

Chapter 15

Serbia and EFTA

Contributions to Trade of Agroindustrial Products

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ABSTRACT

Serbia's international economic policy in the past decade is being based on the implementation of free trade agreements with major trading partner. In addition to trade cooperation with the EU, Serbia has developed and liberalized trade with the Russian Federation, CEFTA region, Belarus, Kazakhstan and Turkey. With EFTA region, Serbia has introduced Free Trade Agreement (FTA) from 2010 in order to develop mutual exchange of goods and services. Considering that analysis on trade relations between Serbia and the EFTA have not been published, the importance of this study arises from the need to identify the effects of application of the FTA. Analysis will focus on agro-food products, for the period 2004-2013. In order to analyze trade of agro-industrial products, all of product by SITC classification under Section 0 - Food and live animals sector and 1 - Beverages and tobacco in export and import will be covered.

1. INTRODUCTION

World trade has developed significantly after World War II reaching 36,700 billion US\$ (WTO 2014) as a result of trade liberalization mainly driven by multilateral agreement General Agreement on Tariffs and Trade (GATT) that regulated international trade (later was transformed to World Trade Organization-WTO). Even though that GATT was established in 1948, over the time countries also benefited from other trade liberalization agreements such as customs unions, trade unions, free trade agreements (FTA) etc. Liberalization of agro-food trade was the most difficult industry segment as most countries founded this topic very delicate.

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Serbia, today, is not WTO member state but it is in negotiation process. Being outside of WTO, Serbia needed to implement alternative trade liberalization instruments such as FTA's and trade unions. In the past decade, Serbia signed several FTA's – with European Union (EU), with Russian Federation, Kazakhstan and Belarus, with Turkey and with EFTA.

Even though Serbia did not have significantly developed relations with EFTA region, FTA was one of the instruments that intended to boost mutual trade since EFTA is very important trade partner in the World economy. Sensitivity of agro-food trade liberalization was shown also in the FTA. Naimly, beside general FTA, Serbia needed to sign individual FTA's with each EFTA member state in order to separately regulate liberalization of agro-food products. Therefore, this chapter will analyze trade liberalization effects in the agro-food trade in order to identify whether FTA contributed to trade development between Serbia and EFTA region.

2. METHODOLOGY

This paper analyzes trends in trade of agro-food products between the Republic of Serbia and EFTA region using standard statistical methods of analysis such as a trend, arithmetic mean, standard deviation, coefficient of variation and rate of change (*Papić 2012*). For the purpose of this paper under agro-food products we refer to all products of Section 0 - Food and beverage sector and 1 - Beverages and tobacco of the Standard International Trade Classification, version 4 (SITC ver.4) (*United Nation Statistic Division, 2006*). The data used for research purposes are the official data of the Statistical office of the Republic of Serbia (SORS) for the period 2004-2014.

3. EFTA AND SERBIA TRADE RELATIONS

a. EFTA and its Role in the World Trade

After the Second World War, development of economic relations in Europe was a priority. Already in 1951, France, Germany, Italy, Belgium, Netherlands and Luxemburg concluded Treaty of Paris which established the European Coal and Steel Community (ECSC), which entered into force on July 23, 1952. Visionary approach of political elite of that time can be seen through the fact that the contract was signed for a period of 50 years. Although the invitation to join ECSC was open to all, the United Kingdom did not take part in this body in order not to diminish its sovereignty by establishing any supranational organization. Only six years later, ECSC Member States signed Treaty of Rome which established the European Atomic Energy Community (Euratom) and the European Economic Community (EEC), which was established with the aim to cover all economic areas that were not covered by the ECSC and the Euratom scope of work. The Agreement provided reduction of tariffs and introduced common customs policy, free movement of people, goods, services and capital. Institutionalization of EEC was set on joint cooperation of three main institutions: the Council, the Commission and the European Parliament (*The Treaty of Rome, 1957*).

United Kingdom, as a major political figure of the time, refused to enter EEC as it opposed to the idea of creating a supranational institutions that would interfere with the sovereignty of member states, but also because of economic and political ties with the British colonies (states of the Commonwealth)

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