Trade and investment, core components of the integrated economic growth in the CEFTA Region

Dear Chairman,

Distinguished Ministers,

Distinguished participants,

Ladies and gentlemen,

It is my honor and pleasure to greet you on behalf of the Government of Montenegro. The Republic of Albania, as the chair of the CEFTA 2006, in the previous year, worked very actively on the promotion and implementation of this Agreement. This is an opportunity to congratulate you on a successful presidency.

By organizing the CEFTA Week we continue to connect entrepreneurs, academies and public administrations, as well as topics that are of importance to the economic development of our countries. At the same time, we demonstrated that CEFTA 2006 was not only a Free Trade Agreement, but that it has a significantly wider scope.

Today's topic relating to trade and investment is directly linked with the EU's Europe 2020 strategy. It represents a significant incentive for the candidate countries and potential candidates for EU membership in the sense of defining their reform processes, and establishing a framework for sustainable economic growth.

Speaking of the SEE Strategy 2020, it can be said that it is a starting point for the implementation of joint projects and achieving common interests of the Region as a whole. It is important to emphasize that there is a political commitment of all countries in the Region to formalize a joint cooperation in three areas: smart, sustainable and inclusive growth. I am pleased to point out that the SEEIC members have successfully formulated head line target for implementation of the SEE Strategy 2020, as a basis for further work and achievement of identified priorities. It is essential that all countries of the Region are committed to meeting these goals in order to promote the CEFTA region as a whole and thus contribute to the increase of FDI.

The relationship between trade and direct investment in times of globalization is very complex. Foreign direct investment, viewed in the short term, lead to an increase of imports, while export growth is recorded only in the long terms. Benefits are reflected in the transfer of technology, increasing employment, improving competitiveness and accelerating a country's economic development.

Establishing a regional free trade zone through the CEFTA 2006 agreement provides better utilization of the potential of individual economies aiming to accelerate economic growth. With regard to the trend of globalization, which is more and more present nowadays, small individual economies of the Region are not interesting for foreign investors. Viewed short-term, positive effects of establishing a free trade zone are relatively modest. However, the creation of a large single market of the CEFTA 2006 region where all trade barriers are eliminated will create opportunities for further growth and development of enterprises, intensifying competition, and thus a better economic framework for foreign investors.

However, in the CEFTA region, viewed through the prism of the European Union, conditionally speaking, the most common are small and medium-sized enterprises. With the arrival of foreign direct investment, in the previous period, competition was significantly improved, although it hasn't reached a satisfactory level. However, companies are able to survive regardless of the level of productivity. The conclusion is that by working on the strengthening of own resources and competition, preconditions can be created, in the sense of preparing a company, for future integration. It is precisely in this context that the significance of foreign direct investment increases. Raising the level of investment and overall economic activity in the country, FDI lead to the growth of volume of production and services, and thereby have an impact on improving trading characteristics of the country. A potential solution may also be looked for in new integration of previously competing enterprises or clustering. In this way, companies would be able to share their positive experiences, supplement their offer and share equally the costs of entering the highly competitive European market.

The economy of the former Yugoslavia to which, generally, we all belonged, was complementary. After gaining national independence, the common market was lost and the links that once existed. The market teaches us that only high value-added products can be competitive, or those that are produced in large batches. In order to respond to market demand, the perspective of our region lies in the joining and consolidating of local businesses. Regarding this issue, Montenegro signed free trade agreements, in addition to CEFTA countries, with Russia, Turkey, Ukraine and EFTA countries, which provides for a better inflow of investments and higher placement on the market. The largest trading partners of Montenegro are the CEFTA countries, with which approximately 42 percent of total trade, while with the EU ratio is slightly below 40 percent.

At the same time, Montenegro was given the green light to start negotiations with the EU on 26 June 2012. It has become the full member of the WTO on 29 April 2012. The process of integration into NATO continued. According to the IMF, Montenegro is the leading country among the countries in transition. The regulatory process in Montenegro is open and transparent. In order to improve the business environment in the framework of regulatory reform, a one-stop-shop system was introduced for the registration of undertakings. There is no limit of the amount of capital investment, so foreign investors can invest in any industrial area and freely transfer all financial and other resources. It is stipulated by the Law on Foreign Investment that foreign investors are accorded national treatment. In Montenegro, investors from 88 countries do business.

When it comes to improving the business environment and international competitiveness of Montenegro, a crucial role is played by FDI. In 2011, FDI per capita amounted to slightly less than 1000 Euros. Given that this is a small and open economy, investments in Montenegro have a significant impact both on GDP growth and economic progress.

The results in eliminating business barriers are visible through the progress made in the World Bank's Report on Doing Business in 2013, according to which Montenegro is ranked 51st, which is an increase of 6 positions from the year 2012. The Government of Montenegro adopted the *Business Development Incentive Programme*, which aims to encourage the development of micro and small enterprises on land equipped with infrastructure, increase employment in less developed municipalities, in addition to the activation of capital of both domestic and foreign investors, who would recognize interest in the implementation and promotion of the project.

In the world, business zones are proven to be a significant generator of economy. They are an opportunity to increase exports, employment, balance between the sectors of production and services and to encourage activities that will support production capacity developed in the zones. The beneficiaries of the zone are planned to include micro, small and medium-sized manufacturing enterprises, innovative entrepreneurs with an emphasis on information technology, in addition to small companies that are engaged in scientific research activities.

The State already defined a favorable business environment for the production and provided employment subsidies in the sense that the employer is not obliged to pay contributions for compulsory social insurance based on wages and personal income tax.

The conclusion is that the relationship between foreign direct investment and trade is very strong, as well as their impact on the economic development of a country. In terms of creating a positive business environment, Montenegro has already done much. Connecting the region further through joint marketing to third markets is the basis for further development.

I would like to take this opportunity to thank the host, the Republic of Albania, for a well-organized meeting and its contribution to CEFTA 2006 in 2012.

Thank you for your attention.