

Speech of Mr. Goran Scepanovic, Deputy Minister of Economy of Montenegro
CEFTA Joint Committee
Paris, November 23, 2011.

Thank you Madam Chair,

Ladies and gentlemen,

It is my great pleasure to give my regards to you on behalf of the Government of Montenegro and the Ministry of Economy. I would also like to give compliments to the representatives of UNMIK/Kosovo for presiding over CEFTA 2006 Agreement this year, as well as for organization of CEFTA WEEK.

Four years upon CEFTA Agreement coming into force, this region has become well known recognized. We can be proud of the fact that the connections that had existed have been renewed now. Also, better environment in the region is created, where internationally accepted rules apply, proving our commitment towards further international integrations.

Today, I may proudly say that one of the objectives that Montenegro had set out at the beginning of its presiding, which is liberalization of the agricultural sector, has been achieved. With additional liberalization the trade will be significantly improved and will ensure that all members have equal opportunities on regional market.

Experience of countries from the Central Europe, which were members of the CEFTA Agreement, shows that regional connecting of this kind opens the door of EU. We hope that this CEFTA Agreement will have for members also result in membership into the European family, and Croatia is the real example of that. I will take this opportunity and congratulate to colleagues from Croatia on achieved success.

I would like to remind you that Montenegro received positive assessment of European Commission regarding the fulfillment of conditions for accession process and at the end of December has become a candidate for EU accession. We are aware that one big obligation and long process is before us. Still, we are positive that the experience gained in international affairs will help on our Euro-Atlantic path.

The topic we are speaking about, which refers to challenges of the trade policy on our path towards EU is very important. Actually, trade is connecting us and CEFTA, was established with the aim to renew trade connections, which will be a starting point in reconnection of Balkan.

Montenegro has developed trade with CEFTA countries. Trend that has applied in recent years is that more than 40 percent of total exchange in goods is to be made with countries from CEFTA region. The most important partner is Serbia, with whom Montenegro makes around one third of overall trade, followed by Bosnia and Herzegovina and Croatia. Such data are to be expected if we take into account historical connections and connections that used to exist. The most important trade partner of Montenegro is the European Union, with whom more than 45% of overall trade.

One of the challenges of trade policy, which the countries of Southeast Europe already feel on their path towards EU is the current crisis. Actually the influence of trade, i.e. the trade balance and its improvement are of great importance for overall economy of a country and represent a precondition for overcoming the current situation.

According to the preliminary assessment of the Ministry of Finance, in the first half of 2011 Montenegro recorded growth with the rate of 2.1%, which is in line with official projection on real growth of GDP for 2011 of 2.5%. Real growth of gross domestic product in Montenegro in 2010 amounted to 2.5%; while per capita amounted to 5.006 Euros, which is 6.05% more than in 2009.

Today, the question is how to develop trade policy which will have the biggest effects in future. We are aware of the fact that regional cooperation leads towards regional integration, which of exceptional importance for economic development of a country. Therefore we deem that CEFTA agreement does not represent only a multilateral agreement on free trade, but also an important incentive for our economies and overall development.

If we look at the producers from the Region, small number of them can prove the fact that they are ready to enter markets that are strong in the terms of competitiveness, such as the EU market. Reason for that is the fact that weak competition which existed so far did not sufficiently force companies to reduce their production costs, neither to allocate more funds for marketing. We are aware that we live in the world where it is easy to produce, but difficult to sell. Sale, which is the goal of all trade and production, is becoming more dispersed and more complicated. The question is whether our companies are sufficiently strong in financial sense so as to ensure strong marketing at the EU market? It is possible that solution is in new connections, but this time not of regions but current competitors or in establishing of clusters. This way, companies will be in opportunity to exchange good practice and to supplement their offer and jointly bear costs of entry to the extremely competitive European market.

By time the companies will become stronger, get used to strong competition and continue with development and strengthening through placement of their products. As the companies become stronger, competition in the Region will also become stronger and market of the region will get new dimension. Companies have to become aware of the fact that European market is slowly becoming closer and only the most capable ones will find their place in it.

One of the challenges of trade policy on our path towards EU represents adjustment of our production, which should be intended for export. Namely, the very fact that large share of export into the Region is related to export of raw material and semi-products, gives us the right to conclude that we have to take into account that future production should be adjusted and that it is necessary to increase share of products with more added value. That way, effects that economy will have from export are to be much bigger.

One of factors that also have significant impact on development and trade policy trends represents attracting of foreign direct investments. Foreign direct investments, increasing the level of investment and general economic activities in a country, cause growth in production and service volume, thereby

have impact on trade characteristics of a country. In order for CEFTA countries to be in opportunity to continue with attracting foreign direct investments, they have to work more in future on improving conditions for doing business. I believe that one of very important indicator regarding the business operations in certain country is World Bank Report on doing business. In the most recent report for the period July 2010 – June 2011, Montenegro was on the 56th place among the 183 ranked countries. In comparison to the last-year Report, Montenegro has made progress of 10 places in the overall rank.

In 5 out of 10 indicators Montenegro recorded better results, namely in the areas of starting a business, registration of real estates, obtaining loans, tax payment and execution of contracts.

Experiences of other less developed countries, as well as of some developed countries, indicate that improvement of the expertise represents one of factors that are of extreme importance for economic development. I consider investments into professional education to be one of challenges we will be faced with on our path towards EU. I will only mention that even now in Montenegro there is a satisfactory level of expertise, which is also evidenced by foreign investors who are very satisfied with domestic offer of human resources.

One of request the countries have been faced with for many years and where significant progress has been made is existence of non-tariff barriers. Due to the existence of non-tariff barriers, movement of goods still represents a problem, since they disturb free trade and impair functioning of CEFTA Agreement. With their elimination, trade opportunities will increase. I primarily refer to recognition of certificates, because by overcoming this obstacle we will be a step closer to creating a single market, which is one of priorities of CEFTA 2006 Agreement.

Another important issue which is before us and which is the closing remark of my presentation is upcoming liberalization in the field of services in CEFTA region. Montenegro is ready to actively participate in this process, since we believe that such liberalization will result in multiple benefits.

All of us, gathered by CEFTA Agreement, share the need to cooperate so as to reach joint goal much faster and more efficient – which is EU. We are aware that we will be faced with different trade challenges on the path towards EU and it will be easier to solve them by joint efforts. I am convinced that by joint efforts of our countries, this region will have European and Euro-Atlantic future.

Thank you for the attention.