

CEFTA Joint Committee Meeting
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Evolution of priorities in CEFTA in the framework of the SEE 2020 Strategy

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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, regional and individual CEFTA Parties interconnections and interdependencies are growing and it is evident that only together we can respond to the increasing international challenges. Having this in mind our ongoing activities within CEFTA are constantly gaining in importance and at the same time in its complexity.

But let me first give you a quick overview of the current economic situation in Serbia focusing on some major indicators:

In 2013 Serbian GDP growth was 2.6%, comparing to 2012. Given the macroeconomic conditions after the floods in May this year, the projection of GDP in 2014 was revised downward. GDP decline of 1% in 2014 will be result of decline in industrial production, mainly due to reduced activity in the mining and energy sector, while the contribution of construction, due to reconstruction of destroyed and damaged buildings should be positive.

Consolidated deficit (RSD 135.3bln) in the first nine months 2014 was lower compared to the same period last year. The faster growth of revenues over expenditures is the result of limited growth in expenditures for salaries and pensions. Public debt in September of 2014 amounted to 22.1 billion EUR, or 66.8% of GDP.

Inflation rate has been within the National Bank of Serbia target zone of 3-6% since October 2013 and in September 2014 it was 2.1% year-on-year.

The labour market indicators are slightly improving. Unemployment rate was 22.1% in 2013 and in the first, second and third quarter of 2014 it decreased to 20.8%, 20.3% and 17.6% respectively. In October 2014 unemployment decreased about 2.5% comparing to October 2013.

Since 2005, Serbia has recorded net FDI inflow of over 14.5 billion EUR with brownfield investments being the dominant part. In 2013 FDI inflow was 767 million EUR and estimations for 2014 are that it would amount to 1 billion 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 the information on Serbia foreign trade which grew: by 12.8% in 2013 comparing to 2012, and in the period January-September 2014 it increased 2.3% comparing to the same period in 2013

In the period January-September 2014, total Serbian trade with the world amounted to 20.3 billion EUR, with European Union as the main trade partner with share of 62.3%, followed by CEFTA with 11.6% (20.9% of total exports to the world and 4.4% of total imports from the world in mentioned period). In first nine months of 2014 Serbia recorded trade deficit of 2.6 bill EUR, which is 13% lower than in the same period in 2013.

Serbia`s total trade with CEFTA in 2013 amounted to 3.15 billion EUR, while in the first nine months of 2014 it reached 2.4 billion EUR. In the period January-September 2014 Serbian export to CEFTA was 1.8 billion EUR which is an increase of 7%, while the import was 580 million EUR, 9.3% lower compared to the same period in 2013. Serbia records constant surplus in trade with CEFTA, which in first nine months of 2014 amounted for 1.3 bill euro.

The most significant CEFTA Parties for Serbian exports in 2014 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 our overall trade, and development related issues, we fully support active involvement of CEFTA Structures with other regional actors and with the European Commission in relevant regional programmes and initiatives.

For that reason, two years ago, we 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. We recognized the strong interaction between CEFTA Agreement and the SEE 2020 Strategy especially regarding 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 CEFTA. 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 align with respective national objectives and also with the individual EU accession processes.

We accepted fully the responsibility to implement through CEFTA extended structures a set of comprehensive measures, instruments and actions that could help Serbia and the region to catch up with the EU 2020 Strategy with a common goal for boosting competitiveness, productivity, growth, social cohesion and economic convergence.

Dear Colleagues,

As mentioned in the SEE 2020 Strategy 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 enhance and facilitate the flow of goods by further reduction of non tariff barriers to trade and trade facilitation, but also investments, services and skilled labour within the region and beyond.

We are witnessing the proliferation of the use of various illegal non/tariff barriers in trade within CEFTA parties and at this point Serbia urges all CEFTA Parties to adopt and implement regulations without discrimination and to use only the measures in compliance with CEFTA and WTO rules and principles. These have been our goals since the creation of CEFTA free trade area and implementing SEE 2020 Strategy aims to further accelerate integration processes.

Achieving these goals would also require further evolution and expansion of CEFTA Structures which will, result in creation one very complex and deep integrated free trade agreement. These goals will be reflected through adoption of the proposed Joint Committee decisions on functioning of the CEFTA Secretariat until the end of 2017, including establishment of CEFTA Open Fund, setting a Secondment Programme, as well as the establishment of new CEFTA bodies: Sub-Committee on Trade in Services, Working Group on Trade in Services Statistics, High Level Task Force on Trade Facilitation and Working Group on Electronic Exchange of Information.

In addition, we have recently opened the negotiations on further gradual liberalization of trade in services. 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 also to rise significantly in our economies.

Ladies and Gentlemen,

We already decided jointly to follow the roadmap for sustainably improving our region's business friendly 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 emphasise also that our efforts have been recognized and supported 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 which through continuous technical assistance backed up our capacities to realise the goals in front of us.

At the end I wish to thank Macedonia for the successful chairmanship this year and especially for the perfect organization of this meeting. I would also like to wish Moldova success in work over the next year of its presidency.

Thank you all for your kind attention.