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## SUSTAINABLE TRADE FACILITATION: EVIDENCE FROM SMALL AND MEDIUM ENTERPRISES IN SERBIA AND CEFTA 2006 REGION

Održivo olakšavanje međunarodne trgovine na primeru malih i srednjih preduzeća u Srbiji i regionu CEFTA 2006

### Abstract

This paper analyses the wide range of trade facilitation measures implemented by small and medium-sized enterprises (SMEs) with a focus on the CEFTA 2006 region. Generally, SMEs are more exposed to numerous impediments provoked by customs administration activities than large enterprises. Among them, trade costs seem to be more significant barriers to SMEs enrollments into international market than tariffs. The problem of trade costs may be partially overcome due to implementation of trade facilitation measures, as essential for SMEs competitiveness on international market and for the deeper regional trade integrations. The analysis is based on a relatively new methodology of the UN Global Survey on Digital and Sustainable Trade Facilitation, as the only source of trade facilitation data for SMEs in observed region. One of the main advantages of this data source is the fact that trade facilitation measures go beyond articles of the World Trade Organization's Trade Facilitation Agreement, meaning that it also covers other specific measures. Some of these specific measures are contained in the Sustainable Trade Facilitation group which is associated with sustainable development goals focused on inclusive economic growth for vulnerable categories, such as SMEs. The results indicate that, within Sustainable trade facilitation group, Serbia and other CEFTA 2006 signatories did not achieve full implementation of most measures which enhance opportunities for SMEs in the observed period 2017-2023. Particularly, the lowest implementation rate was identified in SMEs access to Single Window. Despite these modest results, some progress in implementation of trade facilitation measures for SMEs is evident in relatively short period. This is the case particularly in Serbia with the best performing in 2023 compared not only to CEFTA 2006 average, but to developed countries as well. It was the only CEFTA 2006 signatory with implementation progress in all measures within the sub-group of trade facilitation for SMEs as the main stakeholders in international trade and key for sustainable and inclusive growth.

**Keywords:** *Sustainable Trade Facilitation, SMEs, Serbia, CEFTA 2006, trade costs*

### Sažetak

U ovom radu analizira se veliki broj mera olakšavanja međunarodne trgovine koje su implementirala mala i srednja preduzeća (MSP), sa fokusom na region CEFTA 2006. Uopšteno, MSP su, više nego velika preduzeća, izložena brojnim preprekama izazvanim radom carinske administracije. Među navedenim preprekama, troškovi trgovine su značajnija prepreka za uključivanje MSP u međunarodne tokove trgovine, u odnosu na carine. Problem troškova trgovine može se delimično prevazići zahvaljujući primeni mera olakšavanja međunarodne trgovine, koje su od suštinskog značaja za ostvarenje konkurentnosti MSP na međunarodnom tržištu i dubljih regionalnih trgovinskih integracija. Analiza se zasniva na relativno novoj metodologiji Ujedinjenih nacija u okviru Globalne ankete o digitalnom i održivom olakšavanju međunarodne trgovine, kao jedinom izvoru podataka o olakšavanju trgovine za MSP u posmatranom regionu. Jedna od glavnih prednosti ovog izvora podataka je činjenica da se mere olakšavanja trgovine ne odnose samo na članove Sporazuma o olakšavanju međunarodne trgovine Svetske trgovinske organizacije, već da pored njih obuhvata i druge specifične mere. Neke od tih specifičnih mera su sadržane u grupi pod nazivom Održivo olakšavanje međunarodne trgovine, koja je povezana sa ciljevima održivog razvoja u vezi sa inkluzivnim privrednim rastom za ranjive kategorije, kao što su MSP. Rezultati pokazuju da, unutar grupe Održivo olakšavanje međunarodne trgovine, Srbija i ostale potpisnice CEFTA 2006 nisu u potpunosti primenile većinu mera usmerenih ka poboljšavanju pozicije MSP u posmatranom periodu 2017-2023. Konkretno, najniža stopa primene identifikovana je u domenu pristupa tih preduzeća jedinstvenom šalteru. I pored tako skromnih rezultata, evidentan je određeni napredak u primeni mera olakšavanja međunarodne trgovine za MSP u relativno kratkom periodu. To je posebno izraženo u slučaju Srbije, koja je na kraju perioda postigla najbolji rezultat, ne samo u poređenju sa prosekom CEFTA 2006, već i u odnosu na razvijene zemlje. Srbija je bila jedina potpisnica CEFTA 2006 koja je ostvarila napredak u primeni svih mera u okviru podgrupe olakšavanja međunarodne trgovine za MSP, kao glavnih učesnika u međunarodnoj trgovini i ključnih za održiv i inkluzivan rast.

**Ključne reči:** *Održivo olakšavanje međunarodne trgovine, MSP, Srbija, CEFTA 2006, troškovi trgovine*

## Introduction

At the beginning of the new century, the items of trade transaction costs and trade barriers in international trade started to be observed in relation with the idea for trade facilitation (TF). Trade facilitation process was expected to decrease the role of many heterogeneous barriers with the final purpose to accelerate trade flows. During the last few decades, trade costs are seeing as more intensive impediment to trade than the tariffs. Generally, TF involves many activities in relation with trade costs decrease and trade increase, with more decisive improvements in infrastructure and institutional quality. All this has led to the negotiating process for the facilitation of the international trade flows, which started under the auspices of the World Trade Organization (WTO) in 2004 and successfully concluded with the Trade Facilitation Agreement (TFA) in 2013. All aspects of that process and TFA are oriented towards simplification, standardization and harmonization of trading procedures, especially those “at the border”, resulting in lowering trade costs. As the TFA has been implemented gradually, it was necessary to monitor and evaluate it continuously, so that many steps have been done to improve the level of its implementation during the last decade.

Along with increasing integration of individual economies into the global economy, TF has become an important issue in determining a country’s export competitiveness, covering various border procedures and TF with paperless trade. This is very important, particularly for Small and Medium-sized enterprises (SMEs), since it would help them to reduce trade costs, enabling their easier integration into global value chains and access to foreign buyers [7]. Beside their role as generators of employment and development, SMEs are also important stakeholders in international trade, mostly as direct exporters and importers, and important part of business ecosystems and the policy environment, certainly. They face many barriers, especially non-tariff barriers, related to numerous trade costs with their fix and variable parts. Increasing both of them, trade costs overall could become significant barrier to SMEs enrollments in trade flows. These costs, also called “at-the-

border costs”, have dominant impact on the decrease of activities and trade value for all trade enterprises. They are provoked mostly by numerous non-tariff barriers which are trade distortive. Hence, SMEs are the most affected by this phenomenon [18].

Trade facilitation process especially applied for SMEs could bring them to the position they should have as the creators of values and new jobs. Since large share of enterprises, particularly SMEs, in many countries, is integrated into international trade system, relevant question could be how measures from TF domain reflect on SMEs. To this aim, the analysis of relationship between TF, trade costs and exports, with special focus on the TF measures implementation for SMEs, is conducted in this paper. Particularly, we are pointing results for SMEs in Serbia within CEFTA 2006 integration, having in mind the fact that Serbia is a signatory of that agreement, and its trade is significantly oriented towards other CEFTA 2006 signatories. Therefore, functioning of this regional integration heavily depends on facilitation of trade flows between signatories, and hence the implementation of TF is very important issue, as in case of other regional economic integrations.

This is the first research which is focused on the implementation of the TF for SMEs in CEFTA 2006 using new methodology developed by the United Nations within the UN Global Survey on Digital and Sustainable Trade Facilitation. That is the novelty and contribution of the paper compared to previous literature. The UN Global Survey is the only source of detailed data for various sustainable and digital TF indicators in specific areas, such as TF measures for SMEs, and therefore is not limited only to measures of the WTO TFA.

The paper is structured as follows. After introduction, the first part is dedicated to the TF performance and its effects on trade costs and exports, while the second part represents a short methodology overview focused on calculation of TF measures for monitoring TF level implementation. The rest of the paper is about position of Serbia in CEFTA 2006 regarding the stage of TF implementation, as well as about TF progress of SMEs in the observed region. The last part contains concluding remarks.

## Trade facilitation and its effects on exports and trade costs

During the last few decades the role and significance of tariffs as dominant trade barriers was slowing down, while some new factors influencing the trade have appeared in the meantime. Some of these factors are infrastructure and institutional quality which have decisive impact on the export, even more dominant comparing to variations in tariffs [3]. For instance, some studies have indicated that the reduction of tariffs by 10% would increase trade volumes by approximately only 2% [4]. Contrary, improvements of the Logistic Performance Index (as one of indicators of infrastructure quality) in low-income countries to the level of high-income countries, would cause the increase of their trade flows by 50% and more. This is an extreme example, pointing out the fact that trade costs provoked by the low level of the infrastructure and institutional quality have larger negative impact on international trade comparing to tariffs impact. All this implies the necessity of the trade costs decrease, as one of important preconditions for decisions of firms to invest abroad, or to export [4].

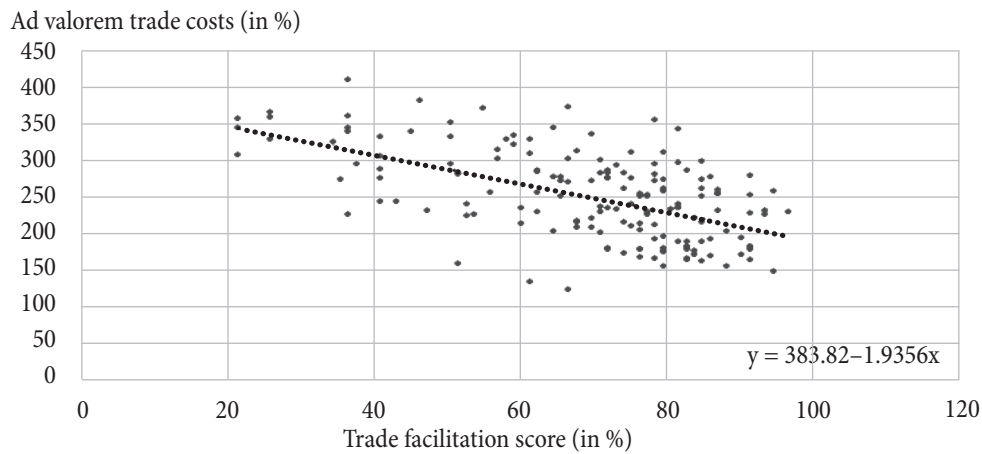
The lower level of trade costs, as well as the decisions to enter the international market with the role in exporting, are connected with higher productivity. That is the motivation for orientation of many national governments towards reforming processes, since only more productive firms would be motivated to start exporting or enter the international market. On the other side, less productive firms would still be oriented only towards domestic markets, while the least productive ones would be forced to exit very soon [8].

Some trade costs arise during the realization of the trading process, especially as the result of slow customs procedures and at the border agencies work. Many instruments for the decrease of these impediments to trade were generated under the Trade Facilitation Agreement (TFA), adopted in 2013 under the auspices of the WTO. The TFA entered into the force in 2017, after its ratification by two-thirds of WTO members. This Agreement is the legal form for many measures, instruments and actions which could be called Trade Facilitation Process. Numerous

articles of this Agreement confirm the heterogeneity of TF measures: provisions for expediting the movement, cooperation between customs administrations and authorities, release and clearance of goods, with special reference to transit. Trade facilitation could be widely defined as “any policy measure aimed at diminishing trade costs” [19]. It covers “transparent, predictable and straightforward border procedures that expedite the movement of goods” [12]. The reforms from TF domain are considered as “good for trade” [22]. The measurement and estimation of their impact on international trade is especially challenging since there is no unique definition of TF process. According to UNCTAD, trade facilitation could be seen as the process which includes transparency, simplification, harmonization and standardization of trade procedures [22]. More comprehensive definition considers TF as the process of the simplification, harmonization and standardization of procedures, with added measures and information, along with the trading process during the realization of exports, imports, or transit [23].

Complexity of TF process can be seen in various TF areas defined and analyzed in numerous researches. It can be observed through its division into two main dimensions: “hard” (Physical infrastructure and Information and Communications Technology (ICT)) and “soft” (Border and transport efficiency and Business and regulatory environment). Among them, improvements of physical infrastructure have the greatest positive impact on exports [19]. Some other indicators of TF, similar in structure to mentioned researches, have also been considered in the literature, such as Port Efficiency, Customs Environment, Regulatory Environment and E-business Infrastructure [28].

The impact of the TF measures implementation on the trade costs decrease and trade increase is obvious in many countries in the world, with different extent both across countries and TF indicators. According to some estimates for OECD countries, the most significant impact on the trade costs had the implementation of streamline procedures with the potential to reduce trade costs by 5.4%, followed by advance rulings by 3.7%, automation by 2.7% and measures to streamline fees and charges by 1.7%. If all TFIs are observed together, estimated potential for overall trade costs reduction by 10% would be even

**Figure 1: Trade facilitation performance and trade costs for goods, selected economies 2017-2021**

Notes: The last available data for trade costs are in 2021. The list of countries is available upon request.

Source: Authors' calculation based on UN ESCAP –World Bank Trade Costs Database and UN Survey on trade facilitation and paperless trade implementation measures database

larger, pointing out significant impact of TF on trade costs level [9]. In addition to the streamlining of procedures and automated process, some further OECD findings have highlighted availability of trade-related information and simplification and harmonization of documents as policy areas with the significant impact on the increase in trade volume and the reduction in trade costs. Similarly to mentioned research, recent OECD estimates indicate that the combined effects of improvement in all mentioned TF areas on the reduction of total trade costs were also larger comparing to simple sum of individual improvements in these areas, depending on the level of development of the country. Namely, implementation of TFA reduces trade costs between 14% and 18% and increases world trade by 0.6%. The largest gains in trade costs reduction from full implementation of TFA were in lower-middle income countries (17.4%) and in the low income countries (16.5%), whereas the smallest effect is in the group of upper-middle income countries (14.6%) and OECD countries (11.8%) [11]. Furthermore, full implementation of next-generation digital trade facilitation measures, like cross-border paperless trade measures, could even double trade costs reduction [1].

In line with the results of mentioned OECD studies and according to the newest TFIs and trade costs data for economies for which data are available, a continuation of negative relationship between TFA measures and trade costs is obvious (correlation coefficient in the period 2017-2021 was  $-0.564$ ; Figure 1).

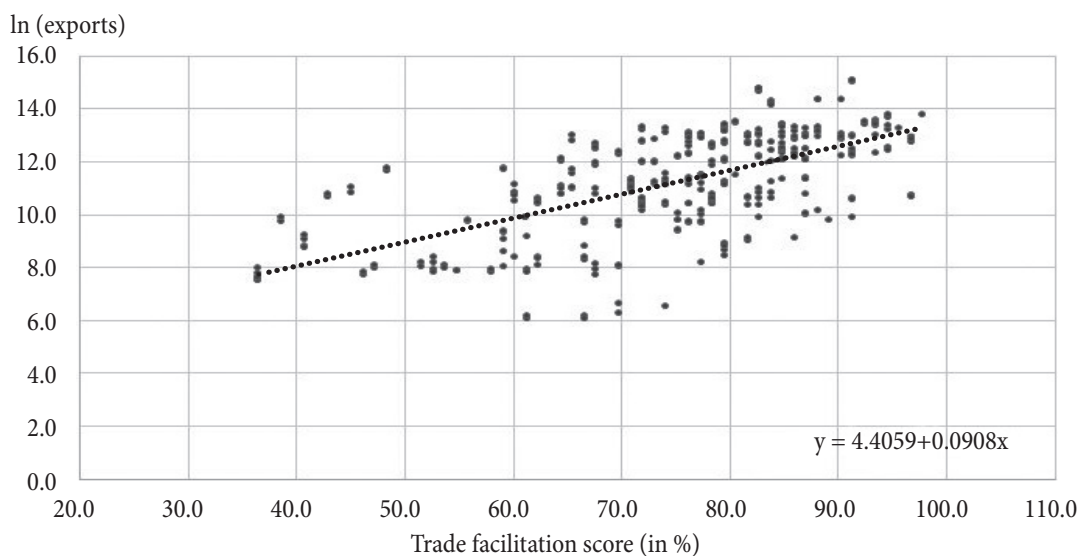
The newest data confirm that implementation of the TFA measures has further impact not only on trade costs, but on export value, too (correlation coefficient between TF score and export value was 0.640 in the period 2017-2023; Figure 2). Regarding the effects on trade value, the largest TF impact had harmonization and simplification of documents (for low income countries), streamlining of procedures (for lower- and upper-middle income countries) and availability of trade related information, automated processes and good governance and impartiality [10].

Decrease of trade costs and trade growth are important targets for all enterprises, especially for small firms and start-ups and for female entrepreneurs, since their inclusion in the global economy significantly depends on the costs level. Having the strong impact on trade flows, trade facilitation has the critical impact on inclusiveness of these vulnerable categories of enterprises and entrepreneurs. For these enterprises the costs of trading are marked as “disproportionately large”, indicating necessity to reduce many unnecessary costs provoked by complicated trading procedures [12]. This issue is considered in more details within the section of this paper related to SMEs in trading world and TF.

### Trade facilitation measures: Methodology overview

Monitoring of the stage of TF measures implementation has become an important issue along with increasing interest

Figure 2: Trade facilitation performance and exports in selected economies, 2017-2023



Notes: The last available data for export value are in 2023. Exports of goods in million USD; logarithms of export data are presented. The list of countries is available upon request. Source: Authors' calculation based on UNCTADstat database and UN Survey on trade facilitation and paperless trade implementation measures database

in trade facilitation. For that purpose, many indicators have been developed by several international institutions. Currently, most commonly used TF indicators are from OECD trade facilitation database, as well as from UN Global Survey on Digital and Sustainable Trade Facilitation. The former indicators show the extent to which countries have introduced and implemented the WTO TFA measures and are formed by aggregating 133 variables across 11 areas,<sup>1</sup> whereas the later are more focused on implementation of specific TF measures from the UN Global Survey. There also are indicators from other sources, like trading across borders indicators of Doing Business Survey, Logistics performance index (LPI), or World Economic Forum Enabling Trade Index (ETI). However, most of them are not usable in recent years due to several reasons, such as changes in methodology, creating the problem with indicators' mutual comparability as in the case of the Trading across borders indicators, or unavailability of some indicators, as happened with the ETI whose latest data were collected for 2016.

Data from the UN Survey on Digital and Sustainable Trade Facilitation are available for the most of countries from 2015 and are collected every two years. The survey

includes measures in accordance with relevant articles of the WTO TFA, but also more advanced TF measures. Namely, the scope of mentioned UN survey overcomes measures included in the WTO TFA, meaning that some of measures covered by that survey are not specifically captured by the agreement (e.g. most of measures in the Sustainable TF group). Despite that fact, their implementation can certainly support better implementation of TFA [24]. Along with specific sustainable TF measures, it contains information on the implementation level of various digital TF measures. The latest survey from 2023 contains data on TF measures, divided into the following groups:

- (A) General trade facilitation measures: Transparency, Formalities, Institutional arrangement and cooperation and Transit facilitation;
- (B) Digital trade facilitation: Paperless trade measures (related to the implementation level of information and communication technologies to trade formalities, such as customs automation or availability of internet connection at border-crossings) and Cross-border paperless trade measures (e.g. regulations for electronic transactions, implementation of systems for exchange of documents across borders and electronic trade-related data);
- (C) Sustainable trade facilitation: Trade Facilitation for Small and Medium-sized enterprises (SMEs),

<sup>1</sup> These areas are: Information availability; Involvement of the trade community; Advance rulings; Appeal procedures; Fees and charges; Formalities (Documents, Automation, Procedures); Internal border agency co-operation; External border agency co-operation; and Governance and impartiality. More about OECD TF indicators in [12].

Agricultural Trade Facilitation, Women in Trade Facilitation. This group of TFIs is relatively new compared to groups (A) and (B). Its inclusion into UN Survey is encouraged by new concept of Industry 5.0 (I5.0), with orientation to environment and society and final task to achieve sustainable development [6].

- (D) Other trade facilitation: Trade Finance Facilitation, Trade Facilitation in Times of Crisis-emergency measures [24]. This group of indicators is expanded by two new measures, added to the survey in 2023 on a pilot basis: Trade facilitation for e-commerce and Wildlife trade facilitation (related to cross-border e-commerce and implementation of electronic CITES certificates and permits [27]). Consequently, totally 60 TF measures for 161 countries are encompassed by the survey.<sup>2</sup>

In order to calculate TF implementation rate for each measure across countries, each question in questionnaire is rated in the following way: score 3 is assigned to “fully implemented” measure, score 2 for “partially implemented”, score 1 for “pilot stage” in implementation and score 0 for “not implemented” measure. Within each question, for subquestion scores 1 and 0 as assigned to answers “yes” and “no”. Implementation rate for each TF measure is calculated relative to fully implemented score 3, also enabling calculation of the average implementation rate for sub-groups, groups of TF measures and overall implementation rate (expressed in percentages).<sup>3</sup> These rates are calculated by the following formula:

$$TF\_rate_k = \sum_n \frac{Q_n}{3 \cdot m_k}$$

where  $mk$  is number of measures in sub-group  $k$  and  $Q_n$  refers to scores of question number  $n$ . Trade facilitation rates are usually calculated for sub-groups: transparency ( $m_1=5$ ), formalities ( $m_2=8$ ), institutional arrangement and cooperation ( $m_3=3$ ), paperless trade ( $m_4=9$ ), cross-

border paperless trade ( $m_5=6$ ), trade facilitation for SMEs ( $m_6=5$ ), agricultural TF ( $m_7=4$ ), women in TF ( $m_8=5$ ) and overall TF implementation rate ( $m_9=31$ ). According to the methodology of the UN Global Survey, TF for SMEs, agricultural and women TF sub-groups, implementation rate is calculated only if data are available for more than half of measures in the sub-group.

Regarding TF for SMEs which is in the focus of this paper, five sub-groups of measures are developed: (1) trade-related information measures for SMEs, indicating the extent to which national government has developed TF measures - ensuring easy and affordable access for SMEs to trade-related information; (2) SMEs in Authorized Economic Operator (AEO) scheme – indicating whether national government developed TF measures which enable SMEs to benefit from authorized operator scheme; (3) SMEs access Single Window –referring to the actions that are conducted to make Single Window more accessible to SMEs; (4) SMEs in National Trade Facilitation Committee – the level of undertaken actions enabling SMEs to be well represented at the National Trade Facilitation Committee; (5) Other special measures for SMEs which are possibly implemented to decrease SMEs costs related to trade procedures.

Based on mentioned TF measures, the analyses of overall TF process itself and TF implementation specific to SMEs in Serbia and other CEFTA 2006 signatories, are conducted in this paper. Monitoring and evaluating the success of that process is important because Serbia is a signatory of CEFTA 2006 and its SMEs are very intensively included in trading with enterprises of other CEFTA 2006 signatories.

### The position of Serbia in CEFTA 2006 integration - a comparative analysis of trade facilitation measures implementation

Although CEFTA 2006 signatories have a share of only 0.2% in international trade, the existence of this agreement is important for its signatories and resulted in continuous increase of their intra-trade. This was particularly obvious in the first years after the signing of CEFTA 2006, with accelerated intra-trade growth. Slowing down of that

2 UN survey is conducted through three steps: 1. data collection by the Economic and Social Commission for Asia and the Pacific (ESCAP) sub-regional consultants (completing the questionnaire); 2. Data verification by ESCAP secretariat; 3. Data validation by national Governments [26].

3 According to the methodology of the UN Global Survey on Digital and Sustainable Trade Facilitation, the answer „do not know” is also treated as “not implemented” with score 0, only when calculating the overall implementation rate.

growth during the 2009 crisis and after Croatia became the EU member, has provoked the increase of EU share in regional trade structure and the decrease of the share of the intra-trade. Within CEFTA 2006 Serbia was the only country with constantly registered surplus. Signing this agreement, Serbia and other signatories started TF process even before the TFA was adopted, since in many regional trade agreements (RTAs), formed during last two decades, TF issue was early recognized as the instrument for accelerating trade flows. The provisions of TFA became very important part of many RTAs, including CEFTA 2006 [21]. Comparing the implementation level of TF measures in Serbia and other CEFTA 2006 signatories during the period with available data (2017-2023), a few conclusions can be derived. Firstly, based on five standard sub-groups (within General TF and Digital TF groups; Figure 3a), both Serbia and other CEFTA 2006 parties have registered an increase of the overall TF implementation rate, with the fastest progress in Serbia (from 39% to 83%).

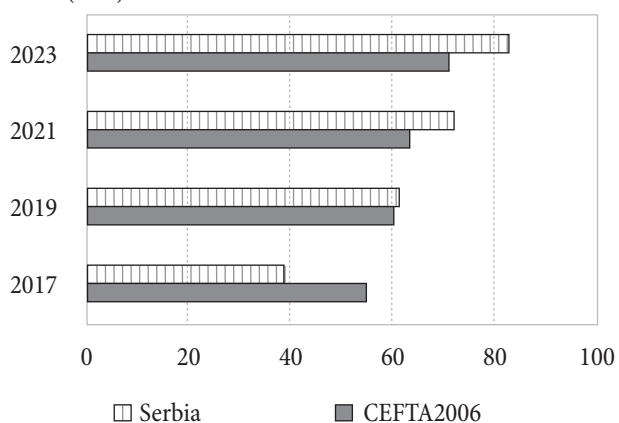
When TF implementation rate is calculated based on all groups of TF measures, including relatively new group of Sustainable TF measures (TF for SMEs, Women in TF and Agriculture TF), situation is similar to previous described, though with slightly lower implementation rates for all observed countries (Figure 3b). This can be expected since these newly included important TF areas, at least during the first years of their inclusion, were not as much in the focus of TF implementation as other standard TF

measures introduced many years before. Lower average implementation rate influenced by inclusion of new TF measures is the case not only in CEFTA 2006 region, but also in other regions in the world, with significant decrease in developed economies as well [25].

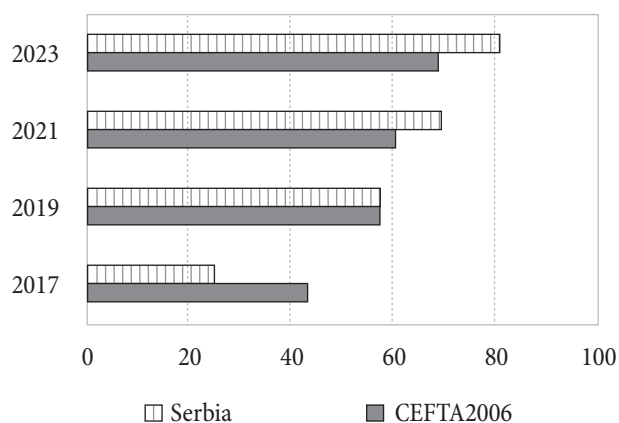
The whole observed period is characterized by different implementation rate across mentioned eight sub-groups of TF measures. For instance, in 2019 as the year before the Covid-19 pandemic, the share of implemented TF measures in Serbia was higher than in other CEFTA 2006 signatories in five sub-groups, particularly in the area of Formalities and Women in TF. On the other side, TF score in three sub-groups was under CEFTA 2006 average, with the lowest TF rate in TF for SMEs and Paperless Trade (Figure 4). However, in the following years up to 2023, in response to Covid-19 pandemic, countries all over the world have been more focused on implementation of digital TF measures to improve efficiency of cross-border trade. This was also the case in CEFTA 2006, particularly in Serbia, where TF implementation rates for Paperless trade and Cross-border paperless trade have increased from 52% and 33% in 2019 to 74% and 67% in 2023, respectively. Positive trends have also been registered in implementation of sustainable TF measures in Serbia, that is in TF for SMEs, Women in TF and Agricultural TF measures, with the growth of TF implementation rate from 27%, 56% and 58%, to 67% for the first two measures and 83% for the last one in 2023, which was the highest of all CEFTA 2006 parties (Figure

**Figure 3: TF implementation rate for CEFTA 2006 and Serbia, 2017-2023**

**a.** based on transparency, formalities, institutional arrangement and cooperation, paperless trade and cross-border paperless trade (in %)

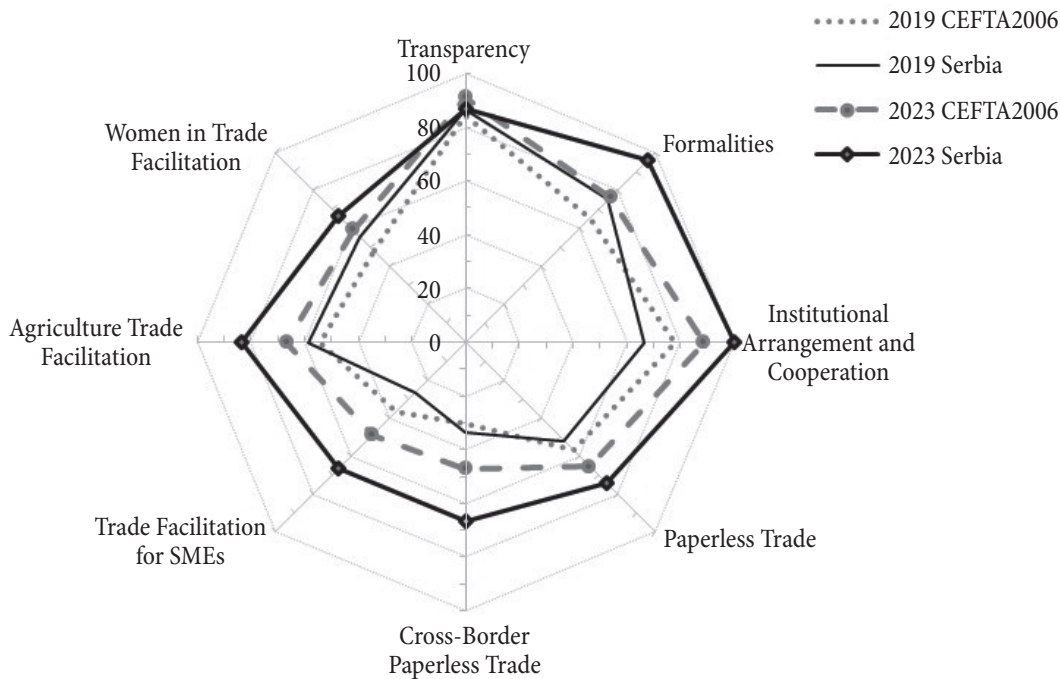


**b.** based on five sub-groups in a. extended by Sustainable TF measures for SMEs, Agricultural TF and Women in TF (in %)



Source: The UN Global Survey on Digital and Sustainable Trade Facilitation; <https://www.untfsurvey.org/>

Figure 4: TF implementation rate by sub-groups of TF measures in CEFTA 2006 and Serbia in 2019 and 2023 (in %)



Source: The UN Global Survey on Digital and Sustainable Trade Facilitation; <https://www.untfsurvey.org/>

4). Despite different implementation rate across TF sub-groups, the improvement of the position of Serbia was obvious and notably faster than CEFTA 2006 overall.

### SMEs in contemporary trading world and trade facilitation

The group of SMEs is very heterogeneous in terms of productivity, wages and international competitiveness and many aspects, depending on enterprises' sectors, ways they are facing and overcoming inefficiencies in the environment and their sizes. During the last few decades, even in developed countries, SMEs have been more exposed to numerous problems compared to large enterprises, due to persistent differences in productivity and wage gaps. These gaps are less obvious for SMEs engaged in export. However, SMEs in trade and services are more affected by obstacles to bank financing [5].

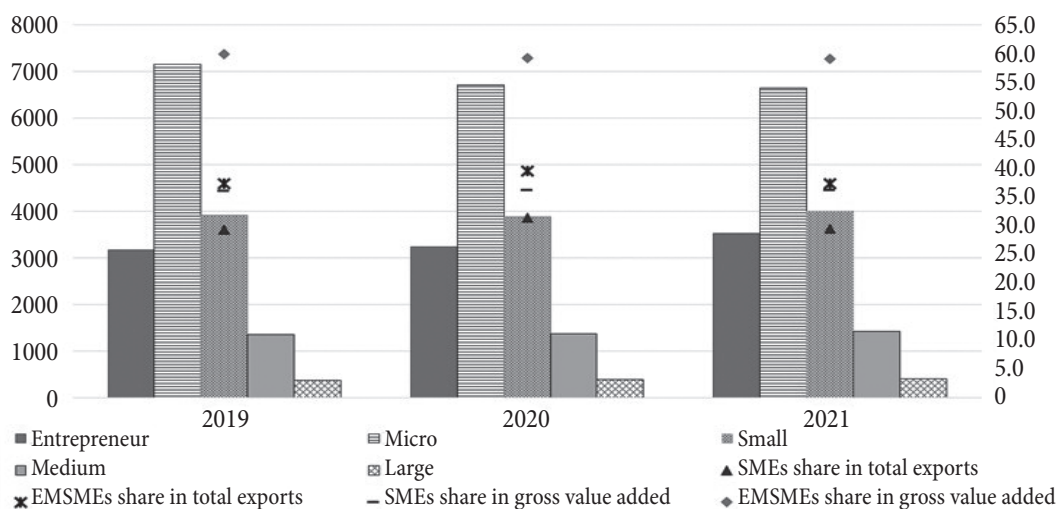
SMEs are seen as the source for the creation of new jobs, mostly in low-wage sectors. These enterprises are more dependent on business ecosystems and the policy environment than larger companies, entailing their particular vulnerability [13]. This vulnerable category

of enterprises is faced with many risks. One of the most contemporary challenges is the fact that these enterprises, having some intellectual property rights (IPR), are faced with the risks of the illicit trade, or trade in counterfeit goods. SMEs whose intellectual property was infringed, have 34% less chances of survival at the market and business world, compared to those who do not have such experience [17]. Furthermore, SMEs mostly do not know how to take the advantage of having these assets, because only 45% of registered IPR owners made some attempts to profit from these assets, while only 10% of these enterprises in EU own registered IP rights [2].

In OECD countries, SMEs have important role, as the basic and dominant form of organizing the business, because about 99% of all firms in these countries are SMEs, employing over two thirds of the total workforce.<sup>4</sup> They contribute in gross exports with 40% and even more, with 50% of the value added of gross exports. This confirms the usual, well known contribution of SMEs as a subcontractors and sub-suppliers of larger exporters [17].

<sup>4</sup> "According to most definitions, small and medium-sized enterprises (SMEs) are companies with fewer than 250 employees and either an annual turnover not exceeding EUR 50 million or a total balance sheet not exceeding EUR 43 million" [17].

Figure 5: Number of exporting enterprises and the shares in Serbia's exports value, 2019-2021



Notes: EMSME – entrepreneurs, micro, small and medium enterprises.

Left scale: Number of exporters, Right scale: The shares of SMEs and EMSMEs export value in total Serbia's exports of goods.

Source: Authors' presentation based on data from Statistical office of the Republic of Serbia, 2023 [20]

This category of enterprise is also dominating the Serbian economy, with the share of 99% including micro enterprises and entrepreneurs, similarly to the OECD overall [14]. This category gave the similar contribution to the Serbian economy, as in OECD countries, employing around 65% of the workforce in 2021, with the share of 59% in the total gross value added and 37.4% in total exports value (Figure 5) [20].

Within the CEFTA 2006 region, SMEs contribution to employment and export performance varied significantly across signatories. For instance, SMEs in Bosnia and Herzegovina contributed the least to overall employment (around 63%), whereas SMEs in Albania accounted for 82% of total employment. Concerning export performance, the share of SMEs in Bosnia and Herzegovina was approximately 50% of total export value, in Albania around 64% and in North Macedonia above 20% in 2020 [16].

The analysis of the connection of SMEs with TF process in CEFTA 2006 region, especially those included in foreign trade business, was initiated by OECD research pointing out that SMEs benefited more from the implementation of TF measures than larger trade companies [15]. It is particularly important, since the majority of enterprises engaged in the foreign trade operations realization belong to this category of enterprises. Numerous barriers enterprises face with, particularly administrative non-tariff barriers, are analyzed from the perspective of all sizes of enterprises,

including SMEs. This issue had been broadly discussed even before the WTO TFA was adopted in 2013, as the legal basis for the decrease of these barriers in international trade. Hence, there is the need for special monitoring of the role and the impact of TF process on further normal functioning and survival of SMEs all around the world. Many TF measures implementation can directly help SMEs better participating the foreign trade, by increasing trade volume and decreasing trade costs. The TF measures have stronger impact on the fixed costs which make larger pressure on SMEs activities, compared to variable costs [7]. That points out the specificity of TF measures effects on trade costs for SMEs, compared to larger enterprises. Among these measures, streamlining of procedures, automation of the border process, simplification of fees, or consultations with traders, appear to have the largest differentiated impacts on SMEs relative to larger firms [7].

Some of these TF measures with special focus on SMEs are encompassed by UN Survey on TF and Paperless Trade as quite new and modern approach. In that survey SMEs are seen as one of the three sub-groups for measuring the level of the achieved sustainable trade facilitation, along with the issues of Women in TF and Agriculture TF. They are used for evaluation of TF implementation success concerning SMEs in the signatories of CEFTA 2006. The analysis is motivated by the fact that Serbian SMEs, as members of trade network are faced with many

at-the-border barriers, which should be at least decreased, if not completely eliminated, especially at borders of their CEFTA 2006 trading partners.

### Trade facilitation progress of SMEs in Serbia and CEFTA 2006

Sustainable TF goals are connected with the trade agenda which recognized the importance of SMEs facilitation as the contribution to the inclusive trade. Starting from 2017, the UN Global Survey monitors progress in the implementation of TF measures for SMEs in numerous countries of the world. Measures which would enable trade facilitation of SMEs as the sub-group of the Sustainable TF, generally are implemented at the very low level compared to other TF sub-groups. Trade facilitation measures for SMEs have also been monitored for CEFTA 2006 region by UN Global Survey on Digital and Sustainable Trade Facilitation starting from 2017. Based on this data source, the average TF scores for SMEs are calculated using only economies where information on TF measure implementation is available, that is where the answers in the survey are: not implemented, planning stage, partially implemented, or fully implemented.

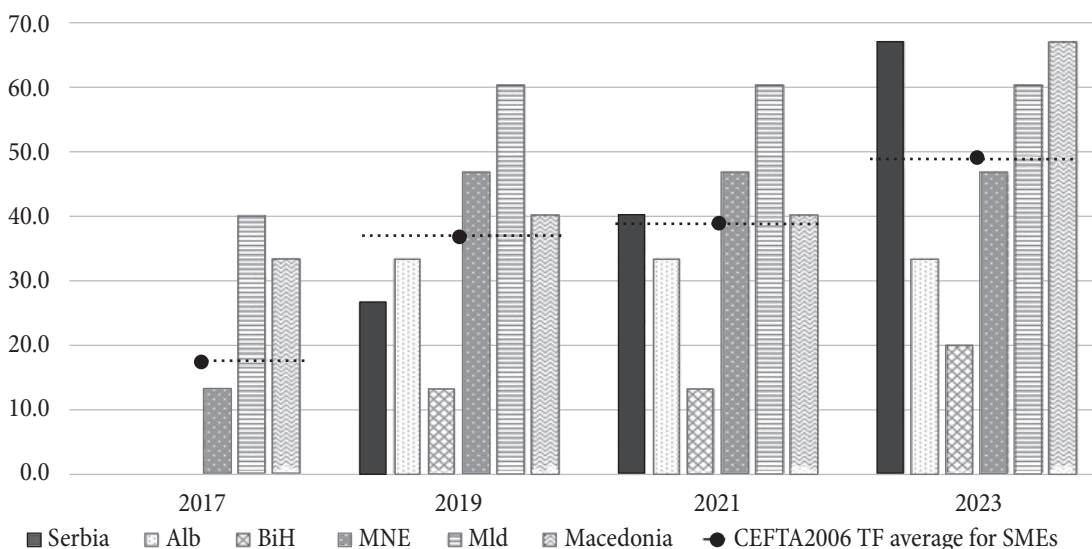
The greatest progress in the implementation of TF measures for SMEs has been registered in Serbia during the observed period with the increase from 27% in

2019 to 67% in 2023, thus, achieving the highest level of implementation along with North Macedonia compared to other CEFTA 2006 signatories. The level of implementation in 2023 in these two countries and Moldova as well, was above CEFTA 2006 average (Figure 6). However, these results are still far from full implementation level of TF measures for SMEs, which could imply that there is still a lack of policies and initiatives dealing with inclusive trade facilitation, not only in this region, but also around the world [25].

Five representative indicators for SMEs trade facilitation's measurement in the UN Global Survey are: Trade-related information measures for SMEs, SMEs in Authorized Economic Operator (AEO) scheme, SMEs access Single Window, SMEs in National Trade Facilitation Committee and Other special measures for SMEs. As mentioned in the methodology section, each of these measures are marked as: Not implemented, to be in the Pilot stage of implementation, Partially implemented and Fully implemented. The implementation level significantly varies across these five TF categories for all observed countries (Figure 7).

*Trade related information measures for SMEs* are implemented in CEFTA 2006 with the highest level compared to all other individual indicators. The average implementation scores for this TF category in CEFTA 2006 were 2.17 in 2019 and 2.33 in 2023, being slightly under the

Figure 6: Progress in implementation of TF for SMEs by CEFTA 2006 signatories in 2017-2023, in percentages



Note: Data for Serbia, Albania and Bosnia and Herzegovina are not available in 2017.

Source: The UN Global Survey on Digital and Sustainable Trade Facilitation, <https://www.untsurvey.org/>

averages of developed countries (the average score 2.76 in both years). This measure is fully implemented in Serbia, Bosnia and Herzegovina and Moldova (Table 1). During the ten-year implementation of TF measures, it was logical to expect National Committees would be established very quickly, as the first step for implementation of the WTO TFA, that should bring each country closer to achieving the multilateral TFA goals. However, the number of countries in the world, including developed ones, with fully and partially implemented TF measure for *SMEs in National Trade Facilitation Committees*, represents a surprisingly modest share. Although the increasing implementation in this area was noticeable in observed period, the scores for Serbia, CEFTA 2006 and developed countries in 2023 were only 2, 2.2 and 1.5 respectively. This is the only TF measure for SMEs with score in Serbia lower than CEFTA 2006 average.

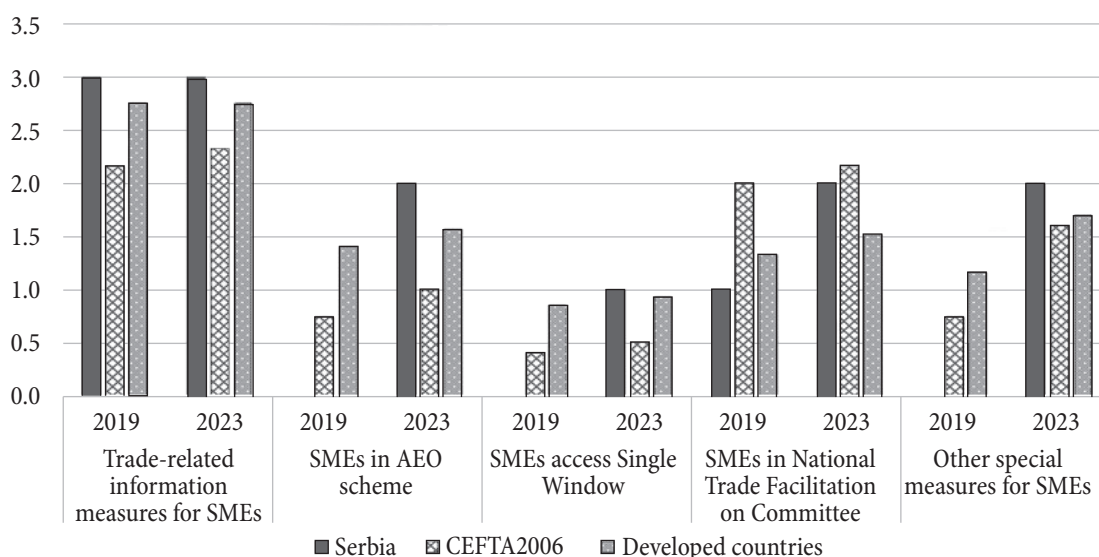
The degree of implementation of the rest three TF measures for SMEs, requiring a high level of ICT development, is even more modest (Figure 7). Among them, the *Other special measures for SMEs* have achieved a somewhat better level of implementation (scores for Serbia, CEFTA 2006 and developed countries are 2, 1.6 and 1.7, respectively). They are connected with many activities whose implementation would facilitate the participation of

SMEs in trade. These other special measures, such as the creation of special action plans for the TF of small businesses or the postponement of customs duties payment, form a heterogeneous group of measures expected to facilitate further inclusion of SMEs in trade. Among all TF measures for SMEs, *SMEs access to Single Window* was at the lowest level in the majority of countries in the world. Even in developed countries, the score for that TF measure was under 1, whereas in CEFTA 2006 was 0.5 in 2023 (Figure 7). Possible reason for its low implementation could be the fact that it requires large amount of financial resources for the Single Window establishing. This instrument speeds up trading process, since it enables traders to enter data into the Single Window system only ones, and system further distributes them towards institutions involved in that process.

*SMEs in Authorized Economic Operator Scheme (AEO)*, especially for CEFTA 2006 region, has also achieved very modest level of implementation, with full implementation only in Moldova, partially implementation in Serbia, planning stage in North Macedonia, while the other CEFTA 2006 have not implemented it yet (Figure 7 and Table 1).

The AEO scheme and SMEs are in deep connection because the issue of the AEO certificates recognition could become the entry barrier for SMEs. The increased

**Figure 7: Progress in implementation of individual trade facilitation measures for SMEs - Serbia, CEFTA 2006 and developed countries**



Note: Data for Serbia for three TF measures for SMEs are not available in 2019. Degree of implementation (from 0 = not implemented to 3 = fully implemented). Totally 28 economies have been selected by the UN Global Survey into the group of developed countries in 2019, whereas 33 economies in 2023. Source: The UN Global Survey on Digital and Sustainable Trade Facilitation, <https://www.untfsurvey.org>.

**Table 1: Implementation of trade facilitation measures for SMEs in 2023, CEFTA 2006 signatories**

Measure	SRB	Change*	BIH	Change*	ALB
Trade-related information measures for SMEs*	Fully implemented		Fully implemented	↑	Partially implemented
SMEs in AEO scheme*	Partially implemented	↑	Not implemented		Not implemented
SMEs access Single Window*	Planning stage	↑	Not implemented		Not implemented
SMEs in National Trade Facilitation Committee*	Partially implemented	↑	Not implemented		Partially implemented
Other special measures for SMEs	Partially implemented	↑	Not implemented		Planning stage
Measure	MNE		MKD		MDA
Trade-related information measures for SMEs*	Partially implemented		Planning stage		Fully implemented
SMEs in AEO scheme*	Not implemented		Planning stage	↑	Fully implemented
SMEs access Single Window*	Not implemented		Partially implemented		Not implemented
SMEs in National Trade Facilitation Committee*	Fully implemented		Fully implemented		Fully implemented
Other special measures for SMEs	Partially implemented		Fully implemented	↑	Do not know

\* Change in 2023 compared with 2019.

Source: <https://www.untfsurvey.org/>

number of the AEO Mutual Recognition Agreements was signed during very short period and introduced as one of the basic models for speeding up the TF process from the perspective of SMEs. However, it is important to note that this scheme was very recently established, and its full contribution should be expected in future. This status could be granted to an enterprise as a result of meeting the requirements and internationally recognized standards, and it has to be approved by customs. The enterprise with AEO certificate is considered as the secure partner in trade and gets many TF benefits concerning fewer customs checks, formalities and procedures, and rapid clearances. These TF benefits provoke the reduction of both fixed and variable trade costs [7]. In order to achieve facilitative character, it is very important to recognize and accept AEO status mutually, between the trading partner countries of origin.

## Conclusion

The role of trade costs, as more intensive impediments to trade compared to tariffs, and their negative impact on trade volumes dynamics, has been the basis of many researches during last few decades. One of ways for trade costs decrease is seen through trade facilitation process under the auspices of the WTO, which contributes to the productivity and better competitiveness. It is expected that decrease of trade costs after the TF implementation, *inter alia*, would lead towards further trade volumes increase. Successful implementation of TF measures is especially important for SMEs, because trade costs, provoked by

insufficient facilitated trade, have stronger pressure on SMEs compared to larger enterprises. Consequently, SMEs get more benefits after the implementation of TF measures. This point of view is important for research having in mind the fact that SMEs are the most numerous trading enterprises in the world, including CEFTA 2006 region and particularly Serbia.

Using UN indicators of the TF measures implementation, country performance on trade facilitation with a special focus on SMEs in CEFTA 2006 region is investigated. This helped us to highlight achieved progress during the first decade of the WTO TFA implementation, as well as remaining challenges, as the basis for further evaluation of the TF implementation. The analysis for CEFTA 2006 has shown that Serbia realized very dynamic progress in overall implementation TF level (General, Digital and Sustainable TF measures) compared to other signatories in relatively short period, achieving the level above the CEFTA 2006 average, with the highest TF implementation score in 2023 along with North Macedonia.

Concerning most of TF measures for SMEs within Sustainable TF group, Serbia and other signatories did not achieve full implementation. The result is similar for many countries including developed ones. One of the reasons for that result may be very short observed period after the introduction of these measures, whereas the other could be related to the lack of financial sources for their implementation and policies and initiatives dealing with inclusive trade facilitation, not only in this region, but also around the world. Namely, some challenges for all CEFTA 2006 signatories, provoked by high expenses

for the implementation of TF measures such as the Single Window are spotted. The introduction and use of ICT and the establishment of Single Window as a part of a soft infrastructural upgrade are challenging elements of TF, mostly from the financial aspect requiring advanced investments in ICT. Despite these facts, some progress in implementation of TF measures for SMEs in Serbia and other CEFTA 2006 signatories is evident in observed period. This is the only sub-group within Sustainable TF measures, where Serbia has achieved the increase from the implementation level below CEFTA 2006 average in 2019, to the best performing in 2023 along with North Macedonia. This progress in TF implementation was more dynamic not only comparing to CEFTA 2006 average, but comparing to developed countries, as well. The research also implies improvement in implementation of Digital TF (Paperless trade and Cross-border paperless trade) as the response to numerous challenges of SMEs during the Covid-19 pandemic years. This is precondition for improvement of TF for SMEs, as was indicated by analysis in case of Serbia and CEFTA 2006.

Within the sub-group of TF for SMEs, Serbia was the only CEFTA 2006 signatory which has made the implementation progress in all measures, except for Trade related information measures, where full implementation has already been achieved in 2019. This conclusion is very important considering the fact that SMEs are dominant in the structure of enterprises as the main stakeholders in international trade, both in Serbia and other signatories, as well as the fact that these enterprises are the key for sustainable and inclusive growth.

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