

# Doing Business in Montenegro

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## Market Overview

- Since becoming independent in 2006, the Government of Montenegro has adopted an investment framework to encourage growth, employment and exports. Although the continuing transition has not yet eliminated all structural barriers, the Government recognizes the need to remove impediments, reform the business environment and open the economy to foreign investors.
- There are no distinctions made between domestic and foreign companies. Foreign companies can own 100 percent of a domestic company, and profits and dividends can be repatriated without limitations or restrictions.
- NATO invited Montenegro to participate in its Membership Action Plan (MAP) on December 4, 2009. The European Council's decision in favor of visa-free travel to Schengen - Zone countries for citizens of Montenegro came into effect on December 19, 2009.
- Montenegro's application for EU membership was originally submitted on December 15, 2008. Montenegro was formally given the status of an EU candidate country at the European Council summit in Brussels on December 17, 2010. On December 9, 2011 the European Council decided that Montenegro could start EU accession talks in June 2012 if it showed additional progress in implementing reforms, especially regarding the rule of law. On June 29<sup>th</sup>, 2012 Montenegro officially opened accession negotiations with the EU.
- On December 17, 2011 Montenegro became the 156th member of World Trade Organization (WTO).
- The main incentives for U.S. investors to do business in Montenegro are the business-oriented economic system, a high level of economic freedom, stable currency, macroeconomic predictability, and protected ownership rights. The Euro has been the official means of payment in Montenegro since March 31, 2002, thus stabilizing

financial flows and resulting in lower transaction costs. Ownership is protected by the Constitution and includes equal treatment of foreigners. Macroeconomic stability has also been achieved; Montenegro has the lowest corporate tax rate in the region at nine percent, the country credit rating has been evaluated at BB -, and around 85 percent of government property has been privatized. Inflation in 2012 was 4.1 percent and in the first quarter of 2013 3.6 percent.

- Montenegro has made great strides in its tax policy. In April 2003, Montenegro introduced the Value Added Tax (VAT) and in January 2006, a two-tiered tax rate with a standard rate of 17 percent and a lower rate of 7 percent applying to certain services, including tourism. In May 2013 the Montenegrin Government raised the higher VAT rate from the existing 17 to 19 percent. The government said that the increase is temporary.
- Montenegro has attracted considerable interest from foreign investors and, although foreign direct investment (FDI) dropped in 2011 and 2012 mostly as a result of the global economic crisis, Montenegro is still a leading country measured by investment per capita. According to preliminary data released by the Montenegrin Investment Promotion Agency (MIPA), FDI in the first nine months of 2012 reached 349 million euro, and by the end of 2012 total FDI in Montenegro is projected to total 450 million euro.
- Up to 5,000 foreign-owned firms are registered and operating in Montenegro. Foreign investors come from almost 100 countries, with no single country dominating investment. To date the most significant investments have come from Norway, Austria, Russia, Hungary, Great Britain, Slovenia and Italy.

## **Market Challenges**

### Private Sector Development

- Around 85 percent of the capital in Montenegrin companies has been privatized. The Privatization Council adopted a plan for 2013 and the privatization process will be continued by publishing tenders for the following companies: Tobacco Factory Podgorica (DKP), , Container Terminal, Montecargo, Montenegro Airlines, Institute Simo Milosevic health center, Budvanska Riviera hotel, Ulcinjska Riviera hotel, Institut Crna Metalurgija, Factory of Electrodes (FEP), Poliex Berane, Pobjeda
- In addition, through Public Private Partnership the Government will maintain an ownership stake in the following tourism sites: Ada Bojana, Velika Plaza, Njivice, Utjeha, Buljarica, Jaz, Mediteran, Bigovo, Mamula, Rakite, Lesendro, Marina Kotor, Hotel Park, Bjelasica and Komovi.

- Shares of some of the companies will be offered on Montenegrin Stock Market (Papir, Boxite Mines, Agrotransport, BERANE, Dekor, HTP Velika Plaza, MetalProdukt, MontenegroSport, Sokara, Trgokoop, MontenegroTurist)

More information and details on these tenders can be found on the Privatization Council's web page: [www.savjetzaprivatizaciji.me](http://www.savjetzaprivatizaciji.me).

### Regulatory Framework

- Montenegro has made great strides amending legislation in accordance with international standards and in creating the necessary institutions for attracting investment. Implementation and enforcement of existing legislation will need further improvement as the country moves towards EU accession.

### Corruption

- As is the case with many countries in the region, corruption remains an ongoing concern. Corruption routinely ranks high on the list of business concerns (corruption in the process of obtaining the license, in the construction, in the public procurement, in the customs, in the inspection bodies). Montenegro ranked 75<sup>th</sup> in the Transparency International (TI) 2012 Corruption Perception Index list, which is nine positions lower than last year. Regionally, Croatia (62<sup>nd</sup>), Macedonia (69<sup>th</sup>), and Bosnia and Herzegovina (72<sup>nd</sup>) all rank higher. The only countries that ranked lower were Serbia (80<sup>th</sup>), Kosovo (105<sup>th</sup>), and Albania (113<sup>th</sup>).
- The Government's goal of integrating with European and Euro-Atlantic institutions has spurred efforts to counter corruption. In 2001, the Government established an Anti-Corruption Agency responsible for preparing anti-corruption legislation, improving the transparency of financial and business operations, coordinating activities with NGOs, and promoting awareness in combating corruption.
- Over the past year, Montenegro has introduced legislation on public procurement, the treasury and budget system, and the courts in an effort to reduce corruption. Implementation of these laws is now a key priority for the Government.

## Market Opportunities

### Offshore carbon exploration

- The Montenegrin Ministry of Economy is currently preparing a tender for exploration of oil and gas off its southern, coastal shelf. This area, known as the Ulcinj Block, covers 3,000 square miles.

### Tourism

- The World Travel and Tourism Council (WTTC) has estimated that Montenegro has exceptional revenue opportunities in the spheres of tourism and travel. According to their estimates, Montenegro could, in the next 10 years, become the leading economy in the region in the field of tourism and travel. WTTC has estimated that Montenegro in the next 10 years could have revenues from tourism up to 2 billion euro.

### Highway

- *Bar – Boljare Motorway* – At the beginning of 2013 the Ministry of Transportation announced that the Government of Montenegro will call for another tender for the construction of Bar - Boljare Motorway. The Bar – Boljare motorway is the Montenegrin section of a longer highway. It will be 170 km long and by far the most expensive section, with an estimated cost of around 2.7 billion euro. The rugged mountainous terrain is an engineering challenge, with 50 tunnels and 95 bridges and viaducts planned along the section. With the support of the European Investment Bank, the Government of Montenegro received the grant to conduct an audit of the existing studies for development of the highway to prepare for a new tender in 2013. At this stage letters of interest have been collected. The government hopes to announce the winning bid by the end of June, 2013.

### Electric power

- The energy system of Montenegro has a relatively low demand of around 4500 gigawatt hours (GWh) annually. Of the total electricity, 42 percent is consumed by the aluminum plant in Podgorica (KAP); three percent is consumed by the Niksic steel plant; and less than one percent by the Railroad of Montenegro. Household electricity consumption covers 54 percent of the demand. Around 34 percent of consumption is serviced by imports from the regional system. The majority of electricity in Montenegro is produced at the Pljevlja Thermo Power Plant, the Perucica Hydro Plant, and the Piva Hydro Plant.
- Montenegro has good potential for the development of hydro and thermal plants, as well as for solar and wind energy. As a top energy priority, the Government wants to develop the potential of the Moraca River through a series of four hydroelectric-

power plants for a total of 238 megawatts and an annual production of 693 (GWh). Design/construction tenders for these hydro plants are expected in the near future.

## **Market Entry Strategy**

- Montenegro has enacted specific legislation outlining guarantees and safeguards for foreign investors.
- Montenegro's Foreign Investment Law establishes the framework for investment. The law eliminates previous investment restrictions; extends national treatment to foreign investors; allows for the transfer/repatriation of profits and dividends; provides guarantees against expropriation; and allows for customs duty waivers for equipment imported as capital-in-kind.
- Agents and distributors are commonly used by foreign firms to enter the Montenegrin market.

## **Foreign Investment Regulation**

- A foreign investor in Montenegro can be a legal entity or an individual. Both have equal rights. The term "foreign investor" applies to a company that has been founded by a foreign person in Montenegro or if a foreign legal entity invests capital greater than 25 percent of the total capital amount. Montenegrin citizens can also obtain foreign investor status if they have been living abroad for more than a year. Foreign investment can take the form of money, securities, objects, services, and asset rights.
- According to the Foreign Investment Law, foreign investors can invest with more than one investor or a combination of foreign and domestic investors. Foreign investors can acquire rights to real estate in Montenegro such as company facilities, places of business, apartments, living spaces, and land for construction. Additionally, foreign persons can claim property rights to real estate by inheritance in the same manner as domestic citizens.
- Foreign persons can freely transfer funds after fulfilling liabilities and obligations such as income tax and return of funds invested in initial capital. Transfer of funds is also possible in cases of sale of foreign currency to a registered bank, the sale of goods and services, or transfer to an account of another foreign person.
- Foreign investors in Montenegro cannot be taxed differently than domestic investors and they are obliged to insure the investment according to insurance regulations.

## **Chapter II - Political and Economic Environment**

For the background on the political and economic environment in Montenegro, please see the State Department Background Notes on Montenegro, at:

<http://www.state.gov/r/pa/ei/bgn/70949.htm>

# Chapter III - Selling U.S. Products and Services

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## Introduction

Montenegro is a country in transition and is therefore a complex market, with specific requirements for doing business. As elsewhere in the region, government officials have significant influence on the development of the business climate. The use of a local representative is suggested. The use of agents and distributors is common for foreign firms. It is also suggested that the company have a local lawyer, not only to resolve disputes, but also to interpret existing laws, frequent amendments, and changes to guidelines.

Montenegro has enacted legislation outlining guarantees and safeguards for foreign investors. Good communication with government officials is crucial for bringing new investments to the market.

## Using an Agent or Distributor

The use of agents and distributors is an important mechanism for foreign firms to enter the Montenegrin market. Many firms have found that it is more efficient and cheaper to hire a good local agent or distributor than to conduct direct sales.

Liquidity is presently a significant problem in the Montenegrin economy. Therefore, with some exceptions, advance payments and confirmed letters of credit by foreign banks are recommended. International consulting firms present in Montenegro, such as Deloitte,

KPMG, Ernst & Young and PWC can be helpful in establishing the credibility of a potential local partner. The U.S. Embassy's Economic Section can provide assistance as well, including local company profiles that encompass a thorough background check on potential clients and representatives. These profiles include up-to-date information on potential partners, such as bank and trade references, principals, key officers and managers, product lines, number of employees, financial data, sales volume, reputation and market outlook. The American Chamber of Commerce (AmCham) is a great source of information along with local organizations which may also be useful in verifying the credibility of a potential local partner, including the Chamber of Economy, the Montenegro Business Alliance and the Montenegrin Employers' Federation.

AmCham Montenegro – [www.amcham.me](http://www.amcham.me)

Chamber of Economy - [www.pkcg.org](http://www.pkcg.org)

Montenegro Business Alliance - [www.visit-mba.org](http://www.visit-mba.org)

Montenegrin Employers' Federation - [www.poslodavci.org](http://www.poslodavci.org)

## **Establishing an Office**

It takes just four days to establish a limited liability company. The minimum financial requirement for a limited liability company is 1 euro, and only three documents are required: a founding decision, bylaws, and the registration form for the specific type of company. The Central Registry of Commercial Subjects is in charge of business registration, and all documents are available at the web site: [www.crps.me](http://www.crps.me).

Montenegrin law permits the establishment of six types of companies, their registration requirements are:

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### **Limited Liability Company**

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- minimum capital requirement is €1
- founding act
- contract of decision of company's foundation
- completed registration form
- registration fee €10

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### **Joint stock company**

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- founding act
- minimum capital requirement of €25,000
- contract of decision of company's foundation
- list of names of all board members and managers
- board members' and managers' social security numbers
- name and address of executive director
- comptroller and secretaries
- signed statements of agreement to perform duties in the company

- resolution from the Securities Commission Board approving a public offer of shares
- completed registration form
- registration fee €10

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#### **General partnership**

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- two or more persons
- minimum capital requirement - none
- registration fee €10

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#### **Limited partnership**

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- two or more persons
- minimum capital requirement - none
- registration fee €10

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#### **Entrepreneur**

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- personal identification card
- minimum capital requirement - none
- filled out form
- registration fee €10

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#### **Part of foreign company**

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- minimum capital requirement - none
- registration fee €10

### **Franchising**

Franchising is not yet widely practiced in Montenegro, although the business climate is hospitable to this potentially advantageous mechanism for transferring technology and know-how. A few successful examples do exist: Coca-Cola and Pepsi-Cola both operate in Montenegro, as well as Century 21, Hilton, Best Western, Aman Resort, IberoStar and Ramada. Various reports envisage Montenegro as a country to watch in the fields of European tourism and property investment. The number of foreigners living in Montenegro and the number of tourists visiting Montenegro is increasing, which is another target market for franchisers. There is strong market potential for franchises in the following sectors: restaurants, catering, cosmetics and apparel.

There is no specific law addressing franchising in Montenegro.

## **Direct Marketing**

Direct marketing is not well developed in Montenegro. Mail order catalogs and the sale of mailing lists remain rare. Personal presentation marketing has been employed by such firms as Avon , Oriflame, Rainbow, and Kirby. Some business directories are available in hard copy and, in a few cases on CD-ROM. Contact information for some Montenegrin companies can be found on the Internet at the following web-addresses: <http://www.t-com.me/>, <http://www.mipa.co.me/>, <http://www.visit-mba.org/>, <http://www.poslodavci.org/>.

Targeting customers by product type, size, sales, and location is possible on a limited basis.

## **Joint Ventures/Licensing**

Joint ventures are regulated by the Foreign Investment Law of Montenegro (adopted in November 2000). Montenegrin companies are typically interested in joint-venture contracts with foreign firms in which the foreign company provides capital, equipment, and merchandise, while the domestic firm provides working and warehouse space, personnel, local experience, and channels of distribution. U.S. firms considering such ventures should review carefully the viability of potential domestic partners. Problems can include excess labor, overdue debts, and other structural inefficiencies.

## **Selling to the Government**

The new Law on Public Procurement in Montenegro has started to be implemented from January 2012. The Law on Public Procurement guides the modernization of the public procurement system of Montenegro and, while taking into account the need for economic growth, strives to harmonize the law with international obligations, to make provisions for the public procurement of goods, works and services, to introduce greater transparency and integrity, to establish entities having responsibilities and authorities to administer the system efficiently, to offer equitable access to the private sector to government contracts, and to render corruption more difficult. According to the law, the award of works, supplies, plants, equipment, and ancillary services shall be undertaken with integrity and transparency, whereby no activity undertaken shall be initiated without sufficient appropriations. Notwithstanding any other enactment, this law applies to Ministries, Departments, Secretariats, Courts, Local Governments, to any public entity deriving public funds for public procurement, and to Government-owned companies, entities or firms not financially autonomous and not regulated by civil or commercial law.

The law applies to all investments financed by the budget, payments guaranteed by the government, or funds secured by loans taken by the government. According to the law, in principle, such purchases should be done via public tender published in the Official Gazette. For large purchases, foreign competitors compete on an equal footing with local

firms. Public Procurement Directorate (PPD) is responsible for ensuring that procurement is done in conformity with the legislation, while the Public Procurement Commission (within the PPD) is in charge of bidders' protection. The law defines the "best offer" as the offer with the lowest price which also complies with the tendering specifications. The best offer may be defined using price and other criteria, but these other criteria must be prescribed in the bidding documents.

## **Distribution and Sales Channels**

The Parliament of Montenegro adopted the Foreign Trade Law in April 2004. The law decreases the barriers for doing business and executing foreign trade transactions in accordance with WTO agreements. However, the law still allows for some restrictive measures, such as quotas, and discretionary government interference. Stringent customs and tax administration have reduced illegal imports and unlicensed business activities. Wholesalers operate as a distribution intermediary to retailers. Restructuring of the retail segment also occurred as retail chains were privatized and acquired by larger groups and new private retailers emerged on the market. Retail is now dominated by private companies such as Mercator, Voli, and Maxi. The trade sector in Montenegro is now 100 percent privately owned. Customers are switching to buying goods at modern shopping centers, newly established domestic supermarkets and retail chains. The retail sector also includes kiosks, small shops and open markets.

Capital goods are normally sold directly to manufacturers and businesses. When selling capital goods or machinery to businesses, a good agent is essential.

## **Selling Factors/Techniques**

Factors/techniques critical to success in Montenegro are no different than most other countries: a product or service that offers value for the money, close and frequent contact with buyers, motivated and trained middlemen, aggressive market promotion and, for technical products, a professional and customer-friendly customer service network in place. The ability to provide financing is still important, but is no longer the key selling factor since financing from local banks has become more readily available.

The size of the Montenegrin market is a limiting factor for many highly specialized products. For such products, it is difficult to find a local representative as, whatever the margin, the potential sales volumes usually do not justify the costs of putting those products on the market. Private sector growth augurs well for western businesses that are accustomed to selling products based on pricing, product quality, and servicing ability.

## **Electronic Commerce**

Electronic Commerce is regulated by the E-commerce Law adopted in 2004. There is still no wide use of e-commerce by companies in Montenegro and the company information available on web sites, if available, is frequently outdated.

The Law on Digital Signature was adopted in 2003, seeking to promote the secure and efficient utilization of electronic communication by specifying requirements for certain electronic signatures and authorizing the issuance of certificates for electronic signatures.

## **Trade Promotion and Advertising**

Most Montenegrin companies engage in some form of advertising. Available vehicles include: newspapers, magazines, television, radio, billboards, and signs. Television is the most important media in Montenegro. Outdoor –billboard—advertising is also growing. The major daily newspapers in Montenegro are:

"Pobjeda", <http://www.pobjeda.co.me>

"Dan", <http://www.dan.co.me/>

"Vijesti" <http://www.vijesti.me>

"Dnevne Novine" , <http://www.dnovine.me/>

The major weekly in Montenegro is "Monitor", <http://www.monitor.co.me/>.

The most widely advertised products are telecommunications, vehicles, financial institutions, beverages, newspapers, and hygiene products. Montenegrin regulations prohibit television advertising of tobacco, alcohol, and spirits.

## **Pricing**

Liberalization of the market has put pressure on domestic producers to bring pricing down and more in line with costs. The level of prices in Montenegro is generally high compared to prices of similar products/services in Western European countries and the United States, thus making imported products price competitive.

Price supports and subsidies have been stripped away and, as mentioned above, price competition has intensified.

The state directly controls prices of utilities, public transit, and petroleum. Significant black market sales still exist for many products, especially consumer goods. Such goods can be sold more cheaply than goods sold through legal channels because the sellers have generally avoided customs and tax payments. In April 2003, Montenegro introduced the Value Added Tax (VAT) and in January 2006, a two-tiered tax rate where the standard rate is 17 percent and a lower rate of 7 percent applies to certain services (primarily tourism related). VAT turnover period averages 30 days. In May 2013 the government introduced an initiative to raise the VAT rate from 17 to 19 percent.

## **Sales Service/Customer Support**

This is a relatively new concept but, with a gradually increasing presence of western companies and more competition for value-added services, responsiveness to customer needs and demands is growing. As the market matures, the high level of service support

offered by U.S. firms should help regain business from the gray market, which offers no customer support.

## **Protecting Your Intellectual Property**

The acquisition and disposition of intellectual property rights are protected by the Law on the Enforcement of Intellectual Property Rights, which entered into force on January 1, 2006. The law provides for fines for legal entities of up to €30,000 for selling pirated and/or counterfeited goods. It also provides ex officio authority for market inspectors in the areas mentioned above. In April 2005, the Montenegrin Parliament adopted the Regulation on Border Measures – under Trade-Related Aspects of Intellectual Property Rights (TRIPs) - that provides powers to the custom authorities to suspend the customs procedure and seize pirated and counterfeit goods.

Montenegro's Criminal Code acknowledges infringement of all intellectual property rights, allows ex officio prosecution, and provides for stricter criminal penalties. The Law on Optical Disks was adopted in December 2006; it requires the registration of business activity when reproducing optical disks for commercial purposes and provides for surveillance of optical disk imports and exports, and imports and exports of polycarbonates. The Montenegrin Intellectual Property Office is an authority within the state administration system of Montenegro which is competent for the activities related to the industrial property rights and receipt and filing authors and related rights. The Intellectual Property Office is established under the Regulation on organization and manner of work of the state administration, dated May 11, 2007 ("Official Gazette of the Republic of Montenegro", No. 25/07) and officially started working on May 28, 2008.

A regulation on the recognition of intellectual property rights was adopted in September 2007. Under this regulation, any rights registered with the Union Intellectual Property Office or with the Serbian Intellectual Property Office and any pending applications filed with these Offices before May 28, 2008 are enforceable in Montenegro. Any IPR application submitted after that date in Serbia will have to be re-submitted in Montenegro within six months, in order to retain its acquired priority.

IPR market inspectors, police officers, customs officers, and employees of the Ministry of Economy attended a number of training seminars on intellectual property protection and counterfeiting, including an IPR enforcement workshop hosted by the American Chamber of Commerce. At the end of 2007, the Customs Administration signed a Letter of Intent for Acceptance of SECURE Standards (standards to be employed by customs for uniform rights enforcement), adopted by the World Customs Organization (WCO) with a view to more efficient protection of intellectual property rights by customs authorities.

In order to further improve intellectual property protection, AmCham Montenegro established an IPR Committee in April 2009. The main goal of the Committee is to work closely with the Montenegrin institutions which are dealing with IPR, to increase

public awareness of the importance of intellectual property protection, and to help the Government of Montenegro strengthen its administrative capacities in this field.

Montenegro is not on the Special 301 Watch List. However, the sale of pirated optical media (DVDs, CDs, software) as well as counterfeit trademarked goods, particularly sneakers and clothing, is widespread. Enforcement is slowly improving as customs, police, and judicial authorities obtain the necessary tools, but institutional capacity and public awareness is still limited.

## **Due Diligence**

Due diligence - the legal audit of companies - is performed by a number of lawyers in Montenegro and is generally consistent with international standards. Information is generally gathered from public books: the register of fixed assets, the court register, the statistical register, as well as from the firm itself, chambers, and the business community. The price of the service depends on the volume of work necessary to provide the information, but, in general, is lower than in the United States.

## **Local Professional Services**

Embassy of the United States of America, website available at <http://podgorica.usembassy.gov>

U.S. Commercial Service, web site available at <http://export.gov/montenegro>

## **Web Resources**

American Chamber of Commerce – [www.amcham.me](http://www.amcham.me)

Chamber of Economy - [www.pkcg.org](http://www.pkcg.org)

Montenegro Business Alliance - [www.visit-mba.org](http://www.visit-mba.org)

Montenegrin Employers' Federation - [www.poslodavci.org](http://www.poslodavci.org)

Montenegrin companies can be found on the Internet at the following web pages:  
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"Dnevne Novine" <http://www.dnovine.me/>

Major weekly publication in Montenegro is "Monitor", <http://www.monitor.co.me>

## **Chapter IV - Leading sector for U.S. Exports and Investment**

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### **Tourism sector**

#### **Overview**

The World Travel and Tourism Council (WTTC) has estimated that Montenegro has exceptional revenue opportunities in the spheres of tourism and travel. According to their estimates, Montenegro could, in the next 10 years, become the leading economy in the region in the field of tourism and travel. WTTC has estimated that Montenegro in the next 10 years could have revenues from tourism up to €2 billion.

The implementation of a lower rate of value added tax (from 17 percent to 7 percent) since January 1, 2006 for lodging is a strong incentive to further develop the tourism sector in Montenegro.

Currently, the market is concentrated on summer coastal resorts. However, Montenegro seeks to develop a broader tourist industry based on its culture and scenic beauty (rural tourism, cultural tourism, and ecotourism, to include the mountainous north).

Montenegrin tourism representatives hope to shift a greater percentage of the tourist trade away from low-revenue package tours into more luxurious and upscale projects. Montenegro hopes to become a center for business and convention meetings as well.

#### **Best Products and Services**

U.S. companies that specialize in hotel management, theme park development, amusement games and attractions, golf course development, fast food establishments, sports and leisure facilities, casino management, and environmental control may have excellent opportunities in upgrading major tourist facilities.

The best market prospects are for tourism-related equipment, hotel equipment and IT equipment. Water sports such as water skiing, bird watching, and fishing are also defined as sectors that will be developed, as will ports for yachts, ports of call, and marinas. There are also business opportunities for U.S. construction companies and architects as modernization projects and/or building of new hotels begin.

## Opportunities

Significant opportunities for U.S. companies in this sector include products and ideas for infrastructure improvement. These include building new hotel complexes and modernizing existing ones, construction of convention centers, water parks, marinas, tourist villages, and tourist education centers. Opportunities also exist for new investment, especially for upscale, eco-tourism projects in the coastal and mountain areas. In addition, newly opened or existing hotels will need new high quality equipment (cooling and heating systems, furniture, computers, and Internet access). In next couple of years the Government of Montenegro will announce several locations for Greenfield investments:

*Velika Plaza* – Located primarily on government-owned land between the city of Ulcinj and Ada Bojana Island, Velika Plaza (a 13 km long sand beach with an unobstructed view of the Adriatic Sea) is located at the southern tip of Montenegro. It is 87 km from Tivat International Airport and 70 km from the capital Podgorica. Plans for the gradual development of the property include: (i) the development of high – end tourist accommodations; (ii) the construction of a small VIP airport; (iii) upgrading telecommunication, efficient energy and water supply; and (iv) coastal area protection (allowing up to 100 square meters of green surface per bed in order to provide luxury tourist accommodations). More information available on: [www.velikaplaza.info](http://www.velikaplaza.info)

*Ada Bojana Island* – This Island is located at the southernmost tip of Montenegro. The nearest international airport is located in Podgorica (85km). Tivat International Airport is 108km away. The 494 hectare island is flanked on two sides by the Bojana River, connecting directly to Skadar Lake and the Adriatic Sea. Because of the site's unique natural environment and secluded private setting, the Government foresees the configuration and operation of an exclusive five star hotel/resort/village complex, reflecting contemporary Montenegrin architecture and including recreational facilities and services. The master plan for Ada Bojana envisions a capacity of up to 2,500 hotel beds within the current area designated for tourist development, and the Government anticipates that the hotel resort, once developed, will be listed in the international hospitality industry as a top nature resort.

*Mamula Island* - Mamula presents a popular one-day trip destination accessible by boat. The island has a circular shape (200m in diameter) and coastline which consists of a rocky surface with a small beach section. The fortress located on Mamula currently has no accommodation, food, beverage, or boutique services. The developmental concept includes a luxury hotel with exclusive leisure, food service and wellness facilities, and berths for small and medium size yachts. The Government of Montenegro prefers a Public-Private Partnership (PPP) for this project.

*Jaz Beach* – Located in the central part of the Montenegrin coast between the cities of Budva and Tivat. Plans for the gradual development consist of an urban development concept, including a village complex offering accommodations, a water sport center, wellness facilities, food and beverage services. The fields and hillside of Jaz must be

surveyed in order to determine the exact available area. The Rolling Stones, Madonna, and Lenny Kravitz performed concerts on the beach of Jaz in 2007 and 2008.

*Buljarica Beach* - Located between the cities of Bar and Budva. The land is mostly private. The majority of owners are members of a local landowners association, which is interested in creating a joint venture with potential strategic partners participating as share holder partners. The developmental concept includes high-end residential accommodations, five star hotels, and a tourist village (all totaling up to 6,500 beds). A marina is also planned, as is a business center and an 18-hole golf course.

*Bigovo* - The Bigovo cove is situated between the cities of Budva and Tivat and adjacent to an historic fishing village. There is easy air access to the property via Tivat's international airport (20 kilometers from the site). The international airports at Podgorica (90 minutes) and Dubrovnik (90 minutes) provide additional access. The site is located on a peninsula and extends from the seacoast inland, almost fully across the peninsula to the Kotor bay side. The site encompasses 38,940 square meters of land, with leisure facilities currently on 2,873 square meters. Planning is in a nascent stage, but ideas for the gradual development of Bigovo include a luxury leisure asset utilizing the natural surroundings.

*Mediterranean* - This tourism complex is located within the Durmitor national park in Zabljak, 1,456 meters above sea level. While it has direct access by paved road, the location evokes a feeling of isolation and connection with nature. It is adjacent to and walking distance from the famous Black Lake, and is completely surrounded by pine trees. Views from the site are of forest and mountains. The intention is to create a world-class resort that is intimate in feel, as well as conceptually, aesthetically, functionally, and ecologically in harmony with the natural physical location of the property.

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## **Energy sector**

### **Overview**

The energy system of Montenegro is small with 285,000 users and a demand of around 4684.7 gigawatt hours (GWh) annually. Out of that demand, 42 percent is consumed by the aluminum plant in Podgorica (KAP), 3 percent by Zeljezara Niksic (the Niksic steel plant), 0.5 percent by the Railroad of Montenegro, and the rest is household consumption. Around 34 percent of consumption is serviced by imports from the regional system.

Electricity production in Montenegro for 2012 was around 3000 GWh and the rest was imported via a transmitting system from Serbia, Switzerland, Romania, Czech Republic, and Slovenia.

The majority of electricity in Montenegro is produced at the Pljevlja Thermo Power Plant, the Perucica Hydro Plant, and the Piva Hydro Plant.

The Electrical Power Company (EPCG) is a state-owned company whose core activity is electricity generation, transmission, distribution, and supply. The Government of Montenegro signed the strategic partnership with Italian company A2A after the company became owner of 43.7 percent of shares.

The Agreement of the Electro-Energetic Community for South Eastern Europe, signed by Montenegro, will open the market to competitors. Based on the agreement, as of January 1, 2008, signatory countries have free access to the energy market for all consumers, except for households, and on January 1, 2015, the market will be open for all consumers.

### **Best Products and Services**

Montenegro has good prospects to develop hydro and thermal plants, as well as the potential for some new types of production such as solar and wind energy. Montenegro only utilizes 17 percent of its hydro potential and energy consumption is higher than production, meaning that there are great opportunities for the development of new energy sources. In addition, to fully develop this sector, Montenegro will need a developed/upgraded transmission and distribution network. The most important development project in transmission system is construction of one-way underwater cable to Italy. The estimated cost of this project is up to USD 600 million.

### **Opportunities**

Opportunities include simple or combined cycle power plants, windmills, small hydro power plants, geothermal, and solar energy applications and power generation, hydrogen generation pilot facilities, and generator sets. Other opportunities include upgrading existing power plants, supply and installation of power transformers and gas insulated substations for power transmission lines. The Government of Montenegro intends to develop the country's untapped hydropower potential through Public-Private Partnerships.

*Greenfield in hydropower plants on the River Moraca* - The Government of Montenegro intends to develop the country's untapped hydropower potential through Public-Private Partnerships. As a priority, the Government wants to develop the potential of the Moraca River through a series of four hydroelectric-power plants for a total of 238 megawatts (MW) and an annual production of 693 gigawatt hours (GWh). Extensive geotechnical and hydrological studies have already been performed in order to prepare the technical documentation.

*Maoce* - The Government of Montenegro will award a concession for the exploitation of coal from the basin of Maoce and the construction of a thermal power plant. The terms of the concession contract are 45 years, with the possibility of an extension in accordance with the law; concession fees for the exploitation of coal will be calculated as a percentage of revenues from the sales of electricity. This coal basin is located in the northeast area of Montenegro, about 15 km from the town of Pljevlje. The thermal power plant called for in the concession would have an estimated capacity of 500 MW. Coal reserves in the basin of Maoce are estimated to be geological (123 million tons) and exploitable (110 million tons).

*Investment in Oil and Gas* - According to the Montenegrin Energy Development Strategy, it is estimated that there could be up to 7 billion barrels of oil deposits in Montenegro and 425 billion cubic meters of natural gas deposits present in the seaside area. Further research regarding these resources is necessary in order to confirm the capacity levels. The search for oil and gas, along with the production cycle, consists of several phases: exploration, appraisal, development, production and abandonment. Montenegro does not possess the necessary technology, nor does it have experience producing oil or gas. The next step for the Montenegrin government in 2013 is to publish a new call for proposals in order to find an investor who is both willing and able to take on the concession for exploring and producing oil and gas.

Design/construction (DBOT) tenders for a number of small hydro plants will be issued in the near future as well.

In accordance with “National Energy Development Strategy of the Montenegro until 2025”, there are many opportunities for investors. Among others, it is considered to:

- Construct several large and small hydro power plants on various rivers
- Construct facilities utilizing renewable energy sources (wind, solar, biomass/waste)
- Construct the second unit of the TPP Pljevlja (225 MW)
- Construct LNG, oil and gas terminals
- Introduce LPG as forerunner for natural gas when available
- Continue exploratory works for oil and gas in the submarine area of Montenegro
- Ensure 90-days strategic oil stocks
- Realization of many projects in the area of energy efficiency improvements
- Several projects in the power transmission and distribution area.

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## **Infrastructure**

### **Overview**

Montenegro's road infrastructure extends for 6,848 km, of which 884 km are primary roads and 964 km are secondary roads. The total network also contains 312 bridges, 136 tunnels, and about 5,000 km of local roads. There are currently around 100,000 registered vehicles in Montenegro, of which 89 percent are private passenger vehicles. The physical characteristics of most of the state roads (steep slopes, absence of shoulders, tight curves, relatively high pavement degradation) result in an average speed of less than 50 kilometers per hour, thereby causing higher costs for road users, reducing Montenegro's comparative advantage against other transit corridors and inhibiting economic development.

Most roads in Montenegro are two lanes only. In recent years, roads between Podgorica and the coastal towns have improved significantly with the completion of the Sozina tunnel, which shortened the journey from Podgorica to Bar to roughly an hour.

The Montenegrin part of the Belgrade - Bar railway is the backbone of the Montenegrin railway system. It opened in 1979, and, at the time, was a state-of-the art railway, with features such as the Mala Rijeka viaduct (the highest railway viaduct in the world) and the 6.2 km long Sozina tunnel. About one-third of the Montenegrin part of the railway is in tunnels or on the viaduct. It is the only railway corridor in Montenegro that is fully electrified; electrification of the Podgorica - Niksic corridor is currently under construction.

The Podgorica - Nikšić railway has been primarily used for freight traffic, particularly bauxite from the Nikšić mine to the Podgorica aluminum plant. That changed, as the railway was reconstructed. Passenger traffic has started in 2012.

The Podgorica - Shkoder railway, which extends to Tirana, has been used exclusively for freight traffic for some time. There are plans to reconstruct the railway and re-introduce passenger traffic.

Montenegro also is linked with the world by sea. Bar is the major seaport in Montenegro. It is capable of handling about five million tons of cargo, and is a port for ferries to Bari and Ancona, Italy. Kotor, Tivat, and Zelenika are smaller ports.

In the near future, Montenegro plans to develop a plan for implementing improvements in inter-municipality waste management, including landfills, transfer stations, recycling facilities, and the rehabilitation of approximately 30 dumpsites. Through a national waste management system, Montenegro aims to work on reduction of water and soil pollution.

### **Best Products and Services**

U.S. companies that specialize in road network upgrading, park development, management and development of logistic, residential, shopping and industrial complexes will find many prospects here. Real estate investors and construction material suppliers may have opportunities to participate in the upgrade of major transport and tourism-related infrastructure facilities.

### **Opportunities**

The Ministry of Transportation has received several offers for the construction of Bar-Boljare Motorway during 2013. The Bar – Boljare motorway is the Montenegrin section of a longer highway. It will be close to 170 km long and by far the most expensive section, with an estimated cost of around 2.7 billion euro. The rugged mountainous terrain is an engineering challenge, with 50 tunnels and 95 bridges and viaducts planned along the section. With the support of the European Investment Bank, the Government of Montenegro applied for a grant to conduct an audit of the existing studies for development of the highway in order to prepare for a new tender in 2013. The Government hopes to select a winning bid by the end of the second quarter of 2013.

*Railway* - The process of restructuring the railway system in Montenegro is being carried out in accordance with the principles and objectives of the Restructuring Strategy of Montenegro Railways of 2007.

The rail system in Montenegro is divided into:

- Railway Infrastructure of Montenegro,
- Railway Transport of Montenegro – passenger transport,
- Monte cargo - freight transport,
- Maintenance of railway rolling stock

*Luka Bar/Port of Bar* - The Port of Bar spreads over 200 hectares. The total length of the operational coast is 3.5 kilometers, maximum depth of 14 meters, and 120 thousand

square meters are secure warehouses. In the port, there are five specialized terminals: for passenger traffic, general cargo, containers, solid and liquid bulk. Maximum capacity is about five million tons. The Government owns 54 percent of total shares, while the remaining proportion is divided between privatization funds (16 percent), workers (11 percent), citizens (18 percent) and other legal entities. The port currently offers full time employment to almost 1,400 workers. In accordance with the Government of Montenegro's privatization plan, the sale of the state package of shares in the port shall be done on the basis of restructuring, most likely in the first half of 2012.

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### **Health care equipment**

#### **Overview**

Montenegro's health care equipment market is dominated by imports due to limited domestic production. Exports to Montenegro mainly come from Germany, Italy, Austria, Switzerland, and the United States. The market has seen some growth over the last ten years, but increased potential is expected in the next few years. The vast majority of equipment in public hospitals is outdated and expensive to maintain. The government has announced plans to restructure the health care sector, most likely through public-

private partnerships, and there will be increased demand for innovative instruments and equipment.

The Ministry of Health is the main player in the Montenegrin medical equipment market. The Ministry develops health policy, proposes the health care budget and the investment program for the sector, and monitors the work of state-owned health institutions. Currently all procurements are tendered through the Ministry of Health.

### **Best Products and Services**

U.S.-manufactured medical equipment enjoys an excellent reputation in Montenegro for its state-of-the-art technology, quality, and reliability. Best sales prospects for U.S. medical equipment are expected to be cardiovascular diagnostic equipment, non-invasive surgical devices, anesthesia and intensive care equipment, diagnostic imaging (CTs, MRIs) and radiation therapy equipment, as well as ultrasound equipment, urology equipment, laboratory and testing equipment, tissue and blood bank equipment, hospital care equipment, and hospital information systems.

### **Opportunities**

There are good opportunities in the Montenegrin market for U.S. manufacturers of sophisticated diagnostic equipment such as electrocardiographs, endoscopes, and scanners. Private clinics are opening in Montenegro as well, which could lead to wider opportunities for U.S. companies.

### **Web Resources:**

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# Chapter V - Trade Regulations, Customs and Standards

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## Import Tariffs

Montenegro is a small but open country. Trade policy is characterized by a low level of custom duties and the absence of non-tariff trade barriers. The tariff system is prescribed by the Law on Customs Tariffs. Tariffs range from zero to 30%. A uniform tariff rate of 5% may be applied on goods imported for non-commercial purposes. The average custom tariff rate is 6.5%. Custom tariffs are not calculated on exported goods.

Import duties are set by the customs tariff, as an integral part of the Customs Tariff Law, which is fully based on EU harmonized nomenclature. The value of goods, which serves as the customs assessment base, is the contract price. The Customs Law, however, discusses the general procedures applicable to the trading of goods. Please see [www.upravacarina.gov.me](http://www.upravacarina.gov.me) for further information.

Manufactured goods, primarily raw materials, are the dominant Montenegrin exports while imports have no single dominant item. According to preliminary data, current foreign trade exchange is €450.9 million (Jan-Mar 2013).

According to Monstat data, the value of overall exported and imported goods for the first three months of 2013 was €89.2 million and €361.7 million respectively. Montenegro's most important export partners were Serbia (€30.1 million), Slovenia (€14.7 million), Croatia (€14.6 million) and with imports mainly coming from Serbia (€90.3 million), China (€46.3million) and Greece (€29.5 million). Foreign trade exchange was the highest with CEFTA and the EU.

## **Trade Barriers**

Montenegro, in preparation for its efforts to initiate its accession to the World Trade Organization (WTO), made major trade policy reforms to bring practices in full conformity with WTO requirements and eventual membership in the European Union (EU). Reforms have included the elimination of import quotas, reduction of import licensing and prohibitions, streamlining of custom procedures and reduction of tariff and non-tariff barriers. On December 17, 2011 Montenegro became the 156<sup>th</sup> member of World Trade Organization (WTO).

The Customs Law, in line with World Trade Organization and European Union requirements, was introduced in Montenegro in April 2003. The law simplifies import-export procedures, which should increase international trade flows. The customs territory of Montenegro comprises the territory of Montenegro, including the territorial waters, the inland maritime waters, and the airspace. Goods enter and/or leave the customs territory through border crossings.

Customs goods mean: (i) any good introduced into the customs territory that has not been released for free circulation and (ii) any good declared for export from the customs territory. Duties on goods imported into the customs territory are based on the Law on Custom Tariffs and on rules laid down in the law. Custom tariffs range from zero to 30%; the average customs tariff is 6.11%.

All goods that are brought into or taken out of the customs territory must be declared to the customs office at the border, or to other competent custom offices. Any person importing or exporting goods may request information concerning the application of custom rules from the custom authorities without being charged. For more information, please see the Customs Law.

At the end of April 2004, the Parliament of Montenegro adopted the Foreign Trade Law. The law is a step forward in decreasing the barriers for doing business and executing foreign trade transactions in accordance with WTO Agreements. However, the law still provides for some restrictive measures, such as quotas, and discretionary government interference.

These laws also provide the government with the authority to implement temporary measures to regulate trade. The government has phased-out quantitative restrictions although certain goods require a license from the government. New laws are being promulgated to improve the custom and trade regimes.

## **Import Requirements and Documentation**

Montenegro uses a fairly standard import/export documentation process (generally requiring a bill-of-landing, etc.). With liberalization of the trade regime and reform of the trade/custom-related institutions, Montenegro is moving toward harmonizing its documentation with the EU.

For the most part, import-licensing regimes were dismantled beginning in 1999. However, import licenses are required for arms/ammunition, military and police equipment, antiquities, works of art, precious metals, waste, and substances harmful to the ozone layer. According to government officials, it is not difficult to obtain a license and, in all cases, licenses are issued in less than 30 days and may be used for multiple shipments during the period of validity.

## **U.S. Export Controls**

The Foreign Trade Law regulates foreign trade. Foreign trade activities in Montenegro may be performed by all persons registered for such activities in accordance with entity regulations. The government may impose quantitative restrictions on exports: (i) in case of critical shortages of products essential to Montenegro, or for the relief of consequences of such shortages; or (ii) in order to protect exhaustible natural resources, if export restrictions are applied simultaneously with restrictions on domestic production or consumption. The government may impose quantitative restrictions on imports as a safeguard measure pursuant Articles 44-50 of this law.

Montenegro adopted the classification of Goods for Exports into the following regimes: free exports (LB) and licensed exports (D). Export licenses are required for the following commodities: drugs, medicines, blood and similar pharmaceutical products, precious metals, explosives, arms, military equipment, and national art treasures.

According to the law, the period for processing applications for import, transit, or export licenses shall not exceed 15 days as of the day of application if applications are considered as and when received, i.e. on a first-come first-served basis. Such period shall not exceed 30 days if all applications are considered simultaneously, where such period shall begin to run on the day following the closing date of the announced application period.

## **Temporary Entry**

Products may be brought into Montenegro on a temporary basis and be exempted from custom duties in certain situations:

- Equipment temporarily sent by a foreign company to a Montenegrin company to produce goods or provide services for the foreign company;
- Equipment temporarily imported by a foreign contractor to perform construction, assembling, maintenance, and similar works in Montenegro;
- Raw materials temporarily imported for processing in Montenegro and re-exported.

In Montenegro, the law states that goods intended for re-export may be exempt from duties for up to 24 months.

## **Labeling and Marking Requirements**

Labels must contain the following: title of the product, full address of the producer or full address of the importer, net quantity/weight/volume, ingredients, manner of storage (transport, use of maintenance) and pertinent consumer warnings. Technically complicated products must be accompanied by instructions on usage, the manufacturer's specifications, and a list of authorized maintenance offices, warranty information, warranty period and other applicable data.

## **Prohibited and Restricted Imports**

There is a limited list of prohibited (temporary and/or permanent) items which are not allowed to be imported because of technical conditions related to environmental protection.

More information can be obtained from Montenegro's Ministry of Economic Development and Custom Offices.

## **Customs Regulation and Contact Information**

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## **Standards**

### **Overview**

The Institution for Standardization in Montenegro was established in April 2007. The Law on Standardization, adopted in 2007, establishes the regulatory framework. The Institute is responsible for drafting standards – 10,000 have been adopted thus far and are in line with EU standards. According to the Institute's plan, 2,100 standards should be adopted by the end of 2013. The Institute for Standardization signed nine bilateral agreements (with Serbia, Bosnia and Herzegovina, Macedonia, Albania, Slovenia, Croatia, Great Britain, Germany and France) in order to transfer materials and expertise in this field.

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## **Trade Agreements**

In December 2006, Montenegro signed the Central European Free Trade Agreement (CEFTA) intended to eliminate all custom restrictions for industrial and agricultural products in member states by 2010. The Parliament ratified CEFTA on March 21, 2007, and it took effect in Montenegro (and simultaneously in Albania, Macedonia, Moldova, and Kosovo) on July 26, 2007. Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia were already parties to the Agreement. Montenegro held the rotating CEFTA Presidency during 2009.

On November 14, 2011 Montenegro signed a Free Trade Agreement with members of the European Free Trade Association (EFTA).

On December 17, 2011 Montenegro became the 156<sup>th</sup> member of World Trade Organization (WTO).

The United States does not have a Bilateral Investment Treaty (BIT) with Montenegro. It is possible that, given the presence of U.S. investors, Montenegro could be a BIT candidate in the future.

The U.S. restored Normal Trade Relations (Most-Favored Nation status) to Montenegro in December 2003. This provides improved access to the U.S. market for goods exported from Montenegro. The Montenegro is GSP eligible beneficiaries (BDCs).

Other free trade agreements:

- Free Trade Agreement with Russia. A free trade agreement with Russia, concluded in August 2000, provided for the gradual elimination of barriers to Montenegrin exports to Russia by 2005. The agreement stipulates that the importing country regulate the rules of origin, in accordance with WTO principles. The list of products not covered by the duty free agreement is updated annually, and it currently includes poultry, sugar, chocolate, alcoholic beverages, soap, cotton, carpets, wooden furniture, household appliances, and motor vehicles.

- Preferential Trade Agreement with the European Union. The EU has taken steps to stimulate the export of goods among countries in the region through the establishment of autonomous trade preferences (ATP), which provide duty-free entry for over 95 percent of goods. Exemptions include wine, meat, and steel. Products originating from Montenegro are generally admitted into the European Union without quantitative restrictions and are exempted from custom duties and charges. The products exempted from the free import regime are agricultural products, "baby beef" products, and textile products.
- Free Trade Agreement with Turkey. Montenegro and Turkey signed an asymmetric Free Trade Agreement in November 2008. While the list of industrial products covered is identical to that signed with the EU, the list of agricultural products is rather limited. The Montenegrin Parliament ratified the Agreement in July 2009, and ratification of the Parliament of Turkey is expected.
- EFTA countries (Switzerland, Norway, Iceland, and Liechtenstein). A Free Trade Agreement with the EFTA countries was signed on November 14, 2011. With a combined population of around 13 million, the EFTA states are the world's 11th largest merchandise trader, as well as significant actors in the areas of trade in services and foreign direct investment.

## **Telecommunications**

The principal service providers in the Montenegrin telecommunications market are T-Com Montenegro (fixed line operator), ProMonte (the first GSM mobile service provider), T - mobile Montenegro (the second GSM mobile service provider), and M-tel (the third mobile operator and fixed line operator). In July 2008 the Government of Montenegro passed a new Telecommunications Law in order to provide a clear regulatory framework for Montenegro's telecommunications sector. In accordance with the Telecommunications Law, the Agency for Electronic Communications and Postal Services has been established in December 2008 as an independent regulatory agency for the telecommunications sector. This agency is responsible for promoting competition and access to networks, issuing licenses to operators and regulating tariffs in accordance with the law. T - Com Montenegro has given Montenegro Card, a Montenegrin company, the right to manage public payphones in Montenegro.

The telecommunications sector in Montenegro is 100% private. In 2005, Magyar Telekom, a subsidiary of Deutsche Telekom, acquired 76.53% of T - Com Montenegro, becoming its majority owner. T- Com Montenegro was subsequently re-branded into *T-Crnogorski Telekom* on September 26, 2006. T - Com Montenegro implemented direct routes with several international operators as follows: Albtelecom – Albania; BH Telecom - Bosnia and Herzegovina; Belgacom - Belgium; T - Croatian Telecom – Croatia; Macedonian Telecom – Macedonia; T - Systems – Germany; OTE – Greece; Telecom Italia Sparkle – Italy; Telecom Austria – Austria; Telecom Slovenia – Slovenia; and Telecom Serbia - Serbia. International outgoing traffic is routed via these routes.

The total number of fixed telephone users is around 169,756 while Internet users number roughly 200,000.

Three mobile operators' signals cover almost 99% of Montenegro's inhabited territory. According to the latest data, mobile operators in Montenegro have around 1,026,161 users (Telenor 40.7%, T - Mobile 33.9%, and M - tel 25.4%). The market penetration rate for mobile telephone users in Montenegro (number of cell phone users per one hundred inhabitants) reached 165.5% in 2012.

The Montenegro's country code is + 382 and was assigned to Montenegro in June 2006.

## **Transportation**

Montenegro has two international airports, with their IATA Airport Codes:

- Podgorica Airport - TGD
- Tivat Airport - TIV

**Podgorica Airport** (IATA: TGD, ICAO: LYPG) is an international airport located in Golubovci, Montenegro, approximately eight miles (12 km) south of Podgorica. Podgorica Airport is the main aviation hub in Montenegro. It has eight departure and two arrival gates, and is able to handle up to one million passengers per annum.

The airports handle international flights within Europe. As Montenegro's two main airports are only 80 km away from each other, there are no regular passenger flights within Montenegro. Domestic flights have been reduced to charter flights and all regular traffic is treated as international.

There are daily scheduled flights to Belgrade, as well as to various European destinations. During the summer season, there are many charter flights and air connections to various major cities.

- [Montenegro Airlines](#) (Bari, Belgrade, Nis, Frankfurt, Ljubljana, London, Naples, Paris, Rome, Vienna, Zurich, Moscow)
- [Adria Airways](#) (Ljubljana, Munich, Zurich, Brussels, Frankfurt, Amsterdam)
- [Austrian Airlines](#) (Vienna)
- [Jat Airways](#) (Belgrade)
- Turkish Airlines (Istanbul)
- Siberia (Moscow)

From June 2013 the low-cost airline company RyanAir will have flights from Podgorica to Brussels.

**Note:** Serbian VIP airlines [Air Pink](#) and [Prince Aviation](#), as well as Montenegrin charter airline [DI Air](#), also use the airport.

**Tivat Airport** (IATA: TIV, ICAO: LYTV) is an international airport located two miles (four km) from the centre of Tivat, Montenegro, on the Kotor Bay. There are daily flights from Tivat to Belgrade throughout the year, while all other flights are heavily concentrated over the summer period. Tivat airport is mainly used by charter flights to the coastal resorts, being only seven km from Kotor and 20 km from Budva. The main passenger terminal underwent an extension and refurbishment in September 2006, and the airport is being equipped with instrumentation for night landing.

Montenegro can be entered by vehicle from various directions. The quality of the roads, however, varies. Most roads are two-lane highways. Roads in Montenegro are generally not up to European standards. In recent years, roads connecting Podgorica and the coastal towns have improved significantly with the completion of the Sozina tunnel, which shortened the journey from Podgorica to Bar and made the trip significantly safer.

The road north, from Podgorica to Kolasin through the Moraca Canyon to Serbia is considered one of the most dangerous routes in Europe, especially during the winter. Preparatory work has begun on a bypass for the canyon. A tender for the construction of a highway which will connect northern and southern Montenegro has been announced 2012. The decision is expected to be made by the end 2013.

The Montenegrin part of the Belgrade - Bar railway is the backbone of the Montenegrin railway system. It opened in 1979, and, at the time, was a state-of-the art railway, with features such as the Mala Rijeka viaduct (the highest railway viaduct in the world) and the 6.2 km long Sozina tunnel. About one-third of the Montenegrin part of the railway is in tunnels or on the viaduct.

The Podgorica – Niksic railway has been primarily used for freight traffic, particularly bauxite from the Niksic mine to the Podgorica aluminum plant. The passenger traffic started in October 2012.

The Podgorica - Shkoder railway, which extends to Tirana, has been used exclusively for freight traffic for some time. There are plans to reconstruct the railway and re-introduce passenger traffic. The Montenegrin Railway Company is currently state-owned; according to the privatization plan, it will be privatized in 2013.

Bar is the major seaport in Montenegro. It is capable of handling about five million tons of cargo, and is a port for ferries to Bari and Ancona, Italy. Kotor, Tivat, and Zelenika are smaller ports.

Montenegro's rivers are generally not navigable, except for tourist activities such as rafting on the Tara River.

## **Language**

The predominant language in Montenegro is Montenegrin. Fortunately, many business people speak foreign languages, mostly English and Italian, with some German and

French. In the southern parts of Montenegro, close to the Albanian border and in a few northern cities close to the Kosovo border (Rozaje, Gusinje, Plav), many people are fluent in Albanian.

## **Health**

Medical facilities are available but can be limited in terms of specific services. No specific immunization is needed.

Fruits and vegetables are usually of good quality and precautions related to the washing of raw fresh fruits and vegetables are similar to those which would normally be practiced in the U.S.

In the case of an adult medical emergency, please go to the Clinical Center in Podgorica. The first private hospital (the Codra Hospital) opened in Montenegro in 2006. A significant number of private ambulances in different medical fields are operating in Montenegro. Users should expect to pay at the time of service.

Contact information:

### **Clinical Center of Montenegro**

Address: Krusevac bb

Tel: +382 20 412 412

### **Codra Hospital**

Address: Radosava Burica bb

Tel: +382 20 648 334

## **Local Time, Business Hours, and Holidays**

Local time is GMT+01:00; usual business hours are from 08:00 to 16:00, Monday to Friday.

### **Holidays in 2013 (including U.S.)**

<u>DATE</u>	<u>DAY</u>	<u>HOLIDAY</u>
<i>Jan. 1</i>	<i>Tuesday</i>	<i>New Year's Day</i>
<i>Jan. 2</i>	<i>Wednesday</i>	<i>New Year's Day</i>
<b>Jan. 7</b>	<b>Monday</b>	<b>Orthodox Christmas</b>
<b>Jan. 8</b>	<b>Tuesday</b>	<b>Orthodox Christmas</b>
Jan. 21	Monday	Martin Luther King's Birthday
Feb. 18	Monday	President's Day
<b>May 1</b>	<b>Wednesday</b>	<b>May Day</b>
<b>May 2</b>	<b>Thursday</b>	<b>May Day</b>
<b>May 3</b>	<b>Friday</b>	<b>Orthodox Good Friday</b>
<b>May 6</b>	<b>Monday</b>	<b>Orthodox Easter (Observed)</b>

<b>May 21</b>	<b>Tuesday</b>	<b>Independence Day</b>
<b>May 22</b>	<b>Wednesday</b>	<b>Independence Day</b>
May 27	Monday	Memorial Day
July 4	Thursday	Independence Day
<b>July 15</b>	<b>Monday</b>	<b>Statehood Day (Observed)</b>
Sept. 2	Monday	Labor Day
Oct. 14	Monday	Columbus Day
Nov. 11	Monday	Veterans Day
Nov. 28	Thursday	Thanksgiving Day
Dec. 25	Tuesday	Christmas Day

The following holidays also may be observed by Montenegrin citizens:

December 25 Christmas (Catholic)  
Easter (Catholic)  
Ramadan Bairam (Muslim)  
Yom Kippur (Jewish)  
Rosh Hashanah (Jewish)

### **Temporary Entry of Materials and Personal Belongings**

There are no restrictions or duties to be paid on the temporary entry of materials and personal belongings. However, items that are temporarily imported have to be reported to custom officials at the point of entry by filling out a designated form.

### **Web Resources**

[www.mek.gov.me](http://www.mek.gov.me)  
[www.monstat.org](http://www.monstat.org)  
[www.upravacarina.gov.me](http://www.upravacarina.gov.me)  
[www.montenegroairports.com](http://www.montenegroairports.com)  
[www.ekip.me](http://www.ekip.me)  
[www.promonte.com](http://www.promonte.com)  
[www.t-com.me](http://www.t-com.me)

# Investment Climate Statement

## 1. Openness to Foreign Investment

Since regaining independence 2006, Montenegro has adopted an investment framework to encourage growth, employment and exports. Montenegro is still in the process of establishing a liberal investment regime. Although the continuing transition has not yet eliminated all structural barriers, the Government recognizes the need to remove impediments, reform the business environment and open the economy to foreign investors.

There are no distinctions made between domestic and foreign companies. Foreign companies can own 100 percent of a domestic company, and profits and dividends can be repatriated without limitations or restrictions.

Foreign investors can participate in the privatization process and can own land in Montenegro. Expropriation of property can only occur for a "compelling public purpose" and compensation must be made at fair market value. There has been no known expropriation of foreign property. International arbitration is allowed in commercial disputes involving foreign investors.

Registration procedures have been simplified to such an extent that it is possible to register a company electronically in Montenegro. Bankruptcy laws have been streamlined to make it easier to liquidate a company, accounting standards have been brought up to international norms, and custom regulations have been simplified. There are no mandated performance requirements.

Montenegro has enacted specific legislation outlining guarantees and safeguards for foreign investors. Montenegro's Foreign Investment Law establishes the framework for investment in Montenegro. The law eliminates previous investment restrictions, extends national treatment to foreign investors, allows for the transfer/repatriation of profits and dividends, provides guarantees against expropriation, and allows for custom duty waivers for equipment imported as capital-in-kind.

Montenegro also has adopted more than 20 other business-related laws, all in accordance with EU standards. The main laws that regulate foreign investment in Montenegro are: the Foreign Investment Law; the Enterprise Law; the Insolvency Law; the Law on Fiduciary Transfer of Property Rights; the Accounting Law; the Law on Capital and Current Transactions; the Foreign Trade Law; the Customs Law; the Law on Free Zones; the Labor Law; the Securities Law; the Concession Law, and the set of laws regulating tax policy. Montenegro has made significant steps in both amending investment-related legislation in accordance with world standards and creating the necessary institutions for attracting investments. However, as is the case with other transition countries, implementation and enforcement of existing legislation remains weak and inconsistent.

While Montenegro has taken many steps to make the country more open for foreign investment, some deficiencies still exist. The absence of fully developed legal institutions has fostered corruption and weak controls over conflicts of interest. The judiciary is still slow to adjudicate cases, and court decisions are not always consistently applied or enforced. Montenegro's significant grey economy impacts its market, negatively affecting businesses operating in accordance with the law. Favorable tax policies established at the national level are often ignored at the municipal level.

NATO invited Montenegro to participate in its Membership Action Plan (MAP) on December 4, 2009. The European Council's decision in favor of visa-free travel to Schengen-zone countries for citizens of Montenegro came into effect on December 19, 2009.

Montenegro's application for EU membership was originally submitted on December 15, 2008. Montenegro was formally given the status of an EU candidate country at the European Council summit in Brussels on December 17, 2010. On December 9, 2011 the European Council announced that Montenegro could start EU accession talks in June 2012 if it showed additional progress in implementing reforms, especially regarding the rule of law. On June 29<sup>th</sup>, 2012 Montenegro officially started accession negotiations with the EU.

On December 17, 2011 Montenegro became the 156<sup>th</sup> member of World Trade Organization (WTO).

Over 5,000 foreign-owned firms are registered and operating in Montenegro. Foreign investors come from more than 100 countries, with no single country dominating investment. To date the most significant investments have come from Italy, Norway, Austria, Russia, Hungary and Great Britain.

*Montenegro's ranking by key indices is as follows:*

TI Corruption Index	4.1 (75 out of 176 countries)
Heritage Economic Freedom	72 out of 179 countries
Forbes List of Best Countries for Business	45 out of 141 countries
World Bank Doing Business Report	
a) Ease of doing business	51 out of 183 countries
b) Acquiring construction permits	176 out of 183 countries
c) Access to electricity	69 out of 183 countries
d) Registering property	117 out of 183 countries

e) Getting credit	4 out of 183 countries
f) Protecting investors	32 out of 183 countries
g) Paying taxes	81 out of 183 countries
h) Trading across borders	42 out of 183 countries
i) Enforcing contracts	135 out of 183 countries
j) Resolving insolvency	44 out of 183 countries

#### *American Chamber of Commerce*

In order to further develop commercial ties between the U.S. and Montenegro, the American Chamber of Commerce in Montenegro was launched on November 19, 2008. AmCham Montenegro serves as a leading advocate for American as well as other foreign businesses in Montenegro.

Edin Seferovic, Executive Director  
 American Chamber of Commerce in Montenegro  
 Dzordza Vasingtona 83/V  
 81000 Podgorica, Montenegro  
 Tel/Fax: +382 20 621 328  
 Website: <http://www.amcham.me/>

#### *Montenegrin Chamber of Economy*

The government supported Chamber of Economy in Montenegro was established in 1928. The Chamber is focused on increasing the competitiveness of Montenegrin enterprises and on promoting Montenegro as an investment destination.

Velimir Mijuskovic, President  
 Chamber of Economy of Montenegro  
 Novaka Miloseva 29/III  
 81000 Podgorica, Montenegro  
 Tel: +382 20 230 545  
 Fax: +382 20 230 493  
 Website: [www.privrednakomora.me](http://www.privrednakomora.me)

#### *Montenegrin Investment Promotion Agency*

In order to better promote investment and foster economic development, the Government of Montenegro established the Montenegrin Investment Promotion Agency (MIPA) in mid-2005. It seeks to promote Montenegro as a competitive investment destination by actively facilitating investment projects in the country.

Inquiries on investment opportunities in Montenegro can be directed to:

Drazen Vlaovic, Acting Director  
Montenegrin Investment Promotion Agency (MIPA)  
Jovana Tomasevica 2  
81000 Podgorica, Montenegro  
Tel/fax: (+382 20) 203 140, 203 141, 202 910  
Website: <http://www.mipa.co.me/>.  
E-mail: [info@mipa.co.me](mailto:info@mipa.co.me)

*Montenegro's Foreign Investment Law*

## **2. Conversion and Transfer Policies**

The Foreign Investment Law guarantees the right to transfer and repatriate profits in Montenegro. Montenegro uses the Euro as its domestic currency. There are no difficulties in the free transfer of funds exercised on the basis of profit, repayment of resources, or residual assets.

## **3. Expropriation and Compensation**

Montenegro provides legal safeguards against expropriation. Protections are codified in several laws adopted by the government. There have been no cases of expropriation of foreign investments in Montenegro. However, Montenegro has outstanding claims related to property nationalized under the Socialist Federal Republic of Yugoslavia.

On March 23, 2004, Montenegro passed a Restitution Law. The necessary sub-acts entered into effect on January 1, 2005, and the Restitution Fund came into existence on March 1, 2005. The basic restitution policy in Montenegro is restitution in kind when possible, and cash compensation or substitution of other state land when physical return is not possible.

At the end of August 2007, Parliament passed a new Law on Restitution which supersedes the 2004 Act. In line with the new law, three review commissions have been formed: one in Bar (covering the coastal region); one in Podgorica (for the central region of Montenegro); and one in Bijelo Polje (for the northern region of Montenegro.)

Montenegro provides safeguards from expropriation actions through its Foreign Investment Law. The law states that the government cannot expropriate property from a foreign investor unless there is a "compelling public purpose" established by law or on the basis of the law. If an expropriation is executed, compensation must be provided at fair market value plus one basis point above the LIBOR rate for the period between the expropriation and the date of payment of compensation.

## **4. Dispute Settlement**

The Administrative Court in December 2012 rejected an appeal by the U.S. investment fund NCH, which had challenged the decision of the Government's Council for

Privatization earlier in 2012 to grant the lease of a large coastal property to the Azerbaijani Oil Company SOCAR. Representatives of NCH, who were the second-ranked bidders on the tender, argued that the Government's Council for Privatization did not value their bid correctly. The Administrative Court rejected NCH's appeal, saying that it was submitted one day after the deadline for submitting appeals. The Supreme Court had previously sent the case back to the administrative court for further review at the beginning of December.

Post is not aware of any other investment disputes involving American companies in Montenegro.

### *Legal System of Montenegro*

Montenegro's Law on Courts defines a judicial system consisting of three levels of courts: Basic, Superior, and the Supreme Court. Montenegro established the Appellate Court and the Administrative Court in 2005 for special jurisdiction of commercial matters.

The Basic Courts exercise original jurisdiction over civil and criminal cases. There are 15 courts for Montenegro's 21 municipalities. Two Superior Courts in Podgorica and Bijelo Polje have appellate review of municipal court decisions. The Superior Courts also decide on jurisdictional conflicts between the municipal courts.

The two commercial courts (which also handle economic crimes) were established in Podgorica and Bijelo Polje. They have jurisdiction in the following matters: shipping, navigation, aircraft (except passenger transport), intellectual property rights, bankruptcy, and unfair trade practices. The Superior Courts hear appeals of Basic Court decisions, and Superior Court decisions may be appealed to the Supreme Court. The Supreme Court is the court of final judgment for all civil, criminal and administrative cases.

The commercial court system faces challenges, such as the implementation of new legislation and changes to existing laws; developing a new system of operations, including electronic communication with clients; and a lack of capacity and expertise among the judges. As a result, the pace at which cases are adjudicated is slow. Some reform proposals have included creating a High Commercial Court or dedicating a chamber of the Supreme Court to hear commercial cases. Some judges also have suggested designating a particular court with assigned competency for specific areas in order to streamline caseloads and develop specialized expertise for complicated economic crimes.

Dispute resolution is under the authority of national courts, but it can also fall under the authority of international courts if the contract so designates, meaning that Montenegro allows for the possibility of international arbitration. Various foreign companies have other bilateral and multilateral organizations -- such as MIGA (World Bank), OPIC (U.S.), ECGD (UK), SID (Slovenia), SACE (Italy), COFACE (France), and OEKB (Austria) -- providing risk insurance against war, expropriation, nationalization, confiscation, inconvertibility of profit and dividends, and inability to transfer currency. In 2012, Montenegro became a Party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention).

Over the last several years the adoption of 20 new business laws has significantly changed and clarified the legislative environment.

The new Law on the Improvement of the Business Environment adopted in July 2010 is the first law of its type in Montenegro aimed at equalizing the status of foreign and domestic investors. The new law addresses changes in various laws including: Business Organization; Foreign Investments; Cinematography; Assessment of Impact in the Environment; Construction; and Administrative Taxes. The purpose of these changes is to provide the same working conditions to foreign companies operating in Montenegro and to companies with domestic capital. For example, with the Law on the Environment the deadlines for issuing different permits were reduced in order to speed up procedures and also to help businesses meet their obligations more quickly.

The Bankruptcy Law, adopted in January 2011, mandates that debtors are designated as insolvent if they cannot meet financial obligations within 45 days from the date of maturity of any debt obligations. At the end of April 2004, Parliament adopted the Foreign Trade Law. The law decreases barriers for doing business and executing foreign trade transactions and is in accordance with WTO standards. However, the law still provides scope for restrictive measures and discretionary government interference.

The new Labor Law was adopted in November 2011. It defines a single collective agreement for both public and private sectors, maintains the existing level of severance payments (i.e. the average of the past six months' salaries), and retains the current 365 days of allowed maternity leave. Besides the Labor Law, the question of labor-based relations is also defined in the General Collective Agreement, Branch-level Collective Agreements, and with individual labor agreements between employer and employee.

A new Concession Law was adopted in February 2009 and creates favorable conditions for obtaining and utilizing concession licenses. The law also regulates the conditions and procedures for obtaining a concession to exploit natural resources, use property in the public domain, and/or conduct activities of general interest. The Concession Law is fundamental to support the public-private partnership process through which a number of future projects will be realized in Montenegro.

In January 2012 Montenegro began to implement the new Law on Excise Taxes. The law was adopted in order to bring Montenegro into compliance with European excise standards. The new law increases duties on cigarettes and alcoholic beverages. Beginning in April 2012 higher duties were also placed on coffee and sodas.

In May 2013 the Montenegrin Government introduced a resolution to raise the VAT rate from 17 to 19 percent. According to the Minister of Finance, increase will be temporary.

## **5. Performance Requirements and Incentives**

The government does not impose any performance requirements as a condition for establishing, maintaining, or expanding an investment. Limited incentives are offered to foreign investors; for example, the government offers duty exemptions for imported equipment.

## **6. Right to Private Ownership and Establishment**

In Montenegro, a foreign investor, foreign company, or foreign individual may acquire property. The Foreign Investment Law specifically permits foreign investors to purchase real estate through a contract. This right is explicitly reinforced by the Law on Property and Law on Relations. The Act states that foreign persons and companies can, based on reciprocity, acquire rights to real estate, such as company facilities, places of business, apartments, living spaces, and land for construction. Additionally, foreign persons can claim property rights to real estate by inheritance in the same manner as a domestic citizen.

## **7. Protection of Property Rights**

### *Mortgages/Secured Transactions*

In July 2002, Montenegro enacted the Law on Secured Transactions and established a collateral registry at the Commercial Court in May 2003. The registry's operational guidelines have been drafted and approved by the Commercial Court. The main goal of the Law on Secured Transactions is to establish a clear and transparent framework. In August 2004, Montenegro adopted a new Law on Mortgages by which immovable property may be encumbered by a security interest (mortgage) to secure a claim for the benefit of a creditor who is authorized, in the manner prescribed by the law, to demand satisfaction of his claim by foreclosing the mortgaged property with priority over creditors who do not have a mortgage created on that particular property, as well as over any subsequently registered mortgage, regardless of a change in the owner of the encumbered immovable property.

### *Intellectual Property Rights*

The acquisition and disposition of intellectual property rights are protected by the Law on the Enforcement of Intellectual Property Rights, which entered into force on January 1, 2006. The law provides for fines for legal entities of up to 30,000 euro for selling pirated and/or counterfeited goods. It also provides ex officio authority for market inspectors in the areas mentioned above. In April 2005, the Montenegrin Parliament adopted the Regulation on Border Measures – under Trade-Related Aspects of Intellectual Property Rights (TRIPs) - that provides powers to customs authorities to suspend customs procedure and seize pirated and counterfeit goods.

Montenegro's Penal Code penalizes intellectual property right violations, allows ex officio prosecution, and provides for stricter criminal penalties. The Law on Optical Disks was adopted in December 2006; it requires the registration of business activity when reproducing optical disks for commercial purposes and provides for surveillance of optical disk imports and exports, and imports and exports of polycarbonates. The Montenegrin Intellectual Property Office is an authority within the state administration system of Montenegro which is competent for the activities related to the industrial property rights and receipt and filing authors and related rights. The Intellectual Property

Office is established under the Regulation on organization and manner of work of the state administration, dated May 11, 2007 ("Official Gazette of the Republic of Montenegro", No. 25/07) and officially started working on May 28, 2008.

A regulation on the recognition of intellectual property rights was adopted in September 2007. Under this regulation, any rights registered with the Union Intellectual Property Office or with the Serbian Intellectual Property Office and any pending applications filed with these Offices before May 28, 2008 are enforceable in Montenegro. Any IPR application submitted after that date in Serbia will have to be re-submitted in Montenegro within six months, to retain its acquired priority.

IPR market inspectors, police officers, customs officers, and employees of the Ministry of Economy attended a number of training seminars on intellectual property protection and counterfeiting, including an IPR enforcement workshop hosted by the American Chamber of Commerce. At the end of 2007, the Customs Administration signed a Letter of Intent for Acceptance of SECURE Standards (standards to be employed by customs for uniform rights enforcement), adopted by the World Customs Organization (WCO) to promote the efficient protection of intellectual property rights by customs authorities.

To further improve intellectual property protection, AmCham Montenegro established an IPR Committee in April 2009. The main goal of the Committee is to work closely with Montenegrin institutions which deal with IPR, to increase public awareness of the importance of intellectual property protection, and to help the GoM strengthen its administrative capacities in this field.

Montenegro is not on the Special 301 Watch List. However, the sale of pirated optical media (DVDs, CDs, software) as well as counterfeit trademarked goods, particularly sneakers and clothing, is widespread. Enforcement is slowly improving as customs, police, and judicial authorities obtain the necessary tools, but institutional capacity and public awareness is still limited.

### *International Agreements*

The former State Union of Serbia and Montenegro ratified many conventions and agreements. It should be noted that in its Declaration of Independence Montenegro stated: "The Republic of Montenegro will apply and assume international agreements and treaties which were concluded by the State Union and which are in accordance with the Montenegrin judicial system."

The following conventions and agreements in the field of intellectual property have been signed and continued with implementation after independence:

- Convention Establishing the World Intellectual Property Organization (1967) [member since October 1, 1973];
- Paris Convention for the Protection of Industrial Property (1883) [member since February 26, 1921];
- Berne Convention for the Protection of Literary and Artistic Works (1886) [member since June 17, 1930];

- Madrid Agreement Concerning the International Registration of Trademarks (1891) [member since February 26, 1921];
- Protocol relating to the Madrid Agreement Concerning the International Registration of Trademarks [member since February 19, 1997];
- Patent Cooperation Treaty (1970) [member since February 1, 1997];
- Hague Agreement Concerning the International Deposit of Industrial Designs (1925) [member since December 30, 1993];
- Universal Copyright Convention (1952) [member since 1966];
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Trademarks (1957) [member since August 30, 1966];
- Locarno Agreement Establishing an International Classification for Industrial Designs (1968) [member since October 16, 1973];
- Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite (1974) [member since August 25, 1979];
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1977) [member since February 25, 1994];
- Trademark Law Treaty (1994) [member since September 15, 1998];
- Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (1958) [member since June 1, 1999];
- Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods (1891) [member since May 18, 2000];
- Nairobi Treaty on the Protection of the Olympic Symbol (1981) [member since March 18, 2000];
- Treaty on Intellectual Property with Respect to Integrated Circuits (1989) (signed, not ratified);
- International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations [member since December 20, 2002];
- Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms [member since December 20, 2002];
- WIPO Copyright Treaty [member since December 20, 2002];
- WIPO Performances and Phonograms Treaty [member since December 20, 2002]

#### *WTO Membership*

On December 17, 2011, Montenegro became the 156<sup>th</sup> member of World Trade Organization (WTO). Accession to the WTO is expected to make a positive and lasting contribution to the process of economic reform and sustainable development in Montenegro.

## **8. Transparency of the Regulatory System**

The Montenegrin Law on Foreign Investment is based on the national treatment principle, and all proposed laws and regulations are published in draft form and open for public comments, generally for a 30-day period.

Regulations are often applied inconsistently, particularly at the municipal level. Many regulations are in conflict with other regulations, or are ambiguous, creating confusion for investors. As noted in the American Chamber of Commerce's 2012 Business Climate Survey, many municipalities lack adequate Detailed Urban Plans, making construction permit procedures lengthy and complex.

Foreign investors can establish a company and invest in it in the same manner and under the same conditions which apply to domestic persons. The same regulations are applied to both domestic and foreign investors, and there are no other regulations which might deprive a foreign investor of any rights or limit such rights. The Law of Foreign Investments is now fully harmonized with World Trade Organization rules.

On January 22, 2004, the Parliament of Montenegro established an Energy Regulatory Agency, which has authority over the electricity, gas, oil, and heating energy sectors. Its main tasks are the approval of pricing, development of a model for determining allowable business costs for energy sector entities, issuance of operating licenses for energy companies and for construction in the energy sector, and monitoring of public tenders. The energy law prescribes that energy sectors where prices are affected by monopoly positions of some participants, business costs will be set at levels approved by the Agency. In those areas deemed to function competitively, the market will determine prices.

The Agency for Electronic Communication and Postal Services was founded by the Montenegrin government in 2001. It is an independent regulatory body whose primary purpose is to design and implement a regulatory framework and encourage private investment in the sector.

The State Audit Institution was established in 2004 and serves as the supreme control organ of budget and state property, local government units, funds, the Central Bank of Montenegro and all other legal entities owned by the state. The Institution audits the annual budget balance sheet of Montenegro. The Institution presents an annual report on the audit results to the parliament by the end of October.

## **9. Efficient Capital Markets and Portfolio Investment**

The banking sector in Montenegro is completely privatized. There are eleven banks operating in the country, and all of them are in private ownership; one is locally owned while the others are part of international banks.

At the end of third quarter of 2012, the total assets of eleven Montenegrin banks amounted to €2.9 billion, and total deposits amounted to €2 billion. One of the main risks to financial stability is growing illiquidity of the economy created by non-performing assets.

A new set of laws has been adopted and some of the existing laws have been amended to improve regulation of the banking sector, provide a higher level of depositor safety and increase trust in the banking sector itself.

The Law on the Protection of Deposits has been adopted to bring local legislation on protecting deposits up to European standards. In accordance with the law, a fund for protecting deposits has been established. Deposits are guaranteed up to €20,000. In 2012 the amount increased to €30,000 and in 2013 the amount guaranteed by the fund will increase to 50,000 euro, the same level as other countries in the European Union.

The Euro has been officially used in Montenegro since March 31, 2002. Montenegro is one of a few countries that do not belong to the Euro zone but use the Euro as its official currency without any formal agreements. Use of the Euro defines the role of the Central Bank; since its authority is limited, it has focused on control of the banking system and maintenance of the payment system. It acts as the state fiscal agent and monitors monetary policy.

#### *Capital Markets*

The capital market in Montenegro achieved the highest growth in the process of mass voucher privatization. After completing this process in 2002, the capital market developed rapidly and became the most developed in the region. In 2007 it achieved a turnover of €4.8 billion or 213 percent of GDP. In 2009 there was a significant turnaround and further increased value of the stock exchange, increasing the number of transactions and turnover. The most important reason for the market's revival was the sale of shares in Electoprivreda Crne Gore, the national electricity company.

In 2012 the Montenegrin capital market was characterized by negative trends. This was followed by decreases in trade volume and in the number of transactions made in comparison with the same period in 2011. The greatest turnover was recorded in the area of company shares, followed by bonds and investment funds. The most important innovation has been the adoption of a new methodology for calculating indices, which aims to present an accurate picture of the capital market.

During the first 10 months of 2012, turnover on the Montenegrin stock exchange amounted to only €27.21 million, a decline of 39.9% in comparison with the same period in 2011. The average monthly turnover during the first half of 2012 was only €2.72 million, which was much lower than the average monthly turnover in 2011 (€4.47 million). The decline in the turnover of the stock exchange during the first 10 months of 2012 was also followed by a decrease in executed transactions. During the first half of 2012, 5,853 transactions were completed. This was 51% less than during the same period in 2011 (11,456 transactions). During the first 10 months of 2012, three types of securities were traded: company shares, privatization-investment fund shares and bonds which included Government bonds and Ministry of Finance bonds. The greatest turnover was recorded in the area of company shares (62.8%), followed by bonds (26.4%). The total turnover of investment funds amounted to 10.8%. Company shares fell in

comparison with figures recorded in the same period last year, while bonds and investment funds recorded increases (354% and 107% respectively).

#### *Stock Exchange Indices*

The Montenegrin stock exchange uses two indices, MONEX20 and MONEXPIF. In March 2012, the Montenegrin Board of Directors adopted a new methodology for calculating the indices MONEX20 and MONEXPIF. By adopting a new method for calculating the index, they aim achieve a more accurate representation of the capital market situation. The new method that was adopted to calculate the index is available on the official website of the Montenegrin stock exchange.

#### *MONEX20*

The value of the MONEX20 index, which includes the 20 most liquid companies traded on the Montenegrin stock exchange, has decreased steadily since the beginning of 2012 with just a few oscillations. The highest value reached by MONEX20 during the first half of 2012 was recorded on March 23 with 9,807 points. The lowest value was recorded on July 27 with 8,138 points.

#### *MONEXPIF*

The value of this index has declined steadily with just a few oscillations since the beginning of 2012. It reached its highest level on February 2 with a total of 4,273 points. The lowest point was recorded on June 21 with 3,022 points. The index value was influenced in such a way that a similar trend was evident in all of the privatization investment funds.

#### *Privatization – Investment Funds on the Stock Exchanges*

The total volume of trade involving PIF shares during the first 10 months of 2012 amounted to €2.933 million. This showed a growth of 7% when compared with the same period in 2011. In total, during the first half of 2012, 1,218 transactions were made. These transactions represent a total of 61,298 million shares. The most actively traded shares during this period were Atlas Mont (34,607 million shares). The privatization-investment fund “MIG” JSC Podgorica has changed its name to the “Society for Task Management and Real Estate Management MIG” JSC Podgorica. It started to trade its shares on the free stock market, by auction, on 27 March 2012.

### **10. Competition from State-Owned Enterprises (SOEs)**

Private enterprises in Montenegro are able to compete with public enterprises under the same terms and conditions with respect to access to markets, credit and other business operations.

From the beginning of the privatization process in 1999 through the end of September 2012, nearly 90 percent of the capital in Montenegrin companies had been privatized. The most important state-owned companies include the Port of Bar, Montenegro Railways, Montenegro Airlines, Airports of Montenegro, and the Plantaze Vineyard. All of these companies are registered as joint-stock companies, with the Government of Montenegro appointing one or more representatives to each Board based on the

ownership structure. All must provide an annual report to the government and are subject to independent audits.

The Government of Montenegro is the main institution responsible for the privatization process. The Privatization and Capital Projects Council has been formed to manage, control and supply implementation of the privatization process as well as to propose and coordinate all activities necessary for capital projects application in Montenegro. The Prime Minister of Montenegro is the president of the Privatisation and Capital Projects Council.

The responsibility of this council is defined by the Law on Economic Privatization. The Privatization Council announces each year the plan for privatization which defines which companies will be privatized and the methods of their privatization.

The privatization process in Montenegro is in its final phase. The majority of companies that have not yet been privatized are of strategic importance to the Montenegrin economy in such fields as energy, transport, and tourism. Further privatization of state-owned companies should contribute to better economic performance, increase the competitiveness of the country and enable the Government of Montenegro to generate higher revenues which will enhance capital investments and reduce debts.

More information about the Council and the actual privatization plan is available on the Council's website: [www.savjetzaprivatizaciji.me/en](http://www.savjetzaprivatizaciji.me/en)

## **11. Corporate Social Responsibility**

An awareness of corporate social responsibility exists among Montenegrin enterprises and entrepreneurs. CSR programs are strongest in large, privately-owned Montenegrin and foreign firms, but small firms do engage in some CSR activities. A survey showed that large private companies and associations are, indeed, more engaged in CSR activities, whereas small companies cited the lack of knowledge about CSR and the lack of support and interest from clients as the main reasons for not participating.

## **12. Political Violence**

Montenegro has been led by democratically-elected governments since 1991. There is no sustained anti-American sentiment among the general public despite some residual resentment stemming from the 1999 NATO bombing. Montenegro and the United States share most policy goals and cooperate productively in many areas. There is broad support for a strengthening of ties with the United States, especially in the economic and commercial sphere.

## **13. Corruption**

As is the case with many countries in transition and in the region, corruption is a significant issue in Montenegro. Corruption routinely places high on the list of citizens' concerns in opinion polls.

Montenegro ranked 75<sup>th</sup> in the Transparency International (TI) 2012 Corruption Perception Index list, which is nine positions lower than last year. Regionally, Croatia (62<sup>nd</sup>), Macedonia (69<sup>th</sup>), and Bosnia and Herzegovina (72<sup>nd</sup>) all rank higher. The only countries that ranked lower were Serbia (80<sup>th</sup>), Kosovo (105<sup>th</sup>), and Albania (113<sup>th</sup>).

In 2005, the government adopted an official Program for the Fight against Corruption and Organized Crime, and then created an Action Plan to implement the Program the following year. In 2007, the Government established a National Commission to monitor the implementation of the Action Plan. The Deputy Prime Minister and Minister of Justice Dusko Markovic currently heads the Commission.

A legal framework to help combat corruption and organized crime has been in force since the August 2006 adoption of the Law on Witness Protection. Montenegro is also preparing a criminal intelligence system, and has been a full member of the International Criminal Police Organization-Interpol since September 2006.

In the past two years, progress on combating corruption has been achieved through the passage of important legislation on public procurement, the treasury and budget system, and the courts. Nevertheless, there have been few high-profile corruption prosecutions. Implementation of these laws is considered a top priority for the government. On June 29<sup>th</sup>, 2012 Montenegro officially started negotiations with the EU; the most challenging chapters are related to the area of rule of law.

#### **14. Bilateral Investment Agreements**

In December 2006, Montenegro signed the Central European Free Trade Agreement (CEFTA) intended to eliminate all custom restrictions for industrial and agricultural products in member states by 2010. The Parliament ratified CEFTA on March 21, 2007, and it took effect in Montenegro (and simultaneously in Albania, Macedonia, Moldova, and Kosovo) on July 26, 2007. Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia were already parties to the Agreement. Montenegro held the rotating CEFTA Presidency during 2009.

On November 14, 2011 Montenegro signed a Free Trade Agreement with the European Free Trade Association (EFTA).

The United States does not have a Bilateral Investment Treaty (BIT) with Montenegro. It is possible that, given the presence of U.S. investors, Montenegro could be a BIT candidate in the future.

The U.S. restored Normal Trade Relations (Most-Favored Nation status) to Montenegro in December 2003. This status provides improved access to the U.S. market for goods exported from Montenegro. The Montenegro is GSP eligible beneficiaries (BDCs).

Other free trade agreements:

- Free Trade Agreement with Russia. A free trade agreement with Russia, concluded in August 2000, provided for the gradual elimination of barriers to Montenegrin exports to Russia by 2005. The agreement stipulates that the

importing country regulate the rules of origin, in accordance with WTO principles. The list of products not covered by the duty free agreement is updated annually, and it currently includes poultry, sugar, chocolate, alcoholic beverages, soap, cotton, carpets, wooden furniture, household appliances, and motor vehicles.

- Preferential Trade Agreement with the European Union. The EU has taken steps to stimulate the export of goods among countries in the region through the establishment of autonomous trade preferences (ATP), which provide duty-free entry for over 95 percent of goods. Exemptions include wine, meat, and steel. Products originating from Montenegro are generally admitted into the European Union without quantitative restrictions and are exempted from custom duties and charges. The products exempted from the free import regime are agricultural products, "baby beef" products, and textile products.
- Free Trade Agreement with Turkey. Montenegro and Turkey signed an asymmetric Free Trade Agreement in November 2008. While the list of industrial products covered is identical to that signed with the EU, the list of agricultural products is rather limited. The Montenegrin Parliament ratified the Agreement in July 2009, and ratification by the Parliament of Turkey is expected.
- EFTA countries (Switzerland, Norway, Iceland, and Liechtenstein). A Free Trade Agreement with the EFTA countries was signed on November 14, 2011.

## **15. OPIC and Other Investment Insurance Programs**

Montenegro, through the State Union of Serbia and Montenegro, became eligible for OPIC programs in July 2001. OPIC activities in Montenegro include: insurance for investors against political risk, expropriation of assets, damages due to political violence and currency convertibility; and insurance coverage for certain contracting, exporting, licensing and leasing transactions. OPIC also established the Southeast Europe Equity Investment Fund that is managed by Soros Management; the fund is capitalized at \$150 million. For more information, please see: <http://www.opic.gov>

Montenegro became the member of the World Bank Group in January 2007 by signing the Articles of Agreement of the International Bank for Reconstruction and Development (IBRD). Montenegro is a member of the IBRD and has also joined the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

## **16. Labor**

Montenegro's total labor force is comprised of approximately 245,800 people. According to data provided by the Employment Agency of Montenegro, the unemployment level at

the end of the third quarter of 2012 was 13.18% and per the state statistics agency, Monstat, 19.1%. The average monthly salary, without taxes and contributions, was 485 euro (\$630) in February 2013. Foreign investors cite the lack of a highly skilled labor pool as one of the challenges faced in Montenegro.

Over the past few years, employment in private companies has increased, and total employment in the social sector (including state-owned companies) has decreased. Major sectors generating employment in Montenegro are tourism, ports and shipping, and manufacturing.

Bringing the Montenegrin labor market's legislative framework into accordance with EU standards is one of the primary economic challenges of the Government of Montenegro. The Labor Law defines a single collective agreement for both public and private sectors, maintains the existing level of severance payments, and retains the current 365 days of maternity leave. Changes to the Labor Law have made it easier to dismiss employees for poor performance.

The Law on Peaceful Resolution of Labor Disputes was adopted in December 2007. It introduces out-of-court settlement of labor disputes for the first time in Montenegro. However, the agency required for implementation of the law still needs to be established.

The new Law on the Employment of Nonresidents took effect on January 1, 2009 and mandates the government to set a quota for nonresident workers in the country. The quota for 2013 is 16,500 nonresident workers. Procedures for hiring foreign workers have been simplified, and taxes for nonresident workers have been significantly decreased to help domestic companies that are having problems engaging domestic staff, particularly for temporary and seasonal work. Substantial amendments to existing legislation and timely adoption of the necessary by-laws are needed to align legislation on workplace health and safety more closely with the EU. The administrative capacity of the Ministry of Labor and its inspection department is not yet strong enough, and the establishment of the workplace safety agency needs to be prioritized.

Changes were also made to the Law on Pensions and Invalid Care, primarily by increasing the age of retirement to 67 years (both for men and women). This will happen gradually over a period of time until 2042. These changes are being made to eliminate problems that have occurred in the pension fund. The ratio between pensioners and active employees is very low and the whole system is endangered.

## **17. Foreign-Trade Zones/Free Ports**

In June 2004, Montenegro passed a Free Trade Zone Law, which offers businesses benefits and exemptions from custom duties, taxes and other duties. The Port of Bar is currently the only free trade zone in Montenegro. All Free Zone users have at their disposal the use of infrastructure, port handling services, and all telecommunication services.

All regulations relating to free trade zones are in compliance with EU legal standards. Complete equality has been guaranteed to foreign investors in reference to ownership rights, organizing economic activities in the zone, complete free transfer of profit and deposit, and the security of investments.

Contact:

AD Luka Bar (Port of Bar Holding)

Obala 13. Jula bb

85000 Bar, Montenegro

Phone/Fax: +382 30 312 666

Web site: [www.lukabar.me](http://www.lukabar.me)

## **18. Foreign Direct Investment Statistics**

Montenegro has attracted considerable interest from foreign investors. Although foreign direct investment has decreased in the last two years, largely as a result of the global economic crisis, Montenegro remains a top regional investment destination as measured by investment per capita. According to preliminary data released by the Montenegrin Investment Promotion Agency (MIPA) FDI in the first nine months of 2012 reached 349 million euro and is projected to reach 450 million euros by year's end. The largest new investment in 2012 was the purchase of the Niksic Steel Mill by the Turkish company Toshcelik for \$15 million.

Large investments made in the last seven years:

### *Azerbaijan*

Investing Company: SOCAR

Country: Azerbaijan

Investment: Greenfield investment in 'One and Only' hotel resort for USD 200 million

### *Austria*

Investing Company: Springer & Sons

Country: Austria

Investment: Acquisition of Hotel Panorama for USD 9.3 million

Investing Company: Hypo Group

Country: Austria

Investment: Greenfield investment in Hypo Alpe Adria Montenegro of USD 15 million

### *Belgium*

Investing Company: Royal

Country: Belgium

Investment: Greenfield investment in Royal Montenegro of USD 147 million

*Canada*

Investing Company: Molson

Country: Canada

Investment: Acquisition of Trebjesa Brewery for USD 32 million

*Egypt*

Investing Company: Orascom Development

Country: Egypt

Investment: Greenfield investment on Lustica peninsula of USD 14.7 million

Investing Company: Egyptian investment fund

Country: Egypt

Investment: Greenfield investment of USD 73.5 million

*France*

Investing Company: Societe Generale

Country: France

Investment: Acquisition of 64.45 percent of Podgoricka Bank for USD 16.8 million

Investing Company: Alstom

Country: France

Investment: Expansion of Nicksicka Tehno Baza of USD 7.35 million

*Germany*

Investing Company: Strabag AG

Country: Germany

Investment: Acquisition of Public Enterprise Crna Gora Put for USD 10.5 million

*Greece*

Investing Company: Hellenic Petroleum

Country: Greece

Investment: Acquisition of the 54.4 percent of Jugopetrol Kotor petroleum refinery for USD 120 million

*Hungary*

Investing Company: Matav (with Deutsche Telecom)

Country: Hungary

Investment: Acquisition of 51 percent of Telecom Montenegro for USD 142 million

Investing Company: OTP Bank

Country: Hungary

Investment: Acquisition of CKB bank for USD 134 million

### *Italy*

Investing Company: Bolici Invest

Country: Italy

Investment: Greenfield investment in Hotel Bolici of USD 58.8 million

Investing Company: A2A

Country: Italy

Investment: Acquisition of the Electric Power Company of Montenegro (EPCG) of USD 282.3 million

Investing company: Terna

Country: Italy

Investment: Greenfield investment in submarine cable of USD 975 million

### *Japan*

Investing Company: Daido

Country: Japan

Investment: Acquisition of ball bearing factory for USD 11.2 million

### *Norway*

Investing Company: Telenor

Country: Norway

Investment: Acquisition of Promonte mobile operator for USD 145 million

### *Russia*

Investing Company: Rusal

Country: Russia

Investment: Acquisition of "KAP" aluminum plant for USD 58.2 million

Investing Company: Salomon Ent

Country: Russia

Investment: Acquisition of Bauxite Mine (Rudnici boksita AD Podgorica) for USD 12.5 million

Investing Company: Capital Estate

Country: Russia

Investment: Acquisition of Hotel "Grand Lido" for USD 10.8 million

Investing Company: Lukoil

Country: Russia

Investment: Portfolio investment in Roksped of USD 39 million

### *Slovenia*

Investing Company: HIT Nova Gorica  
Country: Slovenia  
Investment: Acquisition of the Hotel Maestral for USD 48 million

Investing Company: LB Leasing Ljubljana  
Country: Slovenia  
Investment: Greenfield investment in LB Leasing Podgorica of USD 10.1 million

Investing Company: Petrol Bonus  
Country: Slovenia  
Investment: Acquisition of Montenegrobonus for USD 154.5 million (for six years)

Investing Company: Intereuropa  
Country: Slovenia  
Investment: Portfolio investment in Zetatrans for USD 12.3 million

Investing Company: Mercator Group  
Country: Slovenia  
Investment: Portfolio investment in Mercator Mex of USD 8.8 million

### *Spain*

Investing Company: Fersa  
Country: Spain  
Investment: Greenfield investment in the first windmill of USD 82 million

### *Singapore*

Investing Company: Aman Resorts  
Country: Singapore  
Investment: Lease of HTP Budvanska Rivijera ("Sveti Stefan", "Milocer", "Kraljicina plaza") for USD 1.95 million per year for 30 years, following a first year payment of USD 2.1 million.

### *Switzerland*

Investing Company: BT International  
Country: Switzerland  
Investment: Acquisition of "4. Novembar" Mojkovac for USD 6.3 million

### *Slovakia*

Investing Company: Gradex HPB  
Country: Slovakia  
Investment: Acquisition of Rudnik coal mine for USD 12.7 million

*Serbia*

Investing Company: Telecom Serbia and Ogalar B.V.

Country: Serbia and Holland

Investment: Greenfield investment of USD 16 million

Investing Company: Delta

Country: Serbia

Investment: Greenfield investment in Delta City shopping mall of USD 86.9 million

*Turkey*

Investing Company: Gintas Group

Country: Turkey

Investment: Greenfield investment in Mall of Montenegro of USD 58.8 million

Investing company: Toshcelik

Country: Turkey

Investment: Acquisition of Steel Mill for USD 22 million

*USA*

Investing Company: Morgan Invest

Country: USA

Investment: Portfolio Investment of Titex for USD 2.45 million

Investing Company: Becovic Management Group

Country: USA

Investment: Acquisition of Hotel "Mediterran" for USD 1 million

## Chapter VII - Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Montenegro's Banking System](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

### How Do I Get Paid (Methods of Payment)

Large importers regularly receive goods under short-term (about three months) supplier credits. Longer term financing may be sought for larger purchases but could be difficult to obtain. The following instruments are used in Montenegro for payments abroad: remittances, documentary collections, checks, and letters of credit.

Currently there are no credit rating agencies operating in Montenegro.

### How Does the Banking System Operate

The banking sector in Montenegro is completely privatized. There are eleven banks operating in the country, and all of them are in private ownership; two are locally owned while the others are part of international banks.

At the end of third quarter of 2012, the total assets of eleven Montenegrin banks amounted to €2.9 billion, and total deposits amounted to €2 billion. One of the main risks to financial stability is growing illiquidity of the economy created by non-performing assets.

A new set of laws has been adopted and some of the existing laws have been amended to improve regulation of the banking sector, provide a higher level of depositor safety and increase trust in the banking sector itself.

The Law on the Protection of Deposits has been adopted to bring local legislation on protecting deposits up to European standards. In accordance with the law, a fund for protecting deposits has been established. Deposits are guaranteed up to €20,000. In 2012 the amount increased to €30,000 and in 2013 the amount guaranteed by the fund will increase to 50,000 euro, the same level as other countries in the European Union.

By the end of 2012, banks' capital had decreased 9% from 2011. Liquid assets of banks were €680 million, 22% higher than in same period 2011. Banks assets increased by 0.4% compared to the previous year.

Deposits in banks recorded growth of 9.1%.

The level of legal reserve in 2002 was 100 percent, but it has been decreasing parallel to the improvement of the performance and stability of the banking sector. Banks may use up to 50 percent of their reserve requirement deposits without interest to maintain their daily liquidity if they return the amount on the same day. As of 2012 the legal reserve amounted to €187 million. All banks have the required amount in reserve.

There have also been important reforms in the payment system. Montenegro has a decentralized payment system that is completely transferred to the banks operating in Montenegro.

## **Montenegro's Banking System**

The Euro has been officially in use in Montenegro since March 31, 2002. Montenegro is one of a few countries that do not belong to the Euro zone but use Euro as its official currency without any formal agreements. Use of the Euro defines the role of the Central Bank; since its authority is limited, it has focused on control of the banking system, and maintenance of the payment system. It acts as the state fiscal agent and monitors monetary policy.

The Central Bank also regulates the process of bank establishment. A bank is founded as a joint-stock company and acquires the status of a legal entity by registering in the court register. An application for registration in the court register is submitted within 60 days of the date of the bank licensing.

There are eleven banks operating in Montenegro: Podgoricka Bank - Societe Generale, France ([www.pgbanka.com](http://www.pgbanka.com)) Hipotekarna Bank ([www.hipotekarnabanka.com](http://www.hipotekarnabanka.com)); Crnogorska Komercijalna Bank - OTP Hungary ([www.ckb.co.me](http://www.ckb.co.me)); NLB Montenegro Bank - Nova Ljubljanska bank, Slovenia ([www.nlb.me](http://www.nlb.me)); Erste Bank ([www.erstebank.me](http://www.erstebank.me)); Hypo Alpe Adria Bank ([www.hypo-ape-adria.co.me](http://www.hypo-ape-adria.co.me)); Atlasmont bank ([www.atlasmontbanka.com](http://www.atlasmontbanka.com)); First Financial bank ([www.ffbank.org](http://www.ffbank.org)) Invest Bank Montenegro ([www.invest-banka.com](http://www.invest-banka.com)); Prva Banka ([www.prvabankacg.com](http://www.prvabankacg.com)); and Komercijalna Bank Budva ([www.kombankbd.com](http://www.kombankbd.com)). The banking system is 100 percent privately owned.

During the last couple of years, Montenegro has experienced a stabilization of the banking sector, the gradual development of the capital market, thereby restoring consumer confidence in banks. Foreign banks entered the Montenegrin market, competition increased, electronic banking was introduced, savings increased, and customer credits were allowed. Depending on the type of credit and the time period, interest rates in Montenegro range from 8 percent to 20 percent, annually.

## **Foreign-Exchange Controls**

Montenegro adopted the Euro in 2002 as its official currency. Consequently, the Central Bank of Montenegro has no monetary policy tools to influence the Euro. There are no currency or payment restrictions related to use of the Euro in Montenegro.

## **U.S. Banks and Local Correspondent Banks**

There are no affiliates of U.S. Banks in Montenegro. Several banks in Montenegro (currently CKB, Erste bank, NLB, Podgoricka bank, Atlasmont bank, Mortgage bank and Hypo Alpe Adria Bank) have a correspondent relationship with U.S. banks.

## **Project Financing**

### **European Bank for Reconstruction & Development (EBRD)**

The EBRD officially opened an office in Montenegro in June 2007. The EBRD, southeastern Europe's largest institutional financial investor, has been active in Montenegro as part of the former Union of Serbia and Montenegro since 2001, and following the country's independence on June 3, 2006, all EBRD shareholders accepted Montenegro as a shareholder and country of operations.

EBRD provides technical assistance and investment as the government continues its implementation of reforms to improve the country's business climate. EBRD's office also works to support the development of the local private sector and to bring about sustainable modernization of key infrastructure areas, such as energy, roads and railways, as well as municipal infrastructure.

Contact:

EBRD office in Montenegro  
Moskovska 2b  
Phone: +382 20 237 173  
Fax: +382 20 237 195

### **Overseas Private Investment Corporation (OPIC):**

OPIC is a self-sustaining U.S. Government agency, which promotes growth in developing countries by encouraging U.S. private investment. OPIC's key programs are its loan guarantees, direct loans and political risk insurance. Montenegro, through the state union of Serbia and Montenegro became eligible for OPIC programs in July 2001. OPIC also established the Southeast Europe Equity Investment Fund that is managed by Soros Management. This fund is capitalized at \$150 million. The fund has not concluded any deals in Montenegro so far.

Contact:

**OPIC**  
1100 New York Ave, N.W.  
Washington, D.C. 20572  
Tel: (202) 336-9700  
Fax: (202) 408-5155  
Web site: <http://www.opic.gov/>

## **Trade & Development Agency (TDA)**

TDA is an independent U.S. government agency which promotes U.S. exports for major development projects. TDA funds feasibility studies, consultants, training programs and other project planning services related to U.S. exports. Contracts funded by TDA grants must be awarded to U.S. companies. U.S. involvement in project planning helps position potential U.S. suppliers at the project implementation stage.

TDA in May 2006 awarded a grant to the Ministry of Environmental and Physical Planning (now the Ministry of Tourism and Environmental Protection) for the creation of a revolving investment fund for water projects. The value of the grant was \$463,950. Beyond this, TDA has been active in Montenegro working on evaluations of potential projects in the energy, transportation, and telecommunications (IT) sectors.

Contact:

### **TDA**

Washington, D.C. 20523-1602

Tel: (703) 875-4357

Fax: (703) 875-4009

Web site: <http://www.tda.gov/>

## **Web Resources**

Central Bank of Montenegro

<http://www.cb-cg.org/>

OPIC

<http://www.opic.gov>

Trade and Development Agency

<http://www.tda.gov>

U.S. Agency for International Development

<http://www.usaid.gov>

# Chapter VIII – Business travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Information](#)

## [Business Customs](#)

The Government of Montenegro has undertaken a program of comprehensive economic reforms. Economic liberalization, privatization, legislative and fiscal reform along with various programs intended to develop small and medium enterprises should help transform the Montenegrin economy into an entrepreneurial, market-oriented system. Changes in the existing economic structure and the adoption of international standards are perceived as key factors in the process of accepting Montenegro into the international community.

The legislative environment has been significantly changed as more than 20 crucial business laws have been adopted in the past seven years. The goal was to remove barriers for doing business in Montenegro and to attract foreign investors.

Business managers in Montenegro are generally familiar with western-style market economy philosophy, customs and business practices. Management is typically concentrated at the level of the managing director who is the key decision-maker. Business relationships in Montenegro traditionally have been founded on trust, with significant time and energy invested in developing relationships among the parties.

## [Travel Advisory](#)

Please see Montenegro's Consular Specific Information, available at [http://www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_2974.html](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_2974.html)

## [Visa Information](#)

In accordance with the Decision on the Abolishment of Visas for Entry and Stay in Montenegro (02/2003), it is possible for the citizens of the following countries to enter and stay up to 90 days, with any type of passport: Germany, France, Italy, Netherlands, Belgium, Luxembourg, Great Britain, Ireland, Spain, Portugal, Greece, Denmark, Sweden, Finland, Austria, Switzerland, Norway, Iceland, Monaco, Liechtenstein, Vatican, Andorra, San Marino, Israel, Cyprus, Malta, Czech Republic, Slovakia, Poland, Slovenia, Lithuania, Latvia, Estonia, Croatia, United States of America, Canada, Singapore, Republic of Korea, Australia, and New Zealand.

The citizens of Albania and Ukraine may enter and stay on Montenegrin territory for tourist visits up to 30 days with any type of passport.

The citizens of Serbia, Bosnia and Herzegovina, Slovenia, Croatia, and Macedonia may enter and stay up to 30 days on Montenegrin territory with a personal ID card, along with a tourist pass issued at border crossings.

Montenegro and Russia signed an agreement abolishing the visa regime between the two countries in September 2008.

According to the Ministry of Foreign Affairs, citizens of European Union member states (Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Sweden, Great Britain, the Czech Republic, Lithuania, Latvia, Hungary, Malta, Slovakia, Slovenia, Estonia, Cyprus and Poland) can enter and stay in Montenegro with their identity cards.

The citizens of other countries need visas except in cases of special bilateral agreements regarding visas. However, according to previous announcements, it is possible to issue a visa or a tourist pass at Montenegrin border crossings, but only in cases of direct entrance onto Montenegrin territory.

US Embassy in Podgorica is able to process nonimmigrant visas in its Consular Section. However, the post does not process immigrant visas. For citizens of Montenegro, immigrant visas are processed by US Embassy in Belgrade, Serbia.

More information available on [http://podgorica.usembassy.gov/nonimmigrant\\_visas.html](http://podgorica.usembassy.gov/nonimmigrant_visas.html)

Other useful links:

American Embassy Belgrade, Consular Section: <http://serbia.usembassy.gov/visas.html>

# Chapter IX: Contacts, Market Research and Trade Events

## *Contacts*

### **Montenegrin Authorities:**

#### PRESIDENT OF MONTENEGRO

Mr. Filip Vujanovic, President

81000 Podgorica, Bulevar Sv. Petra Cetinjskog 3

Phone: (+382 20) 241 410; Fax: (+382 20) 245 849

[www.predsjednik.me](http://www.predsjednik.me)

#### PRESIDENT OF THE PARLIAMENT OF MONTENEGRO

Mr. Ranko Krivokapic, President

81000 Podgorica, Bulevar Sv. Petra Cetinjskog 10

Phone: (+382 20) 242 182; Fax: (+382 20) 242 192

[www.skupstina.me](http://www.skupstina.me)

#### PRIME MINISTER

Mr. Milo Djukanovic, Prime Minister

81000 Podgorica, Karadjordjeva bb

Phone: (+382 20) 242 530; Fax: (+382 20) 242 329

[www.gov.me](http://www.gov.me)

#### DEPUTY PRIME MINISTER FOR POLITICAL SYSTEM, FOREIGN AND INTERNAL POLICY

Mr. Dusko Markovic, Deputy Prime Minister

81000 Podgorica, Karadjordjeva bb

Phone: (+382 20) 482 819; Fax: (+382 20) 482 924

<http://www.predsjpgov.me/potpredsjednik>

#### DEPUTY PRIME MINISTER FOR ECONOMIC POLICY AND FINANCIAL SYSTEM

Mr. Vujica Lazović, Deputy Prime Minister

81000 Podgorica, Karadjordjeva bb

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*Agencies:*

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To view market research reports produced by the U.S. Commercial Service, please go to the following website: <http://export.gov/industry/index.asp> and click on Country and Industry Market Reports.

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