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NON-TARIFF BARRIERS AND THEIR IMPACT ON TRADE FLOWS WITHIN CEFTA 2006: THE CASE STUDY OF BOSNIA AND HERZEGOVINA

The key objective of this paper is to explore the non-tariff barriers influence on trading flows among the countries within CEFTA 2006. Bosnia and Herzegovina as a member of CEFTA 2006 tries to reach a better economic position and accelerates its integration towards the EU. On the path to trade liberalization the members cancelled tariffs and quotes in their relationships, while they continued to use non-tariff barriers at large extent. The paper intends to describe the role and trade position of Bosnia and Herzegovina within CEFTA 2006, concluding that B&H achieved enviable economic results in strength of trading flows and competitiveness. The authors argue that the position of Bosnia and Herzegovina could be better within CEFTA 2006 if the country members eliminate invisible tariffs, or if Bosnia and Herzegovina would be more active in its reforms conduction in the field of annulling non-tariff barriers.

Keywords: barriers; administrative measures; trade liberalization; CEFTA 2006.

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ВПЛИВ ПОЗАТАРИФНИХ БАР'ЄРІВ НА ТОРГІВЛЮ ВСЕРЕДИНИ CEFTA 2006: НА ПРИКЛАДІ БОСНІЇ ТА ГЕРЦЕГОВИНИ

У статті описано вплив позатарифних бар'єрів на торгівлю серед членів CEFTA 2006. Боснія та Герцеговина намагається використати членство у CEFTA 2006 як спосіб прискорення інтеграції в ЄС. У контексті лібералізації торгівлі члени CEFTA 2006 відмовились від багатьох тарифів та квот, однак позатарифні бар'єри продовжують існувати на заваді розвитку торгівлі. Сучасний стан Боснії та Герцеговини як члена CEFTA 2006 представлено з позицій її торговельних потоків та укріплення конкурентоспроможності. Виявлено, що для покращення ситуації усі члени CEFTA 2006 мають позбавитись "невидимих бар'єрів", що стримують подальший розвиток торгівлі в регіоні.

Ключові слова: бар'єри; адміністративні заходи; лібералізація торгівлі; CEFTA 2006.

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ВЛИЯНИЕ ВНЕТАРИФНЫХ БАРЬЕРОВ НА ТОРГОВЛЮ ВНУТРИ CEFTA 2006: НА ПРИМЕРЕ БОСНИИ И ГЕРЦЕГОВИНЫ

В статье описано влияние внетарифных барьеров на торговлю среди стран-членов CEFTA 2006. Босния и Герцеговина пытается использовать членство в CEFTA 2006 как способ ускорить интеграцию в ЕС. В контексте либерализации торговли члены CEFTA 2006 упразднили многие тарифы и квоты, однако внетарифные барьеры продолжают существовать и препятствовать торговле. Современное положение Боснии и Герцеговины как члена CEFTA 2006 представлено с позиций её торговых потоков и укрепления конкурентоспособности. Выведено, что положение страны было бы лучше, если бы все члены CEFTA 2006 избавились от "невидимых барьеров", которые препятствуют дальнейшему развитию торговли в регионе.

Ключевые слова: барьеры; административные меры; либерализация торговли; CEFTA 2006.

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1. Introduction

CEFTA 2006 originates from previous CEFTA Agreement. CEFTA (Central European Free Trade Agreement) or middle-European zone of free trade was founded in 1992 by Hungary, Poland and former Czechoslovakia. After the period of foundation, several countries joined them, such as: Slovenia in 1996, Romania in 1997, Bulgaria in 1999, Croatia in 2003 and Macedonia in 2006 (Zenic-Zeljko, 2011). In 2006 Bulgaria, Romania, Albania, Bosnia and Herzegovina, Croatia, Macedonia, Kosovo, Moldova, Montenegro and Serbia negotiated about the changes and extension of original CEFTA into the new CEFTA 2006. Negotiations were supported by the Pact for stabilization for South Eastern Europe and European Commission. CEFTA 2006 came in force in July 2007 (Mostetsching, 2011). This agreement replaced the existing bilateral agreement on free trade and supported the multilateral trade cooperation in South Eastern Europe.

Western Balkan countries started liberalization of interregional trade flows in 2000 under the EU initiative. This process was finished by the ratification of new Middle-European agreement on free trade, well-known under the name CEFTA 2006 (Bjelic et al., 2013).

The basic characteristics of CEFTA trade flows are the following: low exchange of products with added value, unsatisfactory quality and amplitude of banking services supply and lack of funding sources, poor cooperation, as well as interregional direct investments (Bilas and Franc, 2011).

After the foundation of CEFTA 2006 trade exchange has grown, especially since 2008. Among the country's members there were two trade processes: intra-trade and inter-trade exchange. Intra-trade exchange represents the trade of similar products or products which are in different phases of production, i.e. trade exchange of goods within the same industry. On the other side, inter-trade exchange is defined as the exchange of goods and products between different industries. For example, trade with agricultural products, services, machines and equipment.

Inter-regional trade increased in the first half of the 2000's (the period of agreement on bilateral trade) and continued to grow in the second half of the decade (period from the CEFTA 2006 foundation). During the first decade of the 2000's the trade was tripled, whilst in the second decade it increased 6 times (Petreski, 2011). Observing key trading partners within CEFTA 2006, it could be noted that trade flows are mostly performed among Croatia, Bosnia and Herzegovina and Serbia. Croatia and Serbia are the largest trade exporters and achieved surplus in inter-regional trade of goods, while Montenegro, Kosovo and Bosnia and Herzegovina are connected through intra-regional trade via import.

Besides agricultural products trade, CEFTA 2006 involved new amendments on trade of services, intellectual property rights, ownership, public procurement and investment promotion. Mentioned amendments are compiled with the rules of the World Trade Organization and the EU. The agreement brings some advantages. First of all, there was an increase of trade exchange of goods and services in the region. The agreement liberalized more than 90% of trade with goods and services among the countries in the region (Mojsovska, 2006).

CEFTA 2006 provides improvement of regional economic cooperation, especially in terms of export to the EU (cumulation of product origin). It means that

goods originated from one country signatory could be used in production of goods in other country members and exported without negative impact on preferential status of final product origination. According to that, those products are treated as domestic products. Diagonal cumulation of goods origin is also possible between CEFTA 2006, EU and EFTA's members (Iceland, Norway, Switzerland and Lichtenstein) and Turkey (Vapa-Tankosic et al., 2011).

CEFTA 2006 also upgrades FDI inflow, because the common market with 27 mln consumers is much more attractive to foreign investors in comparison with individual country's market. To attract foreign direct investments (FDI), the members of CEFTA 2006 adopted the laws which guaranteed privileged treatment, liberalization of public procurements, production modernization, implementation of new technologies and knowledge and business strategy etc. (Pjerotic, 2008).

Research, conducted on CEFTA 2006 mostly focuses on the analysis of effects of agreement on trading flows between its members. Just a few papers made research on the impact of non-tariff barriers on trading flows among the members. This paper determines the main characteristic of CEFTA 2006. Secondly, it intends to define the current status in the field of elimination of non-tariff barriers by the country members. Third, this paper intends to identify the trade position of Bosnia and Herzegovina within CEFTA 2006 and the achieved results in elimination of non-tariff barriers, in other words, adopted measures in the area of technical barriers, sanitary and phytosanitary and administrative measures. The answers to these questions will have important implications on understanding of non-tariff barriers' effect and their impact on strengthening the trading flows within CEFTA 2006 and competitive position of Bosnia and Herzegovina.

2. Literature review

The influence of CEFTA 2006 on trading flows of the country members and the implementation of non-tariff barriers are the subject for research by certain authors. In line with that, we intend to quote and briefly present the most important researches. Handziski and Sestovic (2011) study the problem of barriers implementation in services industry in CEFTA 2006. They analyze the limitations in some countries related to market access, ownership structure, local demands regarding certain performances, transparency and property protection and rights of foreign companies, workforce movement etc. Beside the mentioned, they analyzed the status and prospectives of all service sectors in CEFTA 2006. Handziski et al. (2010) in their research, related to the improvement of regional trade integration in South East Europe, analyze the trading models within the members of CEFTA 2006. They also analyze the regulation measures of trade and trade environment as well as the reaction of countries on regional integration trends. Hadziomeragic et al. (2007) analyzed the general problem of importance of the agreement on free trade and its effects on B&H economy, theoretical effects of the agreement on free trade. Furthermore, they analyzed the achieved positive effects from free trade zone, otherwise the gravitation model of trade is presented as well as the calculations that measure trade effects. Kikerkova (2010) presents the problem of CEFTA 2006 impact on trading flows in Macedonia. She analyzes the agreement on trade liberalization within CEFTA 2006 and trade exchange in Macedonia after the mentioned agreement. Also, she studies non-tariff barriers and their impact on trade flows with-

in the agreement. Pjerotic (2008) conducts the analysis of trade liberalization effects in South East Europe countries, in other words, analyzes trade structure between the members, i.e. the flows of intra-industrial exchange. Jelisavac and Zirojevic (2008) researched the significance of CEFTA 2006 formation, otherwise positive and negative effects which cooperation had on the members. Also, they analyzed the effects of non-tariff barriers on trading flows of the members as well as the potentials of CEFTA 2006.

Bjelic and Dragutinovic Mitrovic (2013) explore the competitiveness position of Serbia in CEFTA 2006. To investigate the competitiveness of Serbia in that agreement, they used a gravitation model. The model showed that Serbia exported more in less developed countries of CEFTA 2006 in comparison with the export to the EU. Beside this, they concluded that nearness of market in relation to market liberalization has significant influence on trading flows in Serbia. Bjelic et al. (2013) analyze the global financial crisis influence on the exports of Western Balkan countries. During the financial crisis there was a decrease in exports from Western Balkan countries to the EU. The crisis caused an export decrease and made these countries less resistant. So, these countries intend to, through CEFTA, strengthen intra-regional trade flows to be less dependent upon external markets.

Beside the abovementioned researches, there are also studies with the subject of CEFTA 2006, such as: CEFTA itself issued 4 papers – elimination of non-tariff barriers in CEFTA (2012), CEFTA trade statistics half year (2012), Agency for statistics of Bosnia and Herzegovina – trade exchange of Bosnia and Herzegovina with foreign countries (2012, 2013), Central bank of Bosnia and Herzegovina – Bilten (2012), Foreign Trade Chamber of Commerce (2012, 2013).

3. Trade flows and Bosnia and Herzegovina position within CEFTA 2006

Foreign trade policy of Bosnia and Herzegovina is characterized by certain shortcomings which are the result of poor organization of institutional system. One of the reasons for trade deficit existence in the economy of Bosnia and Herzegovina is the adoption of the Law on Foreign Trade Policy (1997). It is a much liberalized law, providing too much opening towards foreign countries of Bosnia and Herzegovina economy. There are 3 main reasons for the described situation: 1) domestic product capacities were on the very low level after the war and protection of domestic industry was not a realistic option, 2) significant inflow of donating funds, and 3) inefficient administrative capacity, i.e. non-payment of tariffs and taxes on borders. The abovementioned law does not include the existence of quantitative limitations beside special cases, such as jeopardizing public safety, safety of people, animals, vegetables etc. (Hadziomeragic et al., 2007).

Foreign trade exchange of Bosnia and Herzegovina recorded strong import of products after the war end till nowadays. Although, the coverage of import by export was very low in 2003 and amounted for only 29%. After 2003, there was a gradual increase of import of goods and services in Bosnia and Herzegovina. The growth of exports in CEFTA 2006, EU and other trading partners was the result trade liberalization in Bosnia and Herzegovina. During the period of global financial crisis (in 2008 and especially in 2009) there was a growth in coverage of import by export. In 2011 this rate was 53%. Although, trade deficit continued to increase in comparison with 2010 (see Table 1). Trade deficit was the highest during 2008.

Table 1. Export and import in B&H during 2003–2011, in ths EUR

Year	The average rate of 1EUR in KM	Trade exchange level	Export	Import	Balance	The rate of coverage import by export, in %
2003.	1,95583	5.518.5588	1.241.537	4.277.051	-3.035.514	29,0
2004.	1,95583	6.358.289	1.540.401	4.817.888	-3.277.487	32,0
2005.	1,95583	7.650.970	1.934.319	5.716.651	-3.782.531	33,8
2006.	1,95583	8.463.456	2.640.463	5.822.993	-3.182.531	45,3
2007.	1,95583	10.141.385	3.035.327	7.106.058	-4.070.731	42,7
2008.	1,95583	11.761.864	3.431.633	8.330.231	-4898.599	41,2
2009.	1,95583	9.145.160	2.828.057	6.317.103	-3.489.046	44,8
2010.	1,95583	10.589.745	3.627.873	6.961.872	-3.333.999	52,1
2011.	1,95583	12.142.311	4.203.925	7.938.386	-3.734.461	53,0

Source: Agency for Statistics of Bosnia and Herzegovina, 2012.

During 2012 the trend of trade deficit increase continued. The fundamental cause for the growth in trade deficit was industrial production fall caused by felt of demand for half-finished materials in the countries which are the main trading partners, accompanied by export decrease, while, from the other side, the fall in domestic demand caused the import decrease. Observing foreign trade exchange in 2012, it could be noted that export decreased by 272,5 mln BMA or 1,7%, while import was lower by 364,2 mln BMA or 4,4%. Trade deficit amounted to 7,39 bln BMA, that is 1,3% more than in 2011. The coverage of export by import in 2012 was 51,8% which is below the level of 2011 (CBBIH Bilten, 2012).

In Table 2 we can see the coverage ratio of export and import with the most significant trading partners in the period from 01. to 03. 2013. Basing on this data, we can conclude that Bosnia and Herzegovina reached trade surplus only with Germany – 106,65%. After Germany, Austria and Italy are the countries with which Bosnia and Herzegovina has high rate of coverage of import by export – with Austria that rate is 83,66% and with Italy – 83,8%. With the members of CEFTA 2006, and the ex member of CEFTA – Croatia, the coverage ratio in the observed period was 51,03%, while with Serbia it was 43,50%, as the main trading partners.

Table 2. Surplus/deficit and the coverage of import by export in B&H with the most important trading partners (01–03.2013.), in ths BMA

Country	Bosnia and Herzegovina			
	Export	Import	Balance	Coverage of export by import, in %
Germany	338.791	317.656	21.135	106,65
Austria	151.027	180.531	- 29.505	83,66
Italy	227.483	273.479	-45.996	83,18
Netherlands	29.436	53.944	- 24.508	54,57
Turkey	46.167	87.485	- 41.317	52,77
Slovenia	172.448	327.087	- 154.638	52,72
Croatia	292.437	573.027	-280.589	51.03
Serbia	149.276	343.180	-193.904	43,50
Hungary	43.657	125.994	-91.337	27.51
Poland	20.313	91.631	- 71.318	22.17
Russia	12.313	78.626	-65.653	16,50
Switzerland	39.324	401.989	-362.665	9,78
Other countries	479.816	498.939	19.424	96,17
Total	1.994.147	3.353.567	-1.359.420	59,46

Source: Foreign Trade Chamber of Commerce of Bosnia and Herzegovina, 2013.

Considering the export structure in these 4 countries, in Serbia and Croatia the most exported products are from the industry of mineral gas, lubricants and similar products, and also electricity. In Germany and Italy dominates the export of various finished goods, products segregated by materials (metals and products based on metals, paper, products from cellulose, textile etc.) (CBBIH Bilten 4, 2012).

Although, speaking about B&H position within CEFTA 2006 it is important to make the retrospective view on CEFTA 2006 Report for the first half of 2012 – emphasizing that export of Bosnia and Herzegovina within CEFTA 2006 amounted 626,105 mln EUR. For Bosnia and Herzegovina, the most important exporting partner was the EU, where the B&H export equals to 1,163,798 mln EUR, while the rest of the world export reached 1,351,890 EUR. Bosnia and Herzegovina exported in Turkey for 49,338 mln EUR and in EFTA countries – for 25,617 mln EUR, China – 2,419 mln EUR and Russia – 5,481 mln EUR. On the other hand, Bosnia and Herzegovina mostly imported from the EU (1,763,988 EUR) and CEFTA countries (915,259 mln EUR), Russia (376,019 mln EUR), China (192,894) and Turkey (107,574 mln EUR) and the rest of the world – 2,833,390 EUR (Table 3).

Table 3. CEFTA 2006 trade statistics 2012 half year: the case of Bosnia and Herzegovina, in mln EUR

Exports		Imports	
Intra CEFTA	626.105	Intra CEFTA	915.259
RoW	1.351.890	RoW	2.833.390
EU	1.163.798	EU	1.763.988
EFTA	25.617	EFTA	25.158
Turkey	49.338	Turkey	107.574
Russia	5.481	Russia	376.019
China	2.419	China	192.894

Source: CEFTA 2006, 2012.

Considering the exports of B&H in CEFTA 2006, it should be noted that Bosnia and Herzegovina mostly exports to Croatia – 48% of the total export. After Croatia, Serbia is the most significant exported market for Bosnia and Herzegovina with 30% of its exports, then Montenegro with 10%, Kosovo – 6%, Macedonia – 5% and Albania – 2%. After Croatia left CEFTA 2006 Serbia and Bosnia and Herzegovina became the most important trade partners. On the side of import, it could be noticed that Bosnia and Herzegovina mainly imports from Croatia 57%, Serbia 38%, Macedonia 4% and Montenegro 1%.

Observing the scope of trade exchange of agricultural and non-agricultural products in Bosnia and Herzegovina with the countries of CEFTA 2006, it should be noticed that among the members in the process of trade exchange dominate non-agricultural products compared with agricultural ones. Comparing 1Q 2011 to 1Q 2012, we record the domination of non-agricultural products in relation with agricultural products in the process of exchange (Table 2). Besides, in the total amount we evidence the decrease of trade exchange with those members of CEFTA 2006 and rest of the world. The main reason for this is the presence of economic recession in the EU zone and in larger trade partners in the world.

Table 4. Bosnia and Herzegovina export and import of agricultural and non-agricultural products, in EUR

Country	1H2011			1H2012		
	Agricultural products	Non-agricultural products	Total	Agricultural products	Non-agricultural products	Total
Albania	8,145	12,249	20,394	6,703	6,564	13,267
Bosnia and Herzegovina	0	0	0	0	0	0
Croatia	201,844	656,149	857,993	202,590	617,282	819,872
Macedonia	24,871	38,697	63,568	27,252	33,534	60,787
Moldova	180	952	1,131	293	935	1,228
Montenegro	10,850	78,661	89,511	10,884	64,044	74,928
Serbia	163,085	437,231	600,317	161,192	370,358	531,549
Kosovo	7,763	31,743	39,506	9,356	30,376	39,732
Rest of the World	377,535	3,808,787	4,186,322	373,076	3,812,204	4,185,280
CEFTA	416,739	1,255,682	1,672,421	418,271	1,123,093	1,541,364

Source: Adjusted according to CEFTA 2006, 2012.

4. Non-tariff barriers within CEFTA 2006

It is generally known that in international trade tariff liberalization of trade causes the growth of importance of non-tariff barriers (Kikerkova, 2010). Non-tariff barriers among the members of CEFTA 2006 commence due to the fact that its members are at different stages of reconciliation of their regulatory rules with the EU legislative. Those countries that are advanced in standards harmonization with the EU have an impact on other members to reconcile their legislative in short-time manner, causing strength of trading flows. For such reforms processes there is a necessity for time and resources (Zenic-Zeljko, 2011).

The CEFTA 2006 members precisely defined the deadlines for reconciliation: technical trade barriers – until 31.12.2010 the members are obliged to harmonize and reconcile the process of procedure; competitiveness – until 01.05.2010 competitiveness principles begin to apply on all companies, involving state companies and those with special and exclusive rights followed by active participation of independent regulatory agency; public procurements – until 01.05. 2010 members insure non-discrimination and equal treatment for all participants; protection of intellectual property – until 01.05.2014 all counties must have accepted the formerly adopted rules (Jelisavac, Zirojevic, 2008).

Non-tariff barriers involve a wide spectrum of measures which could significantly influence the trade flows between the members of CEFTA 2006. To non-tariff barriers we include technical barriers, sanitary and phytosanitary and administrative barriers.

Standards, technical acts and acts of compliance evaluation often cause technical barriers in trade. Governments introduce technical barriers for the purpose of achieving the goals of public policy, including national security, nation's health, safety and environmental protection. Although those acts are often the source of problem for trade directly and indirectly, especially when they are implemented disproportionately and are not directed to rightful goals. Those measures also cause the deterioration of trade flows among countries when they are introduces unified and when they are not enough transparent for foreign producers (CEFTA 2006, 2012).

The members of CEFTA 2006 also intend to conduct the harmonization regarding international standards that are very important for trade. By the acceptance of international standards, the products from CEFTA 2006 would be easier traded. The countries of CEFTA 2006 could not be proud about the progress in the area of international standards introduction. Croatia and Serbia are advancers in that process, although they are very far from European average. Other countries such as: Bosnia and Herzegovina, Albania, Montenegro, Moldova are behind in this and from them it is expected to speed up the process if they want to be closer to the EU integration. The countries of CEFTA 2006 executed the mutual recognition of the adopted standards in the last two years.

For the aim of tracking the elimination of technical barriers within CEFTA 2006, we used the following indicators: institutional framework for standardization and foreign cooperation, transfer of European technical rules in primary sectors, adjustment of European standards in the sectors defined as priority, institutional framework for accreditation and foreign cooperation, the evaluation of reconciliation between infrastructure and procedures, mechanisms of information and reporting (CEFTA 2006, 2012).

Based on the CEFTA 2006 Report for 2012, all these countries reached positive shift measured by the abovementioned indicators, in terms of elimination and reconciliation of technical trade barriers. In the Report it is emphasized that Croatia, currently a part of the EU, reached the best performance. FYR Macedonia, Serbia and Albania are above the average for CEFTA, Montenegro is very close to average, while Moldova, B&H and Kosovo are behind them significantly.

The second type of non-tariff barriers are sanitary and phytosanitary measures (common abbreviation – SPS). For the evaluation of these measures among CEFTA 2006 we use the following indicators: institutional framework for SPS, the level of cooperation between SPS agencies within CEFTA 2006 and external levels, general rules on SPS measures, transfer of European SPS measures, and the mechanism of information and reporting (CEFTA 2006, 2012).

Cancellation of tariffs and quotes on agricultural products within CEFTA 2006 countries, sanitary and phytosanitary measures are intensively used as barriers in trade between country's members. Talking about sanitary and phytosanitary barriers, it is very important to emphasize that in the export structure of CEFTA 2006 countries dominate agricultural products. The export of agricultural products made more than a quarter of the total export in CEFTA 2006. In export of agricultural products dominate Kosovo, Serbia, Macedonia (Handziski et al., 2010).

CEFTA 2006 countries are obliged to have good coordination in the process of introduction of sanitary and phytosanitary measures. The largest problem in annulling sanitary and phytosanitary measures is the non-existence of clearly defined deadlines on their elimination.

Based on the CEFTA 2006 Report for 2012 it is obvious that Croatia, ex-member, reached the largest progress. FYR Macedonia and Montenegro are above the average of CEFTA. Albania, Bosnia and Herzegovina and Serbia achieved similar result and they are very close to CEFTA average, while Moldova and Kosovo should have serious reforms in order to be closer to international practice.

The third group of non-tariff barriers is related to tariff and administrative procedures. Tariff and administrative procedures bring certain costs of business, inevitable due to its nature. For the aim of annulling administrative barriers in trade among the members of CEFTA 2006, we use the following indicators for measuring their elimination or harmonization: foundation of national tariff web page on which all information would be presented, evaluation of tariff business, participation in trade community, rules improvement, complaint procedures, fees and costs, formality: documentation and electronic automation, tariff procedures and processes, domestic and cross-border cooperation between agencies etc. (CEFTA 2006, 2012).

Based on the CEFTA 2006 Report for 2012, Croatia, Former Yugoslav Republic of Macedonia and Serbia made dynamic progress. Montenegro reached a result that is a little above the average, Albania and Moldova are close to CEFTA average. In the cases of Bosnia and Herzegovina and Kosovo, there is a need for additional efforts to append to progressive countries. We could conclude that Bosnia and Herzegovina is on the bottom among the countries of CEFTA 2006. Bosnia and Herzegovina's lapsed in the process of elimination of non-tariff barriers and non-conducting reforms has negative influence on trade flows and competitiveness position within the agreement.

5. Non-tariff barriers: case study of Bosnia and Herzegovina

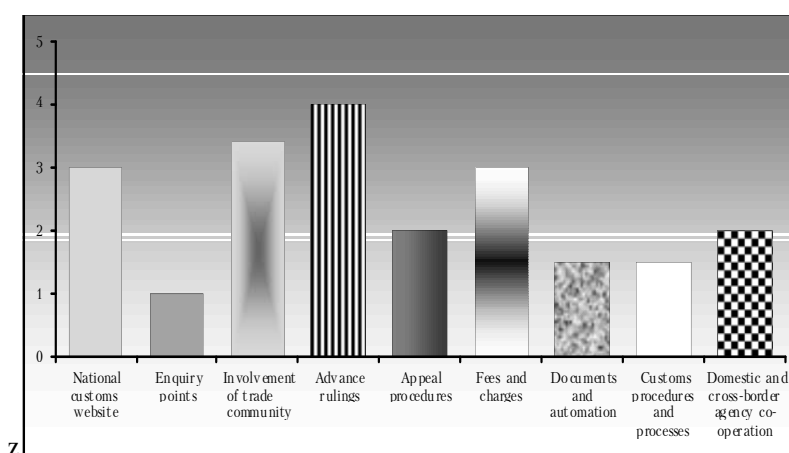
CEFTA 2006 countries face the unified introduction of non-tariff barriers that could be a source of trading tensions between them. All the member, including Bosnia and Herzegovina, mainly emphasized the presence of following non-tariff barriers within CEFTA 2006: Complicated procedures on custom border transitions, high bureaucracy and non-adjusted working hours of customs and inspection services (sanitary, veterinary, radiology); lack of internationally recognized bodies for accreditation and certification and insufficient number of authorized laboratories and institutions; non-recognition of quality certificates – agreements on mutual recognition of documents are not signed yet among the countries in CEFTA 2006. Therefore, each country has its own control. Every shipment of goods is tested twice on both borders; problem of non-adjustment of domestic standards and technical rules with international standards; lack of adequate transport and other infrastructure; complicated regime of issuing licenses, corruption and smuggling (CEFTA 2006).

Progress is achieved in the fields of standardization and outside cooperation, adjustment to the EU standards, accreditation. But poor results are reached in the areas of transferring or adoption of EU technical rules, adjustment or reconciliation of evaluation process and the mechanisms of information and reporting. For the purpose of elimination of the mentioned deficiencies, B&H should speed up the process of the EU technical rules acceptance, strengthen physical capacities and competences and also appoint cooperative national mechanism for information and reporting.

Bosnia and Herzegovina in the area of sanitary and phytosanitary barriers reached good progress in cooperation between SPS agencies. In the field of institutional framework for SPS little progress is reached. Also, poor progress was recorded in the area of developing a mechanism for information and reporting, SPS legislation, transferring of European SPS measures.

In the field of administrative barriers B&H reached certain progress, especially in the part of involvement in trading community and rules improvement. But Bosnia and Herzegovina is poorly positioned in the area of developing a national custom

web, fees and costs, complaints procedures, documentations and automation, custom procedures and processes, domestic and cross-border cooperation between agencies and opinion polls. For the aim of speeding up the progress in the area of administrative barriers B&H should appoint on border pathways opinion polls through which it will get information on trading rules and procedures. In the case of complaint procedure improvement, it is necessary to provide right for complaint procedure against an official body, responsible for decision-making. Strengthening the automation process and reducing documentation should provide better cooperation with other countries of CEFTA. In the field of legislation, there is a need for changes in order to provide data processing ahead, before a product would be on the border. Also, it is necessary to organize cooperation between customs and other relevant agencies which have clearly defined roles and responsibilities (see Figure 1).



Source: Adjusted according to CEFTA 2006, 2012.

Figure 1. **Total results for administrative barriers – Bosnia and Herzegovina**

6. Conclusion

Based on the above analysis we confirm that the foundation of CEFTA 2006 improved the trading position of Bosnia and Herzegovina in comparison with the period of the Stabilization Pact for South Eastern Europe. Bosnia and Herzegovina succeeded with its membership in CEFTA 2006 to reduce trade deficit, in other words, the coverage of import by export. After Croatia's exit (July, 1, 2013) Bosnia and Herzegovina together with Serbia became leading trading partners. According to that, we also validate that in the area of annulling non-tariff barriers countries in CEFTA 2006 significant progress is observed. Elimination of non-tariff barriers between the members and accepting the rules of the World Trade Organization and the EU directives means their faster integration into the EU and strengthening their competitive positions. In that sense, we determine that B&H lapsed in term of accepting EU directives which are related to annulling non-tariff barriers. According to that, B&H with that position diminishing its role in trade exchange with other country's members. Finally, we conclude that Bosnia and Herzegovina should make reforms, as other countries, in the area of technical, sanitary and phytosanitary barriers, if it wants to strengthen its competitiveness position and get faster access to the EU.

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