

Trade Policy Challenges for the CEFTA Parties on Our Way to the EU

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Dear Ministers, deputy ministers, dear colleagues,

Ladies and gentlemen,

Croatia is the oldest among the today's CEFTA Parties and the link with its founders. As you know, all the founders of CEFTA are today the members of the European Union and Croatia will join this club soon. We completed the accession negotiations in June; in two weeks we will sign the Accession Treaty to become the member on 1 July 2013.

The success of Croatia, and of the founders of CEFTA, confirms the role CEFTA plays and that all of us are on the right track to the European future.

But a lot of work has to be done before. During the six years of negotiations Croatia has undergone substantial reforms and many painful changes, adopted new laws and regulations to comply with the European standards, and finally proved that it is implementing them.

What are the challenges in the area of trade policy on the way to the EU?

Trade policy area falls under the exclusive competence of the European Union and in this area the members transfer their sovereignty to the EU level. At the first glance one can get the wrong picture and believe that members cannot do anything there. On the contrary, they can, but much experience and great knowledge is needed for small countries, such as most of the CEFTA Parties are, to be able to assert their specific commercial policy interests. In that respect, the role of trade policy is increasingly important; it has to fit national interests in the wider, European and global context.

Trade policy of the European Union focuses on the WTO and the multilateral trading system. Global rules are for the European Union the best way to ensure that trade between countries is open and fair.

Where do these EU priorities coincide with those of CEFTA?

In the answer to this question I will remind us of the commitments stemming from CEFTA. We undertook to strengthen the process of economic integration in Europe, to eliminate obstacles to our mutual trade, to create favourable conditions for the development and diversification of trade and for the promotion of commercial and economic cooperation in areas of common interest on the basis of equality, mutual benefit, non-discrimination and international law.

In pursuing these objectives, we have further liberalised our trade through concluding Additional Protocol. While these concessions were agreed long time ago, signed in the beginning of this year, today we can report that only some parties are applying them. Still we wait for ratifications which have proven to be a lengthy process whereas the businesses wait for the results.

Furthermore, we are working on the elimination of non-tariff barriers and facilitation of trade through simplification of trade related procedures. To this end, we are analysing locations of industry and ways of developing supply chains within CEFTA with the aim to expanding trade, achieving scale and quality, and thus attracting the FDI and increasing competitiveness of our export industries. This is a quite a challenging and demanding task involving many stakeholders at different levels but at the same time a very much needed task for our integration into European and global economies.

Nowadays globalisation and economic integration are the key drivers of economic growth. They help reduce trade costs and create supply chains in which countries specialise in tasks.

CEFTA has to integrate into these ongoing global processes to become competitive on a global scene. The OECD study on *Concentration of Manufacturing Industries in CEFTA 2006: Industry Profiles* has to give some answers on how to create supply chains within CEFTA and how to tackle non tariff barriers that distort supply chain patterns.

What can we, as trade policy makers, do to integrate into these global trends and expand our trade and economy which is the ultimate goal of every trade policy? We have, first of all, to abide by the rules of the multilateral trading system, keep our markets open and provide security to our businesses with predictable rules. But also we have to start thinking in a more integrated manner. In the globalised economy and along the supply chains, the national competitiveness depends also on suppliers, infrastructure, services, etc on the markets of other countries along the supply chains. In these terms, not only that protectionist measures are not allowed according to the rules of the multilateral trading system but also damage competitiveness. Instead of resorting to protection measures we have to focus trade policy more on national regulatory systems.

Through the ongoing activities, only some of which I mentioned today, CEFTA represents an excellent structure for practicing how a small economy can become competitive, how to fit specific national interests into a wider context and to abide at the same time by the rules of multilateral trading system. This is the most challenging task for all of us and an invaluable experience for the future participation in the EU and global processes.

Croatia will have to withdraw from CEFTA on the date of its accession to the EU. Until, and of course, beyond this date, we are willing to provide expertise and share our experience with you. We believe that our chairmanship of the TBT SC will provide a right forum for that in 2012.

In the end I would like to thank to the hosts for the excellent arrangements and to the CEFTA Secretariat for their organisation.

Thank you for attention.