
THE FUTURE OF SERBIAN FRUIT EXPORTS TO EGYPT: OPPORTUNITIES UNDER THE NEW FREE TRADE AGREEMENT

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ABSTRACT

This study examines the potential impact of the Free Trade Agreement (FTA) between Serbia and Egypt on Serbian fruit exports. It identifies fruit products with strong trade complementarity to Egypt's import needs and projects export growth from tariff reductions. Using Revealed Comparative Advantage (RCA) and the Michaely Trade Complementarity Index (TCI), the analysis highlights Serbia's globally competitive fruit products and their alignment with Egypt's demand. A simulation model, incorporating Egypt's demand elasticity and anticipated price reductions, predicts significant growth for products like fresh apples, plums, and dried apricots, while frozen fruits, despite high RCA, show limited prospects. The findings offer actionable recommendations for expanding production in high-demand sectors, leveraging Serbia's comparative advantages, and diversifying exports to maximize FTA benefits. This study provides a strategic framework for enhancing Serbia's fruit trade with Egypt, supporting informed policymaking and stakeholder decisions in an evolving global trade environment.

Introduction

Free Trade Agreements (FTAs) have proliferated significantly since the turn of the 21st century, with over 354 FTAs currently in force worldwide as of 2024 (WTO, 2024). These agreements play a critical role in reducing both tariff and non-tariff barriers, fostering economic efficiencies through mechanisms like trade creation and trade diversion (Viner, 1950). Beyond tariff reductions, modern FTAs increasingly address non-tariff barriers (NTBs), aligning regulatory standards and streamlining administrative procedures to lower transaction costs and enhance market access (Bhagwati & Panagariya, 1996; Irwin, 2008; Baldwin, 2011). These aspects are especially relevant in developing countries, where average tariffs and NTBs remain significant obstacles to trade (Melchior, 2018). Despite the broader trend of tariff reductions globally, FTAs continue to hold substantial importance for products facing high import duties in specific markets.

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Within this global trend of trade liberalization, Serbia and Egypt have taken a significant step toward strengthening economic ties through their newly signed FTA. The economic ties between Serbia and Egypt have significantly progressed in recent years, marked by a series of agreements aimed at strengthening bilateral cooperation. A pivotal moment occurred in July 2022 when Egyptian President Abdel Fattah el-Sisi visited Serbia, leading to the signing of several agreements, including a Memorandum of Understanding (MoU) on Agriculture. This MoU emphasized the mutual interest in expanding agrarian trade through joint projects, knowledge exchange, and agricultural technology transfers (Ministry of Agriculture of the RS, 2022).

Following this, in December 2022, Egypt expressed a notable interest in importing Serbian fruits and grains, signalling an untapped opportunity for Serbian exporters. While the demand for Serbian grains was expected given North Africa's high import needs (Stanojević, 2022), the interest in Serbian fruits was more surprising, as Egypt has traditionally been a marginal market for these products.

Building on these developments, Serbia and Egypt signed a Free Trade Agreement (FTA) in July 2024, which is currently awaiting ratification. The FTA is set to eliminate or significantly reduce tariffs on Serbian agricultural exports, offering Serbian producers improved market access and price competitiveness in Egypt (Tanjug, 2024).

The significance of this study lies in the mutual benefits the Serbia-Egypt FTA offers to both countries. For Serbia, the agreement presents a valuable opportunity to expand its agricultural exports beyond traditional European markets. While Serbia has a well-established fruit export industry—particularly in frozen berries, apples, and stone fruits—its trade has remained largely concentrated in the EU and neighbouring countries. The FTA, by reducing tariffs and improving market access, enables Serbian producers to tap into Egypt's growing demand for high-quality fruit imports. This, in turn, could open new trade opportunities and support Serbia's efforts to diversify its export markets.

From a broader perspective, this study contributes to the understanding of South-South trade agreements, which have gained increasing relevance in global trade dynamics. Recent research underscores that trade liberalization among developing countries can yield substantial economic benefits, often rivalling those achieved through access to developed markets (Kowalski & Shepherd, 2006; Sanguinetti et al., 2010; Mayda & Steinberg, 2009; Lee & Lee, 2012). In this context, the Serbia-Egypt FTA exemplifies a strategic effort to enhance trade flows between emerging economies.

The primary objective of this study is to assess the potential impact of the newly signed Serbia-Egypt FTA on Serbian fruit exports by identifying high-potential fruit products and estimating the expected growth in trade flows resulting from tariff reductions.

Specifically, the research focuses on:

- **Identifying High-Potential Fruit Products:** Determining which Serbian fruit products exhibit the strongest trade complementarity with Egypt's import needs under the new FTA framework.

- Estimating Export Growth: Predicting the extent to which Serbia's fruit exports could increase post-FTA, particularly for highly complementary products.

To achieve these objectives, the study employs a combination of trade indices and simulation techniques. The Revealed Comparative Advantage (RCA) index is used to identify Serbia's most globally competitive fruit products, while the Trade Complementarity Index (TCI) measures the alignment between Serbia's export potential and Egypt's import demand. A simulation model then projects the potential growth in Egyptian demand for these products, incorporating key factors such as price elasticity and expected tariff reductions.

This approach provides a predictive analysis of the FTA's impact on Serbia's agricultural trade, offering valuable insights for policymakers and exporters looking to leverage new market opportunities.

Background: Serbian Fruit Exports and Emerging Opportunities in Egypt

Serbia's Fruit Sector

Serbia's strong fruit production is a cornerstone of its agricultural exports, driven by a favourable geographical position and temperate continental climate (Stankov et al., 2023). The country is a global leader in raspberry production and export, with other prominent fruits including apples, plums, cherries, and strawberries (Matkovski et al., 2018).

Fruit exports significantly contribute to Serbia's trade balance, accounting for 3.5–4% of total exports in the past five years—a notable share for low-value, minimally processed products. Frozen fruit, particularly frozen berries, dominates the export structure, consistently representing over 50% of annual fruit export value. In 2021, frozen berries alone generated \$682 million, comprising nearly 70% of total fruit exports (Table 1).

Table 1. The structure of fruit export from Serbia (in million USD)

HS	Product	2019	2020	2021	2022	2023
08	Total fruit export	608	736	975	894	789
0811	Frozen fruit	380	476	682	613	516
0808	Apples, pears and quinces	124	133	134	113	106
0813	Dried fruit	18	21	39	58	61
0810	Fresh strawberries, raspberries, blackberries	36	43	58	50	50
0809	Apricots, cherries, peaches, plums	45	59	54	53	44

Source: ITC, 2024b. Trade Map.

Other key categories include apples, pears, and quinces, which maintain stable export values, and dried fruits, which have shown remarkable growth, tripling from \$18 million in 2019 to \$61 million in 2023. Fresh fruits, such as strawberries, raspberries, and apricots, also play a role but contribute less overall.

Serbia's primary export markets include Germany, Russia, and other European countries, as well as the United States, Saudi Arabia, and the UAE. Frozen products are particularly favoured globally for their shelf life and logistical efficiency, underscoring Serbia's competitive edge in this segment.

The Untapped Egyptian Market and FTA Prospects

Serbia's natural conditions, including its favorable geographical location and suitable climate, make it a competitive fruit producer and exporter (Lukač-Bulatović et al. 2017; Stankov et al., 2023). In contrast, Egypt faces severe agricultural challenges, primarily due to water scarcity. Fruit production, one of the most water-intensive agricultural activities, is increasingly difficult for Egypt as the country struggles with a growing freshwater crisis (Osman et al., 2021). Overuse and climate change have significantly reduced the capacity of the Nile, Egypt's primary source of water and fertile land, further exacerbating these challenges.

Egypt's growing reliance on imports to meet its agricultural needs highlights a significant opportunity for Serbian fruit exports. However, Serbia remains a minor supplier to Egypt, with exports primarily limited to frozen fruits. This underutilization is largely due to systemic barriers, including high tariffs and stringent regulatory requirements. For example, while frozen fruits face a relatively low tariff of 10%, fresh fruit products such as apricots, peaches, and plums are subject to duties as high as 60% (Table 2).

Table 2. Egyptian market access condition for Serbia

Fruit product	HS code	Customs Tariffs
Apples	08081	40%
Pears	08083	40%
Quinces	08084	30%
Apricots	08091	60%
Sour cherries	08092	10%
Peaches, including nectarines	08093	60%
Plums	08094	60%
Strawberries	08101	10%
Frozen berries	0811	10%
Provisionally preserved fruit	0812	10%
Dried apricot	08131	30%
Dried prunes	08132	30%
Dried apples	08133	20%

Source: ITC, Market Access Map, 2024a. <https://www.macmap.org/>

This tariff disparity has significantly restricted Serbia's ability to penetrate the Egyptian market with fresh and processed fruits, as the high costs erode competitiveness.

Non-tariff measures (NTMs) further complicate access for Serbian exporters. Egypt imposes over 150 regulatory measures on fresh and dried fruits and 161 measures on frozen fruits (ITC, 2024a). Combined with high tariffs, these barriers limit Serbian horticultural products' ability to compete in Egypt's market.

Additionally, Egypt's trade agreements with countries such as the EU, India, the United States, and South Africa provide preferential tariff treatment, giving their exports a significant competitive edge. As a GAFTA member, Egypt also benefits from tariff-free or reduced-tariff imports from other Arab nations. These dynamics have historically marginalized Serbian exports in the Egyptian market. However, it is worth noting that competing nations primarily supply citrus and grapes, which are not Serbia's main export categories, leaving room for other fruits to gain traction.

The FTA between Serbia and Egypt, signed in 2024, signals a shift in trade relations. Building upon cooperative agreements initiated in 2022, the FTA is expected to eliminate customs duties on nearly all Serbian agricultural exports to Egypt, drastically improving market access. Tariffs on key products such as fresh apples (40%) and dried prunes (30%) are slated for removal, with phased reductions for other products ranging from 20% to 60% (Tanjung, 2024).

This tariff elimination is expected to have a profound impact on pricing and demand. Lower import prices for Serbian fruits are likely to make them more competitive and appealing to Egyptian consumers, stimulating demand. For instance, the removal of a 40% tariff on apples is projected to significantly reduce consumer prices, opening opportunities for Serbian producers to expand their presence in the Egyptian market.

While regulatory barriers will still need to be addressed, the FTA offers a unique opportunity to redefine Serbia's role in Egypt's import landscape. By leveraging reduced tariffs, Serbia can diversify its export portfolio and establish a stronger foothold in an untapped yet promising market. The agreement not only aligns with Egypt's need for diversified, cost-effective agricultural imports but also supports Serbia's strategy of expanding trade partnerships beyond traditional markets.

Materials and methods

This research aims to assess the impact of the Serbia-Egypt FTA on Serbian fruit exports by identifying high-potential products and estimating export growth due to tariff reductions.

Research Aims and Questions

The study is guided by two main aims:

1. Identifying Serbian fruit products with the strongest complementarity to Egypt's import needs.
2. Estimating the potential increase in Serbian fruit exports resulting from the FTA's tariff reductions.

The following research questions are addressed:

1. Which Serbian fruit products exhibit the strongest trade complementarity with Egyptian import demand under the 2024 FTA framework?

2. What is the projected increase in Serbian fruit exports to Egypt, particularly for highly complementary products, following tariff reductions?

Methodological Approach

The research applies a two-step methodology:

Step 1: Identifying High-Potential Products

- RCA: Revealed Comparative Advantage, introduced by Balassa (1965), measures Serbia's global export competitiveness for each fruit product using the formula:

$$RCA_{pj} = (X_{pj}/X_j)/(X_{pw}/X_w) \quad (1)$$

Where:

- X_{pj} = exports of product p from country j
- X_j = total exports of country j;
- X_{pw} = world exports of product p;
- X_w = total world exports

A value greater than 1 indicates comparative advantage. Previous studies, such as Ahmed et al. (2024), Fertő and Hubbard (2003), and Banterle and Carraresi (2007), validate the utility of RCA in agricultural trade analysis.

- TCI: The Michaely Trade Complementarity Index assesses alignment between Serbia's export structure and Egypt's import demand, using the formula:

$$TCI_{ab} = 1 - \Sigma |X_{aj}/X_a - M_{bj}/M_b|/2 \quad (2)$$

where X_{aj} is the country a's export of commodity j; X_a is country a's total export; M_{bj} is the country b's import of commodity j. M_b is country b's total import.

A result near 1 indicates strong complementarity. This approach builds on methodologies discussed by Michaely (1996), Finger and Kreinin (1979), Hoang (2018), and Stanojević (2022).

Step 2: Simulating Export Growth

Simulation models are tools particularly useful for assessing complex systems where multiple variables interact. This research adopts the methodology established by Plummer et al. (2010) to assess the impact of FTAs. It incorporates ITC (2024b) data on tariffs and trade flows.

A simulation model estimates the increase in Egyptian demand for Serbian fruits under the FTA. The model incorporates:

- Demand Elasticity: Measures the percentage change in import quantity relative to price changes, using the formula:

$$E_{QP} = \% \text{ change in } Q / \% \text{ change in } P \quad (3)$$

Where Q is quantity of demand and P related to prices of imported goods.

- Price Changes: Assumes reductions in tariffs on Serbian fruits, with price changes (p') modeled to predict import demand.

The projected demand increase (Y') is calculated as:

$$Y' = e * p' \quad (4)$$

where e is elasticity and p' is the price change.

- The net increase in demand is derived as:

$$\Delta Y = Y' - Y \quad (5)$$

Where Y' as the projected import quantity is the result of multiplying the elasticity by the change in price:

This approach allows for a quantitative estimate of how much Egyptian demand for Serbian fruits is likely to increase due to the reduced prices following the FTA.

Results

RCA results

The RCA results presented in Table 3 reveal that Serbia holds a significant competitive advantage in several fruit product categories. Frozen fruit (HS 0811) exports represent Serbia's strongest comparative advantage, with an RCA index exceeding 187.7, indicating a robust position in the global market. This product group also holds a significant share in the country's total exports, accounting for 2.15% of overall exports and 67% of total fruit exports, valued at approximately \$600 million. A 2% share of total exports from a single product group is notably high, especially for agricultural products, which typically have a relatively low unit value. These figures are based on the average export performance from 2019 to 2023.

Table 3. Comparative advantage of Serbian Fruit products

HS cod	Product label	RCA
0811	Frozen fruit	187.77
0813	Dried apricots, prunes, apples, peaches, pears	39.78
0808	Apples, pears and quinces, fresh	26.59
0809	Apricots, cherries, peaches, plums, fresh	13.71
0810	Fresh berries	4.95
0802	Hazelnuts	0.58

Source: Author

Dried fruits and fresh apples and pears also demonstrate strong competitiveness with an RCA of 27 and 40. The other analyzed Serbian fruit products show moderate to low levels of competitiveness. Given its minimal competitive advantage, hazelnuts, with an RCA of 0.58, will be excluded from further analysis, as it suggests limited export potential in this category.

Results of Trade Complementarity Analysis

The Trade Complementarity Index (TCI) between Serbia and Egypt indicates that there is significant potential for Serbian fruit exports across all product groups currently exported. The TCI values for all products are greater than 0.9, demonstrating strong alignment between Serbia's export supply and Egypt's import demand (Table 4).

Interestingly, despite frozen fruits having the highest RCA and the largest share of Serbian fruit exports, other fruit categories exhibit stronger complementarity with Egypt's import structure. Fresh apricots, cherries, and peaches (HS 0809) have the highest TCI at 0.9978, followed closely by fresh berries (HS 0810) and dried fruits (HS 0813), which both demonstrate strong potential for trade expansion with Egypt. This contrast suggests that while frozen fruits dominate Serbia's export profile, other fruit products may offer more favorable opportunities for penetrating the Egyptian market.

Table 4. TCI Results: Complementarity of Serbia's Fruit Exports with Egypt's Imports

HS cod	Product label	TCI
0809	Apricots, cherries, peaches incl. nectarines, fresh	0.9978
0810	Fresh berries	0.9976
0813	Dried apricots, prunes, apples, peaches, pears	0.9975
0808	Apples, pears and quinces, fresh	0.9962
0811	Frozen fruit	0.9709

Source: Author

An inconvenient challenge is that the fruit products with the highest complementarity (HS 0809 and HS 0810) represent a relatively small share of Serbia's total exports. Specifically, Serbian exports of apricots, cherries, peaches, and fresh berries (HS 0809 and HS 0810) averaged only \$50-52 million per year between 2019 and 2023, which is ten times lower than the export value of frozen fruits (HS 0811), which averages \$600 million annually (see Table 1). This suggests that Serbia currently lacks the production capacity to significantly scale up exports of these high-TCI fruit categories in the medium term. While all fruit groups will be included in the assessment of the effects of tariff reductions, the reality remains that the two product groups with the highest complementarity cannot substantially increase export revenues without significant investment in expanding plantings and production capabilities.

On the other hand, exports of apples, pears, and quinces (HS 0808) are notably higher, averaging \$100 million per year (Table 1). Though the TCI for this group is slightly lower than that of the other fruits, it remains very high, and apples—one of Serbia's flagship export products—should continue to be a focus for Serbian producers.

A potentially critical product group is dried fruits (HS 0813), particularly prunes and apricots. This category exhibits a high TCI and has shown rapid growth in production and export volume in recent years. While the average export value remains modest, this group stands out due to its significant export growth. For instance, exports of dried fruit grew from \$18 million in 2019 to \$39 million in 2021, and nearly doubled again to \$61 million by 2023 (Table 1).

Supporting this shift in production is the fact that Serbia's primary export markets for dried fruits—such as the United States, Germany, Russia, and the United Kingdom—are all geographically distant. While some of these markets are closer than Egypt, the difference in transportation costs is not substantial enough to affect competitiveness, making Egypt a similarly viable and cost-effective export destination for Serbian dried fruits.

Simulation Results for FTA Impact

This analysis includes all product groups that demonstrated both a significant RCA and a high TCI. As outlined in the methodology section, the first step involves calculating the elasticity of the Egyptian market for importing these products. Elasticity was estimated for individual products at the 6-digit HS level, as shown in Table 2, which relates to customs tariffs.

Certain products were excluded from the analysis due to limited relevance. Fresh quinces, fresh strawberries, and dried apples were omitted as Egypt rarely imports these products from any source. Additionally, elasticity values for cherries were not calculated due to insufficient import data for 4 out of the 5 analyzed years. As such, estimating the impact of tariff reductions for these products would have limited practical significance.

The data used in the analysis spans the 5-year period from 2019 to 2023. To estimate changes in demand, average elasticity values and average prices for each product were applied. The table below presents the simulation results, highlighting key variables: average elasticity, the percentage change in price due to tariff reductions (p') as indicated in Table 2, the projected percentage change in quantity demanded (YQ'), the projected total import value (Y'), and the projected increase in demand for each product ($Y' - Y$). It's important to note that these projections refer to Egypt's total imports from the global market, not specifically from Serbia.

Table 5. Result of simulation model: Projected demand

Fruit product	Elasticity (average)	p'	YQ'	Projected import Y' (million \$)	Projected demand (million \$)
Apples, fresh	-2,3728	-0,4	95%	691,92	336,93
Pears, fresh	-8,1623	-0,4	326%	9,51	7,28
Apricots, fresh	0,2761	-0,6	-17%	2,62	-0,52
Cherries, fresh	-17,8367	-0,1	178%	9,40	6,03
Peaches, fresh	-1,0039	-0,6	60%	24,16	9,08
Plums, fresh	-25,6775	-0,6	1541%	365,11	342,85

Fruit product	Elasticity (average)	p'	YQ'	Projected import Y' (million \$)	Projected demand (million \$)
Frozen fruit excl. berries	3,3600	-0,1	-34%	1,22	-0,62
Frozen berries excl. strawberries	-0,9149	-0,1	9%	0,62	0,05
Frozen strawberries	-2,2386	0,1	-22%	0,39	-0,11
Cherries, provisionally preserved	-1,2368	-0,1	12%	1,35	0,15
Dried prunes	11,4334	-0,3	33%	6,41	1,57
Dried apricot	-5,3001	-0,3	159%	14,69	9,02

Source: Author

The projections in Table 5 provide insights into potential export opportunities for Serbia. Products such as fresh apples and fresh plums show the most significant potential, with projected increases of \$336.93 million and \$342.85 million, respectively. These figures highlight strong opportunities for Serbia to expand exports in these categories, provided production capacity and quality standards are addressed.

Products like fresh pears, cherries, peaches, and dried apricots are expected to see moderate demand growth. While not as significant as apples or plums, these products still offer Serbia a promising chance to enhance its market position in Egypt.

Frozen fruits, including frozen strawberries, and fresh apricots are projected to experience stagnant or declining demand. These products may not represent priority categories for short-term export growth.

Discussion

The analysis of Serbia's fruit export potential to Egypt under the Free Trade Agreement (FTA) provides critical insights into the opportunities and challenges associated with market expansion. By integrating the findings from Revealed Comparative Advantage (RCA), Trade Complementarity Index (TCI), and demand simulations, this study identifies key products with the highest potential and the structural constraints that may hinder Serbia's export growth.

Key Findings from RCA and TCI Analysis

Serbia's global competitiveness in fruit exports is well established, particularly in the frozen fruit sector, where its RCA is exceptionally high (187.7). However, RCA alone does not fully capture the potential of Serbian fruit exports to Egypt. The TCI analysis reveals that Egypt's import demand aligns more closely with fresh and dried fruits—specifically fresh apricots, cherries, peaches, berries, and dried apricots—rather than frozen fruits.

A key challenge arises from Serbia's limited production capacity for these high-TCI products. While the total export value of Serbia's fresh fruit sector remains modest at

approximately \$50–52 million annually, frozen fruit exports alone exceed \$600 million. This disparity highlights the need for strategic investment in expanding the production of high-TCI products to fully capitalize on the FTA.

Dried fruits, particularly prunes and apricots, emerge as a sector with strong potential due to their rapid export growth and high complementarity with Egypt's demand. This segment offers a realistic and scalable avenue for increasing Serbian fruit exports under the FTA.

Simulation Results: Demand Projection

Demand simulations reinforce these findings by estimating the expected growth in Egyptian imports post-FTA. The most significant projected increases are observed in fresh apples and plums, with estimated additional demand of \$336.93 million and \$342.85 million, respectively. These figures suggest that Serbia's existing export strengths can be leveraged effectively in the Egyptian market.

Conversely, while fresh pears, cherries, peaches, and dried apricots show moderate demand growth, frozen fruits exhibit limited expansion potential. Despite Serbia's dominant position in frozen fruit exports, the stagnant or declining demand projections in Egypt indicate that Serbia must recalibrate its export focus toward fresh and dried fruit categories.

Strategic Recommendations

To fully capitalize on the trade liberalization benefits of the Serbia-Egypt FTA, Serbia should pursue a multifaceted strategy:

- Expand production of high-TCI fruits: Investments in fresh apricots, cherries, peaches, and berries are necessary to align supply with Egypt's import demand and increase export volumes.
- Strengthen the dried fruit sector: Given its strong growth trajectory, Serbia should enhance processing capacity and branding efforts for dried fruits, particularly prunes and apricots, to secure a competitive position in Egypt.
- Leverage existing strengths in apples and plums: These products, which exhibit both high RCA and strong projected demand, should remain a priority for Serbian exporters.
- Diversify through value addition: Expanding processing, packaging, and branding initiatives can enhance Serbia's competitiveness and create differentiation in the Egyptian market.

Conclusion

The Serbia-Egypt FTA presents a strategic opportunity for Serbia to diversify its agricultural exports, with particular emphasis on the fruit sector. While frozen fruits currently dominate Serbia's export portfolio, the analysis highlights that fresh and dried

fruits—specifically apricots, cherries, peaches, and prunes—hold the greatest untapped potential in Egypt. However, realizing this potential requires overcoming production constraints and aligning Serbia’s supply capabilities with market demand.

The demand simulation results further underscore the importance of targeting high-demand products such as apples and plums while acknowledging the limited prospects for frozen fruits in the Egyptian market. This shift in focus is essential for maximizing the benefits of trade liberalization under the FTA.

By implementing targeted investments in production, processing, and market development, Serbia can strengthen its position in the Egyptian market and expand its footprint in the broader Middle Eastern and North African (MENA) region. More broadly, the Serbia-Egypt FTA serves as a case study on the potential of South-South trade agreements in fostering economic integration and trade expansion between emerging economies.

Future research should explore additional factors such as non-tariff barriers, logistical constraints, and the role of investment in further enhancing Serbia’s agricultural trade competitiveness under the FTA.

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Conflict of interests

The author declares no conflict of interest.

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