

**Prof Gordana Djurovic, Ph.D.,
Deputy Prime Minister for European Integration
Government of Montenegro**

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INTERNATIONAL CONFERENCE: "THE VISION OF EUROPEAN SERBIA"¹

Panel II: Economic integration and regional cooperation

Excellencies, Ladies and Gentlemen,

Honourable representatives of the EU Member States and representatives of SEE countries, namely Western Balkan countries,

First of all, let me thank you one more time for organizing this conference with this interesting and provocative title, especially important in the framework of Stabilization and Association process of Western Balkan's countries.

Our presence here is one more positive signal of our keen interest in aspirations of the Serbia to achieve the progress gradually in their European path. Progress of each country in Region, at the same time, means progress for Region at a whole. It is so-called environment for positive competition.

Today, we will not discuss about a progress achieved, we also need to discuss about all opportunities and challenges that we, as the Region, have to meet, in order to prepare ourselves, with full support of our European colleagues, for obligations deriving from the full membership into the EU. **Challenge is not only for us, for our countries, but also for the EU, challenge to accept new countries, to consolidate itself internally, and in that way, to ensure stability and prosperity in Europe.**

Dear Friends,

We are witnessing in our media that many people in EU are complaining about Union. "EU makes our lives expensive," they say. "Europe is a distant authority telling us what to do, eat, buy, and pay. Europe is non-transparent and undemocratic. And so on, and so on."

At the same time, many followers of unique idea of European integration², believe that, while there is of course still room for improvement in the EU, **its benefits clearly outweigh its disadvantages**. They are integrating in single voice for EU that has brought, and continues to bring them, peace, prosperity, and diversity.

We, countries of SEE, **we are pro-Europe and deeply believe that this second idea will win!**

SOME QUESTIONS FOR THE SECOND PANEL OF THIS CONFERENCE COULD BE AS FOLLOWS:

- 1. Does the institutional integration of our Region go together with economic integration?**
- 2. Importance of Visa liberalization process;**
- 3. CEFTA**

¹ Organized by European Movement in Serbia

² Alpbach Forum initiative, 2008;

4. Importance of WTO accession process for Region;

1. 1 TRADE INTEGRATION GOES FLUENTLY

The countries of the Western Balkans have always been considered as a part of Europe, at least historically and geographically. For that reason, they have a place in the EU enlargement plans and perspectives.

According to one recent EC analysis³, the EU's activities towards this region have two major goals:

1. The first is an extensive process of **stabilization**, after all the turbulence of the 1990s.
2. Another supporting goal of the EU is a process of accession through the economic development of the countries and through **gradual integration** with the EU (trade and institutional integration G.Dj.)

Countries of the WB, market of almost 24 million people, are very different in economic terms. The region has been dynamically growing in recent years, although at a cost of external borrowing.

Table 1 Basic economic indicators of the Western Balkan countries, 2006–2008

Country	GDP growth (in %)			GDP (PPP adjusted) per capita in USD	CPI inflation (in %, eop*)		CA in % of GDP		Unemployment rate	Population in millions
	2006	2007	2008e		2006	2007	2006	2007		
Year	2006	2007	2008e	2006	2006	2007	2006	2007	2006–2007	2006
Croatia	4.8	5.8	4.3	14,309	2.0	5.8	-7.9	-8.5	6.7	4.44
Serbia	5.7	7.3	4.0	9,427	6.6	10.1	-12.5	-16.5	20.9	7.44
FYR Macedonia	3.7	5.0	4.5	7,879	2.6	6.1	-0.4	-2.7	34.8	2.04
BiH	6.2	5.8	5.5	6,460	..	..	-8.4	-13.0	29.0	3.95
Albania	5.0	6.0	6.0	5,808	2.5	3.1	-5.9	-8.3	13.8	3.15
Montenegro	6.5	7.5	7.2	..	2.0	5.0	-30.4	-37.0	..	0.62
Kosovo	..	..	..	..	1.1	10.5	..	..	44.9	2.10

Source: IMF WEO (April 2008), Eurostat, Kosovo Statistical Office (www.ks-gov.net/ESK/) and other national statistical offices (unemployment rates)

Note: * - end of period

Official data for Montenegro: GDP growth rate in 2006, 2007 are 8,6 and 10,7%; Estimation of GDP Growth for 2008 is above 8%. Inflation rate in 2006 and 2007 was 2% and 8% respectively; CA in % of BDP is in 2006 and 2007 is 30,4% and 44,7% ; unemployment rate for 2006 and 2007 is 14,4 and 11,9% respectively.

The Balkan– European integration of the last decade started with **liberalizing trade**. On the one hand, the parties have progressed in signing and – in some cases – implementing bilateral FTAs, establishing tariff-free two-way trade in manufacturing goods. Simultaneously, the EU assisted in the regional reintegration of the Balkan countries, aiming at boosting intra-regional trade and investment flows and at the same time creating grounds for multilateral economic arrangements in the Balkans. This last priority has materialized through the establishment of the regional trade agreement (CEFTA – Central European Free Trade Agreement).

³ Trade And Economic Relations Between the EU and The Western Balkan, EC, DG for External Polices of the Union, September, 2008; <http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>

The booming Balkan market has been even more important as a place for selling EU produce⁴. All the WB countries bought €28 billion worth of merchandise from the EU in 2007 (over twice as much as back in 2000). The Western Balkan market for EU goods will most likely continue to grow in the coming years, along with the economic developments of the countries.

The region has also become an attractive location for European direct investment. In 2006 only, the EU firms invested nearly **€ 7 billion** there, which was close to 3% of all the outward EU FDI flows. The largest economies of Serbia and Croatia attract the majority of investment.

Investors located in the WB perceive this area as a generally business friendly environment, where international cooperation is concerned. Foreign firms are not discriminated, in general, although exemptions exist from the national treatment of foreign investors.

The integration has proved to be a successful tool to support development and to some extent to stabilize a politically sensitive region. Given access to the EU market, the Western Balkan enterprises have been able to increase the foreign sales of their production and modernize their economies. Therefore, **for the EU, as for the SEE countries, it is worth pushing for the next steps in bilateral and regional integration as strongly as possible.**

This individualized approach of the EU together with the membership perspective has motivated the Western Balkans recently to pursue economic reforms, cooperate in combating war crimes and finally opening up and reintegrating with their neighbors.

HOWEVER, THE EU HAS TO PLAY A DIFFICULT POLITICAL GAME SO AS NOT TO DISCOURAGE THE SLOWEST PROGRESSING COUNTRIES IN THE REGION, SO THAT THEY REMAIN ATTACHED TO THE EUROPEAN VALUES AND DO NOT REVERT TO PERIODS OF INSTABILITY⁵.

1.2 INSTITUTIONAL INTEGRATION IS SLOWED DOWN, IT NEEDS JOINT COORDINATED ACTIONS

⁴ **Croatia, Montenegro, and Albania are different from other Western Balkan countries due to the great importance of trade in services (tourism) for their economies.** Here, it is useful to remember what liberalization of trade in services means in practice. Depending on the type of service, its trade may face different barriers. For example, if a commercial presence abroad is not required, and the sale of services abroad is executed by phone, Internet, fax etc., the most likely obstacles to trade are business regulations in the provider's country. Similarly, **if the presence of natural persons is required abroad in order to provide a specific type of service, the most likely barriers may arise from visa regimes and employment regulations in the host countries.** When a commercial presence abroad is needed, then the host country regulations regarding the establishment of a business and its activity will play an important role. SAAs address some of the issues, especially equal treatment of EU firms in the Balkans and Balkan-owned enterprises in the EU (excluding the self-employed). However, **some of the largest gains in the liberalization of trade in services can be obtained once workers can move freely.**

One should also mention that the effects of the liberalization of trade in services⁴ are likely to be positive for both parties (the EU on the one side and the Western Balkans on the other), due to a more efficient distribution of the factors of production.

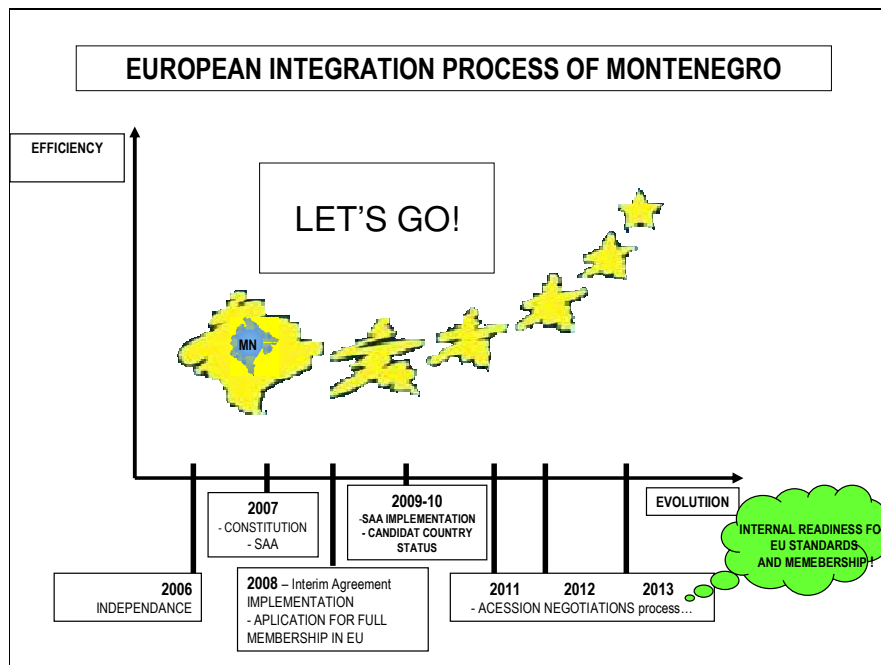
Liberalization of trade in services is difficult to achieve even within the EU Restrictions still hamper access to the provision of services due to the existence of monopolies, quantitative measures, territorial and residency restrictions, rules designed to ensure independence or autonomy, professional regulations, company tax regimes, price regulations, accounting rules etc.

⁵ According to: Trade And Economic Relations Between the EU and The Western Balkan, EC, DG for External Polices of the Union, September, 2008; <http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>

This conference should contribute to encourage EU to understand better needs and expectations of SEE region and **request for faster institutionalization of European integration process through opening of next phase of integration for all countries in Region.**

Today, when we talk and discuss about actual phase of integration process and the enlargement framework, we need to predict near future in that sense.

STABILIZATION AND ASSOCIATION PROCESS/SAP/ – WESTERN BALKAN, May 2009.						
PHASE	CROATIA	MACEDONIA	ALBANIA	BiH	SERBIA	MONTENEGRO
DIALOGUE WITH THE EC: assessment of economic, legal, and political criteria, recommendations - Annual Progress Reports	Dialogue of the Working Groups since 02.2000.	01.1998 – Cooperation Agreement with the EU	11.2000,HLSG High-level Management group	KRG 1998 Guidelines for the EU – «18 steps» 2000	- KRG/ 6.2001-7.2002 (5 meetings); - /EPD/ - regular meetings - Annual Progress report	
EC adopts Report on FEASIBILITY STUDY (fulfilment of criteria for SAA negotiations)	24.5.2000.	16.06.1999.	/24.11.1999/ 6.06.2001.	18.11.2003.	12. 04. 2005 /EK/ 25. 04. 2005 /Council of Ministers/	
EC adopts NEGOTIATIONS DIRECTIVE and recommends CM to open negotiations	19.07.2000.	8.09.1999.	28.11.2001.	14 conditions for opening of negotiations	12.7.2005.	3.7.2006.
Council of Ministers (CM) adopts Negotiations Directive	20.11.2000.	24.01.2000.	21.10.2002.	21.11.2005.	3.10. 2005.	24.7.2006.
EC opens negotiations	24.11.2000.	5.03.2000.	31.01.2003.	25. 11. 2005.	/10.10.2005/ 7.11.2005	26.9 2006.
SAA initiating	14.5.2001.	24.11.2000.	February 2006	4.12.2007	7.11.2007	15.3.2007
SAA signing and plan for implementation	29.10.2001. (6 years)	9.04.2001. (10 years)	12.6. 2006. (10 years)	16.6.2008 (5 years)	28.4.2008 6 years	15.10.2007 5 years
Interim SAA enters into force	1.03.2002.	1.06.2001.	1. 12. 2006	1. Jul 2008	1.2.2009	1.1.2008
Implementation of the Agreement /operative implementation of SAA elements in line with agreed phases/	2003 - NPAA National accession program	2003 - NPAA National action plan for legislation harmonization	5.7.2006 National plan for SAA implementation	AP for implementation of the Interim Agreement /27.8.2008/	/18.9.2008./	National program for integration of MNE into the EU – 5.6. 2008
Application for EU membership submitted	21.02.2003.	22.03.2004.	24.4.2009	(2009)	(2009)	15.12.2008
CM grants «candidate country status» /Avis/	18.06.2004.	9. 12. 2005				
SAA enters into force	1.02.2005.	1.04.2004.	1.4.2009			
Membership negotiations - opening	3. 11. 2005.					
TARGET YEAR OF INTERNAL READINESS FOR ACCESSION	2009	2010	2014	2014	2014	2012



We do hope that 2009 and 2010 will be friendly environment for SEE enlargement, for the benefit of all Europe.

Regarding **submission of membership application by the end of 2008**, Montenegro considers that **the results achieved** in several years of dynamic process of implementation democratic and economic reforms in country **are very significant and measurable**, particularly results achieved in field of strengthening the rule of law, exercising human and minority rights, legislation harmonization, institutional capacity building for gradual implementation of EU standards and procedures, as of providing conditions for creating the competition trade economy. Evident progress has been achieved particularly in period after re-gaining of independence, by directing all of the political energy and reliable resources to fulfilling criteria for EU membership.

Stable political environment of the multi-confessional and multiethnic Montenegro and affirmation of the principle “living together in diversity” in one of the smallest European countries represent significant contribution to maintenance of common European values system, stability and security, strengthening the European integration process and intensifying regional and good neighbourly cooperation. Montenegro, in accordance with its absorption capacities and accomplished results, both in political and economic plan, represents **positive European integration example** and contributes to the European perspective affirmation of the Region as whole.

Montenegro officially submitted its Application for the Membership in the European Union on 15 December 2008. The Application was signed by the President of Montenegro, Speaker of the Parliament of Montenegro and the Prime Minister of Montenegro. On **23 April 2009** the Council of Ministers of the European Union decided to implement the procedure laid down in the Article 49 of the EU Treaty which stipulates EC to prepare the Opinion about Montenegrin membership application.

The membership application is based on the need to make the next step on the road to the European Union, on strategic priorities of Montenegro and plans of adoption of the Acquis as defined by the National Programme for Integration of Montenegro in the European Union, as

well as on already achieved results in the area of European integration and especially the successful implementation of the Interim Agreement on Trade and Related Issues.

3. VISA LIBERALISATION

The citizens of all the Western Balkan countries, except Croatia, still face high restrictions with regard to the **freedom of movement vis-à-vis the EU**. Citizens of Albania, Bosnia and Herzegovina, FYROM, Montenegro, and Serbia, have to **apply for a visa** if they want to travel to any country of the Schengen zone, and there are restrictions on the number of entries. This elevates the costs of trade and acts as an additional factor still isolating many of the inhabitants of the Western Balkans from the outside world and from the European values.

MONTENEGRO – VISA LIBERALIZATION - CHRONOLOGY

- **21 February 2008, Podgorica** – initiating of dialogue on high political level on issue of visa liberalization - EC vice-president and Commissioner for Justice, Security and Freedom at that time, Mr. Franco Frattini paid visit to Montenegro, and the first meeting on technical/expert level was held;
- **27 February 2008, Brussels** - the second meeting on expert level was held between EC/the Government of Montenegro
- **28 May 2008, Podgorica** - EC officials (P. Mirel) delivered to the Government of Montenegro Roadmap for visa free regime;
- **29 May 2008, Podgorica** – the first meeting of Joint Committee for Readmission was held, so as the first meeting of the Joint Committee for Visa Liberalization;
- **22 July 2008, Brussels** – Meeting of High EC officials with the Government of Montenegro – Guidelines for fulfilment of conditions for Visa Roadmap were presented;
- **30 August 2008** – the Government of Montenegro delivered to the EC comprehensive Report on Readiness of Montenegro for Liberalization of Visa Regime; in addition, during September/October, Montenegro delivered additional information, including relevant strategy papers and legislation pieces (migration, blue border, etc.);
- **25 November 2008** – EC delivered to Montenegro the First Assessment of Readiness of Montenegro for Establishing Visa Free Regime/implementation of the Roadmap. It meant finalization of the **first phase in visa liberalization process**;
- **17 December 2008, Brussels** – the second meeting of the Joint Committee for Readmission and Joint Committee for Visa Liberalization;
- **19 December 2008, Brussels** – meeting was held between high officials of the EC and of the MNE Government – presentation of the facts and findings from the First EC Report;
- **10 January 2009** – the MNE Government delivered to EC additional comprehensive Report on further fulfilment of the conditions from the Roadmap with Action plan for its implementation;
- **9-12 February 2009** – EC Expert Mission for Block I visited Montenegro
- **23 – 27 February 2009** – EC Expert Missions for Block II and III visited Montenegro
- **20 March 2009, Brussels** – Expert meeting between EC- MNE Government about Block IV
- **26 March 2009**- EC delivered expert report on Block II (MNE Government delivered comments on 8. 04. 2009)
- **31 March 2009**- EC delivered expert report on Block III (MNE Government delivered comments on 16. 04. 2009)
- **8 April 2009** – EC delivered expert report on Block I (MNE Government did not have any comments on it)
- **18 May 2009** - EC prepared draft Factual Report about readiness of WB countries for visa free regime

4. CEFTA

The Balkan– European integration of the last decade started with **liberalizing trade**. On the one hand, the parties have progressed in signing and – in some cases – implementing bilateral FTAs, establishing tariff-free two-way trade in manufacturing goods. Simultaneously, the EU assisted in the regional reintegration of the Balkan countries, aiming at boosting intra-regional trade and investment flows and at the same time creating grounds for multilateral economic arrangements in the Balkans. This last priority has materialized through the establishment of the regional trade agreement (CEFTA – Central European Free Trade Agreement).

Year	Import /mil €/	Annual change	Export	Annual change	Total trade/overturn	Deficit
		%		%		
2005	974		461		1,435	-513.6
2006	1,483	52.2	627	36.2	2,110	-855.2
2007	2,073	39.8	487	-22.3	2,560	-1,585.30
2008	2,527	21.9	433	-11.1	2,960	-2,094

Exchange of goods per group of countries: EU-27, CEFTA and other countries

Total exchange of goods with **the EU** countries in 2008 was 1.305,1 mil € or 44.09% out of total realized exchange of goods between Montenegro and countries abroad. Export in the EU-27 countries amounted 265.31 mil €, while import was 1.039,79 mil €. Share of export in the EU-27 in the total export of Montenegro is 61.25%, while the share of import in the EU-27 countries in the total import of Montenegro amounted 41.14%. The increase of 11% in the trade and exchange of goods with the EU-27 was registered.

Year	Import / in 000 €/			Export		
	2007	2008	Index	2007	2008	Index
EU-27	856,693	1,039,792	121	319,593	265,311	83
% of total trade	41.33	41.14		65.58	61.25	

Value of total goods exchanged with the countries signatories of **CEFTA** in 2008 amounted 1,386 million €, whereof the share of export was 158, 8 mil €, and of import was 1,227 mil €. In the same period in 2007, total registered goods exchanged was 1,152mil €, whereof export covered 160 mil €, and import registered was 992, 4 mil €. In 2008, comparing to the data in 2007, import has increased for 24% and export has decreased for 1%.

Year	Import			Export		
	2007	2008	Index	2007	2008	Index
CEFTA	992,446	1,227,203	124	159,962	158,778	99
% of total trade	47.89	48.56		32.84	36.66	

Total goods exchange between Montenegro and other countries during 2008 amounted 269, 2 mil €. During 2008, Montenegro exported in other countries goods of 9, 1 mil € value, while import amounted 260,1 mil €. In course of 2008, comparing to 2007 data, exchange of goods has been intensified, so that export increased for 18%, and import increased for 16%.

Year	Import / in thousands of euro			Izvoz		
	2007	2008	Index	2007	2008	Index
Other countries	223,490	260,156	116	7,704	9,069	118

% of total trade	10.78	10.29		1.58	2.09	
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Foreign trade exchange with the CEFTA signatories

Montenegro has taken over presidency of CEFTA on 1 January 2009. The plan for the current year is to pay great attention to promotion of CEFTA agreement, and creation of positive image by means of cooperation and permanent communication between CEFTA signatories and all partners, and especially with business community, international partners, and the European Commission. The Presidency shall be an opportunity for Montenegro to demonstrate and convince both CEFTA signatories and the EU, via its active relation, in existing potentials and possibilities of Montenegro itself to realize tasks and duties emerging on this path.

At the end of October 2008, meeting of the Sub-Committee of the Council for elimination of business barriers in trade was held in Zagreb, with aim to find solution for problems in trade between Montenegro and Croatia. Following problems were stated: division of quotes for agricultural food products, export of beef and products thereof from Croatia to Montenegro, impossibility to export ham not exceeding certain weight from Montenegro to Croatia, etc. Negotiations with Croatia started in Brussels in late January 2009, when mutually accepted solution was not found. Fulfilment of Croatian obligation to launch quotas not later than 30.03.2009 was followed by the next round of negotiations on 6 April 2009, in Podgorica. On that occasion, asymmetry was agreed, i.e. agreement that Montenegro would keep MFN regime for most sensitive agriculture products, while Croatia would approve full liberalization for products from Montenegro.

Having in mind the fact that in last few years there were no exchange of agricultural-food products with Moldova, though exchange was almost fully liberalized, the negotiations were held on 27-28 January in Brussels, when full trade liberalization was agreed, which would enter into force in beginning of 2010.

During bilateral negotiations that were held in Brussels, Albania insisted on full liberalization, arguing that Montenegro imposed the strictest trade criteria for them and that they ask for full liberalization with all countries. Following consultations with economy sector within the country, Ministry for Economic Development supported this proposal, so that, in beginning of April, in Podgorica, full liberalization with Albania was agreed, which would enter into force on 1 January 2010.

Total realized goods exchange of Montenegro with CEFTA signatories in 2008, according to final data, amounted 1.38 billion €. In this period, export realized amounted 158.77 mil €, which represents 36.66% of total export of Montenegro, while import amounted 992.60 mil € or 39.28% of total import of Montenegro.

Comparing to 2007 data, the growth of 20.26% was registered in total trading with CEFTA signatories.

EXPORT

Export of Montenegro on the market of countries-signatories of CEFTA agreement	in thousands of euro
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	2007			2008		
	Export	Share in total MNE export	Share in total export with CEFTA signatories	Export	Share in total MNE export	Share in total export with CEFTA signatories
CEFTA signatories	159,961.86	32.84	100.00	158,777.72	36.66	100.00
Albania	11,578.25	2.38	7.24	5,906.69	1.36	3.72
BiH	26,022.39	5.34	16.27	22,088.63	5.10	13.91
Macedonia	793.51	0.16	0.50	901.89	0.21	0.57
Croatia	10,986.77	2.26	6.87	6,619.64	1.53	4.17
Moldova	0.00	0.00	0.00		0.00	0.00
Serbia	106,725.98	21.91	66.72	107,811.30	24.89	67.90
Kosovo	3,854.96	0.79	2.41	15,449.57	3.57	9.73
TOTAL MNE EXPORT	487,119.34	100.00		433,158.06	100.00	

Export of Montenegro on markets of CEFTA countries amounted 158.77 mil €, and in comparison to 2007, it slightly decreased (0.74%). The greatest export was realized to Serbia - 24.89% of total export of Montenegro, or 68% of total export with CEFTA signatories. It is followed by export to Bosnia - 5.10% of share in total MNE export and 13.9% of total export to CEFTA signatories, Kosovo - 3.57% of share in total MNE export and 9.7% of total export to CEFTA signatories.

IMPORT

Import of Montenegro from the market of countries-signatories of CEFTA agreement				in thousands of euro		
	2007			2008		
	Import	Share in total MNE import	Share in total import with CEFTA signatories	Import	Share in total MNE import	Share in total import with CEFTA signatories
CEFTA signatories	1,227,202.75	59.21	100.00	992,607.47	39.28	100.00
Albania	20,323.69	0.98	1.66	12,894.12	0.51	1.30
BiH	164,810.02	7.95	13.43	117,166.49	4.64	11.80
Macedonia	29,878.24	1.44	2.43	22,342.06	0.88	2.25
Croatia	169,665.23	8.19	13.83	133,610.49	5.29	13.46
Moldova	26.00	0.00	0.00	6.13	0.00	0.00
Serbia	839,179.05	40.49	68.38	705,041.09	27.90	71.03
Kosovo	3,320.52	0.16	0.27	1,547.09	0.06	0.16
TOTAL MNE IMPORT	2,072,480.76	100.00		2,527,150.79	100.00	

Import of Montenegro to markets of CEFTA signatories amounted 992.60 mil €, in comparison to 2007, it decreased for 19.12%. Comparing data with 2007 data, import with Serbia decreased for 16%, Croatia for 21.25%, with BiH for 29%. The greatest import was realized with Serbia - 27.9% of total import of Montenegro or 71% of total import with CEFTA signatories, followed with Croatia and BiH.

4. WTO ACCESSION PROCESS

CHRONOLOGY OF ACCESSION PROCESS OF MONTENEGRO TO THE WTO -

1. **Opening of accession process** - The Government of Montenegro applied for accession to the World Trade Organization on 23 December 2004. At its meeting on 15 February 2005, the General Council established a Working Party to examine the application of the Government of Montenegro to accede to the World Trade Organization under Article XII of the Marrakech Agreement establishing the WTO.
2. **Working Party meetings** – the first Working Party meeting was held on 4 October 2005; the following WP meetings, under Chairmanship of HE Ambassador Andrej Logar /Slovenia/, were held on 5 July 2006, 27 February and 19 July 2007, 28 February, 18 July, and 7 November 2008. The Working Party had before it, to serve as a basis for its discussions, a Memorandum on the Foreign Trade Regime of Montenegro, the questions submitted by Members on the foreign trade regime of Montenegro, together with the replies thereto, and other information provided by the authorities of Montenegro, including the legislative texts and other documentation.
3. **Bilateral Negotiations** - Montenegro signed Bilateral protocols with: the European Union (April 15th, 2008), China (September 19th, 2008), Switzerland (November 6th, 2008), Brazil (7th, 2009), Norway (November 27th, 2008), Canada (December 8th, 2008), Japan (December 12th, 2008) and concluded negotiations with USTR – the United States of America (November 2008).
4. Montenegro fully **harmonized** its legislation and established all necessary institutions in accordance with the WTO standards;
5. WTO Secretariat prepared and completed **the application package** consisting of following: The Draft Working Party Report, The Draft Goods Schedule with attachment, The Draft Service Schedule, and Domestic Support and Export Subsidies in the Agricultural Sector.
6. **VII WP meeting, held on 7 November 2008, adopted following conclusions:**
 - a) **All WTO members, who have final comments, to deliver their requests not later than 21 November 2008** – only US delivered comments, on which Montenegro responded by concrete action: the Parliament of Montenegro, in urgent procedure, adopted additional legislative package necessary for accession of Montenegro to WTO, and the Government of Montenegro adopted and passed a number of necessary bylaws;
 - b) **WTO Secretariat is to complete the application package of Montenegro** (The Draft Working Party Report, The Draft Goods Schedule with attachment, The Draft Service Schedule, and Domestic Support and Export Subsidies in the Agricultural Sector), after Montenegrin confirmation that all bilateral negotiations are closed and the Draft Final Report is prepared. **WTO Secretariat is to circulate the package to the Members on confirmation and verification** – Secretariat has prepared the application package of Montenegro and circulated it to the Members on final verification procedure not later than **12 December 2009**; the Chairman of the Working Party, in the letter sent to all Members, asked Members for delivery of final suggestions, if they find any technical mistakes in delivered documents, not later than 7 January 2009;
 - c) **The Final Working Party meeting**, at which all 153 WTO Members are to confirm Montenegrin documentation – the WTO application package, is planned to be held in mid-January (**19 January 2009**), and **the decision on accession of Montenegro** can be passed on **3 February 2009** at the meeting of WTO General Council in Geneva.

UKRAINE

7. At the VII WP meeting, held on 7 November 2008, the representative of **the Ukraine Mission requested trade data with Montenegro**, at the same time stating that they reserve the right to open bilateral negotiations. Representative of WTO Secretariat, the Chairman of the Working Party, and representatives of the EU had meeting with the Ukraine representative at which they discussed this issue. Explaining that this phase of accession means only finalization of multilateral report on accession of Montenegro to WTO, and verification of all process by WTO Members, they asked representatives of Ukraine not to submit request for opening of bilateral negotiations. In the practice of accession processes until nowadays, experience and request of this kind was not noted and reported. Montenegro delivered requested trade data on 17 November 2008, and Ukraine did not submit any additional request or initiatives after that date.
8. Following distribution of the application package to WTO Members, on 12 December 2008, **the Government of Montenegro informed its wide public** that negotiations on accession are successfully closed, and that it is expected for Montenegro to become 154th member of WTO in **February 2009**. This news was extremely well accepted by the public, having in mind the fact that accession to WTO is one of the strategic priorities of Montenegro.
9. Deputy Head of Trade and Economic Mission of Ukraine to Geneva, Ms Svetlana Zaitseva, sent, by e-mail, **request for opening of bilateral negotiations** with Montenegro to the Montenegrin Mission to WTO on 19 December 2008. The request referred to both Goods (where we have modest level of trade exchange, which is being realized under very favorable conditions with low customs rates and liberal trade regime) and Services (additional requests, exceeding already accepted US and EU requests). The request was delivered **only 20** days prior to finalization of procedure of final verification of Montenegrin application package⁶.
10. Request of Ukraine for opening of bilateral negotiations with Montenegro represented a huge surprise for the Government of Montenegro, having regard to the **final phase** of our accession to WTO. Bilateral negotiation process with Ukraine is entering in sixth month of negotiations.
11. So far, Montenegro and Ukraine held one round of **bilateral round of negotiations** /3-4 February, 2009, Geneva/, and via dynamic electronic communication, exchanged **four UKR requests and four MNE answers** on it. Unfortunately, UKR did not decrease its requests, on the contrary, and Montenegro finds them as unacceptable. In addition, during all negotiations, Montenegro was fully supported by the European Commission, DG Trade more precisely, and by the WTO Secretariat and its DG Pascal Lamy personally.
12. Next bilateral round is planned for next week in Geneva /9-12 June 2009/

Very important principles for finalization of WTO accession process, which **need more attention** of WTO member states in near future, based on our experiences, are:

1. **principle of solidarity** – WTO member states which are developing countries or countries in transition should show more solidarity in supporting accession countries

⁶ Information about this is available on <http://wto.in.ua/?lang=en&get=3>; dated on December 25, 2008 (**UKRAINE STARTS BILATERAL NEGOTIATIONS WITH SERBIA AND MONTENEGRO ON ACCESSION TO THE WTO** - Ukraine sent in the list of desired concessions on the market access for goods and services to the two Balkan countries, Serbia and Montenegro, as Deputy Minister of Economy of Ukraine Valeryi Pyatnytskiy informed. Both countries hope to accede to the WTO in 2009, so they were not too much rejoiced because of the need to come to an agreement with Kyiv as well. With all the understanding (as we had had to come to the agreement with the EU until the very last minute, too), Ukraine has to take care of its interests, as both those countries are prospective members of the European Union, and the latter is our second largest trade partner after CIS countries).

from this group, to have as much as possible developing countries in WTO, to strengthen trade dialogue

2. negotiations should be based on **clear trade interest** between member state and state in accession process
3. **gradual reduction of request** /both in good in services/ is usual practice in negotiations – raising of request can't support successful closing of negotiations
4. in the case of Ukraine, the first time, **principle of confidentiality of completed bilateral negotiations** was violated, because Ukraine has prepared their request based on available consolidated schedule
5. sometimes, opening of **bilateral negotiations for free-trade arrangement** can be a solution for deadlock of one bilateral negotiation process in WTO