THE IMPACT OF THE COMMON REGIONAL MARKET ON THE AGRICULTURAL SECTOR IN NORTH MACEDONIA

FOUNDATION OPEN SOCIETY MACEDONIA
ФОНДАЦИЈА ОТВОРЕНО ОПШТЕСТВО МАКЕДОНИЈА

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INTRODUCTION

The opportunities and benefits of the Open Balkan initiative and the common regional market for agricultural products are in the focus of this analysis. The agriculture significantly contributes and has high importance for the Open Balkan countries initiative (Albania, Serbia and North Macedonia). The importance of the agriculture in the countries of Western Balkan can also be seen from the high participation in GDP. On average, in the countries of Western Balkan, the agriculture accounts for 12 % of GDP. However, there are significant differences in the participation of the agriculture in GDP among the individual economies. The participation of the agriculture in GDP in Albania accounts for approximately 22 %, whereas in Kosovo it is set at 14 %, North Macedonia at 11 %, Montenegro at 10 %, and Serbia at 9 %[1]. In comparason to the average in the EU, where the agriculture participates with less than 2 % in GDP, it can be concluded that the agriculture is of high importance in the countries of the Western Balkan and has a significant contribution to the growth. The fact that 40% of the total area in the countries of the Western Balkan is an agricultural land further highlights the high importance of the agriculture in these countries. Moreover, on average, about 11 % of the total exports from the countries in the Western Balkan are exports of agricultural products (predominantly exports of fruit and vegetables). The greater part of the export of agricultural products is concentrated in the EU countries.

Open Balkan is a regional initiative created by North Macedonia, Serbia, and Albania, committed to securing conditions for practicing the four European freedoms for as many as possible citizens and companies in the Balkans. When speaking of free movement of people, goods, capital and services, Open Balkan reinforces the regional cooperation and connectivity[2]. The intensified regional cooperation, which is expected to deepen the opportunities for cooperation among Albania, Serbia and North Macedonia in order to establish sustainable regional development, optimal use of production capacities, reduction of protectionist policies, access to a common, wider and more competitive market for agricultural products is one of the main objectives for the establishment of the Open Balkan initiative.

Movement of the agricultural products and food among the three countries has become much faster since the introduction of the green lanes on the border crossings of Tabanovce and Kjafasan for the trucks from the Open Balkan Initiative. The control mechanisms are conducted much faster because they operate 24/7 and are mutually recognised, thus making the triple controls in three countries, obsolete[3].

1 World Bank. 2017. Faster Growth, More Jobs. Western Balkans Regular Economic Report no. 11, Spring 2017
2 https://vlada.mk/Otvoren-Balkan
3 https://vlada.mk/Otvoren-Balkan

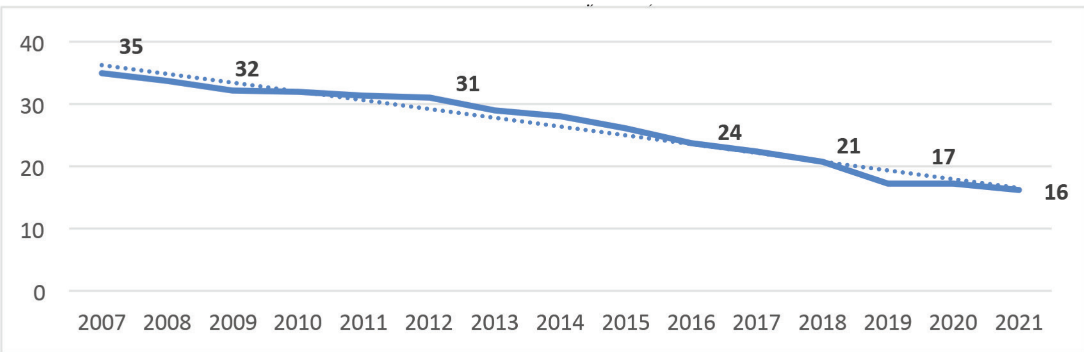
1 Characteristics, challenges and structure of the agricultural sector in North Macedonia

1.1. Macroeconomic characteristics and trends

In this introductory part of the analysis, several key macroeconomic variables and trends of interest, related to the agricultural sector and the expected effects of the Open Balkan initiative, shall be presented in more detail. It covers the following: labour market, with emphasis on the unemployment, economic activity/GDP and prices/inflation. The main macroeconomic indicator analysis is particularly important having in consideration that this initiative is expected to have wider effects on several economic segments. These characteristics are presented in more detail for North Macedonia; however a more extensive analysis has also been made for the countries which are already members of Open Balkan - Serbia and Albania.

In the period between 2007 and 2021 the labour market in the Republic of North Macedonia has been characterised by the highest level of unemployment, compared to the other countries of the Open Balkan initiative. Ever since 2007, the unemployment in North Macedonia has been 35 %, or more than 1/3 of people who are capable to work and have actively been looking for a job, have failed to establish employment. Hence, it is considered to be just to state that the unemployment level in North Macedonia shows a downward trend, but still persists at a rather high level. It should be noted that the effects of the financial crisis that began in 2008, in a milder form, were also observed on the Macedonian labour market. Namely, in the period between 2008 and 2012, the unemployment was decreased by 4 percentage points (from 35 % in 2007 to 31 % in 2012). In the period following 2012, the labour market in the Republic of North Macedonia has been characterised by a significant decrease in unemployment. In the period between 2012 and 2018, the unemployment in the Republic of North Macedonia was decreased by 10 percentage points. In 2021, the unemployment in North Macedonia was 16 % (Chart 1).

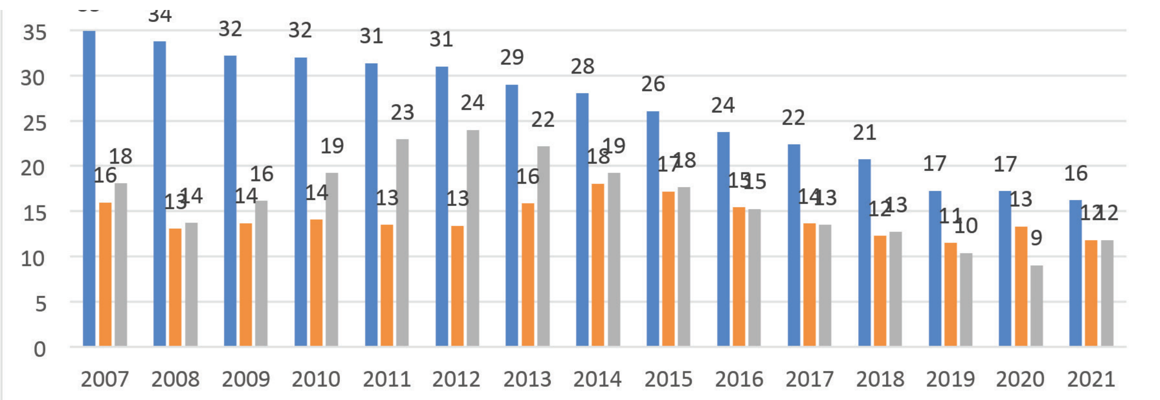
Chart 1. Unemployment in the Republic of North Macedonia for the period between 2007 and 2021 (% of the total workforce)



Source: World Bank database

In comparison to the other Open Balkan countries (Albania and Serbia), the Republic of North Macedonia is characterised by significantly higher unemployment. By comparing the unemployment level in 2007, it can be noted that the unemployment in the Republic of North Macedonia was 35%, or it was 19 percentage points higher than the unemployment in Albania and 17 percentage points higher than the unemployment in the Republic of Serbia, respectively. In the period between 2007 and 2014, the gap in the unemployment rate in these three countries is notable. Namely, in this period, the unemployment in North Macedonia was significantly higher compared to the unemployment in Albania, thus significant disproportions were observed in the labour markets. On the other hand, the unemployment in Serbia in the period between 2008 and 2012 shows an increasing trend, by an increase from 14 % in 2008 to 24 % in 2012, which shows an increase of 10 percentage points. In the period following 2012, a downward trend in unemployment was observed in the three Open Balkan countries (Albania, North Macedonia and Serbia). In 2021, the unemployment rate was still the highest in North Macedonia at 16 %, followed by Albania and Serbia with unemployment rate at 12 % (Chart 2).

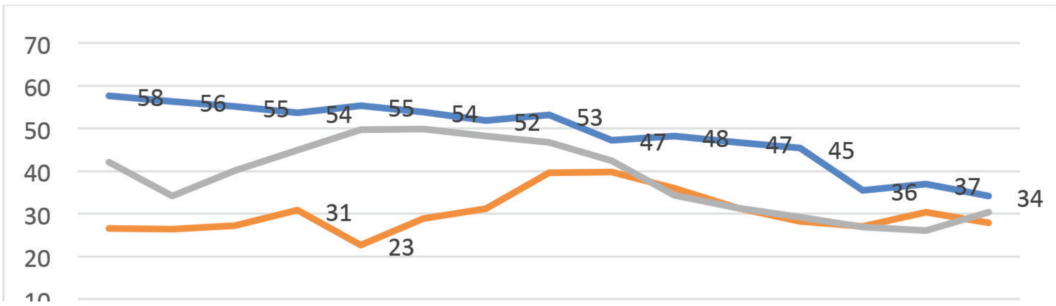
Chart 2. Unemployment in the countries of the Open Balkan initiative, for the period between 2007 and 2021 (% of the total workforce)



Source: Word Bank database

In order to obtain a complete and integrated picture of the labour market within the Open Balkan framework, it is necessary to provide a brief overview of the youth unemployment. Youth unemployment is one of the most significant determinants of the situation, or the imbalances in the labour market, respectively. Albania, North Macedonia and Serbia, the countries that participated in the creation of the Open Balkan initiative, have entered the integrated/common labour market with high youth unemployment. The data shows that the highest level of youth unemployment has been observed in North Macedonia. In 2021, about 1/3 of the young people in North Macedonia were unemployed, which represented one of the highest rates of youth unemployment within Europe. The youth unemployment in Serbia in 2021 was at the level of 30 %, whereas in Albania it was established at the level of 28 %. The Open Balkan initiative is expected to contribute into increased mobility, employment opportunities within the integrated labour market. The reduced barriers for entering into the labour markets represent an opportunity for increased youth employment in these countries (Chart 3).

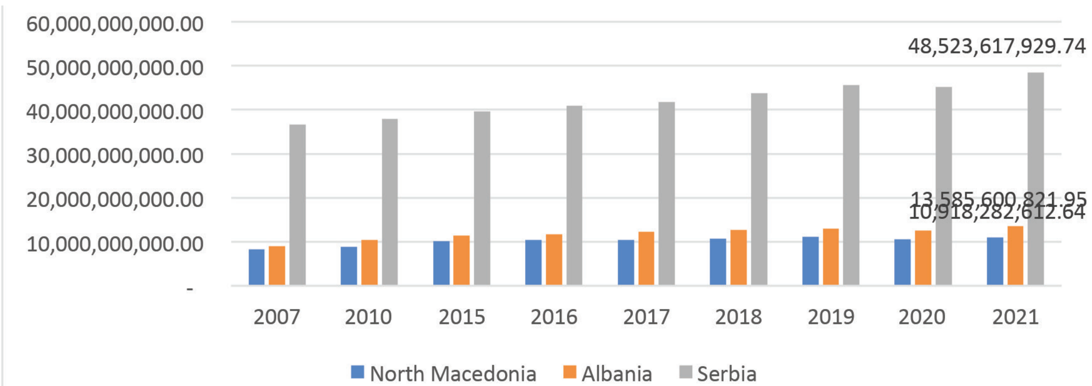
Chart 3. Youth unemployment in the Open Balkan countries for the period between 2007 and 2021 (% of people aged between 15 and 24)



Source: Word Bank database

The Open Balkan initiative constitutes an economic area in which the countries which entered the initiative had different GDP levels. The Republic of North Macedonia entered the joint Open Balkan initiative, with a GDP of USD 10.918 million, GDP in Albania was USD 12.967 million in 2021, whereas GDP in Serbia was USD 43.721 million in 2021 (Chart 4 and Table 1A). In addition, GDP in Kosovo and Bosnia and Herzegovina has been analysed, due to the fact that they are the countries with the highest trade cooperation observed in this context. The GDP in Kosovo was 7.796 million USD in 2021, whereas the GDP in Bosnia and Herzegovina was 19.106 million USD in 2021 (Table 3A).

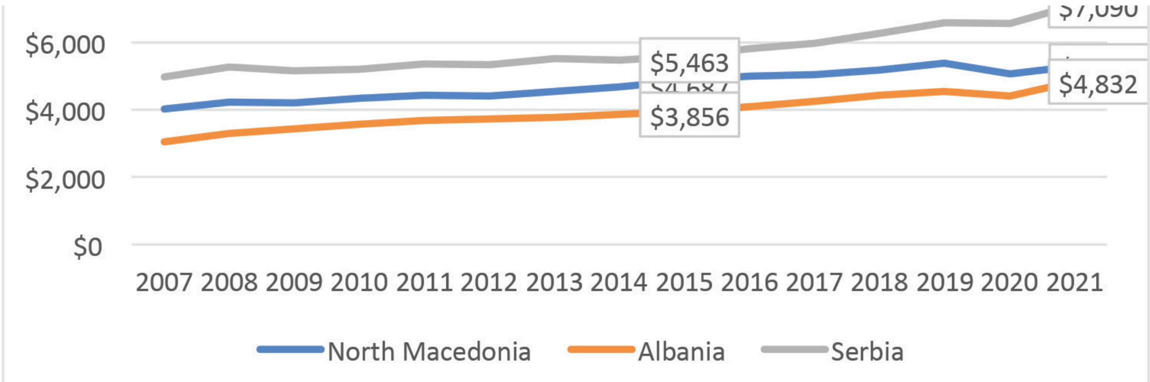
Chart 4. Gross domestic product for prices in 2015 expressed in USD for the period between 2007 and 2021



Source: Word Bank database

Not only the GDP per capita as an indicator suitable for international comparison of economic development level, but also the living standard, both have shown that Serbia deviates significantly compared to the GDP per capita in North Macedonia and Albania. In 2021, GDP per capita in Serbia was USD 7,090, whereas North Macedonia and Albania ended 2021 with GDP per capita of USD 5,287 and USD 4,832, respectively (Chart 5).

Chart 5. Gross domestic product per capita for prices in 2015 expressed in USD for the period between 2007 and 2021



Source: Word Bank database

The GDP growth rates in the country members of the Open Balkan initiative show that their economic systems have difficulties in establishing stable and sustainable economic growth. In the analysed period, the growth rates of these countries recorded significant fluctuations. In 2009, as a result of the European financial crisis, to a certain extent, the negative effects were felt in these countries as well. Namely, the GDP growth rate in Serbia in 2009 was -2.73%, whereas in North Macedonia it was -0.36%. Albania had a positive rate of economic growth in 2009, which recorded a certain level of resistance to the financial crisis, thus Albania ended 2009 with an economic growth of 3.35%. Such tendencies were also observed in 2012, when as a consequence of the debt crisis (primarily in the case of Greece) North Macedonia and Serbia recorded negative rates of economic growth again in 2012. In the period between 2013 and 2019, on average, positive rates of economic growth were observed in the three countries. As a result of the COVID-19 pandemic, North Macedonia, Albania and Serbia ended 2020 with negative economic growth rates. The drop in economic activity was mostly evident in North Macedonia with a drop of 6.11 %, and then followed by Albania with a drop of 3.48 % in its GDP and Serbia with 0.94 % (Chart 6).

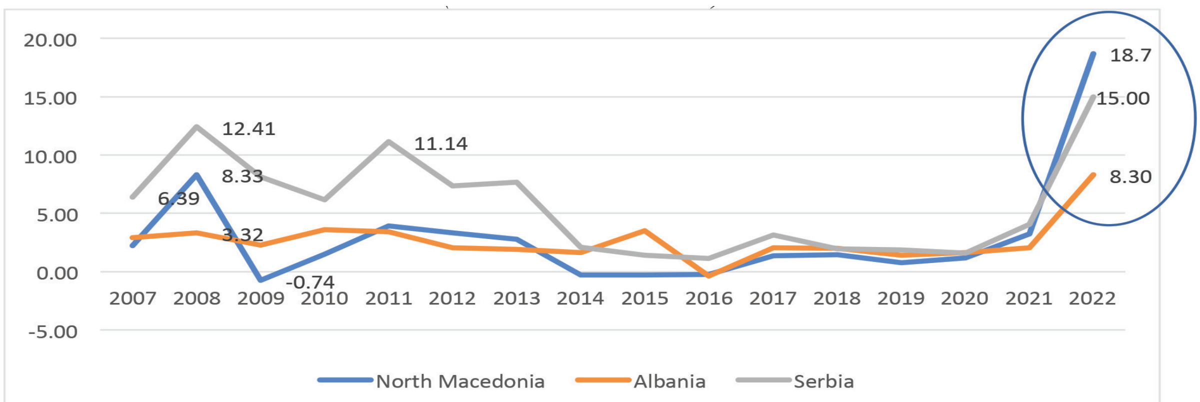
Chart 6. GDP growth rates for the period between 2007 and 2021

Source: Word Bank database

The recent crisis disturbances have caused significant increase in the price level in almost all European countries. The inflation increase caused by the energy crisis and the military conflict in Ukraine has contributed to an increased degree of macroeconomic instability in the countries of the Western Balkan.

. The analysis of inflation level shows that the countries of the Western Balkan are facing high inflation levels, significantly higher than the inflation during the financial crisis of 2008. As of September 2022, the inflation in North Macedonia was 18.7%, which also presents the highest inflation level compared to other countries part of the Open Balkan initiative. The annual inflation rate in Serbia and Albania as of October 2022 was 15% and 8.3%, respectively. Hence, it can be concluded that North Macedonia, as a result of the recent crisis disturbances, is facing a significantly higher inflation level compared to the rest of the Western Balkan countries (Chart 7 and Table 2A).

Chart 7. Inflation in selected countries from the Western Balkan for the period between 2007 and 2021 (Consumer Price Index)



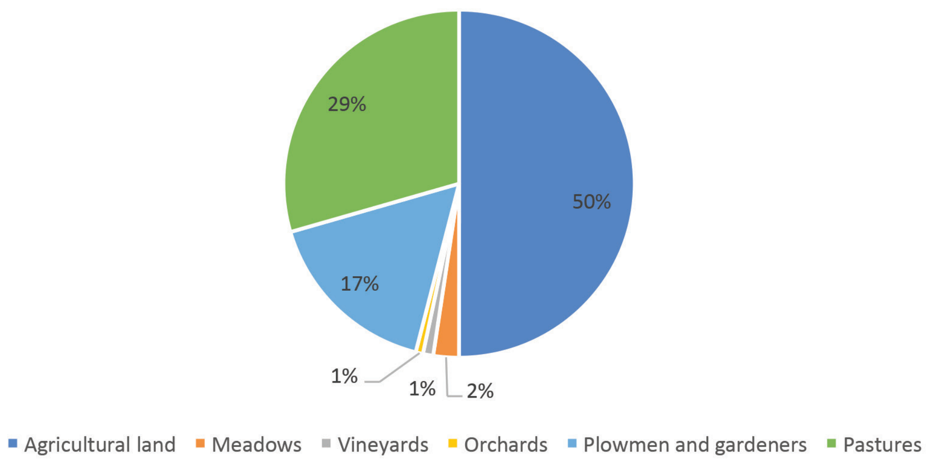
Source: Word Bank database

*The 2022 data is considered unofficial regarding the annual inflation rate as of September (North Macedonia) and as of October (Albania and Serbia)

1.2. Characteristics and structure of the Agricultural sector in North Macedonia

The agriculture is the third largest sector in the North Macedonia's economy. When observing the North Macedonia's services and industry sector, it can be seen that the participation of agriculture in GDP and the total employment is at a significant level. Hence, the importance of the agricultural sector for the Macedonian economy can be seen in the fact that in 2021, approximately 50% of the total area was an agricultural land. The rest of the land was occupied by pastures with 29%, and by arable land and fields with 17% (Chart 8). The data shows that within the period between 2014 and 2021 there were no significant changes in the agricultural land according to the individual land utilisation types (Table 1).

Chart 8. Distribution of agricultural land by land utilisation types in hectares for 2021



Source: SSO database

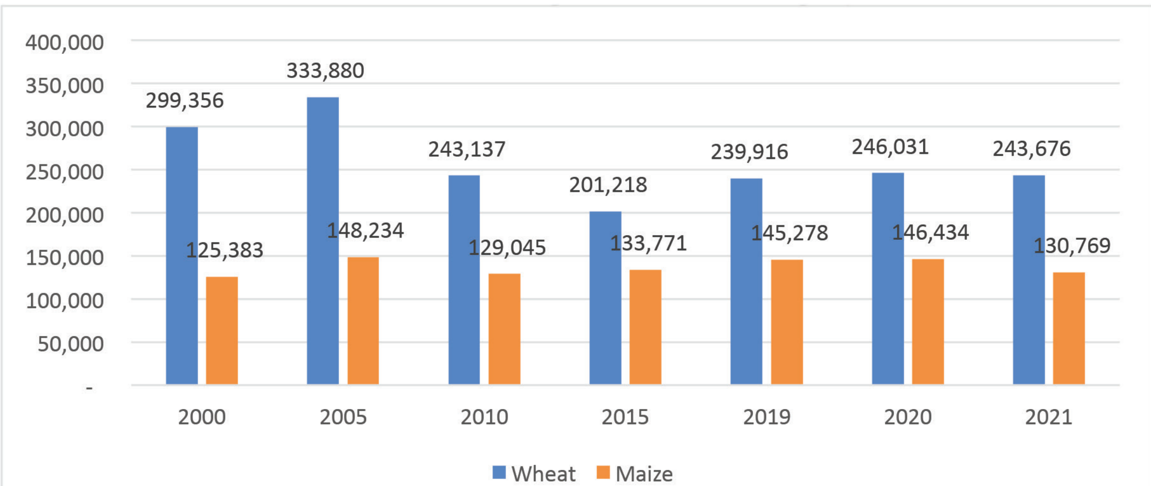
Table 1. Agricultural areas by land utilisation types, in hectares, for the period between 2014 and 2021

Year	Total arable land	Agricultural land	Meadows	Vineyards	Orchards	Plowed land and fields	Pastures
2014	511579	1263155	59960	23061	15309	413249	751086
2015	513564	1264408	59464	23240	15856	415004	750359
2016	516644	1267134	59437	23613	16138	417456	749772
2017	516870	1266008	59912	23703	16546	416709	748413
2018	518740	1264139	59685	24088	16827	418140	744667
2019	519848	1264578	59773	24468	16784	418823	743991
2020	517039	1261687	59898	23976	17095	416070	743911
2021	516733	1259996	59301	23776	16942	416714	742760

Source: SSO database

The production of industrial crops in the period between 2000 and 2021, on average, fails to show significant oscillations in the analysed period (Table 2). An exception to this trend has been observed in wheat production. The wheat production recorded a significant decrease in 2021 compared to 2000. On the other hand, the corn production, as one of the most important crops, with the largest production volume, fails to show significant oscillations in the analysed period (Chart 9). The vegetable crop production, on average, recorded increase in 2021 compared to 2000. Moreover, the fruit production shows an upward trend. An exception to this trend is the apricot and pear production with decrease in the produced quantities observed in the analysed period. The fruit production volume meets the domestic market needs, thus a significant part of fresh fruit is exported to European countries (Table 2).

Chart 9. Wheat and corn production in tonnes per year



Source: SSO database

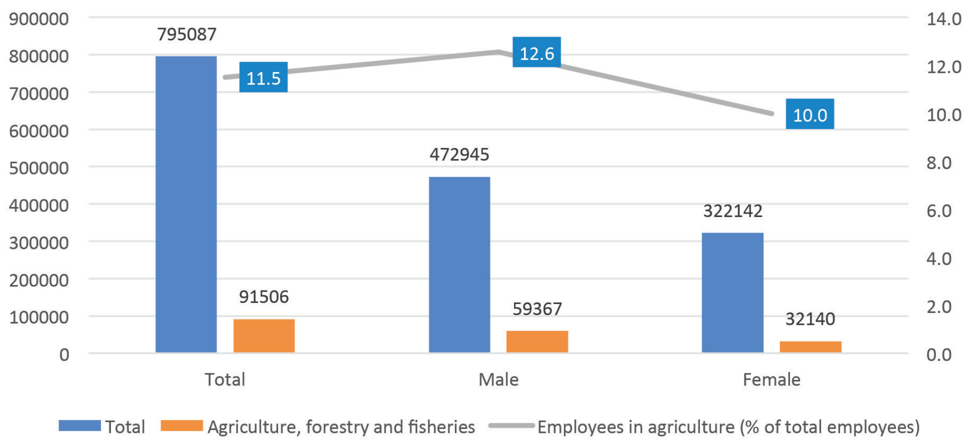
Table 2. Production of individual cereal, industrial and horticultural crop, fruits and grapes in tonnes, per year

Types of crops	2000	2005	2010	2015	2019	2020	2021
Wheat	299,356	333,880	243,137	201,218	239,916	246,031	243,676
Corn	125,383	148,234	129,045	133,771	145,278	146,434	130,769
Tobacco	22,175	27,691	30,280	24,237	26,234	26,112	24,329
Potato	160,444	186,653	200,125	189,408	189,023	191,775	178,233
Onion	36,336	38,465	47,432	59,542	59,314	63,447	63,861
Tomatoes	134,654	116,633	168,010	173,434	152,348	155,131	154,164
Peppers	116,597	127,472	168,150	189,443	185,452	204,919	222,926
Cherries	3,346	4,358	5,701	6,248	6,045	6,258	4,716
Sour cherries	3,293	5,532	5,207	8,483	8,695	9,892	8,372
Apricots	4,168	2,964	2,996	3,255	6,070	3,434	2,584
Apples	84,275	86,217	121,383	136,931	88,701	105,794	92,863
Pears	8,949	8,892	7,586	9,016	8,048	8,790	6,631
Plums	23,421	25,254	38,431	41,477	32,303	34,983	27,031
Peaches	9,512	11,041	10,211	12,006	12,003	12,765	6,205
Nuts	3,862	4,511	5,769	5,790	5,014	5,387	4,667
Grapes	264,256	265,717	253,372	324,769	258,960	317,550	269,131

Source: SSO database

The importance of the agriculture for the North Macedonia's economy can also be seen based on the analysis of the employed people in the Agriculture, Forestry and Fishing sector. In 2021, out of 795,087 employees, 91,506 people were employed in the Agriculture, Forestry and Fishing sector, or 11.5 % of the total employment, respectively. The distribution of total employment by gender shows that the number of male employees is nearly twice the number of female employees in the agricultural sector (Chart 10).

Chart 10. People employed in Agriculture, forestry and fishing sector



Source: SSO database

Regarding the employed in this sector, it can be noted that in the past period no significant oscillations have been observed, that is, the number of employed in 2010 was 12,176, and the number of employed in 2020 was 12,863 (Table 3). It is important to note that the participation of female and male employees in the Agriculture, Forestry and Fishing sector in the past period has been characterised by certain changes. In 2010, the participation of male and female employees in this sector recorded a ratio of 3:1, whereas in 2020 it decreased to 2.13:1. Respectively, in 2010 one woman was employed for every three men employed in agriculture, whereas in 2020 this proportion decreased to 2:1 (Table 3). Out of the total number of employee in the agricultural sector, most of them are employed in plant and animal production, hunting and related service activities. The number of employees in 2020 was 9,794 or 6,258 men and 3,536 women, respectively (Table 4). With regards to the male and female representation in this activity, it can be concluded that the employment ratio in 2010 was 2.78:1, whereas this ratio in 2020 was 1.76:1 (Table 4).

Table 3. People employed in Agriculture, forestry and fisheries, by gender, for the period between 2010 and 2020

Year	Total	Male	Female	Male-Female
2010	12176	9185	2991	3.07:1
2011	12394	8725	3669	2.38:1
2012	12348	9097	3251	2.80:1
2013	12649	9955	2694	3.70:1
2014	11561	9258	2303	4.02:1
2015	11133	7958	3175	2.51:1
2016	11665	8886	2779	3.20:1
2017	11725	8655	3070	2.82:1
2018	13287	9385	3902	2.41:1
2019	13744	9521	4223	2.25:1
2020	12863	8758	4105	2.13:1

Source: Author’s own calculations using SSO data

Table 4. People employed in Plant and animal production, hunting and related service activities, by gender, for the period between 2010 and 2020

Year	Total	Male	Female	Male-Female
2010	9891	7277	2614	2.78:1
2011	9734	6566	3168	2.07:1
2012	9891	7056	2835	2.48:1
2013	10128	7889	2239	3.52:1
2014	8986	7135	1851	3.85:1
2015	8237	5498	2739	2.00:1
2016	8609	6303	2306	2.73:1
2017	8825	6177	2648	2.33:1
2018	10307	6896	3411	2.02:1
2019	10489	6848	3641	1.88:1
2020	9794	6258	3536	1.76:1

Source: Author›s own calculations using SSO data

The average monthly salary paid to the employees in the Agriculture, Forestry and Fishing sector in 2021 was MKD 33,891 average gross monthly salary and MKD 22,830 average net monthly salary (Table 5 and Table 6). On the other hand, the average gross monthly salary in the Republic of North Macedonia was 42,886 MKD or 28,717 MKD average net monthly salary, respectively (Table 6).

Table 5. Average monthly gross salary paid at national level and average monthly gross salary paid in the Agriculture, Forestry and Fishing activity (in MKD)

Year	At national level	Agriculture, forestry and fisheries
2005	21335	16386
2006	23037	17156
2007	24140	17205
2008	26228	18667
2009	29923	21063
2010	30225	20756
2011	30603	21423
2012	30607	22600
2013	31026	22626
2014	31325	22917
2015	32171	22976
2016	32821	24514
2017	33687	23554
2018	35626	27782
2019	37449	29566
2020	40569	32230
2021	42886	33891
2022M09	46827	37626

Source: Author›s own calculations using SSO data

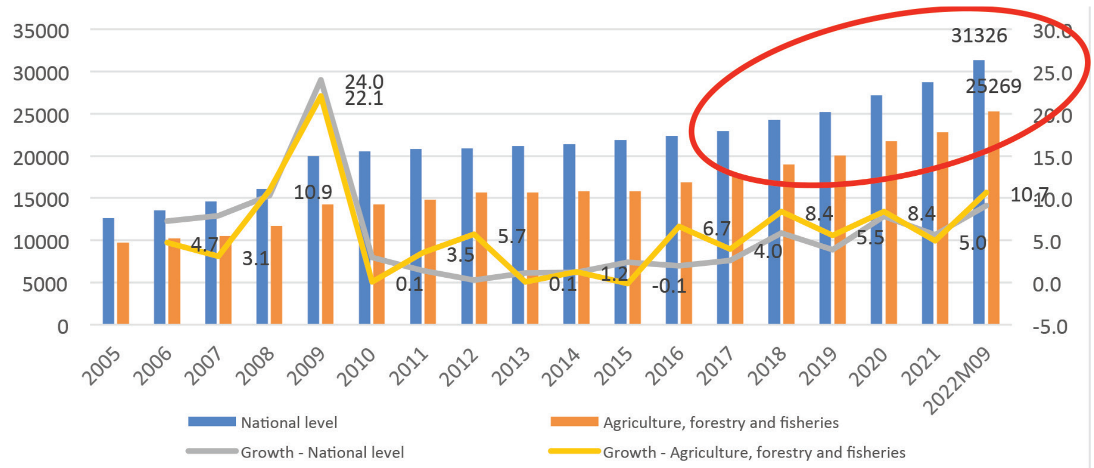
Table 6. Average monthly net salary paid at national level and average monthly net salary paid in the Agriculture, Forestry and Fishing activity

Year	At national level	Agriculture, forestry and fisheries	Annual increase – at national level	Annual increase – Agriculture, forestry and fisheries
2005	12599	9760	/	/
2006	13518	10222	7.3	4.7
2007	14586	10536	7.9	3.1
2008	16094	11689	10.3	10.9
2009	19958	14273	24.0	22.1
2010	20554	14284	3.0	0.1
2011	20848	14785	1.4	3.5
2012	20903	15632	0.3	5.7
2013	21146	15641	1.2	0.1
2014	21394	15836	1.2	1.2
2015	21904	15816	2.4	-0.1
2016	22342	16870	2.0	6.7
2017	22927	17542	2.6	4.0
2018	24276	19015	5.9	8.4
2019	25214	20069	3.9	5.5
2020	27184	21749	7.8	8.4
2021	28717	22830	5.6	5.0
2022M09	31326	25269	9.1	10.7

Source: Author's own calculations using SSO data

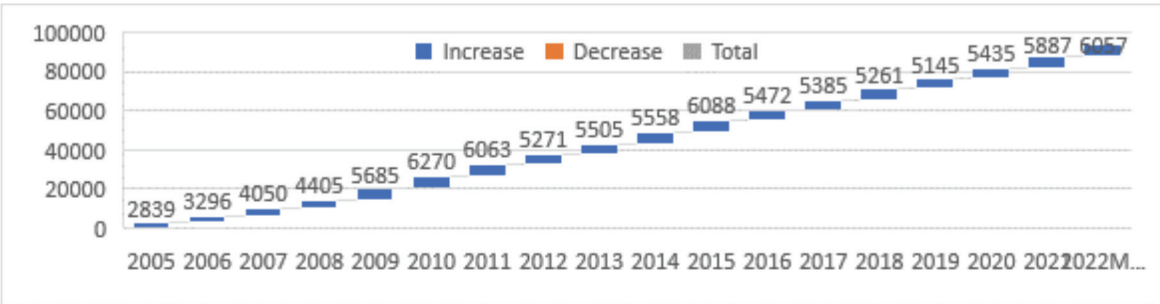
The annual increase of the paid average monthly net salary at national level and the average monthly net salary in the agriculture, forestry and fishing activity shows that on average both observe a synchronised trend (Chart 11). It can be noted that in the period between 2011 and 2013, as well as in the period between 2016 and 2020, the increase rate in the salary paid in the agricultural sector is higher compared to the increase rate in the average salary in the Republic of North Macedonia (Chart 11). The more intensive growth rate of the average paid monthly net salary in agriculture fails to be sufficient to reduce the gap in the average salary at national level and the average salary paid in agriculture (Chart 12). It can be noted that in the period between 2005 and 2021 the increase in the salary in agriculture fails to be sufficient for the salary paid in agriculture in order to achieve equal basis with the average salary in North Macedonia (Chart 12).

Chart 11. Average monthly net salary paid at national level and average monthly gross salary paid in the Agriculture, Forestry and Fishing activity



Source: Author's own calculations using SSO data

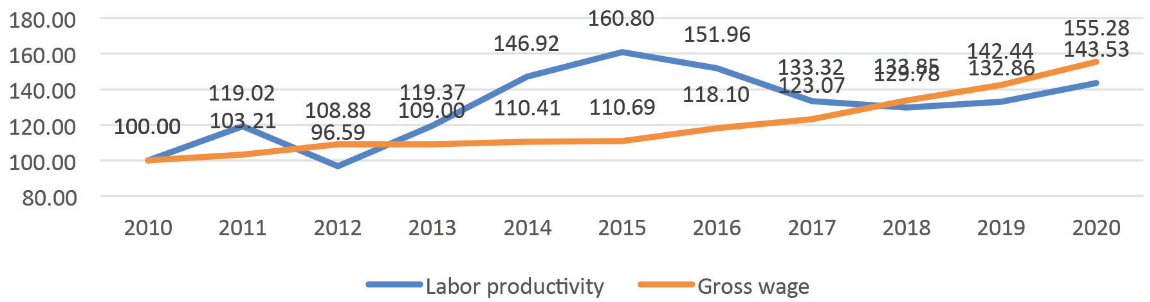
Chart 12. The gap between the average monthly salary paid at national level and the average monthly net salary in Agriculture, Forestry and Fisheries (in MKD)



Source: Author's own calculations using SSO data

Labour productivity represents one of the most important indicators for measuring the efficiency and effectiveness of the factors engaged in the production process. The labour productivity movement index in the Agriculture, Forestry and Fishing sector in the period between 2012 and 2017 is far more intense than the gross salary movement index in this sector. Hence, it can be concluded that during this time period, the benefits of the increase in labour productivity were transferred to the employees in the form of higher gross salaries (Chart 13). In the period between 2018 and 2020, the labour productivity movement index shows a growth with lower intensity compared to the gross salary movement index. That is, in this period there is an increase in both chategories thus the increase in the gross salary in the Agriculture, Forestry and Fishing sector shows a greater increase (Chart 13).

Chart 13. Labour Productivity Movement Index and Gross Salary Movement Index in the Agriculture, Forestry and Fishing Sector in North Macedonia (2010=100)



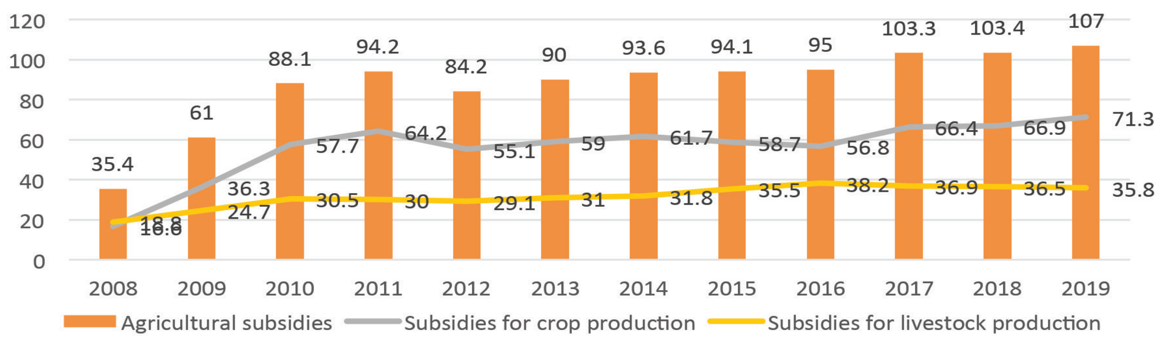
Source: Author's own calculations using SSO data

1.3. Direct financial aid/support in the agriculture – system of subsidies in the Republic of North Macedonia

Since 2008, a significant amount of funds from the central budget has been allocated in order to subsidise the agricultural sector in form of direct financial payments. In 2008, subsidies intended for agricultural production amounted to EUR 35.4 million, whereas in 2009 they increased to EUR 61 million. The increase trend of the subsidies for agricultural production, on average, has been observed throughout the analysed period. The subsidies intended for agricultural production reach the highest value of EUR 107 million in 2019 (Chart 14).

Regarding the distribution of agricultural subsidies, they have been aimed at direct financial payments for crop production and direct financial payments for livestock production. Only in 2008 the subsidies for livestock production recorded a higher amount than subsidies for crop production, with EUR 18.8 million and EUR 16.6 million respectively. In the period between 2009 and 2019, the amount of subsidies for livestock production doubled on average, from EUR 18.8 million in 2008 to EUR 35.8 million in 2019. On the other hand, subsidies for crop production increased from 16.6 million EUR in 2008 to 71.3 million EUR in 2019, which implies an increase of approximately 4.3 times (Chart 14).

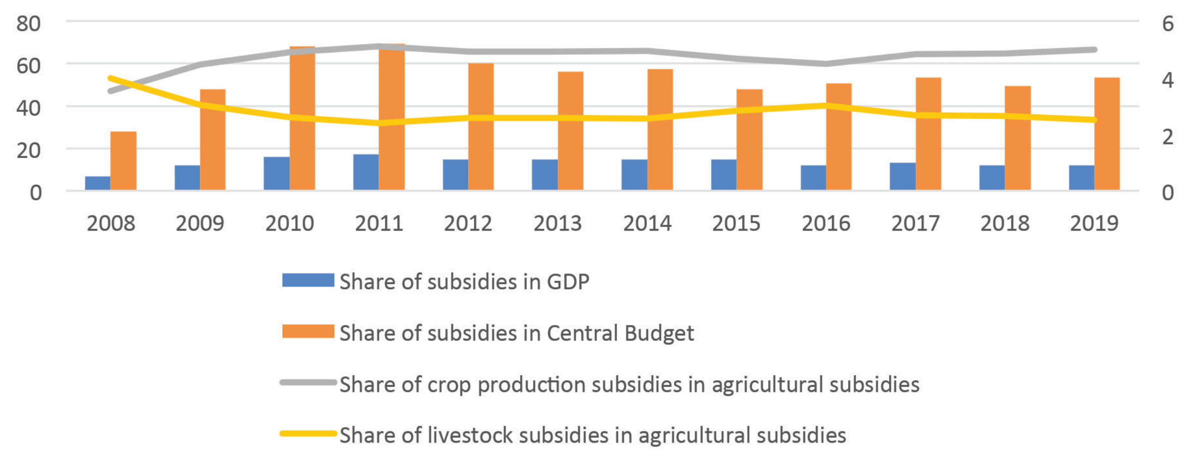
Chart 14. Subsidies in the agriculture for the period between 2008 and 2019 (in millions of EUR)



Source: Author's own calculation using data from the Ministry of Finance and AFSARD

The relative distribution of agricultural subsidies to subsidies for crop production and subsidies for livestock production show that, except for 2008, direct financial payments for crop production, on average, were approximately 2/3 of the total agricultural subsidies (Chart 15). The participation of agricultural subsidies in GDP ranges from 0.5 % in 2008 to 1.3 % in 2011. In the period between 2013 and 2016, the participation of subsidies for agricultural production was 1.1 %, whereas in the following period a certain decrease had been noted and in 2019 the subsidiaries reached 0.9% of GDP. Regarding the participation of subsidies for agricultural production in the total central budget expenditures, they range from 2.1 % in 2008 to 5.2 % in 2011. Following 2011, a certain decrease in the proportion of expenditures intended for direct payments in agriculture in relation to the total central budget expenditures has been observed. In 2019, expenditures on the basis of subsidies for agricultural production in relation to total central budget expenditures account for 4 % (Chart 15).

Chart 15. Relative distribution of agricultural subsidies to subsidies for crop production and subsidies for livestock production, relative comparison of GDP also in relation to the central budget expenditures for the period between 2008 and 2019 (in %)



Source: Author's own calculation using data from the Ministry of Finance and AFSARD

2 Need for regional integration in the agriculture sector

2.1. The agricultural sector under conditions of crisis

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Although the agriculture is one of the most important sectors for the countries of the Western Balkan, these countries fail to fully meet their domestic needs for food and agricultural products. Therefore North Macedonia and Albania are net importers of food, especially North Macedonia, with a strong trade deficit in the last few years. Moreover, the shortcomings and consequences of the low level productivity and competitiveness of agricultural production in the countries of the Western Balkan have become apparent in the last two years, when as a consequence of the COVID-19 pandemic and the military actions in Ukraine there has been a significant restriction of trade in food and a disruption in supply chains.

The decrease in Ukraine and Russia's export capacity and the increase in energy and fertilizer prices have resulted in increase of the international food prices, thereby disrupting the supply of basic food products (mainly cereals, as well as sunflower oil).

The COVID-19 pandemic and the military actions in Ukraine have caused the supply chains, especially the agricultural product chains, to be significantly reduced, resulting in a drastic reduction in the food supply. Ukraine, not only as the main producer and exporter of various industrial crops, including corn, wheat and barley, but also as the main producer of sunflower oil plays a significant role the total supply of these products. In fact, the sunflower oil export from Ukraine accounts for about half of the global sunflower oil supply. The European countries, including the Balkan countries, are directly dependent on the food and other industrial crop exports from Ukraine, thus making them directly dependent on the Ukrainian reduced (limited) exports. Hence, the high intensity and dependence level has been directly transferred to the prices of these products, which has caused a significant increase in the prices of basic food products. However, it should be noted that in the highly developed countries, the participation for the cost of basic food products is below 10 %, whereas in the developing countries, such as the Balkan countries, a significant participation of food in total costs has been observed.

Regardless whether the military conflict in Ukraine shall end in due time or shall be prolonged for a longer period of time, the problems in the food supply chains need long-term and creative solutions that require time, financial and material means, as well as political will and readiness for their implementation. On the other hand, the countries of the Balkan have all the necessary conditions (comparative advantages, tradition in the cultivation of agricultural crops, access to a market with high absorptive power, developed transport channels, etc.) in order to use their capacity for agricultural production. The immediate proximity to the European market is an opportunity for the agricultural and food industry to market their products to a highly developed market, where these countries shall be competitive both in terms of price and the quality and range of agricultural products. The utilisation of the partially developed road infrastructure, production costs and also the weather and soil conditions, along with the unlimited access to markets in the EU countries, make the countries of the Balkan an optimal area for the development of the agricultural sector and food production.

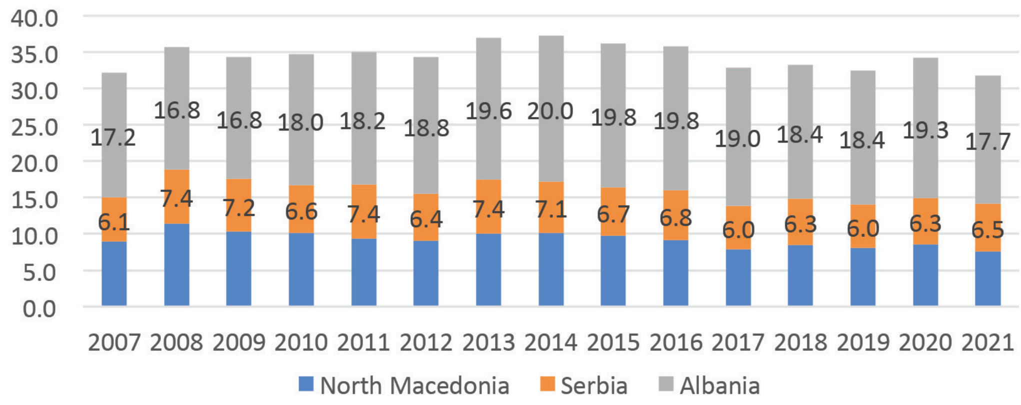
The need and benefits of regional integration, especially in the trade of food and agricultural products, shall contribute to cushioning the negative shocks of growing inflation, especially in the countries of the Western Balkan. In March 2022, the FAO Food Price Index (FFPI) reached its highest record level of 159.7 points. The FFPI had a slight decrease in May 2022, but it was still 30 % above its value in 2021. The increase in prices is particularly significant for vegetable oils and cereals. While the vegetable oil index has started to decline since March 2022, the cereal price index continues its upward trend.[4] If the upward trend in the price of wheat, cereals, corn and other agricultural products is maintained, there shall be strong negative consequences on the food supply chains, which further pinpoint the importance and need for intensifying regional integration and cooperation among the countries of the Open Balkan initiative.

4 FAO (2022), FAO Food Price Index, https://fao.org/worldfoodsituation/foodpricesindex/en/

2.2. The importance of the agricultural sector for the economies of the countries of the Open Balkan initiative

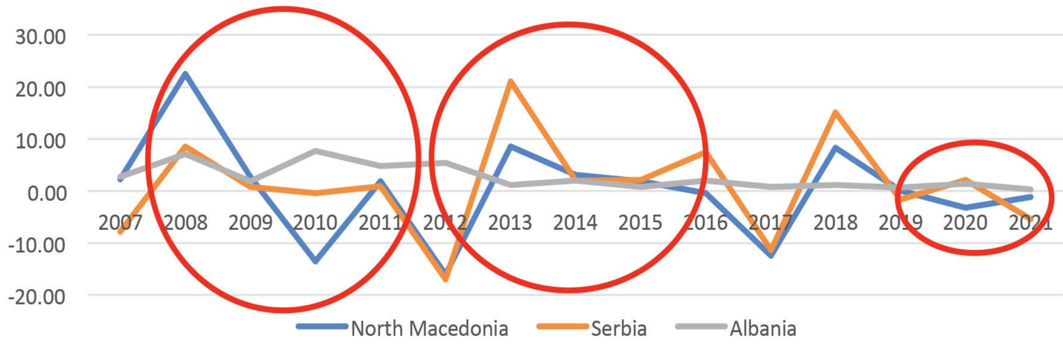
The importance of the Agriculture, Forestry and Fishing sector for the countries constituting the Open Balkan initiative is also seen in the participation of this sector in the Gross Value Added. The highest relative proportion of the Gross Value Added in the agriculture, in relation to GDP, is observed in Albania, where in specific years it reached up to 20 % of GDP. On the other hand, GVA in relation to GDP in the example of North Macedonia reached up to 10 % of GDP in 2013 and 2014, and in the following period it has started to decrease. The average trend of the reduction of GVA in the Agriculture, Forestry and Fishing sector in North Macedonia contributes to the fact that in 2019 it only accounted for 8.1 % of the GDP. In 2020 and 2021, as a result of the COVID-19 pandemic, in addition to a significant reduction in the economic activities in almost all other sectors, the participation of GVA in the agriculture was 8.6 % in 2020 and 7.5 % in 2021. The Gross Value Added in the agricultural sector in the example of Serbia has recorded the lowest participation in GDP compared to Albania and North Macedonia. The participation of GVA in the agricultural sector in Serbia ranges from 6 to 7.4 %. In 2019, GVA in the agricultural sector accounted for 6 % of GDP, whereas in 2020 it increased to 6.3 % (Chart 16). The annual GVA growth rates in the Agriculture, Forestry and Fishing sector for the period between 2007 and 2021 confirmed the thesis of the low degree of resistance of the agricultural sector. The chart shows the cyclical nature of the growth rate in the agricultural sector, especially in the case of North Macedonia and Serbia. On the other hand, the GVA growth rates in the agricultural sector in Albania, even though they fail to note a significant fluctuation, the downward trend is evident (Chart 17).

Chart 16. Gross Value Added in the Agriculture, Forestry and Fishing sector in the countries of Open Balkan for the period between 2007 and 2021 (percentage of GDP)



Source: Word Bank database (WDI Indicators)

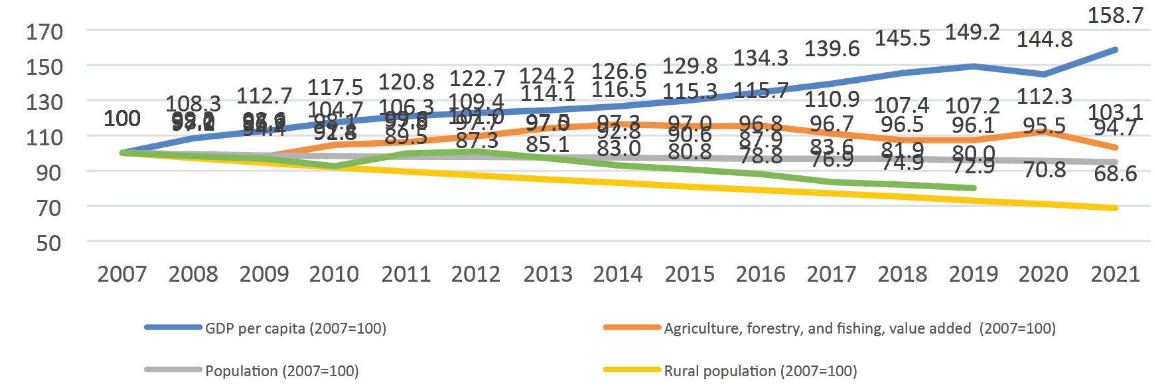
Chart 17. Gross Value Added in the Agriculture, Forestry and Fishing sector in the countries of Open Balkan, annual growth rates, for the period between 2007 and 2021



Source: Word Bank database (WDI Indicators)

The significant increase in GDP per capita in Albania is followed by a significant decrease in the population living in rural areas, that is, the population directly involved in the agricultural production. The downward trend in the agricultural employment that began in 2011 has resulted in a decrease of agricultural employees in 2019 compared to 2010 by approximately 20 index points (Chart 18). In this direction, it should be noted that the participation of employment in the agriculture in the analysed period ranges from 36 to 45 % of total employment. Hence, in terms of the participation of employment in the agriculture in relation to total employment, it is twice as high compared to the employment in the agriculture in Serbia and North Macedonia.

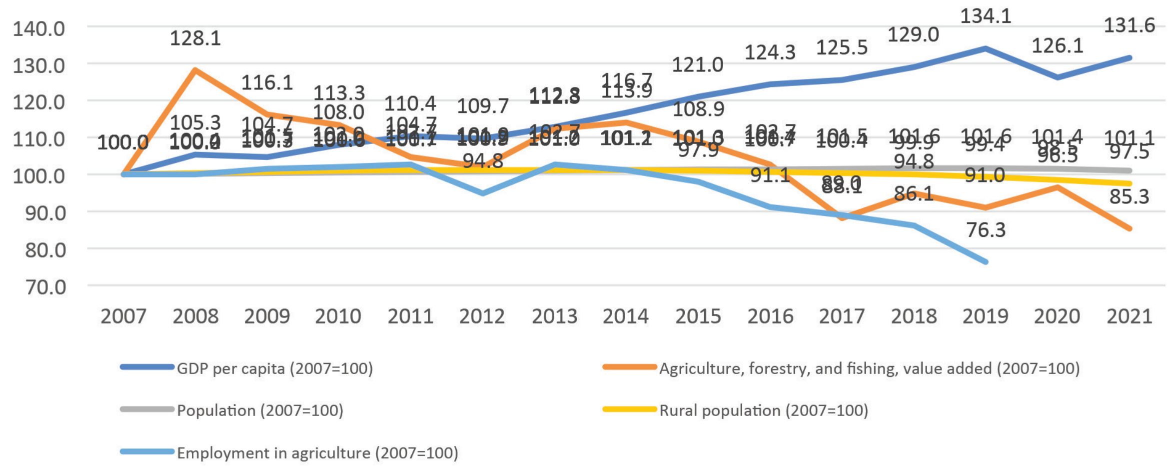
Chart 18. The population in rural areas in Albania is experiencing an above-average decline



Source: Word Bank database (WDI Indicators)

The GDP growth index per capita of North Macedonia is simultaneously followed by a trend of decrease of GVA in agriculture, along with the employment movement index in agriculture. In the period following 2011, the employment movement indices in the agriculture and the Gross Value Added in agriculture note nearly an identical movement trend. A downward movement trajectory has also been observed in the population index in rural areas, especially in the period following 2017. This movement trend shows that there is higher degree of migration from rural areas but the people also migrate from agricultural to other non-agricultural activities (Chart 19).

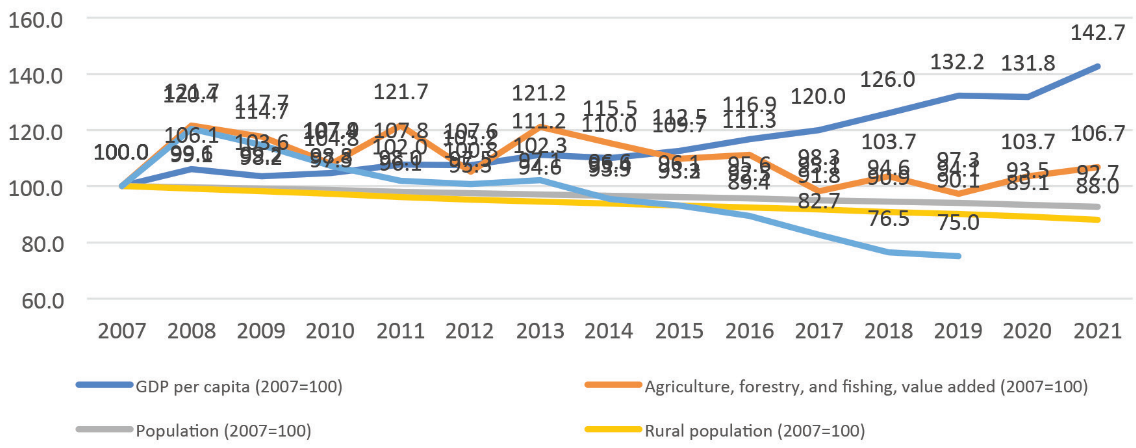
Chart 19. The employment in agriculture in the Republic of North Macedonia shows a downward trend



Source: Word Bank database (WDI Indicators)

GDP per capita in the example of Serbia shows a linear increase trend (except for the period between 2019 and 2021). At the same time, the employment in agriculture, as well as the gross value added in agriculture, starting from 2014, has recorded a downward trend. With regards to the population state and trend, it can be noted that starting from 2017, there has been a more intensive reduction of the rural population. Hence, it can be concluded that rural migration is not only an indicator of the reduction of people living in rural areas, but at the same time it is an indicator of the significant reduction of people who are directly engaged in the agriculture (Chart 20).

Chart 20. The employment in agriculture in Serbia shows an above-average trend

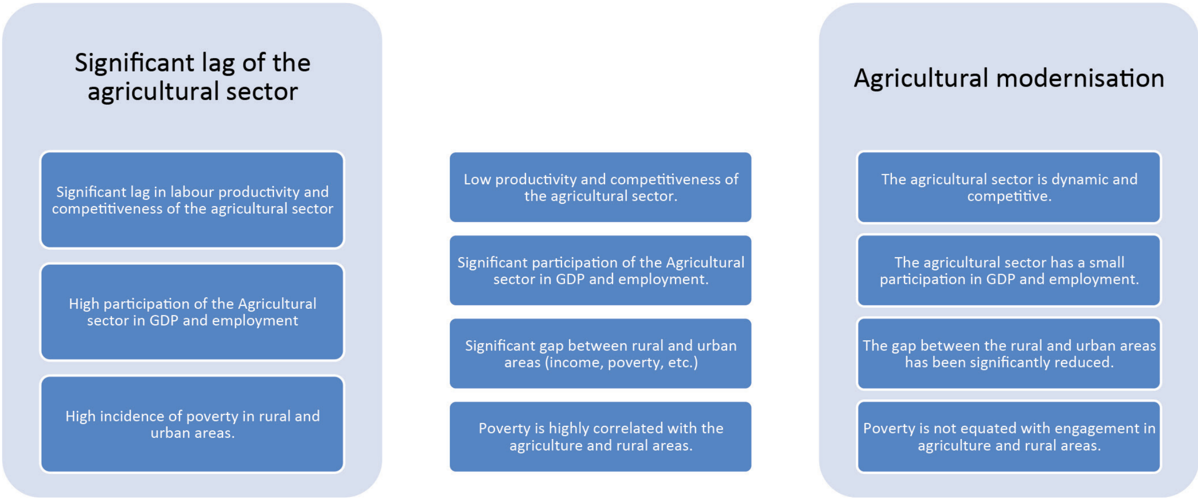


Source: Word Bank database (WDI Indicators)

The economies of the Western Balkan countries can be characterised as developing economies, whereas in terms of the transformation stages in the agricultural sector, the low productivity and competitiveness level of this sector characterises them as countries with **unfinished transformation in the agricultural sector**. To a considerable extent, people engaged in the agriculture realise income close to the level of the poverty line. In the example of Albania, there has been a decrease in the labour demand in rural areas, which, in addition to the unemployment, led to an increase in poverty from 10 to 30 % in the rural areas. The conclusion that may be drawn from the analysis of the economies in the Open Balkan countries is the fact that the GDP growth index per capita is followed by a simultaneous decrease in employment in the agricultural sector, a decrease of Gross Value Added in the agriculture, and at the same time there is a significant reduction of people living in rural areas.

Not only does the rural migration deepen the already expressed regional disparities in the analysed countries and contribute to further disruption of the labour markets, but it also presents an indicator of the future potential in agriculture, or the increasing number of people who change the agricultural activity with one of the non-agricultural activities.

Figure 1. Structural transformation stages in the agricultural sector



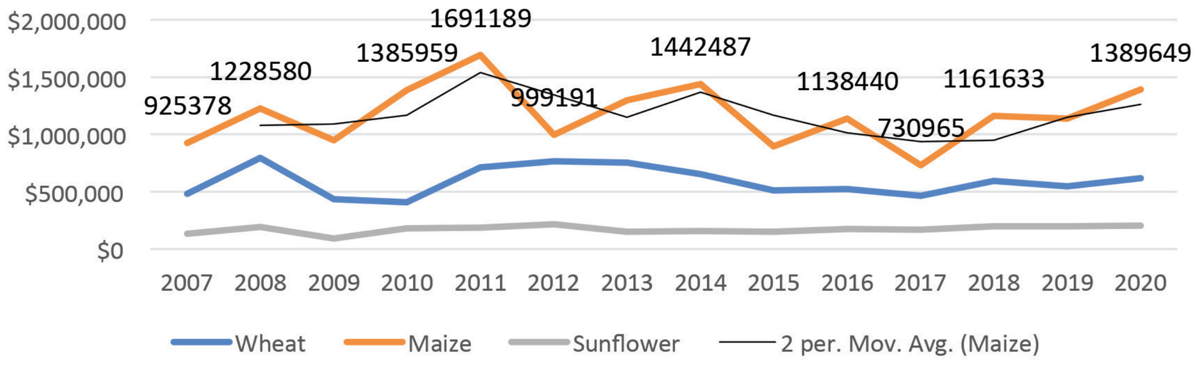
Source: World Bank

3 Agricultural production potentials in the countries part of the Open Balkan initiative

The industrial crop production in the countries of the Open Balkan initiative is primarily led by the industrial production in Serbia, producing a significant amount of industrial crops. The movement trend of wheat, corn and sunflower production presented in Chart 21 for the period between 2007 and 2020 shows that corn is the crop that accounts for the highest value in total production, whereas wheat and sunflower have recorded a lower production value, respectively. Taking into account the value of corn production in the Open Balkan countries, it can be concluded that it undergoes significant fluctuations. The corn production reached its highest value of USD 1,691,189. In 2017, the corn production hit the lowest value of USD 730,695. Furthermore, it can be noted that the production of corn in the Open Balkan countries in the period between 2011 and 2017 decreased by about 57 %. In the period between 2017 and 2020, the corn production recorded an increase and in 2020 it amounted to USD 1,389,649. Hence, it can be stated that the corn production within the Open Balkan countries (Albania, Serbia and North Macedonia) can be divided into three periods: the first period between 2007 and 2011, is the period in which the corn production (except for 2009) is characterised by intense growth. The second period between 2011 and 2017, is the period when on average, a significant decrease in the corn production was observed in these countries. The third period, between 2017 and 2020, is when the Open Balkan countries consolidated the production of corn and manage to realise an increase within the given period.

The wheat production, according to its value, is the second industrial crop in the Open Balkan countries. Unlike the production of corn, the wheat production value, except for the period between 2008 and 2010, fails to observe significant oscillations in the trend. The wheat production value in 2020 was USD 483,134, whereas in 2020 it increased to USD 617,339. The sunflower is an industrial crop grown in the Open Balkan countries. The sunflower production, compared to corn and wheat production value, accounts for an insignificant participation. In 2007, the sunflower production amounted to USD 132,379 whereas in 2020 it reached a value of USD 203,874 (Chart 21).

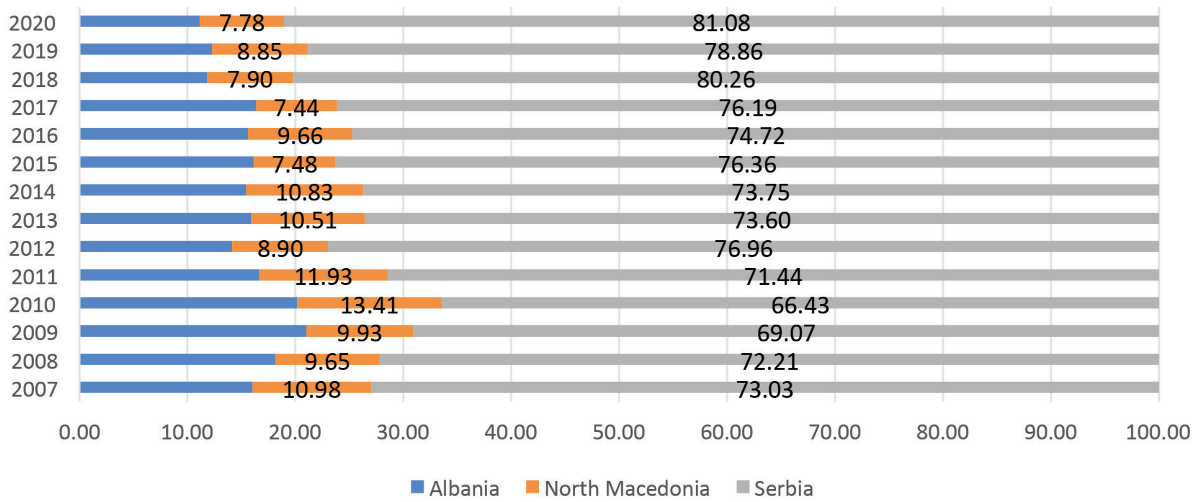
Chart 21. The production value of industrial crops within the countries of Open Balkan for the period between 2007 and 2020 (in thousands of USD)



Source: FAO Database

The distribution of wheat production among the Open Balkan countries is shown in Chart 22. Based on the data in the chart it can be concluded that the wheat production in the Open Balkan countries is primarily led by the wheat production in the Republic of Serbia. In 2007, out of the total value of wheat produced in the countries of the Open Balkan (Albania, Serbia and North Macedonia), 73 % was produced in Serbia, 16% in Albania, whereas about 11 % of the total wheat production was produced in North Macedonia. In 2010, it was observed that Albania and North Macedonia had the highest participation in the total wheat production in the Open Balkan countries. The production of Albania in 2010 accounted for about 20 %, whereas the production of North Macedonia production accounted for about 13 % of the total wheat production. Since 2010 there has been a significant decrease in the relative participation of wheat production in Albania and North Macedonia, compared to the total production value in these three countries part of the Open Balkan initiative. In 2020, during the COVID-19 pandemic, wheat production in Serbia accounted for as high as 81 % of the total production, whereas the production in Albania was 11 % and in North Macedonia about 8 %. Hence, it can be concluded that in the total wheat production in the countries of the Open Balkan initiative, Albania and North Macedonia contributed to less than 1/5 of the wheat produced value compared to the total production, whereas the remaining 4/5 was the wheat produced in Serbia.

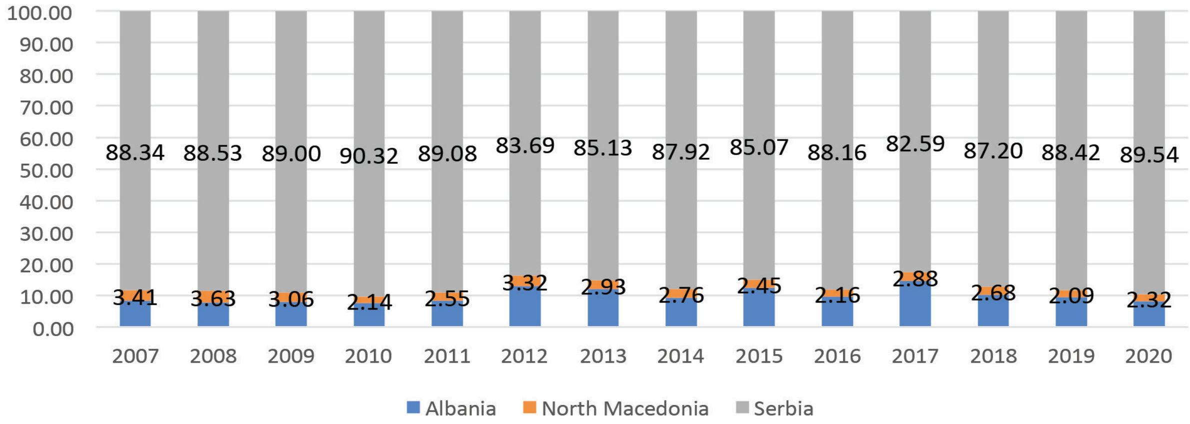
Chart 22. Distribution of the total value of wheat produced in the countries of the Open Balkan initiative for the period between 2007 and 2020 (in %)



Source: FAO Database

The corn production, as one of the most important industrial crops in the Open Balkan countries, is necessary to be taken into account when making a brief elaboration and analysis. Based on Chart 23 it can be seen that the value distribution of the total corn production among Albania, Serbia and North Macedonia is led by significant corn production in Serbia. The participation in the total corn production in North Macedonia in the period between 2007 and 2020 was insignificant. Throughout the analysed period, the participation of corn produced in North Macedonia ranged from 2.14 % in 2010 to 3.63 % in 2008. The corn production in Albania ranged from 7.54 % in 2010 to 14.53 % in 2017. On the other hand, the corn production in Serbia exceeded the total corn production in Albania and North Macedonia by multiple times. The participation of Serbia in the total corn production ranged from 83.69 % in 2012 to 90.32 % in 2010. In 2020, the value of the produced corn in the open Balkan countries was 90 % in Serbia, 8 % in Albania and an insignificant 2 % in North Macedonia. The corn production in Serbia in 2020 was 8.5 times greater than the corn the production in Albania and North Macedonia.

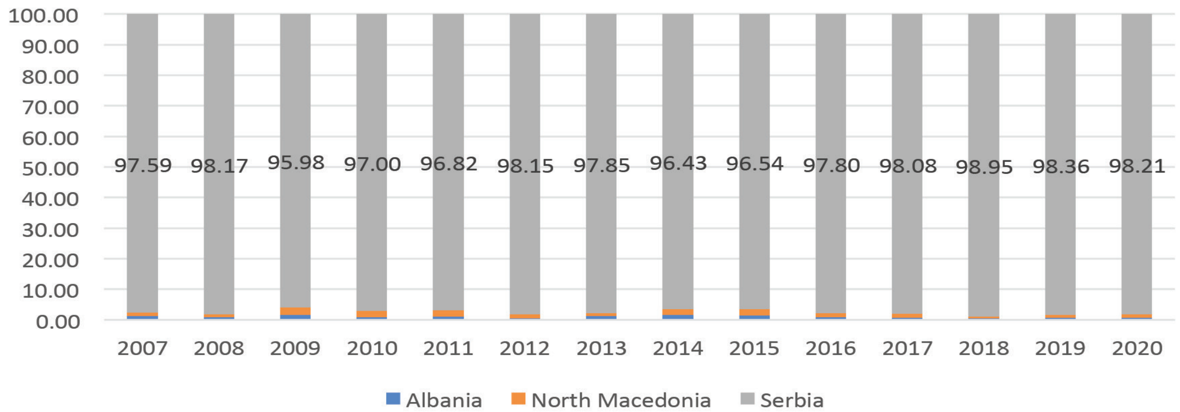
Chart 23. Distribution of the total value of produced corn in the countries of Open Balkan initiative for the period between 2007 and 2020 (in %)



Source: FAO Database

Regarding the sunflower production in the Open Balkan countries, the analysis of the value of total production has shown that almost the whole sunflower production is realised in Serbia. The sunflower production in Serbia covers 98 % of total sunflower production in the Open Balkan countries (Chart 24). The sunflower production in North Macedonia in 2020 covered approximately 1 % of total production, whereas the production in Albania was less than 1 %.

Chart 24. Distribution of the total value of sunflower produced in the countries of the Open Balkan initiative for the period between 2007 and 2020 (in %)



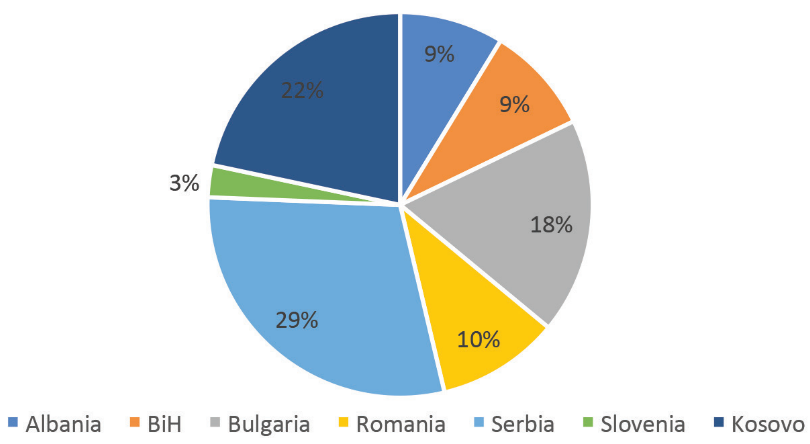
Source: FAO Database

4 Open Balkan initiative - Challenges and Opportunities for Regional Cooperation and Agricultural Development

4.1. Analysis of the agricultural product trade with Serbia and Albania

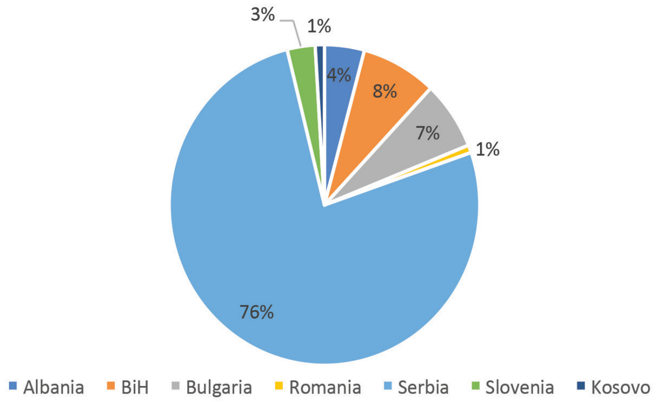
North Macedonia places its products, primarily agricultural products, food and livestock predominantly in the Western Balkan. In 2021, about 29 % of total food exports from North Macedonia were to Serbia, and 22 % to Kosovo. The data shows that out of the total food and livestock export, about ¾ was placed in the Western Balkan countries and 38 % in the Open Balkan countries (Albania and Serbia). About 31% of the exports were placed in the EU member states (Romania, Slovenia and Bulgaria), out of which about 18 % in Bulgaria (Chart 25). In addition to trying to increase its domestic food production, North Macedonia is a net importer of food, with the highest trade intensity with the Balkan countries. The data for 2021 shows that more than ¾ of the total food and livestock import in 2021 was imported from Serbia (76 %) (Chart 26).

Chart 25. Food and livestock exports from North Macedonia to selected countries in 2021 (in %)



Source: SSO database

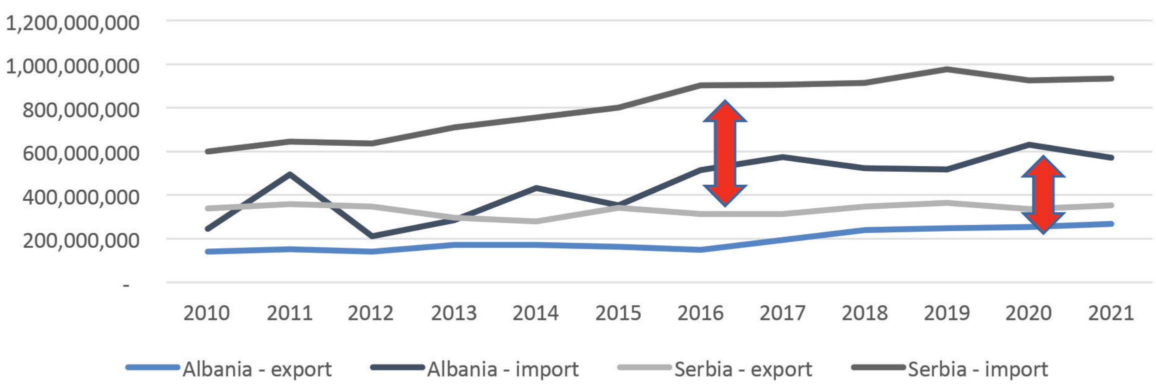
Chart 26. Food and livestock imports to North Macedonia from selected countries in 2021 (in %)



Source: SSO database

The North Macedonia›s foreign trade with Albania and Serbia shows a marked trade deficit of North Macedonia. Within the period between 2010 and 2021 North Macedonia was a net importer of goods and services from Albania and Serbia. The foreign trade gap is presented in Chart 27 and Chart 28 in order to display the trade deficit in value and in volume (quantity). A significant increase in the foreign trade of North Macedonia with Serbia has been observed following 2011. Furthermore, the foreign trade of North Macedonia shown in volume and in value shows that the export of North Macedonia to Albania was higher than the imports in the period between 2010 and 2016, whereas in the period between 2016 and 2021 the foreign trade between North Macedonia and Albania was balanced. However, analysed in volume, or the amount of goods and services subject to exchange between these two countries it can be noted that throughout the period the amount of imported goods has significantly exceeded the amount of exported goods and services to North Macedonia from Albania (Chart 27). Hence, although North Macedonia has deficit trade deficit with Albania, according to the trade value, a balance in the trade has been observed (Chart 28).

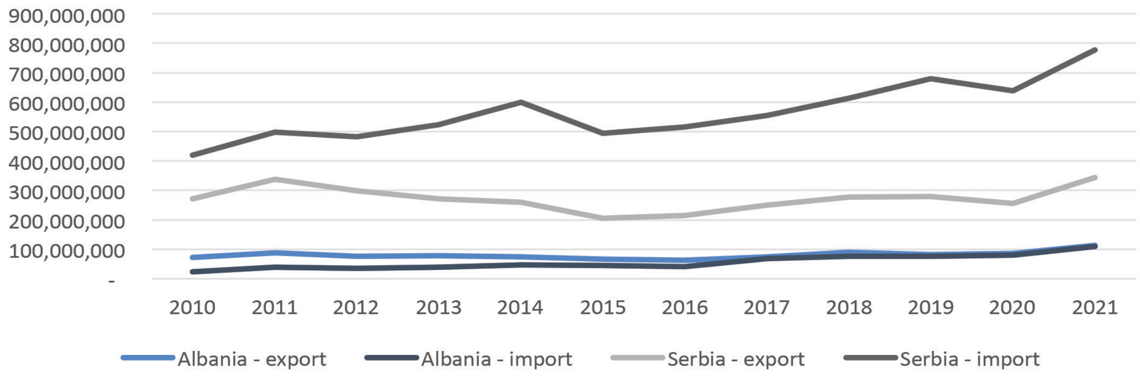
Chart 27. North Macedonia›s foreign trade with Albania and Serbia for the period between 2010 and 2022 (in kg)



Source: FAO Database

THE IMPACT OF THE COMMON REGIONAL MARKET ON THE AGRICULTURAL SECTOR IN NORTH MACEDONIA

Chart 28. North Macedonia›s foreign trade with Albania and Serbia for the period between 2010 and 2022 (in USD)



Source: FAO Database

4.2. Potential scenario for increasing foreign food and agricultural product trade - why is the Open Balkan initiative important?

The previously established regional co-operation among Albania, North Macedonia and Serbia known as Open Balkan (and also known as "mini-Schengen") has resulted in certain applications related to the improvement (increased) labour mobility (people), goods and capital.

One of the main objectives of the Open Balkan initiative is to facilitate and intensify the foreign trade among these countries. Hence, the Open Balkan initiative shall accelerate and facilitate the process of economic integration among the Western Balkan countries. Such level of economic integration shall help reduce the protectionist barriers and facilitate the trade procedures for goods and services among the countries. This sort of an initiative contributes to reducing trading costs and it also increases the opportunities to place agricultural products to increased, integrated markets. This type of economic integration shall lead to an increased competitiveness of the countries within the region, increased range and improved quality of agricultural products, as well as improved business relations of companies thus contributing to an increased effectiveness and efficiency. Not only does Open Balkan offer increased investments, labour market integration, but it also enables expansion of markets in order to improve efficiency when placing goods and services on the market.

The analysis of the foreign trade among the individual countries part of the Open Balkan initiative refers to the insufficient utilisation degree of potentials for domestic production and placement of the agricultural products on the markets of these countries. At the same time, the analysis of the volume and value of foreign trade shows a significant import and export gap among these countries. The agricultural production (especially food production) in Serbia, compared to the agricultural production in Albania and North Macedonia, meets the domestic needs on a large scale, however, the food and agricultural product imports from North Macedonia notice low value. Nonetheless, the data shows that there is a significant room for North Macedonia to place its increased agricultural products on the market in Serbia.

For instance, out of the total import of lamb meat „fresh lamb carcasses" into Serbia (about EUR 0.4 million), about EUR 0.338 million is imported from North Macedonia, which shows that Serbia imports about 85 % of this product from North Macedonia (Table 7). Out of the total export of lamb meat (fresh lamb carcasses) from North Macedonia of EUR 12 million, it can be noted that an insignificant part (EUR 0.338 million) is exported to Serbia. Regarding the export potentials of fresh lamb meat in the Republic of Serbia, according to current standards and legislation, the export of fresh lamb meat may be increased to EUR 0.657 million, that is by 94.4 %. In respect to the fresh apple production and export, the Republic of North Macedonia exports fresh apples in the amount of EUR 25 million. However, the total import of fresh apples to Serbia is approximately EUR 10 million (Table 7). The analysis of the fresh apple export from North Macedonia to Serbia shows that the total export has a value of around EUR 1.9 million. Hence, out of the total export of fresh apples, North Macedonia only exports 7.6 % to the Republic of Serbia (Table 7). Regarding the export potential of fresh apples from Macedonia to Serbia in the upcoming period, it amounts to EUR 2.4 million, that is, almost by 26.3 % greater than the current export value.

The external trade of milk and dairy products which is a significant part of livestock production is a subject of elaboration and analysis. Out of the total milk export from North Macedonia in the amount of EUR 1.8 million, about EUR 1.1 million is exported to Serbia. Hence, it can be concluded that 61 % of the exported milk is placed on the market in Serbia. However, it only accounts to modest 5.6 % of the total milk import to Serbia (Table 7).

The low export value of agricultural products from North Macedonia to Serbia is due to the fact that Serbia provides a significant part of the required amount of agricultural products from its domestic production. On the other hand, the agricultural production of North Macedonia is primarily aimed at satisfying the domestic needs, thus contributing to the low export value of individual products.

Table 7. Export of selected agricultural products and food from North Macedonia to the Republic of Serbia - current situation and potentials (in EUR millions of EUR and %)

Types of products	Current export to Serbia	Potential export to Serbia	Underutilized potential	Export from North Macedonia	Import to Serbia
Fresh lamb carcasses	0.338	0.657	0.32	12	0.4
Snails	0.125	0.123	-	0.707	0.197
Apples, fresh	1.9	2.4	0.571	25	10
Grapes, fresh	6.5	5.2	-	15	9.1
Sausages and related products	2.1	2.1	-	8.4	34
Sunflower seed or saffron oil (excluding crude oil) and fractions	2.1	0.244	-	6.2	11
Buttermilk, frozen or fermented milk	0.467	0.53	-	0.474	7.6
Milk	1.1	0.162	-	1.8	19
Cheese	0.524	0.86	-	1.4	32
Wheat	0.021	0.012	-	2.7	5.6

Source: TradeMap Database

As previously mentioned, *Serbia is the only country within Open Balkan that has a positive net trade balance with agricultural products and food.* Hence, the presentation of the export of agricultural products and food from Serbia to North Macedonia, as well as the potential increase in foreign trade cooperation is justified. On the grounds of the total export from Serbia, it can be concluded that for the greater part of the products, there are potentials for export increase to North Macedonia. Regarding the sunflower seed oil export, out of the total export from Serbia, which amounts to EUR 67 million, oil worth of EUR 15 million has been exported to North Macedonia, which is almost the whole value of the total oil imported to the Republic of North Macedonia (Table 8).

The foreign trade between Serbia and North Macedonia, especially in terms of basic food products, has intensified within the last two years when, as a result of the COVID-19 pandemic and the military actions in Ukraine, a lack of basic food products has appeared. The wheat export from Serbia to North Macedonia amounts to EUR 14 million, whereas the export potential of this product in North Macedonia is set at EUR 7 million. Hence, it can be concluded that out of the total wheat imports to North Macedonia (EUR 17 million), about 82 % has been imported from Serbia (Table 8). Also, the current corn production fails to satisfy the domestic needs of North Macedonia resulting in corn imports to North Macedonia of about EUR 11 million. Approximately 91 % of the total corn import has been imported from Serbia.

The current state analysis of foreign trade between North Macedonia and Serbia, as two countries with intensive economic cooperation and members of the Open Balkan initiative, shows that there are many agricultural products with underutilised export potential.

Table 8. Export of selected agricultural products and food from Serbia to North Macedonia - current situation and potentials (in millions of EUR and %)

Type of product	Current export to North Macedonia	Potential export	Underutilized potential	Total export from Serbia	Total import to North Macedonia
Масло од сончогледово семе или шафран	15	15	-	67	16
Семе од пченка за сеидба	1.3	1.6	0.285	49	2.2
Шеќер од трска или репка	4.2	8.9	4.7	61	58
Пченка	10	8.1	-	429	11
Суров сончоглед - масло од семе или шафран	10	9.2	-	70	25
Компир	7.3	9.7	2.4	19	8.5
Пченично брашно	11	11	-	34	13
Слатки бисквити	7.6	12	4.1	52	14
Маргарин (со исклучок на течност)	3.1	3.3	0.229	7	4
Млеко	5.5	7	2.2	14	16
Пченица	14	7	-	103	17
Сирење	4.7	0.9	-	15	20

Source: TradeMap Database (**https://www.trademap.org/Index.aspx**)

Foreign trade between Albania and North Macedonia is primarily focused on industrial products, which account for a significant part of the exports from Albania to North Macedonia. Olives, fresh cucumbers and gherkins as well as fresh tomatoes are agricultural products whose export significantly deviates from the export of other agricultural products (Table 9). The data shows that out of the total import of fresh cucumbers and gherkins imported to North Macedonia (of EUR 2 million), about EUR 1.4 million is imported from Albania. However, out of the total export of fresh cucumbers and gherkins from Albania (EUR 14 million), the export to North Macedonia is worth EUR 1.4 million. Furthermore, in addition to the domestic production of tomatoes, North Macedonia imports fresh tomatoes from Albania worth EUR 2.8 million, which represents about 67 % of the total tomato imports to North Macedonia (Table 9). An insignificant value of the foreign trade, compared to the potential, is observed in olive trade. Namely, taking into consideration the fact that the weather conditions in North Macedonia limit the possibilities for growing olives, a significant amount of olives is imported from abroad. The total olive import to North Macedonia amounts to EUR 7.7 million, whereas EUR 0.053 million is imported from Albania, or 0.7 % of the total import (Table 9).

Table 9. Export of selected agricultural products and food from Albania to North Macedonia - current situation and potentials (in millions of EUR)

Type of product	Current export to North Macedonia	Export potentials	Underutilized potential	Total export from Albania	Total import to North Macedonia
Olives	0.053	0.364	0.312	13	7.7
Fresh cucumbers and gherkins	1.4	0.697	-	14	2
Fresh tomato	2.8	2.7	-	32	4.2

Source: TradeMap Database (https://www.trademap.org/Index.aspx)

The export of food and agricultural products from North Macedonia to Albania is mostly based on the export of sunflower seed or saffron oil (EUR 3.8 million). Considering the unutilised potentials, as well as the possibility and the capacity to absorb part of the products of the Albanian economy, they represent a basis for intensifying the foreign trade cooperation between North Macedonia and Albania. The analysis of the selected most traded agricultural products shows that their value is insignificant in relation to their total external trade with other countries. On the grounds of the analysis focused on the export of fresh apples to Albania, it can be concluded that out of the total export of fresh apples from North Macedonia (EUR 25 million) only EUR 0.007 million is exported to Albania. On the other hand, the total import of fresh apples in Albania accounts for about EUR 4.7 million, which further indicates the possibilities for intensifying the trade in the upcoming period (Table 10).

Regarding the export of grapes, it is noted that out of the total grape export from North Macedonia (EUR 15 million), only EUR 0.884 million has been exported to Albania (Table 10).

Table 10. Export of selected agricultural products and food from North Macedonia to Albania - current situation and potentials (in millions of EUR)

Type of product	Current export to Albania	Potential export	Underutilized potential	Total export from North Macedonia	Total import to Albania
Fresh apple	0.007	0.561	0.554	25	4.7
Grapes	0.884	0.395	-	15	2.3
Bread, pastries	0.935	2.1	1.2	37	30
Sausages and related products	0.022	0.164	0.141	8.4	2.5
Sunflower seed or saffron oil	3.8	0.423	-	6.2	26
Milk	0.59	0.147	-	1.8	6.8
Cheese	0	0.015	-	1.4	8.8
Corn	0.223	0.097	-	2.4	16
Wheat	0.302	0.056	-	2.7	49

Source: TradeMap Database

4.3. Qualitative analysis of semi-structured interviews about the expectations, development policies and strategic directions for the agricultural sector within the framework of the common regional market - OPEN BALKAN

This part of the analysis was primarily focused on gathering expert opinions with regards to the Open Balkan initiative in context of expectations, development policies and strategic directions for the agricultural sector within the common regional market. For this purpose, a semi-structured questionnaire/framework was prepared so as 6 interviews with relevant stakeholders, policy makers and their implementers at key institutions in the country to be carried out in the period between October and November 2022.

- ✓ Cabinet of the Deputy of the Prime Minister in charge of economic affairs,
- ✓ Ministry of Agriculture, Forestry and Water Management,
- ✓ Agency for financial support of the agriculture and rural development
- ✓ Chamber of Commerce of North Macedonia,
- ✓ Union of Chambers of Commerce

A summary analysis shall be made of the responses and opinions obtained from the relevant stakeholders, which may be particularly significant for the advancement of this initiative, primarily in the agricultural sector.

- **Shall the Open Balkan initiative for regional cooperation contribute to the improvement of the situation in agriculture (and how)?**

The improvement of the situation in the agriculture as a result of the Open Balkan initiative, according to our speakers, can only be significant **provided that it was previously built on solid principles, policies and guidelines regarding how the overall agricultural sector should develop in the future.** Furthermore, it is of particular importance to significantly strengthen the capacities of all stakeholders in the process - policy makers, support agencies, control agencies, processors and producers of agricultural products.

The Open Balkan initiative shall have a positive effect on the agriculture in North Macedonia, as a result of the opening of **opportunities to facilitate (the customs, administrative and inspection costs) in the trade exchange with agricultural products among the three countries** Moreover, a particular benefit is the **harmonisation and recognition of laboratory analysis certificates** among the competent institutions of the three countries for easier movement and exchange of commercial products on the territory of the countries part of the initiative.

Another highlighted benefit of this initiative is that the regional approach and integration with the neighbouring countries that in some parts have more developed agriculture shall contribute **improvement of the state and technological level of the agricultural development** in the country. And the positive competition pressure shall also increase.

Any initiative offering greater openness to markets provides room for improvement of the situation in the agriculture. However, in some of the discussions, it was pointed out that, **open markets should also mean increased competition; hence the challenge for our producers and processors should be serious.** Due to this, there are certain concerns with regards to this initiative previously shared, primarily with the representatives from the business community.

From the very beginning of the initiative, **there have been reactions from producers and processors - complaints and appeals stating that: our country with the Open Balkan initiative** has allowed several companies from Serbia, in certain agricultural areas, to penetrate and conquer our market faster. In that direction, the producers and processors of milk and dairy products have been the loudest. Hence, a part (primarily the business sector) has stated that the initiative is good, but for us it is a little too early. The intensive development of the agricultural sector in Serbia and Albania within the past period have caused the agricultural sector to face problems in the regional competitiveness, and part of the agricultural products have encountered market placement problems in the countries of the Western Balkan.

The speakers have also shared some recommendations suggesting **that the improvement of the situation should be targeted through an in-depth analysis of the needs of our partners, and what we can offer in order to have sustainable exports and cheaper imports**. In addition, it was pointed out that "Instead of having winners and losers, the initiative, which was created with the best intentions, should be elaborated into details, and by redefinition of a large part of the policies, it should offer opportunities for joint competitiveness, instead of a competition among the countries that are part of the initiative."

- **What - which opportunity and benefit does give the best description of the Open Balkan initiative.**

The most significant benefit highlighted in the interviews with the stakeholders that best describes the Open Balkan initiative, was **- Common market in agricultural products.**

The other benefits shall be summarised in the following statements:

Possibility of easier EU integration

Good-neighbourly relations and regional stability

Coordinated agricultural policy and regional market in agricultural products

Increased inclusiveness and utilization of the agricultural potential offered by the countries of the region

Regional economic growth and development

Increase of the competitive position of the agricultural production of the Open Balkan countries by improving efficiency and productivity in agriculture

- **Are the measures and policies directed towards the farmers and are they successful in cushioning the negative COVID-19 pandemic consequences?**

Taking into account that regional initiatives have an adequate impact on the resilience of certain sectors and the entire economy, especially under conditions of crises and global disturbances - our interviewees were asked several questions regarding the measures and policies that have been taken and are being taken to cushion the negative consequences from COVID-19 and other current disruptions.

The interviewees pointed out that numerous measures have been taken in order to reduce the negative consequences of COVID-19. **It was pointed out that since the negative consequences of COVID-19 were short-term, some of them were prevented by the specific measures taken by the Government, and to a certain extent the crisis was used as an opportunity to promote medium-term and long-term policies of the Ministry of Agriculture Forestry and Water Management**. In addition to national subsidies and support through the IPARD programs for the agriculture and rural development, the Ministry of Agriculture Forestry and Water Management has introduced an Intervention Fund to reduce the consequences of COVID-19 and market disruptions caused by the war in Ukraine.

It was also pointed out that during the COVID-pandemic in certain sectors a very difficult and delicate situation arose regarding the placement of products. Thus **several important laws were made by the Parliament of the Republic of North Macedonia, which financially helped the wine and fruit growing (apples) sectors, rice and tobacco producers**. Through the COVID - packages which were intended to maintain the stability of the agricultural sector, over EUR 15 million was provided and paid as a direct support to farmers. By doing so, the situation in the production years 2020/2021 was partially amortised, **and the support continued in 2022 through the intervention fund, where the situation was amortised with the increase in the price of inputs in the agriculture, such as artificial fertilizers, the purchase of which was subsidised by the state**.

The business community **although partially satisfied with the measures and policies taken in order to mitigate the effects of COVID-19 and other crises, still believes that there was significant room for improvement and better targeting of these measures**. It is especially emphasised that the communication, dialogue and coordination with the business sector should have been organised more efficiently and more frequently. It has also been emphasised that for part of the measures they have not seen detailed analyses and calculations, especially for the effects of the measures taken.

- **Are the existing measures and policies sufficient to maintain the existing level of agricultural production for the upcoming period?**

The answers to this question are divided, but there is a consensus that there is still significant room for improvement of the policies and measures in this direction.

The Ministry of Agriculture, Forestry and Water Management works on the constant improvement of measures depending on the needs that arise in the agricultural sector, and with the objective of harmonising the national policies and strategies with the EU policies. There is significant financial support in the agriculture, which varies from EUR 100 to 130 million and as such it is sufficient to maintain the existing level of agricultural production to a part. **Furthermore, in future, special emphasis and treatment shall be put on the strategic crops in the agriculture, fruit growing, horticulture and viticulture as to optimise the state support where there is also a possibility to be export-oriented.**

However, it is pointed out that it is necessary to do a lot more in the direction of: consolidating the agricultural plots, subsidising the produced quantity with adequate quality, using high-quality fertilizers, soil tillage machines, building modern and energy-efficient farms, modern buying centres, and use of agricultural waste as raw material in other areas (circular economy). Furthermore, more comprehensive reforms and a complete restructuring of the agricultural production (depending on needs, climate changes, market demands, etc.) and above all a method of subsidies are needed.

- **Do you think that the regional cooperation among North Macedonia, Albania and Serbia within the Open Balkan initiative shall contribute (and how) to the improvement of regional cooperation, supply chain, as well as an increased coordination in the agricultural policy management?**

In relation to this question, all the interviewees answered affirmatively, and that is, that the Open Balkan initiative shall significantly contribute to the improvement of regional cooperation, the supply chain, as well as to the increased coordination in the agricultural policy management.

It was emphasised that all the activities and initiatives within the framework of the Open Balkan initiative contribute to the improvement of regional cooperation and harmonisation of the agricultural policies at regional level, and especially the mutual assistance in case of lack of food supply in any of the three countries.

Also, the regular communication offered by this model of cooperation should absolutely contribute to better coordination in the area of creation and management of the agricultural and rural development policies. This cooperation is also important from the point of view that the 3 (three) countries are beneficiaries of the pre-accession assistance for agriculture and rural development - IPARD and any shared experience with the implementation of this fund shall be essential for the 3 (three) countries through the implementation of the good sides and elimination of the negative sides

„By definition, the Open Balkan initiative should be a very strong impulse towards improving the working conditions in the agriculture. The increased number of potential consumers, the simplification of administrative barriers and fast transport is certainly a great chance to raise the agriculture not only in North Macedonia but also in the other countries part of the initiative to a much higher level."

However, it is also pointed out that the regional integration should not make compromises by accepting lower standards, in order to implement the initiative faster (taking into account that the countries still have different standards in some parts) - that is, despite the fact that it shall bring the countries closer, their production/delivery/exchange systems, the highest product safety standards and good practices in their distribution and exchange should be respected.

- **Do you think and in what way the regional cooperation among North Macedonia, Albania and Serbia within the Open Balkan initiative shall contribute to greater resistance of the agricultural production system to crises (e.g. COVID, security crises, etc.)?**

Regarding this question, there was a strong consensus among all the interviewees and there is evidence proving that so far this kind of cooperation in several sectors, especially in the agriculture and food provision under conditions of crises and global disturbances, has given strong results. "Resistance to crises shall be just another benefit of the Open Balkan initiative. Should there be good interstate coordination of the countries part of the Open Balkan initiative, especially in the part of the work of the implementing agencies (for instance, Food Agency, Phytosanitary Inspection, etc.) then the success of this initiative is inevitable."

As a positive example of such cooperation is the Agreement on food security mechanisms in the Western Balkan, signed in Belgrade in September 2022, by which mutual support is envisaged in providing food for the citizens of North Macedonia, Serbia and Albania. The main objective of the cooperation agreement is to prevent any possible shortage of basic agricultural and food products on the markets of the countries part of the Open Balkan initiative, and to determine manners in order to ensure uninterrupted trade and to enable a stable and uninterrupted flow in the supply of the basic agricultural and food products for the citizens of North Macedonia, Serbia and Albania. By signing this cooperation agreement, the countries part of the Open Balkan initiative are obliged to help each other in the event of interruption of the supply chains and shortages in the supply of basic agricultural and food products on the domestic market in any of the three member countries.

An additional benefit is also evident in the area of protection against natural disasters (fires, floods, hail, ice) through the joint use of information systems for early warning and the joint use of damage prevention services (example: aerial cloud seeding which is currently used in the Republic of North Macedonia, and can also cover a larger territory, e.g. Albania, Serbia, etc.)

- **In your opinion, what shall be the key benefits for the agricultural production system gained from the Open Balkan initiative (3-5)**

The indicated key benefits for the agricultural production system gained from the Open Balkan initiative are as follows:

- Fast transport of agricultural products,
- Simplified administrative procedures,
- Ability to provide quick and coordinated response to inspections,
- Exchange of experiences with a special emphasis on the production and consolidation of plots.
- Harmonisation of financing principles,
- Regulation of the product exchange on which the countries are import dependent and coordination regarding the use of IPARD funds.
- Free flow of trade products
- Unification and recognition of laboratory analysis certificates
- Creation of common policies
- Larger regional market/increased competitiveness/joint presence on third markets

❖ **In your opinion, what are the key areas of improvement/removal of barriers/connection, of interest to agriculture that should be in the focus of the Open Balkan initiative?**

The following was pointed out that should be in the focus of the Open Balkan initiative for the upcoming period:

✓ Possibility to exchange experiences, and appropriate prioritisation of production.

✓ Better planning shall be done as not to produce large amount of certain crops that shall put the three countries into competition with each other, a plan to reorganise the production shall be developed as to achieve greater product diversification, higher quality, and the same shall be more competitive on other markets, primarily on the EU markets.

✓ Unification and recognition of laboratory analysis certificates

✓ Exemption from customs duties

✓ Easier inspection procedures for agricultural product exchange

✓ Making joint decisions and strategies for conquering the western markets. Each country on its own is too small to be a worthy competition, therefore only with united forces, through Open Balkan, and we can work on the promotion of what we can jointly offer to Europe and the world.

✓ Mutual recognition of analyses and accompanying documents, accelerated transport of agricultural products without any waiting at border crossings

5 CONCLUDING OBSERVATIONS

- **The Open Balkan countries face a marked imbalance in the labour market.** In 2007 the unemployment in North Macedonia was 35%. In the period between 2012 and 2018, the unemployment in the Republic of North Macedonia decreased by 10 percentage points. In 2021, the unemployment in North Macedonia was 16%. In 2021 the unemployment rate was the highest in North Macedonia of 16%, followed by Albania and Serbia with unemployment of 12%.

- **Albania, North Macedonia and Serbia, as the countries that created the Open Balkan initiative, enter the integrated/common labour market with high youth unemployment.** In 2021 about 1/3 of the young people in North Macedonia were unemployed, which represents one of the highest rates of youth unemployment in Europe.

- **The Open Balkan initiative is expected to contribute to increased mobility on the labour market. The employment opportunities in the integrated labour market, the reduced barriers to enter the labour markets** represent one of the fundamental factors for the rise of youth employment in the Open Balkan countries.

- **GDP growth rates in the countries members of the Open Balkan initiative show that their economic systems have difficulties in establishing stable and sustainable economic growth.** As a consequence of the COVID-19 pandemic, North Macedonia, Albania and Serbia end the 2020 with negative economic growth rates. The decline in the economic activity is mostly marked in North Macedonia with a drop of 6.11 %, followed by Albania with GDP drop of 3.48 % and Serbia 0.94 %.

- In terms of the macroeconomic stability, that is, the movement of the general price level in particular, it shows that the **Western Balkan countries are facing high levels of inflation, significantly higher than the inflation during the financial crisis in 2008.**

- **The importance of the agricultural sector for the Macedonian economy is evident from the fact that in 2021, about 50% of the total area was agricultural land.**

- The importance of the agriculture for the economy of North Macedonia can be seen based on the analysis of the people engaged in the Agriculture, Forestry and Fishing sector. **In 2021, out of 795,087 employees, 91,506 people were employed in the Agriculture, Forestry and Fishing sector, or 11.5 % of the total employment.**

- In the period between 2011 and 2013, as well as in the period between 2016 and 2020, **the increase salary rate in the agriculture was higher compared to the increase rate of the average salary in the Republic of North Macedonia.**

- The focus (importance) on agriculture in North Macedonia can also be seen through the prism of the financial support allocated to the agricultural production. **Since 2008, significant financial resources have been allocated as a form of direct financial support for crop and livestock production.**

- **The labour productivity growth fails to "catch up with" the average labour productivity growth.** The movement index of labour productivity in the Agriculture, Forestry and Fishing sector in the period between 2012 and 2017 was far more intense in relation to the movement index of the gross salary in this sector. In the period between 2018 and 2020, the movement index of labour productivity recorded a lower intensity of increase compared to the movement index of the gross salary.

- **The highest relative proportion of the Gross Value Added in agriculture, in relation to GDP, is observed in Albania, where in certain years it reached up to 20% of GDP.** The Gross Value Added in the agricultural sector in Serbia has recorded the lowest participation in GDP compared to Albania and North Macedonia.

- In addition to intensive agricultural production in the Open Balkan countries, these countries fail to meet the domestic needs for food and agricultural products. **North Macedonia and Albania are net importers of food, especially North Macedonia, with a strong trade deficit in the last few years.**

- The COVID-19 pandemic, and the military conflict in Ukraine, have had a great impact on the supply chains, especially with agricultural products, resulting in a significant reduction, and that is, a drastic reduction in the food supply. **The need and benefits of regional integration, especially in the trade of food and agricultural products shall contribute to cushioning the negative shocks of the growing inflation, especially in the countries of the Western Balkan.**

- **The wheat production in the Open Balkan countries is primarily led by the wheat production in the Republic of Serbia.** In the total wheat production within the countries of the Open Balkan initiative, the value of the wheat produced in Albania and North Macedonia participates with less than 1/5 in the total production, whereas the remaining 4/5 of the wheat is produced in Serbia

- **The corn production within Open Balkan is led by the corn production in the Republic of Serbia.** In 2020, the participation in the value of the corn produced in the Open Balkan countries was 90 % in Serbia, 8 % in Albania and an insignificant 2% in North Macedonia. The corn production in Serbia in 2020 exceeded the corn production in Albania and North Macedonia by 8.5 times. In the **sunflower production in the countries of the Open Balkan,** the analysis of the value of the total production shows that almost all of the sunflower production is realised in Serbia.

- **The external trade of food and animals of North Macedonia in 2021 was led by exports to Serbia.** In 2021, about 29 % of the total export of North Macedonia was to Serbia; however, about 3/4 of the exports were placed in the countries of the Western Balkan, whereas 38 % of the total export of food and livestock of North Macedonia was placed in the Open Balkan countries.

- In addition to the constant attempts to increase domestic food production, **North Macedonia is characterised as a net importer of food and livestock.** Most of the **imported food or more than 3/4 is imported from Serbia.**

- **North Macedonia›s foreign trade with Albania and Serbia shows a marked trade deficit.** However, it must be noted that the gap in the deficit between Albania and North Macedonia decreases when the analysis of volume (quantity) focuses on the analysis of the value of foreign trade. **Although North Macedonia imports a significant amount of goods and services from Albania, in terms of the value of exports, there is a balance in the period following 2016.**

- **The increase and intensification of the economic cooperation between the Open Balkan countries shall contribute to the reduction of protectionist barriers, quotas, tariffs, and other restrictions that make agricultural products less competitive on foreign markets.** Such an initiative contributes to increased competitiveness in the region, improvement of the range and quality of agricultural products in Albania, North Macedonia and Serbia.

- **The analysis of the export potentials of selected products of North Macedonia to the Republic of Serbia shows that almost all of the export potentials of agricultural products and food to Serbia have been used.** There is room for improvement in the export of fresh lamb and fresh (table) grapes. Namely, out of the total import of fresh grapes to the Republic of Serbia (EUR 9.1 million), about EUR 6.5 million were imported from the Republic of North Macedonia. In this direction, it should be noted that out of the total import of fresh apples to Republic of Serbia (EUR 10 million), only EUR 1.9 million were imported from North Macedonia, or only 7.6 % of the total export of North Macedonia.

- **Considering the fact that only Serbia has a positive net trade balance with agricultural products and food, it can be concluded that Serbia is positioned as a key supplier of agricultural products (primarily industrial crops) in the countries of the region.** The analysis shows that in relation to the export of sunflower oil, out of the total export from Serbia (EUR 67 million), EUR 15 million is the oil exported to North Macedonia, which represents almost the total value of the imported sunflower oil to the Republic of North Macedonia.

- In terms of cereal trade, it can be concluded that Serbia›s wheat export to North Macedonia amounts to EUR 14 million, while according to the analysis, the export potential of this product is set at EUR 7 million. **Of the total wheat imports to North Macedonia (EUR 17 million), about 82 % were imported from the Republic of Serbia.** Regarding the production and trade of corn, as one of the most important industrial crops, it can be stated that North Macedonia imports about 11 million EUR, of which about 91% is imported from Serbia.

- The export of agricultural products and food from Serbia to North Macedonia shows that in addition **to the high dependence of the Macedonian economy on the agricultural production in Serbia**, there are products whose foreign trade has a significant potential to increase, namely in terms of foreign trade with sugar cane and beet, potatoes, sweets and biscuits, milk, etc.

- **Foreign trade between Albania and North Macedonia is focused on industrial products, which account for a significant part of Albania›s exports to North Macedonia.** Regarding the agricultural products, it can be noted that the foreign trade is focused on the following products: olives, fresh tomatoes and fresh cucumbers and gherkins. Out of the total import of fresh cucumbers and gherkins to North Macedonia, about 70 % are imported from Albania.

- **The export of food and agricultural products from North Macedonia to Albania is mostly based on the export of sunflower oil worth EUR 3.8 million.**

- **The analysis of the potentials for the intensification of foreign trade shows that there are a number of products where a significant increase in the volume of the exports from North Macedonia to Albania can be made.** Regarding the fresh agricultural products, it can be concluded that out of the total import of fresh apples to Albania (EUR 4.7 million), the Republic of North Macedonia participates with only EUR 0.007 million. Hence, it can be concluded that out of the total export of fresh apples from North Macedonia (EUR 25 million), there are almost no Macedonian apples on the markets in Albania. A similar tendency is observed with the export of fresh (table) grapes. Namely, out of the total export of grapes from North Macedonia (EUR 15 million) and the total import of grapes to Albania (EUR 2.3 million), only EUR 0.884 million is the import of grapes from North Macedonia.

The indicated key benefits for the agricultural production system from the Open Balkan initiative are as follows:

- Common market for agricultural products
- Fast transport of agricultural products,
- Simplified administrative procedures
- Ability to provide a quick and coordinated response to product inspections,
- Exchange of experiences with a special emphasis on the production and consolidation of plots.
- Harmonisation of the financing principles,
- Coordination in the use of IPARD funds.
- Free flow of trade products
- Unification and recognition of laboratory analysis certificates
- Creation of common agricultural policies
- Upgrading the competitive position of the agricultural production of the Open Balkan countries by improving efficiency and productivity in the agriculture
- Greater regional market/increased competitiveness/joint presence in third markets
- Increased inclusiveness and utilization of the agricultural potential offered by the countries of the region
- Regional economic growth and development - Good neighbourly relations and regional stability
- Possibility of easier EU integration

6 Recommendations for promotion of regional cooperation within the framework of Open Balkan

- Reinforcement of the efforts and intensification of mutual cooperation at regional level in the direction of **removing non-tariff trade barriers, as well as other types of protectionist measures** for transport and trade with agricultural products among the Open Balkan countries.

- **Mutual recognition of analyses and accompanying documents, accelerated transport of agricultural products without waiting at border crossings** - unification and recognition of laboratory analysis certificates, exemption from customs duties, easier inspection procedures during the exchange of agricultural products, etc.

- **Creation of a system for joint increase of the institutional and human capacities** in order to enable faster transport, logistics, as well as facilitating the steps for obtaining the necessary documentation for agricultural product placement on the markets in the region.

- **Establishment of various information centres/platforms available to the farmers and companies part of the food industry and wholesale and retail trade**. Providing information about the possibilities, benefits, as well as the necessary steps for exporting agricultural products to the Open Balkan countries. It is especially important that farmers as well as relevant business entities are encouraged, informed and supported in the initial phase of the process of creating a common market for agricultural products.

- **Creation of mechanisms for exchange of experiences, and appropriate prioritisation and modernisation of production** (experiences, exchange of technologies, financing) in the agricultural and food sector of the countries part of this initiative, thus creating potentials for a significant increase in the efficiency and effectiveness of the agricultural sector, improvement of the competitiveness and recognition of the agricultural products from the Balkans.

- **Better joint planning/coordination of the agricultural production in the countries part of the initiative** - with an objective to develop a plan for reorganisation of the production (reduction of mutual competition) which shall result in a greater diversification of products, higher quality, and they shall be more competitive on the other markets, primarily on the EU markets.

- Creation of a **common platform of „Agricultural producers from Open Balkan“** on which all relevant information and experiences shall be shared with the aim of improvement of the agricultural production.

- **An increased degree of digitalisation** in direction of quick and easy access to information as well as to the necessary permits, restrictions related to the export and import of agricultural products and food among the Open Balkan countries.

- **Annual reports regarding the determination of the gaps in the capacities and needs of the agricultural production,** in order to develop future programs and strategies for the production of agricultural products for the upcoming period.

- **Creation of a platform for „Joint placement on foreign markets“** - aims to enable farmers from Open Balkan, as well as companies from the food industry and wholesale and retail trade for joint placement on foreign markets.

- **Promotion of cooperation through long-term agreements and strategies for production and joint exchange in the field of agriculture under conditions of crises and natural disasters** - which can strongly affect the region›s resilience to global and regional shocks.

- **Careful integration and establishment of a gradual approach of integration in stages on the markets and production** taking into account the specifics of the markets in each of the countries - the dominance of Serbia in production and the specifics of North Macedonia, Albania and other potential member countries.

- **A special system/body that shall be responsible for maintaining the quality standards in the production of agricultural products and food** - that is, to prevent any loosening in quality controls and lowering the standards among the countries - and at the same time following the European experiences and standards

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This research was carried out within the framework of the project „Strengthening the regional economic integration - The opportunities and benefits of the regional common market in the sector of agriculture and tourism in North Macedonia", implemented by Analytica - Skopje, with the financial support of the Open Society Foundation - Macedonia. The content of this brief is the sole responsibility of Analytica - Skopje and under no circumstances can be considered to reflect the views of the Open Society Foundation - Macedonia.

ANNEX

Table 1A. Unemployment in selected countries from the Western Balkan for the period between 2007 and 2021 (% of the total labour force)

Year	North Macedonia	Albania	Serbia	Bosnia and Herzegovina
2007	35	16	18	29
2008	34	13	14	23
2009	32	14	16	24
2010	32	14	19	27
2011	31	13	23	28
2012	31	13	24	28
2013	29	16	22	27
2014	28	18	19	28
2015	26	17	18	28
2016	24	15	15	25
2017	22	14	13	21
2018	21	12	13	18
2019	17	11	10	16
2020	17	13	9	15
2021	16	12	12	15

Source: Word Bank database

Table 2A. Youth unemployment in selected countries from the Western Balkan for the period between 2007 and 2021 (% of people aged 15-24)

Year	North Macedonia	Albania	Serbia	Bosnia and Herzegovina
2007	58	26	42	58
2008	56	26	34	47
2009	55	27	40	48
2010	54	31	45	57
2011	55	23	50	57
2012	54	29	50	63
2013	52	31	48	59
2014	53	40	47	63
2015	47	40	42	62
2016	48	36	34	54
2017	47	31	31	46
2018	45	28	29	39
2019	36	27	27	33
2020	37	30	26	36
2021	34	28	30	33

Source: Word Bank database

Table 3A. Gross domestic product in USD at 2015 prices for the period between 2007 and 2021

Year	North Macedonia	Albania	Serbia	Bosnia and Herzegovina	Kosovo
2007	8,210,595,207.42	9,043,392,345.97	36,668,885,796.89	14,712,406,104.62	
2008	8,659,879,091.32	9,721,650,518.61	38,742,722,729.42	15,513,324,634.06	4,580,630,979.75
2009	8,628,823,478.30	10,047,742,806.59	37,684,367,630.60	15,047,233,632.13	4,811,260,428.24
2010	8,918,644,160.89	10,420,206,418.16	37,959,857,147.32	15,177,492,908.20	5,048,933,039.09
2011	9,127,330,271.03	10,685,442,992.60	38,732,824,869.45	15,323,122,659.71	5,368,019,862.62
2012	9,085,692,921.57	10,836,881,664.05	38,468,844,257.13	15,197,191,648.70	5,459,930,839.66
2013	9,351,472,850.13	10,945,469,119.19	39,581,608,177.08	15,554,303,869.28	5,751,540,732.20
2014	9,690,849,350.12	11,139,690,870.39	38,952,454,430.33	15,733,777,374.33	5,944,148,576.19
2015	10,064,515,432.03	11,386,850,129.84	39,655,958,842.55	16,219,819,343.52	6,295,820,481.53
2016	10,351,173,483.28	11,764,322,012.14	40,979,907,436.17	16,730,712,406.21	6,646,608,268.89
2017	10,463,149,656.09	12,211,628,287.16	41,840,962,435.92	17,261,316,072.64	6,967,353,007.84
2018	10,764,550,800.81	12,702,457,551.43	43,721,764,447.48	17,906,901,889.02	7,204,705,015.86
2019	11,185,489,898.55	12,967,692,915.44	45,615,675,379.60	18,413,846,532.65	7,547,420,630.10
2020	10,501,957,282.78	12,516,205,780.20	45,184,791,299.44	17,839,465,167.59	7,144,367,590.23
2021	10,918,282,612.64	13,585,600,821.95	48,523,617,929.74	19,106,466,590.15	7,796,475,288.64

Source: Word Bank database

Table 4A. Annual GDP growth rates in selected countries from the Western Balkan for the period between 2007 and 2021 (in %)

Year	North Macedonia	Albania	Serbia	Bosnia and Herzegovina	Kosovo
2007	6.47	5.98	6.44	5.86	
2008	5.47	7.50	5.66	5.44	
2009	-0.36	3.35	-2.73	-3.00	5.03
2010	3.36	3.71	0.73	0.87	4.94
2011	2.34	2.55	2.04	0.96	6.32
2012	-0.46	1.42	-0.68	-0.82	1.71
2013	2.93	1.00	2.89	2.35	5.34
2014	3.63	1.77	-1.59	1.15	3.35
2015	3.86	2.22	1.81	3.09	5.92
2016	2.85	3.31	3.34	3.15	5.57
2017	1.08	3.80	2.10	3.17	4.83
2018	2.88	4.02	4.50	3.74	3.41
2019	3.91	2.09	4.33	2.83	4.76
2020	-6.11	-3.48	-0.94	-3.12	-5.34
2021	3.96	8.54	7.39	7.10	9.13

Source: Word Bank database

Table 5A. GDP per capita in selected countries from the Western Balkan in USD at 2015 prices, for the period between 2007 and 2021

Year	North Macedonia	Albania	Serbia	Bosnia and Herzegovina	Kosovo
2007	$4,018	$3,045	$4,968	$3,910	
2008	$4,231	$3,298	$5,271	$4,132	$2,621
2009	$4,208	$3,432	$5,148	$4,028	$2,731
2010	$4,340	$3,577	$5,206	$4,096	$2,843
2011	$4,434	$3,678	$5,354	$4,185	$2,997
2012	$4,408	$3,736	$5,344	$4,216	$3,021
2013	$4,531	$3,781	$5,525	$4,391	$3,163
2014	$4,687	$3,856	$5,463	$4,518	$3,279
2015	$4,862	$3,953	$5,589	$4,730	$3,521
2016	$4,995	$4,090	$5,806	$4,941	$3,739
2017	$5,044	$4,250	$5,960	$5,150	$3,890
2018	$5,185	$4,432	$6,262	$5,387	$4,009
2019	$5,386	$4,543	$6,568	$5,578	$4,219
2020	$5,067	$4,410	$6,549	$5,438	$3,991
2021	$5,287	$4,832	$7,090	$5,855	$4,316

Source: Word Bank database

Table 6A. Inflation in selected countries from the Western Balkan for the period between 2007 and 2021 (consumer price index)

Year	North Macedonia	Albania	Serbia	Bosnia and Herzegovina	Kosovo
2007	2.25	2.93	6.39	1.50	4.36
2008	8.33	3.32	12.41	7.43	9.35
2009	-0.74	2.27	8.12	-0.38	-2.41
2010	1.51	3.63	6.14	2.00	3.48
2011	3.90	3.43	11.14	3.67	7.34
2012	3.32	2.03	7.33	2.05	2.48
2013	2.79	1.94	7.69	-0.09	1.77
2014	-0.28	1.63	2.08	-0.90	0.43
2015	-0.30	3.50	1.39	-1.04	-0.54
2016	-0.24	-0.37	1.12	-1.58	0.27
2017	1.35	2.06	3.13	0.81	1.49
2018	1.46	2.03	1.96	1.42	1.05
2019	0.77	1.41	1.85	0.56	2.68
2020	1.20	1.62	1.58	-1.05	0.20
2021	3.23	2.04	4.09	1.98	3.35

Source: Word Bank database

Table 7A. Gross Value Added in the Agriculture, Forestry and Fishing sector, in selected countries of the Western Balkan (% of GDP)

Year	North Macedonia	Serbia	Albania	Kosovo	Bosnia and Herzegovina
2007	8.93	6.12	17.15		7.70
2008	11.44	7.44	16.84	11.26	7.21
2009	10.37	7.20	16.79	8.28	7.08
2010	10.12	6.60	17.96	9.46	6.80
2011	9.35	7.45	18.23	8.13	6.76
2012	9.10	6.43	18.77	7.45	6.14
2013	10.03	7.41	19.57	8.43	6.84
2014	10.18	7.07	19.99	8.30	5.95
2015	9.73	6.71	19.78	7.68	6.24
2016	9.17	6.81	19.85	8.17	6.37
2017	7.87	6.01	19.02	7.41	5.60
2018	8.47	6.34	18.43	6.53	5.89
2019	8.13	5.95	18.39	7.24	5.60
2020	8.62	6.34	19.26	7.36	6.08
2021	7.62	6.53	17.68	7.03	5.69

Table 8A. Gross Value Added in the Agriculture, Forestry and Fishing sector, in selected countries from the Western Balkan, for the period between 2007 and 2021 (annual growth rates)

Year	North Macedonia	Serbia	Albania	Kosovo	Bosnia and Herzegovina
2007	2.30	-7.84	2.72		2.14
2008	22.49	8.57	7.07		4.25
2009	2.72	0.81	1.90	6.15	-1.86
2010	-13.48	-0.39	7.65	21.35	-3.97
2011	1.83	0.92	4.77	-13.56	-0.18
2012	-16.04	-16.98	5.39	-23.01	-11.34
2013	8.58	21.01	1.14	22.99	15.76
2014	3.12	1.95	1.96	20.00	-12.66
2015	1.86	2.16	0.77	17.92	9.19
2016	-0.38	7.45	2.05	15.97	7.60
2017	-12.46	-11.39	0.84	-3.98	-8.10
2018	8.27	15.11	1.18	-10.45	9.05
2019	0.07	-1.65	0.63	12.41	-2.02
2020	-3.18	2.18	1.35	-5.76	6.75
2021	-1.18	-5.38	0.28	-0.81	-1.18

Table 9A. Value of produced wheat (in thousands of USD)

Year	Albania	North Macedonia	Serbia	Total (ALB+MKD+SRB)
2007	$77,255	$53,045	$352,834	$483,134
2008	$143,752	$76,498	$572,329	$792,579
2009	$91,185	$43,101	$299,860	$434,146
2010	$82,282	$54,744	$271,213	$408,239
2011	$118,983	$85,350	$511,037	$715,370
2012	$108,148	$68,096	$588,704	$764,948
2013	$119,638	$79,191	$554,450	$753,279
2014	$100,873	$70,820	$482,272	$653,965
2015	$82,962	$38,423	$392,087	$513,472
2016	$81,644	$50,461	$390,384	$522,489
2017	$76,101	$34,590	$354,145	$464,836
2018	$70,637	$47,150	$478,937	$596,724
2019	$66,879	$48,211	$429,431	$544,521
2020	$68,777	$48,045	$500,517	$617,339

Source: FAO Database

Table 10A. Value of produced corn (in thousands of USD)

Year	Albania	North Macedonia	Serbia	Total (ALB+MKD+SRB)
2007	$76,401	$31,538	$817,439	$925,378
2008	$96,371	$44,604	$1,087,605	$1,228,580
2009	$75,362	$29,000	$844,521	$948,883
2010	$104,487	$29,723	$1,251,749	$1,385,959
2011	$141,628	$43,064	$1,506,497	$1,691,189
2012	$129,778	$33,202	$836,211	$999,191
2013	$154,899	$37,973	$1,103,897	$1,296,769
2014	$134,497	$39,771	$1,268,219	$1,442,487
2015	$111,622	$21,907	$760,991	$894,520
2016	$110,196	$24,596	$1,003,648	$1,138,440
2017	$106,196	$21,037	$603,732	$730,965
2018	$117,466	$31,174	$1,012,993	$1,161,633
2019	$107,749	$23,781	$1,003,985	$1,135,515
2020	$113,047	$32,291	$1,244,311	$1,389,649

Source: FAO Database

Table 11A. Value of produced sunflower (in thousands of USD)

Year	Albania	North Macedonia	Serbia	Total (ALB+MKD+SRB)
2007	$1,606	$1,579	$129,194	$132,379
2008	$1,587	$1,966	$190,494	$194,047
2009	$1,465	$2,121	$85,667	$89,253
2010	$1,513	$3,840	$173,215	$178,568
2011	$1,790	$4,133	$180,623	$186,546
2012	$1,113	$2,936	$214,309	$218,358
2013	$1,920	$1,352	$149,048	$152,320
2014	$2,454	$3,246	$154,033	$159,733
2015	$2,064	$3,216	$147,300	$152,580
2016	$1,656	$2,192	$171,249	$175,097
2017	$1,078	$2,181	$166,654	$169,913
2018	$972	$1,113	$197,388	$199,473
2019	$1,167	$2,081	$195,238	$198,486
2020	$1,307	$2,334	$200,233	$203,874

Source: FAO Database

Table 12A. Export from North Macedonia to individual countries, quantity in kg

Year	Albania	Bosnia and Herzegovina	Bulgaria	Romania	Serbia	Slovenia	Kosovo
2010	141,016,747	94,907,174	371,615,263	60,521,744	338,205,641	37,704,147	1,106,355,946
2011	151,202,292	82,528,229	339,195,903	49,786,199	358,565,692	41,892,028	1,019,077,523
2012	141,716,860	80,552,952	338,137,017	60,425,128	347,826,539	32,883,617	846,320,451
2013	172,640,054	96,942,574	355,703,580	60,749,011	296,370,271	38,592,958	572,178,166
2014	171,515,046	91,193,607	365,692,108	62,031,497	278,995,663	36,271,599	490,985,693
2015	162,485,620	93,796,810	382,597,177	67,531,812	340,621,660	39,462,993	566,950,272
2016	147,735,675	117,606,982	369,458,175	85,401,316	314,736,826	45,218,708	636,349,649
2017	193,706,439	115,088,167	377,620,865	85,216,398	313,303,822	42,562,001	741,170,575
2018	239,841,101	134,156,867	398,408,391	83,688,976	346,872,911	44,099,048	808,310,614
2019	247,059,747	128,986,494	411,189,211	87,333,526	363,390,702	43,444,753	908,743,187
2020	255,025,458	106,562,415	386,447,241	96,574,458	335,973,494	42,852,354	774,703,518
2021	268,735,217	138,808,307	388,975,473	83,348,381	351,857,739	45,576,191	909,253,209

Table 13A. Export from North Macedonia to individual countries, value in USD

Year	Albania	Bosnia and Herzegovina	Bulgaria	Romania	Serbia	Slovenia	Kosovo
2010	72,384,494	84,951,484	294,034,595	54,311,979	271,817,297	69,098,590	437,911,303
2011	87,273,969	93,091,857	308,615,861	46,276,318	337,476,624	88,242,365	552,946,450
2012	75,655,711	84,545,162	287,163,048	52,756,534	298,144,850	74,272,428	392,459,351
2013	78,580,617	95,458,219	325,665,244	87,172,070	271,333,474	59,471,379	277,025,405
2014	74,932,438	93,078,374	327,857,977	94,561,531	259,833,713	56,771,681	231,567,246
2015	65,970,927	79,505,728	271,910,491	109,583,778	205,584,488	55,802,801	196,820,548
2016	62,887,841	82,068,748	249,063,081	134,795,749	214,955,968	65,989,428	212,201,427
2017	74,382,102	84,549,282	333,484,811	175,972,642	249,136,878	76,053,605	225,587,712
2018	89,209,489	93,333,392	362,162,131	194,805,291	277,164,341	91,662,672	266,294,522
2019	81,505,132	94,128,176	351,484,286	172,220,771	280,194,087	85,443,876	338,123,774
2020	85,437,141	90,426,124	311,642,905	120,819,848	255,809,316	86,771,245	267,640,818
2021	113,308,831	112,326,027	396,324,192	115,103,807	344,492,567	108,447,414	357,331,810
2022M01-м09	80,065,298	76,882,939	340,848,189	95,574,563	288,451,497	93,986,830	307,462,239

Source: SSO database

Table 14A. Import to North Macedonia from individual countries, value in USD

Year	Albania	Bosnia and Herzegovina	Bulgaria	Romania	Serbia	Slovenia	Kosovo
2010	22,917,193	49,140,547	301,962,070	126,816,197	419,442,749	165,122,548	22,051,651
2011	39,459,650	90,121,561	457,883,225	94,624,617	498,156,685	185,517,364	36,049,367
2012	35,027,786	70,992,830	407,836,703	120,115,218	482,724,994	150,362,990	28,529,004
2013	38,302,065	63,529,757	367,176,272	126,787,309	522,790,899	167,394,845	29,751,092
2014	47,766,330	64,243,258	384,522,516	210,253,551	599,012,296	158,332,043	36,149,353
2015	45,067,911	63,315,776	341,184,349	207,378,286	493,827,472	129,038,051	25,266,647
2016	42,129,068	73,716,351	313,545,900	233,250,356	515,763,229	138,815,806	33,379,495
2017	69,211,373	73,857,897	332,099,889	247,251,123	554,101,391	157,316,584	37,264,667
2018	76,928,260	69,346,688	389,253,949	310,723,676	612,376,631	169,428,265	34,749,631
2019	76,825,838	73,238,372	363,213,870	239,722,147	678,734,922	171,306,726	33,262,738
2020	79,598,833	73,752,919	354,215,525	212,792,958	638,711,388	158,523,322	39,002,110
2021	108,667,407	81,878,432	485,217,485	297,448,659	778,029,297	175,139,271	93,226,662
2022M01-м09	69,730,862	71,537,562	502,515,322	211,509,627	610,629,064	129,000,284	86,880,038