

We would like to welcome you all to the sixteenth edition of our electronic newsletter on CEFTA and to address challenges and opportunities in 2018

CEFTA NEWS

RULES OF ORIGIN AND SAP + CUMULATION UNDER THE PEM CONVENTION



The CEFTA Parties were present in the latest PEM Joint Committee held in Brussels on February 8th, 2018. That meeting of PEM Joint Committee was one of the most important gatherings throughout the last 10 years during which revision of the PEM Convention has been under negotiations. During the meeting the EU proposal for the revision of the PEM Convention was presented once more to the PEM Contracting Parties' attention and their interventions were collected. As mentioned above, the delegates of all CEFTA Parties were present and the representative of Albania, as the Chair of CEFTA Subcommittee on Customs and Rules of Origin, presented the joint position of CEFTA Parties during the Joint Committee meeting. Accordingly, CEFTA Parties stated that "all CEFTA Parties fully support the final proposal of the revised PEM Convention made by the EU during the latest PEM Working Group. This would be the most desirable solution for CEFTA Parties which is, however, subject to the successful completion of the whole revision exercise. CEFTA Parties regret to see the consensus cannot be reached so far during the PEM Revision Exercise. CEFTA Parties suggested that it is nevertheless essential for CEFTA, that the playing field for its operators, stemming from differences in cumulation and duty drawback, should be equated as quickly as possible. Therefore, all CEFTA Parties express their readiness to initiate the related procedures for amending the bi-lateral FTAs with the EU according to the EU proposal, in order to have full advantages of the new revised rules in the bilateral trade. CEFTA Parties would like to see their other bilateral FTA partners, EFTA states and Turkey, provided that they accept the EU proposal, making the similar amendments in order to have an interrupted implementation of SAP + cumulation. For CEFTA Parties it is important not to lose any current features which SAP + cumulation offers for CEFTA. The PEM Joint Committee took duly noted the statement made by the CEFTA Parties. Though, the future of the PEM Revision exercise is not still clear as some of the Mediterranean countries do not agree with the proposal of the EU. CEFTA Parties consider that the EU proposal for the revision of PEM will be a good step to facilitate and simply the rules of origin within the PEM Region.

ADDITIONAL PROTOCOL 5 ON TRADE FACILITATION



After the adoption of the Additional Protocol 5 on 26 May 2017 by the CEFTA Joint Committee, each CEFTA Party has initiated its parliamentary ratification procedure. According to the latest state of play, Macedonia, Moldova, and Montenegro ratified the Additional Protocol 5. According to the AP 5, it is sufficient to have three CEFTA Parties ratified and submitted their instruments of ratification to the CEFTA Acting Depository in order for the AP 5 enters into force for the respective CEFTA Parties. It is expected that the ratification letters of three CEFTA Parties will be submitted to Albania, CEFTA's acting depository soon. For other CEFTA Parties, the ratification process is in progress. In parallel, CEFTA Structures are making efforts to finalise drafting the Implementing Provisions for mutual recognition of border documents and mutual recognition of AEO programmes. Furthermore, the CEFTA Parties will benefit a new line of EU financial assistance to expand the scope of electronic exchange data in the context of the AP 5, which is called as SEED +.

CEFTA –LSEE ACADEMIC NETWORK LAUNCHED



The CEFTA –LSEE Academic Network, a network of academic experts in trade and related subjects, was launched in November 2017 with its main purpose to serve to interested members of the audience from the academic and policy community (including practitioners) and to facilitate a discussion about the relevant research activities that are applicable to the CEFTA region with regard to trade and the consequent data needs for the analysis of such questions. To follow the network use the link : <http://www.lse.ac.uk/SEF-Research-on-South-Eastern-Europe/Research/CEFTA-LSEE-RN/LSEE-CEFTA-Academic-Network>

MULTI-ANNUAL ACTION PLAN ADOPTED IN TRIESTE , 12 JULY 2017



Following the commitment under Multi-Annual Action Plan a dialogue on regulatory issues in electronic commerce is to be started in the course of 2018. It will include discussions on recognition of certificates of electronic signature, how to ensure liability of intermediary services providers, and a treatment of unsolicited electronic commercial communications. A first regional Study on identifying barriers in electronic commerce amongst CEFTA Parties is to be prepared and will address the necessary conditions for recognition of electronic signatures as well explore best practice to grow SME businesses in digital markets by increasing citizen's trust in online services.

NEW CEFTA STATISTICAL PORTAL



This portal has been designed in December 2017 and aims to provide trade and investment data to the CEFTA stakeholders, academia, business and wider audience has been accessible via CEFTA website (<https://statistics.cefta.int>). The Portal is built around the web based reporting system of data and a dissemination platform which features data on trade in goods, services, FATS and FDI, and regional indices in readable and user friendly manner. Data is available at the semi-annual and annual basis. Sources of data are statistical offices and central banks of CEFTA Parties.

JOINT CEFTA RCC WORKING GROUP ON INVESTMENT POLICY AND PROMOTION



Promotion The Group will meet on 16 April 2018 in Vienna to discuss the Regional Investment Reform Agenda (RIRA). The agenda presents a comprehensive framework for achieving greater harmonization of regional investment policies and alignment with EU standards, while focusing on a targeted set of reforms that will generate tangible results in the near term. RIRA focuses on three main policy areas: (i) entry and establishment; (ii) investment protection and retention; (iii) investment attraction and promotion. Support with the development and implementation of the regional reform agenda is provided through the "Western Balkans Regional Investment Policy and Promotion Project" delivered by the World Bank Group with the financial support of the European Union.

CEFTA WEEK 2018

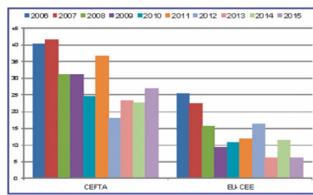


CEFTA Week 2018 will be held in Pristina in November. A series of events in a day and a half leading up to the CEFTA Joint Committee meeting will address different aspects of CEFTA and will cater to different interests including government officials, international organisations, the business community, the diplomatic community, the academic world and journalists. These events will provide an excellent opportunity to highlight the progress achieved by the CEFTA Parties in the last six years and to discuss the current regional and global challenges in trade related areas such as Investment, Regional Value Chains and Global and Regional Aspects of Trade Facilitation in CEFTA, Customs and Rules of Origin and Trade in Services. The preliminary schedule of events shall be available closer to the date on www.cefta.int.

FIRST REGIONAL INVESTMENT REPORT IN CEFTA REGION

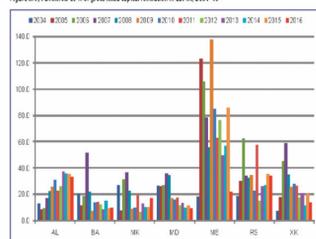
The first regional Investment Report for the CEFTA region has been published in November 2017 (http://cefta.int/info-and-resource-centre/reports-publications/#1466085778619_0ebc838f-4295). It offers readers comprehensive information on current and projected regional investment trends and flows. The analysis enables policy makers, investment partners and academics to grasp the region's potential for investment, and acknowledges the progress made over recent years in attracting FDI. CEFTA economies have expressed their commitment to enacting policies that would help to attract more foreign direct investment (FDI). A careful data-based examination of the main features of FDI is provided in this report, to inform potential investors and policy makers. CEFTA economies have undergone a prolonged and weak recovery from the global financial crisis, with investments in particular lagging. The post-crisis recovery has taken place with only a modest rise in FDI, and a very limited shift to export oriented FDI. The size of FDI inflows differs greatly across the CEFTA economies. Greenfield FDI has been preferred to mergers and acquisitions (M&A) as an entry mode for FDI, although the largest projects originate in privatisation deals. The FDI that CEFTA economies have been able to attract so far has had a beneficial impact. However, in order to follow the successful example of FDI-driven economic growth demonstrated in the EUCEE, CEFTA economies require stronger levels of FDI inflows into the higher-value tradable sectors.

Figure II.2 / FDI inflow as % of gross fixed capital formation in the CEFTA and EU-CEE regions, 2006–15



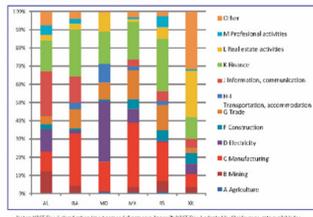
Source: CEFTA and wiiw FDI database incorporating central bank statistics.

Figure II.4 / FDI inflow as % of gross fixed capital formation in CEFTA, 2004-16



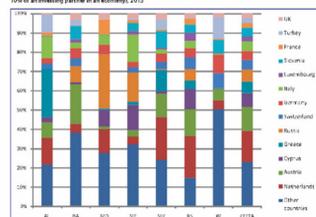
Source: CEFTA and wiiw FDI database incorporating central bank statistics.

Figure 6. / FDI stock by economic activity, 2015-16



Source: CEFTA and wiiw FDI database incorporating central bank statistics.

Figure 6.4 / FDI stock by major investing partners (at least 10% of investing partner in an economy), 2015



Source: CEFTA and wiiw FDI database incorporating central bank statistics.

CALENDAR OF CEFTA EVENTS: APRIL – DECEMBER 2018

EVENT	DATE	VENUE
CEFTA RCC Joint Working Group on Investment	16 April	Vienna
High-Level Regional Meeting of CEFTA SPS Agencies	18 April	Pristina
Committee of Trade Facilitation	26 April	Pristina
High Level Thematic Strategic Meeting	27 April	Pristina
Special Joint Committee Meeting	27 April	Pristina
Subcommittee on Customs and Rules of Origin meeting	May	Tirana
Subcommittee on NTMs	May	Pristina
Committee of Contact Points	June	Pristina
Deputy Minister Meeting	June	Pristina
CEFTA LSEE Academia Network Workshop	June	Pristina
Meeting of the Joint Working Group on Recognition of Professional Qualifications	September	TBD
Subcommittee on Customs and Rules of Origin meeting	September / October	Tirana
Conference on economic corridors	September	TBD
Training seminars (3) in accordance with Training Plan	September/ October	EU MS
Meeting of the Working Group on Trade in Services, FATS and FDI statistics	October	Pristina
SEED Maintenance and Development Project Meeting	TBD	TBD
Subcommittee on NTMs	October	Pristina
WGs meetings	October	Pristina
Committee of Trade Facilitation	November	Pristina
Committee of Contact Points	November	Pristina
CEFTA Week 2018	November	Pristina
Subcommittee on Trade in Services	November	Pristina
Joint Committee Meeting	November	Pristina

CEFTA CONTACT POINTS - YOUR VIEWS AND RECENT NEWS

Ms Milica Šćepović, Montenegro



In the context of EU integration, Montenegro has made a progress in all areas of negotiations, recalling that Montenegro has opened 30 negotiating chapters, of which three have been temporarily closed. Also, we have fulfilled the initial criteria for opening the Chapters: 17 - Economic and Monetary Union and 27- Environment. In the meantime, we are working on preparation of negotiation position for the chapter 8- Competition. Montenegro ratified the Law on Services on October 16 in 2017. The Law regulates the right to business accommodation and freedom to provide services in Montenegro, while maintaining a high level of security and quality of services, administrative simplification, administrative cooperation of competent authorities, as well as other issues of importance for business accommodation and freedom to provide services. It has been made a significant progress in fulfillment one of the final benchmarks for the Chapter 3. CEFTA Additional Protocol 5 was ratified by the Parliament of Montenegro on the 26th of December 2017, and instruments of ratification has been submitted to the Depository on March 6th 2018. Applying the CEFTA of Additional Protocol 5, the simplification of inspection and customs procedures will lead to the reduction of the time at the border. Transit and trade will be facilitated by connecting all border services into a unified information system, which will lead to enhancement the competitiveness of the national economies in the region. In addition, it is important to emphasize the importance of Multi-Annual Action Plan for the Establishment of a Regional Economic Area in the Western Balkans (MAP), adopted on 12th July 2017 at the occasion of the Trieste Western Balkan Summit.

In that regard, Montenegro has defined priorities and activities, in the field of trade policy and in other areas which are in line with commitments undertaken within the framework of the Central European Free Trade Agreement and SEE 2020 Strategy, and it is based on EU rules and principles as reflected in the Stabilisation and Association Agreements and it foresees implementation of actions at the level of each of the participating economies and at the regional level in the period between 2017 and 2020 (with some actions extending until 2023). Implementation of the Action plan should accelerate the process of accession to the European Union of our economy in the region and support national efforts to harmonize with EU rules and standards.

Mr Ivan Markovic, Serbia



Consolidated Multi-Annual Action Plan for a Regional Economic Area (MAP) was adopted on 12th July 2017. The implementation of measures prescribed by the MAP Trade Pillar which was harmonized under Serbia chairmanship of CEFTA in the first half of the last year, should improve region's economies, provide the conditions to double the economic growth and support efforts for alignment with EU rules and standards. This will facilitate the flow of goods, services, capital and highly skilled labour, making the region more attractive for trade and investments. For Serbia regional cooperation in all MAP Pillars is very important, especially in Trade Pillar which is a backbone of the entire MAP.