



Stability Pact's Working Group on Trade and its work on the Single Free Trade Agreement

The Trade Working Group is one of the initiatives under the Stability Pact's (SP) Working Table II (Economic Development and Co-operation) and provides a good example of how the Stability Pact can develop and implement regional strategies for economic development. The Group brings together senior trade policy officials from all South Eastern European countries/territories, international organisations (European Commission's Trade Directorate, World Trade Organisation, World Bank) and interested bilateral governments (Germany, Hungary, Norway, Slovenia, Sweden, Switzerland, Turkey, UK and USA). It is currently chaired by Albania and supported by the SP Secretariat.

Under the auspices of the Trade Working Group, the countries of SEE have significantly improved the trade environment in the region. Since signing the Memorandum of Understanding in June 2001, they have negotiated and ratified a network of 31 bilateral free trade agreements (FTAs), which have improved economic and political relations between the countries. The impact on regional trade flows is increasingly positive. The Group has set up a procedure to eliminate non-tariff barriers and has improved the regulatory environment for trade in services in the region.

The large and growing number of bilateral FTAs presents a challenge, to both the business community that wishes to trade and invest throughout the region and to government agencies such as customs that administer the agreements.

At their meeting in Sofia on 10 June, 2005, Ministers of Economy of SEE instructed the Trade Working Group to determine the feasibility of developing an inclusive, modern and ambitious single agreement based on the Central Europe Free Trade Agreement (CEFTA) to replace the many bilateral agreements. Such an agreement should allow for a harmonised trade regime throughout the region, compatible with the commitments of the countries/territories to the WTO and EU. It should also take account of modern trade policy issues such as trade in services, government procurement, state aid and intellectual property rights.

In March 2006, the Trade Working Group reported to Ministers on their discussions. They recommended that Ministers pursue a single FTA through the simultaneous enlargement and amendment of CEFTA. This would include all SEE countries and customs territories and would provide the type of modern, ambitious agreement needed to allow trade in the region to flourish.

The Group has recommended a series of principles to underpin the new agreement and has also prepared a draft illustrative text that the SEE negotiators can use as a basis for their work. The negotiations will take place under the auspices of the SP Trade Working Group. The SEE negotiators will be able to avail of advice and guidance from the international members of the Trade Working Group including the WTO and European Commission's Trade Directorate. Formal negotiations will begin in late May and are expected to conclude by the end of 2006.



A brief chronology of the development of a single FTA in SEE:

Sofia, June 2005

SEE Ministerial Statement of June 2005 agreeing to establishment of a single free trade agreement (FTA) in SEE and mandating the SP Trade Working Group to prepare this.

Zagreb, November 2005

Amendment of entry criteria for membership of CEFTA (Zagreb Declaration) such that all SEE countries and territories are eligible for membership.

Berlin, 14 February

Presentation of proposals by Romania as Chair of CEFTA, supported by the other CEFTA members to facilitate a greatly simplified approach to allow the achievement of a single FTA through a simultaneous enlargement and amendment of CEFTA. Agreement that negotiations to be held under the auspices of the SP Trade Working Group.

Brussels, 28 March

SP report to Ministers on feasibility of single FTA (including principles to underpin agreement and draft text), recommending that such an agreement be pursued through the simultaneous enlargement and amendment of CEFTA and recommending that governments seek a formal mandate for negotiations.

Bucharest, 6 April

High-Level Political Meeting to launch formal process of amendment and enlargement of CEFTA. Joint declaration to be adopted by the SEE Prime Ministers and supported by the EU Presidency, the European Commission and the Stability Pact regarding the aims and principles underpinning the new CEFTA.

Late May

1st meeting of heads of negotiation teams under the auspices of the SP Trade Working Group

December 2006

Conclusion of amended agreement.