

R E P O R T

ON THE FUNCTIONING AND IMPLEMENTATION OF CEFTA

IN 2012

By the Chair in Office

Republic of Albania

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1. Introduction

The Agreement on Amendment of and Accession to the Central European Free Trade Agreement (CEFTA) has been fully implemented by all the Signatory Parties since 22 November 2007.

When assuming the 2012 Chair in Office, the Work Programme for the CEFTA Chairmanship of the Republic of Albania was conveyed to all Parties in order to communicate its objective and priorities for 2012. In its Chairmanship, Albania has been committed to develop further actions with the objective to carry up the success reached so far in the implementation of the Agreement and to add up its contribution therein in full coordination with other CEFTA Parties.

With a view of outreaching the progress recorded in the implementation of CEFTA to the wider audience, particularly in the presence of international organisations, representatives of CEFTA Private Sector and members of academia, Albania organised CEFTA WEEK in Tirana on 7 and 8 November 2012. During four different sessions of this event, the issues not only related to liberalisation of trade and trade facilitation, the ones directly related to the implementation of CEFTA, have been discussed but also the CEFTA milieu found an opportunity to exchange their views on the upcoming the South East Europe Strategy 2020, and strategic possibilities of integrating the CEFTA into a wider economic region. The CEFTA Week has thus provided Albania with a good occasion to have also discussed all the topics relevant to its Chairmanship of the SEE Investment Compact.

On 8 November 2012, the CEFTA Joint Committee, the highest decision making body of CEFTA, successfully held its meeting, all the progress recorded under the Albanian Chairmanship was endorsed by the CEFTA Ministers.

2. Main Priorities and Activities of the Albanian Chairmanship in 2012

2.1. Priorities

When defining the chairmanship priorities, Albania took into account the progress achieved so far in the implementation of the Agreement, and developed a set of strategic priorities with an objective to improve facilitation of trade, enhance transparency, and strengthen capacity in trade policy and for the implementation of the Agreement to the maximum extent possible.

The Chairmanship priorities of Albania and the results of the activities carried out thereunder are as follows:

Priority 1: Facilitating trade through further eliminating market access barriers and simplifying trade related procedures and regulations:

Agriculture and SPS:

The Parties reviewed their respective agricultural policies, exchanged information on trade of agricultural products and gave preliminary assessment of the implementation of the Additional Protocol and Annex 10.

The six Parties who participated in the liberalization process completed the Assessment Report on the impact of the liberalization of the trade in agricultural goods for 8 months period (January – August 2012). The Report was submitted to the Joint Committee at their sixth session held on 8 November 2012 in Tirana.

As regards to SPS, a contract was signed by the CEFTA Secretariat to establish a CEFTA SPS Database. The contract is financed by the CEFTA Project Facility.

Customs and Rules of Origin:

In line with the programming of Chair in Office, the Subcommittee on Customs and Rules of Origin updated and upgraded the multiannual work programme which had initially been developed by Albania in 2011. The work regarding facilitating trade through simplifying customs procedures is in progress as this activity requires continuous efforts from a multiannual perspective.

Regarding the electronic data exchange, the initial contacts established with EU financed SEED Project by Albania in 2011 were further developed by the Chair of Subcommittee on Customs and Rules of Origin. The Subcommittee had also proposed establishing a working group on customs risk management which was approved by the CEFTA Joint Committee of 2012.

Regarding the coordination between Subcommittee on Customs and Rules of Origin and Subcommittee on TBT and NTBs, the Subcommittee discussed the indicators on administrative barriers developed by the OECD in the framework of MMF project. In

addition, the IFC Project Team was encouraged to cooperate with the OECD to revise the existing indicators of administrative barriers. In addition, a CEFTA-IFC joint workshop on business processing maps in agribusiness was organised in Sarajevo and the SPS experts of CEFTA Parties attended along with Subcommittee members and customs experts to discuss the maps prepared by the IFC Trade Logistics Project Team.

TBT and NTBs:

Regarding the implementation of MMF project, the selection of final products was done based on the statistical analysis. The analysis used final products export data for 2009 sourced from UN COMTRADE. Three ranking tools were used for the selection: (i) the overall size and share of the product in total sector intra CEFTA trade; (ii) the frequency of a product in all or most Parties' intra CEFTA export and (iii) the average ratio of a product in the Parties' export.

In accordance to the statistical analysis, five priority sectors were identified and nine products selected. Products pre-selected by the Parties (household appliances and cement) are taken into account. The Questionnaires were sent out where the TBT questionnaire covers 6 products and SPS covers 3 products. Methods of assessment will presume the coordination of replies by relevant national TBT and SPS experts through the CEFTA Contact Points. The preliminary results of the assessment are expected to be presented at the Regional Roundtable in Budapest on 7-8 February 2013. The OECD is also expected to submit the recommendations for eliminating the NTBs to trade during the same roundtable in Budapest.

Liberalisation of Trade in Services:

During the Working Group on Trade in Services meetings all Parties reaffirmed the commitment for negotiations. They agreed on the following elements:

1. Date for starting the negotiations: January 2013
2. Scope: substantial sectoral coverage, focusing firstly on joint priority sectors,
3. Format: multilateral, while exploring the potentials for concluding plurilateral/bilateral agreements (in transport and MRAs)
4. Type of document for concluding the negotiations: Additional Protocol

A task force consisting of the current and next Chair, interested Parties and the Secretariat was created to work on preparation of the text of the Agreement.

OECD has developed a methodology to help identifying which services sectors and which policy measures restrict trade the most and presented it to the Parties. For the CEFTA parties, one of the project outcomes will be a creation of the regulatory database, which will comprise professional services (including legal, accounting, architecture and engineering). The Parties and the OECD agreed on the scope of services that would be covered by the analysis.

The World Bank presented their part of the joint project, its objectives and expected outcomes that will be conducted together with the OECD. The wider circle of stakeholders is included in the exercise including national and regional professional associations, private sector, international organizations, universities, think tanks, etc. The major outcome is to identify ways in which regional cooperation can help Parties to deal with constraints in professional services.

Priority 2: Increasing the transparency in the areas that have a direct or indirect impact on trade

Agriculture and SPS:

As regards to creation of a database on applied SPS measures in the CEFTA Parties, a contract was signed by the CEFTA Secretariat to establish a CEFTA SPS Database. The contract is financed by the CEFTA Project Facility.

The purpose of this database is to provide the comprehensive information on existing SPS measures applied across the region and to support the work done within the Subcommittee on NTBs and TBT when discussing the potential actions in reducing the NTBs.

Customs and Rules of Origin:

One of the multiannual priorities set in 2011, was to analyse the feasibility of developing a regionally recognised CEFTA authorised economic operator programme. In that regard, the Chair in Office and the Chair of Subcommittee on Customs and Rules of Origin attended the workshop on AEO jointly organised by TAIEX and the Albanian Customs Administration. In that meeting, the CEFTA priorities regarding the facilitation of information exchange between customs and private sector were stressed.

It is expected that the CEFTA Customs Risk Management Working Group established in 2012 will lead the activities regarding the assessment of creating a CEFTA AEO programme.

TBT and NTBs

Regarding the updating and upgrading the CEFTA Trade Portal, the Portal has been updated quarterly and this process has been done in a satisfactory manner. The standardization has facilitated the uploading and quality of information presented.

In April , in Zagreb the Parties agreed on the approach presuming the conclusion and implementation of the MoU, and sharing the responsibilities: quality control, translation and uploading will be under Parties' responsibilities, while the maintenance of the Portal and English proofreading of the texts under CEFTA Secretariat responsibility.

At the strategic meeting held on 12 October in Tirana, the Parties decided not to sign the Memorandum of Understanding, but to have a Ministerial Conclusion on establishing the system to address editorial and potential up-grade related issues in 2013.

State Aid:

During the last year Joint Committee meeting, it was decided that the existing state aid schemes would be reported by using the form and questionnaire attached to the Decision 1/2011 by the Joint Committee meeting this year.

During the Joint Committee meeting in Tirana, only Albania, Macedonia, and Montenegro reported their state aid schemes according to the format agreed by the Decision. It was decided that other CEFTA Parties to finalise their state aid reports by the end of 2012. Following the Joint Committee meeting, only Serbia submitted its state aid reports according to the agreed format while the other Parties are still to report.

Priority 3: Strengthening the capacity of trade policy formulation, coordination and implementation**Investment:**

Albania attached greater importance to the interaction between CEFTA Structures and the RCC Investment Committee which it also chairs during 2012. In this regard, Albania organised the Investment Committee Ministerial Conference back-to-back with the CEFTA Joint Committee meeting of 8 November. During the conference, the Parties agreed to the headline targets of the South East Europe Strategy 2020 in which CEFTA Structures are to be directly involved, particularly its integrated growth component.

Capacity Building:

As the Chair in Office Albania took a capacity building initiative, which would involve the Article 44 Contact Points and their teams, and build on the best practice and positive experience of other administrations in i) coordination of multilateral agreements, ii) organisation of the process, iii) management of the process, iv) composition and training of a multi-skill team etc. The tendering to hire a consultant in order to assist CEFTA Parties was launched by the CEFTA Project Facility. However, despite its two rounds, the tender could not receive a compliant offer due to the limited budget available in the facility. The tender therefore had to be cancelled. It is considered realising the initiative of Albania through different technical assistance resources available for the CEFTA Structures, particularly in the framework of the implementation of the SEE 2020.

Priority 4: Strengthening capacity to implement CEFTA Priorities**Creating CEFTA Project Facility:**

In late 2011 Albania sent a letter to the European Commission as the upcoming Chair in Office of 2012 with the initiative to establish a project facility. The financing agreement

creating CEFTA Project Facility was signed in May 2012 between the Secretariat and the European Commission.

Two tenders were launched in the framework of the CEFTA Project Facility. The first tender is on “Trade Policy Capacity Development in CEFTA Parties”, and the second was “Establishment of the CEFTA SPS Database”. The second tender in its second round was successfully concluded, and a contract signed. Its implementation started in later 2012.

As part of the Chairmanship Priorities of Albania, the following activities were also taken by the Chair in Office:

Roster of CEFTA Project Facility:

In order to hire quality experts in the framework of contracts to be financed by the CEFTA Project Facility, the CEFTA Parties were requested to propose regional experts whom they have worked and can give their *bonne service*. The names of these experts are compiled in a roster which is to be benefited by the Secretariat in the tenders to be launched in the framework of CEFTA Project Facility.

CEFTA Trade Statistics:

The Chair in Office supported the efforts of the Secretariat to improve the quality of information available on trade statistics. Following the agreement reached during the strategic meeting, the Parties provided their trade statistics in the new format through using some additional classifications than the existing HS classification. The Secretariat has started to prepare the CEFTA Trade Statistics Brochure in its new format that includes the SITC and SNA classifications following the agreement reached by the Parties. The brochure is issued twice a year and becomes available during the Deputy Ministers meeting, and its update in the Joint Committee meeting.

2.2 Meetings

- *Special Joint Committee Meeting:*

Upon the request of the Republic of Croatia, the Chair in Office called for a Special Joint Committee meeting which was held on 24 October 2012 in Zagreb. During the fourth strategic meeting on 12 October 2012, the Republic of Croatia informed the Parties about the bi-lateral consultations which were held with the Republic of Serbia with regard to the Regulation on Temporary Quantitative Restrictions on Export of Certain Goods adopted by the Republic of Serbia on 6 September 2012. Following those consultations, having a Special Joint Committee meeting was agreed in order to have consultations in accordance with Article 42 of the CEFTA.

The Chair in Office had also called a Special Joint Committee in August 2012 following the Provisional Safeguard Measures on the importation of cement adopted by Kosovo* on 13 June 2012, which was then canceled as the said measures were abolished on 01 August 2012.

- *Strategic Meetings:*

During the reporting period, the Chair in Office held two strategic meetings to discuss primarily the issues of new depositary, and financing the CEFTA Secretariat following the withdrawal of the Republic of Croatia from the CEFTA after its EU accession.

3rd Strategic meeting

The third strategic meeting was held in Brussels, Belgium on 23 February 2012. Before the meeting, the Chair asked the Secretariat to prepare a memo regarding the issues of depositary and budget adjustments for financing the Secretariat.

Following the discussions, it was decided that the positions of each Party in writing were to be provided by 31 March 2012. After the receipt of positions from each Party, the Chair has decided to act in a pro-active manner and asked the Secretariat to prepare another memo for the financing of Secretariat, and budgetary adjustments to table different options for financing. This issue was discussed in the Deputy Ministers meeting.

During the strategic meeting, the Parties discussed other issues such as the ways for further improving the functioning of CEFTA Structures, and new format of CEFTA Trade Statistics, and CEFTA Project Facility.

4th Strategic meeting

The fourth Strategic Meeting was held in Tirana on 12 October 2012. As instructed by the Chair in Office, the Secretariat prepared a revised memo regarding the financing of the Secretariat beyond 2014. The memo had initially been submitted to the Parties in the Deputy Ministers meeting held in Tirana on 20 June 2012. After the Deputy Ministers meeting the Chair in Office instructed the Secretariat to circulate a note comprising of different scenarios regarding the financing, staffing, location of the Secretariat. Following responses of the Parties, the same memo was revised accordingly and submitted to the Parties at the Strategic Meeting.

Following the discussion of the Parties on financing of the Secretariat, the Chair in Office invited the Parties to consult their government and give their position on the following issues:

- Economic and political objective of the CEFTA for each Party
- Reaffirmation of commitment to the CEFTA Structures
- Internal capacities of assuming responsibilities within the CEFTA

* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo declaration of independence.

The Chair requested the Parties to clarify their positions on the issues above by 31 October 2012 which would then be discussed at the Expert meeting before the Joint Committee meeting of 8 November.

In the same meeting, the Republic of Croatia requested from the Chair in Office to call for a Special Joint Committee meeting in accordance with Article 42 of the CEFTA to have consultations with regard to the Regulation on Temporary Quantitative Restrictions on Export of Certain Goods adopted by the Republic of Serbia on 6 September 2012. The Republic of Serbia did not object this request, and the Chair proposed to hold the Special Joint Committee Meeting in the week of 22 October.

Apart from those issues above, the Parties received the updates on the implementation of the CEFTA Project Facility, Maintenance of the CEFTA Trade Portal, and possible upgrading of the CEFTA Market Access Barriers Database. Furthermore, the Parties discussed the final drafts of Ministerial Decisions and Recommendation to be submitted to the Joint Committee Meeting.

Lastly, the Parties agreed to reiterate their commitment in the Ministerial Conclusions that CEFTA Structures would be actively involved in the preparation and implementation of the Strategy 2020 having in mind that out of 11 proposed objectives, four were trade related.

- *5th Meeting of the Sub-committee on Agriculture including Sanitary and Phyto-sanitary Issues*

The fifth Subcommittee meeting on Agriculture and SPS was held in Tirana on 29-30 May 2012. The representatives from Moldova and UNMIK were not present. UNMIK sent an email explaining the reasons for not attending the meeting. During the meeting, the three year Strategic Work Programme of the Subcommittee on Agriculture and SPS was introduced to the members at the fifth meeting. The Parties had the opportunity to hear on the objectives and priorities of the Chairmanship, the technical assistance needs, main results expected and the calendar of events envisaged for this year. The Parties adopted the Strategic Work Programme.

The Parties reviewed their respective agricultural policies, exchanged information on trade of agricultural products in the period from the last meeting and gave preliminary assessment of the implementation of the Additional Protocol and Annex 10.

During the meeting, the Parties also discussed the key issues in trade of agricultural products, SPS issues, and cooperation with other CEFTA Subcommittees on SPS matters, and SPS Database Project.

- *4th Meeting of the Subcommittee on Customs and Rules of Origin*

The Subcommittee on Customs and Rules of Origin meeting was held on 18 May 2012 in Sarajevo with the participation of Albania, Bosnia and Herzegovina, Croatia, Macedonia,

Montenegro, and Serbia. Representatives of the IFC have also attended the meeting upon their invitation by the Chair exclusively for the Subcommittee meeting.

During the meeting, the Chair of the Subcommittee presented its work programme to the Parties. Furthermore, the reports of the two meetings held before the Subcommittee were presented. Accordingly, the CEFTA Customs Risk Analysis Experts Network meeting was held in Sarajevo on 20 April 2012. The network recommended stabling a standing working group on customs risk management. The recommendation was accepted by the Subcommittee. Another meeting which was reported to the Subcommittee was the CEFTA-IFC Workshop on BPMs on agribusiness. The recommendations agreed by the workshop were presented to the Subcommittee. In addition, the Subcommittee members went through other issues on the agenda such as the indicators of administrative barriers developed in the framework of MMF Project, and the selection of new regional coordinator of Western Balkans for the PEM.

- 5th Meeting of the Subcommittee on TBT and NTBs

The fifth meeting of the Subcommittee on Non-tariff Barriers to Trade and Technical Barriers to Trade was held in Zagreb, on 26 and 27 April. The meeting was attended by Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova and Serbia.

The Work Programme of the Subcommittee on TBT and NTBs was prepared in January 2012 and circulated to the members of the Subcommittee for their comments. The Programme was officially adopted at the meeting. During the meeting, the OECD presented the activities envisaged in 2012. The process of revision of indicators was finished in the case of TBT and SPS while in the case of administrative barriers the indicators are further to be elaborated in consultation with the World Customs Organization, the OECD and CEFTA thus moving the administrative barriers assessment to 2013.

Regarding the Market Access Barriers Database, the Parties regularly informed on the new cases of market access barriers in the intra-regional trade. The new format of the MADB is developed in consultation with an IT Company contracted by GIZ, and will be operational from 2013. The database analysis in 2012 showed that the percentage of newly emerging issues is low (10%), while solved issues represent (35%) of total. Furthermore, almost one third was coming from the SPS area (26%), followed by issues connected to the pre-shipment inspection (18%) and charges and taxes (15%). By the sectors, the most frequent barriers were presented in beverages and tobacco (28%), live animals (19%) and vegetables (9%).

- 1st and 2nd Working Group meetings on TBT

The Working Group on TBT held two meetings in 2012. Fourth meeting was held in Malmö on 1 February while fifth meeting in Tivat on 19 September 2012.

At the fourth meeting the Parties agreed to propose to the members to the Subcommittee to consider a document for adoption which would contain the following text: "the test reports are recognized among all CEFTA Parties when they are issued by conformity

assessment bodies which are accredited by the accreditation body signatory of EA multilateral agreements provided that the respective conformity assessment tasks are included in the scope of the multilateral agreement to which the accreditation body is signatory". Montenegro expressed concerns related to this issue and proposed to be excluded from this proposal of document. Once the document was approved by the members of the Subcommittee on NTBs and TBT, it was submitted for endorsement by the Joint Committee members.

At the fifth meeting held in Tivat on 19 September, members exchanged their views on the basic elements of the draft "Agreement among CEFTA Parties on conformity assessment issues and on easing access of industrial products to the markets of other CEFTA Parties" prepared by the Chair. The draft text of the Ministerial Recommendation on Recognition of Test Report of the CABs was finalized and submitted for endorsement to the Joint Committee at their sixth meeting.

The Parties exchanged latest information on the progress in harmonization of technical regulation with those of the EU and on the adoption of the standards related to the selected product categories.

- 5th Meeting of the Subcommittee on Customs and Rules of Origin

The Subcommittee meeting on Customs and Rules of Origin was held in Sarajevo with the participation of Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia, and Kosovo*. Representatives of the IFC have also attended the meeting upon the invitation by the Chair exclusively for the Subcommittee meeting.

During the meeting, the draft report on business process mapping in agribusiness prepared by the IFC was presented. In addition, a number of recommendations regarding facilitation of trade and simplification of customs procedures were discussed. The Parties present during the meeting agreed to recommend the Joint Committee to emphasize the leading role of Customs Authorities in trade facilitation efforts at the national level and in CEFTA, and encourage them to take up these roles more effectively.

The Parties also agreed with the Terms of Reference proposed by the Network of Customs Risk Management experts, and the revisions on the part on accountability and reporting as proposed by the Serbian Delegation. The final draft ToR was submitted to the Joint Committee.

The updated Multi-Annual Work Programme were presented by the Chair of the Subcommittee and agreed by the Parties. The Parties also agreed that having the explanatory notes would be useful for the implementation of CEFTA rules of origin. The existing notes of PEM can be usable for such purposes. The Parties present in the meeting agreed to use the explanatory notes of PEM which are relevant to the implementation of CEFTA Rules of origin in a systematic manner. The translation of the PEM explanatory notes and their publicity will be handled at the national level. Lastly, the Parties present in the meeting agreed to select Macedonia and Serbia as new coordinators for the Western Balkans in the revision process of PEM Convention.

- *Meetings of Working Group on Trade in Services*

Three meetings were held in the course of 2012. Fourth meeting was held on 30 March 2012, fifth meeting on 11 October and sixth meeting on 6 November, all in Tirana.

At its fourth meeting, the Parties undertook the commitment to provide the list of the restrictive measures in force. All the Parties submitted the individual lists and the Secretariat created the Consolidated List, which until that time undergone two revisions.

The Parties agreed that some modifications to the List should be done in order to have a more transparent and informative overview of the restrictive measures. It was agreed that the List was of confidential nature and therefore Parties should be confident that the information would be used only for CEFTA purposes.

At its fifth meeting held on 11 October, the Parties discussed the Report of the Consolidated Table done by the independent international expert on trade in services. The members of the Working Group found the analysis and accompanied Annexes quite useful for discussions on further steps in opening the negotiating process.

At its sixth meeting held on 6 November, the Parties went through the formulation of conclusions to be submitted to the Joint Committee, the list of preferred sectors which the Parties consider for liberalization, and exchanged their views regarding the possible text of additional protocol or agreement to be signed for the liberalization of trade in services.

- *Task Force on CEFTA Trade Portal*

During 2012 three meetings of the CEFTA Trade Portal Task Force were held – on 28 February in Tirana, on 25 April in Zagreb and on 7 December in Skopje, respectively.

In Tirana, CEFTA Parties finalized the Portal's standardization, introduced new features like frequently asked questions and the transparency tool. The Parties agreed to link the Portal to the CEFTA Investment Promotion Agencies and CEFTA Chambers Forums through a banner. One day training for the uploading of documents was organised back to back with the meeting for all Task Force members.

In Zagreb the Task Force members worked out the Guidelines and Technical details of the Portal and finalised the share of responsibilities for the maintenance of the Portal beyond 2012. The Parties agreed that provided that i) an MoU among the Parties is concluded in 2012 in all elements necessary for smooth functioning of the Portal, ii) The Parties regularly pay their contributions to the Secretariat, iii) the cost for hosting and maintenance of the Portal is not exceeding 10,000 Euro, iv) the future Secretariat's budget allows financing of the Portal in 2013 and v) The Parties invest relevant efforts into required coordination, the Chair recommended to the Subcommittee on NTBs and TBT to share responsibilities with Secretariat in translation and uploading under parties responsibilities and financing the operational cost of the Portal and English proofreading under the CEFTA Secretariat's responsibility.

In Skopje, at its last meeting Task Force members focused on the issues related to handover from GIZ, the main financial and technical supporter of the Portal since it was launched in 2010. At the meeting the “Transparency Pack “concept prepared by the CEFTA Secretariat and submitted to GIZ for the financing in the next two years was introduced. The tool is to be available for the relevant authorities of CEFTA Parties and will be partially accessible to the public. It will have four database components – Market Access Data Base (MADB), TBT notification, SPS notification and standards and the Tariff Data. The link between all database will be established on the basis of Sector (1 digit), Commodity Group (2 digits), and Chapter Sub-Heading (6 digits) encoded according to HS. The CEFTA Trade Portal will be a descriptive part of the Pack.

- *4th Meeting of Deputy Ministers*

The CEFTA Deputy Ministers Meeting was held in Tirana, Albania on 21 June 2012. The delegations from Moldova, Serbia and UNMIK were not present. Moldova provided position on relevant items of the Agenda in written. UNMIK sent an email explaining the reasons for not attending the meeting. The Chairs of the three Subcommittees reported on the activities in the last six months.

Regarding the withdrawal of Croatia from CEFTA, the Secretariat prepared a memo regarding the issues of depositary and budget adjustments following the withdrawal of Croatia from CEFTA due to its accession to the EU. The memo provides a number of options, which were discussed by the Parties during the strategic meeting held in February in Brussels as well as at the experts meeting held previous day.

Regarding the Depositary issues, the Chair recalled that at the expert meeting all the present Parties agreed to have an acting Depositary until all the procedures are fulfilled to appoint a permanent Depositary. Also, the Chair announced that Albania confirmed the interest to assume the role of acting Depositary thus becoming a permanent Depositary once the procedure is fulfilled.

The present Parties agreed to support Albania’s candidature.

In relation to the Parties’ contribution to the Secretariat after 1 July 2013 till 31 August 2014, Chair invited the Secretariat to elaborate on this issue. The Secretariat informed on the communication received from some of the Parties not to be able to nominally increase the contributions to the Secretariat caused by the financial constrains.

The Secretariat expressed its willingness to share the difficult financial situation of some of the Parties and volunteered to find external financing in order to compensate for the missing approx. 135,000 EUR (i.e. Croatia’s share for the period 1 July 2013 till 31 August 2014). The Secretariat stressed this is a onetime action with no prejudice to the financing after the given date.

The Parties welcomed the Secretariat’s proposal to compensate the Croatia’s part in the proposed period.

The Chair invited Croatia to consider becoming a bilateral donor to the Secretariat once it becomes the EU member state. While again stressing its interest to remain partner to CEFTA beyond its accession to the EU, Croatia stated that it is not in a position to give an official answer at this point. The Chair announced that their requested will be followed by an official letter. A letter from Mr. Enno Bozdo, Deputy Minister of Trade and Energy was sent on 24 September to Mr. Denis Cajo, Head of Trade Office of Croatia regarding the future cooperation of Croatia with CEFTA Parties after 1st July 2013 when Croatia will join the EU.

The Chair emphasized that apart from the economical aspects, the Parties should consider the political importance of the agreement and its role of an instrument that assist in the EU integration process.

- *CEFTA Week*

CEFTA Week 2012 which was held in Tirana on 7 and 8 November attracted over 130 participants who took part in a variety of CEFTA related events. Participants included government officials from all the CEFTA Parties, regional and international organisations, the business community, academics and international experts from the EU, GIZ, IFC, OECD and the World Bank.

CEFTA Week 2012 focused in particular on the main priorities of the Albania Chair for 2012 which included trade facilitation, customs cooperation, trade in services, boosting regional competitiveness and investment. It also provided an excellent opportunity to assess progress and economic impact to date, to consider new challenges and provided an opportunity for key stakeholders to make observations and suggestions on potential future developments.

- *6th Meeting of the Joint Committee*

Meeting of the CEFTA Joint Committee was held in Tirana, on 8 November 2010. Representatives of all CEFTA Parties attended the meeting. The meeting was chaired by Mr Haxhinasto, Deputy Prime Minister and Minister of Economy, Trade and Energy of Albania.

On that occasion, the CEFTA Parties reconfirmed their strong commitment to sustain the successful implementation of the CEFTA and reaffirmed their willingness to deepen the efforts and cooperation in the areas of liberalisation of trade in services, elimination of non-tariff barriers to trade, facilitation of the regional trade, and improving transparency in trade related issues and promotion of investment friendly environment.

In addition, the CEFTA Parties welcomed the initiative of the South East Europe Investment Committee to agree on key indicators for the regional economic growth to be accomplished by 2020, and emphasized the importance of trade policy, as a core component to achieving economic growth in an integrated and inclusive manner.

The Ministers perceived CEFTA as a genuine regional forum for all trade related discussions, and supported active involvement of the CEFTA Structures and their cooperation with other regional actors and with the European Commission in relevant regional programmes and initiatives.

Another important part of the conclusions adopted during the Joint Committee was about constructive efforts of the Parties in finding amicable resolutions to the trade disputes through employing the consultation mechanisms as defined by the Agreement. The Ministers reiterated that the Parties should refrain from introducing new quantitative restrictions or non tariff barriers in their mutual trade and that the priority should be given to those measures which least disturb the functioning of the Agreement in conformity with CEFTA and WTO rules and principles.

As regard the liberalization of trade in services, the Joint Committee emphasized its expectation to start negotiations in the beginning of 2013. The scope of liberalization will be in compliance with the GATS Article V. The negotiations will be conducted at the multilateral level in priority sectors of interest to the Parties, while reserving the possibility to negotiate plurilaterally and or bilaterally on specific sectors and subsectors, in particular mutual recognition agreements on professional qualifications. The objective is to endorse text of the Agreement/Additional Protocol by the 7th Joint Committee meeting.

The Joint Committee adopted the following ministerial decisions and recommendation:

- Ministerial Decision No 1/2012 on Establishment of the Working Group on Customs Risk Management
- Ministerial Decision No2/2012 on the Implementation of Article 52 of the Central European Free Trade Agreement after the accession of the Republic of Croatia to the European Union
- Ministerial Recommendation No1/2012 on Recognition of Test Report of the CABs

3. Topics to be addressed in the next period

Following what has been achieved last year, the Albanian Chairmanship considers emphasizing some of the outstanding issues that need to be addressed by the CEFTA Chair in Office of 2013.

- Creating a favourable environment for facilitating the negotiation process for the liberalisation of trade in services among the interested Parties,
- Intensifying efforts to make all necessary preparations for the active participation of CEFTA Structures in SEE 2020,
- Monitoring the implementation of the Additional Protocol and Annex 10, and assessment of the effects of the liberation of trade in agricultural products
- Removal of the remaining tariffs and quotas, in order to achieve full liberalisation of agricultural products,

- Continuation with the implementation of Multilateral Monitoring Framework on NTBs,
- Simplification of trade related procedures implemented by all agencies included in clearance through widening the use of risk based approach,
- Improving the quality of data in trade in services,
- Strengthening the cooperation between SPS Agencies of CEFTA Parties and enhancing transparency on SPS matters,
- Ensuring the full implementation of state aid reporting mechanism, and completing the preparation of State Aid Schemes Inventory of CEFTA,
- Smooth transfer of Depositary from the Republic of Croatia to the Republic of Albania,
- Adopting necessary decisions for sustaining successful and uninterrupted implementation of all CEFTA structures for the period of 2014 and onwards
- Establishing a system to address editorial and potential up-grade related issues of the CEFTA Trade Portal.

4. Conclusions and Recommendations

In 2012 the Republic of Albania has attached great importance not only to the smooth implementation of CEFTA but also to the challenges ahead. Therefore, Albania devoted the best of its efforts to address both aspects equally and in a pro-active manner to the extent possible throughout the last year.

Albania recommends the continuation of pro-active approach particularly for the issues related to the implementation of CEFTA and functioning of its structures.

In 2012 the CEFTA Parties took a number of important steps in preparing the grounds for liberalisation of trade in services in sectors of mutual interest. Those efforts taken under the Albanian Chairmanship expected to lead to a start in the negotiations on liberalisation in early 2013.

Albania thus recommends the CEFTA Parties to remain committed to the liberalisation agenda of trade in services as agreed in 2012, and the Chair in Office of 2013 is to take all necessary steps to facilitate the negotiations between interested Parties.

Facilitation of the regional trade was one of the Albania Chairmanship priorities. Albania noted that the relevant CEFTA Subcommittees undertook an extensive progress in a significant number of areas related to trade facilitation which requires quite technically complex discussions in 2012.

Albania recommends that the coordination between CEFTA Subcommittees is to be strengthened as trade facilitation is a cross-sectoral issue requiring the committed involvement of all public authorities involved in trade.

Under the Albanian Chairmanship, three different consultation requests with regard to the implementation of the Agreement came to the attention of the Joint Committee according

to Article 42 paragraph 2. The relatively high number of those consultation requests is a sign that the implementation of the Agreement has entered into a mature stage where the Parties are insisting on the proper enforcement of all agreed rules.

Albania recommends the CEFTA Parties to follow the conclusion agreed in the Joint Committee of 2012 and to refrain from introducing new quantitative restrictions or non tariff barriers in their mutual trade. It is also recommended that the priority should be given to those measures which least disturb the functioning of the Agreement in conformity with CEFTA and WTO rules and principles

Moreover, under its Chairmanship Albania took up the issues related to the future functioning of CEFTA Structures. It is considered that pro-active efforts would help give timely responses to those issues.

Lastly, Albania had two chairmanships simultaneously in 2012. It provided Albania with a quite significant chance to establish synergies in the work of both structures. The Albanian Chairmanship considered quite critical to have agreed on key indicators for the regional economic growth that to be accomplished by 2020.

In this regard, Albania fully supports putting a strong emphasis regarding the importance of trade policy, as a core component to achieving economic growth in an integrated and inclusive manner. Thus, Albania recommends active involvement of the CEFTA Structures in the SEE 2020, and cooperation with other regional actors and with the European Commission.