

## THE IMPACT OF THE OPEN BALKANS INITIATIVE ON THE EXPORT OF AGRI-FOOD PRODUCTS OF SERBIA

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### ABSTRACT

The Open Balkans initiative represents the next step in economic cooperation and facilitation of foreign trade exchange between the three countries of the Western Balkans: Serbia, North Macedonia and Albania. This initiative was signed in 2021 and since then several things have been done in the direction of easier trade in agri-food products, and the intention to facilitate the flow of goods at the borders is especially important. The aim of this research is to assess the effects of the Open Balkans initiative on trade in agri-food products. In this direction, on the basis of the data of the Statistical Office of the Republic of Serbia, the trends in the export of these products, as well as the regional and commodity structure of exports, were analyzed. The results of the research show that Serbia achieves good positions when it comes to the export of agri-food products to countries that are signatories of the Open Balkans initiative, but that additional efforts need to be made in order to improve them.

**Keywords:** Open Balkan, Serbia, Competitiveness, Agri-food sector.

### INTRODUCTION

The Open Balkans initiative, signed in 2021 between the three countries of the Western Balkans - Serbia, North Macedonia and Albania, aims to intensify foreign trade exchange, freer movement and economic development. In addition to the memorandum on the freer flow of foreign trade exchange, the agreement on cooperation in the field of veterinary, phytosanitary, and food and feed safety, which is particularly important for the agri-food sector, by which the three signatory countries agree that they will recognize test reports from laboratories of other countries, which enables easier flow of agri-food products between these countries. The Open Balkans initiative represents an upgrade to the existing CEFTA agreement, and despite the impossibility of making a clear distinction between the effects of CEFTA and the Open Balkans, this paper aims to review the regional competitiveness of the exports of the agri-food sector of these countries, and to reveal the potential effects of the Open Balkans initiative on competitiveness itself.

In this direction, with this research, special emphasis will be placed on Serbia, as the most significant player in the foreign trade exchange of agri-food from all the countries of the Western Balkans, and the tendencies in the foreign trade exchange, the regional and commodity structure of export and import of these products will be looked at in particular, and the changes that took place under the influence of the Open Balkan initiative itself, but also the crisis situations that followed the period after the signing of the initiative.

Although competitiveness research is widely present in the literature, due to the relatively recent suppression of this initiative, there is not a large number of studies in the literature dealing with the

effects of the Open Balkans initiative on the competitiveness of the agri-food sector of these countries, i.e. the export positions that are achieved both within the countries that signed the initiative, as well as on the entire export of this sector. Previous research (Zekić, Matkovski, Đokić, 2022) indicates that regional connection through the Open Balkans initiative, which, among other things, resulted in the facilitation of trade in agri-food products, can have very good effects for all the countries of the Western Balkans, both those that are part of this agreement and for those who are, so to speak, potential members. For Serbia, such agreements additionally facilitate the placement conditions on markets that are geographically closest to them and where they achieve competitive advantages, and additional growth in exports to these countries can be expected. On the other hand, for countries that are dependent on imports, such initiatives lead to easier realization of food security, that is, to the realization of stability on the market of agricultural and food products. The possible fear of competitive pressure from Serbia is not fully justified, since the production structure of agriculture in these countries is largely complementary, which can largely be said for the export structure of the agri-food sector. In this context, export growth can be expected for these countries as well, especially in sectors that achieve comparative advantages. Generally speaking, any trade liberalization leads to the intensification of foreign trade exchange, which in this case will lead to a better regional positioning of agri-food products from these countries. Of course, the effects of the process will largely depend on the expansion of the Open Balkans initiative to Bosnia and Herzegovina and Montenegro, without whose participation the results of regional integration will most likely remain at a modest level.

Previous research into Serbia's competitiveness in the regional framework showed that Serbia achieves good positions in the export of agri-food products to all countries of the Western Balkans (Birovljev, Matkovski and Četković, 2015; Božić and Nikolić, 2016; Matkovski et al., 2022). When it comes to the research of competitiveness positions within the Open Balkan initiative, the number of researches is very limited. Previous research has shown that Serbia achieves the best results in the export of agri-food products both on the international and regional markets and since the Open Balkans initiative, through the memorandum of understanding on cooperation in facilitating the import, export and movement of goods in the Western Balkans and the agreement on cooperation in the field of veterinary, phytosanitary, and food and feed safety, additional intensification of regional trade of agri-food products is expected (Zekić, Matkovski and Đokić, 2022). According to Bjelić and Kastratović (2023), the Open Balkans represents a step forward in regional integration in the implementation of measures in the area of facilitating trade and the free movement of people and labor, but the basics of the liberalization of trade in goods and services remain agreed within the framework of the CEFTA agreement, and therefore it is very difficult to separate results achieved by CEFTA than those achieved by Open Balkan. Also, some authors are very skeptical about this initiative, i.e. they expect only certain marginal effects, even if the implementation is complete (Kulo and Novikau, 2024).

The paper is organized as follows. After the introduction with literature review, methodology used in paper is defined. Presented results are elaborated with discussion and after that conclusion is elaborated with special focus on limitations and possibilities for future researches.

## **METHODOLOGY**

In accordance with the set goals of the research, this research looked at the export position of the agri-food sector of Serbia on the market of Albania and North Macedonia. In this direction, the value of exports of agri-food products of Serbia in the period 2014-2023 was analyzed. Also, for each country individually, the commodity structure of Serbia's exports was analyzed, that is, the most represented sections in the exchange of these products.

The database of the Statistical Office of the Republic of Serbia (SORS, 2024) was used, namely data related to foreign trade. The term agri-food products includes the complete sectors 0, 1 and 4, as well as certain divisions from sector 2 (21, 22 and 29), all in accordance with the Standard International Trade Classification (SITC, Revision 4).

## RESULTS AND DISCUSSION

The value of the export of agri-food products from Serbia grew by both other Open Balkan signatories, which is particularly noticeable in the export of these products to Albania in the last three years (Table 1). The average annual growth rate of exports of agri-food products from Serbia to Albania in the analyzed period was 10.35%, that is, the value of exports from 45 million USD in 2014 more than doubled by 2023, when it amounted to almost 101 million USD. In the same observed period, the export of these products to North Macedonia grew at an average annual rate of 6.50%, i.e. from the initial 193 million USD in 2014, the value of the export of agri-food products increased to 302 million USD by 2023.

Table 1. Value of export of agri-food products of Serbia to other Open Balkan countries

	Albania	North Macedonia
2014	45,411	192,741
2015	41,147	171,260
2016	46,963	179,414
2017	46,608	203,620
2018	46,608	203,620
2019	52,070	219,843
2020	58,884	226,115
2021	82,447	283,719
2022	89,649	288,858
2023	100,844	302,372

When it comes to share of export of agri-food export of two Open Balkan countries in the total export of agri-food products, it is obvious that North Macedonia is about 5%, while share of export of agri-food products to Albania is much smaller, about 1.5% on average (Figure 1). In recent years, especially since 2020, there has been an increase in the share of these countries in the total export of agri-food products, which can be seen in both observed countries. The reasons should be sought in the Open Balkans initiative, which greatly facilitated trade between these countries.

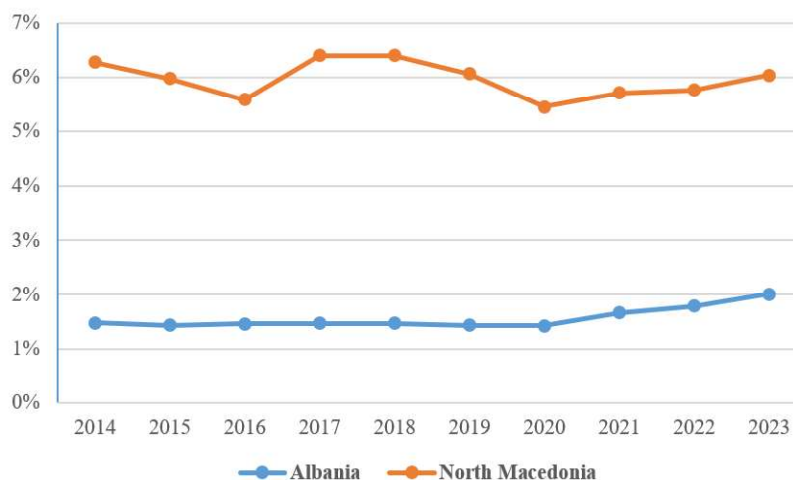


Figure 1: Share of export of agri-food products in total export of agri-food products of Serbia by country

When it comes to the commodity structure of export of agri-food products of Serbia to Albania, the dominant sector is 0 - food and live animals with 70% of the export of agri-food products (Figure 2). Sector 0 - beverages and tobacco with 27% of agri-food products also achieves a large export value, and therefore a large percentage of exports to Albania. When it comes to the main export products from Serbia to Albania, in 2023 they were livestock products: live animals, meat and milk.

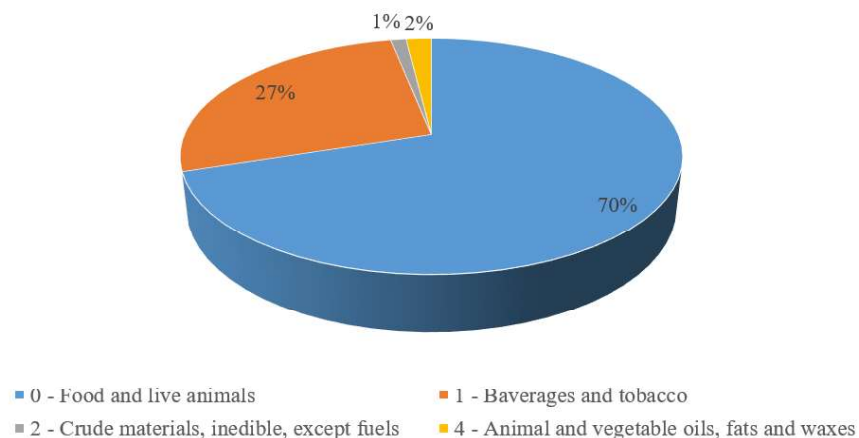


Figure 2: Commodity structure of export of agri-food products of Serbia to Albania

As for the commodity structure of export of agri-food products of Serbia to North Macedonia, as in the case of Albania, sector 0 – food and live animals is dominant with 76% of the export of agri-food products (Figure 3). This sector follows sector 1 – beverages and tobacco with a share of 16% in the total export of agri-food products. When it comes to the main export products from Serbia to North Macedonia, in 2023 they were livestock products: live animals, meat and milk.

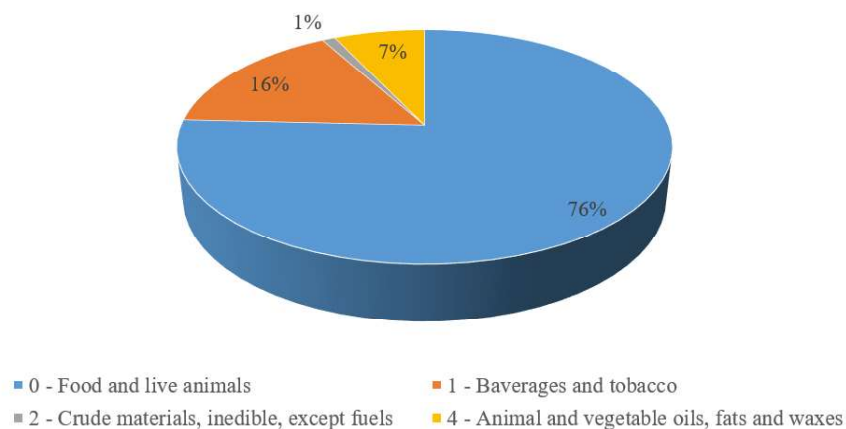


Figure 3: Commodity structure of export of agri-food products of Serbia to North Macedonia

Although Serbia is achieving really positive trends in the export of agri-food products, the export structure is not particularly favorable. Mostly to Albania and North Macedonia, as is the case with other export partner countries, products of plant origin at the lower processing phase are exported. This structure of exports is a consequence of an unfavorable production structure characterized by a high share of products with a low phase of processing. Because of this, the creators of agricultural policy should consider precisely in the direction of shaping measures that will improve animal production, as a generator of the intensity of agriculture.

Certainly, Serbia is the "locomotive" of the Western Balkans and it would be desirable for all the countries of the Western Balkans to join this initiative (Rikalović, Molnar and Josipović, 2022). Regional integration within the Open Balkan initiative can have positive tendencies in the form of regional cooperation (Tota and Culaj, 2023) and further foreign trade exchange, but it can also lead to an increase in food insecurity in import-dependent countries. Additionally, there are opinions that this initiative does not represent anything revolutionary or new in terms of ideas, proclaimed effects and actors, and that the results will be minor (Kulo and Novikau, 2024).

## CONCLUSION

The results of this research indicate that in the period from the entry into force of the Open Balkan initiative, there has been a significant increase in the export of agri-food products from Serbia to other signatory countries of the initiative. However, the structure of the export itself is still unfavorable because the products of the lower phases of processing dominate. In addition, previous research shows skepticism as to whether there was an increase in exchange under the influence of the Open Balkans initiative or inertia, bearing in mind that trade barriers were previously removed through CEFTA. In addition, the potential benefits for Serbia are limited considering that the signatories of the initiative are not Montenegro and Bosnia and Herzegovina, which are very important foreign trade partners of Serbia.

This research has a large number of limitations, which will be eliminated by future research. The main limitation is the short period of time that has passed since the conclusion of the Open Balkans initiative, so that the long-term effect on export growth could be seen. Future research will include all Open Balkan countries, and comparative advantages will be assessed, but an attempt will be made to calculate the exact effect of the initiative itself by evaluating the gravity model. Namely, by evaluating the gravity model, it is possible to determine the effect of the initiative itself on the growth of exports of agri-food products.

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