

PRIORITIES FOR THE CEFTA CHAIRMANSHIP 2016

November 2015

I. INTRODUCTION

As set out in the CEFTA 2006 Decision No.1/2007 Rules of Procedure (Article 3), Montenegro will take over the Chairmanship of the CEFTA 2006 from Moldova in January 2016. The Chairmanship is taken on rotational basis with the tenure of office of one calendar year.

The implementation of the South East Europe 2020 Strategy (SEE 2020) will be in its third year. Montenegro reaffirms the commitment to ensure consistency and synergies of the CEFTA Chairmanship priorities with the objectives set by the Integrated Growth Pillar, the Ministerial Conclusions of CEFTA Joint Committee of 2015, and the relevant conclusions of Western Balkans Summit in Vienna.

In addition, due to the particular importance of 2016 as the 10th anniversary of CEFTA, special efforts are to be made by the Chair in Office to strengthen the visibility and outreach of CEFTA, and public-private sector dialogue in the implementation of CEFTA.

The Chairmanship in 2016 will be focusing its efforts to sustain the success in the implementation of CEFTA while emphasising monitoring the implementation of the Agreement by the CEFTA Parties and enhancing transparency on the results of implementation.

Under the guidance of such horizontal objectives (i.e. monitoring and transparency), CEFTA Chair in Office undertake the required actions in accordance with the priorities as set in accordance with Article 1 of CEFTA.

In this regard, the Chair in Office will be committed to take all the facilitating and supporting actions to have CEFTA Parties concluded successfully the ongoing negotiations on trade facilitation, and liberalisation of trade in services by the end of 2016.

Trade Facilitation and Liberalisation of Trade in Services are considered as the main contributors to promote trade and investment to our Region for the sake of stimulating economic growth. Thus, Montenegro will focus its efforts to provide the grounds through guaranteeing all the necessary technical and financial assistance in order to help CEFTA Parties initiate the implementation of those agreements on trade facilitation and liberalisation of trade in service immediately after their signing or with shorter transition periods.

It is deemed that promotion of trade and investment are higher objectives which trade facilitation and liberalisation of trade in service will contribute to. Thus, CEFTA Chair in Office will do its best efforts to strengthen the interaction of CEFTA and trade policy with other relevant policies for promotion of trade, and investment in the framework of increasing competitiveness of our economies in the Region. Thus, the coordination with the Regional Cooperation Council and with other relevant regional organisations is of crucial importance for CEFTA Structures. Besides, Montenegro aims during its Chairmanship to lead emphasising the importance of

strengthening national coordination among Ministries involved in trade policy formulation, and implementation, and interaction between national policies and the regional priorities.

Having fully regard to the achievements recorded in the implementation of CEFTA since its signing, and success reached in liberalisation of trade in goods, cumulation of origin, and non-discrimination in public procurement markets, and taking into account trade facilitation and liberalisation of trade in services as the areas which the implementation of CEFTA will be deepened in the near future, the Chair in Office considers that CEFTA Structures needs to be equipped with sufficient tools to monitor the implementation of CEFTA Rule Book and to report the results of the implementation to the CEFTA Joint Committee, as the sole authority in CEFTA for monitoring.

In this regard, CEFTA Chair in Office will pay an ultimate attention to encourage the involvement of CEFTA Structures developing monitoring tools in accordance with the international standards and methodologies, to improve the quality of statistics on trade in goods, services, and investment, and facilitated dissemination and exchange of data, and reporting focusing on the results but not the activities.

Lastly, as one of the horizontal objectives, enhancing transparency will be benefited both for increasing outreach and visibility of CEFTA, but also facilitating the involvement of private sector to share their advise and feedback with regard to the implementation of CEFTA.

The priorities and objectives will be the follow-up of the actions taken by the previous CEFTA Chairmanships and be fully in consistent with the EU Enlargement process of which the majority of CEFTA Parties undergo.

II. PRIORITIES OF THE CHAIRMANSHIP FOR 2016

Having regard to the above mentioned overall objectives, Montenegro has determined the following as the priorities of its Chairmanship in 2016 in the corresponding dimensions of the Integrated Growth Pillar.

Free Trade Area:

- i) Further liberalisation of trade in services*
- ii) Trade facilitation including elimination of barriers to trade*
- iii) Facilitation of free flow of investment through coordination of investment policies and better protection of investment and investors, including provision of fair conditions of competition affecting foreign trade and investment*
- iv) Facilitation of free movement of experts, professionals and skilled labour*

Integration into Global Economy

v) *Trade Promotion*

As horizontal priority,

vi) *Sustaining synergy between implementation of CEFTA and the SEE 2020*

vii) *Strengthening monitoring the implementation of CEFTA, and reporting the results of implementation*

viii) *Enhancing Transparency*

III) ACTIVITIES

Free Trade Area:

I Further liberalisation of trade in services

- *Liberalisation of intraregional trade in services by reducing restrictive measures and policies*

Montenegro reaffirms its commitment to build on efforts made by its predecessor, Moldova in completing the process of liberalisation of trade in services amongst CEFTA Parties. The end goal is to accomplish the same level of openness across the services sectors thus contributing to the greater attraction of investment in the region as a whole.

Respecting the tentative schedule adopted by the Ministerial decision on Establishment of the SC on Trade in Services, the last i.e. sixth round of negotiations dedicated to the finance, transport and audio-visual services would be held in the first quarter of 2016. Montenegro commits to work intensively throughout 2016 in order to finalize the negotiation on the text of the Additional Protocol on Trade in Services, Annex I on Temporary Entry and Stay of Natural Persons for Business Purposes, Horizontal Commitments and Sector Specific Commitments, thus creating conditions that the Additional Protocol enters into force in 2017 under the Chairmanship of Serbia.

Montenegro is dedicated to improve the quality and uniformity of trade in services and FDI statistics based on the needs of users and compilers. The work will be focused on the identification of priorities for further developing statistics for commonly agreed sectors driven by the negotiations in trade in services liberalisation, and implementation of the CEFTA and SEE2020 priorities. The specific activities include the setting up of the operational reporting system to the Secretariat as well as creation of the sustainable dissemination platform of statistical data on trade in services statistics, FATS and FDI of use to broader set of users (government officials, private sector, academia, etc).

Various barriers which threaten to hamper trade in services among Parties still remain an issue that calls for closer attention, thus Montenegro is dedicated to unite forces with regional organisations and draw on best practice in international community to address it in a most efficient way.

With the view of wider promotion of achieved liberalisation and attracting the new investment, Montenegro will work on enhancing of transparency of the CEFTA Parties' policies, laws and regulations and administrative practices effecting trade in services.

II Trade Facilitation including elimination of barriers to trade

- *To chair the negotiation process to conclude the negotiations of framework agreement on simplification of border procedures, electronic exchange of data, and mutual recognition of AEOs*

Montenegro is to make its best efforts as the Chair in Office to support the negotiation process between CEFTA Parties on trade facilitation to sign a framework agreement on simplification of border procedures, electronic exchange of data, and mutual recognition of AEOs. The CEFTA Chair in Office will chair the negotiation process with an objective to conclude the negotiations by mid-2106 as the target date which has been set by the Prime Ministers of CEFTA Parties in the Western Balkans Summit in Vienna.

- *To support developing an Action Plan on the implementation of framework agreement and trade facilitation agenda of CEFTA*

During its Chairmanship, Montenegro will be devoted to produce an action plan in the framework of the negotiations on trade facilitation for all CEFTA Parties to determine the areas related to trade facilitation the implementation of which might be initiated during the course of next year, and identify the areas which CEFTA Parties would require transition period.

- *To sustain the commitment of CEFTA to guarantee financial and technical assistance by the EU in establishing necessary IT infrastructure for the electronic exchange of information*

Montenegro together with the CEFTA Secretariat will take necessary steps in guaranteeing the programming of financial and technical assistance by the EU to establish IT Infrastructure in each CEFTA Parties to ensure the electronic exchange of information between all the agencies involved in clearance of goods. It is aimed that the relevant project is programmed by the EU in IPA 2016 at the latest.

- *To ensure Committee of Trade Facilitation coordinating the involvement of relevant CEFTA Structures in the implementation of regional technical assistance projects on trade facilitation*

2016 is the year when the implementation of the technical assistance project on facilitating trade in CEFTA, which is to be financed by the EU in the framework of IPA 2015 will be commenced.

It is of crucial importance that the project is implemented in accordance with the implementation priorities of CEFTA, and the communication and coordination between the project and CEFTA Structures are ensured properly. In this regard, Committee of Trade Facilitation will be the key structure in CEFTA for coordinating the coordination between the project and CEFTA Structures. The Chair in Office will therefore chair the Committee of Trade Facilitation in a manner to provide the feedback of CEFTA Parties to the project in a sustainable and effective way, and to process the outputs of the project by the relevant CEFTA Structures.

In this regard, any other ongoing projects such as the ones implemented by UNCTAD and ITC, and IFC in the areas related to trade facilitation will also be subject to same approach, and the communication and coordination between those projects and CEFTA Structures are to be ensured through Committee of Trade Facilitation.

- *Systemise the Identification and Elimination of Market Access Barriers in CEFTA through the relevant CEFTA Structures*

Addressing and elimination of barriers to trade is an integral part of CEFTA Trade Facilitation Agenda. Thus, the Chair in Office will take all the necessary actions through Committee of Trade Facilitation and other relevant CEFTA structures

- to identify the systemic barriers to trade, if necessary in consultation with the private sector,
- to analyse the identified barriers, if necessary, in consultation with international organisations in accordance with their expertise,
- to recommend CEFTA Joint Committee about the elimination of barriers, if the action at the regional level is justifiable,
- to monitor the elimination process of identified barriers to trade implementation of Framework Agreement on Simplification of Border Procedures, Exchange of Information, and Mutual Recognition of Authorised Economic Operators, provided that it is signed by the end of 2015.

Furthermore, Montenegro will encourage RCC and other relevant stakeholders to secure the sufficient financial assistance in order to strengthen the ICT infrastructure and interconnectivity for electronic exchange of information in the framework of SEE 2020.

- *To ensure the implementation of CEFTA Management Information System*

The Chair in Office will take all the measures to support the CEFTA Secretariat to launch and finalise the tender with regard to the creation of CEFTA Management Information System, and having it developed by the end of 2016.

Furthermore, the Chair in Office will make efforts to get the awareness of CEFTA Parties and the private sector about the CEFTA MIS.

The Chair in Office will undertake activities to integrate the data to be available in CEFTA MIS into the reporting to CEFTA Structures.

III Facilitation of free flow of investment through coordination of investment policies and better protection of investment and investors including provision of fair conditions of competition affecting foreign trade and investment

Montenegro remains committed to continue with the work of its predecessor on coordination of investment policies and better promotion of the region with the objective of achieving the goal embedded in the SEE2020 Strategy on increasing overall annual foreign direct investment inflows to the region by at least 160%.

The identification of investment and enterprise policies for the implementation of the SEE2020 Strategy will present the first phase in the work that will be conducted within the framework of the Joint RCC-CEFTA Working Group on Investment Policy and Promotion. The first regional study conducted by UNCTAD will compare key elements of the economies' regulatory investment frameworks focusing on the issues that are more relevant to the region inter alia: investment laws and FDI entry, protection and treatment, business establishment, fiscal policy, corporate taxation and investment incentives, labour market and skills, competition regulation and regional investment promotion.

In the next phase a roadmap for implementing investment policy aspects of the SEE2020 Strategy is to be established. The core activities will be based on the results of the UNCTAD Regional study on the IPRs and will focus on advancing concrete reforms through the development of an implementation scorecard. The scorecard will allow reviewing the reform progress on detailed technical issues and it will help set reform priorities. It will also contribute to the increasing of effectiveness of investment promotion efforts to translate investment policy framework improvements into increased investments on the ground.

- *To initiate planning the actions in CEFTA Structures to identify conditions of competition affecting foreign trade and investment*

CEFTA Chair in Office will make efforts to introduce as a topic in the relevant CEFTA Structures to analyse the feasibility of actions at the Regional level to identify conditions of competition affecting foreign trade and investment.

In this regard, CEFTA Parties will be encouraged to discuss whether the existing CEFTA Structures is sufficient to identify conditions of competition, and what type of adjustment in the CEFTA Structures would be necessary.

IV Facilitation of free movement of experts, professionals and skilled labour

In its capacity of the Chair of CEFTA in 2016, Montenegro will join efforts with major international and regional partners to tackle the most frequent barriers to the mobility of professionals and skilled labour across the region. Within CEFTA context, the non-recognized qualifications in a number of professions are seen as impediments to the free temporary movement of natural persons, thus having negative impact on boosting the intra-regional trade in services.

Following the establishment of the Joint CEFTA – RCC- ERISSEE Working Group on Recognition of Professional Qualifications in 2015, the main activities during Montenegrin Chairmanship will be oriented towards creating conditions for recognition of professional qualification and exploring potentials for conclusion of mutual recognition agreements (MRAs). Two important studies will be carried out in 2016:

- (i) Identification of sectors and professions of mutual interest. This study will provide the basis for agreement on specific sectors and professions where potential mutual recognition agreements of professional qualifications (MRAs) could be negotiated.
- (ii) Mapping of the existing legislative and institutional framework for recognition of professional qualifications. This mapping, which will include identification of the roles and responsibilities of specific bodies in the sectors of interest and will assess the potential impact of MRAs on the SEE economies.

These studies should allow the Joint Working Group to prepare and agree on a roadmap for the negotiation of specific MRAs. In line with the envisaged schedule, the negotiations on specific MRAs could start in late 2016/early 2017. The data and analysis gathered on sectors and professions of mutual interest under the two studies will contribute to CEFTA's transparency objectives.

Integration into Global Economy

V Trade Promotion

- *To encourage the CEFTA Parties to start the application of full cumulation and drawback in CEFTA provided that the relevant Ministerial Decision to amend Annex 4 accordingly is adopted in November 2015*

Montenegro will facilitate providing necessary technical assistance and training programmes to CEFTA Parties in the application of full cumulation and duty drawback in the intra-CEFTA Trade. In this effort, particular attention is not only given to trainings to customs authorities and other relevant ministries but also appropriate training programmes will be developed for the business community of CEFTA.

It is aimed that CEFTA Parties initiate the application of full cumulation and drawback after November 2016.

- *To support coordination among CEFTA Parties on the process of modification of bi-lateral free trade agreements with the EU, Turkey and EFTA States*

Montenegro will support coordination efforts between CEFTA Parties in order to initiate the modification of bi-lateral FTAs signed with EU, Turkey, and EFTA States in order to allow full cumulation and duty drawback in case the revision of the PEM Convention is still not concluded until then.

- *To support the process of identifying the actions to be taken in a number of selected supply chains to promote trade therein*

Montenegro will facilitate ensuring short term technical assistance in analysing supply chains in CEFTA for the purpose of promoting trade. In this endeavour the main purpose is to analyse how the decisions and tools available by CEFTA would be utilised for promoting trade in selected supply chains.

Horizontal Priorities:

VI Sustaining synergy between implementation of CEFTA and the SEE 2020

Montenegro reaffirms the commitment to ensure consistency and synergies of the CEFTA Chairmanship priorities with the objectives set by the Integrated Growth Pillar.

Furthermore, the Chair in Office welcomes the conclusions of the Western Balkans Summit in Vienna, and will ensure the contribution of CEFTA Structures to the realisation of actions as foreseen under trade facilitation, mobility, and growth, and the relevant ones under the Connectivity Agenda of the SEE 2020.

VII Strengthening monitoring the implementation of CEFTA and reporting the results of implementation

- *To initiate processes to develop tools for monitoring of the implementation of CEFTA*

Montenegro attaches greater importance to strengthen the monitoring of implementation by CEFTA Parties as the implementation is deepened into the areas such as trade facilitation and liberalisation of trade in services that require stronger coordination among Ministries in CEFTA and interaction between national and regional agendas in a consistent manner.

Thus, the Chair in Office will instruct the relevant CEFTA Structures to propose what tools for monitoring of implementation will be developed on the basis of international standards and methodologies.

- *To develop result oriented reporting by CEFTA structures to CEFTA Joint Committee*

Monitoring the implementation of CEFTA Structures by CEFTA Joint Committee is very much dependent on the receiving reports of the results of the implementation of CEFTA. Due to the nature of the priorities and actions in the previous period, the reports in CEFTA have so far been activity based. Montenegro, as the Chair in Office, will do its best efforts to introduce result based reporting by the CEFTA structures to the CEFTA Joint Committee.

- *Institutionalise public-private sector dialogue in the implementation of CEFTA*

Montenegro will undertake necessary steps to institutionalise public-private sector dialogue in the implementation of CEFTA. The Chair in Office will consider and propose the most feasible methods and structures within CEFTA to run the dialogue with the private sector in to collect their feedback and advise regarding the implementation of Agreement.

The overall objective of this action to assist monitoring of the implementation of the Agreement as the private sector is the main beneficiary of CEFTA.

VIII Enhancing Transparency

Montenegro will put special emphasis on the priorities related to transparency in the framework of 10th Anniversary of CEFTA.

- *Private sector outreach*

The private sector will play an important role in the implementation of Chairmanship Programme of Montenegro. Montenegro as the Chair in Office wishes to give an additional momentum outreaching private sector not only increasing

their awareness of CEFTA but also directly requesting them take up more participatory actions in the monitoring of the implementation of CEFTA.

Montenegro therefore initiates a comprehensive campaign in private sector outreach in the framework of 10th anniversary of CEFTA, and will undertake activities to explore how the private-public sector dialogue in CEFTA can be institutionalised.

- *Sharing the responsibilities with private sector to increase visibility of CEFTA*

Montenegro plans to assign its representatives of private sector to lead together with private sector organisations of other CEFTA the organisation of CEFTA Week in 2016.

Thus, the private sector will also be responsible to disseminate the information on the implementation of CEFTA Chairmanship of 2016 in CEFTA Week. Montenegro will ask the CEFTA Secretariat to allocate sufficient funds from the CEFTA Project Facility to ensure technical assistance to CEFTA Private Sector in order to have the organisation of CEFTA Week by private sector starting from 2016 and onwards.

- *Increasing corporate image of CEFTA*

The 10th anniversary will also be a good opportunity for CEFTA Parties to review the corporate image of CEFTA among its public, and provide an additional momentum to raise awareness of CEFTA among CEFTA Parties. In particular, it will be targeted to raise the awareness of the public in CEFTA Parties regarding the role of Ministries for Trade of CEFTA Parties in CEFTA, the priorities of CEFTA and how those priorities will be related to the national economies of each CEFTA Party.

Montenegro will do its best efforts to have outreach and awareness raising events in each CEFTA Party together with the private sector.

Montenegro considers to develop a comprehensive programme in the first quarter of 2016 programming the actions that would be taken in the framework of 10th anniversary.

III. COOPERATION WITH INTERNATIONAL INSTITUTIONS AND REGIONAL INITIATIVES

The Chair in Office will stay in close cooperation with the Regional Cooperation Council which is in charge of overall coordination of the SEE 2020. In this regard, the Montenegrin Chairmanship is ready to take any further action, if necessary, to facilitate smooth cooperation between CEFTA Structures and implementation of the SEE 2020, in particular with other regional initiatives involved therein.

In the framework of the implementation of its Chairmanship Work Programme, the Chair in Office will continue to work in close cooperation with the World Bank, OECD, IFC, UNCTAD, ITC, and WTO whose technical advisory are of substantial

importance to undertake the activities by the CEFTA Structures. Furthermore, the Chair in Office will continue to cooperate with GIZ, USAID and TAIEX which have so far been playing major facilitating role in the implementation of CEFTA Chairmanship Workprogrammes.

IV. CONSTRAINTS

Montenegro is committed to ensure the functioning of CEFTA activities on the technical level in the best conditions. On this purpose the Chair will do its best in order to ensure financial support for fulfilling the work plan, including by continuing cooperation with other relevant organisations.