



CEFTA

Programme for the 2011 Chairmanship

JANUARY - DECEMBER 2011

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Table of Contents

1. INTRODUCTION	3
1.1. CEFTA Agreement	3
1.2. CEFTA Structures	4
<i>1.2.1 Joint Committee</i>	
<i>1.2.2 Subcommittees and other bodies</i>	
<i>1.2.3 CEFTA Secretariat</i>	
2. OBJECTIVES OF THE CHAIRMANSHIP	5
2.1. Commitments to be further implemented in 2011	5
<i>2.1.1. Liberalisation in Trade of Agricultural Products</i>	
<i>2.1.2. Liberalisation of Trade in Services</i>	
<i>2.1.3. Investment</i>	
<i>2.1.4. Public Procurement and Competition Rules</i>	
<i>2.1.5. CEFTA Trade Portal</i>	
<i>2.1.6. Monitoring Instrument for NTBs</i>	
<i>2.1.7. Customs Cooperation and Rules of Origin</i>	
2.2. New priorities to be addressed in 2011	7
<i>2.2.1. Protection of Intellectual Property Rights</i>	
<i>2.2.2. Contingent Protection Rules</i>	
3. MAIN EVENTS	8
3.1. Calendar of Events	8
4. RELATED ACTIVITIES	9
4.1. Cooperation with international institutions and regional initiatives	9
4.2. Promotional Activities	10
5. TECHNICAL ASSISTANCE	11

1. INTRODUCTION

1.1. CEFTA Agreement

The Agreement on the Amendment and Accession to the Central European Free Trade Agreement (CEFTA 2006) signed in Bucharest on 19 December 2006 has been in force for all Parties for more than three years. The rapid pace at which all the Parties negotiated, signed and ratified this inclusive, modern and ambitious agreement demonstrates the commitment of the governments in the region to improving trade and investment policies in South East Europe.

The CEFTA Parties welcomed the development of a regional framework for trade policy, recognising that the strengthening of trade links between the SEE economies is an important part of the wider strategy of growth and stability in the region. CEFTA was concluded with a view to enhancing trade potential in the region, thus contributing to greater economic growth and an increase in investment and employment in the region, as well as enhancing the process of European integration.

Some continuing challenges that hinder the implementation of the Agreement, particularly in the areas of free movement of goods, recognition of customs stamps and sanitary and phytosanitary issues, must be overcome in order to render the Agreement operational and beneficial for all participants.

The main objectives of this comprehensive Agreement are, *inter alia*, to expand trade in goods and services and foster investment by means of fair, stable and predictable rules; eliminate barriers to trade between the Parties; provide appropriate protection of intellectual property rights in accordance with international standards; and harmonise provisions on modern trade policy issues, such as competition rules and state aid. It also provides for clear and effective procedures for dispute settlement as well as gradual establishment of the EU - Western Balkan countries zone of diagonal cumulation of origin.

The Agreement fully conforms to the WTO rules and procedures and EU regulations. Effectively implemented, the Agreement provides an excellent framework for the Parties to prepare for EU accession, in accordance with the Thessaloniki Agenda and Declaration of June 2003.

1.2. CEFTA Structures

1.2.1. Joint Committee

The governing body of CEFTA is the Joint Committee (Article 40 of the Agreement) and its main function is to supervise and administer the implementation of the Agreement. The Joint Committee meets at least once a year and makes decisions by consensus.

1.2.2. Subcommittees and other bodies

In accordance with Article 41.5 of the Agreement, the Joint Committee can establish subcommittees and other bodies to support the implementation of the agreement. To date, three subcommittees and two working groups have been established:

- **Subcommittee on Agriculture including Sanitary and Phyto-sanitary Issues**, whose task is to facilitate trade in agricultural products within the region.
- **Subcommittee on Customs and Rules of Origin**, whose task is to simplify and facilitate customs procedures and stimulate rapid implementation of the common rules of origin in all the Parties, in line with Article 14 of the Agreement.
- **Subcommittee on Technical Barriers to Trade and Non-Tariff Barriers**, whose task is to identify, review and propose measures for elimination of technical barriers to trade and non-tariff barriers among the Parties.
- **Working Group on Trade in Services** – established by the ministerial conclusions of the Joint Committee in 2010, based on Article 27 of the Agreement, with the main purpose of exploring the possibilities for gradual liberalisation in trade in services among CEFTA Parties.
- **Working Group on Technical Barriers in Trade** – established in 2010 under the framework of Subcommittee on NTBs and TBT. This group serves as a forum for discussion on issues such: harmonisation of technical regulations, standards and mandatory conformity assessment procedures with the aim of eliminating technical barriers to trade.

1.2.3. Secretariat

According to Article 40.2 of the CEFTA 2006, the Joint Committee is supported by the Secretariat located in Brussels. The overall role of the Secretariat is to provide technical and administrative support to the Joint Committee, to any subcommittee, expert group or other body established by the Joint Committee.

2. OBJECTIVES OF THE CHAIRMANSHIP

During its tenure in office, the 2011 CEFTA Chair in Office will pursue the implementation of the CEFTA 2006 Agreement. It will address the most important obligations that Parties have undertaken to fulfil during previous Chairmanships and will continue to work on new ones.

2.1. Commitments to be further implemented in 2011

2.1.1. Liberalisation of Trade in Agricultural Products

Since the ratification of the CEFTA Agreement in late 2007, significant results have been achieved in the liberalisation of agricultural trade. The majority of Parties have agreed on full liberalisation leaving only a limited number of tariffs and quotas in place. The Chair in Office is committed to following up on the effects of such liberalisation on the CEFTA economies once it enters into force.

2.1.2. Liberalisation of Trade in Services

In 2011 the Chair in Office will focus on further exploring the possibilities for gradual liberalisation of trade in services among the CEFTA Parties. As instructed by the Joint Committee at its fourth session held in Belgrade last year, the Chair in Office will guide the Working Group on Trade in Services to perform necessary activities and submit appropriate recommendations to the Joint Committee in the first half of 2011 in order to define common interests and goals for entry into mutual negotiations.

Following the recommendations from the EC Study on “Potentials for Liberalisation on Trade in Services” undertaken in 2010, due attention will be given to strengthening cooperation among relevant bodies and improving the quality of statistics in trade in services.

In identifying a potential road map towards the liberalisation of trade in services, the Chair in Office and the Parties will also benefit from the World Bank study in progress on the potential effects of such liberalisation on the economies of the region.

2.1.3. Investment

In the area of investment in the context of the CEFTA 2006 Agreement, the Chair in Office will work closely with the OECD team on the project “Evaluation of the Impact of Regional Trade Integration on Investment Location”, which started in July 2010. The project will concentrate on mapping FDIs and investment location within the CEFTA Parties while

identifying the patterns of regional distribution and key factors leading to the geographical concentration of sectors and clusters. This will enable all the Parties to have an evaluation of the impact of regional and EU integration on the evolution of investment location in the region and promote further closer cooperation among investment promotion agencies.

2.1.4. Public Procurement and Competition Rules

The Chair in Office is fully committed to follow up on activities based on the first reviews of the implementation of the commitments in Articles 19, 20, 21 and 35 undertaken in the course of 2010. Further screening of the progress in the implementation of the CEFTA 2006 Government Procurement clauses will be continued in close cooperation with the Public Procurement Agencies and the OECD-SIGMA team. Along the same lines, the agenda for enhancing joint cooperation among public procurement agencies in the region will be developed.

In the area of competition rules, the Chair in Office will work closely with the European Commission to organise regular exchanges of experiences among the EC Member States and CEFTA Parties and continue with reviewing the implementation of the competition clauses in the Agreement.

Special attention will be given to defining and implementing a common format of notification of State Aid, with the objective of setting up an operational notification system in 2011.

2.1.5. CEFTA Trade Portal

The 2011 Chair in Office will focus its activities on ensuring the full functioning of the CEFTA Trade Portal in its first year of operation. This includes close cooperation with GIZ who are funding the project over the next two years as well as coordination of activities with the relevant focal points in each of the CEFTA Parties.

In addition to enhanced transparency of the current legislation and institutional framework, the CEFTA Trade Portal will provide permanent up-to-date information on new developments in the area of trade in the region. At least three such up-dates are foreseen during 2011.

Given that it is a useful tool for business and other interested parties, the Chair in Office encourages users of the Portal to contribute comments and suggestions in order to improve its performance and ensure that outputs meet their needs. These will be incorporated in the revision of the Portal at the end of 2011.

2.1.6. Monitoring Instrument for NTBs

Recognising the harmful effects of non-tariff barriers on mutual trade, the Chair in Office strongly supports the implementation of the Work Programme of the Subcommittee on NTBs and TBT proposed by the Chair of the Subcommittee, i.e. Bosnia and Herzegovina.

Emphasis will be put on the implementation of the OECD project on developing an instrument for monitoring NTBs. The specific objectives of this project are to ensure the independent monitoring of the elimination of NTBs, to effectively communicate and promote the findings of the monitoring to the relevant CEFTA structures and other stakeholders and to secure the existence of a permanent and stable process of eliminating NTBs.

2.1.7. Customs Cooperation and Rules of Origin

In the course of 2011, the Chair in Office will give special attention to enhancing the capacities of customs authorities and ensuring full implementation of diagonal cumulation based on common rules of origin with the main goal of facilitating trade in the region.

These activities will be complemented with the **IFC Project on Regional Trade Logistics in SEE**. The CEFTA Parties will have the opportunity to make progress in achieving further simplification and harmonisation of procedures and documentation, in integrating risk management systems into border inspection and in implementing the Single Window systems. The project will be delivered in two phases, the first to be completed by the end of June 2012 and the second phase by the end of December 2013.

2.2. New priorities to be addressed in 2011

2.2.1. Protection of Intellectual Property Rights

The main goal is to ensure the adequate and effective protection of intellectual property rights in accordance with the international standards and conventions listed in Annex 7.

The Chair in Office will support any Party who may decide to include in this Annex other multilateral conventions in this field, and to affirm their commitments to review Part D of this Chapter, no later than 1 May 2011.

2.2.2. Contingent Protection Rules

Recognising the importance of having an accurate and uniform interpretation of commitments undertaken, the Chair in Office will carry out a review of the issues and common interpretation of Articles 22, 23, 24 and 25 of the Agreement which refer to various protection measures.

The aim is to have these rules understood and implemented in a way that does not unnecessarily impede trade among the CEFTA Parties.

3. MAIN EVENTS

3.1. Calendar of Events

The main function of the regular meetings of the CEFTA Structures are to review progress on the implementation of the Agreement and address the most important issues and concerns, while serving as a forum for exchanging experiences and knowledge among the Parties.

The third CEFTA Secretariat Steering Committee meeting will be held in the first quarter of 2011. The meeting will assemble the CEFTA Parties, the European Commission and current and potential bilateral donors to discuss relevant topics related to the functioning of the CEFTA Secretariat.

The three Subcommittees will hold their regular annual sessions in the first half of the year, followed by the Deputy Ministers meeting in mid June 2011. The main objective of this meeting will be to take stock of the six month period of the Chairmanship and finalise the preparations for the Joint Committee meeting. The meetings of the Working Group on Trade in Services and the Working Group on TBT are also scheduled for the first half of 2011.

The fifth Joint Committee Meeting will gather the CEFTA ministers responsible for foreign trade and their authorised representatives to discuss current economic trends in the region, open issues and to adopt the necessary decisions on CEFTA related topics. It holds its session in the fourth quarter of the chairing year.

Table 1 2011 Calendar of Events

EVENT	CHAIR	DATE
CEFTA SECRETARIAT STEERING COMMITTEE	Chair in Office	March
WORKING GROUP ON TRADE IN SERVICES	Chair in Office	April
WORKING GROUP ON TBT	Bosnia and Herzegovina	April
SUBCOMMITTEE ON CUSTOMS AND RULES OF ORIGIN	Albania	May
SUBCOMMITTEE ON AGRICULTURE AND SPS	Chair in Office	May
SUBCOMMITTEE ON TBT AND NTBs	Bosnia and Herzegovina	June
DEPUTY MINISTERS MEETING	Chair in Office	June
CEFTA WEEK	Chair in Office	October
JOINT COMMITTEE MEETING	Chair in Office	October

4. RELATED ACTIVITIES

4.1. Cooperation with international institutions and regional initiatives

During 2011 the Chair in Office is committed to continue its work on enhancing and deepening further cooperation between the CEFTA Parties and the major international partners in the field of trade, intellectual property rights, government procurement and customs issues.

The CEFTA Parties will continue to work closely with the European Commission, in particular with DG Enlargement, DG Trade and DG Internal Market and Services in the area of trade in general, trade in services and competition rules and practices.

In the course of 2011, the World Bank and the CEFTA Parties are expected to work closely together in the area of trade in services, while the IFC project in the field of trade facilitation in the region will demand the active participation of all the Parties.

It is expected that further fruitful cooperation with GIZ (*CEFTA 2006, Improving Opportunities for Trade*) will continue over the next two years and that the CEFTA Trade Portal which was established by the joint efforts of the CEFTA Parties and the GIZ team will contribute to greater visibility and availability of the necessary information for potential partners and the business community who want to trade and invest in the region.

Cooperation with the OECD will focus on two main projects: one dealing with FDI mapping while the other is a continuation of work on issues related to identifying and eliminating non tariff barriers to trade.

During 2011, the CEFTA Parties will closely follow the work of the CEFTA Forum of the Chambers of Commerce and their mirroring subcommittees (in agriculture, NTBs and customs) in order to include its conclusions and proposals, where relevant, in the discussions of the respective CEFTA subcommittees.

The Chair in Office will continue ongoing cooperation with the Regional Cooperation Council, EFTA, the Business Advisory Council and other relevant international partners.

4.2. Promotional Activities

The Chair in Office for 2011 will dedicate its efforts to the further promotion of the benefits of the CEFTA Agreement.

We are ready to continue with the practice of organising *CEFTA Week* - a three day event with a number of workshops, presentations and panel discussions to be held at the margins of the Joint Committee Meeting. The event gathers a wide audience of government officials, business people and international community from the region and beyond.

The CEFTA Agreement will be further promoted through the recently launched CEFTA Trade Portal where all the necessary information on importing and exporting to and from the region can be found. The website provides businessmen with the updated facts and figures on required documents and legislation in English and local languages.

Furthermore, the CEFTA Secretariat's website provides information regarding the implementation and administration of the Agreement, early announcements of regular and special meetings and other relevant promotional activities associated with CEFTA. In this context the Chair in Office also encourages the Secretariat to continue the initiative started in 2010 and to publish their bi-annual Newsletters in 2011.

5. TECHNICAL ASSISTANCE

In order to secure the successful implementation of the Agreement in 2011, the Chair in Office together with the CEFTA Secretariat has approached many donors, bilateral and multilateral, who will assist the Parties with tailor made projects.

The assistance will focus on areas such as trade in services, non tariff barriers to trade, investment and intellectual property rights in order to facilitate implementation of the priorities of the Chairmanship.

The major international partners who will be involved in delivering technical assistance include the European Commission (DG Enlargement, DG Trade, DG Internal Market and Services), World Bank, IFC, OECD, GIZ and others.

In the area of **non tariff barriers to trade**, the Parties will benefit from the specially designed Monitoring Framework for the Elimination of NTBs in the CEFTA Parties by the **OECD** team. The specific objectives of this project are to ensure the independent monitoring of the elimination of NTBs, to effectively communicate and promote the findings of the monitoring to the relevant CEFTA structures and other stakeholders and to secure the existence of a permanent and stable process of eliminating NTBs. The project will start in early 2011 with a total duration of two years.

In the area of TBT, the CEFTA Parties will benefit from collaboration with the **IPA funded Project on Regional Quality Infrastructure** especially in the areas of harmonisation of the legislative framework in the field of free movement of goods. The project will start in early 2011.

The **GIZ** (*CEFTA 2006, Improving Opportunities for Trade*) will continue to support the maintenance and updating of the **CEFTA Trade Portal** for the next two years. The active involvement of the CEFTA Parties is also expected when it comes to updating the relevant information.

The **IFC Project on Regional Trade Logistics in SEE** mainly focused on trade facilitation in the region, will offer the CEFTA Parties potential solutions on how to achieve simplification and harmonisation of procedures and documentation, integration of the risk management systems into border inspection and implementation of the Single Window systems.

In the area of Investment, the **OECD** team developed a project "**Evaluation of the Impact of Regional Trade Integration on Investment Location**" which started in July 2010 with a total duration of two years. The project will concentrate on mapping FDIs and investment location within the CEFTA Parties, identifying the patterns of regional distribution and key factors leading to the geographical concentration of sectors and clusters and evaluating the impact of regional and EU integration on the evolution of investment location in the region.

The CEFTA Parties will have the opportunity to benefit from the findings of **the World Bank Project on trade in services** which is expected to be completed in April 2011.

Follow up activities on the topic of the **Government Procurement** regulation, screening and transparency are expected to be dealt with in close cooperation with **the SIGMA-OECD** team.

If additional needs are identified, the Chair in Office, together with the Secretariat, will seek further assistance and support to ensure the smooth and successful implementation of the Chairmanship Programme in 2011.