

REPORT

Sub-committee on Customs and Rules of Origin

January - December 2016

The purpose of this report is to provide a summary of the activities undertaken by the CEFTA Sub-committee on Customs and Rules of Origin under the Chairmanship of the Republic of Serbia during the period of 1st of January to 31st of December 2016.

During the reference period, five events have taken place as follows:

1. CEFTA-World Bank Group WTO Trade Facilitation Agreement Meeting, 18-19 April 2016, in Belgrade;
2. Third round of negotiations on the Additional Protocol 5, 24-25 May 2016, in Belgrade;
3. Workshop on EU Customs Code and New Rules on AEO, 21-23 June, 2016 in Tirana;
4. Ad-hoc Sub-committee on Customs and Rules of Origin meeting, 27 September in Brussels;
5. Sub-committee on Customs and Rules of Origin meeting, 10 November in Belgrade.

BACKGROUND

Establishment of the Sub-committee

CEFTA Ministers responsible for trade, during the Joint Committee Meeting on November 26, 2015 in Chisinau, have endorsed CEFTA Ministerial Decision No 1/2015 determining the mandates of CEFTA bodies. In accordance with this Decision, the Sub-committee on Customs and Rules of Origin has the following functions:

Function of the Sub-committee

The following areas have been determined as the main mandate of the Sub-committee on Customs and Rules of Origin which was established by the Joint Committee Decision No. 1/2015:

- i. Exchange and discuss the implementation of the relevant provisions of CEFTA 2006 regarding simplification and facilitating customs procedures in the region;
- ii. Ensure harmonised implementation of common rules of origin with a view to *inter alia* enabling diagonal cumulation of origin within the region without delay. It will in particular:
 - exchange information on a regular basis on the implementation of rules of origin;
 - monitor and discuss how the Parties implement provisions regarding rules of origin and administrative co-operation;
 - discuss measures to control and ensure the validity of certificates of origin;
 - further dialogue with appropriate business organisations so traders are informed of procedures involved in obtaining certificates of origin;
 - consider what measures to take at the regional level in order to ensure participation of CEFTA Parties in cumulation zones under the Pan-Europe Mediterranean Convention (herein after called "the PEM Convention") and to extend their benefits in preferential treatment from the rules of origin;
 - elaborate joint positions for CEFTA Parties which are to be presented in the revision process of the PEM Convention;
 - notify the Joint Committee of the PEM Convention on the decision taken by CEFTA Parties which derogates from the PEM Convention.
- iii. To coordinate technical assistance to be provided to CEFTA Parties through regional programmes in the relevant areas under the mandate of the Subcommittee.

Members of the Sub-committee are Deputy Directors of Customs and senior civil servants responsible for these issues.

I. OBJECTIVES and PRIORITIES OF THE CHAIRMANSHIP

The Republic of Serbia has identified the objectives of its Chairmanship of Sub-committee on Customs and Rules of Origin as follows:

Objective 1: Trade Facilitation

Under the Chairmanship of Serbia, the Subcommittee will do its best endeavors to support the work of the Committee of Trade Facilitation, the main CEFTA Structure which is in charge of steering the negotiations of Additional Protocol 5 on trade facilitation. The Chair will take all the necessary actions in case the Committee of Trade Facilitation requires the contribution of the Subcommittee in steering the negotiations of Additional Protocol.

Priority determined by this objective is:

Priority 1: To follow-up the changes in EU Customs Code in particular on AEO related legislation and discuss how to be inserted into Additional Protocol 5 on trade facilitation

Objective 2: Promotion of Trade

The Chair will make its best efforts to coordinate the start of application of SAP+ Cumulation early 2016 in the framework of PEM Convention. In this regard, Serbia considers extremely important to initiate the discussion with the private sector how to best utilize the SAP + Cumulation for the economic interest of CEFTA Parties.

Secondly, the Chair attaches greater importance to get all CEFTA Parties prepared for seamless application of full cumulation and drawback from November 2016 as foreseen by Decision 3/2016. In this regard, the emphasis will be given in the first three quarters of 2016 to support the preparations of CEFTA parties for the application of full cumulation and draw back.

It is also considered that SAP+ cumulation, and full cumulation would be very much instrumental for the development of economic corridors in the CEFTA Region as foreseen by the conclusions of Vienna Summit held in August 2015.

Under this objective, the coordination between CEFTA Parties in the revision exercise of the PEM Convention is of crucial importance. The Chair of CEFTA Subcommittee will avail itself to lead the coordination of CEFTA Parties in accordance with the CEFTA regional position on PEM Convention as adopted in 2015.

Priorities determined by this objective are:

Priority 2: To coordinate CEFTA Parties to start application SAP+ cumulation to the earliest possible in 2016

Priority 3: To prepare CEFTA Parties for full cumulation and drawback

Priority 4: To coordinate CEFTA Parties in the revision exercise of PEM Convention

Priority 5: To emphasize the importance of SAP+ cumulation and full cumulation for the development of economic corridors in CEFTA

II. Activities

Action	Current state of play	Remarks	Risk
<i>Activity 1: Organisation of Workshop on EU Customs Code and New Rules on AEO</i>	Done	The workshop has been organised in Tirana on 21-23 June 2016	No risk
<i>Activity 2: Discussing any Request for Committee of Trade Facilitation regarding Additional Protocol 5</i>	Done	Even though, no meeting and/or request of Committee of Trade Facilitation were organised/raised in the reporting period, under the Chairmanship of Serbia and this Subcommittee, three activities were strongly supported: 1. WTO Trade Facilitation Agreement Meeting; 2. The Third round of negotiations on AP 5; 3. Legal Scrubbing Session of the latest 5 th Draft of AP 5	Low (Final text of AP5 was previously legally scrubbed at the meeting held in Podgorica on 21 September, 2016)
<i>Activity 3: To follow-up on the publication of new PEM matrix</i>	Done	On behalf of the Chair, CEFTA Secretariat informed all CEFTA contact points on new PEM matrix via e-mail upon its publication in February, July and September.	No risk
<i>Activity 4: To coordinate CEFTA Parties for timely conclusion of modifications in their bi-lateral FTAs with EFTA to link them with the PEM</i>	In progress	The topic was discussed at the regular Sub-committee meeting held on November 10 th in Belgrade 2016. However, none CEFTA Party finalized its FTAs with Turkey. The progress should be followed up next year, as well.	Medium (The modifications are subject of the negotiation and as such they don't depend only on CEFTA Parties)
<i>Activity 5: Identification of Training Needs of CEFTA Parties to start applying full cumulation and drawback in CEFTA</i>	Done	The topic was discussed at the regular Sub-committee meeting held on November 10 th in Belgrade 2016. CEFTA Secretariat should provide draft of the Training List based on the expressed needs by CEFTA Parties and circulate it for their final approval.	Low
<i>Activity 6: Organising Trainings on full cumulation and drawback</i>	Pending	It is not realistic to expect to organise any training by the end of this year, since the training needs were expressed at the meeting held on November 10 th . This will remain as an activity for next year.	High (Please see provided explanation as a remark.)

Action	Current state of play	Remarks	Risk
<i>Activity 7: To conclude the decision on the level of coordination between CEFTA Parties in the revision exercise of PEM Convention</i>	Done	The ad-hoc Subcommittee meeting on Customs and Rules of Origin was held on 27 September 2016 and prior of the organised PEM WG and PEM JC meeting in September, also. Furthermore, at the regular Sub-committee meeting on Customs and RoO held in Belgrade on November 10 th CEFTA Parties agreed that the Chair of this Sub-committee will represent CEFTA standpoints on behalf of all CEFTA Parties when it comes to the revision of PEM Convention, based on previously agreed CEFTA Joint Position.	Low
<i>Activity 8: Introduce CEFTA Regional Position in the meetings related to PEM</i>	Done	Please see above stated remark. In addition to this, CEFTA Secretariat will prepare draft CEFTA Joint Position for the consideration of CEFTA Parties, to be presented at the next PEM WG and PEM JC meeting to be presented on behalf of CEFTA.	Low
<i>Activity 9: Organizing Regional Suppliers Conference in Automotive Sector to Introduce SAP + Cumulation and Full Cumulation/Drawback</i>	Pending	CEFTA Secretariat has prepared and delivered to the RCC Concept Paper of the Conference suggesting everything – session, topics, speakers, audience, etc. However, because of the lack of timely response from the RCC after all preparatory work done by the CEFTA Secretariat, on behalf of the Chair of Sub-committee, it was decided for the Conference to be postponed. Thus, this activity will remain for the next year.	High (Main role for organising the Conference plays RCC)

III. CALENDAR OF EVENTS

The tentative calendar for the year 2016 is as follows:

MEETING/EVENT	DATE	PLACE	Status
Seminar on UCC and AEO	21 -23 June	Tirana	done
Suppliers Conference in Automotive Sector	October	Vienna	postponed
CEFTA Coordination Meeting on PEM	27 September	Brussels	done
Meeting of Subcommittee on Customs and Rules of Origin	10 November	Belgrade	done