

## **Macedonian economy continues its trade liberalization in 2012**

### **SEVERE COMPETITION IN THE MARKETS,**

### **COMPETITIVENESS THE MOST POWERFUL “WEAPON”**

In the Republic of Macedonia the average reduction of tariffs is by 2.4% - (Law on Customs Tariff for 2012, Official Gazette of RM No.183/2011). Customs duties on more goods from January 1<sup>st</sup>, 2012 are falling from 8.9% to 6.5%. Reduction is in line with the undertaken obligations from the Protocol of Accession of the Republic of Macedonia to the World Trade Organization and is also the last cut in this regard. There is reduction in liquid soaps, surface active agents, detergents and some plastic products such as tubes, foils, floor plastic coverings, etc. Reduced are tariffs to hundreds of products to support the industry as the abolition of customs rates of a larger group of goods above all the seedlings and seeds for agriculture and raw materials for food industry. Among them is reducing tariffs on white sugar from 30% to 5%.

Free Trade Area with EU- the Stabilization and Association Agreement between the Republic of Macedonia and EU (Official Gazette of RM No. 39/2001 and the Official Journal of EC, L124/2001) means a full, symmetric liberalization of trade in relation to industrial products and agricultural food products, with the exception of the most sensitive food products which are further protected through a system of quantitative restrictions – quotas, or reducing of current tariff rate on imports from the Community. Protocol to the Stabilization and Association Agreement between the EC and the Republic of Macedonia (Official Gazette of RM No. 122/2007 or Official Journal of EU, L 99/2008) regulates the rates of protection.

Within the process of stabilization and association the European Commission in October approved the continuation of Specific trade measures for the Western Balkans countries which are in that process that means duty-free access to EU markets for almost all goods (preferential list OJ L 122/2008), including exemption from the other duties with the character of the customs burden. This decision is published in the Official Journal of EU L 324, with validity until 31<sup>st</sup> December 2016. It will have a reciprocal application for the period of January 1<sup>st</sup> 2010 to 30<sup>th</sup> November, 2011. The European Commission may continue to suspend special trade measures on imports of agricultural products and fish and its preparations if it seriously disrupt the EU marketplace.

CEFTA – free trade area and the possibility of diagonal cumulation with Turkey, the EU and EFTA – the Central European Free Trade Agreement (CEFTA 2006), called CEFTA 2006 is in force from 22.11.2007 (Official Gazette of RM No. 69/2007) and establishes free trade area with industrial products and within the agricultural concessions between the signatory countries: Macedonia, Albania, Bosnia and Herzegovina, Croatia, Moldova, Montenegro and UNMIK for the territory of Kosovo. Last year Macedonia ended the

liberalization of agricultural products with Albania and Croatia and of industrial products with Moldova.

Within CEFTA in implementation is a free trade area between Macedonia, Serbia, Montenegro, Albania, Turkey and the EU through the diagonal cumulation of origin. CEFTA allows diagonal cumulation of origin between signatory-countries of CEFTA and EU within the scope of the trade liberalization with the EU in each country but within the intra-regional trade.

CEFTA Agreement despite the trade liberalization of goods, for the first time opens up space for increased cooperation among its members in the following areas: trade with services, public procurement, investments and intellectual property protection.

Within CEFTA from January 1<sup>st</sup>, 2012 enables diagonal cumulation of origin between EFTA (Island, Norway, Switzerland and Liechtenstein) Macedonia, Serbia, Croatia and Albania (Official Gazette of RM No.184/2011).

Free Trade Area with the Republic of Turkey – Free Trade Agreement between the Republic of Macedonia and the Republic of Turkey are applied from September 1<sup>st</sup>, 2000 (Official Gazette of RM No.83/99) and with this country in application is a free trade, except for agricultural products, and for some of them are applied reciprocal agricultural concessions. It is still in force the banning imports of poultry meat from Turkey. With the Republic of Turkey together with Albania, Serbia and Montenegro in Macedonia is in application the diagonal cumulation of origin with EU, except for coal, steel and steel products and agricultural products.

Free Trade Area with Ukraine – Free Trade Agreement between Republic of Macedonia and Ukraine is a legal framework regulating the bilateral trade cooperation between the two countries, and is applied from 10<sup>th</sup> September, 2001 (Official Gazette of RM No. 53/2001). Since 2007 in application is complete liberalization of industrial products, and for certain agricultural products in application are agricultural concessions.

Free Trade Area with EFTA in 2012 – Multilateral agreement signed between the Republic of Macedonia and the Swiss Confederation, the Kingdom of Norway, the Republic of Island and Principality of Liechtenstein (Official Gazette of RM No. 89/2001, from January 1<sup>st</sup>, 2012 establishes a symmetric trade liberalization with industrial and agricultural and food products – the exchange in both directions will be conducted free of duty. CEFTA enables from January 1<sup>st</sup>, 2012 diagonal cumulation of origin between Macedonia, Serbia, Croatia, Albania and the EFTA.

Iceland has a status of a candidate country for membership in EU and is negotiating with the EU since June 2010.

The accession of the Russian Federation to the World Trade Organization - gradual reduction of tariff rates ranging from 2012 to 2020. The Russian Federation is obliged to ratify the document of accession to the WTO in June 2012. This will begin the process of gradually reducing of tariff rates. For more than a third of the products the reduction will be performed immediately upon ratification and a quarter of the products within 3 years. The obligation is the average tariff rate for agricultural products to be 10.8% instead of the

current 13.2%, while the industrial products to 7.3% instead of the current 9.5%. After the full implementation of commitments the average tariff rate for certain groups of products will be:

- 14.9% for dairy products (current average tariff rate is 19.8%)
- 10.0% for cereals (current average tariff rate is 15.1%)
- 7.1% for oil seeds, fats and edible oils (current average tariff rate is 9.0%)
- 0.018 € to 2018 per liter of beer (current average tariff rate is 0.6 € per liter)
- 12.5% for wine to 2016 (current average tariff rate is 20%)
- Spirits 1.4 € per liter to 2015 (current average tariff rate is 2 € per liter)
- 30% for cigarettes, but not less than 2 € for 1000 pieces to 2015 (now is 3 € for 1000 pieces)
- 5% for other tobacco products
- 5.2% for chemical products (current average tariff rate is 6.5%)
- 12.0% for cars (current average tariff rate is 15.5%)
- 6.2% for products from electronic and metal processing industry (current average tariff rate is 8.4%)
- 8.0% for wood and paper (current average tariff rate is 13.4%)
- 0% for cotton
- 0% for IT products (current average tariff rate is 5.4%)

The longest period for reduction of tariff rates will be for pork meat 8 years and 7 years for vehicles, helicopters and planes. Some products will have lower duties within the tariff quotas, but also in regard to certain countries:

- For beef 15% (out of quota 55%)
- For swine 0% (out of quota 65%). The quota will be abolished on January 1<sup>st</sup>, 2020 at flat rate of 25%
- For a selected poultry products 25% (out of quota 80%)
- For products from whey 10% (out of quota 15%)

Russian Federation in 2012 in relation to the Republic of Macedonia will continue to apply a reduced tariff rate of 25% for products from the preferential list of products within the Generalized System of Preferences (GSP).

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Foreign trade exchange of RM based on Free Trade Agreements

1-10, 2011

000 US \$

|                 | EXPORT IN US\$   | STRUCTURE   | IMPORT IN US\$   | STRUCTURE   | TOTAL IN US\$    | STRUCTURE   |
|-----------------|------------------|-------------|------------------|-------------|------------------|-------------|
| <b>TOTAL RM</b> | <b>3 705 780</b> | <b>100</b>  | <b>5 763 655</b> | <b>100</b>  | <b>9 469 435</b> | <b>100</b>  |
| <b>COUNTRY</b>  |                  |             |                  |             |                  |             |
| <b>EU 27</b>    | 2. 257 578       | 60,9        | 3 .165 956       | 54,9        | 5.423 534        | 56,7        |
| <b>EFTA</b>     | 27 781           | 0,7         | 144 070          | 2,5         | 171 851          | 1,8         |
| <b>CEFTA</b>    | 1 028 845        | 27,8        | 656 138          | 11,4        | 1684983          | 17,8        |
| <b>TURKEY</b>   | 60 .212          | 1,6         | 280.572          | 4,9         | 340,.784         | 3,6         |
| <b>UKRAINE</b>  | 87.620           | 2,4         | 146 .312         | 2,5         | 233,.933         | 2,5         |
| <b>TOTAL</b>    | <b>3.462 036</b> | <b>93,4</b> | <b>4.393 048</b> | <b>76,2</b> | <b>7.855 084</b> | <b>82,9</b> |