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FROM AGREEMENT TO IMPLEMENTATION: THE FUTURE OF THE SINO-SERBIAN FREE TRADE DEAL

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Abstract: Free trade agreements became a prominent trademark of the globalisation process during last decades of the 20th century. China and Serbia had positive orientations towards agreements in the past, which resulted in China's sixteen and Serbia's seven agreements until 2023. The improvement of trade relations between Serbia and China, exemplified in signed Sino-Serbian free trade agreement, was due to previously signed bilateral diplomatic agreements, of which the most important one was the Comprehensive Strategic Partnership Agreement, signed in 2016. The Sino-Serbian free trade agreement effectively started in June 2024. Within the agreement, each party nominated around 10,000 products, which will reach zero tariffs in the next fifteen years. Agreement is important not just in an economic sense, but also in a political sense. For China, the main benefit is a diplomatic victory, since it signed a free trade agreement, besides Switzerland and Iceland, with the third country in a row in Europe. For Serbia, the gain is both political and economic. Serbia is proving to be a loyal partner of China, a stance that is not typical for many European countries, especially those aspiring for European Union membership. Although the trade agreement provides good opportunities for both parties, there are numerous challenges on the Serbian side in order to improve its bilateral trade relations through the agreement. The main limitations for Serbia in implementing the agreement are volume of the production, transportation cost, highly competitive Chinese market, unknown market for Serbian domestic companies and lack of institutional support. Nevertheless, Serbian

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products that have export potential include frozen and processed fruit products (made out of apples, raspberries, plums and prunes), oilseeds, cheese, wine, rakija, pet food, mineral fuels, fertilisers, tanned leather and leather products.

Keywords: Serbia, China, Free Trade Agreement, implementation, gains, implications.

FREE TRADE AGREEMENTS IN THE CONTEMPORARY WORLD**

The origins of first free trade arrangements can be traced back to Europe during 19th century (Chang, 2007). The way those trade arrangements were functioning and the means used in that process versus those used today within free trade agreements (FTA) significantly changed over time. However, the main ideas behind the trade arrangements and agreements remained the same – improve the trade volume, speed of trade and remove direct and indirect barriers, which hinder trade transactions. The origin of modern-day FTAs is connected to the establishment of the General Agreement on Tariffs and Trade (GATT) in 1947, which was in use until the establishment of the World Trade Organisation (WTO) in 1995, following many decades of unsuccessful negotiations to transform GATT into WTO.

According to Athukorala (2020) 'A free trade agreement is a treaty between two or more countries under which all tariffs are eliminated on goods produced in member countries while tariffs on trade with non-member countries are maintained'. The WTO uses fallowing definition 'Trade within the group is duty free but members set their own tariffs on imports from non-members' (WTO, n.d.).

In economic theory, the term preferential trade agreement is more used, rather than free trade agreement, since a completely free trade agreement rarely exists. Due to narratives primarily driven by politicians

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(Athukorala, 2020), the term ‘free trade agreement’ is more commonly utilised in practice, and this term will be referenced further in the text. Free trade agreements could be signed bilaterally (between two countries), multilaterally (among more than two countries), one country can sign with regional block, or inter-regionally (agreements between at least two regional integrations). Unlike bilateral, multilateral agreements in general have better economic potential because they usually comprise the countries of one region, such as the European Union (EU) or the Association of Southeast Asian Nations (ASEAN), which can then form a large market that is more competitive on the international scene.

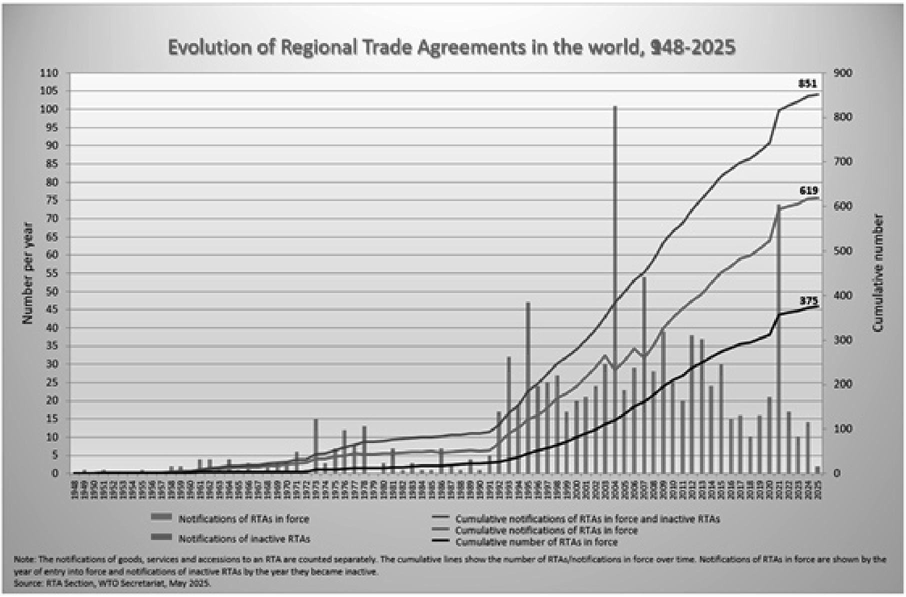
For free trade agreements to work effectively, it is essential to have the appropriate rules established. The most common way to control what commodities can be part of an FTA is to follow the rule of origin (RoC), which, in practice, testifies that the commodity is indeed a domestic product of one country (Bjelić, 2019). When products are entirely produced within one country, the rule of origin is straightforward to determine, as all input materials and the final product originate from that country. However, in cases when raw materials or semi-final products are not originating from one country, RoC needs to be solved in a proper way. Usually, the rule of origin can be established in two different ways. The first one is called *regional value content* (RVC), and the second one is *change of tariff classification* (CTC). RVC is based on a rule that ‘the cost of material and processing cost within the member countries represent a set minimum proportion of the value of the final product’ (Athukorala, 2020). Usually, countries agree that RVC should be at least 50% of the total value (costs) of the goods that come from one country, but in some cases, that value can go below that percentage (Bjelić, 2019). The CTC rule states that materials (inputs) used in the production of goods from non-member countries must have a different commodity code in the Harmonised System (HS) compared to codes of final products made in the member country (Athukorala, 2020). That means that input goods (materials) from non-member countries must be sufficiently transformed in the FTA member country to be considered original products. Since codes can be with two digits (chapter), four digits (headings) or six digits (subheadings), then transformation of two, four or six-digit codes is considered sufficient transformation of goods. Every country has a strict set of rules and institutions that function to ensure these rules are followed, allowing for the proper implementation of FTAs.

Due to the implementation of FTAs, trade flow and volume are expected to increase among member countries, resulting in consumers purchasing goods at lower prices. In addition to the initial benefits, there are other positive effects coming from the FTAs. The division of labour globally is improving even without FTAs, but with them, the process is even quicker (GAC, 2022). Global value and transportation chains are crucial to a company's competitive strategy, and free trade agreements enable businesses in member countries to leverage this opportunity (Dadush & Prost, 2023). In order to exchange goods within FTAs, countries need to follow a set of standards for produced products/services for them to be compatible, so this standardisation will help them become internationally recognised.

Although usually considered a positive thing within the international economy, FTAs are not without their own set of controversies. Firstly, countries that are not part of the trade agreement face discrimination, which is an important consideration when parties are negotiating FTAs (GAC, 2022). It is essential to evaluate whether the country risks losing other partnerships due to the FTA, if this agreement conflicts with other existing treaties and how it affects political relations (Dür, Baccini and Elsig, 2014). When countries sign multiple FTAs, the rules sometimes conflict or overlap (so called 'spaghetti bawl' effect), which makes it challenging for companies to navigate the various arrangements and regulations (GAC, 2022). The negative aspects of FTAs can be observed in instances where the environment has been polluted, workers' rights have been compromised, and small to medium-sized businesses have faced intense competition from foreign competitors. Additionally, there have been cases of infringements of intellectual property rights when FTAs were ratified (Dür, Baccini and Elsig, 2014).

According to a report issued by the WTO (2025), as of May 2025, the number of active regional trade agreements is 375, out of 619, and rest of them are in some stages of negotiations. Figure 1 illustrates the changes in the number of regional trade agreements over time, highlighting that the significant increase in free trade agreements (FTAs) began in the 1990s. Not all FTAs are active, and many of them, due to changed circumstances, were terminated.

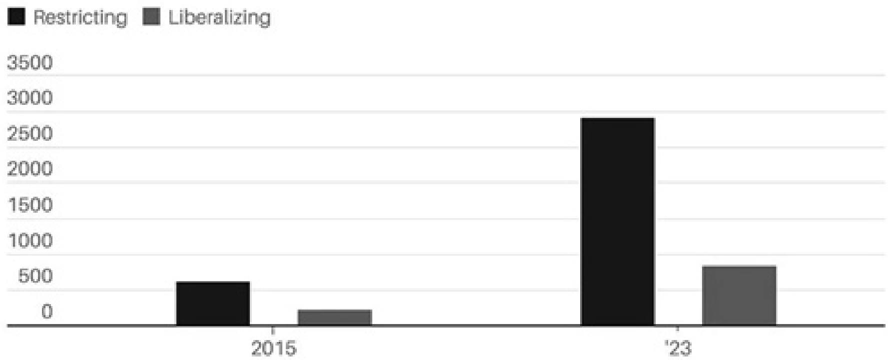
Figure 1: Evolution of Regional Trade Agreements from 1948-May 2025



Source: World Trade Organization, 2025.

While the number of FTAs is still increasing, at the same time, the number of protectionist measures is also increasing. Kose and Mulabdić (2024) in their study showed that from 2015 until 2023 the number of restricting measures has been increased almost six times (see Figure 2). The ongoing tariff problems with the new Trump administration in 2025 have already seriously impacted world trade, and it is difficult to predict how much they will continue to hurt global trade.

Figure 2: The number of trade policy interventions affecting goods and services trade



Source: Kose & Mulabdic, 2024.

The focus of this analysis is on the Sino-Serbian FTA. The main research question is dedicated to answering the question about the possibilities and challenges related to the implementation of FTA on the Serbian side. Since the trade agreement was ratified one year ago, it is not possible to fully assess the effects of the agreement because the time frame is too short and limited available data. However, we can analyse through the announcements of the Serbian Government whether the commodities it proposed exporting can really be successful in China. Furthermore, the challenges faced by Serbian exporters to China will be identified, along with recommendations on how to address them. The research methodology will include exploratory desk research combined with the statistical data analysis. The analysed data will be used from national and international data basis for period between 2009 and 2024.

The first chapter in this analysis looks upon the reasons when and why China and Serbia started to sign bilateral and multilateral trade agreements. The fallowing chapter presents the political and economic circumstances that led to signing the Sino-Serbian FTA. The third part is dedicated to the analysis of FTA itself, pinpointing the reality of what is (not)possible to achieve, and the last part is conclusion.

CHINESE AND SERBIAN POLICY TOWARDS FTA'S: NECESSITY VS. FREE CHOICE

The winds of globalization have been essential to China's economic success. Without these forces, it's difficult to imagine how China could have become the second-largest economy in the world, especially considering the state of its economy in the II world post-war period. The remarkable growth that officially began in 1979 with the introduction of the Open Door Policy is unprecedented in world history. The speed and progress achieved over the last five decades have been the focus of extensive analysis.

While through time Chinese economic policies changed according to domestic and international circumstances, the introduction of Free Trade Agreements became the option only after 2001 when China became the member of World Trade Organization (WTO) (Müller & Seabra, 2019). The first regional FTA China signed with the Association of Southeast Asian Nations in 2002, and first bilateral FTA it signed in 2008 with New Zealand (MOFCOM, 2025). As of mid-2025, China has signed agreements with seventeen countries, Serbia included, while it is still working on signing numerous other trade agreements.

China is actively pursuing a strategy of signing concrete agreements with countries and regional associations, making it an important part of its development strategy (Fan & Yang, 2015). Initially, for China, those agreements were a necessity, since it was already lagging in joining regional integrations. While China opened up its economy cautiously, the rest of the world reaped benefits from having free trade agreements, making China's goal of becoming a developed country even more difficult. As a result, becoming a member of the WTO became imperative for China. It enabled China to connect with the rest of the world and become a country that is worth signing an FTA. In recent years, FTAs have been a matter of choice for China. Although the positive effects of FTAs are recognised, they are still viewed and signed with caution. Nonetheless, they present numerous new opportunities, and China is willing to explore them.

On the other hand, Serbia, after overcoming the challenges related to the disintegration of the former Yugoslavia, NATO bombing, and the replacement of its leading party during the nineties, has shifted its focus toward becoming a member of the European Union (EU). That path is still not over, but in the meantime, Serbia achieved some significant results. Related to trade integrations, Serbia, as a country dedicated to its EU path, signed the Central European Free Trade Agreement in 2006 (RSMEI, 2006)[1], which enabled it to better integrate with the European countries that were at that time applying to became full members of the EU. In addition, Serbia signed the Stabilisation Association Agreement (SAA) in 2013 with the EU, which terminated the previously signed Interim Agreement on Trade and Trade-related Matters (IATTM) (Zakić et al., 2024). The SAA significantly improved overall economic relations with the EU, with trade relations being the most prominent.

In addition to seeking trade relations with European countries, Serbia has signed bilateral free trade agreements with Russia, Belarus, and Kazakhstan (which later became part of Eurasian Economic Integration), as well as with Turkey and the European Free Trade Association (EFTA) (RAS). Serbia has also ratified the Generalised System of Preferences (GSP) with the United States (RAS). It should be emphasised that if Serbia becomes a full EU member state, then all previously signed FTAs it has with other countries or regional networks will be terminated.

In the 2000s, Serbia needed to sign the mentioned free trade agreements because, like China, it was falling behind its neighbouring countries, and it was not integrated in regional or bilateral trade agreements. Serbia is still pursuing new trade agreements, and there were announcements that there are undergoing negotiations with South Korea, Israel and the United Arab Emirates to sign FTAs.

[1] Note: CEFTA members in 2006 were Albania, Bulgaria, Bosnia and Herzegovina, Croatia, North Macedonia, Moldavia, Romania, Montenegro, and Serbia. n 2007, Bulgaria and Romania became EU members, and Croatia in 2013. Since then, they have not been members of the CEFTA.

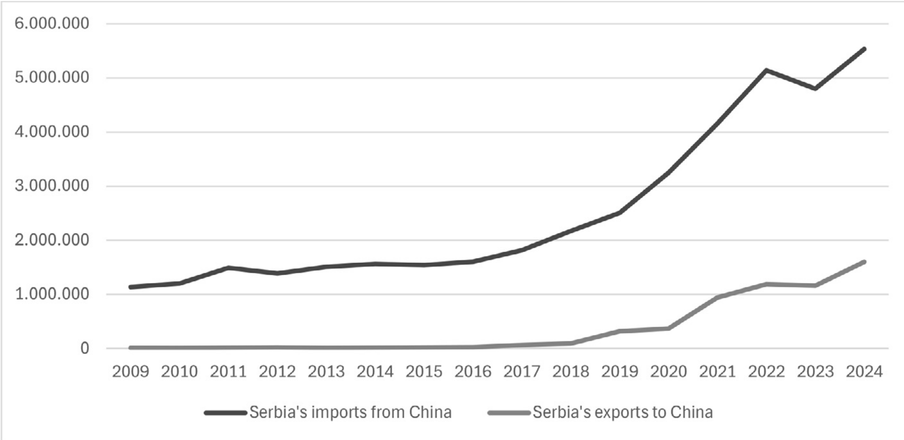
SINO-SERBIAN FTA

How the Idea for the Sino-Serbian FTA Was Born

The economic, or more precisely trade relations between Serbia and China have been, to some extent, a reflection of political ones. By comparing the establishment and advancement of political relations to trade relations, several parallels can be identified. Before signing the Strategic Partnership Agreement in 2009, Serbian exports to China were almost non-existent, fluctuating around $6 million. Since then, Serbian exports have increased steadily, from 9 million in 2009 to 20 million dollars in 2015 (ITC Trade Map). In 2016, Serbia and China signed the Comprehensive Strategic Partnership Agreement, and Serbia joined the Belt and Road Initiative (Stekić, 2024). These two factors significantly impacted Serbia's exports, with the export value increasing from 25 million to 1.15 billion dollars between 2016 and 2023 (Figure 1). However, although Serbian exports significantly increased, the trade deficit continued to rise, thanks to increased imports from China. In 2009, Chinese exports to Serbia were $1.13 billion, and in 2022, they reached $5.14 billion. In total, from 2009 to 2022, the Serbian trade deficit grew from $1.12 to US$3.95 billion. According to the Statistical Office of the Republic of Serbia (2025), in the first two quarters of 2025, Serbia exported US$1.06 billion to China and imported US$2.99 billion from China. If these trends continue in the third and fourth quarters, Serbia will reach the highest levels of exports to China by the end of 2025.

Serbia is importing from China technically advanced gods, such as IT equipment, mobile phones and computers, while Serbia is exporting to China raw ores, specifically copper and copper concentrates (90% of the export), raw wood, and silver (ITC Trade Map 2024).

Figure 1 Sino-Serbian trade relations, 2009-2024, in thousands of US$



Source: ITC, 2024.

The increase in Serbian exports to China is due to the work of one Chinese company in Serbia, namely Zijin Mining Group Serbia. This Chinese state-owned company acquired in 2018 (announced transaction in 2016) the former Serbian state copper mine in the city of Bor. This copper mine has been struggling for decades to keep operation running. Several factors contributed to this situation, including fluctuations in copper prices, civil war, and sanctions (Zakić, 2020). However, the primary issue has been the factory management's failure to perform its responsibilities effectively, which has resulted in a substantial debt of $1 billion (BETA, 2019). Since this copper mine was sold to Zijin in 2018, it improved its operations quickly and became the number one exporter from Serbia (Ristović, 2024).

Although trade volume has been steadily increasing, the trade structure remains unfavourable for Serbia (Ivanović & Zakić, 2023). Currently, Serbia exports primarily raw ores (copper) and materials, due to a work of Zijin Bor, which then exports these goods to China. Meaning, the improvement in Serbia's trade figures is not connected to a better position or higher demand for Serbian products in the Chinese market.

On the other hand, it should be emphasised that there are just a few countries in the world that have a trade surplus with China, such as

Australia, Brazil, the Russian Federation, Chile, Japan and South Korea (ITC, 2024)[2]. Those countries achieved these results thanks to their natural resources (e.g. Russia – oil and gas, Australia – iron and coal, Chile – copper and lithium), and/or because their demand for Chinese goods is less than Chinese demand for theirs. Given that Serbia does not have such a position as those countries have, a trade deficit with China was anticipated.

However, the volume and structure of the Serbian trade deficit could potentially change in the future, and this was one of the main reasons why the Serbian side proposed to China FTA. The initial announcements regarding the potential negotiation of a FTA were made at the beginning of 2022 (Cvetković, 2022). Subsequently, both sides engaged in several rounds of negotiations. The signing of the agreement took place during President Xi's visit to Belgrade in May 2024. During the same visit, Serbia also signed a very important political agreement, the so-called Community for Shared Future for a Mankind, becoming a first country in Europe with such an agreement (Stekić & Mitić, 2025). Following these events, the agreement was ratified by the Serbian National Assembly in 2023, while China ratified it in June 2024. The FTA became active on June 01, 2024.

Table 1. Categories of products that are part of Sino-Serbian Free Trade Agreement

Category of products	Export from Serbia to China		Export from China to Serbia	
A0	3272	60.24%	5376	60.20%
A5	1709	16.41%	1475	16.52%
A10	1025	9.84%	882	9.88%
A15	402	3.86%	355	3.98%
E	1004	9.64%	842	9.43%
Total	10412	100.00%	8930	100.00%

Source: Gabrijel grupa, 2024.

[2] Trade data from ITC Trade Map used General Customs Administration of China statistics.

It should be noted that the required regional value content in the Sino-Serbian FTA is for most of the products 40%, which is a bit less than in most free agreements, in which RVC is around 50%. Within the agreement, the Serbian side nominated around 10.000 products, and the Chinese side nominated approximately 8.900 products, which will reach zero tariffs after fifteen years. Table 1 shows the category and the percentage of products that will lose tariffs in the upcoming five (A5), ten (A10) or fifteen years (A15). Category E refers to products for which tariffs will remain permanently, maintaining the same level as they were on June 1, 2024. Both sides provided protections for sugar, sugar products, and confectionery items.

Almost 60% of products on both sides lost tariffs immediately (category A0), while the upcoming 16% will lose it after the five years, 10% after 10 years, and around 4% after 15 years. Since the Chinese side does not have problems related to the amounts and type of the products it wants to export to Serbia, this analysis will concentrate on the Serbian export to China.

According to press statements from different government officials the main products that Serbia believes can export more to China are agricultural and food products, chemical products and industrial manufacturing products.[3] Related to agricultural and food industry fallowing product have been emphasized: all animals (live and processed), fruits (raspberries, blueberries, apples, plums, prunes), oilseeds, baby food, honey, dairy products (cheese), beer, wine, rakija (Serbian brandy), and pet food. Industrial products that Serbia wants to export to China

[3] Note: The preparation of the list of products included in this article was made by using content analysis, to see which products were mentioned the most. This was done because there was no officially published document on the Serbian side related to this FTA, and the types of products that were targeted by the FTA. There were only statements in the media about the industries and products that were mentioned as important. Because of this, articles/news published between the announcement of the beginning of the negotiation process in 2022 and after the agreement was signed in 2024, in daily news magazines, state ministries' websites, and social media were used as the primary source of information. Products that were mentioned only once, such as silk, were not taken into account.

include parts for electrical machines of various purposes, cathodes, compressors and numerous other products. Related to the chemical industry, Serbia will push the export of mineral fuels and fertilizers. The focus on the raw ore and raw materials will stay the same, which are including raw cooper and raw wood. Other manufactured products that Serbia will try to export to China will include cork and tanned leather.

Discussion of the Results and Possibilities to Improve Serbian Export to China

To evaluate Serbia's exporting potential to China, we need to assess whether Serbia has the goods and quantities available for export to China. After this assessment, analysis of transportation costs, issues related to perishable products, logistics for entering the Chinese market, or the preferences of Chinese buyers were presented. Therefore, export data on products that have been quoted in the media as priorities for export by the Serbian government will be showed. The only products not examined further are copper (including copper cathodes) and wood, as Serbia has sufficient quantities to export them to China. Products were divided into three groups: agricultural/food products, chemical industry and manufacturing.

Export data in Tables 2, 3, and 4 concerning the export value of selected product categories from Serbia to China have been sourced from the ITC Trade Map database. The last column in these tables, which discusses the potential for exporting these products to the Chinese market, was compiled by examining various sources of information, which included the analysis of Serbian production capabilities, the current state of specific industries and sectors, government announcements regarding funding programs for industrial development, Chinese import data and academic articles.

Table 2. Category of agricultural/food products that Serbia wants to export to China in 2023

Category of product	Category of products that Serbia is exporting globally	Export value globally	Value of the export of the selected products to China	Possibilities to export to China
Animal meat	Meat of bovine animals, frozen* (HS 0202)	$1-14 million	In previous times, sporadic value of the exports was worth $13 million.	Limited, due to production limits, not to Chinese demand.
	Meat and edible offal of fowls of the species *Gallus domesticus*, ducks, geese, turkeys (HS 0207)	$8-17 million	No export.	Limited, due to production limits, not to Chinese demand.
	Meat of bovine animals, fresh or chilled (HS 0201)	$3-15 million	No export.	Limited, due to production limits, not to Chinese demand.
Plums	Fresh apricots, cherries, peaches (including nectarines), plums, and sloes (HS 0809)	$40-60 million	No export.	Good and realistic possibilities.
Prunes	Prunes (HS 0813)	$19-60 million	$78.000	Good and realistic possibilities.
Berries (emphasise on raspberries)	Berries (including raspberries) (HS 0810)	$25-50 million	No export.	Limited due to short shelf life and time of transportation.

* In this table, only three types of meet that Serbia exports successfully were taken into account. In more rigorous analysis all types of meat and meat products should be taken into account.

Apples	Fresh apples, pears, and quinces (HS 0808)	$105-130 million	No export.	Good and realistic possibilities.
Oilseeds	Sunflower seeds, whether or not broken (HS 1206)	$40-60 million	No export.	Limited, due to Chinas limited import.
	Rape or colza seeds, whether or not broken (HS 1205)	$10-50 million	No export.	Good and realistic possibilities.
Baby food	Preparations suitable for infants or young children, put up for retail sale (HS 190110)andHomogenized composite food preparations (210420), that includes homogenized mixtures of ingredients like meat, fish, vegetables, or fruit, specifically for infant food or dietetic purposes.	No available data, but this is growing food industry in Serbia, which is exporting products to Bosnia and Herzegovina, Russia and Ukraine.	No export.	Limited due to Chinas regulations and permitted formulas for baby food.
Honey	Honey (HS 0409)	$8-13 million	$39,000	Limited due to big production in China, and Serbian growing import from other countries.
Cheese	Cheese (HS 0406)	$35-50 million	It was exported to China in smaller quantities in three years ($531,000 in 2021, $281,000 in 2022, and $124,000 in 2023. In 2024, nothing was exported, which means there is not much interest, or at least not where it was exported.	Good and realistic possibilities.

Beer1	Beer (HS 2203)	$45-70 million	Small amounts through the years.	Good and realistic possibilities.
Wine	Wine (HS 2204)	$9-20 millions	Small amounts through the years.	Good and realistic possibilities.
Pet food	Pet food (HS 2309.10) and pet suplemments	$200 million	No export.	Good and realistic possibilities.

Source: Author's compilation of data

Table 3. Category of chemical products that Serbia wants to export to China in 2023

Category of product	Value of the category of products that Serbia is exporting globally	Value of the export of selected products to China	Value of the export of the selected products to China	Possibilities to export to China
Mineral fuels	Petroleum coke, petroleum bitumen, and other residues of petroleum oils or of oils obtained from bituminous minerals (HS code 2713)	$20-40 million	No export.	Good and realistic possibilities.
Fertilizers	Mineral or chemical fertilizers containing two or three of the fertilizing elements nitrogen, phosphorus, and potassium; other fertilizers; goods of this chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg. (HS 3105)	$170-250 million	$15,000	Good and realistic possibilities.
	Mineral or chemical fertilizers, nitrogenous (HS 3102)	$30-100 million	No export.	Good and realistic possibilities.

Source: Author's compilation of data

Table 4. Category of manufactured products that Serbia wants to export to China in 2024

Category of product	How much Serbia is producing	How much Serbia is exporting to the world	Value of the export of the selected products to China	Possibilities to export to China
Cork	Articles of natural cork (HS 4503)	$ 117,000	No export.	Limited due to production capabilities
	Agglomerated cork and articles of agglomerated cork, with or without a binding substance (HS 4504)	$307,000	No export.	Limited due to production capabilities.
Tanned leather, products of leather	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split (HS 4107)	$25-50 million	No export.	Good and realistic possibilities.
	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather (HS 6403)	$90-145 million	No export.	Good and realistic possibilities.
	Articles of apparel and clothing accessories, of leather or of composition leather (HS 4203)	$1-4 million	No export.	Good and realistic possibilities.
	Travel goods, handbags, and similar containers, including trunks, suitcases, vanity cases, briefcases, and more, made from materials like leather, plastics, textiles, or vulcanized fibre (HS 4202)	$10-40 million	No export.	Good and realistic possibilities.

Source: Author's compilation of data

It can be seen in the presented data that most of the selected products that Serbia is targeting to export to China have not been exported to China thus far. Other selected products were exported randomly over time, and their export values were small. According to available data, the best possibilities besides copper (and products from copper) and wood, to be exported to China have selected fresh (those that can last longer), frozen, dried and industrially prepared fruit products (that include apples, raspberries, plums and prunes), oilseeds, cheese, wine, rakija, pet food, mineral fuels, fertilisers, tanned leather and products from/mady with leather. Popović at al. (2025) in their recently published analysis which was focusing on export of agricultural products and food due to the Sino-Serbian FTA, through more rigorous method, reached similar conclusions.

Different types of meat (especially beef) could potentially be the pinnacle of Serbian exports. However, the number of farms, cattle, and people who are ready to invest in livestock breeding is limited, and the approach to this aspect of agriculture should be different from what Serbia currently has. It would take years to have enough beef to export to China, but it would be worth investing.

Serbian honey producers are making high-quality extracted honey, which has significant domestic demand; however, their production capabilities are limited. Due to an increase in domestic demand, Serbia was forced to import large quantities of honey in recent years (ITC, 2024). Currently, China is the world's leading honey producer, which raises questions about whether it might require/have demand for small amounts of honey from Serbia.

Baby food is one of the products that cannot currently be exported to China. The primary challenge is that the baby formulas used in China differ from those abroad, including Europe (Interesse, 2023). This discrepancy has proven to be an obstacle that even many international companies cannot overcome. If we are looking at baby food made from fruits, vegetables or meat, the situation is the same – regulations are different. The second obstacle is the production capabilities of those companies. Although Serbian baby food companies are exporting to Bosnia and Herzegovina, Russia and Ukraine, the Chinese market is significantly different, and parents prefer to buy food made according to the Chinese taste. For Serbian companies to enter the Chinese market, thorough preparation concerning regulations is essential, along with a cost-benefit analysis.

The value of the agglomerated cork that Serbia produces is not enough to penetrate the Chinese market. However, Serbia can export tanned leather and different products made of leather, for which it has potential.

Besides production capabilities and complementarity of Serbian produced and demanded products in China, there are several other difficulties that could further decrease motivation of Serbian companies to export to Chinese market.

Firstly, the exporters must be ready to produce more and/or redirect exports from markets on which they are currently operating to China. It is not an easy decision, and it is a risky one. The Chinese market is globally one of the most challenging markets to enter and operate successfully in. The challenge involves identifying suitable distributors and locations in China for product sales, as well as establishing a recognisable brand.

Secondly, transportation costs from Serbia to China are extremely high, regardless of whether products are transported by ship, aeroplane, or railway. It is encouraging that there are two direct flights between Serbia and China (Belgrade-Guangzhou and Belgrade-Shanghai) and a direct railway line between the two countries (Shijiazhuang-Inđija), but they have not been fully utilised thus far. It should be also noted that some of the products that Serbia wants to export, such as fresh fruits are perishable, so the speed and conditions under which they are transported play a crucial role.

Lastly, the Serbian Government, or more precisely governmental bodies, are still not sufficiently prepared to help Serbian companies navigate difficulties in the complicated Chinese market. The fairs that Serbian companies are attending are not enough to enter this market. There are specialised Chinese consulting companies that know how to do this job – enter Chinese enormous and regionally diverse market, and the Serbian Government should use their expertise to have a more targeted approach.

Preliminary data indicate that during the third and fourth quarters of 2024 and the first two quarters of 2025, China increased its exports to Serbia (SORS, 2025). Although Serbian exports also rose during this period, this growth is primarily attributed to the operations of the Zijin Mining Bor company rather than improved performance by other Serbian exporters. Given the limited timeframe of one year, a significant increase in Serbian exports was not anticipated. However, those data suggest that most Serbian companies were unprepared to initiate exports to China immediately following the signing of the Free Trade Agreement.

Although the immediate effects of free trade agreements primarily concern trade, these agreements also influence investment flows. Empirical findings on the relationship between FTAs and investments vary across countries (Athukorala, 2020). However, effective implementation can generate significant benefits. For Serbia, these benefits are twofold. Chinese companies may increase investment in Serbia, while European companies may also expand their investments. For Chinese investors, the FTA provides an opportunity to integrate operations in China, Serbia, and Europe. European companies may relocate production to Serbia to export goods to China without tariffs.

CONCLUSION

Serbia is the third European country, after Iceland and Switzerland, to sign a Free Trade Agreement with China. During the negotiation process and signing of this agreement both countries had in mind economic and political reasons.

For China, the FTA represents a diplomatic achievement, demonstrating that Serbia remains a significant political and economic partner in Europe despite ongoing geopolitical challenges. It is of great significance that during the same bilateral meeting in Belgrade in May 2024, both the FTA and the agreement related to Community for a Shared Future for a Mankind were signed. This a testament to further improvement of political relations and Chinas strong alignment with Serbia's position in international relations. Even though the economic consequences of the FTA for China don't hold the same leverage as for Serbia, they cannot be ignored. As China is facing significant economic problems in its cooperation with the US and the EU, it is very important to its economic development to further increase export and find new markets for its products. Although Serbian market is small for China, it is still providing good export results.

For the Serbian side, the ratification of the FTA is firstly strong political message both to domestic and international actors. In political sense it was declared as a victory by the ruling political parties, which used this opportunity to promote this agreement as their political and economic success. If we look from the economic side this FTA was communicated as a way that Serbia will decrease its trade deficit with China and attract FDIs from China and Europe, which will further improve economic development of Serbia.

This analysis presented types of Serbian products that can be exported to China and the challenges Serbian exporters will face while exporting. The conclusion is that the volume of products that Serbia can export to China is currently moderate, primarily consisting of agricultural and food items, which tend to have lower export values. Some of the products that were officially declared as those that can be exported to China with success are facing more challenges than others. Products that could be successfully exported, based on circumstances on both sides, are copper, wood, frozen, dried, and industrially prepared fruit products (that include apples, raspberries, plums, and prunes), oilseeds, cheese, wine, rakija, pet food, mineral fuels, fertilisers, tanned leather and products from/made with leather. Other products, such as meat, honey, baby food, or cork, are those that may be exported in the next five to ten years. This estimation is made on the assumption that Serbia will not become a full EU member in that period; otherwise, if it becomes a member, existing Serbian FTAs would be inactive, and the export to China without tariffs would no longer be valid.

Even before the agreement was signed, there were business and academic concerns about whether this agreement could benefit Serbia or whether it would be another opportunity for Chinese companies to increase their exports to Serbia. The answer to this question in the short term is positive - yes, Chinese companies will increase exports, but whether Serbia can change its export is the most important question. If the only result of this FTA is an increase in Chinese exports to Serbia, without an increase in Serbian companies' exports to China, then the FTA's purpose would not be fulfilled. It is up to Serbian institutions to provide full support to interested companies to export to China. Without a doubt, it would be a difficult and long process, but if it is done successfully, it will provide tremendous benefits. The case of Chile can be a guiding light for Serbia. Due to the signed FTA, Chile is now the second largest exporter of wine to China, right after France, and according to Trading Economics, in the last decade, the annual export value was between 160 and 300 million dollars. Providing a clear export and production strategy, motivating Serbian exporters, and providing on-site Chinese support by local representatives, consulting, and marketing agencies will be some of the main tasks of the Serbian Government in the future to ensure this FTA fulfils its purpose.

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