THE IMPORTANCE OF SERBIA'S TRADE POLICY IN LIBERALIZATION CONDITIONS

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Abstract

Trade policy should be directed towards the creation of conditions for the smooth functioning of the market and for full respect for the rules of the market game. It is a common opinion among economic policy makers that liberalization leads to more efficient allocation and use of resources, because the domestic economy is exposed to the discipline of the world market and the influence of modern technology. It is often emphasized that rapid liberalization of imports can cause balance of payments difficulties and dislocations in the economy, unless combined with effective measures to increase competitiveness and improve exports. It is recommended that the liberalization process be gradual. A radical liberalization process can have a very negative impact on the balance of payments. The biggest problem of Serbian exports is the lack of recognizable products that could be competitive in the world market with price and quality. One of the key directions of foreign trade policy in the coming period is to direct companies to new markets. Today Serbia has great experience in many segments of transition that have been taking place in other countries. Taken examples of the countries that went through the transition and became EU members, significant activities have been undertaken to improve foreign trade policy. The aim of this paper is to analyze the trade policy and the Serbian transition process, and to point out possible measures and activities that would contribute to the faster and sustainable development of the Serbian economy.

Keywords: *trade policy, transition, liberalization, Serbia*

1. INTRODUCTION

The development of trade policy regulations varies depending on the country. However, it is a common estimation that the countries of our region are less restrictive than developed European countries regarding most concerns. The indirect proof for that is the fast entry of foreign traders to the market, which is largely caused by the expected rapid transformation of the environment in these countries which follows the one already happening in the European Union. In order for manufacturers to even interpret the signals made through trade regime liberalization, it is necessary for the trade liberalization to be carried out in macroeconomically stable environment, as well as for the government carrying out the liberalization to be credible. The development of the financial system plays a major role in the 'response' of the economy to trade liberalization.

The lack of capital for Serbia's economy was the most important problem in economic development that Serbia faced in the beginning of the transition process and that lack was the cause for its inability to solve key problems concerning development. The change in political relations of the international community towards Serbia compared to the previous decade and Serbia's renown inclusion in contemporary global integration processes, have led to an increase in the interest of foreign investors for investing in Serbian economy. Compared to the advanced transition countries, especially the EU countries, Serbian economy which is still in the process of transition, is not competitive enough, which has as its consequence insufficient level of investment, low level of economic activity (although recent years have shown relatively high growth rates), and low level of export per capita.

Economic recovery of Serbia's major foreign trade partners, full realization of investments from the previous period, as well as more favorable relations of exchange and improvement of business environment, have led to the significant improvement of Serbia's position in terms of balance of payments.

2. FUNDAMENTAL DETERMINANTS OF SERBIAN ECONOMY

The decrease in production and the increase in poverty during the first years of transition was inherent to transition processes in most European countries which were in transition (EZT). However, tendencies in production and poverty during this phase of reform evolved differently in Serbia: production rose while poverty declined, which could be explained through specificity of local transition. There are several reasons for production decline absence, i.e. for its increase. (Begović 2005, str.29).

Firstly, unlike the vast majority of countries in transition, Serbia did not have a radical break in the corroding mechanism, i. e. It did not shift from central planning to trade system in 2000 since it had already been in a trade system although deformed by the socialist government and party, but a trade system nevertheless. According to economic institutions and people's practices on the market, in 2000 Serbia was much better prepared for transition compared to other eastern European countries ten years earlier.

Secondly, macroeconomic stabilization has also brought about improvement of the business environment and enabled its growth. Thirdly, a significant inflow of foreign financial support (3.2 billion euros in the period from October 2000 to the end of 2004), had nevertheless spurred domestic production although a significant part went to imports. Also, after the democratic party victory, the last sanctions concerning finances towards Serbia were removed, which had a positive impact on economic activity.

In other words, the beginning of the real transition did not bring about the reasons for production decrease but, on the contrary, it triggered its growth. Likewise, there were no strong reasons for poverty surge. As a consequence of national product growth the income of the population grew. There was not a big increase in inequality, so it could not have influenced the fact that there were more people who became poor. Besides, in Serbia there was a previously well-developed system of social protection which was poorly financed so that debts to beneficiaries extended to more than two years (public assistance, child allowance etc.). Following the normalization of the situation at the beginning of 2001, and with donor assistance, debts were settled and regular payment of current transfers was provided, which improved the situation of the poorest.

The new private sector in Serbia is growing, but it does not represent the driving force it represented in some other countries in transition (in Poland, for example), where it quickly became the main bearer of economic progress. The reasons for that are, firstly, the fact that the private sector existed and was relatively developed before the October changes, while in most countries in transition it started from scratch and, therefore, grew very rapidly during the initial stages.

It is very likely that the most important advantage that Serbia had was the delay in transition itself, which was caused by political constellation and international circumstances during the 1990s. Namely, the transition in Serbia only started in 2000 with political changes that occurred in October that year. In other words, the transition in Serbia started with a ten-year delay.

Serbia's progress in the transition period was valorized, among others, by the EBRD. Transition indicators point to the conclusion that the reforms were the most successful in price liberalization (since 2001, they have had a score of 4.00), following are the area of trade and privatization of small businesses. On the other hand, the process of corporate restructuring, large privatizations and the general condition of infrastructure are ranked the lowest.

Year	Large privatization	Privatization of small businesses	Corporate restructuring	Price liberalization	Trade and foreign exchange system	Competition policy
1989	1.00	3.00	1.00	2.67	2.00	1.00
1995	1.00	3.00	1.00	2.67	1.00	1.00
2000	1.00	3.00	1.00	2.33	1.00	1.00
2001	1.00	3.00	1.00	4.00	2.70	1.00
2005	**2.67**	3.33	2.33	4.00	3.33	1.00
2006	**2.67**	3.67	2.33	4.00	3.33	1.67
2007	**2.67**	3.67	2.33	4.00	3.33	2.00
2008	**2.67**	3.67	2.33	4.00	3.67	2.00
2014	**2.70**	3.70	2.30	4.00	4.00	2.30

Chart 1. Serbia's transition indicators, selected years

Source: EBRD (http://www.ebrd.com/country/sector/econo/stats/index.htm)

In the ten-year transition period that happened outside Serbia, valuable experience was gained in various transition segments that took place in other countries (for example experience in terms of macroeconomic policies, price and foreign trade liberalization policies, privatization and restructuring of the real sector, social activity reforms etc.). These experiences have led to the accumulation of knowledge about what the particular transitional policies and models bring about, and what are the results of their implementation.

Also, a great deal of knowledge is gained about which mechanisms lead to such results, as well as what are the mechanisms that lead to the formulation and implementation of transitional policies, and what preconditions should be fulfilled in order to successfully implement certain policies. In this regard, the delay of Serbia was a chance to learn from the mistakes of others, that is, not to repeat the mistakes that others have already made. Only Slovakia, among the countries of Central and Eastern Europe, had such an advantage.

Until 2001, the Serbian economy functioned in conditions of continued political instability, hyperinflation, disturbed internal and external balance, and internal and external indebtedness. The market was limited to the commodity market, while the money, currency, capital and labor market were semi-gloomy and muted. A serious obstacle to the transition process in Serbia was the "grey" economy in which the bulk of the economic activity took place.

Serbia still lags behind most European countries in transitions when considering the participation of industrial products in export, as well as the participation of technologically most intensive products-machinery and transport devices, while the relatively favorable position in the structure of exports lies only in the chemical industry. The decline in competitiveness is most noticeable in the manufacturing industry, the oil industry and the mining and metals sector. On the other hand, the export of food and agricultural raw materials has increased its share in the international market. All these trends are directly related to the labor market, that is, with the unemployment rate, which has been recording continuing growth since 2000.

	2015	2016	2017	2018
Gross domestic product, mil. EUR	35.716	36.723	39.183	42.780
Gross domestic product, per capita, in EUR	5.034	5.203	5.581	5.809
Gross domestic product, real growth, in %	1.8	3.3	2.0	4.4
Import of capital goods	4.021,2	4.127,6	4.185,7	4.592,6
Investments in the economy	1.160.575	1.126.108	1.102.288	1.188.570
Investments in the population	759.050	838.621	904.192	1.017.291
Foreign exchange reserves of NBS, mil. EUR	10.378	10.205	9.961	11.627
The value of USD in relation to RSD	111,25	117,14	99,12	103,88
The value of EUR in relation to RSD	121.63	123,47	118,47	118,32
Household savings in mil. EUR, end of period	8.629	8.987	9373	9.955
Number of employees, average, in 000	1.896	1.921	1.977	2.053
Unemployment rate, ILO	17,7	15,3	13,5	12,7
Net earnings, period average, in RSD	44.432	46.097	47.893	49.397
-Real growth rates	-2,1	2,5	0,9	4,4
Average pension, period average, in RSD	23.196	23.488	23.913	25.317
-Real growth rates	-5,5	0,1	-1,2	3,8

Chart 2. Basic macroeconomic indicators of Serbia, 2015-2018

Source: Statistical Office of the Republic of Serbia (RZS), National Bank of Serbia (NBS)

In six years, Serbia has transformed itself into a growing economy with low inflation, fiscal surplus, declining public debt, lower external imbalances and a recovery in the labor market. The strong growth of GDP in 2018 is the result of the growth of investments and the recovery of the labor market. Higher than expected growth in 2018 (4.4%, the highest growth in the last decade), was driven by strong investments as well as by sustained growth in consumption, with the continued growth in exports despite the slowdown in the euro zone. On the production side, growth is still diversified with the positive contribution of all sectors, primarily services, agriculture and construction. High private and state investments, continued export growth and sustainable consumption growth will be the main drivers of GDP in the coming years.

According to the Labor Force Survey for 2018, the unemployment rate was 12.7%, which is its lowest comparable level. The employment rate reached 49.2%, and favorable trends in the labor market are confirmed by the growth rate of participation, which reached the highest level to date (69.0%). Favorable trends in the formal labor market come from the private sector, where employment increased by 15.0%, primarily in the manufacturing, private sector and construction sectors.

Serbia's public debt was observed in% of GDP (Chart 3), compared to the end of 2015 (when it amounted to 70.0% of GDP, or 24.8 billion euros in absolute amount) until the end of 2018. It declined to 53.6% of GDP (23 billion euros).

	31.12.2014.	31.12.2015.	31.12.2016.	31.12.2017.	31.12.2018
Internal debt	8.255,2	9.051,0	8.767,7	9.089,1	9.413,5
External debt	11.991,5	13.370,5	13.908,2	12.369,1	12.077,0
A. Total direct liabilities	20.216,7	22.421,4	22.675,9	21.458,2	21.490,5
B.Indirect liabilities	2.544,9	2.397,2	2.144,3	1.762,9	1.524,1
A+B Total public debt	22.761,6	24.818,6	24.820,2	23.221,2	23.014,6
Public debt / GDP	66,2	70,0	67,8	57,9	53,6

Chart 3. Public debt of the Republic of Serbia (in mil. Eur. And % GDP)

Source: Public Finance Bulletin for 2018, Ministry of Finance of the Republic of Serbia, Belgrade, February 2019

3. FOREIGN TRADE PERFORMANCE OF SERBIA

All countries have a need to increase exports by seeking to secure as much trade and balance as possible, gain as much foreign exchange as possible, and thus enable the most favorable imports. Serbia, in the union with Montenegro, entered the process of transition with huge imbalances in the economy in early 2001. The collapse of the federal community, hyperinflation, the UN's trade embargo (1992-1995) and the bombing of Serbia (1999) have led to major disruptions, primarily in commodity flows with foreign countries. The reduced volume of domestic and foreign markets, the decline in exports and the competitiveness of products and services, the decline in imports and industrial production, the decline in the social product and the like, in short, have caused structural disruptions in production and international trade.

The lack of capital was the most important problem, for the economic development, that Serbia had to deal with at the beginning of the transition process and without which the key development problems could not be solved. The change in the political relation of the international community towards Serbia, when compared to the previous decade, and its return to contemporary global integration processes has led to the increase in interest of the foreign investors in Serbian economy. The Serbian economy, when compared to advanced transition countries and especially EU member states, isn't competitive since it is still in the transition process. That results in insufficient level of investment, low level of economic activity (although relatively high growth rates have been noted recently), and a low level of export per capita.

Key factors that led to structural disbalance in foreign trade were: (Kovačević 2003, p.233).

1) insufficient range and negative production structure of the economy,
2) loss and restructuring of the domestic into foreign market,
3) increase in total foreign debt with a lingering trade deficit and
4) the exclusion of the FRY from all international financial and trade institutions

Year	Export	Import	Trade balance	Export/Import Ratio
2013	14.610	20.550	-5.940	71,2
2014	14.845	20.601	-5.756	72,1
2015	13.376	17.875	-4.499	74,8
2016	14.883	18.899	-4.016	78,8
2017	16.997	21.920	-4.923	77,5
2018	19.226	25.882	-6.655	74,3

Chart 4. Foreign trade balance of Serbia (in USD million coverage in %)

Source: RZS data, various numbers; World Bank, Trade Policies and Institutions, 2018.

Foreign trade balance in 2013 amounted to 35 mil USD, and imports were covered by exports of 71.2%; then in 2014, 35.4 mil. USD with import coverage of 72.1%; and in 2015, 31 mil. USD with import coverage of 74.8%.

The analysis of foreign trade of goods in Serbia indicates that there was an improvement in the structure of imports, in the period from 2016 to 2018, while the exports structure performance varied; In fact, exports, in terms of quality, were at the standstill. The total foreign trade of Serbia in 2018 amounted to 45,108.0 million dollars, an increase of 15.9% when compared to the previous year. The export of goods amounted to 19,226.5 million. It was a growth of 13.1% when compared to 2017 (16,992.0 million USD), and import of goods amounted to 25,882.5 mil, which was 18.1% more than in the previous year. The trade deficit, in 2018, amounted to 6,655.9 mil, an increase of 35.2% when compared the previous year. The coverage of imports by exports was 74.3% and was less than the coverage in 2017, when it was 77.5%.

By product purpose, products for reproduction are the most common in the structure of exports, 58.4% (USD 1.1221,3 million), followed by consumer goods, 30.4% (5,839.5) and equipment, 11.3% (2.164,7). Non-classified goods, by purpose, are 0.0% (USD 1.0 million). By product purpose, products for reproduction are most common in the structure of imports, 56.9% (USD 1,4726.1 million), followed by consumer goods, 18.6% (4,815.6) and equipment, 12.7% (3.295,9). Non-classified goods, by purpose, are 11.8% (3045.0 million USD).

All product groups, with a specific purpose, recorded an increase in physical volume except those of non-durable consumer goods. Intermediate Goods in Production play a significant role in most production processes and growth, and are higher by 5.3% year-over-year. What is more, it is primarily determined by the increase in the production of basic metals and building materials. The growth of the capital goods mostly relies on the growth of the machine industry, which is the result of the investment mood that began in mid-last year (Figure 1).



Figure 1. Export and import by economic purpose (in % of total exports and imports)

Source: Statistical Office of Serbia, period 2017-2018.

The EU is traditionally Serbia's key trading partner accounting for over as much as 64.9% of the total exchange. In line with the Stabilization and Association Agreement in 2019, further liberalization in the trade between Serbia and the EU is expected. Tariff positions, with certain restrictions, will be retained (in the form of higher tariff rates or quantitative restrictions). Other important partners are CEFTA signatories, with whom Serbia has a surplus of 2,247.7 million US dollars as a result of exports of agricultural products, iron and steel, road vehicles, as well as exports of various finished products. Export of Serbia to CEFTA countries is 3344, 9 million USD, while imports from this region amounted to 1097.2 million US dollars, for the observed period. Import coverage by export is 304.9%

On the Doing Business list, Serbia has ranked 23rd on the ranking list of 190 countries, according to the indicator associated to foreign trade, which is also the most important ranking within the complex indicator *Business Conditions*. The most important activity, for a good ranking in this area, is the efficient application of the NCTS (new computer transit system) of the transit procedure by the Customs Administration, as well as the introduction of the electronic customs clearance system (ERP, -ERP, 2018-2020 p.106). The largest foreign trade partners of Serbia are Italy and Germany. Exports to these two countries accounted for 25.7% of total exports in 2017, while imports from these countries accounted for 22.8%.

Country	**Export**		**Country**	**Import**	
	2017	**2018**		**2017**	**2018**
Italy	2237.0	2356.4	Germany	2775.0	3474.4
Germany	2131.6	2296.9	Italy	2208.7	2422.6
Bosnia i Herzegovina	1370.3	1527.9	China	1775.7	2167.5
Romania	818.9	1140.6	Russian Federation	1586.3	2037.1
Russian Federation	995.5	1023.6	Hungary	1067.1	1244.9

Chart 5. Countries with the largest share in foreign trade 2017-2018 (mln USD)

Source: Press Release, January 2017 and 2018

Essentially, the greatest issue of Serbian export is the lack of recognisable products whose price and quality would make them competitive on the global market. Therefore, a targeted approach is required to change the total technological and managerial structure of Serbian production. The high concentration of Serbian export to merely a few countries could have negative consequences on further export growth. This is why one of the key features of external trade policy for the upcoming period is directing products to new markets (Strategy of Increasing Export of the Republic of Serbia, 2008).

The indicators of the dynamic of import-export structure for the production as a whole are seeing an improvement in the relevant period. The analysis of indicators by sector (figure 2) for each type of production shows that they are significant to the Serbian economy. The export-import structure of the economy represents the analysis of certain branches of the economy and how they are ranked according to the degree of importance in international trade. The export-import structure by sector is shown through the participation of certain sectors in external trade. The result of a sudden change in external structure of the processing industry is the growth of production and export of machines and transport vehicles.

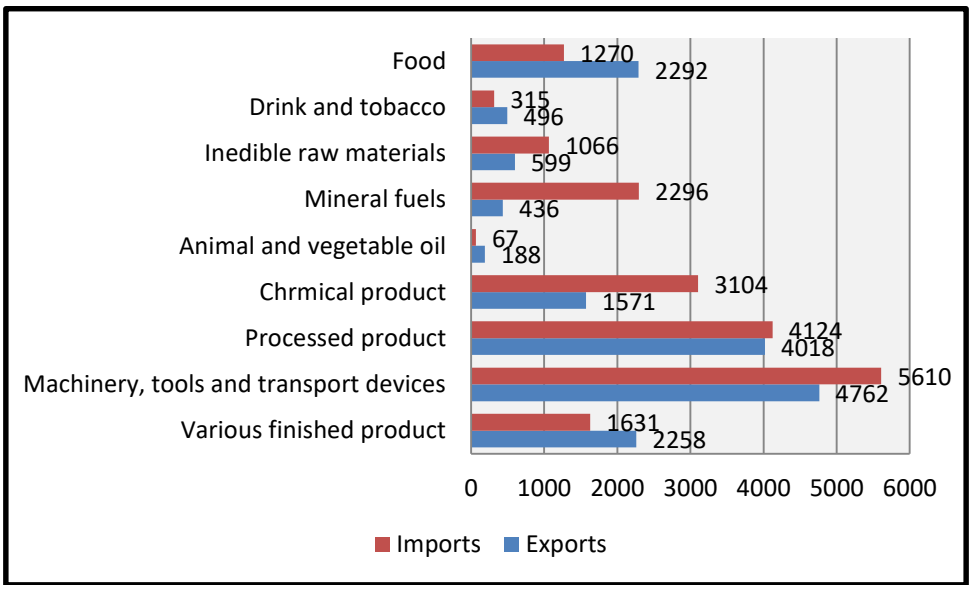


Figure 2. Export and import of goods in Serbia according to SITC sectors (mln. USD) in 2017

Source: Author's calculations based on RZS 2017 data

According to the sectors as defined by the Standard International Trade Classification (SITC), in 2018 the top 5 sectors make up 32,0% of total export. The imports of top 5 sectors make up 27,5% of total import. The sector of *undefined goods*, which now includes goods in customs processing and in the free-trade zone, participate 11,7% in total import.

The EU market is significant for Serbian exporters because of the favourable treatment afforded to a large number of products which can be exported duty-free, including products exported under preferential status. Alongside the fact that the European Union and its market represent a strategic orientation of our country, one must bear in mind that the competitive landscape on the European and global markets has been significantly altered during Serbia's absence in the last decade of the 20th century, which has a major impact on Serbia's strategic position and total competitive export potential. The autonomous preferential treatment by the EU, in force as of December 2000, has created the conditions for the restoration of external trade of the country through increasing exports into the EU, but not for its qualitative advancement.

The globalisation and liberalisation of the global market imposes survival questions to all countries participating in this volatile and demanding market. The increase in national competitiveness is the primary task for every country, including Serbia, since only a competitive economy can resist the challenges and pressures of other market players, while simultaneously providing economic development and social harmony.

The long-term competitiveness of Serbian economy cannot be ensured with the existing economic structure, which also defines the structure of exported products. The low level of competitiveness of Serbian enterprises is the basic limitation of a more efficient participation in the international market, seeing as current products are uncompetitive in either price or quality.

A significant role in the creation of a favourable climate for export of certain products could be played by state diplomacy (lobbying) which would help Serbian exporters to enter foreign markets. What the state could and should do is create the environment to nurture successful and competitive enterprises and products.

4. TRADE POLICY AND EXPERIENCE OF NEIGHBOURING COUNTRIES

Trade policy is a key part of the wider economic policy of a country. It increasingly fits into the general economic policy in parallel with the development of market mechanisms. One common feature they share is regarding the regulation of basic flows and relations in the market. The focus of a contemporary economic and trade policy should be in the balancing between global supply and demand (Grandov 2000, p. 201).

The key challenge for countries in Southeast Europe lies in future EU membership. This membership implies that aspiring members need to harmonise their policies and institutions, as well as implement certain social and economic amendments which also comprises trade. A key factor in these considerations is the degree of trust in the transitional process itself, as well as trust in state institutions, in the light of reductions in subsidies in all countries in the region. The decision to abandon the communist or socialist development patterns carried drastic changes in all areas of politics. Unsurprisingly, such changes also affected trade policy.

The development of trade policy regulation varies from country to country. Still, it is a general consensus that Southeast European countries are less restrictive in many areas compared to developed countries in Western Europe. A circumstantial evidence of this is found in the rapid entry of foreign companies into the local markets, spurred by the expected transformation of economic environment in these countries to match those of the EU.

The views of a certain number of economists point to the fact that the less restrictiveness in these countries is not always connected to the lack of legal acts which would regulate a particular area, but that there are also obvious examples of the difficulty in implementing them. Despite visible progress, the process of transition in the region has not yet been completed and most of the countries in the region still have not crossed the important intersection in the systemic reform process, after which the transformation of these economies into the marketplace becomes an irreversible process.

For economies that have made limited progress in implementing reforms, it is important to see that in the future, market-oriented reform policies will play a significant role in promoting further reform processes and accelerated economic growth. The opening up of healthy and competitive conditions, along with the creation of an attractive investment environment, would cause the arrival of foreign partners who with their knowledge and market potential can provide new business organization and good management that is focused on reviving production and higher export results.

A key precondition for the success of trade policy is to reform the political and administrative capacity and institutional infrastructure in each country.

Where it is underdeveloped, the only effective trade policy will be the one that implies the administrative and relative resistance to political manipulation. The following table provides an

overview of some of the suggestions regarding an appropriate trade policy for a number of possible scenarios.

		Political/administrative options	
		Strong	**Weak**
Economic policy	**Advanced**	*Liberalization of trade; customs scales can be unified or differentiated; current account liberalization; liberalization of capital account is also good. Sufficient conditions for FDI. No special protection is required for domestic enterprises, and incentives derived from trade policy, have a returning favorable effect on domestic policy.*	*The post-reform situation may be quite sensitive due to political manipulation, or corruption and other administrative weaknesses. It is therefore most important to build the appropriate state infrastructure, without which trade policy can not be particularly fruitful. However, this can be beneficial if the current trade policy is simple and relatively secure against corruption.*
	Medium: weak financial institutio	*Completion of reforms in the financial market and banking reforms, implementation of trade liberalization.*	*It is important to build state capacities, both political and administrative, and to complete reforms*
	Early stages	*Early stages Quick implementation of domestic reforms, including trade liberalization*	*It is important to find a way to increase state administrative capacity and to enable the state to function better. In the meantime, what is important for policy implementation is to reduce the risk of stakeholder influence and to limit corruption. It then moves towards a unique customs tariff while retaining control in the foreign exchange market, in particular control of transactions in the capital. Caution is needed in terms of the initial FDI inflow.*

Chart 6. Trade Policy of European Transition Countries (Matrix)

Source: Kovačević, R.: Transition and Trade Policy, IST - Belgrade, 2001 p. 371.

The trade policy of developed market countries is active; it directs and limits the performance of traders. Taking into account that the effects of trade policy are multi-dimensional, and that they are extremely important for the functioning of trade, they should be viewed together with other instruments of economic policy.

Trade policy should be directed towards the creation of conditions for the smooth functioning of the market and for full respect for the rules of the market game. The transition from traditional to modern trade is a long and complex process. Trade modernization marks the process of creating its active role in relation to producers and consumers.

From pure brokering, trade is transformed into a separate institution, so that commercial enterprises start functioning according to the same logic of profit as well as industrial, where it is understandable that then there is a conflict between the traditional and the new way of doing business.

The orientation towards liberalization of trade and its intensive modernization conditions certain content of some segments of trade policy. The question arises about which segments are these and what their content should be in relation to the exposed trade policy definitions. It's mostly about the following segments and their basic choices:

- Liberalization of urban-building criteria for the smooth development of the network in the area;
- Eliminate commercial barriers to entry to the market;
- Protection of small and medium-sized enterprises;
- Introduction of a consistent consumer policy;
- Realizing a developed information system of trade;
- Ensuring full freedom for trade entrepreneurship to form a specific "supply package" and to conduct a certain positioning policy on the market;

Without a market economy, there are no objective conditions for building modern trade and the economy as a whole. Unfortunately, the economic decline of the domestic economy in the past period was best seen in the case of trade.

There is a large number of trade policy segments and the necessary measures and instruments which should be taken in order to successfully implement the desired trade development policy. Consequently, a planned and content-rich trade policy is needed in the function of building up modern trade and an integral market (Simmons 1990, p.420).

5. CONCLUSION

The contribution of this paper stems from the fact that in the light of development trends, natural potentials, state of the infrastructure, the current level of development of trade policy, trade in the long run represents one of the most promising branches in the economy. The results achieved by trade in Serbia in previous decades are relatively weak. The causes of such a situation are the socialist socio-political system and its transition, the wars in the region and the sanctions of the international community, NATO strikes. The above factors speak of low trading results in view of potential opportunities. Development and expected results of product realization must include all elements of quality, competitive differentiation, that is, they must have appropriate market usability in order to represent part of the market offer. The biggest challenge for countries in transition is future membership in the European Union, which implies that these countries will have to coordinate their policies and institutions, as well as to implement social and economic adjustments that will include trade, as the trade policy of a country is the main mechanism for transmitting signals from the world market and efficient integration of the country into the world trading system. In this regard, transition as a process was largely driven by the application of state regulation. Therefore, the achieved level of transition towards the market economy has been in a large correlation with the built legal infrastructure. Trade belongs to the branches that have undergone the most significant transformation, especially given the fact that almost all countries in transition have made significant progress in the liberalization of foreign trade. By further successful implementation of reforms the way for liberalization of the market must be additionally paved, which practically means free access to the EU market, but also the exposure of domestic companies to more intense competition.

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