

**STABILITY PACT WORKING GROUP
ON TRADE LIBERALISATION AND FACILITATION**

**MEMORANDUM OF UNDERSTANDING
ON TRADE LIBERALISATION AND FACILITATION**

Ministers,

REPRESENTING the Republic of Albania, Bosnia and Herzegovina, the Republic of Bulgaria, the Republic of Croatia, the Federal Republic of Yugoslavia, the Republic of Macedonia and Romania (hereafter the Signatory Countries), on the occasion of their meeting on trade liberalisation and facilitation within the context of the Stability Pact for South Eastern Europe, held in Brussels on 27 June 2001;

HAVING REGARD to the pledge, made by signatories to the Stability Pact in Cologne on 10 June, 1999, to foster “economic co-operation in the region and between the region and the rest of Europe and the world, including free trade areas”;

RECALLING the Declaration of the Zagreb Summit on 24 November, 2000, in which Heads of State or Government of the Republic of Albania, Bosnia and Herzegovina, the Republic of Croatia, the Federal Republic of Yugoslavia, and the Republic of Macedonia undertook to establish regional co-operation conventions providing for a regional free trade area; and the SEECF Action Plan for regional economic co-operation, agreed at the Fourth Summit in Skopje on 22 and 23 February, 2001, in which Participating Countries (the Republic of Albania, Bosnia and Herzegovina, the Republic of Bulgaria, the Federal Republic of Yugoslavia, the Hellenic Republic, the Republic of Macedonia, Romania and the Republic of Turkey), reaffirmed that “further liberalisation of trade, undertaken also by the countries of the region will better serve their national economies”;

RECOGNISING the primacy of the multilateral trading system as compared with regional initiatives, in the fields of trade facilitation and liberalisation that are mentioned below; the importance of WTO membership and compliance with WTO rules as well as the importance of liberal trade regimes in order to foster economic development; and the relevance of the EU Stabilisation and Association process and the EU enlargement process in this context;

DETERMINED to liberalise and facilitate trade further among the Signatory Countries and to advance the accession to the WTO of Bosnia and Herzegovina, the Federal Republic of Yugoslavia, and the Republic of Macedonia;

CONVINCED that these measures will enhance the ability of the region to attract investments and further the prospects of its integration into the global economy;

HAVE today adopted this Memorandum of Understanding on Trade Liberalisation and Facilitation.

The Signatory Countries agree to:

1. Develop further the network of Free Trade Agreements on trade in goods between the Signatory Countries, in compliance with WTO rules and in accordance with the process and commitments relevant to each country's individual relationship with the EU. To this end, the Signatory Countries will:
 - 1.1. Refrain, upon signature of this Memorandum, from taking any new trade restrictive or distorting measure, that would go beyond that which is necessary to address specific and sensitive situations in compliance with WTO rules, thereby establishing a base line for the negotiation and, if applicable, the revision of Free Trade Agreements.
 - 1.2. Negotiate mutually beneficial Free Trade Agreements between themselves, with a view to signing the agreements, covering products originating in the parties, by the end of 2002, in accordance with the following principles:
 - 1.2.1. Export duties or charges having equivalent effect shall be abolished upon entry into force of each agreement. Quantitative restrictions on imports or exports and measures having equivalent effect shall also be abolished.
 - 1.2.2. Import duties or charges having equivalent effect shall be abolished on at least 90% of the parties' mutual trade by value and of HS tariff lines by the end of the transitional period.
 - 1.2.3. Import duties or charges having an equivalent effect on a large majority of goods should be preferably abolished upon entry into force of each FTA; those on sensitive goods would be progressively reduced during a transitional period of not more than 6 years.
 - 1.3. Review existing bilateral Free Trade Agreements already concluded between the Signatory Countries and ensure that they are compatible with the principles set out in paragraphs 1.2.1 to 1.2.3 by the end of 2002.

- 1.4 Ensure that all these Free Trade Agreements enhance integration of the Signatory Countries into EU structures. The Signatory Countries which are candidates for accession to the EU will conclude, as a first priority, free trade agreements with those Signatory Countries with which the EU has concluded SAAs, where such agreements do not yet exist; agreements with the other Signatory Countries will be negotiated in line with obligations undertaken in the framework of the accession negotiations and in conformity with this Memorandum. Candidates for accession to the EU will ensure that existing and new agreements mirror, to the extent possible, the current scope and level of liberalisation of EU arrangements.
2. Set in motion, upon signature of this Memorandum and within the context of the Stability Pact Working Group on Trade Liberalisation and Facilitation, the Procedure to Eliminate Quantitative Restrictions and Measures with Equivalent Effect on Trade, agreed by the Signatory Countries to identify, review and eliminate such measures, in particular those which are not compatible with WTO provisions.
 3. Include in the Free Trade Agreements an appropriate common set of preferential rules of origin furthering the objectives of this Memorandum.
 4. Ensure that provisions in the Free Trade Agreements regarding the application of antidumping, countervailing and safeguard measures, are consistent with WTO rules. Include provisions related to public procurement, state aid and state monopolies in the Free Trade Agreements in order to ensure further liberalisation, transparency and non-discrimination in trade between the Signatory Countries.
 5. Simplify customs procedures, especially at border crossings; harmonise legislation, documentation and procedures with those of the EU; engage in mutual assistance between customs administrations and other agencies concerned with the cross-border movement of goods, vehicles and persons; and harmonise methodologies for the collection of trade statistics. To this end, they shall continue to conclude appropriate agreements, in addition to existing arrangements, where possible on a regional basis.
 6. Include in the Free Trade Agreements a clause foreseeing the future liberalisation of trade in services, in accordance with GATS Article V. The Signatory Countries request the Stability Pact Working Group on Trade Liberalisation and Facilitation to commission an assessment of the current situation in their countries concerning trade in services and of prospects for regional co-operation in this area.

The Signatory Countries intend to take additional steps to liberalise and facilitate trade. To this end, they will:

7. Ensure that trade legislation and regulations relating to plant, animal and human health, safety and environment are compatible with the provisions of WTO, EU and other relevant international bodies, bearing in mind the Signatory Countries' current and future obligations in their contractual relationships with the EU.
8. Co-operate in moving towards the implementation of standards, technical regulations, conformity assessment, testing, metrology and accreditation systems that are compatible with European and international principles. The Signatory Countries shall endeavour to participate in the work of relevant international organisations, exchange technical and methodological information in the field of quality control of production processes and take other measures aimed at improving quality. They will pursue mutual recognition and similar arrangements between themselves and partners, which are consistent with the provisions of the WTO and will promote co-operation among their standards and accreditation bodies.
9. Harmonise legislation on company law, company accounts and taxes and banking law with that of the EU. The Signatory Countries will also harmonise their competition law with that of the EU. They will further strengthen, where necessary, the enforcement capacity of relevant Authorities, including competition or similar bodies, and establish such Authorities where none exist.
10. Upgrade their legislation in the field of intellectual property protection in compliance with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights and other related international agreements. They will develop and implement appropriate enforcement measures in order to combat piracy and counterfeiting effectively.
11. Maintain an open trade regime toward the rest of the world, pursue further multilateral trade liberalisation within the WTO and conclude Free Trade and other trade agreements with neighbouring and other interested countries.

To ensure achievement of the undertakings outlined above, the Signatory Countries:

12. Request the Stability Pact Working Group on Trade Liberalisation and Facilitation to review progress in the above undertakings regularly and propose measures required to fulfil the provisions of this Memorandum. The Working Group should also be used by Signatory Countries to inform each other about developments in the bilateral free trade agreements and other trade-related measures.
13. Appeal to WTO members to support, assist and facilitate early accession to the WTO of Bosnia and Herzegovina, the Federal Republic of Yugoslavia, and the Republic of Macedonia.
14. Call upon the international community to provide technical and financial assistance to facilitate for the Signatory Countries to meet the above undertakings. They stress the importance of the realisation of trade facilitation and promotion projects that will benefit all Signatory Countries.
15. Agree to meet again within twelve months of the date of signature of this Memorandum and subsequently on a regular basis, to review progress, to adopt measures to implement this Memorandum and to develop further trade and investment.

SIGNED at Brussels, on 27th day of June in the year two thousand and one.

Emelinda Meksi
Minister of Economic Cooperation and Trade of the Republic of Albania

Azra Hadžiahmetovic
Minister of Foreign Trade and Economic Relations of Bosnia and Herzegovina

Antoinette Primatarova
Ambassador, Head of the Mission of Republic of Bulgaria to the EC

Vladimir Drobnyak
Ambassador, Head of the Mission of Republic of Croatia to the EC

Besnik Fetaj
Minister of Economy of the Republic of Macedonia

Cristian Colteanu
Secretary of State of Foreign Affairs, Romania

Miroljub Labus
Deputy Prime Minister and Minister for Foreign Economic Relations of the Federal Republic of Yugoslavia