
**LEGAL AND INSTITUTIONAL FRAMEWORK FOR STATE
AND MARKET REGULATING OF THE TRADE SECTOR IN SERBIA***

SRETEN CUZOVIC,

University of Nis, Faculty of Economics, Serbia

SVETLANA SOKOLOV MLADENOVIC,

University of Nis, Faculty of Economics, Serbia

Abstract

Acquiring the status of EU candidate country and, subsequently, the status of its full member entails the implementation of real institutional changes and the development of modern economic institutions, which include a modern market and trade. This paper analyzes the specific part of an institutional environment that is complementary to the economic institutions of state and market regulation, and refers to their legal framework. The basic hypothesis of this paper is to develop a legal and institutional framework is one of the key conditions for the development of economic institutions of state and market regulating, and therefore for the development of trade sector and overall economy of Serbia.

Key word: *legal and institutional framework, trade sector, trade policy, EU.*

JEL Classification: F 13; F 18; M 48;

Review

Received: Mart 11, 2012 / Accepted: June 25, 2012

1. Introduction

Creating and maintaining the competitiveness of Serbian economy is a challenge and task of policy makers, as well as companies operating within the national economic environment. In completion of this task a significant contribution have certain sectors of the economy, and therefore of the trade. Competitive advantage of the Serbian trade sector is in a function of the overall competitiveness of Serbian economy. Besides, the official statistical data and research contributions testify to the vitality and dynamism of trade sector. Since 2000, in this sector has achieved intensive growth of gross domestic product, employment growth and overall turnover, but also a growth of sales capacity. So, on the one hand, we can talk about the positive aspects of the domestic trade sector, while, on the other hand, there are certain issues that has to be addressed and eliminated, in order to acquire positive preconditions to build a modern market as one of the most complex tasks for the EU accession. The starting point of a modern trade and its economic competitive advantage makes an institutional framework, which makes the state and market regulating and property. The aim of this paper is to analyze a specific part of the institutional framework, which is complementary to the economic institutions of state market regulating, and refers to their legal framework. The initial phase of research will refer to the consideration of characteristics of the modern trade of EU member states and for Serbia in order to, by the method of comparison, make an attempt to determine the current state of our trade, level of (not) following-up the modern trade flows and giving the recommendations for further development. Special emphasis will be placed on the current legal regulations in the field of trade. Within the institutional environment, special emphasis will be placed on the current legislative in the field of

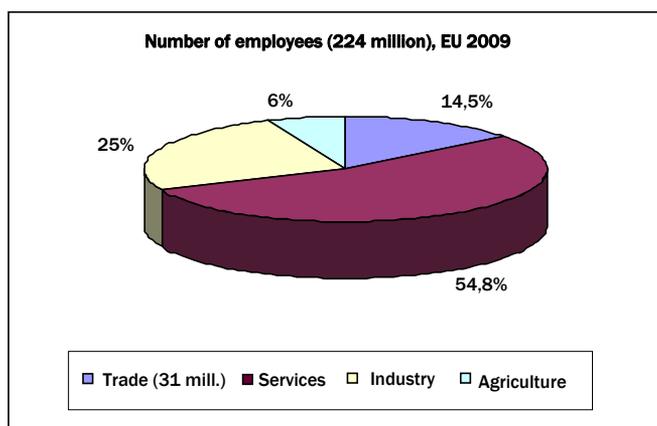
* This paper is a part of the research within the Project No. 179081, financed by the Ministry of Education and Science of the Republic of Serbia

trade. An attempt will be made to highlight the positive features of the trade legislation of Serbia, but also the inappropriateness of certain solutions by the needs of contemporary practice in the trade and the absence of regulations on specific trade issues. The final part of paper relates to harmonization of Serbian trade legislation with the EU.

2. Key features of the trade sector of developed market economies and in Serbia – a comparative analysis

The trade is in a permanent process of changes and their speed accelerates in the recent decades. The vitality of the trade sector is closely related to its role in the economy of market developed countries. For example, in the EU market trading represents a daily link between producers and 500 million consumers. We are talking about an extremely dynamic and labor intensive sector, which generates 11% of the GDP of the European Union. One of three companies in the EU is more active in the trade sector. Over 95% of 6 million companies in the trade are small and medium enterprises. The trade sector is the main source of employment creation in the European Union, given that over 31 million people work in the trade. Through supply chain, trade is in a constant relationship of dependence with millions of other companies, from small local suppliers to international companies. Previous data indicate the economic importance of the trade sector in the European Union which is particularly illustrated from Figure 1, 2 and 3.

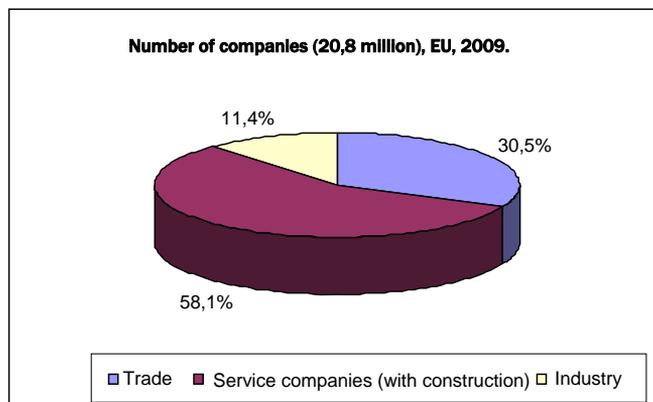
Figure 1: Employment structure in EU



Source: www.eurocommerce.be

From Figure 1 we find that EU trade sector is accounted for 14.5% of total employment.

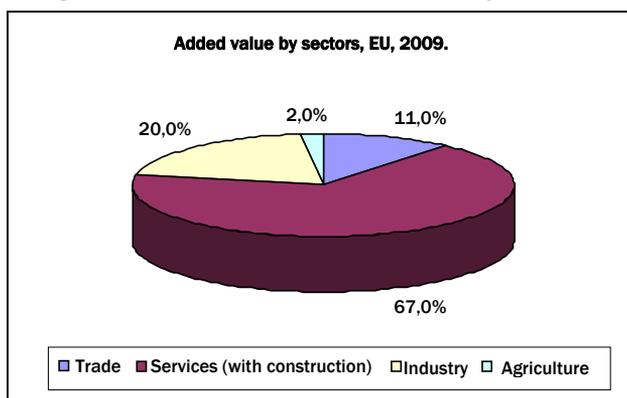
Figure 2: Structure of companies in European Union



Source: www.eurocommerce.be

From Figure 2 we can observe that trading companies in EU constitute 30.5% of total company number (20.8 million).

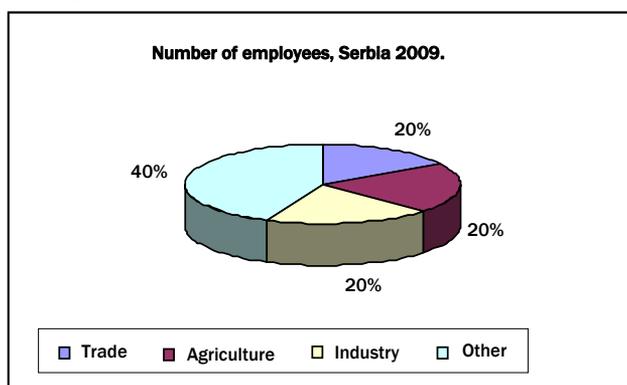
Figure 3: Structure of added value by sectors



Source: www.eurocommerce.be

Figure 3 shows structure of the added value created at the EU level. Structurally speaking, the trade sector accounts for 11% in creating added value at EU level. If we observe the trade sector in Serbia, its contribution to our economy can be expressed in a similar way. According to official statistical data, the economic importance of our trade sector can be seen from Figure 4, 5 and 6.

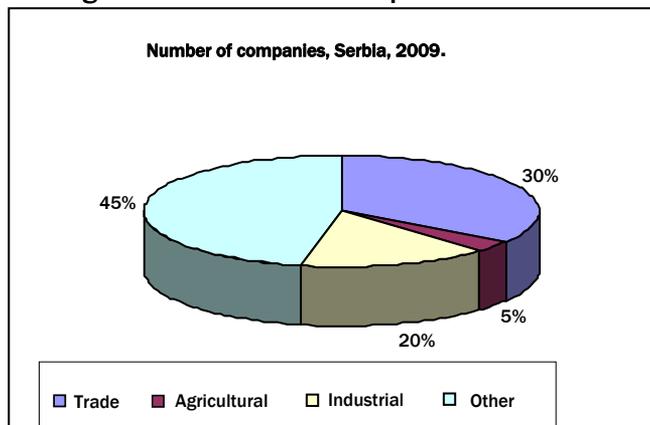
Figure 4: Structure of employees in Serbia



Source: Statistical yearbook of the Republic of Serbia 2011, p. 105.

Figure 4 shows the share of individual sectors in total employment of the Republic of Serbia. One can see that our country's trade sector accounts for 20% of total employment.

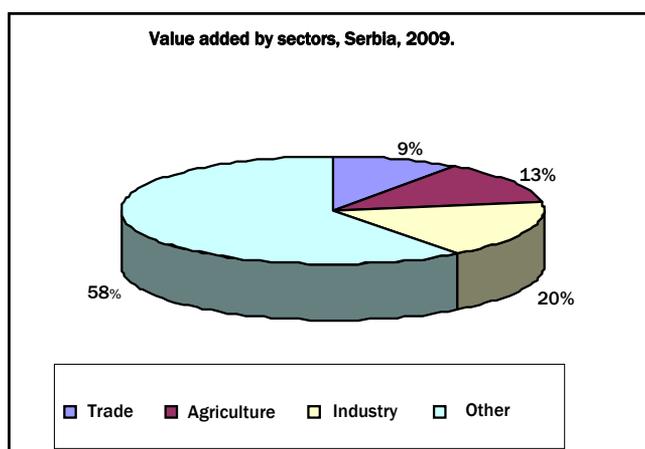
Figure 5: Structure of companies in Serbia



Source: Statistical yearbook of the Republic of Serbia 2011, p. 190.

Based on Figure 5 we notice that the share of Serbian trade companies in the total number of companies is 30%.

Figure 6: Value added by sectors Serbia



Source: Statistical yearbook of the Republic of Serbia 2011, p. 195.

Based on Figure 6 we note that our country's trade sector accounts for 9% of the total added value creation. By the comparative analysis of data that illustrate the economic significance of the trade sector of the European Union and Serbia it can be seen a higher level of development of this sector in the EU than in Serbia. This especially can be seen in the example of structural number of trade companies in the EU and Serbia. Higher percentage of trading companies share in total in Serbia related to the EU indicates a high degree of fragmentation of the trade sector in the Republic of Serbia. On the other hand, when it comes to the trade sector participation in the creation of value added and employment, we can note that our trading intensively follows-up the flows characteristically for developed market economies, which are related to a significant share of trade in these economic variables.

To what extent our trade really follow trends characteristic for developed market economies, we will try to answer in the following presentations. First we will start from the features characteristic for the trade of developed economies, then we will consider our trade, and by the method of comparative analysis we will assess the current state of our trade. Numerous theoretical explications and practical researches point to several key features and flows of modern trade

(McGoldric, Davies, 1995, p. 42-45; Kraft, Mantrala, 2010, p. 8-12; Reinartz, Dellaert, Krafft, Kumar, Varadarajan, 2011, p. 54): a) slower growth, more segmentation, b) less national, more international retail chains, c) fewer stores, more sales areas, d) less independent, more affiliated trade chains.

Processes mentioned under b, c and d are a function of increasing significance of concentration processes. These processes can somehow also be confirmed in the Serbian market, which indicates that they are not some kind of our specificity, but it is a part of the rule with which sooner or later, more or less intensively specific markets meet. In this, the Serbian market is no exception. Compared to some other markets it can be different only by the scope of these phenomena and its intensity. The preceding facts are primarily caused by the achieved level of economic development of Serbia. That this is the case we will try to confirm by the specific examples that illustrate the previous flows here and in the world.

Namely, it is estimated that 50% of the retail market of developed European countries will be controlled only by 50 trading companies. This will cause the increase of achieved level of concentration capacity in trade, as seen in the example of France, Germany and Great Britain. The degree of concentration in the market of our country is different. According to recent research results, the market share of our largest retail chain is about 26%, the second largest company has a share of about 6%, the third of about 4%, the fourth and fifth together 4%. As a result, the five largest trading companies in Serbia have a market share of around 40%, and in most EU countries between 70 and 90%.

The level of concentration, as a key feature of developed countries trade, can be illustrated through a number of stores. Therefore the number of stores in Spain, in the previous decade, fell by 57 thousand, or on average 10% per year. A similar trend exists in other European countries. Here the situation is such that still we can talk about the high level of fragmentation of the domestic trade. Confirmation of this thesis illustrates the statistical data (*Statistical Yearbook of Serbia 2011*, p. 330). Here, the number of stores in 2008 totaled 100 233, in 2009 it was 96 188 stores, and in 2010 totaled 90 690. Despite the reduction in the number of stores, it can be noticed a lower level of concentration, or enlargement in capacity of our trade in relation to highly developed countries. If we focus on other key elements of developed countries trade, there are also certain delays in our trade compared to them. First of all, this refers to the presence of international trading companies. Existence of various foreign trade chains is the rule of developed countries modern trade. Expansion of trading companies operations outside the boundaries of national market for them becomes vital strategy of growth and development. When it comes to our country, for now operates only eight foreign trade chains with an announcement of new ones coming. In the next period is expected definition of better conditions for the arrival of a foreign trade capital because of its multiplied effects. Also, it is expected that our trading companies expand their operations outside the boundaries of our market (Ćuzović, Sokolov-Mladenović, 2011, p. 292).

Furthermore, one of the modern trade characteristics is less independent and more affiliated trade chains. They are present in the structure of European trade in recent years and occur most often in the form of procurement club whose key role is procurement. The purpose is, with the formation of the club, to increase buying and thus achieve an advantage over individual procurement. The formation of associated chains is an alternative that is offered to our independent retailers. In order to defend against intense competition, the solution can be found in the association of independent, small trading companies or so called STR's (ITS - independent trading store). An example of this attempt is the CBA system of associated trade.

Previously analyzed characteristics of modern trade are just time-shifted image of events that are yet to mark our trade. The above processes should be followed and listened, their impacts and consequences evaluated and to be prepared for them.

3. Institutional assumptions for development of the trade sector in Serbia

As we have pointed out, the development of an economy trade sector, including ours cannot be imagined without an adequate institutional environment. It should be a function of maintaining and creating competitive advantages of trade. Economic institutional environment is a very broad term (Čuzović, Ivanović, 2010, p. 174). It consists of the state and market regulating and property. Proceeding from this, further we will try to analyze the activities of the state or the holder of the development of our trade. First of all, we will focus on the activities of the following institutions: Ministry of Trade, Commission for Protection of Competition, consumer's organizations and the Chamber of Commerce and Industry of Serbia or Board of Trade as its segment.

Activities related to internal trade according to the latest Law on Amending the Law on the Government and the Law on Ministries (www.srbija.gov.rs) are performed within the Ministry of Foreign and Domestic trade and Telecommunications. This Ministry carries great responsibility in developing domestic trade. Its task is to build the modern institutional solutions in the field of market and trade that will be fully harmonized with the solutions in the European Union. Activities of the Ministry in the development of domestic trade in particular can be seen through setting goals and plans, that are related to (www.srbija.gov.rs) functioning of markets; strategy and policy of trade development, domestic trade, trade of goods and services, monitoring total trade flows, and propose appropriate measures, proposing systematic solutions and regulations in the field of special duties on import of agricultural and food products; initiating of measures to adapt legislation and measures of economic policies in the field of customs and non-customs operations, quality control of industrial non-food products in production and trade and control of services; control of measures and metrics, the use of commodity and service stamps, sign of quality and designation of products origin, market supply and prices; prevent monopolistic activity and unfair competition, consumer protection, establishment and operation of commodity exchanges and stock brokers, inspection and supervision in area of trade, and other statutory duties. Ministry of trade, through the activities of its sectors (Trade, prices and consumer protection; Services, Market inspectorate; Administrative and Legal Affairs and Internal Control, and International Cooperation) aims to realize the above targets as a function of the construction of modern markets and trade, and its competitive advantage. In the context of objectives and activities set in this way, cooperation with other institutions is necessary, primarily with the Commission for Protection of Competition, consumer's organizations and the Chamber of Commerce and Industry of Serbia.

The Commission for Protection of Competition was established by the Law on Protection of Competition (Official Gazette RS, no. 79/05), as an independent and autonomous organization that perform public authority in accordance with this law. The Commission has a legal entity status. The area of protection of competition in the Serbian market, in order of economic development and welfare of society, and especially benefits of the consumer, as well as establishment, position, organization and authority of the Commission for Protection of Competition, is regulated by the Law on Protection of Competition (Official Gazette RS, no. 51 / 09). Alongside the previously mentioned law, the protection of competition is regulated by a series of decrees issued by the Government of the Republic of Serbia. The Commission also has an obligation, in accordance with Article 73 of the Stabilization and Association Agreement, to appropriately apply the criteria that are resulting from the rules that are regulating the competition in the market in the European Union (www.kzk.org.rs).

In the interests of domestic consumers and the entire trade sector is the work of consumer's organizations. The adoption of the Consumer Protection Law (Official Gazette RS, no. 79/05) has created a starting basis for taking further activities in implementing the policy of consumer protection in Serbia. Thus in the eighth part of the Law (Article 65) is provided the forming of subject for consumer protection that will be called the Council of Minister for Consumer Protection as consultative advisory body, consisting of scientists and experts in the field, and representatives of consumer's organizations. By the adoption of the Consumer Protection Program has been made yet another significant step forward in the implementation of consumer protection

policy in Serbia. Specifically, this program sets the basic conditions for defining policy, objectives and goals in the field of consumer protection and related regulations, which includes the harmonization of consumer protection law with EU legislation (National Consumer Protection Program, pp. 219-229). A significant degree of harmonization with the EU has been achieved by adopting the latest version of the Consumer Protection Law (Official Gazette RS, no. 73/10) and the Law on Protection of Financial Services (Official Gazette RS, No. 36. / 11).

The role of consumer's organizations is particularly evident in the exercise of consumer's rights to information, by organizing seminars, tribunes and printing of information materials. Currently in Serbia there are 44 organizations for the protection of consumer's rights, where on national level were formed: National consumer organization of Serbia (NOPS), which consists of 24 organizations (www.nops.org.rs) and the Consumer Association of Serbia (APOS), which is composed of 5 members (www.apos.org.rs).

An important support to pre-analyzed institutions provides Chamber of Commerce and Industry of Serbia, an organization representing the interests of Serbian businessmen. Its primary role is to have active participation in the formulation of new legal solutions, and initiate amendments to existing laws in various areas, including trade. It is extremely important its role in promoting Serbian economy and its sectors, and cooperation with relevant ministries. The role of the Chamber of Commerce and Industry of Serbia in the development of domestic trade is reflected in its function to transfer articulate attitudes and suggestions of businessmen in the field of trade, to the relevant institutions in the process of creating strategic directions of Serbian trade development. (www.pks.rs).

An integral part of the above analyzed institutional environment in which domestic trade is developing, presents law and legislation. At present, domestic trade is conducted in accordance with the following major law regulations, such as: Trade Law, Law on market inspection, previously mentioned Law on Consumer Protection and Competition Law, as well as Law on General Product Safety. The question that arises is to what extent our trade legislation is harmonized with EU legislation, which is the subject of subsequent research.

4. Trading legislation of the European Union - a benchmark for the creators of the trade legislation in Serbia

With EU trade policy is regulated the exchange of goods, services, and products of intellectual property in the internal market. Its goal is that trading activity takes place for the benefit of the entire community, not just the companies that participate in that activity (Ćuzović, Sokolov-Mladenović, Ćuzović, 2012, p. 322). Responsibilities over Joint foreign trade EU policy are left to the Union bodies, however, member states have long held up jurisdictions in the regulation of trade in the single market, which has a treatment of internal (European) trade. The foreign trade relations of the EU member states are governed by the Common Trade Policy of the EU.

EU's trade policy has its past, present and future. Its today's "physiognomy" is built up step by step. Each stage of development of European integration was accompanied by the appropriate trade policy. Let us remind that the European Economic Community (EEC) represents the institutional core of today's EU. It was organized as a customs union which included the removal of customs and quantitative restrictions on trade between the EEC member countries.

After a few years since the founding of the EEC, it came to the idea of it becoming a Common Market. This level of regional economic integration has allowed free trade in goods and services, and some of the principles for the development of the Common Market are contained in the Treaty of Rome. By enabling the free flow of production factors (labor and capital) and by removing the remaining non-customs barriers to trade with goods and services, it would create the single market within the EEC. However, this idea was realized in 1993rd by the creation of Single Market, when the EEC transformed into the European Union (Cockfield, 1994, p. 37; Egan, 2001, p. 60). Despite the introduction of a common currency, all EU member states are not members of the monetary union, because 11 of them do not meet the criteria for joining the monetary union.

As the EU common market became "completed", so are the individual jurisdictions in the conduction of trade policy transmitted from the EU member states to the Union authorities. The issue of freedom of business is one of the fundamental questions regarding the functioning of companies. By introducing the principle of *freedom of establishment and operation on the EU Single Market* has meant that companies from one EU member state does not have to establish their branches (legally independent companies) in other member states, but may establish representative offices, branches or objects (legally dependent entities) (*trade development strategy of the Republic of Serbia*, 2009, p. 470). With the adoption of the Statute of the European company operations in the Single Market are facilitated, but that also required an intense coordination of trading policies of the EU members themselves.

In the *harmonization of company law EU* has gone a step further and tried to create the conditions by which in all EU member states can be established a limited company within 18 working days, the costs will not exceed 213 Euros and payment of equity stake of not more than 3,000 Euros (*trade development strategy of the Republic of Serbia*, 2009, p. 470). This idea has so far only came to life in the UK, Denmark, and a significant progress have made France, Sweden, Finland, Ireland and Greece. Creating of such conditions in the establishment of the company aims to stimulate entrepreneurship and self-employment (Commission of the European Communities, 2003, p. 9). The Statute of the "European company" was also created by which is defined the European economic interest grouping. Within the economic interest grouping companies are operating by the principle of partnership marketing, but the Statute does not allow them to merge and "conquer" a dominant position in the market. As an example of European economic interest grouping named is the industry Airbus, before it became a joint-stock company 1999th (Dinan, 2005, p. 383).

Under the coordination of trade policy, the highest level of cooperation is achieved in the field of *consumer protection*. Within the EU member states it is necessary to provide the same level of consumer protection, regardless of whether the contract was concluded with the company from another EU member state, as it is a contract with a company that is headquartered in the host country. In such a way, to all consumers in the territory of the Union, are provided the same rules, regardless of where the purchase is made in the Union's territory.

In order for the Single Market to function properly executed is also *the harmonization of the tax system*. The basic tax that is applied in EU member states is VAT (Value-Added Tax). Since from the founding of the EEC there are no customs when transferring goods across internal borders by harmonization of tax systems it is enabled to fully abolish controls of goods at internal borders (*trade development strategy of the Republic of Serbia*, 2009, p. 471). The Council of Ministers adopted a decision that a minimum of a flat income tax is 15%, with the exception for as low as possible rates for certain existential products.

Competition policy in the EU single market: European Union starts with the fact that without a rigorous antimonopoly rules, control of state subsidies and liberalization in sector of public enterprises, the single market could not function. Antimonopoly legislation of EU in some regions is "the more stringent" than the U.S., even though it is derived from it. Unlike the competition protection policy in the U.S., EU antimonopoly legislation not only deals with a dominant market share of the company but also deals with the control of state aid to public enterprises, public utilities, energy sector, telecommunications and water. Furthermore, the competition protection policy on the EU market aims to eliminate barriers between national markets, by which it promotes European integration. What is the aim of the competition protection policy of so called "Brussels school" illustratively shows the statement of Leon Brittan, the former President of Commission for Protection of Competition in EU, who said (Kotler, 2008, p. 394) "it includes rules on state aid control and rules on companies that are granted special or exclusive rights, and is particularly interested in promoting of trading and European integration."

In the field of legislation and competition policy a certain degree of harmonization has been achieved by EU member states. In the framework of competition policy in the EU market are

regulated the following areas (European Union, 1997, p. 340): a) restrictive practices; b) abuse of dominant market position; and c) concentration through mergers and acquisitions of companies.

In this way, the Union authorities are fighting against unfair competition, and strive to maintain free competition in the EU single market. Restrictive business practice is regulated by Article 81 of Treaty on establishing the European Community (European Union, 1997, p. 340) in which is provided that are "incompatible with the common market and prohibited all agreements between companies, decisions of companies merger and agreed practice of merger that can cause damage to trade between member states and which objective or effect are the prevention, restriction or distortion of competition within the common market, in particular:

- directly or indirectly determine purchase or selling prices or other trading conditions;
- limit or control production, placement, technical development or investment;
- share market or sources of supply;
- apply unequal conditions to equivalent operations with other business partners, putting them in this way in an unequal competitive position; and
- cause shrinkage of the contract by acceptance of supplementary obligations which, by their nature and trading practices, have nothing to do with the subject of the contract.

If the contract is concluded in contrary to regulations of Article 81 of the Treaty on establishing the European Community, shall be considered worthless (Lopandić, Janjević, 1995, p. 72). The economic agreements may be exempted from these provisions, with the fulfillment of certain conditions, and those are (*trade development strategy of the Republic of Serbia*, 2009, p. 472):

- Specialization Agreements which - involves agreements of horizontal production, under which every firm is specialized in the manufacture of one product;
- Exclusive Distribution Agreements by which the producers regulate exclusive rights to sell the product in a particular territory and prohibits sale of a competitors products;
- Exclusive Purchasing Agreements by which retailers commit to purchase products exclusively from certain suppliers;
- Patent Licensing Agreements by which are approved the use of appropriate patented rights, but in a certain territory and with ban on technological improvement of the patent;
- Research and Development Agreements by which companies merge in order to start joint research and development of products and processes that are allowed by the EC;
- Franchising Agreements by which the right to use an industrial and intellectual property is given to other company; and
- Agreements that allow the use of knowledge (Know-how licensing) by which other companies are granted to use the acquired knowledge and protected business knowledge.

By the abuse of dominant market position (Dominant Positions) are considered the following activities (*trade development strategy of the Republic of Serbia*, 2009, p. 473):

- determination of low prices and eliminating competition,
- discriminatory pricing between or within EU member states,
- gaining customers by allowing rebates,
- restrictions on production, sales and technical-technological development which has resulted in a negative impact on consumers,
- refusal of supplying requests to certain private subjects, and
- imposition of additional duties that are not in accordance with the contract.

Pursuant to the provisions of the Law on Protection of Competition, a dominant market position exists if the company holds more than 40% market share. Based on the consulted litera-

ture and empirical studies we conclude that provisions such as those, related to the dominant role, are not "dead letters on the paper" but a sort of "controller" of implementing regulations. Examples of this have more. We highlight Microsoft's case, which has been found guilty by the Commission for Protection of Competition 2004th because the delivery of software was conditioned by including program Windows Media Player into the operating system Windows. Microsoft was fined 497 million Euros, which represents the largest penalty for one business subject; in addition Windows Media Player had to be segregated from Microsoft (Kotler, 2008, p. 397). EU rules on competition protection, such as Windows Media Player segregation, are also internationalized both in the international agreements and in multilateral trade agreements under the jurisdiction of the WTO. However, disagreements are not uncommon between the EU and the U.S. over the dominant market share. As an example the merger of Boeing and McDonnell Douglas, at the occasion of this action the Commission for Protection of Competition in the EU has expressed dissatisfaction because the new company will have dominance in the European market of jumbo jets. On the other side the Airbus Company is for U.S. Aviation a synonym of European protectionism and subsidized company.

It should be noted that Serbia, in order to harmonize trading policy with the EU, has adopted the Law on Protection of Competition and the Commission for Protection of Competition, which we have already mentioned. An important element of harmonization of Serbian trade legislation with EU trade legislation is the *Regulation on the mergers control and acquisitions of other companies*. According to this Regulation each merger of companies whose total turnover exceeds 5 billion is considered a dominant position in the market. For acquisitions by dominant market share is considered a market share of two companies whose turnover exceeds 100 million Euros (*trade development strategy of the Republic of Serbia*, 2009, p. 474-475).

Harmonization of Serbian trade policy with the EU has in mind the protection of consumers. *Law on Consumer Protection* in the EU is the instrumentalization of the eight basic consumer's rights, better known under the designation "8R" (Ćuzović, Sokolov-Mladenović, 2008, p. 320). Following the example of the EU, Serbia has adopted the Law on Consumer Protection and National Consumer Protection Program (NOPS). However, unlike the European legislation on consumers protection, from our law has been exempted area that regulates the protection of consumers in terms of providing financial services. This has induced a deprecation of NOPS, which resulted in Law on Protection of Financial Services, which we have mentioned earlier.

An important segment of trade policy at the Union level is the harmonization of *technical regulations and standards* and removing barriers to trade. In period from 1995 to 2001 EU and its member states have introduced around 1,400 new technical regulations and standards. In the White Paper, under the term "technical barriers" are considered barriers which distort the single market, such as: standards for products and services, inconsistent system of measures, certifications and accreditations. Chronologically speaking the adoption of the General program on the elimination of technical barriers in the EC was begun by the Council of the European Communities, yet, in 1969. The goal of this program was the elimination of technical barriers to trade in member countries.

The first system that was adopted for the removal of technical barriers in international trade of member states was based on so-called Mutual Recognition Principle. According to this principle EC member states had to accept the products that are produced and sold by the national standards in other EU countries. After that it transferred to the so-called Harmonization Approach which included the adoption of regulations for each individual product or component, by which is harmonized national legislation in this area. This system was later called "Old Approach" and included a third of the goods traded in the EU.

In order to harmonize legislation in the field of technical regulations and standards at the EU level established is the European Committee for Standardization (CEN) and European Committee for Electrotechnical Standardization (CENELEC). This way EU internationalizes the system of technical regulations and standards within the project "A Global Approach to Certification and Testing Quality Measures for Industrial Products". It is the "New approach to quality system in the

EU", better known as "The European Vision of Quality" (Ćuzović, 2010, p. 147). The CE mark is introduced as a sign of European compliance of quality (Conformitee European - CE mark). Countries that are planning to export to the EU market have to prove, through CE mark, that their product complies with European directives (for health and safety).

"New Approach" has been adopted, within the system of harmonization, in order to eliminate technical barriers to trade. Based on this principle are adopted directives for the product groups that define minimum standards of safety and quality, while most of the technical requirements of the product are left to the certification by the manufacturer. So far 22 directives have been adopted, and this system applies to about 17% of intra-EU trade) (www.newapproach.org/directiveList.asp).

From the aspect of the institutional infrastructure can be said that Serbia has largely harmonized national legislation in the field of technical regulations and standards. In favor of this speaks the fact that there were formed "Institute for Standardization of Serbia", "Accreditation Body of Serbia", "Foundation for Quality Culture and Excellence (FQCE)" and within the Ministry of Economy and Regional Development was established the "Quality Infrastructure Department". Institute for Standardization of Serbia and other state authorities, should encourage domestic industry to adopt standards that are harmonized with the standards in the EU market, and thus attempt to improve sales in that market.

A special segment of our legislation harmonization with the EU legislation refers to *public procurement policy*. This request is not accidentally found on the agenda, but for a reason, if we have in mind that the share of public procurement in the EU GDP, in 2000, amounted about 16%. Law on Public Procurement of the EU prescribes a standard procedure, which prevents abuses and corruption in public procurement market. This law specifies the procedures for public procurement, such as: single tender procedures, selective tender, advertising the call for bids, the time period for submission of bids, and the discretion of state officials when they can to favor domestic suppliers. Serbia adopted a Law on Public Procurement, however, in practice it proved to be inconsistent, which led to the occurrence of corruption in this business segment. In preparing is the new Law on Public Procurement, but also is the abolition of the Public Procurement Agency as an independent organizational unit, so that the public procurement will be included.

5. Conclusion

The trade sector in Serbia for its features lag behind the developed market economies, which is confirmed by the indicators of economic importance of our trade. In order for domestic trade to get closer to developed economies, primarily to member states of European Union, it is necessary to create adequate prerequisites. In this regard, the key role has the institutional environment, which was the starting hypothesis in this paper. In this paper are analyzed the activities of authorized national institutions in developing our trade. The Ministry of foreign and domestic trade has a key role with the task of building modern institutional solutions in the sphere of markets and trade that will be fully harmonized with the solutions in the European Union. To achieve the objectives of the Ministry cooperation with other institutions is necessary, primarily with the Commission for Protection of Competition, consumer's organizations and the Chamber of Commerce and Industry of Serbia, whose activities are also considered through the paper. The complementary part of the institutional framework is its legal framework. This way the trade legislation in Serbia in recent years is increasingly going towards harmonization with the European Union's trade policy. In the context of these activities, come to the fore the areas of trade policy that are aligned with tenets and principles of the European Union's trade policy. Thus are adopted legislative and legal regulations in the field of trade, in the direction of harmonization with the EU, such as: Law on Commerce, Consumer Protection Law, Law on Protection of Competition, Law on Market Inspection, etc. These are certainly motivating factors to harmonization with the EU trade policy. On the other hand, there are limiting factors, such as: delays in the adoption of certain laws, abuse of dominant position, the implementation of the antimonopoly legislation, consumer protection, slow application of legislative and legal regulations in the field of electronic trade,

technical regulations and standards, company rights and public procurement. In addition, should be emphasized the unfavorable fact that the previous Ministry of Trade and Services was "abolished" and its agencies were merged with the Ministry of Agriculture, Forestry and Water Management. Serbia has recently received a candidate status in negotiations on accession to the EU, which makes us happy, but furthermore obligates trade policy makers to eliminate these restrictions and to continue activities towards harmonization with the European Union.

References:

- Cockfield, L. (1994), *The European Union: Creating the Single Market*, John Wiley, Chicester.
- Commission of the European Communities (2003) „Implementation report on 2002 Review of the Internal Market Strategy – Delivering a Promise“, Commission Staff Working Paper, Brussels.
- Ćuzović, S., Sokolov-Mladenović, S., Ćuzović, Đ. (2012), „Trgovinska politika Srbije u funkciji harmonizacije sa Evropskom unijom“, in: *Zbornik Institucionalne promene i determinante privrednog razvoja Srbije*, Ekonomski fakultet, Kragujevac, pp. 309-325.
- Ćuzović, S., Sokolov-Mladenović, S. (2011), „Strategies of trade internationalization on serbian market“, in: *Conference Proceeding Distributive trade as SEE and CEE development driver*, Zagreb, pp. 290-301.
- Ćuzović, S., Ivanović, P. (2010), *Inovacije u trgovinskom menadžmentu*, drugo izmenjeno i dopunjeno izdanje, Ekonomski fakultet, Niš.
- Ćuzović, S. (2010), *Menadžment kvalitetom u trgovini*, Ekonomski fakultet, Niš.
- Ćuzović, S., Sokolov-Mladenović, S. (2008), „Strukturne promene trgovine Srbije u uslovima konkurencije“, in: *Zbornik Regionalni razvoj i demografski tokovi balkanskih zemalja*, Ekonomski fakultet, Niš, pp. 317-330.
- Dinan, D. (2005), *Sve bliža Unija (Uvod u evropsku integraciju)*, Službeni glasnik, Beograd.
- Egan, M. (2001), *Constructing a European Market: Standards, Regulation and Governance*, Oxford University Press, Oxford.
- European Union (1997), „Treaty establishing the European Community“, *Official Journal of the European Communities*.
- Kotler, P. (2008), *Upravljanje marketingom*, MATE, Zagreb.
- Krafft, M., Mantrala, M.K. (2010), *Retailing in the 21st Century-Current and Future Trends*, Springer, Berlin.
- Lopandić, D., Janjević, M. (1995), *Ugovor o Evropskoj uniji - od Rima do Maastrichta, Međunarodna politika*, Pravni fakultet, Fakultet političkih nauka, Institut ekonomskih nauka i Evropski pokret u Srbiji, Beograd.
- McGoldric, P.J., Davies, G. (1995), *International Retailing-Trends and Strategies*, Pitman Publishing, London.
- Nacionalni program zaštite potrošača* (2007), Sl. glasnik RS, br. 7/07.
- Reinartz, W., Dellaert, B., Krafft, M., Kumar, V., Varadarajan, R. (2011), „Retailing Innovations in a Globalizing Retail Market Environment“, *Journal of Retailing*, Vol. 87, Issue 1, pp. 53-66.
- Statistički godišnjak Republike Srbije 2011* (2011), Republički zavod za statistiku, Beograd.
- Strategija razvoja trgovine Republike Srbije* (2009), Vlada Republike Srbije, Ministarstvo trgovine i usluga, Beograd.
- EuroCommerce (2009), „The retail, wholesale and international trade representation to the EU“, Annual report 2009, available at: www.eurocommerce.be (accessed 15 May 2012).
- Zakon o zaštiti konkurencije* (2005), Sl. glasnik RS, br. 79/05.
- Zakon o zaštiti konkurencije* (2009), Sl. glasnik RS, br. 51/09.
- Zakon o zaštiti potrošača* (2005), Sl. glasnik RS, br. 79/05.
- Zakon o zaštiti potrošača* (2010), Sl. glasnik RS, br. 73/10.
- Zakon o zaštiti korisnika finansijskih usluga* (2011), Sl. glasnik RS, br. 36/11.
- www.apos.org.rs (accessed 29 May 2012).
- www.kzk.org.rs (accessed 30 May 2012).
- www.nops.org.rs (accessed 30 May 2012).
- www.newapproach.org/directiveList.asp (accessed 15 May 2012).
- www.pks.rs (accessed 20 May 2012).
- www.srbija.gov.rs (accessed 10 June 2012).