



## **REPORT BY THE CHAIR IN OFFICE**

**November 2015**

## **1. PURPOSE OF REPORT**

The purpose of this document is to report on the activities and meetings that took place in the period between 1 January – 20 November 2015 and which are not falling directly under the scope of Committee of Trade Facilitation and four CEFTA Subcommittees.

## **2. SPECIAL JOINT COMMITTEE (SJC) MEETING**

During the reporting period, one SJC meeting was held by the Moldovan Chairmanship. The first SJC meeting was convened on 25 February 2015 in Brussels further to the letter of 5 January 2015 from the Republic of Serbia, in the presence of all CEFTA Parties except the Republic of Albania. The agenda of the meeting focused on trade issues among Serbia and Kosovo\* on Inadequate Customs Valuation (CEFTA Article 15) and Inappropriate request for the Veterinary Certificate (CEFTA Article 12.1), among Serbia and Bosnia and Herzegovina on discriminatory excise duties on beer, among Serbia and Albania on law on medicines and pharmaceutical services, guidelines for identifying indicators of safety and quality of repacked wheat flour intended for selling to consumers or for production of other food products and the law on excise of the Republic of Albania. Montenegro formally raised the issue on Law on Excise which regulates the level of excise duty on wine and beer and problem with wheat flour and asked for formal consultations with Albania under Article 42.2 of CEFTA and Articles 6.2 and 9 of Rules of Procedures for the Joint Committee. (Annex 1 Special Joint Committee Conclusions)

## **3. ADOPTION OF DECISIONS**

On 27 January 2015, Bosnia and Herzegovina has completed the procedure of written acceptance of six (6) Ministerial Decisions which were adopted by other CEFTA Parties at the Joint Committee Meeting in Skopje on 21 November 2014. In capacity of the Chair-in-Office Moldova notified the CEFTA Parties in accordance with the Article 11 of the Rules of Procedures of the Joint Committee (Decision No 1\_2007) on the adoption of Ministerial Decisions by Bosnia and Herzegovina and on the date of entry into force of all Ministerial Decision i.e. 28 January 2015.

## **4. LIBERALISATION OF TRADE IN AGRICULTURAL GOODS**

The Additional Protocol 4 lifting the last remaining quotas on wine between Macedonia and Moldova was signed by Moldova on 25 February and by Macedonia on 4 March, thus successfully closing the chapter on full liberalisation of trade in goods within CEFTA.

## **5. CAPACITY BUILDING IN TRADE POLICY FORMULATION, COORDINATION, AND IMPLEMENTATION**

The Moldovan Chairmanship supported the efforts to respond to the needs for building capacities in trade policy formulation, coordination and implementation in the CEFTA Parties administrations. To this

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aim, ITC was granted the implementation of the project on Trade Policy Capacity Development, designed by the CEFTA Secretariat, which directly involves the Article 44 Contact Points as well other stakeholders who have direct roles in the process. The ITC held a kick-off meeting with CEFTA Parties in Brussels on 10 February 2015. Following the conclusions of that meeting ITC organized missions to CEFTA Parties where they met all concerned stakeholders and gathered relevant information for the Need Assessment Report. The final Need Assessment report including the draft Action Fiche was delivered in October 2015. CEFTA Parties agreed to focus on short term trainings on specific areas such as trade facilitation, trade in services, and investment targeting senior experts in Ministries for Trade and other relevant Ministries. Though the long term training as proposed by the ITC could be considered under the IPA funds supporting public administration reform process.

## **6. NATIONAL EXPERTS PROGRAMME**

The implementation of CEFTA National Experts Programme commences in the time frame as planned in the second quarter of 2015, after relevant financial support has been secured from the EU. On 30 April 2015, the contract for financing of the so called Action with the EC was signed comprising also financing of the secondment programme. After completing internal selections and required procedures Montenegro, Serbia and Moldova seconded their national experts to the CEFTA Secretariat in Brussels. The first secondee from Montenegro joined the Secretariat on 8 June; the secondee from Serbia on 22 June while the two secondees from Moldova on 6 July. Secondees are directly involved in the work of assigned to them Subcommittees and technical preparations in relevant workshops.

## **7. SUSTAINING SYNERGY BETWEEN IMPLEMENTATION OF CEFTA AND THE SEE 2020**

The Moldovan Chairmanship continues implementing CEFTA and Pillar 1 Integrated Growth of the SEE 2020 Strategy as a one consolidated agenda. In this context, the Chair in Office supports the Secretariat in fulfilling their role of Dimension Coordinator for Pillar 1 of the SEE 2020. In the first half of the year, the focus was on preparing data for quantitative and qualitative indicators for the so called Competitiveness Outlook which will be prepared by OECD by the end of 2015. Additionally, efforts have been made to institutionalise coordination among RCC, SEETO and the CEFTA in the framework of the so called Connectivity flagship i.e. one of the three leading initiatives within the SEE 2020 for the period 2015 – 2020.

CEFTA Parties made coordinated efforts to provide their inputs on trade facilitation and liberalisation of trade in services to the Cabinets of their Prime Minister in the framework of the Western Balkans Summit which is held in Vienna on 27 August 2015. As a result of this coordination, strong emphasis in the conclusions of the Vienna Summit were made to trade facilitation and economic connectivity of the Western Balkans on the back of the actions undertaken in CEFTA.

## **8. RCC-CEFTA JOINT WORKING GROUP ON INVESTMENT POLICY AND PROMOTION**

Two meetings of the Working Group on Investment Policy and Promotion were held in 2015 (12 May in Sarajevo, Bosnia and Herzegovina and 6 October in Becici, Montenegro). The work was focused on

implementing priority activities stipulated under the investment dimension of the Integrated Growth Pillar of the SEE 2020 Strategy, including development of monitoring mechanism for implementation of priorities, approving Investment chapter of the OECD Competitiveness Outlook, discussing the examples of multilateral investment agreements in other parts of the world which can be used as a model for the region, etc. The detailed Report on the activities of the Working Group is prepared separately.

## **9. CEFTA STRATEGIC MEETING**

During the reporting period, a strategic meeting was held in Belgrade on 5 November 2015. Representatives of the CEFTA Parties were present during the meeting. During the meeting the Parties discussed the draft ministerial decisions and conclusions in preparation for the CEFTA Joint Committee scheduled on 26 November 2015 in Chisinau. Parties as well discussed on the implementation of the National Experts Programme, the CEFTA Week and the outputs of the Capacity Building project.

## **10. CEFTA PROJECT MAP**

The Chairmanship of Moldova prepared a CEFTA Project Map with an aim to list all the previous, ongoing and future projects related to CEFTA priorities on trade facilitation, liberalization of trade in services, investment, capacity building, and enhancing transparency. This initiative as CEFTA Chair in Office has been launched to engender greater coordination amongst the Parties, project financiers and implementing organisations. This is an initiative that will be continued and strengthened by the CEFTA Parties in the coming years. A total number of 26 projects have been mapped and their short summary was included. The map will be distributed during CEFTA Week and will be available in the website of CEFTA.

## **11. RECRUITMENT OF DIRECTOR OF CEFTA**

CEFTA Parties pursuant to the Decision No 8/2014 established a Selection Committee for the Recruitment of the CEFTA Secretariat's Director. Mrs Renata Vitez, former Director of the CEFTA Secretariat resigned from her position on 22 September 2015 being in her service to CEFTA from 2008. A specially appointed Selection Committee is now seeking applications for the position of Director. A human resource expertise funded from the Open Fund has been tendered in July 2015 to assist the CEFTA Parties to develop and implement a suitable recruitment programme to identify and select the most appropriate candidate for the position of Director to lead and manage the CEFTA Secretariat. The Selection Committee met once in October 2015 to agree on relevant recruitment material and procedures to be followed. The vacancy announcement is made public on 2 November 2015 in all local newsletters and relevant websites including the CEFTA Secretariat's. Eligible applicants include civil servants from national administrations and personnel from international organisations, the private sector and civil society. It is envisaged that latest starting date for Director in CEFTA Secretariat (subject to availability of candidate) to be March 2016.

## SPECIAL JOINT COMMITTEE MEETING

25 February 2015

Brussels, Belgium

### Ministerial Conclusions

Further to the letter of 5 January 2015 from the Republic of Serbia, the Special Joint Committee Meeting convened on 25 February 2015 in Brussels, in the presence of all CEFTA Parties except the Republic of Albania.

All present Parties regrettably acknowledged the absence of the Republic of Albania which prevents the Parties to adopt legally binding solutions at the current Special Joint Committee. In order not to prevent reaching amicable solutions of the trade disputes raised during the meeting, these conclusions will be communicated to the Republic of Albania with a request to get its written acceptance of the conclusions of this meeting in one week time, i.e. March 4, 2015. After this date silent consent applies. In order to prevent the same situations happen in the future where one or more Party is absent in Special Joint Committee meetings, CEFTA Parties agree to adopt the following conclusion: in case one or more CEFTA Parties are not present in one of the Special Joint Committee meetings, CEFTA Parties agree that such missing Parties ex-ante accept the adoption of Ministerial Conclusions in their absence and these conclusions will be deemed as valid and binding for all CEFTA Parties in accordance with CEFTA Article 42. This rule applies until a permanent solution is adopted.

Regarding the issues related to the implementation of CEFTA which are referred to the attention of Joint Committee as trade disputes, CEFTA Parties agree that a Ministerial decision should be adopted to introduce a rule to allow taking Ministerial Decisions with WTO definition on “negative consensus”.

Regarding all trade disputes referred to the attention of CEFTA Joint Committee, CEFTA Parties agree that the complaining Parties should present injury by providing statistical data of trade in the product subject to the disputed measure.

Having taken into account the number of trade dispute cases submitted to the attention of the Joint Committee increasingly referring to the incompliance of the disputed measures with the *EU acquis*, CEFTA Parties agree to address this issue at the Deputy Ministers meeting in June 2015, and agree whether they will continue referring to the *EU acquis* in their argumentation of the trade dispute, and to define the conditions in case the *EU acquis* is to be referred.

The Parties agreed with the Chair’s proposal that the concerned Parties shall circulate the Explanatory notes related to the issues on the agenda not later than 10 days prior to the meeting in order to allow the Parties to elaborate on them in advance and prepare their official positions thus increasing the

efficiency of the Special Joint Committee meeting as an important step in the dispute settlement procedure.

CEFTA Parties agree that if a case is introduced in the Market Access Barriers Data Base, Complainant Party should respond within 30 days provided that Complaining Party makes all the supporting information related to the case available through the Database.

Regarding the trade disputes which stem from various import or export certifications, the burden of proof belongs to the Complaining Party to present all data submission requirements by the Party of import in order to provide the basis to analyse whether these data requirements are justifiable and not distort trade.

Regarding the cases related to customs valuation, CEFTA Parties reiterate that the declared value is in principle to be accepted as transaction value for customs without prejudice that each Customs Authority has the right to satisfy itself regarding transaction value. Thus, CEFTA Parties remind that Customs Authorities must respect the relevant provisions of the WTO Customs Valuation Agreement in case the declared value is not accepted by Customs Authorities.

Regarding the specific trade disputes referred to the attention of the Special Joint Committee the following conclusions have been agreed:

- The Parties recommend the Kosovo<sup>†</sup> authorities to stop the practice of taking reference price in determining the customs value of the subject product unless the evidence of adequate procedures is provided.
- The Parties welcome the progress in resolving the issue of veterinary certificates between Serbia and Kosovo\* and encourage them to continue the dialog to address any potentially outstanding issues.
- The Parties agreed that there was not enough information made available to the members of the Joint Committee in order to come to the final conclusions in the case of Law on Amendments of the Law on Excise Duties in Bosnia and Herzegovina. In this context the Parties invite Bosnia and Herzegovina to provide relevant information to the Parties and Serbia to provide relevant statistical data on exports in question.
- The Parties welcomed the readiness of Bosnia and Herzegovina to submit the Ministerial Conclusions from the CEFTA Special Joint Committee regarding the Serbian complaint to the Council of Ministers of Bosnia and Herzegovina for further steps.

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- All present Parties agreed that the Article 12.2(c) of the Law on Medicines and Pharmaceutical Services of Albania violates the CEFTA Article 13 discriminating the so called “Balkan countries” versus other countries.
- Having this into consideration, present CEFTA Parties recommend Albania to take measures for the Article 12.2(c) of the Law on Medicines and Pharmaceutical Services not to be applied by the Republic of Albania after 3 March 2015.
- The Parties invite Albania to respond to the issues raised by Montenegro regarding the application of technical measures related to wheat flour and the legislation related to excise duty on wine and beer.
- The Parties took note of the issues presented by Kosovo\* under any other business regarding technical requirements for goods in transit through Serbia. The Parties invite Kosovo\* and Serbia to embark into consultations.

In relation to the issues other than trade disputes the Parties agreed on the following:

- Parties agree that for the first year (2015) of the functioning of the CEFTA Open Fund (OP) the maximum number of official meetings to be financed from the OP is thirteen (13) including negotiations, total amount spent for this purpose not exceeding 60,000.00 EUR. The first meetings to be financed are Subcommittees meetings in May 2015. The CEFTA Secretariat shall expand the tender rules to include reimbursement for travelling by car under well-defined specific circumstances.
- If the financing agreement with the European Commission is signed by the end of March 2015, the Parties commit to complete their internal procedures so that that the secondments programme could potentially start in May 2015.
- The Parties agree to mandate the Selection Committee for recruitment of the Director of the CEFTA Secretariat to also discuss and agree on the terms and conditions under which the new Director is employed.
- The Parties have support the proposal of Bosnia and Herzegovina to develop the Terms of Reference for the Article 44 Contact Points as an institute vital to the functioning of the CEFTA Structures.

In the presence of representatives of all CEFTA Parties, except the Republic of Albania, in Brussels, 25 February 2015.