

Ivana Popović Petrović  
University of Belgrade  
Faculty of Economics  
Department of International Economic  
Relations

Predrag Bjelić  
University of Belgrade  
Faculty of Economics  
Department of International Economic  
Relations

# THE ROLE OF TRADE FACILITATION FOR TRADE ENTERPRISES IN THE CEFTA 2006 REGION — GREAT EXPECTATIONS AFTER THE BALI MINISTERIAL CONFERENCE OR JUST A GREAT CHANCE?\*

Uloga procesa olakšavanja međunarodne trgovine u radu spoljnotrgovinskih preduzeća regiona CEFTA 2006 — velika očekivanja ili samo velika šansa?

## Abstract

The aim of this paper is to explore implementation of measures and existing obstacles from the trade facilitation (TF) domain in the CEFTA 2006 countries. Besides the overall importance and the role of the TF for global economy, as every region has its own specificities, authors of this paper have tried to give an overview from the micro aspect, especially important for small and medium-sized enterprises in the export/import sector. These enterprises are faced with many barriers when participating in the trade process, mostly connected with the lack of customs clearance efficacy (efficiency) and with less effective work of other border agencies. The lack of procedures and their inconsistency in implementation, duplication of procedures, requesting unnecessary documents and their mutual non-recognition, as well as deliberate extension of the process duration continuously cause the loss of goods quality and quantity, and decrease the motivation for dealing with trade. It is obvious that the period of new chances for the world trade has arrived after the Trade Facilitation Agreement (TFA) had been adopted in 2013, as the first agreement since the creation of the WTO, and the first one after almost two decades of its work. But how it really works for an individual trade enterprise, especially when it is situated in the CEFTA 2006 region, will be illustrated in this paper in the example of the trade facilitation issue in auto-parts and beverages sectors.

**Key words:** *trade facilitation, administrative non-tariff barriers, small and medium-sized enterprises, CEFTA signatories, auto-parts sector, beverages sector*

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## Sažetak

Cilj ovog rada jeste istraživanje primene mera, kao i postojećih prepreka iz oblasti olakšavanja međunarodne trgovine u regionu CEFTA 2006. Pored ukazivanja na opštu važnost oblasti olakšavanja međunarodne trgovine za svetsku privredu, a s obzirom na to da svaki region karakterišu i određene specifičnosti, autori ovog rada su pokušali da prikažu ovu temu sa mikro aspekta, koji je od posebne važnosti za spoljnotrgovinska preduzeća, koja su uglavnom iz kategorije malih i srednjih preduzeća. Ova preduzeća se suočavaju sa mnogim barijerama tokom učestvovanja u realizaciji spoljnotrgovinskih poslova, a koje su povezane sa nedovoljnom efikasnošću prilikom obavljanja carinskog postupka, kao i sa nedovoljno efektivnim radom ostalih službi čije su aktivnosti povezane sa radom carinske službe. Nedostatak procedura, njihovo različito primenjivanje, dupliranje, zatim, zahtevanje nepotrebnih dokumenata, kao i njihovo međusobno nepriznavanje i namerno produžavanje trajanja samog procesa, stalno izazivaju gubitak robnog kvaliteta i kvantiteta i umanjuju motivaciju za obavljanje spoljnotrgovinskih poslova. Novi period u razvoju međunarodne trgovine nastupio je nakon što je 2013. godine usvojen Sporazum o olakšavanju međunarodne trgovine, kao prvi sporazum usvojen nakon stvaranja Svetske trgovinske organizacije, i ujedno i prvi sporazum nastao nakon gotovo dve decenije njenog rada. Sa makroekonomskog aspekta, to je očigledno. Ali, šta se dešava kada je u pitanju pojedinačno posmatrano spoljnotrgovinsko preduzeće, koje se nalazi u regionu CEFTA, pokazaće se ovim radom na primeru primene mera iz domena olakšavanja međunarodne trgovine u sektorima trgovine auto-delovima i trgovine pićem.

**Cljučne reči:** *olakšavanje međunarodne trgovine, administrativne carinske barijere, mala i srednja preduzeća, potpisnice CEFTA, sektor auto-delova, sektor pića*

## Introduction

After decades of negotiations under the auspices of GATT, when the significant decrease of tariff barriers was agreed, new instruments, mostly non-tariff barriers, appeared as the main source of trade distortion.

Over the last decades, the decline of transportation costs and the reduction of tariffs as a main trade barrier have opened up the markets, but overall trade costs remain the greatest obstacle for global output and trade. They are partly provoked by the existence of administrative non-tariff barriers in the world trade. Administrative non-tariff barriers are mainly provoked by inefficient work of customs administrations, with two main reasons behind it. The first reason could be found in the deficiency of the trade capacity, mostly defined through weaknesses in infrastructure and connected to the work of customs administrations. The second reason could be found in the fact that a customs administration with its representatives deliberately applies some unnecessary measures which discourage trade activities, especially on the import side. Consequences are supply chain barriers, trade volume decrease, or at least, the trade volume increase, but below the potential levels.

It has already been examined and noted that trade costs, beside capital accumulation, demographic factors, natural resources and technology, are the main factors which will determine future trade development directions. These costs are not negligible. In comparison with the negative impact of tariffs, the results of contemporary research have pointed out that these trade costs in developing countries were equivalent to a very high tariff, as the imported product is faced with the 219% ad valorem tariff. This equivalent is significantly lower in the case of high-income countries with 134% ad valorem tariff, although it is an unnecessary cost for international traders [15, pp. 4-7]. The first aim of this Agreement is the intention of its proposer and creator to reduce total trade costs by the implementation of TF measures, for streamlining trade flows in trade across borders domain.

Many countries have recognized the need for existence of one globally accepted and implemented agreement which would be the basis for transparent

legislation in member countries, for standardization and harmonization of procedures and their simplification, revenue control with impact on reduction of corruption. After the Ninth Ministerial Conference of the World Trade Organization (WTO) had finished with the adoption of a new, long-awaited Trade Facilitation Agreement, some new opportunities for the world trade growth were noticed. The Bali Conference, held in December 2013, had, as the main positive result, the adoption of the Agreement's final text. The base of its structure was found in the attempt to clarify and improve important aspects of three GATT 1994 Articles. These articles are: Article 5 (Freedom of Transit), Article 8 (Fees and Formalities) and Article 10 (Publication and Administration of Trade Regulation). Through their improvement and widening of some aspects of technical assistance and support for trade capacity building, a new agreement was born. After almost a decade of negotiations, which started in 2004, a Trade Facilitation Agreement, the first multilateral trade agreement under the auspices of WTO, was concluded.

Some expectations after its implementation extend to trade costs decrease of 14% in low-income countries, about 15% in lower middle-income countries and more than 13% in upper middle-income countries [21].

One definition of the trade facilitation is the World Trade Organization's definition, defining the TF as the process to "clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 with a view to further expediting the movement, release and clearance of goods, including goods in transit" [19]. As the common definition of the TF does not exist, most analyses have a limited scope on only three mentioned GATT Articles. A broader definition would include Rules of Origin and Sanitary and Phytosanitary Standards. Individually, treaties can differ making some distinctions concerning the TF scope. Some of them started with the customs reform, simplification of documents and procedures and with inter and intra-border cooperation. A broader scope of the TF began to encompass risk management and risk analysis, post-release verification and audit, advance rulings, appeal procedures, a single window concept, authorized economic operators, release of goods. Transit aspects became an inseparable element of the Regional Trade Agreements (RTAs) where

at least one of the signatories was a landlocked country, especially if it was a developing country at the same time.

The main aim of the Trade Facilitation Agreement is simplification, standardization and harmonization of the movement, release and clearance of goods. The world was ready for its implementation, starting from 22 February 2017, when the Agreement entered into force with its ratification carried out by two-thirds of the WTO members. Besides the need for standardization and harmonization of trade procedures, in many countries, especially in developing countries, the lack of technical capacity has appeared. This capacity is necessary for the implementation of trade procedures, and deficiency of the assets for development of a technical capacity has been the main reason for implementation of non-tariff, especially administrative non-tariff barriers.

Expectations of this Agreement are widely arranged, but they should not be over ambitious: modernization of customs administrations is individually determined, because one strategy does not have to be appropriate for all countries' customs administrations. The Agreement should determine mutual principles, and the intensity of its implementation depends on needs, the achieved level of development at that moment and disposable funds for capacity building, for every member country separately.

As a vast amount of administrative non-tariff barriers still decelerate trade flows in developed, as well as in developing countries, expectations of the TFA implementation are ambitious and continuously growing. The amounts of documents to be filled and costs to be paid, provoked by unnecessary documentation requirements, lack of transparency and duplication of documents mark a long-term increase and have distorted trade flows intensively during the last few decades. The most affected by this phenomenon are small and medium-sized enterprises (SMEs), as the most common category of the trade issue. Moreover, we have to take into account that these enterprises are the source of GDP, with more than 60 per cent. Some analysts consider these obstacles to be a more convincing reason as to why their participation in international trade is less than expected, compared to the other trade limiting factors, traditionally known as tariff barriers [20].

The role of SMEs in international trade could be increased, especially after full implementation of TF measures. One of the reasons is the fact that burdensome trade procedures are notified as the main obstacles for SMEs as potentially dominant subjects in the world export. Transnational corporations versus SMEs are in a more favorable position because of their flexibility and possibility to overcome these burdensome procedures. In situations when export procedures need more and more time to be completed, larger firms appear more dominant [15, p. 8].

### **Literature review: Role of trade facilitation measures in the trade costs reduction**

Many scientists have shown the importance of some TF elements for an export performance increase. In addition to the factors of export performance increase such as regulatory quality and access to finance, on the list there are some elements of the TF. They include customs efficiency as the main element of the TF process and the quality of infrastructure, which is partially an element of the customs efficiency. These conclusions were made after the empirical research about the causes of the phenomenon indicated that between 1950 and 2006 the volume of international trade grew three times faster than GDP [12, p. 2].

The importance of TF for the trade issue, mostly observed through infrastructure and institutional quality determinants of export performance, was noticed by Francois and Manchin in 2007, after the research using panel data for the period 1988-2001. They referred to the influence of TF on the trade flow increases, which, in their opinion, was considerably higher than the improvement of the conditions for access to the market. They pointed out that, in the case of developing countries, creators of the trade policy and participants in trading, should insist more on investments in facilitating trade, instead of improving conditions for market access [6, pp. 1-22].

One OECD research assessed, using the sample of 107 countries at all development levels, the impact of TF measures on the trade costs decrease and trade volume increase [7, pp. 1-96]. As the earlier research papers have verified, with respect to OECD countries

only and using all disposable TF indicators, that the TF measures had a potential to reduce trade costs by 10%, further steps have been oriented towards estimation of the TF measures' impact individually [9, p. 6]. This was an expected research direction, because it was obvious that some TF measures had more evident impact on trade than others. It could be an important direction sign for institutions and governments for funds orientation towards the implementation of measures which could produce more positive effects. According to the results of the research, based on the sixteen TF indicators, constructed by different areas for TF negotiations and future articles of TF Agreement, the measures with the most obvious impact on trade costs decrease are different for different countries' development levels. For low-income countries, the highest potential for trade costs decrease can be achieved by measures such as harmonization and simplification of documents with an approximately expected decrease of 3%, and of 2.3% by use of automated processes. For lower-middle income countries, the first mentioned measure could contribute with a reduction of costs by 2.7% and streamlining of procedures by 2.2%. For upper-middle countries, what is mostly expected are measures which will contribute to a trade costs decrease of 2.8%, with the streamlining of procedures, and of 2.4% with the implementation of automated processes and risk management. Unlike the study from 2011, with an assessed decrease of trade costs by 10% in the case of OECD countries, in new research papers from 2013, it was assessed that a trade costs decrease could reach even 13.2-15.5% for different development levels of observed countries [7, p. 6]. Further research work of OECD experts confirmed the positive role of TF measures for country's integration into a concept of global value chains, which has become a modern way of financing for production, for trading and for finding its own place in the global economy. Measures from the TF group of measures, which contribute to a better predictability and which influence the speed of movement across borders for goods, are: implementation of advance rulings, transparency of fees and charges, the process of automation and streamlining of borders procedures and controls. The research results showed that very modest

improvements concerning these measures of only 0.1% could contribute to an extremely intensive increase of trade in value-added, between 1.5-3.5% for imports of value-added and 1-3% for exports [8, p. 21].

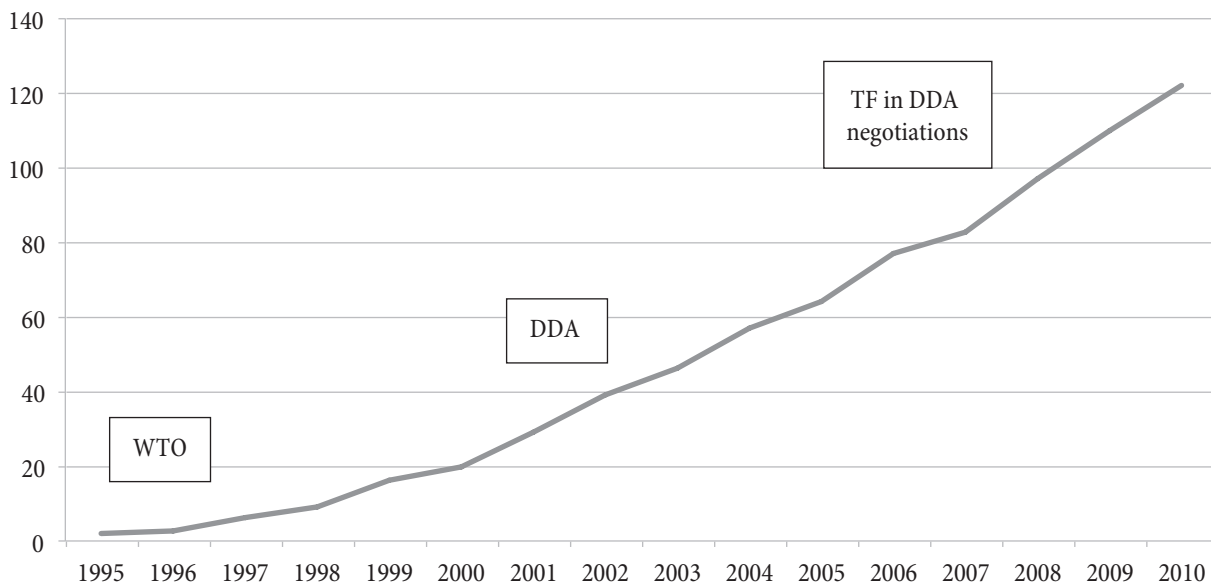
All these research achievements in confirming the TF role concerning the trade volume increase and trade costs decrease are pieces in a trade mosaic. Given the fact that this field of research has been defined for the first time at the beginning of the new century, it offers a completely different view on trade in past and it could certainly be a source for future improvements, especially after many hidden obstacles become illuminated.

### **The role of trade facilitation in Regional Trade Agreements**

The increase of Regional Trade Agreements (RTAs) has been obvious during the last decade. The WTO RTAs include all sorts of agreements except the multilateral ones, which are under auspices of the WTO. In this way, the WTO sees bilateral agreements also as RTAs. The increase of number of RTAs with TF elements is related to the year 2004, when the TF became a part of the Doha Development Agenda. Customs procedures, as the first important element of RTAs with the TF, developed from simplification and harmonization of trade documents to processes which need a high level of automation for their normal functioning, as, for example, risk management, appeal procedures, post-audit, advance rulings. The most frequent requests in the TF field are in the field of complete automation process and its inseparable parts as paperless trading connected with electronic transactions. These parts of the automation process are included in many RTAs, and they are based on electronic filling of documents, transfer of trade-related information and electronic versions of documents [14, p. 5].

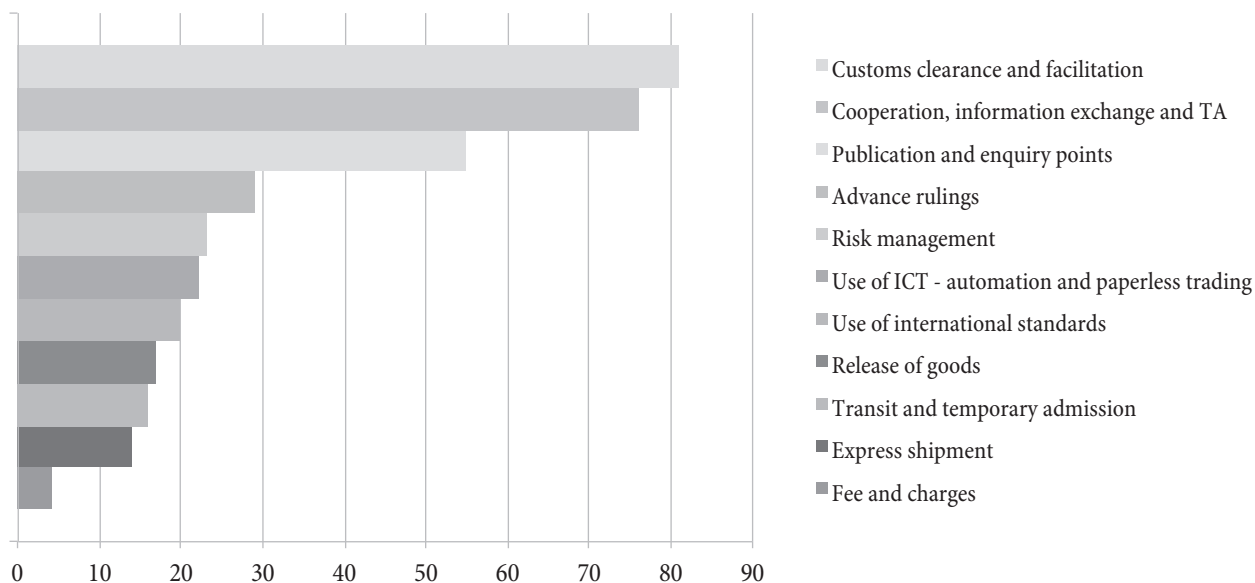
Many documents are used in international business in their electronic version, and that significantly accelerates all elements of the trading process. The documents that usually appear in this form are also the most commonly used documents in the realization of foreign trade transactions. These are: bill of lading, invoices, letters of credit, insurance certificates.

Figure 1: Increasing number of RTAs with customs and other trade facilitation measures



Source: [14, p. 4]

Figure 2: Breakdown of “WTO-like” trade facilitation measures contained in RTAs



Source: [14, p. 5]

The opinion of UNCTAD experts confirms strong correlation between WTO and RTAs TF commitments. The initial point in these relations is the year 2004, when TF aspects were included in the Doha Development Agenda (Figure 1). Before that year, the TF components had been included in RTAs and they had served as basic components for the first WTO Draft Negotiating Text. After the start of negotiations, under the auspices of the WTO, new TF provisions became an inseparable part of new RTAs which were concluded after the 2004 [14, p. 6].

According to UNCTAD data, by 2011 trade facilitation standards and recommended best practices had become a part of many RTAs, but some of the TF elements appeared more often in RTAs than others. Customs clearance and facilitation appeared in 81 agreements, but fees and charges in only 4 agreements (Figure 2).

In 2016, for the first time, all WTO members have managed to be a signatory of one RTA in force at least, after the notification of the RTA between Mongolia and Japan [17].

### Trade-restrictive measures vs. trade facilitation measures

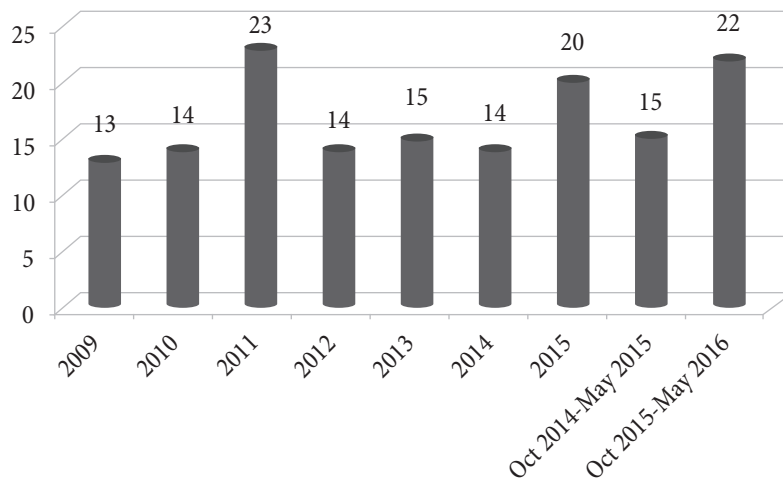
Trade policy trends have become a very common issue for the WTO's trade monitoring reports. The main problem in monitoring and evaluating the effects of trade policies implementation is determining the real data of new trade-restrictive measures implementation. These measures are heterogeneous in character and mainly have a protective purpose, as for example the increase of existing export or import tariffs, many quantitative restrictions, technical and administrative non-tariff barriers. During the period October 2015-October 2016, an increase of 154 newly introduced measures was the highest from 2009, except for the peak in 2011 [16, p. 66]. Data for the last observed

period indicate that the average number of new measures, with a trade restrictive character, of 22 new measures per month, is the period with the most intensive introduction of trade restrictive measures in the last decade (Figure 3).

At the same time, some positive changes have happened, mostly shaped after the Trade Facilitation Agreement adoption and after implementation of numerous measures aimed at facilitating trade flows. The dynamics of TF measures introduction is similar to the introduction of trade-restrictive measures, with a prevailing and evident increase of trade facilitating measures after the TFA adoption in 2013 (Figure 4).

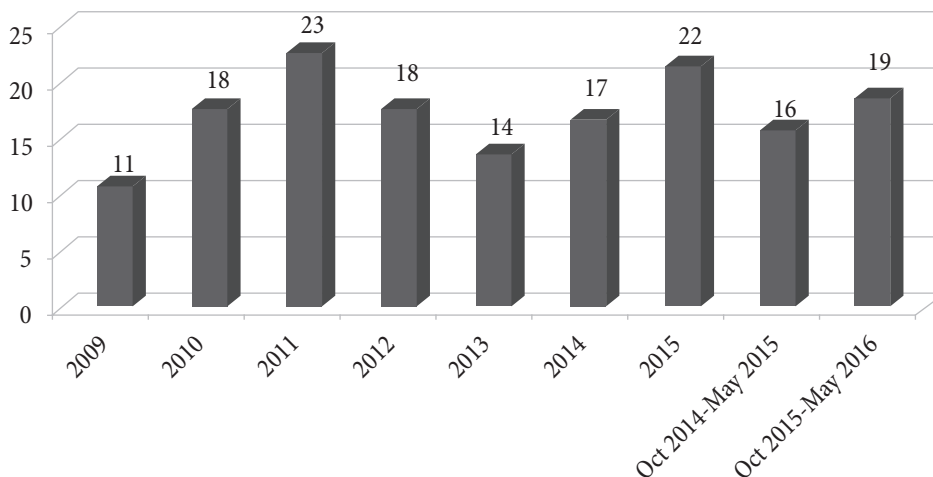
By looking at the WTO data, the list of TF measures is a little longer than usual, and besides the decrease of

**Figure 3: Trade-restrictive measures, excluding trade remedies (average per month)**



Source: [16, p. 66]

**Figure 4: Trade-facilitating measures, excluding trade remedies (average per month)**



Source: [16, p. 67]

tariffs, it refers to many non-tariff barriers, not only to administrative non-tariff barriers. These include the elimination of quantitative restrictions, simplifications of customs procedures, elimination of trade taxes. During the October 2015-October 2016 period, WTO member countries introduced 132 measures from the TF list, with a monthly average of 19 new TF measures [16, pp. 66].

Although the character of these TF measures is facilitating by nature and opposing trade-restrictive measures, we can conclude that during the last observed period, their number is lower than the number of newly introduced trade-restrictive measures.

### CEFTA market access barriers for auto-parts sector and beverages sector, as observed by importing and exporting enterprises

The main positive factor important for the further success of the TF implementation process in developing countries is the fact that developing countries will be provided with necessary technical assistance for trade capacity building. In addition, the dates for their implementation will be determined as part of the special and differential treatment for these countries. The negative element will be the fact that CEFTA 2006 countries are considered to be developed countries.

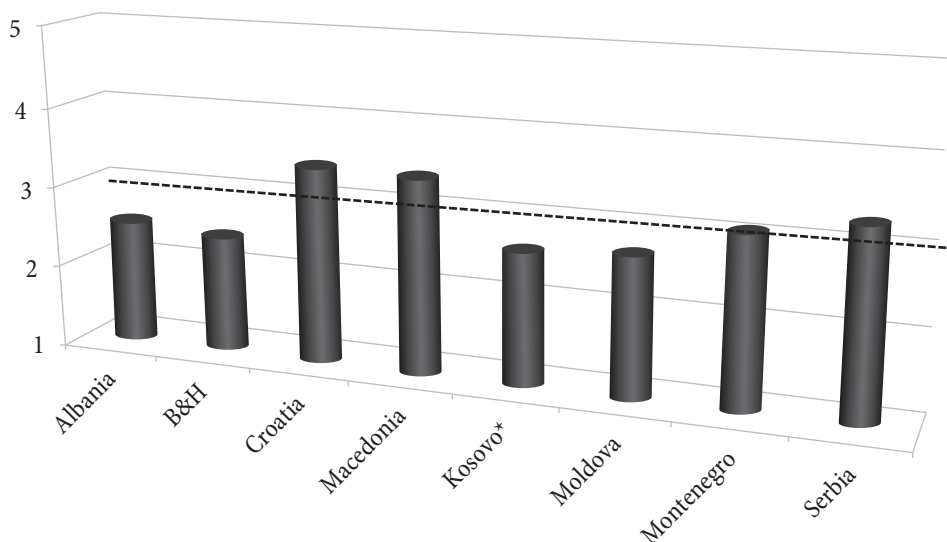
Intra-CEFTA trade recorded an increase during the 2010-2015 period, although the export values were still

less than €5 billion. The value of the region's trade has increased compared to 2015 and a proportion of trade partners remained almost unchanged during these years. The region is still more importing from the EU, as its main trade partner, than it is exporting.

Trade facilitation has an important place in the development agenda of developing countries, especially if they are landlocked developing countries. Within the list of Aid for Trade priorities, trade facilitation is positioned in a group of 12 priorities, as one of the main three aid priorities for 65 % of developing countries, and even for 77% of landlocked countries [15, p. 9]. Considering the fact that the majority of the CEFTA signatories are landlocked countries, these data indicate the TF importance in this region, too.

An OECD research from 2012 showed that most countries from the CEFTA region were implementing some measures called administrative non-tariff barriers, measures which are not facilitating trade and which have negative and a trade-distortive impact on trade flows. It is shown that there are some differences in the intensity of their implementation, among signatory countries. Countries that are more advanced in implementing all provisions for EU accession such as Serbia, Montenegro, Macedonia and Croatia, in the course of that research still a signatory of CEFTA, used more administrative non-trade barriers in intra-CEFTA trade. It happened before 2013 and the adoption of the Trade Facilitation

Figure 5: Overall scores for dimension: administrative barriers to trade



Source: [11, p. 81]

Agreement. Also, it could be expected that, following some technical and financial help for implementation of some TF measures, in the next few years, the picture will not be the same (Figure 5).

According to Nora Neufeld, during the 1970s, about 14% of the total number of RTAs contained some of the measures of the TF, and one decade later this data changed by 50% and reached even a high 92% during the 1990s. Part of these agreements with at least some components of TF, was around 95%. Therefore, almost every RTA started containing these elements, which indicated an increase of the interest to implement some of the measures in the TF domain [10, pp. 6-7].

Implementation of the TFA in CEFTA 2006 region varies depending on these countries' status — only Macedonia, Albania and Montenegro are WTO members. As the rest of the countries are included into the process of becoming a member of the WTO, it was not necessary to wait with the TFA obligations. CEFTA parties concluded negotiations on adopting an Additional CEFTA Protocol 5 on Trade Facilitation [4]. Furthermore, the TFAs were seen as an opportunity to increase intra-CEFTA trade. All CEFTA signatories, although some are, and some are not members of the WTO, have undertaken a self-assessment, individually, estimating in that way their own compliance with the TFAs' issues.

The results of the project "Addressing Market Access Barriers in Selected Supply Chains" for all CEFTA 2006 signatories pointed out the importance of the two sectors that had the greatest potential to increase intra-CEFTA trade.<sup>1</sup> In order to improve such trade, many barriers to trade in this part of the world needed to be removed. These barriers were first required to be notified in order to propose measures for their reduction until their abolition. The barriers to trade that exporters and importers are faced with during the realization of international business are burdensome. Besides those, trade includes many stakeholders like: distributors, producers, freight forwarders, associations, insurance companies and

chambers of commerce. They mostly had complaints in the field of the business environment, although the list of complaints could for the most part be defined as the trade facilitation field, through the content of the Trade Facilitation Agreement. These barriers are: customs procedure delays, complicated and double documentary requirements, inconsistent application of rules and regulations, lack of transparency and inter-agency cooperation [1, p. 3]. The authors of the Project pointed out the greatest importance of the auto-parts sector for Serbia, Bosnia and Herzegovina and Macedonia compared to the modest significance of this sector for Albania, Montenegro and Kosovo\*.<sup>2</sup>

Importers in Serbia pointed out further problems:

- Working hours of the customs offices, mostly referring to the working hours during the weekends;
- Producers had a problem with delays in customs clearance of spare parts for machinery;
- Large number of documents and agencies and documentation requirements, provoking customs clearance delays.
- Lack of knowledge of implementation of the EU, CEFTA, or other Free Trade Agreement regimes, provoking arbitrary application of laws and a lack of predictability.

Exporters of the auto-parts sector from Serbia pointed out problems in:

- Customs working hours;
- Changes in regulation which are mostly referring to the use of free trade zones and services of freight forwarders [1, p. 6].

In Bosnia and Herzegovina, the main problems concerning their importers in the auto-parts sector are connected with machinery spare parts, mostly from Germany. Actually, freight forwarders asked for original invoices and certificates of origin for the implementation of the preferential treatment based on origin. They waited for the complete submission of documents before starting their part of the trade process. They also had problems with a long wait for spare parts which were held up for 72 hours at the Sarajevo customs. They have problems with complex documentation and problems with customs

1 The project "Addressing Market Access Barriers in Selected Supply Chains" was implemented by International Trade Centre and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. National organization meetings have been organized in all member countries between June 8th and June 19th, 2015.

2 \*- As a separate customs territory under UNSCR 1244.



administration because of a wrong tariff number, frequently given by freight forwarders. Problems with customs administration's confusion in the implementation of different treatments of products from EU, CEFTA and other FTAs zones, same as in Serbia. Exporters from Bosnia and Herzegovina have a deficiency of accredited laboratories, i.e. a lack of infrastructure.

Importers in Macedonia are faced with cumbersome customs procedures, lack of predictability and transparency, concerning the time needed for completion of customs procedures, problems with interpretation of the origin of raw materials, delays, especially imports from China, because these products need to pass through inspection, although they meet all proposed standards. Macedonian exporters face many obstacles, but problems connected with TF issues are problems concerning export to Egypt, which requires additional documents from their Embassy and payments for them, and export to the USA, asking for additional documents from the Chamber of Commerce.

Some Albanian importers and exporters' problems are different in character compared to Serbia and B&H. Their problems connected with the TF issue are: long duration of customs procedures, a lack of transparency and predictability caused by the Albanian government decisions without explanations, and the inability to access statistical data. Their exporters report a lack of technical capacity on the labor market, which is an advantage for previously mentioned countries.

The beverages sector, mostly referring to wines and beers, is a second sector chosen for this analysis and a second sector considered to be a factor for strengthening regional integration. Countries from the region are faced with similar problems, and the majority of problems could be classified as a trade facilitation issue. These include: inconsistent behavior of customs administration, problems with customs officers who are not fully informed about elements of different trade regimes and different trade agreements, working hours of the customs administration, inspections for every consignment, no risk management implementation, mutual non-recognition of SPS certificate and the quality certificates, short validity periods for received certificates, delays in receiving results from laboratories. Certificates issued by different laboratories

in the region are not always recognized by all CEFTA signatories, even if they are listed on the EU Official Journal for certified laboratories for wines, and also double testing is required. Customs clearance often depends on the efficacy of agencies whose work is connected to the work of customs officers, more than on the efficacy (efficiency) of customs officers. The whole customs clearance procedure is finished in a moment when all documents and certificates are signed, and in this region, this could last as long as 30 days, provoking thereby delays, new costs for proper storage of wines. The results of this Project pointed out that the main obstacle in intra-CEFTA trade is mutual non-recognition of certificates, causing an unnecessary increase of additional (double) costs, especially burdensome for the existence of small and medium-sized enterprises (SMEs) [2, pp. 3-21].

Development of the regional framework, with a wide list of barriers to market access and with a list of recommendations in a situation when each signatory country has some specific problem, was a long process to find a common denominator. It was done by analyzing the market access barriers from two aspects — non-tariff measures and trade facilitation, in use within the CEFTA territories.

For both sectors, concerning the first field of non-tariff barriers, the main defined problem was double testing, a common problem for all signatories. It is followed by high excise duties, which were noticed in Bosnia and Herzegovina, Albania and Kosovo\*. The other measures are radioactivity tests in Montenegro and a labeling problem in Serbia, B&H and Macedonia. Trade facilitation aspects covered a wide range of different issues and few of them are integrated in the TF Agreement, so in the Articles of that Agreement some recommendations and future steps could be found. The most frequent problems that traders are faced with are delays in the customs clearance process, a lack of transparency, especially when new laws and directions are adopted and implemented, and too detailed inspections, even when the trading partner is well-known [3, pp. 5-6].

Measures for improvement are mostly related to new concepts for modernization and reforms of the customs administration, based on risk management, post-clearance

audit, advance rulings, pre-arrival processing. These issues are a part of the following TFA Articles [18, pp. 3-16]:

- Article 1 — Publication and availability of information
- Article 2 — Opportunity to comment, information before entry into force and consultations
- Article 3 — Advance rulings
- Article 6 — Disciplines on fees and charges imposed on or in connection with importation and exportation and penalties
- Article 7 — Release and clearance of goods
- Article 8 — Border agency cooperation
- Article 10 — Formalities connected with importation, exportation and transit

Suggestions of the Project authors rely on a majority of issues which are a part of the TFA Articles: Advance rulings, Pre-arrival processing, Post-clearance audit, Authorized economic operators (AEO), Single window (SW) [18, pp. 3-16]. This list of TF measures that are rated as measures with the greatest impact for the TF advancement in the CEFTA region was prepared as a TF self-assessment by the CEFTA representatives. They pointed out the importance of these measures, which were used as the basis for determining the level of the individual implementation of these TF measures by each CEFTA country. Self-assessment has shown that Macedonia is the most advanced in implementation, followed by Montenegro, Serbia, Albania, as advanced in this implementation and with Bosnia and Herzegovina and Kosovo\*, lagging behind the rest (Table 1).

During 2015, it was found that CEFTA parties complied with 60% of the TFA provisions fully, 18% substantially and 14% partially [3, p. 39].

**Table 1: CEFTA categorization of selected TF measures**

TF	AL	BA	MK	ME	RS	KS*
Advance rulings	B	C	A	A	B	C
Pre-arrival processing	B	C	A	C	B	B
Post-clearance audit	A	C	A	B	B	B
Authorized economic operators	B	C	A	A	A	B
Single window	C	C	A	C	C	C

Source: TF Self-assessment by CEFTA parties, 2015-2016, according to [3, p. 67].

Recommendations for finding some of the solutions for the increase of intra-CEFTA trade are often based on the role of the regional body with the influence to put a

pressure on all CEFTA signatories to fully respect all that was agreed on by CEFTA 2006. This is especially important for the mutual recognition of certificates used in intra-CEFTA trade and is obligatory for all signatories of that Agreement. As all CEFTA signatories are signatories of the same agreement which is a Free Trade Agreement establishing a free trade area, it is expected that each signatory should realize export to other CEFTA signatories in the same way as it does with the export to EU.

Through the Decision of the Joint Committee of the Central European Free Trade Agreement, No. 7/2014 — Establishment of the Committee of Trade Facilitation, adopted in Skoplje on 21 November 2014, all CEFTA signatories established a working group — Committee of Trade Facilitation, pointing out, in that way, the importance of different TF provisions for the region and pointing out, at the same time, the necessity for a serious approach to this challenging issue. This was a step to increase the interest for the implementation of TF obligations at a regional level. After 2013 and the adoption of the TF Agreement under the auspices of the WTO, a real challenge was the moment of its implementation at the regional level. Through this Decision, CEFTA created one body for addressing all issues connected with TF “with a view to reduce costs caused by the inefficient types of clearance procedures, while balancing trade facilitation with the increasing requirements for safety and security measures in the international and regional supply chain” [5]. The Joint Committee is a body established with the aim to intensify and realize cooperation in the field of the TF and to find and define legislative instruments at the regional level, to facilitate trade flows at the regional level.

Measurement of the trade facilitation implementation rates by United Nations in 2015 has shown that this level is highly correlated with the level of development measured by GDP. More developed economies mainly record a higher grade of implementation. There are some exemptions in both directions: Qatar is the economy with a high level of GDP and a low level of TF implementation, about 66.8%. Contrary to them, we have the example of Ecuador, achieving 81% that represents a higher level of the implementation [13, p. 8].

Since CEFTA 2006 signatories have a GDP per capita in 2014 at an average level lower than \$10,000, therefore, expectations for a high level of implementation should not be realistic. At the same time, intensification of projects and consultations for the TF implementation at the regional level further confirm stronger future relevance of this issue than it is at present.

## Conclusion

Trade Facilitation Agreement opens many fields for research and activities, but, each enterprise, each country, and region, have their own specificities. Five TF instruments used in the assessment of this paper are chosen as the most representative for trade volume increase in this region. Although it is marked that SMEs are expecting the most results after their implementation, we can conclude that their level of implementation is different in different CEFTA 2006 signatories. Among all TF instruments, the implementation of the single window is the slowest in this region, but the expectations of its implementation results are very high in the trading world. By establishing the TF Committee for CEFTA 2006, institutional conditions for further development and implementation of TF provisions are fulfilled.

Although this issue has a priority for the trading community, concerning the fact that the TFA is the first WTO Agreement that emerged from the Bali Round, it cannot be expected that these measures will solve all the problems in the trading world. This could especially be true for the CEFTA region. However, it could contribute to some economic developments, though it would not be realistic to expect that it is sufficient to solve all other regional problems, especially those that are not economic in nature. Unquestionably it will make a serious contribution.

Many important steps have been achieved during the last decade concerning the full implementation of CEFTA 2006 Agreement. This paper focused on TF measures and their implementation at the regional CEFTA 2006 level. The assessment of application of TF measures, based on two analyzed sectors, auto-parts and beverages sector, should be a good starting point for the trade policy creators in these countries. This assessment shows that many

possibilities and burdens are still present in this field. Investing in some of the proposed TF instruments could contribute to trade volume increase in this region. In this way, they would overcome burdens caused by deficiency of trade infrastructure and decrease the impact of inefficient work of customs administration.

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#### **Ivana Popović Petrović**

is Assistant Professor at the Faculty of Economics, University of Belgrade. She has obtained all her academic titles at the Faculty of Economics, University of Belgrade (B.Sc., M.Sc. and Ph.D.). She teaches courses in International Business Financing and European Union Economics at undergraduate level, and Trade Business Management, as well as International Business and International Trade Policy, at graduate level. In her scientific research she deals with issues of international trade relations, international trade, regional economic integrations, European Union economics and international trade in agricultural products. She has published scientific papers and articles, attended conferences within the country and abroad and authored and co-authored books in this field of research.



#### **Predrag Bjelić**

is Full Professor of International Trade at the Faculty of Economics, University of Belgrade, in Serbia. He holds a Ph.D. in Economics and an M.Sc. in Economics and International Relations. His academic visits include London School of Economics (London, UK), Harvard University (Cambridge, USA) and Faculty of Economics of University of Oslo (Norway). Professor Bjelić held lectures as a Visiting Professor at many domestic and international educational institutions, especially in the region of Southeast Europe (University of Montenegro; Faculty of Economics in Skopje, Ss. Cyril and Methodius University, Macedonia; University of Sarajevo, Bosnia and Herzegovina; University of Shkodra, Albania). He is an expert elected by the World Trade Organization and UN Conference on Trade and Development (UNCTAD), and teaches Trade Policy courses. He is involved in many international and regional scientific projects and has authored many books and articles on international trade and electronic commerce, both in Serbian and in English language. Before joining the Faculty of Economics in Belgrade, he worked for five years as Research Fellow at the Institute of International Politics and Economics in Belgrade and, prior to that, for two years at the National Bank of Serbia.