Government of Montenegro

NEGOTIATING POSITION OF MONTENEGRO FOR THE INTERGOVERNMENTAL CONFERENCE ON ACCESSION OF MONTENEGRO TO THE EUROPEAN UNION
CHAPTER 30 – EXTERNAL RELATIONS

Podgorica, June 2014
I. NEGOTIATING POSITION SUMMARY

Montenegro accepts the EU acquis covered by the chapter External relations which was in force as of 12 June 2013 and does not expect any difficulties in implementing the EU legislation under this chapter by the date of accession to the European Union.

Montenegro does not request any permanent derogations or transitional periods for implementation of the EU acquis under this chapter.

II. LEGISLATIVE AND INSTITUTIONAL FRAMEWORK

II. a. Common Commercial Policy

Legislative framework

The trade policy of Montenegro is determined by its membership in the World Trade Organization (WTO), the concluded Free Trade Agreements and Bilateral Investment Agreements.

Law on Foreign trade

The basic law in the area of foreign trade policy is the Law on Foreign Trade (Official Gazette of Montenegro 28/04, 37/07). The Law is consistent with WTO rules. The law regulates foreign trade of goods and services. For the purpose of further alignment with the EU acquis, Montenegro has prepared a Proposal for Amendments to the Law on Foreign Trade which is aligned with the EC.

This law also defines trade defence measures (anti-dumping, countervailing and safeguards measures for domestic production against excessive import). None of the mentioned measures have been introduced so far.

The Decree for the implementation of the Law on Foreign Trade (Official Gazette of the Republic of Montenegro 52/04, 44/07) of 23 July 2007 stipulates detailed conditions and procedures for issuing licenses for export, import and transit of goods and for the application of trade defence instruments.

By a special decision, the Government of Montenegro establishes, updates and publishes Control list for export and import of goods. The reasons for updating the Control list are contained in the need for technical adjustment of the Control list to the amendments to the Combined Nomenclature of the European Union. According to the last Decision on the Control List for the Import and Export of Goods of 2014, the List has been harmonised with the amendments of the EU Combined Nomenclature for 2013.

World Trade Organization (WTO)

Montenegro became the 154th member of the World Trade Organization (WTO) on 29 April 2012 in accordance with Article XII of the WTO Agreement.

The Montenegrin Parliament adopted the Law on Ratification of the Protocol on the Accession of Montenegro to the Marrakesh Agreement Establishing the World Trade
Organization (Official Gazette of Montenegro - International Treaties 3/12 of 8 March 2012) which became part of the internal legal framework of Montenegro. Montenegro as a member of the WTO took over all the agreements, decisions and declarations of the Uruguay Round of multilateral trade negotiations, as well as a commitment to join plurilateral agreements (Agreement on Trade in Civil Aircraft and the Agreement on Government Procurement - GPA). List of concessions covers all products of the Customs Tariff and tariff reductions will be phased out up to 2022. Market access to services is defined by a List of specific commitments in services and List of Exemptions from Article II of the GATS MFN. Montenegro undertook commitments in 11 sectors out of 12, respectively 136 out of 166 sub-sectors. Regarding the List of exemptions from Article II – MFN, the Montenegrin lists contains legal services, audio-visual services, road transport services, transport of persons and goods by road, sales, marketing and computer reservation systems of air transport services and all sectors as regards measures based on bilateral agreements concluded by Montenegro in order to provide movement of natural persons providing the services. Commitments undertaken by Montenegro during the negotiations with the WTO members regarding the access to services market are defined by the Schedule of Specific Commitments on Services and List of Article II MFN Exemptions. During the negotiations, each request that Montenegro received from the WTO members was previously harmonized with European Commission.

With regard to commitments in the WTO negotiation process, Montenegro acceded to the Agreement on Trade in Civil Aircraft, the Ministerial Declaration on Trade in Information Technology Products and the Protocol on Amendments to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Furthermore, Montenegro acquired the status of observer in the Agreement on Government Procurement, which is a plurilateral WTO agreement and aims at promoting the international trade through efficient management of public funds. The negotiations of full membership are in progress.

General System of Preferences

Montenegro has not made any unilateral decision on the application of preferential customs duties on goods originating from other countries

Textile
Montenegro does not apply trade restrictions on imported textile products, but only appropriate tariff rates.

Steel
Montenegro does not apply trade restrictions on imports of steel and steel products, but only applies the appropriate customs duties.

Tariff quotas
The legal basis for the adoption of the tariff quotas in terms of safeguard measures and quantitative restrictions is contained in the Law on Foreign Trade (Official Gazette of the
Republic of Montenegro 28/04 and 37/07). Currently Montenegro only applies tariff quotas as the MFN exemptions establishing the reduced rates of duties. These quotas are applied on the basis of the Stabilization and Association Agreement between the European Community and its Member States and the Republic of Montenegro and the Free Trade Agreement. These regulations include preferential tariff quotas only in the field of agricultural products. In the field of industrial products, there are no preferential tariff quotas, since there was no need for it during negotiations. The Customs Law authorizes the Government for adoption of autonomous tariff quotas, but these provisions have not been used so far. The latest amendments to the Customs Law (Official Gazette of Montenegro 62/13 of 31 December 2013) stipulate that the preferential tariff treatment which is limited to a certain amount of imports ceases with the utilization of allocated rights, in accordance with a special regulation governing allocation of tariff quotas, or upon achieving a certain quantity of imports, in the case of tariff quotas that are approved by a chronological order of the due dates of customs declarations.

In Montenegro, the quota allocation is done in accordance with chronological date of receipt of the customs declaration. Monitoring the utilization of quotas in the Customs Administration is done through the module - TARICG.

Customs legislation is explained in more details under Chapter 29 - Customs Union.

**Export credits**

The Law on Investment and Development Fund of Montenegro (Official Gazette of Montenegro 88/09 of 31 December 2009 and 40/10 of 22 July 2010), regulates the establishment, activity, organization and powers of the Investment and Development Fund of Montenegro.

Pursuant to Article 12, Paragraph 1, Item 1, Indent 4 of the Law, inter alia, activity of the Investment Development Fund in connection with the granting of loans and issuance of guarantees that encourage exports is defined.

In addition to the Law on Investment and Development Fund of Montenegro, Article 52 of the Decree on detailed criteria, terms and manner of granting state aid (Official Gazette of Montenegro 27/10, of 12 May 2010, and 34/11 of 12 July 2011) regulates the granting of state aid in the form of export credit (This issue is subject of Chapter 8 – Competition policy). Namely, the state aid for shipbuilding in the form of a state incentive credits for companies that are registered in Montenegro, construction, conversion of vessels may be awarded in line with the OECD Guidelines for the export credit insurance. Also, Article 59 of the mentioned Decree stipulates that the state aid in the form of guarantees for export credit insurance may be granted for insurance against non-market risks.

On the other hand, Article 63 of the Decree prescribes that state aid cannot be awarded to companies to subsidize exports and ongoing costs of exports.

Until now, export credits have not been approved.
Export control - Dual-Use Goods

The Law on Export Control of Dual-Use Goods (Official Gazette of Montenegro 30/12) prescribes the conditions under which one can perform the export and transit of dual-use goods, the provision of brokering services and technical assistance as regards the dual use goods, competence of bodies in implementation of this law, as well as other issues of importance for the export and transit of dual-use items. The law is aligned with:

- Council Regulation EU 2008/428/EC of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use goods, except in the part related to the obligations of Member States in the common EU market (general and global export permits);
- Council Common Position 2008/944/CFSP of 8 December 2008 defining common rules governing control of exports of military technology and equipment;
- EU Council Joint Action 2000/401/CFSP of 22 June 2000, regarding control of technical assistance related to military users, except in the part of technical alignment of the definition of technical assistance;
- EU Council Common Position 2003/468/CFSP of 23 June 2003 in the area of arms brokering;
- Recommendations of the Thessaloniki Action Plan on non-proliferation of weapons of mass destruction from June 2003 and the EU WMD Strategy.

Pursuant to Article 6 of the mentioned Law, the Government of Montenegro, at the proposal of the ministry in charge of foreign trade, brings and updates the National Control List of dual-use goods, i.e. performs its alignment with the EU list. Decision on the Establishment of the National Control List of Dual-Use Goods (Official Gazette of Montenegro 37/13 of 31 July 2013) is fully aligned with Council Regulation (EU) No. 388/2012 of the European Parliament and of the Council of 19 April 2012 amending Council Regulation (EC) no. 428/2009 on the establishment of a Community regime for the control of exports, transfer, brokering and transportation of dual-use goods.

The criteria of the Common Position 2008/944/CFSP of the Council of the EU are the basis for no/issuing approvals or permits on the basis of the request. Montenegrin legislation is aligned with the Common Position 2008/944/CFSP and fully applicable except in part that is applicable just after the accession to the EU.

Control of trade relating to the trade of certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment, the Ministry of Economy conducts according to the Decision on establishing the list of non-military ordnance (Official Gazette of Montenegro 66/10 of 19 November 2010), which was made on the basis of Article 6 of the Law on Foreign trade in Arms, Military Equipment and Dual-use Goods (Official Gazette of Montenegro 80/08 of 26 December 2008).
The Law on the Control of Export of Dual Use Goods defines conditions and manners of submission of requests and issuance of permits, as well as keeping track record, supervision of the implementation of the Law and penalty provisions.

The Rulebook on the forms of requests and permits for the export of dual use goods, provision of brokering services and technical assistance (Official Gazette of Montenegro 62/12 of 14 December 2012) defines the format and content of requests and permits, as well as the format and content of a permit for export of goods which are not mentioned in the National Control List of Dual Use Goods – “Catch-all”.

Supervision of export and import of rough diamonds

Montenegro is not a participant to the Kimberly process, and in this sense it is necessary to further align national legislation in the field of foreign trade, in terms of Council Regulation (EC) No. 2368/2002 of 20 December 2002 implementing the certification for Kimberley Process on international trade in rough diamonds.

Institutional framework and administrative capacity

In accordance with above mentioned legislative framework, institutions that are in charge for trade policy are: The Ministry of Economy, the Ministry of Finance (Customs Administration and Investment Development Fund as authorities within Ministry of Finance), the Ministry of Sustainable Development and Tourism, the Statistical Office of Montenegro and Central Bank of Montenegro.

The Directorate for Multilateral and Regional Trade Cooperation and Economic Relations operates within the Ministry of Economy, which numbers 19 employees. Out of 19 employees, 5 employees are responsible for dual-use goods matters. In order to strengthen capacities of institutions towards the more efficient system of foreign trade in controlled goods, since 2008, Ministry of Economy in cooperation with experts from the Federal Office of Economics and Export Control of Germany (BAFA), the Stockholm Institute for Research and Security in Sweden (SIPRI), Export Control and Border Security (EXBS), Council Working Party on Conventional Arms Exports (COARM) has organized a number of trainings/seminars in the field of export control of dual-use goods, as well as in the field of foreign trade in arms and military equipment. The Directorate is responsible for the adoption and implementation of the Law on Foreign Trade, trade defence instruments, the adoption of legislation related to dual-use goods and control the export and import of rough diamonds. It is also responsible for coordination with relevant institutions, cooperation with regional and international economic organizations and institutions, especially the World Trade Organization (WTO).

Within the Ministry of Finance, 8 directorates, 4 divisions and 3 services operate. The Directorate for Financial System and Improvement of Business Environment is, inter alia, competent for the preparation of legislation related to export credits. The Investment-Development Fund will be in charge of the implementation of the Law.

Furthermore within the Ministry of Finance operates the Directorate for tax and customs system. The aforementioned Directorate, among other things, is in charge of the customs system and customs affairs, customs policy, adoption and implementation of the
Customs Law and the Generalized System of Preferences. Concerning the negotiation of the customs tariff, Ministry of Agriculture and Rural Development is the competent body for agricultural products and fisheries sector. In respect of industrial products the Ministry of Economy is in charge. For the implementation of commitments through the customs tariff the Ministry of Finance is the competent body.

The Ministry of Sustainable Development and Tourism - Directorate of Environment and Climate Change is responsible for overseeing the implementation of international agreements in the field of environment, which are related to the trade and numbers 13 employees. The Environmental Protection Agency, over which the Ministry of Sustainable Development and Tourism has administrative authority, oversees and implements regulations on environmental protection and the same is responsible for issuing licenses and numbers 12 employees (import and export of wild species of plants, animals and fungi, waste, substances that deplete the ozone layer and alternative substances, chemicals).

The Statistical Office of Montenegro – MONSTAT is the body responsible for producing official statistics. Department of Foreign Trade Statistics operates within the Sector for macro-economic statistics, national accounts and price. Department of Foreign Trade Statistics is responsible for collecting, processing, control, and publication of foreign trade of Montenegro and numbers 2 employees.

The Central Bank of Montenegro is an institution responsible, among other things, for the statistics of balance of payments of Montenegro and foreign direct investment and numbers 8 employees.

II. b. Bilateral Agreements with non-EU countries

Legislative framework

Montenegro applies three basic forms of preferential trade agreements, such as: free trade agreements (FTA), agreements on economic cooperation and bilateral investment treaties (BITs).


FTAs that Montenegro has signed derive from the relevant WTO agreements. Those agreements define approach to the commodity market, except in agreement with Ukraine, which has a broader scope and regulates trade in goods and services.

Montenegro has signed Economic Cooperation Agreements with 7 non-EU countries namely: with Public Republic of China, Azerbaijan, Qatar, the United Arab Emirates (UAE), Turkey, the Former Yugoslav Republic of Macedonia and Serbia. In addition to the above listed agreements, Montenegro has concluded 11 agreements with EU countries (Abruzzo region – Republic of Italy, Romania, Austria, Bulgaria, Czech Republic, Croatia, Greece, Hungary, Germany, Slovenia and Spain). The main objective of these agreements is to promote economic cooperation, partnership support of the business community and create a strategy for a common approach to third markets.

Montenegro has concluded 7 bilateral investment treaties (BITs) with non-EU countries: Azerbaijan, Israel, Qatar, UAE, Turkey, the Former Yugoslav Republic of Macedonia and Serbia. It also concluded bilateral investment treaties (BITs) on the reciprocal promotion and protection of investments with 13 countries of the EU, including Austria, the economic union of Belgium and Luxembourg, Denmark, Czech Republic, Finland, France, Greece, the Netherlands, Cyprus, Malta, Germany, Poland and Spain used to provide guarantees for the protection of foreign investment.

All free trade agreements and bilateral investment treaties and agreements on economic cooperation include a cancellation clause. Apart from the Russian Federation, where the cancellation period is 6 months, all FTAs have automatic cancellation clause upon the accession of Montenegro to the EU. Bilateral investment treaties and agreements on economic cooperation contain a cancellation clause and that they can be cancelled at any time, and at least six months or one year before the expiration of the initial term of validity. All parts of bilateral investment treaties are in line with acquis.

Institutional framework and administrative capacity

The Ministry of Economy, within the Directorate for Multilateral and Regional Trade Cooperation and Economic Relations, in coordination with the competent line institutions is responsible for the negotiation and implementation of the free trade agreements (FTA). Namely, in accordance with the abovementioned regarding agricultural products and fisheries sector the Ministry of Agriculture and Rural Development is competent institution. In respect of industrial products the Ministry of Economy is in charge. For the implementation of commitments through the Customs tariff and rules of origin under the FTA the Ministry of Finance is in charge. Also, the aforementioned Directorate is responsible for the negotiation and implementation of agreements on economic cooperation and bilateral investment agreements (BITs).
II.d. Development policy

The legislative framework

The Law on Foreign Affairs, which was adopted by the Parliament of Montenegro on 27 July 2010, stipulates in Article 9 item 10 that the Ministry of Foreign Affairs and European Integration of Montenegro inter alia “coordinates the international development and humanitarian aid”. The mentioned law represents the legal ground for coordination of development aid.

In Montenegro, there are neither Law on International Development and Humanitarian Aid, nor special methodology which prescribes the method of determination of allocations for development and humanitarian aid; furthermore, there is no special item for this type of allocations in the Budget of Montenegro. So far, the mechanism for allocation of funds for humanitarian aid of Montenegro at the international level was realised on the grounds of decisions of the Government of Montenegro and from the current Budget.

Institutional framework and administrative capacity

Since restoration of independence of Montenegro in 2006, until the adoption of the Law on Foreign Affairs in 2010, coordination of development and humanitarian cooperation with abroad was performed on ad hoc bases, at the level of the Cabinet of the Prime Minister.

The Ministry of Foreign Affairs and European Integration adopted the new Rulebook on Internal Organisation and Job Descriptions, according to which two directorates general are in charge of coordination of development and humanitarian aid. These are the Directorate General for Economic Diplomacy and Cultural Cooperation and Directorate General for Multilateral Affairs and Regional Cooperation.

As regards other institutions in Montenegro, public and NGO sector, they currently do not have capacities to deal with these matters.

II.e. Humanitarian aid

Legislative framework

This area is regulated by: the Law on Foreign Affairs (Official Gazette of Montenegro 46/10) of 6 August 2010, the Law on the Use of the Army of Montenegro in the international forces and the participation of members of civil defence, police and employees of the state management in peacekeeping missions and other activities abroad (Official Gazette of Montenegro 61/08) of 13 October 2008, the Law on Protection and Rescue (Official Gazette of Montenegro 13/07 and 32/11) of 18 December 2007, the Law on the Red Cross of Montenegro (Official Gazette of Montenegro 28/06) of 3 May 2006. Montenegro has concluded bilateral agreements in the field of cooperation in the protection of natural and manmade disasters with following countries: Hellenic Republic, Slovak Republic, Republic of Slovenia, Republic of Serbia, Macedonita, Republic of Croatia and Bosnia and Herzegovina.

The Law on Foreign Affairs of 2010 prescribes in Article 9 item 10 that the Ministry of Foreign Affairs and European Integration of Montenegro inter alia “coordinates international development and humanitarian aid.”

The Law on Protection and Rescue was adopted by the Parliament of Montenegro on 18 December 2007 (Official Gazette of Montenegro 13/07 and 32/11). The law includes a set of measures and actions to be taken in order to detect and prevent the risk of natural disasters,
fires, technological accidents, chemical, biological, nuclear and radiological contamination, the consequences of war destruction and terrorism, epidemic, outbreaks, epizootic, epiphytotic diseases and other disasters and rescue people and property endangered by their action. The law particularly covers the area of broader organisation for common fight prior, during and following the occurrence of emergency situations, induced by natural, technical – technological and other hazards, which also refers to reception of humanitarian aid, as well as provision of help and deployment of rescue teams and individuals into affected areas.

**Institutional framework and administrative capacity**

In Montenegro, several institutions are involved in the humanitarian aid policy: the Ministry of Foreign Affairs and European Integration, the Ministry of Interior, and the Ministry of Labour and Social Welfare (Office for the Care of Refugees) and the Red Cross of Montenegro. The Ministry of Foreign Affairs and European Integration of Montenegro *inter alia* coordinates the international humanitarian aid.

In the Directorate for Emergency Management within the Ministry of Interior, the **Department-Operational Communication Centre 112** (OCC 112) is organized and it acts as a single communication centre for all types of emergency calls in Montenegro and wider. OCC 112 performs international communications and information activities in the field of protection and rescue. OCC 112 has a contact point with the Emergency Response Coordination Centre of the EC who is available 24/7.

Within the Ministry of Labour and Social Welfare operates the **Office for the Care of Refugees** as an administrative body, within which operates Department for displaced, internally displaced person and readmission. This department performs tasks related to: accommodation of persons who were granted refugee status, granted subsidiary or temporary protection in facilities for collective accommodation, assisting in the realization of the right to social security, health care, education, humanitarian assistance, legal aid, employment and other law help in bringing family members of refugees; organization of educational, educational and other programs; involvement in social, economic and cultural life.

In Montenegro, in addition to mentioned public institutions, the **Red Cross of Montenegro (RCM)** also deals with humanitarian cooperation at the international level, which participates in provision of help in case of emergency situations out of Montenegro through the network of organisations of the International Red Cross/Red Crescent Movement. The Red Cross of Montenegro has trained volunteers and professionals who have attended certain specialized trainings for operating in different crisis situations at the international level. In this respect, they intend to further train and specialize their employees.

As regards the **NGO sector**, there are currently no NGOs in Montenegro that have capacities to act outside the border of our country as regards provision of humanitarian aid.

**III. ALIGNMENT OF LEGISLATIVE AND INSTITUTIONAL FRAMEWORK WITH THE ACQUIS**

**III.a. Common Commercial Policy**

**Legislative framework**
On the day of accession, Montenegro will fully apply the common commercial policy. In this context, Montenegro will apply the EU external tariffs for all products and services.

Law on Foreign Trade

Amendments of the existing Law on Foreign Trade have started, particularly in the following areas, with the view to aligning with the acquis: (1) defining the objectives of restrictive measures, (2) the alignment of the provisions prohibiting imports in compliance with Article 45 of the SAA, (3) clarification of the provisions on introduction of quantitative restrictions on exports in case of critical shortages or the need for eliminating the consequences of such shortages, as well as (4) issues related to foreign trade in rough diamonds ("Kimberley process"). Trade defence instruments will be included as well. Adoption of amendments to the Law on Foreign Trade has been planned in the first quarter of 2015.

Additional alignment of regulations in the area of trade defence instruments will be covered by amendments to the Decree for the Implementation of the Law on Foreign Trade. Amendments will be developed in coordination with the Commission and they have been planned for the first quarter of 2015. As of the day of accession to the EU, Montenegro will be completely ready for implementation of the acquis related to defence instruments. The Law on Foreign Trade and the Decree for the Implementation of the Law shall cease to be valid as of the day of accession, as well as measures that are adopted on the grounds of mentioned legislation; furthermore, Montenegro will start the implementation of the EU Common Commercial Policy.

World Trade Organization (WTO)

Montenegro notes the difference between its obligations relating to customs duties and tariff quotas, which were taken over by the Protocol of Accession of Montenegro to the WTO, and those applied by the EU. By the accession of Montenegro to the EU, in the context of WTO commitments, there will be some changes in tariff rates and quotas. In accordance with the aforementioned, Montenegro expects that the European Commission, since it negotiates on behalf of the Member States, achieve the appropriate arrangements with the relevant third member states within the framework of the WTO.

With regard to the obligations of Montenegro based on the General Agreement on Trade in Services (GATS), Montenegro emphasizes that there are minor differences compared to the obligations of the European Union. When comparing the commitments under the GATS and the obligations of the Union, it is necessary to take into account that minor differences in some sectors or sub-sectors arise from differences in the liberalization of the services market between the member states themselves. Upon accession to the EU Montenegrin schedule will change in a part that belongs to the common commercial policy of the EU, while the part of the Montenegrin schedule which is the responsibility of member states will be incorporated in the schedule of specific obligations of the European Union and its Member States. In accordance with the above, by the accession of Montenegro to the EU, there will be no changes in the context of assumed GATS obligations. In this respect, Montenegro will work closely with the European Commission in order to achieve an agreement on the schedule of specific obligations with WTO members.

Through the Report of the Working Group for accession to the WTO agreement in paragraph 182 and 281, Montenegro committed itself to begin the negotiations for the membership in GPA Agreement on Government Procurement (GPA). So far, the observer status in the
mentioned Agreement was acquired, and negotiations are ongoing. Montenegro will work closely with the European Commission with the view to accession to the Agreement on Government Procurement.

Following accession to the EU, Montenegro will implement all obligations arising from the WTO agreement, in which the EU is a party.

**Generalized System of Preferences**

During the Bali Ministerial Conference held in December 2013, WTO members have adopted decisions that are required to further liberalize and simplify market access for least developed countries (LDCs).

Montenegro will apply certain unilateral preferences in accordance with the decisions of the ninth WTO Ministerial Conference, and in this respect appropriate legislation will also be adopted by the next Ministerial Conference at the latest.

On the day of accession, Montenegro will completely take over the scheme of the General System of Preferences (GSP).

**Textile**

Montenegro will, by the date of accession, apply the entire *acquis* related to the trade of textiles, including all textile trade agreements concluded by the European Union.

**Steel**

By the day of accession, Montenegro will implement the *acquis* related to the steel trade, including all agreements on steel trade that are signed by the European Union.

**Export credits**


The legislative framework for the mentioned area will be adopted by the date of accession of Montenegro to the European Union. When adopting the relevant legislation, rules of granting of state aid shall not be violated.

**Export controls - Dual-use goods**
Montenegro is not a member of any international forum which defines regimes for dual-use goods, but, in the forthcoming period it will consider the options for access to the Wassenaar Arrangement, which can facilitate preparations to implement acquis for dual-use goods.

The Ministry of Economy is preparing Proposal for the Law on Amendments to the Law on Export Control of Dual–use Goods that will provide further alignment with the acquis in this area. This is related to technical adjustment of the definition of technical assistance from the Council Joint Action 2000/401/CFSP.

The Ministry of Economy is preparing the new Law on Foreign Trade in Arms, Military Equipment and Non-Military Ordnance (fourth quarter of 2014). In this way, Montenegro will make further alignment of national regulations with the acquis in this area. By adoption of this law, special Decision will be adopted as regards the trade in goods that could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment, and thus make further alignment with Council Regulation (EC) no. 1236/2005 of 27 June 2005, concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman and degrading treatment or punishment.

The control of exports and imports of rough diamonds

The Ministry of Economy is preparing amendments to the Law on Foreign Trade that will be aligned with Council Regulation (EC) No 2368/2002 of 20 December 2002 implementing the certification for Kimberley Process on international trade in rough diamonds. The by law, i.e. Decision on Foreign Trade of Rough Diamonds will closely regulate conditions for the import and export of rough diamonds, as well as control over their import and export in order to implement the Kimberley Process certification procedure. The adoption of mentioned Decision is planned for the first quarter of 2015.

Administrative capacity

As regards the competence of the Ministry of Economy, i.e. Directorate for multilateral and regional trade cooperation and economic relations with abroad, and with the view to increasing the capacity of institutions for the most efficient implementation of the system of control of foreign trade in controlled goods, adopting and applying regulations in this area, a very successful international cooperation has been achieved in recent years. Montenegro will continue good cooperation with line ministries in the area of export control of dual use goods. However, Montenegro is aware of the fact that further improvements are required, particularly as regards vocational training of employees. In that respect, plans exist for further strengthening of the administrative capacity. In the aforementioned Directorate, according to the Rulebook on Internal Organization and Job Descriptions, 23 working position are envisaged, 19 of which are currently employed, including the Director General. In 2008, the Ministry of Economy, in cooperation with experts of the Federal Office of Economics and Export Control (BAFA) from Germany, Stockholm International Peace Research Institute (SIPRI), Export Control and Border Security (EXBS), Council Working Party on Conventional Arms Exports (COARM), organizes numerous trainings/seminars in the area of control of export of dual-use goods, as well as in the area of control of foreign trade in weapons and military equipment.

The Ministry of Finance is in charge of preparation of regulations related to export credit; strengthening of administrative capacities will be required in order to align national regulations with the acquis. 157 persons are employed in the Ministry of Finance, out of which
4 are employed in the Directorate for the financial system and improvement of the business environment. As regards the institutional framework related to export credits, the plan is for the procedures and activities related to their granting to be developed under the **Investment and Development Fund**. Currently 42 persons are employed in the IDF, in this respect it will be necessary to work on advanced training of the existing staff and the possibility of additional employment will also be considered.

Within the Ministry of Finance operates Directorate for customs system and customs affairs. The Directorate, *inter alia*, is in charge of adoption and implementation of Customs Law and Generalized system of Preferences.

According to the current Rulebook on Job Descriptions, 203 working positions are defined in the **Statistical Office of Montenegro – MONSTAT**. There are currently 104 employees in MONSTAT. For the period 2014-2018, MONSTAT planned successive increase of administrative staff in all priority statistics.

**The Central Bank of Montenegro** – the **Department for Balance of Payments** planned the increase of the number of employees, as well as continuous education and training of employees hired for the compilation of balance of payments statistics and foreign direct investments.

**III. b. Bilateral Agreements**

**The legislative framework**

Montenegro is ready to cancel or align the existing international agreements containing elements of the trade policy in the course of the pre-accession period and not later than the accession to the EU. Upon accession to the EU, Montenegro will appropriately access or begin implementation of trade agreements that EU concluded with third countries.

The adaptation of the Agreement with the Russian Federation is ongoing, in the context of the Eurasian Customs Union between Russia, Belarus and Kazakhstan. The subject of the previous negotiations with the Russian Federation was not the Free Trade Agreement, but only the Protocol with accompanying annexes and according to the aforementioned there will be no amendments to the Agreement. Considering the fact that in the meantime, the Customs Union between Russia, Belarus and Kazakhstan was established, the negotiations were extended to other Customs Union countries, with which Montenegro has not signed the FTA. It was agreed to individually negotiate basic texts of FTA with Belarus and Kazakhstan, while the accompanying annexes (rules of origin and the List of exemptions from the free trade regime) would remain the same for all Union members.

Montenegro will take all necessary steps to provide alignment of provisions of the future agreements on economic cooperation and investment agreements with non-EU member states with the *acquis* by the date of accession. To meet this obligation, in the pre-accession period, Montenegro will require assistance from the European Commission, with the view to analyzing all the agreements, as well as development of the plan for further actions. Bearing in mind the Regulation (EU) no. 1219/12 on the establishment of transitional arrangements for bilateral investment agreements between Member States and third countries, Montenegro will, besides bilateral investment agreements that have already been submitted to the EC for review, regularly consult the European Commission on its intention to sign the mentioned agreement with the third country.
III.d. Development aid

Legislative framework

Montenegro supports the principles on which is based the EU's development policy and joins the European Union in its efforts aimed at encouraging the development and the achievement of the Millennium development goals.

In this sense, Montenegro recognizes the need to create its legislative framework and develop its own development policy and methodology of assessment of the efficiency of the distribution of humanitarian and development aid based on the generally accepted OECD/ODA methodology.

In view of the above mentioned, the Government of Montenegro, at the proposal of the Ministry of Foreign Affairs and European Integration plans to adopt the Law on Development Cooperation and Humanitarian Aid by the end of 2018 which will, among other things, set the grounds for the adoption of methodology which will regulate the method of allocation of funds from the budget of Montenegro for this purpose. This Law will be in line with the principles contained in the European Consensus on Development (2005), UN Millennium Declaration and political obligations deriving from the Paris Principles (2005), Accra Agenda for Action (2008) and Busan Global Partnership for Efficient Development (2011).

Bearing in mind that Montenegro for now does not have special methodology prescribing the manner of determining allocations for development and humanitarian aid, by the end of 2018 it will draft the Law on Development Cooperation and Humanitarian Aid which will, among other things, create the legal grounds for adoption of the methodology for determination of allocation of funds from the budget of Montenegro for these purposes.

As regards the assessment of the amount of financial allocations of Montenegro for the needs of development cooperation with abroad in the future, Montenegro, i.e. MFAEI will be able to give a precise assessment by the date of accession, by which time it will define the methodology of determination of the funds intended for the provision of development aid in accordance with its economic and financial situation.

Administrative capacity

Montenegro recognizes the need for strengthening administrative capacities for implementation of the policy of development cooperation.

In accordance with the Law on Foreign Affairs and Rulebook on Internal Organization and Job Descriptions of the Ministry of Foreign Affairs and European Integration, the Directorate General for Economic Diplomacy and Cultural Cooperation as well as, General Directorate for Multilateral Relations and Regional Cooperation are in charge of coordination of development and humanitarian aid. Given that 8 working positions are planned in the Directorate General for Economic Diplomacy and Cultural Cooperation and only four employees are currently hired, including also the position of director general of this Directorate, the plan of the DGEDCC is to strengthen its administrative capacity by the end of 2018 and hire the 4 missing employees planned by the Rulebook. At the same time, 25 working position are planned for the Directorate General for Multilateral Affairs and Regional Cooperation in accordance with the job descriptions.
Establishment of the adequate administrative capacity for efficient implementation of development policy, given that Montenegro is still a beneficiary of foreign aid, will require cooperation and assistance of EU Member States in terms of organization of specialized seminars for training of civil servants. Currently there are no other institutions or NGO sector in Montenegro that would have capacity to take part in this process.

### III.e. Humanitarian Aid

#### Legislative framework

The **Law on Development Cooperation and Humanitarian Aid** will be adopted by the Ministry of Foreign Affairs and European Integration in the fourth quarter of 2018; by this law, compliance with **Council Regulation (EC) No.1257/96 concerning humanitarian aid of 20 June 1996**, the European Consensus on Humanitarian Aid (2007) will be achieved, and in compliance with the principles laid down in Article 214 of the Treaty on the Functioning of the European Union (TFEU).

For this occasion the Ministry of Foreign Affairs and European Integration will form a Working Group for drafting the mentioned Law which will include representatives of other public institutions in charge of humanitarian aid, as well as representatives of the Red Cross of Montenegro, but also of NGO sector if they have capacity for it during the process of drafting of this Law.

Montenegro will coordinate the humanitarian interventions with the EU, primarily with Directorate General for Humanitarian Aid and Civil Protection (DG ECHO).


Cooperation in the field of civil protection will be regulated by signing of the **Memorandum of Understanding between Montenegro and the European Union of accession to the EU Civil Protection Mechanism** (signing is planned for the fourth quarter of 2014). Accession to the EU Civil Protection Mechanism will facilitate and greatly enhance the quality of emergency response, due to the possibility of utilization of human and material resources of other countries during the occurrence of natural, technical - technological and other hazards. In November 2013, Montenegro submitted the letter of interest to the European Commission – Directorate General for Humanitarian Aid and Civil Protection for accession of Montenegro to the Mechanism. In April 2014, the European Commission submitted the Draft Agreement and adjustment of the text of the agreement is ongoing.
Administrative capacity

Until the date of accession, Montenegro will be ready for implementation of the EU humanitarian aid to third countries. Strengthening of administrative capacities is foreseen for that purpose.

The Ministry of Foreign Affairs and European Integration—the Directorate General for Economic Diplomacy and Cultural Cooperation will coordinate development and humanitarian aid within the MFAEI primarily with the Directorate General for Multilateral Affairs and Regional Cooperation, and together with other relevant institutions in the field of humanitarian policy they will work on development of adequate capacities for participation in EU humanitarian aid policy. The plan of the DGEDCC is to expand its administrative capacity and hire 4 missing employees planned by the Rulebook on Internal Organization and Job Descriptions by the end of 2018. In addition to cooperation and coordination of humanitarian and development aid with Montenegrin public institutions, the Ministry of Foreign Affairs and European Integration will establish cooperation with the Red Cross of Montenegro also, as well as with NGO sector if this sector has the capacity for it in the future period.

In the Ministry of Interior (Directorate for Emergency Management) according to the Rulebook on Internal Organisation and Job Descriptions, job description was provided for 143 working posts for 143 officers, and 106 officers are currently employed. Successive increase of administrative staff by priorities has been planned for the period 2014-2018. The Ministry of Interior will conduct trainings from contribution to the EU Civil Protection Mechanism following accession to the Mechanism.

In the Directorate for the Care of Refugees, according to the Rulebook on Internal Organisation and Job Descriptions of the Ministry of Labour and Social Welfare, currently is systematized 27 working positions with total 48 employees. Fourteen servants and employees are permanently employed, whereas 34 working positions are vacant. Nineteen persons are currently hired on the grounds of temporary employment contract. In the Office for the Care of Refugees, successive increase of administrative staff by priorities has been planned for the period 2014-2018.

The Red Cross of Montenegro currently has 26 full-time employees, and 10 people employed under the contract and they shall be engaged from time to time for certain emergency situations.