

Republic of Croatia

State Office for Trade Policy

Address by Mr. Robert Takač, Chief of Cabinet

## **Challenges in the Implementation of CEFTA**

*Dear Deputy Minister, Ambassadors, Assistant Ministers,*

*Ladies and gentlemen,*

Croatia joins the European Union and withdraws from CEFTA as of July next year. Smooth withdrawal of Croatia from CEFTA and transition to the EU membership does not only represent an enormous challenge for Croatia but also for CEFTA and the region. Therefore today, I would like to address some of the critical issues at hand.

Firstly, the depositary function of the Agreement that Croatia is currently performing has to be successfully transferred to another CEFTA Party. There are already some solutions proposed and, I am positive, that this transfer will be successfully completed in a timely manner.

The second issue concerns the adjustment of the Parties' contributions to the Secretariat following the Croatia's withdrawal. Having in mind the current global economic crises and budgetary restrictions imposed within most of the CEFTA members, Croatia's withdrawal will have a significant bearing on the budget of the Secretariat. However, deciding whether to restrict the budget, a careful balance has to be struck with the strategic objectives of the Parties involved regarding the harmonization with the EU requirements and, ultimately, becoming a EU member. Disturbing an ongoing dynamics of activities may prove to be counter effective.

Nonetheless, these are but the issues of technical nature.

Trade is central to CEFTA 2006, and therefore it is of our common interest to see how the Croatia's membership in the EU will influence both our bilateral and regional trade. CEFTA countries are important trading partners to Croatia, which echoes for each of the CEFTA Parties regarding Croatia as their trading partner, in particular Bosnia and Herzegovina, Serbia and Macedonia. What will the Croatia's membership in the EU and withdrawal from CEFTA bring to exporters, respectively?

The Croatia's trade exchange with CEFTA has progressively grown from the conclusion of CEFTA 2006, except in 2009, which was due to the global economic and financial crisis. In 2011 the value of trade with CEFTA amounted to 2.5 billion euro, and CEFTA participated in our total trade with 10.9 %. I am sure you would all agree that these figures are significant for Croatia and for each respective CEFTA Party exporting its products to Croatia.

With the accession to the European Union the conditions of trade in industrial products will mostly remain the same whereas the export conditions to the CEFTA countries will significantly change for a large number of Croatian agricultural products. The Stabilisation and Association Agreements that the EU has concluded with CEFTA countries are asymmetrical, which means that they, on one hand, provide for duty free or highly preferential access to the EU market and on the other hand, high level of customs protection in CEFTA countries for the access of the products coming from the European Union. In that respect Croatia will lose the preferential access to CEFTA markets for most of its agricultural products.

However, all the Stabilisation and Association Agreements contain the provision that in the particular event of a third country acceding the Union, consultations shall take place to ensure that mutual interests are taken into account, that of the Union and the other party to the SAA.

For that particular reason, the European Commission will approach the CEFTA Parties, which are applying for the Stabilisation and Association Agreements with the European Union, with the request for negotiations of Additional Protocols.

Regarding the other issue and concerning the SPS requirements that are currently agreed bilaterally. Under the Common Commercial Policy of the EU, Croatia cannot grant more favourable bilateral treatment in the SPS part to any CEFTA partner any longer.

As an EU member Croatia will remain a partner to CEFTA. In that context Croatia is ready to assist CEFTA Parties in reaching the EU standards which will, as a direct consequence, render you, the CEFTA countries more competitive on the EU market, including that of Croatia. Croatia will share its experience and best practice in the SPS area with its CEFTA Partners.

In addition, Croatia will continue its best efforts in keeping a proactive role in the ongoing activities and try to fit in the CEFTA project that are already in the pipeline, such as Capacity development in trade policy for the implementation of the CEFTA 2006. Once a year, starting from 2013, Croatia will organise a regional workshop on the topics regarding the defining measures to strengthen overall administrative capacities of the CEFTA Parties for the efficient formulation, coordination and implementation of the national trade policies, while paying close attention to the obligations assumed in relevant multilateral/regional agreements and organisations.

In conclusion, once again I assure you that Croatia will remain a partner to CEFTA countries ready to assist to the extent that is possible under the Common Commercial Policy of the EU. The strong and competitive region, which has reached the European standards, is in all our best interests, Croatia, the EU and CEFTA.

Thank you for your attention.