

Bilateral trade between eu and western balkan

[Economics](#), [Trade](#)



The paper focuses on the bilateral trade between Western Balkans countries and the EU and focuses on agreements, regularity of the trade, scope and analysis of the trade flow. It also explains which are the Western Balkans countries, economical characteristics, contractual connection with the EU. It is consisted of three parts. In first part is explained the definition of the Western Balkan countries, and bilateral trade exchange between the EU and Western Balkans as a common region. Second part analyses agreements between the EU and Western Balkans countries regarding trade and EU perspective. Finally, third part focuses on the key indicators and trade balance of each country of the region with the EU.

WESTERN BALKANS IN GENERAL

Western Balkans is a region in Europe which includes Albania and states of Former Yugoslavia without Slovenia. Those countries are Croatia, Bosnia and Herzegovina, Montenegro, Serbia, Kosovo (as defined as UNMIK 1244), Republic of Macedonia and Albania. The surface of this region is approximately 265. 000 square kilometers and total population within is 24 million inhabitants. Historical background of those states is that all of them had socialistically government. Albania was self-isolated state and under iron curtain after Second World War.

It was also a member of Warsaw pact until Sino-Soviet split (worsening relations between Soviet Union and PR China). On the other hand, Yugoslavia had unique socialist model in the world called “ self-management”, which had limited openness to the western countries. All countries had turnout to capitalist system in the nineties, with high inflation, high rate of corruption,

suffering economies and higher unemployment rate. After wars in Yugoslavia were established five new countries: Slovenia, Bosnia and Herzegovina, Republic of Macedonia and Federal Republic of Yugoslavia. Republic of Macedonia had a name dispute of Greece (which is part of European Union) and has provisional name of FYROM in official EU documents. FR Yugoslavia was transformed in 2003 into State Union of Serbia and Montenegro. Montenegro left this union in 2006 and Republic of Serbia became formal successor of the State Union.

Kosovo declared unilaterally independence in 2008, and the EU officially sees it as a separate economic region. Candidate statuses for accession in the EU have Croatia and Republic of Macedonia, while other countries are considered as potential candidates. All those countries are members of CEFTA.

ECONOMIC INDICATORS IN GENERAL

According to International Monetary Fund rapport of 2008, GDP per capita in those states is varying between 1. 167, 00€ in Kosovo UNMIK and 10. 375, 00€ in Croatia.

Highest level is below EU 15, but higher than in Romania and Bulgaria. Analyses show that this region has need for further economic and social cohesion with the EU. In 2003 it was predicted that the EU enlargement towards Western Balkans countries would not be significant, in terms of economic scale, as the nominal GDP and the GDP per capita are at relatively low levels. (World Bank (World Development Indicators)) The region has made strong progress, outpacing Central Europe in economic growth with an

average GDP increase of more than 5% in 2005. The markedly strong economic development is expected to continue in the next several years. Inflation has largely been kept under control, and is expected to decline further in the immediate future. The region's improving risk profile and economic outlook are also validated by the international credit ratings.

As unemployment is still high, sustainable economic growth and job creation are the major challenges the region faces.

AGREEMENTS BETWEEN EU AND THE WESTERN BALKANS

AGREEMENTS OF BILATERAL TRADE BEFORE STABILIZATION AND ASSOCIATION PROCESS

Before the start of the stabilization and association process, and subsequent sign of stabilization and association agreements between the EU on one side and the Western Balkan states on the other, each country had separate agreements with EU, regarding the trade preferences. Albania has been benefiting from European Union's General System of Preferences. Trade with Macedonia was governed by a cooperation agreement with the European Union concluded in 1998. Bosnia and Herzegovina and Croatia were authorized to trade preferences under the first generation of Autonomous Trade Preferences introduced in 1997, which have been briefly applied to Serbia and Montenegro before they were revoked.

(Council Regulation (EC) No 70/1997, amended by Regulations 2636/97 (for 1998) and 2863/98 (for 1999), and Council Regulation (EC) 6/2000 (January-October 2000)) .

SAA – STABILISATION AND ASSOCIATION PROCESSES WITH THE COUNTRIES OF WB

This process started by defining its main criteria by the General Affairs Council in April 1997. Two years later, in May 1999, the European Commission published a communication for the establishment of the stabilization and association process. Countries involved, precisely the Western Balkan countries, should meet the minimum standards as defined in order to start the stabilization and association agreement negotiations. Some of these criteria are: create real opportunities for displaced people and refugees to return to their places of origin, readmission of illegal immigrants, compliance with international peace agreements, rule of law, democracy and compliance with human and minority rights, free and fair elections, absence of discriminatory treatment, implementation of first economic reform steps (privatization, abolition of price controls), proven readiness to engage in good neighborly relations. Five countries that participate in the Stabilization and Association Process are Albania, Bosnia and Herzegovina, Croatia, Macedonia, Serbia and Montenegro. There are a lot of similarities among these five countries, but the main one is their mutual goal for EU membership.

On the other hand, there are a lot of differences between them, in the pace of economic reforms and the possible timeframe for EU accession. The Stabilization and Association Process is the main current framework policy of the European Union for the Western Balkans. This Process has three major parts, one is the Stabilization and Association Agreements, second is the Autonomous Trade Measures and the last is the financial assistance

(CARDS). (Report from the Commission Second Annual Report - Annex 1, COM (2003) 139 final)

STABILISATION AND ASSOCIATION AGREEMENTS

Stabilization and association agreements (SAAs) are the main contractual form between the EU and each Western Balkan country. Stabilization and Association Agreements were preceded by the stabilization and association process.

The SAAs agreements have very similar characteristics with the Europe Agreements even though with some distinctions. The SAA provides step by step establishment of free trade area with the EU, gradual alignment to EU legislation in a number of areas with an emphasis to the internal market rules; conclusion of bilateral agreements (mainly in the internal market areas) with neighboring countries and cooperation with the EU on issues such as justice, visa, border control, illegal immigration and others. Interim Agreements are signed simultaneously with the SAAs. They cover the trade-related parts of the SAAs and enter into force much faster, as they do not need to be ratified by the EU Member States. (Commission staff working paper SEC 128 final)

- The SAA agreements with Croatia and Republic of Macedonia have been in force since April 2004 and February 2005 respectively
- Albania has signed the agreement on 15. 10. 2007 and it is still under ratification
- Montenegro signed the SAA on 15. 10. 2007, it is under ratification. The Interim Agreement entered into force on 1. 1. 2008

- Serbia has signed the SAA on 29. 04. 2008.

The Council of April 2008 decided that the ratification procedure will be launched and implementation of the Interim Agreement will start as soon as the Council decides that Serbia is fully cooperating with the International Criminal Tribunal for the former Yugoslavia (ICTY) * Bosnia and Herzegovina has signed the SAA on 16. 6. 2008. The Interim Agreement entered into force on 01. 07. 2008 4. 2.

ATM – AUTONOMOUS TRADE PREFERENCES

By Regulation (EC) No 2007/2000 of 18 September 2000 which had revised Regulation (EC) No 2820/98, and repealed the Regulations (EC) No 1763/1999 and (EC) No 6/2000, the European Communities have allowed unique unlimited duty-free entrance to the EU market for nearly all products originating in the countries and territories benefiting from the Stabilization and Association Process. The Lisbon European Council of March 2000 specified that Stabilization and Association Agreements with Western Balkan countries, which include the establishment of Free Trade Areas " should be preceded by asymmetrical trade liberalization". As part of the Stabilization and Association process the Council of Ministers adopted the Council Regulation 2007/2000, and then amended by Council Regulation (EC) 2563/2000, to increase the existing autonomous trade preferences, and provide autonomous trade liberalization for 95% of all their exports to EU.

In the agreement of the Stabilization and Association Process, the granting of these exceptional trade preferences is subject to certain conditions. Namely, respectof the beneficiary countries and territories of fundamental principles

of democracy and human rights, the readiness of the countries concerned to develop mutual economic relations and to engage in economic reforms and regional integration through trade. Privilege to the exceptional trade preferences is conditional on the recipient's involvement in effective administrative cooperation with the Community in order to prevent any risk or deception. The preferences include: All products originating from the countries and territories concerned can be imported into the EU, duty and quota free.

The only exceptions apply to the following: 1. Wine and certain fisheries products are subject to preferential tariff quotas 2. Sugar is subject to preferential tariff quotas (except for Croatia where this is currently being negotiated) " Baby beef" only the specific import duty is eliminated- ad valorem duties of 20 % continue to apply 4. Quotas apply on imports of textile products originating in the customs territories of Montenegro and Kosovo The European Commission has adopted a proposal for a Council Regulation to extend until 2010 the autonomous trade preferences which the EU gives to the Western Balkans. The Council Regulation has been adopted without debate at the November 14-15 2005 Education, Youth and Culture Council in Brussels. Along with certain technical updates, the Regulation extends for another 5 years the autonomous trade preferences.

For the five years in force, these trade preferences have been a key instrument for the revitalization of the Western Balkan economies by providing privileged access to the EU market. More stable economic development promotes political stability in the entire region. The

preferences, which were originally adopted in 2000 for a period until the end of 2005, have contributed to an increase in the Western Balkans' exports to the EU, thus meeting their goal so far. Indeed, between 2000 and 2004, imports from these countries into the EU have increased by approximately 8 % per annum. The greatest change compared to previous system established in 2000 was the almost complete liberalization of imports of agricultural products and the abolition of quotas for sensitive industrial products. Consul Regulation CONSLEG: 2000R2007 — 01/01/2003 and Integration of the Western Balkans in the Internal Market (Regional Research Paper under the Specific Grant Agreement RELEX I-2 190202 REG 4-14))

DIAGONAL CUMMULATION OF RULES OF ORIGIN

Diagonal cummulation of rules of origin is a system that facilitates regional trade integration.

It enables a country to process and export a product under preferential trade treatment to the EU by using materials originating in other countries of the region which can be considered as their own materials. First stage:

EU/Western Balkans cummulation: Bilateral EU/Western Balkans cummulation, including Turkey for the products covered by the Customs Union, is now in force for Montenegro (as of 1. 1. 2008), Bosnia and Herzegovina (1. 7. 2008) and Macedonia (8. 11. 2008). It has also been agreed for Albania (19. 11. 2008) and Serbia (29. 4. 2008). Croatia has opted not to participate in the scheme.

Second stage: inclusion of the Western Balkans in the Pan-Euro-Med scheme:

* In 2007, the Euro-Mediterranean Trade Ministers endorsed the extension of

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the Pan-Euro-Mediterranean diagonal cummulation scheme to include the Western Balkan countries, as proposed by the Commission. They gave the Pan-Euro-Med working group a mandate to prepare technical amendments to the appropriate origin protocols. A preliminary draft proposal for such an extension was presented at the meeting of the Pan-Euro-Med working group in November 2007, to which the Western Balkan countries were invited as observers. The working group reached a consensus on the substance of the amendments. However, the Commission is looking for a way to take into account the impact of the specific problem with sugar and high-sugar-content products, which are currently excluded from the diagonal cummulation with the Western Balkans. Customs Information Paper (09)69)

CEFTA 2006 (CENTRAL EUROPEAN FREE TRADE AREA)

A new Central European Free Trade Agreement was signed in Brussels on 19.

12. 2006, clearly welcomed by the EU. The new CEFTA consolidates 32 bilateral free trade agreements in the Southern European Region into a single Regional Trade Agreement. Although the EU is not a party to this new Agreement, the European Commission has provided continuous political, technical and financial support, at every stage of the trade liberalization process in South Eastern Europe. The agreement creates a regional free trade area, based on the existing bilateral agreements which liberalize more than 90% of trade and almost all trade in industrial goods. The agreement consolidates and modernizes the region's trade regulations and includes modern trade provisions on issues such as competition, government procurement and protection of intellectual property. It will provide

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convergence of relevant trade-related rules, notably with regard to industrial and sanitary-fit sanitary rules.

The result is a simplified single system of rules that will make it easier to trade within the region. CEFTA will make the region more attractive as a consolidated market for foreign investment. CEFTA will, also, assist those that are not yet part of the WTO to prepare for membership - because the two processes are rooted in the same goals and rules of progressive liberalization and open trade. (Commission Staff Working Paper - EU regionally relevant activities in the Western Balkans 2008/09)

TRADE BALANCE BETWEEN WESTERN BALKANS AND THE EU

In this analysis we will focus on bilateral trade of the EU and Western Balkans as a region. According to the Eurostat, Western Balkans has imports from the EU of 32. billion € and exports towards the EU of 13. 9 billion €. That makes negative trade balance of Western Balkans as region. If we compare data of previous three years, we may conclude that the imports, in general, rose at significantly bigger amount than the exports. The current trend is growth of deficit by approximately 2. 3% annually towards EU and 0. 4% to the world. Measured in relative amounts, exports maintained at same level of 0. 9% to the EU and 0. 2% to the world. (EuroStat, Statistical Regime 4)

Figure 1. Trade in goods (EU27 with WB) Source: EuroStat, Statistical Regime 4
However, in the further analyse may be concluded that the share of trade with present EU27 countries has fallen. In 2004 the EU27 share of total imports was 73%, while in 2008 it was 66. 3%. Also, the share of exports to EU27 has fallen from 70. 5% in 2004 to 66. 4% in 2005, and after that has

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risen staidly. That shows that the exports to ten newly joined EU states got complicated due to new trade barriers. It was expected that through sustainable trade concessions approved by ATM and SAA, a positive trends in respect to the trade and current account balances should be expected. However, table 1 shows that trade balance deficits are even increasing through the period 2006-2008, from -9, 262 to -12, 643. (IMF (DoTS))

Manufactured goods classified chiefly by material are taking the biggest share of Western Balkans export to the EU with 4. 12million € or 29. 6% (SITC 6), miscellaneous manufactured articles (SITC 8) have export value of 3million € or 21. 6% and machinery and transport equipment have share of 19. 4% (SITC 7). Although there are some differences between Western Balkan countries, the common specificity is that exports from WB are mainly non sophisticated basic products, with high level of competition, low level of price and low level of revenues, lack of resources for marketing and advertising. On contrary, machinery and transport equipment, manufactured goods classified chiefly by material and chemicals and related products with 35. 0%, 21. 1% and 12. 6% respectively, are dominant or the import side. Western Balkans mostly purchases sophisticated products and products with high quality and value.

The main alternative is FDI, but as we will see further on, the level of FDI seems not to be sufficient to cover the need for new technologies, new know-how and managerial skills in WB. Structure of trade like this one, is the main reason for trade balance deficits. (Integration of the WB in the Internal Market) Figure 2. EU27 imports from WB, by product grouping Source:

EuroStat (Comext, Statistical Regime 4) Figure 3. EU27 exports to WB, product grouping Source: EuroStat (Comext, Statistical Regime 4) It is evident that Western Balkan countries are dependable and inferior to EU27 as its major import and export partner. In each product group, trade balance is positive for EU27, except for clothing with 587 millions € and iron and steel with 159 millions €. Figure 4.

EU27 trade with WB Source: EuroStat (Comext, Statistical Regime 4) Foreign direct investments into the region were 3.4 billion € in 2005. Croatia, Serbia and Montenegro registered increasing inflows; the other countries booked slight declines compared to 2004. The cumulative FDI inflow in the region is near 15 billion € for five year period of 2001-2005. As the countries of the region rarely invest abroad, net FDI inflows also play a key role in financing foreign trade imbalances that stem from ongoing structural reforms and significant investment demand in the transition to free markets. (<http://www.iiwb.org/level2/level2index.cfm?cid=1401;and;pid=1401>)

EU TRADE BY COUNTRY

MACEDONIA

When it comes to Macedonia, a country with a population of 2.1 millions of inhabitants, main economic indicators show that there is current GDP of 6.5 billions of €, GDP per capita of 3,166.0€ and real GDP growth of 5.0%. The rate of inflation is 8.3% and current account balance is -13.0% of GDP.

(World Bank (WDI), IMF (WEO), DG Trade) GDP by sector is consisted from 57.7% of services, 29.3% of industry and 13.0% of agriculture. (World Bank (World Development Indicator))

Trade in goods between Macedonia and EU27

As figure 1 show, EU27 imports of goods from Macedonia differ, while exports are constantly increasing. EU27 mostly imports textile and clothing and agricultural products, while imports of transport equipment, machinery, chemicals and energy are insignificant. On the export side of goods dominates machinery, textile and clothing, transport equipment, chemicals and agricultural products. EuroStat, Statistical Regime 4) The general problem of Macedonian's producers is the low level of implementation of EU standards and requirements (considerable in the foodstuff).

That is the main reason why the access to EU market is limited. 6. 1. 2

Foreign Direct Investments in Macedonia According to the State statistical office data, the value of FDI in 2008 is 356. 4 million US\$ and compared to the previous year is increased for 25. 6 million US\$. (State Statistical Office of RM), from which more that 87% comes from the key source of Macedonia's FDI, EU.

National Bank of the RM, Statistics, FDI) Countries with biggest foreign direct investments in RM in 2008 are: Austria with 125. 1 million US\$, Slovenia with 50. 8 million US\$, United Kingdom with 30. 8 million US\$ and Netherlands with 29. 1 million US\$. FDI are dominant in the service sector with more than 55% (telecommunications and financial intermediaries), whereas in the output around 40% (oil refining, textile, food, marble, construction materials, metal production industry). (National Bank of RM, FDI report) The share of total EU27 imports in Macedonia is 0. 1%, while the Macedonian's share of total EU27 exports is 0. %. Those percentages are held constant over the period 2004-2009. (EuroStat (Comext, Statistical Regime 4)) Consisted this <https://assignbuster.com/bilateral-trade-between-eu-and-western-balkan/>

way, Macedonia holds the 62nd place as major import partner and 54th place as major export partner to EU27. (EuroStat (Comext, Statistical Regime 4)) On contrary, when Macedonian's trade is in question, EU27 stays considerable the biggest and most important trade partner with total exports of 78. 0% and total imports of 77. 1. (IMF (DoTS)) 6. 2 CROATIA Croatia is a country with population of 4. 4milions of inhabitants, current GDP of 47. 1billions of €, GDP per capita of 10, 625. € and real GDP growth of 2. 4%. The rate of inflation is 6. 1% and current account balance is -9. 4% of GDP. (World Bank (WDI), IMF (WEO), DG Trade) Dominant creator of GDP is the service sector with 60. 9%, followed by industry with 31. 6% and agriculture with 7. 4%. (World Bank (World Development Indicator)) 6.

Trade in goods between Croatia and EU

Bout, imports and exports of goods increase through the years, as can be seen in the figure 2. EU27 merchandise variety of products from Croatia including machinery, agricultural products, chemicals, textile and clothing and transport equipment. Export of goods is consisted mostly of machinery, transport equipment and chemicals. (EuroStat, Statistical Regime 4) Although, in Croatia there was a progress in developing its legislative framework and strengthening its administrative capacity, still, special attention should be paid to the harmonization of food staff and food staff legislation. (www. western-balkans. info)

Trade in services between Croatia and EU

In the area of trade in services, the situation is just slightly changing over the time (imports of services from Croatia in 2005 was 4. 4billions of €, 2006 was

4. billions of € and 2007 was 4. 9billions of €, while exports of services in Croatia in 2005 was 1. 8billions of €, in 2006 was 2. 2billions of € and in 2007 was 2. 3billions of €). The share of imports from Croatia in EU27 is only 1. 2% from the total imports, while the export in Croatia takes nearly 0. 5%.

(EuroStat, NewCronos)

Foreign Direct Investments in Croatia

Croatia has the foremost FDI from all the countries in the region with 45% of it. FDI from EU27 are constantly increasing, as it is shown in the figure 2 (8. 2billions € in 2005, 12. 7billions € in 2006 to 16. 5billions € in 2007).

EuroStat(NewChronos)) Dominant sectors of FDI are financial intermediaries, telecommunication, pharmaceuticals, petroleum and cement manufacturing.

(www. iwb. org) Croatia holds the 44th places as a major import EU27

partner with 0. 3% of the total EU27 imports. On the side of exports, Croatia is on the 22nd places with 1. 1% of the total exports. However, as in the case of the rest Western Balkan countries, EU27 is the biggest and most important trade partner. Croatia merchandise 65. 3% of the total goods and services from EU27, and sells 65. 8% of total goods and services to EU27.

IMF (DoTS), EuroStat(Comext, Statistical Regime 4)) 6. 3 ALBANIA Albania is a country with a population of 3. 2millions of inhabitants. With a current GDP of 8. 8billions of €, GDP per capita of 2, 769. 8€, inflation rate of 3. 4% and real growth of 6. 8%, the situation is getting better over the years. (World Bank (WDI), IMF (WEO), DG Trade) As in the rest of the WB, the main creator of GDP is the service sector with 55. 7%, and the rest is divided almost equally between industry and agriculture. (World Bank (World Development Indicator))

Trade in goods between Albania and EU

Trade in goods between Albania and EU27 is slightly, but constantly increasing, as shown in the figure. However, the dominant products in EU27 imports are textile and clothing, and inconsiderable, energy and agricultural products. Exports of goods from EU27 to Albania are consisted of almost everything starting from machinery, agricultural products, textile and clothing, chemicals and transport equipment. (EuroStat, Statistical Regime 4)

Moreover, Albanian's exports are almost 90% natural resource intensive products, which is main obstacle to sustainable growth of exports. An Agenda for Trade and Growth, WB integration in the EU) In accordance with the Preferential Agreements for WB, there are certain exceptions for Albania:

- * " Imports into the Community of ' baby-beef' products defined originating in Albania do not benefit from a tariff concession"
- * " Imports of sugar products under heading Nos 1701 and 1702 of the Combined Nomenclature originating in Albania are subject to the following annual duty-free tariff quotas: 1 000 tonnes (net weight) for sugar products originating in Albania. "

(WTO, Request for an extension..

Foreign Direct Investments in Albania

In the FDI, Albania represents a unique case. The EU27 contribution to the overall FDI in Albania is 91%, but they come mainly from neighboring countries, where Italy and Greece are dominant with 48% and 43%, respectively. Less than 7% of total FDI is from the rest of EU27. The investments are made mostly in the commerce, industry and services with 60%, 17. 6% and 11. 5% respectively. (South-East Europe Review 1/2006) As it can be expected, Albania is not very important and competitive trading

partner for EU27. It occupies only 0.1% of total EU27 imports and 0.2% of total EU27 exports. It takes the 79th place as a major import partner to EU and 59th place as a major export partner to EU.

On the other hand, EU27 is the dominant trade partner for Albania that covers 70.3% of the total trade. Albania presents an extreme case where more than 53% of the trade to EU27 is directed to Italy and Greece. (IMF (DoTS), EuroStat(Comext, Statistical Regime 4))

MONTENEGRO

When it comes to Montenegro, main economic indicators show that there is population of 0.6 million inhabitants, GDP is 3.3 billion of €, GDP per capita 4.877 € and the real GDP growth is 7.5%. The rate of inflation is 9.0% and the current account balanced is -31.0% of GDP. GDP by sector is consisted from 74.6% of services, 17.6% of industry and 7.8% of agriculture. (World Bank (World Development Indicator))

Trade in goods between Montenegro and EU

Figures show that exports of EU27 to Montenegro are increasing in last years. On this side, mostly dominates machinery and transport equipment, agriculture and other semi manufactures. What first comes to eyes is the fact that Montenegro highly imports machinery which is a good leading point to technology enrichment and development of production processes.

Transport equipment also helps growth and development and its import share is quite high. On the import side, we see that EU27 is not importing so much from Montenegro. Most of import goes on machinery, agricultural

products and chemistry, while clothing and textile and transport equipment are really insignificant. Concerning the Preferential Agreements for WB, * “ the customs duties applicable to imports into the Eu27 of ‘ baby-beef’ products are reduced to 20% of the ad valorem duty and 20% of the specific duty as laid down in the Common Customs Tariff, with restrictions of scarce weight, what is said in the quota: 975 tones (carcase weight) for ‘ baby-beef’ products originating in the customs territories of Montenegro” * “ imports of sugar products originating in Montenegro are also subject to the following annual duty-free tariff quota: 180 000 tones (net weight) for sugar products originating in the customs territories of Montenegro” * “ exemption from customs duties is limited to the Community annual quantities set out in regulation for textile products originating in Montenegro” * “ certain fishery products and wine, the customs duties applicable to imports into the Eu27 should be suspended during the periods, within the limits of the Eu27 tariff quotas and under the specific conditions” (WTO, Request for an extension...)

Foreign Direct Investments in Montenegro

Foreign direct investment (FDI) in 2008 reached \$1. 23 billion, which was almost ten times higher than in 2004, and investment per capita in Montenegro is one of the highest in Europe. However, investment has slowed recently, in part as a result of the global economic crisis. According to preliminary data from the Montenegrin central bank, the amount of foreign investment in first quarter of 2009 was \$279 million, which represents a decrease of 38% compared with the same period in 2008. In period from 2001 to September 2008, the most FDI in Montenegro were from Hungary 323, 4 million Euros, Great Brittan 257, 2 millions, Switzerland 227, 4

millions, Capex 213, 5 millions, Austria 199, 2 millions, Slovenia 115, 3 millions and Germany 112, 7 millions of Euros. Central Bank of Montenegro) The share of total EU27 exports in Montenegro is 0.1%, while the Montenegrin's share of total EU27 imports is 0.01%. (EuroStat (Comext, Statistical Regime 4)) Consisted this way, Montenegro holds the 86th place as major export partner and 109th place as major import partner to EU27. (EuroStat (Comext, Statistical Regime 4))

6.5 SERBIA Serbia has 7,4 millions of inhabitants, current GDP 34,0 billions of €, 4,611,0 € GDP per capita, real GDP growth 5,4%, inflation rate 11,7%, and negative current account -17,3%. GDP by sector is consisted from 61,8% of services, 25,5% of industry and 12,7% of agriculture. (World Bank (World Development Indicator))

Trade in goods between Serbia and EU

Graph# shows that EU27 exports to Serbia have increased in the last three years and, as we can see imports also went up. European Union exports to Serbia consists mostly machinery, transport equipment and chemistry, while energy, import agricultural products and textiles and clothing comparing to the first group are insignificant. As we see on graph, the only one group of products that EU27 more import in, than export to Serbia are agricultural products. Trade balance for machinery goods is much higher than other, what is telling us that European Union is exporting much more than importing from Serbia.