

SUMMARY AND HIGHLIGHTS

Sarajevo, Bosnia and Herzegovina



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The CEFTA Agreement entered into force in 2007. Since then, the functioning of trade in the region has improved a lot. We know that the CEFTA Agreement is one of the rare achievements in the world of Free Trade Agreements and we have to be proud of ourselves for this. Moreover, we have to maintain this momentum and make additional commitments for further cooperation.

A lot of hurdles are ahead of us, the process of accession to the EU being the most important one. The wish of all our countries to join the EU is our biggest goal. CEFTA is providing us with the opportunity of a level playing field until the EU doors open for our countries. We are all committed to use this opportunity to increase the wellbeing of our countries and not just because it is an obligation under the relevant Agreements signed by the EU. We are fully aware that this opportunity will bring our economies to a level which can be competitive with the economies of the EU.

In doing that further integration is a necessity. Through the launching of negotiations for the free trade in services, but even more in the willingness of all our countries to support the Regional Development Strategy, it is clear that we believe integration will be beneficial for all and will bring about a rapprochement with the EU through its EU 2020 Strategy.

We have to jointly tackle the challenges that are in front of us and this brochure provides us with ideas of how to improve and expand the implementation of CEFTA.

Ermina Salkičević-Dizdarević

A handwritten signature in blue ink, appearing to read 'Ermina Salkičević-Dizdarević', written in a cursive style.

Deputy Minister of Foreign Trade and
Economic Relations of Bosnia and Herzegovina

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INTRODUCTION AND BACKGROUND

PURPOSE AND CONTENT OF THIS REPORT

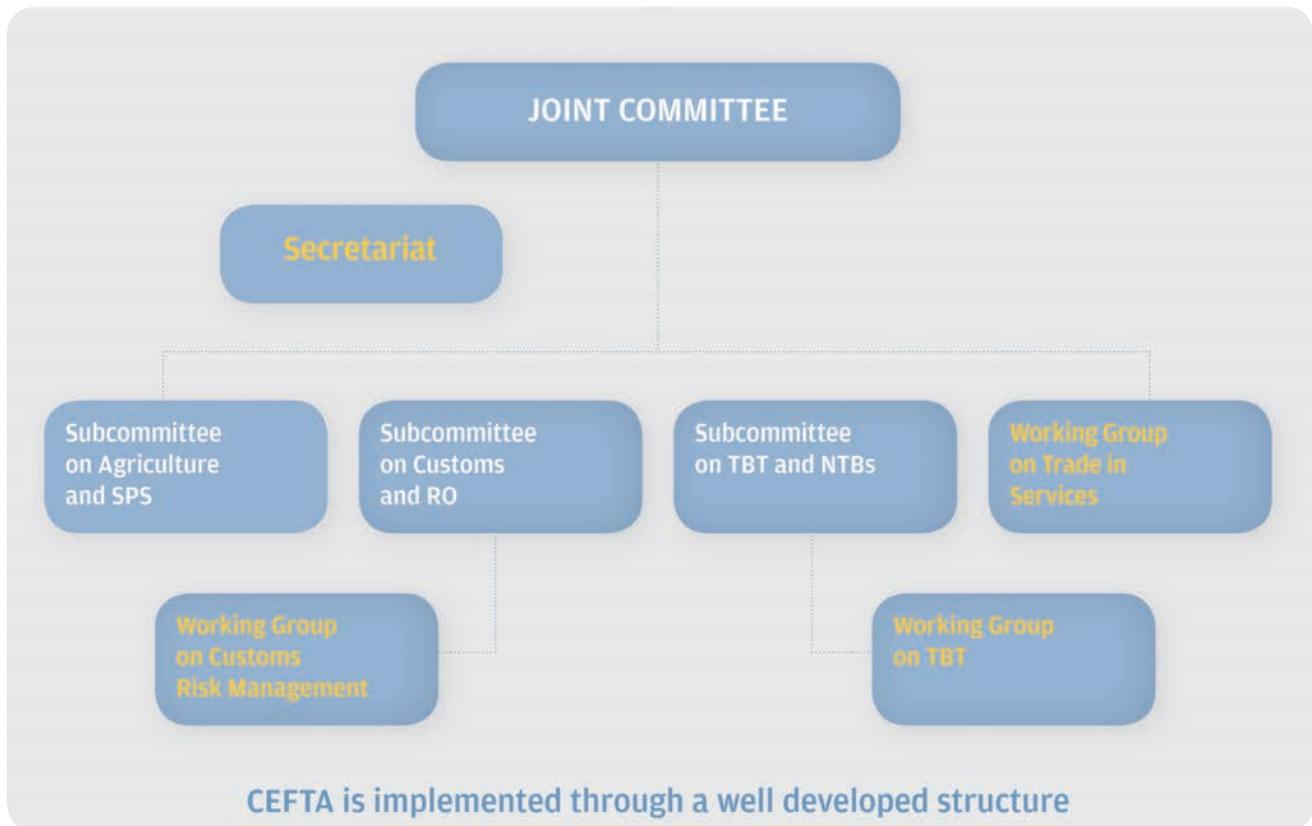
This report is intended to provide a summary of the main highlights of the presentations and discussions that took place among the many stakeholders in CEFTA in the run-up to the 2013 CEFTA Joint Committee Meeting held in Sarajevo on 20 November 2013. These discussions were part of a series of parallel sessions known collectively as 'CEFTA Week' and organised under the auspices of the Bosnia and Herzegovina 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 2013 can be found on the CEFTA Secretariat's website www.cefta.int.

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 single 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 eight countries signed the amended Agreement – so-called CEFTA 2006.

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 trade in services, investment, competition rules, procurement 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.



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 2013 is Bosnia and Herzegovina, which will be followed by Macedonia in 2014. The 7th Joint Committee meeting took place in Sarajevo on 20 November 2013.

CEFTA Sub-committees

In accordance with Article 41.5 of the Agreement 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.

Apart from the three sub-committees, three 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; Working group on customs risk management – established under the framework of the Sub-committee on Customs and Rules of Origin with the main aim of developing regional risk management coordination between agencies.

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.

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 and provides technical assistance on different aspects of the Agreement and financial support for the Secretariat. Other donors include Austria, Norway 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.

RATIONALE/OBJECTIVES OF CEFTA WEEK

The overall objective of CEFTA Week was to promote the benefits of CEFTA to a wide audience both within the CEFTA Parties and internationally and to facilitate better implementation of the Agreement. Specific objectives were to: Stimulate debate with a range of stakeholders – government officials, the international community, the business community and academia; 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; Consider new challenges and to present future actions needed to facilitate better implementation of the Agreement and in particular to increase competitiveness and sustainable growth in the region; Secure technical assistance to address obstacles to implementation; Highlight the Parties' political commitment to implementing CEFTA. The CEFTA Week programme focused on the key priorities of the Bosnia and Herzegovina Chair for 2013 which included: SEE 2020 Strategy, trade facilitation, liberalisation of trade in services, boosting regional competitiveness and investments, impact of Croatia's withdrawal from CEFTA.





CEFTA **Week 2013**

Central European Free Trade Agreement
BIH CHAIRMANSHIP 2013

PROGRAMME FOR CEFTA WEEK 2013

Schedule of events

18 - 19 November 2013

VENUE:

Hotel Bristol Sarajevo

Fra Filipa Lastrića 2

Phone: + 387 33 705 000

71000 Sarajevo

Bosnia and Herzegovina

Day 1, 18 th November 2013		
VENUE: Sarajevo, Hotel Bristol		
Time	Event description	Speakers
14:00 – 14:30	Registration of Participants (Sarajevo Hall)	
14:15 – 14:30	Media statements (Banja Luka Room)	
14:30 – 15:00	Official Opening and Welcome Address (open to media)	
Banja Luka Room	H.E. Mrs. Ermina Salkicevic- Dizdarevic, <i>Deputy Minister of Foreign Trade and Economic Relations of BiH</i>	
	H.E. Ambassador Peter Sorensen, <i>Head of the EU Delegation to BiH and EU Special Representative</i>	
	Mr. Sanjin Arifagic, <i>SEE 2020 Coordinator of Regional Cooperation Council</i>	
15:00 – 15:15	Coffee break (Sarajevo Hall)	
Room SARAJEVO I	Parallel session I: “Intra regional trade – key component of SEE 2020 Strategy”	
	Moderator: Mr. Hamdo Tinjak, Secretary, Ministry of Foreign Trade and Economic Relations BiH (MoFTER BiH)	
15:15- 16:45	<p>Importance of having a strategic approach at the regional level</p> <p>South East Europe 2020: jobs and prosperity in a European perspective” – the concept and rationale behind, the goals and tools for achieving it.</p> <p>The contribution of CEFTA structures in drafting the strategy for Pillar 1: Integrated Growth</p> <p>The monitoring of the SEE 2020 Strategy</p> <p>“The economic development of the Western Balkans since Thessaloniki” – Study done by EU Institute for Security Studies</p>	<p>Presentations:</p> <ul style="list-style-type: none"> • Mrs. Ermina Salkicevic-Dizdarevic, Deputy Minister, MoFTER BiH • Mr. Sanjin Arifagic, Head of Economic and Social Development Unit, RCC • Mrs. Renata Vitez, Director of CEFTA Secretariat • Mr. Alan Paic, OECD • Mrs. Milica Uvalic, EU Support to Trade Policy and Capacity Building in BiH
16:45 – 17:00	Coffee break	
17:00 – 18:00	<p>Topics for discussion:</p> <ul style="list-style-type: none"> - Importance of SEE 2020 Strategy – Integrated Growth Pillar for CEFTA Parties - Why trade is part of the SEE 2020 strategy? - Is the Integrated Growth pillar the only pillar that tackles trade and trade related issues? 	<p>Panel Discussion:</p> <ul style="list-style-type: none"> • Mrs. Zada Muminovic, Head of Unit for Trade Relations with European Integrations, MoFTER BiH • CEFTA Parties

Time	Event description	Speakers
<p style="text-align: center;">Room SARAJEVO II</p>	<p>Parallel Session II: “The role of CEFTA Forum of the Chambers of Commerce”</p> <p>Part I: Agriculture, SPS and trade in services</p> <p>Moderator: Mr. Igor Gavran, Foreign Trade Chamber of BiH</p>	
<p>15:15- 16:45</p>	<p>Results of the Agriculture and SPS Subcommittee of CEFTA in 2013</p> <p>The benefits of strong cooperation of public institutions with private sector through the Chamber of Commerce</p> <p>Report on the implementation of the conclusions of the 6th meeting of the Working Group on Agriculture and SPS under Chambers of Commerce Forum</p> <p>Topics for discussion:</p> <ul style="list-style-type: none"> - Foreign trade analyses for food industry area - Accession to the third markets - Mutual recognition of documents in sanitary, phytosanitary and veterinary areas - Progress in the process of the accession to the European Union 	<p>Presentations:</p> <ul style="list-style-type: none"> • Mr. Dusan Neskovic, Assistant Minister for Agriculture, Food, Forestry and Rural development, MoFTER BiH • Mr. Ian Stuart, EU Support to Trade Policy and Capacity Building in BiH • Ms. Tijana Slagalo, Foreign Trade Chamber of BiH <p>Panel Discussion:</p> <ul style="list-style-type: none"> • CEFTA Chambers of Commerce
<p>16:45 – 17:00</p>	<p>Coffee break</p>	
<p>17:00 – 18:00</p>	<p>Report of the Working Group on Trade in Services under Chambers of Commerce Forum</p>	<p>Presentations:</p> <ul style="list-style-type: none"> • Ms. Slavica Rakic, Chamber of Commerce and Industry of Serbia

Time	Event description	Speakers
Room SARAJEVO III	Parallel Session III: "Making trade easier - removing barriers to trade" Moderator: Mr. Dragan Milovic, Assistant Minister for economic development and entrepreneurship, Ministry of Foreign Trade and Economic Relations BiH	
15:15 – 16:45	<p>The importance of recognition of conformity assessment documents among CEFTA Parties</p> <p>Experience and progress of CEFTA Parties in improving the national system of food safety at all stages of food chain</p> <p>Strategic guidelines for the elimination of NTBs in CEFTA</p> <p>Importance of Transparency in Reducing NTBs</p>	<p>Presentations:</p> <ul style="list-style-type: none"> • Mr. Zoran Bilbija, Head of Unit for Conformity Assessment, MoFTEB BiH • Mr. Marijo Perc, EU Support to Trade Policy and Capacity Building in BiH • Mr. Antonio Fanelli, Deputy Head of Division, OECD • Mrs. Katarina Djermanovic-Largenton, Policy Analyst, OECD • Mrs. Aleksandra Rakovic, CEFTA Secretariat
16:45 – 17:00	Coffee break	
17:00 – 18:00	<p>Topics for discussion:</p> <ul style="list-style-type: none"> - Quality infrastructure system in the CEFTA region 	<p>Panel Discussion:</p> <ul style="list-style-type: none"> • Mr. David Norris, Team Leader, IPA 2011 Quality Infrastructure in the Western Balkans and Turkey • Mr. Sejad Mackic, Director, Food Safety Agency of BiH • Mrs. Nihada Ahmetovic, Food Safety Agency of BiH • CEFTA Parties

Day 2, 19 th November 2013 - Morning Sessions		
Time	Event description	Speakers
09:00 – 09:30	Registration of Participants	
Room SARAJEVO I	Parallel Session I: “Liberalisation of trade in services – engine for development in the region” Moderator: Mrs. Zada Muminovic, Head of Unit for Trade Relations with European Integrations, Ministry of Foreign Trade and Economic Relations BiH	
09:30 - 11:00	<p>Process of liberalization of trade in services within CEFTA 2006 Parties - importance for CEFTA Parties</p> <p>Impact and role of trade in services on external position and economy in BiH</p> <p>Services Trade Restrictiveness Index (STRI) assessment for construction services in CEFTA</p> <p>Trade in services – Untapped growth potential for the Western Balkan region</p>	Presentations: <ul style="list-style-type: none"> • Mr. Zorislav Zadric, Senior Advisor, Unit for Multilateral Trade Relations, MoFTER BiH • Mr. Amir Hadziomeragic, Central Bank of BiH • Mrs. Katarina Djermanovic-Largenton, Policy Analyst, OECD • Mr. Gabriel Boc, Policy Analyst, OECD • Mrs. Ivana Prica, EU Support to Trade Policy and Capacity Building in BiH
11:00 – 11:15	Coffee break	
11:15 – 12:30	<p>Topics for discussion:</p> <ul style="list-style-type: none"> - Liberalisation of transport services within CEFTA framework - Main challenges in the process of negotiations on services for CEFTA Parties - Which services should be liberalised first: financial, communication, transport, construction, tourism...? 	Panel Discussion: <ul style="list-style-type: none"> • Mr. Zoran Andric, Ministry of Transport and Communication of BiH • CEFTA Parties

Time	Event description	Speakers
<p style="text-align: center;">Room SARAJEVO II</p>	<p>Parallel Session II: “The role of CEFTA Forum of the Chambers of Commerce”</p> <p>Part II: Rules of origin, TBT and NTB</p> <p>Moderator: Mr. Igor Gavran, Foreign Trade Chamber of BiH</p>	
09:30 - 11:00	<p>Report on the implementation of the conclusions of the Working Group on Rules of Origin under Chambers of Commerce Forum</p> <p>Topic for discussion:</p> <p>Diagonal cumulation of origin (CEFTA-EU-EFTA) - way forward to implementing the PANEUROMED Convention</p>	<p><u>Presentations:</u></p> <ul style="list-style-type: none"> • Ms. Biljana Peeva - Gjeric, Economic Chamber of Macedonia <p><u>Panel discussions:</u></p> <ul style="list-style-type: none"> • CEFTA Chambers of Commerce
11:00 – 11:15	Coffee break	
11:15 – 12:30	<p>Report on the implementation of the conclusions of the Working Group on TBT and NTB under Chambers of Commerce Forum</p> <p>Topic for discussion:</p> <p>Role of private sector in identifying TBT and NTB measures in CEFTA region</p>	<p><u>Presentations:</u></p> <ul style="list-style-type: none"> • Mr. Vlatko Stojanovski, Economic Chamber of Macedonia <p><u>Panel discussions:</u></p> <ul style="list-style-type: none"> • CEFTA Chambers of Commerce

Time	Event description	Speakers
Room SARAJEVO III	<p>Parallel session III: “Boosting regional trade and Foreign Investments after the crisis”</p> <p>Moderator: Ms. Jelica Grujic, Director, Foreign Investment Promotion Agency of BiH</p>	
09:30 - 11:00	<p>“The White Book 2012/2013 –recommendations”</p> <p>Challenges for BiH investment regime after crises – Regulatory Impact Assessment and amendments to the BiH law on FDIs</p> <p>“Foreign Direct Investment into transition economies: Are the Balkans different?” – study done by London School of Economics</p>	<p>Presentations:</p> <ul style="list-style-type: none"> • Mrs. Bojana Skrobic Omerović, Foreign Investment Council of BiH • Mr. Dragisa Mekic, Assistant Minister for Foreign Trade Policy and FDI, MoFTER BiH • Mrs. Milica Uvalic, EU Support to Trade Policy and Capacity Building in BiH
11:00 – 11:15	<p>Coffee break</p>	
11:15 – 12:30	<p>Foreign Direct Investment and Trade Policy in Emerging Economies</p> <p>Next Generation Competitiveness Initiative</p> <p>Topics for discussion:</p> <ul style="list-style-type: none"> - How trade and FDI policy can contribute to eliminating the negative effects on economy? - How to create friendly business environment in the CEFTA region? Does trade liberalization foster FDI in emerging countries? 	<ul style="list-style-type: none"> • Mr. Ivan Anton Nimac, Head, Investment Climate Department, World Bank Group • Mr. Milan Konopek, OECD • Ms. Sarah Perret, Policy Analyst, OECD <p>Panel Discussion:</p> <ul style="list-style-type: none"> • Mrs. Dragana Djurica, RCC • CEFTA Parties
12:30 – 14:00	<p>Lunch break</p>	

Afternoon Sessions		
Time	Event description	Speakers
13:30 – 14:00	Registration of participants	
Room SARAJEVO I	<p>Parallel Session I: “Challenges for Academia in evaluating the costs and benefits of CEFTA Agreement”</p> <p>Moderator: Mrs. Zada Muminovic, Head of Unit for Trade Relations with European Integrations, Ministry of Foreign Trade and Economic Relations BiH</p>	
14:00 – 15:30	<p>“Comparative analysis of the competitiveness of CEFTA Parties”</p> <p>“The effects of CEFTA Agreement after 5 years of implementation”</p>	<p>Presentations:</p> <ul style="list-style-type: none"> • Mr. Zijad Dzafic, Ph.D. Professor, Vice Dean, Faculty of Economics, Tuzla University, BiH • Mr. William Bartlett, EU Support to Trade Policy and Capacity Building in BiH
15:30 – 15:45	Coffee break	
15:45 - 17:00	<p>Topic for discussion:</p> <p>The Role of Academia in the functioning of CEFTA</p>	<p>Panel Discussion:</p> <ul style="list-style-type: none"> • Academia representatives from CEFTA Parties

Time	Event description	Speakers
<p align="center">Room SARAJEVO II</p>	<p>Parallel Session II: “Facilitating trade at the border”</p> <p>Moderator: Mr. Hajrudin Podbicanin, Assistant Minister for Customs Policy and Tariffs, Ministry of Foreign Trade and Economic Relations BiH</p>	
<p>14:00 – 15:30</p>	<p>Impact of trade facilitation on reaching the goals of SEE 2020 Strategy – Integrated Growth</p> <p>Relevant international recommendations for trade facilitation</p> <p>Role of Origin in facilitation of international trade and integration</p> <p>Regional findings of the assessment on the administrative barriers to trade in CEFTA</p>	<p>Presentations:</p> <ul style="list-style-type: none"> • Mr. Umut Ergezer, CEFTA Secretariat • Mrs. Elma Demir, Senior Official, Unit for monitoring the implementation of customs regulations, MoFTER BiH • Mr. Vladimir Pisar, EU Support to Trade Policy and Capacity Building in BiH • Mrs. Katarina Djermanovic-Largenton, Policy Analyst, OECD • Mrs. Zorica Kucic, Independent Customs Expert
<p>15:30 – 15:45</p>	<p>Coffee break</p>	
<p>15:45 – 17:00</p>	<p>Topics for discussion:</p> <ul style="list-style-type: none"> - Electronic exchange of data in CEFTA Parties - Good practices in electronic exchange of data - Facilitation of trade through less documentation - Common border control and common utilization of the inspection equipment 	<p>Panel Discussion:</p> <ul style="list-style-type: none"> • SEED Project: <ul style="list-style-type: none"> Mr. Fadil Belko, Team Leader Mr. Giovanni Piccirillo, Task Manager Mr. Vladimir Obucina, Operations Manager • Mr. Adnan Pozder, Indirect Tax Authority of BiH • Mr. Zijad Sinanovic, Foreign Trade Chamber of BiH • CEFTA Parties

Time	Event description	Speakers
Room SARAJEVO III	Parallel Session III: "Withdrawal of Croatia from CEFTA – Impact on future regional cooperation" Moderator: Mr. Dragisa Mekic, Assistant Minister for Foreign Trade Policy, Ministry of Foreign Trade and Economic Relations BiH	
14:00- 15:30	Croatia's experience in transiting from CEFTA to the EU The European perspective of a CEFTA Party acceding the EU Key messages from the EU accession process - lessons learnt by Croatia	Presentations: <ul style="list-style-type: none"> • Mrs. Tatjana Tomic, Deputy Head of the State Office for Trade Policy, Croatia • Mr. Peter Polajner, Representative of the European Commission • Mr. Miroslav Bozic, EU Support to Trade Policy and Capacity Building in BiH
15:30 -15:45	Coffee break	
15:45 – 17:00	Topic for discussion: Challenges of Accession of Croatia to the EU for other CEFTA Parties	Panel Discussion: <ul style="list-style-type: none"> • Mr. Dragisa Mekic, Assistant Minister for Foreign Trade Policy, MoFTER BiH • Mrs. Tatjana Dinkic, Head of EU and EFTA Unit, Ministry of Foreign and Internal Trade and Telecommunications, Serbia • CEFTA Parties
18:00 – 20:30	Cocktail offered by MoFTER, BiH Restaurant "Druga kuća - Lora" Kolodvorska Street, no 9 – 13, Sarajevo	

OFFICIAL OPENING AND WELCOME ADDRESS



“Our efforts within the CEFTA Agreement have improved the positions of products coming from Bosnia and Herzegovina. The priorities in the upcoming period must be the initiatives of CEFTA in relation to transparency procedures and the signing of multilateral regional agreements. During the CEFTA Chairmanship of Bosnia and Herzegovina we have concentrated on transparency provisions that have been very important for the trade of Bosnia and Herzegovina in the region. We have achieved certain progress and hope to see more progress in the next period!” - Deputy Minister Ermina Salkičević-Dizdarević underlined in her introductory remarks.

Ambassador Peter Sorensen said: “The CEFTA Agreement is an important tool for economic growth and very effective learning platform, which brings the best from the regional practice. All parties to CEFTA are open and small economies. A free trade between them offers ways to raise their competitiveness and introduce necessary reforms, which will allow them to exploit full potential of Stabilisation and Association process with the EU. This will also help prepare the companies of CEFTA countries to compete within the EU’s Single Market, when the time comes.



The European Union has supported CEFTA and its development since its beginning in 2000 and will continue to do so. Besides technical assistance, the EU supported the economies of the region through the Autonomous Trade measures that gave to the countries free access to the EU markets even before the signature of the Stabilisation and Association Agreement or DCFTA Agreements with CEFTA Parties.”

Mr. Sanjin Arifagić stressed the following in his remarks: “Bosnia and Herzegovina can truly be satisfied with the results of its CEFTA Chairmanship, despite the poor economic trends in the region. Additional progress was achieved in intensifying and promoting trade, as well as removing administrative and other barriers. It is also important to note that Bosnia and Herzegovina, by its CEFTA Chairmanship and Co-Chairmanship of the South East Europe Investment Committee, played a key role in the preparation of the South East Europe 2020 Strategy that shall set development and cooperation directions between the countries of the region for the remainder of this decade. Regional Cooperation Council welcomes the constructive role of BiH and Ministry of Foreign Trade and Economic Relations in this process and hopes to see excellent cooperation also in the implementation of this Strategy.”

PARALLEL SESSIONS

SESSION “Intra-regional trade: a key component of the SEE 2020 Strategy”



Objective

The session aimed to discuss the importance of having a vision of regional development for the South East Europe (SEE) region that is expected to boost prosperity and job creation and stimulate key drivers of economic growth. The SEE 2020 Strategy was discussed in detail, focusing in particular on the Integrated Growth Pillar where CEFTA should play a fundamental and instrumental role in fostering open, accessible and more integrated regional markets. The mechanism for monitoring the implementation of the SEE 2020

Strategy as well as the EU perspective of all parties was also discussed. The session was moderated by Mr. Hamdo Tinjak, Secretary in the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (MoFTER BiH).

Key discussion points

After a brief introduction by Mr. Tinjak, Mrs. Ermina Salkičević-Dizdarević, Deputy Minister of Foreign Trade and Economic Relations of BiH, talked about the “Importance of having a strategic approach at the regional level”. She underlined the fundamental role of regional cooperation in sustaining economic growth and the SEE 2020 Process, recalled the severe impact of the global economic crisis and stressed that the SEE countries face similar challenges due to similar and interdependent markets. Mrs. Salkičević-Dizdarević emphasised that regional cooperation can unlock vast economic potential and must play a critical role in accelerating economic growth and achieving other objectives. A broad vision for regional cooperation should include a clear growth and development agenda, in line with the SEE 2020 Strategy. BiH is taking an active part in this important process and is proud that the final adoption of the SEE 2020 Strategy will soon take place in Sarajevo. Strong government commitment will be needed in the implementation of all agreed measures, since regional efforts can only bear fruit if they are nurtured within all the countries involved.

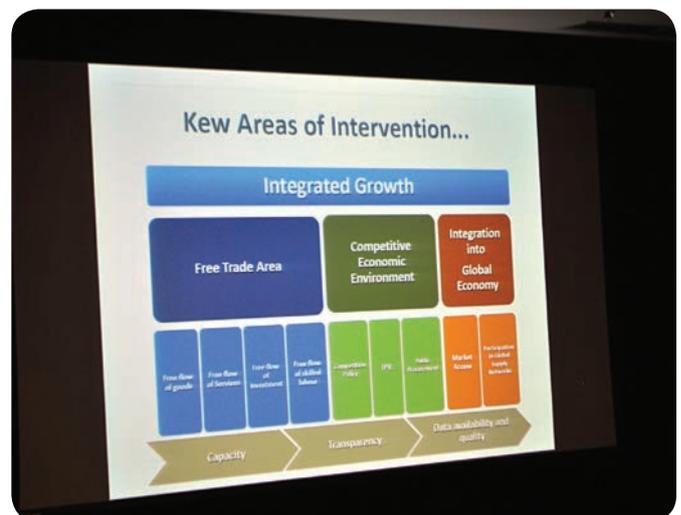


Mr. Sanjin Arifagić, SEE 2020 Coordinator of Regional Cooperation Council, presented on the “South East Europe 2020 Strategy: Jobs and Prosperity in a European Perspective”. He elaborated on the concept, the rationale behind, and the goals and tools for achieving the SEE 2020 Strategy. He explained in detail the five pillars of the SEE 2020 strategy: (1) Integrated growth; (2) Smart growth; (3) Sustainable growth (energy, transport, environment, competitiveness); (4) Inclusive growth (employment, health etc.) and (5) Governance for growth (public services, anti-corruption, justice). He also noted that within the strategy, there will be a total of 77 national targets. The four main principles of the strategy are value adding, regional ownership,

measurable targets and their “implementability”. He also stressed the need for prioritization of objectives and the importance of monitoring the implementation of the strategy.

Mrs. Renata Vitez, Director of CEFTA Secretariat, elaborated on “The contribution of CEFTA structures in drafting the SEE 2020 Strategy for Pillar 1: Integrated Growth”. She stressed that trade and investment are the main building blocks of Pillar 1 and the core components of the economic development agenda for the region, involving five out of eleven agreed headline targets. Among the targets of Pillar 1 is an increase in intra-regional trade in goods by more than 230% and of FDI inflows to the region by at least 120%. The Integrated Growth Pillar promotes interdependencies, interaction and synergies of the SEE 2020 between CEFTA and the EU accession process. Key areas of intervention are the free trade area, the competitive environment and integration into the global economy. The integrated growth agenda needs to be broad based and take into account supply chains, rather than sectors.

Mr. Alan Paic, OECD, discussed the “Monitoring of the SEE 2020 Strategy” through the Next Generation Competitiveness Initiative (NGCI). He explained the historical context of the monitoring component of the NGCI and the monitoring component structure. He elaborated on pillars and dimensions; policy indicators, both qualitative and quantitative; and the Impact/Outcome indicators. He considered the SEE 2020 monitoring framework on the Integrated Growth Pillar, giving some examples of what the monitoring framework could include and discussed the governance for growth pillar related to effective public services, anti-corruption and justice. SEE 2020 monitoring will incorporate the OECD assessment frameworks on product market regulation related to state control, barriers to entrepreneurship and barriers to trade and investment. A detailed timetable of the monitoring component was also presented, as well as further details about its implementation.



Mrs. Milica Uvalić, EU TPP2, gave an overview of the economic development of the Western Balkan economies over the past decade, based on a recent study prepared by the EU Institute for Security Studies. The Western Balkan countries have experienced increasing macroeconomic stability, rapid economic growth (a trend interrupted by the global economic crisis), expansion of foreign trade, increasing foreign direct investment and progress with economic reforms, but there have also been a number of policy failures. These failures include structural changes in favour of primarily services; high unemployment; rising trade and current account deficits; and a slow process of economic recovery and catching up. The Western Balkan economies must address structural problems through focused industrial policy, more efficient employment policies and better R&D policies. Similar policies are needed at the regional level, particularly a regional industrial policy that would enable these countries to be more competitive in EU/global markets.

The panel discussion was moderated by Mrs. Zada Muminovic, MoFTER BiH, who raised some questions such as the importance of the 2020 Strategy, why trade is an important part of the Strategy, whether the SEE 2020 Strategy should include exploring other third markets, which existing bilateral agreements can benefit the whole region, the role of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin, specific sectors proposed under the SEE 2020 Strategy and the interaction between national and regional policies.

Mrs. Renata Vitez asked what would be the instruments for the implementation of a national and regional industrial policy that would not be in conflict with EU competition policy. Mrs. Milica Uvalić suggested that a more focused sectoral industrial policy is back on the EU agenda, as evidenced in several recent EU Commission documents that propose a more focused industrial policy that supports specific sectors. Mr. Will Bartlett, EU TPP2, clarified that EU industrial policy now combines a horizontal approach which remains relevant regarding national industrial policies, in order to prevent unfair competition within the EU, but also policy cooperation among EU countries in the designated target industries considered important at the EU level.

On the issue related to trade liberalization. Mrs. Tatjana Dinkić, Ministry of Foreign and Internal Trade and Telecommunications, Republic of Serbia, noted that increasing economic integration between the Western Balkans and the EU, from today's perspective, was not free of negative effects, considering the severe impact of the global economic crisis for all countries in the region. Mrs. Uvalic explained that the process of Balkan – EU economic integration was indeed a double-edged sword: it helped the region prosper and grow faster than otherwise would have been the case, but it also rendered these countries more vulnerable to external shocks.

Another topic addressed by participants was whether the SEE 2020 targets are feasible, as it was noted that its objectives are very ambitious. In the discussion, it was stressed that it is the direction that matters, not the actual realization of the targets; that all targets will be revised in 2015-16; and that national targets are more important than the regional targets, since the latter are weighted averages.

Conclusions

Mr. Tinjak concluded that trade liberalization and further integration into EU economy is on the doorstep of the Western Balkans, but these countries have to do more to establish even closer relations with the EU. Intra-regional trade must be increased through further activities of CEFTA as part of the SEE 2020 Strategy. Exploring third markets and the PEM Convention must go in parallel, but regional and EU markets are the main objectives of all CEFTA parties.

SESSION “The Role of CEFTA Forum of the Chambers of Commerce” – Agriculture and SPS, Trade in Services, Rules of origin, TBT and NTB



Objective

The objective of the session was: to present the results of the Working Group on Agriculture and SPS and the results of the Working Group on Trade in Services; to discuss the possible ways of improving cooperation between the Chambers of Commerce and the Public Administration in CEFTA parties; to enhance access to third markets; to foster mutual recognition of documents in sanitary, phytosanitary and veterinary areas; and advance in the process of accession to the EU. The session was moderated by Mr Igor Gavran of the Foreign Trade Chamber of BiH.

Key discussion points

Mr Dušan Neškovic, Assistant Minister for Agriculture, Food, Forestry and Rural development, MoFTER BiH, presented on the results of the Agriculture and SPS Subcommittee of CEFTA in 2013. The major achievement by CEFTA parties was the full liberalisation of trade in agriculture in the region. Despite this, however, Mr Neškovic noted that significant challenges remain at the border as border authorities are not yet fully acquainted with new rules and protocols. The focus of future work of the subcommittee needs to be on increasing the transparency of SPS measures and the mutual recognition of standards and certificates between CEFTA members.

Mr Ian Steuart, EU TPP2, presented on the benefits of strong cooperation of public institutions with private sector through the Chamber of Commerce. In particular, Mr Steuart said that chambers of commerce

should be regarded as key players in strengthening cooperation between the sectors on both the strategic (policy) level and the operational (tactical) level. On the strategic level, chambers should play a vital role in the development of trade policy and negotiating positions based on their members' interests through regular business advocacy and lobbying. On the operational level, chambers should work with the public and private sectors to organise strategic trade missions targeting high growth markets and with relevant government authorities to secure export finance for companies if they cannot access finance through normal banking channels.



Ms Tijana Slagalo from the Foreign Trade Chamber of BiH presented on the implementation of the conclusions of the 6th meeting of the Working Group on Agriculture and SPS under the Chambers of Commerce Forum. Ms Slagalo highlighted the need for the acceleration of the mutual recognition of SPS certificates between CEFTA members, more efficient border inspection services, a joint approach to third party market access, and the organisation of bilateral meetings amongst CEFTA economic operators in the food industry. Then Ms Slavica Rakić of the Chamber of Commerce and Industry of Serbia reported on the recommendations and conclusions of the Working Group on Trade in Services under the Chamber of Commerce Forum. Established in 2013, the Working Group on Trade in Services is the youngest working group under the Chamber of Commerce Forum to provide recommendations and proposals on the gradual liberalisation of trade in services in finance, transport, tourism and construction as key to enhanced competitiveness in the region.

During the panel discussions the extreme importance of agriculture to CEFTA was highlighted. In particular, discussions centred in the need for further cooperation to achieve a single agricultural policy in CEFTA as a lack of a single coordinated policy in many areas of agriculture is adversely affecting the competitiveness of CEFTA products in European and other markets. It was noted that much more work needs to be done to take advantage of the real benefits of diagonal cumulation in agriculture and to move beyond its discussion in general terms. In services, it is clear that the appetite for the liberalisation of services among CEFTA parties varies considerably between developed and less developed CEFTA countries. While much progress has been made in the liberalisation of services under Mode 4 (the movement of natural persons) much more work needs to be done in this area. While there is a clear need to move away from bilateral arrangements

governing the issuance of transport licences and to have a single transport licence for all CEFTA members there are a number of practical challenges involved in the implementation of this arrangement which need to be overcome.

Discussions also highlighted the importance of chambers in the liberalisation of trade in services in CEFTA; specifically their role in defining their members' interests in particular service sectors more clearly and to present concrete, sector-specific proposals to CEFTA for their acceptance and support.

In the second part of the session the conclusions and recommendations of the Working Group on Rules of Origin and the Working Group on TBT and NTB respectively were presented, and the discussion on ways in which the role of chambers could be strengthened to raise awareness of the rules and regulations in this area and better assist in the articulation of the interests of CEFTA economic operators to facilitate trade within the region more effectively took place.

Ms Biljana Peeva-Gjurić of the Economic Chamber of Macedonia presented on the conclusions and recommendations of the Working Group on Rules of Origin under the Chambers of Commerce Forum, which were as follows: to increase the use of simplified procedures within the region and build the capacities of customs authorities in the application of simplified procedures; to raise awareness and promote the Authorised Economic Operator (AEO) concept among the business community; to take concrete steps to address the inconsistency in the understanding and implementation of customs regulations by customs officials at the border through targeted training and capacity building; to make the Market Access Barriers Database accessible to the business community so that operators themselves can record NTBs and follow the process of their removal; to apply the customs rate to EU inputs only and not to inputs from CEFTA country members; to accede to the Convention on Common Transit Procedures and adopt the New Computerised Transit System (NCTS) within the CEFTA region; and to implement the regional convention on pan-Euro-Mediterranean preferential rules of origin.

Mr Vlatko Stojanovski of the Economic Chamber of Macedonia presented on the conclusions and recommendations of the Working Group on TBT and NTB under Chambers of Commerce Forum which were as follows: to include chambers' representatives at the sessions of the CEFTA Subcommittee on TBT and NTB; to involve the business community directly in the process of consultancy prior to negotiating and adopting various measures; to conclude the agreements on conformity assessment issues as quickly as possible to ease intra-regional trade of industrial products and broaden market access of CEFTA producers; to explore the potential to conclude plurilateral agreements in standardisation, accreditation and metrology among national accreditation bodies within CEFTA; to upgrade data on the CEFTA Trade Portal and enhance the accessibility of the CEFTA database of non-tariff barriers; and to continue the rapid pace of adoption of European standards and recall of conflicting national standards. Finally the working group recommended the targeted introduction (for a limited time only) of reciprocal measures by one CEFTA party in response to the repeated application of protective measures by another CEFTA party.

The discussions were generally supportive of the increased use of simplified procedures within CEFTA as well as for the need of greater awareness of the AEO concept despite the challenges this will invariably

pose for the majority of CEFTA countries. It was also agreed that there should direct representation of the chamber of commerce forum on the various CEFTA subcommittees and a much stronger role for chambers as intermediaries between the business community whose interests they are mandated to promote and customs authorities, inspection bodies and other relevant public organisations.

The tools (various protocols, legislation, regulation, etc) are already in place – the challenge now lies in their consistent use and application in the greater facilitation of trade between CEFTA member countries. The experience of Macedonia was presented as potentially good example to follow. The Macedonian Customs Administration has received its first AEO application and expects to adopt fully the NCTS by June 2015. There is also an established private-public sector consultative body in Macedonia and a strong and effective relationship between the Economic Chamber of Macedonia and Macedonian Customs Administration.

Conclusions

It was suggested that a CEFTA-wide forum be established whereby national chambers of commerce, customs authorities, inspection bodies and economic operators meet regularly to discuss challenges and issues relating to trade facilitation. Finally, discussions also emphasised the role that national governments need to play in settling disputes relating to rules of origin, NTB and TBT as quickly and efficiently as possible and the potential need for further targeted training and capacity building in this regard.

SESSION “Making trade easier - removing barriers to trade”



Objective

The objective of this session was to assess the progress achieved so far in the region in the area of eliminating barriers to trade and to discuss possible ways of improving the work of all institutions involved at all

stages in global chains. Equally, some recommendations to improve the transparency of procedures were examined and presented. The session was moderated by Mr Dragan Milović, Assistant Minister for Economic Development and Entrepreneurship, MoFTER BiH, who opened the session by noting that removing barriers to trade is one of the key challenges for the CEFTA region and has been a priority during the Bosnia and Herzegovina Chairmanship in 2013.

Key discussion points

Mr. Zoran Bilbija, Head of Unit for Conformity Assessment, MoFTER BiH, presented some experiences and stressed the importance of the recognition of conformity assessment documents for industrial products as an important step towards making trade easier between CEFTA Parties.

Mr. Marijo Perc, EU TPP2, presented the situation of national food safety systems within the CEFTA countries based on the OECD Report on Elimination of Non-Tariff Barriers in CEFTA 2006 and the EC 2013 Progress Reports for CEFTA countries. These documents shows generally weak progress on establishing efficient National Food Safety and Quality System in CEFTA parties, with the exception of Macedonia and Serbia that have achieved moderate progress. Having in mind that full transposition of *acquis* and implementation in practice requests full cooperation and coordination of all institutions in the food chain; implementation of risk based monitoring and control; reduction of intervention and supervision of state authorities before placing the products on the market; implementation of self-control requirements for producers and processors, CEFTA parties are encouraged to focus activities in this direction.

Mrs. Aleksandra Rakovic, CEFTA Secretariat, presented progress made on the availability of NTB information through the CEFTA portal. The importance of access to this information for the government sector as well as all other interested stakeholders was highlighted and was presented as a step towards eliminating NTBs faster. Mr. David Norris, Team Leader, then presented activities and progress registered by the Project Quality Infrastructure in the Western Balkans and Turkey.



The OECD Team (Mr Antonio Fanelli, Ms Katarina Djermanovic-Largenton and Mr Gabriel Boc) outlined the findings from their two rounds of analysis of the restrictiveness of goods trade in CEFTA. They explained that the methodology they developed was designed to record the NTBs of trade in goods and use this information to quantify their magnitude in a series of indices, after which they presented suggested strategic guidelines for the elimination of NTBs in CEFTA.

Mr. Drago Sando, Assistant of Director of Food Safety Agency of BiH, presented the tasks, activities and results achieved by the Agency.

During the panel discussion Mr Gjorgi Naumovski, Custom Administration of Macedonia, emphasized the problem of overlapping in the work of the Agencies. The Macedonian experience with the establishment of an electronic system contributes to better coordination between them.

Conclusions

Mr. Milović concluded the session emphasising that significant results have been achieved in the previous period and that it is necessary to continue activities on harmonization with EU requirements.

SESSION “Liberalisation of trade in services – engine for development in the region”



Objective

The main objective of this session was to analyse the possibilities for future liberalisation of services within CEFTA. The moderator of the session, Mrs. Zada Muminović, Head of Unit for Trade Relations with European

Integrations, MOFTER, introduced the speakers: Mr. Zorislav Zadrić, BiH negotiator for services in CEFTA, Amir Hadžiomerađić, Central Bank of BiH, Katarina Džermanović Largenton and Gabriel Boc, policy analysts from OECD and Ivana Prica from EU TPP2.

Key discussion points

Mr. Zorislav Zadrić, MOFTER, gave an outline of the process of negotiations on services within CEFTA so far. He summarised some possible advantages of liberalisation of services within CEFTA, including: the inflow of FDI to CEFTA Parties, increased services exports from the CEFTA territory, increased trade within CEFTA that may have positive effects on economic development, increased employment, improved living standards and general development within the region.

Mr. Amir Hadžiomerađić, CB BiH, spoke about the impact and role of trade in services within CEFTA 2006. He recalled that services sectors in BiH provide 45% of value added and 41% of employment in market services. While BiH has a trade deficit in goods, the export of services is four times higher than imports. Regarding the structure of export in services, the highest share is services for inward processed goods (about 40%), followed by travel, transport and construction. In fact, liberalization of services may result inefficiency gains that exceed gains from merchandise trade liberalization.



Ms. Katarina Džermanović and Mr. Gabriel Boc, OECD, gave a presentation on their ongoing work of measuring Services Trade Restrictiveness Index (STRI), and explained how they measured STRI for construction services. Mr. Antonio Fanelli, OECD explained that four sectors were analysed last year to calculate STRI: accounting and auditing, legal services, architectural and engineering services and construction. They found that the

construction sector is far less restrictive than, for example, the legal services sector. Nevertheless, the level of openness in most cases is still below the EU average. Most restrictive are Macedonia and BiH and least restrictive is Albania.

Ms. Ivana Prica, EU TPP2, spoke about the growth potential for the services sector of CEFTA Parties. She analysed services *per capita* trade balance from BOP statistics (for period 2006-2012) in order to compare across CEFTA countries. Due to tourism, the highest *per capita* trade balance is that of Montenegro (roughly USD1,000 annually), followed by BiH (roughly USD200) while the other countries are below USD100. Travel and Transportation accounts for the largest proportion of services trade in CEFTA countries, followed by Communication, Other business services and Construction.

Mr. Zoran Andric, BiH Ministry of Communication and Transport, spoke about the liberalization of transport services in BiH, mentioning that EU standards in transport are far above those of the region. Currently transport sector services within the region are regulated via bilateral agreements. He expressed his optimism about achieving further liberalisation in the transport sector within CEFTA.

During the panel discussion Mr. Peter Polajner asked CEFTA negotiators when CEFTA Agreement on trade in services would be signed. The representative of Albania answered that it could be signed in 2014, but only if countries are very ambitious. The representative of Serbia stressed that some CEFTA countries are not WTO members yet and it is far more difficult to negotiate in the WTO at the same time as in CEFTA. The representative of Kosovo proposed that all countries should be more open, and used the example of Kosovo which realised profit even though they are completely open. At the same time liberalisation also improved the quality of services.

Conclusions

Ms. Slavica Rakić, Chamber of Commerce of Serbia, presented the conclusions of the Chambers Forum Working Group on Services, which were: to continue to promote liberalisation achieved so far regarding cross-border provision of co-insurance in accordance with the model that is being applied in Serbia; to pay special attention to transport services with a view to improve doing business and recognition of certificates and licences which will be done by forming a working body for transport of goods and people; to agree on liberalization of road transport of goods in order to remove transport licences for goods within CEFTA; to consider the recognition of licences for engineers; and to consider an agreement on the free movement of people and alignment of regulation for obtaining working and stay permits. She added that they may consider developing a common touristic product of the region.

At the end of the session the moderator concluded that services are recognized as a main contributor to each economy and the gains from liberalization may exceed those from trade in goods. During the process of negotiations the OECD analysis should be taken into account and it is expected that the entire process will be supported by the European Commission.

SESSION “Boosting regional trade and foreign investments after the crisis”



Objective

The objectives of the session were: to identify the main problems that foreign investors face in the countries of the CEFTA region, to exchange views on the legislation related to foreign direct investment (FDI) and to discuss ways and measures to attract more FDI into the region. The moderator of the session was Ms. Jelica Grujić, Director of the Foreign Investment Promotion Agency of BiH.

Key discussion points

After a brief introduction of the speakers and of the session by Ms. Jelica Grujić, Mrs. Bojana Škrobić Omerović presented “The BiH White Book 2012/2013” and its main recommendations (to be published soon). She explained the role and activities of the Foreign Investment Council and recalled there was a sharp drop in FDI to BiH after 2009. She presented the general situation regarding FDI in BiH through an analysis of the strengths, weaknesses, opportunities and threats for foreign investors. The main weaknesses are legal and political insecurity, smallness of local market, weak infrastructure, obsolete technology, corruption and high risk of changes in legislation

Mr. Dragiša Mekić, MoFTER BiH, discussed the “Challenges for the BiH investment regime after the crises – the Regulatory Impact Assessment and amendments to the BiH law on FDI”. Since BiH is at the very bottom

regarding all indicators on the business environment, the MoFTER BiH has taken measures to improve the business climate. Thanks to an agreement with the International Finance Corporation (IFC) a pilot study was undertaken on FDI, which led to the adoption of the Law on changes and amendments of the Law on FDI in BiH. The changes and amendments abolished the obligatory registration of foreign companies with the MoFTER. A new project between MoFTER BiH and the IFC is underway, which ought to strengthen competitiveness, eliminate administrative barriers, promote investment, develop the food industry and strengthen the export orientation of BiH.



Mrs. Milica Uvalić, EU TPP2 presented a study undertaken jointly with Saul Estrin at the London School of Economics titled "FDI into transition economies – Are the Balkans different?". The study shows that the region has attracted relatively little FDI. By 2010, inward FDI stock to the Western Balkans represented only 6% of total FDI to all transition economies in Eastern Europe. The results of an econometric analysis on the determinants of FDI suggest that the Balkans are indeed different: FDI inflows are explained not only by standard factors such as size, distance from investing economy and institutional quality of the host country. Controlling for all these factors, the Western Balkans still received less FDI than other transition economies, confirming that the region still faces "an image problem" which exercises a negative effect on FDI. The announcement of EU membership was always found to increase FDI. The analysis of the contribution of FDI to Gross fixed capital formation, GDP, structural changes and employment generation suggests that FDI has had a less significant positive impact on the Western Balkan economies with respect to Central East European and Baltic countries.

There were two additional presentations during the Panel Discussion. The first was by Mr. Ivan Nimac on “Foreign Direct Investment and Trade Policy in Emerging Economies”. The presentation highlighted the relationship between trade and investment, illustrated the recent growth of global value chains and stressed FDI as the key vehicle for international production. The CEFTA economies have been successful to a varying degree in improving their business environments, which is reflected in different volumes of FDI inflows in the individual countries. He discussed the various motivations of foreign investors (resource-seeking, market-seeking, efficiency-seeking), the relationship between regional integration and investment, and the main areas of regional investment policy reform.

The second presentation was by Mr. Milan Koponek and Sarah Perret on the “Next Generation Competitiveness Initiative” (NGCI) undertaken by the OECD. After giving an overview of the NGCI, Mr. Koponek explained the sector identification approach and how it was implemented in the CEFTA region. Food, metals and chemicals account for most of manufacturing turnover in CEFTA countries. The Western Balkans are specialised in low-tech and medium low-tech manufacturing sectors and also have a comparative advantage in travel, recreational, communication and construction services. Machinery and equipment, chemicals and road vehicles present strong potential for the future. ICT and business services also experienced strong growth in the Western Balkans and world exports. Clusters in the Western Balkans are concentrated in agro-food, textiles and apparel, as well as tourism.

During the general discussion, Mrs. Tatjana Dinkić, Ministry of Foreign and Internal Trade and Telecommunications, Republic of Serbia, explained the important role that the FIAT investment had for increasing Serbian exports and stressed that among the 10 most important Serbian firms, nine are with foreign capital. She also emphasized the importance of offering incentives to attract FDI, a practice common to many other countries (e.g. Slovakia). Gordana Toševa (US Aid, Macedonia) noted that Macedonia is on top of the World Bank Doing Business Rank, stressing the importance of aggressive policies, incentives offered to foreign investors, and existence of a strategy to promote FDI.

Conclusions

At the end of the session, the moderator Ms. Jelica Grujic concluded that FDI has an important role in economic development of the CEFTA countries and can contribute substantially to increasing exports of these countries. Improving the business environment in BiH and the region requires active participation of all actors (business, government, various organizations). Free trade in the CEFTA region has had a positive effect on FDI; since all countries are small, creating a more integrated regional market can prove important for attracting more FDI. However, all countries will need to improve the business environment in order to increase intra-regional trade and thus attract more FDI. The agro-food sector and tourism were identified as the most competitive in the Western Balkans.

SESSION “Challenges for Academia in evaluating the costs and benefits of CEFTA Agreement”



Objective

The main aim of the session was to provide an insight into the CEFTA Agreement from the viewpoint of academic research and assess the possibilities of cooperation between policy makers and academic researchers in the future design and implementation of the CEFTA Agreement. Mrs. Zada Muminović, Head of Unit for Trade Relations with European Integrations, Ministry of Foreign Trade and Economic Relations BiH moderated the session. Two papers were presented. The first was presented by Dr. sc. Zijad Džafić, Associate Professor and Vice Dean for Research at the Faculty of Economics, Tuzla on “Comparative analysis of the competitiveness of BiH”. Dr. William Bartlett, Senior Research Fellow at the European Institute, London School of Economics and Political Science presented the second paper on “The effects of the CEFTA Agreement after five years of implementation”.

Key discussion points

Dr. Džafić emphasized in his presentation that since the beginning of the CEFTA Agreement BiH exports to other CEFTA partners has increased and the BiH trade deficit with other CEFTA partners has fallen. However, a continuous trade deficit will be difficult to finance into the future without increasing international debt and increasing the possibility of a devaluation of the KM against the Euro. BiH invests a relatively low share of GDP in research and development, and the links between institutions of higher education and research and the business sector are relatively weak. Dr. Džafić proposed that the solution to increasing competitiveness of the BiH economy would be to focus policy on supporting the relatively few high growth small and medium sized enterprises that provide most new employment in the country, and which hold the key to the increase in competitiveness.

Dr. William Bartlett from the London School of Economics and Political Science presented an analysis of the effects of CEFTA Agreement after 5 years of implementation which shows that the impact of bilateral trade liberalisation before the introduction of CEFTA had little effect on intra-regional trade flows while multilateral liberalisation within CEFTA has had a positive effect in increasing trade within the region. The study has suggested that the CEFTA agreement has acted as a buffer during the recent years to the adverse impact of the global economic crisis in the region.

The presentations were followed by a lively discussion that highlighted the need to support further research studies into the impact of the CEFTA Agreement on trade in the region and the competitiveness of the economies. Professor Milica Uvalić from the University of Perugia highlighted the importance of the structure of GDP and the exchange rate regimes, which should be taken into account when assessing the competitiveness and trade flows. The importance of trade in services was emphasised by Professor Ivana Prica from the University of Belgrade who suggested that future research of the impact of the CEFTA Agreement should include the services sector. The final comment on the presentations was made by Professor Kikanović who put forward an alternative methodology for assessing the impact of CEFTA on trade flows in the region using input-output tables and the Leontief matrix approach to analysing interdependencies between sectors.

Countries	Member application	Membership as of	Waiting for membersh. years	Countries	Member application	Membership as of	Waiting for membersh. years
Finland	18.03.1992	1.1.1995	2,78	Slovakia	27.06.1995	1.5.2004	8,83
Sweden	01.07.1991	1.1.1995	3,49	Poland	05.04.1994	1.5.2004	10,07
Austria	17.07.1989	1.1.1995	5,45	Hungary	31.0.3.1994	1.5.2004	10,08
Slovenia	10.08.1996	1.5.2004	7,88	Croatia	21.02.2003	1.7.2013	10,35
Czech Rep.	17.01.1999	1.5.2004	8,26	Bulgaria	14.12.1995	1.1.2007	11,05
Lithuania	08.12.1995	1.5.2004	8,39	Romania	22.06.1995	1.1.2007	11,52
Estonia	24.11.1995	1.5.2004	8,43	Malta	03.07.1990	1.5.2004	13,82
Latvia	13.09.1995	1.5.2004	8,62	Cyprus	03.07.1990	1.5.2004	13,82

The discussion then turned to the assessment of possible cooperation between government policy makers and officials and academic researchers in the future design and implementation of the CEFTA Agreement. Ms. Carmen Fratita, Team Leader of EU TPP2 emphasised the importance of academic research for the evaluation of the impact of the CEFTA Agreement and the importance of establishing effective links between academic researchers in the region. She also reminded participants that three years ago CEFTA Parties had already taken on board the initiative of creating a network of academic researchers focusing on the analysis of trade relations within the CEFTA region. Dr Bartlett replied that the LSEE Research Unit at the European Institute of the London School of Economics and Political Science is coordinating a research network in the region covering issues such as employment, education and social inclusion through a series of research workshops and publications. The LSEE Research Unit would be willing to provide academic support also to the CEFTA network of academic researchers on international trade relations.

The discussion then turned to the assessment of possible cooperation between government policy makers and officials and academic researchers in the future design and implementation of the CEFTA Agreement. Ms. Carmen Fratita, Team Leader of EU TPP2 emphasised the importance of academic research for the evaluation of the impact of the CEFTA Agreement and the importance of establishing effective links between academic researchers in the region. She also reminded participants that three years ago CEFTA Parties had already taken on board the initiative of creating a network of academic researchers focusing on the analysis of trade relations within the CEFTA region. Dr Bartlett replied that the LSEE Research Unit at the European Institute of the London School of Economics and Political Science is coordinating a research network in the region covering issues such as employment, education and social inclusion through a series of research workshops and publications. The LSEE Research Unit would be willing to provide academic support also to the CEFTA network of academic researchers on international trade relations.

Conclusions

Ms. Muminović closed the session with some concluding remarks focused on the need for strengthening the collaboration between researchers and policy makers in the CEFTA countries and highlighted that this cooperation could be organised on a regional basis through the activation of the already agreed CEFTA

academic research network. She further emphasised that such collaboration between researchers and between researchers and policy makers could also be extended to the Integrated Growth Pillar, covering specifically trade aspects and other growth pillars of the SEE 2020 Strategy.

SESSION “Facilitating trade at the border”



Objective

The session was focused on tools allowing facilitation of trade at the border and their implementation by the CEFTA Parties. The moderator, Mr. Hajrudin Podbičanin, Assistant Minister for Customs Policy and Tariffs, Ministry of Foreign Trade and Economic Relations BiH opened the session by noting that facilitation of trade is a common interest of the CEFTA Parties and the entire process should be based on international recommendations and standards. Mr. Podbicanin further emphasized that the facilitation related to simplification and rationalisation of customs and other administrative procedure that cause obstacles, delay or increase the cost of movement of goods across international borders.

He especially highlighted that the facilitation of import and export procedures for goods brings many advantages for the economy of a country and its trade partners. The benefits of the facilitation of trade and reduced transaction costs between governments and business entities directly contribute to the increase in economic activities in CEFTA Parties and lead to an increase of employment.

Key discussion points

Mr. Umut Ergezer from CEFTA Secretariat focused his presentation on the introduction of CEFTA priorities that are included in the SEE 2020 Strategy in implementation of facilitation of trade and the approach employed

The representatives of the SEED project funded by the European Union and the Italian Customs Administration Mr. Giovanni Piccirillo, Mr. Fadil Belko, and Mr. Vladimir Obucina presented on the Systematic Electronic Exchange of Data in Western Balkans. Implementation is on a bilateral basis, using standards, protocols and guidelines of the regional concept. This system is useful for the risk analysis, customs valuation and other components of customs clearance.

Conclusions

At the end of the session Mr. Hajrudin Podbicanin concluded that the customs administrations should play a leading role in trade facilitation; the cooperation with the private sector should be in accordance with the WCO standards; an advisory body of CEFTA Parties focused on facilitation of communication between state administrations and the private sector should be established; a Regional Committee on Trade Facilitation of CEFTA Parties for the coordination and implementation of activities in this field should be established; simplified customs procedures should be used by customs administrations as much as possible; the usage of an electronic exchange of data in the country and between CEFTA Parties should be maximised; and the implementation of the PEM Convention should be communicated and promoted to both, customs and public sector by training events.

SESSION “Withdrawal of Croatia from the CEFTA – Impact on future regional cooperation”



Objective

The objective of the session was to assess the impact on other CEFTA parties of the Croatian withdrawal from the CEFTA Agreement and accession to the EU. The focus was on Croatian experiences from the EU

accession process and experience in transiting from CEFTA to the EU. Considerable attention was devoted to analysis of specificities and sensitivities of liberalization of agriculture and agricultural products with the EU. Speakers were drawn from the European Commission, the EU TPP2 Project in Bosnia and Herzegovina and the CEFTA parties. The session was moderated by Mr Dragiša Mekić, Assistant Minister for Foreign Trade Policy, MoFTER BiH.

Key discussion points

Mr Mekić opened the session by confirming the importance of the topic for all CEFTA countries taking into account their EU integration strategic plans, which is also strongly supported by the Chairmanship of BiH during 2013. He pointed out that the Croatian experience in the EU accession process can be useful to each of the CEFTA countries and expressed his satisfaction that the invited Croatian speakers were directly involved in this process.



Ms Tomić, Croatian Ministry of Foreign and European Affairs, recalled briefly in her presentation the history of CEFTA from the Visegrad Declaration in 1991 and evolution to the CEFTA 2006 Agreement. From its inception CEFTA served as a kind of preparation for future membership in the EU. Croatia's experience with CEFTA is very positive, although there were some challenges in implementation. Croatia had a significant surplus in trade within CEFTA, which indicated a higher competitiveness of the Croatian economy. However, Croatia continuously recorded a huge deficit in total trade, in particular in trade with the EU, which has a share of more than 60% of total trade. In trade with CEFTA BiH and Serbia have a share of 85%. Those two countries are the second and third largest investment destinations of Croatian companies. Therefore the issue of trade adaptations of the Stabilization and Association Agreements concluded between the EU and CEFTA parties is particularly important for Croatia. Croatia expects that the additional concessions for imports from the EU will partly compensate the losses incurred by the worsening of trade regimes on its traditional markets. In her conclusion Ms Tomić expressed the readiness of Croatia in offering support and transfer of experience linked to the EU accession process to the CEFTA parties.

Mr Polajner, European Commission, highlighted the importance of preparations of CEFTA Parties for future accession to the single market. He pointed out that the future accession process will have a so called 'CEFTA component', meaning the monitoring of fulfillment of tasks related to the implementation of the CEFTA agreement. He informed the CEFTA Parties that they will continue to benefit from asymmetric trade concession in trade with the EU. However, due to Croatia's accession it is essential for all CEFTA Parties to conclude the technical adaptations of the existing SAAs in order to enable the continuation of traditional trade. He stressed that the former phyto-sanitary regime was 'softer' for Croatia's CEFTA partners but could not be continued after Croatia's accession. He therefor recalled the necessity of a permanent improvement in all standards (in compliance with EU standards) as the best long-term policy option. Mr. Polajner also gave an overview of current relations of each CEFTA country with the EU.

Mr Božić, EU TPP2, explained the specific importance of agriculture in the CEFTA Agreement and in particular its importance in the EU accession negotiations. He presented the results of trade of CEFTA parties, both the mutual trade and total foreign trade in the period 2010-2012. He pointed out the importance of agricultural products in the mutual intra-CEFTA trade (average share 28%). The analysis also indicated that in the total trade of CEFTA with the rest of the world agricultural trade three times higher than non-agricultural products. It was explained that the focus of the negotiations was harmonization with the EU acquis and there were not many issues which could be negotiated. The most important results of the negotiations in chapter 11 – agriculture and rural development - were presented, in particular the generous financial package which will be at Croatia's disposal from 2014. Measured by available CAP funds per utilized agricultural area after 2014, Croatia is ranked in second place, ahead of all other EU countries except tiny Malta. One of the major lessons for CEFTA countries is that in pursuing their respective national agricultural policies they should focus on rural development policies rather than on market support and income support policies in so called Pillar 2 of the CAP. In the final part of the presentation Mr. Božić stressed the importance of the strengthening of administrative capacities in CEFTA countries to prepare for future membership in the EU. The status of 'candidate country' brings significant EU financial support to the agricultural sector. He also indicated the weaknesses that Croatia demonstrated in the utilization of the SAPARD/IPARD programs and explained how the same can be avoided by the CEFTA countries.

In the panel discussion that followed, Ms Dinkić, Serbian Ministry of Foreign Trade and Internal Trade and Telecommunications, discussed the high increase of Serbian trade within CEFTA, and in particular the impressive increase in exports in 2013. One of the main reasons behind this increase was foreign investments in automotive industry. The impact of Croatia's withdrawal from CEFTA on Serbia had two dimensions: bilateral and regional. One of the negative aspects for Croatian companies after withdrawal from CEFTA was in the area of public procurement in Serbia. Croatia will revert to national status only as of 2018. In answer to Ms Dinkic question, Mr Bozic explained that during the overall accession negotiations with EU, the most delicate economic decision taken by government was in the area of shipbuilding. Ms Dinkić also informed the group about the recent political decision of the Serbian government to conclude technical adaptations of the SAA with the EU because of Croatia's accession.

A dynamic discussion ensued concerning the fairness and the equality of partners in negotiations with the EU. In particular the legal framework for the technical adaptations of the SAAs was discussed. Some panelists

from CEFTA countries expressed the opinion that the legal framework was not clear enough and that this was the main reason for delays in negotiations.

The moderator Assistant Minister Mekić pointed out that he, as Head of the BiH negotiating team, considered the existing legal basis for enlargement protocol negotiations to be clear. He believes that provisions of the SAA must be respected, meaning that the negotiations must be of mutual benefit. It was argued that 'mutual' interests as one of the key elements in negotiation should be defined individually by both negotiation partners. He presented arguments regarding the high sensitivity of the enlargement protocol for BiH, taking into account that BiH liberalized its agricultural market very soon and to a high degree, which was not the case in other countries. Further significant liberalization with the EU due to Croatia's accession would endanger domestic production, which would result in serious problems linked to the sustainability of agriculture and food industry and likely loss of employment.

From the perspective of an EU member state Ms Tomić explained that Croatia indeed expected an asymmetry in favour of CEFTA parties to occur when trading with the EU, which would have a negative impact on Croatian producers. However, she pointed out the following: firstly, technical adaptations do not mean full liberalization but only some additional concession which would be available to all EU member states and not only to Croatia. Secondly, the changes in the current concept of traditional trade would create a precedent which would not be acceptable to the current EU member states.

Conclusions

In his concluding remarks Mr Mekić pointed out that all CEFTA parties would benefit from Croatia's experience in transition from CEFTA to the EU. As a particular strength he mentioned also the language used in the Region which might be helpful in harmonization of domestic policies to the *acquis*. He also mentioned that CEFTA parties would need further assistance and transfer of specific experiences when it comes to the accession process to the EU. He admitted that a lot has to be done at home in CEFTA countries but also expressed hope that European Commission and member states of the EU will continue to provide assistance to the Region.

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