

# U.S. Country Commercial Guides



## MONTENEGRO 2018

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## **Doing Business in Montenegro**

### **Market Overview**

Since regaining independence in 2006, Montenegro has adopted an investment framework to encourage growth, employment, and exports. Although the continuing transition has not eliminated all structural barriers, the government recognizes the need to remove impediments, ensure business-friendly policies and improve transparency and open the economy to foreign investors.

Montenegro makes no distinction between domestic and foreign companies. Foreign companies can own 100 percent of a domestic company, profits and dividends can be repatriated without limitations or restrictions. Exceptions to this policy are the small number of cases dealing with defense-related industries.

Montenegro joined NATO in June 2017. As a candidate country on its path to joining the European Union (EU), Montenegro is making steady progress in opening negotiating chapters with the EU. Out of 35 chapters, three are provisionally closed, 31 are opened, and it is expected that the remaining four will be opened in 2018.

Montenegro offers foreign investors low, fixed tax rates, a business-oriented economy, significant economic freedom, a stable currency (Euro), and openness to incentivize investors. Montenegro is a beneficiary of the Generalized System of Preferences program, which provides duty-free access to the U.S. market in various eligible categories. The Euro is the official currency in Montenegro, which stabilizes financial flows and results in lower transaction costs. This is an informal arrangement with the European Central Bank, and Montenegro is not part of the Euro Zone. Private ownership is protected by the Constitution and includes equal treatment of foreigners. The IMF has cautioned Montenegro that its economic system is vulnerable to external shocks due to its high public debt-to-GDP ratio. Montenegro's public financial situation is relatively weak, with a debt-to-GDP ratio of 65.9 percent, with forecasts of growing indebtedness based on projected infrastructure development needs.

Montenegro has favorable tax regime with the lowest corporate tax rate in the region at nine percent; in April 2018, Moody's affirmed Montenegro's B1 credit rating and stable outlook, supporting the implementation of economic reforms. Approximately 90 percent of government-owned enterprises have been privatized, though many larger assets remain in government hands. For 2017, Montenegro's economy grew by 4.2 percent while the unemployment rate was 15.1 percent.

Montenegro attracts considerable interest from foreign investors. According to data released by the Montenegrin Investment Promotion Agency (MIPA), EUR 7.8 billion have been invested in Montenegro since 2006 with a total inflow of FDI in 2017 of EUR 649.1 million. Montenegro is a leading country in FDI, as measured by investment per capita in the region and since 2006 has averaged around 17 percent of GDP.

More than 100 countries have invested in Montenegro, with no single country dominating the market. The most significant investments have come from Italy, Russia, Serbia, and Cyprus, with new interest coming from the United Arab Emirates, Azerbaijan, China, Turkey, and the United States.

### **Market Challenges**

#### **Private Sector Development**

Close to 90 percent of state-owned companies have been privatized. Through a Public Private Partnership (PPP), the government maintains an ownership stake in several tourism sites. More information and details about these tenders can be found on the Privatization and Capital Investment Council's webpage: [www.savjetzaprivatizaciju.me](http://www.savjetzaprivatizaciju.me).

#### **Regulatory Framework**

Montenegro is working to amend legislation in line with the international standards (primarily with the EU) and create the necessary institutions to attract investment. As Montenegro moves towards EU accession, it will be required to improve implementation and enforcement of existing legislation.

### Corruption

Prevalent in many of the countries of the region, corruption is a concern, and routinely ranks high on the list of business impediments. Montenegro ranked 64th in Transparency International's (TI) 2017 Corruption Perception Index list. The government's goal of integrating within European and Euro-Atlantic institutions has spurred official efforts to counter corruption. An improved legal framework to help combat corruption and organized crime has been in force since the adoption of the Law on Prevention of Corruption in 2014 and the Law on the Special State Prosecution in 2015. The government has also taken substantial steps to strengthen the Rule of Law, including the establishment of a special police unit focused on corruption and organized crime, the creation of a new Agency for the Prevention of Corruption, the creation of a new independent Office of the Special State Prosecutor that handles major cases including organized crime and corruption, and the appointment of the Special State Prosecutor. The government also updated its legislation on public procurement, the treasury and budget system, and the courts in an effort to reduce corruption.

### Market Opportunities

#### Tourism

Montenegro's 300 kilometers-long coastline and the spectacular mountainous north is the engine of tourism sector which accounts for close to 25 percent of GDP. The sale of formerly state-owned land has triggered a wave of foreign investment in large-scale tourism and hospitality centers.

#### Infrastructure

Montenegro is planning major upgrades to its road and rail networks, and a possible expansion of its air transportation system. In 2014, the Government of Montenegro selected the Chinese company - China Road and Bridge Corporation (CRBC) to construct a 41-kilometer section of the national highway; this section will connect Podgorica with the north of the country and ultimately with the Serbian border. Its construction will cost around USD 1.1 billion. This section of the Bar-Boljare highway is one of five projects the government is planning to tender in the next few years. In addition, the Government of Montenegro plans to develop the Adriatic-Ionian Highway (the so-called "East-West" Corridor), which will include approximately 105 kilometers of highway connecting Croatia, Montenegro, and Albania.

#### Energy

The Government of Montenegro (GoM) is building an underwater electric transmission cable to Italy which will export renewable energy to Western Europe by the end of 2018. Additionally, there are several ongoing energy projects around the country, including refurbishing of the first block of the thermal plant in Pljevlja, feasibility for constructing the second block in Pljevlja, a 200 MW solar plant in Ulcinj, second 46MW wind farm in Mozura, and a number of hydro projects. In late 2013, Montenegro invited international oil and gas companies to bid on licenses to explore offshore oil and gas, based on the seismic data that showed favorable conditions for hydrocarbon deposits off Montenegro's deep-water coast. The GoM has signed concession agreements with two consortia: the Italian-Russian consortium Eni/Novatek for four blocks and the Greek-British consortium Energean oil/Mediterranean oil & gas for one block. It is expected that the exploration will start in the beginning of 2019, and several more licensing rounds are foreseen by 2020 for additional exploration blocks.

## **Market Entry Strategy**

Montenegro enacted legislation that outlines guarantees and safeguards for foreign investors. The legislation does not distinguish between foreign and domestic investors, affording them the same rights, with an exception for companies pursuing ownership in certain defense-related industries.

Montenegro's Foreign Investment Law establishes the framework for investment. The law eliminates nearly all 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.



## **Political Environment**

### **Political Environment**

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

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

## **Selling US Products & Services**

Montenegro is in a political and an economic transition and has a complex market environment with specific requirements for doing business. Government officials have a significant influence on the development of business climate and the use of local representatives is highly recommended. The use of agents and distributors is common for foreign firms. It is recommended that a company engage a local lawyer, not only to resolve potential disputes, but also to interpret existing laws, amendments, and changes to policies and guidelines.

Montenegro enacted legislation outlining guarantees and safeguards for foreign investors. Good communication with government officials and early presentation of proposed plans are advisable before bringing new investments to the market.

## **Using an Agent to Sell US Products and Services**

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

Liquidity is a significant problem in the Montenegrin economy. With some exceptions, advance payments and confirmed letters of credit by foreign banks are recommended. The U.S. Embassy's Economic Section can provide assistance, 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. 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 American Chamber of Commerce (AmCham) is also a reliable source of information. In addition, the Chamber of Economy, the Montenegro Business Alliance, and the Montenegrin Employers' Federation can be helpful.

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

Chamber of Economy of Montenegro – [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**

The Central Register of the Commercial Court (CRPS) is responsible for business registration procedures ([www.crps.me](http://www.crps.me)). The court maintains an electronic database of registered business entities and financial leasing contracts and pledges. The process to register a business in Montenegro takes an average of 4-5 working days. The minimum financial requirement for a limited liability company (LLC) is just EUR 1 (approximately USD 1.2), and three documents are required: a founding decision, bylaws, and a copy of the passport (if an individual is founding a company) or a registration form for the specific type of company. Samples of all documents are available for download at the CRPS website.

Montenegrin law permits the establishment of six types of companies: entrepreneur, limited liability company, joint stock company, general partnership, limited partnership, and part of a foreign company. Details regarding the definitions and requirements for each type of company are as follows:

**Entrepreneur:** If an entrepreneur wants to conduct business under name different from his/her legal name, it is necessary to register a company in the CRPS and he/she needs to present:

- Personal identification card
- Completed registration form
- Registration fee of EUR 10 (USD 12.30)
- Administrative fee of EUR 12 (USD 14.80) for announcement in the Official Gazette
- There is no minimum capital requirement

#### Limited Liability Company

- For companies of 1-30 members
- Founding Act (The Foundation Agreement)
- Contract of decision of the company's foundation (The Charter)
- Minimum capital requirement of EUR 1 (USD 1.23)
- Registration fee of EUR10 (USD 12.30)
- Administrative fee of EUR 12 (USD 14.80) for announcement in the Official Gazette

#### Joint Stock Company

- Founding Act (The Foundation Agreement)
- Contract of decision of the company's foundation (The Charter)
- List of names of all board members and managers
- Decision of the Securities Commission approving the prospectus for the public offering of shares
- Minimum capital requirement of EUR 25,000 (USD 30,840)
- Completed registration form
- Registration fee of EUR 50 (USD 61.70)
- Administrative fee of EUR 12 (USD 14.80) for announcement in the Official Gazette

#### General Partnership

- For companies with two or more members
- Completed registration form
- Registration fee of EUR 10 (USD 12.30)
- There is no minimum equity requirement

#### Limited Partnership

- For companies with two or more members
- Completed registration form
- Registration fee of EUR 10 (USD 12.30)
- Note: There is no minimum equity requirement

#### Part of a foreign company (Foreign Company Branch)

- An authenticated copy of the charter of the foreign company and a translation of the charter in the Montenegrin language duly certified as a true and correct translation
- Registration certificate from the home country and relevant financial reports
- Completed registration form
- Registration fee of EUR 10 (USD 12.30)
- There is no minimum equity requirement

After fulfilling all these requirements, it is necessary to open a bank account. Once a bank account is established, the company reports to the tax authority in order to receive a PIB (taxation identification number) and VAT number (value added tax).

For classification of companies by size, based on number of employees, the government's definition is as follows: (i) small enterprises (from one to 49 employees), (ii) medium-sized enterprises (from 50 to 249) and (iii) large enterprises (more than 250 employees).

### **Franchising**

The business climate is hospitable for the franchising business model in Montenegro. A few examples of successful U.S. and international franchises exist in Montenegro: Coca-Cola, Pepsi, Hard Rock, Century 21, Best Western, Aman Resorts, IberoStar, Hilton, Ramada, Starwood/Marriott, and Regent Hotels. Various reports assess Montenegro as a growing market in the field of European tourism and property investment. The number of foreigners living in Montenegro and the number of tourists visiting Montenegro is increasing every year, and this provides another target market for franchisers. There is a strong market potential for franchises in the following sectors: food and beverages, 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 firms such as Avon, Oriflame, Rainbow, and Kirby with varying degrees of success. 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://t-com.me>, <http://www.mipa.co.me>, <http://www.visit-mba.org>, <http://poslodavci.org>

### **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, and the domestic firm provides work and warehouse space, personnel, local experience, and channels of distribution. U.S. firms considering such ventures should carefully review the viability of potential domestic partners. Past problems have included excess labor costs, overdue debts and structural inefficiencies.

### **Selling to the Government**

The current Law on Public Procurement has been in effect since May 2015 and the Government is currently working on amending the Law to further improve it. The law seeks to modernize the public procurement system in Montenegro and harmonizes it with international obligations to spur economic growth and improved service. The law prescribes policies for the public procurement of goods and services; introduces greater transparency and integrity into the process; establishes entities to administer the system efficiently; and offers equitable access to government contracts for the private sector. 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, such purchases are made via public tenders published in the Official Gazette. The Public Procurement Directorate (PPD) is responsible for reviewing whether the procurement is done in conformity with the law, while the Public Procurement Commission (within the PPD) is in charge of bidder protection. The law defines the "best offer" as the offer with the lowest price which also complies with the tender's specifications. Any other criteria must be prescribed in the bidding documents.

While there is a full legal and regulatory infrastructure in place to conduct public procurement, U.S. companies have complained in numerous cases about irregularities in the procurement process at the national level, and maintain there is an inability to meaningfully challenge decisions they believe were

erroneously taken through the procurement apparatus. In other cases, the system delivers appropriate outcomes, though in a complex and time-consuming way.

Public procurement is conducted jointly by the Public Procurement Directorate, the Ministry of Finance (as the main line ministry for the procurement area), and the State Commission for Control of Public Procurement Procedures in the protection of rights area. The Public Procurement Directorate began operations in June of 2007 while the State Commission for the Control of Public Procurement Procedures Control was established in 2011. The State Commission takes decisions in the form of written orders and conclusions made at its meetings. The decisions are made by a majority of present members. The State Commission's Rules of Procedure specify the method for this work. The Law of Public Procurement entered into force in 2011. The Administrative Court oversees cases involving public procurement procedures.

The U.S. restored Normal Trade Relations (Most-Favored Nation status) with Montenegro in December 2003. This status provides improved access to the U.S. market for goods exported from Montenegro. The U.S. Government has approved Montenegro's request to be a designated beneficiary developing country under the U.S. Generalized System of Preferences (GSP) program, which provides duty-free access to the U.S. market in various eligible categories (jewelry, ores, stones, many agricultural products etc.)

Montenegro became the 156th member of World Trade Organization (WTO) in 2011.

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to "Project Financing" Section in "Trade and Project Financing" for more information.

### **Distribution & Sales Channels**

The Foreign Trade Law adopted in 2004 decreases barriers for doing business and executing foreign trade transactions in accordance with WTO agreements. However, the law includes some restrictive measures, such as quotas, and discretionary government intervention. Customs and tax enforcement has helped reduce illegal imports and unlicensed business activities. The retail sector was restructured as sales chains were privatized and acquired by larger groups, leading to the emergence of new private retailers in the market. Retail grocery and trade is now dominated by private regional companies such as Idea, Voli and Lakovic. The trade sector in Montenegro is now 100 percent privately owned. Customers are increasingly switching from local markets to modern shopping centers, newly established domestic supermarkets, and retail chains where goods are often cheaper and of better quality. The retail sector also includes kiosks, small shops and open-air markets.

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

### **Express Delivery**

The Express Delivery segment is developed in Montenegro. Well-known companies such as DHL, UPS, and FedEx are present on the market.

## **Selling Factors & Techniques**

Factors and techniques that are critical to success in Montenegro are the same as in most other countries: a product or service that has a good reputation, value for money, a seller who maintains close contact with buyers, a motivated and well-trained sales force, strong market promotion and, for technical products, having a professional and end-user oriented customer service network in place. The ability to provide product financing is of lesser importance than it was previously, as financing from local banks has become more readily available.

The size of the Montenegrin market is a limiting factor for highly specialized products. For such products, it can be more challenging to find a local representative as the potential sales volumes may not justify the costs of putting the product on the market. A regional distributor covering the local market may provide better economies of scale. Overall private sector growth argues well for western businesses that are accustomed to selling products based on pricing, volume, quality, and servicing ability.

## **eCommerce**

The legal framework for E-commerce in Montenegro includes the E-commerce Law (2004), Electronic Document Law (2008) and the Electronic Signature Law (2005). Since June 2014, the most prominent online payment system in the world, PayPal is available in Montenegro. The adopted legislation promotes the secure and efficient utilization of electronic communication by specifying requirements for certain electronic signatures and authorizing the issuance of certificates for electronic signatures.

Statistics regarding the use of computers, broadband penetration, and e-commerce are improving. According to Internet World Stats (IWS), 65 percent of Montenegrins are frequent users of the Internet. Due to the increased awareness of the consumer and the demand, B2C sites and has increased in the past few years. Today there are banking, bill payment, consumer products and grocery shopping through Montenegro.

## **Trade Promotion & 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 medium. In Montenegro there are three public service channels (TVCG1, TVCG2, and TVCG Sat) and 13 private TV stations.

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>.

Outdoor billboard advertising is also growing.

The most widely advertised products are mobile phone services, telecommunications, vehicles, financial institutions, beverages, newspapers, clothing, 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 align pricing with costs. The level of prices in Montenegro is higher compared to prices of similar products/services in Western European countries and the United States, thus making imported products price competitive.

With a few exceptions noted below, and in the few remaining publicly owned assets, price supports and subsidies have been removed from the market and, as mentioned above, price competition has intensified.

The state directly controls the prices of utilities, public transit, and petroleum. A significant black market still exists for some products, especially consumer goods, including cigarettes. Such goods can be sold more cheaply because the sellers have generally avoided customs and tax payments. In 2003, Montenegro introduced the Value Added Tax (VAT) with a two-tiered tax rate of 17 and 7 percent. Since January 2018 the standard rate was raised to 21 percent and the lower rate of 7 percent still applies to certain services (primarily computers, technology, books and tourism). The VAT turnover period averages 30 days.

## **Sales Service/Customer Support**

Customer responsiveness is growing with the increasing presence of Western companies and growing competition for value-added services. As the market matures, the high level of service support offered by U.S. firms can help regain business from the gray market, which offers no customer support. Having customer support team members who speak English is also beneficial to business success.

## **Protecting Intellectual Property**

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

In Montenegro, 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 EUR 30,000 (approximately USD 37,000) for selling pirated and/or counterfeited goods. It also provides ex-officio authority for market inspectors in the areas mentioned above. An additional set of amendments to the existing Law on the Enforcement of Intellectual Property Rights were adopted over the last several years (beginning in 2006) in line with the EU regulations, and it is expected to bring more efficiency in implementation as well as a multifunctional approach to property-rights protection. In April 2005, the Montenegrin Parliament adopted the Regulation on Trade-Related Aspects of Intellectual Property Rights (TRIPs) Border Measures that provides powers to customs authorities to suspend customs procedures and seize pirated and counterfeit goods. Statistics on seizures of counterfeit goods is published by the Customs Administration and available on their webpage [www.upravacarina.gov.me](http://www.upravacarina.gov.me).

Montenegro's Penal Code penalizes intellectual property right violations, allows ex-officio prosecution, and provides for stricter criminal penalties; however, copyright violation is a significant problem in the outerwear and apparel market and unlicensed software can be easily found on the general market. 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, as well as imports and exports of polycarbonates.

The Montenegrin Intellectual Property Office is the competent authority within the state administration system for the activities related to industrial property rights, copyrights, and related rights. The Intellectual Property Office was 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 needed 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 regularly attend a number of training seminars on intellectual property protection and counterfeiting, including an IPR enforcement workshop hosted by the AmCham and its members. At the end of 2007, the Customs Administration signed a Letter of Intent for acceptance of Standards to be Employed by Customs for Uniform Rights Enforcement (SECURE) Standards, adopted by the World Customs Organization (WCO), to promote the efficient protection of intellectual property rights by customs authorities.

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. According to the 2015 joint survey of Business Software Alliance and the International Data Corporation (IDC), the software piracy rate in Montenegro is among the highest in Europe constituting 76 percent of the market, just two percentage points below the 2013 study. Enforcement is slowly improving as customs, police, and judicial authorities obtain the necessary tools, but institutional capacity and public awareness is still limited.

Montenegro is not listed in the notorious market report.

To further improve intellectual property protection, AmCham Montenegro established an IPR Committee in April 2009, which currently operates under the Grey Economy Committee. The main goal of the committee is to work closely with the Montenegrin institutions which deal 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. More information about the committee's activities can be found on AmCham's [website](#).

Montenegro became a member of the World Intellectual Property Organization (WIPO) in 2006, with more information available on the WIPO [website](#).

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In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, please link to our article on [Protecting Intellectual Property](#) and [Stopfakes.gov](#) for more resources.

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#### 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 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, and, in general, is lower than in the United States.

#### Local Professional Services

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

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

#### Principle Business Associations

In order to further develop commercial ties between the U.S. and Montenegro, the American Chamber of Commerce in Montenegro was launched in 2008. AmCham Montenegro serves as a leading advocate for American as well as other foreign businesses in Montenegro, seeking to liberalize the labor market and investment climate in order to generate greater FDI.

Marko Mirocevic, Executive Director  
American Chamber of Commerce in Montenegro  
81000 Podgorica, Rinski Trg 4/V  
Phone: +382 20 621 328  
Website: <http://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  
81000 Podgorica, Novaka Miloseva 29/III  
Phone: +382 20 230 545  
Fax: +382 20 230 493  
Website: [www.privrednakomora.me](http://www.privrednakomora.me)

**Limitations on Selling US Products and Services**

Montenegro does not have any limitations for manufacturing sectors or services where only citizens or a subset of the population in the country are allowed to own or sell.

**Web Resources**

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

Chamber of Economy of Montenegro, [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)

## Leading Sectors for US Exports & Investments

### Energy

#### Overview

The energy system of Montenegro is small, with only 285,000 customers and a demand of around 3,400 gigawatt hours (GWh) annually. Electricity production in Montenegro for 2016 was approximately 3,024 GWh. The majority of electricity in Montenegro is produced at the Pljevlja coal-fired Thermal Power Plant, the Perucica, and the Piva Hydro Plants.

The majority state-owned Electrical Power Company's (EPCG) core activity is electricity generation, transmission, distribution, and supply. In July 2017, former strategic partner to the Government of Montenegro, Italian company A2A, initiated the withdrawal procedure by exercising the put option after its contract expired on July 1, 2017. Under the agreement, the Government would purchase A2A's 41.7 percent of EPCG shares for 250 million euros over a period of seven years. The government instead decided to purchase A2A shares rapidly, increasing its majority stake in EPCG. Accordingly, in April 2018, the government made the first payment in the amount of EUR 68.9 million increasing its stake in EPCG to 70.16 percent. Montenegro signed the Agreement of the Electro-Energetic Community for South Eastern Europe on January 1, 2015, which resulted in opening its energy market to competitors.

Montenegro has the potential to develop hydro and thermal power plants, given the abundance of rivers and streams, as well as the potential for some new types of production such as solar and wind energy. Montenegro only uses around 20 percent of its hydro potential and consumes more energy than it produces; there are ample opportunities to develop new energy sources. To fully develop this sector, Montenegro will need a developed/upgraded transmission and distribution network.

The most important development project in the transmission system is the construction of a one-way underwater energy cable to export power to Italy, the laying of which was completed in February 2017. According to an agreement signed in 2010, the cable, which cost EUR800 million, runs for 433kilometers, 1200 meters below the Adriatic Sea surface. The project is expected to be completed by the end of 2018.

#### Opportunities

*Basin of Maoce* - The coal basin of Maoce is located in the northeastern part of Montenegro, 15 kilometers from the town of Pljevlja. The Government of Montenegro will award a concession for mining coal from the basin and the construction of a thermal power plant with an estimated capacity of 500 MW, based on current reserves of coal.

Investors are expected to finance, open, mine, and revitalize the adjacent coal mine, and build and operate the Maoce Thermal Power Plant as a single business entity. The term of the concession contract is for 45 years, with the possibility of an extension.

*Investment in Oil and Gas* - In late 2013, Montenegro invited international oil and gas companies to bid on licenses to explore its offshore coast, based on the seismic data which showed favorable conditions for hydrocarbon deposits off Montenegro's deep-water coast. The GoM has signed concession agreements with two consortia: the Italian-Russian consortium Eni/Novatek for four blocks and the Greek-British consortium Energean oil/Mediterranean oil & gas for one block. It is expected that the exploration will start in the beginning of 2019, and several more licensing rounds are foreseen by 2020 for additional exploration blocks.

The 2014 Montenegrin Energy Development Strategy estimates that by 2030 up to 7 billion barrels of oil and 425 billion cubic meters of natural gas could be discovered along the coast. Further research regarding these resources is necessary 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 the experience, to produce oil or gas. Furthermore, successful energy exploration must also factor in the environmental impact of operations, as coastal tourism comprises a significant percentage of national revenues.

Montenegro does not currently possess the gas distribution network or the necessary technology to produce oil or gas, which may represent opportunity for FDI.

*Hydroelectric power plants on the Moraca River* - The Government of Montenegro intends to develop the country's mostly untapped hydroelectric power potential through Public Private Partnerships. As a priority, the government wants to develop Moraca River's potential through a series of four hydroelectric power plants for a total installed capacity of 238 MW and an annual production of 694 Giga-Watt hours (GWh). Extensive geotechnical and hydrological investigations have already been performed on the sites.

*Ioninan-Adriatic Pipeline (IAP)* - The Energy Development Strategy of Montenegro (2014 until 2030) recognizes IAP as the leading option for gasification of Montenegro and as a possibility to market its own gas as a result of the construction of the gas infrastructure and being closer to significant gas market. The 530 kilometers long IAP, which has been planned to connect Fier (Albania) to Split (Croatia), is expected to pass through the territory of Montenegro – 94 kilometers along the coast – transporting gas from the Caspian Sea. The Energy Development Strategy however, also estimates that by 2030 up to 7 billion barrels of oil and 425 billion cubic meters of natural gas could be discovered along the coast. Currently, Montenegro does not yet have any system or necessary technology for distribution of natural gas.

*Komarnica* – Investment is needed in two power generators of 168 MW, with a combined annual production of 232 GWh. The investment is worth about 180 million euros. Extensive geotechnical and hydrological investigations have already been performed on the sites.

*Small hydropower plants in Montenegro* - The Government of Montenegro plans to award concessions for the construction of small hydropower plants. The concessions are for the design, construction, exploitation, and maintenance of small hydropower plants on the following rivers: Bukovica, Bijela, Bistrica, Kraštica, Velička Rijeka, Đurička, Kaludarska, and Vrbnica. The value of the investment is approximately 1,500,000 euro per MW of installed power. The duration of the concession is fixed for all water courses for 30 years.

So far, 34 concession contracts have been signed for the construction of 53 small hydro power plants to date. For 2018, EUR47 million worth investment it is planned for the construction of small hydropower plants, and EUR22.7 million in 2019.

Apart from the construction of small hydropower plants, the government hopes to develop renewable energy sources such as wind, biomass, and solar. The first wind farm in Montenegro in Krnovo with a capacity of 72MWh is in operation while the second wind farm in Mozura, with a capacity of 46MWh is under construction.

#### Web Resources

Ministry of Economy

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Web site: [www.mek.gov.me](http://www.mek.gov.me) Ministry of Sustainable Development and Tourism

Mr. Pavle Radulovic, Minister

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Energy Regulatory Agency

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

## **Travel and Tourism**

### Overview

Montenegro's 300 kilometers-long coastline and the spectacular mountainous north drives the tourism sector, which accounts for almost 25 percent of GDP. Government sales of formerly state-owned land have spurred a wave of foreign investment in large-scale tourism and hospitality centers.

The market is focused on hotels and resorts along Montenegro's coast. Montenegro is working to develop a broader tourist industry based on its abundance of scenic beauty (rural tourism, cultural tourism, and ecotourism) and geographic diversity, including mountains, sea coast, and lakes. Price points tend to be higher here than in more developed holiday markets along the Mediterranean.

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 also plans to become a center for business and convention meetings. This section should give a basic, broad overview of the sector.

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 have excellent opportunities to develop stand-alone tourist facilities or to enhance existing properties.

The best market prospects are for tourism-related equipment, hotel furnishings and IT equipment. Water sports, bird watching, horse-back riding and fishing are ripe for development, as well as ports for yachts, beaches and marinas. There are also business opportunities for U.S. construction companies, engineering firms, and architects, as modernization projects and/or the construction of new hotels begin.

### Opportunities

*Military tourism complex Mediteran* - The military-tourism complex Mediteran in the northern resort town of Zabljak includes an area of 13,951 square meters. The complex consists of 20 buildings whose core purpose is tourism services, and is being offered for a 60-year long-term lease.

*Military Tourism Complex Bigovo* - Bigovo Valley is located in Traste Bay between Budva and Tivat, 20 kilometers from Tivat and its international airport. The complex comprises 43 buildings over 38,490 square meters, while a second plot amounts to 1,148 square meters, situated next to the 200 meter long shore of the Tourism Complex Bigovo-Traste-Kotor. A long-term 90 year lease is being offered.

*Ada Bojana* - Ada Bojana Island is a nature reserve park with protected species that covers 5,200,000 square meters, with a coastline of around 3,500 meters. A long-term lease of state-owned land is being offered with an obligation to construct an exclusive tourism complex.

*Ostrvo cvijeca* - The Island of Flowers -is a small oval-shaped island, around 300 m long, 200 m wide, with total surface of beaches of 1200 m<sup>2</sup> and numerous small sandy beaches. This attractive location on

Montenegrin coast, 2 kilometers from Tivat, had been until recently used as a military holiday resort. Due to preserved environment, this location offers great opportunities for development of exclusive tourism. Long-term lease is being offered with obligation to construct an exclusive hotel complex.

*Sites between Njivice and estuary of Sutorina river* - Planning documents provide an opportunity to create a hotel with approximately 1,000 m<sup>2</sup> of commercial and common rooms, apartment block of up to 7,000 m<sup>2</sup> containing 80-100 hotel apartments, commercial premises complex of up to 700 m<sup>2</sup>, 300 m<sup>2</sup> yachting service and 1,000 m<sup>2</sup> garage area (total 2,000 m<sup>2</sup>); construction of commercial and apartment amenities with a total of eight hotel apartments and 300 m<sup>2</sup> of office space (total 600 m<sup>2</sup>) in the rear of the boat mooring. The plan envisions a 5,000 m<sup>2</sup> beach and 40 berth marina for the use of the hotel and 15 berths for local boats. There are no projections in the planning document on the value of investments. Value of land and maritime zone lease is EUR1,270,600 for at least 31 years and a maximum of 90 years lease is EUR3,688,830.

*Construction of golf complex in Tivat* - The investment plan and program envisages the construction of: golf courses, tourist attractions (golf hotel - 70 rooms, 70 tourist villas, 35 accommodation units at the Golf Club, and hotel of 4\* with capacity of 65 accommodation units, making a total of 670 tourist beds), other accommodation and commercial facilities. The total amount of rent for the entire lease period is EUR 11.3 million.

*Vranjina Site with Lesendro* - This zone relies on two major traffic routes (railroad from Belgrade-Bar and the corridor of the road Podgorica-Petrovac and Podgorica- Sozina-Bar). The site covers an area of 13,132 m<sup>2</sup> and is to feature an ECOLodge tourist resort with 30 objects servicing visitors to the resort with a maximum capacity of 61 beds. The investment is also to include an info desk, a souvenir shop, a healthy food traditionally designed restaurant that will serve organic, locally grown food, conference hall capacity 50 seats, wellness and SPA zone located on the waterfront, a beach with a cafe bar, and a viewpoint relaxation zone. The value of total investment is estimated at EUR 2,157,488.

*Bjelasica - Komovi* - Includes area of 851.74 square kilometers or over 8% of the territory of Montenegro; it encompasses parts of Andrijevica, Berane, Bijelo Polje, Kolašin, Mojkovac and Podgorica Municipalities. The envisaged construction of eight mountain centers – "Green Field" projects are fully elaborated all the way to the detailed elaboration and they include: Mountain centers Žarski, Cmiljače, Torine, Kolašin 1450, Kolašin 1600, Jelovica with golf resort, Komovi and Eco Adventure Park Komovi. Important projects are also revitalization of shepherd's cottages, tourism eco-ethno villages, agricultural shepherd's cottages, agricultural farms, etc. Long-term lease is going to be offered.

*Ski Resort Kolasin 1600* - The zone of the ski resort Kolašin 1600 is located in the south part of the Bjelasica area at the territory of the municipality of Kolašin, in the north part of the ski resort at around 1600 meters above the sea level and its surface amounts to 27.19 hectares. The ski resort base settlement consists of the zone with facilities of the Central settlement with hotels, apartments with receptions and public facilities, the zone of independent groups with single-family accommodation units and the area for the starting point of ski lifts.

A network of pedestrian communications is planned within the base settlement, which is to connect all the facilities of the settlement and enable natural movement of users, in line with the terrain configuration. The zone of ski trails is interpolated in the settlement zone in the way to ensure ideal accessibility for skiers. A network of internal traffic routes is planned inside the zone for access to the groups of planned facilities. Project is prepared for the realization with the good domestic or international partner.

The new investor can use the area for tourism, hospitality commercial facilities, transport areas (service and pedestrian communications), developed green areas. The owner is the State of Montenegro, and the Project is planned to be implemented through Public-Private Partnership (PPP). Estimated value of investment depending on development plans is from EUR 65-75 million.

*Ski Resort Savin Kuk* - Savin Kuk is ski center located on one of the biggest and most beautiful mountain in Montenegro – Durmitor, in town Zabljak on the north of Montenegro. Zabljak is the best location for the ski resorts in Montenegro. This ski center already possess: restaurant, ski track, utility boxes, ski lifts, substations and other facilities. There will be international tender for this Project. Planned activities: International tender for Savin Kuk, adoption of PPPN “Durmitor Area,” detailed study of location, purchase of new lifts. One possibility is the valorization through Public-Private Partnerships (PPP); several reputable investors have expressed interest. Estimated value of investment depending on development plans is around EUR 80 million.

#### Web Resources

Ministry of Sustainable Development and Tourism

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## Medical 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 considerable growth over the last ten years, and there are prospects for increased potential in the next few years. The vast majority of equipment in public hospitals is outdated and expensive to maintain.

The Ministry of Health is the main actor 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.

U.S.-manufactured medical equipment enjoys an excellent reputation in Montenegro for its state-of-the-art technology, quality and reliability. The best sales prospects for U.S. medical equipment are cardiovascular diagnostic equipment, non-invasive surgical devices, anesthesia and intensive care equipment, diagnostic imaging (CTs, MRIs), 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 opportunities in the Montenegrin market for the U.S. manufacturers of sophisticated diagnostic equipment such as electrocardiographs, endoscopes, and scanners. Several private clinics have opened in Montenegro as well, which will lead to wider opportunities for U.S. companies.

#### Web Resources

Ministry of Health

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81000 Podgorica, Rimski trg 46

Phone: +382 20 242 276; Fax: +382 20 242 726

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

Fund for Health Insurance  
Mr. Sead Cirgic, Director  
81000 Podgorica, Vaka Đurović b.b.  
Phone: + 382 20 404 101; Fax: + 382 20 665 314  
Web site: [www.rfzcg.co.me](http://www.rfzcg.co.me)

Institute for Public Health  
Mr. Boban Mugosa, Director  
81000 Podgorica, Ljubljanska bb  
Phone: +382 20 412 888; Fax: +381 20 243 728  
Web site: [www.ijzcg.me](http://www.ijzcg.me)

## **Construction**

### Overview

Relatively stable economic conditions and new investments in construction have contributed to the expansion of the building materials market in Montenegro. In particular, Montenegro's housing market is experiencing rapid growth. Building materials is one of the fastest growing sectors of the country's economy.

Traditionally, Montenegrin buildings were constructed with un-reinforced brick covered with concrete stucco or, more recently, with steel-reinforced concrete with brick infill. Montenegrin buildings are energy inefficient, heavy, and take a long time to build. Wood and steel frame buildings are rare, though Montenegrin builders are starting to look at American-style platform-frame wood construction and pre-fabricated housing. Most building materials, such as glass, cement, paint and varnishes, are imported. Montenegro has no applicable standards or testing in the building sector.

Materials from well-known manufacturers that have certificates from the country of origin are accepted in the market based on technical merit.

The existing situation in the housing and urban market in Montenegro offers opportunities to promote high-tech American building materials based on advanced U.S. technology. Potential U.S. exports to this sector may include: wood and vinyl windows, doors, flooring, kitchen cabinets, suspended ceilings, insulation, adhesives, cements, roof shingles, heating and ventilation equipment, air conditioning, refrigeration and cooling systems, steel buildings and fabrications. Other potential products from the United States could include framing lumber, plywood, molding, solar panels and fiberboard. In addition, the Montenegro remodeling market may grow significantly over the long term, offering U.S. companies opportunities in this subsector.

### Opportunities

Building and construction is one of Montenegro's growth sectors. It offers opportunities for U.S. companies in luxury properties, holiday real estate, administrative buildings and trade outlets. The tourism sector also fuels market demands as Montenegro invests in Adriatic Sea summer resorts and mountain ski resorts.

### Web Resources

Ministry of Maritime Affairs and Transportation  
Mr. Osman Nurkovic, Minister  
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Phone: +382 20 234 179; Fax: +382 20 234 331  
Web site: [www.msp.gov.me](http://www.msp.gov.me)  
Ministry of Sustainable Development and Tourism  
Mr. Pavle Radulovic, Minister



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

## **Customs, Regulations & Standards**

### **Trade Barriers**

In support of its successful efforts to gain accession to the World Trade Organization (WTO), Montenegro implemented significant trade policy reforms, bringing the country's practices in compliance with WTO requirements and those of the EU. Reforms have included the elimination of import quotas, the reduction of import licensing requirements and prohibitions, streamlining customs procedures, and a reduction of tariff and non-tariff barriers. Montenegro became the 156th member of the World Trade Organization (WTO) in 2011.

The 2003 Customs Law simplifies import-export procedures and is in line with WTO and EU requirements. The customs territory of Montenegro comprises the territory of Montenegro, including its territorial waters, inland maritime waters, and its airspace. Goods enter and/or leave the customs territory through border crossings. There is a customs inspection point at Porto Montenegro, the coastal tourism and boating facility in Tivat to facilitate visa and goods checks for the new tourism complexes built there.

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

Montenegro's Foreign Trade Law decreases 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 intervention in a small number of areas.

These laws also provide the government with the authority to implement temporary measures to regulate trade. In almost all cases 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 Tariff**

Montenegro has a small but open economy that is generally based on free trade. 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 average 5.1 percent, but range from zero to 30 percent. Customs tariffs are not calculated on exported goods. Montenegro is a member of the Central European Free Trade Agreement (CEFTA).

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

Raw materials, especially aluminum, are the dominant Montenegrin export while imports, which far outstrip exports, have no single dominant item. Major categories of imports include: cosmetics, personal hygiene products, food stuffs, and clothing.

According to 201 data from the Montenegrin Statistical Office (Monstat), foreign trade exchange was EUR 2.6 billion. The value of overall exported and imported goods in 2017 was EUR 371.1 million and EUR 2.3 billion, respectively. Montenegro's most important export partners were Serbia (€66 million), Bosnia and Herzegovina (EUR 47.2 million) and Hungary (EUR 31.6 million), with imports mainly coming from Serbia (EUR 495.5 million), Germany (EUR 196 million) and Italy (EUR 168 million).

Foreign trade exchange was the highest with Central European Free Trade Agreement (CEFTA) states and the EU.

### **Import Requirements & Documentation**

Montenegro uses a fairly standard import/export documentation process (generally requiring bill-of-landing and related sales documents). With the liberalization of the trade regime and reform of the trade/custom-related institutions, Montenegro is moving toward harmonizing its import 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, antiques, 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 successful cases, licenses are issued in less than 30 days and may be used for multiple shipments during the period of validity.

### **Labeling/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.

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

Foreign trade activities in Montenegro may be performed by all persons registered for such activities in accordance with the customs 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 to Articles 44-50 of this law.

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

The law states that the period for processing applications for import, transit, or export licenses shall not exceed 15 calendar days as of the day of application if applications are considered as and when received, i.e. on a first-come first-served basis. Processing usually does not exceed 30 days if all applications are considered simultaneously, and consideration starts 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 are exempt 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, and then re-exported; and
- Raw materials temporarily imported for processing in Montenegro and re-exported.

The law states that goods intended for re-export may be exempt from duties for up to 24 months.

### **Prohibited & Restricted Imports**

There is a limited list of prohibited 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 Economy and Custom Offices.

### **Customs Regulations**

Montenegro Customs Administration

Vladan Jokovic, Director

81000 Podgorica, Oktobarske revolucije 128

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

### **Standards for Trade**

Overview

The Institution for Standardization in Montenegro was established in 2007. The Law on Standardization, adopted in 2007, establishes the regulatory framework.

Standards

The Institute is responsible for drafting standards – 17,080 have been adopted thus far and are in line with EU principles. According to the Institute's plan, an additional 2,200 standards should be adopted by the end of 2018. The Institute for Standardization has signed eleven bilateral agreements (with Serbia, Bosnia and Herzegovina, Macedonia, Albania, Slovenia, Croatia, Great Britain, Turkey, Germany, France and China) in order to transfer materials and expertise in this field. Also, in 2015, the Institute signed a MoU with American Society for Testing and Materials (ASTM International).

Contact information

Institute for Standardization

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

Ministry of Economy

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Testing, inspection and certification

## Publication of technical regulations

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. ([www.nist.gov/notifyus](http://www.nist.gov/notifyus)) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

## Contact Information

Ministry of Economy

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

## Trade Agreements

In December 2006, Montenegro signed the Central European Free Trade Agreement (CEFTA) intended to eliminate all customs restrictions for industrial and agricultural products in member states by 2010. Montenegro's Parliament ratified CEFTA in 2007; the agreement also took effect concurrently in Albania, Macedonia, Moldova, and Kosovo. Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia were already parties to the agreement.

As a member of the CEFTA, Montenegro's trade policy within the CEFTA legal framework is aimed at eliminating obstacles to trade within the region consisting of seven CEFTA signatory countries. At the CEFTA Ministerial meeting held on May 26, 2017, in Belgrade, CEFTA Additional Protocol 5 was adopted. The primary objective of Protocol 5 is harmonization and simplification of the export and import procedures and reduction of the time taken for the release of goods at the border, which were identified by the business community as the key problems. The Parliament of Montenegro ratified the CEFTA Additional Protocol 5 in December 2017. Recognizing the significance of trade in services, Montenegro took part in the negotiations within CEFTA regarding Additional Protocol 6, which is designed to expand the liberalization achieved in the trade in goods to services.

A Free Trade Agreement (FTA) with the European Free Trade Association (EFTA) countries (Switzerland, Norway, Iceland, and Liechtenstein) was signed in November 2011. Although the four EFTA countries are small, they are the world leaders in several sectors vital to the global economy. Liechtenstein and Switzerland are internationally renowned financial centers and hosts to major companies and multinationals, while Iceland and Norway have highly developed fish production, metal production, and maritime transport sectors.

Montenegro has not signed a Bilateral Investment Treaty (BIT) with the United States.

The United States 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. Montenegro has also been designated as a beneficiary developing country under the U.S. Generalized System of Preferences (GSP) program, which provides duty-free access to the U.S. market in various eligible categories, including jewelry, ores, stones, and various agricultural products. The GSP program expired on December 31, 2017, however, on March 23, 2018, President Trump signed the legislation reauthorizing the GSP program through December 31, 2020. There is a 30-day lead time, making April 22, 2018, the effective date of the reauthorization. GSP-eligible products may enter the United States duty-free on and after April 22, 2018. Because the GSP program's reauthorization is retroactive, importers may seek refunds of duties paid during the lapse of GSP authorization.

### **Other Free Trade Agreements**

In addition to the Stabilization and Association Agreement, which defines the framework of relations between the EU and the Western Balkan countries for the implementation of the Stabilization and Association Process (i.e. enlargement), Montenegro has Free Trade Agreements with the following non-EU Members: the Russian Federation (signed on August 28, 2000, in Belgrade and entered into force on May 19, 2001), Turkey (signed on November 26, 2008, in Istanbul and entered into force on March 1, 2010) and Ukraine (signed on November 18, 2011, in Kiev and entered into force on January 1, 2013). Additional information on FTAs can be found at the link below:

[http://www.mek.gov.me/en/WTO/LIBRARY/free\\_trade?alphabet=lat](http://www.mek.gov.me/en/WTO/LIBRARY/free_trade?alphabet=lat)

### **Bilateral Taxation Treaties**

Montenegro does not have a double taxation treaty with the United States. The country has signed 46 taxation treaties with various countries on income and property, which regulate double taxation. Presently, 44 of those treaties are in force, specifically with Albania, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Italy, Ireland, India, Korea, Kuwait, Latvia, Macedonia, Malaysia, Moldova, Malta, Holland, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Sri Lanka, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, and the United Arab Emirates. Treaties with Spain and Qatar are pending.

On March 1, 2018, Montenegro's Parliament approved the Foreign Account Tax Compliance Act (FATCA) agreement between the governments of Montenegro and the United States. Implementation of FATCA will help the countries better track and report tax evasion.

### **Investment treaties**

Investment treaties seek to ensure a stable framework for investment and better use of economic resources. They define the conditions for investments, allowing free transfer of funds, the right of subrogation, compensation in the event of expropriation and settlement of disputes between investors and countries, including the settlement of disputes between the countries themselves.

Montenegro has 23 Bilateral Investment Treaties in force with the following countries: Austria, Czech Republic, Finland, Denmark, Malta, France, Germany, Poland, Greece, Netherlands, Spain, Cyprus, Lithuania, Slovakia, Romania, the Republic of Serbia, Qatar, Macedonia, Azerbaijan, the United Arab Emirates, Moldova, Israel, and Switzerland. Additional information can be found at the link below:

[http://www.mek.gov.me/sto/biblioteka/ts\\_ostali/sporazumi\\_o\\_zastiti](http://www.mek.gov.me/sto/biblioteka/ts_ostali/sporazumi_o_zastiti)

## **Licensing Requirements for Professional Services**

Many professional services in Montenegro do not require a license. Financial consulting does not require a license, while legal and accountancy professions require a license.

Associations, competent boards or respective ministries in different areas stipulates the procedures and general criteria for licencing of foreign professional services. For example, to become a licensed accountant, a foreign professional must apply for registration with the Institute of Accountants and auditors of Montenegro, documenting their professional standing from their respective home country.

### **Web Resources**

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

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

[www.monstat.org](http://www.monstat.org)

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

## Investment Climate Statement

### Executive Summary

Since regaining its independence in 2006, Montenegro has adopted a legal framework that encourages privatization, employment, and exports. Implementation, however, lags well behind the legal structure, and the Montenegrin economy continues to flounder on a very narrow tax base and a band of three developing sectors: tourism, energy, and to a lesser extent, agriculture. Montenegro has one of the highest public debt to GDP ratios in the region, currently at 65.9 percent, with a forecast, absent fiscal consolidation, to increase to 80 percent once the repayment to China's Ex/Im Bank of a EUR 800 million (approximately USD 987 million, EUR 1=USD 1.23) highway loan begins. The World Bank and the IMF have been assisting the government in implementing measures to control the debt. The government has identified fiscal consolidation as its most important goal and has implemented some unpopular fiscal measures during 2017, including a Value Added Tax (VAT) increase from 19 percent to 21 percent and variable excise taxes on tobacco products and soft drinks. The economic growth rate in 2017 was the highest in the region (fifth in Europe) at 4.2 percent, while the unemployment rate fell to 15 percent. Despite regulatory improvements, official corruption remains a major concern. Montenegro ranks 64th out of 180 countries surveyed in Transparency International's (TI) 2017 "Corruption Perception Index."

As a candidate country on its path to joining the European Union (EU), Montenegro is making steady progress in opening negotiating chapters with the EU. Out of 35 chapters, three are provisionally closed, 31 are opened, and it is expected that the remaining four will be opened in the near future. Montenegro joined NATO in June 2017.

As noted above, Montenegro's economy is centered on three sectors, with the government largely focusing its efforts on developing those same sectors: tourism, energy, and agriculture. Due in large part to its 300 kilometer-long coastline and a spectacular mountainous region in the country's north, the thriving tourism sector accounts for almost 25 percent of GDP. Government sales of formerly state-owned land have spurred a wave of foreign investment in large-scale tourism and hospitality centers. However, bureaucratic gridlock has left many of these projects on hold. No one country dominates foreign direct investments, and the most significant investments have come from Italy, Russia, Serbia, and Cyprus, with new interest coming from the United Arab Emirates, Azerbaijan, China, and the United States.

In the energy sector, the government is building an underwater electric transmission cable to Italy, which will export renewable energy to the continent starting in 2018. Additionally, there are several ongoing conventional energy projects around the country, including restructuring of the existing block of the thermal plant in Pljevlja and possible development of the second block of the thermal plant in Pljevlja and a number of small-scale hydroelectric projects. In late 2013, Montenegro invited international oil and gas companies to bid on licenses to explore its offshore coast, based on seismic data showing favorable conditions for hydrocarbon deposits off Montenegro's deep-water coast. The Montenegrin government has signed the concession agreements with two consortiums: the Italian-Russian consortium Eni/Novatek for four blocks and the Greek-British consortium Energean oil/Mediterranean oil and gas for one block. It is expected that the exploration will start in the beginning of 2019, and several more licensing rounds are foreseen by 2020 for additional exploration blocks.

Montenegro's temperate climate supports a nascent agro-production industry; however, the country continues to be dependent on imports of food products from neighboring countries owing to the economies of scale. The

exception is the local wine industry, with the government-owned “Plantaze” being a leading regional producer and exporter to Europe, China, and the United States.

Table 1

Measure	Year	Index /Rank	Website Address
TI Corruption Perceptions Index	2017	64 of 180	<a href="http://www.transparency.org/research/cpi/overview">http://www.transparency.org/research/cpi/overview</a>
World Bank’s Doing Business Report	2017	42 of 191	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2017	48 of 127	<a href="https://www.globalinnovationindex.org/analysis-indicator">https://www.globalinnovationindex.org/analysis-indicator</a>
U.S. FDI in partner country (\$M USD, stock positions)	2016	\$1 million	<a href="http://www.bea.gov/international/factsheet">http://www.bea.gov/international/factsheet</a>
World Bank GNI per capita	2016	\$7,120	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## Openness To, and Restrictions Upon, Foreign Investment

### Policies towards Foreign Direct Investment

Montenegro regained its independence in 2006, and, since then, the country has adopted an investment framework that in principle encourages growth, employment, and exports. Montenegro, however, is still in the process of establishing a liberal business climate that fosters foreign investment and local production. The country remains dependent on imports from neighboring countries despite its significant potential in some areas of agriculture and food production. Although the continuing political transition has not yet eliminated all structural barriers, the government generally recognizes the need to remove impediments in order to remain competitive, reform the business environment, open the economy to foreign investors, and attract further FDI.

In general, there are no distinctions made between domestic and foreign-owned 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 local privatization processes and can own land in Montenegro generally on the same terms as locals. 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 investments in Montenegro. International arbitration is allowed in commercial disputes involving foreign investors.

Registration procedures have been simplified to such an extent that it is possible to complete all registration processes online. In addition, 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 has also 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 (which is currently undergoing amendment to make personnel decisions more efficient); the Securities Law; the Concession Law, and the set of laws regulating tax policy. Montenegro has taken significant steps in both amending investment-related legislation in accordance with global standards and creating 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 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 reasoned or enforced. Montenegro's significant grey economy impacts its open 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.

To better promote investment and foster economic development, the government 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:

Milos Jovanovic, 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)

Both the Privatization and Capital Project Council and the Secretariat for Development Projects promote investment opportunities in the different sectors of the Montenegrin economy, primarily in the tourism, energy, technology, and agricultural sectors. These institutions maintain an ongoing dialogue with investors already present in Montenegro in order to support their activities. At the same time, they seek to promote future projects and attract new investors to do business in Montenegro.

### **Limits on Foreign Control and Right to Private Ownership and Establishment**

Montenegro's Foreign Investment Law, which was adopted by the Parliament in March 2011, establishes the framework for investment in Montenegro. The law eliminates previous investment restrictions, extends national treatment to foreign investors, allows for the transfer and repatriation of profits and dividends, provides guarantees against expropriation, and allows for customs duty waivers for equipment imported as capital-in-kind.

There are limits neither on foreign control and right to private ownership nor in establishing companies in Montenegro. There are no institutional barriers against foreign investors, including U.S. businesses, and there is no screening mechanism for inbound foreign investment.

### **Other Investment Policy Reviews**

In the past three years, the government has not undergone any third-party investment-policy reviews through a multilateral organization.

### **Business Facilitation**

The Central Register of the Commercial Court (CRPS) is responsible for business registration procedures ([www.crps.me](http://www.crps.me)). The court maintains an electronic database of registered business entities, and contracts on financial leasing and pledges. The process to register a business in Montenegro takes an average of 4-5 working days. The minimum financial requirement for a Limited Liability Company (LLC) is just EUR 1 (approximately USD 1.23), and three documents are required: a founding decision, bylaws, and a copy of the passport (if an individual is founding a company) or a registration form for the specific type of company. Samples of all documents are available for download at the CRPS website.

Montenegrin law permits the establishment of six types of companies: entrepreneur, limited liability company, joint stock company, general partnership, limited partnership, and part of a foreign company. Details regarding the definitions and requirements for each type of company are as follows:

Entrepreneur: If an entrepreneur wants to conduct business under a different name it is necessary to register a company in the CRPS and he/she needs to present:

- Personal identification card
- Completed registration form
- Registration fee of EUR 10 (USD 12.30)
- Administrative fee of EUR 12 (USD 14.80) for announcement in the Official Gazette
- Note: There is no minimum capital requirement

Limited liability company

- For companies of 1-30 members
- Founding Act (The Foundation Agreement)
- Contract of decision of the company's foundation (The Charter)
- Minimum capital requirement of EUR 1 (USD 1.23)

- Registration fee of EUR 10 (USD 12.30)
- Administrative fee of EUR 12 (USD 14.80) for announcement in the Official Gazette

#### Joint stock company

- Founding Act (The Foundation Agreement)
- Contract of decision of the company's foundation (The Charter)
- List of names of all board members and managers
- Decision of the Securities Commission approving the prospectus for the public offering of shares
- Minimum capital requirement of EUR 25,000 (USD 30,840)
- Completed registration form
- Registration fee of EUR 50 (USD 61.70)
- Administrative fee of EUR 12 (USD 14.80) for announcement in the Official Gazette

#### General partnership

- For companies with two or more members
- Completed registration form
- Registration fee of EUR 10 (USD 12.30)
- Note: There is no minimum equity requirement

#### Limited partnership

- For companies with two or more members
- Completed registration form
- Registration fee of EUR 10 (USD 12.30)
- Note: There is no minimum equity requirement

#### Part of a foreign company (Foreign company branch)

- An authenticated copy of the charter of the foreign company and a translation of the charter in the Montenegrin language duly certified as a true and correct translation
- Registration certificate from the home country and relevant financial reports
- Completed registration form
- Registration fee of EUR 10 (USD 12.30)
- Note: There is no minimum equity requirement

After fulfilling all these requirements, it is necessary to open a bank account. Once a bank account is established, the company reports to the tax authority in order to receive a PIB (taxation identification number) and VAT number (Value Added Tax).

For classification of companies by size, based on number of employees, the government's definition is as follows: (i) small enterprises (from one to 49 employees), (ii) medium-sized enterprises (from 50 to 249) and (iii) large enterprises (more than 250 employees).

#### **Outward Investment**

While the Montenegrin government is very active in attracting and inviting foreign investors to do business in Montenegro, the government is not as dedicated to promoting outward investments.

There are no government restrictions to domestic investors for their investments abroad.

## **Bilateral Investment Agreements and Taxation Treaties**

In December 2006, Montenegro signed the Central European Free Trade Agreement (CEFTA) intended to eliminate all customs restrictions for industrial and agricultural products in member states by 2010. Montenegro's Parliament ratified CEFTA in 2007; the agreement also came into effect concurrently in Albania, Macedonia, Moldova, and Kosovo. Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia were already parties to the agreement.

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### **Other Free Trade Agreements**

In addition to the Stabilization and Association Agreement, which defines the framework of relations between the EU and the Western Balkan countries for the implementation of the Stabilization and Association Process (i.e. enlargement), Montenegro has Free Trade Agreements with the following non-EU Members: the Russian Federation (signed on August 28, 2000, in Belgrade and entered into force on May 19, 2001), Turkey (signed on November 26, 2008, in Istanbul and entered into force on March 1, 2010) and Ukraine (signed on November 18, 2011, in Kiev and entered into force on January 1, 2013). Additional information on FTAs can be found at the link below:

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### *Bilateral Taxation Treaties*

Montenegro does not have a double taxation treaty with the United States. The country has signed 46 taxation treaties with various countries on income and property, which regulate double taxation. Presently, 44 of those treaties are in force, specifically with Albania, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Italy, Ireland, India, Korea, Kuwait, Latvia, Macedonia, Malaysia, Moldova, Malta, Holland, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Sri Lanka, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, and the United Arab Emirates. Treaties with Spain and Qatar are pending.

On March 1, 2018, Montenegro's Parliament approved the Foreign Account Tax Compliance Act (FATCA) agreement between the governments of Montenegro and the United States. Implementation of FATCA will help the countries better track and report tax evasion.

#### *Investment treaties*

Investment treaties seek to ensure a stable framework for investment and better use of economic resources. They define the conditions for investments, allowing free transfer of funds, the right of subrogation, compensation in the event of expropriation and settlement of disputes between investors and countries, including the settlement of disputes between the countries themselves.

Montenegro has 23 BITs in force with the following countries: Austria, Czech Republic, Finland, Denmark, Malta, France, Germany, Poland, Greece, Netherlands, Spain, Cyprus, Lithuania, Slovakia, Romania, the Republic of Serbia, Qatar, Macedonia, Azerbaijan, the United Arab Emirates, Moldova, Israel, and Switzerland. Additional information can be found at the link below:

[http://www.mek.gov.me/sto/biblioteka/ts\\_ostali/sporazumi\\_o\\_zastiti](http://www.mek.gov.me/sto/biblioteka/ts_ostali/sporazumi_o_zastiti)

## **Legal Regime**

### **Transparency of the Regulatory System**

The main law governing foreign investment, the Montenegrin Law on Foreign Investment, is based on the national treatment principle, which is a basic principle of GATT/WTO that prohibits discrimination between imported and domestically produced goods with respect to internal taxation or other government regulation.

All proposed laws and regulations put forth by the government are published in draft form and open for public comment, 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 (AmCham) 2016 Business Climate Survey, many municipalities lack adequate detailed urban plans, making the process to obtain construction permits lengthy and complex. Some municipalities have made efforts to speed up procedures in order to improve the business environment for investors. While at the national level there are fewer obstacles for investments and other activities, many larger-scale projects involve both local and national authorities, and it is often necessary to work with both administrations in order to complete a project.

Foreign investors are subject to the same conditions as domestic investors when it comes to establishing a company and making an investment. There are no other regulations in place which might deprive a foreign investor of any rights or limit the investor's ability to do business in Montenegro. The Law of Foreign Investments is currently fully harmonized with World Trade Organization (WTO) rules.

On January 22, 2004, the Parliament established an Energy Regulatory Agency, which maintains authority over the electricity, gas, oil, and heating energy sectors. Its main tasks include approving pricing, developing a model for determining allowable business costs for energy sector entities, issuing operating licenses for energy companies and for construction in the energy sector, and monitoring public tenders. The energy law mandates that in the energy sectors, when 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 price of gasoline is set nationally every two weeks and is uniform across all petrol stations.

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

While there is a full legal and regulatory infrastructure in place to conduct public procurement, U.S. companies have complained in numerous cases about irregularities in the procurement process at the national level, and maintain there is an inability to meaningfully challenge decisions they believe were erroneously taken through the procurement apparatus. In other cases, the system delivers appropriate outcomes, though in a complex and time-consuming way.

Public procurement is conducted jointly by the Public Procurement Directorate, the Ministry of Finance (as the main line ministry for the procurement area), and the State Commission for Control of Public Procurement Procedures in the protection of rights area. The Public Procurement Directorate began operations in June 2007 while the State Commission for the Control of Public Procurement Procedures Control was established in 2011. The State Commission takes decisions in the form of written orders and conclusions made at its meetings. The decisions are made by a majority of present members. The State Commission's Rules of Procedure specify the method for this work. The Law of Public Procurement entered into force in 2011. The Administrative Court oversees cases involving public procurement procedures.

The Montenegro State Audit Institution (SAI) is an independent supreme audit institution for verification of the entire government's financial statements, including state-owned enterprises. The audits are made publicly available on the SAI's [website](#). Accounting standards implemented in Montenegro are transparent and consistent with international norms. In addition, there are various international companies that conduct accounting and auditing procedures are present in the country.

### **International Regulatory Considerations**

Montenegro is a candidate country for membership to the EU, with accession negotiations launched on June 29, 2012. Out of 35 chapters, three are provisionally closed, 30 are opened, and it is expected that the remaining five will be opened in 2018. Montenegro is currently taking steps to harmonize its regulations and accepted best practices with those of the EU, as part of the negotiation process.

The government has not notified the WTO of any measures that are inconsistent with the WTO's Trade Related Investment Measures (TRIMs), nor have there been any independent allegations that the government maintains any such measures.

### **Legal System and Judicial Independence**

Montenegro's legal system is of a civil, continental type based on Roman law. It includes the legal heritage of the former Yugoslavia, and State Union of Serbia and Montenegro. As of 2006, when the country regained its independence, Montenegrin codes and criminal justice institutions were applicable and operational. Montenegro's Law on Courts defines a judicial system consisting of three levels of courts: Basic,

High, and the Supreme Court. Montenegro established the Appellate Court and the Administrative Court in 2005 for the appellate jurisdiction in criminal and commercial matters, and specialized jurisdiction in administrative matters. The specialized Commercial Courts have first instance jurisdiction in commercial matters.

The Basic Courts have first instance jurisdiction in civil cases and criminal cases in which a prison sentence of up to 10 years is possible. There are 15 Basic Courts for Montenegro's 23 municipalities. Two High Courts in Podgorica and Bijelo Polje have appellate review of municipal court decisions. The High Courts also decide on jurisdictional conflicts between the municipal courts. They are also first instance courts for serious crimes where prison sentence of more than 10 years is specified. The Podgorica High Court has specialized judges and departments who deal with organized crime, corruption, war crimes, money laundering, and terrorism cases.

According to the Law on Courts, there is just one Commercial Court based in Podgorica. The Commercial Court has jurisdiction in the following matters: all civil disputes between legal entities, shipping, navigation, aircraft (except passenger transport), and disputes related to registration of commercial entities, competition law, intellectual property rights (IPR), bankruptcy, and unfair trade practices. The High Court hears appeals of Basic Court decisions, and High Courts' first instance decision may be appealed to the Appellate Court. The Appellate Court is a second instance court for decisions of the Commercial Courts. The Supreme Court is the third (and final) instance court for all decisions. The Supreme Court is the court of final judgment for all civil, criminal, commercial, and administrative cases, and it acts only upon irregular (i.e. extraordinary legal remedies). There is also the Constitutional Court of Montenegro, which checks constitutionality and legality of legal acts and acts upon constitutional complaints in relation to human rights violations.

The Commercial Court system faces challenges, including weak implementation of legislation and confusion over numerous changes to existing laws; development of a new system of operations, including electronic communication with clients; and limited capacity and expertise among the judges as well as a general backlog in cases.

Over the last several years, the adoption of 20 new business laws has significantly changed and clarified the legislative environment. Recently adopted legislative reforms are expected to improve the efficiency and effectiveness of court proceedings, a trend which is already visible through the introduction of the Public Enforcement Agents.

### **Laws and Regulations on Foreign Direct Investment**

In order to attract foreign investment, the government established the Montenegrin Investment Promotion Agency (MIPA) ([www.mipa.co.me](http://www.mipa.co.me)), the Privatization and Capital Investment Council ([www.savjetzaprivatizaciji.me/en](http://www.savjetzaprivatizaciji.me/en)), and the Secretariat for Development Projects ([www.srp.gov.me](http://www.srp.gov.me)). These organizations aim to promote Montenegro's investment climate and opportunities in the local economy, with particular regard for the tourism, energy, infrastructure, and agriculture sectors.

### **Competition and Anti-Trust Laws**

**In February 2013, the Agency for Protection of Competition** was established as a functionally independent entity with the entry into force of the *Law on Protection of Competition* and following its registration with the Central Register of Economic Entities. The area of free market competition, regulated by the law, represents the area that has direct and significant impact on economic development and investment activity, by raising the level of the quality of goods and services, thus creating the conditions for lower prices and creation of a

modern, open market economy. This, in turn, provides Montenegro with the possibility to participate in the single market of the EU and in other international markets.

### **Expropriation and Compensation**

Montenegro provides legal safeguards against expropriation with protections 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; several of these unresolved cases involve U.S. citizens.

At the end of August 2007, Parliament passed the new Law on Restitution, which supersedes the 2004 Act. In line with the 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). 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.

In addition, 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 London Interbank Offered Rate (LIBOR) rate for the period between the expropriation and the date of payment of compensation.

### **Dispute Settlement**

#### *ICSID Convention and New York Convention*

Montenegro ratified its ICSID Convention membership on April 2013, and the country fully enforces the Convention.

#### *Investor-State Dispute Settlement*

The U.S. Embassy is aware of an ongoing investment dispute involving an American company in Montenegro. Additionally, there are a number of individual American investors involved in public procurement and construction cases that are in various stages of dispute resolution with the government.

#### *International Commercial Arbitration and Foreign Courts*

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. Accordingly, Montenegro allows for the possibility of international arbitration. Various foreign companies have other bilateral and multilateral organizations providing risk insurance against war, expropriation, nationalization, confiscation, inconvertibility of profit and dividends, and inability to transfer currency; these are the Multilateral Investment Guarantee Agency (MIGA of the World Bank), U.S. Overseas Private Investment Corporation (OPIC), U.K. Exports Credit Guarantee Department (ECGD), Slovenia Export Corporation (SID), Italian Export Credit Agency (SACE), French Export Credit Agency (COFACE), and Austrian Export Financing Group (OEKB). 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).

Montenegro has taken steps to improve court-system inefficiencies, which frequently result in long and drawn-out trials. Procedural laws have been amended in the last few years to improve efficiency of the proceedings in line with the standards of the European Convention of Human Rights. It should be noted that most complaints that go to the European Court of Human Rights against Montenegro concern Article 6 of the



Convention – the right to a fair trial in a reasonable time. Civil appellate procedures have been simplified as part of an effort to eliminate the possibility of long appellate procedures, which was common in the past. (There is now just one possibility for cancelling the first instance court judgment and sending the case for retrial by the second instance court.) In addition, Montenegro has passed the Law on the Protection of the Right to a Fair Trial in a Reasonable Time, which enables the court to award compensation for an excessively long trial and introduces a series of controlling mechanisms during the trial itself.

In 2011, Montenegro adopted the Law on Public Bailiffs, which subsequently improved the procedure to enforce civil judgments.

### **Bankruptcy Regulations**

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

### **Industrial Policies**

#### **Investment Incentives**

The Montenegrin government offers financial incentives to investors based on the value of their investment. Both Montenegrin and foreign entities or investors can benefit from these investment incentives.

As part of its efforts to attract investment, the government adopted the Decree on Direct Investment Incentives, with a goal to improve the business climate in Montenegro and stimulate economic growth through increased inflow of direct investments and job creation. For investments greater than EUR500,000 (approximately USD617,280) that create at least 20 new jobs within three years from the date of signing the incentive agreement, both domestic and foreign investors can apply for cash grants in the amount of EUR3,000-10,000 (approximately USD3,700-12,345) per every new job created. For investments in the North and Central region (except for the capital Podgorica), the minimum investment is EUR250,000 (approximately USD380,640) with a threshold of creating 10 new jobs. For capital investments greater than EUR10 million (approximately USD12.3 million) that create at least 50 new jobs, incentives can be awarded in the amount of up to 17 percent of the investment value. The Decree also provides for refunds on infrastructure development costs incurred in the process of completing the investment project. The exact amount of the incentives is determined in accordance with the criteria defined in the Decree. The decision on the incentive award is approved by the government and the funds are payable in three equal installments.

The incentive program is administered by the Secretariat for Development Projects and additional information regarding the program can be found on the Secretariat's [website](#).

The government also offers, in the partnership with local municipalities, some incentives through business zones, which exist in several cities outside the capital.

#### **Foreign Trade Zones/Free Ports/Trade Facilitation**

In June 2004, Montenegro adopted the Law on Free Zones, which offers businesses benefits and exemptions from custom duties, taxes, and other duties in specified free trade zones. The Port of Bar is currently the only free trade zone in Montenegro. All free zone users have many benefits provided by the law and other regulations (import free of customs duties, customs fees and VAT; storage of goods in a duty free regime for an unlimited period of time; low corporate tax, simplified procedures) in addition to the use of infrastructure, port handling services, and 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.

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### **Performance and Data Localization Requirements**

The government does not impose any performance requirements as a condition for establishing, maintaining, or expanding an investment. There is a defined package of incentives offered to foreign investors, including duty exemptions for imported equipment.

AmCham Montenegro and the Foreign Investors' Council announced that Montenegro has improved and liberalized its business environment due to amendments to the Law on Foreigners. This law addressed previous requirements placed on hiring practices. According to revisions to the law, businesses no longer need to prove that there are no local citizens of the required vocational profile that are available for a particular job before the company decides to hire a foreigner.

The government does not use "forced localization," the policy in which foreign investors must use domestic content in goods or technology. The only exception is an agreement with a Chinese company that is constructing the country's first national highway. The agreement for this project, which is currently the largest infrastructure project in Montenegro, requires that 30 percent of the labor contract be engaged locally.

### **Protection of Property Rights**

#### **Real Property**

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 for property transactions. In August 2004, Montenegro adopted a new Law on Mortgages by which immovable property may be encumbered by 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 the 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. The Real Estate Administration has taken progressive steps over the last few years to improve the quality and service provided in the registry, though additional improvements are needed. The World Bank's Doing Business Report ranked Montenegro 78th out of 190 on the ease of registering property.

#### **Intellectual Property Rights (IPR)**

The acquisition and disposition of IPR 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

EUR30,000 (approximately USD37,000) for selling pirated and/or counterfeited goods. It also provides ex-officio authority for market inspectors in the areas mentioned above. An additional set of amendments to the existing Law on the Enforcement of Intellectual Property Rights were adopted over the last several years (beginning in 2006) in line with the EU regulations, and it is expected to bring more efficiency in implementation as well as a multifunctional approach to property-rights protection. In April 2005, the Montenegrin Parliament adopted the Regulation on Trade-Related Aspects of Intellectual Property Rights (TRIPs) Border Measures that provides powers to customs authorities to suspend customs procedures and seize pirated and counterfeit goods. Statistics on seizures of counterfeit goods is published by the Customs Administration and available on their webpage [www.upravacarina.gov.me](http://www.upravacarina.gov.me).

Montenegro's Penal Code penalizes IPR violations, allows ex-officio prosecution, and provides for stricter criminal penalties; however, copyright violation is a significant problem in the outerwear and apparel market, and unlicensed software can be easily found on the general market. 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, as well as imports and exports of polycarbonates.

The Montenegrin Intellectual Property Office is the competent authority within the state administration system for the activities related to industrial property rights, copyrights, and related rights. The Intellectual Property Office was 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 IPR 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 needed 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 regularly attend a number of training seminars on intellectual property protection and counterfeiting, including an IPR enforcement workshop hosted by the AmCham and its members. At the end of 2007, the Customs Administration signed a Letter of Intent for acceptance of Standards to be Employed by Customs for Uniform Rights Enforcement (SECURE) Standards, adopted by the World Customs Organization (WCO), to promote the efficient protection of IPR by customs authorities.

Montenegro is not on the Special 301 Watch List. Montenegro is not listed in the notorious market report. However, the sale of pirated optical media (DVDs, CDs, software) as well as counterfeit trademarked goods, particularly sneakers and clothing, is widespread. According to the 2015 joint survey of Business Software Alliance and the International Data Corporation (IDC), the software piracy rate in Montenegro is among the highest in Europe constituting 76 percent of the market, just two percentage points below the 2013 study. Enforcement is slowly improving as customs, police, and judicial authorities obtain the necessary tools, but institutional capacity and public awareness is still limited.

To further improve intellectual property protection, AmCham Montenegro established an IPR Committee in April 2009, which currently operates under the Grey Economy Committee. The main goal of the committee is to work closely with the Montenegrin institutions which deal 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. More information about the committee's activities can be found on AmCham's website <http://www.amcham.me/>.

Montenegro became a member of the World Intellectual Property Organization (WIPO) in 2006, with more information available on the WIPO's website [http://www.wipo.int/members/en/details.jsp?country\\_id=193](http://www.wipo.int/members/en/details.jsp?country_id=193)

#### *Resources for Rights Holders*

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### **Financial Sector**

#### **Capital Markets and Portfolio Investment**

The banking sector in Montenegro is fully privatized, with 15 privately owned banks operating in the country. The banking sector operates under market terms. Foreign investors are able to get credit on the local market, and they have access to a variety of credit instruments since the majority of the banks in Montenegro belong to international banking chains.

The largest foreign investor-banks are OTP (Hungary) operating as CKB in Montenegro, Erste Bank (Austria), NLB (Slovenia), and Societe Generale (France). The remaining, smaller foreign banks do not belong to large international groups. Out of the existing 15 banks, five are large banks with market share over 10 percent, three medium-sized banks with market share between 5-10 percent, and seven are small banks with market share below 5 percent.

A new set of banking laws have 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 and deposits are guaranteed up to the amount of EUR50,000 (approximately USD61,700).

The Government of Montenegro has close cooperation with the IMF (primarily focused on the country's fiscal consolidation), and it respects IMF guidelines on restrictions on payments and transfers of current international transactions.

Until 2010, Montenegro had two stock exchanges. After a successful merger (in 2010), only one stock exchange operates on the capital market under the name of Montenegro Stock Exchange (MSE). In December 2013, the Istanbul Stock Exchange purchased 24.38 percent of the MSE ([www.montenegroberza.com](http://www.montenegroberza.com)). Three types of securities are traded: shares of companies, shares of investment funds, and bonds (old currency savings bonds, pension fund bonds, and bonds from restitution.)

The MSE is organized on the principle of member firms, which trade in their own names and for their own account (dealers) in the name and for the account of their clients (brokers). Members of the MSE can be a legal entity registered as a broker under the Law on Securities provided they meet conditions laid down by the Statute of the Stock Exchange. In addition, members may include banks and insurance companies, once approved by the Commission for Securities to perform stock exchange trade. MSE currently has 11 stock brokers.

### **Money and Banking System**

The Montenegrin banking sector in 2017 was marked by a growth of basic monetary aggregates. The growth of deposits and capital continued with a mild recovery of credit activity. The banking sector remained solvent and liquid, with a share of 7.29 percent of non-performing loans. In 2017, banking assets increased, recording a growth of 13.7 percent, and lending activity grew by 8.1 percent in relation to the end of 2016. Deposits grew by 9.3 percent as compared to the end of 2016 while the interest rate dropped to 6.81 percent as a result of increased competition.

Montenegro is one of a few countries that does not belong to the Euro zone but uses the Euro as its official currency (without any formal agreement). Since its authority is limited in monetary policies, the Central Bank, in its role as the state's fiscal agent, has focused on control of the banking system and maintenance of the payment system.

The Central Bank also regulates the process for establishing a bank. A bank can be founded as a joint-stock company and acquire the status of a legal entity by registering in the court register. An application for registration in the court register must be submitted 60 days from when the bank is first licensed.

On March 1, 2018, Montenegro's Parliament approved the Foreign Account Tax Compliance Act (FATCA) agreement between the governments of Montenegro and the United States.

#### Foreign Exchange and Remittances

##### *Foreign Exchange 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 other limitations placed on the transfer of foreign currency.

#### **Remittance Policies**

There are no difficulties in the free transfer of funds exercised on the basis of profit, repayment of resources, or residual assets. The Central Bank of Montenegro publishes statistics on remittances as a proportion of GDP, with the latest data available indicating that in 2017 remittances accounted for approximately 10 percent of GDP.

#### **Sovereign Wealth Funds**

There are no sovereign wealth funds in Montenegro.

#### **State-Owned Enterprises**

Since the beginning of the privatization process in 1999, nearly 90 percent of formerly state-owned enterprises (SOEs) have been privatized. The most prominent SOEs still in operation include the Port of Bar, Montenegro Railways, Montenegro Airlines, Airports of Montenegro, Plantaze Vineyards, and several companies in the tourism industry, including Ulcinjska and Budvanska Rivijera. All of these companies are registered as joint-stock companies, with the government appointing one or more representatives to each board based on the ownership structure. All SOEs must provide an annual report to the government and are subject to independent audits. In addition, SOEs are listed and have publicly available auditing accounts on the Montenegrin Securities Commission's website [www.scmn.me](http://www.scmn.me). Political affiliation has been known to play a role in job placement in SOEs.

#### **Privatization Program**

The privatization process in Montenegro is currently in its final phase. The majority of companies that have not yet been privatized are of strategic importance to the Montenegrin economy and operate in such fields as energy, transport, and tourism.

Further privatization of SOEs should contribute to better economic performance, increase the competitiveness of the country, and enable the government to generate higher revenues (while lowering its outlays), which will enhance capital investments and reduce debts.

The Montenegrin government is the main institution responsible for the privatization process. The Privatization and Capital Investment Council was established in 1996 to manage, control, and implement the privatization process as well as to propose and coordinate all activities necessary for the non-discriminatory and transparent application process for capital projects in Montenegro. The prime minister of Montenegro is the president of the Privatization and Capital Investment Council.

More information about the council, the privatization process, and the actual privatization plan is available on the council's website <http://www.savjetzaprivatizacijju.me/>

### **Responsible Business Conduct**

While there are several good examples of companies undertaking responsible business conduct (RBC) in Montenegro, practices are still developing and are not adopted evenly across the private sector. The government, together with various business organizations, non-governmental organizations, and the international community, organizes events in order to promote and encourage RBC. Since last year, efforts have focused on introducing the RBC concept in the education system. The promotion of RBC through the media has also been used as an effective tool as the media can play a pivotal role in raising awareness about RBC initiatives.

The concept of corporate social responsibility (a term that preceded RBC) features regularly on the agenda of many companies in Montenegro. The most recent survey showed that large private companies and associations are, indeed, more engaged in RBC activities, whereas small companies cited the lack of knowledge about RBC and the lack of support and interest from clients as the main reasons for not participating.

### **Corruption**

Corruption and the perception of corruption are significant problems in Montenegro's public and private sectors. Corruption routinely places high on the list of citizen concerns in opinion polls, in addition to risks cited by foreign investors. Montenegro placed 64th out of 180 countries in the Transparency International (TI) 2017 Corruption Perception Index list.

An improved legal framework to help combat corruption and organized crime has been in force since the adoption of the Law on Prevention of Corruption in 2014 and the Law on the Special State Prosecution in 2015. The government has also taken substantial steps to strengthen the Rule of Law, including the establishment of a special police unit focused on corruption and organized crime, the creation of a new Agency for the Prevention of Corruption, the creation of a new independent Office of the Special State Prosecutor that handles major cases including organized crime and corruption, and the appointment of the Special State Prosecutor. In line with these new laws, the Special Prosecution, the Special Police Team, the Agency for Prevention of Corruption became operational in 2015 and 2016. In 2016, Montenegro's Parliament adopted the Law on the Confiscation of Proceeds from Criminal Activities, which provides for expanded procedures for the freezing, seizure, and confiscation of illicit proceeds. It also authorizes the creation of multi-disciplinary Financial Investigation Teams. The Parliament also adopted the Law on the Center for Training of the Judiciary and State Prosecutor's Office which created a new independent judicial training institute, with greatly expanded powers and autonomy. In the past two years, the government has achieved some progress on combating official corruption through adoption of important legislation on public procurement, the treasury and budget system, and the

courts. Also, there have been a few high-profile corruption prosecutions, including at the levels of local and national governments. The adoption of the Law on Courts has created one centralized Special Department for Organized Crime, Corruption, War Crimes, Terrorism and Money Laundering in the Podgorica High Court.

The government encourages state institutions and the private sector to establish internal codes of conduct. They are encouraged to have ethical codes, as well as obliged to have preventive integrity plans.

*UN Anticorruption Convention, OECD Convention on Combatting Bribery*

Montenegro is a signatory to the UN Anti-Corruption Convention. It also succeeded to the OECD Convention on Combatting Bribery, formally signed by the State Union of Serbia and Montenegro prior to Montenegro's independence. To date, no foreign firms have lodged complaints against the government under any of these agreements. A number of U.S. firms have specifically noted corruption as an obstacle to direct investment in Montenegro, and corruption is seen as one of the typical hurdles to be overcome when doing business in the country.

Corruption is most pervasive in Montenegro in the government procurement sector; the purchase and sale of government property takes place in a non-transparent environment with frequent allegations of bribery and cronyism.

**Resources to Report Corruption**

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MANS (Network for Affirmation of NGO sector) is a non-governmental organization that fights against corruption and organized crime in Montenegro. They are engaged in investigating concrete cases of corruption and organized crime, monitoring the implementation of legislation and government policy, providing free legal aid to citizens, CSOs, media and businesses, developing law and policy proposals and analysis, and conducting advocacy campaigns.

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## **Political and Security Environment**

Montenegro has a multi-party political system with a mixed parliamentary and presidential system. As a candidate country on its path to join the EU, Montenegro is making steady progress in opening negotiating chapters with the EU. Out of 35 chapters, three are provisionally closed, 30 have been opened. It is expected that the remaining five will be opened in 2018.

Montenegro joined NATO in June 2017.

In the October 2016 national parliamentary elections, Montenegro's ruling party won the majority of the votes, and formed a new government on November 28, 2016, in a coalition with four smaller parties. Former Prime Minister Milo Djukanovic relinquished his position, with Dusko Markovic succeeding him as prime minister. The new government has stressed Euro-Atlantic integration as its top priority as well as fiscal consolidation.

Despite the Organization for Security and Cooperation in Europe and Office for Democratic Institutions and Human Rights (OSCE/ODHIR) international election observation mission's report declaring that the parliamentary elections were held in a competitive environment and fundamental freedoms were generally respected, the opposition parties initiated a boycott of the Parliament to protest against the elections. Opposition parties claim that the elections were not free and fair; they are demanding that new elections be held.

Montenegro and the U.S. government share policy goals on investments and cooperate productively in many areas. There is broad support for the strengthening of ties with the United States, especially in the economic and private sector spheres.

In recent months, various parts of Montenegro, including its capital, Podgorica, have experienced a spate of violent car bombings and shootings attributed to organized crime disputes. Through personnel changes and additional resources, the government is taking steps to curb and control the violence.

## **Labor Policies and Practices**

Montenegro's total labor force consists of approximately 250,000 people with almost 60,000, or 29 percent, employed in the public sector. With an unemployment level at 16.1 percent (according to the State statistical agency, MONSTAT, in 2017) and the average monthly salary, net of taxes and contributions, at EUR512 (USD632) in December 2017, the bloated public sector and the lack of a highly skilled labor pool are cited by foreign investors as challenges facing Montenegro. An AmCham survey of its members found that the lack of skills and qualifications in the Montenegrin labor pool is a significant barrier to investment and operations. According to AmCham, finding skilled middle managers represents a serious challenge for members, and many U.S. firms choose to hire foreigners for these positions. To tackle youth unemployment, Montenegro is prioritizing efforts to improve practical job skills, including English language training. However, university students in Montenegro obtain little or no practical work experience while studying for their Bachelor's degree. It is widely mentioned in business circles that Montenegrin young adults prefer public sector work to private companies, which offer higher salaries.

Over the past few years, employment in private companies has increased, and total employment in the public sector (including SOEs) has decreased. Employment in Montenegro is led by three major sectors: tourism, maritime and offshore jobs (including on cruise ships or freighters), and manufacturing.



The government has designated harmonizing the legislative framework of the country's labor market with the EU standards as one of its primary tasks. 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. The employers believe that the current Labor Law does not define their obligations and rights, thus creating various business barriers and making it difficult for them to do business in Montenegro. In order to create a better business environment, employers expect the new Labor Law, to be adopted in 2018, to clarify ambiguities and better regulate this area. All relevant business associations in Montenegro, led by AmCham, signed the Memorandum of Understanding in November 2014 to provide collective input on the draft legislation and agreed that the issue of monetary claims submitted by employees should have a statute of limitations. Also, the procedure for establishing violations of workplace order should be simplified and stipulated only by the Labor Law.

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 Ministry of Labor prioritized strengthening its administrative capacity and its inspection department and establishing a workplace safety agency.

The Law on Peaceful Resolution of Labor Disputes was adopted in December 2007. It introduces out-of-court settlements of labor disputes.

The 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. In December 2017, the government adopted a decision on determining the number of work permits for foreigners for 2018, establishing the quota at 18,000 work permits. Procedures for hiring foreign workers have been simplified, and taxes for nonresident workers have been significantly decreased to help domestic companies that are experiencing problems engaging domestic staff, particularly for temporary and seasonal work.

The Law on Foreigners in Montenegro came into force on April 1, 2015. At the beginning of March 2016, amendments suggested by AmCham Montenegro and business organizations (including the Montenegrin Employers' Federation, Montenegrin Chamber of Economy, Montenegro Business Alliance, Montenegrin Foreign Investors Council) were adopted that improve and liberalize Montenegro's business environment. According to changes to the law, businesses are no longer required to provide official records proving that the company was unable to hire Montenegrin nationals with the required skills before hiring foreigners.

Changes were also made to the Law on Pensions and Care of Invalids in 2010, primarily in the area of gradually increasing the age of retirement from 65 to 67 years (both for men and women) by 2042. These revisions are designed to eliminate anticipated shortfalls in the pension fund. The ratio between pensioners and active employees is very low, putting the whole system at risk.

Until 2008, there was only one trade union confederation at the national level in Montenegro, the Confederation of Trade Unions of Montenegro (SSCG). SSCG is the successor of the former socialist trade union and also inherited the property, organizational structure, and rights to participation in the tripartite bodies on the national level. As of 2008, a new confederation, the Union of Free Trade Unions of Montenegro (USSCG), split away from SSCG.

All international labor rights are recognized within domestic law, such as freedom of association, the elimination of forced labor, child labor employment discrimination, minimum wage, occupation safety and health, as well as weekly working hours.

## 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. More information on these programs can be found on OPIC's website <https://www.opic.gov/>

## Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source	USG or international statistical source	USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other		
<b>Economic Data</b>	<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>	
<b>Host Country Gross Domestic Product (GDP) (\$M USD)</b>	2015	\$4,053	2016	\$4,374	<a href="http://www.worldbank.org/en/country">www.worldbank.org/en/country</a>
<b>Foreign Direct Investment</b>	<b>Host Country Statistical source</b>	<b>USG or international statistical source</b>	<b>USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other</b>		
<b>U.S. FDI in partner country (\$M USD, stock positions)</b>	2015	\$1 million	2016	\$1 million	BEA data available at <a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a>
<b>Host country's FDI in the United States (\$M USD, stock positions)</b>	2015	N/A	2016	N/A	BEA data available at <a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a>

<b>Total inbound stock of FDI as % host GDP</b>	2015	N/A	2016	N/A
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Table 3: Sources and Destination of FDI

**Direct Investment from/in Counterpart Economy Data**

**From Top Five Sources/To Top Five Destinations (US Dollars, Millions)**

Inward Direct Investment			Outward Direct Investment		
Total Inward	4,340	100%	Total Outward	N/A	N/A
Italy	633	15%			
Russian Federation	496	11%			
United Arab Emirates	297	7%			
Republic of Serbia	246	6%			
Cyprus	201	5%			

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

No data available.

**Portfolio Investment Assets**

**Top Five Partners (Millions, US Dollars)**

Total	Equity Securities	Total Debt Securities
All Countries 100%	All Countries 100%	All Countries 100%
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A

N/A	N/A	N/A
N/A	N/A	N/A

**Contact for More Information**

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## **Trade & Project Financing**

### **Methods of Payment**

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

### **Banking Systems**

The banking sector in Montenegro is fully privatized, with 15 privately owned banks operating in the country. The banking sector operates under market terms. Foreign investors are able to get credit on the local market, and they have access to a variety of credit instruments since the majority of the banks in Montenegro belong to international banking chains.

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 the amount of EUR50,000.

The Government of Montenegro has close cooperation with the IMF (primarily focused on the country's fiscal consolidation), and it respects IMF guidelines on restrictions on payments and transfers of current international transactions.

The Montenegrin banking sector in 2017 was marked by a growth of basic monetary aggregates. The growth of deposits and capital continued with a mild recovery of credit activity. The banking sector remained solvent and liquid, with a share of 7.29 percent of non-performing loans. In 2017, banking assets increased, recording a growth of 10.3 percent, and lending activity grew by 8.1 percent in relation to the end of 2016. Deposits grew by 9.3 percent as compared to the end of 2016 while the interest rate dropped to 6.81 percent as a result of increased competition.

The total assets and liabilities of banks amounted to EUR4,182 million at the end of 2017. The aggregate balance sheet revealed that the loans accounted for EUR2,700.6 million or 64.5%. In December 2017, deposits in banks amounted to EUR3,267.2 million, recording an annual increase of 13.8%. At the end of 2017, total capital of banks amounted to EUR514.7 million which is an annual increase of 5.6%. At the end of 2017, the weighted average lending effective interest rate on total loans granted amounted to 6.81%, which represents a monthly decrease of 0.65%. The reserve requirements of banks amounted to EUR233.6 million, recording an annual decrease of EUR32.1 million, or 12.1%. In December 2016, all banks allocated and maintained reserve requirements within prescribed limits. Of the total amount of allocated reserve requirements, 48.5% was allocated to the Central Bank of Montenegro (CBCG) reserve requirement account held abroad, while 51.1% to the reserve requirement account in the country.

Montenegro is one of a few countries that does not belong to the Euro zone but uses the Euro as its official currency, without any formal agreement. Since its authority is limited in monetary policies, the Central Bank has focused on control of the banking system, and maintenance of the payment system acting as the state fiscal agent.

The Central Bank also regulates the process for establishing a bank. 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 must be submitted within 60 days after the bank is licensed.

During the last couple of years, Montenegro has experienced a stabilization of the banking sector and the gradual development of the capital market, thereby restoring consumer confidence in banks. Credit cards and bank cards are used in most shops and restaurants.

#### **Foreign Exchange Controls**

There are no currency or payment restrictions related to the use of the Euro in Montenegro.

#### **US Banks & Local Correspondent Banks**

There are no U.S. bank affiliates in Montenegro. The Addiko Bank has some U.S. ownership in its structure through the Advent International. Several banks in Montenegro (currently CKB, Erste Bank, NLB, Podgoricka Bank, Atlasmont Bank, Hipotekarna Bank and Addiko bank) have a correspondent relationship with U.S. banks. Citibank was one of three banks that underwrote Montenegro's first and second tranches of public debt financing through the issuance of 500 million euros in Euro bonds.

## **Business Travel**

### **Business Customs**

After regaining its independence in 2006, the Government of Montenegro began a program of comprehensive economic reforms. Economic liberalization, privatization, legislative and fiscal reforms, along with various programs intended to develop small and medium enterprises, are transforming the former Yugoslav socialist Montenegrin economy into an entrepreneurial, market-oriented system. Changes in the existing economic structure and the adoption of international standards are essential as Montenegro's full integration into the modern economic system.

More than 20 crucial business laws have been adopted with the goal of removing barriers for doing business and attracting foreign investors; nevertheless, Montenegro retains some aspects of its bureaucratic, patronage-based system, which hinders its further development.

Business managers in Montenegro are generally familiar with Western-style market economic philosophy, customs, and business practices. Management is typically concentrated at the level of the managing director who is the key decision-maker in non-controversial processes; however, mid-level managers often do not feel empowered to take independent action on more controversial matters or where there are unclear lines of authority, or multiple stakeholders. Business relationships in Montenegro traditionally have been founded on prior experience, with significant time and energy invested in developing trust among the parties.

### **Travel Advisory**

Please see Montenegro's Consular Specific Information, available at:

<http://travel.state.gov>

### **Visa Requirements**

Holders of travel documents containing a valid Schengen visa, a valid visa of the United States of America, United Kingdom and Northern Ireland and the Republic of Ireland, or a permission to stay in these countries, may enter and stay, or pass through the territory of Montenegro up to 30 days, and not longer than the expiry of visa, if the period of validity of the visa is less than 30 days.

Holders of travel documents issued by the European Union Member States or the United States of America, Kingdom of Norway, Republic of Ireland, Swiss Confederation, Canada, Commonwealth of Australia, New Zealand and Japan based on the Convention Relating to the Status of Refugees (1951) or Convention Relating to the Status of Stateless Persons (1954), as well as Travel Documents for Foreigners may enter, pass through the territory of and stay in Montenegro up to 30 days without a visa.

Mere possession of a visa does not grant the entry to Montenegro. Other legal requirements for granting a foreigner the entry and stay to Montenegro must also be met according to the Law on Foreigners ("Official Gazette of Montenegro", no. 56/14, 28/15 and 16/16).

Visa regime between Montenegro and other countries is regulated by the Decree on visa regime ("Official Gazette of Montenegro", No. 35/16).

Visa in itself does not offer a grant of permission to work in Montenegro. Person who intends to work in Montenegro must obtain a temporary residence permit for the purpose of employment or seasonal work, on the grounds of previously issued work permit.

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

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

Other useful links:

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

### **Currency**

The Euro has been officially used in Montenegro since 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 agreement with the European Central Bank.

Credit cards and bank cards are used in most shops and restaurants.

### **Telecommunications/Electronics**

The principal service providers in the Montenegrin telecommunications market are German-based T-Mobile subsidiary T-Com (a fixed line and GSM operator), Telenor (the first GSM mobile service provider in the country), and M-tel (the third mobile operator and fixed line operator). In 2008, the Government of Montenegro passed a Telecommunications Law 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 was 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.

The telecommunications sector in Montenegro is 100 percent privately owned. In 2005, Magyar Telekom, a subsidiary of Deutsche Telekom, acquired 76.53 percent of T-Com Montenegro, becoming its majority owner. The total number of fixed telephone users in the country is around 148,015, while internet users number roughly 300,000. The three mobile operators' signals cover almost 99% of Montenegro's inhabited territory. At the end of 2016, mobile operators in Montenegro have around 1,044,674 users (Telenor 35.9 percent, T-Mobile 33.7 percent, and M-tel 30.4 percent). The market penetration rate for mobile telephone users in Montenegro (number of cell phone users per one hundred inhabitants) reached 168.5 percent in 2016.

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

### **Transportation**

Montenegro has two international airports with IATA Airport Codes: Podgorica Airport –TGD and Tivat Airport –TIV, which offer regular connections to Europe.

Podgorica Airport (IATA: TGD; ICAO: LYPG) is an international airport located in Golubovci, approximately eight miles (12 kilometers) south of Podgorica. Podgorica Airport is the main aviation hub in Montenegro. It has eight departure and two arrival gates, and can handle up to one million passengers per year. Given the country's small size, there are no regular passenger flights within Montenegro. Domestic flights have been reduced to charter flights and helicopter service.

There are daily scheduled flights to Belgrade, as well as to various European destinations. During the summer season, there are charter flights and air connections to various major destinations. A number of low-cost airlines have launched operations in Montenegro, including RyanAir, EasyJet and WizzAir. Note: Some private jet services, as well as the Montenegrin charter airline, also use the Podgorica airport. There are no direct flights to the U.S., but connections through Central and Western Europe are plentiful.

Tivat Airport (IATA: TIV; ICAO: LYTV) is an international airport located two miles (four kilometers) from the center of Tivat, Montenegro, on Kotor Bay. There are daily flights from Tivat to Belgrade throughout the year, while all other flights are heavily concentrated in the summer period. Tivat airport is mainly used by



incoming charter flights to coastal resorts, as it is only seven kilometers from Kotor and 20 kilometers from Budva. The main passenger terminal underwent an extension and refurbishment in 2006 and the airport is expected to be expanded and equipped for night landings in the near future.

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

The road north, from Podgorica to Kolasin through the Moraca Canyon to Serbia is considered one of the most dangerous roads in Europe, especially during the winter. Montenegro is currently planning major overhauls to its road and rail networks. In 2014, the GoM selected Chinese company China Road and Bridge Corporation (CRBC) to construct a 41 kilometer section of the national highway, which will connect Podgorica with the north of the country and the Serbian border. Its construction will cost around USD 1.1 billion. This section of the so-called Bar-Boljare highway is one of five total tranches that the government plans to tender over the coming years. In addition, the GoM is planning to develop the Adriatic-Ionian Highway (the so-called "East-West" Corridor), which will include approximately 105 kilometers that will connect Croatia, Montenegro and Albania.

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 kilometer long Sozina tunnel. About one-third of the Montenegrin portion of the railway is in tunnels or on the viaduct. The Podgorica-Niksic railway has been used for freight traffic, primarily bauxite from the Niksic mine to the Podgorica aluminum plant. Passenger traffic started in October 2012. The Podgorica-Shkoder (Albania) railway, which extends to Tirana, has been used exclusively for freight traffic. There have been long-standing plans to reconstruct the railway and re-introduce passenger traffic. The Montenegrin Railway Company is still state-owned.

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, a dialect of Serbo-Croatian. 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. Several new private medical clinics have opened up in the last few years.

No specific immunization for travel 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  
81000 Podgorica, Krusevac bb  
Phone: +382 20 412 412  
[www.kccg.me](http://www.kccg.me)

Codra Hospital  
81000 Podgorica, Radosava Burica bb  
Phone: +382 20 648 334  
[www.codrahospital.me](http://www.codrahospital.me)

### Local Time, Business Hours and Holidays

Local time is GMT+01:00 or generally 6 hours ahead of East Coast Time; usual business hours for the government are from 07:00 to 15:00, Monday to Friday.

Holidays in 2018 (including U.S.)

DATE	DAY	HOLIDAY
Jan. 1	Monday	New Year's Day
Jan. 2	Tuesday	New Year's Day (Observed)
Jan. 8	Monday	Orthodox Christmas
Jan. 9	Tuesday	Orthodox Christmas (Observed)
Jan. 15	Monday	Martin Luther King's Birthday
Feb. 19	Monday	President's Day
April 6	Friday	Orthodox Good Friday
April 9	Monday	Orthodox Easter Monday
May 1	Tuesday	May Day
May 2	Wednesday	May Day
May 21	Monday	Independence Day
May 22	Tuesday	Independence Day (Observed)
May 28	Monday	Memorial Day
July 4	Wednesday	Independence Day
July 13	Friday	Statehood Day
Sept. 3	Monday	Labor Day
Oct. 8	Monday	Columbus Day
Nov. 12	Monday	Veterans Day
Nov. 22	Thursday	Thanksgiving Day
Dec. 25	Tuesday	Christmas Day (Observed)

The following holidays may also be observed by Montenegrin citizens who practice the following faiths:

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

### **Temporary Entry of Materials or 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.

### **Travel Related Web Resources**

<http://me.usembassy.gov>

[www.travel.state.gov](http://www.travel.state.gov)

[www.montenegroairports.com](http://www.montenegroairports.com)

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

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