

CEFTA - Central European Free Trade Agreement

General Information on the CEFTA:

CEFTA - Central European Free Trade Agreement – was established following the Visegrad Declaration of February 1991. The Free Trade Agreement was signing in Krakow on 21 December 1992 by Poland, Hungary and the Czech Republic, and became effective on 1 March 1993.

With the breakdown of Czechoslovakia, CEFTA became an association of four Member States: Poland, Hungary, the Czech Republic and Slovakia (so-called Visegrad Agreement). In 1996, Slovenia signed to join CEFTA, followed by Romania in 1997 and Bulgaria in 1998, such that today CEFTA has 7 member states.

Through the treaty, the member states guarantee mutual reductions or lifting of customs on their territory, and the full elimination of customs on international trade by 2001. This treaty also envisions the elimination of state monopolies, the harmonization of legislative regulations to stimulate competition, co-operation and the flow of information in the area of subsidies, measures of protection against increasing imports, and the regulations and means of issuing documents on the origin of goods. In early 1994, the Member States agreed to lift all customs duties by January 1998 (three years earlier than anticipated in the original Agreement). This process however, cannot be considered complete, as certain customs in international trade have been retained. Occasionally, protective customs duties are temporarily reinstated, oftentimes through unilateral decisions. Representatives of the CEFTA countries have therefore stressed that prior to further expansion of the association, it is necessary to find effective mechanisms to resolve internal disputes in international trade.

Croatia and CEFTA

On 9 July 2001, the Republic of Croatia submitted its official candidacy for membership to CEFTA, based upon a decision by the Republic of Croatia to initiate the procedure, considering that Croatia had satisfied all the membership criteria.

The criteria for accession to CEFTA are defined in the Declaration by the Prime Ministers (Poznan Declaration, 25 November 1994). Preconditions for accession to CEFTA include membership in the World Trade Organization, the signing of an Association Agreement with the EU and consent from all CEFTA states in the form of concluded negotiations on bilateral Free Trade Agreements.

During Romania's presidency over CEFTA in 2001, Croatia's application for candidacy was accepted at the CEFTA Joint Committee meeting in Bucharest on 11 October 2001. The decision to accept the candidacy was reached through a consensus, thus commencing the talks on the Protocol aimed at bringing Croatia into CEFTA, together with the proposal to invite Croatia, as a candidate state, to the CEFTA Summit. Croatia participated in the status of guest at the CEFTA Summit held on 16 November 2001 in Bucharest.

At the Bucharest Summit, held on 1 November 2001, the seven member states adopted the Declaration by the Prime Ministers, confirming the desire to further advance trade co-operation within the Central European Free Trade Agreement and the intention to continue developing economic co-operation among the signatory states. The Declaration also confirmed the conclusions of the CEFTA Joint Committee meeting of 11 October 2001, which accepted the commencement of negotiations for accepting Croatia's membership into CEFTA and expressed anticipation for the finalization of negotiations with Croatia in 2002.

The Prime Ministers' Declaration confirmed the significant role of CEFTA in the process of advancing trade and economic development of member states within the universal process of European integration, and expresses satisfaction for the commitments fulfilled by all member states in the areas of trade liberalization, the creation of a free trade zone for industrial goods within set transition periods, and the application of Protocol 9 as of 1 January 2001 on supplements to regulations on the origin of goods, passed by the states participating in the Pan-European Cumulative System.

The first round of negotiations for Croatia's accession to CEFTA was held in Zagreb on 20 and 21 February 2002. During these negotiations, the Protocol on the liberalization of trade for industrial products with all CEFTA states except Romania was approved, as was the Protocol on the liberalization of trade of agricultural-foodstuff products with Hungary and Poland.

The second round of negotiations for Croatia's accession to CEFTA was held in Poreč on 27 – 29 May 2002. Multilateral negotiations were finalized, and the text of the Agreement on the Accession of the Republic of Croatia to CEFTA was approved. Following the second round of talks, the bilateral issues of the liberalization of trade of industrial products with Romania remained outstanding, as did the issue of trade of agricultural products with Slovenia, which was initialled on 26 August 2002 with Romania and Bulgaria. Upon effectiveness of the Agreement on the Accession of the Republic of Croatia to CEFTA, the bilateral free trade agreements signed between Croatia and CEFTA states shall cease to be valid. For implementation of the Agreement, certain CEFTA member states are yet to complete the ratification process in their parliaments (Poland and Romania).

During Slovakia's presidency over CEFTA in 2002, the regular Joint Committee meeting of CEFTA, which functions as a preparatory meeting for the CEFTA Summit, was held in Bratislava on 2-3 July 2002. At the meeting, the Joint Declaration was adopted and varying opinions exchanged regarding the development of international trade and the status of trade of agricultural products, the new round of multilateral trade negotiations within the framework of the WTO, the course of ongoing pre-accession negotiations with the EU, and the current status of negotiations on Croatia's accession to CEFTA. The Joint Committee addressed the issue of the future of CEFTA, if some of the member states are to enter into the EU before others. This issue is to be addressed in detail during the Slovenian presidency in 2003.

Concerning the negotiations on Croatia's accession to CEFTA, the Joint Committee again confirmed its stance on the necessity of completing all bilateral negotiations and encouraged Croatia and interested parties to accelerate and complete talks in accordance with the recommendations of the Bucharest Summit held in November 2001.

CEFTA Summit of Prime Ministers, Bratislava, 13 and 14 September 2002

At the regular annual CEFTA Summit, Croatia participated in the status of guest. At the Bratislava Summit, the Croatian delegation finalized the negotiations on the association which had begun in July 2001. In Bratislava, Protocol 42 was passed on the trade of agricultural products with Romania, thus completing the technical negotiations and fulfilling all the formal criteria for Croatia's membership to CEFTA.

The Final Declaration by the CEFTA Prime Ministers welcomed the completed negotiations on Croatia's association and encouraged the member states to accelerate the preparatory activities for signing the Agreement on Accession of the Republic of Croatia to CEFTA by the end of the year.

The third round of negotiations was held in Zagreb on 8 October 2002, when the Agreement on Accession of the Republic of Croatia to CEFTA and accompanying Protocols on trade liberalization for industrial and agricultural products and the rules of origin were initialled. This Agreement replaces all other bilateral agreements signed to date concerning free trade with CEFTA member states.

The Agreement on Accession of the Republic of Croatia to CEFTA was signed on 5 December 2002, and the seven CEFTA members and the Republic of Croatia are to begin its implementation upon completion of the ratification process in the national parliaments by 1 March 2003.

BASIC MACROECONOMIC INDICATORS OF CEFTA MEMBER STATES FOR 2001

The CEFTA free trade zone of 7 states numbers some 100 million inhabitants.

State	BDP bil. USD	BDP per capita	growth %	inflation %	joblessness %	exports bil. USD	imports bil. USD	trade balance bil. USD	DFI* bil. USD	foreign debt bil. USD
Bulgaria	12.7	1,508	4.5	10.5	16.4	4.81	6.49	-1.68	1.0	10.37
Czech Republic	56.4	5,487	3.6	4.7	9.4	31.7	35.6	-3.9	24.5*	21.69
Hungary	50.7	5,012	2.2	9.2	5.5	28.07	30.09	-2.02	2.44	32.9
Poland	176.26	4,566	8.9	5.5	18.0	30.27	41.95	-11.68	6.96	70.82
Romania	38.70	1,633	1.6	37.5	9.9	11.38	14.35	-2.97	6.1*	
Slovakia	20.1	3,728	3.0	7.3	18.9	12.50	14.60	-2.1	4.7	4.38

Slovenia	18.12	9,105	3.0	8.4	11.6	8.73	10.12	-1.39	442 mil	6.71
Croatia	20.26	4,604	4.1	2.6	22.0	4.65	9.04	-4.38	1.4	11.4

Sources:

- Bulgarian National Bank
- *Czech Office of Statistics concluded to mid 200, states the total statistic on direct foreign investments
- State Office for Statistics of the Republic of Hungary
- Polish Office for Statistics
- Romanian Statistics Office, total statistics
- National Bank of Slovakia, Statistics Office of Slovakia, Ministry for Finance of the Slovak Republic
- State Office for Statistics of the Republic of Slovenia, Ministry for Finance of the Republic of Slovenia
- Ministry for Finance of the Republic of Croatia

TRADE EXCHANGE BETWEEN THE REPUBLIC OF CROATIA AND CEFTA MEMBER STATES IN 2001

Trade exchange between the Republic of Croatia and the Republic of Bulgaria

Year	Trade exchange (thousands of USD)			Indices (comparison to same period the year before)			Share (%) of total trade exchange of the Republic of Croatia		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
1999	2,036	8,481	10,517				0.05	0.11	0.09
2000	4,178	7,028	11,206	205.2	82.9	106.5	0.09	0.89	0.90

2001 8,566 12,111 20,677 205.0 172.3 184.5 0.18 0.13 0.16

(Source: State Office for Statistics)

During the first six months of 2002, the total trade exchange was increased by 39.74% compared to the same period the year before, to 9.89 billion USD. Exports were decreased by 38.1% to 3.16 billion USD, while imports were increased 3.41 times to 6.73 billion USD.

Trade exchange between the Republic of Croatia and the Czech Republic

Year	Trade exchange (thousands of USD)			Indices (comparison to same period the year before)			Share (%) of total trade exchange of the Republic of Croatia		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
1997	46,363	207,669	254,032				1.11	2.28	1.91
1998	39,013	181,399	220,412	84.1	87.4	86.8	0.86	2.16	1.71
1999	30,570	148,437	179,007	76.1	82.3	81.1	0.72	1.91	1.49
2000	29,225	178,961	208,186	95.6	105.5	116.3	0.67	2.26	1.69
2001	34,496	209,267	243,763	117.7	116.8	117.1	0.74	2,31	1.77

(Source: State Office for Statistics)

During the first six months of 2002, the total trade exchange was increased by 7.2% compared to the same period the year before, to 130.6 million USD. Exports were increased by 1.2% to 17.68 million USD, while imports were increased by 8.3% to 112.9 million USD.

Trade exchange between the Republic of Croatia and the Republic of Hungary

Year	Trade exchange (thousands of USD)			Indices (comparison to same period the year before)			Share (%) of total trade exchange of the Republic of Croatia		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
1997	48,791	238,527	287,318				1.17	2.62	2.16
1998	51,835	212,089	263,924	106.2	88.9	91.9	1.14	2.53	2.04
1999	39,642	174,075	213,717	76.1	82.3	81.1	0.92	2.24	1.77
2000	59,707	183,657	243,364	150.6	105.5	113.9	1.36	2.32	1.98
2001	56,728	238,039	294,767	94.6	129.5	121.1	1.21	2.63	2.27

(Source: State Office for Statistics)

During the first six months of 2002, the total trade exchange was increased by 23.1% compared to the same period the year before, to 168.96 million USD. Exports were increased by 18.6% to 33.46 million USD, while imports were increased by 24.3% to 135.5 million USD.

Trade exchange between the Republic of Croatia and the Republic of Poland

Year	Trade exchange (thousands of USD)			Indices (comparison to same period the year before)			Share (%) of total trade exchange of the Republic of Croatia		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
1997	46,759	59,069	105.828				1.12	0.65	0.80
1998	46.302	63.277	109.579	99.0	107.1	103.5	1.02	0.75	0.85
1999	39.642	72.581	112.223	85.6	114.7	102.4	0.93	0.93	0.93

2000	22.480	93.855	116.335	56.7	129.3	103.7	0.51	1.18	0.95
2001	19.791	176.322	196.113	88.0	187.5	168.6	0.42	1.95	1.43

(Source: State Office for Statistics)

During the first six months of 2002, the total trade exchange was increased by 28.66% compared to the same period the year before, to 78.62 million USD. Exports were increased by 17.8% to 9.3 million USD, while imports were increased by 30.3% to 69.33 million USD.

Trade exchange between the Republic of Croatia and Romania

Year	Trade exchange (thousands of USD)			Indices (comparison to same period the year before)			Share (%) of total trade exchange of the Republic of Croatia		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
1997	22,100	42,200	64,400				0.53	0.46	0.49
1998	6,800	15,000	21,400	30.9	35.5	33.2	0.15	0.18	0.17
1999	2,900	12,700	15,600	42.6	84.6	72.9	0.07	0.16	0.13
2000	3,310	19,200	22,510	114.1	151.2	144.3	0.01	0.24	0.18
2001	4,950	21,800	26,750	149.5	113.54	118.8	0.10	0.24	0.20

(Source: State Office for Statistics)

During the first six months of 2002, the total trade exchange was increased by 42% compared to the same period the year before, to 16 million USD. Exports were decreased by 51.1% to 2.6 million USD, while imports were increased by 40.4% to 13.37 million USD.

Trade exchange between the Republic of Croatia and the Slovak Republic

Year	Trade exchange (thousands of USD)			Indices (comparison to same period the year before)			Share (%) of total trade exchange of the Republic of Croatia		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
1997	22,112	81,001	103,113				0.53	0.89	0.78
1998	21,584	65,185	86,769	97.6	80.5	84.1	0.48	0.78	0.67
1999	12,698	47,183	59,881	57.8	72.6	68.9	0.29	0.61	0.50
2000	12,991	59,829	72,820	102.3	126.8	121.6	0.29	0.76	0.59
2001	15,013	51,095	66,108	113.5	83.6	90.8	0.32	0.56	0.48

(Source: State Office for Statistics)

During the first six months of 2002, the total trade exchange was increased by 57.7% compared to the same period the year before, to 47.11 million USD. Exports were decreased by 23.5% to 6.4 million USD, while imports were increased by 89.1% to 40.8 million USD.

Trade exchange between the Republic of Croatia and the Republic of Slovenia

Year	Trade exchange (thousands of USD)			Indices (comparison to same period the year before)			Share (%) of total trade exchange of the Republic of Croatia		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
1997	505,517	765,524	1,261,041				12.12	8.3	9.5
1998	432,435	721,924	1,154,359	85.5	95.6	91.5	9.52	8.61	8.03
1999	454,150	616,219	1,070,369	104.9	85.3	92.7	10.59	7.92	8.87
2000	475,908	625,770	1,101,678	104.8	101.6	102.9	10.82	7.91	8.96
2001	426,135	711,558	1,137,693	88.8	113.6	103.3	9.15	7.87	8.4

(Source: State Office for Statistics)

During the first six months of 2002, the total trade exchange was increased by 2.8% compared to the same period the year before, to 574.36 million USD. Exports were decreased by 8.1% to 189.92 million USD, while imports were increased by 9.3% to 384.44 million USD.

Total trade exchange between the Republic of Croatia and CEFTA has for the most part been stable. A significant drop occurred in 1999, though recovery followed in 2000 and 2001 brought levels near those in previous years.

The Republic of Croatia has a significant trade deficit with all the CEFTA member states, and the reasons for this are many. One of the primary reasons is that Croatia was not a CEFTA member and as such, its products are less competitive on this market totalling some one hundred million inhabitants. The Free Trade Agreement signed as part of the negotiations for CEFTA membership have given Croatian products better access to the CEFTA market and greater competition than those bilateral free trade agreements signed to date.

Croatia's trade exchange with CEFTA states in 2000 totalled just under 1.8 billion USD or just over 14% of Croatia's total trade exchange.

In 2001, that figure was increased to 1.98 billion USD. The most of Croatia's CEFTA trade is with Slovenia, which is Croatia's third largest trading partner, accounting for 8.4% of all Croatia's foreign trade. The second most important trading partner within CEFTA is Hungary, accounting for 2% of Croatia's total foreign trade, and is the tenth most important trading partner, followed by Czech Republic and Poland.

Croatian exports, mil USD		Croatian imports, mil USD	
Total	4,659.3	Total	9,043.7
EU states	2,547.1	EU states	5,060.7
CEFTA states	565.0	CEFTA states	1,420.2
EFTA states	493.6	EFTA states	193.3
Other states	1,497.1	Other states	2,369.4