

HOW TO IMPROVE BILATERAL TRADE BETWEEN WESTERN BALKAN COUNTRIES BY APPLYING DIGITAL AND SUSTAINABLE TRADE FACILITATION MEASURES

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EXTENDED ABSTRACT

Purpose The purpose of this paper is to give a detailed insight into the digital and sustainable trade component of trade facilitation measures that the Western Balkan Countries can apply to enhance their mutual trade. The analysis in this paper is based on previous research conducted on a set of measures derived by the UN Global Survey on Digital and Sustainable Trade in 2023 (UN ESCAP, 2023). The UN Global Survey makes available five sets of around sixty trade facilitation measures grouped into transparency, formalities, institutional arrangements and cooperation, paperless trade, and cross-border paperless trade (UN, 2023). A gravity model in trade was applied and the results have shown that for improving trade among the Western Balkans countries the biggest importance and significance have the trade facilitation measures connected to transparency and formalities. The measures from the set: institutional arrangements and cooperation are also significant but with a negative sign. Also, significant but with a lower level (on a 10% significance) are the measures from cross-border paperless trade. The measures grouped in paperless trade have resulted in being insignificant in improving bilateral trade among the Western Balkans countries (Toshevska-Trpchevska *et al.*, 2024). Our goal in this analysis would be to make an in-depth analysis of the reasons for the importance and significance of the specified trade facilitation measures.

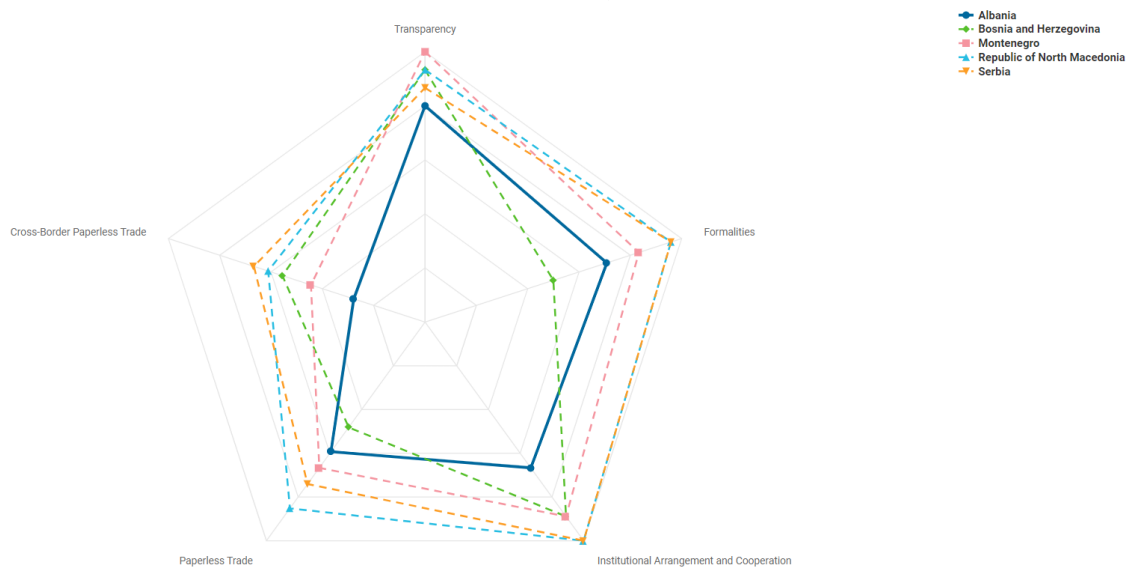
Additionally, we plan to make a sectoral analysis of the importance of digital and sustainable trade facilitation measures for improving bilateral trade among the Western Balkan countries. The results from the gravity model analysis have shown that digital and sustainable trade facilitation measures, especially measures on transparency and formalities are important for improving trade of the following groups of products: animal products, vegetable products, animal and vegetable bi-products, and foodstuffs; animal hides, wood products, paper goods, textiles, and footwear and headwear; machines, transportation, instruments, and weapons; and chemical products and plastics, and rubber. This sectoral analysis of the importance of trade facilitation measures confirms the sectoral structure of trade among these countries. We plan to make an in-depth analysis of the constraints and barriers that this sectoral group of products faces in bilateral trade.

Western Balkans economies are all members of regional trade integration created by the revised central European Free Trade Agreement from 2006 (CEFTA 2006), including the Republic of

Moldova. Since some of them are not members of the World Trade Organization (WTO) and have not ratified the Trade Facilitation Agreement, CEFTA 2006 concluded its own Trade Facilitation Act – Additional Protocol 5. This Protocol goes even beyond TFA with the trade facilitation measures applied. The three countries from the region are members of subregional trade integration - Open Balkan, Albania, Macedonia, and Serbia and apply some specific trade facilitation measures, that will be addressed in the paper.

Design/methodology/approach In this analysis we plan to base the research on interpreting results done with a gravity model and present the results from the sectoral analysis. We will also graphically present the comparative results of the digital and sustainable trade facilitation scores of the separate Western Balkan countries that are analysed.

Figure 1: Comparison of trade facilitation and paperless trade implementation of Western Balkan economies, 2023



(Source: <https://www.untfsurvey.org/compare-economies?id=ALB&year=2023&op=2&countries=BIH%2CMNE%2CMKD%2CSR&measures=default>)

For example, Figure 1 provides a graphical comparison of the Digital and Sustainable trade facilitation measures implemented by the separate Western Balkan countries in 2023. Additionally, in Table 1 the separate scores of the five sets of digital and trade facilitation measures are presented between the Western Balkans countries. This data provides us with insights into the level of implementation of different sets of digital and sustainable trade facilitation measures between the countries. For example, it is visible that Albania has the lowest score on the implementation of cross-border paperless trade and further research could be done on the reasons for this.

Table 1: Western Balkans TFScores 2023

Country	ALB	BIH	MNE	MKD	SRB
TFScore	60.22%	61.29%	74.19%	86.02%	82.80%
Transparency	80%	93.33%	100.00%	93.33%	86.67%
Formalities	70.83%	50.00%	83.33%	95.83%	95.83%
Inst.arrangements&coop.	66.67%	88.89%	88.89%	100.00%	100.00%
Paperless trade	59.26%	48.15%	66.67%	85.19%	74.07%
Cross-border paperless	27.78%	55.56%	44.44%	61.11%	66.67%

(Source: Authors calculation from data available on <https://www.untfsurvey.org/>)

Findings The main findings of our analysis are connected to the in-depth analysis of the reasons for the significance of the measures of transparency and formalities and identifying the possible improvements in this sphere that could be done by the trade policy creators of Western Balkans countries. With our analysis, we plan to identify the bottlenecks that exist for improving the transparency of the trading procedures and harmonizing and facilitating the formalities in the trade among these countries. We also plan to identify the reasons for the significance but with negative signs of the measures connected to institutional arrangements and cooperation. Additionally, we plan to investigate the level of implementation of paperless trade measures in these countries as they appear to be insignificant for improving bilateral trade, but at the same time, these are the measures that can be directly identified as digital trade facilitation measures and present the important digital component for enabling sustainable trade nowadays (WTO,2023).

Originality/value This analysis is a result of a collaboration that came out from a research grant funded by the Western Balkan FUND project titled “Digital and Sustainable Trade Facilitation in Western Balkans Countries” under protocol number PN: MO-4-024. For this analysis, five Western Balkan countries have been included: Albania, Bosnia & Herzegovina, Macedonia, Montenegro, and Serbia. Kosovo was not included due to a lack of data in the UN Global Survey on Digital and Sustainable Trade Facilitation. The originality of this paper comes from the fact the digital and sustainable concept in international trade is a relatively new concept that derived and has been promoted by international organizations, like the United Nations Conference on Climate Change and the World Trade Organization in the last 2 years, after the Covid-19 Pandemic (UN, 2023; UN ESCAP, 2023). We believe that it is of utmost importance to investigate the possibility of applying digital and sustainable trade in the region of Western Balkans countries. That’s why we think that this analysis is valuable. We will try to precisely identify the specific measures that could be undertaken in the field to harmonize the trading formalities and to improve the transparency in the trading procedures among these countries. We suppose that the findings from our research could be suitable as future solutions that can be applied by the trade policy creators.

Taking into consideration that to our knowledge only the previously cited published paper deals with modeling the digital and sustainable component of bilateral trade between the Western Balkan countries, this analysis will provide original detailed findings on this issue. We believe that it is important to investigate the trade facilitation measures of Western Balkans countries because these countries have long been striving to become members of the European Union and continuously apply different trade tools, measures, and agreements to integrate and strengthen their position on the international trade scene (Mojsovska and Bjelic, 2022; Markovic *et al.*, 2021).

Keywords: *Bilateral Trade, Digital and Sustainable Trade Facilitation Measures, UN Global Survey on Digital and Sustainable Trade, Western Balkans Countries.*

JEL classification: *F10; F14; C23.*

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