

JPM Newsletter August 2013

Serbia looking forward to 2014?

As of 2014 Serbia is expected to abolish the majority of customs duties on goods coming from the EU, although customs duties will remain in place for a few specific goods. This obligation is coming from the contractual relationship that Serbia has with EU. What would be a consequence of this and what will it mean for the consumer and businessman alike? Andreja Petrović of JPM is at hand to explain.

The main problem is the fact that many of the Serbian products currently on the market are not competitive with the EU products in both the production process as well as in terms of quality levels, the latter being much higher within the European Union. Once these EU products are exempt from customs duties and imported into Serbia they would most probably be very well positioned in the Serbian market what would seriously jeopardise the market share of similar Serbian products. This potential threat could even result in serious injuries to certain Serbian industries. How to deal with this?

Well, the first thing is to produce a better and more competitive product; this requires the enhancement of the production process, the product's quality, packaging, and so on. Of course, for improvements like these, serious investment is necessary. Here, we can speak about measures that the Serbian Government can undertake in order to increase investments; however, under the contractual regime with the EU there are some other measures available to the Serbian Government in case that certain industries are seriously threatened. These measures are anti-dumping, anti-subsidy (countervailing measure), and safeguard measures.

Rules in this regard are coming from the WTO Agreement and its relevant Annexes (Agreement Establishing The World Trade Organisation) of which some are implemented in the Serbian legal framework through the SAA (Stabilisation and Association Agreement), signed with the EU, and from Serbian Law on Foreign Trade. The reason and need for such rules is the fact that trade with an economically stronger party is hard and often not so fair, thus, certain equilibrium in trade has to be made through Government measures. Nevertheless, the preconditions for the imposition of such measures are unfair trade (dumping and subsidisation) or an unforeseen, sharp and sudden increase of imports negatively affecting certain domestic industry (safeguard measures).

Dumping exists when a company from abroad is exporting a product at a price lower than its normal value (price of the product when sold in its domestic market or its cost of production). A subsidy, on the other side, is a financial contribution (grants, loans, tax credits, etc.) by a Government or a public body which confirms a benefit to a recipient. Subsidies that can be acted against are one that are specific to one company or one sector and that are, in our case, contingent upon export performance. Safeguards

measures are of a different nature. In this case it is not relevant whether there is unfair trade from other party or not but is there importation of the certain product in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or a directly competitive product.

Therefore, if Serbian producers might face such situations then the Serbian Government could, also upon initiative from private sector, act by imposing anti-dumping, anti-subsidy, or safeguard measures. Anti-dumping and anti-subsidy measures, usually in the form of a duty, are applied to counteract the injurious effects of dumped and subsidised imports from specific country and to restore fair competition. Anti-dumping measures would be based on the dumping margin (comparison between the export price and the normal value), while anti-subsidy measures would correspond to the difference between the subsidised export price and non-subsidised export price. Safeguard measures, unlike the anti-dumping and anti-subsidy measures, are applied to imports from all countries regardless of their source, that is, to all exporters equally, where the goal of the measure is to give the industry temporary breathing space in order to reduce the pressure of imports. Nevertheless, it has to be noted that such measures could be imposed only if there is dumping/subsidisation/surge of imports, a domestic industry is suffering injury, and there is the existence of causal links proving that the injury is caused by the imports and not by other factors.

For the end, we can only hope that Serbian industries will not be jeopardised as of 2014 and if that happens, that Serbian Government will promptly act and protect domestic industries.

Andreja Petrović

Contact:

andreja.petrovic@jpm.rs

Phone: +381/11/207-6850