

SUMMARY AND HIGHLIGHTS

Skopje, Republic of Macedonia



CHAIRMANSHIP OF THE REPUBLIC OF MACEDONIA 2014

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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 2014 CEFTA Joint Committee Meeting held in Skopje on 21 November 2014. These discussions were part of series of sessions known collectively as “CEFTA Week” and organized under the auspices of the Republic of Macedonia’s 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 2014 can be found on the CEFTA Secretariat’s website www.cefta.int.

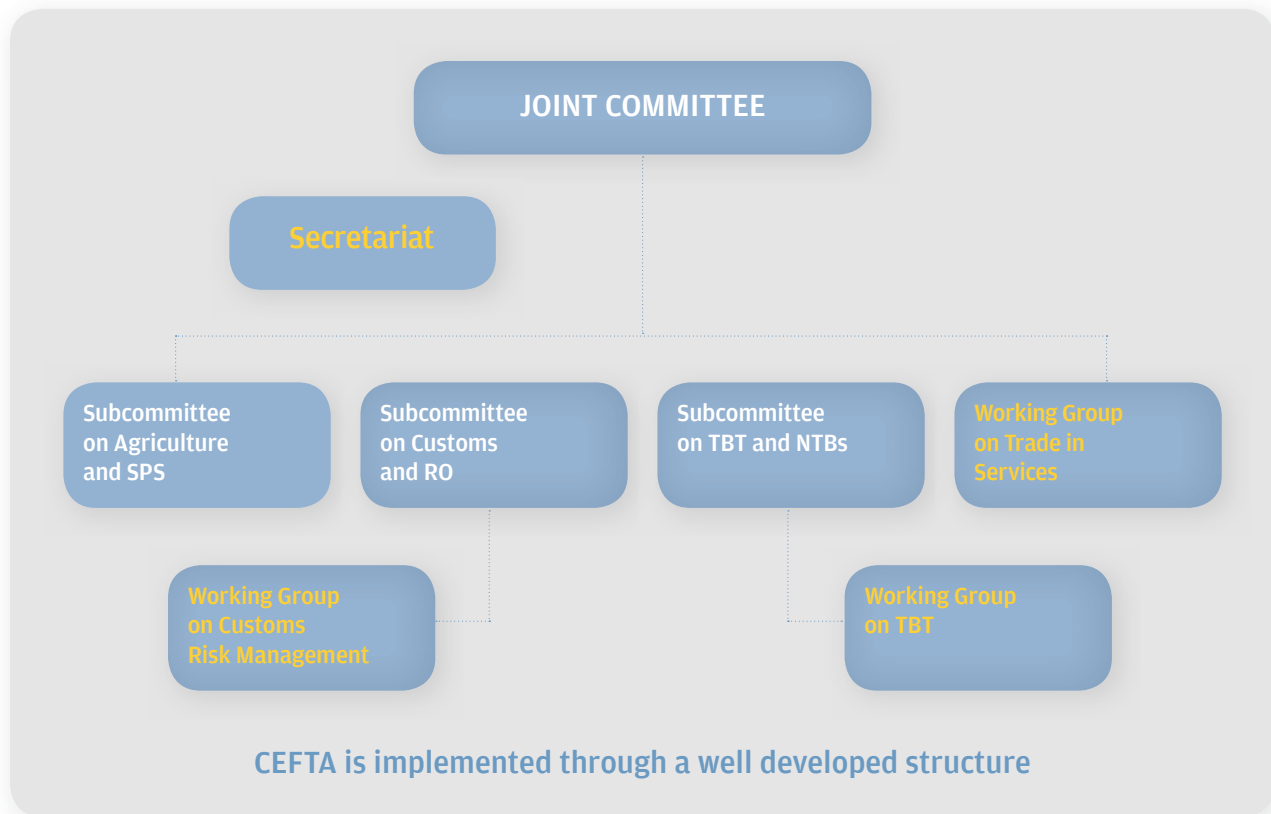
Brief Review of CEFTA 2006

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 was signed by Albania, Bosnia and Herzegovina, Croatia, Kosovo*, Macedonia, Moldova, Montenegro and Serbia.

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.

*This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ opinion on the Kosovo declaration of independence.



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 authorized 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 2014 is Macedonia, which will be followed by Moldova in 2015. The 8th Joint Committee meeting took place in Skopje on 21 November 2014.

CEFTA Sub-Committees

In accordance with Article 41.5 of CEFTA, 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 and SPS** (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 liberalization of 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 and serving as a forum for discussion on issues such as: harmonization 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 actors participate in its implementation and support its development. The principal actors are the governments of the CEFTA Parties 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 bilateral donors include Austria, Norway, GIZ, Switzerland and USAID. International organisations active in the field of regional trade policy include the OECD, World Bank Group, RCC, the WTO, UNCTAD, ITC, BAC and UN/ECE.

Rationale/Objectives of CEFTA Week

The overall objective of CEFTA Week is 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 are 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 impacts with different stakeholders and disseminate results of various CEFTA-related studies and/or projects to a wide audience; Consider new challenges and present future actions needed to facilitate better implementation of the Agreement and in particular, 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 Programme for CEFTA Week 2014 focused on the key priorities of the Macedonian Chairmanship with CEFTA which included boosting regional investment, development of competitive regional value chains, trade facilitation and enhanced public-private dialogue.





CEFTA Week 2014

Central European Free Trade Agreement
CHAIRMANSHIP OF THE REPUBLIC OF MACEDONIA 2014

CEFTA Week 2014
Skopje, Republic of Macedonia
19 – 21 November, 2014

Programme - Schedule of Events

Day 1: 19 November 2014 (Wednesday)	
HOLIDAY INN HOTEL (Conference room: Millennium 1) Filip II Makedonski 5, Skopje 1000, Macedonia	
09.00-09.30	Registration of participants
09.30-10.00	<p>Official opening of CEFTA Week 2014</p> <p>Bekim Neziri, Minister of Economy of the Republic of Macedonia</p> <p>Jaromir Levicek, Head of Section Operations 1, Economic Issues, Institution-building, Cross-border cooperation, Delegation of the European Union in the Republic of Macedonia</p> <p>Barton Putney, Deputy Chief of Mission, Embassy of the United States in the Republic of Macedonia</p>
10.00-10.15	<p>Results of the Republic of Macedonia Chairmanship with CEFTA: Status and Progress</p> <p>m-r Zorica Smileva, Head of Unit for Multilateral Trade Cooperation, Ministry of Economy of the Republic of Macedonia</p>

SESSION I**Boosting Investments in the CEFTA Region: National and Regional Investment Policies and Promotion****Moderator:**

Biljana Dodevska, State Advisor for European Integration and International Cooperation, Ministry of Economy of the Republic of Macedonia

10.15-11.30	Regional Approach to Enhancing the Investment Climate Boosting Investments – Key Component of the SEE Strategy 2020 Coordinating Efforts for Improving Investment Policies in CEFTA Parties: UNCTAD Regional Investment Policy Review Benefits of a National Investment Policy Review: The Experience of the Republic of Macedonia Investment Climate and Investment Policy in CEFTA Quantitative Analysis of the Global Recession on CEFTA External Trade	<u>Presentations</u> Sanjin Arifagic, Head of the Economic and Social Development Unit, RCC Ariel Ivanier, Economic Affairs Officer, UNCTAD Suzana Arsova Kostadinova, Deputy Head of the SME Department, Ministry of Economy of the Republic of Macedonia Harald Jedlicka, Investment Policy Officer, World Bank Trade and Competitiveness Global Practice Group Antonio Fanelli, Senior Expert, OECD Edo Omic, Junior Economist, OECD
11.30-11.45	Coffee break	
11.45-13.00	Investment Promotion Regimes in CEFTA Parties Attracting FDI to Macedonia: Approach and Results Multiplying Effects from Existing FDI through Functional and Efficient Public-Private Dialogue <u>Topics for Discussion</u> - Opportunities and obstacles for Investments to and within the region - Potential for expansion of existing FDIs - Aftercare mechanisms - Advocacy tools - White Book	<u>Presentations</u> Viktor Mizo, Director, Directorate for Technological Industrial Development Zones Juan Pedro Jimenez Navarro, President, Foreign Investor Council, Macedonia <u>Open Floor Discussion</u> CEFTA Parties
13.00-14.00	Lunch	

SESSION II:**Regional Value Chains: Potential, Synergy and Common Challenges****Moderator:**

Blerim Zllatku, State Advisor for Industrial Policy and Competitiveness, Ministry of Economy of the Republic of Macedonia

14.00-15.30	<p>Development and Promotion of Regional Food Processing Value Chains</p> <p>Cross-country Value Chains and Quality and Safety Standards in the Food Sector: Potential for Increasing Exports from the Region</p> <p>The Challenges Facing Supply Chains Development in the CEFTA Agro-Business Sector</p> <p>Assessing the Implementation of SPS Standards in the CEFTA Agro-Business Sector</p> <p>Agricultural Policy in SEE and European Integration</p> <p>Eliminating Barriers to Trade in Agriculture: Results of the Work of the CEFTA Sub-Committee on Agriculture and SPS Measures</p> <p>The Impact of Origin Cumulation on Business Strategy</p> <p><u>Topics for Discussion</u></p> <ul style="list-style-type: none"> - Regional potential for development of food processing value chains - Obstacles to developing regional food processing value chains - Policy measures for boosting regional cooperation in agriculture 	<p><u>Presentations</u></p> <p>Goran Damovski, President of Macedonia Agbiz / AG Team Leader of the USAID REG Project</p> <p>Katarina Djermanovic, Policy Analyst, OECD Edo Omic, Junior Economist, OECD</p> <p>Gordana Ristic, SPS Expert, Ristic&Milovic Consulting</p> <p>Boban Ilic, Secretary General, Standing Working Group on Regional Rural Development in SEE</p> <p>Perica Ivanoski, State Advisor, Ministry of Agriculture, Forestry and Water Economy</p> <p>Bernard Touboul, GIZ ORF FT Expert</p> <p><u>Open Floor Discussion</u></p> <p>CEFTA Parties</p>
15.30-15.45	Coffee break	

15.45-17.00	CEFTA Region as an Integrated Tourism Destination	<u>Presentations</u>
	Regional Approach on Developing the Tourism Sector Within the Scope of the SEE 2020 Strategy	Dragana Djurica, Expert on Integrated Growth, RCC
	The Western Balkans Geotourism Network: A Roadmap for Inclusive Regional Development	Jack Delf, President, Western Balkans Geotourism Stewardship Council/ Senior Advisor, USAID REG
	Promoting Regional Cooperation in the Tourism Sector: Concrete Initiatives	Maja Gligorovska, Associate for Tourism Promotion, Agency for Tourism Promotion of Macedonia
	<u>Topics for Discussion</u>	
	- The Western Balkans Geotourism Map Guide Portal http://www.balkansgeotourism.travel/ (developed in cooperation with National Geographic)	<u>Open Floor Discussion</u>
	- Developing regional tourism products	CEFTA Parties
	- Bringing potential buyers to the region	

Day 2: 20 November, 2014 (Thursday)

HOLIDAY INN HOTEL (Conference room: Millennium 1)

Filip II Makedonski 5, Skopje 1000, Macedonia

09.00-09.30

Registration of participants

SESSION III: Global and Regional Aspects of Trade Facilitation in CEFTA

Moderator:

Dimce Adzioski, Head of Unit for Border and Transit Formalities, Customs Administration of the Republic of Macedonia

09.30-11.00

Implementation of the WTO Agreement on Trade Facilitation in the CEFTA region

Multilateral Rules and Minimum Standards for Trade Facilitation Equally Relevant for Both WTO and Non-WTO CEFTA Parties

Compliance of CEFTA Parties with the Agreement: Presentation of the Regional Findings of the WTO TF self-Assessments Carried Out in CEFTA Parties by USAID, Conclusions of that Regional Analysis and Recommendations on Path Towards Compliance

Topics for Discussion

- Implementation of outstanding issues in CEFTA Parties: Status and progress

- Possibilities for cooperation between the countries in the region in tackling compliance with the WTO TF Agreement.

- Ongoing regional activities that contribute to WTO compliance.

Presentations

Sheri Rosenow, Councillor, World Trade Organization

Paul Fekete, Senior International Trade Advisor, USAID Washington

Panel Discussion

Violane Konar-Leacy, Manager, Western Balkans Trade Logistics Project, World Bank Group Trade and Competitiveness Practice

Dimce Adzioski, Head of Unit for Border and Transit Formalities, Customs Administration of RM

Ministries of economy from CEFTA Parties

Customs administrations from CEFTA Parties

11.00-11.15

Coffee break

11.15-12.45

Regional Coordination of Trade Facilitation Efforts

Coordinating Trade Facilitation Through CEFTA: Presenting the CEFTA Trade Facilitation Concept

Donor Support to Trade Facilitation in CEFTA: Cooperation, Coordination and Synergy

Round Table Discussion

Donors: EU Commission, USAID, World Bank/ IFC, GIZ, OECD, UNCTAD, ITC

Moderated by Umut Ergezer, CEFTA Secretariat.

12.45-13.45

Lunch

13.45-14.45

Facilitation of Trade in CEFTA Through Implementation of the Authorised Economic Operators Programmes – AEO

Contributing to the Development of CEFTA AEO Strategy: Goals, Scope, Adoption, Implementation

Implementation of the AEO Concept in the Republic of Macedonia: Public and Private Sector Perspective

Presentations

Michael Praschak, Austrian Customs Authority

Biljana Gadzovska, Head of the Excise Department, Customs Administration of the Republic of Macedonia

Ilija Mukaetov, Supply Chain Manager, Visteon Electronics Macedonia

14.45-15.00

Coffee break

SESSION IV:**CEFTA Forum of Chambers of Commerce****Moderator:**

Jadranka Arizankovska, Economic Chamber of Macedonia

15.00-17.00	Forum of Chambers of Commerce: Report on the Implementation of the Conclusions of the Forum Working Groups Working Group on Agriculture and SPS Working Group on TBTs and NTBs Working Group on Customs and Rules of Origin Working Group on Trade in Services <u>Topics for Discussion</u> - Eliminating non-tariff barriers and unnecessary TBTs - Implementation of the Regional Convention on Pan – Euro – Med preferential rules of origin - Accession to the Convention on Common Transit Procedure and its implementation - Simplification of trade, improvement of the customs service risk analysis system - Mutual recognition of veterinary, sanitary and phytosanitary certificates - Liberalization of cross-border co-insurance services - Liberalization of road transport in the CEFTA region	<u>Presentations</u> Sergej Papoci, Foreign Trade Chamber of BiH Vlatko Stojanovski, Economic Chamber of Macedonia Miljan Sestovic, Chamber of Economy of Montenegro Slavica Rakic, Chamber of Commerce and Industry of Serbia <u>Open Floor Discussion</u> CEFTA Parties – private sector and government
14.00-17.00	CEFTA Experts Meeting (in camera) <i>Holiday Inn Hotel (Conference room: Skala 1)</i>	CEFTA Parties

Day 3: 21 November 2014 (Friday)

HOLIDAY INN HOTEL (Conference room: Millenium 2)
Filip II Makedonski 5, Skopje 1000, Macedonia

9.30–12.30	CEFTA Joint Committee Meeting (in camera)	CEFTA Parties
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HIGHLIGHTS FROM CEFTA WEEK 2014

Official Opening and Welcome Address

Mr. Bekim Neziri, Minister of Economy of the Republic of Macedonia welcomed the participants of CEFTA Week 2014 organized under Macedonia's Chairmanship of CEFTA and said that he was honored to host an event of such immense importance for the regional trade agenda. He emphasized that though CEFTA is one of the most liberal regional agreements, many implementation challenges still lay ahead of its Parties if they want to fully benefit from the advantages and the integration framework created by the Agreement. Most of these challenges were reflected in the key priorities of Macedonia's Chairmanship of CEFTA identified in compliance with the three dimensions of the Integrated Growth Pillar of SEE Strategy 2020. Mr. Neziri expressed his hope that the topics included in the CEFTA Week 2014 agenda would provide valuable opportunity for all stakeholders from the region to present ideas and discuss how to further advance mutual cooperation and spur economic development. In closing, he reiterated the strong intention of all countries in the region to continue with successful implementation of CEFTA in close synergy with the SEE Strategy 2020, thus enhancing their EU integration efforts and bringing prosperity to their people.



Mr. Jaroslav Levicek from the Delegation of the European Union in the Republic of Macedonia said that the CEFTA Agreement represents a significant step forward for the Western Balkans in the development of a stable and economically vibrant region and that it provides an excellent framework for the countries to prepare for EU accession. He underlined that the most important advantages created by CEFTA for its Parties are: one single set of trading rules, free trade area of over 20 million consumers, framework for alignment of trade and investment regimes as an important aspect of the preparations for the EU single market and compliance with WTO rules and principles of CEFTA Parties who are not yet

members of this global trading organization. As a strong advocate of trade integration processes in SEE, the European Union will continue to assist CEFTA through various activities and programs, such as support to strengthening the resources of the CEFTA Secretariat and the regional initiative for addressing the most distortive non-tariff barriers in the region. Mr. Levicek called for a more comprehensive approach to trade facilitation, active role of CEFTA in the implementation of SEE Strategy 2020 and better coordination among CEFTA Parties and the donors that are active in the region. He closed by emphasizing that it is key that the political commitments expressed by each country at the CEFTA Ministerial meetings are followed up by practical and concrete efforts nationally.

Mr. Barton Putney, Deputy Chief of Mission in the Embassy of the United States in the Republic of Macedonia stressed that foreign trade is one of the best ways to achieve optimal economic performance, job growth and higher standards of living, particularly for countries with relatively small domestic markets. He noted that despite the fact that CEFTA Parties share histories and have strong traditions of intra-regional trade, current

economic ties among them are modest at best. CEFTA is an important vehicle for achieving a more integrated economic region and the US Agency for International Development (USAID) was thus very enthusiastic in providing support to the organization of CEFTA Week 2014. Mr. Putney underlined that, as they approach a total elimination of customs duties in their mutual trade, CEFTA Parties face a new set of challenges - their diversity and the complexity of trade integration processes are fully reflected in the agenda for the next two days. He reiterated USAID's plans to continue to support regional trade cooperation with activities that are more regional in scope and are designed to benefit integrated economies across multiple nations. In closing, Mr. Putney urged the participants to use CEFTA Week 2014 as an opportunity to share opinions, celebrate achievements, identify challenges and explore solutions regarding a variety of topics thus continuing to strengthen regional linkages.



Following the opening speeches, Ms. Zorica Smileva from the Ministry of Economy presented the priorities of Macedonia's Chairmanship with CEFTA and the results achieved in 2014. She highlighted that the activities implemented by CEFTA in the course of this year fully corresponded with the three dimensions of the Integrated Growth Pillar of SEE Strategy 2020, namely establishment of a free trade area, facilitation of a competitive economic environment and integration into the global economy. Their implementation yielded progress in many areas regulated by CEFTA, such as the negotiations on trade in services, the ratification of the Pan-European Mediterranean (PEM) Convention on diagonal cumulation and

the agreement to launch negotiations on a framework agreement among CEFTA Customs Administrations for simplification of inspections, exchange of data and trade partnership programs by the end of 2015. Intensive bilateral contacts for resolution of mutual trade conflicts were organized and improvements were made to the CEFTA Transparency Pack in order to improve the quality of the information exchanged by the CEFTA Parties and the quality of the regional dialogue. Finally, several important organizational and institutional changes were implemented, including structural transformation of the CEFTA Secretariat and further diversification of the CEFTA structures through initiatives for establishment of several new bodies, namely Subcommittee on Trade in Services, Working Group on Electronic Exchange of Information and Committee on Trade Facilitation. Ms. Smileva reminded participants that all decisions relating to the above activities are expected to be endorsed at the annual Joint Committee meeting scheduled for 21 November 2014.

SESSION I - Boosting Investments in the CEFTA Region: National and Regional Investment Policies and Promotion

Objective

The objective of this session was to discuss regional initiatives for increasing investments in CEFTA and investment policies implemented by CEFTA Parties, and identify steps for moving the process forward. Regional aspects included the efforts for boosting investments under the auspices of SEE Strategy 2020 and the initia-

tive for carrying out an investment policy review for the region as a single investment destination. National investment policies were addressed through presentation of efforts of individual countries to develop effective mechanisms for FDI promotion and attraction, as well as efficient dialogue with existing investors. The session was moderated by Ms. Biljana Dodevska, State Advisor for EU Integration and International Cooperation at the Ministry of Economy of the Republic of Macedonia.

Key discussion points

Ms. Dodevska provided a brief overview of the session and presented the speakers. She expressed her confidence that the planned presentations and the discussion that will follow will provide valuable contribution to all future efforts and activities for increasing the investment levels in the CEFTA region.

Regional Approach to Enhancing the Investment Climate

Mr. Sanjin Arifagic, Head of the Economic and Social Development Unit at the Regional Cooperation Council (RCC) elaborated on the issue of investments as a key component of SEE (South East Europe) Strategy 2020. Mr. Arifagic emphasized that the SEE Strategy 2020 Integrated Growth Pillar fully corresponds with the CEFTA broader mandate which positions CEFTA as a main coordinator of activities relating to trade and investment and provides the necessary support to the implementation of this segment of the Strategy from governments in the region. He noted that the comprehensive efforts for enhancing trade integration successfully performed in the last decade in SEE were not coupled with an equally thorough investment agenda. Investments will have to receive stronger focus if the region wants to meet the ambitious targets set in SEE Strategy 2020. Mr. Arifagic highlighted the key role that foreign direct investments should play in the future structural upgrading and economic growth in the region by complementing domestic investments, enabling transfer of technology, increasing employment opportunities and improving the standard of living. The SEE Strategy 2020 target was to increase the FDI



levels from 3.4 billion in 2010 to 8.8 billion by 2020, but due to the global economic crisis, the region has so far performed well under the expectations; in order to reverse the negative trend, countries will need to implement aggressive measures and to work together. Mr. Arifagic explained that the two priorities of the SEE Strategy 2020 in this area are to facilitate the free flow of investments through coordination of investment policies and investment promotion and to establish an investment concept to enhance participation in regional supply chains and global supply networks. Of the activities implemented so far, he mentioned the establishment of the joint SEEIC – CEFTA working group, the up-coming UNCTAD regional benchmark study on investments and the project concept developed with the World Bank for assistance to investment policy reforms in individual countries and joint investment promotion of the CEFTA region. In his final remark, Mr. Arifagic tackled the wider context for implementation of the SEE Strategy 2020, emphasizing its synergy with the economic governance pillar of the EU Enlargement Strategy. He expressed confidence that starting in 2015, measures for operationalization of both strategies will be combined at a national level and included in the National Economic Reform Programmes developed by individual CEFTA Parties.



Mr. Ariel Ivanier, Economic Affairs Officer at UNCTAD presented the Investment Policy Review (IPR) Programme that UNCTAD plans to implement in the SEE region in cooperation with CEFTA and RCC. The program has been in place since 1999 and IPR studies have been prepared for 40 countries to date. The process of preparation of a national IPR study consists of five phases: official request from the respective government, preparation of the assessment report, peer review of the main findings, implementation of recommendations with technical assistance and evaluation of the overall effects. According to UNCTAD's experience, the IPR exercise produces impacts at three levels: it strengthens the commitment of high-level officials to the implementation of investment reforms, improves the investment framework and generates positive economic effects in the form of gradual increases of investment flows and creation of employment. The goal of the regional IPR study for SEE will be to provide comparative analysis of investment policies in SEE countries, identify key regulatory issues for the region and offer recommendations for harmonization of investment regimes across countries.

It will serve as a benchmark tool for monitoring progress achieved by individual countries in investment policy reforms. The study will focus on the following areas: laws regulating entry, protection and treatment of investors, international investment agreements, fiscal policy and investment incentives, labor market and skills, competition legislation and regional investment promotion. The steps for preparation of the study will include fact-finding missions by UNCTAD experts planned for the first half of 2015, regional workshop in Sarajevo to discuss findings and key recommendations in the third quarter of 2015 and launch of the study by the end of 2015. Implementation of recommendations is envisaged to start in 2016. Mr. Ivanier closed by stating that UNCTAD looks forward to starting this project and that the countries should expect their visit in the near future.

Ms. Suzana Arsova-Kostadinova, Deputy Head of the SME Department in the Ministry of Economy elaborated on the Investment Policy Review prepared by UNCTAD upon request from the Republic of Macedonia. She stressed that the main purpose of the IPR was to contribute to private sector development and poverty reduction through concrete recommendations for improving the legal and regulatory framework for investments and formulation of a strategy for promoting and attracting foreign direct investments, as well as maximizing their impact. The review process consisted of a fact-finding mission carried out by UNCTAD, preparation of the first draft of the IPR report and its distribution to stakeholders, inclusive discussion on the findings with all relevant stakeholders and finalization of the IPR report that included the strategy document. The IPR report was divided into three main chapters: analysis of Macedonia's experience in attracting FDI and its impact on the economy, analysis of all aspects of the legal and regulatory framework for investments and design of a new Program for Stimulating Investments aimed at attracting higher levels of beneficial and sustainable FDI for the period 2011 – 2014. The final recommendations were grouped in five categories: creating synergies between FDI and industrial policy, progress in aligning with the global investment framework, strengthening investment and competitiveness policies, rationalizing investment promotion efforts and providing efficient policy implementation. The main outcome of the Macedonian IPR was the design of the Program for Stimulating Investments 2011 – 2014 as a strategy document that formulated concrete measures for achieving consolidation of the investment legislation, better climate for FDI, integrated treatment of competitiveness, industrial policy and investments, improved framework for development of SMEs, efficient investment-related research and analysis and strengthening of the respective institutional and policy-making capacities.



The presentation on the World Bank activities towards regional investment policy integration in SEE was prepared by Mr. Harald Jedlicka, Investment Policy Officer at the World Bank. As Mr. Jedlicka's arrival to Skopje was delayed due to the weather conditions, the presentation was delivered by his colleague Ms. Violane Konar-Leacy. Ms. Konar-Leacy started by reminding the audience about the main reasons for regional trade integration and the potential benefits of the successful implementation of this process in SEE. She elaborated by stating that regional integration efforts lead to increased FDI and intra-regional investments by creating bigger market and attracting market-seeking investments;



contributing to the development of stronger and wide-spread regional value chains attractive for efficiency-seeking investments; increasing connectivity among businesses thus reducing risks of conflict; and creating commitment mechanisms that positively influence domestic policy reforms. Analysis of relevant World Bank indicators relating to various aspects of the process of investing across borders shows that the level of harmonization of laws, regulations and practices among countries in the region is still not optimal. Reform areas that require further attention towards a creation of a regional space for investment are the areas of access to market/investment entry, investor protection and investment incentives. The respective reforms should focus on achieving not only *de jure*, but also *de facto* integration. The World Bank is designing, in co-operation with RCC and CEFTA, a programmatic approach for achieving greater investment policy integration in the region based on the development of a regional investment policy agenda, horizontal implementation of policy reforms at the national economy level and regional investment promotion. The program proposal is expected to produce impacts at two levels: greater harmonization and integration of investment policies and corresponding economic impact reflected in higher FDI and intra-regional investment levels, faster economic growth and enhanced job creation. Ms. Konar-Leacy concluded by noting that the World Bank has so far implemented regional investment reform programs for the Economic Community of West African States, the East African Community and South Asia and that the next such program will be implemented in the ASEAN region.

Representatives of Organization for Economic Cooperation and Development (OECD), Mr. Antonio Fanelli, Senior Advisor and Mr. Edo Omic, Junior Economist presented the findings of the OECD quantitative analysis that explores the impact of the global recession on CEFTA Parties. Mr. Fanelli and Mr. Omic explained that they analyzed the GDP and foreign trade data for EU27, CEFTA and Turkey in an attempt to explore



how the recession in the European Union as their main trading partner actually affected the GDP and trade levels in CEFTA and Turkey and to determine future trends. The analysis of the GDP data showed that the changes in the CEFTA GDP were almost mirroring the EU trends, with a strong decline in 2008-2009 followed by a steady, but slow recovery. In contrast, after the fall in 2008-2009, Turkey saw permanent and sustainable growth rates that were even higher than before the crisis and substantially higher than the rates registered in the European Union and CEFTA. In terms of trade, the European Union is CEFTA's largest trad-

ing partner counting for around 60% of the overall trade exchange of the region, while 30% of the goods are traded intra-regionally and 10% with the rest of the world. As a country with geographically more diversified trade, Turkey was not affected by the EU crisis to the same extent as CEFTA. On the contrary, the expansion of Turkey's exports to the east has resulted in permanent decrease in its exports to the European Union which was one of the reasons why Turkey's GDP was not negatively affected by the EU recession. OECD calculated the elasticity of CEFTA and Turkey trade with the European Union in order to see how different fluctuations in exports to the EU affected their respective GDP growth rates. Results showed that the EU growth performance and the related imports from CEFTA have far bigger influence on CEFTA GDP fluctuations than is the case with Turkey. The negative effects of this interdependence are particularly evident for the period of recovery (2009 – 2013) which clearly points out that the crisis and the slow recovery of the European Union is a prevailing reason for the stagnation in the region. Country by country analysis showed that some CEFTA Parties (Croatia and Montenegro) are less dependent on trade with the European Union than other CEFTA members (Albania, BiH, Macedonia) and thus less susceptible to disproportionate effects of the EU crisis. The analysis of the interdependence of GDP growth rates and the fluctuations in intra-regional trade in CEFTA indicated corresponding oscillations on average – an exception was the period of recovery (2009 – 2013) when even slight changes in GDP resulted in disproportionate effects in the trade area. Mr. Fanelli emphasized that the region particularly reacted to the GDP fluctuations of its main trading partners Italy, Germany, Slovenia, Austria and Hungary that account for close to 70% of trade with the European Union. Surprisingly, though some of them suffered serious GDP declines (Italy, Slovenia), their share in total CEFTA exports have not dramatically changed. What has changed, however, was the product composition of exports to these countries. Mr. Fanelli highlighted the fact that though trading with the EU is vital for the economic growth of the CEFTA region, it is not sufficient to generate strong recovery in the region, due to the limited export base of CEFTA Parties. The adjustments in the export composition that took place in the last period are a good sign that the region is shifting from economic growth being driven by domestic demand to an export-driven growth. Mr. Fanelli concluded by saying that FDI is crucial for increasing the competitiveness of CEFTA economies and boosting their exports which makes all activities in that direction exceptionally relevant and welcome.

Investment Promotion Regimes in CEFTA Parties



Mr. Viktor Mizo, Director of the Macedonian Directorate for Technological Industrial Development Zones (TIDZ) discussed the measures and activities undertaken by Macedonia over the last seven years in terms of improvement of the business climate and the actions taken for attracting foreign investments. Mr. Mizo listed the main reasons why Macedonia managed to successfully put itself on the map as a favorable investment destination and highlighted that these factors are more or less common for all CEFTA Parties. While admitting the relevance of a competitive location, good infrastructure and competent workforce, he particularly emphasized the importance of having a committed, accessible and

investor-friendly government and the flexibility to negotiate customized investment incentives, particularly tax holidays in line with respective EU commitments. Macedonia's macroeconomic data indicate an economy that managed to return to the growth path immediately after the crisis, with stable currency, low inflation rate, stable credit ratings and reasonable levels of budget deficit and public debt. The legal and institutional framework enables full protection of foreign investments in line with international best practices: ownership rights of foreign investors are guaranteed by the Macedonian Constitution, companies can be 100% owned by foreigners, there are no restrictions on the repatriation of profits and foreign investors enjoy full national treatment, with the exception of agricultural land that can only be leased on a long-term basis. Free trade agreements signed by Macedonia with 41 countries provide access to a market of 650 million consumers.

The tax regime currently provides for the lowest rates in Europe: VAT of 18%, flat 10% tax on income and profits, with the latter being collected only if profits are distributed as dividends and a total burden for social contributions of 26.5%. Many other reforms have been undertaken to improve the business environment and eliminate space for corruption, including *inter alia* simplification of company establishment and construction permitting, one-stop-shop for import/export licenses, regulatory guillotine, land and cadaster reform, labor market liberalization and implementation of integrated policies for supporting innovations. In addition to the primary goal of facilitating economic operations, these reforms have produced considerable improvements in Macedonia's positions on all relevant international rankings, such as the WB Doing Business, the WEF Global Competitiveness Report, the Heritage Index of Economic Freedom, the PWC/IFC Ease of Paying Taxes and the Transparency International Corruption Perception Index. In his final remarks, Mr. Mizo highlighted the crucial role of the TIDZ Directorate as a government institution that provides various types of services to investors in different stages of the investment cycle thus helping them to understand and meet the applicable regulatory requirements and to overcome potential challenges.

Mr. Juan Pedro Jimenez Navarro, President of the Foreign Investors Council (FIC) in Macedonia noted that countries of the CEFTA region made considerable progress in their reintegration into the European and global economy and in strengthening their mutual regional ties. He reminded that FDI has been the key factor in economic modernization of Central Europe, and is thus expected to play a similarly important role in the SEE region. Facilitating a free and open investment regime throughout the region is of utmost importance in enhancing the region's competitiveness by attracting both intra-regional and extra-regional inward investments. The signing of the CEFTA 2006 Agreement set the stage for the establishment of a free trade area in SEE but more



remains to be done in the field of facilitation of free flow of investments, liberalization of trade in services, free movement of labor and better access to public procurements in the region. The main objective of the SEE Strategy 2020 of increasing overall FDI inflows by at least 160% can only be achieved through removal of the remaining intra-regional trade barriers, lasting commitment to pursue policies that support the upturn of inward FDI and further trade-facilitation measures, coupled with the free movement of a skilled regional workforce. Focus should also be put on harmonizing arbitration mechanisms in the region with the international rules and best practices that are acceptable to investors and to providing enhanced protection of all investors and their investments via a multi-lateral agreement. Mr. Navarro pointed out that a mere increase in the FDI inflow will not be sufficient and that the region should also seek ways to increase contribution of FDI to the economic growth by strengthening linkages with local suppliers and creating other positive spillover effects. Speaking about the cooperation between the business community and the Government in Macedonia, he emphasized that a dialogue is already in place and it is necessary to develop it even more in order to provide total inclusion of the concerned parties while creating state policies. Mr. Navarro acknowledged that challenges still exist and it is necessary to tackle them with appropriate solutions, so that Macedonia's status as a favorable investment destination is further affirmed. The mission of the Foreign Investors Council is to protect the interests of current and future foreign investors by establishing a partnership and dialogue with domestic institutions and influencing the business climate by putting forward informed proposals for improvement of laws and regulations that affect the work of foreign companies in the country. In closing, Mr. Navarro announced the upcoming promotion of the first edition of the White Book, a publication prepared by the Foreign Investors Council and its members that captures the current conditions for doing business and offers advice on overcoming obstacles and improving the investment climate in Macedonia.

In the discussion part, Ms. Emilija Belogaska from the EU Delegation in Macedonia welcomed the publishing of the FIC White Book and said that she expects it to provide valuable information on the satisfaction of the

foreign investors with the investment climate in Macedonia, as well as concrete proposals for its enhancement. In response, Mr. Navarro clarified that the White Book was prepared for more than a year by various stakeholders organized into six working groups and expressed his confidence it will indeed offer honest and open opinions and proposals.

Conclusions

Ms. Dodevska concluded that increasing investment levels in the region is crucial for the economic development of all CEFTA Parties. To achieve this, the region has to intensify activities for further integration and harmonization of investment regimes and to embark on aggressive and coordinated promotion of joint investment opportunities. The existing and planned initiatives for supporting and enhancing these efforts, such as the SEE Strategy 2020, the UNCTAD regional benchmark study and the World Bank investment reform program are highly welcome and CEFTA Parties should invest maximum efforts into their implementation. In addition to measures for attracting new investments, CEFTA Parties should continuously work on improving policies aimed at maximizing the economic effects of existing foreign investments by enhancing the dialogue between the government and the investors and developing targeted and efficient aftercare services.

SESSION II – Regional Value Chains: Potential, Synergy and Common Challenges

Objective

The objective of this session was to discuss the potential for development of regional value chains in CEFTA that will be able to compete on the global market and to identify legal and economic obstacles to the process at a regional and national level. Particular focus was placed on food processing and tourism - industry sectors identified by the SEE Strategy 2020 as having the largest potential to grow and contribute to the economic development of the CEFTA region. The session was moderated by Mr. Blerim Zlatku, State Advisor for Industrial Policy and Competitiveness at the Ministry of Economy of the Republic of Macedonia.

Key discussion points

In his introductory remarks, Mr. Zlatku briefly explained that the sectors of agri-business and tourism have already been defined by the SEE Strategy 2020 as industries with largest potential for regional cooperation and growth. He expressed hope that the inclusion of the food processing and tourism value chains in the program for CEFTA Week 2014 will present the countries in the region and their international partners with a valuable opportunity to once again discuss the challenges and the actions that need to be taken for their future development.



Development and Promotion of Regional Food Processing Value Chains

Mr. Goran Damovski, Leader of the AG Team of the USAID Regional Economic Growth Project (REG) explained that the main focus of the project is to promote economic integration within the CEFTA region and to facilitate strengthening of business linkages between the region and the European Union, as well as other markets in several priority sectors, including agribusiness and food manufacturing. To better understand the key standards- and certification-related constraints that impede export growth, the REG project carried out a survey that included interviews with multiple stakeholders from five countries from the region (Albania, BiH,

Kosovo*, Macedonia and Serbia), as well as large wholesalers and supermarkets from Bulgaria, Croatia and Slovenia. The survey identified the following most important constraints to the growth of exports of food products from the region: low quality of post-harvest operations according to standards set by the main wholesalers and supermarkets (cooling, sorting, grading, packaging and labelling); slow pace of implementation of quality and safety standards required by the main export markets, particularly Global GAP at a primary production level and HACCP at processing level; weak capacity of companies to analyze potential markets and develop marketing strategies; inability to make long-term commitments due to unstable backward linkages and unreliable supply of raw materials; poor technology infrastructure; inefficient mechanisms for coordination at a primary production level; and low capacity to benefit from the EU IPARD (Instrument for Pre-Accession Assistance in Rural Development) funds. Other factors that significantly impede the export growth of agricultural companies in the region are the challenges in accessing the finances needed to support the production and export cycles and, to a lesser extent, the non-tariff barriers applied by the importing markets. Mr. Damovski elaborated on the activities that the REG Project is implementing in order to support the increase of exports of agricultural products from and within the region and to strengthen the regional value chains with a potential for growth. He explained that the first group of interventions focuses on strengthening the linkages of prospective companies with intraregional and international markets through organization of targeted B2B meetings and trade missions, as well as visits and match-making at relevant trade fairs; the second aims at increasing the knowledge of potential exporters on the specific market and standardization requirements, while the third supports the technology upgrading and value adding efforts that are taking place at a production level.



Representatives of OECD, Ms. Katarina Djermanovic-Largenton, Policy Analyst and Mr. Edo Omic, Junior Economist, presented the findings of the OECD survey implemented with a goal of identifying the most relevant non-tariff barriers that are preventing the formation of efficient and competitive agricultural value chains in the CEFTA region. Mr. Omic explained that as a first step, OECD carried out a preliminary analysis of trade flows to, from and within the region finding that the intra-regional trade consists of a mix of primary and processed products, that the trade with the European Union includes dominantly primary products, that the value chains within the region are highly underdeveloped and that Serbia plays a central role in

the intra-CEFTA value chains. Based on the exported data flows, OECD selected the three most traded goods in CEFTA, namely beverages, processed meat and baked goods and surveyed the companies in these sectors to find out where they are sourcing their inputs from, where they are exporting their final products and which import and export restrictions and NTBs they are encountering. The results of the survey showed that the largest exporters in the region in all three sectors are fairly small in terms of turnover and employments and that they are sourcing majority of their inputs from the EU while selling the final products to the region. Ms. Djermanovic-Largenton elaborated that the main NTBs identified by the firm-level survey were categorized

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into the following six groups according to the priority: 1. Repeated sampling and laboratory testing and frequent physical inspections, 2. Unaligned and inconsistent border agency procedures, 3. Non-harmonized SPS regulations and no recognition of certificates and laboratory results, 4. Unsynchronized working hours and underequipped laboratories at some border crossings, 5. Insufficient knowledge and subjective interpretation of the regulations by customs officers and inspectors, and 6. Non-transparent export-import procedures. She finished by presenting the specific recommendations for mitigation/removal of each of the identified barriers, emphasizing that they are based not only on the findings of the recent company survey, but also on the two cycles of monitoring of NTBs performed by OECD in the course of the last two years.

Ms. Gordana Ristic, OECD SPS Expert addressed the status of the process of harmonization of sanitary and phytosanitary regimes of CEFTA Parties with the EU and international standards based on the information collected through the Multilateral Monitoring Framework. The assessment was carried out for four groups of products: waters, breads and pastries, fruit and vegetable juices and processed meats and the relevant data was collected through two tailored questionnaires distributed to companies and regulatory agencies in the CEFTA region. The findings revealed that in the period 2012 – 2014 CEFTA Parties implemented numerous improvements in their respective SPS legislation and achieved various levels of harmonization with the EU and international standards. In summary, the majority of SPS regulations in CEFTA Parties that apply to the selected products are partially harmonized, while a smaller number of them are in full compliance or do not comply at all. The information collected from the companies showed that the satisfactory level of harmonization does not produce the expected results in practice. The main reasons for such discrepancies were found to be the insufficient implementation of risk analyses methods in various border controls and inspections and the non-transparent border procedures that cause additional costs and cause delays to trading transactions. The assessment also found that the companies in the region do not participate in the reform processes in an active and organized way and thus do not avail themselves of the opportunity to voice their interests and concerns. In terms of transparency, companies in the region reported to be using multiple channels for obtaining information on the SPS measures applied in the markets of their interest, but said that there is space for improvement of the mechanisms for notifications and dissemination of relevant information.



Ms. Ristic closed by recommending that the main priority actions towards eliminating the NTBs in the SPS area should be to: continue the harmonization of regulation with specific focus on the identified priority sectors, introduce and fully implement risk-based inspections, increase the transparency of inspection methodologies and secure the implementation of bilateral and multilateral agreements.



Mr. Boban Ilic, Secretary General of the Standing Working Group on Regional Rural Development in SEE presented some of the most relevant findings of the agricultural policy study prepared for the UN Food and Agriculture Organization by Prof. Emil Erjavec, Tina Volk and Kaj Mortensen. He explained that the study addresses regional agricultural policies in a broader context but that its findings are highly relevant for many areas regulated by the CEFTA Agreement. The study includes a cross-country analysis of the status of agriculture policy reforms in the region and identifies the main challenges to their future

development, formulates priorities and targets and offers guidelines for implementation of policy interventions. The list of challenges incorporates *inter alia* natural constraints, human and capital limitations, land fragmentation, low productivity, low concentration and specialization, poor horizontal and vertical integration, weak price and quality competitiveness, foreign trade dependency and depopulation. Main development priorities and targets defined in the study are: improvement of the general framework conditions, land reforms, income improvements, innovation and efficient transfer of knowledge, modernization of agriculture and agro-food sectors, better horizontal and vertical integration of producers and processors, more efficient use and protection of natural resources, elimination of rural poverty, improvement of the position of small farmers, and a more territorially balanced approach. The study also advises that the agricultural reforms in the region have to be development-oriented and benchmarked against the EU common agricultural policy and provides a road map for the sector's gradual adaptation.

Mr. Perica Ivanoski, State Advisor at the Macedonian Ministry of Agriculture, Forestry and Water Economy and Chair of the CEFTA Sub-Committee on Agriculture and SPS Measures started by discussing the relevance of agricultural trade for the SEE region and the progress achieved in the liberalization efforts carried out within CEFTA. Statistical analysis of trade flows shows that the share of agricultural products in the overall trade of CEFTA Parties is fairly modest at 15%, while their participation in intra-regional trade exchange is twice as high, i.e. 31%. This clearly demonstrates that the liberalization of mutual agricultural trade and particularly elimination of the respective non-tariff barriers bears high importance for the economic development and integration processes in the region.



Mr. Ivanoski reminded participants that despite the need for more efficient trading procedures, the region still performs significantly lower on the Doing Business scale for Trading Across Borders as compared to the European Union. In other words, trading within the region requires more time and documents and is more costly than trading with the European Union. Although this indicates an apparent need for improvements, analysis shows that the number of reforms implemented by CEFTA Parties in the trading area for the period 2005 – 2013 was second lowest compared to all other Doing Business indicators. The main challenges, particularly in the SPS area are the frequent physical controls and the absence of selectivity and risk analysis (CEFTA Parties on the average physically check 25 – 30% of shipments, while this number in the European Union is 3%), low level of cooperation between technical agencies and customs authorities at the national level, small usage of post-clearance audits and limited exchange of information between the SPS agencies of CEFTA Parties. CEFTA activities for addressing these challenges are closely linked with the Integrated Growth Pillar of the SEE Strategy 2020, particularly the component on free flow of goods, that encompasses further work on eliminating tariffs, quotas and NTBs and the component on participation in global supply networks that envisions preparation of an investment concept for enhancing the participation in regional and global supply chains. Mr. Ivanovski stated that the seventh meeting of the CEFTA Subcommittee on Agriculture and SPS was held in June 2014 under the Chairmanship of Macedonia. In the course of 2014, the Subcommittee dealt with issues that were set as priorities in the Strategic Work Programme 2012 – 2014 and other matters identified by the Chair, which included *inter alia* formalizing additional protocols on further trade liberalization, assessing the impact of the CEFTA liberalization process, scaling up and harmonizing food safety standards, exploring the potential for a multilateral SPS agreement, developing initiatives for common participation of CEFTA Parties in relevant international organizations and enhancing transparency.

Mr. Bernard Touboul, Expert of the GIZ Open Regional Fund discussed the issue of cumulation of origin and its relevance for the business strategies of companies. He explained the concept of origin of goods, its usage in cross-border trade and the distinction between non-preferential and preferential rules of origin, putting particular emphasis on the model of diagonal cumulation of preferential origin applied between signatories of bi-

lateral and regional free trade agreements. Mr. Touboul emphasized that depending on their use, preferential rules of origin can play a conflicting role in international context – they can facilitate and promote trade or be used as protectionist instruments. At a micro level, preferential rules of origin can produce significant impacts on the business strategies of companies by influencing their decisions relating to the selection of the management model, choice of inputs and supply chain partners, determination of the structure of production costs, distribution of profits, capital investment planning, etc. As result, the rules of origin can create multiple benefits for companies, which include *inter alia*, price and quality competitiveness, increased market shares and vast opportunities to geographically plan distribution of operational sites and selection of input providers. As a comprehensive free trade agreement, CEFTA created numerous diagonal cumulation arrangements for companies in the region, but their usage is very limited at the moment, mostly due to lack of information and insufficient capacity to implement the complex origin rules and requirements. To assist the region in seizing the potential of diagonal cumulation, GIZ has launched a project with the objective of evaluating the usage of diagonal cumulation in CEFTA and strengthening the capacities of all stakeholders relevant for more efficient functioning of this concept. The objective will be achieved through implementation of the following activities: selection of pilot sectors in which utilization of diagonal cumulation will be measured, development of a measuring methodology, collection and analysis of CEFTA Parties trade data to determine main trends, interviews with customs administrations and companies in the region to identify main challenges, drafting of recommendations and an action plan for promoting the usage of diagonal cumulation and delivery of trainings and other capacity building activities to the public and private sector. Mr. Touboul informed the audience that the implementation of project activities is in an early stage of collection of the necessary data. Nevertheless, some preliminary observations confirm the notion of limited usage of diagonal cumulation and the preference of all actors in the region to use inward processing instead.



CEFTA Region as an Integrated Tourism Destination

Ms. Dragana Djurica, Integrated Growth Expert from the Regional Cooperation Council provided information on the RCC activities aimed at enhancing regional value chains under the SEE Strategy 2020. She reminded participants that in addition to food processing, the Strategy also focuses on tourism, as a sector with high potential for cooperation among countries in the region. Ms. Djurica indicated that the tourism sector directly contributes 6% on average to the GDP and employment in the region, which is fairly close to the respective tourism contribution of 8% at the EU level and emphasized that the number of international tourist arrivals have been increasing in the last two decades. To enable better coordination in addressing some of the major challenges to the development of tourism, RCC has established the SEE Tourism Expert Group that includes representatives of government authorities regulating tourism, national tourism boards, national investment promotion agencies, business sector/ tourism clusters and international partner organizations. The Expert Group has identified the main strengths of the region in the tourism sector to be the location and proximity to Europe, diversity of natural resources, rich cultural heritage, favorable and diverse climate, tourism hospitality and



price competitiveness (in some of the economies). Tourism also has a cross-cutting nature that can help open a variety of investment opportunities and develop other sectors, such as processing of food and beverages, which was one of the main reasons for all SEE governments to provide significant support for its development. In summary, the region has a high potential to design unique offerings to the global and local visitors in the areas of cultural heritage tourism, health tourism, religious tourism, adventure and recreation, sun and beach tourism, winter sports, and particularly eco- and agro-tourism. At its two meetings held to date, the Tourism Expert Group found that the main challenges to unfolding the development potential in the tourism sector are the weak human capacities and the absence of appropriate and efficient marketing and branding initiatives. Ms. Djurica stated that to address these challenges, the Expert Group will implement activities focused on providing targeted trainings for employees to address the skill gaps in the tourism sector, creating a regional tourism brand and further developing the cultural and historical tourism niche market.

Mr. Jack Delf, President of the Western Balkans Geotourism Council presented the activities of this organization that are being implemented with the support of the USAID Regional Economic Growth (REG) Project and in close cooperation with the private sector. He reminded the audience that this initiative was launched five years ago as a platform for creating linkages and active networking for integrating the Western Balkans into a single tourism destination and improving the quality of services and products offered by the region. The first activity encompassed reservation of a promotional insert in the influential National Geographic Traveler Magazine providing the private sector and tourism organizations from all six countries in the region with an opportunity to initially publish and promote their most attractive products and destinations. This initiative later evolved into the WB Geotourism MapGuide, a comprehensive portal co-branded with National Geographic that enables sustainable and efficient dissemination of information and promotion of tourism destinations from the whole region in one place. The MapGuide is run by the WB Geotourism Council, a private sector organization consisting of representatives from all WB countries that manages the respective countries' contents and takes care of the marketing, promotion and regular maintenance of the portal. At its regular meetings, the Council has discussed and explored various ideas for branding the region as a single tourism destination based on its strongest asset – diversity of cultures, languages, cuisines and landscapes. Mr. Delf welcomed the RCC activities for improvement of the regional tourism offerings and expressed confidence in future collaboration and synergy. Furthermore, he stated that with the support of USAID and contribution from the private sector, the Council developed six videos promoting some of the region's strongest advantages: Pristine Wilderness, Crossroads of Culture, People, Food & Drink, Living Art, Outdoor Recreation and Sounds of the Balkans. Videos are posted on the MapGuide portal and can be used free of charge for marketing the regional tourist offer. Mr. Delf also elaborated on the cooperation established between the Council and the Adventure Travel Trade Association (ATTA), the most influential adventure tourism organization in the world. As part of the cooperation, the Association delivered trainings on adventure tourism to around 50 businesses in Bosnia and Macedonia and helped organize the Adventure Week in Macedonia, Albania and Kosovo* in September 2014 by bringing 40 adventure tour operators and journalists to the region. In addition, 22 new products have been developed that offer opportunities to the tourists to actively participate in their holidays, bringing them closer to their hosts and the environment. Mr. Delf completed his presentation by flagging the fact that the Council's activities in the near future will focus on the development of active tours linked to the region's religious and nature resources, organization of Town



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Hall meetings for through which they expect to reach out to the smallest service providers in the tourism value chain and offer them assistance on diversifying and marketing their offerings and establishment of a small Marketing Bureau that will be helping SMEs in the region use multiple marketing channels for promotion and sale of their products.

Ms. Maja Gligorovska from the Macedonian Agency for Promotion and Support of Tourism (APST) started by recalling that tourism contributes 9% to global GDP and that one in eleven jobs is generated by this increasingly growing sector. She particularly emphasized the future development potential of the adventure tourism that according to the United Nations World Tourism Organization “...allows for new destinations to market themselves as truly unique, appealing to those travelers looking for rare, incomparable experiences”. Ms. Gligorovska explained that conceptually adventure tourism entails at least two of the following three segments: nature, culture and physical activity. In partnership with ATTA and the USAID Small Business Expansion (SBEP) Project, APST is actively engaged in strengthening the adventure tourism potential in the country and its neighbors Albania and Kosovo*. Activities include trainings for strengthening the capacity of the local tourism industry, organization of Adventure Week for familiarization of adventure tour operators



with the local offerings and its presentation at the ATTA Travel World Summit and organization of a regional ATTA Summit in 2015 hosted by the Western Balkans countries. As part of the Adventure Week, the partners organized a ten-day trip through the three countries for fifteen tour operators and six journalists. The trip created excellent opportunities for networking, some of which led to the conclusion of concrete arrangements and produced extensive publicity that raised the awareness of this part of the world. Ms. Gligorovska presented short promotional films that were taken during the trip and which will be used for future marketing of the region. She also stated that a delegation from the region attended the Adventure Travel World Summit held in Ireland where they had an opportunity to meet with tour operators from around the globe and discuss concrete deals. The Western Balkans summit titled Adventure Connect Regional Summit planned to take place in 2015 is expected to bring to the region around 350 potential buyers and representatives of all media relevant for this tourism branch. It will be jointly organized by all Western Balkans countries plus Bulgaria. The last regional initiative discussed by Ms. Gligorovska was the development of specific regional products, such as Via Dinarica – walking and biking tour through seven countries placed along the Central Dinaric Alps: Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Kosovo*, Albania and Macedonia.

During the discussion, in response to questions from the audience as to why Bosnia, Montenegro and Serbia were not part of the regional activities for development of adventure tourism, Mr. Delf mentioned that all Western Balkans economies are equal partners in the adventure tourism project. He explained that the Adventure Week was organized only for three countries for practical reasons – organization of a VIP tour for six countries would have been logistically impossible. Macedonia, Albania and Kosovo* were selected because they had the most advanced products in this field and because their governments clearly expressed their willingness to cooperate. He confirmed that the next Adventure Week planned for 2016 will certainly include Bosnia, Montenegro and Serbia. Discussing the quality of the local tourism offerings in the region, Mr. Delf highlighted the fact that the main ingredient of adventure tourism is to provide an opportunity to experience local characteristics of a destination and that the region has to strengthen the capacity of a variety of indi-

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viduals and organizations that can significantly contribute to the overall idea of experiencing the community. Asked by Ms. Smileva from Macedonian Ministry of Economy about the perspectives of long-haul tourism in the region, Mr. Delf reiterated that adventure tourism is the fastest growing sub-sector with a large potential for long-haul arrangements. However, to offset the high travel costs the region must be prepared to offer to long-haul travelers tours that involve a variety of destinations and experiences across the Balkans. Asked about the policies for improvement of the Macedonia's fragmented tourism offerings, Ms. Gligorovska provided details on the activities implemented by APST to support businesses and service providers in the tourism sector and to promote their products. She also elaborated on the methods used to target and contact potential customers. Mr. Ahmeti from the Ministry of Trade and Industry of Kosovo* commended the presenters for their interesting presentations and applauded the efforts for promoting the tourism potential of all countries in the region. Ms. Philips from the World Bank raised the issue of the adequacy of air transport options for flying to and from the region. Mr. Delf said that in his opinion the connections available at the moment are sufficient and that he would expect their number to increase as a result of a growing demand, i.e. expansion of the number of tourists travelling to the region. Ms. Muminovic from the Bosnian Ministry of Foreign Trade and Ms. Djurica and Mr. Arifagic from RCC discussed the issue of poor connections among the countries in the region, including the absence of direct flights between capitals, bad physical infrastructure, regulatory barriers (visas, licenses) and high communication costs.

Conclusions

In conclusion, Mr. Zlatku paraphrased the Chinese proverb that the longest journey starts with a single step. In this context, he praised the efforts made by the CEFTA Parties and their partners for further development of prospective regional value chains and urged them to continue to collaborate on identifying and overcoming the challenges and obstacles in this process. He emphasized that the food processing industry has a long tradition in the region and a large potential for growth and that the analyses presented at CEFTA Week 2014 will provide relevant contributions to all future activities for identifying and removing the main barriers to making the sector globally competitive. Mr. Zlatku highlighted the fact that the key actions to be implemented in the future should focus on further harmonization of the relevant legislation, elimination of tariff and non-tariff barriers to trade, introduction of simple and transparent trading procedures taking into consideration the concerns of the private sector, enabling of mutual recognition of certificates for trading within the region, introduction of risk management methodologies, promotion of the benefits of the diagonal cumulation of origin created by CEFTA, increased usage of the CEFTA Transparency Pack, as well as strengthening of the capacity of all government and private sector stakeholders. Mr. Zlatku proceeded by emphasizing the regional potential of the tourism sector and welcoming the activities undertaken so far for improvement of the tourism offerings in the region, development of regional tourism brand and creation of a single platform for promotion of the region's tourism potential. He noted the positive performance of Macedonia in the tourism sector and urged all CEFTA Parties to continue to diversify the tourist offerings in the region, to attract investments and develop local capacities in this sector and to actively cooperate on promoting the region as a single tourist destination.

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SESSION III – Global and Regional Aspects of Trade Facilitation in CEFTA

Objective

The objective of this session was to discuss the trade facilitation initiatives currently implemented by CEFTA in the regional and national context. Presentations addressed the compliance of CEFTA Parties with the new WTO Agreement on Trade Facilitation and presented the status of the implementation of the Authorized Economic Operator concept in the CEFTA region. With a goal of achieving better coordination and synergy, all donors implementing trade facilitation activities in the CEFTA region presented their work at a separate round table discussion. The session was moderated by Mr. Dimce Adzioski, Head of the Unit for Border and Transit Formalities in the Customs Administration of the Republic of Macedonia.

Key discussion points

In his brief introductory remarks, Mr. Adzioski highlighted the importance of trade facilitation in the context of international economic relations, emphasizing that it leads to the establishment of economically rational market infrastructure, increasing of the economic effects of foreign trade and opening of new market expansion opportunities. He presented the structure and the content of the upcoming session, expressing his hope that its participants would examine many relevant aspects of the implementation of the trade facilitation concept in CEFTA, thus helping the region to identify and address the most relevant challenges and obstacles.



Implementation of the WTO Agreement on Trade Facilitation in the CEFTA Region

Ms. Sheri Rosenow, Counselor at the World Trade Organization (WTO) led by talking about the WTO as an international organization where governments of all member states negotiate, oversee and enforce interna-



tional trading rules. She explained that the inclusion of trade facilitation in the WTO negotiating agenda was a result of the need to minimize non-tariff barriers to trade that became more obvious as WTO and its predecessor GATT significantly lowered tariffs applied in international trading transactions. After many rounds of consultations and discussions held since 1996, the WTO members decided that trade facilitation negotiations should focus on clarifying and improving GATT Articles V, VIII and X with a view to expediting movement, release and clearance of goods, improving cooperation between customs and other border agencies and enhancing technical assistance and capacity building. The main barriers to be addressed were identified to be excessive documentation requirements, inefficient border-crossing procedures, transport and transit impediments, lack of transparency and predictability, and lack of cooperation and coordination. The issue of trade facilitation was formally included

in the Doha Round of negotiations in July 2004. Based on the proposals submitted by the members during the next five years, in 2009 the WTO drafted the first consolidated text of the Agreement on Trade Facilitation (TFA) that was intensively negotiated and finally concluded at the WTO Ministerial Conference held in Bali in December 2013. The TF Ministerial Decision established a Preparatory Committee tasked with carrying out legal and language editing of the TFA and to draft the Protocol of Amendment for formal inclusion of the Agreement into the official set of WTO legal texts. Addressing the current state of play, Ms. Rosenow indicated that after the serious impasse that had been in place since July 2014, the WTO had strong reason to believe that the Protocol of Amendment will be opened for acceptance (ratification) in December 2014 and that the Agreement will enter into force when ratified by 2/3 of the WTO members (106 out of 160). She also gave a brief overview of the TFA content organized in three sections: provisions laying out the trade facilitation requirements/recommendations that countries have to meet in order to comply with the Agreement; special and differential treatment provisions providing for flexible implementation directly linked to the capacity of individual developing and least-developed countries and conditioned upon receipt of the necessary technical assistance; and institutional arrangements and final provisions. Ms. Rosenow addressed the main concerns voiced by various categories of stakeholders relevant for successful implementation of TFA, namely the overall category of developing countries and LDCs, the business sector and the donor community, as well as the challenges laying ahead of many WTO members in the process of operationalizing the Agreement in a national context. She concluded by highlighting the benefits that compliance with the TF Agreement may produce for CEFTA as a regional integration initiative and to its Parties, regardless of whether they are members of the WTO or not.

Mr. Paul Fekete, Senior International Trade Advisor at USAID Washington started by emphasizing that implementation of the Agreement on Trade Facilitation (TFA) will be an important contributor to boosting investments due to its contribution to the efficiency and transparency of border procedures, thus reducing the time and cost of trade for the business community. That being the case, the key to its success will be its practical implementation, i.e. making it work in practice, not just in theory. Recognizing the developmental potential of trade facilitation, USAID has so far invested significant efforts to help developing countries actively participate in the WTO trade facilitation



negotiations and to prepare for the actual implementation of the TFA by carrying out approximately 30 self-assessments since 2006 in order to help countries determine the compliance of their TF regimes with the negotiated text of the Agreement. Mr. Fekete presented USAID's methodology for categorization of TFA commitments based on the sequence of their implementation – an approach that complements the categorization of provisions within the TFA into categories A, B and C. USAID's approach can significantly contribute to planning, implementation and related technical assistance in a logical and disciplined way. According to this approach elaborated in the paper "A Comprehensive Approach to Trade Facilitation Capacity Building" (<http://tinyurl.com/tradefacilitation>), TFA commitments are divided into four groups: political will and implementation of fundamental principles; procedural simplification; compliance management; and border agency cooperation. Mr. Fekete indicated that in the course of 2014 USAID, in cooperation with IFC, organized TFA self-assessment exercises for Macedonia, Albania, Kosovo*, Montenegro and Moldova and that a similar workshop is scheduled for Serbia in December 2014. Presenting the findings of the TFA self-assessments for CEFTA Parties (Serbia and Bosnia excluded), he emphasized the high level of compliance for the region, with 69% of commitments designated in Category A, 80% of measures fully or substantially compliant with the provisions of the Agreement with common challenges related to establishment of enquiry points, pre-arrival

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processing and implementation of single window for cross-border trade. Looking at the region's commitments through the sequencing approach, the most challenging commitments for the region were the ones that require political will and adoption of fundamental principles. In closing, Mr. Fekete advised the CEFTA Parties to move away from a customs-centric approach and to develop an inclusive implementation process that will equally engage all government agencies relevant for trade facilitation, as well as the private sector. He emphasized that the main institutional vehicle for achieving this goal is the National Trade Facilitation Committee and urged the countries in the region to establish and strengthen such bodies as soon as possible.

In the panel discussion, Mr. Dimce Adzioski from the Macedonian Customs Administration spoke about Macedonia's compliance with the WTO Agreement on Trade Facilitation (TFA) and presented the findings of the self-assessment exercise carried out on 24 – 28 March 2014 in Skopje with USAID's support. Mr. Adzioski stressed the relevance of the TFA for Macedonia as a landlocked country and pointed out that its efficient implementation can significantly contribute to efforts for attracting new investments and increasing the participation of Macedonian companies in regional and global value chains. He reminded participants that the main objectives of the self-assessment were to help Macedonian institutions to better understand the new agreement, determine areas where implementation may present challenges and foster a national dialogue on trade facilitation among all stakeholders. The methodology consisted of several assessment steps for every measure provided in the Agreement to determine: information on the current situation; existing barriers; actions, resources and technical assistance needed to achieve compliance; agencies responsible for implementation; and level of priority. The final findings of the assessment revealed a high level of compliance of the Macedonian trade facilitation regime with the provisions of TFA - out of 41 measures, 38 of them were in full compliance, one substantially and two non-compliant. Substantial compliance was indicated for the measure on pre-arrival processing that will start to apply upon the launch of the fully automated Customs Declarations Processing System (CDPS) in 2015. With regard to the two measures where Macedonia did not comply at the moment of the assessment, i.e. the existence of a Trade Facilitation Enquiry Point and a National Trade Facilitation Committee. Mr. Adzioski indicated that in October 2014 the Government adopted a decision for their establishment immediately upon the ratification of the Agreement on Trade Facilitation by the Macedonian Parliament. He emphasized that Macedonia has designated all of its commitments under TFA in category A and will be prepared to fully implement the Agreement upon its entry into force. In closing, Mr. Adzioski pointed out some of the key trade facilitation areas where Macedonia needs to continue to improve its performance – implementation of integrated risk analysis by all border agencies, capacity building activities for issues such as the implementation of the EU Common Transit Convention, RIA assessments and operation of the enquiry point and implementation of the WCO methodology for measuring release times.

Ms. Violane Konar-Leacy, Manager of the Western Balkans Trade Logistics Project, World Bank Group started her presentation by emphasizing that the successful implementation of the WTO Agreement on Trade Facilitation is expected to result in significant growth of international trade and create huge economic impact in global terms.



She particularly pointed out the importance of TFA provisions regarding transparency, predictability, consultations with the private sector and coordination among various border agencies. Analyzing the results of the CEFTA Parties in the World Bank's Doing Business ranking for 2015, Ms. Konar-Leacy acknowledged that all of them are making good progress but are still below OECD levels with regard to the time and the number of documents needed to process an average foreign trade transaction. Some of the main challenges for the region have

been tackled by the Western Balkans Trade Logistics Project in the past three years, but plenty remains to be done, particularly in terms of simplifying the documentation requirements, improving the access to information on trading procedures and expanding the usage of electronic and paperless processing of documents. Ms. Konar-Leacy stated that following a request from CEFTA, her Project carried out a detailed research and recently completed the report that provides detailed information on the documents and procedures required for importing heat-treated dairy products to the region. The report clearly shows that the SPS procedures applied in CEFTA Parties are not harmonized and identifies the future actions for their harmonization in line with the EU standards. Ms. Konar-Leacy also promoted the Trade Facilitation Agreement Facility (TFAF) established by the donor community in the wake of the Bali Ministerial Conference to help least-developed and developing members of the WTO implement their TFA commitments. TFAF currently has 30 million USD and is set to operate by 2017. Countries can apply for assistance by submitting formal request to one of the participating donors or the WTO that will subsequently be reviewed by the TFAF Steering Committee. So far, TFAF has received 30 requests and 22 of them are already undergoing fact-finding missions for identification of specific gaps and assistance needs.

Mr. Blerim Ahmeti, Acting Director of the Trade Department in the Ministry of Trade and Industry of Kosovo* shared the experience of his country with the WTO TFA Self-Assessment exercise organized with USAID's support in May 2014 in Tirana. He elaborated on the methodology of the self-assessment process and the institutions that participated in it. Commenting on the findings on the level of compliance of the Kosovo* trade facilitation regime with the provisions of the WTO Agreement on Trade Facilitation, Mr. Ahmeti stated that he was impressed with the objectivity demonstrated by his colleagues in the process of determining the gaps and identifying needs for future actions. The self-assessment findings showed that Kosovo* complies with around 65% of TFA provisions. Concluding that his country will need significant technical assistance to achieve full compliance, Mr. Ahmeti invited the donors to step in and participate in the process of enhancing its trade facilitation regime. He presented the draft action plan developed by the Kosovo* Government that should be used as a roadmap for implementation of all activities relating to TFA compliance and informed that it has already been shared with the Delegation of the European Union in Pristina in order to be taken into consideration in the process of planning of future IPA assistance. Mr. Ahmeti emphasized that his Government is aware of the complexities of trade facilitation and that it plans to develop a viable structure for inter-institutional cooperation in order to enable successful and coordinated implementation of Kosovo's* WTO, EU SAA and SEE Strategy 2020 commitments and improve the country's overall conditions for cross-border trade.



Conclusions

In the closing remarks for this part of the session, Mr. Adzioski concluded that the WTO Agreement on Trade Facilitation is an excellent platform for trade cooperation in the region and encouraged the CEFTA Parties to undertake all necessary activities for implementing all measures foreseen in the Agreement as soon and as efficiently as possible.

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Round Table Discussion: Regional Coordination of Trade Facilitation Efforts

In his introductory remarks, the moderator Mr. Umut Ergezer from the CEFTA Secretariat said that the main objective of the round table discussion would be to provide the donor community with an opportunity to exchange information on their respective work and activities aimed at enhancing trade facilitation in the CEFTA region. He explained that the CEFTA trade facilitation efforts are being implemented in line with the following three principles: full compliance with the EU Acquis, strong participation of the private sector and focus on specific and result-oriented actions. Mr. Ergezer briefly elaborated on the trade facilitation activities planned in the region, thematically grouping them into the categories of simplification, harmonization and standardization and drew the institutional structure required for their implementation. He then invited the representatives of donor organizations to present their activities and plans for enhancement of trade facilitation in CEFTA asking them to particularly address their priorities, elaborate on global projects that the CEFTA Parties can benefit from, propose ideas for national, regional or global coordination of donor efforts and present outputs of specific initiatives that are relevant for CEFTA.



Mr. Alberto Costa from DG Enlargement of the EU Commission emphasized that assistance to CEFTA is one of the main priorities of the EU IPA (Instrument for Pre-Accession) package for 2014 – 2015. He informed the audience that IPA 2014 encompasses continuation of the assistance to the overall functioning of the CEFTA Secretariat and further strengthening its capacity to support CEFTA structures and monitor the implementation of the Agreement. Mr. Costa explained that the European



Union attaches great importance to the enhancement of transparency in CEFTA and in this context will support the development of a CEFTA Management Information System to serve as a single place for access to reliable and consolidated trade data for the region. In addition, the European Union plans to work on strengthening the capacity of the Secretariat to perform *ex ante* and *ex post* evaluations of trade initiatives implemented for the region thus improving coordination and consistency with the SEE Strategy 2020. As for assistance available under IPA 2015, Mr. Costa stated that CEFTA has prepared a new trade facilitation initiative that is currently being reviewed by the relevant EU structures. He pointed out that in addition to technical expertise, trade facilitation reforms require a strong political will and that the European Union has thus closely linked national and regional efforts in this area to the stabilization and association process. Mr. Costa said that since 2013, the CEFTA Secretariat has the mandate to negotiate all CEFTA-related IPA assistance and invited other donors to consult with the Secretariat in planning their assistance in the region. He emphasized that it is very important to closely coordinate national and regional assistance available to CEFTA and its Parties in order to create synergy and avoid absorption challenges and that the responsibility for

this coordination dominantly rests with the direct beneficiaries of such assistance. In closing, Mr. Costa urged the national authorities in CEFTA Parties to closely liaise with their respective EU delegations and invited all donors to consult with the delegations in planning new trade facilitation initiatives.

Mr. Ivan De Sutter from DG TAXUD of the EU Commission elaborated on the changing role of customs over the last few decades from being an agency that mainly deals with fiscal issues to an authority responsible for a wide array of security, safety and environmental issues. He stressed that the key role of DG TAXUD is to provide technical assistance to Customs Administrations in CEFTA Parties to perform their complex role in a way that enables maximum protection while ensuring efficient and smooth flow of goods. Assistance is mainly provided to national customs and other border agencies and it encompasses *inter alia*, harmonization of legislation, implementation of risk management practices, development of AEO schemes, interoperability and interconnectivity preparations for integration with EU information systems, etc. Mr. De Sutter expressed full support to all regional initiatives for enhancing trade facilitation implemented within CEFTA and hope that the technical assistance provided by DG TAXUD will provide valuable and complementary contributions to these efforts.



Mr. David Cowles, Senior Private Enterprise Advisor at USAID Washington emphasized that USAID is a strong supporter of global trade facilitation efforts and reiterated the Agency's commitment to assisting countries with the implementation of the new WTO Agreement on Trade Facilitation. Mr. Cowles elaborated on the importance of using trade facilitation for strengthening the intra-regional trade linkages in CEFTA and enabling competitive businesses to reap the potentials of the regional and the global market. He noted that the regional value chains are far from developed and that this is to a great extent the result of the unreasonable time and costs needed to move goods across the region. Mr. Cowles indicated that several USAID projects currently



provide assistance to addressing some trade facilitation challenges at the national (IDEAS in Macedonia, BEP in Serbia, BRITE in Moldova) and regional level (REG Project) and promoted the new Balkan Regional Economic Development Initiative (B-REDI), a five year regional program worth 42.5 million USD consisting of three components: competitiveness, financial sector stability and business environment and trade. Mr. Cowles reminded participants that USAID supported the self-assessments on the compliance of CEFTA Parties with the WTO Agreement on Trade Facilitation and explained that based on these findings the Agency is putting together the trade facilitation work plan for the region for 2015. Activities in the work plan will include assistance for the establishment and/or strengthening of National Trade Facilitation Committees, enhancement of public-private cooperation and issues of transparency. In terms of the expected outputs, Mr. Cowles clarified that USAID is aiming beyond just supporting a formal

compliance with TFA and is interested in actual reductions in the time and costs needed to trade in the region. He expressed his satisfaction with the quality of the donor coordination to date, supporting his statement by mentioning the excellent cooperation established during the organization of the WTO TFA self-assessments. In closing, Mr. Cowles invited all donors to engage in more sustainable consultations and dialogue in order to achieve maximum coordination and synergy for the benefit of the region.



Ms. Susanne Hartmann, Manager of the GIZ Open Regional Fund – Foreign Trade Promotion explained that the Fund is a flexible instrument created to promote trade cooperation in the CEFTA region. She emphasized that GIZ trade facilitation priorities are to a great extent driven by the priorities of CEFTA and the SEE Strategy 2020. Speaking of the work done to date, Ms. Hartmann noted that GIZ has provided significant assistance to CEFTA Parties aimed at increasing transparency as a way of diminishing the negative impacts of NTBs. Concrete outputs of these efforts are the CEFTA Trade Portal, the Market Access Barriers Database and the recently launched CEFTA Transparency Pack which interlinks various databases and other data sources on trade-related measures and enables *ex ante* notifications by CEFTA Parties. Relating to future activities, Ms. Hartmann stated that GIZ has developed a new project in line with the main CEFTA trade facilitation principles that will be implemented in cooperation with the ITC and UNCTAD thus benefiting from the strong expertise of these two organizations. The main objective of the project will be to develop concrete operational recommendations on how to eliminate the most cumbersome NTBs in two selected supply chains in the CEFTA region. The project is currently in the process of identifying the respective supply

chains and as a next stage it will set up for each of them a Private Sector Advisory Group consisting of representatives of the private sector from different stages of the supply chain. The role of these groups will be to work with the GIZ consultants in analyzing and identifying the main NTBs in the selected supply chains, as well as the regulatory framework for their implementation and to come up with recommendations for their elimination. Ms. Hartmann highlighted the fact that implementation of this project will strongly rely on the participation and the engagement of the private sector and emphasized its high potential for synergy among different donors. With regard to the latter, she pointed out that the GIZ supply chain analyses have very much benefited from the past work of USAID, OECD and IFC and expressed her expectations that the final recommendations produced by GIZ will be taken into consideration by the donors when designing and planning future trade facilitation assistance at the national or regional level. Ms. Hartmann concluded by commending the CEFTA Secretariat for efficiently coordinating the donor support in the area of trade facilitation to date and welcomed the idea of establishing of an institutionalized mechanism for donor cooperation in this area.

Ms. Katarina Djermanovic, Policy Analyst at OECD explained that the OECD Investment Compact for SEE has been supporting the implementation of the CEFTA Agreement since 2009 and that trade facilitation, particularly reduction of NTBs to trade in the region was one of the key areas of assistance which was treated at three different levels. Initially, in 2013 CEFTA Parties joined the OECD Trade Facilitation Indicators developed in 2009 as a global tool for identifying areas that require further action and assessing the potential impact of related reforms in over 130 countries around the world. Subsequently, in 2010 the OECD launched a separate project in the CEFTA region for creation of a multilateral framework for reduction of NTBs based on a number of quantitative and qualitative indicators for the three main areas on NTBs – TBT, SPS and administrative barriers to trade. Two rounds of monitoring cycles were performed to date. Finally, the OECD is currently monitoring the implementation of the SEE Strategy 2020 which includes monitoring of the implementation of national policies for trade facilitation and promotion as important segments of the Strategy. Talking

about the outputs of the above trade facilitation activities, Ms. Djermanovic pointed out that the global Trade Facilitation Indicators study showed that the main trade facilitation challenges for CEFTA Parties lay in the areas of automation of trade and customs processes, external border agency cooperation and dialogue with the trading community, while the CEFTA study on elimination of NTBs found that CEFTA Parties should focus most of their efforts on enquiry points, automation, single window, risk management and customs procedures and processes. Ms. Djermanovic concluded that synergy and coordination with relevant CEFTA structures and with the international organizations active in the region have been good so far but that there is always space for improvement. In this context, she suggested two concrete actions for better performance: 1) Mapping of existing donor initiatives in order to identify potential overlaps and synergies and to enhance complementarity and continuity of all future efforts, and 2) Establishment of an informal working group where donors could coordinate and consult with respect to the process of implementation and planning of the assistance to the region.



Ms. Lisa Kaestner, Practice Manager at the World Bank Group reiterated the statements made by some of her colleagues with regard to the positive contribution of trade facilitation to overall economic growth and development. She spoke of the latest restructurings within the World Bank Group that resulted in the creation of so called *global practices* that bring together the World Bank and IFC in respective development areas and highlighted that the Trade and Competitiveness Global Practice and Transport Global Practice are the most relevant in the context of trade facilitation. Ms. Kaestner particularly emphasized that the global practices are based on a balanced mixture of the World Bank's lending capacity and public policy reform expertise and the IFC's private sector advisory experience. Recalling the Trade Facilitation Agreement Facility established by the World Bank and other donors to help countries comply with TFA, Ms. Kaestner suggested that CEFTA Parties could consider approaching the facility in a coordinated fashion to help them address common TFA

compliance challenges and that such action should be coordinated through the CEFTA Secretariat. In her last point, Ms. Kaestner explained that the World Bank Group's future work in the Western Balkans will focus on identifying and addressing the main challenges to trade in agricultural products with regard to trade logistics policies, as well as specific regulatory obstacles that appear in concrete stages of the selected supply chains with an overall objective of reducing the regulatory costs and making the supply chains more competitive. She clarified that the selected supply chains of interest for most of the countries are fruits & vegetables and dairy products. Another aspect of the agribusiness development in the region will relate to the promotion and increase of investments in this particular sector. In closing, Ms. Kaestner informed the audience that the World Bank Group currently works on developing specific implementation activities and that it is open to take part in any relevant coordination initiatives.





Mr. Bismark Sitorus, Economic Affairs Officer at the United Nations Conference on Trade and Development (UNCTAD) stated that the assistance provided by UNCTAD to developing countries in the area of trade facilitation goes beyond the implementation of TFA and it can be grouped in three pillars: consensus building, research and development and technical cooperation. He elaborated that under the consensus building pillar UNCTAD promoted dialogue and discussions among various stakeholders on key trade facilitation issues, while the R&D activities included collection and analysis of relevant data from different sources and dissemination of respective results. The technical cooperation pillar provided various types of technical assistance to developing countries, including support to formulate proposals and actively participate in the WTO negotiations that led to the adoption of the TFA, assessment of the capacities of different countries and regions around the world to implement the provisions of the TFA, as well as application of the ASYCUDA software that enables automation of customs clearance procedures thus increasing the efficiency of cross-border transactions. Mr. Sitorus devoted significant part of his discussion to the importance of national trade facilitation

committees (TFCs) as key bodies for coordination of trade facilitation efforts. Based on the findings of the recent UNCTAD study that analyzed the role of such bodies in around 30 countries worldwide, Mr. Sitorus strongly recommended that CEFTA Parties establish new national TFCs or empower existing mechanisms to effectively coordinate trade facilitation activities. Elaborating on the reasons for such recommendation, he emphasized that national TFCs are specifically required by the TFA and that they can significantly contribute to the pace and the quality of implementation of trade facilitation activities by strengthening the ownership of reforms by various stakeholders and building the needed consensus, which is particularly important for small landlocked economies such as the majority of CEFTA Parties. In his final remark, Mr. Sitorus invited the participants to visit the UNCTAD Repository of Trade Facilitation Committees and committed to distribute the related TFC study as soon as it is published.

Mr. Rajesh Aggarwal from the International Trade Centre (ITC) explained that the ITC is a joint agency of the UN and the WTO established with a mandate to enhance the competitiveness of enterprises, particularly SMEs by helping them benefit from the international trading system. He specified that the ITC works on strengthening the capacity of relevant business associations to formulate concrete proposals and advocate for changes in the international trading arena and provides a variety of business advisory services to companies to help them successfully compete in global markets. In the context of trade facilitation, Mr. Aggarwal highlighted the fact that only two weeks after the Bali Ministerial Conference, the ITC published a Business Guide on the Trade Facilitation Agreement that ex-



plains, in simple language, the provisions of the agreement and the benefits of its application for the private sector and that this guide was the most downloaded publication in the history of the ITC with 3,500 copies downloaded in one year. Another vehicle developed by the ITC for helping SMEs understand the TFA was the online trade facilitation help line set up to respond to all relevant questions put forward by SMEs. Mr. Aggarwal pointed out that the ITC regularly cooperates with UNCTAD, the World Customs Organization (WCO) and other international organizations, emphasizing that in 2015 it will start working in the CEFTA region in collaboration with GIZ. Speaking of other assistance that the ITC is providing for implementation of the TFA, he said that it helps the private sector engage with their respective government in the process of categorization of TFA provisions into categories A, B and C, facilitates the process of ratification of the Agreement and provides advice for preparation of proposals for donor-funding of Category C commitments. Mr. Aggarwal also highlighted the role of national trade facilitation committees as key bodies for involvement of the private sector in trade facilitation reforms and said that the role of the ITC in this context is not only to help business associations with a broad mandate effectively engage in consultations and dialogue that is taking place within these bodies, but also to promote initiatives for public-private partnerships in the implementation of reforms. He closed by emphasizing that all trade facilitation efforts have to be carried out in a sequenced order based on the private sector's perspective and that implementation must be coordinated in a wider regional context.

Conclusions

In his concluding remarks, Mr. Ergezer made a distinction between the need to coordinate inter-policy donor assistance to the region noting that this should be done by RCC as part of the implementation of SEE Strategy 2020 and the coordination of donor activities supporting trade policy, particularly trade facilitation. With regard to the latter, he expressed his view that coordination would be most effective if carried out by the beneficiaries at a regional and national level. In the context of the former, Mr. Ergezer volunteered the CEFTA Secretariat to coordinate donor support implemented for the region as beneficiary. He said that as a first step in this process, the Secretariat will initiate a detailed mapping of all donor projects currently implemented in the region and circulate this information to CEFTA Parties and all relevant international organizations. As a way of establishing regular coordination of regional trade facilitation efforts, Mr. Ergezer proposed that the Secretariat convene donor meetings at least twice a year. Speaking of the issue of coordination of national trade facilitation support, Mr. Ergezer expressed his opinion that this process would be successful only if initiated and led by the respective national governments. He thus urged the CEFTA Parties to be more active and engaged in this process.

Facilitation of Trade in CEFTA through Implementation of the Authorised Economic Operators Programmes – AEO

Mr. Michael Praschak from the Austrian Customs Authority spoke of the Authorized Economic Operators (AEO) concept as one of the important elements of facilitating trade and addressed the plans for its implementation in the CEFTA region. He indicated that the CEFTA AEO Strategy has been developed and that in the next period the region has to proceed with the design of an action plan for its implementation. Mr. Praschak stated that the mission of the Strategy is to support the economic growth and the EU accession process of the region by providing simplification, harmonization and standardization of customs procedures and to enhance supply chain security. Its vision encompasses introduction



of a common AEO programme in the region in line with the EU Acquis and the WCO SAFE Framework and eventual mutual recognition of AEO certificates among CEFTA Parties and between the CEFTA Parties and the European Union and third countries. Mr. Praschak remarked that the principles and the objectives of the CEFTA AEO Strategy are directly derived and linked to the SEE Strategy 2020, the CEFTA Agreement, the EU Customs Blueprints, the WCO SAFE Framework and the international rules for mutual recognition. He emphasized that the main elements needed for successful implementation of the Strategy are the related legislation, operational instructions and guidelines, tools and methods for examining the AEO criteria, mutual recognition agreements, high-quality project management, training of all stakeholders involved in the AEO process, promotion of the AEO concept and strong cooperation with the trading community, efficient monitoring and evaluation, and synergy with other government agencies. Mr. Praschak warned that the process of implementation of AEO carries many risks related to the absence of high-level support and empowerment, poor coordination and communication, inefficient reporting and monitoring, lack of needed resources and insufficient promotion. Speaking of the action plan for implementation of the Strategy, he particularly emphasized the importance of clear division of roles and responsibilities among the participants in the process and insisted that the implementation of every single activity be based on efficient coordination, communication, cooperation and promotion. Mr. Prashak suggested enhancing the implementation of the Strategy by setting for every country in the region clear milestones to be achieved within specific periods of time and concluded by encouraging the CEFTA Parties to believe that an AEO success is waiting at the end of the road.

Ms. Biljana Gadzovska from the Customs Administration of the Republic of Macedonia spoke about Macedonia's experience with the implementation of the AEO concept. She indicated that the overall legal basis for introduction of the AEO Program was established by amending the Customs Code and the related Implementing Provisions in 2008 and 2009 respectively, as well as developing the AEO Operative Guidelines in May 2014. Ms. Gadzovska highlighted the fact that the AEO legal framework in Macedonia is in line with the respective EU legislation and WCO Framework of Standards to Secure and Facilitate Global Trade. She briefly explained that in order to qualify for an AEO status, a company must fulfil a number of conditions and criteria that will prove that it:



1) Has an appropriate record of compliance with customs requirements; 2) Maintains a satisfactory commercial and transport records; 3) Is financially solvent; and 4) Meets the required security and safety standards. Ms. Gadzovska admitted that due to lack of experience, most challenging for the Customs Administration was to assess the compliance of applicants against the criteria in the last category and that this part of the process was a learning exercise for her and her colleagues as it was for the applicant company. She clarified that in the Republic of Macedonia, AEO certificates are issued by the Central Customs Administration and that the period for processing of an AEO application is 120 days, with an opportunity for extension of 60 days. Just like the European Union, Macedonia issues three types of AEO certificates: AEOC that enables customs simplifications, AEOS certifying security and safety and AEOF – a full certificate that integrates the first two. Ms. Gadzovska informed the audience that in 2014 Macedonia issued the first certificate of the AEOF type to Visteon Electronics and expressed great satisfaction with the cooperation and communication established with the applicant-company and the common learning experience encountered during the process. The future steps aimed at increasing the use of AEO concept in Macedonia will include further promotion of the potential benefits to the trading community and capacity building and training for the customs officers. Addressing the issue of mutual recognition of AEO certificates in the CEFTA

region, Ms. Gadzovska voiced her strong belief that progress in this area will significantly increase the trade facilitation benefits for holders of national AEO certificates and will thus increase the interest of companies trading within the region to obtain AEO status. She said the Macedonian legislation enables mutual recognition of AEO certificates in line with the EU Customs Code and urged other CEFTA Parties to harmonize their legislation as soon as possible, so that the region can initiate a procedure for mutual recognition with the European Union.

Mr. Ilija Mukaetov, Supply Chain Manager at Visteon Electronics Macedonia commented on the experience of his company in the process of AEO certification and the benefits arising from AEO status. He emphasized that being an AEO positively contributes to Visteon Electronics' performance in dynamic global supply chains and that the process of qualifying for the certificate was a learning exercise for both his company and the Customs Administration of the Republic of Macedonia. Mr. Mukaetov reiterated that AEO is an economic operator that is deemed reliable in the context of its customs-related operations and is therefore entitled to enjoy benefits throughout the European Union and reminded participants of the main requirements that an entity has to meet in order to obtain one of the AEO certificates. He reported that Visteon Electronics' AEO certificate enables the company to use customs simplifications and certifies that it meets the necessary



security and safety standards and highlighted that the company's exports from Macedonia accompanied with this certificate have never encountered clearance obstacles of any kind while exporting to markets in Europe, South America and Asia. Speaking of the certification procedure, Mr. Mukaetov reminded the audience that it starts with a submission of formal application to the customs, followed by a completion of a detailed self-assessment questionnaire that analyzes the company procedures with a special emphasis on the security and safety aspects of export and import operations and concludes with controls of various operational aspects, such as IT systems, work processes, employment procedures, facility safety, protection of the environment, infrastructure and transport and verification of suppliers. In the final part of his presentation, Mr. Mukaetov said that the main motive for Visteon Electronics to undergo the AEO certification process were the benefits that the AEO status brings to certificate-holders, namely easier access to customs simplifications, reduced data sets for exit and entry summary declarations, prior notifications on selected controls, fewer physical and document controls, priority treatment of consignments selected for control, choice of the place of controls and emphasized that the AEO status has enabled his company to be recognized as a secure and safe business partner, helped it establish partner relations with customs authorities and improved its relations with other relevant government authorities.

Responding to a question in the discussion part, Mr. Praschak said that according to his information the CEFTA AEO Strategy is completed and it should be adopted by CEFTA Parties very soon. Asked about how the CEFTA AEO Strategy will address the existing different stages of implementation of the AEO concept in CEFTA Parties, he said that bringing the countries to similar levels must be one of the objectives of the Strategy, as that is the main precondition for mutual recognition. Mr. Mukaetov was asked to clarify the use of AEO certificates in countries with which Macedonia does not have mutual recognition arrangements, such as Brazil and he confirmed that the AEO certificate provides Visteon Electronics Macedonia access to simple and smooth customs clearance procedures everywhere in the world because the AEO standards are very similar. Responding to a question on issuing more AEO certificates in Macedonia, Ms. Gadzovska said that no companies are formally in the pipeline, though several have inquired about the procedure and acquired the self-assessment

questionnaire and reiterated her confidence that the mutual recognition of AEO certificates within CEFTA will significantly increase the interest of companies to obtain the AEO status. Ms. Ljubica Nuri from Progress Plus asked how the AEO concept, particularly its security and safety segment will influence the Trans-Atlantic trading relations and how this will affect the EU candidate countries. Mr. Ivan De Sutter from EU DG TAXUD responded that the European Union is entering into negotiations on mutual recognition of AEO certificates following the priority of the trading partners and so far it has or will soon sign agreements with United States, Canada, South Korea and China. He said that in his opinion CEFTA Parties, due to the modest value of their trade with the European Union, are not considered a priority and will probably not be included in such arrangements any time soon. In her discussion, Professor Irena Kikerkova said that according to her information, Brazil does not have an AEO Program, but that it maintains a green channel for goods coming from the EU. In this context she expressed her view that the Visteon Electronics AEO certificate enables the company to be treated as a trusted trader due to the fact that its goods are accompanied by an EU certificate of origin.

Conclusions

The moderator Mr. Dimce Adzioski concluded this part of Session III by encouraging all CEFTA Parties to continue to work on the implementation of all segments of the AEO concept at a national level - from the introduction of the necessary legislation through the development of the capacity of all stakeholders involved in the process to the ultimate issuance and use of AEO certificates as a main precondition for initiation of activities for mutual recognition in the area.

SESSION IV - Forum of Chambers of Commerce: Report on the Implementation of the Conclusions of the Forum Working Groups

Objective

The main objective of this session was to present and discuss the findings identified by the working groups established within the Forum of Chambers of Commerce - a forum that enables chambers of commerce from CEFTA Parties to formulate joint proposals for improvements of trade-related policies in the region. Presentations were expected to articulate the view of the private sector on the most important CEFTA issues and topics. The session was moderated by Ms. Jadranka Arizankovska from the Economic Chamber of Macedonia.

Key discussion points

Ms. Arizankovska welcomed the participants to the last session of CEFTA Week 2014 where the Chambers of Commerce from the region would present the barriers identified by the private sector as most impeding to trade. She indicated that this is a fourth year that the CEFTA Chambers of Commerce met to define the main obstacles and recommend actions for improving the implementation of the CEFTA Agreement from the perspective of the trading community. This year, the meeting of the Forum's working groups took place on 18 November 2014 in Skopje with participation of all Chambers of Commerce from the region. Ms. Arizankovska emphasized that in addition to the specific findings identified in the four thematic areas, all working groups agreed that the visa requirements applied between Bosnia and Herzegovina and Kosovo* and the Moldovan visa regime significantly hamper regional trade



*This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ opinion on the Kosovo declaration of independence.

in general and in this context called for elimination of all visa barriers in the region. She concluded by pointing out that the Forum working groups will be presenting the private sector recommendations and conclusion in the areas of agriculture and SPS, TBTs and NTBs, customs and rules of origin, and trade in services.



Before starting to present the Report of the Working Group on Agriculture and SPS, Mr. Sergej Papoci from the Foreign Trade Chamber of Bosnia and Herzegovina provided an overview of the foreign trade data of his country with CEFTA in the first nine months of 2013 and 2014 highlighting that almost 80% of the Bosnian trade in this period took place with Serbia, followed by Montenegro and Macedonia. Numbers on trade of agricultural products show that the main trading partners are the same, though with a somewhat higher level of diversification – Serbia leads with a share of 45% in Bosnian exports and 90% in imports, while 24% and 17% of exports go to Montenegro and Macedonia respectively. Mr. Papoci stated that the Working Group on Agriculture and SPS had held nine meetings since 2009. At its last meeting in Skopje, the Working Group reviewed the implementation of the CEFTA Agreement with regard to trade in agricultural products and related SPS measures and arrived at the following conclusions and recommendations: 1) Continue the process of monitoring of international trade in agricultural and food products in the CEFTA region; 2) Enhance mutual recognition of veterinary phytosanitary and food certificates; 3) Work on recognizing results of analyses carried out by

accredited laboratories in CEFTA Parties; 4) Improve education on food safety, particularly for products of animal origin in order to increase opportunities for exports to the EU market; 5) Continue efforts for facilitating cooperation among companies in the region. Finally, the Forum of Chambers of Commerce urged the competent institutions of CEFTA Parties to respect signed protocols and agreements for mutual recognition of certificates applying to trade in agricultural and food products and act immediately in cases of application of non-tariff barriers instead of postponing solutions until the meeting of relevant CEFTA structures. Mr. Papoci emphasized the positive example of the MoU signed between chambers of commerce of Macedonia and Kosovo* in which the two institutions committed to work on eliminating NTBs to trade between their countries.

Mr. Vlatko Stojanovski from the Economic Chamber of Macedonia presented the conclusions and recommendations of the Forum Working Group on TBTs and NTBs. Mr. Stojanovski highlighted the fact that technical and other non-tariff barriers to trade are serious obstacles to the free flow of goods and services and that their reduction and elimination is one of the main objectives of the CEFTA Agreement. He reminded participants that the role of the Forum's Working Group on TBTs and NTBs is to review, identify and propose measures for achievement of this objective to relevant CEFTA structures and CEFTA Parties. Prior to summarizing the concrete conclusions and recommendations, Mr. Stojanovski pointed out that some of them have already been communicated to the relevant CEFTA structures and authorities of CEFTA Parties and that the Forum will continue to call for actions until their effective



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tive implementation. In the first recommendation, the Working Group called for access for the representatives of chambers of commerce in the region to the market access barriers database published on the CEFTA web portal explaining that unrestricted access to this database would significantly increase transparency and that such action is very simple entailing only the issuance of usernames and passwords for the members of the Working Group. The second recommendation related to the continuation of the process of elimination of NTBs with particular emphasis on shortening the time between the moment an NTB is reported and the resolution of the issue. In the third recommendation, the Forum called for signing of Agreement on Conformity Assessment and Acceptance of Industrial Products in order to facilitate trade among CEFTA Parties and ultimately with the European Union. Additionally, the Forum suggested continuing exploring the possibilities for signing of multilateral or bilateral agreements that will enable mutual recognition of measures in the areas of standardization, accreditation and metrology. Recommendation number five called for introduction and strengthening of risk analysis methodology in CEFTA Parties, particularly with regard to inspection controls and laboratory testing. Mr. Stojanovski indicated that the recommendation posed some time ago, proposing participation of the representatives of chambers of commerce in the work of the CEFTA Sub-Committee on TBT and NTB has already been accepted and operationalized thus improving transparency and exchange of information between the public and the private sector in the context of implementation of the CEFTA Agreement. He concluded by urging the CEFTA Parties to strengthen their political will and their administrative capacity and to intensify cooperation with the ultimate goal of abolishing existing barriers that hinder trade in the region.



Mr. Miljan Sestovic from the Chamber of Economy of Montenegro presented the conclusions and recommendations developed by the Forum Working Group on Customs and Rules of Origin grouped into six thematic areas. With the objective of improving the access of legitimate and trusted traders to simplified customs procedures and contributing to balancing supply chain security and facilitation, the Working Group recommended that CEFTA Parties enhance efforts for adoption of by-laws needed for efficient implementation of AEO programs in their respective economies and then proceed with activities for mutual recognition of AEO certificates throughout the region. The recommendations relating to more effective implementation of risk management practices in CEFTA calls for development and adoption of advanced methodologies for risk analyses by customs and inspection authorities, as well as enhancement of bilateral and regional efforts for exchange of information, intelligence and documents among relevant border agencies in all CEFTA Parties. In the context of the issue of automation of border procedures with an ultimate goal of achieving paperless trading procedures, the Working Group recommended that border agencies in CEFTA Parties simplify pro-

cedures by accepting both paper and electronic copies of supporting documents while concurrently working on replacing paper with media and technology neutral electronic equivalents and developing interoperability among the parties involved in international supply chains of goods and services. The next recommendation called for implementation of the New Computerized Transit System – NCTS in all CEFTA Parties to help them accelerate and facilitate transit procedures and make significant steps forward in the process of harmonizing with the rules and procedures of the European Union. On the issue of implementation of the Regional Convention on Pan-Euro-Med Preferential Rules of Origin, the Working Group commended the governments in the region for almost completing the adoption of this Convention and encouraged them to proceed with the process of signing of FTAs with the Mediterranean countries in order to expand the area of application of di-

agonal cumulation of origin within the Convention for the benefit of their businesses. The final set of recommendations related to the implementation of the WTO Agreement on Customs Valuation where the Working Group suggested that CEFTA Parties fully implement the Agreement's principles and methods for determining the value of goods in customs clearance procedures, clearly communicate to the business community the approach for calculating the customs value and refrain from setting minimum import prices.

The final speaker in Session IV was Ms. Slavica Rakic from the Chamber of Commerce and Industry of Serbia who presented the recommendations of the Forum Working Group on Trade in Services. She stated that the Working Group on Trade in Services is the youngest in the Forum; it was established in 2013 and had held four meetings so far. The main objective of its work is to contribute to the CEFTA efforts for liberalization of trade in services in the region and its activities are currently focused primarily on the following service industries: financial services (insurance), transport, tourism, construction and issues of a general nature. In the area of insurance, the Working Group recommended continuation of all existing efforts, particularly towards creation of the legal framework for functioning of the concept of co-insurance and initiation of educational and expert events with participation of all relevant stakeholders from the region. Specific recommendations were made for improving cooperation in transport services and for harmonization of the relevant legislation as a precondition for mutual recognition of transport licenses. There were proposals for the establishment of a working body for transport of goods and passengers and for activities toward gradual liberalization of the road transportation market. An announcement was made regarding a special Conference on the Liberalization of Transport Services and Markets to be organized by the Foreign Trade Chamber of Bosnia and Herzegovina with support from the DIHK CEFTA Project. In the area of tourism, the Working Group recommended intensification of the efforts for harmonization of regulations and cooperation aimed at creating and promoting joint tourism products and extending the tourist season in the CEFTA region, as concluded at the regional conference titled CEFTA Region: Single Tourist Destination held in November 2014 in Becici, Montenegro. The recommendation for improving inter-regional cooperation in the construction sector proposed the signing of bilateral agreements between CEFTA Parties to enable recognition of personal licenses of construction engineers. The last recommendation of the Working Group on Trade in Services was of a general nature and called for harmonization and simplification of procedures for issuance of work permits and permits for stay in order to facilitate the mobility and free movement of labor in the CEFTA region. In her closing remarks, Ms. Rakic emphasized that the Working Group looks forward to the upcoming establishment of the CEFTA Subcommittee for Trade in Services and expects that this body will be a constructive partner to the private sector in the process of boosting services trade in the region, and urged CEFTA structures to seriously take into consideration all conclusions and recommendation presented at this session.



Conclusions

In conclusion, Ms. Arizankovska reiterated the importance of CEFTA for the economic development and the prosperity of the region and urged the governments of CEFTA Parties to continue to work on the liberalization of trade in goods and services and elimination of all barriers in this process. In this context, she reminded the audience that the recommendations defined within the four working groups of the Forum of Chambers of Commerce would formally be submitted to the respective CEFTA structures and to the authorities of every CEFTA Party and expressed the Forum's expectations that at least 80% of them would be acted upon by CEFTA Week 2015.

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