



## **MONTENEGRO: 2010 INVESTMENT CLIMATE STATEMENT**

### **A.1. Openness to Foreign Investment**

#### **Recent political events:**

The referendum on Montenegrin independence was held on May 21, 2006, and 55.5 percent of Montenegro's voters chose independence from Serbia. Montenegrin independence has led to further opening of the market and an increase in investor awareness and confidence.

Montenegro's Constitution was ratified and adopted by the Parliament of Montenegro on October 19, 2007.

Montenegro and the EU signed a Stabilization and Association Agreement (SAA) on October 15, 2007, boosting Montenegrin hopes of becoming a full EU member. Montenegro and the EU also signed the so-called Interim Agreement (allowing for the early implementation of trade and trade-related provisions of the SAA) which took effect on January 1, 2008. Almost all EU member states have already ratified the SAA.

Montenegro's Application for EU Membership was submitted on December 15, 2008.

NATO invited Montenegro to participate in its Membership Action Plan (MAP) on December 4, 2009.

The EU Council of Ministers' decision in favor of visa-free travel to Schengen-zone countries for citizens of Montenegro came into effect on December 19, 2009.

Montenegro's answers to the European Commission's "Avis" Questionnaire were presented on December 9, 2009, and the Government of Montenegro is expecting the country to be granted EU candidate country status in 2010.

#### **Foreign investments:**

Montenegro is establishing a liberal investment regime. Although the continuing transition has not yet eliminated all structural barriers, the Government recognizes the need to remove impediments, reform the business environment, and open the economy to foreign participation. The attitude towards foreign investors is generally favorable.

Since becoming independent in 2006, the government has adopted a liberal investment framework to encourage growth, employment and exports. There are no distinctions made between domestic and foreign companies. Foreign companies can own 100 percent of a domestic company, and profits and dividends can be repatriated without limitation or restrictions.

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

Registration procedures have been simplified to such an extent that it takes just one euro and four days to process an application to register a business. 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 already attracted considerable interest from foreign investors. According to preliminary data, the amount of foreign investments for the first nine months of 2009 increased 6 percent over the entire twelve months of 2008, in spite of the global financial crisis. According to preliminary data from the Montenegrin Investment Promotion Agency, foreign direct investments from January through October 2009 reached \$1.067 billion (€726 million), and their projection for the entire year is for total FDI figures somewhere between 950 million and 1 billion Euros, an increase of approximately 40 percent over the 2008 total.

Over 4,700 foreign-owned firms are registered and operating in Montenegro; the number of registered foreign companies has doubled in past two years. Foreign investors come from 86 countries, with no single country dominating investment. So far, the most significant investments have come from Norway, Austria, Russia, Hungary and Great Britain. For the first time since 2006, the greatest amount of FDI - 65.1 percent - has been concentrated in the central region of Montenegro this year, with 28.4 percent directed to the southern region and the remaining 6.5 percent to the north. Based on job-creating foreign investments (i.e. not including individual real estate transactions), the sectoral breakdown of FDI for 2008 is as follows: 28 percent of all investments were made in finance; 22 percent in tourism; 14 percent in construction; 11 percent in services; 10 percent in industry; 5 percent in transportation and logistics; 2 percent in agriculture; and the remaining 8 percent in other sectors.

According to the World Bank Group's "Doing Business 2010" report (covering the period June 2008 through May 2009), Montenegro received its best rating of the six years it has been reviewed. Montenegro ranked 71st best of the 183 countries surveyed on the following categories: Starting a Business; Dealing with Construction Permits; Employing Workers; Registering Property; Getting Credit; Protecting Investors; Paying Taxes; Trading across Borders; Enforcing Contracts; and Closing a Business. Montenegro's best score (27th place worldwide) was for Protecting Investors; its worst (160th place) was for Dealing with Construction Permits. The biggest gain from last year was on Employing Workers (up 47 places, from 93 to 46); the biggest drop was a tie - drops of six places on both Registering Property (falling from 125 to 131) and Paying Taxes (down from 139 to 145.)

The World Economic Forum's Global Competitiveness Report 2009 - 2010, covering 133 countries, placed Montenegro 62nd overall - three positions higher than in 2008. Compared to other countries in the region, Montenegro ranked above Croatia (72nd place), Macedonia (84th), Serbia (93rd), Albania (96th) and Bosnia and Herzegovina (109th). Of the 12 factors used to compile the rankings, Montenegro got the highest marks in health, primary education, and financial market sophistication. Its lowest marks were in inefficient government bureaucracy, inadequate supply of infrastructure, business access to finance, inadequately educated workforce, corruption, restrictive labor regulation, and tax regulation.

Montenegro scored 3.9 in Transparency International's Corruption Perceptions Index 2009, placing it second in the region (behind Croatia.) 2009 results showed a significant improvement over the previous year's score of 3.4 and world ranking of 85. In the Heritage Foundation's 2010 Index of Economic

Freedom, Montenegro received a score of 63.6, ranking it as "moderately free" and above the world average. Its score was an improvement of 5.4 points over 2008, reflecting notable improvements in seven of the 10 economic freedoms considered. Survey editors noted that sharply improved labor market flexibility and an improved regulatory environment for investment enabled Montenegro to score the largest increase in economic freedom among all countries in the 2010 Index.

### **Major Investment Opportunities:**

Montenegro offers a wide range of investment opportunities. Some are unique tourism sites (many of which are former military or other state-owned properties), some are major construction projects (such as the proposed highways or improvements to the railroad system), and some are quite complex (such as the various investment opportunities within the energy sector.)

### **Tourism:**

*Velika Plaza* - Located primarily on government-owned land between the city of Ulcinj and Ada Bojana Island, Velika Plaza (a 13 km long sand beach with an unobstructed view of the Adriatic Sea) is located at the southern tip of Montenegro. It is 87 km from Tivat International Airport and around 70 km from the capital Podgorica. Plans for the gradual development of the property include: (i) the development of high-end tourist accommodations; (ii) the construction of a small VIP airport; (iii) upgrading telecommunication, efficient energy and water supply; and (iv) creation of coastal area protection (allowing up to 100 square meters of green surface per bed in order to provide luxury tourist accommodations.) During the prequalification process, tender letters of intent were submitted by four companies: Proofrock Investments (a Greek/U.S. company); Hydra Properties and Bloom International Properties (both from the United Arab Emirates); and Trigranit (from Hungary.)

*Ada Bojana Island* - Located at the southernmost tip of Montenegro. The nearest international airport is located in Podgorica (85 km), while Tivat International Airport is 108km away. The 494-hectare island is flanked on two sides by the Bojana River, connecting directly to Skadar Lake, and the Adriatic Sea on the third side. Because of the site's unique natural environment and secluded private setting, the Government foresees the configuration and operation of an exclusive 4 to 5-star hotel/resort/village complex, reflecting contemporary Montenegrin architecture and including recreational facilities and services. The master plan for Ada Bojana envisions a capacity of up to 2,500 hotel beds within the current area designated for tourist development, and the Government anticipates that the hotel resort, once developed, will be listed in the international hospitality industry as a top nature resort. Nine companies, including two from the U.S., submitted letters of intent during the government tender for expression of interest in 2008.

*Mamula Island* - Mamula, on the border with Croatia, presents a popular one-day trip destination. The island, accessible only by boat, has a circular shape (200 meters in diameter) and coastline which consists of a rocky surface with a small beach section. The fortress located on Mamula currently has no accommodation, food, beverage, or boutique services. The development concept includes a luxury hotel with exclusive leisure, food service and wellness facilities, and berths for small and medium size yachts. The Government of Montenegro prefers a public-private partnership (PPP) model for this location.

*Jaz Beach* - Located in the central part of the Montenegrin coast, between the cities of Budva and Tivat. Plans for development center on an urban development concept, including a village complex offering accommodations, pensions, a water sports center, wellness facilities, food and beverage services, etc.

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

*Buljarica Beach* - Located between the cities of Bar and Budva. The land is mostly private, but the majority of owners are members of a local landowners association which is interested in creating a joint venture with potential strategic partners participating as shareholder partners. The development concept includes high-end residential accommodations, 4-5 star hotels, and a tourist village - all totaling up to 6,500 beds. A marina is also planned, as is a business center and an 18-hole golf course.

*Bigovo* - The Bigovo cove is situated on a peninsula between the cities of Budva and Tivat, adjacent to a historic fishing village. There is easy air access to the property via Tivat International Airport, just 20 kilometers from the site. The international airports at Podgorica (90 minutes) and Dubrovnik (90 minutes) provide additional access. The site encompasses 38,940 square meters of land, with leisure facilities currently on 2,873 square meters. Planning is in a nascent stage, but ideas for the gradual development of Bigovo include a luxury leisure motif utilizing - and maintaining - the natural surroundings.

*Kumbor* - Kumbor, a tourist resort on the Herceg Novi Riviera, is located on the shores of Kotor Bay, 6 km from the city of Herceg Novi. There are a number of small beaches and restaurants on the waterfront. Early planning ideas for the gradual development include the construction of a world-class, multifunctional upscale tourism resort as well as 4-5 star nautical and commercial amenities with leisure facilities.

*Valdanos* - Valdanos is located close to Ulcinj, southeast of Bar. This former military vacation camp, surrounded by olive trees, offers an unobstructed ocean-front view and unrivaled privacy. Airports are 68 km (Podgorica) and 86 km (Tivat) away. Valdanos Bay covers four square kilometers, and includes a pebble beach of approximately 100 meters in length and various low-rise camp and general public service facilities, i.e. tennis courts and parking areas. The conceptual framework includes a five-star resort, protection of the coastal area allowing up to 100 square meters of green surface per bed, luxury tourism accommodations of a maximum of four floors, and the protection of the ecological structure of the area. The Government of Montenegro is primarily interested in public-private partnership (PPP) projects.

*Hotel Park* - Hotel Park is located on the shores of Kotor Bay in Herceg Novi, 10 km from Tivat airport and 30 km from Dubrovnik airport. The facility was built in 1975 and served as a tourist hotel until 2002, when it was converted into a lodge for recreational and professional divers. The hotel has 51 rooms, each with a balcony overlooking the sea.

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

### **Infrastructure:**

*Highways* - The Montenegrin Ministries of Maritime Affairs, Transportation and Telecommunication signed a public-private partnership contract in 2009 with the Croatian company Konstruktor for the design, financing, construction, operation, and maintenance of a new motorway running from the city of Bar on the Montenegrin coast to Boljare on the northern border with Serbia. Konstruktor is currently in

the process of securing the financing envisaged in the contract. In addition, the Government of Montenegro is planning to develop the necessary documentation for the 105 km Adriatic-Ionian highway (also called the East-West Corridor) that would connect the Croatian and Albanian portions of the same highway.

*Railway* - The Government of Montenegro conducted a recent restructuring plan under which the Railway Company of Montenegro has been split into three separate companies: one which will be in charge of developing and maintaining the railroad infrastructure and traffic regulation; a second which will handle passenger transport; and a third which will handle cargo operations. Infrastructure management and traffic regulation will remain state controlled, while a joint investment with a strategic partner will be sought for infrastructure maintenance on the basis of a long-term contract with the Government. Privatization is planned for the operations side during 2010.

### **Transportation and Logistics:**

*Montenegro Airlines* - Founded 15 years ago, Montenegro Airlines is registered for domestic and international passenger and charter traffic, as well as for the carriage of cargo and mail. Over the last 10 years, Montenegro Airlines has linked Montenegro with Frankfurt, Zurich, Paris, Rome, Vienna, Ljubljana, Moscow, London, Milan, and Belgrade. More than three million passengers have been transported to date. A July 2008 shareholders meeting decided to move from an LLC to a joint stock company as well as proceed with a new issuance of shares, representing 30 percent of the current company value. The consulting firm SH&E was selected as advisor for the privatization. Companies from Russia, Great Britain, and Israel have already shown interest. Representatives of Montenegro Airlines have stated that the European Bank for Reconstruction and Development is also interested in the airline. Montenegro Airlines was originally included in the 2009 privatization plan, but the process has been postponed to 2010 due to the lingering effects of the global economic crisis.

*Luka Bar/Port of Bar* - The Port of Bar spreads over 200 hectares. The total length of the operational coast is 3.5 kilometers, with a maximum depth of 14 meters and 120,000 square meters of secure warehouses. There are five specialized terminals in the port (passenger traffic, general cargo, containers, solid and liquid bulk), and maximum capacity is about five million tons. The Government owns 54 percent of total shares, while the remaining proportion is divided between the state privatization fund (16 percent), workers (11 percent), citizens (18 percent) and other legal entities (1 percent). The port employs 1,371 workers. The Port of Bar will be privatized according to the landlord model used in most European ports, with economic activities privatized or given on concession while infrastructure remains in state ownership. Interest in the Port of Bar has been strong for a long time. The State Privatization Council, the main Government body in charge of privatization, has worked with the port's management to reorganize operations and divide the company into five units, four of which will be up for tender.

*Bijela Shipyard* - The shipyard, established in 1927, is the largest ship-repairing and reconstruction yard in the southern Adriatic. Unsuccessful tenders for the shipyard have been announced several times so far and, according to the plan, will be announced again in the first quarter of 2010.

### **Energy:**

*Greenfield investment in hydropower plants on the Moraca River* - The Government of Montenegro intends to develop the country's untapped hydropower potential through public-private partnerships. As a priority project, the Government wants to develop the Moraca River's potential through a series of four hydroelectric-power plants generating a total of 238 megawatts (MW) and an annual production of

693 gigawatt hours (GWh). Extensive geotechnical and hydrological studies have already been performed in order to prepare the technical documentation. Legal due diligence, a detailed spatial plan, and strategic environmental assessments was completed in February 2009. Interested parties may be requested to comment on the data from the existing technical documents and to produce improved design proposals for the development of the project. A pre-qualification tender is planned as the next stage of the bidding process. Expression of interest tenders were submitted in December 2008, and 13 companies have indicated their intention to participate in the actual tender process which will be announced beginning of 2010. Design/construction (DBOT) tenders for a number of small hydro plants will also be issued in 2010.

### **Manufacturing:**

*AD Plantaze* - Plantaze is the largest producer of wine and table grapes in the entire region, and the market leader in wine production in the Balkans. Production capacity includes a vineyard area of 2,200 hectares (the largest in Europe), two wine cellars with total capacity of 250,000 hectoliters, 97 hectares of peach orchards, a fish-pond with annual production of 120 tons of California trout, 3,000 tons of cold storage capacity, retail facilities and catering-hospitality facilities. The privatization strategy and privatization process will be prepared and announced during 2010.

A number of U.S. companies are already operating in Montenegro, and the Government of Montenegro has put an emphasis on attracting more American investment.

--*Philip Morris International* opened a branch office in Montenegro in May 2007. The main activity of the office is the import and distribution of Philip Morris products in the Montenegrin market.

--*Coca-Cola HBC (Hellenic Bottling Company)*, one of the world's largest bottlers of Coca-Cola products, has been operating and distributing its products in Montenegro for more than a decade.

--*Datacard Group* won a Government of Montenegro/Ministry of Interior Affairs tender for the procurement of a system for issuing passports and national identification documents. The value of the contract, signed in July 2007, is €8,725,725. The issuance of new biometric Montenegrin passports started in Spring 2008.

--*Microsoft* officially opened its office in Montenegro in May 2007 during a Podgorica conference aimed at presenting the company's latest technology and products. The software giant had already been working with the Government of Montenegro and local partners on different projects (software legalization, e-government, and IT modernization for government institutions) and signed a new strategic partnership agreement with the GoM on December 18, 2008.

--*Oracle* signed a strategic partnership agreement with the Government of Montenegro on the same day, and these two agreements will allow for the purchase and use of Microsoft and Oracle licenses and software by the GoM, state agencies, municipal authorities and state-owned companies.

--*Becovic Management Group (BMG)* purchased the Hotel Mediteran property in July 2005 from the state-controlled hotel/travel company "Ulcinjska Rivijera" (UR) for €940,000. BMG intends to redevelop the property into a first-class coastal destination resort, with mixed-use resort and entertainment components. The total investment value is €6 million.

--*Media Development Loan Fund (MDLF)* bought 25 percent of the shares of Daily Press, publisher of the top daily newspaper "Vijesti." MDLF is considering the purchase of additional shares, but the local owners currently will only sell a maximum of 40 percent of Vijesti shares to MDLF.

--*Morgan Invest* purchased 38 percent of the shares of the Titex textile factory in Podgorica for €2.45 million. The American company bought the shares of the bankrupt factory from the Slovenian company Novus, which had paid €538,000 for them in 2004.

--U.S. firm *GoDaddy* successfully won its bid to become the agent for domain registration for the national internet domain of Montenegro (the new ".ME" internet domain.) GoDaddy will operate for five years, with a possible extension of this term.

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

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The U.S.-Montenegro Business Council was formally opened in Podgorica on December 16, 2008. The Council's mission is to promote trade and investment between the U.S. and Montenegro. Additionally, through its sister office in the U.S., the Council will seek to encourage more American investors to learn about opportunities in Montenegro, as well as to help Montenegrin companies explore business opportunities in the U.S. Also, as a part of the strategic partnership between Montenegro and State of Maryland, the Council's office in Podgorica will also serve as a Maryland state trade office.

The Council announced that it will begin to offer a special program to Montenegrin companies from January 2010 which will enable them to establish branches in the State of Maryland free of charge, with the Council covering the set-up costs.

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

Inquiries on investment opportunities in Montenegro can be directed to:

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Montenegro has enacted specific legislation outlining guarantees and safeguards for foreign investors. Montenegro's Foreign Investment Law (ratified in November 2000) establishes the framework for investment in Montenegro. The law eliminates previous investment restrictions, extends national treatment to foreign investors, allows for the transfer/repatriation of profits and dividends, provides guarantees against expropriation, and allows for custom duty waivers for equipment imported as capital-in-kind.

Montenegro also has adopted more than 20 other business-related laws, all in accordance with EU standards. The main laws that regulate foreign investment in Montenegro are: the Foreign Investment Law; the Enterprise Law; the Insolvency Law; the Law on Fiduciary Transfer of Property Rights; the Accounting Law; the Law on Capital and Current Transactions; the Foreign Trade Law; the Customs Law; the Law on Free Zones; the Labor Law; the Securities Law; the Concession Law, and the set of laws regulating tax policy.

Montenegro has made significant steps in both amending investment-related legislation in accordance with world standards and creating the necessary institutions for attracting investments. However, as is the case with other transition countries, implementation and enforcement of existing legislation remains a problem.

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

The Foreign Investment Law guarantees the right to transfer and repatriate profits in Montenegro.

Montenegro uses the Euro as its domestic currency. There are no difficulties in the free transfer of funds exercised on the basis of profit, repayment of resources, or residual assets.

## **A.3. Expropriation and Compensation**

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

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

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

Montenegro provides safeguards from expropriation actions through its Foreign Investment Law. Article 29 states that the government cannot expropriate property of a foreign investor unless there is a "compelling public purpose" established by law or on the basis of the law. If an expropriation is executed, compensation must be provided at fair market value plus one basis point above the LIBOR rate for the period between the expropriation and the date of payment of compensation.

#### **A.4. Dispute Settlement**

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

##### **Legal System:**

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

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

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

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

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

--The Business Organization Law, adopted in 2001, simplified the procedures for initial registration of companies; currently only one euro and four days are necessary to register an LLC in Montenegro. According to an OECD survey, Montenegro has the lowest barriers for initial registration of a business in the region. In accordance with this law, the Central Register of the Commercial Court was founded, and online searches for companies registered in Montenegro are now possible.

--The Business Insolvency Law, adopted in 2001, simplified the procedure for company insolvency. The law provides insolvent companies with three options: voluntary liquidation; restructuring; or bankruptcy proceedings. The length of the bankruptcy process has been cut, and it is easier to liquidate a company.

--The Accounting and Auditing Law has brought international standards into the Montenegrin accounting and auditing system. The Institute for Accounting and Auditing was founded as an independent institution to supervise the whole process and is in charge of granting the licenses and permits for accountants and auditors.

--The Montenegrin Parliament adopted the Competition Law, which went into force on January 1, 2006, and is regarded as an improvement to the investment climate in Montenegro as it provides a legal basis for competition in the market and puts some regulations on monopolies.

--The Law on the Participation of the Private Sector in Public Services, adopted in 2002, allows private companies to participate in public-private partnerships through leasing, management contracts, build-operate-transfer arrangements (BOT), and concessions.

--The Customs Law, in line with World Trade Organization and European Union requirements, was introduced in Montenegro in 2003. The law simplifies import-export procedures, which should increase international trade flows.

--The set of Tax Laws was implemented in 2003 and introduced the Value Added Tax (17 percent), which replaced the sales and turnover tax. The VAT has simplified the tax system and provides for a significant amount of budget revenues.

--At the end of April 2004, Parliament adopted the Foreign Trade Law. The law decreases barriers for doing business and executing foreign trade transactions and is in accordance with WTO standards. However, the law still provides scope for restrictive measures and discretionary government interference. In addition, the law appears to be more about protecting producers rather than consumers - who pay the real costs of protection in the end.

--The new Labor Law was adopted in July 2008. It defines a single collective agreement for both public and private sectors, maintains the existing level of severance payments (i.e. the average of the past six months' salaries), and retains the current 365 days of allowed maternity leave. Besides the Labor Law, the question of labor-based relations is also defined in the General Collective Agreement, Branch-level Collective Agreements, and with individual labor agreements between employer and employee.

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

Also adopted in the last five years were the Law on the Central Bank, the Law on Pledges (which provides for a bailment of personal property as security for some debt or engagement), the Law on Strikes, the Electronic Signature Law, and the Law on Free Zones.

Dispute resolution is under the authority of national courts, but it can also fall under the authority of international courts if the contract so designates, meaning that Montenegro allows for the possibility of international arbitration. Various foreign companies have other bilateral and multilateral organizations - - such as MIGA (World Bank), OPIC (U.S.), ECGD (UK), SID (Slovenia), SACE (Italy), COFACE (France), and

OEKB (Austria) -- providing risk insurance against war, expropriation, nationalization, confiscation, inconvertibility of profit and dividends, and inability to transfer currency.

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

The government does not impose any performance requirements as a condition for establishing, maintaining, or expanding an investment.

Limited incentives are offered to foreign investors; for example, the government offers duty exemptions for imported equipment.

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

In Montenegro, a foreign investor, foreign company, or foreign individual may acquire property. Article 12 of the Montenegrin Foreign Investment Law specifically permits foreign investors to purchase real estate through a contract. This right is explicitly reinforced by the Law on Property and Law Relations. The Act states that foreign persons and companies can, based on reciprocity, acquire rights to real estate, such as company facilities, places of business, apartments, living spaces, and land for construction. Additionally, foreign persons can claim property rights to real estate by inheritance in the same manner as a domestic citizen.

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

##### **Mortgages/Secured Transactions:**

In July 2002, Montenegro enacted its Law on Secured Transactions and established a collateral registry at the Commercial Court in May 2003. The registry's operational guidelines have been drafted and approved by the Commercial Court. The main goal of the Law on Secured Transactions is to establish a clear and transparent framework.

In August 2004, Montenegro adopted a new Law on Mortgages by which immovable property may be encumbered by a security interest (mortgage) to secure a claim for the benefit of a creditor who is authorized, in the manner prescribed by the law, to demand satisfaction of his claim by foreclosing the mortgaged property with priority over creditors who do not have a mortgage created on that particular property, as well as over any subsequently registered mortgage, regardless of a change in the owner of the encumbered immovable property.

##### **Intellectual Property Rights:**

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

Montenegro's Penal Code acknowledges infringement of all intellectual property rights, allows ex officio prosecution, and provides for stricter criminal penalties. The Law on Optical Disks was adopted in December 2006; it requires the registration of business activity when reproducing optical disks for

commercial purposes and provides for surveillance of optical disk imports and exports, and imports and exports of polycarbonates (the material used in production of optical disks) and equipment for the production of optical disks.

Since independence in 2006, the relevant authorities (the Ministry of Culture and Media, the Ministry for European Integration, as well as various NGOs) have begun to work on establishing an institutional and regulatory framework for intellectual property protection. Montenegro became member of WIPO in December 2006. The Montenegrin Intellectual Property Office (IPO) was officially opened on May 28, 2008. It currently employs 14 out of the 22 planned staff and already has laid the groundwork for formalizing cooperation with other IPOs in the region. A regulation on the recognition of intellectual property rights was adopted in September 2007. Under this regulation, any rights registered with the Union Intellectual Property Office or with the Serbian Intellectual Property Office and any pending applications filed with these Offices before May 28, 2008 are enforceable in Montenegro. Any IPR application submitted after that date in Serbia will have to be re-submitted in Montenegro within six months, in order to retain its acquired priority.

IPR market inspectors, police officers, customs officers, and employees of the Ministry of Economy attended a number of training seminars on intellectual property protection and counterfeiting, including an IPR enforcement workshop hosted by the American Chamber of Commerce in December 2009. At the end of 2007, the Customs Administration signed a Letter of Intent for Acceptance of SECURE Standards (standards to be employed by customs for uniform rights enforcement), adopted by the World Customs Organization (WCO) with a view to more efficient protection of intellectual property rights by customs authorities.

Since 2002, judges from the Commercial Court in Podgorica have participated in relevant seminars organized both in Montenegro and abroad (USA, Bulgaria, Macedonia, Bosnia and Herzegovina, Croatia, Italy, and Serbia.)

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

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

Overall, further progress still needs to be made on the protection of intellectual property rights, especially with regard to the still-limited institutional and enforcement capacity and the low level of public awareness.

### **International Agreements:**

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

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

- Convention Establishing the World Intellectual Property Organization (1967) [member since October 1, 1973];
- Paris Convention for the Protection of Industrial Property (1883) [member since February 26, 1921];
- Berne Convention for the Protection of Literary and Artistic Works (1886) [member since June 17, 1930];
- Madrid Agreement Concerning the International Registration of Trademarks (1891) [member since February 26, 1921];
- Protocol relating to the Madrid Agreement Concerning the International Registration of Trademarks [member since February 19, 1997];
- Patent Cooperation Treaty (1970) [member since February 1, 1997];
- Hague Agreement Concerning the International Deposit of Industrial Designs (1925) [member since December 30, 1993];
- Universal Copyright Convention (1952) [member since 1966];
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Trademarks (1957) [member since August 30, 1966];
- Locarno Agreement Establishing an International Classification for Industrial Designs (1968) [member since October 16, 1973];
- Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite (1974) [member since August 25, 1979];
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1977) [member since February 25, 1994];
- Trademark Law Treaty (1994) [member since September 15, 1998];
- Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (1958) [member since June 1, 1999];
- Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods (1891) [member since May 18, 2000];
- Nairobi Treaty on the Protection of the Olympic Symbol (1981) [member since March 18, 2000];
- Treaty on Intellectual Property with Respect to Integrated Circuits (1989) (signed, not ratified);
- International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations [member since December 20, 2002];
- Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms [member since December 20, 2002];
- WIPO Copyright Treaty [member since December 20, 2002];
- WIPO Performances and Phonograms Treaty [member since December 20, 2002]

#### **WTO Accession:**

Montenegro has not been accepted as a member in the World Trade Organization (WTO) as planned, largely due the inability to conclude bilateral agreements with all WTO members. In particular, Ukraine has sought from the GoM additional clarification on legislation in the fields of agriculture, industrial goods and services before bilateral negotiations can continue.

Montenegro applied for membership in WTO in December 2004 and has come a long way since then. In February 2005, the WTO General Council accepted its application, and a working group was established

to begin the negotiation process. Bilateral agreements have been signed with the United States, the EU member states, Switzerland, Brazil, Norway, Canada, China and Japan.

Accession to the WTO is expected to make a positive and lasting contribution to the process of economic reform and sustainable development in Montenegro. A large part of Montenegro's trade is already with the EU, but the further mutual opening of markets and abolishment of restrictions to market access for goods and services will benefit entrepreneurs on both sides and stimulate investment.

Bilateral trade commitments between the EU and Montenegro are already embodied in the Stabilization and Association Agreement (SAA) which was signed on October 15, 2007. Pending completion of the ratification process in the 27 EU Member States, an Interim Agreement has been applicable since January 1, 2008 and allows for the early implementation of trade and trade-related provisions of the SAA.

The U.S. Government, through USAID, provided technical assistance to Montenegro on the WTO accession process; the project was completed in December 2008.

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

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

Foreign investors can establish a company and invest in it in the same manner and under the same conditions which apply to domestic persons. The same regulations are applied to both domestic and foreign investors, and there are no other regulations which might deprive a foreign investor of any rights or limit such rights. With the July 2007 changes and amendments, the Law of Foreign Investments is now fully harmonized with World Trade Organization rules.

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

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

Montenegro launched reforms of the tax system and overall financial system in 2001 in order to: encourage domestic production and investments; make Montenegro more attractive to foreign investors; make locally produced goods more competitive in foreign markets; harmonize the tax system with EU Directives and international standards; make the tax system simpler, more efficient, and easier to implement; and generate income for the state budget.

Key segments of the tax reform package include a value added tax (applied since April 1, 2003) which replaced the previous retail tax and use of a self-assessment principle under which tax liability was calculated by the taxpayer, while the related procedure was controlled by a tax authority. In addition, the tax administration has also been transformed, and some competencies related to the collection of local revenues have been delegated to the local government.

The tax system in Montenegro is comprised of the following tax laws:

- Corporate Profit Tax [effective from January 1, 2002]
- Personal Income Tax [effective from January 1, 2007]
- Property Tax [effective from January 1, 2003]
- Excise Tax [effective from April 1, 2002]
- Value Added Tax (VAT) [effective from April 1, 2003]

The Corporate Tax Law proscribed a proportional tax rate of 9 percent. The corporate income taxpayer is defined as a resident or non-resident legal person performing an activity for profit. A limited partnership is also subject to corporate income tax.

The new Law of Personal Income Tax entered into force on January 1, 2007. This law proscribes a flat tax rate of 15 percent on personal income; on January 1, 2009 this rate was reduced to 12 percent, and will be further reduced in 2010 to 9 percent. A personal income taxpayer is defined as a resident or non-resident natural person who earned income from sources determined under the law. When two or more natural persons jointly earn income, a taxpayer is any of these persons in proportion with the sharing of such income.

The Value Added Tax rate is 17 percent, slightly below the average for EU member states. Amendments to the law have reduced the tax rate from 17 percent to 7 percent on accommodation services in tourism, on medicines which are not on a list designated by the Health Fund, and on communal services, transport services, and authorial services (such as copyrights and services in the area of education, literature, and art). The reduction of the VAT for tourist services has helped foster the growth of that sector. A zero VAT rate is applied on export transactions and on delivery of medicines and medical devices which are funded by the Health Insurance Fund.

The law also provides for several types of exemptions: for services of public interest (public postal services, health services, social security services, pre-school education services, sport, religious and other public services); import of goods (products brought into Montenegro with transit customs procedure, services relating to import of goods etc.); temporary import of goods (products imported on a temporary basis provided that they are exempt from customs duty according to customs regulations), and special exemptions (import of goods to be inspected by the customs authority; products that enter free customs zone or free customs warehouse; and products under customs storage procedure or under import procedure for export on the basis of delay).

The tax period for the VAT is defined as a calendar month, and taxpayers are obliged to file monthly VAT returns. These returns are filed by the 15th of each month following the month for which a tax liability is paid. The VAT on imports is paid concurrently with the customs duty payment. (Note: VAT is a part of the customs liability.)

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

The banking sector in Montenegro is completely privatized. There are eleven banks operating in the country, and all of them are in private ownership; two are locally-owned while the other nine are part of international banks. Total bank assets at the end of July 2009 amounted to €3.10 billion, and total deposits amounted to €1.73 billion. Time deposits accounted for 58.5 percent of the total deposits. The largest share within the time deposit structure was made up of deposits of up to one year (27.1 percent);

time deposits of up to three months comprised 16.5 percent and deposits of up to three years amounted to 13.3 percent.

Loans amounted to €2.61 billion at the end of July, a 6.6 percent (€184.3 million) decline from the end of December 2008. In the structure of disbursed loans, corporate and household loans accounted for 95.4 percent of the total, and the remaining 4.6 percent was attributed to banks, other financial institutions, public owned organizations, non-profitable organizations and others.

In October 2008, the Government of Montenegro adopted the Act on Protection Measures for the Banking Sector to mitigate the negative consequences of the global economic crisis by stabilizing and strengthening the country's banks. A new set of laws will additionally improve the regulation of banking sector and provide a higher level of depositor safety and increase of trust in banking sector itself. In addition, the law will help ensure increased protection of deposits in case of sudden disturbances in the banking sector.

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

### **Capital Markets:**

The capital market in Montenegro comprises two stock markets. In early 2008 one of the stock exchanges launched a takeover bid, but failed to take control of its rival. Seven investment funds and 24 brokerage companies participate in the market. A number of banks also participate in the capital market through the establishment of pension funds, formation of broker associations, or performance of custody operations.

The volume of trade on both Montenegrin stock exchanges during the first nine months of 2009 amounted to €342.8 million, almost two-and-a-half times more than the volume of trade in the same period in 2008 (€137.2 million). Transactions totaled 48,250, which represents a 12 percent increase over the 2008 figure. The significant increase in 2009 trading volume is largely the result of the sell-off of a minority stake in the Electric Power Company of Montenegro (EPCG).

Three types of securities are traded: company shares; privatization-investment fund shares; and bonds. The range of available bonds includes Old Currency Savings bonds, Restitution Fund bonds and local self-government bonds. During the first nine months of 2009, the greatest turnover was recorded in the company share sector (93.6 percent), followed by various other assorted bonds (4.2 percent). The total turnover of Investment Funds amounted to 2.2 percent.

### **Trade on the NEX Stock Exchange:**

The total volume of trade during the first nine months of 2009 was €150.8 million, and the number of transactions totaled 16,013. Compared with the total volume during the same period in 2008, trade volume was twice as high. The highest monthly trade volumes were recorded in July, when shares of EPCG generated a total of €19.9 million in turnover through 485 transactions, and in September, when Telekom Montenegro reached a trade volume of €1.1 million through a total of 301 transactions.

## **Trade on the Montenegro Stock Exchange:**

Total trade volume during the first nine months of 2009 totaled €191.9 million, approximately three times more than during the same period in 2008. The most traded companies from January to October 2009 were the Electric Power Company of Montenegro (EPCG), which achieved €124.3 million through 548 transactions in May, and Opportunity Bank, which achieved a trade volume of €13 million through just one transaction in March.

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

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

The government of Montenegro is the main institution responsible for the privatization process. In order to manage, control and implement the privatization process, the Government established the Privatization Council to define the goals, methods and specific means of privatization. The responsibility of this council is defined by the Law on Economic Privatization. The Privatization Council announces each year the plan for privatization which defines which companies will be privatized and the methods for their privatization.

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

From the beginning of the privatization process in 1999 through the end of September 2009, nearly 90 percent of the capital in Montenegrin companies had been privatized. The Government of Montenegro still holds shares in 60 companies and retains majority ownership in more than 30 of them. The most important state-owned companies include the Port of Bar, Montenegro Railways, the Electric Power Company of Montenegro (EPCG), the Bijela Shipyard, Montenegro Airlines, Airports of Montenegro, and the Plantaze Vineyard. All of these companies are registered as joint-stock companies, with the Government of Montenegro appointing one or more representatives to each Board based on the ownership structure.

### **A.11. Corporate Social Responsibility (CSR)**

The awareness of corporate social responsibility exists among Montenegrin enterprises, and entrepreneurs recognize that CSR is an important tool for development of their businesses. CSR programs are strongest in large, privately-owned Montenegrin and foreign firms, but small firms do engage in some CSR activities. A recently conducted survey by UNDP showed that large private companies are, indeed, more engaged in CSR activities, whereas small companies cited the lack of knowledge about CSR and the lack of support and interest from clients as the main reasons for not participating.

## **A.12. Political Violence**

Montenegro has been led by democratically-elected governments since 1991. The current government strongly supports Montenegro's integration into the European Union and NATO, as well as implementing the reforms necessary to achieve these goals.

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

## **A.13. Corruption**

As is the case with many countries in transition and in the region, corruption is a significant issue in Montenegro. Corruption routinely places high on the list of citizens' concerns in opinion polls. According to the Transparency International Corruption Perceptions Index for 2009, Montenegro ranked 69th worldwide (out of the 180 countries included in the study) - an improvement of 15 places over 2008.

The government's goal of integrating with European and Euro-Atlantic institutions has spurred efforts to counter corruption. In 2001, the government established an Anti-Corruption Agency responsible for preparing anti-corruption legislation, improving the transparency of financial and business operations, coordinating activities with NGOs, and promoting awareness in combating corruption.

In 2005, the government adopted an official Program for the Fight Against Corruption and Organized Crime, then created an Action Plan to implement the Program the following year. In 2007, the GoM established a National Commission to monitor the implementation of the Action Plan. Minister for European Integration Gordana Djurovic currently heads the Commission, which meets regularly throughout the year.

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

In the past two years, progress on combating corruption has been achieved through the passage of important legislation on public procurement, the treasury and budget system, and the courts. Implementation of these laws is now a priority for the government.

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

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

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

The U.S. restored Normal Trade Relations (Most-Favored Nation status) to Montenegro in December 2003. This provides improved access to the U.S. market for goods exported from Montenegro. The U.S. Government is reviewing Montenegro's request to be designated a beneficiary developing country under the U.S. Generalized System of Preferences (GSP) program, which would provide duty-free access to the U.S. market in various eligible categories.

#### **Other free trade agreements:**

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

**Preferential Trade Agreement with the European Union.** The EU has taken steps to stimulate the export of goods among countries in the region through the establishment of autonomous trade preferences (ATP), which provide duty-free entry for over 95 percent of goods. Exemptions include wine, meat, and steel. Products originating from Montenegro are generally admitted into the European Union without quantitative restrictions and are exempted from custom duties and charges. The products exempted from the free import regime are agricultural products, "baby beef" products, and textile products.

**Free Trade Agreement with Turkey.** Montenegro and Turkey signed an asymmetric Free Trade Agreement in November 2008. While the list of industrial products covered is identical to that signed with the EU, the list of agricultural products is rather limited. The Montenegrin Parliament ratified the Agreement in July 2009, and ratification of the Parliament of Turkey is expected.

**EFTA countries (Switzerland, Norway, Iceland, and Liechtenstein).** A preliminary declaration of cooperation was signed with EFTA in December 2000, pledging asymmetric treatment of Montenegro products in the markets of the four member countries. The declaration has paved the way for a future free trade agreement between EFTA and Montenegro.

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

OPIC is a self-sustaining U.S. Government agency, which promotes growth in developing countries by encouraging U.S. private investment. OPIC's key programs include loan guarantees, direct loans and political risk insurance. Montenegro, through the State Union of Serbia and Montenegro, became eligible for OPIC programs in July 2001. OPIC activities in Montenegro include: insurance for investors against political risk, expropriation of assets, damages due to political violence and currency convertibility; and insurance coverage for certain contracting, exporting, licensing and leasing transactions. OPIC also established the Southeast Europe Equity Investment Fund that is managed by Soros Management; the fund is capitalized at \$150 million. For more information, please see: <http://www.opic.gov>.

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

## **A.16. Labor**

Montenegro's total labor force is comprised of approximately 257,000 people; the unemployment rate in December 2009 was 11.17 percent, a slight increase over the same period in 2008. The average gross monthly wage in 2009 was \$930 (€633), while the average net monthly wage was \$670 (€456).

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

Bringing Montenegro's labor market legislative framework into accordance with EU standards is one of the primary economic tasks of the GoM. The new Labor Law was adopted in July 2008. It defines a single collective agreement for both public and private sectors, maintains the existing level of severance payments, and retains the current 365 days maternity leave. The Law on Peaceful Resolution of Labor Disputes was adopted in December 2007. It introduces out-of-court settlement of labor disputes for the first time in Montenegro. However, the agency required for implementation of the Law still needs to be established.

During the first eight months of 2009, the national employment agency granted licenses for employment to 14,647 foreigners -- 90 percent of whom were engaged in seasonal employment (i.e. tourism, catering and construction.) The New Law on the Employment of Nonresidents took effect on January 1, 2009 and mandates the government to set a quota for nonresident workers in the country. The nonresident quota for the 2010 tourist season is expected to be approximately 40,000 persons.

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 *acquis communautaire*. The administrative capacity of the Ministry of Labor and its inspection department are not yet strong enough, and the establishment of the workplace safety agency needs to be prioritized. The newly adopted Law on Pension Insurance has also helped to reform the pension system.

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

In June 2004, Montenegro passed a Free Trade Zone Law, which offers businesses benefits and exemptions from custom duties, taxes and other duties. The Port of Bar is currently the only free trade zone in Montenegro.

All regulations 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.

All Free Zone users have at their disposal the use of infrastructure, Port handling services, and all telecommunication services.

Contact:

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## A.18. Foreign Direct Investment Statistic

Investing Company: CVC Capital Partners  
Country: Luxembourg  
Investment: Acquisition of Niksic Brewery for USD 25.2 million

Investing Company: Societe Generale  
Country: France  
Investment: Acquisition of 64.45 percent of Podgoricka Bank for USD 16.8 million

Investing Company: Hellenic Petroleum  
Country: Greece  
Investment: Acquisition of the 54.4 percent of Jugopetrol Kotor petroleum refinery for USD 120 million

Investing Company: Telenor  
Country: Norway  
Investment: Acquisition of Promonte mobile operator for USD 145 million

Investing Company: Matav (with Deutsche Telecom)  
Country: Hungary  
Investment: Acquisition of 51 percent of Telecom Montenegro for USD 142 million

Investing Company: Rusal  
Country: Russia  
Investment: Acquisition of "KAP" aluminum plant for USD 58.2 million

Investing Company: Daido  
Country: Japan  
Investment: Acquisition of ball bearing factory for USD 11.2 million

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

Investing Company: Beppler & Jacobson  
Country: England  
Investment: Acquisition of Hotel Bianca for USD 10.8 million

Investing Company: Salomon Ent  
Country: Russia  
Investment: Acquisition of Bauxite Mine (Rudnici boksita AD Podgorica) for USD 12.5 million

Investing Company: Beppler & Jacobson  
Country: England  
Investment: Acquisition of Hotel Avala for USD 15.2 million

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

Investing Company: Springer & Sons  
Country: Austria  
Investment: Acquisition of Hotel Panorama for USD 9.3 million

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

Investing Company: Hypo Group  
Country: Austria  
Investment: Greenfield investment in Hypo Alpe Adria Montenegro of USD 15 million

Investing Company: OTP Bank  
Country: Hungary  
Investment: Acquisition of CKB bank for USD 134 million

Investing Company: PM Securities  
Country: Canada  
Investment: Acquisition of Arsenal for USD 4 million

Investing Company: Strabag AG  
Country: Germany  
Investment: Acquisition of Public Enterprise Crnagora put for USD 10.5 million

Investing Company: MN Specialty  
Country: England  
Investment: Acquisition of Steel factory Niksic for USD 6.5 million

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

Investing Company: Telecom Serbia and Ogalar B.V.  
Country: Serbia and Holland  
Investment: Greenfield investment of USD 16 million

Investing Company: Balkan Energy  
Country: Greece  
Investment: Portfolio investment in Berane coal mine of USD 1.5 million

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

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

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

Investing Company: Morgan Invest  
Country: USA  
Investment: Portfolio Investment of Titex for USD 2.45 million

Investing Company: Platzer Leasing & Monte Mlin Sajo  
Country: Austria & Montenegro  
Investment: Acquisition of Hotel "Vila Oliva" for USD 3.5 million

Investing Company: Barkli SK  
Country: Russia  
Investment: Acquisition of Hotel "Otrant" for USD 2.5 million

Investing Company: Becovic Management Group  
Country: USA  
Investment: Acquisition of Hotel "Mediteran" for USD 1 million

Investing Company: Capital Estate  
Country: Russia  
Investment: Acquisition of Hotel "Grand Lido" for USD 10.8 million

Investing Company: HLT fund & Primorje Tivat  
Country: Slovenia & Montenegro  
Investment: Acquisition of Hotel "Centar Igalo" for USD 3.1 million

Investing Company: Hungest Hotels  
Country: Hungary  
Investment: Acquisition of Hotel "Topla" for USD 800,000

Investing Company: Hungest Hotels  
Country: Hungary  
Investment: Acquisition of Hotel "Centar" for USD 1 million

Investing Company: Beppler & Jacobson  
Country: England  
Investment: Acquisition of Bjelasica Ski center for USD 500,000

Investing Company: UNIQA International Beteiligungs  
Country: Austria  
Investment: Greenfield investment in UNIQA Montenegro of USD 3.2 million

Investing Company: Bolici Invest  
Country: Italy  
Investment: Greenfield investment in Hotel Bolici of USD 58.8 million

Investing Company: Royal  
Country: Belgium  
Investment: Greenfield investment in Royal Montenegro of USD 147 million

Investing Company: Egyptian investment fund  
Country: Egypt  
Investment: Greenfield investment of USD 73.5 million

Investing Company: MNSS B.V.  
Country: Holland  
Investment: Acquisition of Steel Mill of USD 58.8 million

Investing Company: Gintas Group  
Country: Turkey  
Investment: Greenfield investment in Mall of Montenegro of USD 58.8 million

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

Investing Company: Lukoil  
Country: Russia  
Investment: Portfolio investment in Roksped of USD 39 million|

Investing Company: Agrokor  
Country: Croatia  
Investment: Portfolio investment in Stampa of USD 2.2 million

Investing Company: Alstom  
Country: France  
Investment: Expansion of Niksicka Tehno Baza of USD 7.35 million

Investing Company: Delta  
Country: Serbia  
Investment: Greenfield investment in Delta City shopping mall of USD 86.9 million

Investing Company: A2A  
Country: Italy  
Investment: Acquisition of the Electric Power Company of Montenegro (EPCG) of USD 282.3 million

Investing Company: Orascom Development  
Country: Egypt  
Investment: Greenfield investment on Lustica peninsula of USD 14.7 million.