

**IV CEFTA Joint Committee Meeting
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HOW TO ACHIEVE SUSTAINABLE GROWTH

**Presentation by Mr. Mladjan Dinkic, Deputy Prime Minister and Minister of
Economy and Regional Development of the Republic of Serbia**

**The Republic of Serbia
Ministry of Economy and Regional Development**

Distinguished ladies and gentlemen, dear colleges from the CEFTA Parties,

First of all I would like to greet you all on behalf of the Ministry of Economy and Regional Development and on my behalf and wish you a warm welcome and a very pleasant stay in Belgrade.

This year, the CEFTA Joint Committee Meeting is organized at the moment when some negative aspects of world economic crises still exist affecting our economies and business dynamism in our region.

The recovery has begun, but remains fragile, and we can still expect a lot of challenges in the CEFTA region.

Before the crisis, the economies of the CEFTA Parties were boosted by external resources like privatization proceeds, credits and FDIs. The crisis shows that all CEFTA Parties have to find measures to restore the level of so needed sustainable growth.

Most CEFTA Parties are likely to record positive growth in 2010 but are witnessing that the GDP growth is relatively low with highest rates expected in Moldova 4.5%, Albania 3% and Serbia 2%. Macedonia and BiH are expecting GDP growth rate of about 0.8%, while Montenegro and Croatia are expecting negative GDP growth rates of about - 0.6% and - 1.5% respectively.

Despite the fact that the economy will gradually pick up 2011 will still be a difficult year for the Serbian economy as well.

In Serbia 2% growth is projected for 2010 with expectations of 2.9% growth rate in 2011. For the first nine months in 2010 industrial production has recorded increase of 4.4% comparing with the same period in 2009 which is a very positive signal that contributed to the GDP growth of about 1.2% in the first three quarters of 2010.

Positive figures are present regarding exports of Serbia that increased 21.1% in the first nine months in 2010 (13.7% in the September) and imports for about 8.9% comparing with the previous year.

Serbia's fiscal deficit will be larger than planned to reach 4.8 percent of the GDP in 2010 instead of 4.5 percent in order to accommodate the revenue downfall.

Inflation has decreased, creating an opportunity for durable stabilization of price growth within the single digit range (from 10.9% in 2008 to 8.4% in 2009). Inflation year-on-year growth rate in September 2010 is 7.7%.

Ladies and Gentleman,

Taking into account the overall economic situation it is obvious that our work in CEFTA need to be strengthened and further developed to the benefit of our economies and citizen.

In the next period the focus should be on ways and means to sustain the economic recovery while addressing imbalances of foreign trade, current account and budget deficit and also relatively high level of unemployment.

Trade is already contributing to recovery and it will be an essential component of a broader policy framework for sustained growth and development. Beside trade, increasing flows of investment are more than necessary being aware of the close interaction and interdependence of trade and investment flows

CEFTA Region is very important for the Republic of Serbia. After the EU, CEFTA is the second most important foreign trade partner of Serbia. After CEFTA came into force the share of Serbian trade with CEFTA Parties generally represents about 16% of total trade with the World, with the share of exports of 33% and imports of 8% (in 2010 35% and 8,6% respectively).

Since 2006 **Serbian trade** with CEFTA Parties had a stabile annual growth of approximately 50% except in the 2009 when it decreased approximately 20% (imports 22.3% and exports 18.9%) due to the economic crisis. The imports of agricultural products decreased for 3.6% and non-agricultural product for 26.2%. At the same time the exports of agricultural products decreased 6.5% and non-agricultural product 24.1%.

In the first half of 2010 a recovery has been noted and an 12.8% increase in trade has been recorded (imports 20.7% and exports 9.7%) comparing to the same period in 2009

In the last two years the most significant CEFTA Parties for Serbian export are Montenegro, Bosnia and Herzegovina and Macedonia. Regarding the imports the first ranking is Bosnia and Herzegovina, followed by Croatia and Macedonia.

From the total trade with CEFTA Parties 76% (in first half of 2010 84%) are industrial goods and the rest are agricultural goods. The most important Serbian **export products** are iron and steel, flour, oil and oil derivates, beverages, spirits and vinegar, electrical machinery and equipment, maize, sugar, sunflower oil, plastics and furniture. The top **importing products** are oil and oil derivatives, copper ore, coke and semi-coke of lignite, tomatoes, wood and articles of wood, electrical machinery and equipment and paper and paperboard.

Dear Colleagues,

If we look at the structure of products we trade in CEFTA, it is evident that we exchange low value added industrial and consumer goods with medium or low technological intensity and labour and resource intensive goods. Per capita exports of goods and services are lower than in relevant comparative countries.

Having this in mind I am sure that we can agree that we should achieve sustainable growth by improving competitiveness of our economies by increasing productivity, building appropriate infrastructure linkages, by innovations, by building modern knowledge-based economies, adopting European technical regulations and standards as soon as possible. Especially, protectionism, in both trade and investment, should be avoided. It is important that governments have the strength in resisting the pressures to respond to the crisis by adoption of protectionist measures.

We are aware that the smooth conduct of trade in sensitive agricultural goods was often influenced by barriers recognized in the form of sanitary and phytosanitary measures. With the aim of facilitating the flow of food stuffs of animal origin the Agreement on Veterinary Cooperation was signed between Bosnia and Herzegovina and the Republic of Serbia last week which can constitute a model for solving some of the non tariff barriers problems among us.

We should stimulate export oriented regional production networks and put efforts in expanding the liberalization beyond goods only. This aim is well reflected in the Serbian chairmanship of CEFTA in 2010 especially through:

- Exploring the possibilities for liberalization of trade in services which could give its full effects for all on a long term basis.
- Opening up the governments' procurement market respecting the MFN and national treatment principles, following the deadline already set in the Agreement, May 1st 2010.
- establishing a pro competitive regulatory framework and setting up appropriate regulatory institutions
- creating the favorable, stable and predictable rules for investors by establishing the CEFTA investment area as a single investment area with improved investment climate

I'm glad to state that the first reviews of the existing legislature in the area of competition and government procurement and ongoing reforms have shown significant efforts taken by all CEFTA Parties to harmonize with the EU acquis and to fulfill the relevant CEFTA provisions. However, a lot of work on implementation

and monitoring of the achieved results is still in front of us and the work will continue not only this year.

The combination of increasing trade openness, regional trade cooperation, economic reforms, institutional building that lead to an improvement of the investment climate would not only ensure proper and efficient implementation of CEFTA, but also attract foreign capital and increase competitiveness and thus bring benefit to our all economic activities.

One of specific results of our activities in this year that I'd like to mention is the establishment of the new online Trade Portal which will contain all relevant and practical information for trading with the CEFTA Parties in the shortest time possible, such as information on customs, licensing, sanitary, phytosanitary and veterinary control procedures, technical regulations, standards and other requirements.

Dear Colleagues,

Our ambitions for 2010 were big, but they are proven as timely and adequate. We must not also forget that the proper functioning of the CEFTA Secretariat is of utmost importance for fulfilling all of our goals. At this point I would like to thank the Secretariat for the efforts they have invested in past three years, thereby significantly facilitating and improving our work and express our satisfaction with the fact that we are going to continue our work together in the years to come.

I would also stress that ensuring the proper decision making in our Agreement is more than necessary for implementation of the existing obligations and for future ones as well.

After 4 years of implementation of CEFTA we can see the results of trade liberalization.

I am confident that we all have enough political will to create the necessary conditions in order to enable Parties to benefit from further liberalization of trade in agriculture and to pursue other parallel activities that would secure sustainable growth of our economies. By doing this we will send an important signal that we are ready to go further in deeper economic cooperation and harmonization in the region.

It is evident that in the era of on-going economic and financial global integration, there is an imperious need to strengthen regional co-operation in promoting greater direct investments into and within the region which in turn could be a building block for onward move towards the EU integration and globalization.

One painful but invaluable lesson from the current economic difficulties is that in this age of globalization, nations can achieve progress only if they act together to meet their common interests.

Thank you for your kind attention and I wish us every success in our today work.