

## Enhance Regional Integration by the Free Trade Zone and Infrastructure Investments

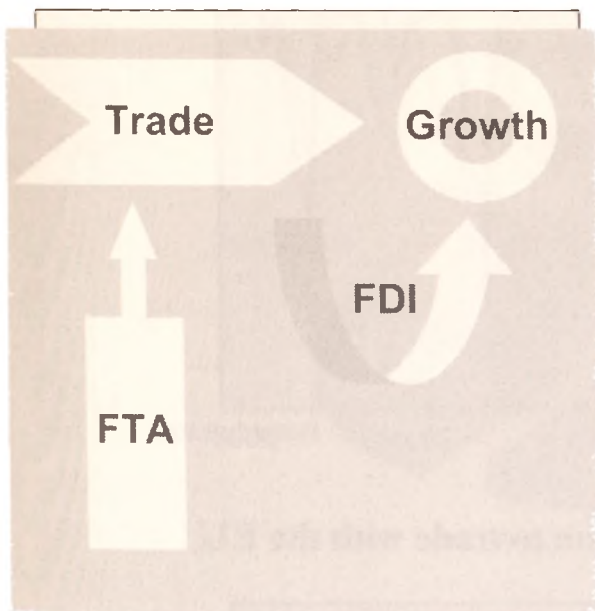
### Talking Points

1. Evaluation of Bilateral Free Trade Agreements
2. Towards a Single FTA for SEE
  1. CEFTA 2006
  2. Energy Community
3. Investment Opportunities in Serbia:
  1. Telecommunication
  2. Energy Sector
  3. Transport Sector
  4. Privatization of infrastructural state companies.



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### Fundamentals



1. Fundamentals are present in SEE...
2. With some doubts:
  1. FTAs implementation period is short and...
  2. The gravity model predicts limited role for FTAs in the case of Serbian (and Croatian) trade with the EU...
3. Since actual trade is lower than potential trade with the EU

### Miroljub LABUS

former Deputy Prime Minister,  
Serbia

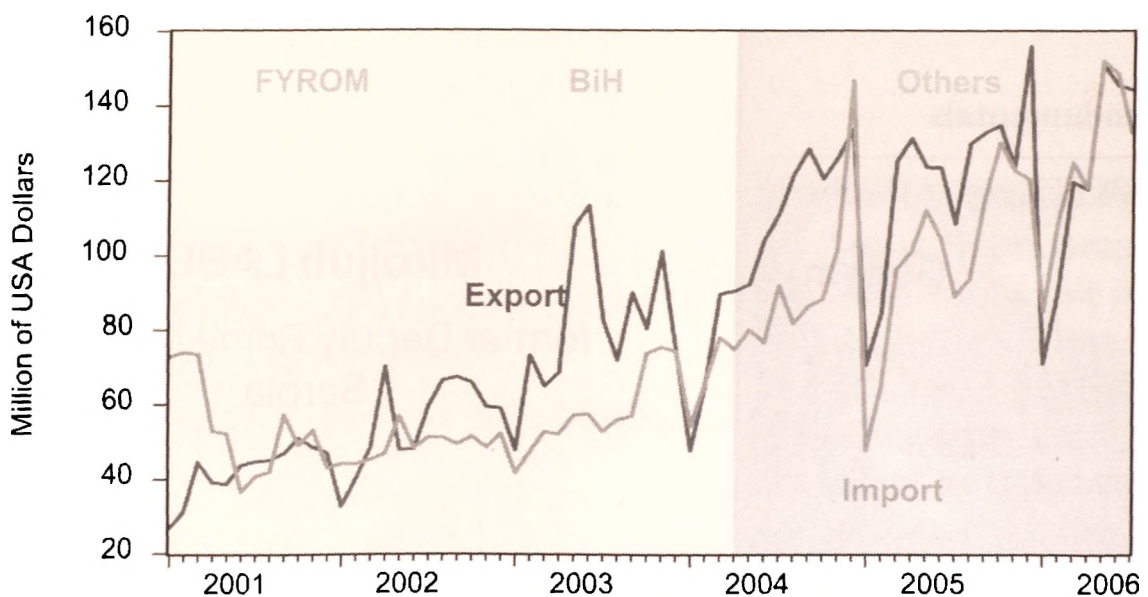


South-East Europe - A Region on the Move

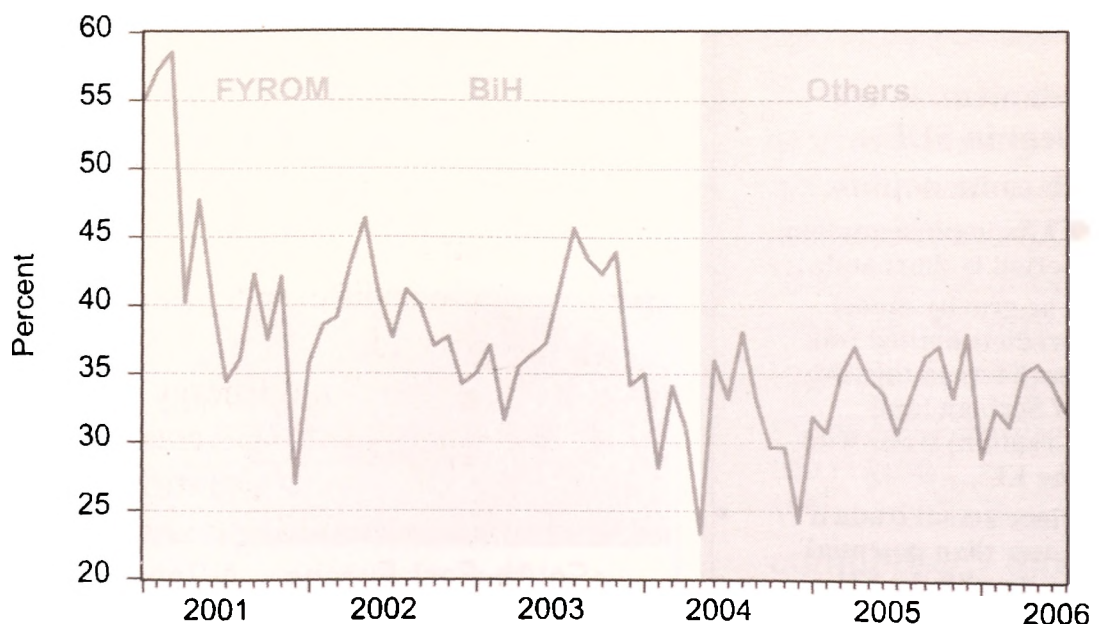
### Evidence from Serbia

1. Econometric model shows strong indications that both Serbia and her trading partners as a whole benefited from FTAs
2. Bilateral trade figures are not so favorable for some Serbian neighbors
3. Open issues are exaggerated
  1. Tobacco excises
  2. Free trade of crude oil
4. Predictions are partially realized

### Serbian trade with SEE Countries



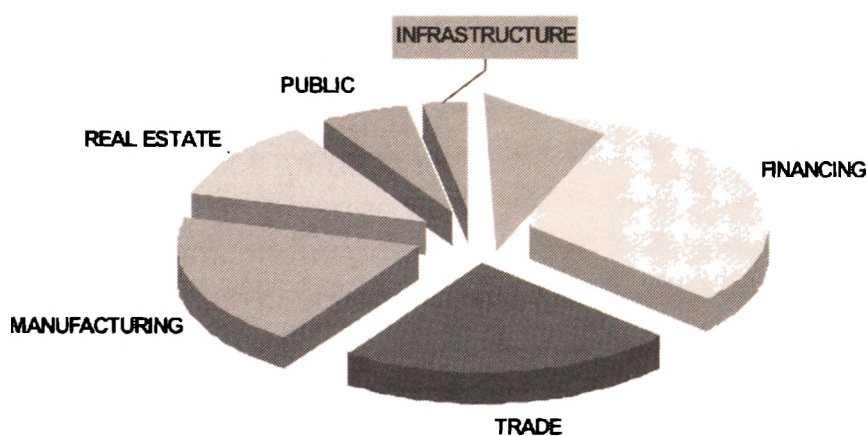
### Serbian trade with SEE Countries in relation to trade with the EU



### CEFTA 2006 and Energy Community

- CEFTA 2006 combines already concluded FTAs with elements of SAA particularly with respect to
  - Cooperation policies, Rules of origin (including diagonal cumulation), Public procurement, State aid, Liberalization of trade in services, Non-trade barriers, Dispute settlement mechanism.
- Scheduled time for signature: end of 2006
  - More active role of EC might be necessary.
- Energy Community to enter into force in January 2007
  - Innovative cooperation of EU member states and (potential) candidate countries
  - Implementation of the Acquis Communautaire on energy, environment, competition and renewables for the whole region before formal accession to the EU.

### Investment opportunity in Serbia



•Recent FDI mostly in services

•Low level of FDI in infrastructure until very recently

•GDP growth is based more on a development of services than on other sectors

Breakdown of FDI by sectors

### Main Points

1. SEE countries are heading for EU membership at different pace. However, there is the only one «European road» to take them to this end.
2. Creation of a single regional market (CEFTA 2006) and Energy Community are constructive steps to reinforce European perspective for all SEE countries.
3. As far as Serbia is concerned - whatever happens to negotiations on the SAA - improved regional market integration, accompanied with necessary investments in infrastructure, will the country move closer to the EU.