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TRADE CHARACTERISTICS OF THE WESTERN BALKANS' AGRICULTURE

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ABSTRACT
Western Balkans countries can be characterized by their shared aim, the quickest possible accession to the European Union (EU), to their major trade partner. Autonomous trade preferences granted by the EU were renewed until 2020 and they provide free trade to these countries for most of their products. This paper gives an overview of the Western Balkans' agricultural performance, followed by a detailed trade analysis. It identifies major export products and the concentration of trade. Agricultural trade will be separated into regional and EU markets to reveal differences and similarities in the trade patterns.

Keywords: Western Balkans, agricultural production and trade, agricultural chapters

INTRODUCTION

Western Balkans countries can be characterized by their shared aim, the quickest possible accession to the European Union (EU), to their major trade partner. However, their status is different. Based on DE MUNTER (2018), Montenegro leads, 30 out of the 35 negotiating chapters has been opened by the end of 2017. Montenegro is followed by Serbia where negotiations have been started on 12 chapters. Albania and North Macedonia are official candidate countries, while Bosnia and Herzegovina and Kosovo are potential candidates. Montenegro and Serbia have a chance to join the EU by 2025, although it is a very ambitious aim from the European Commission (GRIEVESON et al., 2018). But even being outside the club, the EU is the most important trading partner of the region (MIZIK, 2016). However, it is a question of whether there are regional differences between these countries.

MATERIAL AND METHOD

Basic agricultural indicators (contribution of agriculture to the GDP, agricultural employment and size of agricultural production) are based on World Bank's WDI and FAO database. Size of agricultural production is measured in million constant 2004-2006 international dollar. It is a theoretical currency used by the FAO, World Bank, IMF or UN. It combines the exchange rate, purchasing power parity and international average prices of commodities. It shows the purchasing power that the US dollar had in the United States at the given year. Therefore, it is better for comparisons, but cannot be directly converted into other currencies simply using the exchange rates.

Trade data (agricultural export and import, trade balance) is derived from the WTO database. The major data source of the paper is the World Bank's World Integrated Trade Solution (WITS) at HS-2 level between 2006 and 2017 on agricultural products (chapters 1-24). The first year is in accordance with the end of the state union of Serbia and Montenegro after Montenegrin voters voted for independence. The last year is the latest available year in the WITS database. List of the analyzed chapters from live animals

(chapter 1) to tobacco and manufactured tobacco substitutes (chapter 24) can be found in *Annex 1*.

Based on the above-mentioned databases, mathematical and statistical calculations were made (shares, differences, etc.). Trade data was separated both on agricultural chapter and Western Balkan's country level in order to reveal chapter and country-specific trade patterns. Extra- (outside the region) and intra-trade (within the region) were also analyzed. It should be noted that, for easier comparison, only intra-trade values are represented. For extra-trade values, this is calculated by 100% minus the percentage share of the intra-trade.

RESULTS

Based on the basic agricultural indicators, agriculture plays the most important role in Albania. It gives almost 20% of total value added and employs 40% of the total workforce (*Figure 1*). However, all the other countries' results are higher than even the new member states' averages, especially the agricultural value added. In the same year, it was only 3.14% in Croatia or 3.87% in Hungary (World Bank's WDI, 2019). What is obvious from the figure below that Serbia is the most significant producer of the region, producing more than the four other countries together. Montenegro has the smallest agricultural sector in line the smallest physical size of the country.

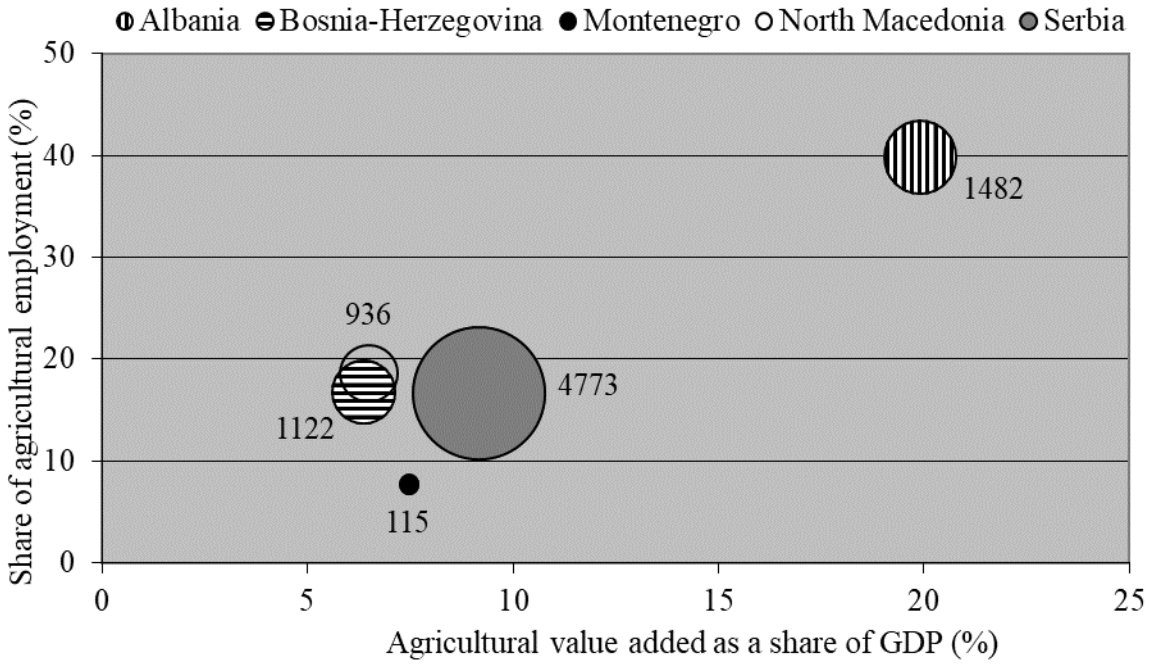

Figure 1. Basic indicators of the Western Balkan countries' agriculture, 2016 based on World Bank's WDI (2019) and FAO database (2019)

The importance of agriculture can be measured on its importance in international export and import. *Table 1* summarizes these data by using four-year averages. Except for North Macedonia, all the other countries show increasing trend both on exports and, surprisingly, imports side. Although Montenegro has the smallest agricultural production in the region,

it depends on its export revenues the most. Its value was more than one-fourth of the total exports revenues. Montenegro is followed by Serbia, Bosnia and Herzegovina, North Macedonia and Albania. The latter one is striking as Albanian agriculture is the largest one in terms of sectoral value added or employment. As a matter of imports, again Montenegro can be found in the first place, while Serbia is the last.

Table 1. Share of agriculture in the trade, 2006-2017, based on WTO (2019) database

Countries	2006-2009		2010-2013		2004-2017	
	Exports	Imports	Exports	Imports	Exports	Imports
Albania	8.70%	17.87%	6.93%	18.55%	9.94%	17.93%
Bosnia and Herzegovina	13.49%	18.04%	13.65%	19.51%	15.09%	18.85%
Montenegro	15.02%	18.33%	20.17%	25.06%	27.62%	25.06%
North Macedonia	15.63%	12.87%	15.68%	13.42%	12.06%	12.15%
Serbia	21.37%	7.39%	22.95%	8.58%	21.44%	9.27%

Based on agricultural exports and imports data, agricultural trade balance can be calculated (*Figure 2*).

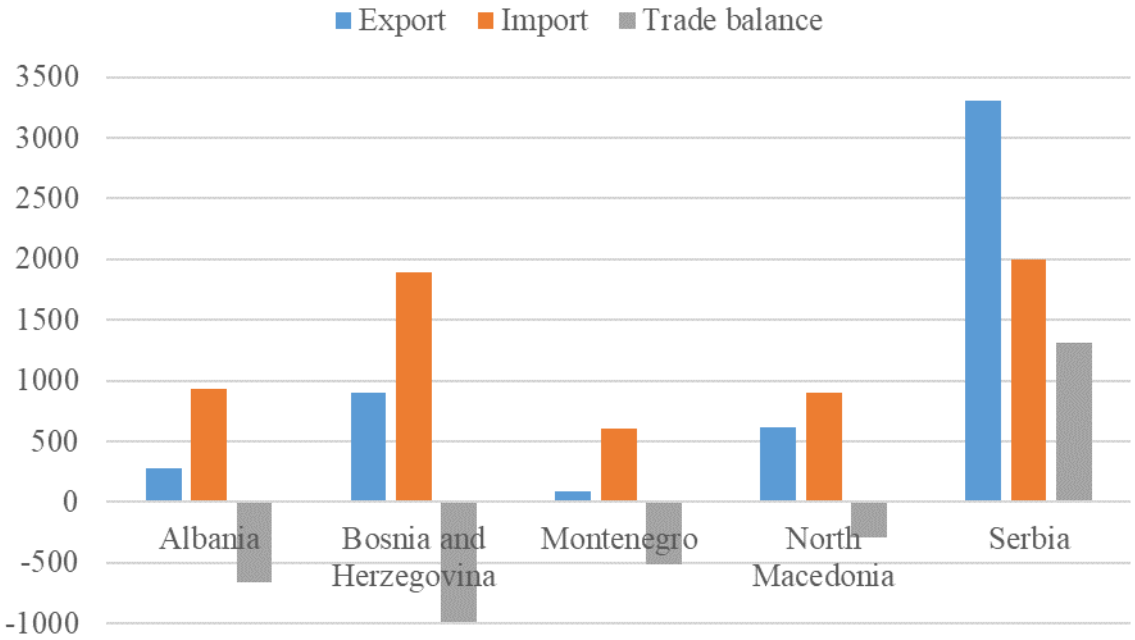

Figure 2. Agricultural trade of the Western Balkan countries, 2017 (million current USD). Data is derived from WTO (2019) database

Only Serbia has a trade surplus in the region, all the other countries have agricultural trade deficit resulting in a net importer (1.1 billion USD) position on the regional level. Taking a closer look at the agricultural export, more conclusions could be drawn. *Table 2* shows the

agricultural exports chapters in decreasing order of the share of regional trade (within the Western Balkans).

Table 2. Major characteristics of Western Balkans' agricultural exports, 2017

HS codes	Total agricultural exports (million USD)	WB' agricultural exports (million USD)	Share of WB (%)
1	60736	53040	87.33%
18	87925	60673	69.01%
4	132036	76725	58.11%
22	345576	190221	55.04%
16	160181	82734	51.65%
19	258943	127083	49.08%
11	114939	54616	47.52%
21	210811	98803	46.87%
2	114871	53299	46.40%
15	303216	116968	38.58%
17	151974	57732	37.99%
23	191543	60303	31.48%
13	2421	751	31.03%
3	37257	10499	28.18%
20	189474	53006	27.98%
7	259077	72354	27.93%
10	406547	110983	27.30%
9	29064	7253	24.96%
12	188506	42834	22.72%
24	460515	59384	12.90%
6	36759	4506	12.26%
14	1062	104	9.76%
8	821350	65935	8.03%
5	8049	633	7.86%
Together	4572833	1460438	31.94%

Source: Calculations based on World Bank's WITS (2019) database

Not surprisingly the share of regional trade is the highest for the live animals (chapter 1) as they cannot be transported to far distance (chapter 18 and 4, respectively). It is followed by cocoa and cocoa preparations and dairy produce; birds' eggs; natural honey. The least regionally traded products are products of animal origin, edible fruit and nuts and vegetable plaiting materials (chapter 5, 8 and 14, respectively). The first one is a processed product which can be transported. The two other product groups are exported mostly to the EU markets as the EU is not self-sufficient.

The country-level analysis gives more information on the trade patterns (*Table 3*). Results reflect on the dominant Serbian position as all the three least traded product and two of the three most traded products are the same as the TOP3 least and most traded products in table 2. The only exception is the preparation of meat, fish or crustaceans, molluscs or

other aquatic invertebrates (chapter 16). Its reason is simple: Albania sells most of these products outside the region, only 0.24% sold in the other Western Balkan countries. Serbia has generally lower intra-trade values as the higher part of its production could not be marketed in the neighbouring countries.

Table 3. TOP3 shares of Western Balkans' extra- and intra-trade, 2017 (%)

Countries	TOP3 extra-trade chapters			TOP3 intra-trade chapters		
Albania	0.24 (16)	0.43 (5)	1.09 (1)	100.00 (10)	97.37 (17)	83.67 (15)
Bosnia and Herzegovina	2.17 (15)	5.73 (9)	7.97 (10)	84.69 (16)	78.18 (18)	75.19 (4)
Montenegro	4.89 (19)	6.20 (12)	7.43 (9)	99.99 (11)	98.40 (23)	98.05 (3)
North Macedonia	0.32 (5)	0.61 (6)	5.87 (24)	100.00 (14)	99.97 (16)	99.87 (13)
Serbia	1.86 (8)	10.42 (5)	10.54 (14)	90.98 (1)	73.47 (16)	70.18 (18)

Source: Calculations based on World Bank's WITS (2019) database

CONCLUSIONS

Based on the analyzed data, the following conclusions can be drawn:

- Agriculture still plays an important role in the region measured by either GDP contribution or employment, especially in Albania.
- Share of agricultural exports within total exports is generally higher than the share of agricultural imports within total imports.
- Except for Serbia, all the other Western Balkan countries are net importers of agricultural goods.
- Regional effects can be seen on the chapter level, however, it varies between 87 and 8%.
- Serbia, the largest producer and exporter, has more diversified trade connections resulting in lower intra-trade values.

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Annex 1. Description of the agricultural chapters

HS code	Product description
01	Live animals
02	Meat and edible meat offal
03	Fish and crustacean, mollusc and other aquatic invertebrates
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
05	Products of animal origin, not elsewhere specified or included
06	Live tree and other plants; bulb, roots and the like; cut flower and ornamental foliage
07	Edible vegetables and certain roots and tubers
08	Edible fruit and nuts; peel of citrus fruit or melons
09	Coffee, tea, maté and spices
10	Cereals
11	Products of the milling industry; malt; starches; inulin; wheat gluten
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit, industrial or medicinal plants, straw and fodder
13	Lac; gums, resins and other vegetable saps and extracts
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
16	Preparation of meat, fish or crustaceans, molluscs or other aquatic invertebrates
17	Sugars and sugar confectionery
18	Cocoa and cocoa preparations
19	Preparation of cereal, flour, starch or milk; pastrycooks' products

20	Preparation of vegetables, fruit, nuts or other parts of plants
21	Miscellaneous edible preparations
22	Beverages, spirits and vinegar
23	Residues and waste from the food industries; prepared animal fodder
24	Tobacco and manufactured tobacco substitutes

Source: World Bank WITS database (2019)