

R E P O R T

ON THE FUNCTIONING AND IMPLEMENTATION

OF

CEFTA/CEFTA 2006

in 2007

by the Chair in Office

The Republic of Macedonia

1. Introduction

In accordance with the decision of the CEFTA Joint Committee, adopted in Bucharest on 11 July 2006 and its Rules of Procedure, the Republic of Macedonia was the first of the Signatories of the *Agreement on Amendment of and Accession to the Central European Free Trade Agreement* ("the Agreement") to act as Chair in Office upon its entry into force in the year 2007 together with the amended CEFTA (CEFTA 2006). Macedonia had been strongly committed to assuring the continuation of CEFTA as well as to the successful realisation of the "Plan of Activities of CEFTA 2006". It saw these as important steps in furthering economic integration in the region and in preparing the Signatories of CEFTA 2006 for accession to the EU, a final objective.

The main challenge facing Macedonia as Chair in Office was to ensure ratification of the Agreement and its successful implementation by all the Signatories.

The Agreement was signed in Bucharest, on 19 December 2006 by representatives from Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia, UNMIK/Kosovo, as well as from Romania and Bulgaria. The last two countries remained members of CEFTA until their accession to the European Union.

2. Main activities and objectives pursued in 2007

Following the procedures of the original CEFTA, the Republic of Macedonia as Chair in Office of CEFTA 2006 were organized meetings in 2007 at different levels to ensure the proper functioning of the Agreement and to further co-operation among signatories. In the absence of the secretariat to be established to support the Chair and Joint Committee, the Chair in Office provided technical and administrative assistance from the Secretariat of the Stability Pact's Trade Working Group.

2.1 CEFTA 2006 meetings

In accordance with the "Plan of Activities of CEFTA 2006" and the proposed timetable the Chair organized the following meetings in 2007 (in chronological order):

- Meeting of Deputy Ministers/State Secretaries of Economy/Trade of the Signatories to CEFTA 2006 on May 17 and 18, 2007 respectively in Skopje, Republic of Macedonia; Preceded by meeting of experts from CEFTA Parties.
- Meeting of the Sub-committee on Agricultural Trade of the Signatories to CEFTA 2006 on June 5, 2007 in Skopje, Republic of Macedonia;
- Meeting of the Joint Committee of the Signatories to CEFTA 2006 on September 28, 2007 in Ohrid, Republic of Macedonia; Preceded by meeting of experts from CEFTA Parties.
- CEFTA 2006 Summit on November 21, 2007 in Skopje, Republic of Macedonia. Preceded by a meeting of experts from CEFTA Parties.

Minutes of all these meetings are attached as annexes to this report.

2.2 Meetings related to CEFTA 2006

In addition, the CIO and/or several CEFTA, Parties participated in the following related meetings:

- Meeting of the Trade Working Group of the Stability Pact , July 16 2007;
- Regional Conference for the Implementation of CEFTA 2006 on November 21-23, 2007 in Budva, Republic of Montenegro;
- Presentations of the opportunities which CEFTA 2006 offers the business community. Presentations made in all CEFTA Parties;

- 10th Meeting of the CEFTA 2006 Experts responsible for Conformity Assessment and Market Surveillance on December 7, 2007 in Zagreb, Republic of Croatia. The meeting noted the need for continued co-operation among national authorities to support the process of harmonization of EU legislation and the exchange of relevant information and experience.

2.3 Achievement of the objectives

In accordance with "Plan of Activities of CEFTA 2006" the following issues were on the agenda in 2007:

- Ratification and entry into force of Agreement on Amendment of and Accession to the Central European Free Trade Agreement;
- Fulfilment of the obligations arising from CEFTA 2006 and from the following decisions and recommendations of the Joint Committee:
 - a) Adopted Rules of Procedures of Joint Committee
 - b) Adopted decisions for establishment of three Sub-committees and their respective Terms of Reference
 - c) Decisions for Establishment of Secretariat, Mandate of Secretariat as well as for establishing a Selection Committee to appoint Secretariat staff
 - d) Decision for Establishing a List of Mediators
- Advancement of conformity assessment and market surveillance in field of industrial products;
- Continuation of the work of the Sub-committee on Agricultural Trade;
- Cooperation and exchange of information among CEFTA Parties in other areas of mutual interest,

- Other issues, such as supporting trade promotion events and contacts between business communities and professional associations.

3. Fulfilment of obligations arising from CEFTA provisions and decisions of CEFTA Joint Committee

As customary, the annual activity regarding the fulfilment of obligations arising from CEFTA included implementation of trade concessions provided by each Party within CEFTA (including the publication of tariff quotas and the system of administration thereof) and monitoring of the new trade issues as public procurement, trade with services, investments, and intellectual property.

Regarding the evaluation of mutual trade and implementation of trade concessions as well as the exchange of data and information, the Parties welcomed the positive trend of trade growth. The majority of Parties supported the principle of "first come first served" with respect to the use of quotas. The Joint Committee expected CEFTA 2006 to contribute to continued growth in trade between the Signatories and did not foresee major trade problems. It was noted that specific problems in bilateral relations should be solved in 2008.

4. CEFTA 2006 functioning in 2007

CEFTA 2006 represents a modern and ambitious agreement for free trade. Its organisational structure contributes valuably to the strict implementation of measures raised in this agreement and in particular to the intensification of cooperation with the business community.

In 2007 CEFTA 2006 Signatories paid substantial attention to the process of ratification of the agreement and the creation of effective measures for its implementation.

For five signatories (Albania, Macedonia, Moldova, Montenegro and UNMIK/Kosovo) the agreement entered into force on 26 July 2007. After completion of the processes of ratification, the Agreement entered into force for Croatia on 22 August 2007, for Serbia on 24 September 2007 and for Bosnia and Herzegovina on 22 November 2007. Thus, as of 22 November 2007 trade relations among all the Signatories are regulated within the CEFTA 2006 framework.

5. CEFTA 2006 functioning in 2008

Following the Agreement on Amendment of and Accession to the Central European Free Trade Agreement, signed in Bucharest on 19 December in 2006, the Republic of Croatia will continue as Depositary of CEFTA 2006.

In accordance with Article 3 of Rules of Procedures of the Joint Committee the CEFTA 2006 Chair in Office in 2008 will be the Republic of Moldova.

6. Proposals for activities of the CEFTA Parties in 2008

Based on conclusions and recommendations of the Joint Committee and Summit of CEFTA 2006 and information provided by Moldova as incoming Chair in Office the following actions are to be pursued in 2008:

- Continue successful implementation of CEFTA 2006;
- Maintain rapid progress in the liberalisation of trade and stimulation of investments in the region ;

- Set up the Permanent Secretariat according to Article 40.2 from Annex 1 of CEFTA 2006 Agreement to support the Joint Committee in its work,
- Arrange meetings in the first half of 2008 of the Sub-committee on Agriculture including Sanitary and Phytosanitary Issues in Moldova (April); the Sub-committee on Technical Barriers to Trade and Non-Tariff Barriers in Serbia (May) and the Sub-committee on Customs and Rules of Origin Issues in Montenegro (June),
- Arrange meetings in the second half of 2008 of Deputy Ministers (September); of the Joint Committee (October); of the Sub-committee on Agriculture including Sanitary and Phytosanitary Issues if a second meeting is necessary; of Prime Ministers, if necessary, in late 2008.