

PRIORITIES FOR THE CEFTA CHAIRMANSHIP 2017

June 2016

I. INTRODUCTION

As set out in the CEFTA 2006 Decision No.1/2007 Rules of Procedure (Article 3), Serbia will take over the Chairmanship of the CEFTA 2006 from Montenegro in January 2017. 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 fourth year and the implementation of CEFTA in its tenth year. Serbia reaffirms the commitment to ensure consistency and synergies of the CEFTA Chairmanship priorities with the objectives set by the SEE 2020 Integrated Growth Pillar, the Ministerial Conclusions of CEFTA Joint Committee of 2016, and the relevant conclusions of Western Balkans Summits in Vienna 2015 and in Paris 2016.

The Chairmanship in 2017 will be focusing its efforts to sustain the success in the implementation of CEFTA while making efforts to consolidate the results and outcomes reached in the implementation of CEFTA towards the policy objectives as agreed by the Western Balkans Summits. For the sake of supporting such progress in CEFTA, the Serbian Chairmanship underlines the importance of monitoring the implementation of the Agreement by the CEFTA Parties, increasing the effectiveness of the enforcement mechanisms of CEFTA, and enhancing transparency as a tool for both monitoring and increasing ownership on the results of implementation.

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 conclusions of the Western Balkans Summits of 2015 in Vienna, and of 2016 in Paris. Furthermore, the actions as foreseen under the Integrated Growth Pillar of SEE 2020, and priorities in the EU Enlargement process of which the majority of CEFTA Parties undergo are fully taken into consideration.

II. PRIORITIES OF THE CHAIRMANSHIP FOR 2017

Having regard to the above mentioned overall objectives, Serbia has determined the following as the priorities of its Chairmanship in 2017 in particular to respond to the relevant conclusions of the Western Balkans Summit in France and possible list of follow-up actions that could be turned into an action plan which is suggested for the adoption of Prime Ministers as foreseen by the Summit.

The Chairmanship of Serbia considers the creation of a CEFTA regional market on the basis of EU compliance and to be built upon the multi-layered mutual recognition wherever possible among CEFTA Parties as the strategic objective which the implementation of CEFTA should be evolved through.

Thus, that strategic objective, i.e. **the creation of CEFTA Regional Market on the basis of EU compliance**, will aim to multiply economic benefits of the EU alignment process at the national level by integrating the markets in CEFTA through

the acquis alignment. Reaching such objective requires consolidation of the actions which have been progressively undertaken in different areas under CEFTA. That consolidation definitely needs to bring together different policy areas such as trade, transport, competitiveness, investment. In this regard, increased intra-regional trade in goods and services, increased inflow of foreign investment and thus promoting economic growth will create the expected result of the strategic objective of the Serbian Chairmanship.

Multiyear actions should consecutively be continued by each upcoming CEFTA Chairmanship. During the Chairmanship of Serbia we aim towards establishing a roadmap for such multiyear actions together with the full participation and consent of all CEFTA Parties. In this context, CEFTA structures backed by a strong and professional Secretariat are therefore considered to play the crucial role to ensure the continuity of those actions under the commonly determined objectives.

In parallel, the Chairmanship of Serbia will make its efforts to promote the importance of trade policy within the economic policy formulations at the regional level which may equally spill over to the national policy formulations, and work on strengthening coordination between policies through regional organisations and initiatives.

The Chairmanship of Serbia deems the following priorities to lead the efforts in CEFTA so as to reach the higher objective as mentioned above.

Strategic Objective:

Creating the Regional Market in CEFTA on the basis of EU compliance for promoting investment through promoting the regional trade.

Priorities:

1) Strengthening the Implementation of CEFTA:

The objective of creating the regional market in CEFTA is ambitious and challenging. Though such objective can only be reachable, if the implementation of CEFTA is strong and secured by the efficient dispute settlement mechanism.

Monitoring the Implementation: The Chairmanship of Serbia considers as critical the role of monitoring the implementation of CEFTA at all levels. That's why transparency and strong public-private sector dialogue are to be strengthened in a way to allow having robust monitoring of the implementation.

In this regard, the Chairmanship of Serbia will continue the ongoing efforts for enhancing transparency within CEFTA through using information and communication technology tools for monitoring purposes.

Furthermore, using the private sector representatives as advisory groups in order to receive their first hand feedbacks about the level and quality of implementation

has so far proven successful. Such bottom-up approach in communicating with the private sector for the implementation of CEFTA will continue. Though, the Chairmanship will seek the most optimum communication means of Business to Governments with an aim to incorporate the feedback of private sector in the policy level discussions at CEFTA.

Strengthening the enforcement of CEFTA: Like elsewhere, the rule of law is at the core of CEFTA. Thus, the Chairmanship of Serbia deems the critical importance of strengthening the enforcement of CEFTA both at the regional and national levels.

In this regard, Serbia will pursue activities regarding the formulation of the Additional Protocol on CEFTA Dispute Settlement which would level up the efficiency of the existing CEFTA Dispute Settlement and submit to the approval of CEFTA Joint Committee.

The enforcement of CEFTA at the national level is also of the critical importance. Thus, the Chairmanship of Serbia will facilitate programmes and technical assistance for the training of all stakeholders in CEFTA Parties who are involved in the implementation of the provisions of CEFTA in a way to encourage them to act the strong watchdogs for the implementation of CEFTA.

2) Deepening the Implementation of CEFTA:

The Chairmanship of Serbia considers that mutual recognition on the basis of EU compliance is the key principle of deepening CEFTA in the areas of trade facilitation, liberalisation of trade in services, and facilitation of free movement of skilled labour and for facilitation the investment coordination with the aim of improvement of the investment policies.

It is thought that the EU acquis alignment is utilised at maximum for the economic benefits of CEFTA Parties, if the acquis is accepted as the minimum regional standard that triggers the recognition of a CEFTA Party reaching the full alignment by other CEFTA Parties. Through this the CEFTA Region may set up a level playing field where goods, services, investment and people can move freely.

Furthermore, effectiveness of integration of regional economies is accentuated as the services production and consumption are adjacent and concurrent requiring a continuous transfer of technology and know-how from one Party to another. Likewise, an equitable access to the high quality education at all levels, and enhancement of labor mobility in the region are necessary when addressing the restrictiveness of trade in services. Bridging the surplus and shortage of professionals, and better provision of skilled experts and skills upgrading in turn leads to enhanced competitiveness of services and manufacturing sectors.

i Trade Facilitation including elimination of barriers to trade

The Chairmanship will do a follow-up on the parliamentary ratification processes of Additional Protocol 5 in each CEFTA Party. In this regard, Serbia will secure timely preparation of the technical annexes of bi-lateral exchange of documents, if that process is not concluded before 2017. Furthermore, the Chairmanship of Serbia will request each CEFTA Party to conclude signing the Memorandums of Understanding between their national authorities for exchange of information and coordination.

Serbia will also initiate the technical preparations for drafting the necessary procedures for validation of mutual recognition programmes as foreseen by the Additional Protocol 5. It is expected that the relevant procedures for validations are adopted by the CEFTA Joint Committee by the end of the Serbian Chairmanship.

Serbia will also synchronise the scope of ongoing or future technical assistance in the areas of trade facilitation with the priorities and agendas of the relevant CEFTA Structures. By doing that CEFTA Structures will be used to monitor the implementation of the technical assistance on electronic exchange of data, SEED Maintenance +, and IPA 2015 TF Project, and other trade facilitation related projects financed international donors.

Serbia will also take actions to secure coordinated implementation of technical assistance on trade facilitation by donors in order to guarantee all the aspects of AP 5, and WTO Trade Facilitation Agreement to be addressed both at regional and national levels, whichever justifiable.

Serbia will continue to establish a working level mechanism/network for the exchange of information between national committees of trade facilitation through the CEFTA Committee of Trade Facilitation.

Furthermore, the efforts are to be made for monitoring the elimination of non-tariff barriers through transparent and regular reporting of the elimination process in CEFTA Party.

ii Further liberalisation of trade in services

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

Serbia is committed to build on efforts made by its predecessor Montenegro, in completing the process of liberalisation of trade in services amongst CEFTA Parties in compliance with the Chapter VI (Articles 26 to 29) of the Agreement. Successful liberalization will result in more efficient and better connected services industries and markets and contribute to the deeper intra-regional integration.

Provided that the Additional Protocol on Trade in Services is brought to its final stage in 2016, following its ratification, the Chair in Office will engage its efforts to set up a sustainable system of monitoring and evaluation of the implementation of

the Additional Protocol on Trade in Service and its Annexes. In order to facilitate exporters and producers to capitalize on their competitive strength and benefit from knowledge spill-over and faster innovation, a strong statistical background needs to be secured. Serbia will move forward with the development of reporting and disseminating platform for trade in services, FATS and FDI statistics to respond to the needs of the wider community of policy makers, private sector and academia.

Due attention will be given to the policies to help ensure liberalization delivers expected benefits. Creating supportive regulatory cooperation framework will require a closer look at the existing relationships amongst regulatory bodies in the region, and exploring possibilities for different forms of cooperation that could lead to removing barriers and accelerate services trade.

Intra-regional temporary movement of services providers remains one of the prerequisites for successful implementation of the Additional Protocol on Trade in Services. The special emphasis will be given to developing instruments to facilitate such a movement with the focus on concluding mutual recognition of professional qualifications in selected professions and sectors.

Serbia as Chair in Office commits to put higher in the agenda of its Chairmanship a comprehensive transparency mechanism to ensure policy predictability in domain of services, promotion of liberalisation results, and provide for a sustainable two way communication with the economic operators.

An implementation of agreed liberalisation of trade in services will allow CEFTA Parties to fulfil implementation of the activities set up to meet the headline targets under the SEE2020 Strategy, the development of the concept of economic corridors highlighted within the Berlin process and come closer to achieving the regional internal market in line with the conclusions of the Western Balkan Summit in Paris 2016.

iii Facilitation of free flow of investment through coordination of investment policies and better protection of investment and investors

In line with objectives of the CEFTA2006: Article 1.2.b., Chapter VI.B. Articles 30-33, as well with the headline targets set up in the SEE2020 Strategy, Chair in Office is committed to work together with all CEFTA Parties and its regional partners, in creating conducive investment climate for end goal of securing sustainable development of the whole Region.

Following the conclusions of the WB Prime Ministers Vienna Summit of the 2015 to increase investments, and in line with the commitments of the Paris Summit 2016 on improving regional i CEFTA market, Chair in Office will initiate regional dialogues to: (i) promote regional investment climate, (ii) increase transparency to attract higher investments, (iii) develop economic and technical cooperation in order to provide for frameworks and procedures to stimulate joint investments for the

markets of third countries. A set of specific reform indicators, for guidance and monitoring of progress of the improvements will be identified.

Implementation of the investment reform agenda will provide the CEFTA Parties to move towards EU standards and regulations in the array of those particular policies that are affecting the investment environment. A number of technical groups are to be established in order to review closely the relevant topics such as company transactions and corporate governance, employment, investment location, environmental and zoning permits; taxes and incentives; legislation on investment climate, access to finance, etc. This comprehensive approach towards investment will be done in cooperation with the RCC SEE Investment Committee and the World Bank Group and with financial support of the European Commission.

In addition to this, a detailed analysis of investment policies in the Region, benchmarking them amongst the CEFTA peers and developing recommendations for investment policy standards improvement and reform on an individual economy level will be produced building on the synergies of regional cooperation mechanisms.

The first regional CEFTA Investment Report is expected to be launched by the end of 2017. The Report will provide relevant information on current and projected regional investment trends, various indices to measure the attractiveness of FDI and a review of selected policies with the objective of promoting the region as an attractive destination for foreign direct investments.

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

Serbia in its capacity of the Chair in Office will continue with the work started in 2016 on facilitating the free movement of experts, professionals and skilled labor in compliance with the objectives of the CEFTA2006, priorities of the SEE2020 Strategy and specific conclusions of the Vienna 2015 and Paris 2016 Prime Ministers Summits. The main partners in implementation of this priority remain the RCC and ERI SEE Secretariat, not excluding other regional and international partners that can contribute with its specific expertise.

Based on the results of the comprehensive assessment of the current legislative and institutional framework of selected professions - architects/civil engineers and medical doctors/dentists to be completed in 2016, a formal start of negotiations on mutual recognition agreements is expected in the first quarter of 2017. The modalities of the negotiations will be based on the guidelines, roadmap and a timetable to be agreed amongst the negotiating Parties.

In addition, a methodology for overcoming the data gaps that exist and allowing for an assessment of the relevance of sectors and professions for development of mutual recognition agreements of professional qualifications will be developed.

Based on these inputs a viable and sustainable system of monitoring data on mobility of professionals across the Region is to be put in place.

v Integrating CEFTA to the EU market:

Serbia will make efforts to utilise SAP + cumulation of origin by the economic operators of the CEFTA Parties at the maximum extent. In this context, the efforts are to be made to increase the awareness of investment promotion agencies and other economic policy makers in the CEFTA Parties.

Furthermore, Serbia will make its best efforts to promote the PEM Convention, the cumulation zones which CEFTA Parties are involved, and its potentials from trade policy points of view. A particular attention is to be allocated to present the direct impact of rules of origin on manufacturing and investment decisions. The objective of these awareness raising actions will be to continue joint positioning of CEFTA Parties in the PEM revision exercise, and initiate a possible decision making to identify new FTA partners in the PEM zone.

Serbia will facilitate to start the application of full-cumulation and drawback in CEFTA by agreeing on a joint date to be agreed by CEFTA Parties in 2017 and by implementing technical assistance to all stakeholders.

vi Facilitating Business and Investment Environment in CEFTA:

The Chairmanship of Serbia will continue to follow-up on the recommendations of monitoring of the implementation of state aid and competition related provisions of CEFTA.

In this regard, the Serbian Chairmanship may initiate a process to elaborate an action plan how the implementation of state aid and competition related provisions of CEFTA can be strengthened.

In the framework of this priority, the Chairmanship of Serbia will also initiate a similar monitoring mission on public procurement and IPR and to report the results of monitoring regarding the implementation of public procurement and IPR related provisions of CEFTA.

Like the monitoring on state aid and competition, public procurement and IPR related monitoring will also be financed by the CEFTA Project Facility.

The objective of this priority is to eliminate non-tariff measures and trade defence measures in the region in the medium term.

Horizontal Priorities:

III Sustaining synergy between implementation of CEFTA and the SEE 2020

Serbia 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 Paris, 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.

IV. 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 Serbian 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.

V. CONSTRAINTS

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