
REPUBLIC OF MACEDONIA

CEFTA
Work Programme of the
Subcommittee on Customs and Rules of
Origin

JANUARY - DECEMBER 2013

1. INTRODUCTION

1.1. Background

CEFTA 2006 sets for its Parties two different objectives in the field of customs. The first objective as mentioned in the first three paragraphs of Article 14 is **to ensure effective and harmonised application of the origin protocols of the Agreement**. In this regard, the CEFTA diagonal cumulation stipulated by Article 3 of Annex 4 of the Agreement has become fully applicable throughout the CEFTA Region as of 22 November 2007.

A significant level of progress has also been recorded in the application of SAP+ cumulation as stipulated by Article 4 of the above mentioned annex. Lately, the application of diagonal cumulation between Croatia and the EU, and between Turkey and Albania started on 01 June and 01 August 2011, respectively. Furthermore, four CEFTA Parties, namely Albania, Croatia, Macedonia, and Serbia, which concluded free trade agreements with the EFTA States, have recently started to apply diagonal cumulation with the latter on 01 January 2012.

Furthermore, all relevant CEFTA Parties have been actively involved in the revision of PEM Convention origin protocol and its list rules. In 2011 the Parties had a meeting in Tirana under Albania's chairmanship during which CEFTA origin experts have been gathered to discuss and exchange of their views regarding the position of the Region to be presented in the PEM process. In 2012 the Chairmanship of Bosnia and Herzegovina organised another meeting on the PEM process in which the current state of play of the revision of PEM was presented by the EU experts.

As the second objective, the Agreement equally signifies the **importance of simplifying customs procedures and reducing the formalities** imposed on trade with a view to facilitating trade.

In 2011, the multiannual work programme had been prepared by Albania which had a clear emphasis on that second objective, and identified a couple of priority areas accordingly. That multiannual work programme and its priorities were updated by Bosnia and Herzegovina according to the outcomes of the technical meetings which had been held under its Chairmanship.

1.2. CEFTA Ministerial Conclusions of 2012 in relation to Subcommittee on Customs and Rules of Origin

In its latest meeting of the CEFTA Joint Committee in 2012, the CEFTA Ministers emphasised the need to prioritise regional efforts in facilitating trade without hampering the deterrence of security and safety controls at the border and for the sake of achieving concrete and measurable positive impacts on CEFTA economies in the short term. The Ministers underlined critical importance of strengthening risk management, particularly in customs due to its leading role thereof but also in other border agencies. Thus, CEFTA Joint Committee adopted a decision establishing a working group on customs risk management that becomes a formal part of the CEFTA Structures.

In the same meeting, the CEFTA Ministers recognised the need to prioritise the regional efforts in facilitating trade through strengthening risk management, particularly in customs due to its leading role thereof but also in other border agencies. The Ministers also encouraged all Parties to reaffirm the leading role of Customs Authorities in trade facilitation efforts at the national level and in CEFTA and to support them for taking such roles more effectively.

Lastly, the Ministers recommended all Parties to identify the means for further exploiting the implementation of diagonal cumulation of origin within CEFTA, to accelerate adoption and ratification of the Pan-Euro Mediterranean Convention, and to immediately commence the necessary procedure to modify the CEFTA Protocol on rules of origin and other relevant bilateral protocols of origin with a view to merging the variable cumulation zones under the Convention.

Furthermore, the CEFTA Ministers welcome 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 emphasize the importance of trade policy, as a core component to achieving economic growth in an integrated and inclusive manner.

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

In particular, CEFTA Structures will contribute to programming two dimensions of the integrated growth component of the South East Europe Strategy 2020 which are related to trade liberalisation and trade facilitation. The contribution of the CEFTA Subcommittee of Customs and Rules of Origin through its activities in 2013 under the Chairmanship of the Republic of Macedonia is to be therefore of critical importance.

1.3. Mandate and scope of the Subcommittee and Working Group on Customs Risk Management

1.3.1. Mandate of the CEFTA Subcommittee on Customs and Rules of Origin as determined by the Decision of the Joint Committee 4/2007

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. 4/2007:

- Exchange and discuss information on a regular basis on measures to simplify and facilitate customs procedures in the region;
- Facilitate for customs authorities to cooperate in setting up integrated border management systems, single windows and data harmonisation in the region;
- Exchange information on measures to maintain the integrity and the efficiency of

the respective customs services;

- Cooperate with on-going and future international programmes to ensure their full benefit;
- Ensure harmonised implementation of common rules of origin with a view to inter alia enabling diagonal cumulation of origin;
- 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.

The same decision stipulates that the senior civil servants responsible for customs issues from the CEFTA Parties hold one meeting per year, but can meet on an ad hoc basis, if needed.

1.3.2. Mandate of the CEFTA Working Group on Customs Risk Management as determined by the Decision of the Joint Committee 1/2012

According to the Decision 1/2012, the main tasks of the Working Group on Customs Risk Management would be as follows:

(i) Cooperation in the field of customs risk management:

- To exchange information on the existing or any amendment adopted in the national rules and regulations on customs risk management, and its implementation,
- To share best practices in customs risk management, particularly with regard to its implementation, training of staff, administrative organisation and decision making processes, inter-agency and intra-agency cooperation and coordination, and cross-border cooperation,
- To cooperate, assist each other and exchange views and experiences on legal reform to be adopted by the CEFTA Parties in the context of relevant EU integration process,
- To discuss the implementation of regional or national projects in the field of or which may have a direct impact on customs risks management, in particular EU financed project on Systematic Electronic Exchange of Data (SEED), with an aim to develop common regional positions regarding the issues deemed to increase the relevance, efficiency, effectiveness, and impact of the projects concerned for customs risk management.

(ii) Explore possibilities for creating and applying joint risk profiles

- To prepare a work program planning the activities need to be taken to create and apply joint risk profiles for risks which are deemed common throughout the region,

- To discuss common risks in the field of customs, and the most appropriate level of action to cope with those common risks,
- If justified according to the point above, to initiate the preparation process for developing joint profiles,
- In this task, priority to be given on developing non-risk areas on which a number of non-risk profiles could be developed with a view to facilitate the regional trade through simplification of customs procedures and reduce the formalities imposed on trade.

1.3.3. Activities determined in the Report of the Chair of the Subcommittee on Customs and Rules of Origin during the chairmanship of Bosnia and Herzegovina

Last year, the Chair of the Subcommittee on Customs and Rules of origin for 2012, has updated the priorities of the Multiannual Program of the Subcommittee setting a three year perspective for the activities of the Subcommittee on Customs and Rules of Origin. The Republic of Macedonia will substantially take into account the multiannual priorities and designed the priorities and activities of its annual work programme accordingly.

- 1) Coordination with other CEFTA Subcommittees through contributing to their work;
- 2) Developing regional approach in the areas of risk management through using available electronic data exchange capabilities between the CEFTA Parties with an aim to facilitating intra-regional trade by fully taking into account the requirements of the EU acquis;
- 3) Establishing transparent, efficient and effective procedures to ensure sustainable and reliable information exchange between customs and the regional trading community to simplify customs rules with a view to facilitating legal trade;
- 4) Strengthening the level of regional coordination in the field of rules of origin with an aim to sustain the proper implementation of the CEFTA Origin Protocol, and respond to any upcoming need for its modification;
- 5) Preparing responses to the common administrative capacity development challenges at the regional.

2. OBJECTIVES OF THE CHAIRMANSHIP

The objectives of the Republic of Macedonia's chairmanship work programme are as follows:

- to ensure full compliance of all CEFTA parties with the EU, WCO and WTO principles of free trade
- to facilitate the regional trade through promoting and increased use of risk management in customs and other border agencies, to the possible extent, with a view to simplifying customs and other trade related procedures,
- to strengthen capacity in smooth functioning of diagonal cumulation between the CEFTA Parties and other priority areas of CEFTA Customs Authorities.

The Chairmanship also considers transport and transit as a cross-cutting issue in trade

facilitation related activities of the Subcommittee and therefore aims at developing further cooperation and parallelism with the regional initiatives taken in the field of transport. One of the most important goals for trade facilitation in this respect shall be joining the EU Common Transit Convention (CTC). The horizontal feature of transport sector in relation to facilitation of the regional trade is one of the horizontal issues linked different trade related components of the SEE Strategy 2020.

Having taken into account the updated multiannual priorities of CEFTA Subcommittee on Customs and Rules of Origin and the upcoming preparatory work of the SEE Strategy of 2020, the Republic of Macedonia considers taking the following actions to serve the overall objectives above.

3. ACTIVITIES PLANNED UNDER THE CHAIRMANSHIP

3.1 Trade Facilitation

The Republic of Macedonia considers promoting the use of risk management in the regional trade as one of the main tools for facilitating the regional trade. The Republic of Macedonia therefore believes that the Working Group on Customs Risk Management will definitely be a catalyst not only for enhancing the cooperation of customs risk management between CEFTA Parties but also for initiating exploratory work to joint risk profiling in the regional trade. Success to be reached in the risk management related activities is thus expected to trigger the simplification of customs and other trade procedures.

- CEFTA Working Group of Customs Risk Management

It is expected that the CEFTA Working Group of Customs Risk Management is to have its first meeting in the second quarter of 2013. In its first meeting, the work programme of the Working Group is to be discussed and finalised. In its work programme, the working group is to set its objectives in line with its mandate, and prioritise the results to be reached by the end of this year. The SEED 2 shall also be mentioned as the first step towards exchange of data.

Depending on the outcomes of its first meeting, the Working Group would have the second meeting in the third quarter of 2013. The main objective of the second meeting is to start discussing possibilities for creating and applying joint risk profiling.

- Simplification of customs and other trade related procedures

For the sake of creating concrete impact on trade facilitation in the short term, the Subcommittee may call for a network meeting of customs procedures experts and with other border agencies to discuss establishing a list of duplicate and unnecessary data requirements which can be abolished. The meeting can be held in the framework of the IFC Trade Logistics Project. The contribution of the Working Group on Risk Management is also expected to the possible outputs to be reached in this meeting. Harmonization of the transit procedures with the Common Transit Convention shall be of the high priority for trade facilitation.

- Workshop on AEO Programme

The information exchange between the customs authorities and private operators is one of the main pillars of trade facilitation. In particular, granting the use of simplified procedure to the private operators which are meeting a number of pre-defined customs security related standards is considered an important tool for trade facilitation.

The last year Chairmanship of CEFTA Subcommittee on Customs and Rule of Origin foresaw organising a meeting on AEO programme to raise awareness of the private sector. As the priorities of the Republic of Macedonia are in harmony with the multiannual objectives, the Chair considers organising such workshop necessary to promote the technical features of AEO programme to the CEFTA Private Sector and discuss their readiness to implement the programme properly.

In the margins of the meeting, the representatives of CEFTA Customs Authorities would be able to discuss the possibility to initiate a mutually recognised CEFTA AEO programme.

It is planned that the workshop is to be organised in cooperation with EU TAIEX assistance.

3.2 Capacity Building

3.2.1. Origin (Reviewing implementation of CEFTA Origin Protocol)

Since November 2007 the diagonal cumulation between the CEFTA Parties has been applicable. However, no activity has been undertaken to measure analytically the implementation of multilateral CEFTA Origin Protocol.

The Chairmanship of Republic of Macedonia considers that measuring trade volume which benefits from diagonal cumulation of the CEFTA Origin Protocol would be a valuable piece of information regarding its further analytical analysis.

- Measuring and Analysing the Functioning of Diagonal Cumulation in CEFTA

As known, there are three different cumulation zones that are directly related to CEFTA region. The first one is CEFTA cumulation zone from which all CEFTA Parties can benefit. The second is called as the Western Balkans which comprises of the EU, and the EU SAA Partners in the Western Balkans, and Turkey for the products which are covered by the EU-Turkey Customs Union. Lastly, the EFTA and its bi-lateral FTA partners in the CEFTA Region can benefit from diagonal cumulation, if the specific bi-lateral FTAs between the relevant CEFTA Party and EFTA States allows.

Despite those diagonal cumulations so far neither data are collected nor are analyses made regarding the functioning of those cumulations.

The Chairmanship of Republic of Macedonia therefore considers taking an initiative to collect data from CEFTA Customs Authorities and have them analysed with a view to improving functioning of the diagonal cumulation in CEFTA. In this analyse, in addition to the data regarding the volume of transactions to which cumulation has applied and its type, it is

planned to compare the data of importation of goods from a CEFTA Party with preferential origin and importation from a CEFTA Party without preferential origin. This information is also important to specify import data with the preferential origin for the concrete country of origin. It is considered that such initiative can be financed by international donors.

- 3rd CEFTA Origin Network Meeting

The Chair considers organising the third CEFTA Origin network meeting wherein CEFTA Origin experts can discuss thoroughly the implementation track record of the CEFTA diagonal cumulation, and the current state of play in the revision exercise of the Pan-EuroMed Convention. At this meeting the Chair in cooperation with the CEFTA Secretariat is to make mapping of all the processes that have to be done by the Western Balkan countries, which are connected with the completion of the practical implementation of Pan-Euro med Regional Convention, which is planned to start in the beginning of 2015. (alternative wording: At this meeting CEFTA Parties are to be explained about all the steps necessary to be taken in order to benefit from the PEM Convention once its implementation starts, which is expectedly to take place in 2015.

The Republic of Macedonia considers that the priority for its Chairmanship is to harmonize the Origin Protocol of CEFTA Agreement and use the EU Regional Convention of Origin as starting point for future amendments of CEFTA, SAAs and EFTA Agreements with the inclusion of Regional Convention on Origin. A matrix of harmonization, based on the “variable geometry” principle, might be prepared in coordination with DG TAXUD.

The meeting is expected to be carried in cooperation with EU TAIEX assistance.

3.2.2. Trainings

The CEFTA Parties have concluded training needs analysis in which they have indicated areas that they need to have short-term technical trainings. Accordingly, in addition to the rules of origin, other three areas are as follows:

- 1) EU Customs databases and ICT interconnectivity (TARIC, NCTS, CCN and CSI)
- 2) Customs Audit Planning
- 3) Customs Valuation (methodologies and tools to prevent undervaluation, better understanding on transfer pricing)

The Chairmanship will do its best efforts to organise 2-3 days technical workshops of each three area in order to respond those training needs which the Parties have emphasised.

The workshops are considered to be organised in cooperation with EU TAIEX assistance.

3.3. Cooperation with Transport Sector

The Chair considers that progress in trade facilitation is to be partial, if the transport infrastructure, particularly in border crossing points, is not renovated in parallel. Through the

talks between CEFTA Subcommittee on Customs and Rules of Origin and SEETO, the Chair will continue reiterating the need to deepen synchronisation between prioritisation related to trade facilitation and transport, and suggest SEETO to take into account trade flows through transport corridors of the regional trade.

In this regard, a joint initiative between CEFTA and SEETO might be considered to collect necessary data on trade flows of the regional trade corridors. Furthermore, the Chair will follow up on the activities of SEETO in prioritising transport investments with a view to promoting the regional trade.

4. EXPECTED RESULTS

The results of our Chairmanship are expected to lead to the following outcomes corresponding to four components mentioned above:

1) Trade Facilitation:

- Initial talks regarding joint risk profiling are held;
- Drafting the list of duplicate and unnecessary data requirement which might be abolished is commenced;
- A Handbook of good practices for establishment of just-a-box Customs office is prepared;
- Pros and cons to establish a Regional AEO Programme CEFTA Parties are evaluated.

2) Capacity Building:

- Functioning of the CEFTA Diagonal Cumulation is measured and analysed;
- CEFTA Parties are updated regarding the current state of play of the PEM Convention;
- If necessary, a new Origin Matrix is established, together with the principles for further approximation and amendments of the Origin Protocols;
- Urgent training needs of the CEFTA Authorities are responded.

3) Cooperation with Transport Sector:

- Promoting the regional trade in transport investment projects is taken into account;
- Further Promotion of the Common Transit Convention.

5. 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.
- Customs Authorities and other governmental agencies whose contribution is

necessary to the work of the Subcommittee will have the sufficient level of resources (human resources and time) available for the Subcommittee.

- International donors remain committed to support financially the CEFTA.

6. CALENDAR OF EVENTS

Having taken into account the positive experience of last year and given the heavy work programme of the Subcommittee on Customs and Rules of Origin, the Chair considers organising two meetings of the Subcommittee in 2013.

The tentative calendar for the year 2013 is as follows:

MEETING/EVENT	DATE (INDICATIVE)
CEFTA AEO Workshop together with Customs Procedures	28 – 29 March 2013
CEFTA Working Group on Customs Risk Management	25 April 2013
CEFTA Network of Customs Procedures Experts Meeting	28 – 29 March 2013
CEFTA Subcommittee on Customs and Rules of Origin (1 st meeting)	6- 7 June 2013
CEFTA Origin Network Meeting	6 - 7 June 2013
Training Workshops	September-October 2013
CEFTA Working Group on Customs Risk Management	1 October 2013
CEFTA Subcommittee on Customs and Rules of Origin (2 nd meeting)	24 – 25 October 2013

Annexe 1: Logical Framework Matrix

LOG FRAME PLANNING MATRIX FOR CEFTA CIO PRIORITIES		Period: January – December 2013	
Overall objective	Indicators of Achievement	Sources of verification	
<p>To ensure full compliance of all CEFTA parties with the EU, WCO and WTO principles of free trade</p> <p>To facilitate the regional trade through promoting risk management in customs and other border agencies, to the possible extent, in a way to simplify customs and other trade related procedures</p> <p>To strengthen the capacity in smooth functioning of diagonal cumulation between the CEFTA Parties and other priority areas of CEFTA Customs Authorities.</p>	<ul style="list-style-type: none"> - Increased intra CEFTA trade together with increased trade with other world - Contribution made to trading across borders related reforms and rankings of the CEFTA Parties that to be reported by the World Bank Doing Business Report 	<ul style="list-style-type: none"> - The Report of Subcommittee on Customs and RoO - WB Doing Business 	
Priorities	Indicators of Achievement	Sources of Verification	Assumptions
<ul style="list-style-type: none"> 1) Trade Facilitation 2) Capacity Building 3) Cooperation with Transport 	<ul style="list-style-type: none"> - Number of data required by the CEFTA Parties in the regional trade is decreased by the end of 2015. - An action plan is developed to increase the efficiency of the diagonal cumulation in the CEFTA Region - Coordination between CEFTA Structures and SEETO is increased and the trade related priorities are better reflected to investment projects in the field of transport 	<ul style="list-style-type: none"> - The Report of Subcommittee on Customs and RoO 	<ul style="list-style-type: none"> 1) Each CEFTA Party remains committed to the CEFTA process and its provisions. 2) Customs Authorities and other governmental agencies whose contribution is necessary to the work of the Subcommittee will have the sufficient level of resources (human resources and time) available for the Subcommittee. 3) International donors remain committed to support financially the CEFTA.
Activities	Results	Means	Assumptions
<p>Trade Facilitation:</p> <p>Activity 1 – CEFTA Working Group on Customs Risk Management</p> <p>Activity 2- Simplification of Customs Procedures and other related procedures</p> <p>Capacity Building:</p> <p>Activity 3- Measuring and Analysing Diagonal Cumulation in CEFTA</p> <p>Activity 4 – 3rd Meeting of CEFTA Origin Network</p> <p>Activity 5 – Training Workshops are held</p> <p>Cooperation with SEETO</p> <p>Activity 7 – Joint Actions with SEETO to promote the regional trade in transport investment projects</p>	<p>Trade Facilitation:</p> <ul style="list-style-type: none"> 1. Initial talks regarding joint risk profiling are held 2. Drafting the list of duplicate and unnecessary data requirement which might be abolished is commenced 3. A hand-book of good practices for establishment of just-a-box Customs office is prepared <p>Capacity Building:</p> <ul style="list-style-type: none"> 4. Functioning of the CEFTA Diagonal Cumulation is measured and analysed 5. CEFTA Parties are updated regarding the current state of play of the PEM Convention 6. If necessary, a new origin matrix is established, together with the principles for further approximation of the Origin Protocols. 7. Urgent training needs of the CEFTA Authorities are responded <p>Cooperation with Transport Sector</p> <ul style="list-style-type: none"> 8. Promoting the regional trade in transport investment projects is taken into account 9. Further promotion of the Common Transit Convention 	<ul style="list-style-type: none"> - Customs experts of CEFTA Parties - Experts of the relevant authorities of CEFTA Parties - Experts of the relevant international organisations - CEFTA Project Facility - TAIEX - International donors 	<ul style="list-style-type: none"> 1) Each CEFTA Party remains committed to the CEFTA process and its provisions. 2) Customs Authorities and other governmental agencies whose contribution is necessary to the work of the Subcommittee will have the sufficient level of resources (human resources and time) available for the Subcommittee. 3) International donors remain committed to support financially the CEFTA.

