

**CEFTA Joint Committee Meeting
November 20th 2013, Sarajevo**

**Challenges of the CEFTA Structures in the implementation of the SEE
2020 Strategy**

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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 Government of the Republic of Serbia and on my behalf and to thank our hosts for organizing this CEFTA Joint Committee Meeting.

The global and regional interconnections were extremely visible when we all experienced the recent financial, economic, debt and growth crisis. That situation reminded us all that only together we can respond to international challenges. Having this in mind our ongoing activities within CEFTA are even more accurate and important.

But let me first give you a quick overview of the current economic situation in Serbia focusing on some major indicators as a basis for further analysis

In the last three years GDP remains downsized in comparison to the pre-crisis levels, although moderate increase was recorded in 2011, but the economic recovery proved fragile and in 2012 GDP growth was negative -1.5% mainly as a consequence of the slowdown in the EU economy and in the Region and an extremely unfavourable agricultural season in Serbia.

In 2013 GDP growth is expected to be 2%, driven mainly by net exports resulting from expansion in export-oriented industries. These expectations could be confirmed despite the fact that GDP grew only 1.4% in the first half of the year, since preliminary results show the GDP growth of 3.2% in the third quarter of this year in comparison to the same period in 2012. Main contribution to the future GDP growth should be provided by the increase in production and exports of the automotive industry, with effect on GDP growth of around 1%.

Inflation rate has fallen significantly in recent months and is now back within the National Bank of Serbia target zone of 3% to 6%.

The labour market indicators are deteriorating for three years in a row and worsened further in 2013, with unemployment rate reaching the peak of 25.5%, and only in 2014 improvements are to be expected.

If we look at 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 6.4% in 2012, but after the adoption of budget consolidation measures by the Government it is expected that in 2013 it will be 5.3%.

If we look at the international trade data, since 2011, Serbia exports were growing slightly faster than imports and this trend continued in the first quarter of 2013. In 2011 and 2012 exports grew 0.3% more than imports. However, in the first nine months of 2013 exports grew 26.7% and imports 4.8% in comparison to the same period in previous year.

Since 2005, Serbia has recorded net FDI inflow of over 12 billion EUR with Brownfield investments being the dominant part. Despite the crisis in 2011 Serbia attracted 1.8 billion EUR FDI but due to the Euro zone crisis in 2012, FDI inflow decreased to only 232 million EUR. In the first eight months of 2013 the FDI inflow was about 450 million EUR.

Dear Colleagues,

We can all agree that CEFTA has equally high importance for our domestic economies and for our international economic relations. For almost all of us CEFTA is the second most important trading partner, right after the EU.

Having said that I would like to briefly draw your attention to certain available information on Serbia foreign trade.

European Union accounts for 62.8% of the total Serbia external trade, followed by CEFTA with 12.7% (24.5% of total exports to the World and 5.4% of total imports from the World in 2012). In the period January-September 2013 the share of CEFTA in Serbia total trade, exports and imports accounted for 12%, 21.3% and 5.1% respectively and 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 nine months of 2013 Serbian export to CEFTA (without taking into account Croatia) recorded increase of 5.8% in comparison to the same period in 2012. At the same time import from CEFTA (without taking into account Croatia) decreased 2.6% in comparison to the period January-September 2012.

In the first three quarters of 2013 most significant CEFTA Parties for Serbian exports were Bosnia and Herzegovina, Montenegro and Macedonia. Regarding the imports the first ranking was Bosnia and Herzegovina, followed by Macedonia and Montenegro.

Ladies and Gentlemen,

Since we all recognize CEFTA as a genuine regional forum for all trade related discussions, for strengthening our cooperation, we fully support active involvement of CEFTA Structures with other regional actors and with the European Commission in relevant regional programmes and initiatives.

So, last November, ministers, at the Joint Committee Meeting in Tirana, jointly supported the initiative of the Regional Cooperation Council (RCC) and its South

East Europe Investment Committee (SEEIC) to agree on key indicators for the regional economic growth to be accomplished by 2020 since there is a strong interaction and congruence between the CEFTA Agreement and the SEE 2020 Strategy especially with its first Pillar on the Integrated Growth. Furthermore the objective of the SEE 2020 Strategy is in full compliance with both the spirit and the letter of the CEFTA Agreement. Five out of eleven agreed headline targets of the SEE 2020 Strategy are trade and investments related. Its implementation is the way to provide that agreed regional goals shall be aligned with respective national objectives and also with the EU accession process.

We accepted fully the responsibility to implement through CEFTA extended structures 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.

At this point I would like to sincerely thank CEFTA Secretariat and especially its director Ms Renata Vitez for their efforts, knowledge, enthusiasm and time invested so far in drafting Pillar 1 Integrated Growth Programme Document, together with the coordination achieved within all CEFTA Structures and last but not least for providing so needed funds for its proper implementation. These undertakings certainly deserve our highest appreciation. I would also like to reiterate the position of Serbia that we still fully support the contract extension of the Director and other staff of the Secretariat for another three years, as all CEFTA Parties agreed in June this year at the deputy ministers meeting.

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. These are almost the same goals we have been aiming at from the establishment of the CEFTA Agreement.

In that sense I would like to draw your attention to, in my opinion, the most important challenges for the CEFTA Structures so far and in the implementation of the SEE 2020 Strategy: elimination of barriers to trade in goods, liberalization of trade in services and increase the inflow of FDI in the Region.

It is important that all our governments have the strength in order to resist to pressures to respond to this crisis by non-elimination or introduction of NTBs, which could create only temporary results.

We have all agreed that the Parties should refrain from introducing new quantitative restrictions or non-tariff barriers in our mutual trade. But I have to say that we are witnessing that certain Parties have resorted to various protective measures or adopted regulations which created trade distortions and which were not in conformity with CEFTA and WTO rules and principles.

The opportunity for all of us to prove dedication to further straightening of the free trade area will be the adoption of the proposed Joint Committee decisions on:

- Advance Notification of Legislation which will increase transparency in trade policy and measures,
- Amendment of Annex 4 which will enable the start of the application of diagonal cumulation of origin according to the Regional Convention on pan-Euro Mediterranean preferential rules of origin (PEM Convention)
- Rebalancing measures in response to the replicated trade distorting measures which will allow CEFTA Parties to respond more promptly to the introduction of repeated NTBs.

On the other hand, the negotiations on further gradual liberalization of trade in services will be opened in 2014. Having that in mind we strongly support endorsing of the Additional Protocol on Trade in Services by this Joint Committee as a framework agreement for specific commitments among CEFTA Parties. We believe that liberalization of trade in services would bring huge added value to each CEFTA Party since services have a significant impact on growth and efficiency across a wide range of user industries and overall economic performance. The share of services value added in GDP tends to rise significantly in our economies.

Ladies and Gentlemen,

We already decided jointly to follow the roadmap for sustainably improving our 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 actively in the future and to monitor annually our results.

It is important to add that our already proven efforts have been recognized and backed up by the EU, IFC, WB, OECD, EFTA, UNCTAD and GIZ. I would also like to take this opportunity to thank all international institutions and donors and to say that in order to realise all these ambitious tasks we need beside our joint action, appropriate administrative capacity which could be attained by continuous technical assistance. In this way we can turn our goals into reality.

At the end I wish to thank Bosnia and Herzegovina for the successful chairmanship this year and especially for the perfect organization of this meeting

Thank you all for your kind attention.