

## **Macedonia: Trade War with Serbia Erupts**

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Tit-for-tat measures have undercut a free trade deal between the two states and inflicted real damage on Macedonian exports.

A trade war has broken out between Macedonia and Serbia, threatening the future of a free trade agreement the two states signed in 1996 and harming companies on both sides of the border.

The Macedonian side claims Serbia triggered the conflict when it began blocking free imports of a range of petroleum-based products from Macedonia last September.

In retaliation, Macedonia two weeks ago drew up a list of goods that could no longer be imported from Serbia without special authorisation. They include petroleum products, cars, flour and biscuits, with a value estimated last year at 7.7 million US dollars.

Besnik Fetaj, Macedonia's economics minister, said Skopje had imposed "reciprocal measures" after Belgrade refused to repeal the restrictions it introduced last year and added new ones early this month, affecting other chemical products. "It is a direct breach of the free trade agreement between Macedonia and Yugoslavia," he said.

The Serbian authorities have given no public explanation of their conduct, though unofficially the reason is believed to be disquiet over the amount of illegal cross-border traffic in petrol products.

Belgrade seems concerned that petrol products are entering the country illegally. During the recent conference in Pristina to deal with tobacco smuggling, it asked that other Balkan countries also solve the problem of fuel smuggling across their territories.

All attempts by this reporter to find out more information from Yugoslav and Serbian government have been unsuccessful.

The dispute does not affect the whole of Yugoslavia. Trade between Macedonia, Montenegro and Kosovo has continued without interruption.

Experts in Skopje do not understand Belgrade's rationale for the restrictions, as the value of trade between the two states since they signed the 1996 agreement ranges between 400 and 500 million dollars a year. Yugoslavia is now the second largest trade partner for Macedonia after Germany.

The 1996 accord created a tariff-free market between the two states for 97 per cent of all goods. Exceptions were made for some industrial and agricultural products, such as tin cans, dairy and meat products.

As the two governments fight it out, companies on both side of the border are suffering. Stojco Stojanonov, manager of BIM, of Sveti Nikole in Macedonia, which exports petroleum-based bitumen products to Serbia, says the new paperwork is a huge headache.

"Now I have to wait more than 10 days to get a permit to export my goods, which are worth 3 million dollars a year," he said. Stojanov fears that rival firms inside Serbia will seize the opportunity to break into his market.

Macedonia's reciprocal measures have also affected Mak Auto, of Kumanovo, which can no longer import Yugo cars from Crvena Zastava, in Kragujevac, Serbia. The new restrictions mean it cannot even exhibit the vehicles at the annual May car show in Skopje.

Vlatko Dzimov, Mak Auto's manager, said the inclusion of cars in the trade war will hit several other firms in Macedonia. These are firms that normally supply Crvena Zastava cars with special parts, such as safety belts and rear mirrors. They include Ruen, Ohis, Medicinska Plastika and AGP-Ohrid.

The problems are due to be aired on May 15 at a meeting of the free trade agreement implementation commission in Belgrade. But there's little indication that either side is prepared to compromise.

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