INCREASED PROTECTIONISM BY IMPLEMENTATION OF NON-TRADE BARRIERS IN CEFTA–2006

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WTO: INCREASED PROTECTIONISM

- WTO reports increased number of newly introduced non-trade barriers – two times bigger than the number of eliminated ones.
- 86% Of the total number of the implemented NTBs were not to regulate trade, but to regulate other important areas: technical, ecologic, health or quality standards, sanitary and phytosanitary or various administrative barriers.
- NTBs have as strong negative effect upon trade as bans to import/export.
- Uncertainty and trade tensions prevail in world trade.
TRADE LIBERALIZATION IN CEFTA-2006

- CEFTA-2006 members are affected by the presence of non-trade barriers both in the trade with the EU and in their mutual exchange of goods.
- Protocol 5 was added to the FTA in regard of trade facilitation in trade in goods (for elimination of administrative and other non-trade barriers);
- Protocol 6 was signed on trade liberalization of services;
- In 2017 under the Berlin Process the idea for creating Regional Economic Area was accepted due to be fully implemented in a period of 6 years (by 2023):
  - Trade facilitation;
  - Enhancement of investment flows;
  - Mobility of natural persons;
  - Enhancing digital integration.
TIME RELEASE COMPARATIVE STUDY

- In 2016 in cooperation with the Customs Administration we have undertaken a research and published it in a brochure entitled: *Time Release Comparative Study*.
- It aimed to determine the NTBs that existed in the trade exchange of goods in CEFTA-2006.
- The study was based on comparison of two different measurements of application of trade facilitation measures and their influence over trade:
  - I: The Time Release Study (TRS) developed by the World Customs Organization - useful tool to identify weaknesses, risks and unsolved problems in cross border trade and international transport.
  - II: The Trade Facilitation Indicators (TFIs) developed by the OECD to measure their relative economic and trade impact on trade flows and trade costs between countries.
The economic operators in Macedonia were more inclined to conservative way of completing customs formalities and were not showing a significant endeavor in significant increment of the usage of simplified customs procedures.

In cases when the imported goods were subject to certain inspections by different state bodies such as the State Inspectorate on Agriculture, the State Sanitary and Health Inspectorate and the Food and Veterinary Agency, the clearance and release time was increased.

The study indicated certain incompletion in the implementation of EXIM.
TIME RELEASE COMPARATIVE STUDY - RESULTS

- 10% reduction of the costs both in importer and exporter countries may lead to an approximately 10% increase in export!
- 10% reduction of time at the border both in importer and exporter countries may lead to a 5.5% increase in export!
- The results confirm that the indicators Information Availability, Involvement of the Trade Community, Appeal Procedures, Formalities – Automation and Border Agency Cooperation – External are statistically significant on a 10% level of export.
- One area where resources should be directed is that of undertaking measures to increase external cross-border cooperation between the customs authorities of the countries of South-Eastern Europe.
TIME RELEASE COMPARATIVE STUDY - RECOMMENDATIONS

- **Increased application of electronic data and information:**
  - Usage of pre-arrival and pre-departure information;
  - Establishment of Single Window concept in all member-states;
  - Improvement and strengthening of the established measures and concepts;
  - Increased promotion and application of simplified customs procedures.
TIME RELEASE COMPARATIVE STUDY - RECOMMENDATIONS

- Increased transparency of trade facilitation regulation:
  - Accessibility, timeliness and fairness of the appeal system;
  - Establishment of National Trade Facilitation Committees in all member-states;
  - Converging the needs and interests of all government agencies thus enabling inclusive implementation of all relevant trade facilitation measures.
TIME RELEASE COMPARATIVE STUDY - RECOMMENDATIONS

- **Increasing external border agency cooperation:**
  - Implementing the concept of joint customs controls by developing joint risk management profiling;
  - Application of the concept of integrated border management;
  - Strengthen the cooperation between the authorized state organs of neighboring countries;
  - Increment of the efficiency of dealing with cross-border illegal activities;
  - Saving resources;
  - Significantly reducing time and costs for all border formalities and thus speed up and simplify the clearance and release of goods.
In 2018 a new scientific research on the existence and impact of non-trade barriers upon the Macedonian exporting/importing companies was completed. The research was measuring the influence of technical, sanitary and phytosanitary, and administrative barriers in trade in goods. The results confirmed that Macedonian companies face biggest barriers when trading both with EU and CEFTA-2006 member-states as their biggest trading partners. The influence of non-trade barriers upon trade has combined effects and cumulates, thus seriously restricting trade.
RESEARCH ON NON-TRADE BARRIERS IN MACEDONIA - RESULTS

- The biggest problems from the influence of technical barriers came from the non-transparency and changes of technical regulations.
- The biggest problems from the influence of sanitary and phytosanitary barriers in trade in goods derived from long and expensive procedures for laboratory analysis and certification processes, as well as from lack of recognition of certificates from national laboratories on the markets of the importing member-states.
- The biggest problems in trade Macedonian companies face because of the existence of administrative barriers.
For 30-40% of the companies the strongest negative effects in trade in goods resulted from the existing administrative barriers within CEFTA, such as:

- Unusually high taxes and fees for customs clearance procedures;
- Random tariff classification of the goods;
- Bottlenecks on the border crossings and prolonged waiting time;
- Insufficient customs infrastructure;
- Significant number of physical checks at the border;
- Huge number of documents and agencies involved;
- Frequent changes in the legislation without a notification;
- Prolongation of administrative procedures;
- Unannounced changes of customs duties;
- 35% Of the companies had no knowledge on the existence and possibilities of the established E-customs.
EFFORTS OF THE MACEDONIAN CUSTOMS ADMINISTRATION FOR TRADE FACILITATION

- EXIM-Single Window for export, import and transit licenses and tariff quotas is established;
- New Computerized Transit System is functioning;
- Portal for Electronic Communication;
- Integrated Tariff Environment for information exchange between EC and the member-states;
- Customs Declarations and Excise Documents Processing System (CDEPS) established from the 1\textsuperscript{st} of June 2019;
- Joint customs control point established with Serbia.
- Joint customs control in process of establishment with Albania.
INCREASED PROTECTIONISM IN CEFTA 2006

- The process of digitalization is not synchronized among the countries.
- Different countries use different platforms which are not interconnected – no possibility to implement paperless trade within the region.
- There is only one joint customs control point between Serbia and Macedonia.
- Many bottlenecks at the border crossing points.
- Besides the ineffectiveness of elimination of NTBs, classical protectionist measures are re-introduced:
  - Kosovo introduced 100% ad valorem tariffs for imports from Serbia and Bosnia and Herzegovina;
  - Kosovo announced the same measures for imports from Albania and Macedonia;
- Trade tensions between Kosovo and Macedonia.
CONCLUSION AND RECOMMENDATIONS

Instead proposing measures on how to increase trade liberalization and deepen economic integration among CEFTA-2006 countries, the members must revisit the original CEFTA-2006 agreement and their aspirations for WTO membership, on one hand, and EU membership, on the other.

If multilateral trade regulative is not respected, one can not expect further trade liberalization, or trade creation and growth.

Countries must find way to develop regional projects (measures) for trade facilitation, and not act unilaterally.
THANK YOU FOR YOUR ATTENTION!