

NEWSLETTER

Review of the Free Trade Agreement between Serbia and China



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In light of current events and announcements of further developing of diplomatic relations between Serbia and the People's Republic of China, we look back at the Free Trade Agreement ("FTA") signed between the two countries on October 17, 2023.

The FTA was signed during the Third Forum for International Cooperation „Belt and Road“ and is a significant achievement in trade liberalization, as it represents the first agreement of this kind between China and a country in Central and Eastern Europe. China and Serbia have long-standing diplomatic relations, dating back to 1955.

In the period until the entry into force of the Agreement (expected in the first half of 2024), preferential customs rates for the import of goods originating from China will be shown in Serbia by the Regulation on Harmonization of the Customs Tariff Nomenclature for 2024.

A free trade agreement is an agreement between two or more countries concluded with the aim of reducing barriers to the import and export of goods and services between them. Under a free trade policy, goods and services can be bought and sold across international borders with lower or no government tariffs, customs or prohibitions that would prevent their exchange.

Besides the FTA with China, Serbia has a trade agreement with the EU, and thus enjoys preferential market access to two large markets, which are also Serbia's largest trade partners. It is insufficiently known that Serbia is China's main trade partner in Central and Eastern Europe, and that China occupies the position of Serbia's key trade partner in Asia.

With this, it is expected that the export of Serbian products to China will increase, but also that Serbian companies will be included in China's global supply chains.

The signing of bilateral agreements generally has more impact on large and developed economies. However, in the long term, the Chinese market is opening up to Serbia. The effects of signing this agreement will be visible in the coming years. The agreement refers to almost 10.500 products from Serbia and almost 9.000 Chinese products and represents a great opportunity for Serbian exporters.

In order to facilitate mutual trade, Serbia and China will simplify customs and border procedures to the greatest extent possible and strive to improve mutual cooperation. The agreement envisages that competent authorities responsible for import and export control will cooperate and coordinate their procedures to facilitate trade between the two countries.

In the event that it is necessary for one of the FTA signatories to implement bilateral measures on account of there being a threat or occurrence of damage to the domestic economy of the importing country due to the reduction or abolition of customs duties in accordance with the FTA, it is obliged to provide the other party with all relevant information (evidence of the occurrence serious damages or threats thereof caused by increased imports, an accurate description of the goods and the proposed measure, as well as the proposed date of introduction and expected duration). Bilateral protective measures will be applied for a maximum of two years, while in exceptional circumstances, they may last for a maximum of three years.

The agreement foresees the establishment of a Joint Committee on Free Trade between Serbia and China, which will be composed of representatives of the parties, led by selected senior officials. The Joint Committee will monitor and evaluate the implementation of the Agreement, monitor the possibility of additional removal of barriers to trade and other

restrictive measures concerning trade between the Parties, monitor further development and make recommendations.

The provisions of this Agreement shall not affect the rights and obligations of the Parties under the WTO Agreement or other international agreements to which Serbia and/or China are parties.

In addition to China, economic entities from Serbia have a favorable status due to the existence of the CEFTA agreement and cooperation with Turkey, as well as for exports to the markets of Russia, Belarus and Kazakhstan, the developed markets of the EU, EFTA, as well as the right to use the Generalized System of Preferences with the USA, Japan and Australia.