

**CEFTA Joint Committee Meeting
23 November 2011, Paris**

**TRADE POLICY CHALLENGES FOR THE CEFTA PARTIES
ON OUR WAY TO THE EU**

Mr Nebojša Ćirić

Minister

**Ministry of Economy and Regional Development
Of the Republic of Serbia**

Excellencies, Distinguished Ladies and Gentlemen, Dear Colleagues,

Allow me to first greet you all on behalf of the Ministry of Economy and Regional Development of the Republic of Serbia and on my behalf and to thank our hosts for excellent organization of this important CEFTA meeting and all other CEFTA events.

Nowadays, it is visible that we all share the same challenges: national problems have also an international dimension and regional crises are globally linked. Indeed, the global nature of the financial, economic, sovereign debt and recently growth crisis we have been experiencing so far, reminds us that only together we can respond to that challenges.

It seems that the solutions we are seeking to overcome the crisis and to achieve sustainable growth lie very much in decisions that lead to more open trade in goods and services, and could attract more investment.

Dear Colleagues,

Like other CEFTA Parties, Government of Serbia has identified European integration as one of its strategic priorities.

On its way to the EU, according to the Commission Opinion on Serbia's application for membership of the European Union, Serbia has considerably progressed towards fulfilling the conditions of the Stabilisation and Association Process expecting to obtain the candidate status in December this year.

We are witnessing that like Serbia, other CEFTA Parties have moved closer to the EU over the past period as the region made progress, in reforms and in meeting established EU criteria and conditions. I would like to take this opportunity to congratulate Croatia for successful completion of its EU accession negotiations

Let me give you a brief overview of the current **economic situation** in Serbia with some major indicators which could illustrate the challenges that Serbia is facing in this period of crises

Serbia has taken important steps towards establishing a functioning market economy and achieved a macroeconomic stability in spite of the global economic and financial crisis. However, further efforts will be necessary for restructuring the economy and improving the business environment, in particular by strengthening the rule of law, enhancing competition and the role of the private sector as well as tackling rigidities on the labour market. Serbia needs to pursue structural reforms to upgrade the productive capacity of the economy and create a climate conducive to increased foreign investment.

Drop of Serbian GDP growth rate in 2009 of 3.5% was corrected by recovery in 2010 of 1.0%. The projection of GDP growth rate for 2011 is that it will increase by about 2%. In the first quarter of 2011, GDP rose by 3.4% and in the second by 2.2%.

Budget deficit is projected at the level of 4.5% of GDP and the share of public debt is 44.3%.

In the field of employment, Serbian government continues to face a very serious challenge despite the fact that government has taken measures to support self-employment, start-up business or entrepreneurial activities. After the negative trends had stabilised during 2010, the labour market further deteriorated in early 2011 reaching the rate of unemployment of 22.2 %. The targeted inflation range of 5% plus-minus 1.7% for 2011 is out of reach, despite the anticipated deceleration in the coming months. It is estimated that inflation should continue to fall and achieve targeted level by the first quarter of 2012.

Serbia successfully completed an IMF Stand-by Program in April securing five tranches of financing of 1.5 billion US dollars. A few weeks ago the Serbian government reached an agreement on a new precautionary arrangement with the IMF of 1 billion Euros for 18 months.

In the period between January and July, the current account deficit widened by 3.5% in comparison with the same period last year and accounted for around 7% of GDP.

Dear Colleagues,

Like for other CEFTA Parties the EU is a major economic partner of Serbia. Exports to the EU take more than 56% of total trade with the world. CEFTA Parties are the second important foreign trade partners with the share of 15.3%. In the first IX months of this year share of CEFTA was 26.2% in total exports to the world and 8.5% in total imports from the world.

After trade flow decreased in 2009 by 23.4% due to the economic crisis, in 2010 Serbian trade with CEFTA recorded positive trend. Exports were higher by 14%, imports by 17.8% and total trade by 15%. In first nine months of 2011 positive trend continued. Growth of exports was 7.2%, while imports growth was 12.8% compared to the same period of 2010.

In the last three years the most significant CEFTA Parties for Serbian export were Bosnia and Herzegovina, Montenegro and Macedonia. Regarding the imports the first ranking was Bosnia and Herzegovina, followed by Croatia and Macedonia. Serbia is recording overall surplus in trade with CEFTA Parties, but it has been running constant trade deficit with Croatia and Moldova.

From the total trade with CEFTA Parties in 2011 72% were industrial products and the rest were agricultural goods.

We fully agree with the opinion that trade and especially open trade continues to be the engine of economic growth. Regional cooperation is also an essential element of the Stabilisation and Association process.

Dear Colleagues,

We can justifiably say that we in CEFTA made important progress in our regional cooperation and thereby we should be proud of what we have achieved in four years of our work.

Our ambitions from the beginning were big, but at the same time they are proven as timely and adequate. We have already demonstrated that after practically full trade liberalization in goods we are ready to enter into “deeper specialization and cooperation” which includes opening the services markets, intensifying cooperation in investment related areas in order to create the necessary conditions for establishing a regional investment market.

The major challenges for the implementation of CEFTA and at the same time on our way to the EU in the forthcoming period in my view are further elimination of non-tariff barriers to trade, simplifying and facilitating procedures on the border and thus improving trade logistics; improving fair, transparent, stable and predictable rules for attracting Greenfield investments; gradual liberalisation of trade in services within the CEFTA Region; ensuring the effective functioning of government procurement markets; implementation of competition rules; ensuring adequate and effective protection of intellectual property rights; full implementation of diagonal cumulation of origin; upgrading and securing the full functioning of the CEFTA Trade Portal and raising the public awareness of the CEFTA Agreement benefits and importance.

New challenges are ahead of us and I am sure that with a constructive spirit for pragmatic solutions, we are ready to adopt commitments needed to go further in deeper economic cooperation in the region and harmonization with the EU requirements and thus to fulfil necessary conditions for the EU membership.

I would like to thank all CEFTA Parties for their continuous efforts, CEFTA Secretariat and donors for their significant support in this forum.

Thank you for your kind attention and I wish us every success in our endeavours to adequately respond to trade policy challenges on our way to the EU.

