

**«Harmonization of Technical Regulations and
Standards and Mutual Recognition of Conformity
Assessment Procedures under CEFTA»**

Letter of Contract N°«2008/172671-Version 1»

DRAFT FINAL REPORT

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Executive summary

A major objective of the study was to identify potentials for technical harmonisation and the conclusion of mutual recognition agreements (MRAs) – either bilateral or plurilateral ones – between the countries of the CEFTA region. In the course of the study's execution the set of objective was somewhat extended, to also include recommendations of a more general kind concerning measures towards improved cooperation and transparency between CEFTA countries – in preparation of more specific and substantial technical harmonisation and mutual recognition agreements, should these be required in future.

In summary, the study strives to answer the following questions:

- Is there an established necessity and urgency to negotiate mutual, plurilateral or multilateral agreements on conformity assessment for specific manufactured goods among CEFTA countries?
- What are the technical and political options for achieving such agreements?
- Would the benefits of such agreements outweigh the huge efforts and investments into such negotiations (and the corresponding expert work)?

In the course of the study, some serious challenges were faced, including the following:

- relevant trade data (combining trade flows, volumes and commodities) not readily available in most countries
- all countries focused on EU accession process, few resources left for CEFTA exercise
- most interlocutors did not sharply distinguish between SPS measures, technical barriers to trade and other types of non-tariff barriers.

In response to these problems, it was decided to include in the final report a section on “Technical background”, presenting brief information on the classification of NTBs in general and the specific nature of technical barriers to trade. This section also contains a description of the mechanism of agreements on conformity assessment, illustrating the complexity of this mechanism and the considerable efforts and investment required on the part of the countries involved, to achieve such agreements.

The section on “Findings” is structured around the main categories of trade data with respect to intra-CEFTA trade and information on technical barriers to trade. The trade data further divides into trade flows and volumes, nature and structure of trade and commodities traded. Due to the very limited availability of relevant data for most CEFTA countries, the general trade findings for the region could only be specified and illustrated by two case examples, namely for Croatia and Macedonia, countries for which full sets of data were available. The study's trade-related findings however prove to be fully in line with the results of trade surveys carried out by OECD and the GTZ project on NTBs, some of which are also presented in this report.

The main trade related findings are that

- intra-CEFTA trade in general is still very modest in terms of the countries' total trade volumes
- those countries that do trade within CEFTA mostly have only one major CEFTA trading partner (e.g. Croatia and Bosnia and Herzegovina, Macedonia and Serbia)
- trade in industrial commodities is very limited in general and those commodities that are more or less significant in terms of trade volumes are low value added, non-sophisticated goods (fuels, iron and steel, other semi-finished products)

With respect to the information that could be gathered on technical barriers to intra-CEFTA trade, the main finding of the study is a sobering one: No such information of a reliable and specific kind could be obtained.

Most reports, surveys and examples communicated in the course of the study concerned SPS measures. Several specific reported cases also concerned different kinds of administrative barriers. No specific cases were presented however on significant and real technical barriers to trade.

In conclusion, no commodities or product groups could be identified which, due to their significant intra-regional trade volumes and as prompted by evidence of significant technical barriers hampering trade in these specific commodities would urgently require the negotiation of recognition agreements on conformity assessment.

The representatives of the countries did however agree – namely in the GTZ organised Regional Round Table on NTBs – that potential technical barriers to trade may result from the differences in pace between the CEFTA countries with regard to the adoption and implementation of EU Directives and standards. This issue should be taken seriously and future developments closely monitored. Nevertheless, due to the specific nature of and modest volumes of traded industrial commodities, the consequences of any remaining or newly arising technical barriers are not expected to be too grave.

Any recommendations that can be given at this stage must concern the general increase in transparency between the countries in the region concerning potentially significant and avoidable technical barriers to trade. This can for instance be achieved by means of information and notification systems (not only on potential barriers, but also on dangerous systems), regulatory cooperation, and improved technical cooperation between all quality infrastructure bodies.

Finally, the countries should do everything in their might to achieve full European (EA MLA) and international recognition of the national infrastructures for conformity assessment and accreditation – as a basis and only accepted mechanism towards future government-to-government recognition agreements where these should be urgently required.

Acknowledgements

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For efficient and pragmatic support in all administrative and logistical issues the author thanks Mr Olivier Hack of IBF International Consulting.

Hamburg, 19 June 2009

Background (as per the ToR)

On December 19, 2006, the Central European Free Trade Agreement 2006 was signed by Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia and the United Nations Interim Administration Mission in Kosovo (UNMIK) on behalf of Kosovo in accordance with UNSC Resolution 1244. Following the necessary ratification processes, CEFTA 2006 entered into force on 22 November 2007 for all Parties.

This comprehensive 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 on 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 European Commission's Communication on the Western Balkans of 27 January 2006¹.

The Agreement fully conforms to the WTO rules and procedures and EU regulations. Effectively implemented, the Agreement provides an excellent framework for the Parties to prepare for EU accession, in accordance with the Thessaloníki Agenda and Declaration of June 2003. The Agreement envisages free trade area to be established between the CEFTA parties, at the latest, by 31 December 2010.

CEFTA Structures comprise the Joint Committee, three Sub-Committees and a Brussels based CEFTA Secretariat. The Joint Committee is CEFTA's governing body which is composed of representatives of each Party to the Agreement (ministers responsible for foreign economic relations). Its main function is to supervise and administer the implementation of the Agreement and is chaired by one of the Parties, with the chairmanship changing annually.

In accordance with the CEFTA Agreement, the Joint Committee established 3 sub-committees: one on Agriculture including Sanitary and Phytosanitary Measures (SPS); one on Technical Barriers to Trade (TBT) and Non Tariff Barriers (NTBs); and one on Customs and Rules of Origin to support the implementation of the Agreement.

One of the key activities of the Sub-Committee on TBT and NTBs is to identify and oversee the elimination of technical barriers to trade by encouraging the harmonization of technical regulations, standards and conformity assessment procedures with the WTO rules and EU regulation. The CEFTA 2006 envisages the conclusion of mutual agreements among CEFTA Parties before 31 December 2010. It is expected that one of the priorities of the forthcoming Chairmanship of Montenegro in 2009 will be to explore the potential of concluding agreements on harmonization of technical regulations and standards and the mutual recognition of conformity assessment procedures.

¹ Com/2006/0027 final: Communication from the Commission - The Western Balkans on the road to the EU: consolidating stability and raising prosperity

Objectives of the study

The specific objective of the assignment as formulated by the Terms of Reference was

to “develop and present to the members of the CEFTA Sub-Committee on TBTs and NTBs a solid analytical tool as the basis for the implementation of Art. 13 of the CEFTA Agreement” concerning a commitment to enter into negotiations “to conclude specific agreements on the harmonisation of technical regulations and standards and to ensure mutual recognition of conformity assessment procedures”.

For this purpose, the study was expected to identify potentials for technical harmonisation and the conclusion of MRAs.

In the course of the study’s execution and in the light of the specific challenges encountered (see section on “Challenges”), meetings with DG Enlargement and the CEFTA Secretariat were held during which these objectives were extended, to also include recommendations of a more general kind concerning measures towards improved cooperation and transparency between CEFTA countries – in preparation of more specific and substantial technical harmonisation and mutual recognition agreements.

Methodology

2.1 Overall approach

Much of the work has been analytical and consisted in research and the study of available materials and reports. In addition to these however, two missions to selected CEFTA countries could be carried out, with the objective of meeting and discussing with the relevant experts, decision makers and general resource persons in the countries concerned, in order to arrive at a well-founded and informed position on the complex issues at stake.

Mission 1 (16-21 March 2009):

Croatia and Belgrade. (The Republic of Macedonia could not be visited due to bad weather conditions and the impossibility to land in Skopje.)

Mission 2 (7-10 April 2009):

Montenegro and Macedonia

Methodological approach

Aspect 1

- Collection of **specific** data on intra-regional trade in manufactured goods (non-food, non-health): Which manufactured goods are exported/ imported by one CEFTA country to/ from which other CEFTA countries?
- Purpose: to receive reliable data on country-to-country trade volumes in manufactured (TBT-relevant) goods among CEFTA countries
- Collection of information on existing substantial TBTs in CEFTA intra-regional trade in manufactured goods
- Relevant questions:
 - o Which goods are traded in substantial volumes between which countries?
 - o Are there any reported TBTs with regard to the trade of these specific manufactured goods?

Aspect 2

- General state of the national quality infrastructures of the countries concerned (including technical regulations used as a basis for conformity assessment)
- Specific state of development of conformity assessment and accreditation infrastructure as a basis for recognition agreements
- Combined, overall questions to be answered:
 - Is there an established necessity and urgency to negotiate mutual, plurilateral or multilateral agreements on conformity assessment for specific manufactured goods among CEFTA countries?
 - What are the technical and political options for achieving such agreements?
 - Would the benefits of such agreements outweigh the huge efforts and investments into such negotiations (and the corresponding expert work)?

In addition to the two missions described above, the consultant's participation in the GTZ Regional Round Table on NTB's on May 25 and 26, due to its thematic proximity to the assignment at hand, became part of the assignment's programme and methodology.

Finally, after the missions, but before the Regional Round Table on NTB's, the consultant prepared two brief documents on "Objectives and methodology of the assignment" and "preliminary findings and tentative recommendations", which were circulated for specific comments and general feedback to a broad range of interested parties and decision makers in all CEFTA 2006 countries. The list of recipients, which included the official CEFTA and TBT Contact Points, Chambers of Commerce and management of the major quality infrastructure bodies, was composed with the help of and agreed with the CEFTA Secretariat. The response to this Email survey was disappointing to say the least: No answers were received.

2.2 GTZ Regional Round Table on NTBs, Budva

In the course of the execution of the assignment, the consultant's attention was drawn (by the CEFTA Secretariat) to an ongoing project on Non-tariff Barriers to Trade (NTBs) in the CEFTA countries, implemented by the German Society for Technical Cooperation, GTZ.

GTZ Project "CEFTA 2006, Improving Opportunities for Trade"

In order to continue the process initiated by Trade Working Group of the Stability Pact in taking further actions towards trade liberalization in the area of non-tariff obstacles without loss of momentum, a new project "CEFTA 2006, Improving Opportunities for Trade" was launched and started on 1st of July 2008 and the Project Implementation Unit is based within the Trade Policy Directorate. This project came into being thanks to the financial contribution of the **German Development Cooperation with South Eastern Europe** under the program of Open Regional Fund for Foreign Trade Promotion. The overall goal of this project is to support the above process by establishing the tools and relevant structures of prioritizing and reducing the non-tariff barriers to trade and, consequently, by contributing to improved general setting for economic growth and development of regional trade, enhanced competitiveness and promotion of foreign investments and regional cooperation, which are indispensable to fulfil the economic criteria for the EU-membership.

Who are the Beneficiaries?

The beneficiaries shall be the parties which have signed the CEFTA-Agreement: **Albania, Bosnia & Herzegovina, Croatia, Macedonia, Montenegro, Moldova, Serbia and UNMIK/Kosovo.**

Which are the goals of the project?

The main goal of this project is to identify, review and eliminate non-tariff barriers by contributing to the successful implementation of the Agreement and generation of full benefits thereof for CEFTA-parties. Thus, the project aims at:

- Facilitating regional trade through reduction and elimination of non-tariff barriers;
- Increasing knowledge of these barriers and improving the capacity to eliminate them within public administrations and business community;
- Increasing the exchange of information and cooperation among stakeholders within the countries and between the countries in the region.

Upon initiative of the CEFTA Secretariat, and after having contacted GTZ project management, the consultant was invited to participate in a "Round-Table on NTBs", organised by the GTZ project and carried out in collaboration with OECD, on May 25 and 26 in Budva, Montenegro.

The objectives and expected outputs of the event were the following:

- ✓ To gain a full understanding of the business perceptions on the existing non-tariff barriers and other administrative/technical obstacles to the regional trade.
- ✓ To gain a deep understanding of the implementing process of CEFTA and insights in the country experiences in their efforts of harmonizing the rules and procedures and meeting their commitments to WTO provisions and EU standards.
- ✓ To explore the potentials for harmonization of technical regulations and standards and for concluding an agreement on the mutual recognition of conformity assessment procedures among CEFTA Parties.
- ✓ To encourage an effective and constructive dialog between public and private sector on the issue of NTBs/TBTs

Expected Outputs

- ✓ Double-checking the results of the work done in identifying and prioritizing the NTBs and updating the priority list of NTBs;
- ✓ Collect proposals from the private sector on how to tackle and address the NTBs;
- ✓ Facilitate the necessary information to prepare a consolidated and prioritized list of NTBs/TBTs to be submitted to CEFTA bodies.

The consultant was given a slot in the event's programme to present the preliminary findings of his study assignment and give tentative recommendations. As the event brought together the majority of key players in the relevant sector from all CEFTA countries, the meetings in Budva were considered an excellent opportunity to discuss the tentative conclusions and recommendations, and to verify the correctness of data and if any important sources of information had been overlooked. In general, the Regional Round Table provided excellent opportunities to meet with the representatives of those countries that could not be visited, such as Kosovo, Moldova and Bosnia and Herzegovina. As such, the event became an important part of the assignment's overall methodology and approach.

Challenges

1. For the purpose of the study, the trade related information and data retrieved and received needed to be very specific and reliable, providing answers to the following question:

Which exporting CEFTA countries export which commodities to which other CEFTA countries in which volumes (Geographical origin and destination of regionally traded commodities)?

This specific, combined and updated set of data has proven to be not readily available for most CEFTA countries. In fact, the only countries able to provide relatively complete sets of this specific information were Croatia and the Republic of Macedonia.

2. In all countries visited, and all countries with whose representatives the consultant was able to interact in the course of the study, the great majority of policy and decision makers in the fields relevant to this study is heavily focused on the accession process to the EU. The implementation of accession measures in the quality infrastructure sector uses up many national resources. As a result, very little planning and absorption capacity remains for the CEFTA harmonisation process.

The finding that, in meetings and general communication with these policy and decision makers (e.g. at the Ministries of industry and trade) consolidated national policies for sub regional integration in the CEFTA context could practically not be identified, seems to be related to this strong focus on the EU.

In summary it seems correct to say that CEFTA harmonisation efforts are not very high on the political agendas of the Parties to the Agreement.

3. In most CEFTA countries, the linkages between the public and private sectors seem to be weak and in urgent need of development. The exchange of information and communication in general between for instance the line ministries and strategic sectors of the national economy seems to be very limited.

This situation is further negatively affected by the low degree of self-governance and organisation of the economic sectors and subsectors in most CEFTA countries. As a result, the political decision makers are often insufficiently informed about the real TBT-related problems which their economic actors are facing.

4. In the course of the study, most interlocutors did not sharply distinguish between TBT and SPS measures and other non tariff barriers such as administrative barriers to trade. In fact, practically all the information received under the title of "TBT" was really about SPS measures and administrative barriers.

Technical background

4.1 Non-Tariff Barriers and Technical barriers to trade

4.1.1 Classification of NTBs

The total body of obstacles or barriers to trade divides into tariff and non-tariff barriers to trade. The group of non-tariff barriers, which is still a very large one, roughly divides into

- Administrative barriers
- Technical barriers (TBT)
- Sanitary and phytosanitary measures (SPS).

(Please note that some classifications group TBT and SPS measures together under “technical measures”. This grouping - which does not reflect the substantially different characters of the two types of measures and does not follow WTO terminology – does not seem fit for any practical purpose however)

UNCTAD and the WTO have both done fundamental work on the classification of NTB's. At its most detailed level, one of UNCTAD's classifications distinguishes between approx. 100 different types of NTBs. In a recent inventory of NTBs however, the WTO uses the following seven categories:

<p>Part I Government participation in trade and restrictive practices tolerated by Governments</p> <p>Part II Customs and administrative entry procedures</p> <p>Part III Technical barriers to trade General Technical regulations and standards Testing and certification arrangements</p> <p>Part IV Sanitary and phytosanitary measures General SPS measures including chemical residue limits, disease freedom, specified product treatment, etc. Testing, certification and other conformity assessment</p> <p>Part V Specific limitations</p> <p>Part VI Charges on imports</p> <p>Part VII Other Intellectual property issues</p>

Source: UNCTAD document on Methodologies, Classifications, Quantification and Development Impacts of Non-Tariff Barriers (TD/B/COM.1/EM.27/2)

4.1.2 Technical Barriers to Trade

What are “technical barriers to trade”? In the strict sense, all non-harmonised and non-equivalent

- Technical regulations
- Standards
- Conformity assessment procedures

are technical barriers to trade.

In the words of the World Trade Organisation (WTO):

Technical regulations and product standards may vary from country to country. Having many different regulations and standards makes life difficult for producers and exporters. If regulations are set arbitrarily, they could be used as an excuse for protectionism. The Agreement on Technical Barriers to Trade tries to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles.

(www.wto.org)

Please note that in accordance with WTO definitions, created for the purpose of the implementation of the WTO Agreement on Technical Barriers to Trade (TBT Agreement) technical regulations are mandatory and standards are of voluntary application.

It also needs to be pointed out that “administrative barriers to trade” are NOT technical barriers to trade. As a result, all mandatory technical specifications (“mandatory standards”) are considered to be technical regulations.

Furthermore, not all TBTs can or must be avoided:

- Every country has the right and the obligation to issue the technical regulations (and standards) it deems appropriate to protect its citizens, the natural environment and its national interests.
- However, protection of economic interests is not normally considered a „legitimate objective“ for technical regulation.

Finally, as pointed out above, the issue of technical barriers to trade (and their avoidance or reduction) is dealt with by the WTO in the TBT Agreement. Even though the TBT Agreement does list “the protection of human health and animal or plant life or health” among the legitimate objectives for technical regulations, health and food safety measures taken by national governments and authorities are as a rule treated in the context of the WTO Agreement on Sanitary and Phytosanitary Measures (SPS Agreement) and formally **do not fall into the category of technical barriers to trade.**

4.2 Mutual recognition agreements

4.2.1 Main elements of recognition agreements on conformity assessment in the area of industrial products

Scope: Selected product sectors	
Legislation on the relevant industrial products	Technical regulations, often including reference to standards
Conformity assessment procedures ensuing from the relevant legislation	These can range from the manufacturer's self-declaration of conformity to a combination of very strict testing and certification interventions by the designated conformity assessment bodies (CABs)
Conformity assessment bodies	Infrastructure for the technical evaluation and demonstration of the relevant products' compliance with the legal requirements
Designation authorities	For the designation of CABs. Must have the necessary power to designate or withdraw designation
Procedures and criteria for designation of conformity assessment bodies	

4.2.2 Basic models for negotiation

For the negotiation of mutual recognition agreements on conformity assessment (MRAs), two basic models are available:

- 1) MRA based on the established **recognition of equivalence of regulations** (and standards) **and** on **confidence in the conformity assessment infrastructure** of the trading partner
- 2) MRA based primarily on the **recognition of the competence of the trading partners' CABs** to assess compliance to one's own regulations.

In the ideal case, an MRA following the second model also incorporates the possibility to establish the equivalence of regulations – in determined cases.

Model 1: Recognition of equivalence (and confidence in conformity assessment)

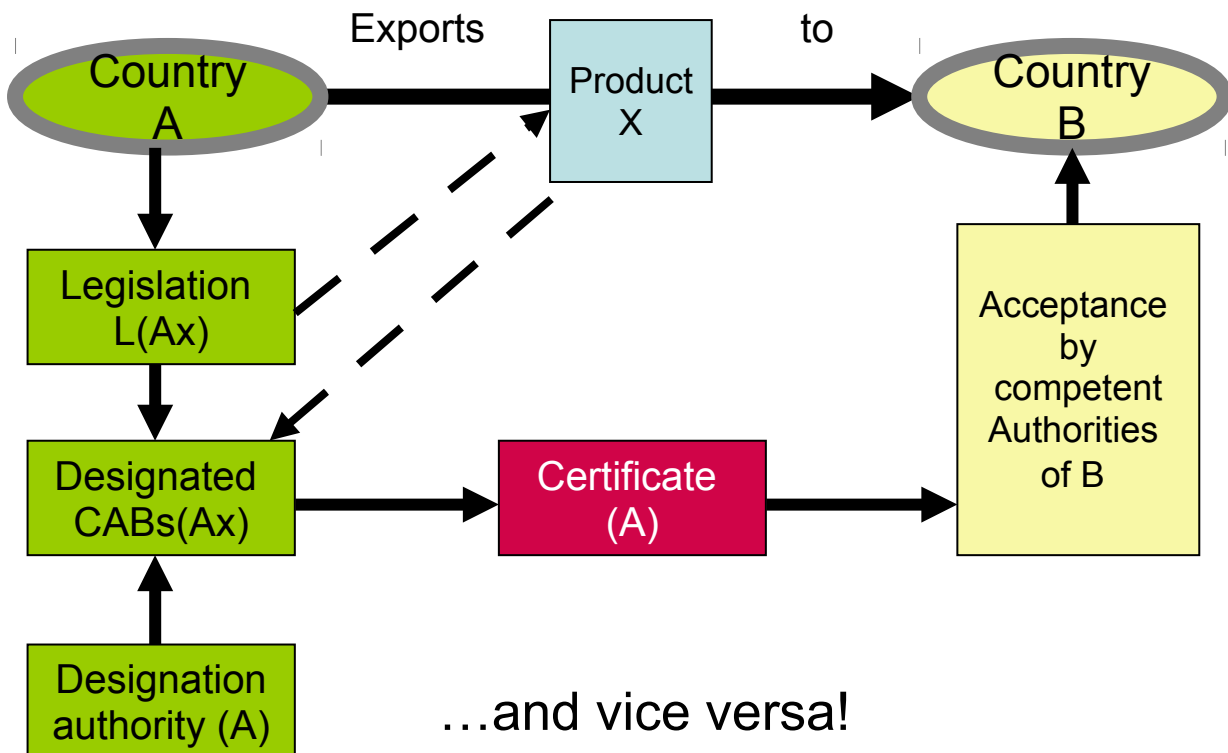
In practice this means that country A (importing country) accepts imported products that meet the applicable legal requirements of the exporting country (B) – just as if they complied with country A's own requirements.

In theory, the recognition of equivalence can be either unilateral or mutual. For the purposes of effective trade facilitation however, mutual recognition should be the goal.

The mechanism of recognition of equivalence is usually very complex in its implementation:

- the applicable legislation has to be identified and analysed (including reference to standards and the status of these standards)
- the objectives of a regulation have to be determined, then they have to be agreed as equivalent
- agreement has to be reached on their mutual acceptability with all competent authorities involved.

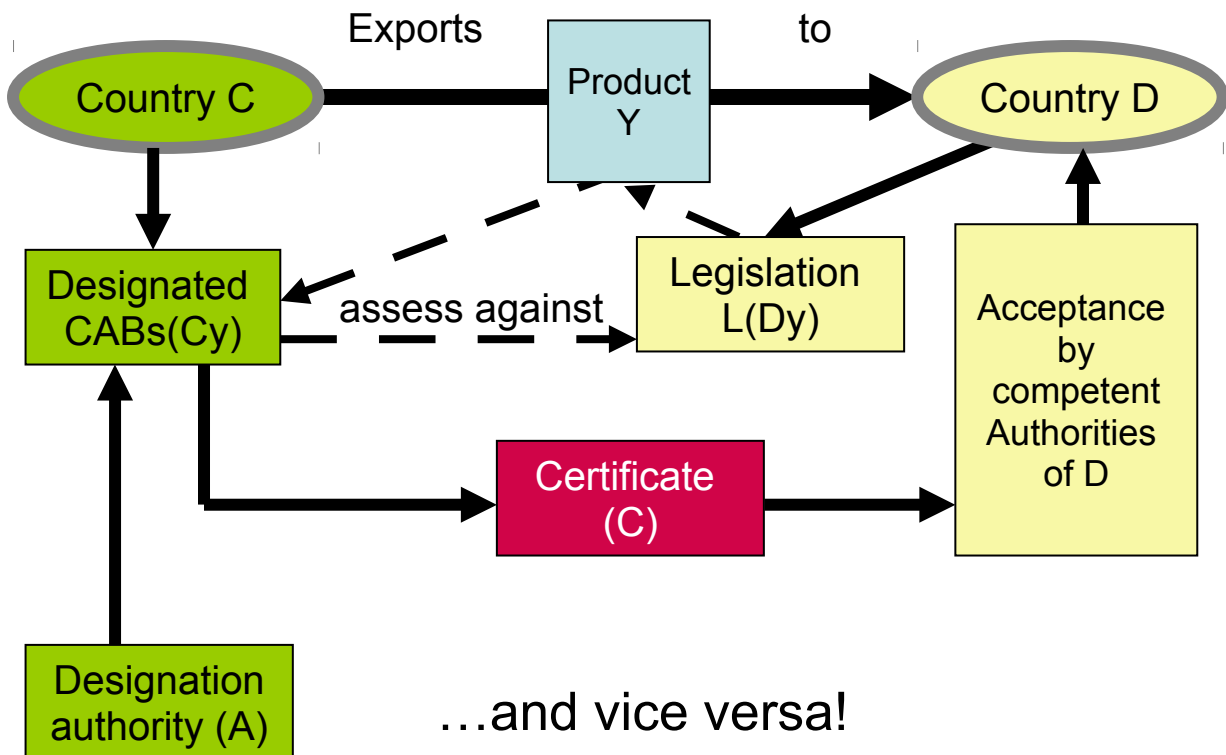
And finally, in addition to these steps, confidence must be created in the conformity assessment infrastructure of the other party or parties.



Model 2: Recognition of CAB competence

In accordance with this model, each exporting party is given the authority to test and certify products **against the regulatory requirements of the other party**, on its own territory and prior to export. Each importing party agrees, by the terms of the MRA, to recognise the test reports, certificates and approvals issued by agreed CABs of the exporting party, and the products can be placed on the other party's market without additional procedures.

As a rule, MRAs concluded by the EU and international trade partners (USA, Japan, New Zealand and others) follow this model. In several cases, e.g. with the USA, a transitional period was established for exchange of information between the parties, and to build confidence and understanding of each other's procedures for designation of CABs and evaluate the ability of the CABs to carry out their duties. Passage from the transitional to the operational phase was then gradually introduced for selected sectors.



The latest example of an MRA of this type is the one concluded between the EU and Switzerland. In addition to the mutual recognition mechanism depicted in the model above, this agreement also contains a provision stating that in cases where Swiss and EU requirements are **deemed equivalent**, both parties shall also accept reports and certificates to each country's respective (own) requirements. The agreement does not yet specify these cases (product sectors and their specific regulations) but places this responsibility in the hands of a special "Committee on Mutual Recognition", to be composed of representatives of both parties and established for the purpose of managing and monitoring the smooth functioning of the Agreement.

For the full text of this MRA see http://ec.europa.eu/enterprise/international/index_en.htm

Findings and results

5.1 Trade flows, volumes and commodities

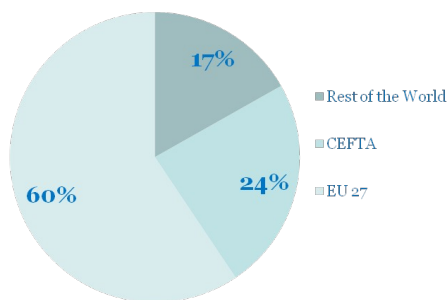
Note: The diagrammes in this subchapter are used with kind permission of Mr Andrea Beltramello, OECD

The major trade flows of the CEFTA countries are still geared to the EU (70% of total exports, 64% of total imports in 2005)

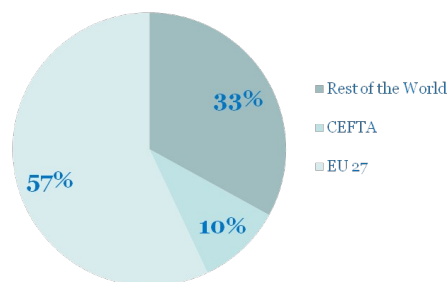
Trade between CEFTA countries has grown, but in shares of total trade, volumes are still low (approx. 10% of total exports, 6% of total imports in 2005)

A strong dependence on the European Union

Composition of Total Regional Goods Exports, 2006



Composition of Total Regional Goods Imports, 2006



CEFTA trade flows strongly oriented towards the EU - intra-regional trade plays only a limited part
 Intra-regional trade has increased, BUT in the same proportions as total exports and imports

Source: OECD analysis based on UN Comtrade database

Identified trade volumes in manufactured, industrial goods are very modest.

In cases where significant exports of industrial goods to other CEFTA countries were identified, these were mostly to only one other CEFTA country (e.g. from Croatia to Bosnia and Herzegovina) Moreover, in these cases practically only one or very few major product groups were involved.

The few product groups or single commodities that could be identified as significant in terms of intra-CEFTA trade, turned out to be mostly of

- low added value
- low sophistication

and

- not mentioned in any NTB reports in the region

These findings are supported by the preliminary results of OECD studies of the region's trade flows, volumes and structure, which make similar statements for both intra-CEFTA trade and trade between CEFTA and non-CEFTA parties:

Analysis of trade flows suggests that CEFTA Parties are mostly excluded from sophisticated value chains

A preliminary statistical analysis of intra-CEFTA trade and bilateral flows with the main extra-CEFTA trade partners shows that both exports and imports are concentrated in raw materials and low value-added products

This could be in part a consequence of the level of disaggregation (six-digit of the Harmonised System) that overestimates the flows for some categories

Yet, these trade patterns reflect the manufacturing structures and location of activities in the CEFTA Parties:

Specialisation in unskilled labour and raw material intensive industries
Low share of intra-industry trade
Most intra-industry trade is vertical and in low value-added products

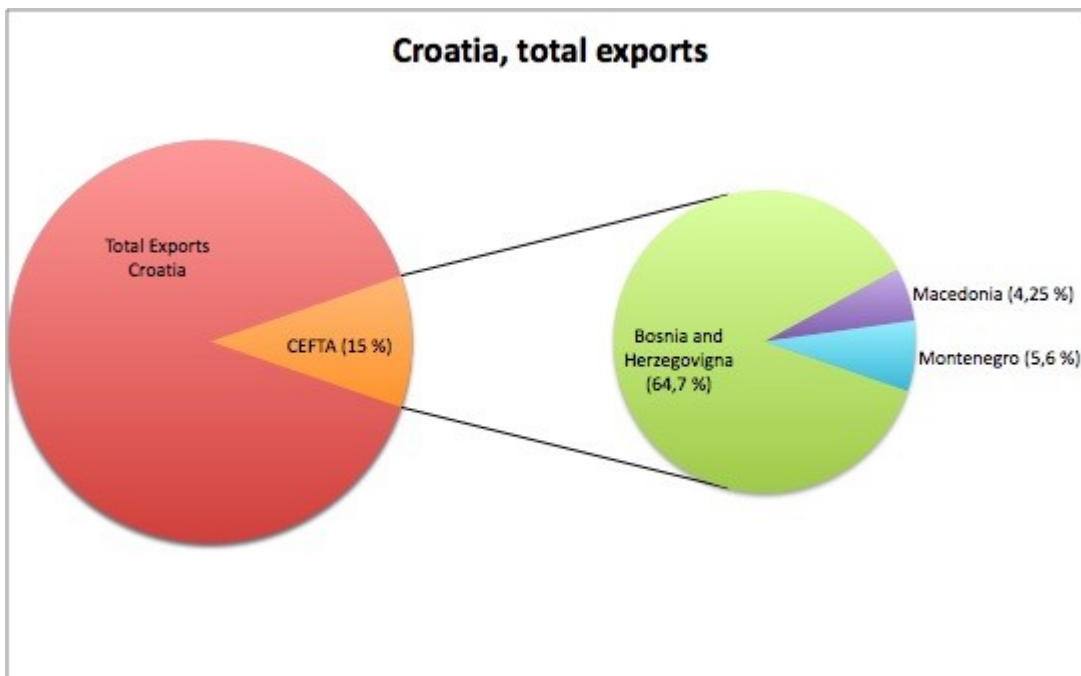
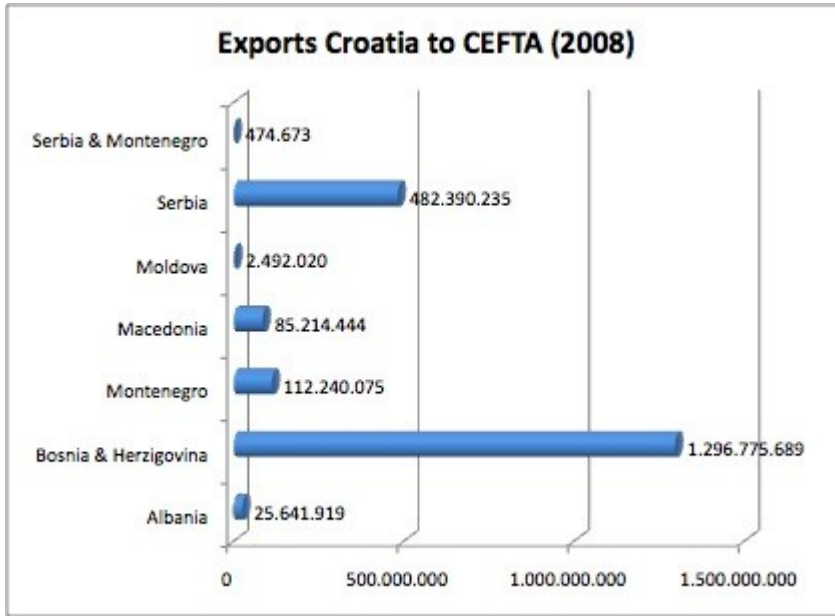
They are also supported by findings of the GTZ project on NTBs, with its project office in Tirana, Albania. (For more information on this project see section on Regional Round Table on NTBs, Budva). In his presentation delivered in Budva, Project Adviser Dr. Selim Belortaja presented a list of most traded goods in the CEFTA area, which make up more than 50% of total CEFTA trade. The fact that this list is not very long is proof of the insufficient diversification among the CEFTA countries. Over and above this, practically all of the commodities on the list are indeed low added value, largely unsophisticated products that require little manufacturing skill:

- Metal and metal products, (group 72 and 73 of Hs)
- Fuels, min.oils (Chapt. 27 and 26 of HS)
- Minerals, ores (Chapt. 26)
- Cement and construction materials (Ch. 25,..)
- Glass and products (Ch. 70)
- Leather and products (Ch.41)
- Wood products Ch. 94)
- Footwear (Ch. 64)
- Some Machineries (electr.) (Ch. 85)
- Flour, wheat etc (Ch. 10, 11)
- Alcoholic and non-alcoholic beverages (wines incl.) (Ch. 22)
- Soap and detergents,
- Herbs and spices
- Pharmaceuticals
- Tobacco, cigarettes, coffee and cocoa products
- Fruits, vegetables

5.2 Case example: Croatia's exports to CEFTA

In 2008 Croatia's exports to CEFTA amounted to approx. 15% of its total exports.

At the same time, 65% of Croatia's total CEFTA exports were exports to Bosnia and Herzegovina.



Of these exports to Bosnia and Herzegovina, almost 30% concerned **petroleum oils**.

(For the full set of data on Croatia's exports to CEFTA, 2008, see **Appendix**)

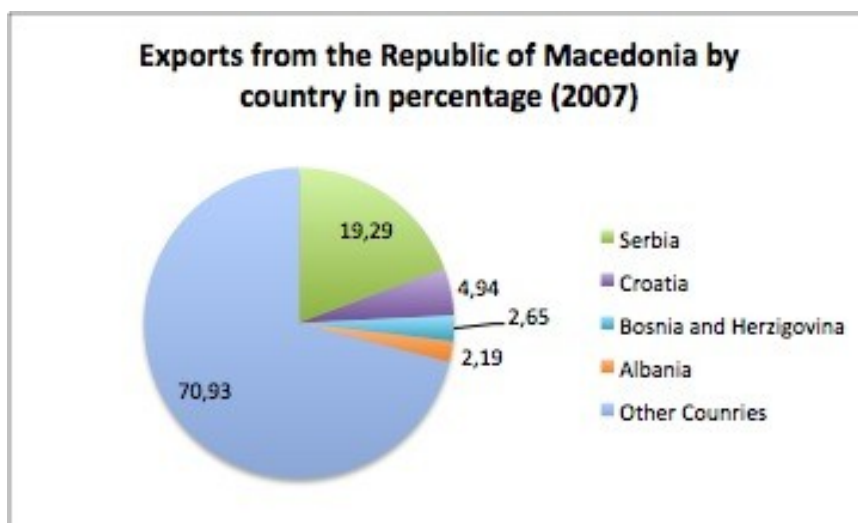
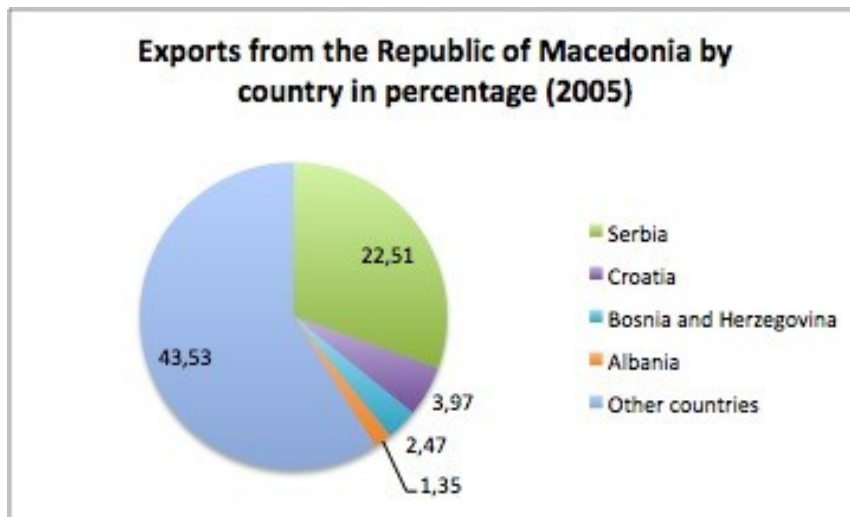
5.3 Case example: Macedonia's exports to CEFTA

The second CEFTA party for which a good set of combined trade data was available, was the Republic of Macedonia.

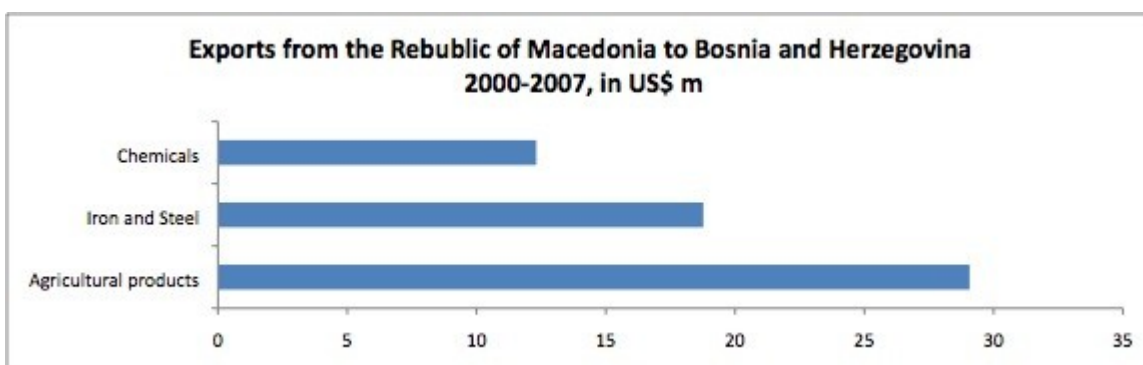
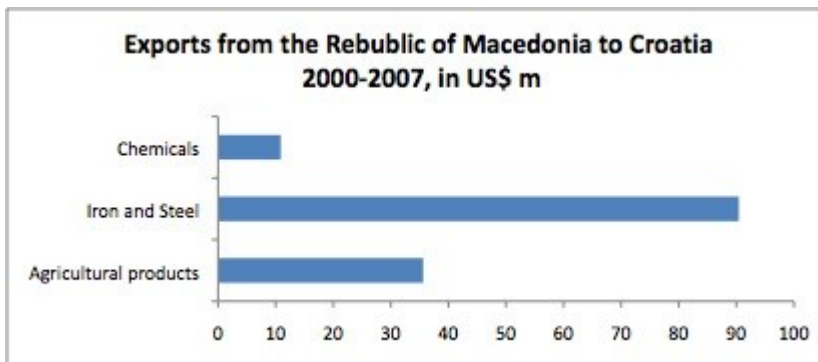
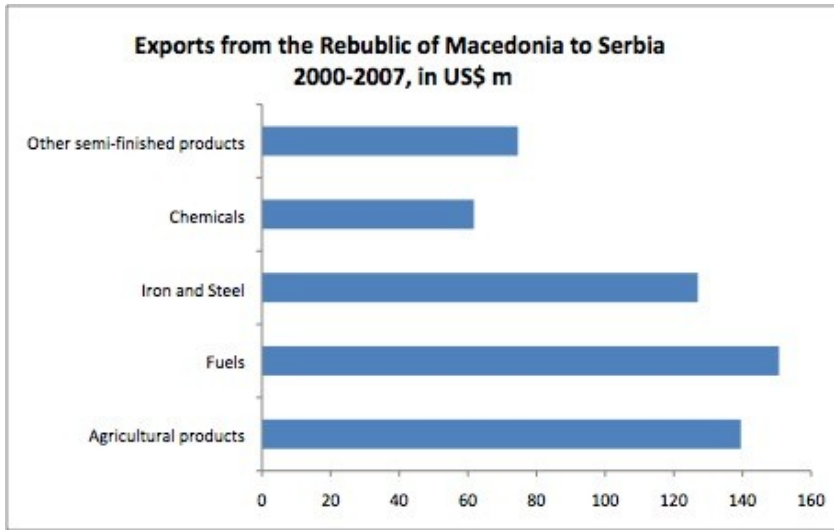
In 2005 Macedonia's major trading partner within CEFTA by far was Serbia, with an export volume of approx. 460 million USD and over 22% of total exports. Serbia was followed by Croatia (3.97% of total exports), Bosnia and Herzegovina (2.47%) and Albania (1.35%).

In 2007 we see that Macedonia's exports to CEFTA have increased, but so have its total exports. The ranking of major trading partners within CEFTA has not changed and the individual trade volumes to these countries have undergone only minor changes:

Serbia still is partner number one with an export volume of approx. 640 million USD and over 19% of total Macedonian exports, followed by Croatia (with 4,94% of total exports), Bosnia and Herzegovina (2.65%) and Albania (2.19%).



The following charts provide an overview of the commodities exported by Macedonia to its main CEFTA trading partners.



The top three commodities for each of the CEFTA trading partners thus are:

Serbia: fuels, agricultural products, iron and steel
 Croatia: iron and steel, agricultural products, chemicals
 Bosnia and Herz.: agricultural products, iron and steel, chemicals

If we now rule out “agricultural products” for which any significant restrictive trade measures would normally fall into the category of sanitary and phytosanitary measures and are thus not relevant for the purposes of our study, the remaining export commodities for Macedonia are:

Fuels, iron and steel and (to some degree) chemicals.

Although the possibility that intra-CEFTA trade in these and similar commodities is hampered by existing technical barriers to trade (divergent technical regulations, standards or conformity assessment procedures), should not be ruled out, no evidence for this, no reported cases could be obtained in the course of the assignment (desk work, meetings during missions, email communication, meetings in Budva).

5.4 Information on significant intra-CEFTA technical barriers to trade

As indicated earlier in this report, up to the GTZ Regional Round Table at Budva in May, the meetings and email surveys carried out by the consultant in the context of the study and the perusal of existing documents, generated NO INFORMATION on specific and substantial TBTs in CEFTA intraregional trade in industrially manufactured commodities. In meetings with representatives of authorities and Chambers, very few concrete examples of TBTs concerning any type of commodity was given. Upon closer scrutiny the information that was received practically in all cases related to SPS measures or administrative measures, rather than TBTs.

In the course of the country visits to Croatia, Serbia and Montenegro, especially the representatives of the Chambers of Commerce and Economy provided some information about ongoing national and regional surveys concerning NTBs. In the course of execution of the assignment more and more information and reports on preliminary findings of these surveys could be obtained, e.g. from Serbia and Montenegro. However, the specific information on existing significant TBTs remained close to nill. For instance a report on CEFTA 2006 implementation from Montenegro (dated January 2009) which includes a section on NTB survey results, only contains one general reference to TBTs as follows:

“Non-recognition of technical standards creates problems in terms of placement of industrial products.”

The most detailed national report on NTB survey findings thus far was produced by Serbia. The relevant document, dated 15 May 2009, which was circulated to all participants in the Regional Round Table in Budva, contains a number of pertinent observations and descriptions of existing NTBs. However, none of them can be classified as technical barriers to trade, as the following excerpts will illustrate:

- There is a problem of too many requests for additional checking of the proof of origin of goods from Serbia, very often without any justification, which slows down export of Serbian products. In particular, there are very frequent objections by the Customs Administration of Bosnia and Herzegovina on the validity of origin of goods from Serbia, which among other things implies the possibility of the pressure made by the competitors from Bosnia and Herzegovina.
- There is a ban on import of fresh eggs from Serbia to Montenegro, about which the Montenegrin side has not given any explanation.
- There was a problem with Croatia with export of lollypops from Serbia, which allegedly contain carcinogenic substances (After publication in the media, the official denial was issued by the government bodies of Croatia). The Serbian exporter sustained the damage in spite of the official denial of the Croatian Food Agency.

- Croatia introduced the restrictive criteria for tourist escort in the new Law on Services in Tourism (the obligation of Croatian citizenship).
- There are some complaints that in some customs clearance of imported goods is not possible on Saturdays and it is requested that the original documents are made in the Latin script (e.g. Croatia).
- Manufacturers of fruit juices indicate the problem on the border crossings with Macedonia and Croatia, where the customs officers from these require from them to include in the manufacturers' specifications the precise quantities of material used for production, which is a business secret.
- Domestic producers of medicines and plant protective agents have problems in Croatia and Bosnia and Herzegovina, because it is difficult to register medicines (long procedure) and plant protective agents from Serbia in these. CEFTA Parties In the same time, medicines from Croatia and Bosnia and Herzegovina are registered without any problems in Serbia.

Obviously, several of these (and other) identified problems are of an administrative nature, and the majority classifies as sanitary and phytosanitary measures. And also the following facts, which concern the (lack of) recognition of conformity certificates and should be of major concern to political decision makers, are related to SPS – and **not** TBT:

In Serbian export to the Region, the conformity assessment documents obtained from the domestic accredited organization are not recognized in 48% of the cases, while they are recognized in 52%. In import, the competent Serbian authorities do not recognize 70% of the conformity assessment documents issued by the authorized organizations in the Region. **This particularly refers to the reports on sanitary, phytosanitary and veterinary control.**

The Serbian report on NTB's then carries on to discuss the problem of non-recognition of certificates in the broader context (and as a result of) the differences in technical regulation, which in turn result from the differences in pace with regard to the adoption and implementation of the relevant EU Directives:

“Economic sector of Serbia expects certain problems in trade with Croatia considering that this country has announced that in 2009, due to the harmonization of its own regulations with the EU, it will not import some agricultural products (poultry, eggs, fish etc), which are not in compliance with these regulations. According to the information of the Veterinary Administration of Serbia, it is expected that these measures are not going to be strictly implemented immediately, considering that this country is not yet the member of the EU; also many Croatian companies are interested in products from Serbia. For this problem to be permanently resolved (since it can be expected to crop up in the trade with the others in the Region as well) it is necessary to adopt the technical regulations as soon as possible; these are already ongoing within the procedure of the National Assembly of Serbia. Those are drafts on the Law on General Safety of Products and on the Law on Standardization and Technical Requirements for the Products and Conformity Assessment. With the implementation of these laws, domestic producers would obtain functional system of the infrastructure of quality, by and large harmonized with such systems in the EU and in some of the CEFTA Parties that have already adopted the EU TBT system”

The examples of specific commodities given in the above excerpt are again solely from the SPS area (poultry, eggs, fish). There seems to be a tendency with the policy makers however, as seen from the Montenegrin report, to generalise from this finding and also include the TBT sector – without mentioning specific examples and commodities.

More importantly however, the authors of the Serbian report put their finger on the potential main source of significant technical barriers to trade in the region: Some countries, such as Croatia, have already adopted and implemented a vast body of EU Directives (and standards) in trade-relevant sectors, while other countries and trading partners in the region have not yet accomplished this task. The resulting differences in legislation lead to the non-recognition of certificates which are issued on the basis of the respective own national regulations. *(Of course, informed exporters would be expected to a priori produce their goods to the regulations of the importing country, thus making an added investment which would however still be less costly than the total rejection of the goods)*

Indeed, this issue of differences in adoption and implementation pace between the CEFTA countries was confirmed by all participants in the Regional Round Table on NTBs as the major TBT related problem for the region – unfortunately again without mentioning any specific commodities and examples.

Conclusions and recommendations

6.1 Conclusions

In conclusion, no commodities or product groups could be identified which, due to their significant intra-regional trade volumes and as prompted by evidence of significant technical barriers hampering trade in these specific commodities would urgently require the negotiation of recognition agreements on conformity assessment.

The issue of divergent technical regulations between the CEFTA countries due to differences of pace with regard to the adoption and implementation of EU Directives and standards is perceived by major stakeholder groups as a significant barrier to trade, especially with regard to trade in agricultural and food products. For the TBT sector so far no specific cases could be identified, but their existence should not be ruled out.

As it is the declared policy and strategy of all CEFTA countries to harmonise their technical regulations and standards with those of the EU, and as these programmes already have a very high priority in the relevant countries, no new policies or mechanisms for intra-CEFTA harmonisation need to be introduced.

In fact, some differences in legislation and standards between countries that are very advanced in their approximation to the EU and those that are still further away will not be overcome in the short term. However, due to the current nature, (low degree of sophistication) structure (little diversification) and volumes (modest) of intra-CEFTA trade in industrial commodities the consequences of these differences are not expected to be very grave. Future developments should however be closely monitored in order to consider the implementation of specific technical assistance programmes if so required.

6.2 Recommendations

1. Unnecessary Technical Barriers to Trade can be avoided, eliminated or reduced through increased transparency, coordination, cooperation and confidence. Article 13 of the CEFTA 2006 Agreement contains an obligation to notify any draft new technical regulation, standard or conformity assessment procedure. So far, this obligation has not been implemented. The recommendation is to design a very simple, yet effective mechanism that will not be perceived as an added burden to the relevant notification authorities.
2. Relationships and general linkages between private and public sector with regard to the identification, discussion, analysis and description of (potential) unnecessary TBTs should be strengthened.
3. Effective mechanisms for regulatory cooperation between CEFTA countries should be introduced (e.g. through the establishment or strengthening of regional forums on good regulatory practice, equivalence in regulation, best practices in conformity assessment).
4. Regulatory cooperation could also cover the establishment of agreement(s) on priority EU technical legislation to be adopted by the CEFTA parties in the context of their national EU approximation strategies and plans.
5. Technical cooperation and networking between CEFTA countries in all quality infrastructure disciplines should be improved (Metrology, standardization, conformity assessment, accreditation and market surveillance)
6. Pre-market (conformity assessment) and post-market (market surveillance) control systems should receive equal attention in the context of any harmonisation effort. This implies that more attention must be given to market surveillance, including the establishment of rapid information and communication systems on dangerous products. (A lack of symmetry in market surveillance systems between the countries of the region is a large stumbling block on the way to more regional integration and technical harmonisation).
7. Everything possible should be done to achieve full European (EA MLA) and international recognition of the national infrastructures for conformity assessment and accreditation – as a basis and only accepted mechanism towards future government-to-government recognition agreements where these should be urgently required.

ANNEX

Appendix

Croatia's exports to CEFTA, 2008

Albania			Albania		
Tariff Code	Exports (EUR)		Tariff Code	Imports (EUR)	
1	271119	8.724.559	1	640399	787.381
2	110710	1.533.571	2	121190	211.514
3	850423	1.203.485	3	100590	208.783
4	852861	865.288	4	410120	179.114
5	853710	633.271	5	620342	140.817
6	701090	615.886	6	640391	106.043
7	340220	590.452	7	610711	49.482
8	271112	574.609	8	620462	46.176
9	844399	573.422	9	640351	45.802
10	30563	497.497	10	640340	36.786
Other		9.829.879	Other		386.304
Total		25.641.919	Total		2.198.202

Bosnia & Herzegovina			Bosnia & Herzegovina		
Tariff Code	Exports (EUR)		Tariff Code	Imports (EUR)	
1	271019	238.613.427	1	760110	90.034.061
2	271011	122.616.420	2	271600	36.994.047
3	240220	43.315.082	3	731420	35.055.991
4	100190	40.967.079	4	721420	25.842.880
5	252329	31.097.666	5	730890	21.613.995
6	720449	20.656.274	6	440710	15.313.543
7	220300	20.210.605	7	760120	14.209.620
8	271600	19.400.445	8	760410	12.973.741
9	300490	16.601.965	9	251710	11.174.622
10	310520	15.911.104	10	721391	10.985.615
Other		727.385.622	Other		261.938.553
Total		1.296.775.689	Total		536.136.668

Montenegro			Montenegro		
Tariff Code	Exports (EUR)		Tariff Code	Imports (EUR)	
1	252329	15.069.545	1	730669	477.420
2	271019	10.075.710	2	721129	471.089
3	240220	9.182.731	3	360490	428.328
4	271119	3.115.132	4	220421	362.034
5	847330	2.278.449	5	730.630	328.797
6	440690	2.027.202	6	721123	266.670
7	854449	1.997.617	7	890110	264.406
8	701090	1.869.811	8	680221	162.490
9	851770	1.586.945	9	720916	161.306
10	847130	1.470.221	10	841830	128.417
Other		63.566.712	Other		1.824.004
Total		112.240.076	Total		4.874.961

Macedonia			Macedonia		
Tariff Code	Exports (EUR)		Tariff Code	Imports (EUR)	
1	701090	4.293.196	1	720851	55.522.114
2	340220	4.081.641	2	720852	15.648.109
3	850423	2.885.650	3	730120	9.787.038
4	300490	2.724.638	4	220429	5.805.415
5	690890	1.905.518	5	300490	5.024.049
6	180623	1.607.632	6	730661	4.237.194
7	240220	1.584.636	7	190531	3.197.440
8	210410	1.552.889	8	721070	2.853.300
9	440929	1.378.468	9	220421	2.463.731
10	340290	1.337.887	10	720926	2.368.017
Other		61.862.289	Other		54.457.901
Total		85.214.444	Total		161.364.308

Moldova			Moldova		
Tariff Code	Exports (EUR)		Tariff Code	Imports (EUR)	
1	851770	1.391.773	1	721391	1.754.319
2	851762	313.820	2	520852	438.394
3	701090	235.125	3	520822	315.955
4	300420	195.540	4	610910	238.648
5	843360	101.271	5	520832	211.501
6	300490	93.906	6	620342	126.297
7	847431	67.224	7	611020	105.832
8	391910	16.838	8	610831	104.581
9	841311	15.500	9	520812	99.779
10	851850	13.288	10	853690	84.086
Other		47.735	Other		1.338.314
Total		2.492.020	Total		4.817.706

Serbia			Serbia		
Tariff Code	Exports (EUR)		Tariff Code	Imports (EUR)	
1	271011	45.998.227	1	290121	20.010.782
2	271019	15.620.651	2	720852	8.832.227
3	701090	13.909.735	3	720838	7.773.232
4	390110	13.530.167	4	720853	4.710.968
5	240220	12.953.709	5	340220	4.083.038
6	271119	12.504.280	6	841830	4.077.549
7	854449	10.812.258	7	940161	3.886.738
8	310520	8.574.631	8	730890	3.787.670
9	690890	7.244.975	9	731420	3.720.425
10	441011	7.094.293	10	840999	3.674.179
Other		334.147.309	Other		175.071.153
Total		482.390.235	Total		239.627.961

Tariff Code	Exports (EUR)	Tariff Code	Imports (EUR)
1 842839	203.988	1	
2 490290	66.015	2	
3 252329	43.598	3	
4 481910	33.391	4	
5 390110	25.140	5	
6 441193	22.968	6	
7 851531	18.379	7	
8 844399	16.443	8	
9 441210	8.359	9	
10 844332	6.915	10	
Other	29.477	Other	
Total	474.673	Total	

CEFTA Total		CEFTA Total	
Tariff Code	Exports (EUR)	Tariff Code	Imports (EUR)
1 271019	265.195.182	1 760110	90.034.061
2 271011	169.339.723	2 720851	57.910.393
3 240220	67.163.265	3 731420	39.010.428
4 252329	46.923.580	4 271600	38.423.798
5 100190	42.862.581	5 730890	26.116.625
6 271119	38.392.948	6 721420	25.903.061
7 701090	30.579.998	7 720852	24.591.636
8 300490	25.810.399	8 290121	20.010.782
9 854449	25.118.926	9 440710	15.367.593
10 310520	24.615.132	10 760120	14.565.170
	1.269.227.32		
Other	1	Other	597.086.259
Total	2.005.229.05	Total	949.019.806
	5		

(Source: Data received through Min. of Economy, Zagreb)

Tariff Codes: Top 10 export commodities from Croatia to CEFTA (2008)

Albania

Exports

1. 271119	Other Petroleum Gases
2. 110710	Malt (Not roasted)
3. 850423	Liquid Dielectric Transformers
4. 852861	Television receivers
5. 853710	Bases for Electric Control or the Distribution
6. 701090	Glass
7. 340220	Washing & Cleaning Preparations for Retail
8. 271112	Liquified Propane
9. 844399	Printing machinery, machines ancil to print
10. 030563	Anchovies

Imports

1. 640399	Footwear of Leather
2. 121190	Plants for Perfumery, Pharmacy etc.
3. 100590	Maize (Not Seed)
4. 410120	Raw Hides & Skins & Leather
5. 620342	Clothes
6. 640391	Footwear
7. 610711	Underwear
8. 620462	Clothes
9. 640351	Footwear
10. 640340	Footwear

Bosnia & Herzegovina

Exports

1. 271019	Oil
2. 271011	Oil
3. 240220	Cigarettes
4. 100190	Seed, White, Other
5. 252329	Cement
6. 720449	Ferrous Waste and Scrap
7. 220300	Beer made from Malt
8. 271600	Electrical Energy
9. 300490	Other Medicaments
10. 310520	Mineral or Chemical Fertilizers

Imports

1. 760110	Aluminium, not alloyed
2. 271600	Electrical Energy
3. 731420	Grill, netting and fencing
4. 721420	Concrete reinforcing bars and rods
5. 730890	Other Structures and Parts of Structures, of Iron/Steel
6. 440710	Coniferous
7. 760120	Aluminium alloys
8. 760410	Bard, Rods & Profiles, of aluminium, not alloyed
9. 251710	Pebbles, Gravel, Stone, Shingle and Flint
10. 721391	Iron and Steel

Montenegro

Exports

1. 252329	Other Portland Cement
2. 271019	Iron and Steel
3. 240220	Cigarettes
4. 271119	Other Petroleum Gases, Gaseous Hydrocarbons
5. 847330	Parts and Accessories of the Automatic Data Processing Machines
6. 440690	Other
7. 854449	Other Electric Conductors, for a Voltage Not Exceeding 80v
8. 701090	Glass
9. 851770	Electric apparatus for line telephony, Telephone sets, pt
10. 847130	Automatic data process machines, main reader, etc. Computer hardware

Imports

1. 730669	Tubes, pipes & hollow profiles nesoi, iron & steel
2. 721129	Other Flat-/Hot-rolled Products
3. 360490	Signalling Flares, Rain Rockets, Fog Signals
4. 220421	Wine, Grape Must
5. 730630	Other Tubes, Pipes, Hollow Profiles, welded, of circular cross section, of iron or no alloy steel
6. 721123	Iron and Steel
7. 890110	Cruise ships, excursion boats and similar vessels principally designed for the transport of persons ferry boats of all kinds
8. 680221	Marble, travertine and alabaster, simply cut or sawn
9. 720916	Iron and Steel
10. 841830	Freezers of the Chest Type, Not Exceeding 900l Capacity

Macedonia

Exports

1. 701090	Containers of Glass
2. 340220	Washing and Cleaning Preparations
3. 850423	Liquid Dielectric Transformers
4. 300490	Medicaments
5. 690890	Glazed Ceramic Flags
6. 180632	Food Preparations Containing Cocoa
7. 240220	Cigarettes
8. 210410	Soups and Broths and Preparations Therefore
9. 440929	Wood, continuously shaped
10. 340290	Surface-active, Washing & Cleaning Preparations

Imports

1. 720851	Iron and Steel
2. 720852	Iron and Steel
3. 730120	Welded Angles, shapes and sections of Iron or Steel
4. 220429	Wine
5. 300490	Medicaments
6. 730661	Tubes, pipes & hollow profiles nesoi, iron & steel
7. 190531	Food
8. 721070	Flat-rolled Products of Iron, Painted, varnished or coated with plastics
9. 220421	Wine, Grape Must
10. 720926	Iron and Steel

Moldova

Exports

1. 851770	Electric apparatus for line telephony, telephone sets
2. 851762	Electric apparatus for line telephony, telephone sets
3. 701090	Containers of Glass
4. 300420	Medicaments
5. 843360	Machines for Cleaning, Sorting or Grading Agricultural Produce
6. 300490	Medicaments
7. 847431	Concrete or Mortar Mixers
8. 391910	Self-adhesive Plates, Sheets, Film, Foil, Tape etc.
9. 841311	Pumps for Dispensing Fuel or Lubricants
10. 851850	Electric Sound Amplifier Sets

Imports

1. 721391	Iron and Steel
2. 520852	Plain Woven Fabrics of Cotton
3. 520822	Plain Woven Fabrics of Cotton
4. 610910	Clothes
5. 520832	Plain Woven Fabrics of Cotton
6. 620342	Men's Clothes
7. 611020	Clothes
8. 610831	Clothes
9. 520812	Plain Woven Fabrics of Cotton
10. 853690	Apparatus for Making Connections to or in Electrical Circuits

Serbia

Exports

1. 271011	Oil
2. 271019	Oil
3. 701090	Containers of Glass
4. 390110	Polyethylene
5. 843360	Machines for Cleaning, Sorting or Grading Agriculture Produce
6. 271119	Petroleum Gases
7. 854449	Other Electric Conductors, for a Voltage Not Exceeding 80v
8. 310520	Mineral or Chemical Fertilizers
9. 690890	Glazed Ceramic Flags
10. 441011	Wood

Imports

1. 290121	Ethylene
2. 720852	Iron and Steel
3. 720838	Iron and Steel
4. 720853	Iron and Steel
5. 340220	Washing and Cleaning Preparations
6. 841830	Freezers of the Chest Type, Not Exceeding 900l Capacity
7. 940161	Seats, with Wooden Frames, Upholstered
8. 730890	Other Structures or Part of Structures, of Iron/Steel
9. 731420	Grill, netting and fencing
10. 840999	Parts of Compression-ignition Internal Combustion Piston Engines

Serbia & Montenegro

Exports

- | | |
|------------|--|
| 1. 842839 | Other Continuous-action Elevators & Conveyors, for Goods or Materials |
| 2. 490290 | Other |
| 3. 252329 | Portland Cement |
| 4. 481910 | Cartons, boxes and cases of paper |
| 5. 390110 | Polyethylene |
| 6. 441193 | Wood |
| 7. 851531 | Machines, Apparatus, for Arc Welding of Materials, Fully or Partly Automatic |
| 8. 844399 | Printing machinery, machines ancil to print |
| 9. 441210 | Wood |
| 10. 844332 | Printing machinery, machines ancil to print |

Imports

None

CEFTA Total

Exports

- | | |
|------------|---|
| 1. 271019 | Oil |
| 2. 271011 | Oil |
| 3. 240220 | Cigarettes |
| 4. 252320 | Cement |
| 5. 100190 | Seed |
| 6. 271119 | Petroleum Gases |
| 7. 701090: | Glass |
| 8. 300490 | Medicaments |
| 9. 854449 | Other Electric Conductors, for a Voltage not Exceeding 80v. |
| 10. 310520 | Mineral or Chemical Fertilizers Containing Nitrogen, Phosphorous, Potassium |

Imports:

- | | |
|-----------|-----------------------------|
| 1. 760110 | Aluminium |
| 2. 720851 | Iron and Steel |
| 3. 731420 | Grill |
| 4. 271600 | Electrical Energy |
| 5. 730890 | Structures of Iron or Steel |
| 6. 721852 | Stainless Steel |

- | | |
|-------------------|-------------------|
| 7. 720852 | Iron and Steel |
| 8. 290212 | Ethylene |
| 9. 440710 | Coniferous |
| 10. 760120 | Aluminium alloyed |

