

**CEFTA Deputy Ministers Meeting
June 18th 2013, Sarajevo**

**How to deepen the implementation of CEFTA in the framework of South
East Europe Strategy 2020**

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of the Republic of Serbia**

Excellencies, Distinguished Ladies and Gentlemen, Dear Colleagues,

First of all I would like to greet you all on behalf of the Ministry of Foreign and Internal Trade and Telecommunications of the Republic of Serbia and on my behalf and to thank our hosts for organizing this CEFTA Deputy Ministers Meeting.

It is evident that we are still under the influence of the consequences of the global and regional, economic, and growth crisis and under this circumstances our ongoing activities within CEFTA are even more accurate and important.

But firstly, I would like to give you an overview of the current economic situation in Serbia with some major indicators.

Economic performance of Serbian economy was hardly struck by the global economic crisis. After a modest recovery in 2010–11, the economy again slipped into recession in 2012 due to severe draught that affected agricultural output, closure of a major steel plant, and weakness in the euro area with which Serbian economy is very closely connected. Regional market of CEFTA and the EU are the most significant economic and investing partners of Serbia with the EU share of 57 % and the CEFTA parties with 16% of total trade with the world showing high dependency of Serbia on demands from those markets.

The decreased economic activities resulted in the GDP drop of 1.7% and increase of the unemployment to 25% , inflation rate reaching 12.2%, public debt and budget deficit, in other words, after a very fragile recovery registered during 2010 and 2011, 2012 brought another recession wave coupled with very serious social concerns. High inflation rate and unemployment rate of 25% however, remained paramount economic and social challenge.

The same wave spread over the whole region bringing very weak aggregate demand on both domestic and regional markets. Further deterioration happened in the field of the FDI in which Serbia was on a leading position in 2011 having foreign investments of 2.7 billion. In 2012, due to the Euro zone crisis FDI inflow decreased to only 232 million EUR.

Nevertheless, in the first quarter of 2013 Serbia officially came out of recession. Real GDP increased 1.9% during Q1 2013.

In the first four months of 2013 Y-o-Y exports of goods increased 24% in EUR terms, while imports stagnated in the same period, what resulted in decrease of external

trade deficit by 25%. The fastest growing sector is automotive industry with share in total exports of 20%. The coverage of exports by imports reached 65,4% with exports to the EU of 58.1% of total Serbian exports. The economic growth is expected to be 2.0% to 2.5% in real terms and to be driven by net exports and better agricultural production according to IMF and EBRD data from May 2013.

In 2012 inflation further increased to 12.2%. In the first half of 2013 we expect year on year inflation to reach its peak due to cost - push pressures in processed food production, depreciation from the previous period, and faster increase of regulated prices. Return within the target tolerance range is expected only by the end of 2013.

If we look the Budget deficit to GDP ratio, this indicator has been deteriorated in many of our countries in the last few years. In Serbia budget deficit was 4.2% in 2011 and increased to 5.7% in 2012. This trend continued in the period January-March 2013 and peaked to 5.9% which pushed the Government to announce budget consolidation measures.

Dear Colleagues,

We can all agree that CEFTA is highly important for our international economic relations. For almost all of us CEFTA is the second most important trading partner, right after the EU.

In our case, European Union accounts for 56% of the total external trade, followed by CEFTA with 16% of total Serbia trade (28% of total exports to the World and 8% of total imports from the World in 2012). In the period January-April 2013 the share of CEFTA in Serbia total trade, exports and imports slightly decreased to 13.1%, 22.5% and 6.7% respectively but CEFTA maintained the position of second most important trading partner for Serbia.

Total trade of Serbia with CEFTA in 2012 amounted to 3.8 billion EUR which is almost identical to the volume of trade in 2011. In the first four months of 2013 Serbia export to CEFTA was worth 746 million EUR which is an increase of 5.5% in comparison to the same period in 2012. At the same time import from CEFTA amounted to 329 million EUR which represents a decrease of 11.3% in comparison to the period January-April 2012.

In the last year the most significant CEFTA Parties for Serbian exports were Bosnia and Herzegovina, Montenegro and Macedonia. Regarding the imports the first ranking was Croatia, followed by Bosnia and Herzegovina and Macedonia.

Ladies and Gentlemen,

Last November, ministers, at the Joint Committee Meeting in Tirana, jointly supported the initiative of the South East Europe Investment Committee (SEEIC) to agree on key indicators for the regional economic growth to be accomplished by 2020, and emphasized the importance of trade and investment policy, as a core components to achieving economic growth in an integrated and inclusive manner.

These goals should build a 2020 vision for South East Europe which represents a set of comprehensive measures, instruments and actions that could help the region to catch up with the EU 2020 Strategy with a common goal for boosting competitiveness, productivity, growth, social cohesion and economic convergence by promoting interdependence, interaction and synergies.

We recognized CEFTA as a genuine regional forum for all trade related discussions and supported active involvement of the CEFTA Structures and their cooperation with other regional actors and with the European Commission in relevant regional programmes and initiatives.

At this point I would like to thank CEFTA Secretariat for effort and time invested in drafting Pilar 1 Integrated Growth Programme Document which is in front of us. The undertaking of this scale which had to be coordinated within CEFTA Structures and discussed at the meetings of various subcommittees certainly deserves our highest appreciation. This is the way to provide that agreed regional goals shall be aligned with respective national objectives and also with the EU accession process.

Dear Colleagues,

As mentioned in the Draft Programme Document the overall objective of the Integrated Growth pillar 1 is to create deeper regional trade and investment linkages and policies that are non-discriminatory, transparent, stable and predictable and that they enhance and facilitate the flow of goods, investment, services and skilled labor within the region and beyond.

In seeking to overcome development problems and to achieve sustainable growth and job creation lie governments should make decisions that lead to more open trade in goods and services that should also generate more investment. There is a strong positive and self-reinforcing relationship between trade and FDI flows, with trade inducing FDI as well as FDI inducing trade as a result of rapid liberalization of trade.

In that sense I would like to draw your attention to, in my opinion, most important areas for straightening our cooperation within CEFTA and within SEE Strategy 2020: elimination of barriers to trade in goods, services and to flow of investments.

It is important that all of our governments have the strength in resisting the pressures to respond to the crisis by non-elimination or introduction of NTBs. The opportunity for all of us to prove our dedication to further straightening the free trade commitments is the adoption of the Joint Committee decision on Advance Notification.

Liberalization of trade in services has special importance for Serbia since it was introduced as priority during our CEFTA Chairmanship in 2010. Having that in mind we strongly support Bosnia and Herzegovina Chairmanship priority to have

Additional Protocol on Trade in Services endorsed at the seventh Joint Committee meeting in Sarajevo in November 2013. We believe that liberalization of trade in services would bring huge added value to CEFTA parties.

Ladies and gentlemen,

We decided that we shall achieve integrated growth only if our national plans are also coordinated regionally and taking into account the existing specificities of our economies on that road. Serbia is fully committed to our ambitious timelines since we have a national 2020 strategy complementary to the activities that we are undertaking under this forum.

We deliberately decided to follow the roadmap for sustainably improving the region's business climate and competitiveness in parallel with the EU roadmap. So far we have worked intensively but we need to continue even more in the future and to monitor annually our results.

I am glad that we are on the way to resolve the CEFTA Secretariat budget issue in the satisfactory manner.

I will use this opportunity to congratulate Croatia for becoming a member of the EU and to thank Croatia also for the cooperation all these years in the CEFTA framework

Thank you for your kind attention