they are interested in capturing the domestic market and not in improving it and exporting	Because they are only interested in cheap labor force	Because they monopolize the markets	Because they aim at higher profits and drive local firms out of business	Other	DK/refuse to answer
Exporters	55	49	54	31	0	0
Importers	55	47	49	36	0	0
Large companies	0	0	0	100	0	0
Medium companies	33	47	53	47	0	0
Small companies	65	48	49	28	0	0
Agriculture, hunting, fishing and forestry	27	0	27	46	0	0
Industry, mining, construction	59	48	53	35	0	0
Transport, trade and services	61	47	47	29	0	0
Education, science, culture...	42	44	38	38	0	0
Young companies	66	40	59	13	0	0
Mature companies	59	45	48	42	0	0

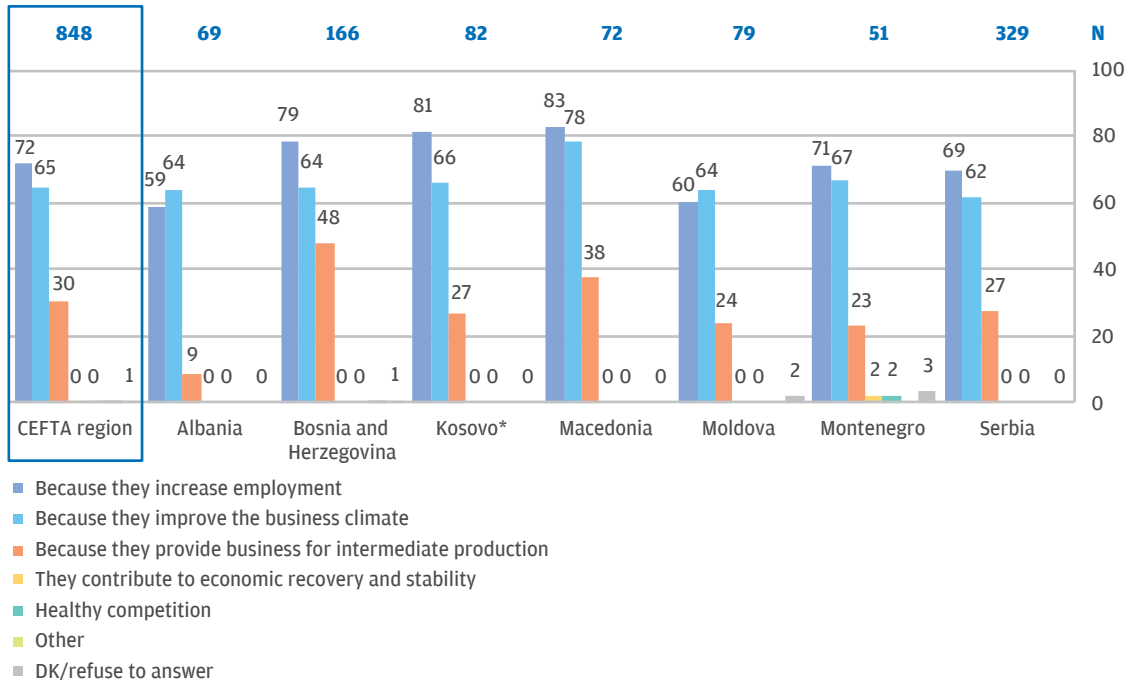
Small base for valid conclusions

Figure 57: Why do you think this is so?

(Respondents who think that foreign investments affect the local economy positively, N=848, %)

Business leaders who expect betterment due to foreign investments (60%) consider increased employment to be most creditable for that (72%). Improved business climate is marked as second most important reason (65%), followed by favorable opportunities to develop intermediate production (30%). Firms in Bosnia and Herzegovina (48%) recognize their chance in last mentioned issue significantly more often than others.

Producing intermediate goods is also more challenging for large companies and industrial manufacturers.

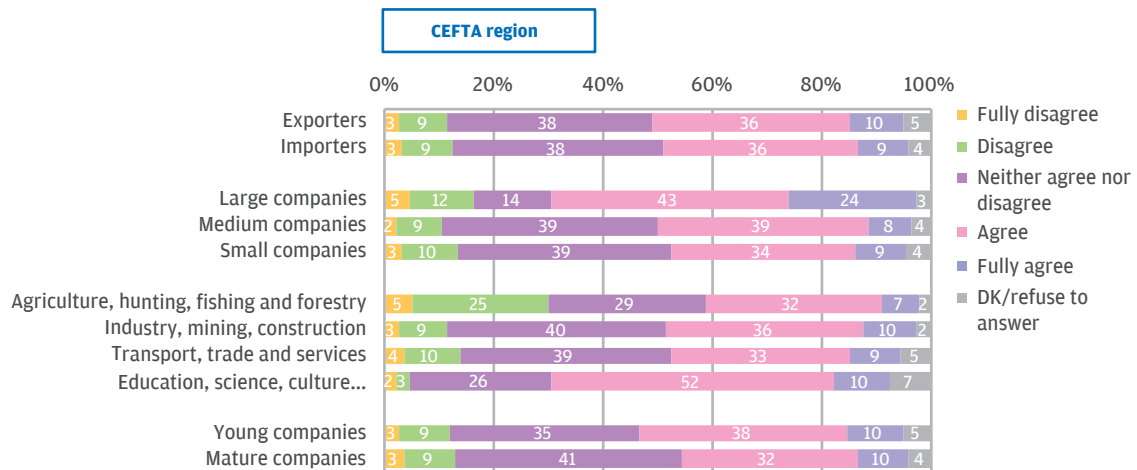
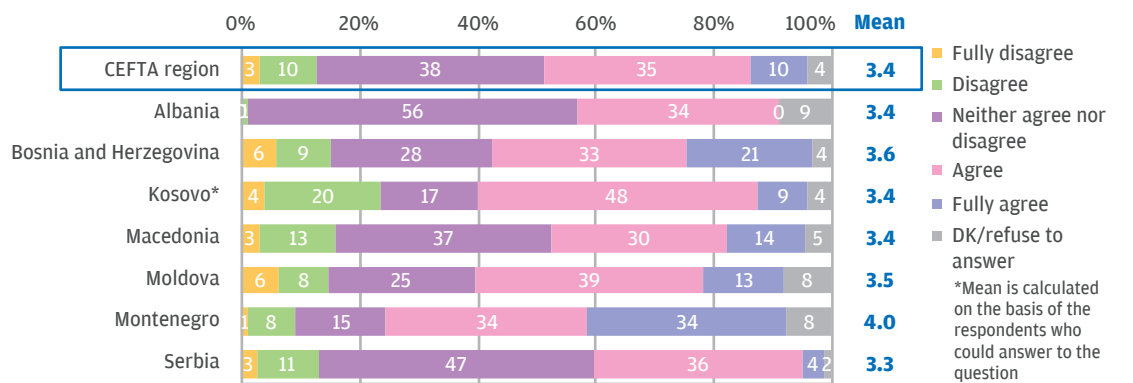


CEFTA region	Because they increase employment	Because they improve the business climate	Because they provide business for intermediate production	They contribute to economic recovery and stability	Healthy competition	Other	DK/refuse to answer
Exporters	70	64	31	0	0	0	1
Importers	73	64	31	0	0	0	1
Large companies	65	76	52	0	1	0	0
Medium companies	68	57	29	0	0	0	1
Small companies	73	66	29	0	0	0	0
Agriculture, hunting, fishing and forestry	74	64	24	1	1	0	1
Industry, mining, construction	67	68	36	0	0	0	0
Transport, trade and services	76	63	26	0	0	0	0
Education, science, culture...	68	56	28	1	0	3	3
Young companies	70	69	30	0	0	0	1
Mature companies	74	62	31	0	0	0	0

TRADE IN SERVICES

Figure 58: To what extent do you agree that liberalization of the market for services (no restrictions for foreign firms and individuals to offer labor and other services within the CEFTA region) would benefit your business?

(All respondents, N=1400, %)



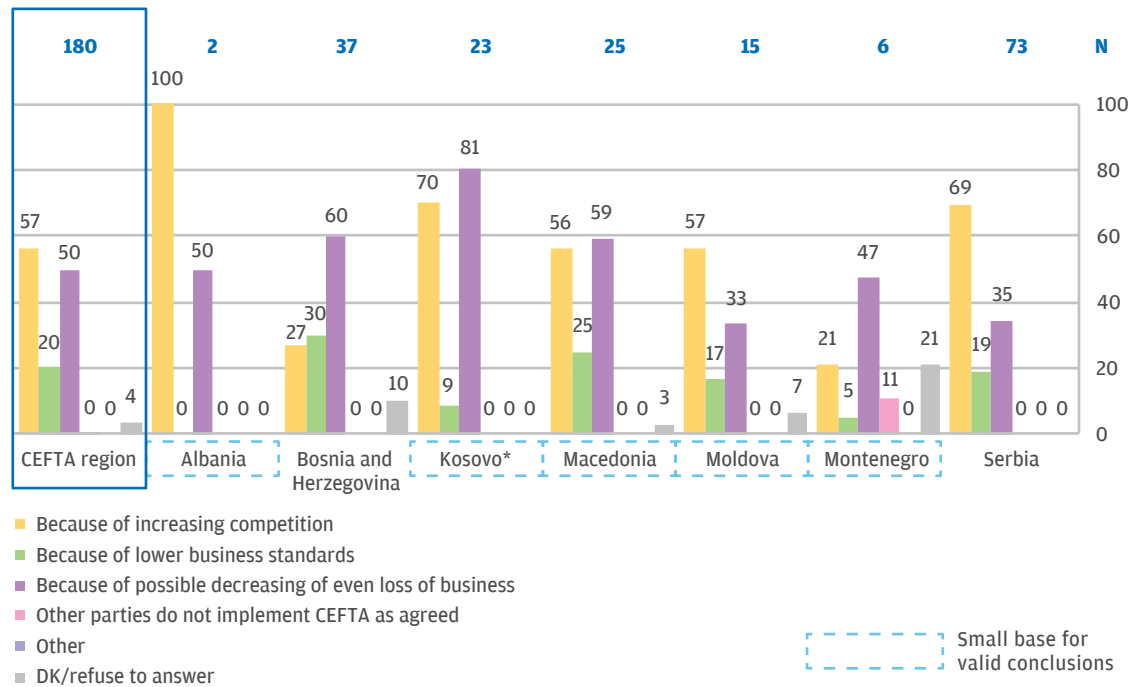
The CEFTA business community is convinced of advantages which would be provided through liberalization of the market for services (the average is 3.4). 44% agree it would be useful for their business; 38% remain indecisive, and 13% do not consider it beneficial. Compared to the rest, Montenegrin companies have the highest expectations from the liberalization of

the market for services - those who fully believe it would benefit their business are most numerous in this economy.

Also, larger enterprises are more optimistic than smaller ones, and so are educational institutions compared to other business segments.

Figure 59: Why do you think this is so?

(Respondents who disagree that liberalization of services markets would benefit their business, N=180, %)



CEFTA region	Because of increasing competition	Because of lower business standards	Because of possible decreasing of even loss of business	Other countries do not implement CEFTA as agreed	Other	DK/refuse to answer
Exporters	61	22	42	0	0	1
Importers	56	19	52	0	0	4
Large companies	38	21	41	0	0	0
Medium companies	36	34	51	0	0	3
Small companies	62	17	50	0	0	4
Agriculture, hunting, fishing and forestry	44	17	43	0	0	3
Industry, mining, construction	58	30	49	0	0	2
Transport, trade and services	58	15	51	1	0	5
Education, science, culture...	44	0	43	0	0	13
Young companies	57	15	52	1	0	6
Mature companies	55	21	50	0	0	3

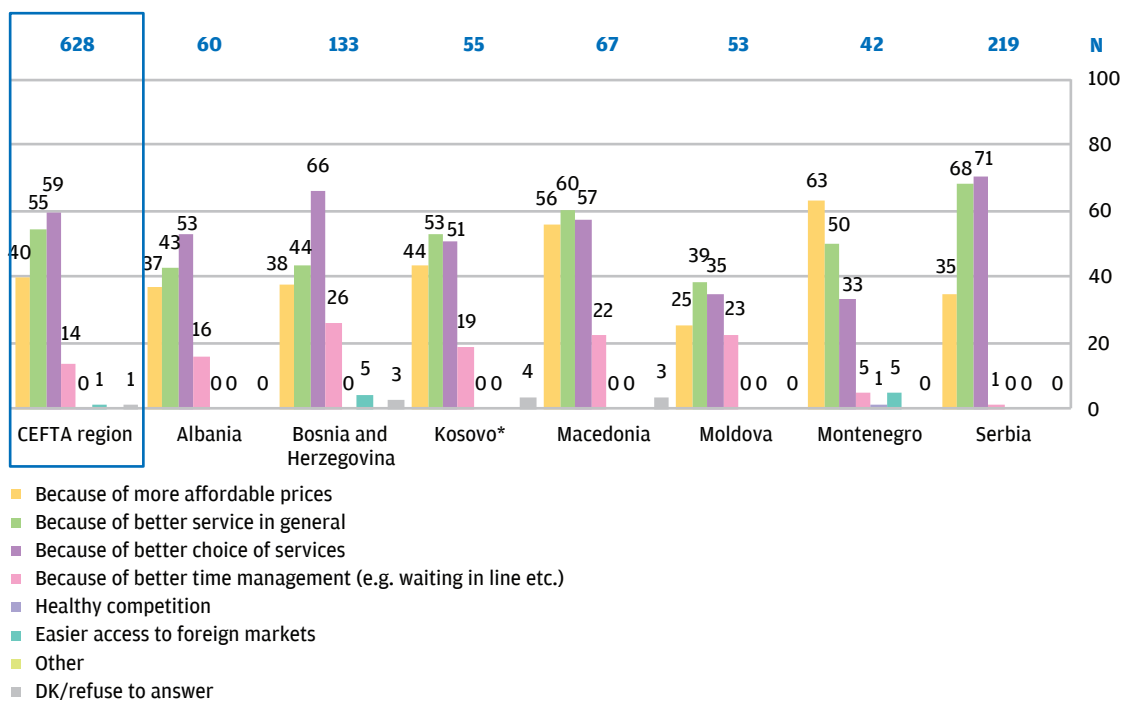
Small base for valid conclusions

At the regional level, stronger and increased competition is perceived as the biggest problem which could be caused by the liberalization of the services market (57%). The possibility of decline or even losing the business comes in second (50%) followed by concerns

about lower standards (20%). Fear of competitors is more pronounced in Serbia (69%) than in Bosnia and Herzegovina (27%). Companies in the latter economy are more worried about business loss. The same is true for importers compared to exporters.

Figure 60: Why do you think this is so?

(Base: Respondents who agree that liberalization of services markets would benefit their business, N=628, %)



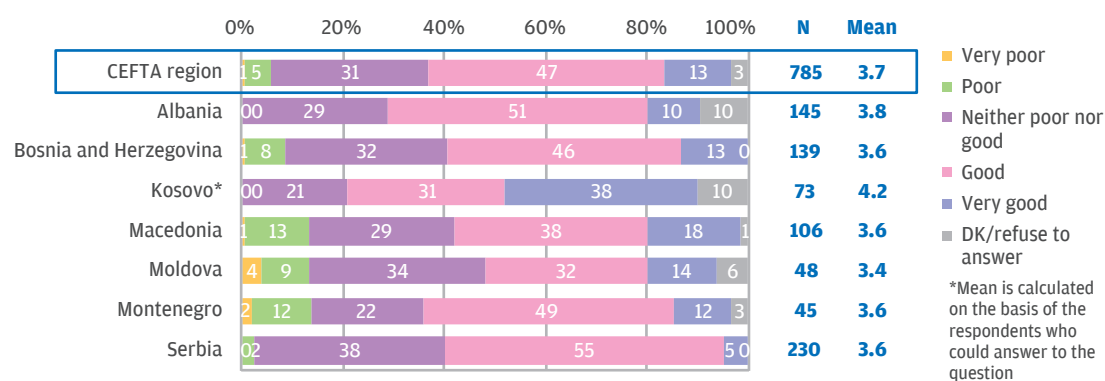
Companies which welcome the liberalization of the services market are particularly pleased with having a better choice of services (59%) and enhanced service in general (55%). Two fifths of them also expect more favorable prices. Compared to most of the other Parties, Serbia is more focused on the wider variety and overall improvement of services. Macedonia (56%) and Montenegro (63%) hope for lowering of prices significantly more than others.

It seems that the largest firms are more optimistic with regard to this issue, especially in terms of the general quality of service and time management optimization. Those operating in transport, trade and related fields concentrate on more favorable prices to a greater extent than others, while industrial manufacturers are more satisfied with having a wider variety of options.

CEFTA region	Because of more affordable prices	Because of better service in general	Because of better choice of services	Because of better time management (e.g. waiting in line etc.)	Healthy competition	Easier access to foreign markets	Other	DK/refuse to answer
Exporters	42	54	61	15	0	1	0	1
Importers	39	56	58	14	0	1	0	1
Large companies	48	73	55	36	0	0	0	0
Medium companies	36	57	56	9	0	0	0	2
Small companies	40	53	60	13	0	2	0	1
Agriculture, hunting, fishing and forestry	16	56	61	16	0	8	0	0
Industry, mining, construction	33	56	64	13	0	1	0	1
Transport, trade and services	45	57	55	14	0	1	0	1
Education, science, culture...	51	35	61	13	0	0	0	2
Young companies	43	54	54	17	0	0	0	2
Mature companies	41	58	61	14	0	2	0	1

Figure 61: How do you rate the competitiveness of domestic services in your own business area?

(Respondents from the service sector, N=785, %)



The majority of business leaders (60%) of companies which provide some type of service rate the competitiveness of domestic services in their own business area fairly well (regional the average is 3.7). Kosovo* stands out with

the number of those who are satisfied with this issue (69%) and it could be said that this economy is proud of the quality of their own service sector more than all others (4.2).

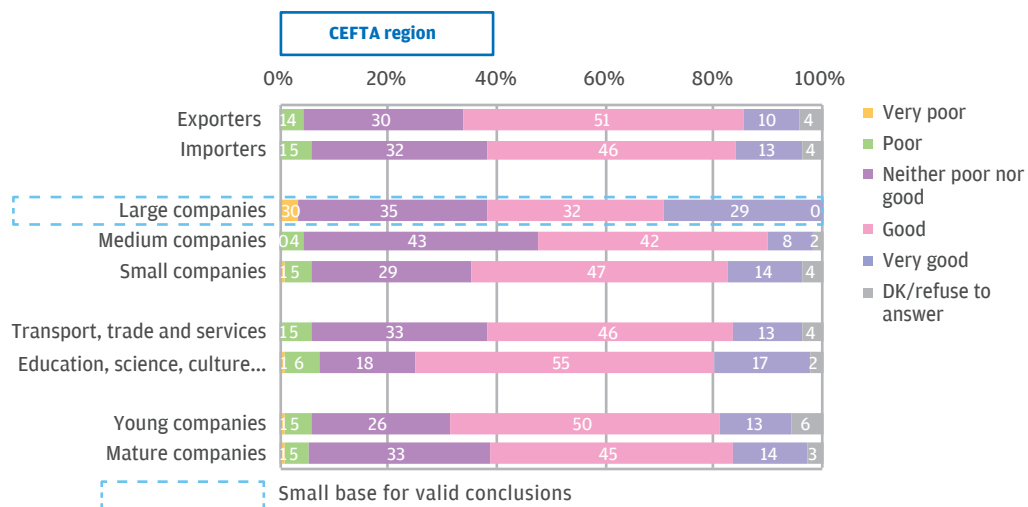
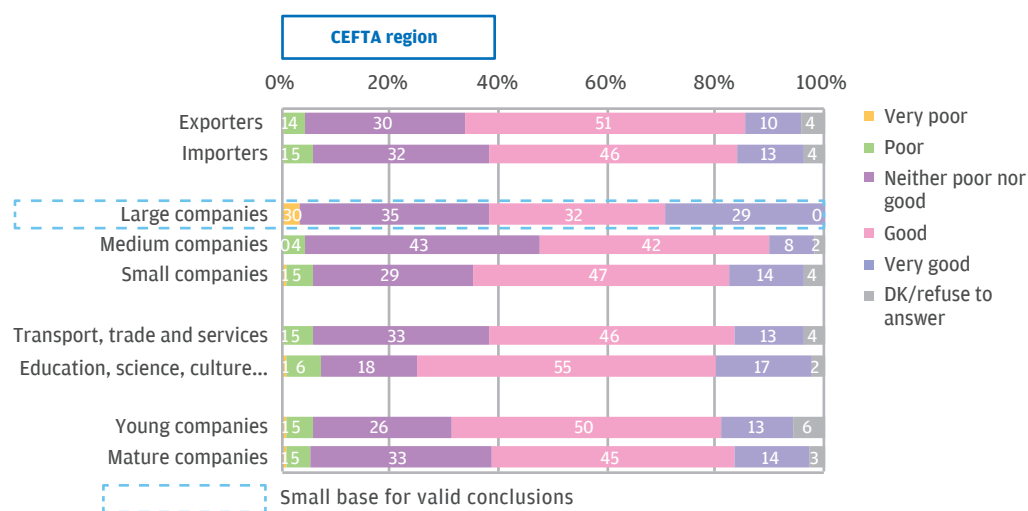
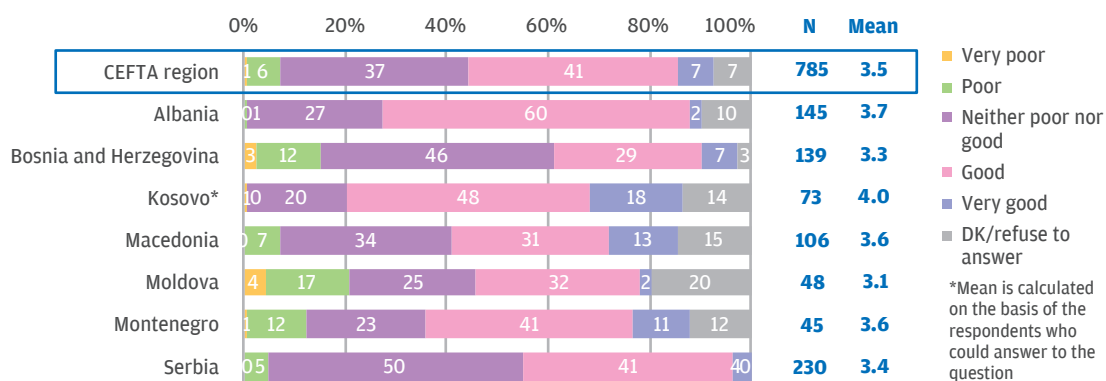


Figure 62: How do you rate the competitiveness of domestic services in other service sectors?

(Respondents from the service sector, N=785, %)



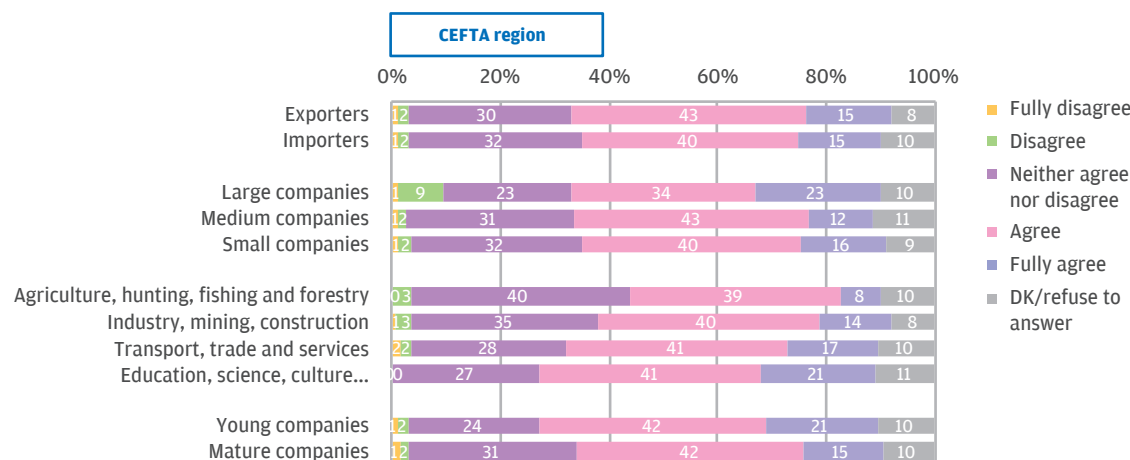
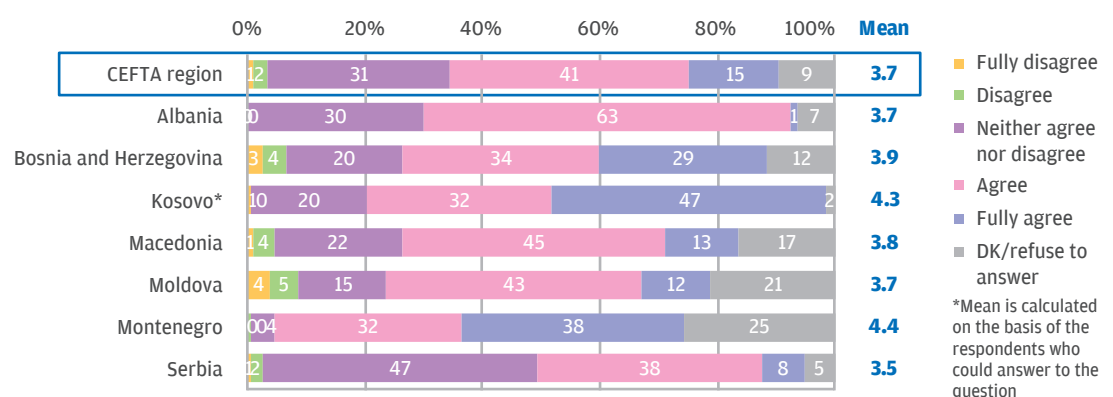
Although to a somewhat lesser extent than in the own service sector, CEFTA business representatives highly rate the competitiveness of domestic services in other similar areas – almost half of them agree it is at a satisfactory level (the average is 3.5). Supporters of this opinion are again more numerous in Kosovo*

(66%) than in other Parties, except for Albania (62%).

Small companies (up to 49 employees) as well as young ones (established after 2004) have more confidence in the competitiveness of domestic services.

Figure 63: To what extent do you agree that cross-border (within the CEFTA region) services in education and health are beneficial?

(All respondents, N=1400, %)



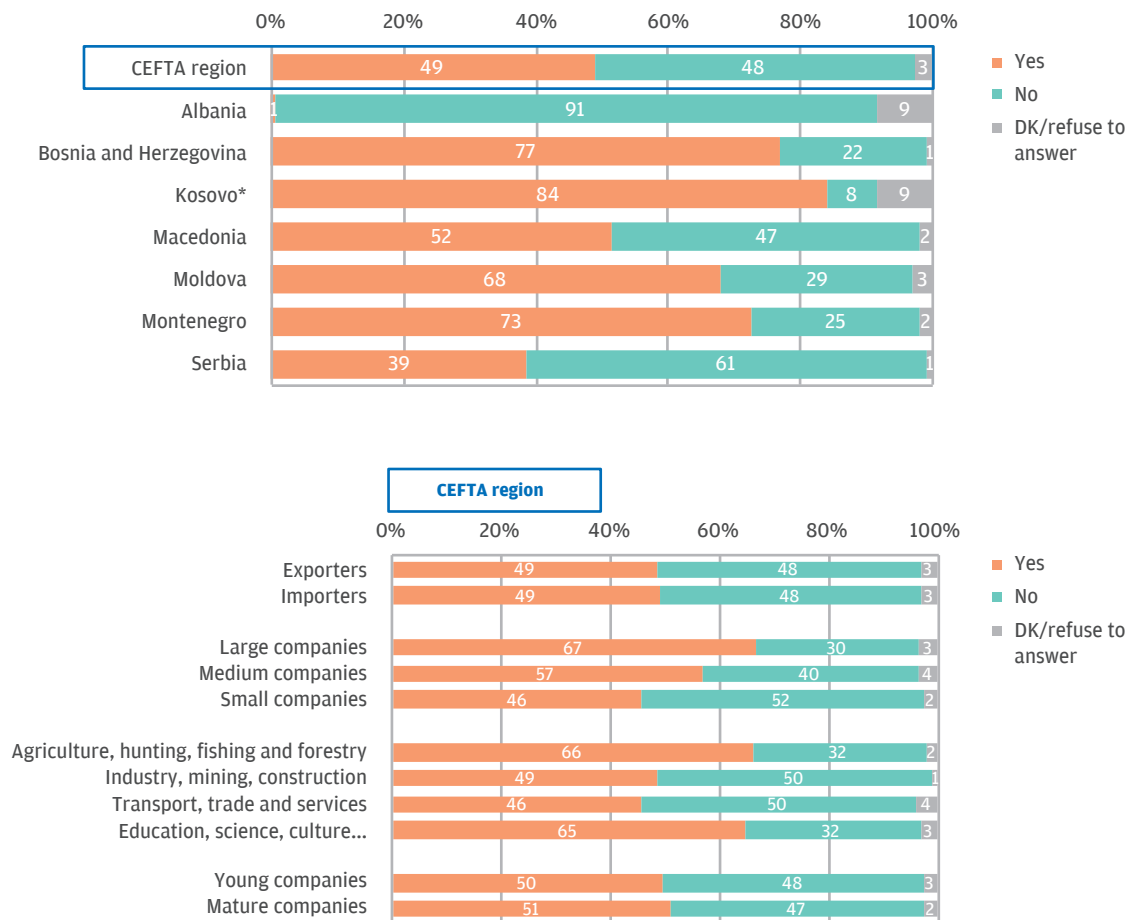
Once again, the majority in the CEFTA business community (56%) agree that cross-border cooperation, related to education and health services, would have positive effects. Considering the number of those who answered affirmatively, Kosovo* most firmly believes in the benefits of this action (79%), followed by Montenegro (70%).

Compared to others, representatives of large and young companies agree more frequently that regional collaboration in the area of education and health would be beneficial.

SOURCES OF ADVICE

Figure 64: Do you seek external advice or information on matters affecting your business? Please focus on situations when this has been more than a casual conversation.

(All respondents, N=1400, %)

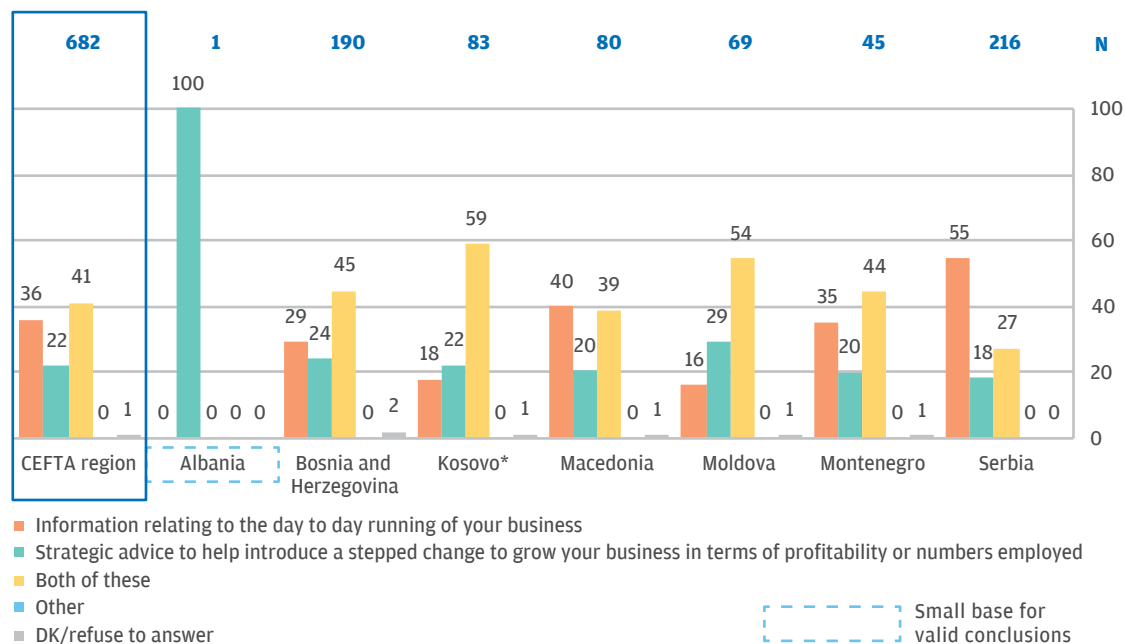


At the regional level, an equal number of enterprises consult external sources for issues they find important (49%) and do not seek other opinions (48%). Companies in Albania are more distrustful of outside information than all others; in fact, there is no firm whose representatives confirm this practice. Although to a far lesser extent than Albania, a high proportion of businesses in Serbia and Macedonia also do not seek external advice.

Compared to small firms, larger ones (over 49 employees) more often rely on outside experts. The same can be concluded for agricultural and educational firms compared to industrial manufacturers and the service sector.

Figure 65: What type of assistance or support do you use?

(Respondents who seek external advice, N=682, %)



CEFTA region	Information relating to the day to day running of your business	Strategic advice to help introduce a stepped change to grow your business in terms of profitability or numbers employed	Both of these	Other	DK/refuse to answer
Exporters	37	23	40	0	1
Importers	36	21	42	0	1
Large companies	3	26	71	0	0
Medium companies	40	25	33	0	1
Small companies	37	20	42	0	1
Agriculture, hunting, fishing and forestry	28	18	54	0	0
Industry, mining, construction	37	29	33	0	1
Transport, trade and services	36	16	47	0	0
Education, science, culture...	39	24	34	0	3
Young companies	33	27	40	0	0
Mature companies	38	20	41	0	1

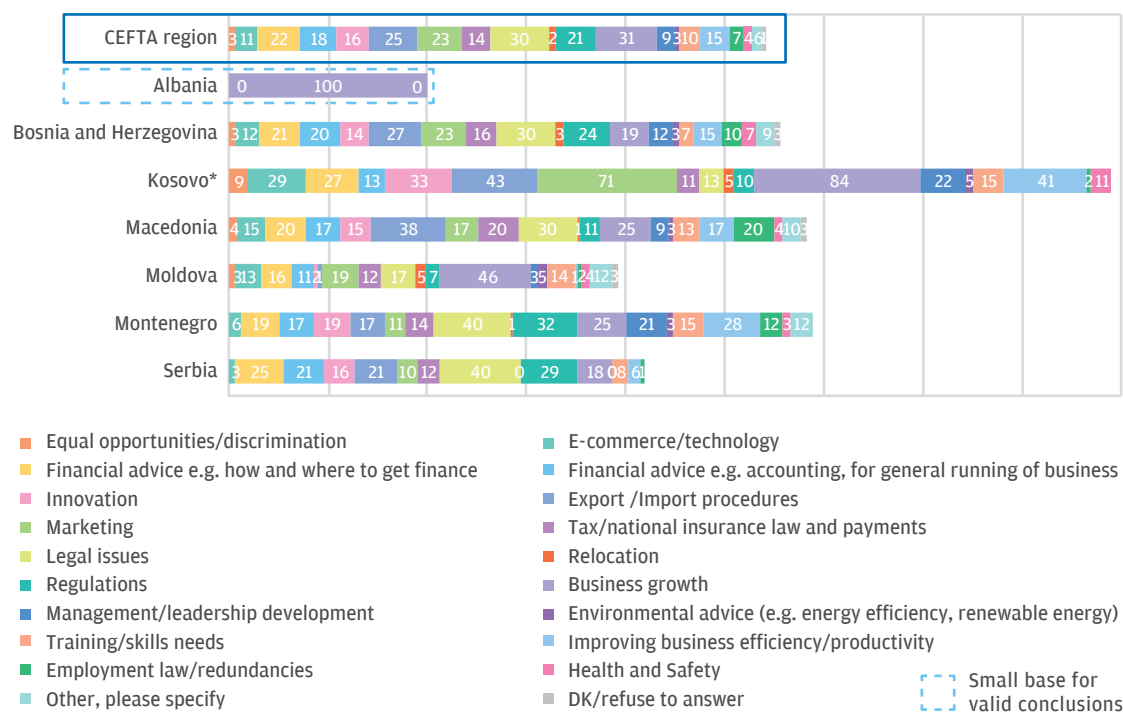
Two fifths of companies usually contact outside advice sources in order to obtain both information related to daily operations and strategic assistance aimed at overall business growth. The number of leaders from Serbia who say they rely on external information for

day to day running of their business is higher than average (55%).

Managers of large companies consult external experts for both types of guidance more often than heads of smaller firms.

Figure 66: On what issues do you use to seek external advice?

(Respondents who seek external advice, N=682, %)

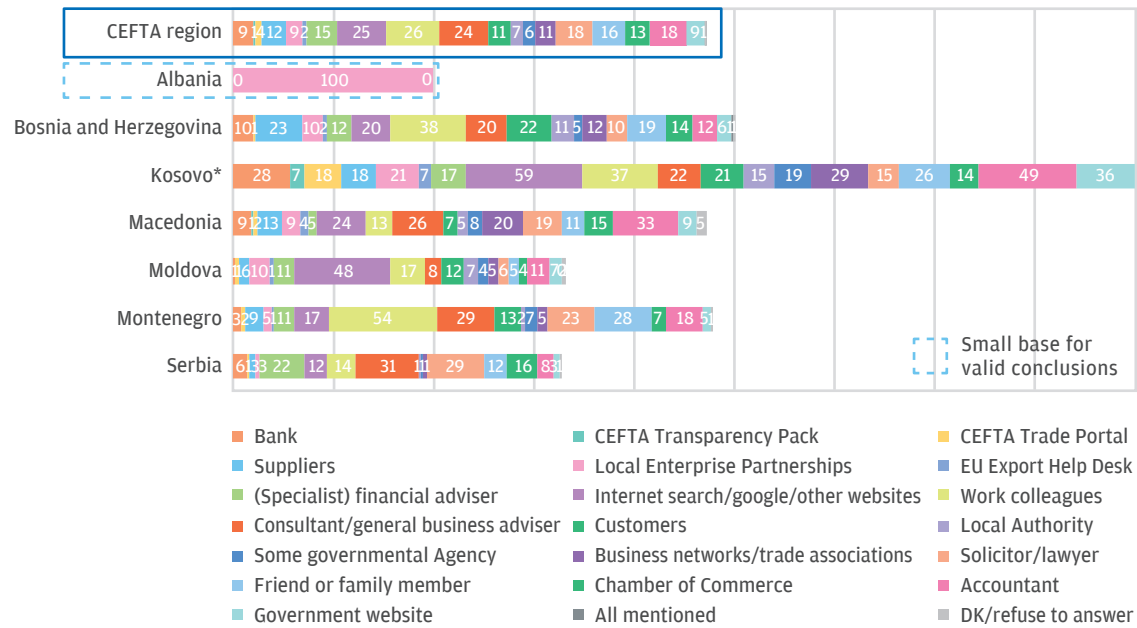


Taking into consideration the whole CEFTA region, companies most often contact external sources for information related to overall business growth (31%) as well as legal issues (30%). Export and import procedures (25%) and marketing (23%) seem to be the next insufficiently clear topics, followed by financial questions (22%) and various regulations (21%). Issues which require additional advice provided by external sources differ from economy to economy - Bosnia and Herzegovina,

Montenegro and Serbia are primarily unclear on legal matters, Kosovo* and Moldova consider business development to be the most important, while Macedonia is preoccupied with export and import administration. In addition, companies in Kosovo* least hesitate to seek outside support for very diverse issues.

Figure 67: Where do you usually seek advice, i.e. who is your source of information or support?

(Respondents who seek external advice, N=682, %)

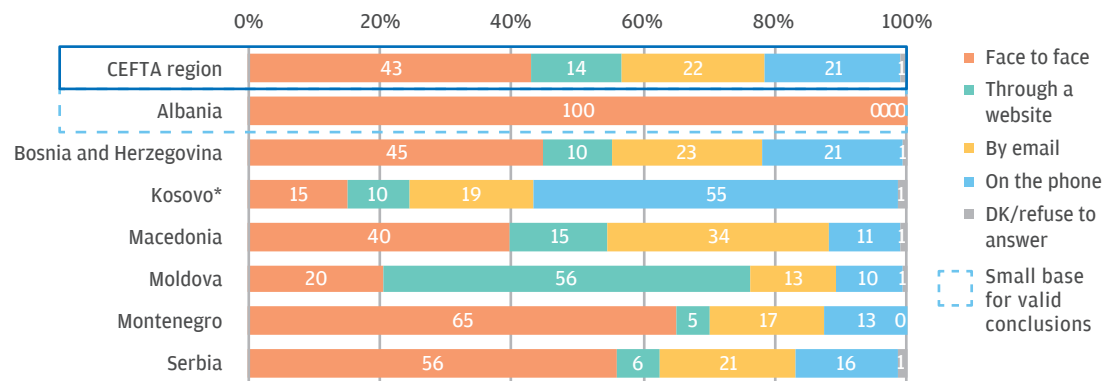


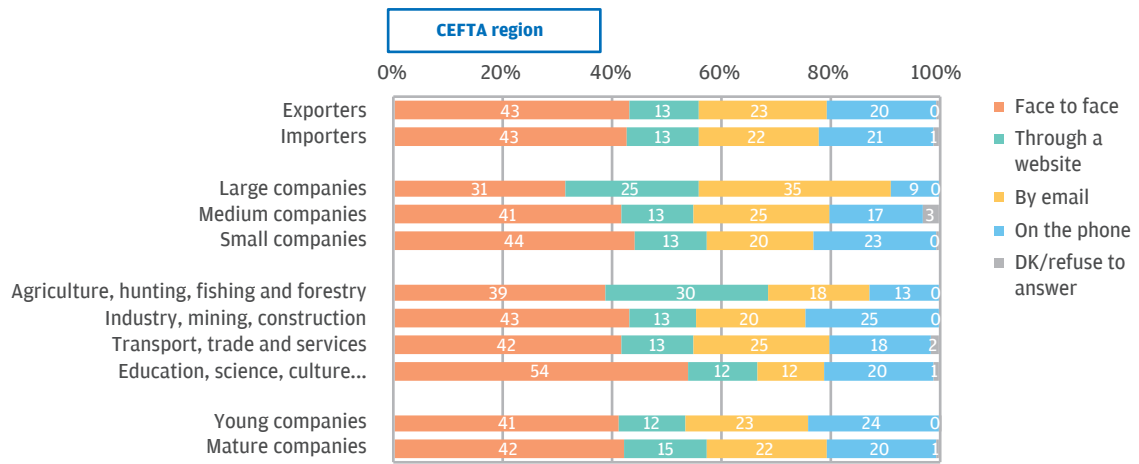
It seems that enterprises in the CEFTA region consider their colleagues (26%), the Internet (25%) and business consultants (24%) to be the most reliable sources of advice. Somewhat less than one fifth also appreciates the help of lawyers and accountants. Different

economies prefer different sources. Bosnia and Herzegovina and Montenegro trust their colleagues the most; Kosovo* and Moldova mainly search the Internet looking for clarifications, Macedonia looks for accountants while Serbia mostly relies on business advisers.

Figure 68: In what way do you obtain the main piece of information you seek for?

(Respondents who seek external advice, N=682, %)





Most required information is obtained by personal contact (43%). This is followed by email (22%) and telephone conversations (21%). When seeking help, companies in Serbia and Montenegro apparently prefer face to face

contact; those in Kosovo* talk to their advisers on the phone more than others, while Moldova and Macedonia prefer using electronic communication to get information they need.



SAMPLE STRUCTURE

Figure 69: Sample structure by respondent's position

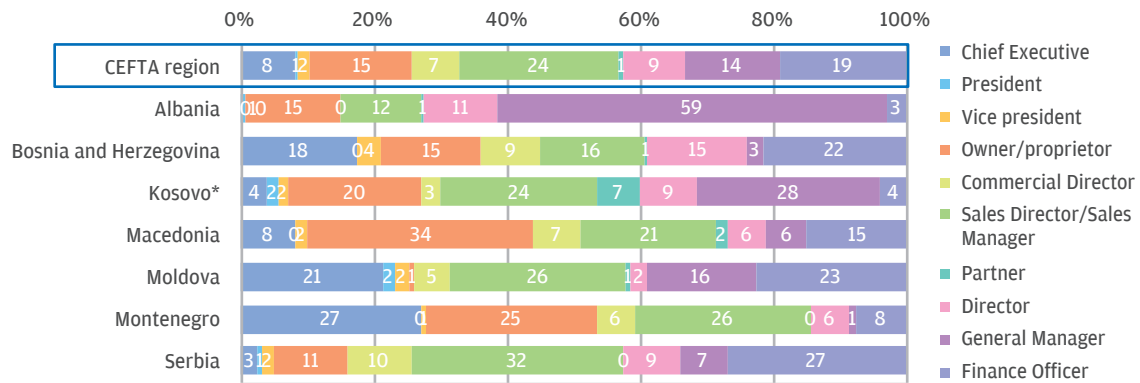


Figure 70: Sample structure by majority ownership structure

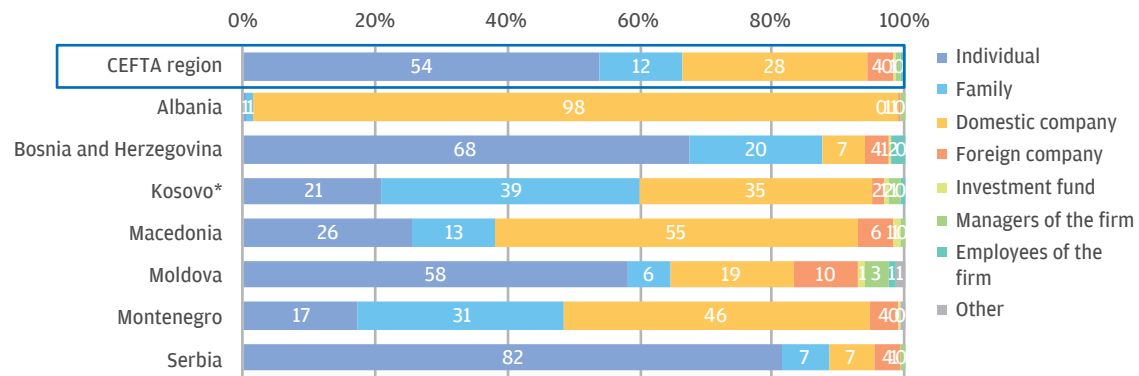


Figure 71: Sample structure by number of employees

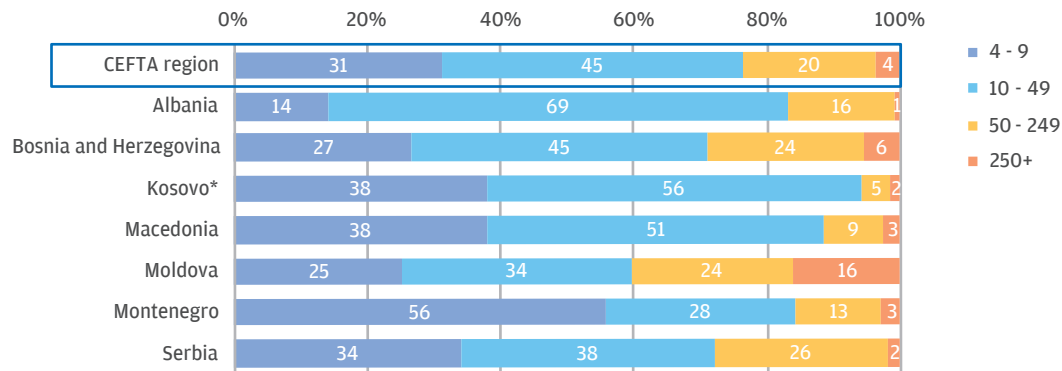


Figure 72: Sample structure by main business area

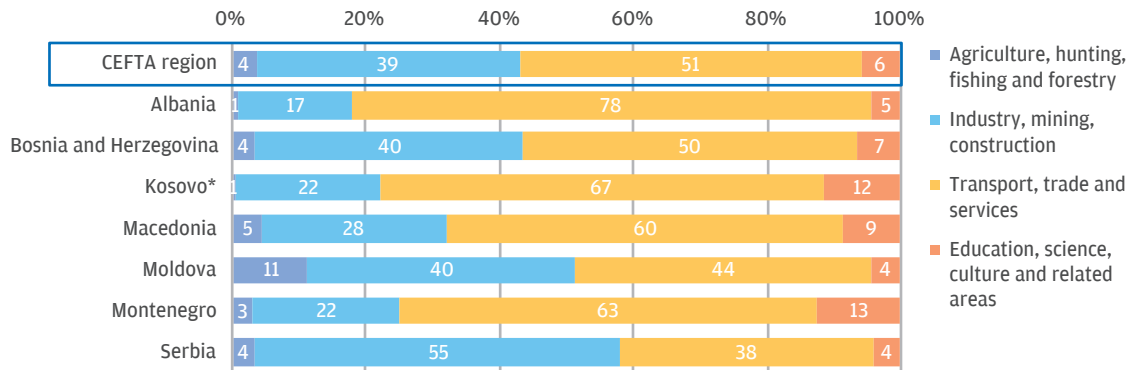
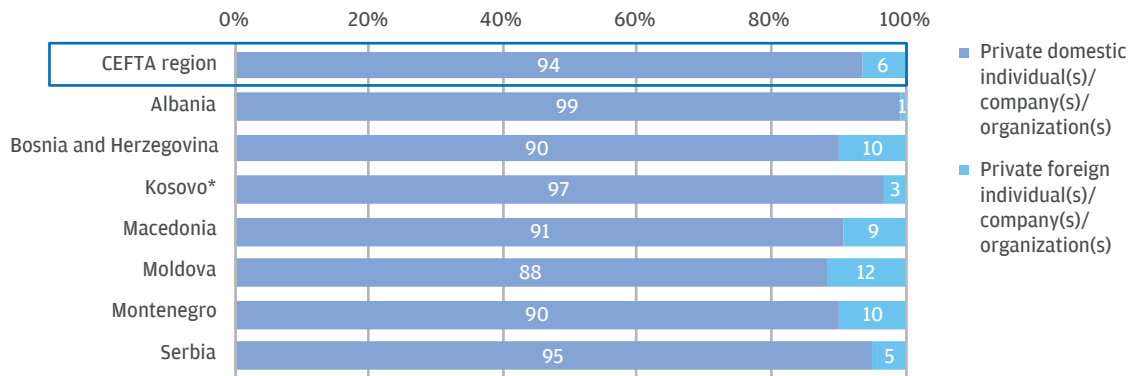
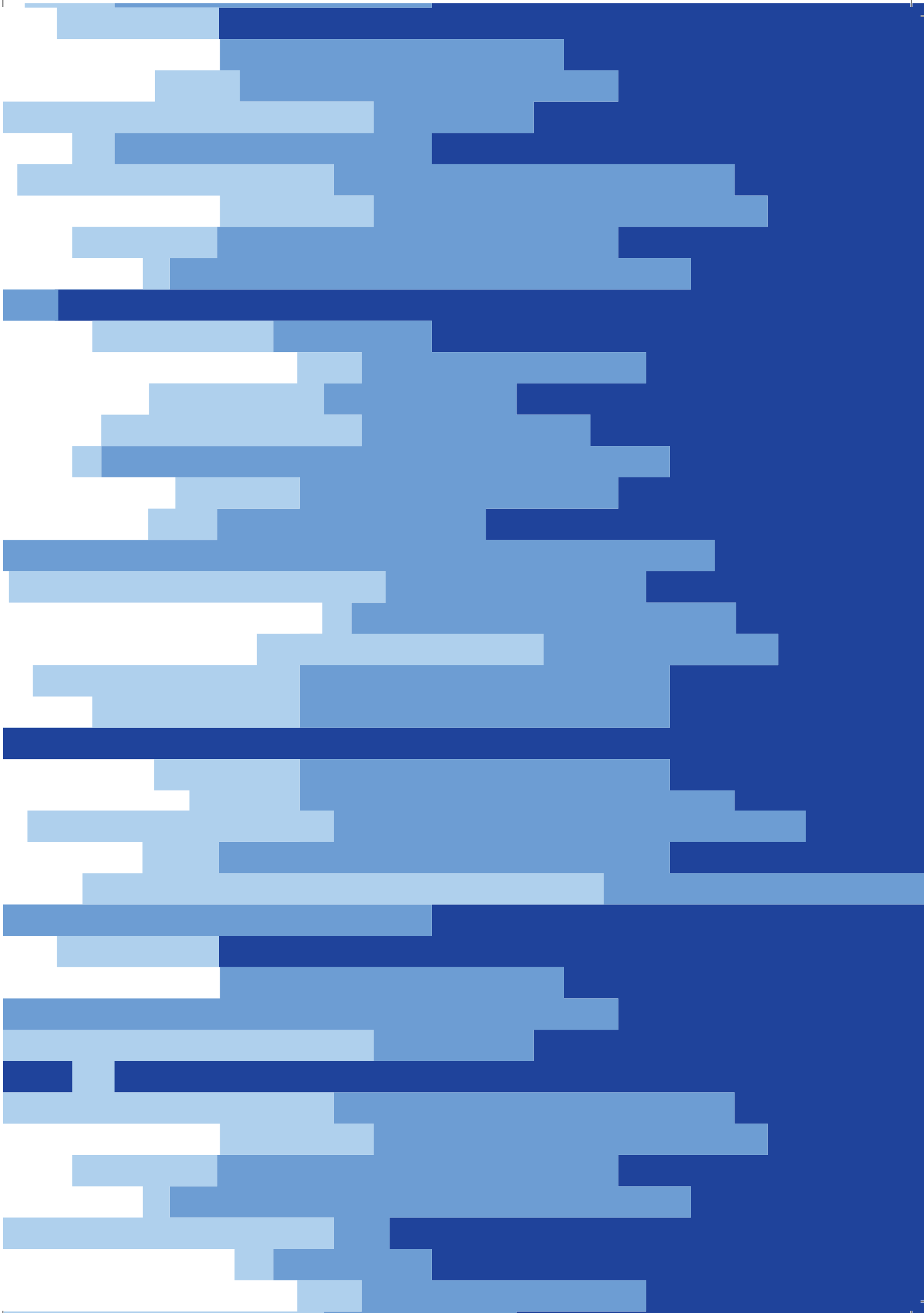
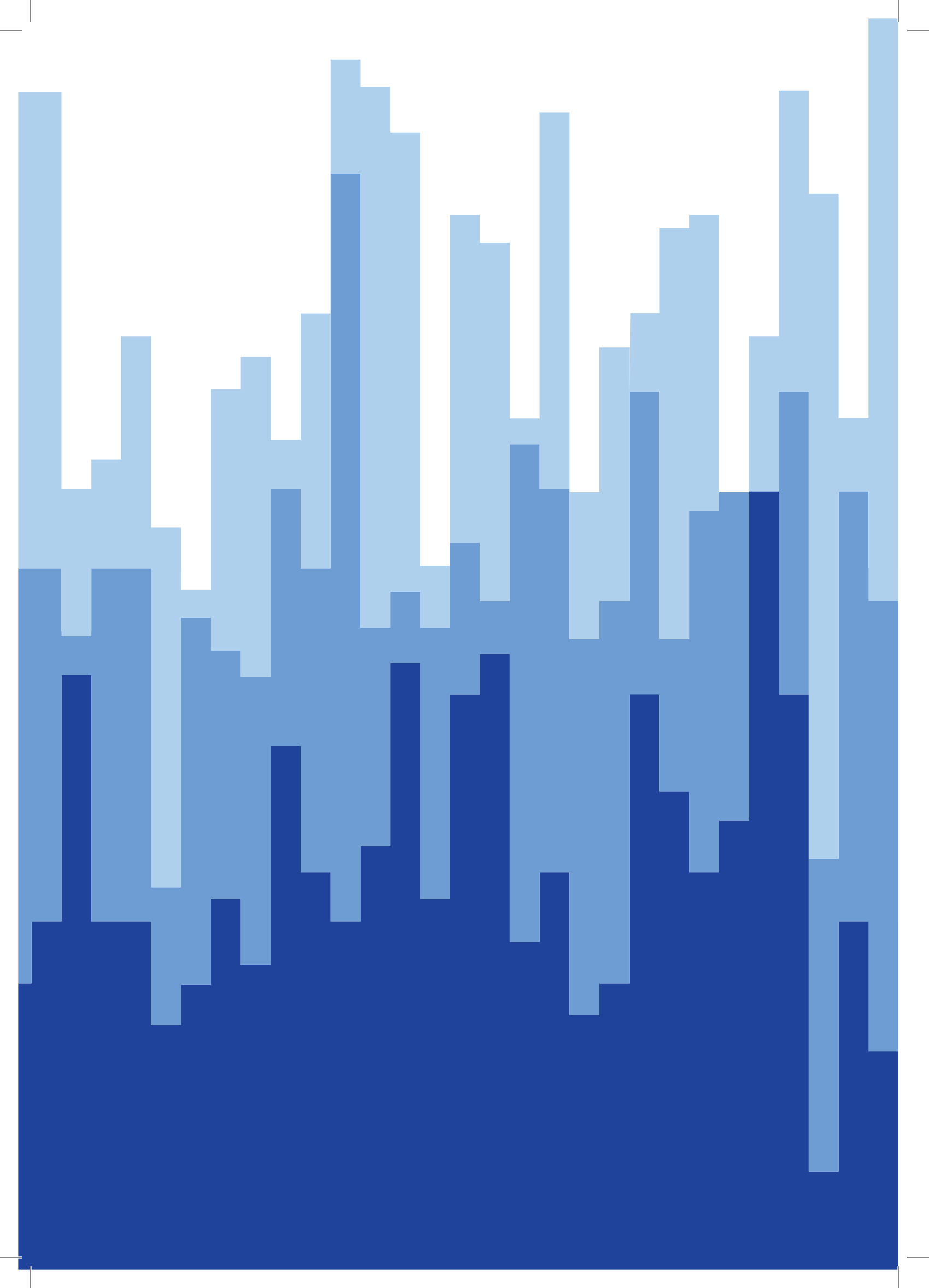


Figure 73: Sample structure by origin of ownership







QUALITATIVE SURVEY

GENERAL KNOWLEDGE ABOUT CEFTA

The idea of a single multilateral free trade agreement came as expected, after the establishment of a free trade zone in Southeast Europe, based on the Memorandum of liberalization and trade facilitation, signed in 2001 in Brussels, within the Stability Pact. The main objectives of CEFTA are:

- to increase the volume of international trade and investment;
- to perform further liberalization and facilitation of trade;
- to increase the level of compliance and transparency;
- to strengthen regional cooperation;
- to simplify the process in the administration of trade and trade systems;

This agreement replaced 31 bilateral agreements that were established within CEFTA Parties. CEFTA is the only free trade agreement that links all the economies of the Western Balkans and Moldova.

Considering that the signatories of CEFTA are small economies, CEFTA provides possibilities for eliminating weaknesses created by the 'small economy' and 'small market' labels. At the same time, it generates a climate for improving the overall image of the Western Balkans that has always been known as a region notorious for constantly generating crisis and instability.

This agreement helps economies which want to join the EU to harmonize legislation and implement very low or no custom charges. CEFTA brought a liberalization of the market that made investing in, or exporting goods to any of the Parties problem-free.

CEFTA IMPLEMENTATION

Liberalization of trade in industrial and agricultural goods has mostly been implemented, while establishing the trade in services between CEFTA Parties is still in progress.

Negotiations on simplifying border procedures, trading information and mutual recognition of Authorized Economic Operator certificates are still ongoing (Serbia).

Kosovo* is still in need of stabilizing the economy and establishing the rule of law in order to create the appropriate basis for the private sector to flourish and have the opportunity to use all the advantages that implementation of CEFTA can bring. There are many outstanding issues between Bosnia and Herzegovina and Serbia, Albania and Serbia, etc. That is why Kosovo* is not able to state at present if CEFTA is beneficial and whether they are fully involved. Problems concern customs control, transport and transport infrastructure, reciprocal recognition of certificates, etc. The situation concerning services is also very complicated. That is why there are four working groups in CEFTA at the Chambers of Commerce level: on agriculture, certification, tariff and non-tariff barriers, services and in particular customs.

The main barriers for full CEFTA implementation are as follows:

- Montenegro is not a member of the World Trade Organization, but still needs to do business pursuant to their regulations, since their partners might require this. Required sampling of products and goods that are being exported for analysis discourages Montenegrin businesses to export.
- Non-tariff barriers are frequently mentioned as the reason for CEFTA not being

fully implemented (e.g. repudiation and nonconformity of laboratory certificates, accredited and unaccredited laboratories, etc.).

- Complicated inspections and customs procedures keeping goods at border crossings for too long.
- Failure across the region to keep up with advanced technologies and information systems.
- Administration - Parties are trying to protect their domestic products, and use the amounts they produce as a benchmark for trading with other Parties.
- Slow pace of the process of incorporating changes arising from the specific characteristics of markets or procedures of other Parties.

It is expected that some of the mentioned obstacles will be resolved with the signing of Additional Protocol 5, which will introduce a simplification of border procedures, initiate exchange of information and establish mutual recognition of certificates for authorized economic operators.

CEFTA AND LOCAL BUSINESS

National Chambers of Commerce have been working diligently through the years on raising awareness about the CEFTA among local businesses, thus in general it could be said that awareness of the small businesses about CEFTA is satisfactory. Only in Serbia small companies, due to their lack of staff and resources do not know much about the CEFTA agreement and what it means for their businesses.

On the other hand, although business leaders in Kosovo* are quite sure of their knowledge about the Agreement, the dominant feeling of Chamber of Commerce is that correct and appropriate information about the benefits of CEFTA for local businesses was missing at the start of implementation, and that more effort is still needed to inform local businesses about the benefits CEFTA brings.

REGIONAL DEVELOPMENT IN THE PAST TEN YEARS

After signing the Central European Free Trade Agreement, the overall business environment started developing over the past 10 years. Local businesses are progressively learning and getting used to following rules and procedures that implemented in the European Union. Legislation was created and amended to make the business environment in the region attractive to foreign investors, especially through introducing lower and more appealing taxes (mainly VAT).

In Albania, frequent and uncontrollable fluctuations marked the last 10 years: after 2008, the economy was affected by the global financial crisis. Naturally, the economy which had not really been consolidated was shaken, and this brought changes to the structure of the economy. The business community and local production were strongly affected by these changes, because the lack of financing resulted in a drop in production in some sectors, and production costs increased significantly, making local production more expensive and not competitive, both in terms of importing and exporting. Moreover, continuous legal and

fiscal changes have negatively impacted the business climate, often resulting in Albania being ranked among problematic economies for 'doing business'.

Downsides of joining CEFTA that are perceived by the business environment might concern para-fiscal charges, the grey economy and administrative procedures. But, on the other hand, positive elements in the regulatory framework include operating licenses, inspections, customs and procedures in foreign trade and obtaining building permits.

CEFTA Parties state that they are also becoming more aware and acquainted with new technologies and the ways it can help local businesses.

In the past 10 years, thanks to CEFTA import-export regulations developed in Parties, CEFTA market has become more attractive for both CEFTA Parties and foreign investors. But, the import-export regulations are still being modified and are in the ongoing process of implementation.

Main improvements in trade in the CEFTA region were achieved by signing bilateral agreements on the recognition of certificates. But there is still room for improvement. The main obstacles are related to retaining food at borders, so there is still need for improving efficacy of control.

Customs procedures have advanced, and customs waiting periods are shorter. Parties are currently working on speeding up inspections so that the flow of goods across borders will be even faster.

In Kosovo*, the so-called 'translated laws' (i.e. Latvian, Finnish and Swedish laws and legislations to be translated and come into effect in Kosovo*) have not been harmonized and

adapted to economy's current economic indicators. This creates collision between different legal acts, noncompliance or incompatibility with other procedures, incompatibility among different agencies; there are contradictions among institutions, different interpretations from various ministries. This is making import and export more difficult. Problems are also reported with regard to awareness and rapid changes in laws. This is a major problem because, with new laws being passed almost every week, there is hardly any time to disseminate information and implement different standards. This makes it is very difficult for business to change focus and to adapt on short notice, and enterprises therefore lag behind, do not adapt and fail to keep up.

TRADE DEVELOPMENT

CEFTA introduced EU standards that made trading with EU countries possible or easier (e.g. ISO and HACCP standards for food). Serbia is noting slow, but steady growth in trade with EU members, especially since Croatia, as an important export market, joined the EU.

CEFTA's standards allow good quality domestic products to enter foreign markets. Similar to Serbia, Macedonia reports stagnation of trading with other CEFTA Parties, while trade with EU countries is on the increase.

Moldova is facing a problem with lack of branded domestic products appealing enough for foreign, EU markets.

In Serbia, after signing CEFTA, regional trade was on the increase until 2010. Currently, regional trade is stagnating, because of the current structure of trade - raw materials and intermediate goods are mostly being traded in the region.

Kosovo* is mostly dependent on import, while export is something that has to be worked on internally (through developing and harmonizing legislation).

Since the beginning of the Agreement implementation, growth has been recorded in the volume of trade exchange between Macedonia and CEFTA signatories. Since 2006, when the Agreement was signed, the growth of trade between Macedonia and other CEFTA Parties grew by around 35% in 2007, but the trend did not continue over the following years. The reason for this can be found in the drop in CEFTA Parties (Bulgaria and Croatia left and are now in EU) and the tendency of companies to be oriented towards EU countries.

Until now, Macedonia and other Parties of CEFTA were less competitive in the Kosovo* market due to the absence of the Stabilization and Association Agreement of EU and Kosovo*, which only became valid on April 1, 2016.

They were not able to use the diagonal accumulation of origin of raw materials from the EU incorporated into Macedonian products and intended for export to Kosovo*, and

this significantly affected export capacity and competitiveness of the Macedonian economy in relation to Kosovo*.

DEVELOPMENT OF COMPANY COMPETITIVENESS

In general, over the past 10 years, competitiveness of local businesses has grown, but has not achieved its full potential. Growth was slowed down by the effects of the global economic crisis and by inconsistent economic reforms.

Kosovo* is facing problems with written and unwritten rules and regulations of neighboring economies which, at this time, create insurmountable barriers for Kosovo* export. Generally speaking, CEFTA had a positive effect on Kosovo*, albeit insufficient. It should be noted that its role was more one of a 'messenger', i.e. to inform the business community on what is required. A representative from the Kosovo* Chamber of Commerce believes that a lot more should have been done at the same time – awareness, action and support should have been worked on.

During the past year, the Albanian Ministry of Finances launched an initiative to formalize the economy and this action significantly helped increase proper competitiveness among entrepreneurs. However, the development of competitiveness was not only affected by its informal nature, but also by other factors, closely linked to better governance of corporations, reducing corruptive practices of state administration, etc.

CEFTA Parties now make up a single available market and, because of its size, it is attractive to foreign investors. CEFTA brought about the introduction of unique regulations, increased transparency and simplified administration

making this market appealing for both domestic and foreign investors.

In the Kosovo* market, foreign investors profited more from CEFTA than domestic ones. This is attributed to the overall very sensitive and vulnerable climate that is present in Kosovo*: a lack of the rule of law, incapability to protect domestic production as well as the fact that there is a continuous involvement of politics and illegal activities. The ordinary citizen therefore perceives 'foreign capital and foreigners' extremely positively as opposed to the domestic companies. The fact that Kosovo* companies need to get certificates more frequently, even on a daily basis, and not weekly or monthly, makes them less competitive at the national market. This is not the case with foreign companies which do not need certificates that are required from Kosovo* companies. It reflects on the total cost of products. Foreign companies have appropriate mechanisms and a more favorable climate for doing business in this market which is not the case with domestic firms.

In other Parties, CEFTA is not seen as favoring either domestic or foreign investors.

CEFTA agreement treats all small and large businesses equally.

When it comes to free competition, CEFTA provides equal terms and open access to the market. On the other hand, CEFTA ensures that economies make changes to comply with the

legality of the liberalization of trade, i.e. to free trade. It is expected that all Parties are to introduce adequate competition protection policies, in order to maximize potentials of the liberalized market.

Connecting CEFTA Parties and their regional cooperation requires a certain degree of co-dependence and joint decision-making on a lot of issues. Some economies have more power than others, and want to achieve their geopolitical and economical goals. Sometimes, when sensitive issues are being decided on, achieving compromises might repress the

sovereignty of the Parties. But, overall CEFTA is a trading agreement and it does not have much influence on sovereignty of governments.

CEFTA has an impact on protection of local products via tariff and non-tariff barriers, customs procedures, customs code and diverse short-term and long-term strategies.

CEFTA makes products and services coming from the Parties competitive in diverse markets, such as: Turkey, Russian Federation, Iceland, Lichtenstein, Norway, Switzerland, Belarus, Germany, Italy, and Austria.

FUTURE PLANS FOR INCREASING COMPETITIVENESS OF THE LOCAL BUSINESSES

In the upcoming 10 years, Montenegro plans to increase the competitiveness of their products through branding and positioning them as high quality local products that would be presented to the foreigners through tourism.

Serbia is expecting that the improvement of the business environment in the economy will have positive impact and that all the companies operating in this economy, both local and foreign, will have access to raw materials of higher quality and wider base of local vendors, which will, in effect make Serbian products more competitive in the future.

Kosovo* has the economic community that has the potential and knowledge, but will need better coordination, activity and diligence in order to use their potential and opportunities. The main aim for the future is to find support for production of 'made in Kosovo*' products. Bigger support to domestic production and bigger protection of domestic producers are needed.

Bosnia and Herzegovina hopes to in upcoming 10 years become full member of EU, which will

have positive influence on the competitiveness of their local products.

Moldova will put more focus on the training and education of the local businesses than on increasing the competitiveness of their products. Next year the European Road through Business will be launched, which is seen as a good road to creation of a brand of the Republic of Moldova. There will be many possibilities in education and development of joint programs for professional training and professional technical education.

In the future more and more companies will be oriented toward foreign markets and will strongly consider exporting or licensing their products abroad. Many advantages of licensing products over exporting are more and more evident: research risk is divided, as well as the efforts surrounding the research, development, production, promotion and sales of goods. By licensing products, company profits are increased through intellectual property, but also through increasing the share on the certain market. On the other hand, by

using existing distribution and sales channels, time and transport expenses are saved. And

companies are protecting their brands on the new markets, as well.

SOURCES OF INFORMATION ON CEFTA

Companies seek information and advice regarding Central European Free Trade Agreements from external sources. Information is obtained from consulting companies which assist businesses, but also from local Chambers of Commerce. Main information that is asked for from Chamber of Commerce concerns the import-export statistics for certain products and goods:

- Information about unexpected or unknown barriers in the process of import or export.
- Information about documents and paperwork needed for the process of import or export.
- Information about certificates needed for export.

Local businesses communicate with Chambers of Commerce usually by telephone, through call centers, but also via e-mail, Internet or by personally visiting the Chamber with questions. Usually, one needs to listen carefully and pay attention to the problem which local businesses describe in order to find out which organization could be helpful. The Chamber then organizes meetings of local businesses with institutions like Customs Administration, Ministry of Finance, Tax Administration, etc., depending on the issue in question.


Local Chambers of Commerce organize trainings and workshops for local businesses in order to educate them about CEFTA and best import and export practices, on a regular basis.

ATTITUDES TOWARDS REGIONAL TRADE OF SERVICES

Attitudes towards trading workforce within the CEFTA region are positive. The possibility is seen as attractive, since the workforce from the region is more affordable and has better qualifications. But administrative barriers are making it expensive for employing workforce from CEFTA. Moldova currently has no possibility of accessing and hiring workers from the CEFTA region.

Larger companies from the CEFTA region entering the local market may or may not present a threat to local small and medium businesses. In Montenegro, there is some concern that small and medium local firms would not be

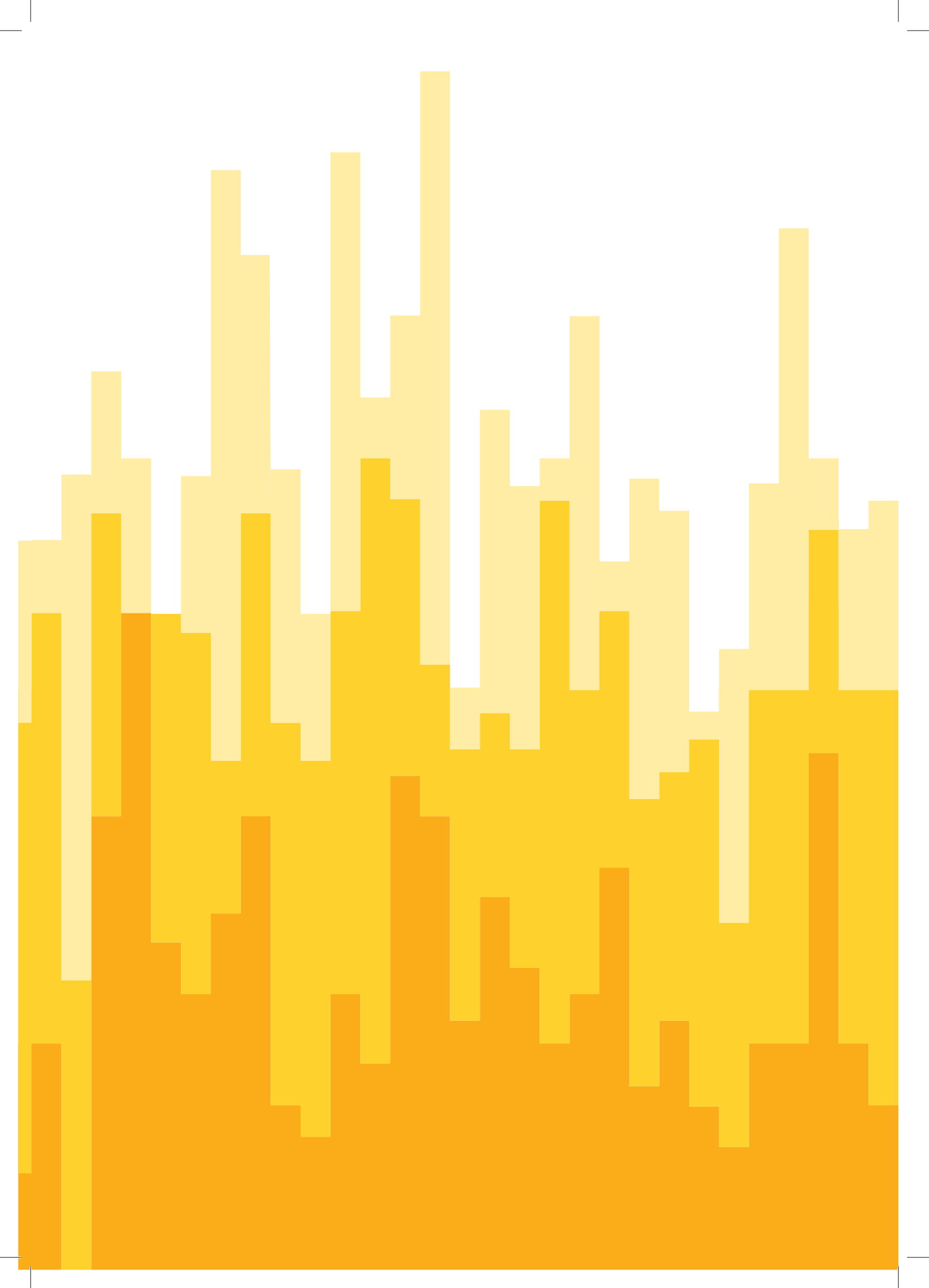
able to compete with larger retail chains from Europe. But, for all Parties, larger companies can also present opportunities, since they are likely to engage local small and medium businesses as partners for acquiring raw materials and business services. Transfer of knowledge and new technologies would be faster if larger companies from the CEFTA market entered local markets. Overall, it can be said that presence of multinational companies could only be seen as positive where domestic companies have the opportunity to develop their production or service to a higher level through foreign technology and knowledge.



Foreign investments in the market have had and will continue to have a positive impact on local economies. New jobs are created, which leads to the creation of more tax payers, and these taxes are paid into local economies. Also, through cooperation with local businesses, foreign investors are accelerating the development of local economy.

Businesses in the CEFTA region are somewhat aware of the benefits that the liberalization of the services market brings. It is evident that the increasing competitiveness of services needs services to be of the highest quality. Liberalization of service trade allows free access to a qualified workforce and a wider range of vendors, which will drive the development of the domestic service market.





CONCLUSIONS AND RECOMMENDATIONS

On the actual evidence, trade is the main driving force in the region and will continue to be in the future. Also, investments, developmental one as well as in production, are expected to rely on regional and EU market access remaining free of unnecessary barriers. Clearly, growth prospects of the region and of economies within it are going to be dependent on the ability to export. Similarly, modernisation and innovation will depend on productivity improvements driven by imports and investments from abroad.

In that context, low level of information about CEFTA and remaining doubts about the benefits of trade agreements with EU is worrisome.

In addition, lack of cooperation in the development of production chains is standing in the way of faster economic recovery.

This is particularly problematic in view of still high levels of unemployment and the existence of skill mismatches throughout the region.

Finally, there is a belief that states are not doing enough or are not doing the right things

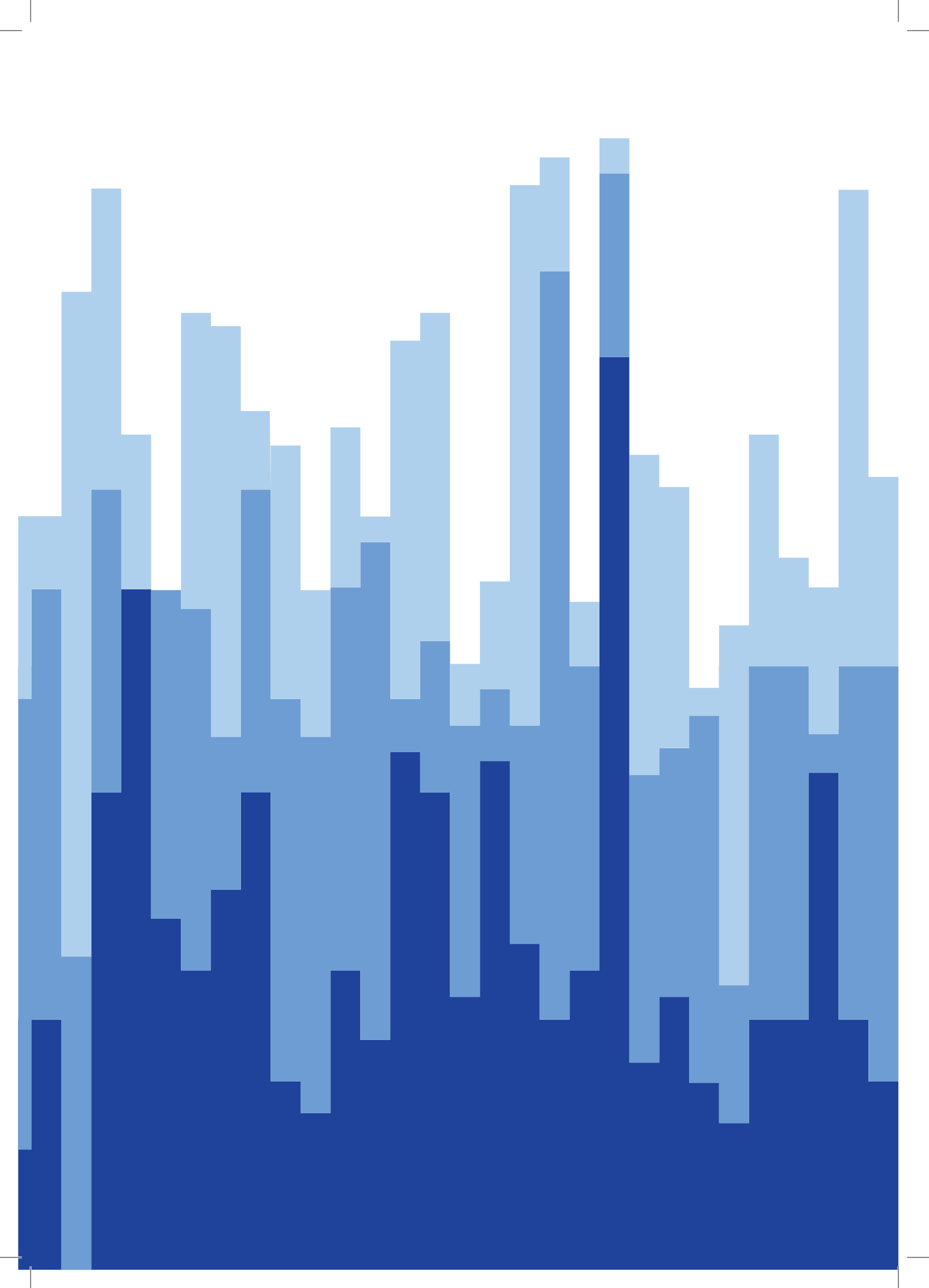
to spur economic activity and exports in particular. Though the expectations of subsidies are mostly misplaced, political and policy infrastructure for faster trade and investment growth is not sufficient.

With these conclusions, there is the need for more information on the opportunities opened up by CEFTA.

Also, further policy measures to support regional trade in services in particular are needed.

In connection with that, the key to regional development and trade are region-wide investments and development of production and value chains in order to make use of comparative advantages as well as of economies of scale.

Finally, there does not seem to be needed policy coordination beyond the indirect influence of institutional and policy harmonisation with the EU. However, trade within the region is highly unbalanced, with surplus and deficit economies, so that better regional policy coordination would prove stabilising.



NOTE ON METHODOLOGY

QUANTITATIVE RESEARCH

In quantitative part of the survey 'CEFTA through Numbers', CATI (Computer-Assisted Telephone Interviewing) methodology was applied. The research was conducted via telephone interviews in selected companies by trained interviewers from GfK. Some adjustments and preparations were necessary for the successful implementation of the survey:

Questionnaire

General survey topics were agreed between CEFTA Secretariat and GfK, and the questionnaire was further developed in close cooperation of their teams. It was originally written in English and subsequently translated into seven local languages, with the exception of Kosovo* where both Albanian and Serbian versions of the questionnaire were used, and Macedonia and Moldova, where questionnaires in two different languages were also used. The CEFTA Secretariat reviewed and approved the final English version of the questionnaire.

Due to CATI software, all questionnaires were converted to a digital form and installed on interviewers' computers. Project coordinators in each Party thoroughly examined the digital questionnaires in order to avoid potentials confusions and make them as clear as possible.

Interviewers

Written instructions containing general description of the questionnaire, of the target group and of the respondent selection process were given to all interviewers. In addition to providing written instructions, GfK has organized training for interviewers which explained research goals. Moreover, each interviewer was obliged to examine the questionnaire, and project coordinators emphasized some important elements (e.g. the need to read individual answers where one or more answers were possible, etc.).

Sample

Quantitative research was conducted on the N=200 companies for each Party, with the total of 1400 companies for the CEFTA region. The survey encompassed:

- Companies which deal with export or import
- Companies of various sizes - micro (4 - 9 employees), small (10 - 49 employees), medium (50 - 249 employees) and large (more than 250 employees)
- Various business (21 business fields according to NACE classification)
- Companies which are not majority-owned publicly or by government
- Companies established earlier than 2015

It is important to note that the data were weighted on the basis of GDP. The GfK used official data provided by the World Bank Group as a source.

Interviewing Procedure

Before the main part of the fieldwork, i.e. interviews with business respondents, GfK conducted a preparatory phase to select companies whose representatives will be potentially interviewed.

1. Company selection

The selection of the companies was performed randomly within different regions, sectors, sizes and ownerships. Official data provided by national statistical offices of all seven CEFTA Parties were used as data source. The selection was completed before the fieldwork, allowing interviewers to receive lists of companies to be contacted.

2. Telephone interviewing

The target group in the quantitative part of the survey 'CEFTA through Numbers' were members of companies' managing boards.

At the beginning of the telephone conversation, the interviewer presented the idea and the objectives of the survey to respondent and then kindly tried to persuade him/her to take part in it. The interviewer needed to be very familiar with the project, but also to be eloquent, persuasive, polite and persistent. The mentioned contact lists contained the company's name, address and telephone number and, in some cases, the name of contact person. In cases in which persons from the list believed they are not qualified to discuss the stated topics, the interviewer asked to be referred to a person who is more knowledgeable. A similar request was made when no contact person was indicated on the list.

Every telephone interviewer was obliged to contact a potential respondent at least three times, except in cases when a person categorically refused to participate in the survey.

QUALITATIVE RESEARCH

Qualitative research within the survey ‘CEFTA through Numbers’ was carried out through In-depth interviews, with representatives of national chambers of commerce (one per Party). The target group were professionals in leadership positions (President/Deputy President/Vice President), under the assumption they are most competent to talk about the Agreement.

Discussion guide

The discussion guide was created in collaboration with the CEFTA Secretariat, following agreed topics of the survey. It was originally written in English and subsequently

translated into seven local languages (in Kosovo*, Macedonia and Moldova it was translated into mother tongue of the interlocutor). The CEFTA Secretariat reviewed and approved the final English version of the discussion guide.

Interviewing Procedure

As mentioned above, In-depth interviews were led in local language (mother tongue of the interlocutor). After completion, transcripts of the interviews were translated into English and, jointly with moderators’ observations, submitted to GfK office in Belgrade as a lead member of GfK consortium.

