



22-23 November 2011

Summary and Highlights

ACKNOWLEDGEMENTS

This report has been prepared by Mr Marc Martinant and Ms Catherine Devlin on behalf of the CEFTA Secretariat. The authors would like to thank all the speakers at CEFTA Week events who kindly provided their presentations for further dissemination.

CEFTA Week 2011 was organised by the UNMIK/Kosovo Chair in Office and the CEFTA Secretariat. The CEFTA Week events were kindly hosted in the premises of the OECD in Paris, France.

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1. INTRODUCTION AND BACKGROUND

1.1 Purpose and Content of this Report

This report is intended to provide readers with a summary of the main highlights of the presentations and discussions that took place among the many stakeholders in CEFTA in the run-up to the 2011 CEFTA Joint Committee Meeting held in Paris on 23 November, 2011. These discussions were part of a series of workshops, seminars and discussions known collectively as ‘CEFTA Week’ and organised under the auspices of the UNMIK/Kosovo Chairmanship of CEFTA.

Following a brief review of the CEFTA 2006 Agreement and the structures that have been established to oversee and support its implementation, the report comments on each session event, highlighting the key elements of the discussions and the main topics covered.

Further information on CEFTA (including the full text of the Agreement) and on CEFTA Week 2011 can be found on the CEFTA Secretariat’s website www.cefta.int

1.2 Brief Review of CEFTA 2006

In June 2005, ministers responsible for trade in the South Eastern European countries mandated their officials and the international experts in the Stability Pact’s Working Group on Trade Liberalisation and Facilitation to prepare options for the conclusion of a single free trade agreement (FTA) to replace the 32 bilateral FTAs that had been in place since 2001. While these bilateral FTAs had been successful in terms of increasing trade among the signatories, the costs for governments to administer them and the costs for traders and foreign investors to understand the complex network were judged to be constraining trade and investment.

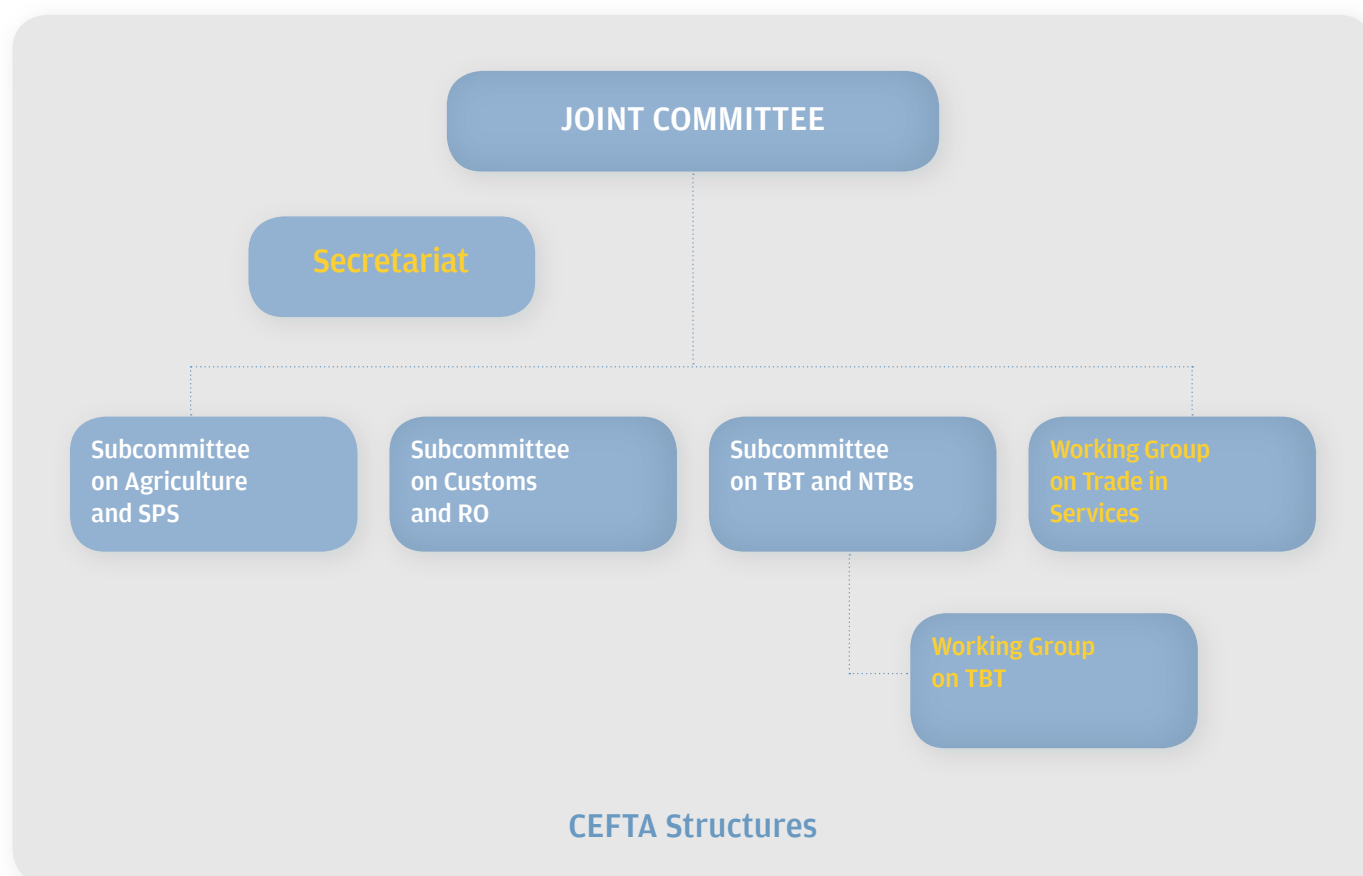
In March 2006, the members of the Stability Pact’s Working Group on Trade Liberalisation and Facilitation recommended that the Parties conclude a sin-

gle FTA based on the simultaneous enlargement and amendment of the Central European Free Trade Agreement – CEFTA, which had originated in the early 1990s among those Central European countries preparing for EU accession, most of whom at this point were EU Member States. Negotiations were formally launched in April 2006 with the support of the European Commission and the Stability Pact for South Eastern Europe. On 19 December, 2006, the amended Agreement – so-called CEFTA 2006 – was signed by Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and the United Nations Interim Administration Mission in Kosovo (UNMIK) on behalf of Kosovo in accordance with United Nations Security Council Resolution 1244.

Following the necessary ratification processes, CEFTA 2006 entered into force on 26 July 2007 for five signatories (Albania, Macedonia, Moldova, Montenegro and UNMIK/Kosovo), for Croatia on 22 August 2007, for Serbia on 24 October 2007 and for Bosnia and Herzegovina on 22 November 2007.

This comprehensive Agreement’s main objectives are, *inter alia*, to expand trade in goods and services and foster investment by means of fair, stable and predictable rules, to eliminate barriers to trade between the Parties, to provide appropriate protection of intellectual property rights in accordance with international standards and to harmonise provisions on modern trade policy issues such as competition rules and state aid. It also includes clear and effective procedures for dispute settlement and facilitates the gradual establishment of the EU-Western Balkan countries’ zone of diagonal cumulation of origin, as envisaged in the European Commission’s Communication of 27 January 2006.

The Agreement fully conforms to the WTO rules and procedures and EU regulations. Effectively implemented, the Agreement provides an excellent framework for the Parties to prepare for EU accession.



1.3 Summary of CEFTA Structures and Processes

CEFTA Joint Committee

The governing body of CEFTA is a Joint Committee (Article 40 of the Agreement). It is composed of representatives of each party to the Agreement (Ministers responsible for foreign economic relations and authorised representatives) and its main function is to supervise and administer the implementation of the Agreement. The Joint Committee meets regularly, at least once a year, and makes decisions by consensus. The Joint Committee is chaired by one of the parties and this function revolves on an annual basis. The Chair in Office for 2011 is UNMIK/Kosovo, which will be followed by Albania in 2012. The 5th Joint Committee meeting took place in Paris on 23 November, 2011.

CEFTA Sub-Committees

In accordance with Article 41.5 of the Agreement, the Joint Committee can establish sub-committees and other bodies to support the implementation of the

agreement. To date, three sub-committees have been established:

- Sub-committee on Agriculture including Sanitary and Phytosanitary Issues (facilitate trade in agricultural products within the region and ensure that protection of plant health, animal health and food safety and other measures applied in agricultural trade do not unjustifiably restrict trade);
- Sub-committee on Customs and Rules of Origin (simplify and facilitate customs procedures, stimulate rapid implementation of the common rules of origin in all the Parties in line with Article 14 of the Agreement);
- Sub-committee on Technical Barriers to Trade and Non-Tariff Barriers (identify, review and propose measures for elimination of technical barriers to trade and non-tariff barriers among the Parties).

These sub-committees are scheduled to meet at least once per year and are chaired on a rotating basis by the different Parties in compliance with Decision No. 2/2007 of the CEFTA Joint Committee.



CEFTA Secretariat

Apart from the three sub-committees, two working groups have also been established:

- **Working Group on Trade in Services** - with the main purpose of exploring the possibilities for gradual liberalisation in trade in services among CEFTA Parties.
- **Working Group on Technical Barriers to Trade** - established under the framework of the Sub-committee on NTBs and TBT. This group serves as a forum for discussion on issues such as: harmonisation of technical regulations, standards and mandatory conformity assessment procedures with the aim of eliminating technical barriers to trade.

CEFTA Secretariat

In accordance with Article 40.2 of CEFTA 2006, the Joint Committee is supported by a permanent secretariat located in Brussels. The overall role of the Secretariat is to provide technical and administrative support to the Joint Committee, to any sub-committee, expert group or other body established by the

Joint Committee. The Secretariat is currently financed jointly by the CEFTA Parties and a number of donors, including the European Commission.

1.4 Key Stakeholders

CEFTA 2006 is viewed as a highly ambitious and important agreement for the region from both an economic and a political perspective. Hence a number of different actors participate in its implementation and support its development. The principal actors are the governments of the CEFTA Parties themselves and the business community - both in the region and foreign investors - who actively use the Agreement in their day-to-day transactions.

A number of bilateral and multilateral donors and organisations are also active in supporting the Agreement. The European Commission is the most prominent supporter of the Agreement. It provides technical as-



sistance on different aspects of the Agreement and financial support for the Secretariat. Other donors include Austria, Ireland, Norway, Slovenia, Sweden and Switzerland. International organisations active in the field of regional trade policy include the Organisation for Economic Co-operation and Development (OECD), the World Bank, the International Finance Corporation (IFC), the GIZ, the RCC, the BAC and the UN/ECE.

1.5 Rationale/Objectives of CEFTA Week

The overall objective of CEFTA Week was to promote CEFTA to a wide audience both within the CEFTA Parties and internationally and to demonstrate the economic impact the agreement is having on the region.

Specific objectives included:

- to stimulate debate with a range of stakeholders - government officials, the international community, the business community and academia;

- to examine specific aspects of the Agreement and assess economic impact with different stakeholders and disseminate results of various CEFTA-related studies and/or projects to a wide audience;
- to promote better use of CEFTA through the provision of practical information;
- to debate new challenges and to present future actions needed to facilitate better implementation of the Agreement and in particular to increase competitiveness in the region;
- to secure technical assistance to address obstacles to implementation;
- to highlight the Parties' political commitment to implementing CEFTA.

The CEFTA week programme focused on the key priorities of the UNMIK/Kosovo Chair for 2011 which included: (i) the reduction and elimination of non-tariff barriers; (ii) the CEFTA Trade Portal; (iii) trade in services; (iv) customs cooperation and trade facilitation; and (v) investment.

2. OVERALL PROGRAMME FOR CEFTA WEEK

Schedule of Events

DAY	EVENT DESCRIPTION	SPEAKERS
Venue: OECD Conference Centre – Room CC10, 2 Rue Andre Pascal, Paris		
Day 1 – November 22nd, 2011		
09. ³⁰ -10. ⁰⁰	Registration of Participants	
10. ⁰⁰ -10. ⁰⁵	Welcome Remarks	• OECD
10. ⁰⁵ -10. ²⁰	Introductory Speech	• Chair in Office
10. ²⁰ -10. ⁴⁵	New Challenges for CEFTA	• CEFTA Secretariat • OECD • EC
10. ⁴⁵ -11. ⁰⁰	Coffee Break	
11. ⁰⁰ -12. ³⁰	Session I: Monitoring Progress in the Reduction and Elimination of Non-Tariff Barriers in the CEFTA Region <ul style="list-style-type: none"> • Presentation of the Multilateral Monitoring Framework on the elimination of NTBs in CEFTA and the results of the first assessment cycle • Future work: prospects for the next assessment cycle • Synergies with other initiatives, e.g. IPA 2011 	<u>Presentation</u> OECD <u>Panel Discussion</u> <ul style="list-style-type: none"> • CEFTA Parties • IPA Regional Quality Infrastructure Project
12. ³⁰ -14. ⁰⁰	Lunch Break	
14. ⁰⁰ -15. ⁰⁰	Session II: CEFTA: Liberalisation of Trade in Services - Progress and Next Steps <ul style="list-style-type: none"> • State of play in liberalisation of trade in services among CEFTA Parties • Areas and sectors for further liberalisation • Ideas for efficient and rapid preparation for liberalisation • Assessing barriers to trade in services – the OECD Services Trade Restrictiveness Index project 	<u>Presentations</u> <ul style="list-style-type: none"> • World Bank • OECD <u>Panel Discussion</u> <ul style="list-style-type: none"> • CEFTA Parties
15. ⁰⁰ -16. ⁰⁰	Session III: Industry Location and Supply Chains in the CEFTA Region <ul style="list-style-type: none"> • Mapping of industry agglomerations and analysis of industry concentration and country specialisation patterns • Extent of and dependency on intra- and extra- CEFTA supply chains • NTBs to trade and the integration of CEFTA Parties into supply chains 	<u>Presentation</u> <ul style="list-style-type: none"> • OECD <u>Panel Discussion</u> <ul style="list-style-type: none"> • CEFTA Parties • RCC • CEFTA Chambers
16. ⁰⁰ -16. ¹⁵	Coffee Break	
16. ¹⁵ -17. ⁰⁰	Session IV: Trade Facilitation in the Western Balkans: The Value of Trading Faster and Cheaper <ul style="list-style-type: none"> • OECD's value chain analysis for priority industries: a starting point to prepare recommendations for simplification • Regional level interventions: ways to simplify clearance procedures • Possible measurement of achievements by tracking reforms: identifying time and cost savings in the supply chain 	<u>Presentation</u> <ul style="list-style-type: none"> • IFC <u>Panel Discussion</u> <ul style="list-style-type: none"> • CEFTA Parties • BAC • CEFTA Chambers

Schedule of Events

DAY	EVENT DESCRIPTION	SPEAKERS
Day 2 – November 23rd, 2011		
09. ³⁰ -12. ⁰⁰	CEFTA Experts Meeting (in camera) • Preparation for the 5th Joint Committee Meeting	• CEFTA Parties • CEFTA Secretariat
<i>In parallel</i> 09. ³⁰ -11. ⁰⁰	Session V: Meeting of the CEFTA Forum of the Chambers • Activities of the CEFTA Forum Working • Groups in 2011 • Challenges for 2012	<u>Presentations</u> • CEFTA Chambers
11. ⁰⁰ -11. ³⁰	Coffee Break	
11. ³⁰ -12. ³⁰	Session VI: CEFTA Trade Portal: Performance in Year 1 and Updated Features • Portal upgrades and new features enhancement: texts standardisation, FAQ • Feedback from the business community: further development of the Portal	<u>Presentations</u> • GIZ
12. ³⁰ -14. ⁰⁰	Lunch Break	
14. ⁰⁰ -17. ⁰⁰	• 5th CEFTA Joint Committee Meeting • (in camera)	

3. HIGHLIGHTS FROM CEFTA WEEK



3.1 Opening Session on Implementation of the Agreement/New Challenges for CEFTA

Welcome addresses were given by Ms Mimoza Kusari Lila, Deputy Prime Minister and Minister of Trade and Industry, and Mr Robert Sorenson, Deputy SRSO on behalf of the Chair in Office 2011, Mr Antony O'Sullivan representing the OECD and Mr Stefano Dotto representing the European Commission.

Ms Renata Vitez, Director of the CEFTA Secretariat made a presentation on the implementation of the Agreement to date and the new challenges facing CEFTA. She noted

that CEFTA has been modest about its achievements over the past three years and reminded participants that the new agreement is much more ambitious than the old CEFTA.

Key achievements over the past three years are impressive and have included further liberalisation of agriculture; the launch and operation of the CEFTA Trade Portal; availability of CEFTA statistical data on the EUROSTAT website; and admirable progress made in a number of other key areas such as diagonal cumulation, trade in services, reduction and elimination of NTBs, opening of government procurement markets, investment, competition and state aid.



CEFTA 2006 represents a modern trade agreement that harmonises trade rules across the region and incorporates modern trade related provisions. An agreement called CEFTA implies also ... the Parties "aim" ... to accede to the EU and that CEFTA is a proven route to accession ... (Preamble) ... because intra-regional free trade is part of pre-accession process to EU (SAAs).

The modernised CEFTA is the first internationally binding treaty signed by the SEE countries themselves.
Successful implementation is vital both economically and politically.



Actions	CEFTA Chapter	Result
Diagonal Cumulation	Customs and rules of origin	Smooth implementation intra CEFTA; SAP (EU, Turkey); EFTA
Further liberalisation of agricultural trade	Agriculture	Additional Protocol and Annex 30 initiated and signed; 4 ratifications completed (entered into force 13 November 2011)
Liberalisation of trade in services	Services	Possibilities and options for negotiations explored; Working Group established
Reduction and elimination of NTBs	NTBs	Multilateral Monitoring Framework developed; database on Market Access Barriers upgraded
Opening of Government Procurement Markets	Government Procurement	Commitment to open markets on 1 May 2010 fulfilled
Improvement of investment conditions	Investment	Non-discrimination IPR review
Competition and State Aid	Competition rules	First review done; State Aid notification system in place
CEFTA Trade Portal	Transparency	Launched and operational
Statistical data of CEFTA Parties	Transparency	Statistical data publicly available at EUROSTAT website

There was a busy calendar of CEFTA events during 2011 which demonstrates the Parties continuing commitment to the Agreement. All subcommittee and working group meetings are held in the first half of the year. This allows organisation of the Deputy Ministers Meeting in June and the Joint Committee Meeting in November. As a rule, agreed minutes are discussed, completed and adopted at the respective meeting itself. For all important decisions the CEFTA structures are supported by high quality expertise (e.g. OECD, World Bank). Priorities of the next chairmanship are introduced at the Deputy Ministers Meeting in June. The valuable support and assistance of the CEFTA contact points who are the coordinating mechanism for the whole CEFTA process and the single point of entry and departure for each administration were noted and commended. The CEFTA Parties should be proud of their achievements to date.

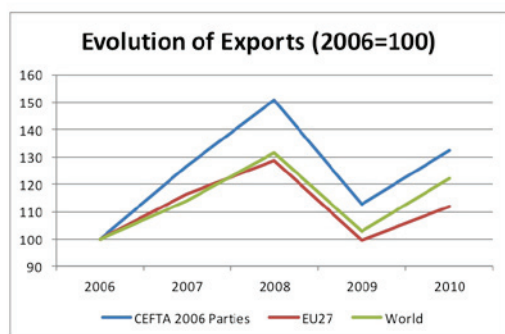
Mr Antonio Fanelli, OECD, noted that there has been a strong recovery in exports after the trade collapse of 2009 and that intra-CEFTA exports account for about 30% of total CEFTA exports.

Since 2008, OECD has been working on three main streams of activity: (i) elimination of NTBs based on the Multilateral Monitoring Framework (MMF); (ii) monitoring of the investment related clauses of CEFTA and (iii) assessing regional trade liberalisation. Key findings so far are: (i) industry concentration varies across manufacturing activity and regional trade liberalisation tends to reinforce those trends (i.e. there

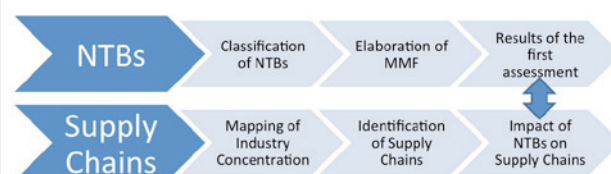
are higher levels of concentration in high and medium-high tech and capital intensive industries and lower levels of concentration in low and medium-low tech and labour-intensive industries); (ii) trade liberalisation has a significant positive impact on FDI attraction when associated with an improvement in the investment climate; and (iii) trade policy alone is not sufficient to optimise the impact of regional trade liberalisation and European integration. For relatively small open economies like the CEFTA Parties, gains from trade come from integration into regional and international supply chains and the direction and intensity of trade in intermediate products is a good proxy for the presence of supply chains.

The integration of OECD's work on NTBs and supply chains has produced a number of interesting results with significant policy implications: (i) it is possible to check if NTBs can explain distortions on intra- and extra-CEFTA supply chains patterns or if other factors are responsible; (ii) by combining trade data with output and employment data, it is possible to identify regionally integrated existing and potential clusters; (iii) by analysing the nature of industry agglomeration, it is possible to estimate the impact of regional infrastructure and trade logistics on manufacturing activity; (iv) by combining the analysis of the NTBs components with industry agglomeration, it is possible to assess the impact of technical infrastructure (laboratories, certification centres etc) on the development of integrated production clusters. The next steps include: (i) continuation of the MMF as-

Strong recovery in exports after the trade collapse in 2009



Integration of Analysis (III)



assessment, extended to final goods; (ii) deepening of the assessment of sanitary and phyto-sanitary standards; (iii) completion of the study on industry concentration and supply chains; (iv) analysis of the regulatory framework for trade in selected services.

Mr Stefano Dotto, European Commission (EC), reiterated that the EC is a strong supporter of CEFTA as it is an excellent way to prepare for the single market and to create one in the Western Balkans. The EC remains committed to CEFTA politically and financially with the allocation of grants for €1.3 million to the Secretariat for its operations, as well as €600,000 for technical assistance which is being provided through OECD between 2011-2013. This support is reduced compared to the past, as the CEFTA Parties' contribution is progressively increasing. It is important to the EC that CEFTA is truly inclusive. Of course it is for the Parties to agree on the most appropriate terms to run the Agreement, but the EC encourages all parties to show pragmatism and goodwill to facilitate sustainable regional co-operation for the benefit of all. The EC are pleased that a large majority of CEFTA meetings took place and that there was no stalemate in CEFTA unlike other regional initiatives.

CEFTA and its pragmatic approach has inspired other regional initiatives to seek similarly pragmatic solutions to regional inclusiveness. He concluded by wishing CEFTA a bright future and said the EC will remain ready to continue providing technical assistance and help if needed.

3.2 Session I: Monitoring Progress in the Reduction and Elimination of Non-Tariff Barriers in the CEFTA Region

Background and Objectives

Since the entry into force of CEFTA, the Parties have been heavily involved in discussions on how to identify, prioritise and eliminate non-tariff barriers (NTBs) to trade. During 2011 the Chair of CEFTA continued to coordinate NTB activities with the two relevant technical assistance projects financed by GIZ (the CEFTA Trade

Portal - see 3.7 below) and the OECD. The OECD in co-operation with the CEFTA Parties developed a project on Monitoring the Elimination of NTBs in the region. This two year project is financed by the EU and started in early 2011. The specific objectives of the project are to ensure the independent monitoring of the elimination of NTBs by developing a permanent and stable monitoring instrument to track progress and promote the findings to the relevant CEFTA structures and other stakeholders.

The objective of this session was to discuss and consider the results from the first assessment cycle of the Multilateral Monitoring Framework (MMF) on the elimination of NTBs among the CEFTA Parties and to make recommendations for actions needed to further reduce the appearance of new barriers to trade.

Specific objectives included:

- an overview of the purpose of the MMF on the elimination of NTBs developed by the OECD;
- an assessment of CEFTA and individual Party progress in this first round of assessment and specifically progress regarding three selected areas:
 - technical barriers to trade (TBT)
 - sanitary and phytosanitary barriers (SPS)
 - administrative barriers across the region;
- an insight from Hungary on the guiding economic principles and motivational forces for leveraging the MMF on the elimination of NTBs and aligning interests across CEFTA Parties on the way towards EU Accession;
- a review of the specific progress and experience of Macedonia and Montenegro in transposing and applying these indicators of NTBs; and a report from Croatia on the IPA Quality Infrastructure project and the complexity and intensity of the process of EU accession.

Speakers were drawn from the OECD and the CEFTA Parties. The session was moderated by Mr Hamdo Tinjak, State Secretary, Ministry of Foreign Trade and Economic Relations, Bosnia and Herzegovina.



Key Discussion Points and Conclusions

Mr Tinjak opened the session by outlining progress made during 2011 by the CEFTA Subcommittee on NTBs and TBT under the chairmanship of Bosnia and Herzegovina. Following the guidelines of the 2010 - 2012 three year strategic work programme developed by Albania in 2010, Bosnia and Herzegovina continued with implementation of the work programme in 2011 which focussed on: (i) the reduction and elimination of the NTBs; (ii) enhancing transparency and improving information exchange and notification of TBT; and (iii) coordination of activities with the CEFTA Forum Chambers of Commerce. In order to address all the non-tariff barriers that hamper trade, the Parties first developed a Matrix on Raised Issues now called the Market Access Barriers Database which simply registers existing, ex post barriers that impede trade in the region. By its nature this Database does not allow for ex ante action, i.e. it was not possible to stop NTBs from appearing in advance but only to deal with existing NTBs. At this point it was realised it would be beneficial to have one instrument to create an environment that would reduce or ideally not allow new NTBs

to appear. Together with the assistance of the OECD, the MMF for the Elimination of NTBs was developed which allows for ex ante action. Bosnia and Herzegovina elaborated a one year Action Plan for the implementation of the MMF which included the following phases:

- selection of the priority sectors and products for which actual and potential NTBs will be monitored;
- endorsement of this selection by the members of the Subcommittee at its meeting held in Sarajevo on 2 and 3 June 2011;
- presentation of the preliminary results of the first Framework's assessment held in Budapest on 3 November, 2011 before the members of the Subcommittee but also presented to the business community; and finally
- elaboration of the recommendations that can be realistically achieved in the multilateral context.

Mr Tinjak reported that this Action Plan was fully implemented and all foreseen phases successfully carried out under the Bosnia and Herzegovina chairmanship.

Mr Antonio Fanelli, OECD, outlined the background for the actions taken over the last two years to develop the MMF and the methodology used to track progress across Parties. The OECD thanked Hungary for its vital support in the initial phases of this process, through the Aid for Trade project and the EC for funding the current initiative. In conducting the preliminary assessment, priority sectors and priority products were identified, as this was critical to the harmonisation process of internal standards within CEFTA to EU standards.

Presentations followed on the preliminary results of the MMF assessment in the three selected areas - TBT, SPS and administrative barriers to trade.

Preliminary Monitoring Results: Technical Barriers to Trade - TBT (standards, technical regulations and conformity assessment)

Ms Ladislava Čelar, Ministry of the Economy, Labour and Entrepreneurship of Croatia on behalf of Mr David Norris, presented the planning, findings and recommendations related to the preliminary assessment of TBT. The assessment covered the institutional framework for standardisation, transposition of EU technical regulations, transposition (adoption) of European standards, institutional framework for accreditation, conformity assessment procedures and infrastructure and information and notification mechanisms. It covered the twelve priority sectors and one hundred and ninety-three product areas which were selected in the initial phases of the MMF development.

Party	Totally / Partially implemented	Draft stage	No transposition of EU technical legislation	Level awarded
Albania	122	16	32	3
BH	0	0	0	1
Croatia	97	0	12	3,4
Macedonia	53	0	13	3
Moldova	79	6	102	2,3
Montenegro	2	79	83	2,3
Serbia	30	11	81	3
Kosovo (UNSCR 1244/99)	0	3	11	1,2

Figures refer to 193 product groupings

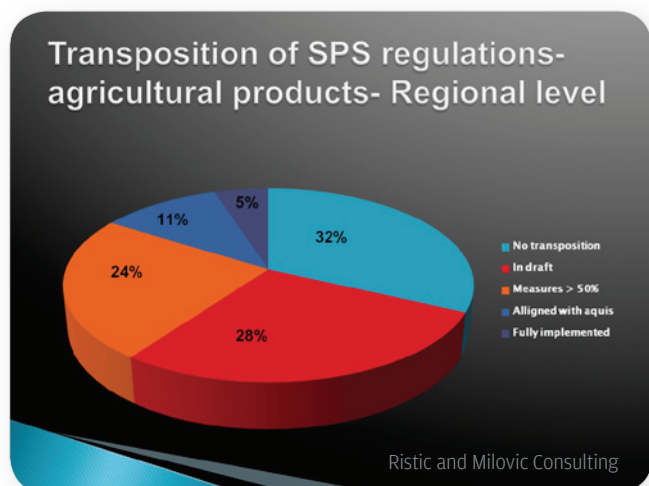
The analysis provided a good basis for the CEFTA Parties to: (i) determine the needs in order to improve quality infrastructure systems, (ii) approximate technical legislation to EU levels; and (iii) remove potentially unwanted obstacles to trade within CEFTA as well as between CEFTA and the EU. One key recommendation was that sectors where harmonisation is similar (taking account CEFTA/EU and intra-CEFTA trade volumes) should be identified in order to train parties in negotiating Agreements on Conformity Assessment and Acceptance of industrial products (ACAA).

Preliminary Monitoring Results: SPS Measures

Ms Gordana Ristic, Food Quality and Safety Expert, Ristic and Milovic Consulting GbR, Germany presented the assessment on Sanitary and Phytosanitary measures which covered the institutional framework for SPS measures, level of co-operation among SPS agencies at the intra-CEFTA and external levels, framework SPS legislation, transposition of European SPS measures and information and notification mechanisms.

The analysis helped to identify the status of capacity building in CEFTA-SPS agencies, the level of collaboration among SPS agencies in the region, the development of regulations and practices in line with international requirements, the status of harmonisation of regulations and practices in control of the most traded food and agricultural goods, and the capacities of contact points and notification bodies for assuring transparency in the food safety area. The analysis also helped to identify future activities in order to reduce the number of NTBs and harmonise the SPS area in the CEFTA region.

Harmonisation of regulations and practices, along with bilateral and multilateral trade agreements help prevent NTBs, accelerate the food trade process and help lower prices of imported goods. Once certificates accompanying goods are recognised by all CEFTA Parties, this will eliminate the need for repeat testing, thereby lowering both the costs to exporting SMEs and the time for market entry for goods in these markets.



The main conclusions arising from the assessment include:

- WTO and EU accession speed the process of harmonisation of legislation and measures;
- there are problems with recognition of certificates - NTBs;
- strategic/long term planning of actions is lacking;
- capacity building is still greatly dependent on donor projects/activities;
- there is weak recognition of the market driven approach;
- greater use should be made of experiences from other CEFTA parties and third countries;
- capacity for active participation in work of international bodies is weak.

Preliminary Monitoring Results: Administrative Barriers to Trade

Ms Katarina Djermanovic, OECD, presented the preliminary results assessment of Administrative Barriers to Trade and the elimination of NTBs. The assessment aimed to evaluate the CEFTA Parties' capacity to ensure that customs and border procedures are designed and implemented in a consistent, predictable, simplified and transparent manner. The following topics were covered: establishment and functioning of a national customs website and enquiry points; involvement of the trade community; advance rulings; appeal procedures; fees and charges;

documents and automation; customs procedures and processes; and domestic and cross-border/international agency co-ordination and co-operation.

The preliminary recommendations from the assessment include:

- enhancing transparency by publishing necessary information on customs and trade-related procedures and legislation on the customs websites (giving priority to information on advance rulings, penalties for breaches of import and export formalities, appeal procedures, and fees and charges);
- regularly exchanging information on customs procedures through the CEFTA Trade Portal;
- implementing a Single Enquiry Point for customs in coordination with the other CEFTA Parties;
- involving the trading community at the drafting stage of customs laws and regulations;
- improving the handling of documentation and automation in cooperation with the other CEFTA Parties;
- sharing of best practices with other CEFTA parties on the implementation of risk management and electronic data interchange through organised workshops;
- accelerating the implementation of simplified procedures, especially with regard to the use of pre-arrival processing (the prerequisites being: electronic submission of data and documents, operational electronic data exchange and effective implementation of the risk management system).

Mr Sándor Simon, Deputy Permanent Representative of Hungary to the OECD, presented Hungary's perspective as a founding father of the CEFTA agreement and outlined why Hungary partnered with the OECD to provide trade assistance and reduce administrative barriers to trade in the CEFTA region through the Aid for Trade programme. He concluded by emphasising that harmonisation is critical for two reasons: (i) barriers to trade are costly for companies importing to and exporting from CEFTA; and (ii) it will help Parties protect the health and safety standard for its citizens from products with low or no quality standards.

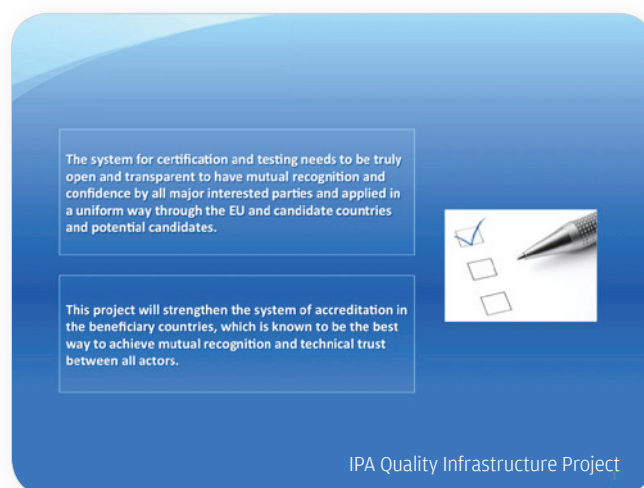
Mr Tinjak thanked the team of experts for their hard work in collecting this complex and relevant data amongst the Parties. He noted that this extensive and thorough analysis of the current state of play in the three selected areas provided CEFTA Week participants with a clear picture of where attention should be focused in the next period. While much work remains to be done, particularly regarding the institutional framework and the transposition of relevant EU legislation, joint efforts in improving the transparency and exchange of information will greatly contribute to the realisation of the CEFTA common goal of trade without barriers.

Mr Tinjak invited CEFTA Parties to share their experiences with the implementation of the MMF.

Ms Biljana Dodevska Stojanovska, State Counsellor from the Ministry of Economy of Macedonia reported a positive level of progress to date on the project. She noted that further work was needed in the areas of conformity assessment procedures and infrastructure, and transposition of EU technical regulations in priority sectors.

Mr Goran Scepanovic, Montenegro, summarised progress to date by reporting on developments in three main areas: (i) Montenegro's attention to Chapter 1 of the *acquis communautaire*; (ii) three significant business reforms made in the past year (on starting a business, tax payments and closing a business); and (iii) experience in negotiating the elimination of technical barriers with CEFTA Parties. He noted that goods being exported by Montenegro are still facing problems with technical and SPS barriers which are leading to higher prices for their products in certain CEFTA markets. He cited specific examples for juices, teas and water. In these cases, Montenegro has brought its concerns to the SPS and TBT subcommittees to negotiate the reduction or elimination of barriers in other Parties. This is of critical importance because NTBs increase an exporter's product price, thereby making it less competitive in entering a market and possibly even keeping the product from market.

Ms Ladislava Čelar, Croatia, concluded the session by presenting an overview of the IPA Quality Infrastruc-



ture project and discussed Croatia's progress towards EU accession. In close cooperation with the CEFTA Parties and the CEFTA Secretariat, the IPA project will enable regional networking initiatives and training to improve capabilities of ministries, quality infrastructure bodies and other institutions implementing strategies to comply with Chapter 1 of the EU *acquis*. This will enable them to offer industry services to provide tools to trade in EU markets, as well as in beneficiaries' markets. Furthermore, through regional proficiency testing schemes, confidence in products tested in beneficiary countries' laboratories will improve, and their performance will be benchmarked amongst them and EU counterparts. The project will also contribute to the removal of technical barriers to trade between beneficiaries and the EU, and, through the CEFTA Working Group on TBT, will contribute to the removal of TBT between beneficiaries.

Bringing the session to a close, Mr Tinjak drew the following conclusions on what had been discussed:

- a comprehensive and systematic *ex ante* approach in the identification of NTBs represents the most effective way to reduce and eventually eliminate trade barriers, thereby creating a suitable environment for free and unhampered intraregional trade;
- the MMF on Eliminating NTBs is a complex but valuable instrument which provides CEFTA Parties with a clear picture of where CEFTA stands and what the Parties need to do to reach their ultimate objective: unrestricted trade;



- in order to achieve this goal, in the next period CEFTA should focus increasingly on both administrative barriers and sanitary and phytosanitary measures, and ensure that these do not create unnecessary obstacles but rather assist in facilitating the free flow of goods and services in the region;
- the CEFTA Parties are ready to benefit from the synergies of working with other relevant projects and initiatives that contribute to the elimination of NTBs in the region.

3.3 Session II: CEFTA: Liberalisation of Trade in Services: Progress and Next Steps

Background and Objectives

All CEFTA Parties share a common feature: a significant and rising share of services in their economies. Indeed, global trade in services has been increasing faster than trade in goods in the last few decades. Although trade in services in the region has been expanding rapidly, the intra-regional trade in services among the CEFTA Parties has not proceeded apace and it could be much higher. The CEFTA Working Group (WG) on Services was established in November 2010 with a mandate to gradually develop and broaden cooperation between CEFTA Parties with the aim of achieving a progressive liberalisation and mutual opening of their services market, in the context of European integration, taking into account the relevant provisions of the GATS.

The objective of this session was to develop a common understanding of the road ahead in the liberalisation of trade in services among the CEFTA Parties by assessing the various approaches to the potential negotiations, and by taking into account the benefits and risks associated with this process. Different tools which could assist the Parties in conducting the technical negotiations were also presented.

Speakers were drawn from the World Bank, the OECD and the CEFTA Parties. The session was moderated by Ms Pranvera Kastrati, Acting Director, Trade Policy Department, Ministry of Energy and Trade, Albania.

Key Discussion Points and Conclusions

Ms Pranvera Kastrati opened the session and recalled that in 2010 following further liberalisation of trade in agricultural products, the CEFTA Parties realised that mutual trade could benefit by opening up the services market. Therefore a WG on Trade in Services was established with a terms of reference to:

- cooperate in the field of trade in services including regular exchange of information on regulatory reforms in services, review of quality and coverage of available statistics and cooperation with the business community;
- explore possibilities for gradual liberalisation by firstly examining the current level of liberalisation taking into account the actual barriers to trade and by assessing the impacts of potential liberalisation;

- prepare the ground and administer the technical negotiations.

Given the dearth of qualitative statistical data in services in the CEFTA Region, the WG had cooperated with the World Bank to develop a study of the current status of liberalisation of trade in services in CEFTA which would be taken into consideration for decision-making in the next period.

Presentation on the State of Play in the Liberalisation of Trade in Services among CEFTA Parties

Mr Borko Handziski, World Bank, presented the results of the World Bank Study on “Barriers to Trade in Service in the CEFTA Region” describing why they are relevant, the state of services, the legal and regulatory barriers to trade in general and specific barriers in the four initial sectors studied: construction, transport, legal services and ICT services.

The proliferation of trade in services for the CEFTA economies is the fruit of the advancement of their service sectors and the opening of their services markets. In the context of WTO and EU accession, CEFTA Parties have made reforms to improve market access, ease access to foreign ownership, and remove policies discriminating against foreign firms. Nonetheless, various policy barriers still constrain the expansion of trade in services.

Mirroring the global trend, services account for about 70% of most CEFTA economies. Key services sectors

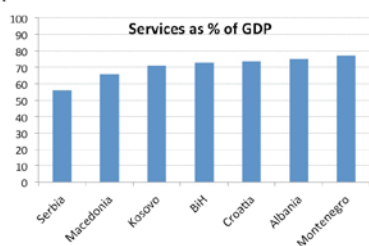
include construction, real estate and transport. Significantly services exports (excluding tourism) account for over 10% of GDP in each CEFTA Party. Services exports have been growing faster than goods exports and have become an important part of export diversification strategies as many countries have used the services sector to encourage growth. Service exports have also proved to be more resilient to external shocks in 2008-2009 and this is important for policy makers as it shows that developing the services trade gives some protection during downturns.

The key factors which determine success in increasing services exports include: (i) “factor endowments” (human capital, natural resources, infrastructure); (ii) trade policies – access to foreign markets, movement of people; (iii) policies affecting trade, investment and labour mobility in services; and (iv) pro-active industrial policies in services.

The study revealed that CEFTA Parties have made substantial progress in liberalising services trade (market access, commercial presence, transparency and protection of rights of foreign firms). Areas where restrictions remain significant are recognition of licenses, movement of natural persons and recognition of skills and diplomas. Overall, further liberalisation is needed to reach compliance with EU level of services liberalisation. The report also analysed barriers in the four sectors: construction, transport, legal services and ICT services and found that greater barriers existed in the first two sectors. In road transport, bilateral

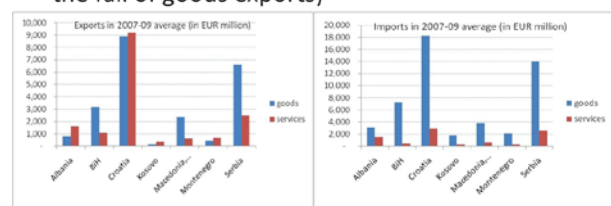
Role of services in CEFTA economies

- Services account for lion's share of CEFTA economies
- Trade, construction, real estate and transport are most important



... and services exports rapidly rising

- Services exports rising faster goods exports
- Proved to be more resilient to external shocks in 2008-9 (fall in services exports was lower than the fall of goods exports)



agreements determine market access (no. of licenses). In rail transport, market access is *de facto* limited in all countries except two (Croatia and Macedonia), while ICT services are largely liberalised. Two factors that determine ICT services trade are (telecommunications) infrastructure and protection of property rights. Performance in these two areas varies across the region but policy makers should look at enforcing these rights to encourage FDI.

The main steps for the CEFTA Parties towards liberalisation in services include: (i) simplifying procedures and removing barriers to cross-border provision (use “country of origin” principle); (ii) abolishing discriminatory requirements (on nationality, residence, “economic needs”, or minimum employees); and (iii) introducing “point of single contact”, enabling employers to obtain information about any country in the region. Mr Handziski summarised the study’s findings as follows:

- CEFTA Parties have made substantial progress in liberalising trade (in goods and services);
- in most service sectors, liberalisation goes beyond GATS requirements;
- in some areas, liberalisation is converging to EU’s legal requirements (e.g. aviation and energy);
- some restrictions remain in trade in services (both general and sector specific);
- addressing these would contribute to regional integration, facilitate trade in goods, and bring the Parties closer to EU-accession.

In conclusion he emphasised that the economic impact of liberalisation is difficult to assess due to limited data and suggested that the next step would be to study key sectors in more detail. From the perspective of policy makers and given the complexity of the data, he suggested it would be best to start small and select one sector such as professional services given its apparent prominence - and to go through the cycle of studying the data, implementing changes and reaching accession levels of harmonisation in order to measure the impact in the most timely manner.

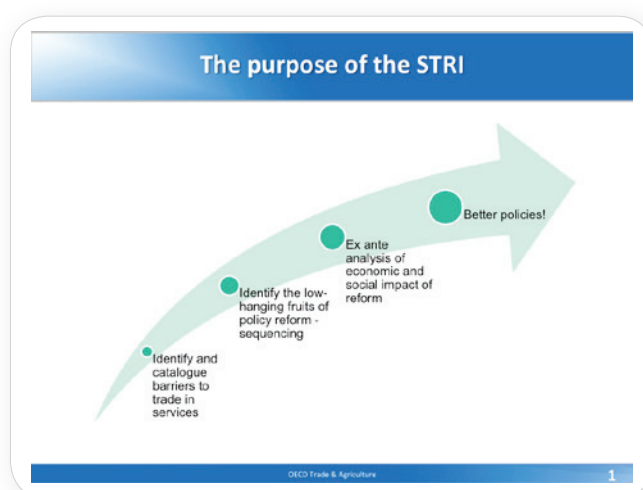
Assessing Barriers to Trade in Services – the OECD Services Trade Restrictiveness Index (STRI) Project

Mr Reiner Lanz, OECD, introduced Mr Sebastien Miroudot, OECD, and the Services Trade Restrictiveness Index (STRI) by stating that the EC would like to apply the STRI with EU support to the CEFTA region. He noted that the STRI tool could support the CEFTA harmonisation agenda by:

- benchmarking among CEFTA Parties and comparisons with EU countries;
- prioritising negative policies and critical reform efforts;
- providing best practice regulations in other countries and OECD countries.

Due to the labour intensive nature of the exercise, however, he suggested that CEFTA Parties decide on one sector for analysis and explained that the methodology could be applied one to one or in a regional context.

Mr Miroudot described the STRI project currently being implemented in OECD countries. It has two main outputs: a regulatory database and composite indices by sector and country. The regulatory database provides an inventory of regulations and trade restrictions currently in place in all OECD member countries. The pilot sectors included computer services, construction, professional services and telecommunications. New sectors added recently include transportation, distribution



and audiovisual services. Financial services are to be added in the near future.

The STRI indices translate the qualitative information of the regulatory database into quantitative measures using an elaborated scoring and weighting mechanism. It can be used for impact assessment of trade policy reform which is particularly important for the management of the reform process, including anticipating and preparing for structural changes. Both the STRI and the database provide a solid basis for FTA negotiations and for benchmarking regulatory reforms. Sources for the STRI database include OECD regulatory information, surveys, World Bank surveys and country verification which is time intensive.

Mr Miroudot presented the following conclusions:

- services trade negotiations suffer from lack of comparable data on applied trade policy measures – the STRI provides an inventory of comparable information across countries and sectors (and in future over time);
- the STRI provides a tool for analysing regulation along services supply chains (transport-distribution; telecommunications-content; construction-engineering-architecture);
- the STRI indices can be used for ex ante impact assessment of trade agreements under negotiation or planned reforms.

Regulations are quite complex and different laws and tax codes have to be taken into account. Therefore, in concluding he suggested a few learning points that could be applied when developing the STRI database for CEFTA negotiations:

- creating one central point of contact, such as the Secretariat, to gather all the initial information about regulations before sending it out to Parties for verification will save time as the process is labour intensive;
- identifying, informing and involving key experts and stakeholders in each Ministry early on in the process is critical to save time in the verification process;

- combining GATS-Schedules of trade commitments with the STRI database helps clarify and identify which tools exist for negotiations;
- using the STRI Database to assess the schedule for domestic reform becomes possible as it regroups the GATS, domestic regulation measures etc.

In the discussions that followed, the 2010 Chair of the WG, Ms Jadranka Zenic-Zeljko of Serbia discussed the optimal preparation strategies for negotiations on trade for services liberalisation to start the negotiating process. One of the key conclusions was that CEFTA Parties would benefit from institutionalised intra-CEFTA cooperation as knowledge and experience exists in services negotiations. Proposals for practical steps to improve this cooperation include:

- improve access to information, transparency and predictability of regulations and procedures – use CEFTA Trade Portal;
- increase institutional cooperation: (i) achieve better communication – establish enquiry points; (ii) achieve better regulatory information, consultations, assistance – establish notification bodies; (iii) conclude mutual recognition agreements of diplomas, qualifications licenses and certificates in certain services sub-sectors; (iv) speed up harmonisation with EU legislation; (v) adopt/implement the EU Directive on Services;
- enter into negotiations on gradual services liberalisation – better regulation, elimination of barriers and discriminatory measures;
- improve statistics on services based on the EU methodology.

Ms Zenic-Zeljko outlined some interesting ideas to encourage the preparation of services trade liberalisation and concluded by summarising the key long-term benefits for CEFTA:– (i) enabling domestic service suppliers to become more efficient, and ready for competition at the regional and global level; (ii) facilitating intra-regional networking in manufacturing activities to underpin regional economic integration and specialisation; (iii) accelerating structural changes within economies in moving from industry

towards knowledge based services which are major generators of value added, exports and new jobs; (iv) encouraging inflow of FDI; and (v) facilitating EU accession.

The 2011 Chair of the WG meeting, Mr Flamur Keqa, discussed key activities during the year and relayed what was agreed during the 3rd meeting of the WG held in Pristina on 15 September, 2011 which focused on current market openers for each CEFTA Party and discussed future objectives and work plans. The WG discussed the results of the recently published World Bank study and noted its emphasis on scarce statistical data and specifically that the quality of data was good where it existed. The WG agreed that solving the data gap was critical, particularly given the Parties' WTO and EU accession objectives. Parties exchanged information about the prominent services sectors and studied ways of compiling the data within a consolidated questionnaire - particularly the technical modalities of the negotiations by identifying key parts: format, type, scope and dynamics of the negotiations.

The WG developed a detailed two year action plan for activities as the basis for next year's work to bring the Parties closer to fulfilling the common objective. They also considered two liberalisation strategies:

- focusing on several sectors of common interest to all eight parties with a view to enhancing trade volumes in these sectors - in this case more detailed analytical information would be needed to build on the existing World Bank Study; this could include the professional services sector;
- taking a broader approach by making concessions across all the sectors - this would demand more work and dedication given the size and scope of the services but the benefits from lifting barriers could offer potential for a greater spill over effect into the wider economy.

Ms Kastrati thanked the speakers for their valuable contributions. As the next Chair of the WG on Trade in Services, she announced that the WG would continue in the same direction in 2012. She described plans to

complement the agenda with other relevant topics, such as the use of the results from the Questionnaire on Restrictive Measures. The objective will be to create a solid starting point and guidelines on what potential modalities can be used for successful negotiations in order to optimise the results.

Furthermore, she announced that the WG would partner with OECD to start developing a services trade regulatory database, implementing, where possible, the STRI in order to translate the qualitative information into quantitative measures. Combining these two approaches will create a solid ground for future negotiations on liberalisation of trade in services and enable the CEFTA Parties to forecast the impact of such liberalisation on their overall economies.

Ms Kastrati brought the session to a close with the following summary of conclusions:

- the gains of greater trade in services are numerous; they positively impact on GDP, can significantly improve the economic performance by providing new export opportunities and crucial inputs for businesses such as infrastructure, thus contributing to a better overall investment climate and, on a broader scale, improved competitiveness;
- liberalisation of trade in services is one more step on CEFTA's path towards the full use of all the advantages of a joint, harmonised, free trade area called the CEFTA Region;
- when developing the process ahead, numerous factors should be taken into consideration in order to choose the best approaches and sectors to be liberalised carefully and wisely thus securing the best possible outcome for CEFTA Parties;
- special attention should be given to the identification of the barriers that hamper trade in services in the region and to the development of tailor made tools to reduce them. One possible solution could be to use existing tools which provide an overview of internationally comparable regulatory policies that affect trade in services.



3.4 Session III: Industry Location and Supply Chains in the CEFTA Region

Background and Objectives

CEFTA 2006 is an ambitious agreement that not only liberalises trade but also serves to increase the attractiveness of South Eastern Europe for investment – to both foreign and domestic companies. The CEFTA region has been passing through a difficult period with the global economic crisis and difficulties created by uncertainties in the Euro zone. Despite this recent turbulence, the CEFTA growth model foreseeing deeper integration with the EU in terms of finance, trade, labour markets and institutions remains of critical importance for the economies of the region in the long term. Further integration with the EU will bring opportunities for sustainable growth, if the region's growth is driven by investment and improvements in productivity, enhancing competitiveness and productive capacity. The second critical aspect of reaching sustainable growth in connection with the EU integration process is to complete the agenda of structural reforms. In this context,

the relations between industry agglomerations and supply chains will play an important role by providing important feedback on the links between the existing positioning of industry and supply chains.

The objective of the session was to explore the facilitation of trade in supply chains for competitive manufacturing industries in the CEFTA Parties.

Speakers were drawn from the OECD, the CEFTA Parties and the Regional Cooperation Council (RCC). The session was moderated by Ms Bojana Todorovic, Assistant Minister, Ministry of Economy and Regional Development, Serbia.

Key Discussion Points and Conclusions

Ms Todorovic opened the session and noted the importance for the region of improving competitiveness and generating high levels of economic growth, employment and productivity. Under the umbrella of monitoring the implementation of the investment related clauses of CEFTA, the OECD has conducted analysis on the concen-

tration of manufacturing industries and the identification of national and regional agglomerations as well assessments of intra-CEFTA and extra-CEFTA supply chains. The overall objective is to assess the impact of European and intra-regional integration on company location at sub-national level. Additional objectives include building a map of company location for each of the CEFTA economies; identifying and quantifying industry agglomerations and clusters at sub-national level; identifying intra-regional agglomerations and assessing the importance of hard and soft infrastructures on company location.

Presentation on Mapping of Industry Agglomerations and Analysis of Industry Concentration and Country Specialisation Patterns

Mr Rainer Lanz and Mr Gabriel Boc, OECD, made a detailed presentation on industry concentration and supply chains under three main headings: (i) policy relevance; (ii) analysis of industry concentration; and (iii) analysis of supply chains. The OECD's work has focused on describing the intra- and extra-CEFTA supply chains and on the identification of key industries which present a significant revealed comparative advantage (RCA) and their integration in supply chains. The preliminary conclusions are that: (i) medium-low technology industries are the dominant supply chains; (ii) for final goods, CEFTA Parties have a RCA in exporting low-tech products; (iii) for intermediate goods, they have a RCA for both low-tech and medium-low tech products. Overall, CEFTA Parties seem to be most successfully integrated in the

final stage of supply chains for textile and food products and in intermediate stages of supply chains for wood products and non-metallic mineral products.

The key conclusions are that: (i) overall manufacturing activity is highly agglomerated; (ii) low and medium-low tech industries account for about 80% of manufacturing activity; and (iii) while the ICT industry is highly concentrated, other industries (low tech, medium-low tech and medium-high tech) are distributed in a similar way over regions as overall manufacturing. The next steps include: (i) assessing whether and how NTBs distort supply chain patterns; (ii) helping countries prioritise products and industries for the elimination of NTBs; (iii) analyzing the determinants of industry concentration and supply chains in relation to regional infrastructure and trade logistics; and (iv) considering supply chains and services liberalisation.

Manufacturing in CEFTA (IV)

Manufacturing activity in CEFTA is heavily concentrated in low and medium low tech industries.

Manufacturing in CEFTA – Turnover: 42.5 bn EUR – Employment: 1.07 m

Low Tech Industries (45%)	Medium Low Tech Industries (34%)	Medium High Tech Industries (18%)	ICT Industries (3%)
Food and Beverages Tobacco Products Textiles Wearing Apparel Leather Products Wood Products Paper Products Publishing and Printing Furniture and Other Manufacturing	Petroleum Products Rubber and Plastic Products Non-metallic Mineral Products Basic Metals Fabricated Metal Products	Chemical Products Machinery and Equipment Electrical Machinery Motor Vehicles Other Transport Equipment	Office machinery and computers Radio, Television and Communication Products Medical, Precision and Optical products

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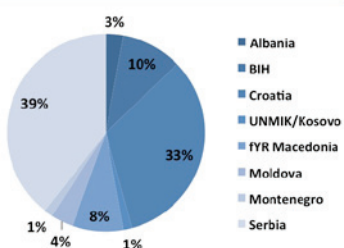
Manufacturing in CEFTA (I)

Approx. 70% of the manufacturing activity in CEFTA is concentrated in Serbia and Croatia.

Manufacturing in CEFTA – Turnover: 42.5 bn EUR – Employment: 1.07 m

Shares of CEFTA Parties:
(by turnover)

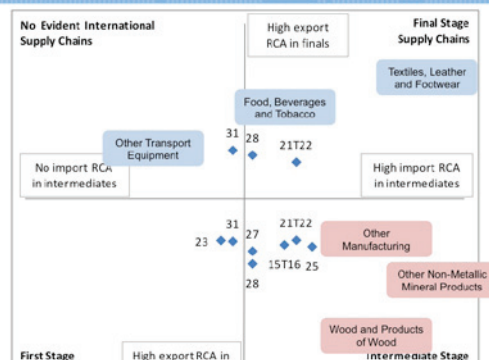
Albania	1.2 bn
BIH	4.2 bn
Croatia	14.0 bn
UNMIK/Kosovo	0.6 bn
FYR Macedonia	3.6 bn
Moldova	1.5 bn
Montenegro	0.6 bn
Serbia	16.8 bn



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2. What is CEFTA's Position in Supply Chains?



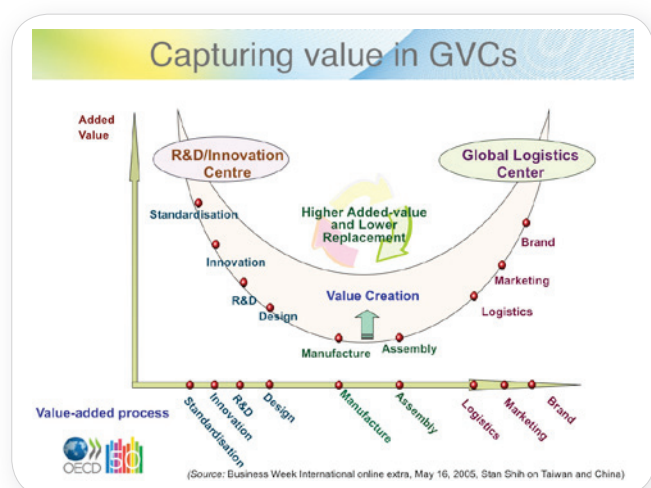
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Ms Todorovic thanked the OECD experts for this valuable presentation and providing participants with an up-to-date snapshot of industrial positioning and concentration in the region. She invited Mr Koen De Backer, who is a value chain expert with OECD, to comment on the study.

Mr De Backer outlined some of the broader policy implications of global value chains (GVCs). In recent decades GVCs that used to be located in one location in one country have been internationally fragmented and sliced up and placed in different countries - e.g. China and India. An example would be Apple's iPhone4 which is assembled in China.

Key policy challenges which need to be addressed to ensure a country gets into a value chain include: (i) openness for trade and investment (import tariffs = taxes on exports); (ii) good infrastructure: hard (transport, ICT) and soft (ease of business to stimulate and attract investment); (iii) supply capacity of domestic firms; (iv) attracting the right multinationals (MNEs) - instead of focusing on industries it is more important to focus on activities such as distribution, innovation, production, development; and (v) agglomeration economies (suppliers). In order to capture value for the domestic economy, it is not enough to look at exports and imports. It is necessary to focus on creating value and moving up the value chain (i.e. on upstream activities in R&D, design and innovation) and also on downstream activities in branding, marketing and logistics.



Ms Todorovic invited Mr Sanjin Arifagic from the RCC to take the floor to discuss how the CEFTA Parties can benefit from the outputs of the project and how these outputs can be translated into concrete actions at the regional level.

Mr Arifagic reported that the RCC is excited about this work as it is the first time there is evidence of regional economic activity and economic outcomes. He mentioned that the RCC is interested in moving the CEFTA commissioned work on NTBs along further and looking at existing and potential regional value chains. He said he hoped that by the next meeting of the Investment Committee in the first half of 2012 there will be some tangible results to report in relation to building human capital, innovation and R&D and adding value to upgrade processes and functions to increase prosperity for the CEFTA region.

Ms Todorovic proposed the following conclusions after the extensive discussions during the session:

1. Existing industrial concentrations and positioning prove strong links between the CEFTA economies and the EU but do not necessarily show that they are competitive. An EU integration based economic growth model seems the best option for the region. However in order to achieve sustainable economic growth in the region, it should be based on increased competitiveness and improved productivity.
2. The OECD analysis will assist the CEFTA Parties in identifying supply chains in intra-CEFTA and EU-CEFTA trade and key industries in the region having a significant revealed comparative advantage and their integration in supply chains. From a trade perspective, this output will in itself be an important part of prioritising work on the elimination of NTBs which will help to reduce supply chain distortions in intra-CEFTA and EU-CEFTA trade. Moreover, the analysis will deliver essential outputs to efforts on trade logistics and services trade liberalisation. These three interrelated issues (NTBs, liberalisation of trade in services, and trade logistics) require collaboration and harmonisation at the regional level to increase productivity and to ensure integration into supply chains.



3.5 Session IV: Trade Facilitation in the Western Balkans: the Value of Trading Faster and Cheaper

Background and Objectives

The objective of the session was to discuss the way forward in simplifying and harmonising trade related procedures to facilitate faster and cheaper trading throughout the CEFTA region.

Speakers were drawn from the IFC, the OECD, the CEFTA Chambers of Commerce and the Business Advisory Council (BAC). The session was moderated Ms Ivana Sucic, Director General, Ministry of Economy, Labour and Entrepreneurship, Croatia.

Ms Sucic introduced the session by noting that there is a general tendency to presume that CEFTA has already completed its agenda of trade liberalisation after dismantling tariffs. The reality is that removing tariffs was the easiest part. The greater challenge is to eliminate non-tariff barriers (NTBs) and to facilitate trade through simplification of trade related procedures. The issue of trade facilitation is tackled by CEFTA from different aspects. The elimination of NTBs is one of these angles. The customs authorities are also strongly involved in the efforts of facilitating trade within CEFTA as the mandate given by the Agreement foresees the simplification of customs and other trade related procedures.

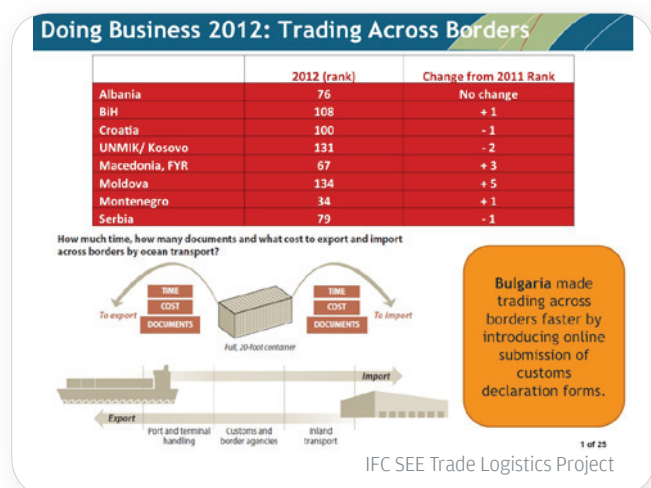
In the first few years after signing the Agreement the emphasis had been mainly on diagonal cumulation.

However, from 2011, efforts are focussing more on trade facilitation and are clearly reflected in plans for the next three. A number of steps have been taken to facilitate information exchange between the customs authorities, and between customs authorities and other governmental agencies, particularly ones at the border. The advantage is that trade facilitation is one of the areas where international standards are regulated by a number of multilateral agreements and organisations. That is why the task is not so difficult as it is not necessary to reinvent the wheel. On the other hand, it is still a demanding undertaking since several different economic and sectoral policies are necessary to facilitate trade. Another challenge is that inter-agency and intra-agency coordination in a regional free trade area should not only operate at national level but also at the regional level.

Key Discussion Points and Conclusions

Presentation on Trade Facilitation in the Western Balkans: the Value of Trading Faster and Cheaper

In her presentation, Ms Wendy Werner of the IFC emphasised that trade logistics continue to be a challenge in the Southeast Europe region. Doing Business 2012 data shows that a number of countries in the region have been successful at reforming the regulatory framework, improving access to credit and simplifying regulations for businesses. However, with a couple exceptions, indicators of trade logistics do not show significant improvement – see table below.



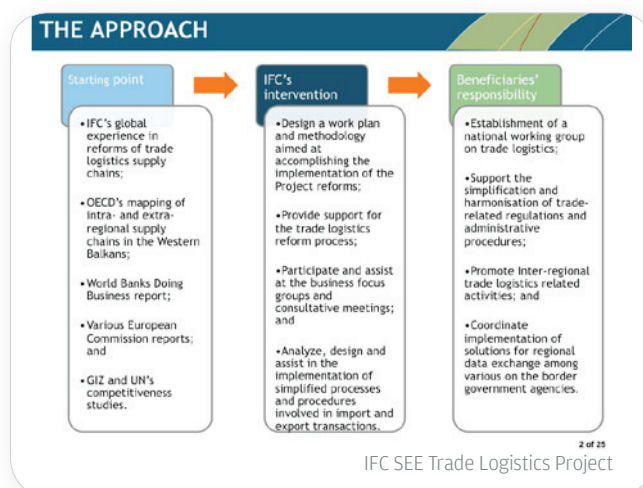
Ms Werner informed participants that the IFC will start a Trade Logistics Project as part of the Multibeneficiary EU IPA programme in early 2012. The project will work regionally with Serbia, Bosnia and Herzegovina, Albania, Macedonia, Montenegro, UNMIK/Kosovo and Croatia. The objective of the project is to: (i) stimulate economic development in the Western Balkans by reducing trade logistics constraints and harmonising border clearance through country specific supply chain reforms and regional cooperation; and (ii) reduce the cost to trade and the regulatory and administrative burden related to inter and intra regional trade that hinders investment. By reducing transaction costs, the region will facilitate more efficient supply chains, reducing the price of the final product and making it more competitive for current and future investments.

The IFC's work on trade logistics will focus on priority sectors as identified by the CEFTA working groups and the OECD value chain analysis (e.g. agri-business: Croatia, Albania, UNMIK/Kosovo, Serbia and Macedonia; garments: Macedonia, Albania; auto-industry and wood products: primarily Bosnia and Herzegovina).

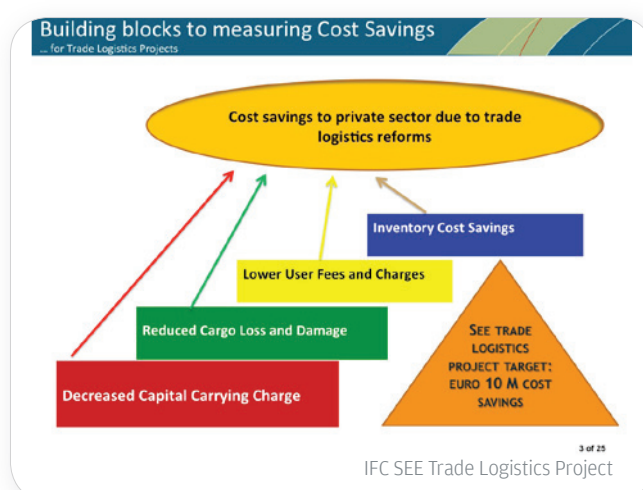
The macro-level analysis will be validated and enhanced with trade process maps, including the time and cost of procedures. The micro costs and value chain function and potential will be the basis for recommendations for simplification. The recommendations will include regulatory and administrative reforms at national level and regional level reforms. At regional level interventions will identify ways to simplify clearance procedures on

the Danube river, aligning procedures for Serbia and Croatia with EU procedures in Hungary.

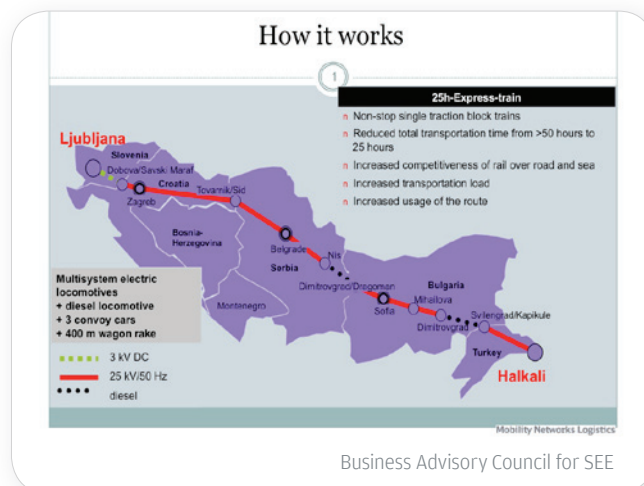
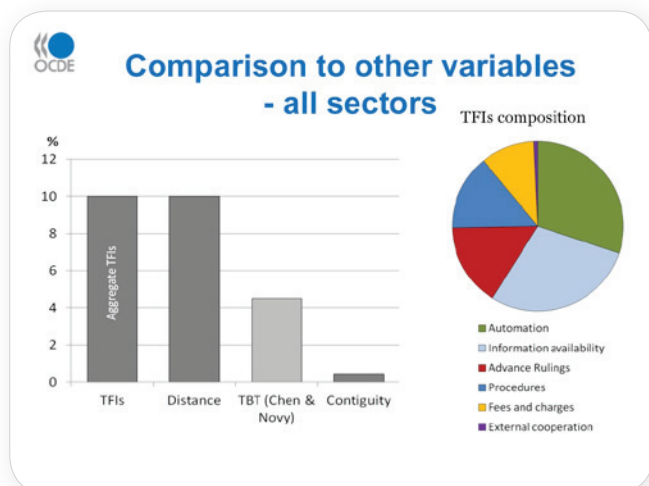
The project approach and methodology is broken down into the following three areas:



The IFC Investment Climate Advisory Services has developed a model of the impact of trade logistics on business operations and exports and this model will be used to measure: (i) the increase in exports due to the reduced time to trade and (ii) estimated cost savings to private firms due to trade logistics reforms (the target is Euro 10 million in cost savings).



In the panel discussion that followed, Ms Evdokia Moise, OECD, briefed participants on OECD's work on trade facilitation indicators and their impact on trade costs.



The aim of the project is to provide a basis for prioritising trade facilitation actions by governments. The completed work covers OECD countries and Hong Kong and China and the database and methodology have been adapted to take account of developing country concerns.

Ms Ljiljana Filipovic from the Chamber of Economy of Montenegro reported on the current issues in trade logistics from the private sector perspective and how regional trade can be facilitated further. The most important aspect for the private sector is to reduce the cost of trade.

Simplifying the administrative and regulatory procedures will definitely help in facilitating more efficient supply chains and attracting competitive industries and more investment to the region. A key challenge is to improve information exchange between the agencies which have responsibilities in trade, particularly the ones at the border crossing points and between these agencies and the private sector as the main client to that 'service'.

Mr Umut Ergezer, CEFTA Secretariat, delivered a presentation on the "Bosphorus Express - Halkali-Ljubljana in 25 Hours" on behalf of the BAC.

A new rail company has been established for the purposes of managing this freight line, bringing together Slovenian, Croatian, Serbian and Bulgarian railways, proving that regional cooperation is possible, functional

and beneficial for all partners involved. Both the public and the private sector have enjoyed gains: the public sector receives revenues from increased volumes of transported and traded goods, and the private sector enjoys reduced costs, increased safety and improved logistics services.

Significant technical and managerial know-how has been transferred to the region through the use of IT and high-end data management systems. The Bosphorus Express now runs three times a week versus once a week two years ago and the total travel time has been reduced to approximately 35 hours. The target is to reduce the travel time down further to 25 hours and this will happen once remaining problems are solved.

Ms Sucic presented the following conclusions before bringing the session to a close:

- the simplification of trade related procedures to facilitate trade is crucial for the region; facilitation of trade is inevitably challenged by different levels of administrative and enforcement capacities of agencies at border crossing points;
- as the task of strengthening the administrative and enforcement capacity in the region is ambitious, it is necessary to prioritise regional actions in two main ways: (i) sectoral: depending on the inputs that the OECD supply chain project will provide; (ii) thematic: to determine which areas regional interventions should focus on (such as electronic exchange of data, coordination of risk management policies, etc.)



3.6 Meeting of the CEFTA Forum of the Chambers of Commerce, Paris, 23 November, 2011

Background and Objectives

Following ratification of CEFTA by the signatories in 2007, the chambers of commerce in the region agreed to establish the CEFTA Forum of Chambers to monitor implementation of the Agreement from the perspective of the business community and to provide a channel for communication between the business community and the various governments.

The CEFTA Forum's structures reflect the CEFTA structures - it meets in plenary session and also has three working groups that mirror the CEFTA sub-committees, namely technical and non-tariff barriers to trade, customs and rules of origin of goods and agriculture. A working group was also set up on insurance. The specific focus of the Forum was guided by: the necessity for further cooperation between the private and public sectors and the need for further development of economic cooperation and trade in the region; the importance for CEFTA Parties of focusing on mutual cooperation; and a recognition that full implementation of the CEFTA Agreement is a base for further expansion of trade.

The overall objective of the 2011 meeting was to update participants on the activities of the CEFTA Forum working groups in 2011 and outline the challenges for 2012.

The participants were representatives of the Kosovo Chamber of Commerce, the Croatian Chamber of Econ-

omy, the Montenegro Chamber of Commerce the Foreign Trade Chamber of Bosnia and Herzegovina and the Chamber of Commerce and Industry of Serbia. The meeting was moderated by Mr Safet Gerxhaliu, President, Kosovo Chamber of Commerce.

Key Discussion Points and Conclusions

Mr Safet Gerxhaliu opened the meeting by noting its importance for the future of the CEFTA Parties and the economic development of the Western Balkan countries and he regretted that there were no other Chamber Presidents in attendance.

Mr Igor Gavran, Foreign Trade Chamber of Bosnia and Herzegovina presented the results of the four working group meetings held in Sarajevo on 11 October, 2011. The working groups adopted the following conclusions and recommendations:

Working Group for Technical and Non-Tariff Barriers to Trade

- existing NTBs are a significant example of CEFTA infringement and an obstacle to regional trade expansion;
- co-operation should be intensified with the CEFTA Subcommittee on TBT and NTB and notified trade barriers should continue to be recorded to ensure a single approach to TBT and NTB removal;
- the CEFTA Trade Portal (as a source of all necessary trade information for businesses) should be continuously and accurately updated to assist in the removal of trade barriers;

- a single NTB notification form has been adopted within CEFTA as the instrument for official NTB notification by companies; it has been published on all web portals of CEFTA chambers of commerce and successfully recognised and used by the business community;
- non-recognition of quality certificates, issued according to national regulations, is a serious obstacle to business and trade exchange, which should be solved by bilateral and plurilateral mutual recognition agreements/protocols; such protocols have been initialised by the ministries of Bosnia and Herzegovina and Serbia and should be used as a model for other CEFTA Parties;
- the establishment of the new NTB monitoring instrument devised by OECD – the CEFTA Multilateral Monitoring Framework – should ensure objective identification, classification and removal of NTBs;
- the initiative by government authorities to relocate certain control and monitoring procedures from border crossing points to more central locations should be accelerated.

Working Group on Agriculture and SPS

- following EU membership of Croatia, foreign trade exchange of agricultural and food products will depend directly on legislative adjustment in the CEFTA Parties;
- Chambers of Commerce of the CEFTA Parties will continue to demand from their authorities the conclusion of mutual SPS certificates recognition agreements, in order to reduce obstacles to trade of agricultural and food products;
- the OECD NTB monitoring instrument for priority sectors should contribute to a more efficient solution for removing existing and preventing new obstacles to trade.

Working Group on Customs and Rules of Origin of Goods

- a more consistent application of diagonal cumulation of rules of origin is necessary as the basis for improv-

ing competitiveness and increasing profits in export oriented enterprises;

- governments of CEFTA Parties should intensify their activities towards faster accession of the Western Balkans to Pan-Euro-Mediterranean diagonal cumulation or origin;
- it is crucial to continue the education process on rules of origin of goods and especially of diagonal cumulation as well as preparing an integral CEFTA guide on the origin of goods with the support of DIHK;
- it is recognised that there is a need for more proactive participation of the CEFTA Joint Committee and CEFTA Secretariat to solve concrete problems in this area;
- it is important to further liberalise trade in services, create better conditions for investment and open up public procurement markets to increase competitiveness in the region.

Working Group on Insurance

- cooperation between insurance companies in CEFTA should be strengthened;
- it is important to align the insurance industry market in CEFTA with the EU integration process without further delay;
- regulation of the legal framework for the gradual liberalisation of co-insurance is a priority;
- legal options and solutions for removing system limitations to co-insurance and actuary liberalisation in CEFTA should be analysed;
- a programme of educational activities on insurance in CEFTA for insurance companies, government authorities and others should be commenced in the near future.

Presentations were also made by Ms Dragic Martinovic, Croatia Chamber of Economy, Ms Ljiljana Filipovic, Montenegro Chamber of Commerce and Ms Vesna Pacail, Serbia Chamber of Commerce and Industry on the importance to the private sector of consistent, full and efficient implementation of the CEFTA Agreement and the favourable impact this can have on the business climate for the region.

In conclusion, Mr Gerxhaliu thanked the CEFTA Chambers for sharing their vision of the way forward and future objectives. This type of fruitful exchange will continue to be critical to strengthen the power of the Chambers of Commerce in the region and enable them to make a considerable contribution to the creation of an integrated trade environment in this part of Europe and be important partners for governments, the EU, the RCC and other entities.

The removal of trade barriers will result in increased production and employment, a wider range of goods, higher competitiveness and a greater inflow of investment into the region. He appreciated the invitations from several speakers to continue with dialogue and communication as the best way to solve issues and overcome barriers and to succeed in improving the regional economy.

3.7 Session VI: CEFTA Trade Portal: Performance in Year 1 and Updated Features

Background and Objectives

The CEFTA Trade Portal was created by the CEFTA signatories with the support of GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The development process was headed by the Albanian Ministry for Economy, Trade and Energy who designed the model for the trade portal in cooperation with GIZ.

The online Trade Portal, which was launched during CEFTA Week 2010, contains all relevant and practical information for trading with the CEFTA Parties. Traders importing goods into and exporting goods from each CEFTA Party are subject to a number of important rules and regulations with regard to customs, licensing, SPS and veterinary control procedures, technical and other requirements.

The aim of the Portal is to save businesses time, effort and money in gathering this information as well as increasing the transparency of trade procedures. The Portal increases transparency in the regulations and

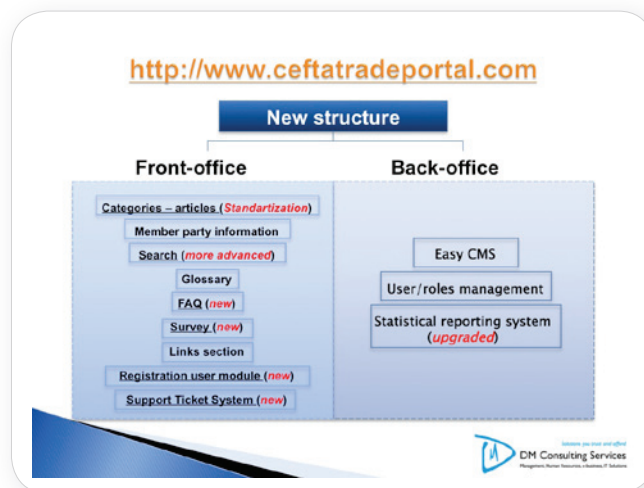
formalities that refer to trade with the region. Its purpose is, thus, to facilitate regional trade through the elimination of non-tariff barriers.

The Portal not only serves the private sector but also public administrations in the respective CEFTA Parties to be acquainted with all formalities, regulations and rules in trading across the region. The Portal complements the efforts of different CEFTA institutions to exchange information in this regard.

The CEFTA Parties under the lead of the Albanian Ministry are working closely together to progressively enrich the Portal's content and develop new functionalities. GIZ (under its Open Regional Funds for Foreign Trade Promotion in Southeast Europe) will continue to provide targeted support until December 2012. The main challenges are to ensure information is updated regularly and to keep track of changing legislation, procedures and documentation.

The objective of this session was to assess performance in Year 1 and to outline updated features and improvements. Speakers were drawn from GIZ and the CEFTA Parties.





Key Discussion Points and Conclusions

Ms Tanja Boskovic, GIZ, opened the proceedings and said her presentation would focus mainly on portal upgrades and new features enhancement as a result of feedback from the business community. The main categories of information presented on the Portal are customs regulations, licensing procedures, technical requirements, SPS and veterinary controls, trade regimes as well as the regulations for border controls applied in all CEFTA signatories. A new public procurement category was added following recommendations of the Serbian Chairmanship in 2010.

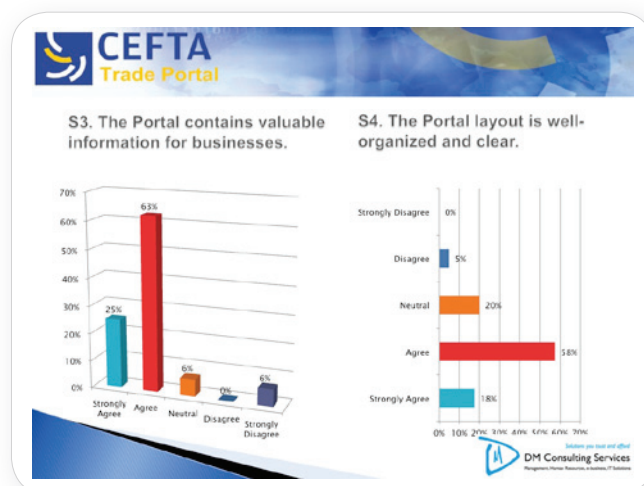
Ms Boskovic demonstrated on-line how to navigate the Portal web pages and links and highlighted the type of information available under each category and any upgrades and new features (e.g. under Frequently Asked Questions). The best indicator of the success of the Portal is that it has been used by 80,000 visitors from all over the world since it became operational in November, 2010.

A CEFTA Trade Portal Task Force was established during 2011 with the aim of developing cooperation between the CEFTA Parties in managing the common Trade Portal and ensuring its sustainability beyond 2012. Two meetings have been held to date - one in Pristina on 15 September, 2011 and one in Budapest on 2 November, 2011. The meetings were very valuable in making progress on critical issues about the future management of the Portal and the division of roles and responsibilities among the CEFTA Parties.

Mr Dritan Mezini, DM Consulting Services, Albania, briefed participants on the results so far of an on-going on line survey which started in October, 2011 to obtain feedback from users on recommendations for the future. The survey was focussed on design, visits, category and navigation. The number of total surveys to date is 295.

The main results include:

- 51% of visits occurred as a result of search engines;
- 85% agreed it is easy to use the Portal and it is easy to navigate;
- 63% said the Portal contains valuable information for businesses;
- 58% said the lay-out is well organised and clear;
- 60% said links are updated and relevant;



- customs was the most visited category (46%);
- licensing was not visited at all which is surprising.

Interim conclusions show that overall the Portal is well received by the audience and the evaluation is positive. The following improvements will be made to the Portal by March 2012:

- other surveys on different topics will be added;
- FAQ (Frequently Asked Questions) will be updated on a regular basis by CEFTA members (generic FAQ and specific FAQ at Party level);
- registration modules for visitors/users will be added (individuals, businesses) to get a better understand-

ing of reader/visitor profiles;

- in order to improve content unification and standardisation, a new standard document template structure will be used for each CEFTA Party: (i) the header - title of document; (ii) the body - current and expected number of templates by category; and (iii) the bottom - member party of origin, language, published date, last updated date on every document, hits abstract, external links if any, keywords, etc.

Mr Mezini concluded the session by emphasising that GIZ, the CEFTA Secretariat and the CEFTA Parties are very keen to move forward with this project in order to increase the Portal's usefulness for the business community in the region.

4. ANNEXES

4.1 Individual Session Agendas for CEFTA Week Events

Session I: Monitoring Progress in the Reduction and Elimination of Non-Tariff Barriers in the CEFTA Region

11.⁰⁰ – 12.³⁰ hrs 22 November, 2011
OECD Conference Centre, Room CC10

Objective: The objective of this session will be to discuss the results from the first assessment cycle of the Multilateral Monitoring Framework on the Elimination of the NTBs among the CEFTA Parties and the possible ways how to relate them with the necessary actions to reduce the appearance of the new barriers to trade.

Moderator: Mr Hamdo TINJAK, State Secretary, Ministry of Foreign Trade and Economic Relations, Bosnia and Herzegovina

Multilateral Monitoring Framework on the elimination of NTBs in CEFTA and the results of the first assessment cycle

- Mr Antonio FANELLI, Deputy Head, Private Sector Development Division, OECD
Under the project “Eliminating non-tariff barriers in CEFTA 2006”, OECD has conducted the assessment on the elimination of NTBs in CEFTA Parties on the basis of the Multilateral Monitoring Framework (MMF) developed by OECD. The assessment covered all areas of NTBs included in the CEFTA agreement: (i) Technical barriers to trade (standards, technical regulations and conformity assessment); (ii) Sanitary and phytosanitary measures; (iii) Administrative barriers to trade and issues of trade facilitation.
 - Ms Ladislava CELAR, Head of Internal Market Coordination Department, Ministry of Economy, Labour and Entrepreneurship of Croatia
The TBT sub-questionnaires covered institutional framework for standardization, transposition of EU technical regulations, transposition of European standards, institutional framework for accreditation, conformity assessment procedures and infrastructure, information and notification mechanisms. This analysis is a very good base for the CEFTA Parties to determine the needs to improve their quality infrastructure systems and to approximate their technical legislation to EU levels, as well as remove potentially unwanted obstacles to trade within CEFTA as well as between CEFTA and the EU.
 - Ms Gordana RISTIC, Food Quality and Safety Expert, Ristic & Milovic Consulting GbR, Germany
The questionnaire on SPS helped identify the status of the: capacity building of the SPS agencies, their level of collaboration in the region, development of regulations and practices in line with international requirements, status of harmonization of regulations and practices in control of the most traded food and agricultural goods as well as
-

capacities of contact points and notification bodies for assuring transparency in the food safety area. Harmonization of regulation and practices, along with bilateral and multilateral trade agreements help prevent NTBs, speed the food trade process and should help lower prices of imported goods, since the certificates accompanying goods are recognized, no repeating of testing is needed and goods are to be released to the market faster.

- Ms Katarina DJERMANOVIC, Consultant, Private Sector Development Division, OECD
The assessment on the administrative barriers to trade aimed to evaluate the CEFTA Parties' level in ensuring that customs and border procedures are designed and implemented in a consistent, predictable, simplified and transparent manner. The following topics were covered: Establishment and functioning of a national customs website and enquiry points, Involvement of the trade community, Advance rulings, Appeal procedures, Fees and charges, Documents and automation, Customs procedures and processes, Domestic and cross-border/international agency co-ordination and co-operation. Furthermore, future activities were identified in order to strengthen cooperation and exchange of information between CEFTA customs authorities and to harmonize customs procedures in the CEFTA region.
- Mr Sándor SIMON, Deputy Permanent Representative of Hungary to the OECD

Panel Contributions – CEFTA Parties, IPA Regional Quality Infrastructure Project

Conclusions and Recommendations

12.³⁰ – 14.⁰⁰ hrs Lunch Break

Session II: CEFTA: Liberalisation of Trade in Services – Progress and Next Steps

**14.⁰⁰ – 15.⁰⁰ hrs 22 November, 2011
OECD Conference Centre, Room CC10**

Objective: The objective of this session is to brainstorm on the various approaches to the potential negotiation on the liberalisation of trade in services among the CEFTA Parties, while taking into account equally the benefits and risks of such a process. Different tools that could assist the Parties in conducting the technical negotiations will be also discussed.

Moderator: Ms Pranvera Kastrati, Acting Director, Trade Policy Department, Ministry of Energy and Trade, Albania

Presentation on the State of play in liberalisation of trade in services among CEFTA Parties

- Mr Borko HANDZISKI, Country Economist, World Bank
The proliferation of trade in services for the CEFTA economies has come as a result of advancement of their service sectors as well as their opening services markets. In the context of WTO and EU accession, they have taken reforms to improve market access, ease foreign ownership, and remove policies discriminating against foreign firms. Nonetheless, various policy barriers still constrain expansion of trade in services through any of the four modes of supply. In terms of general barriers, movement of foreign workers/professionals is the most restricted mode of supply in the CEFTA Parties.

Assessing barriers to trade in services – the OECD Services Trade Restrictiveness Index project

- Mr Sébastien MIROUDOT, Trade Policy Analyst, TAD/TSD, OECD

The Services Trade Restrictiveness Index project contains two output results: a regulatory database and composite indices by sector and country. The regulatory database provides an inventory of regulations and trade restrictions currently in place in all OECD Member countries. The STRI indices translate the qualitative information of the regulatory database into quantitative measures using an elaborated scoring and weighting mechanism. It can be used for impact assessment of trade policy reform which is particularly important for the management of the reform process, including anticipating and preparing for structural changes. Both the STRI and the database provide with solid basis for the FTA negotiations and benchmarking regulatory reforms.

Panel Contributions – CEFTA Parties

Conclusions and Recommendations

Session III: Industry Location and Supply Chains in the CEFTA Region

15.⁰⁰ – 16.⁰⁰ hrs **22 November, 2011**
OECD Conference Centre, Room CC10

Objective: To explore how to facilitate trade in supply chains for competitive manufacturing industries in the CEFTA Parties.

Moderator: Ms Bojana TODOROVIC, Assistant Minister, Ministry of Economy and Regional Development, Serbia

Presentation on mapping of industry agglomerations and analysis of industry concentration and country specialisation patterns

- Mr Rainer LANZ and Mr Gabriel BOC, Private Sector Development Division, OECD

Under the umbrella of monitoring the implementation of the investment related clauses of CEFTA 2006, the OECD has conducted analysis on concentration of manufacturing industries and the identification of national and regional agglomerations as well assessments of intra-CEFTA and extra-CEFTA supply chains.

The key conclusions are that (i) overall manufacturing activity is highly agglomerated, (ii) low and medium-low tech industries account for about 80% of manufacturing activity and (iii) while the ICT industry is highly concentrated, other industries (low tech, medium-low tech and medium-high tech) are distributed in a similar way over regions as overall manufacturing.

The OECD's work has focused on describing the intra- and extra-CEFTA 2006 supply chains and on the identification of key industries which present a significant revealed comparative advantage (RCA) and their integration in supply chains. The preliminary conclusions include that (i) medium-low technology industries are the dominant supply chains, (ii) for final goods, CEFTA Parties have a RCA in exporting low-tech products, (iii) while for intermediate goods they have a RCA for both low-tech and medium-low tech products. Overall, CEFTA Parties seem to be most success-

fully integrated in the final stage of supply chains for Textile and Food products and in intermediate stages of supply chains for Wood products and Non-Metallic mineral products.

Discussant Mr Koen De BACKER, Value Chain Expert, OECD

Panel Contributions – RCC, CEFTA Chambers

Conclusions and Recommendations

16.⁰⁰ – 16.¹⁵ **Coffee Break**

Session IV: Trade Facilitation in the Western Balkans: The Value of Trading Faster and Cheaper

16.¹⁵ – 17.⁰⁰ hrs **22 November, 2011**
OECD Conference Centre, Room CC10

Objective: To discuss the ways forward in simplifying and harmonising trade related procedures to facilitate logistics throughout the Region

Moderator: Ms Ivana SUCIC, Director General, Ministry of Economy, Labour and Entrepreneurship, Croatia

Presentation on Trade Facilitation in the Western Balkans: The Value of Trading Faster and Cheaper

- Ms Wendy Jo WERNER, Programme Manager, IFC
The IFC will start a Trade Logistics Project as part of the Multibeneficiary EU IPA program. The IFC's work on trade logistics will focus on priority sectors as identified by the CEFTA working groups and OECD value chain analysis. The macro-level analysis will be validated and enhanced with trade process maps, including the time and cost of procedures. The micro costs and value chain function and potential will be the basis for recommendations for simplification. The recommendations will include regulatory and administrative reforms at national level, and regional level reforms. At regional level interventions will identify ways to simplify clearance procedures on the Danube river, aligning procedures for Serbia and Croatia with EU procedures in Hungary.
The objective of the project is to remove trade logistics barriers to achieve returns for businesses. Achievement will be measured by tracking reforms, and identifying saving in time and cost in the supply chain occurred due to the changes. IFC Investment Climate Advisory Services has developed a model of the impact of trade logistics on business operations and exports. The impact model will further assist in prioritizing reforms. The presentation will detail the model and method of impact analysis.

Panel Contributions – CEFTA Parties, OECD, BAC, CEFTA Chambers

Conclusions and Recommendations

4.2 CEFTA Key Contacts

1. CEFTA Contact Points

Albania

Ms Pranvera Kastrati
Director for Trade Policy

Ministry of Economy, Trade and Energy
Bulevardi Dëshmoret e Kombit 2
1001 Tirana

Tel: + 355 4 2222652

Email: pranvera.kastrati@mete.gov.al

Bosnia and Herzegovina

Ms Zada Muminovic
Head of Unit for Trade Relations with European Integrations

Ministry of Foreign Trade and Economic Relations
TRG BiH 1
71000 Sarajevo

Tel: +387 33 551 805

Email: zada.muminovic@mvteo.gov.ba

Croatia

Ms Zrinka Horvatic
Head of Department
Trade Policy and International Relations Directorate

Ministry of Economy, Labour and Entrepreneurship
of the Republic of Croatia

Ulica grada Vukovara 78
10 000 Zagreb

Tel: + 385 1 6106 987

Email: zrinka.horvatic@mingorp.hr

Macedonia

Ms Zorica Smileva
Head of Unit for Multilateral Trade Cooperation

Ministry of Economy

Jurij Gagarin 15

1 000 Skopje

Tel: +389 2 309 35 38

Email: zorica.smileva@economy.gov.mk

Moldova

Ms Inga Ionesii
Director, Trade Policy

Ministry of Economy and Trade
Piata Marii Adunari Nationale 1
2033 Chisinau

Tel: +373 22 250 554

Email: inga.ionesii@mec.gov.md

Montenegro

Ms Arijana Nikolic Vucinic
Senior Adviser

Ministry of Economy
Rimski trg 46
81 000 Podgorica

Tel: +382 20 482 374

Email: arijana.nikolic@gov.me

Serbia

Ms Jadranka Zenic Zeljkovic
Head of WTO Department

Ministry of Economy and Regional Development
Bulevar Kralja Aleksandra 15
11 000 Belgrade

Tel: + 381 11 285 51 74

Email: jadranka.zeniczeljkovic@merr.gov.rs

UNMIK/Kosovo

Mr Kris Litiere
Head of Economic Affairs Coordination Office

UNMIK-Post
P.O BOX 999
10 000 Pristina

Tel: +381 38 504 604/ ext 5406

Email: litiere@un.org, litiere@unmikonline.org

Mr Flamur Keqa
Director

Trade Department
Ministry of Trade and Industry
Mother Teresa b.b
10 000 Pristina

Tel: +381 38 200 36 519
Email: flamur.keqa@ks-gov.net

2. CEFTA Secretariat

Ms Renata Vitez
Director

Tel: +32 2 229 10 10
Email: renata.vitez@cefta.int

Ms Aleksandra Rakovic
Technical Adviser

Tel: +32 2 229 10 12
Email: aleksandra.rakovic@cefta.int

Mr Umut Ergezer
Technical Advisor

Tel: +32 2 229 10 15
Email: umut.ergezer@cefta.int

Ms Liudmila Nistor-Mihajlova
Executive Assistant

Tel: +32 2 229 10 11
Email: liudmila.nistormihajlova@cefta.int

Address: Rue Joseph II 12-16
1000 Brussels
Belgium

3. CEFTA Forum of the Chambers of Commerce

Albania

Tel: +355 4 22 47 105 Ext. 47
Email: denis.llagami@uccial.al

Working Group on Agriculture

Working Group on Customs and Rules of Origin:
Denis Llagami

Working Group on Non Tariff Barriers:
Denis Llagami

Address: Blv. Zhan D'Ark, nr 23
1001 Tirana

Bosnia and Herzegovina

Tel: +387 33 56 62 57

Email: adela.terek@komorabih.ba

Working Group on Agriculture:
Zvonimir Papoči

Working Group on Customs and Rules of Origin:
Duljko Hasić

Working Group on Non Tariff Barriers:
Mithat Čehajić

Address: Branislava Djurdjeva 10
71 000 Sarajevo

Croatia

Tel: +385 1 456 1652

Email: dpecevski@hgk.hr

Working Group on Agriculture:
Bozica Markovic

Working Group on Customs and Rules of Origin:
Lidija Švaljek

Working Group on Non Tariff Barriers:
Lidija Švaljek
Trpimir Zupic (TBT)
Daniela Pecevski (NTB)

Address: Rooseveltov trg 2
10 000 Zagreb

Macedonia

Tel: +389 2 324 4045

Email: nuri@mchamber.mk

Working Group on Agriculture:
Saso Despotovski

Working Group on Customs and Rules of Origin:
Ljubica Nuri

Working Group on Non Tariff Barriers:
Vasko Ristovski

Address: Dimitrije Cupovski 13
1000 Skopje

Moldova**Tel:** +373 22 24 51 48**Email:** sergiuh@chamber.mdWorking Group on Agriculture:
Harea SergiuWorking Group on Customs and Rules of Origin:
Nicolae VasileWorking Group on Non Tariff Barriers:
Bilba Mihai**Address:** Stefan cel Mare str. 151
2012 Chisinau**Montenegro****Tel:** +382 20 230 422**Email:** msestovic@pkcg.orgWorking Group on Agriculture:
Jadranka ĐurđićWorking Group on Customs and Rules of Origin:
Stevan KaradaglićWorking Group on Non Tariff Barriers:
Vesko Dragičević**Address:** Novaka Miloseva 29-II
81 000 Podgorica**Republic Srpska****Tel:** +387 51 215 744**Email:** dragicar@komorars.baWorking Group on Agriculture:
Slavko StevanovićWorking Group on Customs and Rules of Origin:
Pero ĆorićWorking Group on Non Tariff Barriers:
Aleksandra Bijelić**Address:** Djure Danicica 1/2
78 000 Banja Luka**Serbia****Tel:** +381 11 33 00 998**Email:** zoran.bojovic@pks.rsWorking Group on Agriculture:
Milan ProstranWorking Group on Customs and Rules of Origin:
Gordana AdamovicWorking Group on Non Tariff Barriers:
Milivoje Miletić**Address:** Resavska 13-15
11 000 Belgrade**UNMIK/Kosovo****Tel:** + 381 38 780 314**Email:** info@oek-kcc.orgWorking Group on Agriculture:
Parim BajramiWorking Group on Customs and Rules of Origin:
Besnik CeceliaWorking Group on Non Tariff Barriers:
Bera Rukiqi and Ardiana Gashi**Address:** Nena Tereze 20
10 000 Pristina



CEFTA

Central European Free Trade Agreement

SECRETARIAT