



# **Trade Liberalization in South East Europe: From a Network of 23 FTAs to a Full Free Trade Area?**

by

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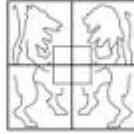
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# **Trade Liberalization in South East Europe: From a Network of 23 FTAs to a Full Free Trade Area?**

## **A Summary<sup>1</sup>**

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<sup>1</sup> The presentation is based on Messerlin, Patrick, and Sébastien Miroudot, Trade Liberalization in South East Europe : From a Network of 23 FTAs to a Full Free Trade Area ?, Stability Pact for SEE, September, 2003. See also <http://gem.sciences-po.fr>

On June 2001, seven countries<sup>2</sup> of South East Europe (SEE) have agreed to conclude bilateral Free Trade Agreements (FTAs) in order to develop their mutual trade and promote economic integration in the region. Twenty three FTAs are now signed and their implementation has started. A Memorandum of Understanding (MoU) on Trade Liberalisation and Facilitation stated the small number of principles that all these bilateral FTAs have to follow.

## **1. The Liberalization process according to the MoU**

The MoU imposes three requirements: (1) all quantitative restrictions and measures having equivalent effect must be abolished upon entry into force of the agreement; (2) import duties have to be eliminated on 90% of the signatories' mutual trade with a double criterion: 90% of HS tariff lines and 90% of trade value; and (3) the liberalization should concern a large majority of goods upon entry into force of the agreement, and the transitional period should not exceed 6 years.

The current situation is as follows. Concerning the first criterion (share of HS lines liberalized), 15 FTAs out of 23 are above the 90% target or very close from it. The measure based on the value of imports leads to lower results, with only 9 FTAs being clearly above the 90% target or close to it.

If one combines the two criteria, the 23 FTAs can be split into three groups: 8 FTAs have a high level of trade liberalization, well above the MoU requirements for both criteria (6 of them record a full liberalization); 8 FTAs fulfill only one of the two MoU targets (almost all of them fail to meet the import coverage criterion); and 7 FTAs are under the 90% target for both MoU criteria.

What differentiates the three FTA groups is trade liberalization in agriculture. FTAs belonging to the first group have included a significant number of agricultural goods in the liberalization process. FTAs in the second group have a sufficient number of agricultural HS lines freed to pass the tariff line coverage threshold, but the countries' trade tends to be concentrated in the agricultural products not liberalized. FTAs in the last group have only a few concessions in agriculture (generally less than a third of HS lines have been freed).

In sum, there is a "quasi free trade area" in the region for industrial products, with only very few products not freed, almost all of them being raw or intermediate products (in textile fibers, wood products, chemicals, iron & steel, and transport equipment). By contrast, agriculture still faces many trade barriers (only 6 FTAs institute free-trade), with a great

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<sup>2</sup> Albania, Bosnia Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia & Montenegro. Moldova joined the liberalization process in 2002.

variety of instruments for granting preferences: tariff-rate quotas (TRQs) be duty-free or with a preferential duty rate, tariff ceilings, preferential duty rates without quota, etc.

As a result, fulfilling the MoU requires additional liberalization in agriculture. That is not an impossible task: with an almost complete liberalization in manufacturing, only 35% of the agricultural HS lines need to be freed in order to reach the 90% MoU target.

## **2. MoU guidelines on the “rules of the game”**

The MoU specified a few rules when implementing FTAs on contingent protection, and on “behind the border” agenda (public procurement, competition, services and TRIPs). When doing so, the MoU makes reference to the corresponding WTO agreements (when they exist), and an explicit reference to the EC legal framework in two cases (rules of origin and sanitary and phytosanitary standards).

The MoU is very vague on the “behind the border” agenda, and so are the FTAs. A substantial portion of the FTA texts -- one-fourth to one-third, as measured by the number of words -- are devoted to the various instruments of contingent protection which can be divided in two broad categories: (1) instruments specific to agriculture, i.e., a “special safeguard” and a reference to agricultural policy (trade liberalization commitments “shall not restrict in any way the pursuance of the respective agricultural policies” of the Parties); and (2) other instruments sector (presumably, they could also be used in agriculture), i.e., a general safeguard, measures in case of structural adjustment, re-export, and balance of payments problems, antidumping and countervailing measures.

## **3. Recommendations for the short term**

The clear success in establishing FTAs (section 1) may thus be endangered by the loose MoU rules for the implementation period (section 2). Five efforts could be done.

### **3.1. Tariff quotas**

As of today, it is almost impossible to assess whether TRQs are, or will be, binding. It is thus key to improve information on TRQ functioning as quickly as possible, by providing a centralized, precise and exhaustive list of all the TRQs at the regional level, and a precise information on their key elements at the most disaggregated level (tariff rates, quota size, procedures used for giving import licenses, data on past trade flows, etc.).

### **3.2. Non-tariff barriers**

The procedure suggested for tariff-quotas could be used for all the conceivable non-tariff barriers (NTBs), be pure quantitative restrictions, price minima, tariff surcharges, etc., with a focus on a priority list of the “hard-core” NTBs.

### **3.3. Contingent protection: antidumping and antisubsidy**

A common code of interpretation of the FTA existing provisions on antidumping and antisubsidy measures could be drafted along the following lines.

1. A firm reminder that all of the countries of the region being (or in the process of being) WTO members, all the WTO procedures on antidumping and antisubsidy should be respected.
2. A precise and progressive programme of increasing the *de minimis* thresholds. For instance, the threshold for imports from the region would be, say, 5 percent in 2003, 10 percent by the year 20\*\* (date to be negotiated), 20 percent by the year 20\*\* (date to be negotiated), etc. At a certain year, the threshold would be so high that the use of antidumping and antisubsidy measures between the countries of the region could be eliminated (either *de jure* or *de facto*), meaning that a fully integrated regional market would have been achieved.
3. The use of this threshold approach requires at least two additional decisions. First is whether the threshold will be applied to the imports of each country of the region, or whether it would be apply to the aggregate sum of the imports of the region. Of course, the first solution should be preferred. Second is whether the threshold will be defined, as in the WTO context, in terms of import shares (that is, the share of the allegedly dumped or subsidised) or in terms of domestic consumption (that is, the share of the imports under investigation in domestic consumption of the good in the economy in question). Of course, the second solution should be preferred.

### **3.4. Contingent protection: safeguards**

Safeguard measures could be subjected to the same recommendations than those suggested for antidumping and antisubsidy measures, with a few additional improvements (such as a systematic reference to the WTO text and jurisprudence, the normalization of certain terms (similar products and serious injury), the progressive elimination of the reference to regional injury).

### **3.5. The need of an annual review of the FTAs**

#### **4. Longer term Perspectives**

Three initiatives (presented in decreasing order of importance) could be envisaged in the longer run in goods, services, and in the legal domain.

##### **4.1. The key role of the MFN tariffs**

Now that a regional free trade area is *de facto* emerging, looking at SEE MFN tariffs with respect to the rest of the world becomes important for two reasons. First, if MFN tariffs are very different between SEE countries, rules of origin will play an important role in the trade between the SEEs, and they could easily constitute a trade impediment powerful enough to unravel the liberalization efforts done. Second, the higher MFN tariffs are, the less likely SEE consumers will gain from the emerging regional free trade area.

It seems that SEE MFN tariffs are not so different (many differ by 5 percentage points or even less). Hence, an initiative on MFN tariffs could buttress the emerging regional free trade area at small costs. A convergence process for MFN tariffs could be launched, with all the MFN tariffs applied by SEE countries converging to the lowest tariff plus 5 percentage points, hence creating an “almost common” external tariff which will reduce the risks that rules of origin will unravel the liberalization undertaken, and the potential costs of too high MFN tariffs.

##### **4.2. A joint regional approach for regulating a few infrastructure services**

A joint regional approach for regulating a few infrastructure services key for delivering goods could be launched, as for instance, the joint regulatory telecoms authority in the Caribbean Islands. This initiative would combine similar physical infrastructures inherited from the past with regulatory reforms aiming at introducing competition.

##### **4.3. From bilateral FTAs to a “Single Act”**

So many FTAs constitute a too complex legal regime in the long run. Decreasing the related costs would be very useful for the business community, and also making a lot of sense for better positioning the region in the vast world.

Table 1

Summary of FTAs compliance with the MoU									
FTA (year of entry into force)	Country	Trade coverage (art. 1.2.2)		Liberalization pace (art. 1.2.3)		Quantitative restrictions (art. 1.2.1)		Trade in services	
		Share of HS lines liberalized (%)	Share of mutual trade liberalized (%)	Share of HS lines freed upon entry into force (%)	End of transitional period	Number of lines with QRs upon entry into force	Year of abolition?	Clause foreseeing the future liberalization of trade in services?	
1	2	3	4	5	6	7	8		
1. ALB-BIH (2003)	Albania	91.0	91.7	4.7	1 Jan. 2008	-	-	Yes	
2. ALB-BUL (2003)	Bosnia Herzegovina	93.0	88.6	26.6	1 Jan. 2007	-	-	Yes	
	Albania	86.2	70.0	83.7					
3. ALB-CRO (2003)	Bulgaria	87.0	83.8	72.4	1 Jan. 2008	-	-	Yes	
	Albania	85.7	95.8	82.0					
4. ALB-MAC (2002)	Albania	91.6	79.5	87.4	1 Jan. 2008	-	-	Yes	
	Macedonia	93.1	89.6	59.8					
5. ALB-ROM (2003)	Albania	85.8	99.6	83.4	1 Jan. 2007	-	-	Yes	
6. ALB-S&M (2003)	Romania	86.5	82.0	82.9	1 Jan. 2007	-	-	Yes	
	Albania	89.7	37.5	85.9					
7. BIH-BUL (2003)	Serbia & Montenegro	89.3	89.1	88.6	1 Jan. 2005	25	Not specified	Yes	
	Bosnia Herzegovina	91.5	75.9	27.2					
8. BIH-CRO (2001)	Bulgaria	88.9	95.6	88.9	entry into force	-	-	Yes	
	Bosnia Herzegovina	100.0	100.0	25.6	1 Jan. 2004				
9. BIH-MAC (2002)	Croatia	100.0	100.0	100.0	entry into force	-	-	No	
	Bosnia Herzegovina	100.0	100.0	25.6	1 Jan. 2005				
10. BIH-MOL (2003)	Macedonia	100.0	100.0	99.9	1 Jan. 2006	2	31 Dec. 2003	No	
	Bosnia Herzegovina	100.0	100.0	26.2					
11. BIH-ROM (2003)	Moldova	100.0	100.0	44.9	1 Jan. 2005	-	-	Yes	
	Bosnia Herzegovina	91.8	83.7	27.1					
	Romania	88.7	89.9	88.7	entry into force				

Table 1 contd.

Table 1 (contd.)

12.	BIH-S&M (2002)	Bosnia Herzegovina	100.0	100.0	25.6	1 Jan. 2004	18 (QR on exports)	Not specified	Yes
13.	BUL-CRO (2002)	Serbia & Montenegro Bulgaria	100.0 93.9	100.0 95.6	99.9 69.3	1 Jan. 2003	-	-	Yes
14.	BUL-MAC (2000)	Croatia Bulgaria	94.5 87.7	91.7 89.1	88.0 40.2	1 Jan. 2005	-	-	No
15.	BUL-ROM (1999)	Macedonia Bulgaria	86.3 94.6	87.2 98.0	82.1 71.4	1 Jan. 2002	-	-	No
16.	BUL-S&M (2003)	Romania Bulgaria	94.6 88.4	94.4 87.4	79.7 80.8	1 Jan. 2007	-	-	Yes
17.	CRO-MAC (1997)	Serbia & Montenegro Croatia	87.6 99.1	94.0 87.8	78.1 98.3	1 Jan. 2005 (revised FTA)	25 -	31 Dec. 2004	No
18.	CRO-ROM (2003)	Macedonia Croatia	99.3 88.1	88.8 47.8	99.1 87.9	1 Jan. 2005	2 -	31 Dec. 2003 -	No
19.	CRO-S&M (2003)	Romania Croatia	87.6 94.7	71.4 90.3	87.5 89.1	1 Jan. 2007	5 (on exports)	Not specified	Yes
20.	MAC-ROM (2003)	Serbia & Montenegro Macedonia	93.9 84.9	77.6 86.0	91.1 83.3	1 Jan. 2007	25 -	-	Yes
21.	MAC-S&M (1996)	Romania Macedonia	86.3 100.0	59.8 99.9	85.6 97.4	1 Jan. 1999	62 (on exports)	Not specified	No
22.	MOL-ROM (1994)	Serbia & Montenegro Moldova	100.0 100.0	99.9 100.0	98.7 100.0	entry into force	129 (on exports) 221 (on exports)	Not specified	No
23.	ROM-S&M (2003)	Romania Serbia & Montenegro	100.0 88.5	100.0 96.9	100.0 86.9	1 Jan. 2007	109 (on exports) -	-	Yes
							25	31 Dec. 2005	

*Data:* national statistics, bilateral imports 2002 (2001 for Serbia&Montenegro). Imports for Bosnia Herzegovina are replaced by partner country's exports. When missing, bilateral imports are replaced by world imports.

*Source:* Messerlin and Miroudot, 2003. Trade Liberalization in South East Europe: From a Network of 23 FTAs to a Full Free Trade Area, Stability Pact. September, mimeo.



Table 2

## Trade coverage in the agricultural and manufacturing sectors

1	FTA	Country	Share of HS tariff lines freed (%)			Share of bilateral imports liberalized (%)		
			All products	Agriculture	Manufacturing	All products	Agriculture	Manufacturing
2	3	4	5	6	7	8		
1.	ALB-BIH	Albania	91.0	38.8	99.5	91.7	59.5	100.0
		Bosnia Herzegovina	93.0	51.4	99.7	88.6	0.0	100.0
2.	ALB-BUL	Albania	86.2	5.1	99.4	70.0	0.0	100.0
		Bulgaria	87.0	11.0	99.4	83.8	0.0	100.0
3.	ALB-CRO	Albania	85.7	5.1	98.6	95.8	0.0	100.0
		Croatia	87.4	14.2	99.0	53.2	0.0	100.0
4.	ALB-MAC	Albania	91.6	41.9	99.5	79.5	19.4	99.9
		Macedonia	93.1	52.0	99.6	89.6	65.0	100.0
5.	ALB-ROM	Albania	85.8	5.3	98.9	99.6	80.4	100.0
		Romania	86.5	10.3	98.9	82.0	0.0	100.0
6.	ALB-S&M	Albania	89.7	29.4	99.4	37.5	14.6	100.0
		Serbia & Montenegro	89.3	27.0	99.4	89.1	0.0	100.0
7.	BIH-BUL	Bosnia Herzegovina	91.5	42.0	99.5	75.9	7.9	97.1
		Bulgaria	88.9	24.6	99.3	95.6	0.0	97.6
8.	BIH-CRO	Bosnia Herzegovina	100.0	100.0	100.0	100.0	100.0	100.0
		Croatia	100.0	100.0	100.0	100.0	100.0	100.0
9.	BIH-MAC	Bosnia Herzegovina	100.0	100.0	100.0	100.0	100.0	100.0
		Macedonia	100.0	100.0	100.0	100.0	100.0	100.0
10.	BIH-MOL	Bosnia Herzegovina	100.0	100.0	100.0	100.0	100.0	100.0
		Moldova	100.0	100.0	100.0	100.0	-	100.0
11.	BIH-ROM	Bosnia Herzegovina	91.8	43.3	99.6	83.7	61.3	100.0
		Romania	88.7	28.4	98.5	89.9	0.0	100.0
12.	BIH-S&M	Bosnia Herzegovina	100.0	100.0	100.0	100.0	100.0	100.0
		Serbia & Montenegro	100.0	100.0	100.0	100.0	100.0	100.0

Table 2 contd.

Table 2 (contd.)

13. BUL-CRO	Bulgaria	93.9	59.8	99.3	95.6	17.8	100.0
	Croatia	94.5	62.1	99.7	91.7	79.1	100.0
14. BUL-MAC	Bulgaria	87.7	10.9	100.0	89.1	0.8	100.0
	Macedonia	86.3	0.3	100.0	87.2	0.0	100.0
15. BUL-ROM	Bulgaria	94.6	61.5	100.0	98.0	48.1	100.0
	Romania	94.6	62.1	99.8	94.4	58.6	100.0
16. BUL-S&M	Bulgaria	88.4	19.3	99.6	87.4	45.1	99.7
	Serbia & Montenegro	87.6	15.0	99.4	94.0	2.5	99.9
17. CRO-MAC	Croatia	99.1	93.3	100.0	87.8	26.6	100.0
	Macedonia	99.3	94.9	100.0	88.8	58.7	100.0
18. CRO-ROM	Croatia	88.1	14.2	99.9	47.8	0.4	100.0
	Romania	87.6	11.2	99.8	71.4	0.5	100.0
19. CRO-S&M	Croatia	94.7	62.1	100.0	90.3	54.3	100.0
	Serbia & Montenegro	93.9	59.8	99.4	77.6	13.6	99.9
20. MAC-ROM	Macedonia	84.9	0.3	98.6	86.0	0.0	100.0
	Romania	86.3	10.3	98.6	59.8	0.0	100.0
21. MAC-S&M	Macedonia	100.0	100.0	100.0	99.9	100.0	99.8
	Serbia & Montenegro	100.0	100.0	100.0	99.9	100.0	99.9
22. MOL-ROM	Moldova	100.0	100.0	100.0	100.0	100.0	100.0
	Romania	100.0	100.0	100.0	100.0	100.0	100.0
23. ROM-S&M	Romania	88.8	22.4	99.6	89.9	3.4	100.0
	Serbia & Montenegro	88.5	20.3	99.5	96.9	1.0	99.9

*Data:* national statistics, bilateral imports 2002 (2001 for Serbia&Montenegro). Imports for Bosnia Herzegovina are replaced by partner country's exports. Missing bilateral imports data are replaced by world imports. Agriculture: HS chapters 1 to 24 - Manufacturing: HS chapters 25 to 97.

*Source:* Messerlin and Miroudot, 2003. Trade Liberalization in South East Europe: From a Network of 23 FTAs to a Full Free Trade Area, Stability Pact. September, mimeo.

Table 3

**The FTAs: Key provisions mentioned by the MoU, as of May 2003 (provisional results)**

Signatories	ALB-BIH	ALB-BUL	ALB-CRO	ALB-S&M	ALB-MAC	ALB-ROM	BIH-BUL	BIH-CRO	BIH-S&M	BIH-MAC	BIH-MOL	BIH-ROM
	1	2	3	4	5	6	7	8	9	10	11	12
Year [a]	i2002	i2002	s2002	i2002	a2002	s2003	i2003	a2001	a2002	a2002	s2002	i2002
Number of words	5895	5455	5516	5561	5360	4974	6320	5685	5169	6142	5420	5856
Nbr words on safeguards	1519	1459	1538	1435	1385	1452	1522	1367	1498	1518	1380	1481
Share (%)	25.8	26.7	27.9	25.8	25.8	29.2	24.1	24.0	29.0	24.7	25.5	25.3
<b>1. Agriculture and special safeguard</b>												
Agricultural policy [b]	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Special safeguard [c]	1-4	1-3	1-4	1-4	1-3	1-3	1-4	1-3	1-3	1-3	1-3	1-3
<b>2. General safeguard and associates</b>												
General safeguard [d]	1-6	1-6	1-6	1-6	1-6	1-6	1-6	1-6	1-7	1-6	1-6	1-7
Structural adjustment [e]	1-5	1-5	1-5	1-5	1-5	1-5	1-3,5	1-5	1-5	1-5	1-5	1-5
Re-export [f]	1	1-3	1-3	1-3	1-3	1	1	1-3	1-3	1-3	1-3	1
Balance of payments [g]	1-2	1-2	1-2	1-2	1-2	1	1	1	1	1-2	1	1
<b>3. Antidumping and countervailing measures</b>												
Antidumping and CVD [h]	1-2	1-2	1-2	1-2	1-2	1	1	1	1	1	1	1
Signatories	BUL-S&M	BUL-ROM	BUL-CRO	BUL-MAC	CRO-S&M	CRO-MAC	CRO-ROM	S&M-MAC	S&M-ROM	MAC-ROM	MOL-ROM	
	13	14 [*]	15	16	17	18	19 [*]	20	21	22	23	
Year [a]	i2003		a2002	a2000	s2002	a1997	a2003	a1996	s2003	s2003	a1994	
Number of words	5690	1466	5480	5565	5006	5142		2674	5117	5099	3531	
Nbr words on safeguards	1503	--	1377	1500	1198	1638	--	747	1490	1461	1018	
Share (%)	26.4	--	25.1	27.0	23.9	31.9	--	27.9	29.1	28.7	28.8	
<b>1. Agriculture and special safeguard</b>												
Agricultural policy [b]	yes	--	yes	yes	yes	yes	--	no	yes	yes	no	
Special safeguard [c]	1-3	--	1-4	1-3	1-4	1-4	--	--	1-4	1-3	--	
<b>2. General safeguard and associates</b>												
General safeguard [d]	1-6	--	1-6	1-6	1-6	1-6	--	1-7	1-6	1-6	1-6	
Structural adjustment [e]	1-5	--	1-5	1-5	no	1-5	--	no	1-6	1-5	1-5	
Re-export [f]	1-3	--	1	1-3	1-2	1	--	no	1	1	1	
Balance of payments [g]	1	--	1	1-2	1	1	--	1	1	1	3	
<b>3. Antidumping and countervailing measures</b>												
Antidumping and CVD [h]	1	--	1	1	1	1	--	1-2	1	1	3	

*Sources:* The Free trade agreements. Note [\*] The BUL-ROM and CRO-ROM agreements are the accession treaties of Bulgaria and Croatia to CEFTA.

*Notes:*

[a] i=initialled, s=signed, a=applied.

[b] yes=notification of changes of agricultural policy; no=no notification.

[c] 1=consultation required, 2=serious disturbances, 3=immediate measures, 4=proportionality.

[d] 1=import surge, 2=serious injury, 3=like-product, 4=directly competitive product, 5=serious disturbances, 6=regional injury, 7=reference to the WTO safeguard provision.

[e] 1=infant industry, 2=cap on the tariff, 3=cap on the import coverage, 4=limited to the implementation period, 5=reference to the Joint Committee.

[f] 1=measures to be taken, 2=non-discriminatory measures, 3=no longer than necessary.

[g] 1=measures to be taken, 2=limited duration, 3=not to go beyond.

[h] 1=only antidumping, 2=antidumping and CVD, 3=non classifiable.

[g] 1=reference to GATT/WTO, 2=reference to IMF, 3=non classifiable.

*Source:* Messerlin and Miroudot, 2003. Trade Liberalization in South East Europe: From a Network of 23 FTAs to a Full Free Trade Area, Stability Pact. September, mimeo.

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Table 4

## Average tariffs, by country, HS product group and ISIC sector

Nbr of items		HS or	Country	Albania	Bosnia	Bulgaria	Croatia	Macedonia	Moldova	Romania	Serbia &
HS96	HS02	ISIC3			Herzegovina						Montenegro
			year / nomenclature	2002 (HS96)	2002 (HS02)	2002 (HS02)	2002 (HS02)	2002 (HS02)	2002 (HS96)	2002 (HS02)	2002 (HS96)
<b>1. Overall indicators</b>											
			All products - average ad valorem tariff	7.4	6.0	9.7	5.0	12.6	5.0	17.1	9.4
5113	5224		Number of tariff lines (HS6)	5113	5224	5224	5224	5224	5113	5224	5113
			Number of lines with specific tariffs	0	161	74	131	79	30	0	124
			% of lines freed at the MFN level	2.0	26.2	13.9	45.3	0.9	44.9	7.0	0.0
<b>2. Average tariffs by HS product groups</b>											
704	729	HS 1-24	Agriculture	9.5	5.0	16.7	10.2	20.8	10.1	23.1	16.9
4409	4494	HS25-97	Manufacturing	7.0	6.2	8.6	4.2	11.2	4.2	16.1	8.2
<b>3. Average tariffs by ISIC sector</b>											
213	218	111	Agriculture	7.6	3.0	12.0	7.2	17.7	9.5	17.4	12.5
19	17	121	Forestry	9.6	0.3	0.3	3.6	1.6	9.5	4.8	3.7
8	8	122	Logging	2.0	0.6	0.0	0.0	2.0	0.0	6.4	1.0
49	53	130	Fisheries	13.5	1.8	8.9	6.6	13.5	9.7	18.9	11.0
4	4	210	Coal mining	8.0	1.3	1.0	0.0	0.0	0.0	0.0	2.0
3	3	220	Petroleum, Natural Gas	4.7	3.3	5.2	3.3	3.6	0.0	10.5	4.6
23	23	230	Other mining	2.0	0.1	0.0	0.0	2.0	0.0	2.4	1.0
75	73	290	Stone, salt, etc.	2.3	0.8	1.0	3.6	9.4	3.7	5.9	3.3
363	378	311	Food products	8.8	6.0	20.2	11.2	21.8	10.2	25.1	19.3
55	54	312	Other food products	10.1	4.5	17.9	9.7	16.4	8.7	21.5	15.0
24	24	313	Beverages	14.0	12.7	13.9	25.7	46.5	3.8	79.9	28.0
6	6	314	Tobacco	11.7	15.0	15.0	26.9	52.5	7.5	93.0	22.5
681	707	321	Textiles	8.8	9.8	15.5	7.9	18.0	6.8	22.9	12.5
134	134	322	Wearing Apparel	14.8	14.6	21.0	14.1	33.9	14.8	28.9	26.8

Table 4 contd.

Table 4 (contd.)

48	53	323	Leather & Products	11.3	7.1	7.3	6.2	17.4	9.8	13.3	12.7
17	17	324	Footwear	13.8	14.4	20.3	11.3	26.1	11.5	23.5	19.4
64	67	331	Wood Products	8.8	4.9	9.0	2.5	11.3	1.9	12.8	7.5
22	22	332	Furniture & fixtures	13.8	9.5	15.6	9.7	24.7	10.3	19.3	19.1
118	120	341	Paper & Products	9.2	5.1	8.3	2.9	9.1	3.4	13.0	6.8
29	29	342	Printing & Publishing	7.6	6.3	6.0	1.8	19.3	9.7	8.4	12.1
683	689	351	Industrial Chemicals	3.4	2.7	7.1	1.2	5.0	3.1	14.9	3.2
243	264	352	Other Chemicals	5.6	4.2	6.4	2.5	9.1	3.0	18.4	5.0
14	17	353	Petroleum Refineries	8.5	1.4	11.0	7.8	8.4	0.4	9.3	3.2
13	13	354	Petroleum & Coal Products	11.4	1.5	4.3	3.6	5.3	1.6	7.4	4.8
62	76	355	Rubber Products	11.8	8.7	11.7	4.3	11.6	6.8	18.3	13.1
22	22	356	Plastic Products, nec	14.0	12.6	14.7	6.4	20.9	4.0	18.3	18.7
15	15	361	Pottery, China, etc.	9.8	8.4	16.1	6.3	25.5	13.2	20.1	15.1
66	63	362	Glass & Products	9.1	8.4	11.9	5.2	11.5	9.5	15.0	10.2
83	79	369	Non-metallic Products	11.7	5.7	9.0	7.2	18.5	10.0	10.8	9.4
205	204	371	Iron & Steel	9.2	4.0	4.9	0.6	4.9	0.0	15.9	3.1
164	182	372	Non-Ferrous Metals	7.1	2.6	3.6	1.1	6.9	0.0	7.1	4.8
219	218	381	Metal Products	11.4	8.9	10.1	7.4	13.6	3.4	17.2	11.0
505	506	382	Machinery	2.7	6.1	5.9	2.9	7.1	0.9	13.3	6.4
290	288	383	Electrical Machinery	6.0	7.0	6.8	3.1	10.8	3.9	11.6	8.4
146	148	384	Transport Equipment	4.1	5.6	5.0	5.6	8.5	2.8	19.4	5.8
220	222	385	Professional Goods	6.2	5.2	5.2	1.2	9.5	4.3	11.0	5.7
207	207	390	Other industries	11.8	7.7	7.3	4.8	13.9	6.9	16.9	13.2
289	296	111-130	Agriculture	8.6	2.5	10.5	6.7	15.6	9.2	16.6	11.3
105	103	210-290	In-between	2.5	0.7	0.9	2.6	7.2	2.6	5.0	2.8
4718	4824	311-390	Manufacture	7.4	6.4	9.9	4.9	12.5	4.8	17.4	9.4
1	1	400	Electricity	2.0	0.0	0.0	0.0	0.0	0.0	6.0	1.0

Source: Messerlin and Miroudot, 2003. Trade Liberalization in South East Europe: From a Network of 23 FTAs to a Full Free Trade Area, Stability Pact. September, mimeo.

Table 5

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**Results of the trade coverage analysis with both MoU criteria**

		Free Trade Agreements	
Group I (8 FTAs)	Agreements fulfilling both 90% trade coverage criteria	BIH-CRO	
		BIH-MAC	
		BIH-MOL	
		BIH-S&M	
		BUL-CRO	
		BUL-ROM	
		MAC-S&M	
		MOL-ROM	
Group II (8 FTAs)	Agreements fulfilling only one of the two 90% trade coverage criteria	Tariff-based indicator under 90%: ROM-S&M	Import-based indicator under 90%: ALB-BIH
			ALB-MAC
			ALB-S&M
			BIH-BUL
			BIH-ROM
			CRO-MAC
			CRO-S&M
		Group III (7 FTAs)	Agreements under both 90% trade coverage criteria
ALB-CRO			
ALB-ROM			
BUL-MAC			
BUL-S&M			
CRO-ROM			
MAC-ROM			

*Source:* Messerlin and Miroudot, 2003. Trade Liberalization in South East Europe: From a Network of 23 FTAs to a Full Free Trade Area, Stability Pact. September, mimeo.

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Table 6

FTAs	Concessions in agriculture					Number of HS6 (2002) lines (for each signatory)				
	Full liberalization	Partial liberalization <sup>1</sup>	TRQs 0% within quota	TRQs preferential duty rate within quota	Maximum or preferential duty rates (without quota)	freed (incl. MFN)	TRQs 0%	TRQs pref. duty rate	Max. or pref. duty rates	
	1	2	3	4	5	6	7	8	9	10
1. ALB-BIH		X					283 / 375	-	-	-
2. ALB-BUL				X			37 / 80	51 / 78	-	-
3. ALB-CRO				X			37 / 97	68 / 54	-	-
4. ALB-MAC			X	X			305 / 376	13 / 16	-	-
5. ALB-ROM				X			39 / 75	30 / 32	-	-
6. ALB-S&M			X	X			214 / 197	51 / 50	-	-
7. BIH-BUL			X				306 / 179	-	-	-
8. BIH-CRO	X						All (729)	-	-	-
9. BIH-MAC	X						All (729)	-	-	-
10. BIH-MOL	X						All (729)	-	-	-
11. BIH-ROM			X				316 / 207	-	-	-
12. BIH-S&M	X						All (729)	-	-	-
13. BUL-CRO		X	X	X	X	X	444 / 680	1 / 2	27 / 39	145 / 145
14. BUL-MAC			X	X	X		78 / 2	24 / 22	61 / 45	-
15. BUL-ROM		X		X	X	X	448 / 453	-	11 / 12	147 / 147
16. BUL-S&M		X	X	X	X		141 / 109	71 / 71	85 / 85	-
17. CRO-MAC		X	X	X			680 / 692	42 / 28		
18. CRO-ROM			X	X	X		97 / 76	4 / 2	22 / 20	-
19. CRO-S&M		X	X	X	X	X	453 / 436	4 / 4	153 / 153	119 / 119
20. MAC-ROM			X	X	X		2 / 75	12 / 11	2 / 2	-
21. MAC-S&M	X						All (729)	-	-	-
22. MOL-ROM	X						All (729)	-	-	-
23. ROM-S&M		X		X	X		163 / 148	-	63 / 63	

Note: <sup>1</sup> 'Partial liberalization' means that a FTA liberalizes a limited number of HS lines in addition to the lines already freed at the multilateral level.

Source: Messerlin and Miroudot, 2003. Trade Liberalization in South East Europe: From a Network of 23 FTAs to a Full Free Trade Area, Stability Pact. September, mimeo.



Table 7

**The FTAs: Key provisions mentioned by the MoU, as of May 2003**

Signatories	ALB-BIH	ALB-BUL	ALB-CRO	ALB-S&M	ALB-MAC	ALB-ROM	BIH-BUL	BIH-CRO	BIH-S&M	BIH-MAC	BIH-MOL	BIH-ROM
	1	2	3	4	5	6	7	8	9	10	11	12
Year [a]	i2002	i2002	s2002	i2002	a2002	s2003	i2003	a2001	a2002	a2002	s2002	i2002
Number of words	5895	5455	5516	5561	5360	4974	6320	5685	5169	6142	5420	5856
<b>1. Non-tariff barriers</b>												
Rules of origin	15.34	23	24	25	25	15	17	16	12	24	18	17
reference to PanEur rules	yes	[b]	[b]	[b]	[b]	[b]	yes	yes	yes	yes	yes	yes
ref. to custom cooperation	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Standards (TBT)	7	8	8	9	9	9	16	8	8	8	7	16
reference to WTO	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Standards (SPS)	14	13	14	15	15	14	15	14	11	14	15	15
reference to WTO	yes	yes	--	yes	yes	yes	yes	yes	yes	yes	yes	yes
reference to EC harmoniz.	yes	yes	--	yes	yes	--	yes	yes	yes	yes	--	--
<b>2. Contingent protection</b>												
Safeguard												
specific (agriculture)	13	12	13	14	14	13	14	13	10	13	14	14
reference to WTO	--	--	--	--	--	--	--	--	--	--	--	yes
general	26,30	17,20	19,22	20,23	20,23	26,30	28.32	27,31	23,27	20,23	29	28.32
reference to WTO	--	--	--	--	--	--	--	--	yes	--	--	yes
Antidumping	25	16	18	19	19	26	27.32	26,31	22,27	19,23	28	27.32
reference to WTO	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Subsidies and CVDs	22,30	16	28,22	19	19	22,30	27.32	23,31	19,27	27,23	24,26	28.32
reference to WTO	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes

Table 7 contd.

Table 7 (contd.)

<b>3. Competition rules</b>												
Competition provisions	21,30	25	27,22	27	27	21,30	23	22,31	18,27	26	23,26	23.32
reference to EC	--	--	--	--	--	--	--	--	--	--	--	--
state monopolies	19	19	21	22	22	19	21	20	16	--	21	21
State aid	22,30	25	28,22	28	27	22,30	24,27	23,31	19,27	27,23	24,26	24.32
reference to WTO	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
reference to EC	--	--	--	--	--	--	--	--	--	--	--	--
<b>4. Behind the border agenda</b>												
Public procurement	23	28	31	31	30	23	25	24	20	28	25	25
liberalization	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
reference to WTO	yes	yes	yes	yes	yes	--	yes	yes	yes	yes	--	--
Services	33	32	32	32	31	32	37	36	31	--	--	34
liberalization	yes	yes	yes	yes	yes	yes	yes	yes	yes	--	--	yes
reference to WTO	yes	yes	yes	yes	yes	yes	yes	yes	yes	--	--	yes
reference to EC	--	--	--	--	--	--	--	--	--	--	--	yes
TRIPs	24	27	30	30	29	24	26	25	21	30	27	26
reference to WTO	yes	yes	yes	yes	yes	yes	yes	--	--	yes	yes	yes

Source: Messerlin and Miroudot, 2003. Trade Liberalization in South East Europe: From a Network of 23 FTAs to a Full Free Trade Area, Stability Pact. September, mimeo.

Table 7 (end)

**The FTAs: Key provisions mentioned by the MoU, as of May 2003**

Signatories	BUL-S&M	BUL-ROM	BUL-CRO	BUL-MAC	CRO-S&M	CRO-MAC	CRO-ROM	S&M-MAC	S&M-ROM	MAC-ROM	MOL-ROM
	13	14 [*]	15	16	17	18	19 [*]	20	21	22	23
Year [a]	i2003		a2002	a2000	s2002	a1997	a2003	a1996	s2003	s2003	a1994
Number of words	5690	1466	5480	5565	5006	5142		2674	5117	5099	3531
<b>1. Non-tariff barriers</b>											
Rules of origin	16	--	15	25	15	15	--	10	15	16	9
reference to PanEur rules	--	--	--	[b]	--	[b]	--	--	--	[b]	[b]
ref. to custom cooperation	--	--	yes	yes	yes	yes	--	--	yes	yes	yes
Standards (TBT)	10	--	9	10	--	9	--	8	9	10	--
reference to WTO	yes	--	yes	yes	--	--	--	--	yes	yes	--
Standards (SPS)	15	--	14	15	14	14	--	9	14	15	11
reference to WTO	--	--	--	yes	--	--	--	--	yes	yes	--
reference to EC harmoniz.	--	--	--	yes	--	--	--	--	--	--	--
<b>2. Contingent protection</b>											
Safeguard											
specific (agriculture)	14	--	13	14	13	13	--	--	13	14	--
reference to WTO	--	--	--	--	--	--	--	--	--	--	--
general	27,31	--	26,30	20,23	26,29	26,30	--	17,19	26,3	27,31	21,25
reference to WTO	--	--	--	--	--	--	--	--	--	--	--
Antidumping	26,31	--	25,30	19,23	25,29	25,30	--	16,19	25,30	26,31	20,25
reference to WTO	yes	--	yes	yes	yes	yes	--	--	yes	yes	--
Subsidies and CVDs	--	--	22,30	27,23	--	--	--	16,19	--	23,31	17,25
reference to WTO	--	--	yes	yes	--	--	--	yes	--	yes	--

Table 7 contd.

Table 7 (contd.)

<b>3. Competition rules</b>											
Competition provisions	22.31	--	21,30	27,23	21.29	21,31	--	--	21.3	22,31	16
reference to EC	--	--	--	--	--	--	--	--	--	--	--
state monopolies	20	--	19	22	19	19	--	--	19	20	14
State aid	23.31	--	22,30	27,23	22.29	22,31	--	16,19	22,30	23,31	17,25
reference to WTO	--	--	yes	yes	yes	yes	--	--	yes	yes	--
reference to EC	--	--	--	--	--	--	--	--	--	--	--
<b>4. Behind the border agenda</b>											
Public procurement	24	--	23	30	23	23	--	--	23	24	18
liberalization	yes	--	yes	yes	yes	yes	--	--	yes	yes	yes
reference to WTO	yes	--	yes	yes	--	yes	--	--	--	--	--
Services	36	--	35	--	34	--	--	--	32	33	--
liberalization	yes	--	yes	--	yes	--	--	--	yes	yes	--
reference to WTO	yes	--	yes	--	yes	--	--	--	yes	yes	--
reference to EC	--	--	--	--	yes	--	--	--	yes	--	--
TRIPs	25	--	24	29	24	24	--	14	24	25	19
reference to WTO	yes	--	yes	yes	yes	--	--	--	yes	yes	--

Sources: The Free trade agreements. Note [\*] The BUL-ROM and CRO-ROM agreements are the accession treaties of Bulgaria and Croatia to CEFTA.

Notes: [a] i=initialled, s=signed, a=applied. [b] These provisions are included in the protocols.

Source: Messerlin and Miroudot, 2003. Trade Liberalization in South East Europe: From a Network of 23 FTAs to a Full Free Trade Area, Stability Pact. September, mimeo.