

Joint Committee Meeting

Sarajevo, 20 November 2013

REPORT BY THE CHAIR

SUBCOMMITTEE ON CUSTOMS AND RULES OF ORIGIN

November 2013

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The purpose of this document is to report the activities of CEFTA Subcommittee on Customs and Rules of Origin which took place in the period between 1 January and 20 November 2013.

In the reporting period, the Subcommittee on Customs and Rules of Origin held two meetings. The sixth and seventh meetings of Subcommittee took place in Skopje on 6 June and 7 November 2013, respectively. Furthermore, under the Chairmanship of the Republic of Macedonia the CEFTA Working Group on Customs Risk Management held its first meeting in Skopje on 25 April 2013. The second meeting of the Working Group was held in a joint session with the Subcommittee on 7 November 2013.

Apart from those above mentioned official meetings, the Chair of Subcommittee organized four technical meetings in cooperation with TAIEX and the IFC. In addition, the Chair will organize two more technical meetings, one in December and the other in January next year.

I. WORK PROGRAMME OF THE SUBCOMMITTEE

Work Programme of the Subcommittee was circulated along with work programmes of other Subcommittees through the letter of CEFTA Chair in Office, dated 28 January 2013. In line with the priorities of Multiannual Work Programme, the work programme of the Republic of Macedonia has determined the following as its overall objective:

- to ensure full compliance of all CEFTA parties with the EU, WCO and WTO principles of free trade
- to facilitate the regional trade through promoting and increased use of risk management in customs and other border agencies, to the possible extent, with a view to simplifying customs and other trade related procedures,
- to strengthen capacity in smooth functioning of diagonal cumulation between the CEFTA Parties and other priority areas of CEFTA Customs Authorities.

The Macedonian Chairmanship also considers transport and transit as a cross-cutting issue in trade facilitation related activities of the Subcommittee and therefore aimed at developing further cooperation and parallelism with the regional initiatives taken in the field of transport.

As regards to the implementation of the Work Programme, The Chair updated the CEFTA Parties during the Subcommittee meetings of June and November.

One of the main outputs reached by the Subcommittee is the draft CEFTA Joint Committee Decision to establish a link between the CEFTA Origin Protocol and the Pan-Euro Mediterranean Convention.

- **Draft CEFTA Joint Committee Decision on Modification of the CEFTA Annexe 4 to establish a link to the implementation of the Pan-Euro Mediterranean (PEM) Convention**

A draft Joint Committee decision was proposed by the Macedonian Chairmanship in order to establish a link between the CEFTA and the PEM Convention.

The draft decision was prepared in line with the text proposed by DG TAXUD for all bi-lateral SAAs under the PEM System. However, the text which was proposed by DG TAXUD needs to be adapted to the needs of CEFTA Parties and CEFTA Agreement. Therefore, before submitting the draft decision to the Subcommittee the CEFTA Secretariat was instructed to have consultations with DG TAXUD regarding the draft decision. Following those consultations, the consent of DG TAXUD regarding the draft was collected.

Text of the draft Joint Committee Decision was discussed with the CEFTA Parties at the CEFTA Origin Network meetings held in April and June.

At the seventh meeting of Subcommittee, the CEFTA Parties endorsed text of the draft decision, and agreed to move the provisional date for the start of application of diagonal cumulation from February 1 to April 1, 2014.

Regarding other activities of the Subcommittee are compiled under three different subheadings as stipulated by the Work Programme.

II. TRADE FACILITATION

The Chair considers promoting the use of risk management in the regional trade as one of the main tools for facilitating the regional trade. In the reporting period, activities undertaken by the Working Group on Customs Risk Management have become a catalyst not only for enhancing the cooperation between CEFTA Parties related to risk management but also for initiating exploratory talks with regard to joint risk profiling in the regional trade.

Furthermore, the OECD made a presentation on the outcomes of the assessment of administrative barriers as part of its project on Multilateral Monitoring Framework at the seventh meeting of Subcommittee on Customs and Rules of Origin. In that presentation the OECD summarised their findings and recommendations which are applicable for the region in order to facilitate trade.

- Meetings of Working Group on Customs Risk Management

As reported above, the Working Group has been gathered twice during the reporting period. The first meeting of the Working Group was held in Skopje on 25 April 2013. In that meeting the Working Group has drafted its work programme, which was subsequently approved by the Subcommittee at its meeting of June.

According to its work programme, the exchange of information as regards to the current legislation on customs risk management took place among the CEFTA Parties.

Furthermore, a questionnaire was prepared in order to set the current state of play in relation to the implementation of customs risk management in CEFTA. The questionnaire was circulated

and the responses of the Parties were reported during the seventh Subcommittee meeting in November. At that meeting it was decided that the responses given by the Parties were circulated to each other. In addition, a new questionnaire is to be prepared in order to provide more focused information on the current risk profiles according to the types of transactions, goods, and countries of origin, which might then the CEFTA Parties consider creating joint risk profiles. Lastly, the Subcommittee has decided to organize more training on risk management in 2014.

Having taken into account their key role in trade facilitation, the members of Working Group have also been invited to the Workshop on AEO, and the Regional Workshops organised by the IFC Trade Logistics Project.

- **Simplification of customs and other trade related procedures**

Regarding this action, the IFC Trade Logistics Project have organised a regional workshop in Budva in consultation with the Subcommittee on April 16, 2013. The SPS inspectors were invited to the Workshop and they discussed the ways and methodologies of wider use of risk management in SPS related border controls. The Chair was present at the workshop and presented the trade facilitation related priorities of the Subcommittee.

On December 5, 2013, there will be a joint workshop between CEFTA Customs Authorities and SPS Agencies in order to discuss all the procedures applicable in pre-clearance and clearance stages with a view to create a list the existing data submission requirements, to facilitate information exchange between agencies, and find ways how to better employ risk analysis.

- **Workshop on Authorised Economic Operators Programme**

The Workshop on Authorised Economic Operators Programme was held on 3 and 4 April 2013. The recommendations agreed at the Workshop were circulated to the CEFTA Parties and their

consent was also collected. Following this process, the Chair of CEFTA Subcommittee on Customs and Rules of Origin sent a letter on 8 May 2013 to Directors General of Customs Authorities in the CEFTA Parties, requesting their support for promoting the AEO Concept, and accelerating the implementation of AEO Programme in the CEFTA Parties. In this framework, launching a pilot project in CEFTA Parties has been encouraged, particularly after adopting necessary secondary legislation and implementation guidelines. Thereafter, CEFTA Parties might be able to consider establishing a mutually recognised AEO Programme in CEFTA.

One of the recommendations requested CEFTA Parties to appoint a contact person on AEO in each customs authority. These contact persons are expected to be an interlocutor in particular to facilitate data collection on the current state of play and further work with regard to AEO.

As a follow-up to the recommendations, an AEO expert of the Austrian Customs was invited to the seventh Subcommittee to present the road map to create a CEFTA AEO programme. The Subcommittee agreed to organize a technical meeting between AEO contact persons in order to discuss the steps necessary to be taken to establish a mutually recognized AEO programme in CEFTA. Furthermore, a questionnaire is to be prepared in order to determine the current state of play with regard to the implementation of the AEO related legislation in CEFTA Parties.

III. CAPACITY BUILDING

- Measuring and Analysing the Functioning of Diagonal Cumulation in CEFTA

On behalf of the Chair, the CEFTA Secretariat requested GIZ to finance a technical assistance with an aim to establish methodology to analyse the functioning of diagonal cumulation in CEFTA. The GIZ agreed to finance such technical assistance. The first attempt of its tendering was failed. Before re-launching the tender, terms of reference had to be revised. It is expected that the tender is to be re-launched early next year.

- **CEFTA Origin Network Meetings**

During the reporting period, the rules of origin experts of CEFTA Parties were gathered twice. The first meeting was held in Brussels on April 16 and 17, 2013. The second meeting was held in Skopje on June 5, 2013. In both meetings, the CEFTA Origin Network came together with the experts of DG TAXUD. The Network discussed drafting the CEFTA decision which is to establish a link between CEFTA Origin Protocol and the PEM Convention.

- **Trainings**

The Chair communicated to TAIEX its request to organise a training workshop on custom valuation in October 2013. That request was approved by TAIEX with an indication that such workshop is to be organised in January 2014. The workshop would be a good opportunity to discuss any possibility to take a regional action on customs valuation in CEFTA.

IV. COOPERATION WITH TRANSPORT SECTOR

The Chair considers that progress in trade facilitation is to be partial, if the transport infrastructure, particularly in border crossing points, is not renovated in parallel. Through the talks between CEFTA Subcommittee on Customs and Rules of Origin and SEETO, the Chair continued reiterating the need to deepen synchronisation between prioritisation related to trade facilitation and transport, and suggested SEETO to take into account trade flows through transport corridors of the regional trade.

A representative of SEETO was present in the seventh meeting of Subcommittee and made a presentation on the transport related priorities of SEE 2020. Furthermore, SEETO has sent a letter requesting data from the customs authorities on the following items:

- Number of heavy vehicle crossing each border crossing point registered in SEED, and volume of goods in number of loaded trucks and/or total gross mass.

- Origin and destination of goods transported
- Annual average recorded time for processing the goods on exist and entry BCP

This request was in line with the activity foreseen by the Work Programme. Accordingly, the Chair considered a joint initiative between CEFTA and SEETO beneficial to collect necessary data on trade flows of the regional trade corridors.

V THE STRATEGY OF SOUTH EAST EUROPE 2020

The Strategy of South East Europe 2020 that was adopted at the Ministerial Conference of the SEE Investment Committee in Tirana in 2012, was presented by the Secretariat at the sixth meeting of the Subcommittee held on June 6, 201. The Secretariat presented draft priorities in relation to trade facilitation and customs. The presentation also provided details of the role of CEFTA Structures in the programming and implementation phase, and the time plan in finalising drafting the contribution of CEFTA Structures to the Strategy.