

# WESTERN BALKANS TARIFF SYSTEMS ON NON-AGRICULTURAL PRODUCTS

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## Abstract

The multilateral trade regime remains very attractive to existing and prospective members. The WTO provides a set of rules, safeguards, and various mechanisms for the conduct of international trade in goods and services. It is even more useful for small countries, for which multilateral, rule-bound negotiations would be much preferable to bilateral negotiations in which bigger countries would have the upper hand.

One of the most important principles of the WTO is non-discrimination principle, and those principles include: the principle of most-favored nation (MFN principle) and principle of national treatment. These principles are also the core principles of the multilateral system in all agreements within the WTO.

"MFN" treatment requires Members to accord the most favorable tariff and regulatory treatment given to the product of any one Member at the time of import or export of "like products" of all other Members, is one of the bedrock principles of the WTO. Under the Most-Favored-Nation rule, should WTO Member state A agree in negotiations with state B, which needs not be a WTO Member, to reduce the tariff on the same product X to five percent, this same "tariff rate" must also apply to all other WTO Members as well. In other words, if a country gives favorable treatment to one country regarding a particular issue, it must handle all Members equally regarding the same issue.

The main aim of this paper is to analyze the characteristics of the tariff systems for nonagricultural goods in the countries of Western Balkan (with the exception of Kosovo) and EU, which influence on trade.

**Key words:** *Western Balkans, tariff profile, MFN, WTO*

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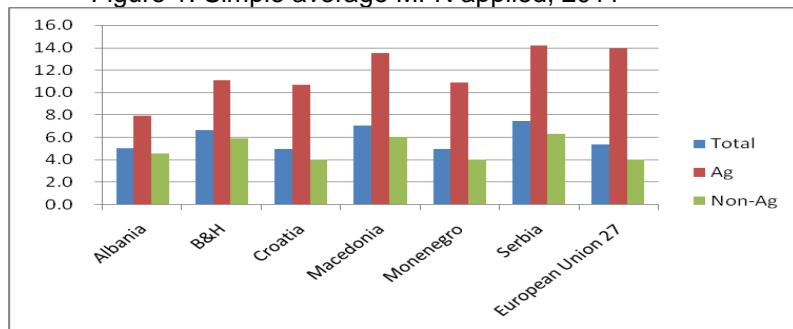
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## Introduction

Western Balkans region is comprised of a diverse group of countries not only in terms of their macroeconomic performances but also in their trade policies. Within the region, Albania (2000), Croatia (2000), Macedonia (2003), Montenegro (2012) are members of the WTO. Bosnia and Herzegovina started negotiations in 1999 and it is at an advanced stage whereas Serbia and Montenegro both applied in 2004.

Simple average applied MFN rates in Albania in non-agricultural goods are 4.5 percent, in Croatia 4 percent, and Macedonia applies 6 percent compared to the EU's average rate of 4 percent (2011). Bosnia and Herzegovina has simple average MFN applied rate 5.9 percent, compared to 4 percent in Montenegro and 6.3 percent in Serbia. Although simple averages are comparable to EU's rates for some countries in the region, a more detailed examination of the distribution of tariffs over tariff lines reveals differences (Table 1).

Figure 1: Simple average MFN applied, 2011



Source: WTO tariff profile 2011

The table below presents the percent of tariff lines that are duty free in the first column followed by the share of tariff lines in increasing range, i.e. 0-5 percent, 5-10 percent, 10-15 percent and 15-25 percent.

Table 1: MFN applied tariff profiles of the Western Balkans and the EU, non agricultural goods (% of tariff lines), 2011

Frequency distribution	Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100	NAV
	Tariff lines and import values (in %)								in %
Albania	43.9	21.8	18.5	15.8	0	0	0	0	0
Bosnia	30.1	30.6	30.2	9	0	0	0	0	0.1
Croatia	52.6	15.7	20.5	10.9	0.3	0	0	0	0
Macedonia	41.3	17.8	18	14.4	8.4	0	0	0	0.1
Montenegro	2.2	74.8	20.5	1.7	0.7	0.2	0	0	0
Serbia	1.1	61.5	23.9	4.5	8.6	0.4	0	0	0
European Union 27	26.7	38.6	27.1	6.7	0.9	0	0	0	0.6

Source: WTO tariff profile 2011

In comparison to the EU, Croatia and Albania have more tariff lines that are duty free. In contrast, Serbia and Montenegro have only 1.1 and 2.2 percent of tariff lines that are duty-free respectively. The smallest percent EU has in the tariff range of 15-25 only 0.9 percent tariff lines, Macedonia in the tariff range of 15-25 (8.4%), Croatia only 0.3% tariff lines in the tariff range of 15-25% etc.

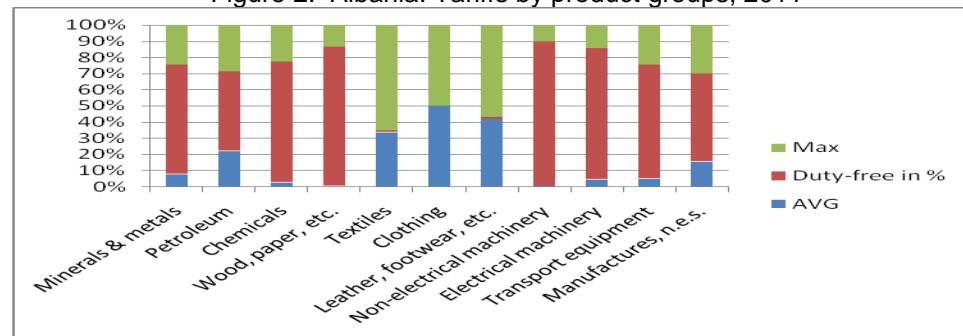
In the tariff range of 15-25 range (0.9% tariff lines) EU has smallest percent; this is where Serbia and Macedonia begin to differ. In the tariff range of 10-15 percent EU has 6.7% tariff lines and this is where the countries within region begin to differ, with the exception of Montenegro and Serbia.

## Protected Products categories

### ➤ Albania

The figure below shows which product categories are more protected in Albania.

Figure 2: Albania: Tariffs by product groups, 2011

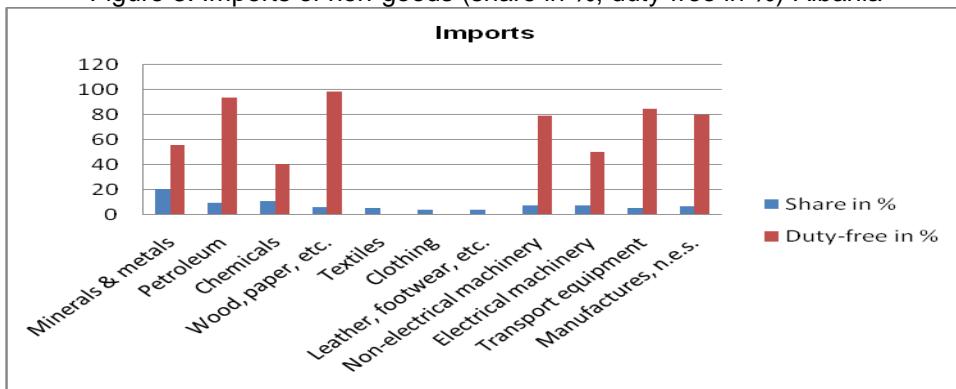


Source: WTO tariff profile 2011

Clothing, leather, footwear, etc. and leather, footwear, etc. are the most protected sectors where the average MFN rate for clothing is 15 percent and 11 percent for leather, footwear, etc. with no lines that are duty-free for clothing and 0.3 percent of tariff lines duty free for leather, footwear, etc. Manufactures n.e.s. have average MFN applied duties of 7.8 percent with 27.3 percent of tariff lines duty-free. Petroleum is also a protected sector with 7.7 percent average MFN (with maximum of 10 percent) with 17.1% of tariff lines duty-free. Actually we can see that all product categories have tariff peaks ranging between 10 and 15 percent.

Figure 3 shows share of products groups and duty free in imports (%).

Figure 3: Imports of non-goods (share in %, duty-free in %)-Albania



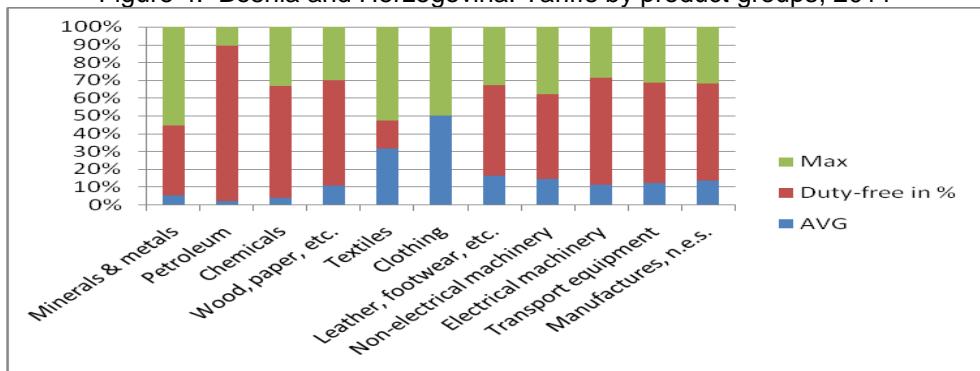
Source: WTO tariff profile 2011

Those products that have a lower average MFN tariff constitute a larger percent of total imports: chemicals, wood, paper, etc., non-electrical and transport equipment. In the case of Albania average MFN tariff of chemicals is 1.7 and share of import is 10.5.

#### ➤ **Bosnia and Herzegovina**

The figure below shows which product categories are more protected in Bosnia and Herzegovina.

Figure 4: Bosnia and Herzegovina: Tariffs by product groups, 2011



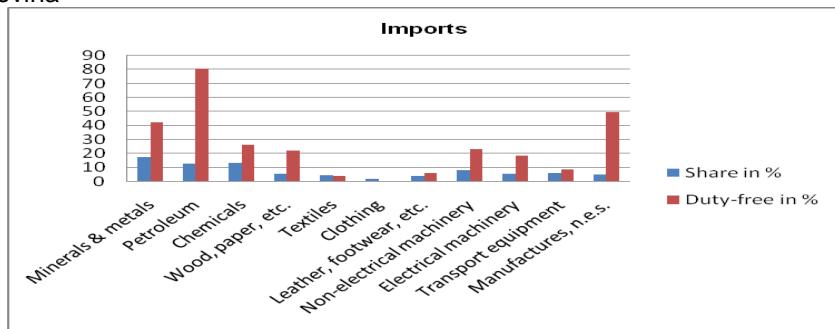
Source: WTO tariff profile 2011

In Bosnia and Herzegovina, with the exception of petroleum and chemicals, high tariff rates are pervasive in all product categories. By far the most protected products are textiles and clothing. Besides these two product categories average MFN rates range between 4.9 percent in minerals and metals to 7.4 in leather, footwear, etc..., with a tariff peak of 52 percent in

minerals and metals. From the figure we can see that all product categories have tariff peaks ranging between 10 and 52 percent.

Figure 5 shows share of products groups and duty free in imports of Bosnia and Herzegovina (%):

Figure 5: Imports of non-goods (share in %, duty-free in %)-Bosnia and Herzegovina



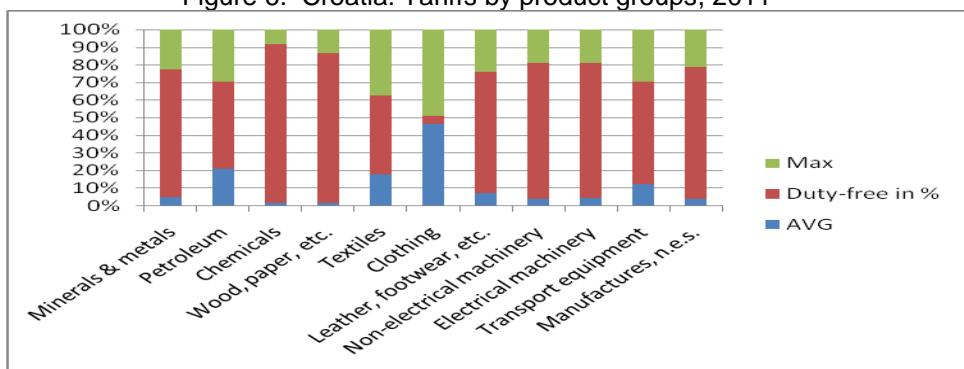
Source: WTO tariff profile 2011

A lower average MFN tariff constitutes a larger percent of total imports – example petroleum average MFN tariff is 1.8 and the import share is 12.7%. In Bosnia and Herzegovina we have same situation as Albania, in product group of mineral and metals as we can see average MFN tariff is 4.8 (not the lowest tariff but highest share of import) and share of import is 20.2.

### ➤ *Croatia*

The figure below shows which product categories are more protected in Croatia.

Figure 6: Croatia: Tariffs by product groups, 2011



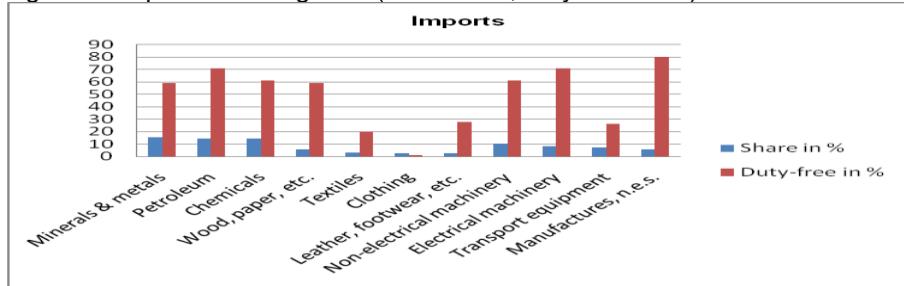
Source: WTO tariff profile 2011

The most protected sectors in Croatia are clothing 13.3% and petroleum 9.8% with 1.4% of tariff lines duty-free for clothing and 57.4% of petroleum. Chemicals, wood, paper, etc., non-electrical and electrical

machinery, manufactures, n.e.s. and minerals and metals are imported mostly in duty-free lines.

Figure 7 shows share of products groups and duty free in imports of Croatia (%):

Figure 7: Imports of non-goods (share in %, duty-free in %) - Croatia



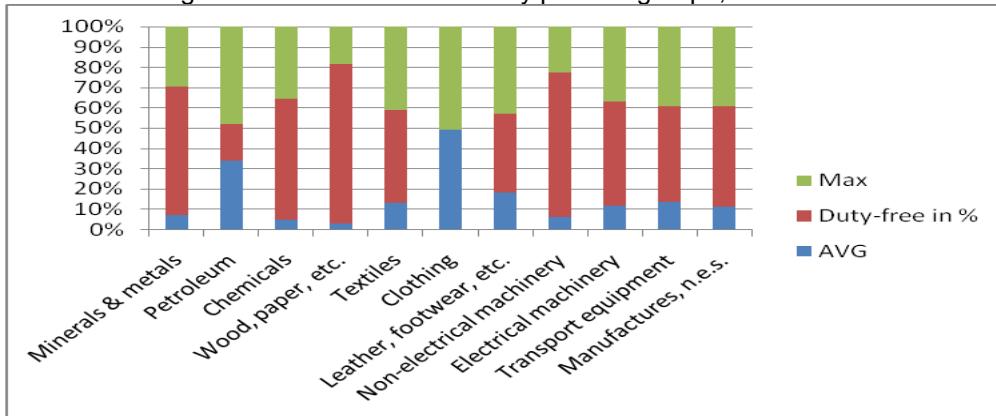
Source: WTO tariff profile 2011

A lower average MFN tariff constitutes a larger percent of total imports – example average MFN tariff of Chemicals is 1.3 and the import share is 14.4%.

### ➤ Macedonia

The figure 8 below shows which product categories are more protected in Macedonia:

Figure 8: Macedonia: Tariffs by product groups, 2011

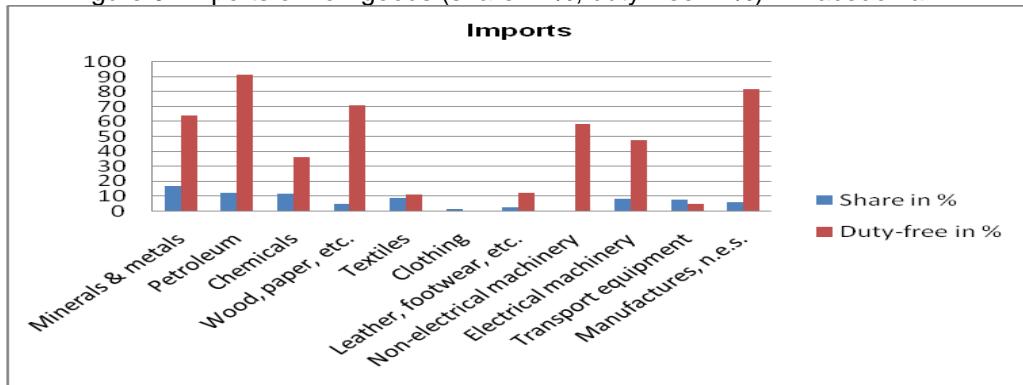


Source: WTO tariff profile 2011

The average MFN rate in clothing is 17.5 percent with no lines duty-free. Petroleum, leather, footwear, etc., are also highly protected. The only product categories that have low tariffs on average are chemicals and wood, paper, etc...

All product categories have tariff peaks ranging between 16 and 25 percent. Figure 9 shows share of products groups and duty free in imports of Macedonia (%):

Figure 9: Imports of non-goods (share in %, duty-free in %) – Macedonia



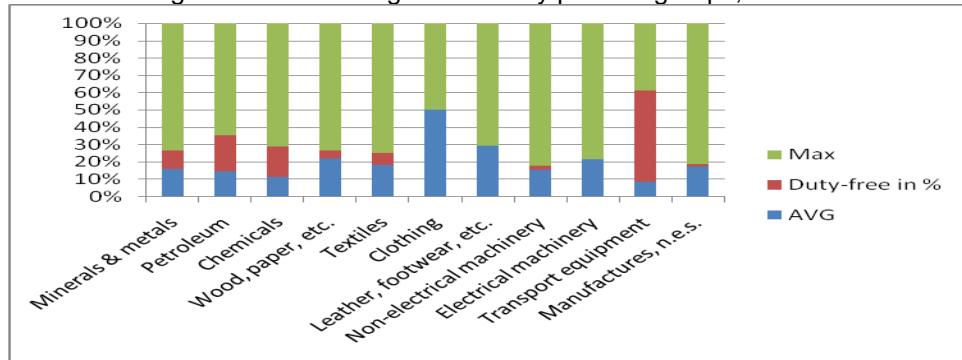
Source: WTO tariff profile 2011

A lower average MFN tariff constitutes a larger percent of total imports – example average MFN tariff of Chemicals is 3.2 and the import share is 11.6%.

#### ➤ Montenegro

The Figure 10 below shows which product categories are more protected in Montenegro:

Figure 10: Montenegro: Tariffs by product groups, 2011

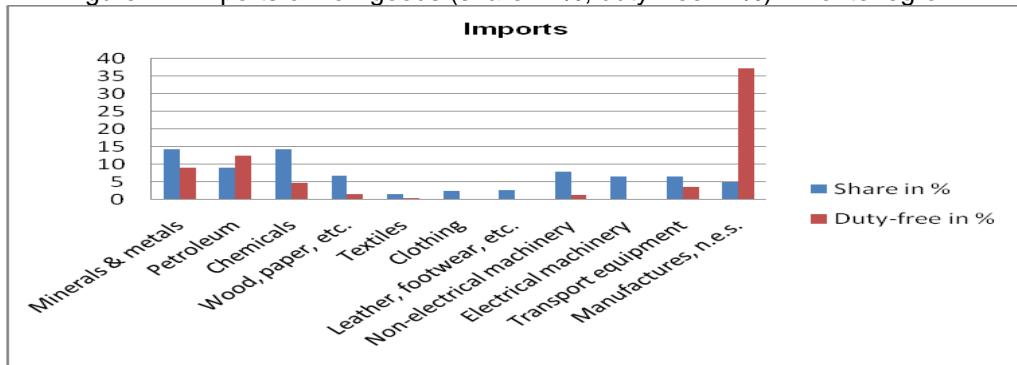


Source: WTO tariff profile 2011

Tariff peaks are highest in manufactures, nes. (25 percent) and mineral and metals (20 percent) but on average only 5.2 and 4.3 percent respectively. Clothing is the most protected product category, and leather, footwear, etc. to a lesser extent. Unlike others, average MFN rates for textiles are only 3.6 percent. All product categories have tariff peaks ranging between 7 and 20 percent.

Figure 11 shows share of products groups and duty free in imports of Montenegro (%):

Figure 11: Imports of non-goods (share in %, duty-free in %) - Montenegro



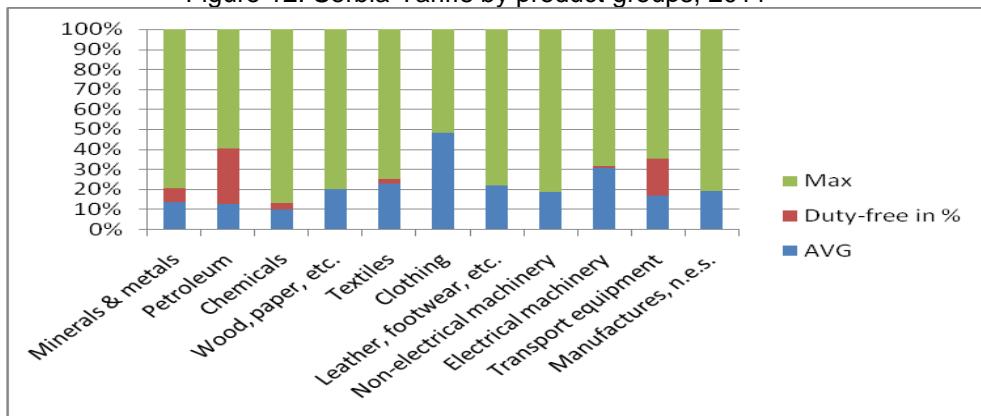
Source: WTO tariff profile 2011

A lower average MFN tariff constitutes a larger percent of total imports – example average MFN tariff of Chemicals is 2.3 and the import share is 14.1%.

#### ➤ Serbia

The Figure 12 below shows which product categories are more protected in Serbia:

Figure 12: Serbia-Tariffs by product groups, 2011

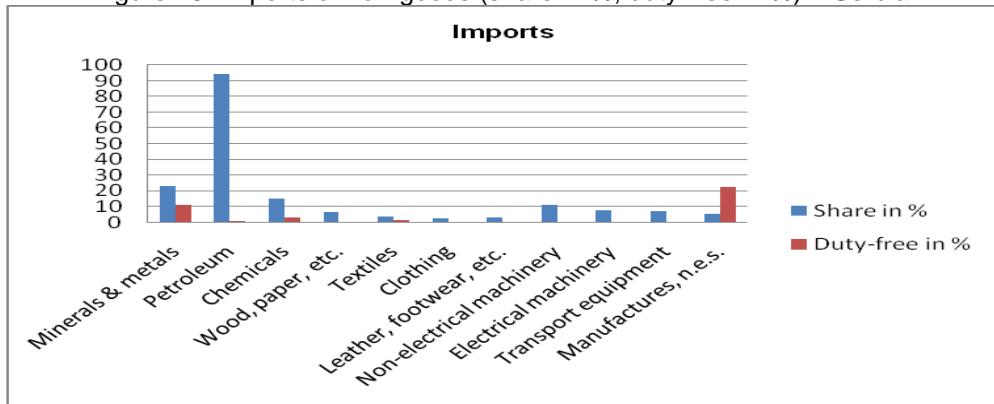


Source: WTO tariff profile 2011

Serbia has clothing as its most protected sectors. Besides these average MFN rates of wood, paper, etc., is 9.1 percent. Average MFN rate of petroleum is lowest only 2.1%. All product categories have tariff peaks ranging between 10 and 30 percent.

Figure 13 shows share of products groups and duty free in imports of Serbia (%).

Figure 13: Imports of non-goods (share in %, duty-free in %) – Serbia



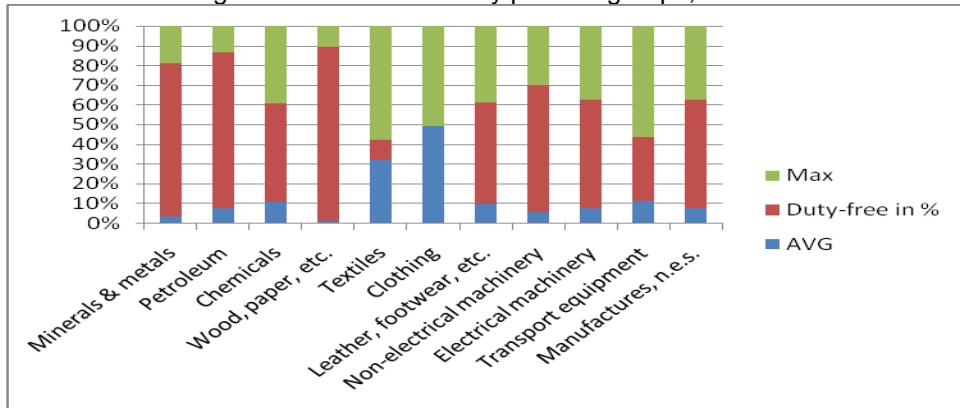
Source: WTO tariff profile 2011

A lower average MFN tariff constitutes a larger percent of total imports – example average MFN tariff of Chemicals is 3.3 and the import share is 14.6%.

#### ➤ European Union 27

The Figure 14 below shows which product categories are more protected in EU27:

Figure 14: EU27-Tariffs by product groups, 2011

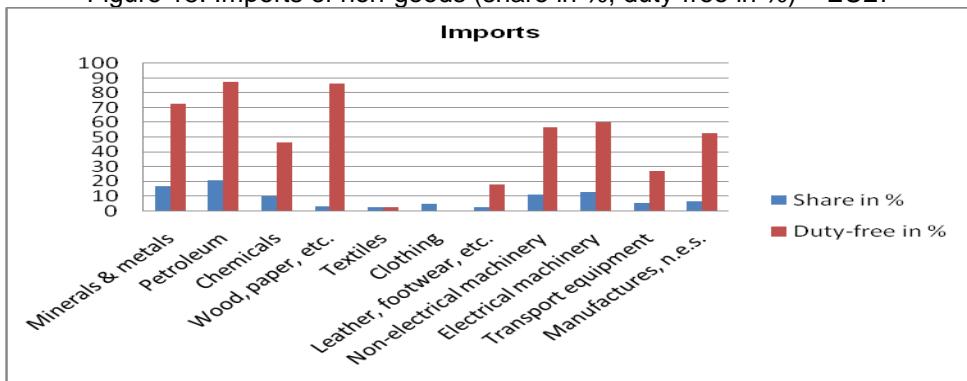


Source: WTO tariff profile 2011

From the figure we can see that clothing is the most protected sector where for example the average MFN rate for clothing is 11 percent, with no lines that are duty-free. Although average MFN for textile is 6.6, there is a tariff pick of 12 percent in this sector all product categories have tariff peaks ranging between 5 and 22 percent.

Figure 15 shows share of products groups and duty free in imports of Serbia (%).

Figure 15: Imports of non-goods (share in %, duty-free in %) – EU27



Source: WTO tariff profile 2011

A lower average MFN tariff constitutes a larger percent of total imports – example average MFN tariff of Petroleum is 2.7 and the import share is 20.3%.

## Conclusion

From analyzed tariff profiles of the Western Balkans can be seen that the chemicals have the lowest average tariff rate on imports and the largest share in the structure of import countries.

Analysis of the customs system of the Republic of Macedonia for 2011 indicates that there is the highest protective tariff on imports of oil compared to other countries in the Western Balkans, which is a consequence of the agreement with the strategic investor in the refinery OKTA.

In spite of the fact that Serbia and Bosnia and Herzegovina are not yet members of the WTO, average tariff rate on imports of certain products that dominate in the import structure, as example Chemicals, are ranging approximately in the same framework as the other members of the WTO.

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