

WORK PROGRAMME

CEFTA Subcommittee on Customs and Rules of Origin

2017

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INTRODUCTION

During the past several years, CEFTA priorities have been widened to respond better to the issues related to the implementation of CEFTA, and in accordance with the progress of CEFTA Parties have made towards EU accession.

Having in mind new challenges for CEFTA and the objectives as determined by the South East Europe Strategy 2020, CEFTA Joint Committee adopted Decision No 1/2015 to adjust the mandates of all CEFTA Structures in order to strengthen the implementation of CEFTA.

In accordance with this Decision, the following bodies are established to assist the Joint Committee:

- Committee of Trade Facilitation
- Committee of Contact Points
- Subcommittee on Non-tariff Measures and its working groups as below:
 - Working Group on Technical Measures
 - Working Group on Risk Management
 - Working Group on Electronic Exchange of Information
- Sub-committee on Agriculture including Sanitary and Phytosanitary Issues
- Sub-committee on Customs and Rules of Origin

This document is the work programme of CEFTA Subcommittee on Customs and Rules of Origin, and includes the objectives, priorities of Kosovo* Chairmanship and the activities planned for 2017.

The Work programme is built upon the successful implementation of previous Chairmanships and outputs reached by the respective Chairs of the Subcommittee in earlier years.

1. THE SUBCOMMITTEE AS PART OF CEFTA STRUCTURES

1.1. Mandate of the CEFTA Subcommittee on Customs and Rules of Origin as determined by the Decision of the Joint Committee 1/2015

The following areas have been determined as the main mandate of the CEFTA Subcommittee 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:

* 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

- 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 will be Deputy Directors of Customs and senior civil servants responsible for these issues.

1.2. CEFTA Ministerial Conclusions of 2016 in relation to trade facilitation and Subcommittee on Customs and Rules of Origin

At the meeting of 9th of December 2016, CEFTA Ministers welcomed the conclusions of the Western Balkans Summit in Paris of 4 July 2016 acknowledging with satisfaction the deepening of economic integration between CEFTA Parties and announced aims towards establishing a regional economic area in CEFTA on the basis of the EU compliance. Thus, the EU accession process at national level in each CEFTA Party and regional integration through CEFTA shall represent the two main pillars of CEFTA activities. CEFTA Ministers determined CEFTA Agreement by Additional Protocols on Trade Facilitation and on Trade in Services as the legal basis of regional economic area and highlighted that regional economic area shall be part of the Pan-Euro Mediterranean Cumulation zone in equal footing as other countries in the Zone.

CEFTA Ministers, among others, declared the negotiations on the Additional Protocol 5 on Trade Facilitation have been concluded successfully as committed by our Prime Ministers in the Western Balkans Summits and we commit to adopt the Additional Protocol 5 on Trade Facilitation by February 2017.

They considered that one of the key challenges before the CEFTA Parties is to implement the Additional Protocol on trade facilitation, once they enter into force.

In related to this, CEFTA Ministers recognised the need to elaborate the implementing provisions of the two mutual recognition programs as foreseen by the CEFTA Additional Protocol on trade facilitation and instructed the relevant CEFTA structures to conclude the preparation of implementing provisions for the mutual recognition of border documents and Authorised Economic

Operators, and to make the implementing provisions ready for the adoption of the Joint Committee by the end of 2017.

CEFTA Ministers stressed the importance of undertaking timely preparatory actions at the national level in each CEFTA Party to fulfil the obligations of the Additional Protocol on Trade Facilitation without any delay after the start of its implementation and encouraged all CEFTA Parties particularly to conclude signing the Memoranda of Understandings between the customs authorities of CEFTA Parties and other competent authorities involved in the clearance of goods.

CEFTA Ministers announced the readiness of CEFTA Parties to start full cumulation and duty drawback at the earliest possible in 2017 once the required derogation is granted by the PEM Convention Joint Committee. In this regard, they underlined the importance of generalising full cumulation and duty drawback as the principles of PEM Convention for our economies.

By taking into account the delays in the revision exercise of the PEM Convention CEFTA Ministers encouraged CEFTA Parties to coordinate with each other their positions in the revision exercise of the PEM Convention according to the CEFTA Regional Position.

2. OBJECTIVES OF THE CHAIRMANSHIP

Kosovo* has identified the objectives of its Chairmanship of CEFTA Subcommittee on Customs and Rules of Origin as follows:

Objective 1: Trade Facilitation

Under the Chairmanship of Kosovo*, the Subcommittee will do its best endeavours to support the work of the Committee of Trade Facilitation, the main CEFTA Structure which is responsible to follow-up the parliamentary ratification processes of Additional Protocol 5 in each CEFTA Party.

The Chair will take all the necessary actions in case the Committee of Trade Facilitation requires the contribution of the Subcommittee, especially related to the preparation of draft Decision on the validation procedure with regard to the mutual recognition of the AEO Programmes.

In addition to this, in close cooperation with the Sub-committee of SPS and Agriculture, the Subcommittee will coordinate the process of signing the Memoranda of Understanding between CEFTA Parties national authorities for exchange of information. This will be coordinated with the Working Group on Electronic Exchange of Information of CEFTA Subcommittee on NTMs.

Objective 2: Integrating CEFTA to the EU market:

The Chair will make its best efforts to start the application of fully cumulation and duty drawback by CEFTA Parties as foreseen by the CEFTA Ministerial Decision 3/2015. The Sub-committee 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

In addition, the Chairmanship of Kosovo* will make its best efforts to coordinate the positions of CEFTA Parties in the revision exercise of the PEM Convention.

As a follow-up of the Work Programme of the previous year, Kosovo* will promote utilising SAP + cumulation of origin by the economic operators of the CEFTA Parties to the maximum extent with special focus on increasing the awareness of investment promotion agencies and other economic policy makers in the CEFTA Parties.

Furthermore, the Sub-committee will pay a particular attention to potentials of the application of the PEM Convention from trade policy points of view and the cumulation zone of the CEFTA Parties aiming to promote them as much as possible. In this respect, the direct impact of rules of origin on manufacturing and investment decisions will be highlighted. The objective of raising awareness 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.

3. PRIORITIES OF THE CHAIRMANSHIP

Main Priorities:

Objective 1: Trade Facilitation

Priority 1: To Prepare of draft Decision on the validation procedure with regard to the mutual recognition of the AEO Programmes

Kosovo* will make its best efforts in preparation of draft Decision on the validation procedure with regard to the mutual recognition of the AEO Programmes for the adoption by the CEFTA Joint Committee by the end of 2017.

Priority 2: To contribute to the preparation of draft Decision on the mutual recognition of Border Documents and Procedures

The Sub-committee will do its best endeavours to support the Sub-committee of SPS and Agriculture, and the relevant working group of Subcommittee on NTMs in elaboration of the implementing provisions on the validation procedure of the mutual recognition of Border Documents and Procedures upon their request, as its scope defined in the AP 5 and in coordination of signing the Memoranda of Understanding on the information exchange between CEFTA Parties national authorities.

Both actions under this priority will be done in coordination with the other relevant CEFTA structures through joint meetings.

Objective 2: Integrating CEFTA to the EU market:

Priority 1: To coordinate CEFTA Parties to start the application of Ministerial Decision 3/2015 in 2017

Kosovo* together with CEFTA Chair in Office will carry out all the required coordination in order to give a timely start for the application of Ministerial Decision 3/2015 which foreseen full cumulation and duty drawback in CEFTA trade.

In this regard, the Kosovo* Chairmanship will initiate consultations among CEFTA Parties and if necessary other partners of CEFTA Parties in the PEM Convention (i.e. EU, EFTA, and Turkey) to have the derogation for CEFTA approved by the PEM Joint Committee in order to include Ministerial Decision 3/2015 in PEM Appendix II. Under this priority, the utmost attention will be given not to cause to any legal situation that may require CEFTA Parties amending Ministerial Decision 3/2015.

The Sub-committee under the Chairmanship of Kosovo* will facilitate determining and implementing technical assistance to all stakeholders regarding the implementation of Ministerial Decision 3/2015.

Priority 2: To coordinate CEFTA Parties in application SAP+ cumulation

Kosovo* will try to promote utilising SAP + cumulation of origin by the economic operators of the CEFTA Parties and to increase the awareness of investment promotion agencies and other economic policy makers in the CEFTA Parties. In this respect, the direct impact of rules of origin on manufacturing and investment decisions will be highlighted. The objective of raising awareness will be to continue defending jointly the interests of CEFTA Parties in the PEM revision exercise, and initiate a possible decision making to identify new FTA partners in the PEM zone.

The Kosovo* Chairmanship as the Chair of CEFTA Subcommittee on Customs and Rules of Origin, with the support of CEFTA Secretariat will facilitate communication with investment promotion agencies and other economic policy makers in the CEFTA Parties to utilize SAP+ cumulation to the maximum extent.

Priority 3: To emphasize the importance of SAP+ cumulation and full cumulation for the development of economic corridors in CEFTA

Creating economic corridors in CEFTA in order to link manufacturing networks, and manufacturers of value-added goods, Kosovo* considers that diagonal and full cumulation, are opportunities of CEFTA Parties as one of their main tools to develop economic corridors in the Region and to attract more investment. In this regard, the Subcommittee will avail itself to promote the application of the SAP + and full cumulation to the private sector in the CEFTA Parties and existing and potential investors in the Region. In this priority, the Chair will cooperate with the relevant Chair of RCC with the support of the CEFTA Secretariat.

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

The Chairmanship of Kosovo* will coordinate the positions of CEFTA Parties in the revision exercise of the PEM Convention. The chair of CEFTA Subcommittee on Customs and Rules of Origin will avail himself in the meetings of PEM Revision Exercise and PEM Joint Committee to present the regional positions of CEFTA Parties vis-a-vis PEM revision exercise. In this regard, the most import aspect of

the Regional Position to promote the adoption of full cumulation and duty drawback as general principles of the PEM Convention. If necessary, the Kosovo* Chairmanship will be ready to organize consultation meetings with EU, EFTA, and Turkey.

4. ACTIVITIES OF THE CHAIRMANSHIP

Objective 1: Trade Facilitation

Priority 1: To Prepare of draft Decision on the validation procedure with regard to the mutual recognition of the AEO Programmes

Activity 1: Elaboration of the first draft version of the Decision on validation of national AEO Programmes in line with the Annex 3 of the AP 5 for the CEFTA Parties consideration and discussion

The Chair will lead the process for the preparation of the first draft of the Decision in close cooperation with the CEFTA Secretariat, and put it, into agenda on the Sub-committee meeting on Customs and RoO for discussion aiming to reach wide consensus on the final draft before circulating it to the Committee of Trade Facilitation.

Chair of Sub-committee will contact relevant Working Groups of Sub-committee on NTMs to get involved in the preparation of the draft Decision on validation of national AEO Programmes in line with Annex 3 of the AP 5 if needed.

Priority 2: To contribute to the preparation of draft Decision on the mutual recognition of Border Documents and Procedures

Activity 1: To provide advices and comments to the Sub-committee on SPS and Agriculture and Subcommittee on NTMs on the draft Decision on the implementing provisions of the mutual recognition of Border Documents and Procedures.

The Chair will avail the Sub-committee on Customs and RoO to have joint meetings with the Subcommittee on Agriculture and SPS, and the relevant Working Groups of Subcommittee on NTMs to get involved in the preparation of the draft Decision on the implementing provisions of the validation procedure with regard to the mutual recognition of Border Documents and Procedures, if needed and upon request of SCs on NTMS and SPS and Agriculture as leading SCs for preparation of Draft Decision.

Activity 2: Facilitating the Communication of CEFTA Committee of Trade Facilitation, Subcommittee on NTMs Working Groups on Risk Management and Electronic Exchange of Information with the Customs Authorities regarding the Additional Protocol 5.

The Chair will avail itself to facilitate any communication between the relevant CEFTA Structures (i.e. Committee of Trade Facilitation, and Subcommittee on NTMs, Working Groups on Risk Management and Electronic Exchange of Information) and Customs Authorities of CEFTA Parties when the contribution and presence of Customs Authorities are required.

Furthermore, the Chair will ensure the availability of Subcommittee on Customs and Rules of Origin

in case any request comes from Committee of Trade Facilitation and Subcommittee on NTMs with regard to customs related provisions of the AP 5.

These issues could be mainly related to the coordination and monitoring, if needed of the process of signing the Memoranda of Understanding between CEFTA Parties national authorities for exchange of information negotiations of Additional Protocol 5 or any other issues related to the trade facilitation.

The Chair is committed to provide the position of Subcommittee to the Committee of Trade Facilitation on a timely basis.

Objective 2: Integrating CEFTA to the EU market

Priority 1: To coordinate CEFTA Parties to start the application of Ministerial Decision 3/2015 in 2017

Activity 1: To coordinate CEFTA Parties on the date of the application of the Decision No.3/2015.

In accordance with the Ministerial Conclusions on December 2016 and Article 2 of the Decision No.3/2015, the Chair of the Sub-committee will secure CEFTA Parties to start full cumulation and duty drawback at the earliest possible in 2017 upon granted derogation from the PEM Convention.

In this regard, Kosovo* Chairmanship will initiate consultations among CEFTA Parties to start the application of full cumulation and duty drawback on a single date by all CEFTA Parties. Having the application of full cumulation and duty drawback started on a single date will be facilitating trade and easier for the operators. In this context, the Chair will inform in written to the Secretariat of PEM Convention when the application started.

Activity 2: Consultation with EU, EFTA and Turkey before the PEM Joint Committee

In this regard, the Kosovo* Chairmanship will organize an ad-hoc Subcommittee meeting to initiate consultations among CEFTA Parties and if necessary other partners of CEFTA Parties in the PEM Convention (i.e. EU, EFTA, and Turkey) to have the derogation for CEFTA approved by the PEM Joint Committee in a way not to cause any legal situation that may require CEFTA Parties amending Ministerial Decision 3/2015.

If necessary, the Chair will intervene in the PEM Joint Committee and present the position of CEFTA Parties the format how Appendix II could be amended.

Activity 3: To discuss any administrative level arrangements for the smooth application of full cumulation and duty drawback

The Chair will put on the agenda of CEFTA Subcommittee on Customs and Rules of Origin to discuss if CEFTA Origin needs to be indicated in EUR 1 certificates for the regional trade which will be benefiting from full cumulation and duty drawback. In case of the agreement reached by the CEFTA Parties, the Chair will inform such recommendation to all CEFTA Parties in written.

Activity 4: To develop Training Plan based on the expressed needs of the CEFTA Parties in 2016

Together with the CEFTA Secretariat, the Chair of the Sub-committee will prepare realistic draft Training Plan for the CEFTA Parties consideration. The draft will be developed taking into the account already discussed CEFTA Parties needs and suggestions and available financial resources and possible support from donors.

Activity 5: Organizing Trainings on Full Cumulation and Drawback

On the basis of needs identified by the CEFTA Parties, the Chair will organize training seminars for customs authorities and private sector on full cumulation and drawback, with the financial support of CEFTA Secretariat.

The Sub-committee under the Chairmanship of Kosovo* will facilitate determining and implementing all other types of technical assistance to all stakeholders regarding the implementation of Ministerial Decision 3/2015.

Priority 2: To coordinate CEFTA Parties in application SAP+ cumulation

Activity 1: To follow-up on the publication of new PEM matrix.

The Chair will undertake all the necessary follow-up actions together with the CEFTA Secretariat to ensure the timely publication of new PEM matrix for the notification of application of diagonal cumulation between the relevant CEFTA Parties and EFTA States.

Activity 2: To coordinate CEFTA Parties for timely conclusion of modifications in their bi-lateral FTAs with EFTA to link them with the PEM

The Chair will request each CEFTA Party to keep each other updated on the progress related to the modification of their bi-lateral FTAs with EFTA and Turkey to link them with the PEM.

In this exchange of information, the Secretariat will be used as the focal point.

The Chair will report to CEFTA Parties in the Subcommittee, if any delay encountered in these modifications and discuss what CEFTA Subcommittee can do to support for speeding-up the completion of such process.

Priority 3: To emphasize the importance of SAP+ cumulation and full cumulation for the development of economic corridors in CEFTA

Activity 1: To contribute to the organization of the Conference of the economic corridors to other CEFTA Structure (mainly to the Committee of Trade Facilitation and Sub-committee on Trade in Services)

This is a remaining activity from 2016 and it is fully in line with the priorities of the Chair in Office for 2017.

Sub-committee on Customs and RoO will avail itself to prepare a relevant part of the Conference of economic corridors during which business community in the region are invited together with manufactures in the Region and in the EU, and Turkey to discuss the potentials of the Region by utilizing SAP+ cumulation and full cumulation/drawback. The Conference will also include other policy issues affecting the development of economic corridors such as transport and alignment with the technical legislation.

One part of the conference is to be devoted to business to business meeting.

The conference is to be organized with the support of CEFTA Secretariat and in cooperation with the Chair in Office, RCC.

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

Activity 1: To update CEFTA Joint Position Paper and to present CEFTA standpoints to the revision exercise of the PEM in line with the adopted one

Taking into the account suggestions for the PEM revision exercise expressed at the previous PEM WG meetings and the agenda for the upcoming PEM WG meetings, the Chair will circulate an updated draft of the CEFTA Joint Position Paper for the CEFTA Parties approval. Once the approval is granted, the Chair will avail himself physically in the PEM Revision Exercise Working Group and PEM Joint Committee Meetings to present the CEFTA Joint Position.

In this regard, the most important aspect of the Regional Position to promote the adoption of full cumulation and duty drawback as general principles of the PEM Convention.

If necessary, the Kosovo* Chairmanship will be ready to organize consultation meetings with EU, EFTA, and Turkey in the framework of this activity.

Activity 2: To organize coordination meeting in Brussels before each meeting related to the PEM

This activity is closely linked to the previous one.

Introduced as a practice in 2016 and agreed at the last Sub-committee meeting held in Belgrade on November 10th, 2016, the Chair will organize coordination meetings in Brussels before each meeting related to the PEM.

5. EXPECTED RESULTS

The results of the Kosovo* Chairmanship are expected to lead to the following corresponding to the two objectives mentioned above:

Objective 1: Trade Facilitation

- Additional Protocol 5 will enter into force according to the plan upon the adoption of 2 remaining Decisions on mutual recognition as defined by Articles 24 and 25.

Objective 2: Integrating CEFTA to the EU market

- The application of SAP + cumulation is utilized to the maximum possible extent.
- The role of SAP+ cumulation and full cumulation/drawback is identified in the development of economic corridors in the Region.
- Coordination between CEFTA Parties for the revision exercise of PEM Convention is ensured to promote the economic interest of the Region.
- The institutional capacity of CEFTA Parties for application of full cumulation and drawback is in place.

6. RISKS AND ASSUMPTIONS

The Chair foresees that the following issues are out of its control but assumes that any negative development thereon which may endanger the smooth functioning of the Agreement will be prevented by the joint effort of each CEFTA Party.

- Each CEFTA Party remains committed to the CEFTA process and its provisions;
- High level coordination between Ministries of Trade and Customs Authorities remain unchanged;
- RCC stays committed to take a main role in organisation of the Conference on economic corridors;
- International donors remain committed to support financially the CEFTA.

7. CALENDAR OF EVENTS

The tentative calendar for the year 2017 is as follows:

MEETING/EVENT	DATE	PLACE
2 nd Ad-hoc CEFTA Coordination Meeting on PEM (February 7 th and 8 th)	February 6 th	Brussels
13 th Subcommittee on Customs and Rules of Origin meeting	May / June	Pristine
14 th Subcommittee on Customs and Rules of Origin meeting	September / October	Pristine
Conference on economic corridors	September	TBD
Training seminars (3) in accordance with Training Plan	September	TBD