ЭЕ
ECONOMICS OF SUSTAINABLE DEVELOPMENT

Vol. 7, january-june 2023, № 1
UDK 33+502/504
ISSN 2560-421X

Anđela Milenković [1]
Marija Jovanović [2]
Innovation Center,
University of Nish

Ivana Milošević [3]

P. 61-77
SCIENTIFIC REVIEW PAPER
10.5937/ESD2301061M
Received: November 1, 2022
Accepted: December 26, 2022

THE ANALYSIS OF THE IMPACT OF COVID-19 PANDEMIC ON COMMODITY EXCHANGE OF THE REPUBLIC OF SERBIA WITH WESTERN BALKAN COUNTRIES

Abstract

Doing business in the Western Balkan (WB) is characterized by close connections between member countries as well as a large volume of trade. Similarities in language, culture and friendly relations facilitate the exchange of goods. Due to the importance of WB as a grouping for the Republic of Serbia (hereinafter: RS), the work will be devoted to the analysis of the business operations of companies on WB, specifically business operations before, during and after the pandemic. The subject of this work is to determine and examine how the outbreak of the COVID-19 pandemic affected the business operations of companies in the WB. The goal of the work is to present the latest data on the trade of RS with the WB as a grouping, but also for individual WB countries, which will help companies and state authorities in creating a policy for the development of relations and incentives.

Keywords: *Western Balkan, trade, Covid-19 pandemic, business*

JEL classification: F1, F5

АНАЛИЗА УТИЦАЈА ПАНДЕМИЈЕ КОВИД-19 НА РОБНУ РАЗМЕНУ РЕПУБЛИКЕ СРБИЈЕ СА ЗЕМЉАМА ЗАПАДНОГ БАЛКАНА

Апстракт

Пословање на Западном Балкану карактерише уска повезаност између земаља чланица као и велики обим робне размене. Сличности у језику, култури и пријатељски односи олакшавају робну размену. Због значаја Западног Балкана као групације земаља за Републику Србију (РС), рад је посвећен анализи пословања предузећа у земљама Западног Балкана, конкретно пословању пре, у току и након пандемије. Предмет овога рада је да утврди и испита како је избијање пандемије COVID-19 утицало на пословање предузећа на Западном

[1] milenkovic.andjela998@gmail.com, ORCID ID 0000-0001-5779-1526

[2] marijamptrakic@gmail.com, ORCID ID 0000-0001-5997-0501

[3] ivanica.96@hotmail.com, ORCID ID 0000-0002-4197-5539

Балкану. Циљ рада је да се представе најновији подаци о робној размени РС са Западним Балканом као групацијом, али и појединачним земљама Западног Балкана, који ће помоћи предузећима и државним органима у креирању политике развоја односа и подстицаја.

Кључне речи: *Западни Балкан, робна размена, пандемија Ковид-19, пословање*

Introduction

The outbreak of the Covid-19 pandemic has led to changes in the way of life of people and the behaviour of business entities. People spend more time in their homes. Experts in the field of information technology conduct business as before the pandemic, working from home. There is an expansion of online sales and home delivery. The realization of extra profit is especially present in the pharmaceutical industry. Some companies are reorienting their business or diversifying their product range. On the other side, there are companies that have neither experienced expansion, nor have adapted. This group includes companies from the field of tourism, hotel and catering. The Covid-19 pandemic also affected the operations of companies in the WB, which is our second most important foreign trade partner after the European Union, with a share of almost 10% in the total exchange of goods with the world (17.2% in exports and 4% in imports) in 2021, with a surplus of 2.5 billion EUR, and 299.1% coverage of imports by exports.

After the drop in trade with the WB as an economic grouping, there are currently (during 2022) tendencies of economic recovery (the GDP of the region increased by 4.7% in the first quarter of 2022 compared to the same period of the previous year). There is also an increase in production as a result of the lifting of measures to prevent the spread of the virus, while the creation of new jobs continues. Under the influence of the pandemic as well as the crisis in Ukraine, in all countries of the WB, there is still an increase in inflation (the price of energetics, food and transport increases).

After the general analysis of the economic relations between the RS and the WB as an economic grouping, an analysis of the exchange of goods with each individual country will follow. The analysis will also include the exchange of products of different degree of product processing and activities that contribute the most to the creation of GDP. The analysis covers the period before, during and after the pandemic.

All data within the scope of the work were taken from the Republic Institute of Statistics, Foreign trade goods traffic, Database search application-restrictive access of the Republic of Serbia.

1. Literature review

1.1. The impact of the Covid-19 pandemic on global trade

Numerous authors have investigated the impact of the Covid-19 pandemic on various aspects and segments of economies around the world. The changes were manifested both at the national and global levels. Significant consequences have been reflected in global trade.

In their work, Vidya & Prabheesh (2020) measure interconnectedness between countries before and after the outbreak of COVID-19. Within the sample, they analyzed countries that are among the leading trading economies in the world: Canada, US, UK, Germany, France, Italy, Japan, South Korea, China, Hong Kong, India, Indonesia, Russia, Netherlands, and Singapore. For research purposes, they used the analysis of trade networks and artificial neural networks. The results of their research indicate that there is a drastic reduction in trade interconnectedness, connectivity and density between countries following the outbreak of COVID-19. Also, there are changes in the structure of the trade network. In this sense, the consequences of the COVID-19 pandemic were especially suffered by countries such as Germany, Italy, France, the USA, UK. However, the "central" position of China in the trade network is still present, despite the crisis conditions. Finally, they predict a decline in the value of imports and exports for all countries by the end of 2020.

Mena et al. (2022) indicate that the Covid-19 pandemic has significantly affected and disrupted international trade and reshaped globalization patterns. In their work, they start from the concept of supply chain resilience. That concept includes both the system's ability to withstand an impact (robustness) as well as recover from it (responsiveness). Mena et al. (2022) explore trade resilience at the country level during the first wave of the pandemic having the concept of supply chain resilience as a starting point. They pointed out certain factors with a positive impact, as well as factors with a negative impact in pandemic conditions on trade resilience. Factors that have a positive impact on resilience are globalization (economic and social), readiness for logistics and health care, as well as high-income levels. On the other hand, the strong response of the government and the high number of deaths are factors with a mostly negative effect. This means that balancing and reconciling health and economic outcomes is a challenging task.

The key questions are the following: How are far-reaching the consequences of the Covid-19 pandemic on global trade? Whether the consequences of the Covid-19 pandemic will disappear with the end of the pandemic? Gruszczynski (2020) indicates that although the short-term consequences of the Covid-19 pandemic are present and strong, they are not insurmountable. However, Gruszczynski (2020) also points to the potential impact of the pandemic that may be stronger than expected, which may lead to structural changes in globalization processes.

1.2. Economic implications of the Covid-19 pandemic on the countries of the Western Balkans

The Covid-19 pandemic has had consequences for national economies around the world. The countries of the Western Balkans, consisting of the Republic of Serbia, Bosnia and Herzegovina, North Macedonia, Albania, Montenegro and so-called Kosovo, have also suffered the consequences of the pandemic on their economies. The political and economic circumstances that characterize these countries have further aggravated the situation caused by the pandemic. The countries of the Western Balkans are still not members of the European Union, but they have significantly relied on the financial assistance of the European Union and international organizations such as the IMF and the World Bank in this new situation. Their help is needed considering the insufficiently developed health infrastructure in the countries of the Western Balkans.

Svrtinov et al. (2020) in their work point to the consequences of the Covid-19 pandemic that manifested on the economies of the Western Balkan countries, such as a decrease in aggregate supply and aggregate demand, a decline in summer tourism, and an increase in public expenditures. There is also a decrease in GDP. Remittances, which make up 10% of the GDP of the Western Balkan countries, are one of the factors that influence the reduction of GDP. Due to travel restrictions and increased unemployment in the countries of Western Europe, remittances, on which the countries of the Western Balkans rely significantly in financing domestic demand and investments, have decreased. The decrease in GDP in the countries of the Western Balkans is also a consequence of the interruption of the operations of numerous companies, difficulties in supply, and a decrease in demand and household income.

Bodroža & Lazić (2021) indicate the consequences of the Covid-19 pandemic that all the countries of the Western Balkans suffered. In this sense, their research indicates the pandemic's impact on key macroeconomic variables such as GDP, public debt, fiscal balance and unemployment. The results of the analysis showed that the pandemic slowed down the economies of the countries of the Western Balkans, but with certain differences between the observed countries. The biggest consequences were felt in Montenegro, where the drop in GDP amounted to 15.2% in 2020. The other countries of the Western Balkans coped relatively well with the situation, especially the Republic of Serbia, which recorded a GDP decline of 1% in 2020 compared to 2019. The drop in GDP is due to a simultaneous drop in aggregate supply and demand, as well as an increase in unemployment in all observed countries of the Western Balkans. The speed of recovery of the countries of the Western Balkans depends on the development of the situation related to the pandemic, but also on the speed of recovery of the European Union as the most important foreign trade partner of the countries of the Western Balkans.

In her research, Stanceva-Givov (2020) points to the consequences of the Covid-19 pandemic on the external sector using the example of Macedonia. Macedonia's manufacturing sectors are heavily involved in global supply chains. Due to reduced demand and disruptions in value chains due to the Covid-19 pandemic, Macedonian imports and exports suffer certain consequences. In her work, Stanceva-Givov (2020) analyzes the trend and changes in exports and imports by selected products and countries in the period from 2015 to 2020, as well as a more detailed analysis on a quarterly basis for the period from January 2019 to June 2020. Based on the results of the analysis, there is a decrease in demand at the global level. This also applies to the European Union and especially Germany, which is Macedonia's largest export partner, as a result of which Macedonia's exports are decreasing. On the other hand, there are numerous problems on the import side due to the great dependence of the Macedonian economy on the materials needed for its industry, which are supplied from imports.

Kissin et al. (2022) in their research analyze the key indicators of foreign trade exchange of the Republic of Serbia in order to evaluate its position and the results of foreign trade exchange, bearing in mind the impact of the Covid-19 pandemic. At the end of the 20th century, the Republic of Serbia suffered a difficult period for its economy, which particularly affected external trade. After the lifting of sanctions and the NATO bombing in 1999, there were numerous difficulties for Serbia to return to the markets where it was previously present, especially the market of Western Europe. Nevertheless, Serbia managed to overcome the difficulties and record a positive trend in the foreign trade exchange until 2009. As a result of the World Economic Crisis and the drop in the value of foreign trade turnover, there is a stabilization followed by stagnation until 2012. Then comes the five-year period from 2012 to 2016, when there was a significant increase in exports and a decrease in the foreign trade deficit. After that, from 2017, a tendency of strong growth of all indicators was established, which was stopped with the beginning of the pandemic crisis of Covid-19. In 2020, Serbia had the same value of trade exchange as in 2019. Also, in 2021, there was a complete recovery and a significant increase in the value of foreign trade exchange. Kissin et al. (2022) state that there were no significant changes in the structure, as well as in foreign trade exchange partners. The most important partner of the Republic of Serbia is the European Union, and when it comes to individual countries, Germany stands out first, followed by China and Italy. They conclude that the Republic of Serbia has a lot of opportunities for improving foreign trade exchange, especially for increasing exports, as well as increasing the quality and value of the products it exports.

Staletović et al. (2022) indicate the impact of the Covid-19 pandemic on the operations and results of trading companies in the Republic of Serbia. In their research, they state that this impact is mostly negative, but varies depending on different trade segments. For example, trading companies that sell food products recorded positive results in 2020 compared to 2019. There is also an increase in online shopping by customers due to social distancing recommendations. Because of this, many companies started their own online stores, which they didn't have until then. On the other hand, businesses, such as gas stations in the first place, felt the negative impact of the Covid-19 pandemic. Also, clothing stores felt the negative impact of the Covid-19 pandemic on their business due to their closure during the lockdown, as well as the determination of customers to buy only existential products.

Marković et al. (2021), in their research, aimed to determine the intensity and impact of the Covid-19 pandemic from 2020 on the export competitiveness of the agricultural and food sector of the Republic of Serbia. For the purposes of the analysis, they used specific indicators of internal and external export competitiveness. They found that the agricultural and food sector has exceptional resilience in times of crisis. In fact, the export of agricultural and food products recorded an increase in significance in total foreign trade in goods in the crisis year of 2020 in relation to all analyzed indicators: net exports index, index of contribution to trade balance, relative coverage of imports by exports, unit values of exports. Positive performances in this sector reduced the negative impact of the crisis on the economy of the Republic of Serbia. The Covid-19 pandemic represents, in the author's opinion, a chance for Serbian agriculture, given that many countries have banned food exports to ensure national food security.

In their research, Cvijić & Stanković (2022) examine the impact of the Covid-19 pandemic on global and local supply chains. They also look at the changes that occur due to the uncertainty in the transport of goods from producers to customers, as well as the way in which this is reflected in the business operations of companies in the Republic of Serbia. Numerous companies have had to lay off their employees and even stop their operations, which are part of both local and global supply chains. Difficult business circumstances such as closed borders, the difficult flow of goods, pressure on courier services, and so on, have followed the operations of supply chains since the beginning of the pandemic. There is also additional pressure on companies when it comes to meeting distribution and delivery deadlines, due to the intensification of e-commerce in certain sectors. Cvijić & Stanković (2022) suggest that it is best for companies to rely on domestic production, and to rely as little as possible on sources with any level of risk, or to eliminate them altogether.

Bearing in mind the numerous and significant implications of the Covid-19 pandemic on the economies around the world, as well as the countries of the Western Balkans, this paper will analyze the impact of the Covid-19 pandemic on the trade of the Republic of Serbia and the countries of the Western Balkans, as the second most important, after the European Union, partner of the Republic of Serbia in foreign trade exchange.

2. Analysis of economic relations between RS and WB as an economic group

The WB group is the second most important foreign trade partner after the EU, with a share of almost 10% in the total exchange of Serbia with the world (17.2% in exports and 4.4% in imports) in 2021, with a surplus of 2.5 billion EUR, and 299.1% coverage of imports by exports. We export to WB 3 times more than we import from it (a few years ago, the ratio was 4 to 1). According to the recently published report of DG Trade, the RS today has a share of 50% in the export of the entire Western Balkans to the EU, and during the last ten years, it achieved the highest average annual growth rate of exports to the EU of all WB members, at 10.7%.

RS constantly records a surplus in trade in goods with WB (Table 1). Already in 2019, there is a trend of decreasing exports (which continues in 2020), and recovery and growth are recorded in 2021. Imports fell in 2020 (-8.6%). The coverage of imports by exports is high in all years of observation.

Table 1: Merchandise exchange with WB countries (2019-2021), in millions of EUR

Year	Export	Import	% change in export	% change in import	Total	Balance	Coverage of imports by exports
2019	3,040.2	968.1	-6.0	+2.8	4,008.4	+2,072.1	314.0
2020	2,950.6	884.8	-2.9	-8.6	3,835.4	+2,065.8	331.1
2021	3,791.4	1,267.6	+28.5	+43.3	5,059.0	+2,523.9	299.1

Source: Republic Institute of Statistics(a) (2022). Foreign Trade Merchandise, Database Search Application - Restrictive Access (Accessed 2022)

RS exports to the WB amounted to 3.8 billion EUR in 2021, which is a growth of 28.5% compared to the previous year. Imports from WB in the same period amounted to 1.3 billion EUR and recorded a growth of 43.3%. Shipping to so-called Kosovo after 412.2 million EUR in 2018, and a drastic drop due to the unilateral introduction of taxes by PIS in Pristina and the amount of only 84.7 million EUR in 2019. In 2020, it started to recover and reached the amount of 251.9 million EUR. The growth continued in 2021 when the value of the total shipment was 404 million EUR.

In all three observed years, cereals and cereal-based products represent the most important export product. Although in 2020 there was a slight decrease in their exports due to the pandemic, in 2021 there was a recovery and significant growth in exports, which reached a value of 270.9 million EUR. When it comes to the structure of imports, the first place in all three observed years is occupied by iron and steel (in 2020, there was a drop in imports).

3. Activity structure according to the value of exports and import

Table 2 presents the structure of import and export activities in relation to their values in the period from 2019 to 2021 for each year separately.

Table 2: Presentation of the most important export activities according to the value of exports (2019-2021), in millions of EUR

The year 2019	Export	Import	Total
Production of food products	559.9	109.9	669.8
Production of chemicals and chemical products	246.7	30.5	277.2
Production of coke and petroleum	205.7	142.7	348.4
Agricultural production, hunting and service activities	195.4	39.6	235.0
Production of electrical equipment	172.9	13.1	186.1
Production of basic metals	168.0	178.2	346.2
Production of rubber and plastic products	152.7	28.0	180.6
Production of unmentioned machines and equipment	137.8	13.8	151.6
Production of beverages	128.3	24.2	152.5
Manufacture of metal products, except machinery	110.7	43.0	153.7
The year 2020			
Production of food products	524.3	116.5	640.8
Production of chemicals and chemical products	237.8	34.5	272.3
Agricultural production, hunting and service activities	208.0	46.4	254.4
Production of electrical equipment	156.8	16.2	173.1
Production of coke and petroleum derivatives	152.4	72.6	224.9
Production of rubber and plastic products	136.8	29.8	166.6
Production of unmentioned machines and equipment	125.5	11.0	136.5
Production of basic metals	121.0	160.6	281.6
Production of beverages	110.9	22.0	133.0
Manufacture of metal products, except machinery	99.5	41.9	141.4
The year 2021			
Production of food products	608.3	134.4	742.7
Production of chemicals and chemical products	277.9	39.0	316.9
Production of coke and petroleum derivatives	269.7	148.2	417.9
Agricultural production, hunting and service activities	237.7	61.1	298.8
Production of electrical equipment	179.6	24.9	204.5
Production of rubber and plastic products	168.4	37.9	206.4
Production of unmentioned machines and equipment	153.9	10.7	164.5
Production of beverages	147.8	25.8	173.6
Manufacture of metal products, except machinery	113.2	53.4	166.6

Source: Republic Statistical Office (a) (2022). Foreign Trade Merchandise, Database Search Application - Restrictive Access (Accessed 2022)

In trade with WB as an economic group, in all three years, the most representative activity in exports is the food industry (the largest export of products is from this activity). It retains first place despite the pandemic conditions. In 2019, the export of the food industry of the RS and the countries of the WB amounted to 559.9 million. In 2020, there will be a decrease in exports to 524.3 million EUR. In 2021, the maximum is reached compared to the observed years, where exports reach a value of 608.3 million EUR. Changes are observed in the production of coke and oil derivatives, which in 2019 took third place with exports worth 205.7 million EUR. In 2020, exports dropped by 53.3 million EUR, which reduced the total exchange by 123.5 million EUR. The recovery of the exchange occurs in 2020, when the exchange almost doubled, from 224.9 million EUR to 417.9 million EUR, which put the production of coke and oil derivatives from 5th place in terms of the importance of export activities to third place in 2021. Agricultural production, hunting and service activities record export growth even in the year of the pandemic, so the growth tendencies are carried over into 2021. The production of electrical equipment in 2020 recorded a drop in exports from 172.9 million EUR in 2019 to 156.8 million EUR. In 2021, there was a recovery and growth of 22.8 million EUR. The production of rubber and plastic products also, like most activities, recorded a drop in exports in the amount of 15.9 million EUR in 2020, but also growth in 2021 for 31.6 million EUR compared to the previous year. Production of metal products, except machines, of 110.7 million EUR in 2019, fell to 99.5 million EUR in 2020, while in 2021, there was a growth of 13.7 million EUR. Beverage production also had the lowest export value of 110.9 million EUR in 2020, after which the export of beverages grew above the level at which it was in 2019. The production of unmentioned machines and equipment recorded a drop in exports of 12.3 million EUR in 2020 and a growth of 28.4 million EUR in 2021 compared to 2020.

In the defined period, there was no change in the structure of the most significant export activities (except for a minor change in positions) according to the value of exports. All activities, except agricultural production, hunting and service activities, recorded a drop in exports in 2020. After the drop in exports in 2020, all activities in the following year reached values that were higher than those in the year before the pandemic. It can be concluded that the pandemic had a negative impact on exports, reducing their values, but already in the following year there was a visible recovery.

Table 3: Presentation of the most important import activities according to the value of imports (2019-2021), in millions of EUR

The year 2019	Export	Import	Total
Production of basic metals	167.9	178.2	346.1
Production of coke and petroleum derivatives	205.7	142.7	348.4
Production of food products	560.0	109.9	669.8
Wood processing and wood products, except furniture	58.3	55.1	113.4
Production of products from non-metallic minerals	75.1	45.3	120.3
Manufacture of metal products, except machinery	110.7	43.0	153.7
Agricultural production, hunting and service activities	195.4	39.6	235.0
Production of basic pharmaceutical products and preparations	56.6	34.1	90.7
Production of chemicals and chemical products	246.7	30.4	277.2
Production of rubber and plastic products	152.7	28.0	180.6

The year 2020			
Production of basic metals	121.0	160.6	281.6
Production of food products	524.3	116.5	640.8
Production of coke and petroleum derivatives	152.4	72.6	224.9
Wood processing and wood products, except furniture	54.9	55.2	110.2
Production of products from non-metallic minerals	62.7	47.0	109.7
Agricultural production, hunting and service activities	208.0	46.4	254.4
Manufacture of metal products, except machinery	99.5	41.9	141.4
Production of basic pharmaceutical products and preparations	61.0	41.0	102.0
Production of chemicals and chemical products	237.8	34.5	272.3
Production of rubber and plastic products	136.8	29.8	166.6
The year 2021			
Production of basic metals	220.1	271.6	491.8
Production of coke and petroleum derivatives	269.7	148.2	417.9
Production of food products	608.3	134.4	742.7
Wood processing and wood products, except furniture	61.7	75.5	137.7
Production of products from non-metallic minerals	67.2	61.2	128.7
Agricultural production, hunting and service activities	237.7	61.1	298.8
Electricity, gas and steam supply	84.7	55.7	140.4
Manufacture of metal products, except machinery	113.2	53.4	166.6
Production of paper and paper products	84.8	43.6	128.4
Production of basic pharmaceutical products and preparations	76.8	42.6	119.4

Source: Republic Institute of Statistics (b) (2022). Foreign Trade Merchandise, Database Search Application - Restrictive Access (Accessed 2022)

By reviewing Table 3, it can be noticed that the production of base metals represents the most significant import activity in 2019, 2020 and 2021. In 2019, imports totalled 178.2 million EUR, which was then reduced in 2020, as a result of the pandemic, to 160.6 million EUR. However, in 2021, there was import from the area of production of basic metals in the amount of 271.6 million EUR, which represents the maximum compared to the previous two years of observation. In 2019 and 2021, the production of coke and petroleum derivatives was the second most important import activity. However, in 2020, it fell to third place, with the value of import in the amount of 72.6 million EUR. In 2020, the production of coke and oil derivatives replaced the production of food products, which came in second place in terms of import, with import in the amount of 116.5 million EUR. In the fourth place, in all three years of observation, there is wood processing and wood products, except for furniture. In contrast to most of the activities that have been analyzed so far, a slight growth of 55.1 million EUR can be observed in the activity of wood processing in 2019 to 55.2 million EUR in 2020. The growth trend continues in 2021 when import reached a value of 75.5 million EUR. Like the previous activity, the production of products from non-metallic minerals recorded a growth trend from year to year of observation. In 2020, there was an increase of 1.7 million EUR, while the growth in 2021 was 14.2 million EUR compared to 2020 and 15.9 million EUR compared to 2019. The production of metal products, except for machines, recorded import in the amount of 43 million EUR in 2019, which in 2020 fell to 41.9 million EUR, and in 2021 grew to 53.4 million EUR. Agricultural production, hunting and service activities recorded an increase in import from year to year, with 39.6 million EUR (2019), to 46.4 million EUR (2020) and 61.1 million EUR (2021). Due to the characteristics of the pandemic, the production of basic pharmaceutical products and preparations recorded an increase in import. In 2020, there is an increase of 6.9 million EUR. Milder growth is realized in 2021 when the growth of import amounted to only 1.6 million EUR compared to 2020. The production of chemicals and chemical products in 2020 recorded an increase in import of 4.1 million EUR, while in 2021, this activity is not among the top ten most important import activities. The production of rubber and plastic products in 2020 recorded a slight increase of 1.8 million EUR in import, while, like the previous activity, in 2021, it is not on the list of the most important import activities. The supply of electricity, gas and steam (55.7 million EUR of import) and the production of paper and paper products (43.6 million EUR of import) are ranked among the first ten most important import activities in 2021, which represents a change in the structure compared to the previous two years.

4. Export and import of products according to the degree of their processing

Generally speaking, in 2020, there was an increase in the export of unprocessed and unclassified products, while there was a decrease in the export of highly processed products and products of ordinary processing, which have the largest share in the total export to WB, which is presented in Table 4.

Table 4: Presentation of export of products in the Republic of Serbia according to the degree of processing, in the period 2019-2021, in millions EUR

Products according to the degree of processing	2019		2020		2021	
	Export	% the changes	Export	% the changes	Export	% the changes
High processing products	1,767.6	+5.1	1,616.8	-8.5	1,940.0	+20.0
Products of ordinary processing	917.2	+7.4	800.0	-12.8	1,226.6	+40.8
Raw products	287.9	-3.7	304.5	+5.7	344.7	+13.2
Unclassified products	158.0	+11.7	189.0	+19.4	174.0	-7.7

Source: Republic Statistical Office (b) (2022), Foreign Trade Merchandise, Database Search Application - Restrictive Access (Accessed 2022)

Products of high processing in all three years of observation accounted for more than 50% of the total value of exports. In 2019, there was an increase in exports by 5.1%

compared to the base of 2018, then in 2020, a decrease was recorded from 1.7 billion EUR of exports to 1.6 billion EUR (a drop of 8.5%), while in 2021, the export of highly processed products reached the maximum value in the observation period of 1.9 billion EUR (growth of 20% compared to 2020).

Products of ordinary processing, after products of high processing, have the largest share in the export of products from the RS to the WB. Products of ordinary processing in 2019 recorded export of 917.2 million EUR (a growth of 7.4% compared to 2018), after which there was a decrease in exports due to the pandemic by 12.8% (the export of these products in 2020 amounted to EUR 800 million). In 2021, there was a recovery, so the value of exports reached a value of 1.2 billion EUR, which was an increase of as much as 40.8% compared to 2020.

Unprocessed products are in the penultimate place in terms of export participation. They record export growth in 2020 (an increase of 5.7% compared to 2019). The trend of export growth continued in 2021, when a growth of 13.2% is recorded.

The share of unclassified products in total exports was almost the same in all years of observation and was at the lowest level of the previously mentioned. Unclassified products also recorded an increase in exports in the pandemic year by 19.4%, however, unlike unprocessed products, which continued the trend of export growth in 2021, the export of unclassified products according to the degree of product processing was reduced in 2021 (decrease of 7.7%).

In 2020, there was an increase in the import of highly processed products and unprocessed products, while the import of products of ordinary processing and unclassified products achieved a decrease, which is presented in Table 5. In 2021, the maximum import values of all product groups were reached in relation to the remaining two years of observation.

Table 5: Presentation of import of products in the Republic of Serbia according to the degree of processing, in the period 2019-2021, in millions EUR

Products according to the degree of processing	2019		2020		2021	
	Import	% the changes	Import	% the changes	Import	% the changes
High processing products	312.2	+8.2	325.9	+4.4	399.1	+22.4
Products of ordinary processing	508.9	-0.3	410.2	-19.4	687.5	+67.6
Raw products	99.0	-3.1	109.1	+10.2	136.4	+25.1
Unclassified products	35.3	+17.4	30.2	-14.5	39.3	+30.1

Source: Republic Institute of Statistics (c) (2022). Foreign Trade Merchandise, Database Search Application - Restrictive Access (Accessed 2022)

Unlike export, where highly processed products take the most part, in import, they are in second place, behind products of ordinary processing. In 2019, there was an increase in imports by 8.2% compared to the base of 2018. Then, in 2020, further growth of 4.4% was recorded. Finally, the highest growth of 22.4% was recorded in 2021 (from EUR 325.9 million in import in 2020 to EUR 399.1 million in import in 2021).

In 2019, products of ordinary processing took part with over 50% in the total import in the WB. The decline was recorded in 2020, while the largest increase in participation was realized in 2021. The import of products of ordinary processing achieved the lowest value in the year of the pandemic when the biggest drop of 19.4% in the import of these products in the observation years was recorded. After the decline, there was a recovery in 2021, when import from 410.2 million EUR in 2020 reached a value of 687.5 million EUR (growth of 67.6%).

Unprocessed products in 2019 participated in the total import in all years of observation with about 10%. When talking about the value of imports, there was a trend of constant growth in imports of unprocessed products, even despite the pandemic. In 2019, there was a 3.1% decrease in imports compared to 2018, after which there was an increase in imports in 2020 and 2021. Specifically, in 2020 imports increased by 10.2%, while in 2021 a growth of 25.1% was recorded.

The share of unclassified products according to the degree of product processing in the observed years was at a low level. In 2020, the lowest value of imports and a drop of 14.5% were recorded, after which imports increased in 2021 (growth of 30.1%).

5. Analysis of the economic cooperation of Serbia with individual WB countries

The Republic of Serbia (RS), along with all WB countries, recorded a decrease in the value of import and export in 2020 except with the so-called Kosovo and Albania (Table 6). In 2020, there was a decrease in export to B&H by 10.5% compared to 2019. In 2021, after the pandemic, export began to grow and reached a value of 1.6 billion EUR (in 2019, exports amounted to EUR 1.3 billion, while in 2020 they amounted to EUR 1.2 billion). RS achieved the largest exchange of goods with B&H out of all countries of the WB, and a surplus is traditionally recorded to the side of RS.

The lowest value of import from so-called Kosovo was achieved in 2019, where a decrease of 13.4% was recorded compared to 2018. In 2020 and 2021, there was an increase in the value of import. The situation was the same with exports, which experienced a decline in 2019 and growth in 2020 and 2021.

Table 6: Trade between the RS and so-called Kosovo (2019-2021), in millions of EUR

Year	Export	Import	Total	Balance	% change in export	% change in import	Coverage of import by export in %
2019	84.7	23.3	108.0	61.4	-79.4	-13.4	363.5
2020	251.9	25.4	277.3	226.5	+197.3	+8.9	991.7
2021	404.2	40.9	445.1	363.3	+60.4	+61.2	988.3

Source: Republic Institute of Statistics(d) (2022). Foreign Trade Merchandise, Database Search Application - Restrictive Access (Accessed 2022)

Trade between the RS and so-called Kosovo recorded a trend of constant growth despite the pandemic conditions. In 2019, the lowest export value was achieved (EUR 84.7 million), which was a drop of 79.4% compared to 2018. There was also a decrease in import by 13.4% compared to the base year of 2018. The coverage of import by export and the balance were also the lowest compared to the other two years of observation. In 2020, there was an increase in all indicators, especially export, which recorded a growth of as much as 197.3%. Also, the coverage of import by export was growing by almost 1/3. In 2021, the positive trends from the previous year continued, so export continued to grow (in 2021, a growth of 60.4% was recorded compared to the previous year). Import grew by 61.2%, which kept the coverage of import by export at a high level.

RS achieved a surplus with so-called Kosovo, but a significant decrease in trade in goods can be observed in 2020 compared to 2018, due to the introduction of taxes on the sale of goods, introduced by Pristina in November 2018.

The consequences were reflected in a drastic drop in shipping by 79.4% in 2019, compared to 2018. There is also a decline in equipment in 2018 (-6.2%) compared to 2017, however, due to the introduction of taxes on November 21st, the short period until the end of the year had a minor impact on the annual level.

The biggest increase in shipping to so-called Kosovo in relation to 2020 was achieved when it comes to oil, oil derivatives and related products, where the growth of as much as 558.2% was recorded, followed by beverages with an increase of 220% and cork and wood products (except furniture) with a growth rate of 133.3%.

The importance of Bosnia and Herzegovina (B&H) as a foreign trade partner is reflected in its participation in the exchange of goods with the RS. B&H is the most important trade partner of the RS within the WB group. Almost half of its total exchange with the whole region of WB, RS achieved with B&H.

The value of commodity exchange had a trend of continuous growth in the period 2010-2021 with the exception of 2012 and 2020. The highest value was achieved in 2021 in the amount of 2.3 billion EUR (Table 7). There was a noticeable decline in the coverage of import by export, so in 2021 coverage reached its lowest value (200.3%) due to the increase in the value of imports from B&H in the amount of 779.7 million EUR (exports amounted to EUR 1.6 billion). Trade exchange between RS and B&H is the dominant form of bilateral economic cooperation and takes place in accordance with the provisions of the CEFTA 2006 FTA, which means no customs duties.

In the last ten years, bilateral trade has doubled. It is characterized by constant growth (with the exception of the pandemic 2020) and a surplus on the side of RS. For the past decade (with the exception of 2020), RS has been recording year-on-year growth in exports to B&H, and compared to 2007, when the implementation of the CEFTA 2006 Agreement began, exports in 2021 were doubled and exceeded 1.5 billion EUR (as of 2015 it is more than one billion EUR).

Table 7: Exchange of the RS with B&H in millions EUR (2019-2021)

Year	Country / Countries	Total	Export	% change in export	Import	% change in import	Coverage of import by export in %	Balance
2019	B&H	1,960.5	1,352.3	+4.9	608.2	+4.8	222.3	+744.1
	WB	4,008.4	3,040.2	-6.0	968.1	+2.8	314.0	+2,072.1
2020	B&H	1,743.3	1,210.4	-10.5	532.8	-12.4	227.2	+677.6
	WB	3,835.4	2,950.6	-2.9	884.8	-8.6	333.5	+2,065.8
2021	B&H	2,341.6	1,562.8	+29.1	779.7	+46.3	200.3	+782.3
	WB	5,062.2	3,791.4	+28.6	1,267.6	+43.3	299.1	+2,523.9

Source: Republic Institute of Statistics (e) (2022), Foreign Trade Merchandise, Database Search Application - Restrictive Access (Accessed 2022)

For many years, Montenegro has been one of the most important economic partners of the RS - among the top 20 in terms of trade value, the 8th most important export market and the 40th most important import market. Trade exchange between the RS and Montenegro is the dominant form of bilateral economic cooperation and takes place in accordance with the provisions of the CEFTA 2006 FTA, which means no customs duties. In the last 10 years, trade and exports have recorded a trend of constant growth (with the exception of 2020) with a constant surplus on the side of RS. In the observed period, exports of the RS increased by 31% and the total exchange of goods increased by 25% (Table 8).

Table 8: Merchandise exchange of RS with Montenegro (2019-2021), in millions of EUR

Year	Export	Import	Total	Balance	% change in export	% change in import	Coverage of import by export in %
2019	787.4	69.9	857.3	+717.4	+2.7	+15.3	1,126.5
2020	687.2	64.5	751.7	+622.8	-12.7	-7.8	1,065.4
2021	820.6	79.4	900.0	+741.2	+19.4	+233	1,033.5

Source: Republic Institute of Statistics(f)(2022), Foreign Trade Merchandise, Database Search Application - Restrictive Access (Accessed 2022)

In 2019, RS and Montenegro exchanged goods in the amount of 857.3 million EUR, of which exports amounted to 787.4 million EUR (growth of 2.7% compared to 2018) and import 69.9 million EUR (growth of 15.3%). The coverage of import by export amounted to 1,126.5%, while a surplus was realized on the side of RS in the amount of 717.4 million EUR. In 2020, there was a drop in commodity exchange by 12.3%. In addition to the drop in commodity exchange, there was a drop in the value of exports (-12.7%) and imports (-7.8%). The coverage of imports by exports amounted to 1,065.4%, while the RS still realizes a surplus in the amount of 622.7 million EUR (which was reduced compared to 2019 by EUR 94.6 million). In 2021, there was a recovery in the total foreign exchange, which increased by 19.7% (900 million EUR). There was also an increase in exports by 19.4% and an increase in imports by 23.3%. The coverage of imports by exports amounted to 1,033.5%, while the balance with the amount of 741.2 million EUR.

Table 9: Exchange between RS and N. Macedonia (2019-2021), in millions of EUR

Year	Export	Import	Total	Balance	% change in export	% change in import	Coverage of import by export in %
2019	674.5	223.8	898.2	+450.7	+7.3	-2.5	301.4
2020	644.3	216.8	861.1	+427.5	-4.5	-3.1	297.2
2021	815.3	307.3	1,122.6	+508.0	+26.5	+41.7	265.1

Source: Republic Institute of Statistics(g)(2022), Foreign trade goods traffic, Database search application-Restrictive access(Accessed 2022)

In the observed period, RS recorded a surplus in trade with N. Macedonia (Table 9). In 2019, there was an increase in export by 7.3% compared to 2018 and a decrease in import by 2.5%. In 2020, the lowest values of import, export and total commodity exchange are achieved in relation to the remaining two years of observation. In 2021, the growth of the mentioned indicators was noted, especially the growth of imports by as much as 41.7% compared to 2020.

Table 10: Exchange between the RS and Albania (2019-2021), in millions of EUR

Year	Export	Import	Total	Balance	% change in export	% change in import	Coverage of import by export in %
2019	141,3	42,9	184,3	+98,4	+4,4	-3,8	329,4
2020	156,7	45,3	202,0	+111,4	+10,9	+5,5	345,9
2021	189,5	60,2	249,7	+129,3	+20,9	+32,9	314,8

Source: Republic Institute of Statistics(h)(2022), Foreign Trade Merchandise, Database Search Application - Restrictive Access (Accessed 2022)

RS recorded a surplus with Albania in the period from 2019 to 2021, with the surplus increasing year after year despite the pandemic (Table 10). Also, there was an increase in export and import in 2020 and 2021, while in 2019, a drop in import of 3.8% was recorded. The pandemic did not affect the slowdown of trade between the mentioned countries.

Conclusion

WB is the second most important (behind the EU) foreign trade partner of the Republic of Serbia, if economic groupings are considered. In 2020, there was a decrease in the exchange of goods with the WB as a grouping, but also with individual WB countries (except Albania and so-called Kosovo). In all three years of observation (2019, 2020 and

2021), highly processed products participated the most in export to the WB, while products of ordinary processing participated with the highest percentage in import, according to the degree of product processing. In all three years, the food industry, whose products were exported the most, is the most represented in trade with the WB, and it retained first place despite the pandemic conditions. In the same period, cereals and cereal-based products represented the most important export product. Although there was a slight decrease in their export in 2020 due to the pandemic, in 2021 there was a recovery and significant growth in export, which reached a value of 270.9 million EUR. When it comes to the structure of import, the first place in all three observed years was occupied by iron and steel (in 2020, there was a drop in import).

B&H is the most important partner of the RS within the WB group. The RS with B&H achieves almost half of its total exchange with the entire WB region (46.2%), 41.2% of its export and 61.5% of its import from the WB region, while it also achieves almost half of its total exchange with the entire WB (46.3% in 2021). The value of commodity exchange had a trend of continuous growth in the period 2010-2021, with the exception of 2012 and 2020. The highest value was achieved in 2021 in the amount of 2.3 billion EUR. Montenegro, as the next member country of the WB, has for many years been one of the most important economic partners of RS (it is among the top 20 in terms of the value of goods exchange, the 8th most important export market and the 40th most important import market). Trade between the RS and Montenegro is the dominant form of bilateral economic cooperation and takes place in accordance with the provisions of the CEFTA 2006 FTA, which means no customs duties. RS has significantly lower values of commodity exchange with N. Macedonia, while this is even more pronounced with Albania. With so-called Kosovo, RS from year to year, regardless of the pandemic conditions, records the growth of the analyzed indicators.

References

Bodroža, D., & Lazić, M. (2021). Economic Impact of the COVID-19 Pandemic on Western Balkan Countries. Economic Analysis: journal of emerging economics, 54(21), 30-40.

Cvijić, L., & Stanković, LJ. (2022). The Impact of COVID-19 on (Global) Supply Chains-Situation in the Republic of Serbia. *International Journal of Economics and Law*, 12(34), 41-51.

Gruszczynski, L. (2020). The COVID-19 pandemic and international trade: Temporary turbulence or paradigm shift?. *European Journal of Risk Regulation*, 11(2), 337-342.

Kisin, J., Ignjatović, J., & Mašović, A. (2022). Dynamics, scope and structure of external trade of the Republic of Serbia. *Poslovna ekonomija*, 16(1), 32-48.

Marković, M., Krstić, B., & Popović, S. (2022). Competitiveness of agri-food exports of the Republic of Serbia in the Covid-19 conditions. *Економика пољопривреде*, 69(1), 227-239.

Mena, C., Karatzas, A., & Hansen, C. (2022). International trade resilience and the Covid-19 pandemic. *Journal of Business Research*, 138, 77-91.

Republic Institute of Statistics (a) (2022). Merchandise exchange with WB countries in the period 2019-2021, in millions of EUR. Retrieved 2022, from Foreign Trade Merchandise, Database Search Application - Restrictive Access.

Republic Institute of Statistics (b) (2022). Presentation of the most important import activities according to the value of imports in the period 2019-2021, in millions of EUR. Retrieved 2022, from Foreign Trade Merchandise, Database Search Application - Restrictive Access.

Republic Institute of Statistics (c) (2022). Presentation of import of products in the Republic of Serbia according to the degree of processing, in the period 2019-2021, in millions EUR. Retrieved 2022, from Foreign Trade Merchandise, Database Search Application - Restrictive Access.

Republic Institute of Statistics (d) (2022). Trade between the RS and so-called Kosovo in the period 2019-2021, in millions of EUR Retrieved 2022, from Foreign Trade Merchandise, Database Search Application - Restrictive Access.

Republic Institute of Statistics (e) (2022). Merchandise exchange of the RS with B&H in millions of EUR in the period 2019-2021. Retrieved 2022, from Foreign Trade Merchandise, Database Search Application - Restrictive Access.

Republic Institute of Statistics (f) (2022). Merchandise exchange of RS with Montenegro in millions of EUR in the period 2019-2021. Retrieved 2022, from Foreign Trade Merchandise, Database Search Application - Restrictive Access.

Republic Institute of Statistics (g) (2022). Merchandise exchange between RS and N. Macedonia in millions of EUR in the period 2019-2021. Retrieved 2022, from Foreign trade goods traffic, Database Search Application - Restrictive Access.

Republic Institute of Statistics (h) (2022). Merchandise exchange between the RS and Albania, in millions of EUR in the period 2019-2021. Retrieved 2022, from Foreign Trade Merchandise, Database Search Application - Restrictive Access.

Republic Statistical Office (a) (2022). Presentation of the most important export activities according to the value of exports in the period 2019-2021, in millions of EUR. Retrieved 2022, from Foreign Trade Merchandise, Database Search Application - Restrictive Access.

Republic Statistical Office (b) (2022). Presentation of export of products in the Republic of Serbia according to the degree of processing, in the period 2019-2021, in millions EUR. Retrieved 2022, from Foreign Trade Merchandise, Database Search Application - Restrictive Access.

Staletović, M., Stevanović, M., & Gavrilović, M. (2022). The economic analysis of the business operation of trade companies in the Republic of Serbia during the Covid-19 pandemic. International Review, (1-2), 66-70.

Stanceva-Givov, I. (2020). Impact of the Covid-19 Outbreak on Macedonian Trade Flows. *Economic Analysis*, 53(2), 156-167.

Svrtinov, V. G., Trajkovska, O. G., Kacarski, E. M., & Koleva, B. (2020). The impact of Covid-19 on Western Balkans economies. *Journal of Economics*, 5(2), 35-46.

Vidya, C. T., & Prabheesh, K. P. (2020). Implications of COVID-19 pandemic on the global trade networks. *Emerging Markets Finance and Trade*, 56(10), 2408-2421.