



UK Trade
& Investment

UKTI DSO MARKET BRIEF: MONTENEGRO



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MILITARY OVERVIEW

The Montenegrin armed forces are amongst the smallest in Europe. The bulk of their equipment was inherited from the former Federal Republic of Yugoslavia – which comprised Serbia and Montenegro. Following the break-up of the FRY, Montenegro retained practically the entire naval force. Like its Serbian neighbour, the country is a member of NATO's Partnership for Peace programme, and has aspirations for full membership of NATO. The Montenegrin armed forces are trained mainly by the German armed forces, and around 30 soldiers are in ISAF.

The highest state authority for command and control of the security forces, the Defence and Security Council, consists of: the President of Montenegro, President of the Parliament, and the Prime Minister. The President commands the Armed Forces on the basis of decisions taken by the Defence and Security Council.

It is understood that the Montenegrin armed forces are subject to further development. The Government of Montenegro approved the Strategic Defence Review (SDR) on 1st July 2010; references thereto are to be found in the country's Second Annual National Program (http://www.mip.gov.me/en/images/stories/download/NATO/II_ANP_en.pdf). (Note: the SDR is not available for public inspection.)

The 2008 Draft Defence Strategy (<http://www.mod.gov.me/en/sections/strategic-documents/90381/168694.html>), called for the Defence Ministry to submit a

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plan for long-term development of the armed forces in 2010; though work on this – in essence, the Long-Term Development Plan (LTDP), which was driven by the SDR – commenced at the end of 2010. As a result, it appears that the number of personnel in the Montenegrin armed forces has been reduced over and above what the government had originally projected. Additionally, the current economic crisis has meant that the development of relevant military capabilities for the armed forces to achieve the required level of interoperability, expressed through financial projections for defence, has not been sustained.

It is likely that funding for defence for the next few years will be lower than what was anticipated in the SDR. This has since led to the Defence Ministry suspending work on the LTDP, while the Government approved the revision of the SDR for committing amendments.

At the end of 2008, the Montenegrin Government adopted the National Security Strategy and the Defence Strategy. They set out Montenegrin commitments for integration into NATO and the EU.

At the end of 2006, Montenegro was accepted in the NATO Partnership for Peace (PfP) programme. Due to political goals and progress made in the PfP, Montenegro joined the Membership Action Plan (MAP) in December 2009. The country participates in the following international peacekeeping operations:

1. ISAF (infantry platoon, medical team, instructor and staff officers – total of 39 persons);
2. UNMIL in Liberia (two officers as military observers);
3. EUNAVFOR. Up to three members of the Montenegrin Navy are currently participating in Operation Atalanta (the EU anti-piracy initiative), co-located on Greek and Italian naval vessels.

DEFENCE & SECURITY OPPORTUNITIES

Following independence in 2006, Montenegro assumed responsibility for its own security and defence. In the same year, Montenegro expressed its commitment to develop this within collective defence and security systems such as the UN, NATO, the EU and the Organisation for Security and Cooperation in Europe (OSCE). The main driver for this is contemporary global and asymmetric threats to security.

The Montenegrin Armed Forces work alongside the police and the National Security Agency to maintain the country's security, while there are also emergency response forces responsible for dealing with emergency situations. These come under the responsibility of the Ministry of Internal Affairs - Emergency Situations and Civil Security Sector.

At this time, Montenegro does not have any defence procurement requirements owing to its small defence budget.

ECONOMIC BACKGROUND

Source: IMF World Economic Outlook Database

	2010	2011	2012
GDP (\$BN)	4.035	4.204	4.426
Per Capita GDP (\$)	6,514.30	6,774.30	7,138.60

DEFENCE ECONOMICS

Defence Budget

Source: British Embassy Podgorica

Year	2011	2012
(\$BN)	48.34	47.31

THE MONTENEGRIN DEFENCE MARKET AND HOW TO DO BUSINESS

The following general information is intended as a preliminary guide to help UK defence companies understand the Montenegrin defence market. It is not intended to be exhaustive.

Fundamentals Needed to Succeed in the Montenegrin Defence Market - Routes to Market

In accordance with Article 7 of the Law on Foreign Investment (found in the 'Official Gazette of Montenegro', no. 18/11), foreign investors can invest in a domestic legal entity, and they can form companies to manufacture and distribute weapons and military equipment – but only with a local partner company or other legal entity. A foreign investor in a Montenegrin company can have no more than 49% of the share capital or property rights or voting rights.

Article 60 of the Law on weapons (from the 'Official Gazette of Montenegro', no. 49/08, 20/11) defines the conditions for granting approval for the manufacture of weapons and ammunition. In accordance with this law, production of weapons means making new weapons, and production of ammunition means manufacture of ammunition and refill of cartridges. Manufacture of weapons and ammunition may be undertaken by legal entities and entrepreneurs that have formal official approval for this.

Under Article 10 of the Law on Foreign Trade of arms, military equipment and dual-use goods ('Official Gazette of Montenegro', no. 80/08, 40/11 and 30/12), foreign trade of controlled goods may be performed by a person

registered in the Register of Entities to carry out foreign trade of controlled goods. This Register is owned by the Ministry of Economy.

HMG Support

For the Montenegrin defence market, advice, support and assistance to UK companies is provided by UKTI DSO RD Africa, Europe, Middle East, Central & South Asia in London, the British Embassy in Belgrade, and the Defence Attaché for Montenegro based at the British Embassy in Belgrade. **Note:** there is no UKTI presence in Montenegro.

Accordingly, we encourage the companies interested in opportunities in the country's defence and security sectors to contact the UKTI Trade & Investment Team at the British Embassy in Belgrade for advice and practical support.

Montenegro Export Controls

With the enforcement of the Law on Foreign Trade in Arms, Military Equipment and Dual-Use Goods, and the Law on Export Control of Dual-Use Items ('Official Journal of Montenegro', no. 30/12) and the related by-laws, the normative prerequisites for the establishment of state controls have been improved to ensure and protect Montenegro's security, foreign trade and economic interests, as well as its international reputation and integrity. For this reason, specific state licensing criteria for import, export and brokering of defence equipment and dual-use items have been put in place.

The Ministry of Interior controls and oversees the transportation and transit of all defence equipment within Montenegro and across the country's borders.

The control system of foreign trade in Weapons and Military Equipment implies that the right to engage in foreign trade (export, import, transit, brokering, technical assistance, etc.) in controlled goods may be exercised once the applicants are entered in the Register of Entities for performance of foreign trade of controlled goods.

According to the provisions of the Law on Export Control of Dual-Use Items, registration is not required for exports.

Prior to making a final decision on licensing applications, the Ministry of Economy must obtain approval from the Ministries of Defence, Foreign Affairs and the Interior. In the event of any objection to such applications, the Ministry of Economy will not issue the licence. The grounds for approving or refusing a licence application are covered by the EU Council Common Position EU 2008/944/CFSP.

If necessary, and depending on the type and intended use of controlled goods, the Ministry shall also seek the opinion of other relevant authorities.

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Customs clearance is the responsibility of the Montenegrin Customs Administration which may, during clearance of the controlled goods ¹ within its area of responsibility, limit, stop, revoke or suspend the transport thereof.

It is a legal prerequisite that on request from a ministry in charge of foreign trade activities, the Montenegrin Government shall approve and update national control lists, and harmonize them with EU legislation.

Compliance with transfers control standards for defence equipment and dual-use goods, which are observed by all countries united in combating international terrorism and the proliferation of weapons of mass destruction (WMD), is of utmost importance for the inclusion of Montenegro in the international export control system and accession to international control regimes and agreements in this area.

UK defence manufacturers must first obtain a F680 licence, in order to be able to export, but should also ensure that none of the items are controlled, or appear on the Military List. This also applies to UK security companies.

For more information, contact the Export Control Organisation of the Department of Business, Innovation and Skills, at <http://www.bis.gov.uk/exportcontrol>.

Visit Security Clearance

This is obtained from the UK Ministry of Defence's (MoD) International Visits Control Office, which is located at Abbey Wood in Bristol.

Further guidance and the required forms are at: <https://www.gov.uk/defence-equipment-and-support-principal-security-advisor#inward-visits>

ARMED FORCES - MILITARY STRENGTH

Active: Current strength of the Montenegrin Armed Forces is 1,858. There is a move to slightly reduce this number to 1,854, with the expected split between the individual armed services being: Army – 1,512, Navy – 351, Air Force – 231. In addition, the Defence Ministry will comprise 240 civilian personnel.

Reserve: None at this time; however, a government regulation covering formation of the Armed Forces envisages the creation of a reserve force with a strength of 400.

SECURITY ISSUES

¹ Controlled goods = weapons, military equipment, dual-use goods and catch all.

Montenegro achieves its objective – orientated toward Euro-Atlantic integration – of protecting its borders, by implementing security policy cooperation at national and international level. Montenegro contributes to crisis management, stabilization of the region and general strengthening of security measures. Montenegro strengthens relations with other countries and international organizations, in order to preserve its own safety and create a system of appropriate agreements on common security and defence.

The National Security Strategy

(http://merln.ndu.edu/whitepapers/montenegro_National_Security_Strategy_English2008.pdf) defines risks and threats to the security of Montenegro.

These tend to be: international terrorism, organized crime, trafficking (all categories), illegal migration, the proliferation of weapons of mass destruction, natural and artificially-induced disasters, epidemics, terrorism, environmental threats, the surplus of obsolete weapons and ammunition, and cyber crime. The danger of a military threat to Montenegro today is considerably reduced, but cannot be excluded.

Montenegro responds to security threats by: Defending its own country; maintaining and improving internal security; managing the emergency situations caused by natural and man-made disasters; participating in international peacekeeping and humanitarian operations under the leadership of the UN, NATO and the EU.

Montenegro does not have any security requirements at this stage.

DOMESTIC DEFENCE INDUSTRIAL CAPABILITY

Domestic defence industrial capacity is limited in comparison to countries such as Serbia and Croatia. However, the main manufacturers of defence equipment include Tara Aerospace and Defence Products A.D. (located at Mojkovac), and Poliex (which is located at Berane).

DEFENCE IMPORTS & EXPORTS 2007-2011

The purchase and sale of defence equipment in Montenegro is confidential, and are therefore not advertised in the media.

Enterprises which are engaged in the business of supply and sale of defence equipment must be registered for this activity with the Ministry of Economy.

Identified Montenegrin Defence Import Procurement:

Period from 2007 to 2011: Approximately €17,980,000.

Identified Montenegrin Defence Exports:

Period from 2007 to 2011:

\$13,683,700 (relating to the sale of weapons and ammunition) and €431,967 (relating to the sale of ships), giving a total of approx. €11,163,615.

COMPETITORS

From 2007 to 2011, light armoured vehicles and weapons were imported from Austria and Germany, and ammunition was imported mainly from Serbia. As to procurement of other military equipment, Montenegro is the largest partner – besides Austria and Germany – with Croatia, Slovenia, and Bosnia and Herzegovina.

PROCUREMENT ORGANISATION

Defence procurement is carried out by the Material Resources Sector of the Montenegrin Defence Ministry.

KEY PERSONALITIES

<u>Defence Minister</u>	Milica Pejanović-Djurišić
<u>Armed Forces</u>	Chief of Staff – Vice-Adm. Dragan Samardžić Commander Land Forces – Col. Dragutin Dakić Commander Navy – Capt. Darko Vuković Commander Air Force – Col. Živko Pejović
<u>Minister of Interior</u>	Ivan Brajovic

Further Information:

If you require further information/clarification on anything in this Fact Sheet, please contact:

UKTI Defence & Security Organisation
BD Market Analysis
1st Floor
1 Victoria Street
London SW1H 0ET
Telephone: 020 7215 8209

E-mail: dso.businessservices@ukti.gsi.gov.uk

Next steps - How UKTI can help

British companies wishing to develop their business in the Montenegrin market are advised to undertake as much market research and planning as possible in the UK. Although there is no UKTI presence in Montenegro, UKTI's team in neighbouring Serbia possesses wide local knowledge and experience of Montenegro, and can provide a range of services to British-based companies wishing to grow their business in global markets.

This can include:

- Provision of market information
- Validated lists of agents/distributors
- Key market players or potential customers in the Slovenian market
- Establishment of interest of such contacts in working with you
- Presentation of companies' products/services hosted either at the Embassy or at HM Ambassador's residence
- Business lunches, dinners or receptions with targeted top management from Government and/or private entities

This work is available via our [Overseas Market Introduction Service \(OMIS\)](#) a chargeable service which assists British-based companies wishing to enter or expand their business in overseas markets.

To find out more about commissioning this work, or accessing other UKTI services and specialist advice, please visit the UKTI website to find [contact details for your local UKTI office.](#)

Other Useful Contacts:

Montenegro Desk, UKTI Defence & Security Organisation

RD, Desk Officer for Central &
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Internet:
[http://ukinmontenegro.fco.gov.uk/
en/](http://ukinmontenegro.fco.gov.uk/en/)

Other Useful Websites:

Government of Montenegro: <http://www.gov.me/en/homepage>

Ministry of Defence: <http://www.mod.gov.me/en/ministry>

Ministry of the Interior: <http://www.mup.gov.me/en/ministry>

Customs procedures: <http://www.mf.gov.me/en/organization/taxes-and-customs>

Montenegro Travel Advice

Travel information and general Embassy contact details can be found at:

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/europe/montenegro>
<http://ukinmontenegro.fco.gov.uk/en/>

Foreign Consular Offices in Montenegro

Media, travel, careers, business and state links/information can be found at:

<http://www.mnnews.net/indexeng.php3>
<http://www.dailynewsmontenegro.com/>
<http://www.newsnow.co.uk/h/World+News/Europe/Western/Montenegro>
<http://antenam.net/sajt/> (Montenegrin only)

Tourism: <http://www.visit-montenegro.com/montenegro.htm>

Visa Services and Links

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/europe/montenegro>

(UK Nationals do not require visas for Montenegro unless for visits of more than 90 days' duration)

BBC Country Profiles

<http://www.bbc.co.uk/news/world-europe-17667132>

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