

Stability Pact for South East Europe

Working Group on Trade Liberalisation and Facilitation

Ministerial Meeting, Sofia, 10 June 2005

Address by:

Mr. Vladimir Vranković, State Secretary,

Ministry of the Economy, Labour and Entrepreneurship

Republic of Croatia

Excellencies,

Ladies and Gentlemen,

The Republic of Croatia welcomes the initiative of the Stability Pact Working Group on Trade Liberalisation and Facilitation to hold this Annual Ministerial Meeting. I would also like to thank our hosts, the Bulgarian Ministry of Economy, for their hospitality and kind arrangements of this Conference.

The progress achieved in the process of trade liberalisation and facilitation in South East Europe so far is impressive and the objectives set out in the Memorandum of Understanding on Trade Liberalisation and Facilitation in 2001 have almost been attained. Croatia notes with satisfaction that all free trade agreements between the MoU Signatory States are in force and that the revised Free Trade Agreement between Macedonia and Serbia and Montenegro has been finalised.

Croatia endorses the objectives set out in the Strategy and Action Plan for 2005, in the Near Term, to give further considerations to ensuring conformity with the Memorandum of Understanding and to implementing the bilateral free trade agreements fully and effectively, as well as to promoting the awareness of the free trade area among regional and international business communities. Croatia also welcomes the proposed procedure to identify and eliminate non-tariff barriers to trade. We would like to point out the importance of identifying, reviewing and eliminating the measures that are not WTO compatible. In that respect, we note that some Signatory States sometimes chose trade restrictive measures that could not be justified under the multilateral trading system. Therefore, we strongly encourage all the countries to accede to the World Trade Organisation as the WTO rules and principles would render their trade policies more transparent and predictable. Croatia also supports the recent developments in harmonisation of regimes for key service sectors.

In the Middle Term the Strategy and Action Plan foresees talks on deepening and broadening integration. To this end, the evolution of the network of free trade agreements to a multilateral regional free trade agreement was considered. As a current member, presiding CEFTA this year, Croatia agrees with the expansion of a modernised CEFTA under conditions that would be agreed.

Since its creation, Croatia had always aspired to become CEFTA member. Its central European character and the experience in EU accession process have always been the reason why Croatia wanted to join this club. However, at the time the Republic of Croatia was created on the map of Europe, it didn't fulfil any of the CEFTA membership criteria. The entry criteria were difficult, impossible to fulfil, we knocked on different doors and all were closed. We were forced to change our strategy and to start reforms at home. The reforms accelerated our accession to the WTO. After becoming a WTO member in 2000 we were able to start free trade negotiations, and after long and exhausting negotiations we became CEFTA member in 2003. Negotiations on SAA with EU were completed in 2002. Finally, after applying for the EU membership, we received EU candidate status. Step by step, Croatia became a success story.

CEFTA has only three members at the moment, one more is in the process of accession. On 1 January 2007 when Bulgaria and Romania become EU members and if in the meantime Macedonia accedes to CEFTA, only two members will remain. In other words, the future of CEFTA is only in its expansion to the region. On the other hand, the experience in the implementation of the existing bilateral free trade agreements has shown that all the countries of the region are still not able to implement the internationally assumed obligations in letter and in spirit. Trade liberalisation has proved to be a difficult process; it needs certain discipline and many reforms. Suspension of the FTA provisions does not lead either to further trade liberalisation or enhances regional cooperation. Having this in mind, Croatia believes that any future CEFTA member should at least consistently implement the provisions of the existing free trade agreements before entering in any new regional free trade agreement. We call on the Stability Pact, European Commission and the international community to assist in the modernisation of the CEFTA provisions as well as in the definition of standards to be reached by any country to become member in such an agreement.

Croatia believes that with its experience gained through WTO membership, implementation of the bilateral FTAs and SAA and EU candidate country status, it has a potential and responsibility to be the leader in the process of accelerating the growth, competitiveness and welfare of the region.

Thank you.