

## **CEFTA Deputy Ministers Meeting 30 June 2011, Pristina**

### **Major Challenges for the Implementation of CEFTA in 2012**

Mr Cuneyd Ustaibo, Deputy Minister

Dear Colleagues,

Let me present very briefly some recent data on Kosovo economic situation with emphasis on trade within the region.

Kosovo's economy during last four years has had an average economic growth rate of 5 % which does reflect stable economic trends. While in 2005 the Kosovo's GDP was 3 billions euro it raised in 2009 in 4.7 billion euro. According to the Medium Term Expenditures Framework the economic growth rate for the next four years will be from 5 – 6 %. While the GDP per capita growth has been quite good up to year 2009 (highest rate was 7.8%) we have had lesser growth rate in 2010. But projections show that the GDP per capita growth rate will continue to raise since 2011 onward. Expressed in figures GDP per capita in 2009 was 1,848 million € while in 2010 it was estimated to grow up 1,996 million €.

In regard to the inflation Kosovo during year 2007 and 2008 has had an inflation of 4.5% respectively 9.2% but in 2009 happened a deflation of -2.4% and in 2010 average Consumer Price Index showed a rate of 3.5%.

Unemployment rate in 2010 was 45.4% comparing with 2009 where the unemployment rate was 47.5%.

In regard to the trade exchange Kosovo's international trade during 2010 was in an amount of 2,4 billions €, in which amount 2,1 billion € were imports while exports were in an amount of 294 million €. The coverage of import by export was around 14%.

The main trade partner of Kosovo is EU and the second one is CEFTA. In the EU exports of Kosovo products participated with 44.7% of total exports or 131 million €. Imports from EU countries were 38.4% of total imports or 821 million €. The import coverage by the export with EU is 16%. The main trading partners from EU were Italy, Germany and Greece.

When we are speaking about the CEFTA countries trade exchange data show that Kosovo is mainly importing country. Imports from CEFTA countries include 37.3% of total imports while exports are participating with 24% of total exports. Expressed in value the trade exchange with CEFTA countries in 2010 was 860 million € of which 799 million € are imports and 70 million € are exports. The coverage of import by export was around 8%.

The main export destination is Albania with 46% of exports within CEFTA. Export to Macedonia have increased by 17 million € (2009) to 26 million € in 2010 or 37% of exports within CEFTA.

On the other side imports from Macedonia are participating with 40% of total imports from CEFTA countries followed by Serbia with 260 million € or 32.5% of total imports from CEFTA countries.

In terms of products structure, main category of exports are: ferro-nickel, lead ores and concentrates, waste and scrap of iron or steel. Main imported products are: oil products, machinery and mechanical equipment, transport means etc. The structure of imported and exported products has remained identical to previous years.

### Exports

Group of countries	Export 1Q/2010	Exports 1Q/2011	Difference	%
EU	29,702	43,670	13,968	47.0
CEFTA	13,095	18,498	5,403	41.3
Other	9,769	13,223	3,454	35.4
<b>Total exp 1Q 2010/2011, Kosovo</b>	<b>52,566</b>	<b>75,391</b>	<b>22,825</b>	<b>43.4</b>

### Imports

Group of countries	Imports 1Q/2010	Import 1Q/2011	Difference	%
EU	148,286	168,133	19,847	13.4
CEFTA	136,511	171,078	34,567	25.3
Other	99,933	133,016	33,083	33.1
<b>Total imp 1Q 2010/2011, Kosovo</b>	<b>384,730</b>	<b>472,227</b>	<b>87,497</b>	<b>22.7</b>

Dear Colleagues,

The initial CEFTA Objective – to establish a customs duty free trade area in trade in goods – has been nearly reached, both in industrial and agricultural trade. From now on we have to direct our attention also to so called new trade issues, such as public procurement, trade in services, competition rules, intellectual property rights, etc. Only by securing appropriate conditions and rules for a fair competition we will become more attractive to FDI which are so needed in all CEFTA countries.

In searching common priorities I believe that we can all agree about the importance of NTBs. They unnecessarily hinder our mutual trade even more than customs duties did in the past. Since we all believe in a free trade I am sure that we can agree that the reduction and elimination of NTBs should remain a common priority goal for the next year activities, as well as for the coming years. This absolutely complies with the 3 year Work Programme prepared by Albania in 2010.

That is why we assess that the multilateral monitoring instrument on NTBs – for which the Matrix serves as the base – is a very important project that could contribute to the reduction of the NTBs in the regional trade. The priority sectors have been chosen and 36 products were selected. Further phases will be carried out in this year and will continue through the year 2012. It is vital to continue with the programmes to eliminate TBT and SPS. A close cooperation among all three Subcommittees is needed in order to achieve as best results as possible.

Here I have to mention that Kosovo is most badly hit by the non-recognition of customs stamps or sanitary and phytosanitary issues from some CEFTA Parties. Exports to some CEFTA Parties have practically stopped. At the fourth Joint Committee Meeting last year in Belgrade the Ministers declared their determination to engaging promptly in bilateral talks on all pending issues in order to enable the Parties to fully benefit from the Agreement. We hope this issue will be settled in mutual satisfaction at an early time.

The second important issue to be put among the priorities for the year 2012 is the work on liberalisation of trade in services. There are certainly some sectors of a common CEFTA interest on which negotiations could start.

There are also many activities that should be carried out continuously, such as maintaining of the transparency in trade related areas, promoting the Agreement through the CEFTA Trade Portal, especially to making CEFTA more familiar to the business community, striving to create a business environment that will encourage foreign investors to come to the region.

Let me underline at the end that Kosovo remains committed to implementing all CEFTA obligations and believes this is also the intention of all CEFTA Parties. By following this principle all CEFTA Parties could enjoy positive effects of the implementation of the Agreement.