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DEUTSCHE ZUSAMMENARBEIT

Report on Non-Tariff Measures in CEFTA

Support to regional economic integration



Implemented by

giz Deutsche Gesellschaft
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ACRONYMS

CEFTA	Central European Free Trade Agreement
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GIZ	Deutsche Gesellschaft für internationale Zusammenarbeit GmbH
IEC	International Economics Consulting
IMF	International Monetary Fund
ITC	International Trade Centre
MAST	Multi-Agency Support Team
NTM	Non-Tariff Measures
OECD	Organisation for Economic Cooperation and Development
RTA	Regional Trade Agreement
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
TOR	Terms of Reference
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
WTO	World Trade Organization

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1.

INTRODUCTION: Economic and Trade Performance of CEFTA Parties

The Parties to the Central European Free Trade Agreement (CEFTA) have a relatively uniform economic profile. All partners are classified as upper-middle income, according to the World Bank, with a Gross Domestic Product (GDP) per capita ranging from EUR 3,908 (in Kosovo*) to EUR 7,007 (in Montenegro).

The region experienced strong growth, pre-pandemic. The region, as a whole, grew at an average 3.5 percent between 2015 and 2019, driven by higher consumption and higher tax revenues, which created fiscal space, increased current spending and capital investment.¹

The COVID-19 pandemic has had a damaging impact across the region, similar to that witnessed globally. The CEFTA region experienced a 3.4 percent drop in GDP in 2020, though this was less severe than expected (1.4 percent higher than initially forecasted), thanks, partly, to the higher public spending and less drastic lockdown requirements imposed during the pandemic's second wave, which allowed economic activity to pick up. This trend *"mirrors developments in much of the rest of the world: economies weathered the 2020 pandemic disruptions better than had been expected"*.² The economic contraction was particularly acute in those parties that rely heavily on tourism and that were unable to adopt sufficiently large stimulus packages. Moreover, the fall in remittances further impacted GDP, and major disruptions of supply chains affected foreign trade and indus-

trial production.³ Specifically, Montenegro was the hardest hit, with tourism revenues dropping by 90 percent, which led to a 15.2 percent GDP drop in 2020 (Table 1). On the other hand, Albania and Serbia, with a 3.3 percent and 0.9 percent fall in GDP, were the least impacted in CEFTA, due to the stimulus packages adopted in Serbia and re-launching of post-earthquake reconstruction in Albania.⁴

Overall, more than half of all gross value added (GVA) and employment across CEFTA comes from the services sector. Services hold the largest share of value addition, ranging from 47.9 percent to 59.2 percent, across the South-East European Economies. Trade, transport and hospitality services are important sectors of the CEFTA economies, employing a high percentage of the population, and are also those most impacted by the COVID-19 pandemic, making 43 percent to 74 percent of the labour force vulnerable. The industrial sector holds the second-largest share of value addition, ranging from 15.9 percent to 25.5 percent. Agriculture holds a smaller share in economic activity in the region, although it employs a significant amount of the active population – in Albania, for example, over a third of the workforce – 36.4 percent – are involved in agricultural activities.

The CEFTA economies' total external trade in goods has been steadily increasing since the beginning of the decade, driven largely by the strong recovery of exports from the financial crisis. In the

1 World Bank (2018). Higher but Fragile Growth. Western Balkans Regular Economic Report No. 14, The World Bank Group, Fall.

2 World Bank (2021). Subdued Recovery. Western Balkans Regular Economic Report No. 19, The World Bank Group, Spring, p. 4.

3 OECD (2020). OECD Policy Responses to Coronavirus (COVID-19). COVID-19 crisis response in South East European economies. 24 November 2020. Available at: <https://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-south-east-european-economies-c1aacb5a/>

4 World Bank (2021). *Ibid.*

Table 1 Macroeconomic indicators

Indicator	Albania	Bosnia and Herzegovina	North Macedonia	Moldova	Montenegro	Serbia	Kosovo*
GDP (current EUR Billion)	13.5	18.0	11.2	10.8	4.3	48.2	6.9
GDP per capita (current EUR)	4,754.5	5,498.5	5,368.1	4,149.2	7,007.4	6,989.1	3,908.5
GDP growth (annual %)	-3.3	-4.3	-4.5	-7.0	-15.2	-0.9	-6.9
Merchandise Trade (% of GDP)	54.5	80.9	125.1	66.3	59.1	86.3	-
Total investment (% of GDP)	23.5	20.8	-	28.9	19.2	24.6	-
Unemployment rate (%)	12.5	15.9	17.1	3.8	17.9	9.1	25.6

Source: World Bank, IMF, 2021

period from 2011 to 2020, total exports increased by approx. 40 percent, while imports rose by only 13.8 percent. In 2020, exports from CEFTA stood at EUR 34 billion, whereas imports totaled EUR 53 billion making the region a net importer of goods. The region's largest trader is Serbia, which accounted for around 50 percent of total CEFTA exports and 44 percent of all imports between 2018-2020. North Macedonia was the second-largest exporter, while Bosnia and Herzegovina was the 3rd largest exporter.

However, this increase in trade has not been reflected at the intra-regional level. Intra-regional trade accounted for EUR 9 billion in 2020, in comparison to EUR 6.2 billion in 2010, a 45 percent increase. The share of intra-regional exports in total trade decreased from 7.3 percent in 2010 to 5.7 percent in 2020. Intra-regional trade amongst the partners is relatively limited, standing at 15 percent of the region's exports and 9 percent of its imports, due to the high degree of integration of CEFTA economies into EU value chains. An exception is Montenegro, which exports over 40 percent of its exports to other CEFTA parties. CEFTA is the second largest destination for the regions' export and third main source of the region's imports. The EU is a major market for all parties, with a share of 69 percent for CEFTA exports and 54 percent of the region's imports. Overall, exports to the EU stood at over EUR 52 billion in 2020, increasing from around EUR 31.4 billion in 2011.⁵

⁵ Data source: IEC Trade Insights, ITC's Trademap and EC.

This is despite the fact that CEFTA aims to promote increasing cooperation among its economies, in order to make progress in European integration. Despite CEFTA parties' convergence towards a tariff-free trade environment amongst themselves since 2010 and having facilitated duty-free trade and made improvements to increase regional trade, non-tariff measures (NTMs) still exist in trade between CEFTA parties. UNCTAD (2019) defines NTMs as "policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both."⁶ Such policy measures can take the form of "technical measures, such as sanitary or environmental protection measures, as well as others traditionally used as instruments of commercial policy, e.g. quotas, price control, exports restrictions, or contingent trade protective measures, and also other measures, such as competition, trade-related investment measures, public procurement or distribution restrictions."⁷

The problem with NTMs is that, even if implemented on legitimate grounds, such regulations might also lead to discrimination between suppliers in CEFTA economies, representing an additional source of costs, putting foreign competitors at a disadvantage and generate, intentionally or

⁶ UNCTAD (2019). International Classification of Non-Tariff Measures – 2019 Version. United Nations, UNCTAD/DITC/TAB/2019/5, New York and Geneva.

⁷ *ib.*

not, a form of protection for relevant industries.⁸ A distinction between non-tariff measures and non-tariff barriers is explained in box 1. Specifically, Fontagné, Orefice, Piermartini, and Rocha (2013) found that SPS measures reduce the participation of firms in export markets, affecting especially small and medium enterprises (SMEs), impacting, not just trade flows, but also market participation and price positioning, as SPS measures represent an incentive for firms to increase their price range, likely driven by the increase in costs associated with the SPS measures.⁹ Clarke (2005) argues that restrictive trade and customs regulations are the main factors discouraging trade, recommending taking steps towards the improvement of customs administration, as customs administration is slow and prone to corruption.¹⁰ A similar conclusion is reached by Goerzen, Schussler and Suriano (2016), whose paper highlights the impact the level of NTMs has on an economy, i.e. that lower NTMs contribute to a higher amount of trade in the economy.¹¹

While CEFTA economies have, on average, low crossing point and documentary compliance times and costs for both importing as well as exporting a standard container of goods, there are instances of burdensome procedures, depending on the products traded. On average, trading a standardized shipment of 15 metric tons of goods amongst CEFTA economies takes over 6 hours to comply with the crossing point requirements for exports and over 9 hours to import, costing EUR 66 and EUR 118, respectively. In terms of documentary compliance, it takes 11.2 hours to fulfil the export documents – and EUR 28 – and 5 hours to comply with the import requirements – and EUR 34. The fastest time to import is in Moldova, where both crossing point and documentary compliance takes just 6 hours. Serbia and Albania are the most inexpensive to comply with import requirements, as crossing point and documentary compliance costs reaches an average of EUR 79.

Box 1 Differentiating between Non-Tariff Measures and Non-Tariff Barriers

The concept of ‘non-tariff measure’, or NTM, is abstract and neutral, englobing a wider set of measures than those contained by the term ‘non-tariff barrier’, or NTB. This type of measure has been commonly defined as any regulation or practice, other than a tariff, which directly impedes and discriminates against imports.¹² Thus, NTBs are a specific sub-set of NTMs, characterized by their protectionist intent and their negative impact on trade (i.e. all NTBs are NTMs, but not all NTMs are NTBs). Additionally, NTBs are considered inconsistent with the WTO’s TBT and SPS agreements, which, although not making explicit reference to NTBs, forbid Members to adopt measures that could be considered more trade restrictive than necessary.¹³

8 Molina, A. C. & Khoroshavina, V. (2015). ‘TBT Provisions in Regional Trade Agreements: To What Extent Do They Go Beyond the WTO TBT Agreement?’ WTO Staff Working Paper ERSD-2015-09, December, p. 8.

9 See Fontagné, L.; G. Orefice, R. Piermartini and N. Rocha (2013), ‘Product Standards and Margins of Trade: Firm-level Evidence’, CEPII working paper 2013-06; Paris: CEPII.

10 See Clarke, G. R. G. (2005). ‘Beyond Tariffs and Quotas: Why Don’t African Manufacturers Export More?’. *World Bank, Policy Research, Working Paper 3617*, June.

11 See Goerzen, A., Schussler, B. & Suriano, N. (2016). ‘Econometric Analysis: Effect of Barriers on Trade’. Georgia Institute of Technology, November.

12 Beghin, J. C. & Bureau, J. C. (2001). ‘Quantitative Policy Analysis of Sanitary, Phytosanitary and Technical Barriers to Trade’, *Economie internationale*, Vol. 87, p. 109.

13 See Article 5.6 of the SPS Agreement and Article 2.2 of the TBT Agreement.

Within the CEFTA parties, institutional frameworks for standardisation and accreditation have been strengthened with the rules, procedures and operations of the standardisation and accreditation bodies aligned overall with that of international and European Union practices. Most economies in the region have adopted over 80 percent of European standards, but there is still room to improve infrastructure relating to conformity assessments.¹⁴

14 OECD (2018). *Ibid.*

2.

NON-TARIFF MEASURES IN CEFTA

2.1 Overview

NTMs are an issue across the whole CEFTA. A total of 238 companies of different sizes and from various sectors were selected and contacted to participate in the interviews and 161 companies (67.6%) reported that they experienced trade obstacles, while 77 companies (32.4%) didn't. Out of the total number of interviewed companies the companies highlighted 796 NTM incidents.¹⁵ In term of sectors, 74% of the companies reported NTMs in the manufacturing sector, 19% of the companies

¹⁵ A total of 161 companies were interviewed. However, these represent only a fraction of all contacted companies. The interviews were conducted with those companies that reported incidents with NTMs. Some companies did not report any NTM, and therefore were not interviewed.

reported NTMs in the agriculture sector and the 7% remaining companies either reported NTMs in other sectors or did not precise their sector.

Overall, the three products with the highest number of NTMs reported at the CEFTA level are fresh and chilled fish (HS 0302, which represents 0.05% of CEFTA's total trade), fish fillets with 50 reported incidents, meat (HS 0203, 0.21% of CEFTA's total trade) with 37 incidents, and fruit juices (HS 2009, 0.15% of CEFTA's total trade) with 36 incidents. At a more aggregated level, fish, meat, preparations of vegetables and beverages encounter the highest incidence of NTMs.

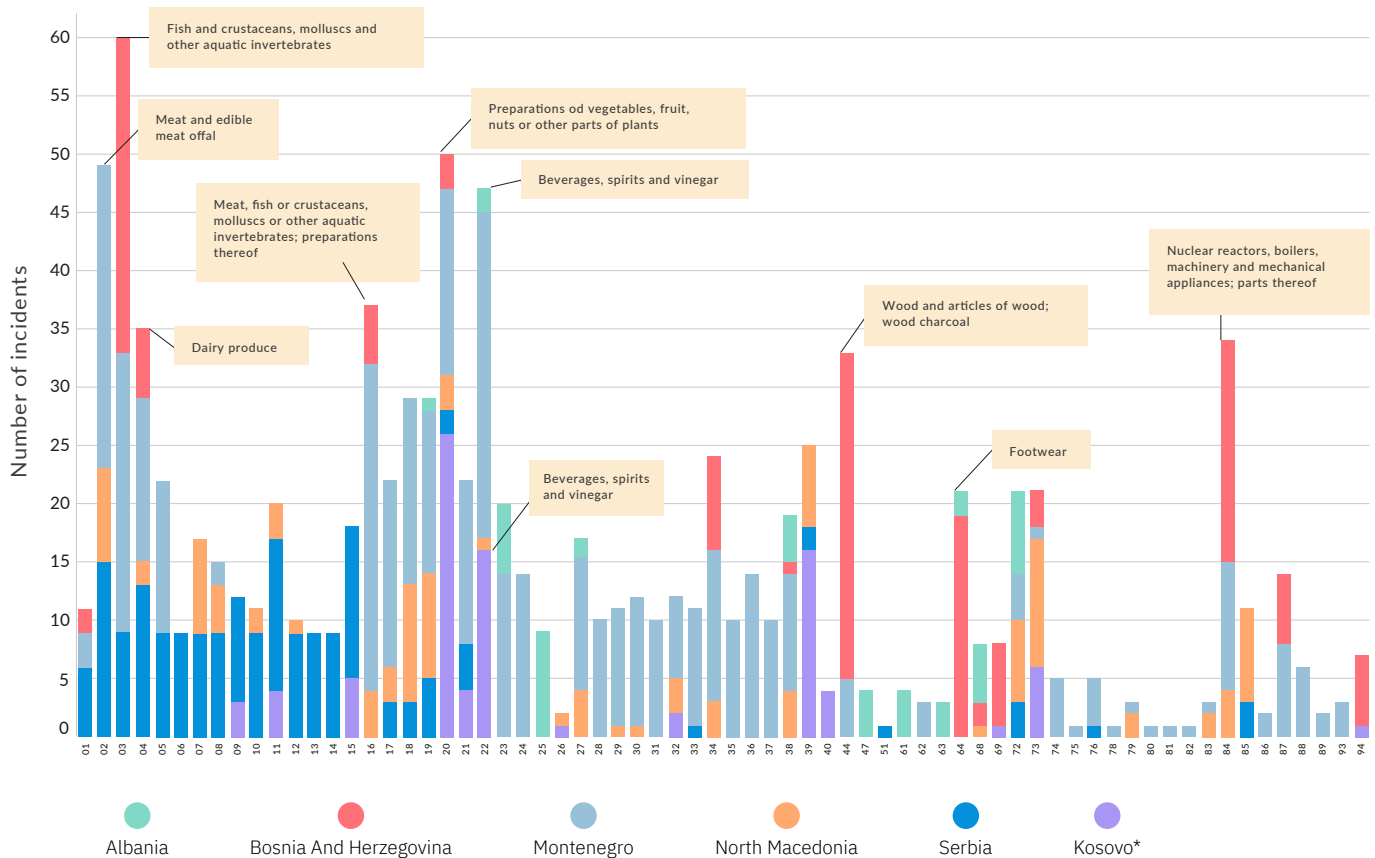
Box 2 Interpreting the Results on NTMs

The results presented in this report provide an overview of the NTMs highlighted by businesses between the different CEFTA economies (i.e. intra-CEFTA) and with third economies (i.e. extra-CEFTA). The detailed methodology is contained in Annex 1.

Due to the methodology used to select the sectors, the NTMs affecting important trading partners are identified more frequently than less important export destinations, implying a higher probability to capture NTM issues. Similarly, the results are not representative of the impact that such NTMs have on trade, but rather indicate those NTMs which appear more frequently in trade, regardless of their impact.

Finally, the replies from the companies have been captured, after a quality control and checking to ensure that the reported NTM has been properly classified, regardless of whether the reported challenges are valid according to the relevant legislation or not. This allowed the team to identify measures that, although perhaps legal and/or applied according to the law, represent a challenge to the private sector. Following similar methodologies, responses from the private sector have not been changed, in order to maintain the 'perception element' of the responses.

Figure 1 HS2 products affected by complaints in CEFTA



Source: Survey results. Notes: Y-axis - is the number of NTMs applied to the HS2 level group

The highest number of NTMs is faced while importing meat (HS 0203) with 25 incidents, fresh and chilled fish, fish fillets (HS 0302) with 23 incidents and sausage and similar meat products (HS 1601) with 22 incidents. At a more aggregated level, meat, fish, and soap encounter the highest number of NTM restrictions, with Montenegro

being the most affected party (Figure 2).

On the export side, Serbia is the party reporting the highest number of NTMs. Overall, the exports of fish products, fruit and vegetables are the ones experiencing the highest number of NTM restrictions (Figure 3).

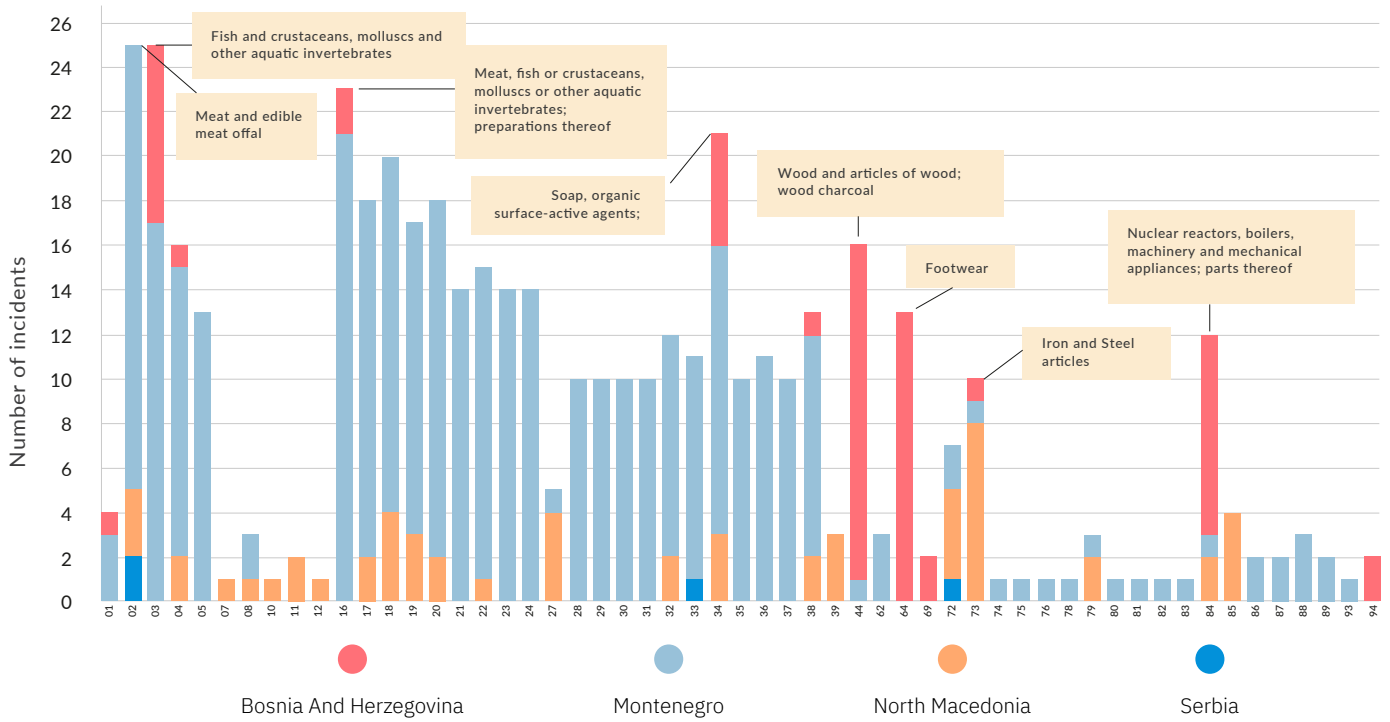
Box 3 Distinguishing between NTMs on imports and exports

The respondents to the survey were asked to respond to a series of questions that allowed the team to typify the NTMs. Two of those question were:

- What is the direction of trade affected by the NTM? [Import / Export]
- What economy is imposing the NTM? [Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia, Kosovo*, European Union, Other: Specify]

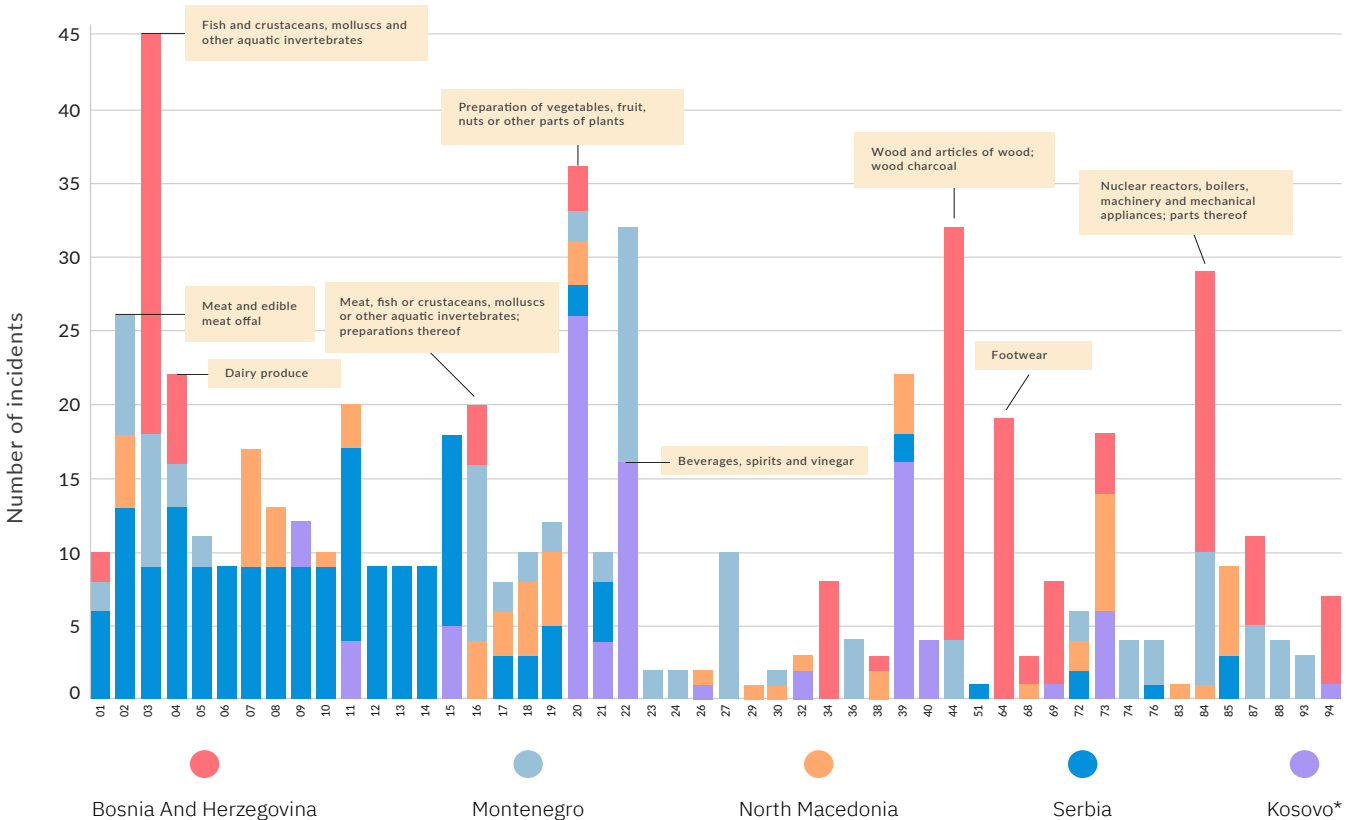
This allowed the team to determine, in case of a specific NTM, which economy is imposing the NTM and whether the NTM is imposed on the exportation or on the importation of a good.

Figure 2 HS2 products affected by NTMs in CEFTA on the import side



Source: Survey results. Notes: Y-axis - is the number of NTMs applied to the HS2 level group

Figure 3 HS2 products affected by NTMs in CEFTA on the export side

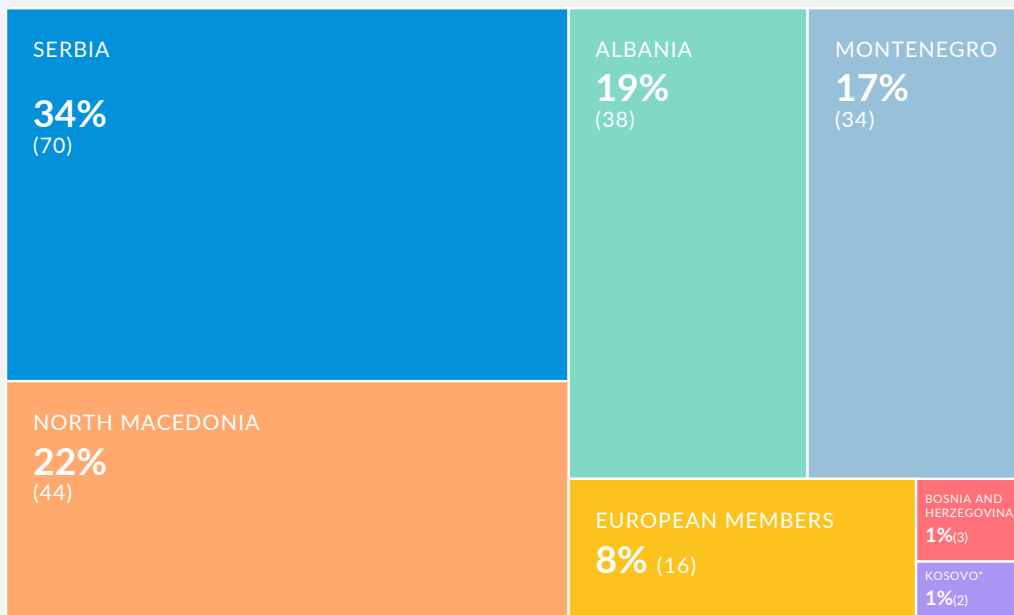


Source: Survey results. Notes: Y-axis - Number of NTMs lines is the number of HS products facing NTM measures.

Focusing on which partners are experiencing NTMs imposed by the different CEFTA parties, it is observed that most NTMs are imposed amongst CEFTA parties themselves, namely Serbia, Montenegro, and Albania, whilst imports from the EU also experience a significant number of NTMs (Figure 4).

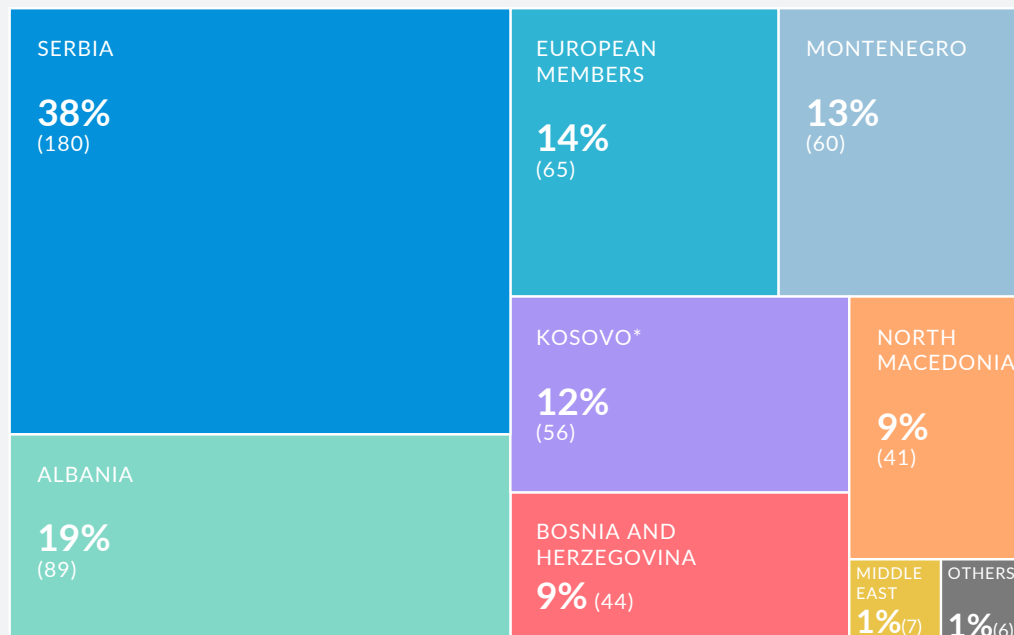
On the export side, Serbia is the party imposing the highest number of NTMs to its CEFTA partners, followed by the European Union. Additionally, major economies such as the United States, and Brazil as well as some economies in North Africa, the Middle East, and China, also impose a series of NTMs on some of the exported products (Figure 5).

Figure 4 Economies experiencing NTMs on CEFTA imports



Source: Survey results (Number of incidents reported)

Figure 5 Economies imposing NTMs on CEFTA exports



Source: Survey results (Number of incidents reported)

Table 2 NTM incidents in CEFTA

	NTM Group	NTM Measure	Incidents
Albania	Price-control measures	Additional taxes and charges levied in connection with services provided by the Government	24
	Intellectual property	Eligibility and maintenance	22
	Finance measures	Regulations on official foreign exchange allocation	11
	Price-control measures	Price-control measures, not elsewhere specified	8
	Intellectual property	Intellectual property not elsewhere specified	7
	Sanitary and phytosanitary measure	Labeling, marking and packaging requirements	7
Bosnia and Herzegovina	Formalities Connected with Importation, Exportation and Transit	Acceptance of Copies	37
	Release and Clearance of Goods	Electronic Payment	31
	Formalities Connected with Importation, Exportation and Transit	Other	28
	Release and Clearance of Goods	Pre-arrival Processing Expected Shipments	25 7
Montenegro	Sanitary and phytosanitary measures	Conformity assesment related to sanitary and phytosanitary conditions	13
	Release and Clearance of Goods	Pre-arrival Processing	8
	Export related measures	Export measures related to SPS and TBT	7
		Export formalities	6
	Formalities Connected with Importation, Exportation and Transit	Other	6
	Technical barriers to trade	Conformity assesment related to technical barriers to trade	6
North Macedonia	Formalities Connected with Importation, Exportation and Transit	Other	12
	Sanitary and phytosanitary measure	Conformity assesment related to sanitary and phytosanitary conditions	9
	Technical barriers to trade	Import authorization/licensing related to technical barriers to trade	8
	Release and Clearance of Goods	Other	5
	Technical barriers to trade	Labelling, marking and packing requirements	5
Serbia	Formalities Connected with Importation, Exportation and Transit	Common Border Procedures	6
	General Trades Facilitation Measures ¹	Fees and Charges Imposed On or In Connection with Importation and Exportation, and Penalties	6
	Sanitary and phytosanitary measure	Conformity assesment related to technical barriers to trade	6
	Export-related measures	Export measures related to SPS and TBT	5
	Export-related measures	Export measures related to SPS and TBT	4
Kosovo*	Formalities Connected with Importation, Exportation and Transit	Mandatory Use of Custom Brokers	24
	Sanitary and phytosanitary measure	Labelling, marking and packing requirements	18
		Conformity assesment related to technical barriers to trade	7
	Formalities Connected with Importation, Exportation and Transit	Other	5
	Freedom of Transit	Freedom of Transit	4
Technical barriers to trade	Product quality, safety or performance requirements	4	

Source: IEC Survey results

Table 2 highlights what are the most damaging NTMs by CEFTA partner. Specifically, it is observed that, for Albania, additional taxes and charges and intellectual property issues related to eligibility and maintenance are the most recur-

rent NTMs, with 24 and 22 incidents, respectively, followed by foreign exchange regulations, with 11 incidents. For Bosnia and Herzegovina, the lack of acceptance of copies and the inability to perform electronic payments are the most repeated com-

plaints, with 37 and 31 cases raised. Other issues related to trade processes and issues related to pre-arrival processing are as well very present in the party, with 28 and 25 incidents each.

In the case of North Macedonia, other issues related to trade processes, such as customs bureaucracy, working hours of the customs offices, knowledge of customs officers, etc., together with sampling, testing and inspection procedures linked to SPS measures, are the most repeated challenges, with 12 and 9 cases raised, whilst for Montenegro, the key issues revolve around the conformity assessments related to SPS measures¹⁶ (13 incidents) and challenges related to the pre-arrival processing (8 incidents).¹⁷

For Serbia, the lack of common clearance procedures, fees and charges, and issues linked to conformity assessments related to SPS measures are the most pressing concerns, with 6 incidents in each area.¹⁸

For Kosovo*, the mandatory use of customs brokers is perceived by traders as an important non-tariff measure (24 incidents), due the fees involved, even though such customs brokers can facilitate trade, followed by labelling and packaging requirements (18 incidents).

By sector, as shown in Table 3, the manufacturing sector aggregates the majority of NTMs incidents. Particularly, foodstuff is the most affected sector,

16 The term "conformity assessments related to SPS" is defined by the UNCTAD classification of Non-Tariff Measures (A8 Conformity assessment related to SPS) and refers to requirement for verification that a given SPS condition has been met: it could be achieved by one or combined forms of inspection and approval procedure, including procedures for sampling, testing and inspection, evaluation, verification and assurance of conformity, accreditation and approval as well as their combinations.

17 Kosovo* officials report that lengthy inspection processes at the terminal/crossing points are another of the key issues faced by Kosovo* traders. There were cases where the shipments could not be inspected because of the absence of veterinary and phytosanitary inspectors, leading to additional kilometers incurred, and therefore higher costs. Unharmonized working hours also represents a significant NTM.

18 Serbian officials highlighted that the Customs Administration fully cooperates with all border agencies within the Strategy for Integrated Border Management (IBM) 2017-2020. New IBM strategy is being prepared. Also, the Republic of Serbia has common BCP (one stop shop) with Republic of North Macedonia (Presevo-Tabanovce) and that it is planned to establish another one with Bosnia and Herzegovina (Bratunac-Ljubovija). Furthermore, it is highlighted that its Customs Law and Decree on customs procedures and customs formalities are harmonized to highest possible extent with EU customs legislation.

with the main concerns being issues with labelling requirements, with 18 incidents, and challenges linked to conformity assessments related to SPS measures, with 14 incidents. Across the whole manufacturing sector, the leading challenges are related to trade facilitation issues, such as the lack of acceptance of copies, as highlighted by stone, machinery and footwear producers and other formalities related to trade processes.

In the agricultural sector, which covers animal and vegetables product, the main NTMs highlighted include certain trade facilitation issues, such as the lack of acceptance of copies or the lack of electronic payment, and general NTMs, such as issues and SPS export-related measures, issues linked to conformity assessments related to SPS measures or the limited availability of tariff-rate quotas applied by economies like the EU.

2.2 Non-Tariff Measures

Technical non-tariff measures are everywhere in our daily lives. Our food passes sanitary and phytosanitary measures before it reaches the supermarket shelves, whilst electronic apparatus and many other consumer goods are tested to ensure their safety and quality. Overall, it has been estimated that around 74 percent of all NTMs imposed by developed economies are SPS and TBT measures, whilst it represents nearly half of NTMs imposed by developing nations.¹⁹ Non-compliance with such requirements can lead to expensive consequences, with the goods being refused entry in the destination market, thereby losing the expected revenue from the sale of the goods and their transportation costs.²⁰

2.2.1. Sanitary and Phytosanitary Measures

Sanitary and phytosanitary measures, by their very nature, may result in restrictions on trade. All economies accept the fact that some trade restrictions may be necessary to ensure food safety

19 Boza, S. & Fernández, F. (2016). World Trade Organization members' participation in mechanisms under the sanitary and phytosanitary agreement. *International Journal of Trade and Global Markets*. Vol. 9, No. 3, pp. 212–227.

20 Chanegriha, M. (2018). *The Importance and Implications of Sanitary and Phytosanitary Measures. Case Study of Egypt, Jordan, Morocco, Oman and Tunisia*. CUTS International, Geneva.

Table 3 NTM incidents by NTM type

Sector Group	Sector	NTM Group	NTM Measures	Incidents	
Agriculture	Animal Production	Formalities Connected with Importation, Exportation and Transit	Acceptance of Copies	8	
			Other	4	
			Common Border Procedures	4	
		Export related measures		Export measures related to SPS and TBT	7
				Export-support measures	4
		Release and Clearance of Goods		Electronic Payment	9
		Sanitary and phytosanitary measure		Conformity assesment related to sanitary and phytosanitary conditions	8
		Non-automatic import licenses, quotas, restriction, etc.		Tarif-rate quotas	6
		Subsidies		Support for consumers and producers not elsewhere specified	5
	General Trade Facilitation Measures'		Publication and Availability of Information	4	
	Distribution restrictions		Restriction on the sale of Goods	4	
	Vegetables	Sanitary and phytosanitary measure	Conformity assesment related to sanitary and phytosanitary conditions	8	
Labelling, marking and packing requirements			6		
Manufacturing	Foodstuff	Sanitary and phytosanitary measure	Labelling, marking and packing requirements	18	
			Conformity assesment related to sanitary and phytosanitary conditions	14	
		Release and Clearance of Goods		Pre-arrival Processing	6
				Electronic Payment	5
				Other	4
				Authorised Economic Operators	4
		Formalities Connected with Importation, Exportation and Transit		Mandatory Use of Customs Brokers	8
				Common Border Procedures	4
				Acceptance of Copies	4
		Export related measures		Export measures related to SPS and TBT	6
		General Trade Facilitation Measures		Fees and Charges Imposed on or In Connection with Importation and Exportation, and Penalties	4
	Wood	Formalities Connected with Importation, Exportation and Transit	Other	7	
			Acceptance of Copies	6	
		Release and Clearance of Goods		Pre-arrival Processing	6
				Electronic Payment	6
	Base metals	Formalities Connected with Importation, Exportation and Transit	Other	7	
			Release and Clearance of Goods	Pre-arrival Processing	4
	Chemicals	Formalities Connected with Importation, Exportation and Transit	Other	7	
			Sanitary and phytosanitary measure	Conformity assesment related to sanitary and phytosanitary conditions	4
	Machinery	Formalities Connected with Importation, Exportation and Transit	Other	7	
			Acceptance of Copies	4	
	Plastics	Formalities Connected with Importation, Exportation and Transit	Mandatory Use of Customs Brokers	6	
			Technical barriers to trade	Product quality, safety or performance requirements	4
	Footwear	Formalities Connected with Importation, Exportation and Transit	Acceptance of Copies	4	
	Stone & Co.	Formalities Connected with Importation, Exportation and Transit	Acceptance of Copies	4	
	Vehicle	Formalities Connected with Importation, Exportation and Transit	Other	4	

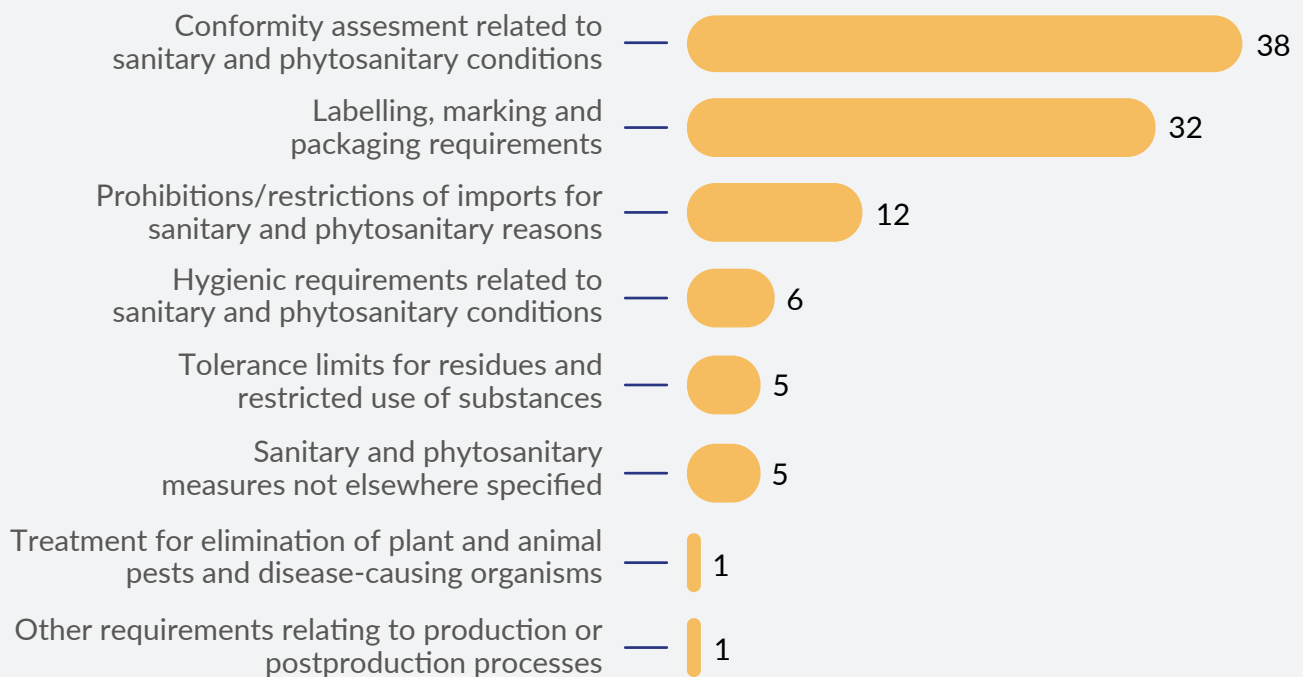
Source: IEC Survey results

and animal and plant health protection. However, it is the case that, in some instances, institutional bodies experience internal pressures to use this kind of measures to protect their local industry from foreign competition by going beyond what is needed for health protection.²¹

²¹ WTO – Understanding the WTO Agreement on Sanitary and Phytosanitary Measures. Available from: https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm

In the particular case of the CEFTA economies, the private sector surveyed has highlighted that the three most frequent NTMs that they face in the area of SPS are: conformity assessments or those linked to sampling, testing and inspection procedures; labelling, marking and packaging requirements; and prohibitions and restrictions of imports for SPS reasons (Figure 6).

Figure 6 SPS Measures reported by the private sector across the CEFTA



Source: IEC Survey results

Conformity Assessments

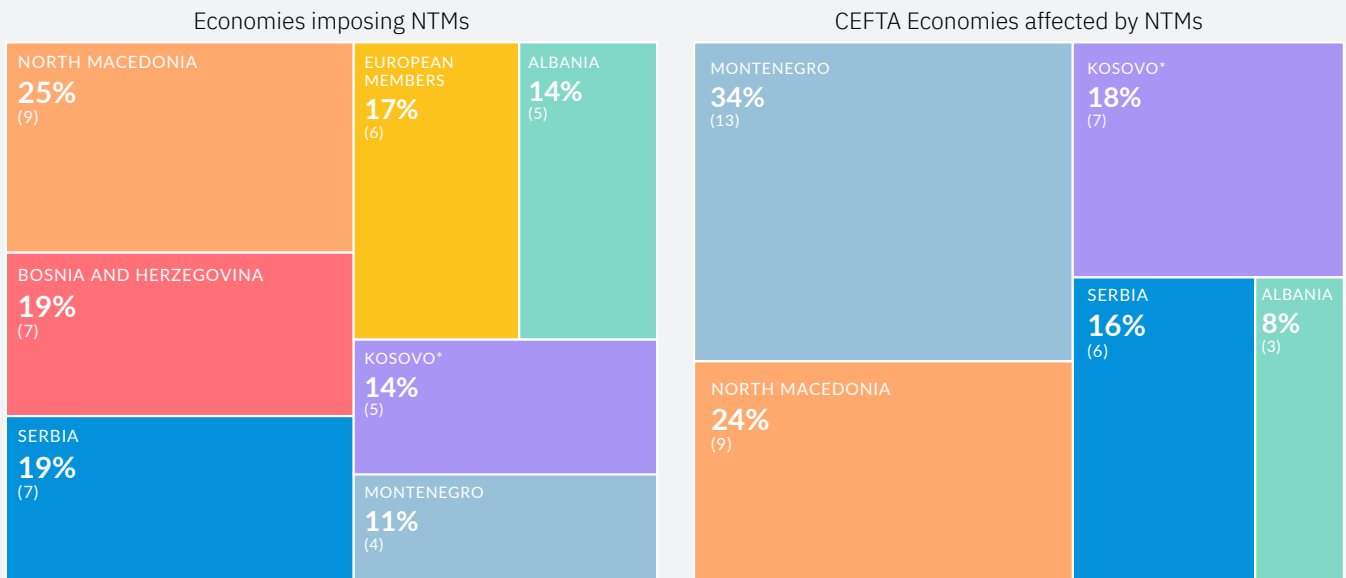
Complying with conformity assessments,²² particularly those related to sanitary and phytosanitary measures, is the most common challenge faced by CEFTA traders. Specifically, 12.6 percent of all surveyed traders highlight this area as problematic. The area is particularly problematic for agricultural traders, with 36.7 percent of all agricultural respondents indicating that they face issues with this particular NTM. By CEFTA partner, the most affected economies are Montenegro, North Macedonia and Kosovo* (Figure 7).

²² Conformity assessments refer to those procedures for sampling, testing and inspection; evaluation, verification and assurance of conformity; registration, accreditation and approval as well as their combinations.

Conformity assessment measures reported in the agricultural sector include testing and product certification, among others. In the case of agricultural exports, most of these NTMs were reported in the fruit juices, beer, and sugar, amongst other (Figure 8).

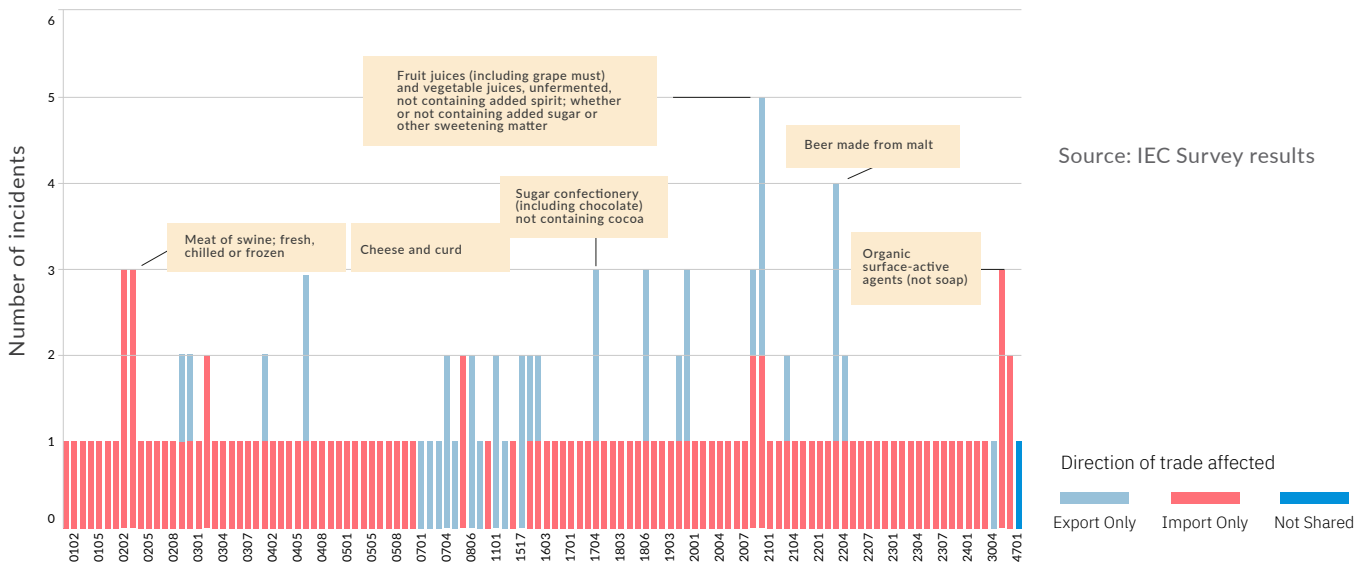
Overall, a total of 38 companies highlighted issues with conformity assessments for SPS measures. The specific constraint is the lack of recognition of conformity assessments, which forces companies to re-do the testing in the party where the product is exported to. There are various issues concerning the recognition of conformity assessments.

Figure 7 Economies imposing/affected by – Conformity assessment measures



Source: IEC Survey results (Number of incidents reported)

Figure 8 HS products affected – Conformity assessments SPS



Source: IEC Survey results

One is that test reports issued by laboratories are not accepted systematically and testing has to be done again adding to costs and delays.²³ The other is that exporters have often to get their samples tested in laboratories in other parties or in the EU because of lack of such services in that party, which again increases cost and delay. The main reasons for these are: laboratories do not have the

expertise, trained staff, equipment and infrastructure required to carry out the whole range of tests required for export; the accreditation scope of test laboratories in some parties is limited; some test methods used by certain laboratories are not accredited for such tests in accordance with the standard EN ISO/IEC 17025. Some companies reported that the costs associated with such testing is around EUR 150 per truck relating to the period of waiting for the analysis (traders complain about the long time to undertake the analysis, with an estimated wait of 10-21 days), with the costs of the actual analyses being approx. EUR 500-700 per

²³ Serbian officials indicated that the frequency of sampling for performing food testing analyses is 5-8%, while more than 90% of shipments go without sampling. Also, the results of laboratory analysis issued by the accredited laboratories are accepted based on the agreements with some of CEFTA parties.

agricultural product.²⁴ In Montenegro, 50 percent of the containers are checked, while a much lower percentage of checked containers on imports is reported in Bosnia and Herzegovina and Kosovo*. Similarly, a North Macedonian trader highlighted that on each import, the trader is forced to repay for sanitary controls, which equals to EUR 60 per truck, despite the fact that the imported product is shipped with sanitary certificate issued from the relevant authority from the exporter's economy.²⁵ Specifically, it is worth mentioning that number of economies in the region have phytosanitary cooperation agreements in place amongst them, such as Serbia and North Macedonia, Serbia and Bosnia and Herzegovina, Albania and North Macedonia, which provide for the recognition of phytosanitary certificates. However, such agreements are usually not implemented, as reported by traders conducting business between Serbia and North Macedonia.

24 Serbian officials indicated that all the fees or charges for official controls are regulated by the Law on Administrative Taxes, and specified under tariff number 64.

25 The costs are mostly associated with food safety, veterinary, phytosanitary inspections and analysis conducted by official laboratories in line with respective laws regulating food safety, plant protection, veterinary matters in CEFTA economies. Fees and charges depend on various methods of laboratory analysis, test and diagnosis used by official laboratories. More transparency is needed when it comes to calculation of fees for certain official controls in line with the EU Regulation 2017/625 on official controls and the provisions clarifying costs elements to be taken into account when calculating the fees. Specifically, the EU transparency provisions require to make public: the method and data used to establish fees; the fee amount charged to each category of operators and for each category of official controls and breakdown of costs. The increased transparency is instrumental to enhance the accountability of the competent authorities to consumers and businesses, and to promote greater consistency in the application of fees.

Several companies highlight the lack of adequate facilities for conformity assessment as their main issue. A trader from Montenegro highlights that the lack of testing laboratories for fish products in Montenegro forces them to use a laboratory in Bosnia and Herzegovina, which costs EUR 600 per truck, eroding their financial benefits.

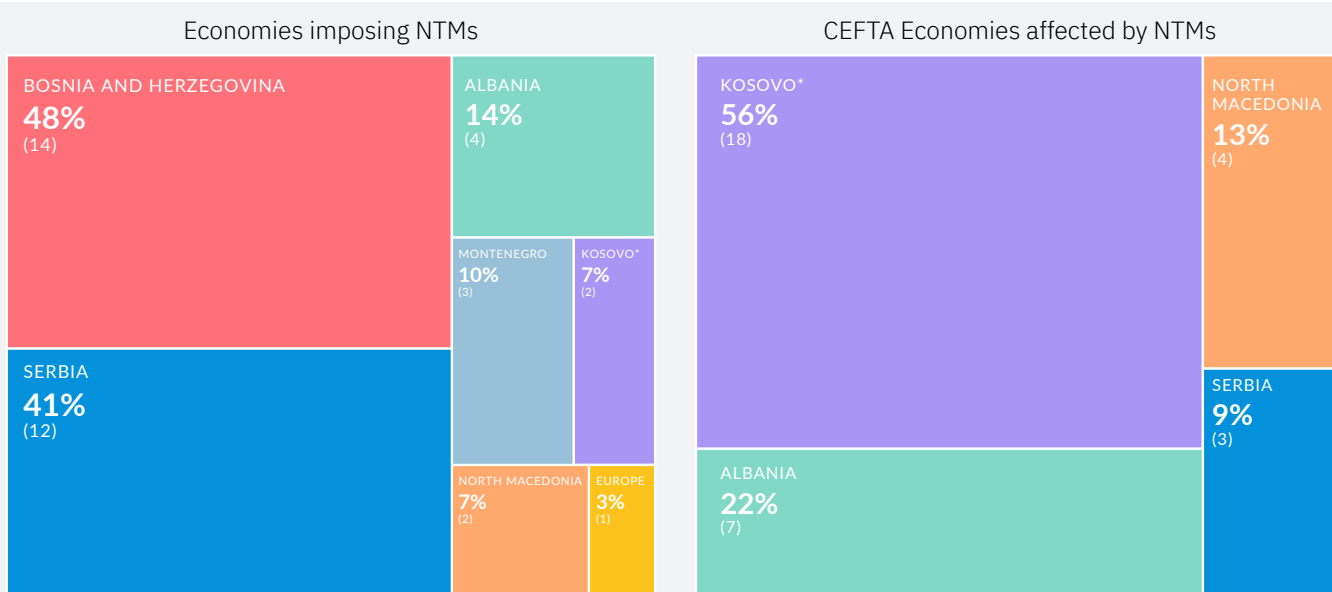
Per economy, most of the challenges appear amongst intra-CEFTA parties and the EU, amongst which there are no recognition agreements for the recognition for agricultural and manufacturing products, which lead to delays at the crossing point.

Labelling, marking and packaging requirements

Labelling, marking and packaging requirements were highlighted by for both agriculture and manufacturing traders are another major issue faced by traders in CEFTA, with a total of 32 incidents being recorded. Specifically, 16.7 percent of agricultural traders highlighted this area as problematic, whilst 9 percent of manufacturing traders (such as foodstuff producers) did.

This problem is reportedly experienced more amongst exporters, with this issue being reported by 3.7 percent of importers and 11.2 percent of exporters. Specifically, the parties that are imposing the highest rate of labelling and marking requirements are Bosnia and Herzegovina, Serbia, and Albania, whilst Kosovo* and Albania are the most affected by such measures (Figure 9).

Figure 9 Economies imposing/affected - Labelling, marking and packaging requirements SPS



Source: IEC Survey results (Number of incidents reported)

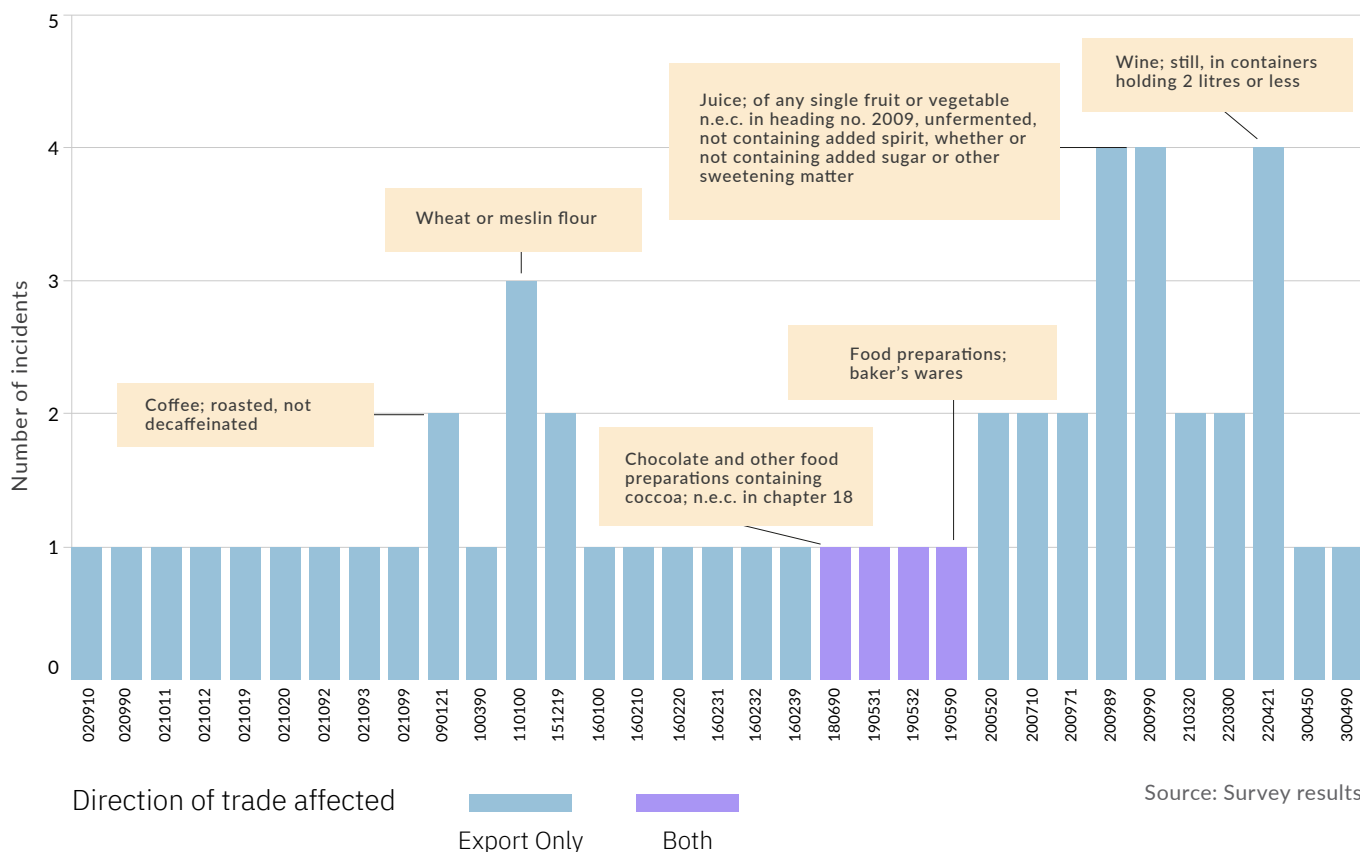
Wine (which represents 0.2% of CEFTA's total trade), juice products (0.15% of CEFTA's total trade), and wheat flour (0.13% of CEFTA's total trade) are the products experiencing the highest concentration of NTMs.

One of the issues highlighted by traders is that the regulation linked to labelling, marking and packaging differs between EU-27 and CEFTA parties. This forces traders to regularly follow the updates/amendments of the regulation in the exporting economy, along with adjustments to specific demands by the importing companies. Whilst this is not seen as a large burden by companies, but it does require efforts and costs to meet different requirements of the import. Furthermore, prod-

ucts must be labelled on packages according to the relevant regulation of the importing partners (languages, etc.), which leads to additional costs.²⁶

²⁶ Each CEFTA Party requires the labelling in local language and thus separate labelling needs to be prepared for each CEFTA Party – Corresponding to the following regulations: Albanian Law No. 9863 on Food; Regulation No. 1344 on labelling of agricultural products; Law on Trade, Official Gazette Republika Srpska, No. 105/19, Article 69 – Declaration; Montenegrin Law 57/15 on Food Safety, Article 54; Law on Trade, OG No. 52/19, Article 34, Serbian Rulebook on declaring, labeling and advertising food (OG No. 19/2017 and 16/2018); regulation on Consumer Protection in Kosovo*. At the same time, the EU Regulation No 1169/2011 provides that the Member States in which a food is marketed may stipulate that the particulars shall be given in one or more languages from among the official languages of the Union. The former shall not preclude the particulars from being indicated in several languages (Article 15).

Figure 10 HS products affected - Labelling, marking and packaging requirements SPS

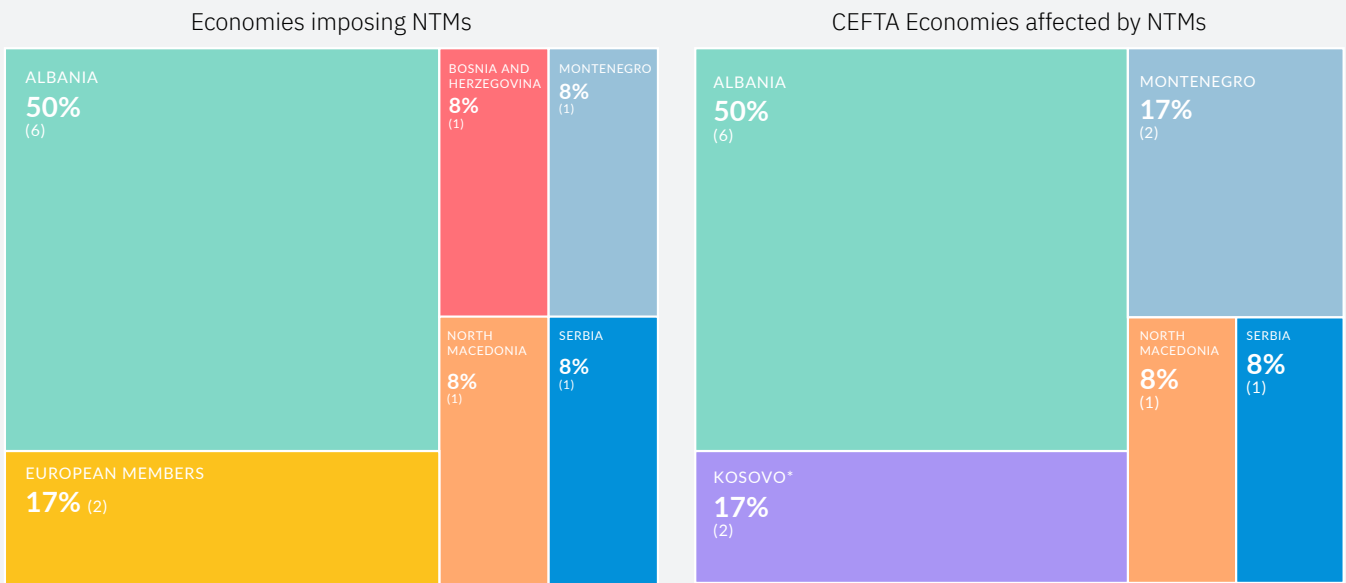


Prohibitions/restrictions of imports for sanitary and phytosanitary reasons

The third most common NTM related to SPS is the prohibitions/restrictions of imports for sanitary and phytosanitary reasons, with a total of 18 incidents. Specifically, one in every ten agricultural companies have reported this particular issue as an NTM. This problem is reported more amongst

exporters, with this issue being reported by 3.7 percent of importers and 8.4 percent of exporters. Specifically, this NTM is mainly applied by Albania, the EU and Bosnia and Montenegro, whilst the most affected economies are Albania, Montenegro and Kosovo*(Figure 11).

Figure 11 Economies imposing or affected by prohibitions or restrictions for SPS reasons



Source: IEC Survey results (Number of incidents reported)

In terms of product coverage, this NTM has been reported to mainly affect meat (represents 0.2% of CEFTA's total trade) and processed vegetables (0.22 of CEFTA's total trade) (Figure 12).

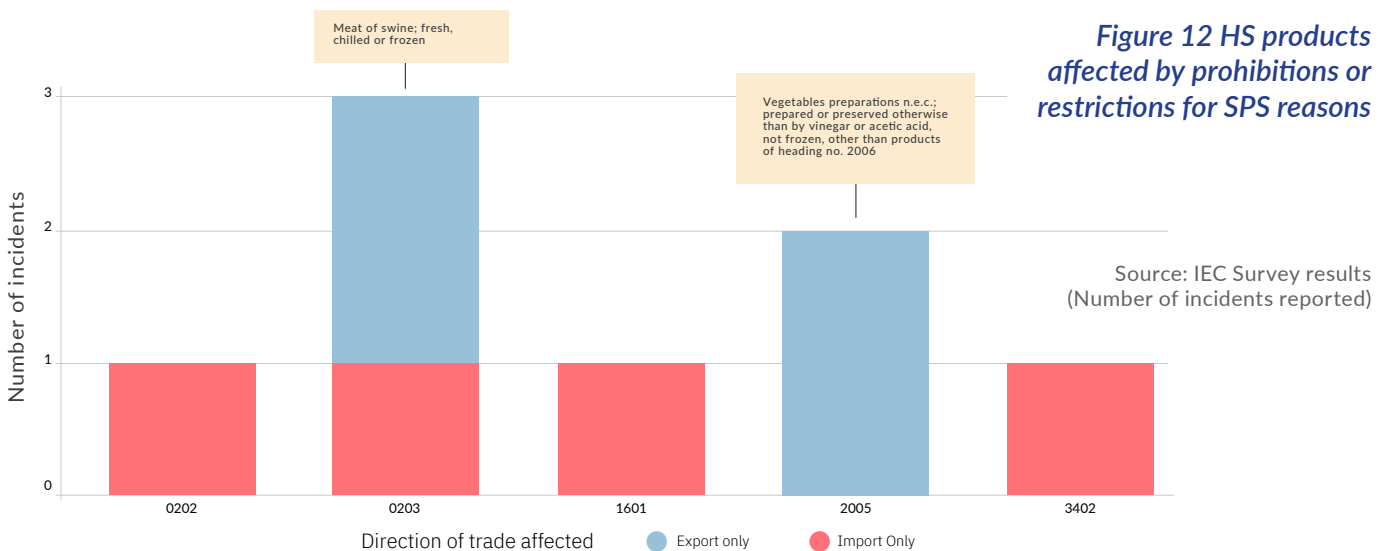


Figure 12 HS products affected by prohibitions or restrictions for SPS reasons

Source: IEC Survey results (Number of incidents reported)

Specifically, this NTM particularly affects Kosovo*, which reports that Serbian and Bosnia and Herzegovina authorities don't recognize the phytosanitary certificate issued by Kosovo* Food and Veterinary Agency, due to the usage of denomination which is not in line neither with CEFTA nor Arrangements Regarding Regional Representation and Cooperation, effectively impeding trade amongst the parties.²⁷

Similarly, Serbian and North Macedonian traders highlight that, due to the African Swine Fever (ASF), Albania and the EU had forbidden the export of swine meat from Serbia and North Macedonia. The ban is still applied by EU-27, as well as Albania. North Macedonia also does not allow the importation of any dairy products from Albania, even when such imports are accompanied by accredited laboratory certificate.²⁸

²⁷ Although this NTM in the case of Kosovo* is not caused by sanitary and phytosanitary reasons and has a political background, the measure still stops Kosovo* traders from trading and is therefore listed as an NTM in relation to prohibitions based on SPS measures.

²⁸ Additionally, Serbian officials indicated that Kosovo* bans shipments from Serbia containing milk and dairy products, meat products, cattle for breeding, poultry meat, pig meat, all goods originating from third parties/markets due to the non-acceptance of veterinary certificates.

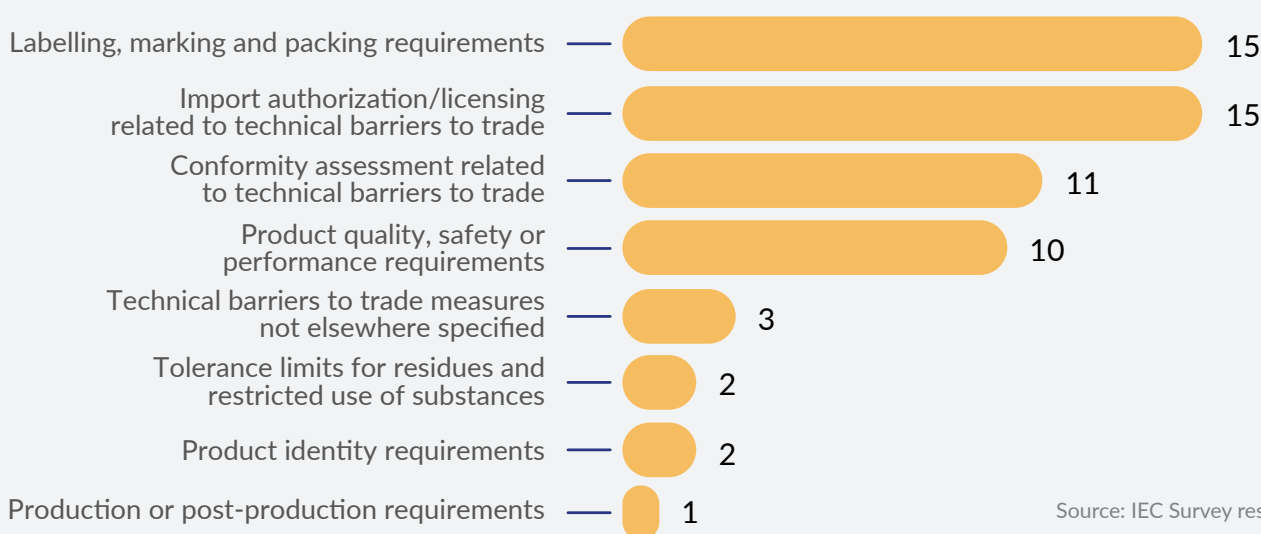
2.2.2 Technical Barriers to Trade

Technical barriers to trade, which are comprised of technical regulations, standards and conformity assessments are a fundamental part to ensure the security and quality of the manufactured products. They are also necessary for a range of reasons, from environmental protection, safety, security to consumer information. However, they vary from economy to economy, and therefore TBT measures can become a significant hurdle to trade. As highlighted by the WTO, having too many different standards makes life difficult for

producers and exporters. Additionally, if the measures are set arbitrarily, they could be used as an excuse for protectionism.²⁹ According to respondents, the greatest incidence of measures relate to labelling, marking and packaging requirements, import authorizations and conformity assessment and product quality requirements (Figure 13).

²⁹ WTO - Understanding the WTO: The Agreements. Standards and safety. Available from: https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm4_e.htm#TRS

Figure 13 TBT Measures reported by the private sector across the CEFTA



Source: IEC Survey results

Labelling, marking and packaging requirements

Similar to the SPS case, labelling, marking and packaging requirements represent the most commonly reported NTM, with a total of 15 incidences reported. Overall, this area affects to 8.3 percent of all manufacturing firms across CEFTA economies that were interviewed. This problem is reported more amongst exporters, with this issue being reported by 3.7 percent of importers and 11.2 percent of exporters. Specifically, on the import side, this NTM is mainly applied by Albania, Serbia and the EU, whilst North Macedonia, Albania and Kosovo* are the ones facing the most NTM of this category (Figure 14).

In terms of products, wine (which represents 0.2% of CEFTA's total trade), juices (0.15% of CEFTA's total trade), and wheat flour (0.12% of CEFTA's total trade) are the products experiencing the highest concentration of NTMs.

This measure is particularly burdensome for trad-

ers from Kosovo*, which face significant additional costs due to the need to change the label indicating the origin of the product, due to the usage of denomination which is not in line neither with CEFTA nor Arrangements Regarding Regional Representation and Cooperation. Specifically, traders reported that they need to label their products as "Made in Europe" in order to be able to trade with Serbia.³⁰

Traders from Montenegro highlight that each party requires a separate label in the language of the importing party, and whilst it does not stop them from trading, it does represent higher cost and time for production.

³⁰ Although this NTM has a political background, Kosovo* officials stated that, in this respect, agriculture and industrial products originating in Kosovo* are not allowed to be dispatched due to the label stating that the product is "made in Kosovo*". This affects, particularly, winemakers, who cannot dispatch wine in glass bottles and use big containers.

North Macedonian traders report the need to comply with private standards applied by the clients, with the need to comply with specific labelling requirements, particularly on the pallets used for transport. Whilst this does not represent a big challenge for the traders it does represent an additional requirement to comply with.

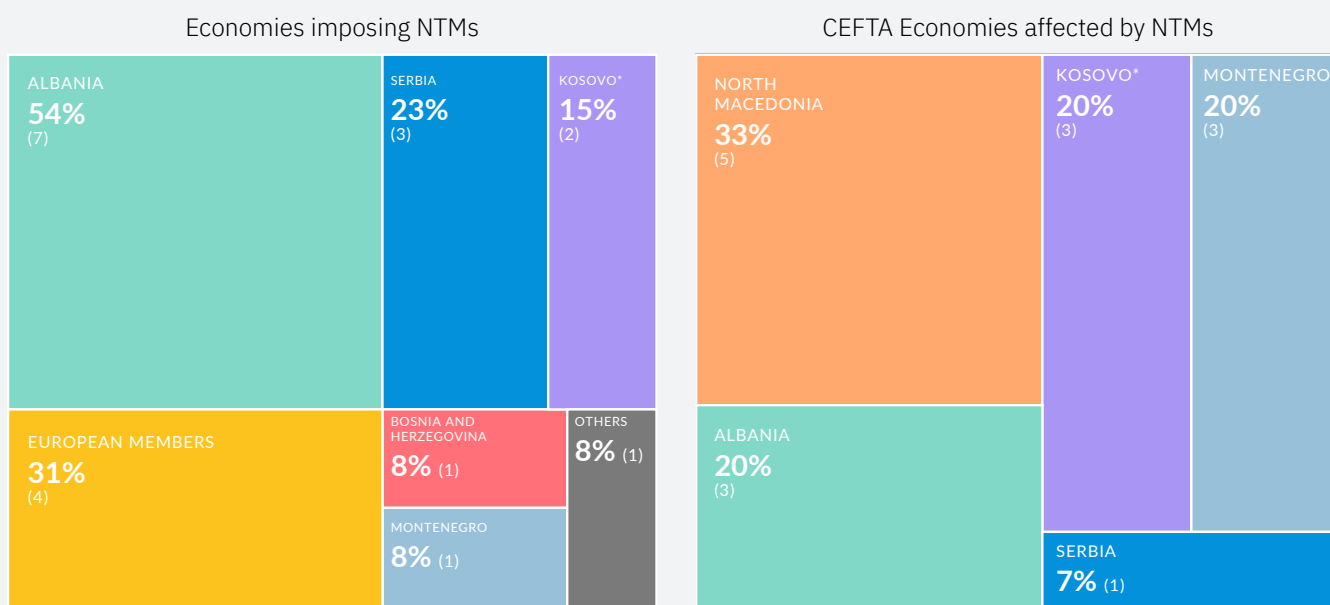
Import authorizations

Problems with import authorisations has been reported in 15 instances, representing 5.6 percent of all respondents. This problem is reportedly more amongst importers, with this issue being report-

ed by 12.3 percent of importers and 3.5 percent of exporters. Specifically, the parties imposing the NTM are mainly North Macedonia and Albania.³¹ This measure is also applied to CEFTA exports by partners outside of the region, particularly Spain. North Macedonia and Albania are the parties mainly affected by the NTMs (Figure 15).

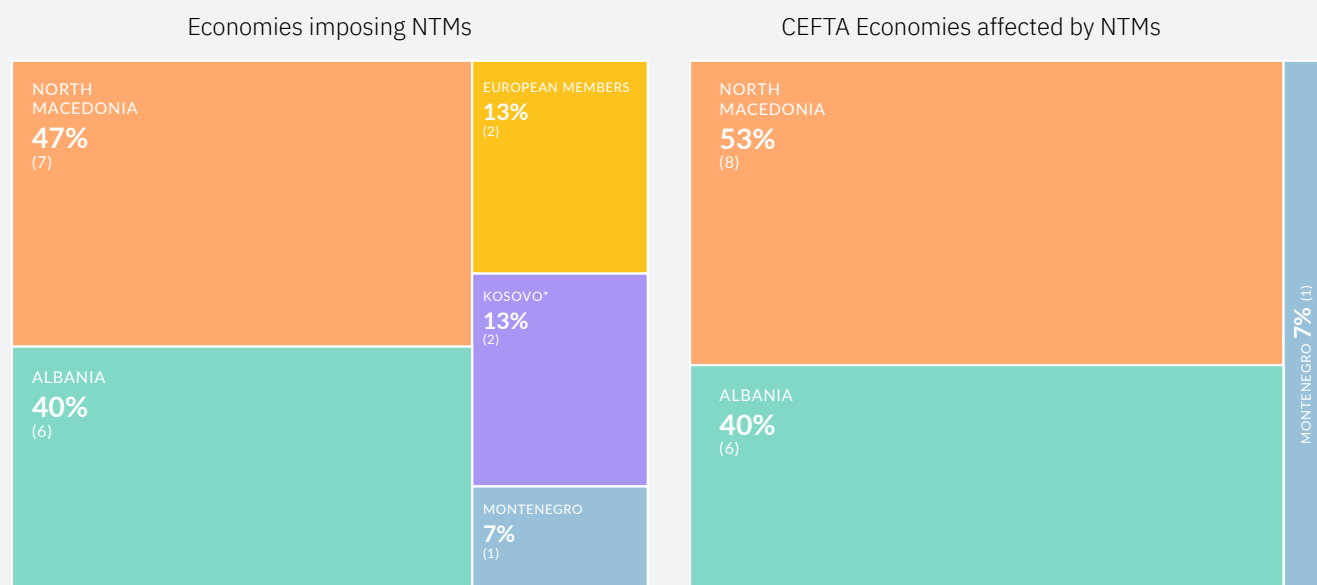
³¹ Kosovo* officials highlighted that there were cases before where their companies were not being able to dispatch to Serbia because the company from Serbia could not obtain the required license from the Serbian authorities to buy selected agricultural or industrial products from Kosovo*, due to the usage of denomination which is not in line neither with CEFTA nor Arrangements Regarding Regional Representation and Cooperation which was requested by Kosovo*.

Figure 14 Economies imposing/affected - Labelling, marking and packaging requirements TBT



Source: IEC Survey results (Number of incidents reported)

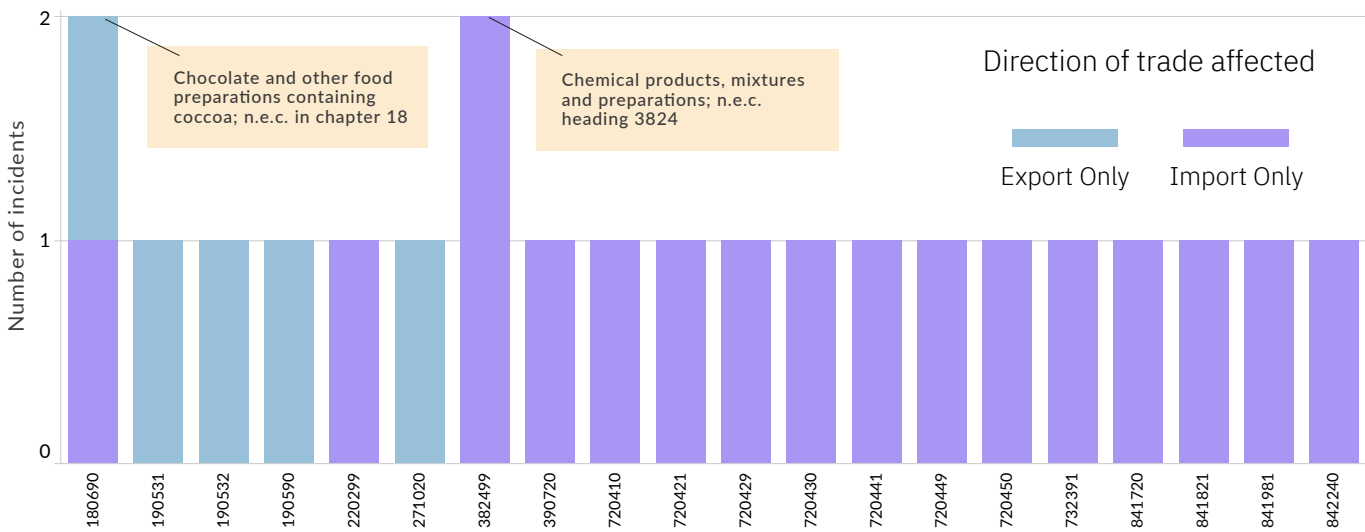
Figure 15 Economies imposing/affected - Import authorisations



Source: IEC Survey results (Number of incidents reported)

Figure 16 HS products affected by import authorisations

Source: IEC Survey results
(Number of incidents reported)



In terms of products, chemical products (represents 0.19% of CEFTA’s total trade) are the products experiencing the highest concentration of NTMs (Figure 16).

Specifically, traders from Montenegro highlight that the importation process for hazardous waste is burdensome, with multiple steps necessary to obtain the license. Specifically, hazardous waste is categorized and given a number from the Hazardous Waste Register and the code from the Basel Convention. The agency for environment protection provides the exporter with export licence. Before that, the importer, in this case, Spain, is obliged to provide the import licence from their Environment protection agency, based on laboratory results provided from a Spanish accredited laboratory for classification of the hazardous waste. Sometimes the result of the Montenegrin Accreditation Laboratory is recognized, or a sample is sent by DHL post for retesting in the Spanish Laboratory. However, often the Spanish laboratory sends its laboratory assistant to take a sample and confirm it with photographic records of the location. In that case, whole process of re-testing is 30 days.³²

³² Corresponding to the Law on Waste Management (OG No 64/11, 39/16), Law on Ratification of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. The issue is related to non-recognition of test results issued by Centre for Ecotoxicological Research (CITE), the laboratory accredited by Accreditation Body of Montenegro. Even though Accreditation Body of Montenegro is a full member of the European Cooperation for Accreditation (EA) since 2011, it has not yet signed the EA Multilateral Agreement (EA MLA). This can mean that certificates from its accredited bodies may not be recognised in the EU or elsewhere, even the scope of certification or testing of the accredited conformity assessment body is covered by the domestic accreditation. In November 2020, the accreditation body formally submitted the application to the EA for signing the EA MLA.

Similarly, and more generally, Macedonian traders reported that some of their goods are subject to import licences, and whilst the licences are valid for a certain period of time, such as three months, and the quantity of the shipment is stated on the document, implying that the company must renew the licences for the same goods several times a year, which is seen as a burden by the company in terms of time. Additionally, there is no electronic issuance or fast track procedure for the frequent importers of goods that are subject to licences.

Another Macedonian trader reports that, whilst the import certificates for polyacetylenes and other polyethers are relatively easy to obtain, the fact that these have to be requested for every shipment represents an administrative burden.³³

³³ There are several laws regulating issuance of licences in North Macedonia. The list of import licences is available on www.exim.gov.mk. The companies that have been interviewed have reported issues related to licences within the scope of the Law on Chemicals, Law on Environment and Law on Food Safety. The EU Regulation 738/94 prescribe common rules for the application of import licences and the product groups for which licences may be required. In addition, the EU Member States maintain their own lists of goods subject to import licensing. Import licences authorise the import of products which are subject to certain restrictions in the EU. Licences are issued immediately by the competent authorities in all the Member States when the “first come, first served” basis is used. In other cases, they are issued within ten days of notification of the EU decision indicating the quantities to be distributed. They are valid throughout the EU, except in situations where a quota is limited to one or more countries of the EU, where these licences are only valid in the Member State(s) or the region(s) in question. These licences are valid for four months.

Conformity assessments

Complying with conformity assessments – i.e. with the requirements and procedures that certify that a specific TBT measure has been met – is another issue, with 11 instances reported. The area is particularly problematic for traders based in Montenegro, Serbia and Albania, with Serbia being the economy imposing the highest number of NTMs on this area (Figure 17).³⁴ Several interviewed economic operators reported the need to comply with additional documentary and marking requirements, including for CE-marked products when entering the market in Bosnia and Herzegovina, North Macedonia and Serbia. On the contrary, it seems that no additional requirements apply to

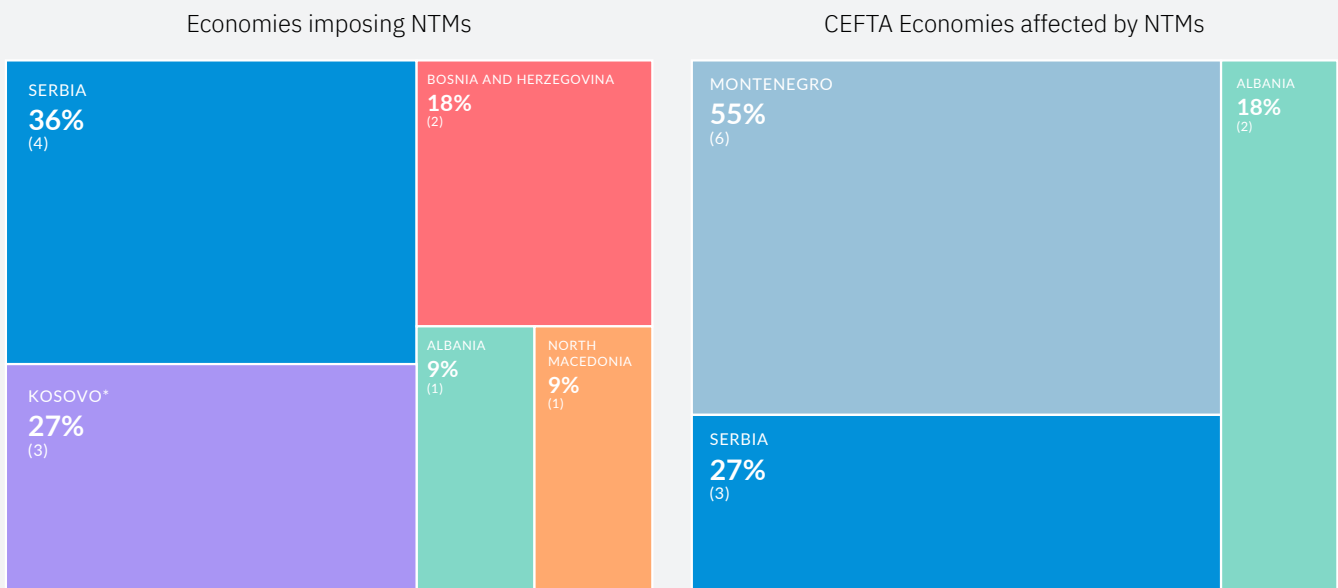
³⁴ Serbian officials highlighted those Kosovo* bans shipments of goods containing conformity assessment mark "AAA" together with "CE". This was the case with water heaters for household usage and ceramic tiles.

CE-marked products when they enter Albania, Montenegro, Moldova and Kosovo*.³⁵

However, it is worth highlighting that it does not appear that companies have particular issues complying with the assessments, but rather are wary about the lack of - recognition of certifications and the costs and time associated with re-doing the necessary tests.

³⁵ 35 CEFTA Parties have aligned their legislation with the Union's New Legislative Framework, and in particular with the Regulation 765/2008 on accreditation, CE marking and market surveillance, Decision 768/2008 on a common framework for the marketing of products and Regulation 1025/2012 on European standardisation. However, progress remains to be done regarding the acceptance of CE-marking as an equivalent to domestic markings and conformity assessment procedures. Serbian legislation prescribes that CE mark shall be applied from the date of coming into force of ACAA Agreement, or from the day of coming into force of the Treaty of Accession of the Republic of Serbia to the EU.

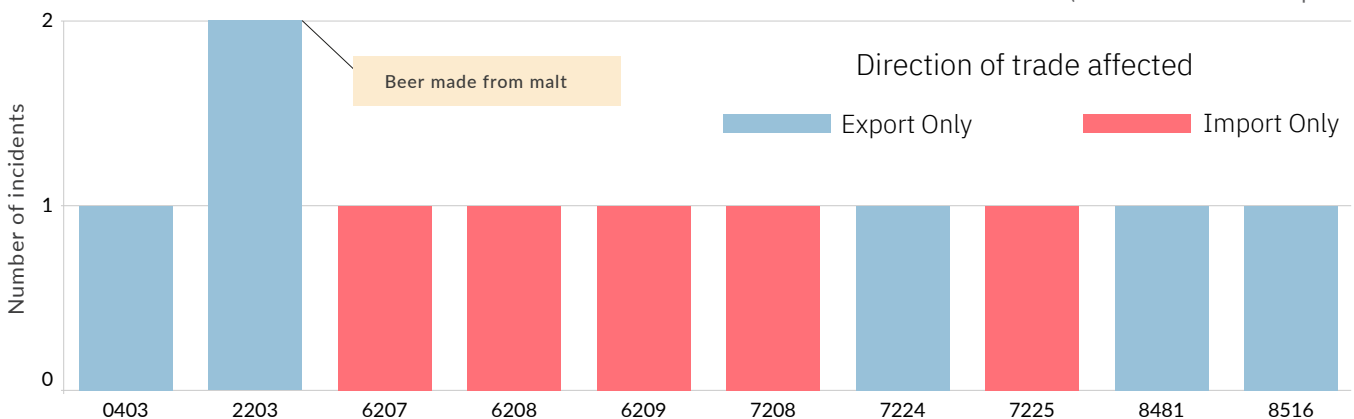
Figure 17 Economies imposing/affected – Conformity assessments TBT



Source: IEC Survey results (Number of incidents reported)

Figure 18 HS products affected – Conformity Assessments TBT

Source: IEC Survey results (Number of incidents reported)



In terms of products, beer (which represents 0.21% of CEFTA's total trade) is the product experiencing the highest number of NTMs (Figure 18).

Specifically, Serbian traders highlight that when vehicles are imported, Serbian authorities ask for homologation of the goods even if homologation has been done by a European authority. This is despite the fact that Serbia signed and published in its official journal in 2011 the international agreement on mutual recognition of homologation from 1958.³⁶

Similarly, another issue in this area refers to the control on ionizing radiation of goods, which is mandatory. Radioactivity tests are required on beer barrels returning to Montenegro from Bosnia and Herzegovina, Kosovo* and Albania, even for temporary import and also in the case they are imported and exported by the same parties. Such tests, whilst necessary, have a cost of EUR 35, which represents a significant cost for the companies involved.³⁷

36 The Law on confirming the Agreement Concerning the Adoption of Uniform Technical Prescriptions for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these Prescriptions OG RS – International Contracts, No 11/2011) stipulates that wheeled vehicles, equipment or parts for which type approvals have been issued by a Contracting Party in accordance with Article 2 of this Agreement and which are manufactured or in the territory of a Contracting Party applying the relevant regulation, or in another country designated by a Contracting Party and which has duly approved the vehicle types in question. Therefore, wheeled vehicles already homologated in the EU should not go through that process in Serbia.

37 Corresponding to the Montenegrin Law on Ionizing Radiation Protection and Radiation Safety, Article 44 and Article 45. EU Regulation No 3954/87 lays down maximum permitted levels of radioactive contamination of foodstuffs and of feeding stuffs following a nuclear accident or any other case of radiological emergency. In line with the best practices and the EU regulation, Montenegro could use risk assessment to test only the high-risk consignments, or else use monitors or other form of simpler tools that save time to traders.

2.2.3 Price Control Measures

As highlighted by UNCTAD, price control measures refer to those instruments implemented to control or affect the prices of imported goods to, amongst other, support the local price, establish a minimum local price, or to increase or maintain tax revenue. This category also includes measures other than tariff measures that increase the cost of imports,³⁸ such as customs surcharges, taxes and charges on imports, etc. The greatest incidence of price measures relates to additional taxes and charges (Figure 19).

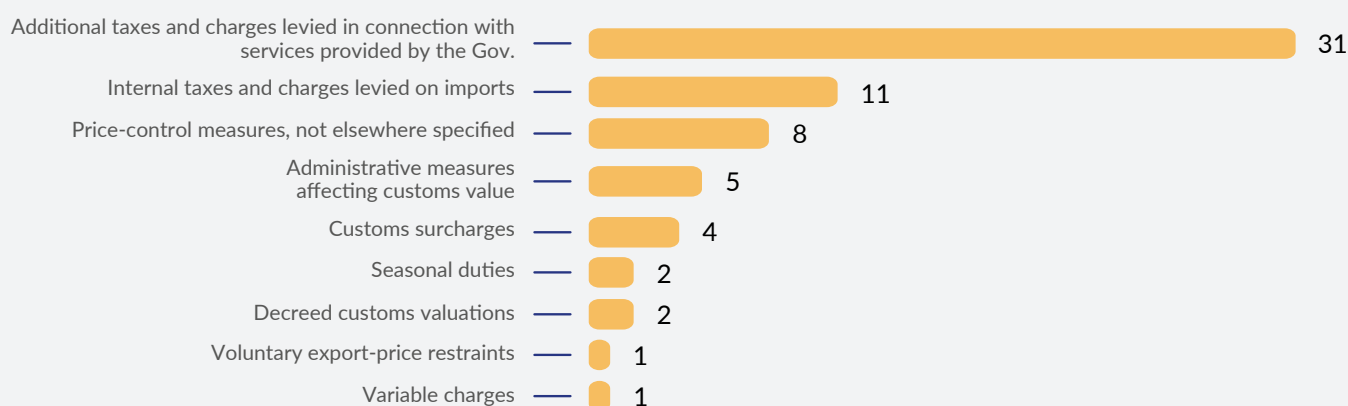
Additional taxes and charges

Private sector operators based across the CEFTA have highlighted that “additional taxes and charges” as the more occurring issue under this area. This problem is reportedly more amongst exporters, with this issue being reported by 8.6 percent of importers and 18.9 percent of exporters. Specifically, this NTM is mainly applied by Albania. On the other side, it is mainly affecting Albania and Bosnia and Herzegovina (Figure 20).

In terms of products, milk (which represents 0.17% of CEFTA's total trade), sausages (0.14% of CEFTA's total trade), and machinery equipment (0.01% of CEFTA's total trade) are the products experiencing the highest concentration of NTMs (Figure 21).

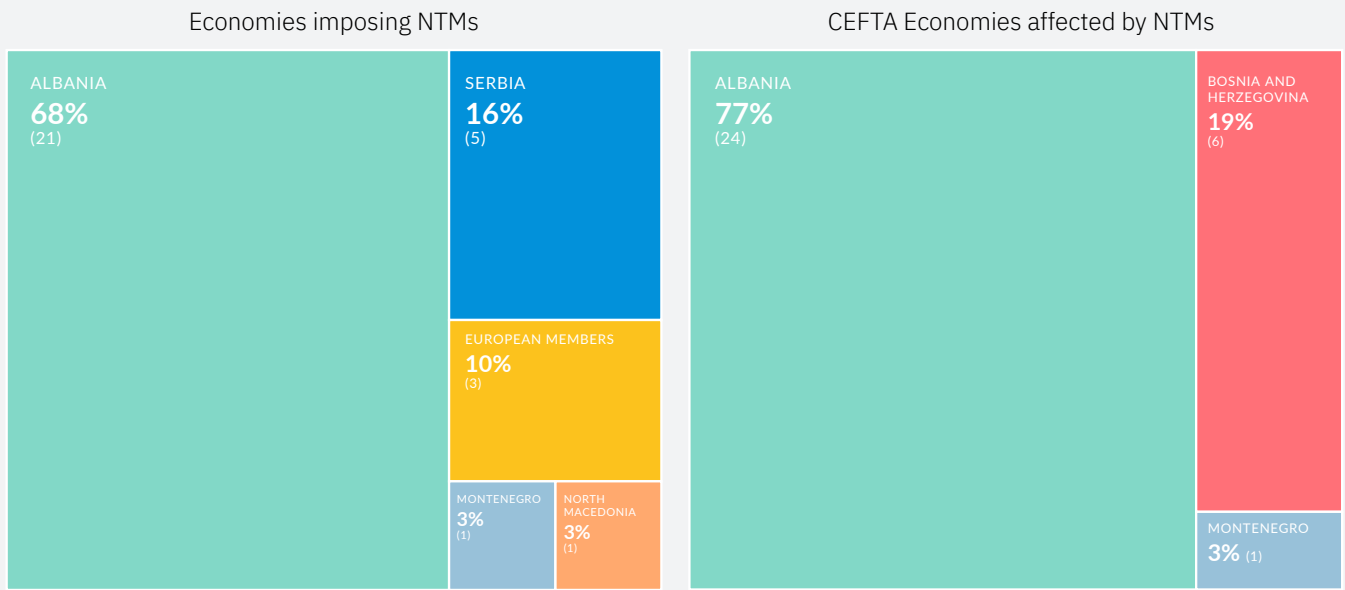
38 See UNCTAD (2019). International Classification of Non-Tariff Measures. United Nations Conference on Trade and Development.

Figure 19 Price control measures reported by the private sector across the CEFTA



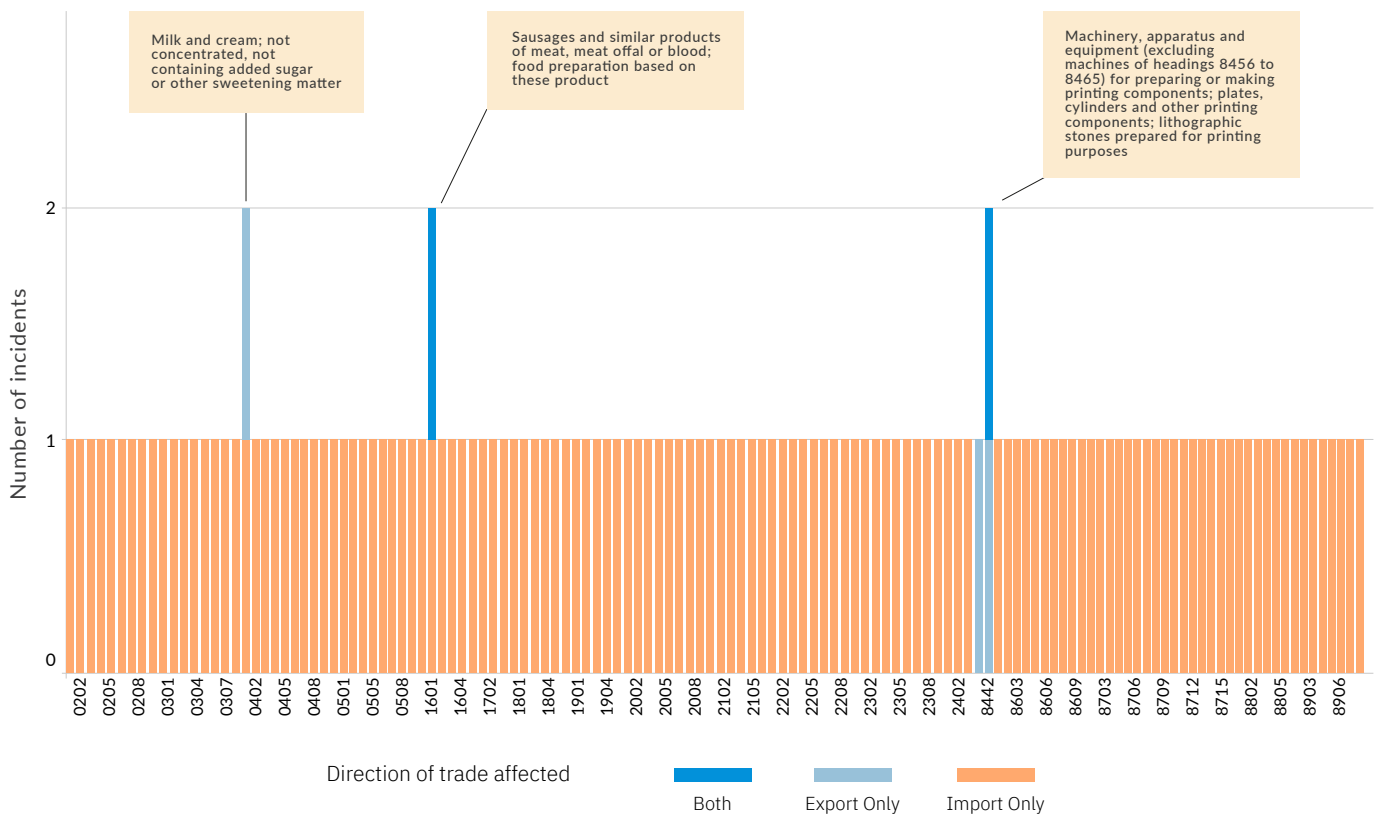
Source: IEC Survey results

Figure 20 Economies imposing or affected by additional taxes and charges



Source: IEC Survey results (Number of incidents reported)

Figure 21 HS products affected by additional taxes and charges



Source: IEC Survey results

Specifically, these report that “the scanning fee is an additional cost to final price because it is not possible to be avoided”.³⁹ Additionally, it is reported that the scanning is not performed by a Customs' officer but a third company, which results in higher cost and higher prices.⁴⁰

Similarly, traders in Montenegro highlight problems related to the fees associated with import licences, unusually high fees and charges for requested certificate, etc. Although recognising that the fees have been significantly reduced over the

years, there are still a large number of them.⁴¹

Internal taxes

The applicability of internal taxes, with 11 incidents, also raises concerns regarding the loss of competitiveness arising from the implementation of such taxes. This problem is reportedly more amongst exporters, with this issue being reported by 6.2 percent of importers and 7.0 percent of exporters. Specifically, this NTM is mainly applied by Albania and Serbia, whilst the NTM is mainly experienced by Bosnia and Hercegovina, Kosovo* and Albania (Figure 22)⁴²

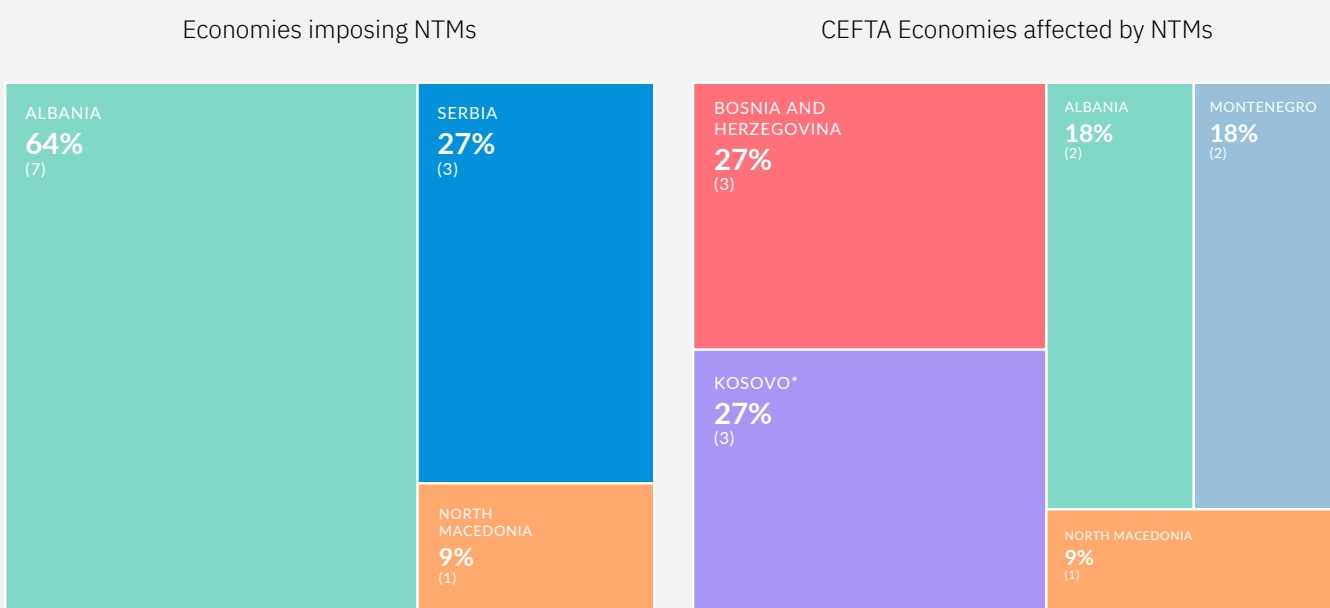
39 Kosovo* officials highlighted that their transporters are obliged to pay a scanning fee of 22 euros for each truck bringing goods to Kosovo* from EU during transit through Albania.

40 Corresponding to the Albanian Law 74/2015 and the Amendment of the Concession Agreement for the financing, establishment and operation of the service scanning for container and other vehicles in the Republic of Albania approved by Law no. 123/2013; The levying of “scanning fees” per customs declaration is not in line with EU regulations and the EU progress reports for Albania continue to highlight that the scanning fees contravene the Stabilisation and Association Agreement which prohibits customs duties or charges having equivalent effect on trade between the EU and Albania.

41 The Law on Administrative Fees (OG No. 18/2019) regulates most of fees and charges required by respective authorities including those in connection with the import, export or transit of goods. The fees and charges vary depending on the services rendered and are to be harmonized with relevant EU, WTO TFA and CEFTA AP5 requirements. To ensure that the business community thrives in a predictable, transparent and conducive environment, Article 6.1 of the TFA requires that all the relevant information regarding fees and charges relating to import, export or transit are to be published widely. Further, in line with the CEFTA AP5 information on fees and charges should include the reason for such fees and charges, the responsible authority, and when and how payment is to be made. Each CEFTA Party should periodically review its fees and charges with a view to reducing their number and diversity, where practicable. These periodical reviews are to be made annually.

42 Serbian officials highlighted that Kosovo* was charging taxes of 100% on all products originating only from Serbia and additional taxes on following products originating only from Serbia as well: wheat flour (40 EUR/t), construction material/building blocks (3 Eurocents/pc) and preparations used in animal feeding (3 Eurocents/pc).

Figure 22 Economies imposing or affected by internal taxes



Source: IEC Survey results (Number of incidents reported)

In terms of products, tubes and pipes (which represent 0.65% of CEFTA's total trade) are the products experiencing the highest concentration of NTMs (Figure 23).

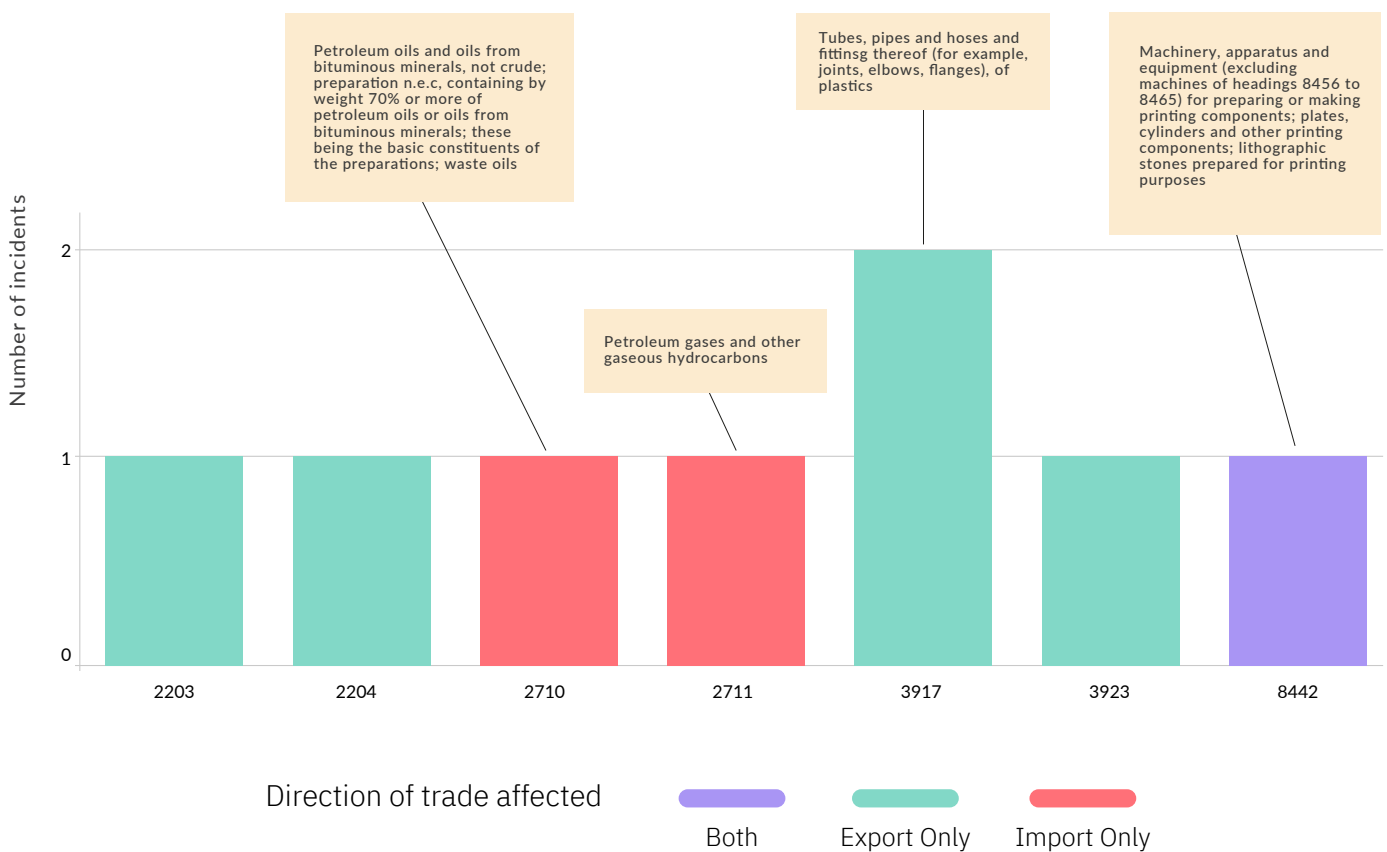
Specifically, Albania's excise duty has been highlighted by multiple traders across the region, particularly in the alcoholic beverages sector.⁴³ Particularly, Montenegrin wine traders face fees of between 2,000 lek (EUR 16.5) per hectolitre to 12,000 lek (EUR 99) per hectolitre, depending on

the level of production. The higher the production, the higher fee. As Albanian producers are mainly small producers, they benefit from a lower rate than its imported competitors, which face higher excise duties rates. Similarly, beer producers whose production does not exceed 200,000 hectolitre per year pay an excise duty of 360 ALL/HL (EUR 2.92/HL), whilst the others pay the excise duty of 710 ALL/HL (EUR 5.77/HL).⁴⁴

43 Corresponding to the Albanian Law on Excise Duties No. 61/2012

44 Harmonisation with the EU regulations (Directive 92/83/EEC and Directive 92/84/EEC) require that the level of reduced excise duty rates, and the difference between normal and reduced rates must not be higher than 50%.

Figure 23 HS products affected by internal taxes



Source: IEC Survey results

2.3 Trade Facilitation measures

In addition to the “traditional” NTMs, the impact of trade facilitation measures on trade and competitiveness cannot be underestimated. Across all respondents, the most common incident faced are related to trade facilitation issues, namely the acceptance of copies, clearance of goods using electronic payments, and pre-arrival processing at crossing points. The main problems share by companies were mostly related to customs. Customs procedures are usually seen as complex, slow, and bureaucratic.⁴⁵ Crossing point and the strict control by authorities are also mentioned as one of the major problems facing companies. Scanning procedures and sample testing are slow and time-consuming. There needs to be better alignment in terms of working hours and administrative cooperation. The clearance waiting time in hours for trucks at the crossing points has a high degree

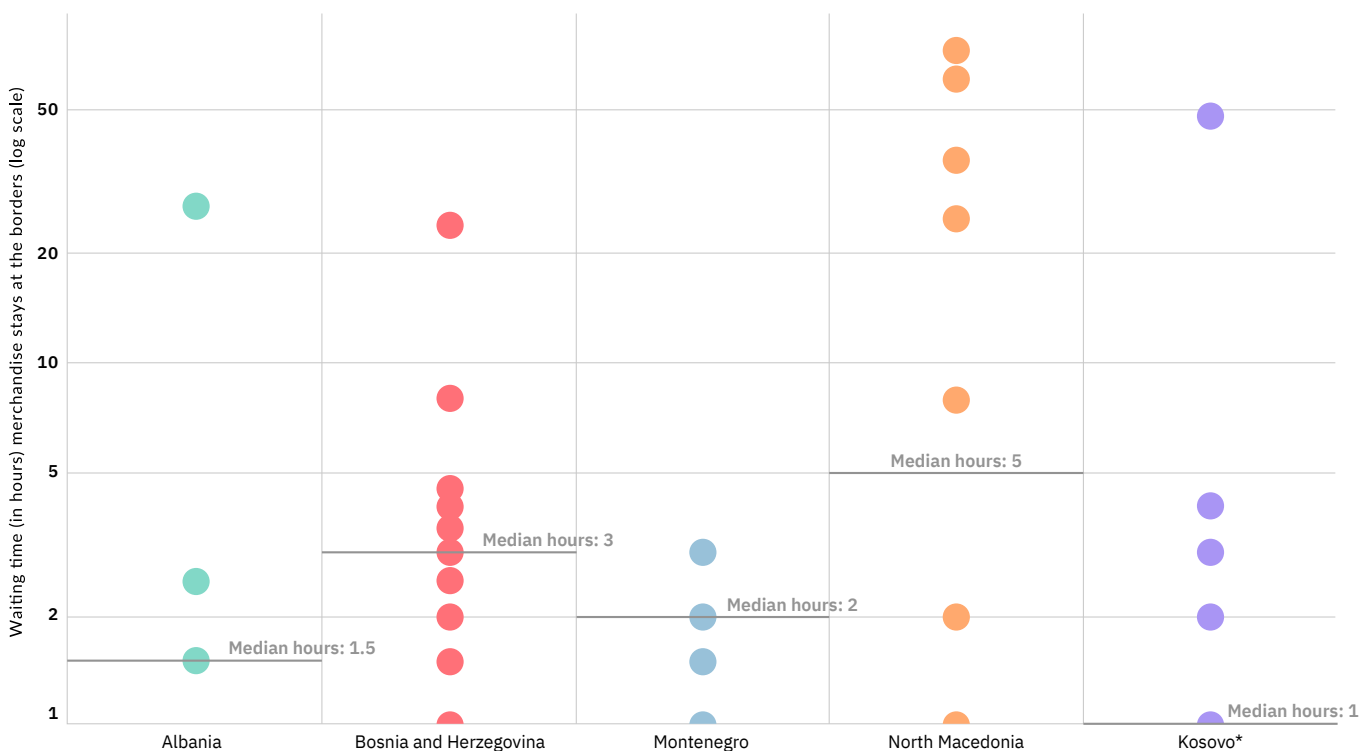
of variance, as illustrated in Figure 24 below. Waiting time ranges from 1 hour to over 50 hours in some cases.⁴⁶ The median values range between 1 hour (Kosovo*) up to 5 hours (North Macedonia) (Figure 24).

Responses on the percentage of containers being controlled at the crossing point were captured for Bosnia and Herzegovina, North Macedonia and Kosovo*. Most of the companies in Bosnia and Herzegovina claimed that 100 percent of their vehicles were controlled at the crossing points, while companies in Kosovo* claimed that, on the median, 20 percent of their shipments are controlled at the crossing point. The majority of the companies in North Macedonia share that only 1 percent of their containers are subject to physical control.

45 Serbian officials highlighted that a New Serbian Customs Law was implemented in June 2019. According to officials, it is harmonized to the highest possible extent with EU customs legislation. Also, it is expected to start with the implementation of a project for an automated import and export system (AIS/AES), which will lead to faster and more efficient customs procedures. Based on the time release study (TRS) implemented by Serbia at the end of 2021 in cooperation with the World Bank, the average customs time for imports and exports in road transport at crossings is: import-31 minutes, export-6 minutes

46 The median is the midpoint value of the set of recorded results when sorted in ascending order. The variance and standard deviations provide an indication of the spread the results. While the variance is the average of the squared differences from the mean, the standard deviation, in mathematical terms, is the square root of the variance. The variance measures how far each number in the set is from the mean, and from every other number in the set, whilst the standard deviation tell us how dispersed the data is in relation to the mean. A low standard deviation means data are clustered around the mean, and a high standard deviation indicates that the data is more spread out.

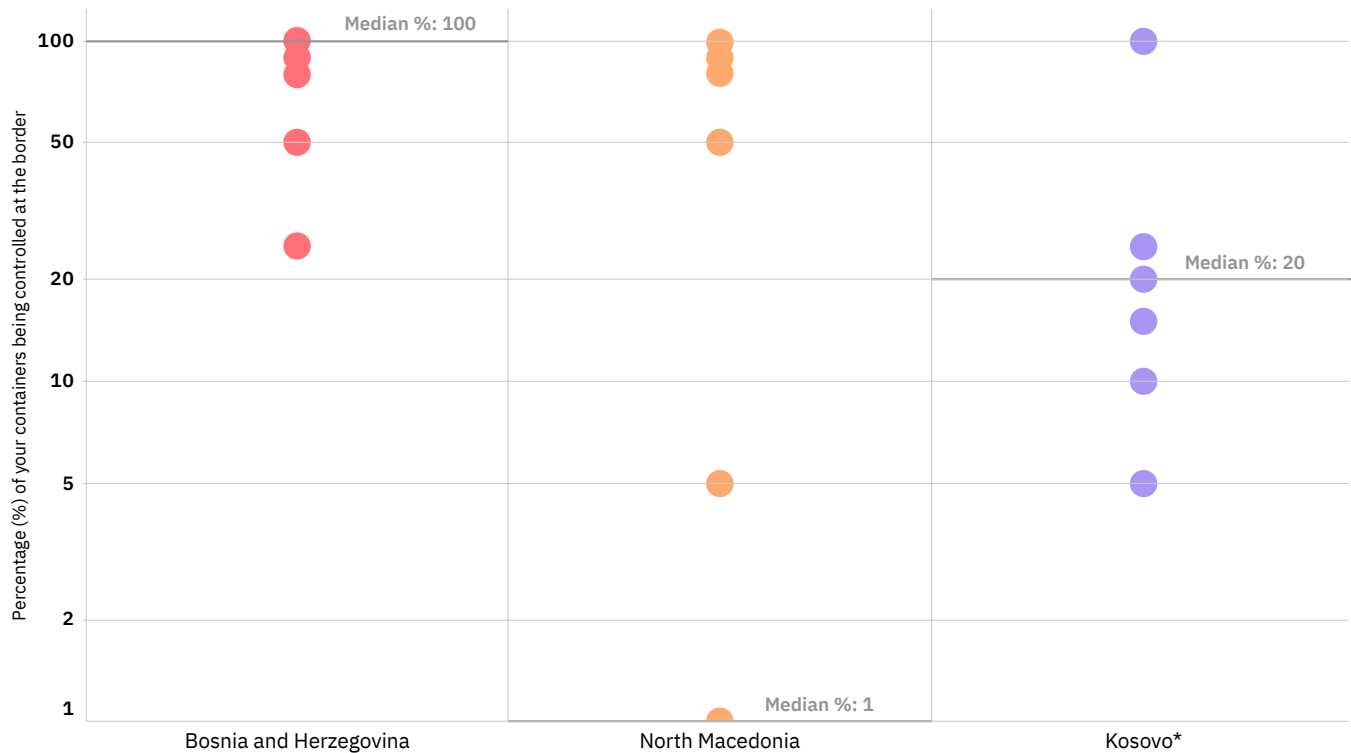
Figure 24 Waiting time (in hours) your merchandise stays at the crossing points to clearance



Note: Logarithmic scale. Data for Serbia was not sufficiently available

Source: IEC Survey results

Figure 25 Percentage of your containers being controlled at the crossing point



Note: Logarithmic scale. Data for Albania, Montenegro, Serbia was not sufficiently available

Source: IEC Survey results

2.3.1 Formalities Connected with Importation, Exportation and Transit

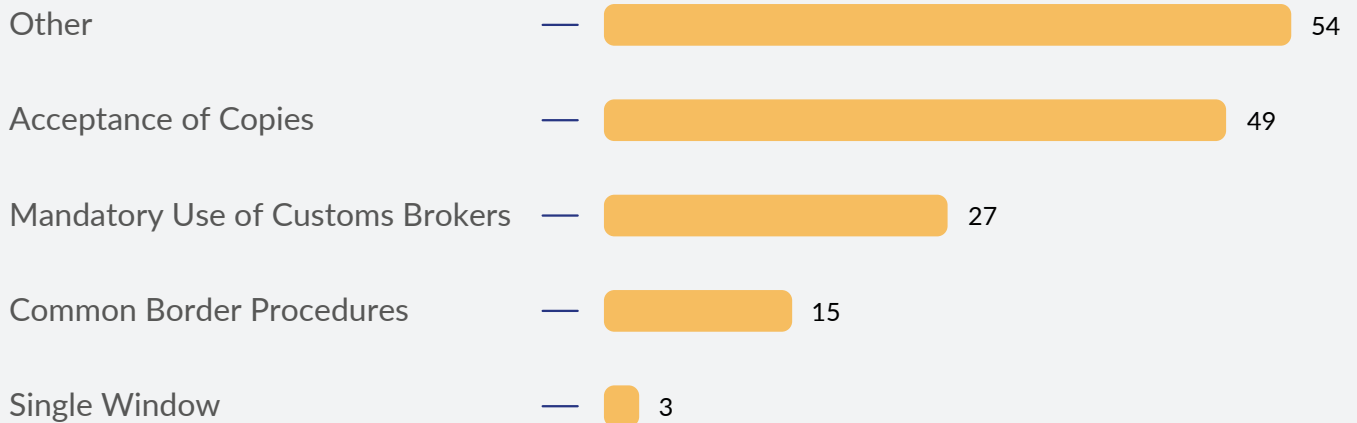
The non-acceptance of copies while fulfilling the trade documentation is seen as one of the most burdensome trade facilitation related NTM, with 49 incidences highlighted (Figure 31). This is particularly damaging for Bosnia and Herzegovina, from which originated 80% of all claims. This problem is reportedly equally amongst exporters, with this issue being reported by 24.7 percent of importers and 25.9 percent of exporters. Specifically, on the import side, this NTM is mainly applied by Serbia⁴⁷, and Montenegro, whilst Bosnia and

Herzegovina is most exposed to such NTM (Figure 26).⁴⁸

47 Serbian officials highlighted that Article 121. of the Law on administrative procedure (Official Gazette RS⁴, 18/16 and 95/18-authentic interpretation) prescribes that, among others, documents are submitted by the person or body that leads the procedure. A person should submit document(s) in original or microfilm or electronic copy or in reproduction of copy in stamped or basic document. Authorized officers may always request to see original document If document is the same with original, authorized officer makes official remark on the document. The document is deemed to be accepted also when he notifies authorized body about it in which official record the document is. Having in mind that legislation on administrative procedure prescribed that person may submit original documentation as well as their copies and all previously mentioned, it can be concluded that, in accordance with customs legislation, no matter if declarant submits original document with stamp or without it that document must be correct. Declarant is also obliged to cooperate with customs authority in order for customs procedures to be done properly.

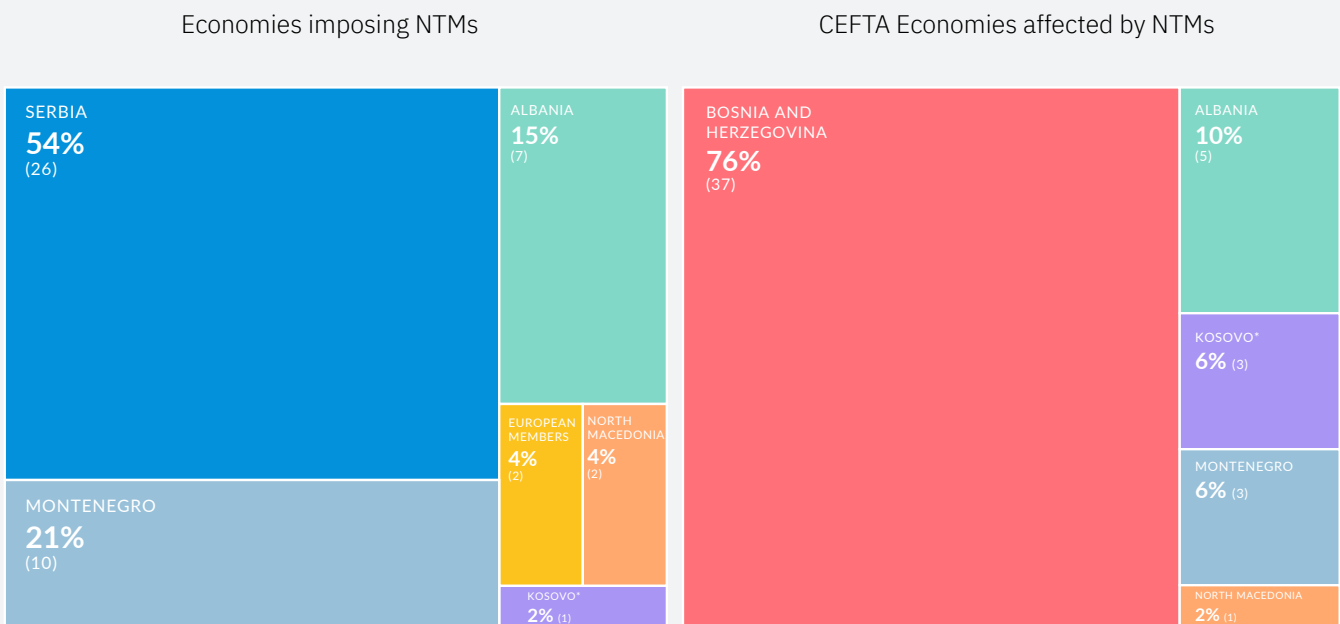
48 Acceptance of copies of original supporting documents is regulated by the WTO Trade Facilitation Agreement which prescribes that when a government agency holds an original document any other agency shall accept a paper or electronic copy from the agency holding the original document. An original or copy of export declarations is not required to be submitted to the customs authorities of the exporting party as a requirement for importation. Serbian officials highlighted that in line the Customs Law, Article 143 prescribes that the supporting documents required for the application of the provisions governing the customs procedure for which the goods are declared shall be in the declarant's possession and at disposal of the customs authorities at the time when the customs declaration is lodged. Supporting documents shall be provided to the customs authority when legislation requires so or when necessary for customs controls. In specific cases, economic operators may draw up the supporting documents provided they are authorised to do so by the customs authority. The Government shall prescribe the conditions for granting the authorisation referred to in paragraph 3 of this Article. Furthermore, the Customs Law, Article 12 prescribes, inter alia, that any person directly or indirectly involved in the accomplishment of customs formalities or customs controls shall, at the request of the customs authority and within any time-limit specified, provide that authority with all the requisite documents and information, in an appropriate form, and all the assistance necessary for the completion of those formalities or controls. Also, Article 162 prescribes that the customs authority may, for the purpose of verifying the accuracy of the particulars contained in a customs declaration which has been accepted: 1) examine the declaration and the supporting documents; 2) require the declarant to provide other documents; 3) examine the goods; 4) take samples for analysis or for detailed examination of the goods.

Figure 26 Problems related to trade facilitation formalities across the CEFTA



Source: IEC Survey results

Figure 27 Economies imposing/affected by non-acceptance of copies



Source: IEC Survey results (Number of incidents reported)

In terms of products, fuel wood (which represents 0.13% of CEFTA's total trade) and footwear (0.17% of CEFTA's total trade) are the products experiencing the highest concentration of NTMs in this area (Figure 28).

Figure 28 HS products affected by non-acceptance of copies

Source: IEC Survey results

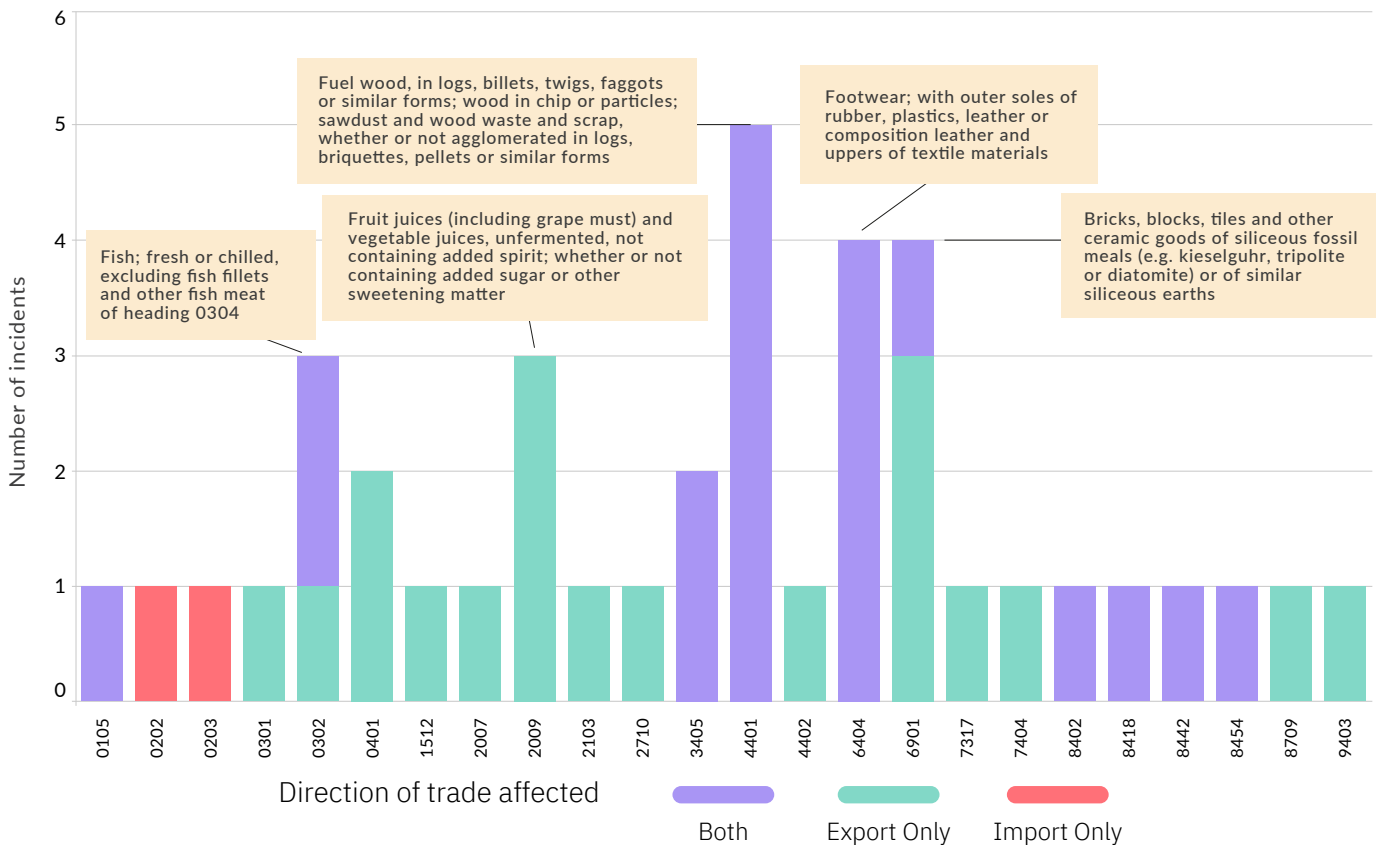
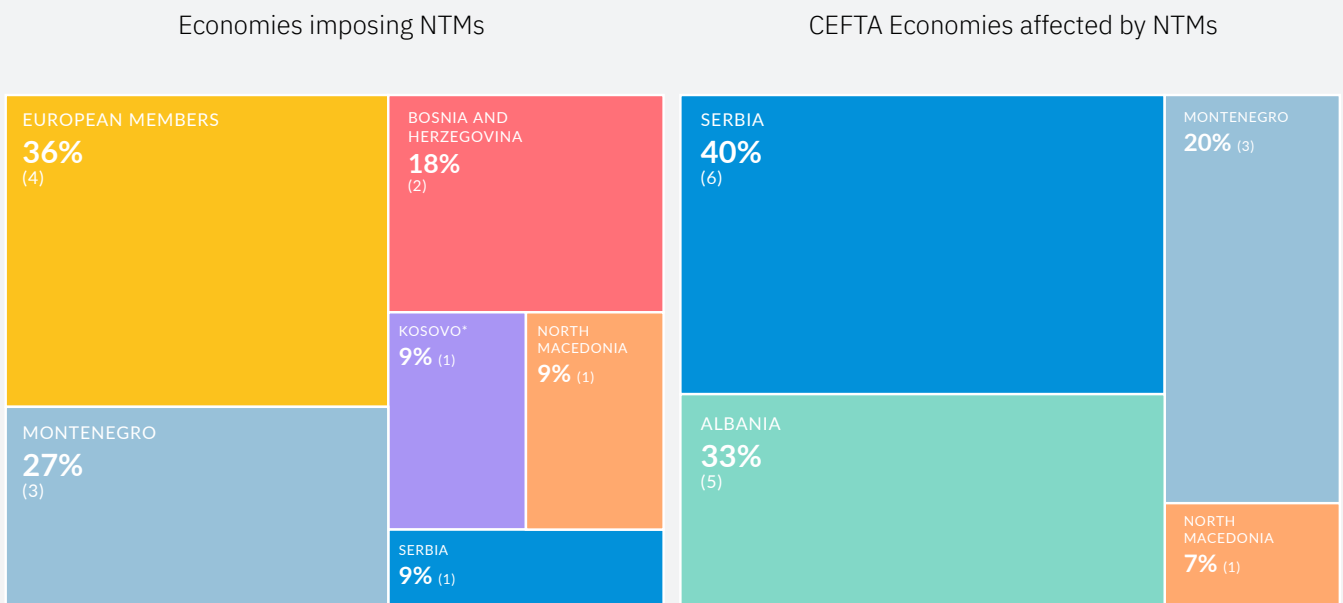


Figure 29 Economies imposing or affected by common clearance procedures



Source: IEC Survey results (Number of incidents reported)

Specifically, it is reported that customs and other crossing point authorities in Serbia and Montenegro do not accept copies (neither electronic nor hardcopies) which is a problem when two or more crossing point authorities require the original document. And whilst Macedonian traders can provide copies, they have to ultimately provide the original documents. Similarly, North Macedonian traders highlight that whilst for the import procedures copies are accepted, only hard copies are accepted, with requirement for the original to be additionally submitted at a later point in time. On the other hand, the customs procedures on the export side are done electronically. Furthermore, a trader from Kosovo* reported that the Albanian phytosanitary authorities require the certificate of analysis performed in Kosovo* to be in original or notarized, which leads to high costs and administrative burden.⁴⁹

49 Kosovo* officials highlighted that this barrier is mainly applied to energy drinks. Kosovo* agricultural institute (laboratory) guarantees that with such a certificate the company can export for 15 days the amount of the same product, i.e., the contingent for which the company has done the analysis, because the report is valid for 15 days. Also, requirement for additional testing analysis has become a severe barrier for their trading companies and has a significant negative impact on their agricultural exporters. Further testing analyses are always requested for each dispatch as the Serbian authority does not recognize the testing analysis issued by Kosovo* Agriculture Institute due to the usage of denomination which is not in line neither with CEFTA nor Arrangements Regarding Regional Representation and Cooperation. B&H authorities often require additional tests for goods, which are subject to phytosanitary and veterinary control, as they do not rely on tests performed in Kosovo*.

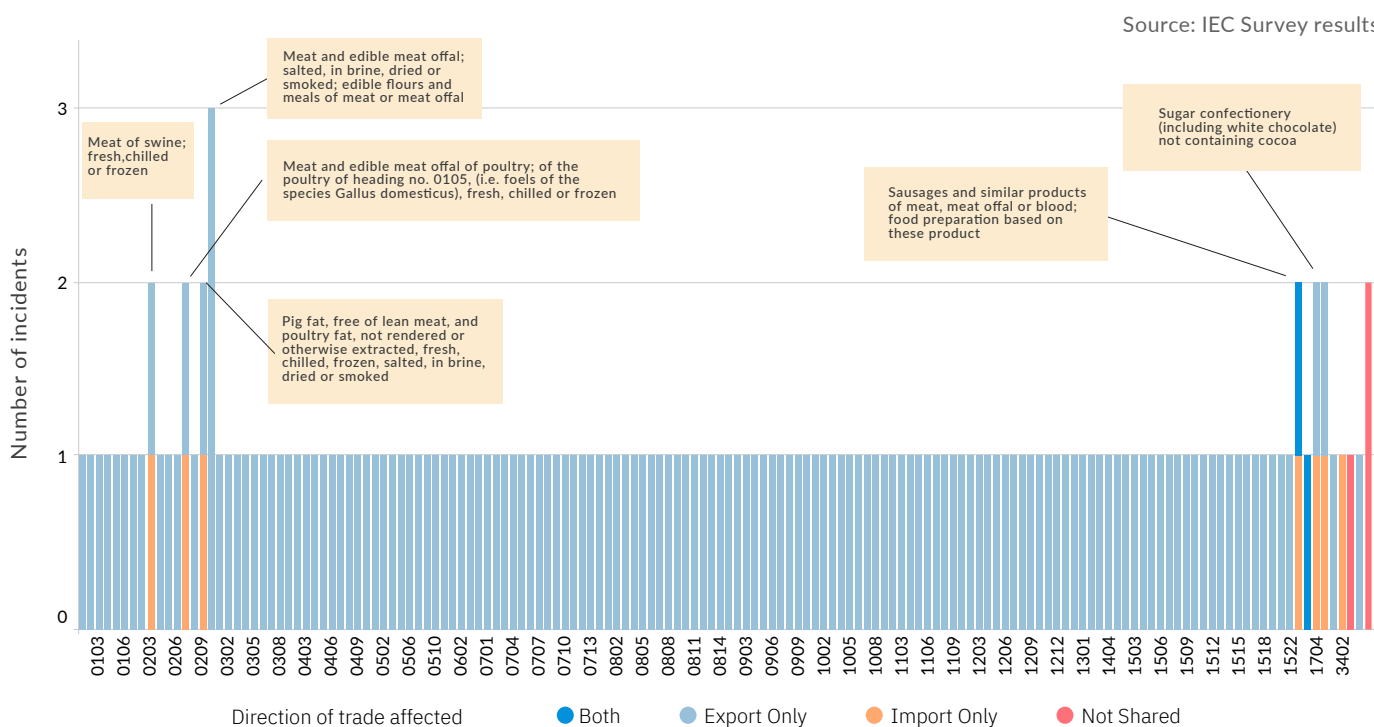
A particular issue reported by all the traders interviewed in Kosovo*, with 24 instances, is the burdensome nature of the mandatory use of customs brokers. This affects all economies with which Kosovo* trades. According to the Customs regulation in Kosovo*, the use of freight forwarding services (customs brokers) is mandatory.⁵⁰ The fees for usage of customs brokers go along with the fees the companies have to pay for Customs Terminals services. Such fees increase the cost of their operations.

Similarly, the lack of common clearance procedures across the different economies has been raised in 15 instances. This problem is reportedly more amongst importers, with this issue being reported by 6.2 percent of importers and 5.6 percent of exporters. Specifically, this NTM has been mainly raised by traders based in Serbia, Albania and Montenegro (Figure 29).

This NTM generally affects all products, but the survey coverage has highlighted meat products (which represent 0.21% of CEFTA's total trade) and sugar products (0.34% of CEFTA's total trade) as the most affected ones (Figure 30).

50 To help reduce this burdensome practice, the WTO TFA obliges parties not to make the use of customs brokers mandatory from entry into force of the Agreement. This discipline is also contained in standards 8.1 through 8.7 of the Revised Kyoto Convention.

Figure 30 HS products affected by common clearance procedures



This particular area is crucial to ensure that traders do not face unreasonable delays and problems due to crossing point control formalities. As highlighted by the findings of Freund and Rocha (2010), inland transit and other soft infrastructure issues – such as documentation, transit time, port handling and customs clearance – are the main contributors to delays, rather than hard infrastructure components, such as the quality of roads, etc.⁵¹

Specifically, achieving common clearance procedures can lead to the simplification of document preparation (lower compliance costs for the declarant); faster crossing resulting from harmonisation of physical inspections of crossing cargo, vehicles, and drivers and better flow management; reduced pressure on the infrastructure; cost savings in administration and streamlined procedures; improved working conditions for officials due to the use of shared information, common premises, and services; and reduced staff needs owing to task sharing among different agencies, thus liberating skilled human resources for other activities.⁵² All these elements have a big impact in contributing to the regional integration efforts.

The importance of ensuring the coordination of BCP/CCP agencies is further confirmed by Cudmore and Whalley (2003), who find that the absence of improvements in the efficiency of administrative procedures and customs clearance can actually turn any gains arising from tariff liberalisation efforts into welfare costs: the increase in trade arising from trade liberalisation can be frustrated through delays at the BCP/CCP, resulting in an increase in queuing costs which, linked to the reduction of tariff revenues, can lead to a decrease in welfare.⁵³

For example, the requirements of the Macedonian Customs office for import product certificates are not common at the side of exporter. Specifically, EU Members do not use stamp which is requirement in North Macedonia. Sometimes, there are issues about the colour of the pen used for filling the customs declaration, amongst others. Similarly, other traders stated that the customs documentation required in North Macedonia and other CEFTA parties is big burden compared to the requirements in the EU. In that context, it has been reported that partner companies from EU often fail to deliver the requested documents, in particular the EUR-1 certificate, in the form and details as stipulated by

the North Macedonian Customs, affecting delays in import or higher cost for the company. A trader in North Macedonia reported that it used to use the simplified customs procedure, but it went back to the regular ones, as it found the implementation of this procedure to be more complicated, more expensive and time consuming in their place of operation.

Similarly, a trader highlighted that the customs clearance procedure in Albania are specific. If inside a truck there are two or more shipments for companies located in different cities of Albania, customs clearance should be done for each shipment in the city where the importing business is registered, and not in a single Customs office. This leads to expensive administrative costs and delays.⁵⁴

Additionally, companies reported a series of other trade-facilitation related challenges. Nearly half of the 54 incidents represent complains about long waiting lines at customs and long clearance processing time, mainly issued by Bosnia and Herzegovina traders.

Other complains relate to the problem of short working hours of the crossing points/terminals, where there are no 24h officers, resulting in lower efficiency of the Customs. This leads to long waits at the crossing point.

Another one highlighted that passing of the goods through Serbia cannot take place with Kosovo* trucks as Serbian Authorities do not accept the vehicle registration plates issued by Kosovo* Authorities, due to the usage of denomination which is not in line neither with CEFTA nor Arrangements Regarding Regional Representation and Cooperation and other Brussels agreements.⁵⁵

2.3.2 Release and Clearance of Goods

Measures aimed at facilitating the release and clearance of goods can have a significant impact on

54 Kosovo* officials highlighted that their trading companies reported that customs clearance procedures in Albania are quite often complicated. During the export, the customs clearance of the goods can be done only in the party of origin of the customer: e.g. in case the client has its headquarters in Shkodra, the customs clearance must be done at the customs terminal in Shkodra, while the point of unloading of the goods is in Vlora. Considering that the Tirana customs point is only 1 km away, customs clearance at this point cannot be done. This complicates the work for Kosovo* companies by creating additional costs in terms of time and financial.

55 Although this NTM has a political background still the measure pertaining to the formality and stops Kosovo* traders from trading and is therefore considered an NTM. Kosovo* officials highlighted that their trading companies when importing from EU and the final destination of goods is Kosovo* cannot enter the territory of Central Serbia, unless they submit an importing license or certificate that has to be issued by the Serbian Ministry of Agriculture or the Serbian Food Agency in line with Brussels agreements. The same happens when exporting to EU which requires crossing through the territory of Central Serbia.

51 Freund, C. & Rocha, N. (2010). What Constraints Africa's Exports? World Trade Organisation Economic Research and Statistics Division, Staff Working Paper ERS-2010-07.

52 *Ibid.*

53 Cudmore, E. & Whalley, J. (2003). Border Delays and Trade Liberalisation. National Bureau of Economic Research, Working Paper 9485.

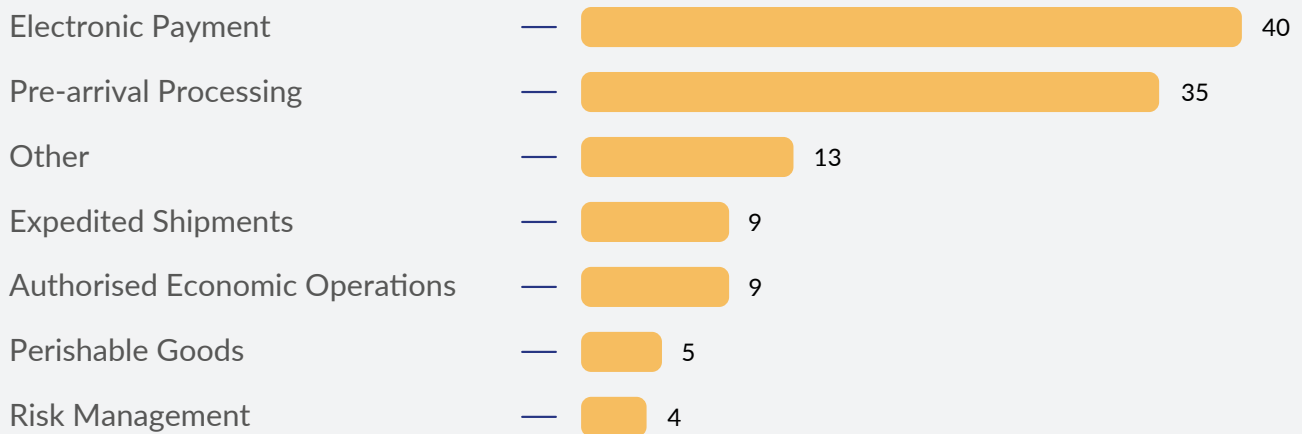
customs procedures times. As highlighted by Fernandes et al (2017), conditional reductions in physical inspection rates can lead to significantly faster customs clearance times, as well as reduced uncertainty about customs clearance time. Reduced physical inspections can also increase imports at the firm-HS6 product-origin level.⁵⁶

In this context, the lack of electronic payment option has been raised in 40 instances (Figure 31).

⁵⁶ Fernandes, A. M., Hillberry, R. & Mendoza Alcantara, A. (2017). Trade Effects of Customs Reform: Evidence from Albania. The World Bank Group.

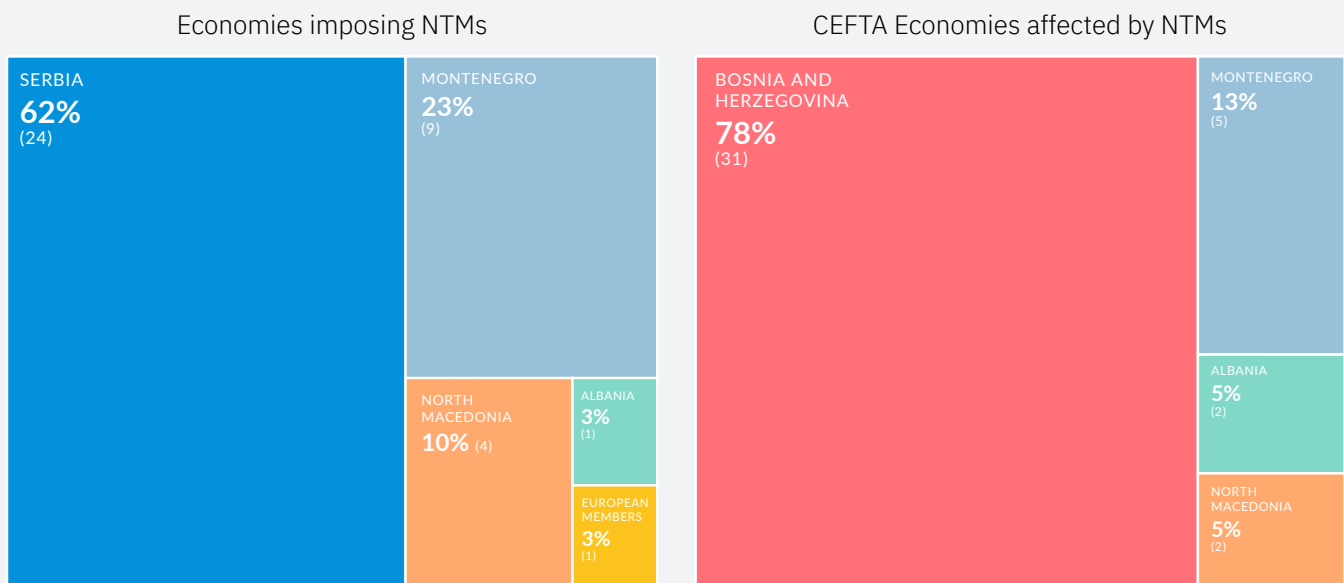
This problem is particularly relevant in Bosnia and Herzegovina, which reported 75% of the recorded instances. This problem is reportedly more amongst exporters, with this issue being reported by 6.2 percent of importers and 22.4 percent of exporters. Specifically, Serbia is the party imposing more frequently this NTM, representing 62 percent of all incidents (Figure 32).

Figure 31 Problems related to the release and clearance of goods across the CEFTA



Source: IEC Survey results

Figure 32 Economies imposing or affected by electronic payments



Source: IEC Survey results

In terms of product coverage, these NTMs has mainly been reported to affect fuel wood (which represents 0.13% of CEFTA's total trade), fish products (0.05% of CEFTA's total trade), and footwear (0.17% of CEFTA's total trade). However, it is worth highlighting that this NTM has a wide coverage and it affects all the HS codes (Figure 33).

Bosnia and Herzegovina traders report that Serbia and Montenegro do not have the option of paying the fees for exports online, which is time consuming and more costly comparing to the online payments.⁵⁷ North Macedonia, whilst not having a direct online payment gateway to the Customs Office, payments can be made through the banks' electronic banking system, for both exports and imports.

Similarly, Montenegro's traders highlight that payment transactions are limited from 8 am to 4 pm.

Furthermore, traders highlight the disconnect between the online payment and the release of the

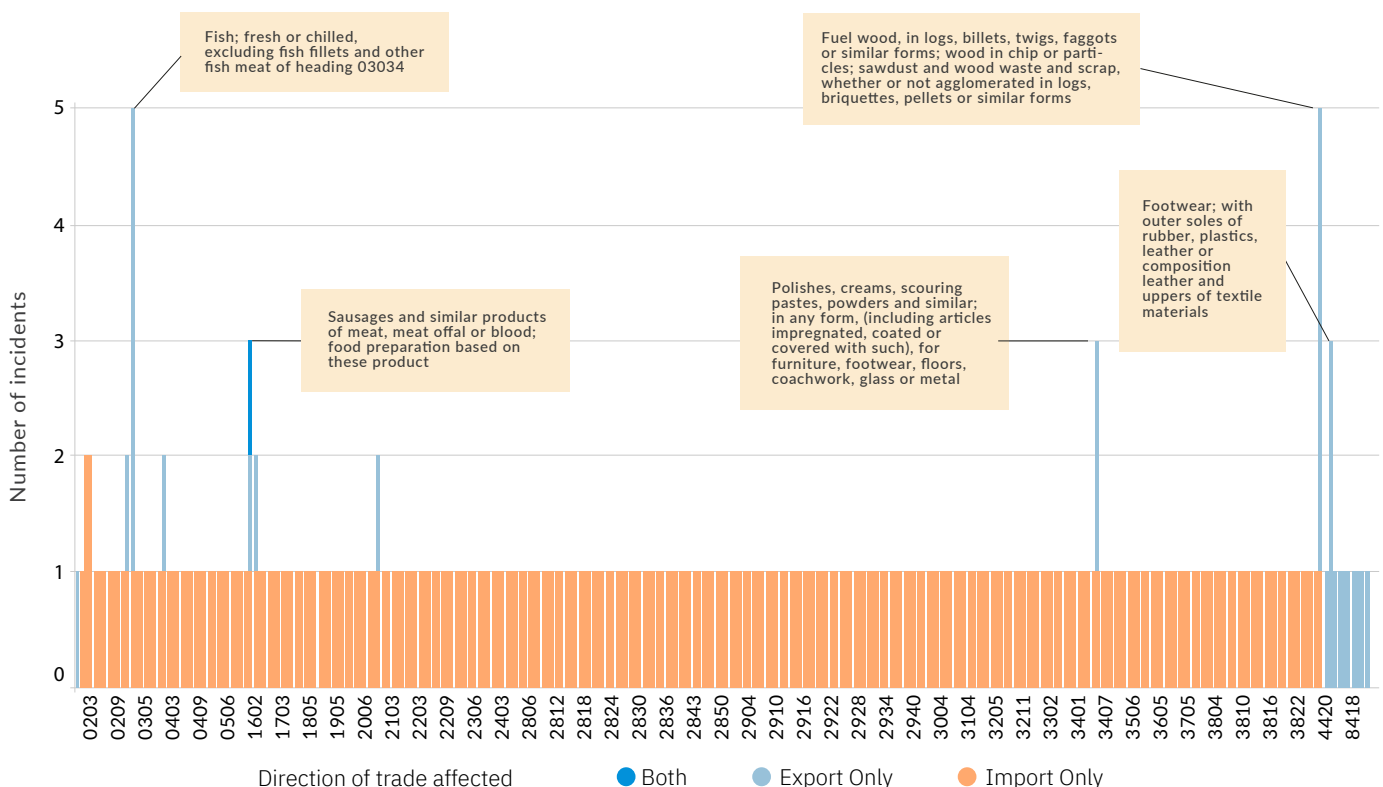
goods. A Macedonian company stated that when electronic payment is made through the bank for Customs procedure, no matter of the timing of the payment, the goods could be released only after 3 pm due to the respective regulation for bank clearing.

The lack of pre-arrival processing has been raised in 35 instances. This problem is particularly relevant in Bosnia and Herzegovina, which reported 70% of the recorded instances. This problem is reportedly more amongst exporters, with this issue being reported by 16 percent of importers and 21 percent of exporters. Specifically, this NTM is mainly applied by Serbia, and Montenegro, whilst the parties experiencing it the most are Bosnia and Hercegovina and Montenegro (Figure 34).⁵⁸

57 However, Serbian officials report that, in Serbia, traders have the possibility to pay the duties online (24 hours a day, 7 days a week) through the electronic banking system that traders use for paying custom duties.

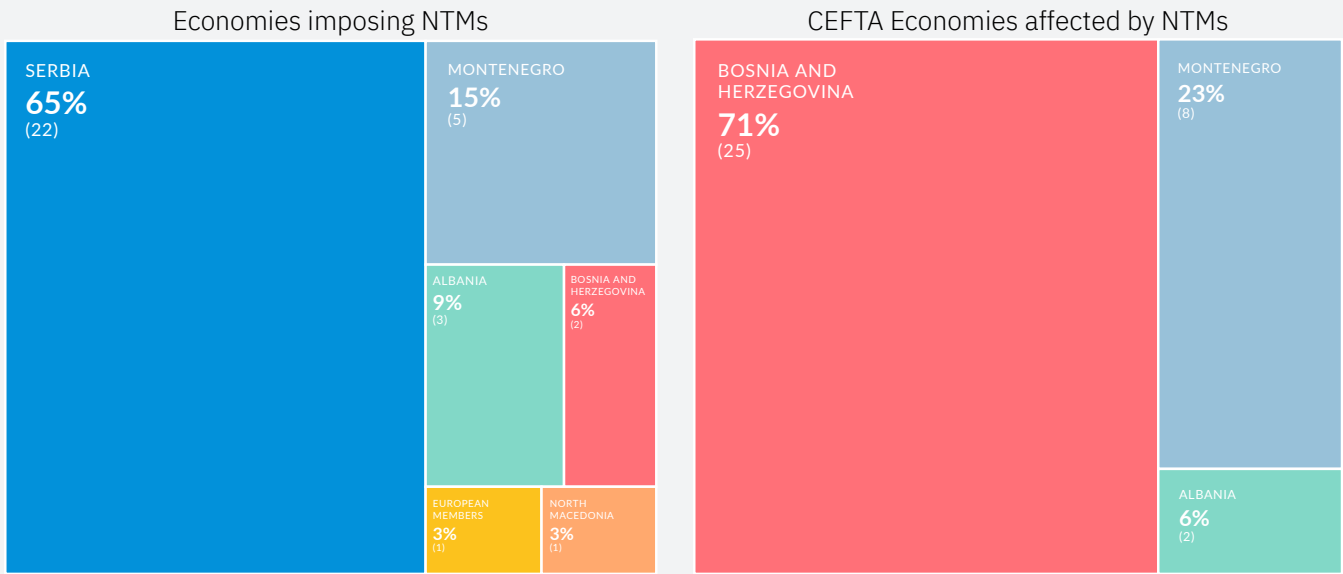
58 The WTO TFA requires, in Article 7.1, that the parties have to adopt "procedures allowing for the submission of import documentation and other required information, including manifests, in order to begin processing prior to the arrival of goods with a view to expediting the release of goods upon arrival". It is also envisaged that documents can be submitted electronically. According to the Revised Kyoto Convention (RKC), customs shall allow the lodging and registering of goods declarations and supporting documents prior to arrival of goods. In EU, the Regulation requires traders to supply customs authorities with advance information on goods brought into, or out of, the customs territory of the EU. However, in CEFTA parties' pre-arrival processing is not fully implemented. The constraints lie in the adaption of legal and IT framework.

Figure 33 HS products affected by electronic payment



Source: IEC Survey results

Figure 34 Economies imposing or affected by pre-arrival processing



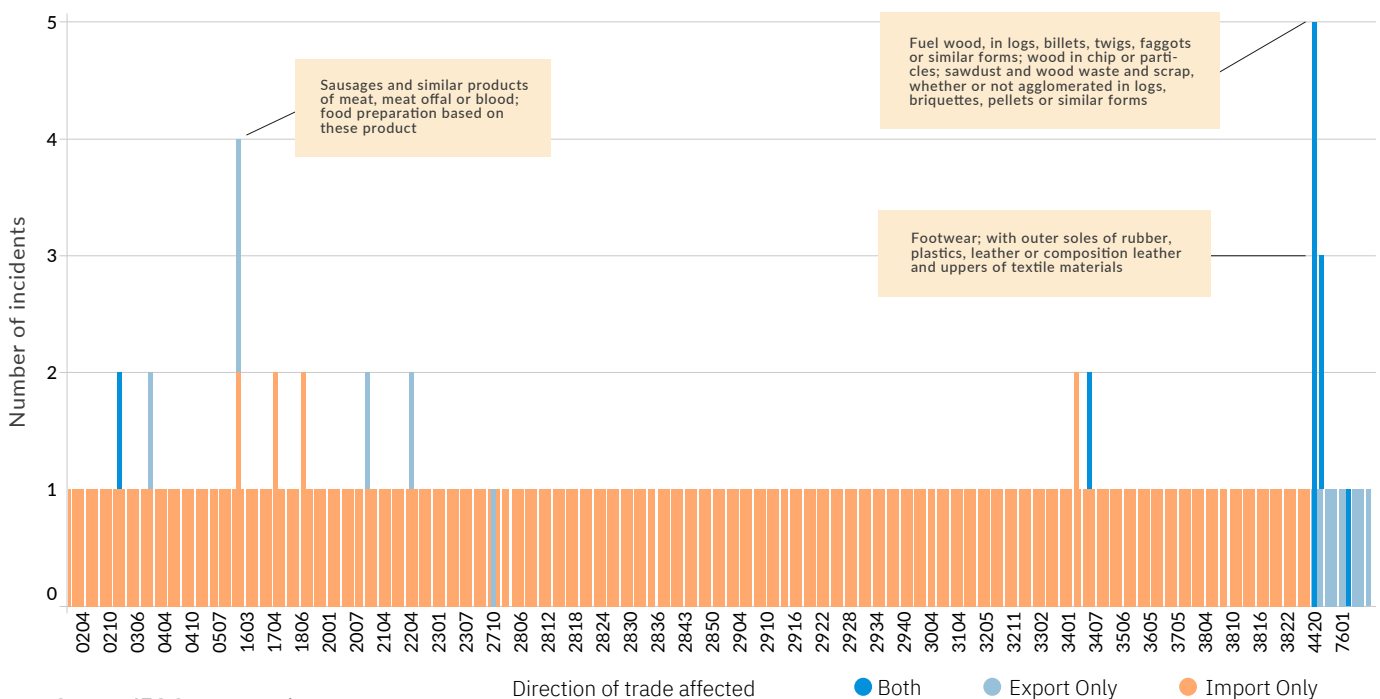
Source: IEC Survey results

In terms of product coverage, this NTMs has mainly been reported to affect fuel wood (which represents 0.13% of CEFTA's total trade), sausages (0.14% of CEFTA's total trade), and footwear (0.17% of CEFTA's total trade). However, it is worth highlighting that this NTM has a wide coverage, and it affects all the HS codes (Figure 35)

which states that WTO Members have to set up a mechanism allowing submission of import documents prior to the arrival of goods. Enabling the pre-arrival processing will allow crossing point regulatory agencies to begin processing the documentation prior to the arrival of the goods, with the objective of immediately releasing goods if no physical inspection is required, thereby achieving a significant reduction of time spent at the crossing point and reduce all associated trade costs.

The importance of this area is raised in Article 7 of the WTO's Trade Facilitation Agreement (TFA),

Figure 35 HS products affected by pre-arrival processing



Source: IEC Survey results

Specifically, it is reported by Bosnia and Herzegovina that Serbia and Montenegro do not have pre-arrival processes in place, which slows down the entire procedure of clearing customs.

Furthermore, traders from Montenegro highlight that the electronic exchange with the Customs for

import operations can be done from 7 a.m. to 7 p.m. However, the customs information service (CIS) is not expanded with inspectors, and therefore communication with inspectors happens via email. Inspectors have their own database related to risk management analysis without connections with any other database or information portals.

Box 4 The importance of Trade Information

Overall, transparency-related obligations and the availability of information are some of the measures with the highest impact on developing exports, and therefore on regional integration. As highlighted by Moïsé et al. (2011), increasing the amount of information available has the most significant impact on trade costs. This is further confirmed by Fontagne et al. (2016), whose analysis finds that the implementation of those provisions that increase the availability of information has a positive effect on trade by small firms. On the other hand, those measures aiming to improve the involvement of the trade community, right to appeal, advance rulings, or automation procedures, which reduce the uncertainty in the outcome of clearance procedures, benefit only large exporters.⁵⁹ Early studies on this matter, such as the one undertaken by Helble, Shepherd and Wilson (2009), already measured the impact that greater transparency of the trading environment, achieved through greater predictability and customs simplification, can have on the efforts to reduce the cost of trade.⁶⁰

The lack of transparency is one of the most common complaints of the private sector. Improved transparency can lower trade costs and improve predictability, leading to higher rates of intra-regional trade.⁶¹ In addition to ensuring that information is publicly available, ensuring that all relevant stakeholders are involved in the policy-making process is of vital importance for regional integration, as it promotes ownership in the regulations and therefore ensures their understanding and compliance. This point was raised by Torres et al (2017), highlighting the importance of inclusive public-private dialogue and cooperation at different levels across regional value chains. As raised by the authors, “[this] requires systematic inclusive public-private fora for such dialogue and cooperation. Many public-private value chain platforms for structured and regular exchanges exist already at local and national level, although in some value chains and/or economies, these structures are weak [and they are] rare at regional level”.⁶²

59 Fontagne, L., Orefice, G. & Piermartini, R. (2019). Making small firms happy? The heterogeneous effect of trade facilitation measures. *Review of International Economics*, 00, pp. 1-34. Such findings are also consistent with Hassan, M. (2015). *A WTO Agreement on Trade Facilitation: Can it really facilitate trade?* Dissertation of the University of St. Gallen.

60 Helble, M. Shepher, B., & Wilson, J. S. (2009). Transparency and Regional Integration in the Asia Pacific. *The World Economy*, pp. 479-508.

61 Johns, M. B. (2017). Lowering Trade Costs through Transparency: the Importance of Trade Information Portals. *The Trade Post*, World Bank. Available from: <https://blogs.worldbank.org/trade/lowering-trade-costs-through-transparency-importance-trade-information-portals>

62 Torres et al (2017), *ibid* at 2.

3.

CONCLUSION AND RECOMMENDATIONS

As highlighted by ITC (2018), the impact of non-tariff measures on international trade and market access is a major concern, particularly in developing and least developed economies. While many of the perceived NTMs are applied for legitimate reasons, the business sector sees them as barriers. They hinder trade flows by adding costs and causing delays, which affects competition and ultimately economic growth.⁶³

The report highlights a number of troublesome non-tariff measures and trade facilitation practices, which traders identify as trade distorting and a hindrance to trade competitiveness. Overall, at a more aggregated level, fish, meat, preparations of vegetables and beverages encounter the highest incidence of NTMs.

Recommendation 1. **Recognise conformity assessments procedures across the CEFTA region**

Conformity Assessments procedures are the single largest roadblock to trade across the CEFTA economies. Specifically, this is related to the lack of recognition of certificates, which leads to the need to undertake the tests more often than should be necessary, leading to high costs and a loss of time. The benefits of recognition agreements have already been highlighted by Orefice, Piermartini, & Rocha (2012), who found that harmonization and recognition increase trade between partners. Specifically, whilst the positive trade effect of harmonization is due to the harmonization of product regulations, such as technical requirements and standards, most of the positive effect that recognition has on trade is due to the - recognition of

conformity assessment procedures.⁶⁴ This latter finding is confirmed by Baller (2007), whose study finds that - recognition agreements for testing procedures have a strong impact on both export potential and existing bilateral trade.⁶⁵

In this context, the CEFTA economies should work towards securing an overarching framework governing their conformity assessments, ensuring that the certificates and results issued by competent conformity assessment bodies (such as testing laboratories or certification bodies) are recognised, and aligned to the EU acquis.

Recommendation 2. **Conformity assessment bodies need to be re-strengthened**

Linked to the above, traders reported the limited resources present in the conformity assessment bodies, which lead to delays in obtaining the necessary certificates. Traders reported that the laboratories need more efficient procedures and greater capacity to ensure that the procedures are implemented smoothly and rigorously.

Recommendation 3. **Reduce waiting times by expanding business hours and reduce trade costs**

Traders reported the challenges provoked by a limited timeframe to cross the crossing point, and the challenges brought as well by the fact that online payments are only accepted until 3 or 4pm in most

63 ITC (2018). Jordan: Company Perspectives. An ITC Series on Non-Tariff Measures. International Trade Centre, Geneva.

64 Orefice, G., Piermartini, R. & Rocha, N. (2012). 'Harmonization and mutual - recognition: What are the effects on trade?' *Work in Progress*, p. 14. Available at: <https://www.gtap.agecon.purdue.edu/resources/download/5808.pdf> (accessed on October 10, 2017).

65 Baller, S. (2007). 'Trade Effects of Regional Standards Liberalization: A Heterogeneous Firms Approach'. World Bank Policy Research Working Paper, No. 4124, February, p. 26.

economies. A multiple-shift and part-time systems should be adopted to increase productivity and save time and costs caused by working-hour restrictions.

Furthermore, this could be complemented with a reduction in trade costs, achieved by eliminating administrative fees and charges at the crossing points, at it is currently being analyzed within CEFTA.

Recommendation 4. Facilitate the release and clearance of goods

Key elements to ensure the speed release of goods, such as the electronic payment of duties and charges and pre-arrival processing are not in place in all the CEFTA economies. Particularly, it has been reported that Serbia and Montenegro do not have the option of paying the fees for exports online, which is time consuming and more costly comparing to the online payments.

Thus, enabling the introduction of e-payment facilities, particularly to facilitate the payment of duties, taxes, and other fees for the importation process, would be required and beneficial for the traders in the region. The e-payments will need to be connected to the key commercial banks in respective economies.

Recommendation 5. Further institutional coordination to facilitate trade

The main problems shared by companies were mostly related to customs procedures, which are usually seen as complex, slow, and bureaucratic. Crossing points and the strict control by authorities are also mentioned as one of the major problems facing companies. Specifically, scanning procedures and sample testing are slow and time-consuming, and there needs to be better alignment in terms of working hours and administrative cooperation. One way to improve institutional coordination and cooperation would consist in the expansion of joint crossing point facilities and establishment of separate lanes, where possible. Through these, hours of operation are harmonized, formalities are simplified, direct cooperation between the agencies in the screening of people and goods is encouraged, and economies of scale are realized.

Recommendation 6. Enhance a risk-management system for inspecting cargo

CEFTA parties should concentrate their resources on high-risk consignments and expedite the release of low-risk consignments based on appropriate selectivity criteria. By categorising goods for verification, a more efficient release and clearance can be done. In addition, within the framework of the CEFTA Decision for Facilitating Trade of Fruit and Vegetables (FV), CEFTA Parties agreed on a risk-based approach on reduced frequency control. Risk should be evaluated for each CEFTA economy separately and based on presence of quarantine pests for regulated FV. According to the evaluated risk, the reduce frequency of controls should be applied. Further to that and within the framework of the CEFTA Customs Risk Management Strategy 2020-2021, the information sharing between the customs authorities and phytosanitary and veterinary agencies are to be improved in order to remove redundant procedures and overlapping checks at the BCPs/CCPs.

In addition, a Traders Credibility Management System (TCMS) should be adopted by all the economies in the region, evaluating or crediting traders' compliance levels, and by all crossing points agencies, not only customs, but also SPS authorities.

Linked to the above, enhance the Green Lanes, a priority system at the Green Corridor at the Crossing Points for key products and trust-worthy economic operators.

Recommendation 7. Establish One-Stop-Shops and separate lanes across CEFTA

CEFTA, where possible, should continue the efforts initiated by North Macedonia and Serbia, which built a One-Stop-Shop (OSBS) in the international road traffic Tabanovce (North Macedonia) - Preshevo (Serbia). The establishment of OSBS across CEFTA, where possible, will ensure that all formalities can be completed in one place, thereby enabling all agencies involved in the process of clearance of goods from two parties to operate from a single office, including sharing control equipment.

Establishment of separate lanes across CEFTA for CEFTA goods would significantly speed-up the passing of trucks carrying CEFTA goods.

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ANNEX 1 – METHODOLOGY

The study was conducted over a period spanning April 2021 to September 2021. Each of the general steps taken to conduct the study is presented below.

1. Identifying the Scope: NTMs. As mentioned above, NTMs are neutrally defined as policy measures, other than ordinary customs tariffs, that can have an economic effect on international trade. NTMs include traditional trade policy instruments, such as quotas or price controls, which are often termed non-tariff barriers (NTBs). On the other hand, NTMs also comprise sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) that stem from important non-trade objectives related to health and environmental protection. These technical NTMs therefore overlap with a wider regulatory realm. While technical NTMs also, on aggregate, increase trade costs, their primary regulatory objectives make them indispensable. NTMs may be related to identifying and processing the information on relevant requirements in the target market (information costs), the need to adjust the product or production process to the requirements of the importing party (specification costs), to verifying and proving that these requirements are actually met (conformity assessment

costs), or a combination of the three ⁶⁶ (von Lampe et al., 2016, OECD (2017)). They ensure food safety, protect harvests against pests and invasive species, regulate the trade of hazardous substances and waste, prohibit the trade of endangered species, and regulate many more areas of life to promote a sustainable future. These policies are considered necessary, and elimination is not an option. The objective of the report was to capture the NTMs faced by traders in the CEFTA, both intra-regional and extra-regional. The direction of trade – imports and exports – is also captured, as it is possible that a particular measure applied by a given party affects its own enterprises the most. The categories of NTMs are illustrated in the figure below. The team expanded the scope to identify existing procedural obstacles, following the classification used in the World Trade Organisation's (WTO) Trade Facilitation Agreement (TFA).

⁶⁶ von Lampe, M., Deconinck, K. & Bastien, V. (2016), "Trade-Related International Regulatory Co-operation: A Theoretical Framework", OECD Trade Policy Papers, No. 195, OECD: Paris; OECD (2017), International Regulatory Co-operation and Trade: Understanding the Trade Costs of Regulatory Divergence and the Remedies. OECD: Paris; Gourden, J., Cadot, C. & von Tongeren, F. (2018) Estimating Ad-Valorem Equivalent of Non-Tariff Measures: Combining Price-based and Quantity based Approaches. TA/TC/WP(2017)/12/Final. OECD: Paris. April

Box 5 Roots of the Methodology

The methodology used in this report is not a novel one. It has been adapted from best practices used by international organizations. Overall, the most prolific user of enterprise surveys to capture NTMs is the International Trade Centre (ITC UN/WTO), which has implemented this methodology in over 40 economies. Some of those include:

- European Union: <http://www.ntmsurvey.org/eu>
- Indonesia: <http://www.ntmsurvey.org/Indonesia>
- Paraguay: <http://www.ntmsurvey.org/Paraguay>
- Thailand: <http://www.ntmsurvey.org/Thailand>

The same methodology was used by the World Bank – an example is a report titled "A Survey of Non-Tariff Measures in the East Asia and Pacific Region" ⁶⁷.

⁶⁷ <https://openknowledge.worldbank.org/bitstream/handle/10986/8038/428530P09622601PUBLIC10NTM0Report0final.pdf?sequence=1&isAllowed=y>

The report covers Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia, and Kosovo*. Moldova is not covered by the report due to the fact that Moldova's trade patterns differ significantly from the rest of the CEFTA economies for historical and geographical reasons, and that their mutual trade, despite slight progress, remains marginal. Therefore, a range of issues impacting businesses in Moldova can hardly be addressed within the CEFTA framework. For that reason, their companies were not involved in CEFTA survey, but all recommendations and future actions apply equally to Moldova as the improvements are aimed at achieving the same ultimate goal, harmonization with the relevant EU rules and procedures, to be able to facilitate access not only to CEFTA but also to the EU market.

2. Identifying the key sectors. Overall, the aim of the report is to cover all representative sectors

engaged in international trade, including both intra-regional and with the rest of the World, particularly the EU market. Given the fact that the objective of this report is to identify intra-CEFTA NTMs, the aim was to identify those sectors representing, at least 75 percent of trade in goods between the CEFTA economies and cover two thirds (66 percent) of the party's total trade (excluding mineral exports and arms). The identification of each sector per party can be found in Annex 3. This enabled the team to identify intra-CEFTA NTMs, but also NTMs faced by companies based in CEFTA Parties exporting to outside the region.

3. Sampling: Identifying the key players. After defining the sectors, the key players within the sectors were identified. As a first step, main governmental and parastatal organisations were consulted, including business associations, export promotion organisations, customs authorities,

Figure 36 Categories of NTMs

Imports	Technical measures	A	SANITARY AND PHYTOSANITARY MEASURES
		B	TECHNICAL BARRIERS TO TRADE
		C	PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES
	Non-technical measures	D	CONTINGENT TRADE-PROTECTIVE MEASURES
		E	NON-AUTOMATIC IMPORT LICENSING, QUOTAS, PROHIBITIONS, QUANTITY-CONTROL MEASURES AND OTHER RESTRICTIONS NOT INCLUDING SANITARY AND PHYTOSANITARY MEASURES OR MEASURES RELATING TO TECHNICAL BARRIERS TO TRADE
		F	PRICE-CONTROL MEASURES INCLUDING ADDITIONAL TAXES AND CHARGES
		G	FINANCE MEASURES
		H	MEASURES AFFECTING COMPETITION
		I	TRADE-RELATED INVESTMENT MEASURES
		J	DISTRIBUTION RESTRICTIONS
		K	RESTRICTIONS ON POST-SALES SERVICES
		L	SUBSIDIES AND OTHER FORMS OF SUPPORT
		M	GOVERNMENT PROCUREMENT RESTRICTIONS
		N	INTELLECTUAL PROPERTY
		O	RULES OF ORIGIN
P	EXPORT-RELATED MEASURES		

Source: UNCTAD (2019). Guidelines to collect data on official non-tariff measures, UNCTAD/DITC/TAB/2019/8

ministries, etc. The consultations with them were also instrumental to obtain a first picture of the existing NTMs.

4. Data collection. The leading source of information for the NTM report is primary data, with firms' perceptions being the most relevant one. The primary tool for data collection was extensive interviews to get an in-depth picture of the NTMs highlighted by the interviewed participants. In this step, 161 companies were interviewed. The consultants contacted the companies about the spec-

ificities of the issues faced, identifying the specific HS code affected – or a description of the affected product, alternatively – the direction of trade (import/export) and the origin of the NTM. All responses from the companies remain confidential, and no result has been attributed to a respondent nor shared with a third party. A fair representation of large companies, micro, small and medium enterprises (MSMEs) was strived for. In addition, the consultants collected the legislation and regulatory measures backing up the NTM. Such legislation is highlighted whenever relevant.

Box 6 Additional sources of NTM data

UNCTAD TRAINS: UNCTAD maintains a database, Trade Analysis and Information System (TRAINS), which currently is compiled from legal national requirements for over 100 economies⁶⁸. The level of data is granular and covers the HS6 product level. The system of classification used by UNCTAD considers technical measures and non-technical measures. Finally, the International Classification of NTMs used by UNCTAD also comprises measures such as competition, trade-related investment measures, government procurement or distribution restrictions.

WTO I-TIP: The World Trade Organisation also manages an Integrated Trade Intelligence portal (WTO I-TIP) which provides information provided by WTO Members, as reported by them to the WTO, in accordance with their obligations towards the WTO agreements.

WB TTBD: The World Bank maintains the Temporary Trade Barriers Database, which covers contingent trade measures. The OECD maintains information on export restrictions as well as data on consumer and producer support in agricultural products. The EU and US maintain publicly accessible data on non-tariff measures applied worldwide, as reported through company complaints. ITC carries out surveys to collect NTMs that relate to company perceptions.

Some of the challenges faced during the data collection exercise include the unwillingness of the respondents to address some of the questions, such as amount traded, or to raise issues in fear of retribution, despite the fact that the survey and interviews was being conducted by experts not associated with any government. As highlighted by the WTO (2012), businesses may exaggerate procedural obstacles – or, on the contrary, minimize them – depending on the circumstances.⁶⁹ They may also be unable to identify the specific policies of concern, or may misidentify them.

Moreover, surveys, because of problems related to sample size and self-selection of respondents, do not always guarantee rigorous and significant results. An additional challenge included the limited knowledge of the export process by exporters, which diffculted the process of identifying the specific NTM.

5. Data analysis and report drafting. On the basis of the data collected and validated, the team analysed the results and created relevant visualizations using Microsoft PowerBI. The following indicators were presented in this study: number and type of NTM incidents; number of NTM incidents by economy; number of NTM incidents by HS code; main economies being impacted the NTMs; main economies applying the NTMs.

⁶⁸ The database is available through: <https://trains.unctad.org/>

⁶⁹ WTO (2012). World Trade Report 2012. Trade and Public Policies: A closer look at non-tariff measures in the 21st century. World Trade Organisation, Geneva.

Box 7 NTM Analysis: Types of Indicators Available

The most common approach to understand the prevalence of NTMs on trade is to calculate incidence indicators. As highlighted by De Melo & Nicita (2018), these indicators are based on the intensity of the policy instruments and measure the degree of regulation without considering its impact on trade or the economy. Three commonly used incidence indicators are the coverage ratio, the frequency index and the prevalence score. These indicators are based upon inventory listings of observed NTMs. The coverage ratio (CR) measures the percentage of trade subject to NTMs, the frequency index (FI) indicates the percentage of products to which NTMs apply, and the prevalence score (PS) is the average number of NTMs applied to products.⁷⁰

70 de Melo, J. & Nicita, A. (2018). Non-Tariff Measures: Data and Quantitative Tools of Analysis. FERDI - Fondation pour les Études et Recherches sur le Développement International, March.

Figure 38 NTMs: Incidence formulas

$$CR_i = \frac{\sum_{k=1}^{hs} NTM_{ik} X_{ik}}{\sum_{k=1}^{hs} X_{ik}} 100$$

$$FI_i = \frac{\sum_{k=1}^{hs} NTM_{ik} D_{ik}}{\sum_{k=1}^{hs} D_{ik}} 100$$

$$PS_i = \frac{\sum_{k=1}^{hs} \#NTM_{ik} D_{ik}}{\sum_{k=1}^{hs} D_{ik}} 100$$

Source: De Melo & Nicita (2018).

ANNEX 2 – LIST OF TRADE FACILITATION MEASURES

TF	General Trade Facilitation Measures'
TF1	Publication and Availability of Information
TF2	Opportunity to Comment, Information Before Entry into Force, and Consultations
TF3	Advance Rulings
TF4	Procedures for Appeal or Review
TF5	Measures Related to Enhanced Impartiality, Non-Discrimination and Transparency
TF6	Fees and Charges Imposed On or In Connection with Importation and Exportation, and Penalties
TF7	Release and Clearance of Goods
TF7.1	Pre-arrival Processing
TF7.2	Electronic Payment
TF7.3	Risk Management
TF7.4	Authorised Economic Operators
TF7.5	Expedited Shipments
TF7.6	Perishable Goods
TF7.7	Other
TF8	BCP/CCP Agency Cooperation
TF9	Movement of Goods Intended for Import Under Customs Control
TF10	Formalities Connected with Importation, Exportation and Transit
TF10.1	Acceptance of Copies
TF10.2	Single Window
TF10.3	Mandatory Use of Customs Brokers
TF10.4	Common BCP/CCP Procedures
TF10.5	Other
TF11	Freedom of Transit
TF12	Customs Cooperation

ANNEX 3 – TARGET SECTORS PER CEFTA PARTNER

Albania

SECTOR	HS Code
Animal & Animal Products	HS 01-05
Fresh fruits and Vegetables	HS 06-15
Processed foods	HS 16-24
Mineral Products	HS 25-27
Chemicals & Allied Industries	HS 28-38
Plastics / Rubber	HS 39-40
Wood & Wood Products	HS 44-49
Wool	HS 51
Apparel / Textiles	HS 61-63
Footwear / Headgear	HS 64-67
Stone / Glass	HS 68-71
Metals	HS 72-83
Machinery and mechanical appliances (boilers, turbines, washing machines, agricultural machinery, etc.)	HS 84
Electrical machinery (shavers, lamps, telephones, televisions, electronic integrated circuits, etc.)	HS 85
Transportation	HS 86-89
Arms	HS 93
Other misc. manufacturing (arms, furniture, toys, arms, art)	HS 94-97

Bosnia and Herzegovina

SECTOR	HS Code
Animal & Animal Products	HS 01-05
Processed foods	HS 16-24
Mineral Products	HS 25-27
Chemicals & Allied Industries	HS 28-38
Wood & Wood Products	HS 44-49
Footwear / Headgear	HS 64-67
Stone / Glass	HS 68-71
Metals	HS 72-83
Machinery and mechanical appliances (boilers, turbines, washing machines, agricultural machinery, etc.)	HS 84
Electrical machinery (shavers, lamps, telephones, televisions, electronic integrated circuits, etc.)	HS 85
Other misc. manufacturing (arms, furniture, toys, arms, art)	HS 94-97

North Macedonia

SECTOR	HS Code
Animal & Animal Products	HS 01-05
Fresh fruits and Vegetables	HS 06-15
Processed foods	HS 16-24
Mineral Products	HS 25-27
Chemicals & Allied Industries	HS 28-38
Plastics / Rubbers	HS 39-40
Metals	HS 72-83
Machinery and mechanical appliances (boilers, turbines, washing machines, agricultural machinery, etc.)	HS 84

Montenegro

SECTOR	HS Code
Animal & Animal Products	HS 01-05
Processed foods	HS 16-24
Mineral Products	HS 25-27
Chemicals & Allied Industries	HS 28-38
Wood & Wood Products	HS 44-49
Metals	HS 72-83
Machinery and mechanical appliances (boilers, turbines, washing machines, agricultural machinery, etc.)	HS 84
Transportation	HS 86-89

Serbia

SECTOR	HS Code
Fresh fruit and Vegetables	HS 06-15
Processed foods	HS 16-24
Mineral Products	HS 25-27
Chemicals & Allied Industries	HS 28-38
Plastics / Rubbers	HS 39-40
Metals	HS 72-83
Machinery and mechanical appliances (boilers, turbines, washing machines, agricultural machinery, etc.)	HS 84
Electrical machinery (shavers, lamps, telephones, televisions, electronic integrated circuits, etc.)	HS 85

Kosovo*

SECTOR	HS Code
Fresh fruit and Vegetables	HS 06-15
Processed foods	HS 16-24
Mineral Products	HS 25-27
Chemicals & Allied Industries	HS 28-38
Plastics / Rubbers	HS 39-40
Metals	HS 72-83
Machinery and mechanical appliances (boilers, turbines, washing machines, agricultural machinery, etc.)	HS 84
Electrical machinery (shavers, lamps, telephones, televisions, electronic integrated circuits, etc.)	HS 85





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