



Montenegro

Taking charge of its future, the country has been revitalised through inspirational leadership driving through clear-cut reforms in banking, tax and administration.

COUNTRY PROFILE



▶▶▶ ASSOCIATED WITH SERBIA IN A STATE UNION WHICH ALLOWS BOTH COUNTRIES A LARGE DEGREE OF AUTONOMY, MONTENEGRO WILL DECIDE ON COMPLETE INDEPENDENCE BY REFERENDUM ON MAY 21. IT HAS ALREADY ADOPTED THE EURO AND AIMS AT BEING PART OF THE E.U.

Seeking an independent future in Europe

PRESIDENT (SERBIA-MONTENEGRO):
Svetozar Marovic

PRESIDENT (REP. OF MONTENEGRO):
Filip Vujanovic

PRIME MINISTER (REP. OF MONTENEGRO):
Milo Djukanovic

CAPITAL:
Podgorica

AREA:
5,333 sq miles

POPULATION:
680,000

RESOURCES:
oil, gas, coal, iron ore, bauxite, copper, lead, zinc, antimony, chromite, nickel, gold, silver, magnesium

Source: CIA World Factbook

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Improved macroeconomic stability, inflationary regulation, increased foreign direct investment and an ongoing series of successful privatizations are just a few of the tangible results from Montenegro's drive to take control of its political, economic and social welfare. Prime Minister Milo Djukanovic affirms a long-held and widely shared commitment to realizing Montenegro as an independent European nation succinctly: "We want to be in charge of our future." The parliament of Montenegro unanimously agreed to open the issue to the people and so Montenegrins will decide in a referendum on May 21 if they want to cut official ties with Serbia and gain total independence.

The former Socialist Republic of Yugoslavia, which also included Slovenia, Croatia, Bosnia-Herzegovina and Macedonia, fell apart under Serbian nationalist leader Slobodan Milosevic during the 1990s. The secession of Slovenia and Macedonia came relatively peacefully but there were devastating wars in

Croatia and Bosnia. Commenting on this period, Mr. Djukanovic says, "The greatest achievement of Montenegro, its citizens and state politics, is that it preserved peace. It remained the only territory where war was not waged." Serbia and Montenegro formed the Federal Republic of Yugoslavia until 2002 when the current state union was voted in and the possibility of a referendum on independence was postponed for three years to continue cooperation between the two countries when Yugoslavia formally ended.

"Montenegro is 15 to 18 times smaller than Serbia, and an equitable union in the form of a two-state federation is not realistic," says the prime minister. "We believe the best solution is for Serbia to manage their road to Europe and that we manage ours."

Montenegro has already adopted the euro as its currency while its neighbor continues with the dinar, and in 2004 it established three new official symbols of identity: a new flag, a national anthem, "Oh the Bright Dawn of May," and national day on July 13, marking the date in 1878 when the Berlin Congress recognized Montenegro as the 27th independent world state.



MILO DJUKANOVIC
Prime Minister



BRANIMIR GVOZDENOVIC
Deputy Prime Minister



The breathtaking natural beauty of the Durmitor Mountain massif. With its glacial lakes and the historic city of Zabljac, the highest city in the Balkan region, it has been a listed UNESCO site since 1980. Europe's deepest gorge and last virgin forests are located within the park.

The leadership of the long-serving prime minister, an enviable history of inter-ethnic stability, and a burgeoning political and economic climate are harmonizing efforts for EU membership. Deputy Prime Minister for Economic Policy and Development Branimir Gvozdenovic says, "We are intensively working on acceptance of all European standards. In the last year we adopted some 120 EU-compliant laws and regulations. We established a Ministry for European integration and first on the agenda at government meetings is the European integration implications. It is a sign of our determination."

In the capital Podgorica, Mayor Miomir Mugosa remarks on the progress accomplished in the city. "We have constructed three bridges, the airport of Podgorica is being renovated and new free-zone and marina facilities are being planned. The city is a political, cultural and financial crossroads. We have solid relations with our neighbors, but we do have a restrictively strong brotherly hug from Serbia. We want to welcome people and to exploit our advantages."

Mr. Gvozdenovic adds, "We have highly favorable conditions for foreign capital. There are no true barriers for foreign investments in Montenegro except the lack of information about the country."

CREATING A FAVORABLE INVESTMENT CLIMATE

Reforms lead to increased economic stability and growth

While its Serb neighbor has maintained the dinar, Montenegro has adopted the euro and pursued a policy of economic reforms which have already resulted in increased stability and brought a 5% average growth last year.

PRIVATIZATION IN MONTENEGRO has been described as the most successful of all countries in transition.

More than 82 percent of state capital has now been privatized, with the motto: "We don't sell our companies, we are buying good owners!" Adoption of the euro in 2002 and the government's focus on building a stable, open economy in harmony with the EU has attracted investors from across Europe, Japan, Singapore and the USA. "There is a combination of privatization, stock exchange and greenfield investment," says Minister of Finance Igor Luksic. "Our fiscal policies match the Maastricht criteria and we want to create a system of high development and sustainability without barriers."

Net foreign direct investment in the first half of 2005 reached €167 million - seven times greater than in



IGOR LUKSIC, Minister of Finance

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DEVELOPING TOURISM INDUSTRY WITH A SERIES OF PLANNED PRIVATIZATIONS

Europe's undiscovered holiday destination

The possibility of skiing and experiencing pristine beaches in the same day, and a rich historical legacy far-removed from the usual mass tourism make Montenegro Europe's secret holiday jewel with investment opportunities.

A SPECTACULARLY BEAUTIFUL state bordered by the clear blue Adriatic Sea, Montenegro offers a wealth of diversity and adds another dimension to tourism in southeast Europe. Still a relatively undiscovered destination, the country is often referred to as the "hidden pearl of the Mediterranean" and teems with natural splendor accompanied by rich history, culture and heritage. Blue flag beaches line the coasts and riverias while four moun-

tainous national parks command stunning views both at ground level and from above. Fast flowing rivers and deep lakes spawn adventure sports for the more active visitors and magnificent countryside offers hiking and riding excursions. The historic city of Kotor is under Unesco World Heritage protection, as is the national park of Durmitor, in which lie Tara Canyon, Europe's deepest natural gorge, and Bobotov Kuk, Montenegro's highest peak.

Visitor numbers to the country have been rising sharply each year. The importance of travel and tourism to the republic is indisputable. However, the industry's potential is a long way from being fully tapped. The lack of new development during the 1990s has helped Montenegro to avoid some of the mistakes made by competing tourist destinations, such as the exploitation and over-concentration of natural resources. Managed effectively, tourism will be an important catalyst for the development of other economic sectors such as manufacturing, construction and the service industries.

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Montenegro

Series of reforms lead to increased economic stability and growth

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the same period in 2004 - and results were boosted by the sale of the state's Telekom Montenegro, KAP aluminum plant and Podgorica Banka. Credit potential of licensed banks increased by 37 percent in 2005 and the total volume of trade tripled on both Montenegrin stock exchanges.

Providing practical support and knowledge for new companies, the Directorate for Development of Small and Medium Enterprises regards the stimulation of entrepreneurship as vital. "We want to help the private sector," says Director Zoran Vukcevic. "Besides



ZORAN VUKCEVIC
Directorate of Small and Medium Enterprises

tourism, which is a priority, there are also excellent opportunities in agriculture, food production, industry, mining and wood processing." Mr. Luksic adds, "We need to show people there is a positive future ahead. Come to Montenegro, invest and enjoy."

Europe's undiscovered holiday destination

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"Tourism is definitely the most strategically important sector of the economy, and our main priority," says Minister of Tourism Predrag Nenezic. "In 2001 we adopted a master plan for the next 20 years, developed with European experts. We decided to focus on sustainable development in tourism with the aim of building high quality destinations."

As the government progressively reduces its direct involvement in the industry, accelerating the privatization of hotels and implementing EU-compliant fiscal policies, investors and tourism operators will increasingly be drawn by the investment opportunities the country has to offer. "We are working hard to create the right environment and infrastructure," says Mr. Nenezic.

In the World Travel and Tourism Council 2006 list of top ten travel and tourism economies, Montenegro has the highest growth rate for the third year in a row, continuing to use the industry as a key to economic development and job creation. For the

period 2007-2016, Montenegro is in first place with annualized real growth put at 10.2 percent.

"In 2000, there were no companies flying to Montenegro, whereas now we have 30 coming to Tivat and Podgorica," Mr. Nenezic remarks. The national carrier Montenegro Airlines has spearheaded links with other European countries for more than ten years and its successful progress reflects the growth of tourism and relations overseas. Founder, CEO and President of the company, Zoran Djuricic, comments, "Major Western European capitals are only a one or two-hour flight away. We have created an aerial bridge between Montenegro and Europe and forged a connection between the two." Marketing Manager Aleksandra Gardasevic-Slavuljica adds, "We focus on maintaining a very high quality of service. Security is also a prime issue for us as well as punctuality. These are our three main guidelines. For the time being we are concentrating on Europe, but we do have partnership contracts with almost all other air companies so passengers from all around the world can come to Montenegro."

PRIVATE INDUSTRY FORGING VALUABLE TRADE LINKS

Generating international investment in Montenegro

A policy of international trade shaped on worldwide business practices has injected the spirit of free enterprise into the country's private sector.

ESTABLISHED IN 1990, Vektra Montenegro was the country's first private company, and is now its largest. Founder and President Dragan Brkovic modelled the company on the business practices of European and worldwide companies and has directed it toward an international reputation of trust, serving as a national role model for private industry. Permeated by the spirit of the market economy and open to contemporary economic trends, the company's priorities lie in investments, international trade, management and production, aimed at generating enterprise throughout the region. Indeed, an accurate parallel can be drawn between the growth of the company and its credo - the reform of industry - and the long-held as-

'I am convinced that Montenegro can be a rich, modern, democratic state and one of the most prosperous in the region'



DRAGAN BRKOVIC
President of Vektra Montenegro

pirations of a nation currently on the verge of independence.

"I am convinced that Montenegro can be a rich, modern, democratic state," explains Mr. Brkovic. "It has formidable natural resources and entrepreneurial people. That is why I've dedicated all my life to the creation of new wealth, in order to persuade my compatriots that we can become one of the most prosperous countries in this region." One of its most important investments is its elite residential and office complex situated in one of the most prestigious parts of the nation's capital, Podgorica.

The elegant complex houses the government of Montenegro and there is a widely shared view that it has contributed significantly to the European image of the city.

Over 90 percent of Vektra Montenegro's activities are oriented outside the country. The company's current diversification strategy encompasses areas such as construction, tourism, transport, storage, logistics, maritime and airline interests, and mirrors the president's own drive to further inspire enterprise in Montenegro and support the economic and social reforms currently in progress.

INSURANCE SECTOR GEARS UP FOR COMPETITION

Strategic partnership planning for economic unity

'Lovcen is the name of the mountain that symbolizes Montenegrin national identity, and we like to say this company is as solid as Lovcen mountain.'



DEJAN BAJIC
President of Lovcen

A PRIME EXAMPLE of successful privatization and foreign confidence in the country's assets is evident in Lovcen Insurance. Montenegro's premier insurance company is the sector's dominant figure, covering almost 80 percent of the domestic market in an area of substantial competition. Working together under a strategic and dynamic partnership, the company's largest shareholders comprise the state of Montenegro, represented by three state funds, and leading Slovenian company Triglav Insurance.

Led by President Dejan Bajic, Lovcen is undergoing a period of restructuring to prepare for the arrival of new competition and change. "The government of Montenegro is adopting a new insurance law that will include all important European directives," says Mr. Bajic. "In anticipation of this, we are combining our expertise with the know-how and experience of our Slovenian partner Triglav Insurance, and as Slove-

nia is already a member of the EU, we do not expect any problems."

Today, the company continues to expand its range of insurance products, adapting to the different requirements and opportunities of the market. "Lovcen has the advantage of local knowledge," adds Mr. Bajic. "The economic situation is improving, indicators are very positive and there are more and more foreign investors. We have an excellent network of salespeople who know the needs of Montenegrins and the country's economy."

EXPLORING RENEWABLE NATURAL RESOURCES KEY TO SUSTAINABLE ENERGY INDUSTRY

Harnessing the power of Montenegro's liquid assets

EPCG is seeking to increase the capacity of Montenegro's hydropower potential while paving the way towards a seamless privatization of the energy sector.

RECENT YEARS have seen considerable changes in Montenegro's power sector as it prepares for the creation of a regional energy market under the Athens Process. State-owned electricity company EPCG is one of Montenegro's biggest and most significant enterprises. Responsible for the nation's electrical power, and with 3,450 employees, it is also the country's largest employer. As part of internal cost optimization, the company unbundled its production, transmission, distribution and supply branches so they now act as independent units, ready for a new era of open competition.

Although Montenegro imports around one third of its annual electricity requirement, only 17 percent of its hydropower potential is currently exploited.

Consequently, EPCG is looking to develop the country's full capacity. In March it entered a memorandum of understanding with Norwegian firm Statkraft. "The signing of the agreement is very positive not only for EPCG but also for the whole Montenegrin power industry," said Srdjan Kovacevic, CEO of EPCG. "It demonstrates there is a large potential for increased hydropower generation here."

Aluminum company KAP consumes 44 percent of the electrical energy in Montenegro. Recent privatization is expected to raise power prices by around 53 percent and entails that EPCG will have to supply two thirds of its energy by 2010. The government also plans to sell 67 percent of its shares in EPCG. According to Mr. Kovacevic, both gov-



SRDJAN KOVACEVIC
Executive Director of EPCG

ernment and management are against a fast privatization due to the company's huge social and economic importance, preferring instead to increase its value and sell later at a higher price.



Let the backbone of Montenegro's economy give energy to your investments

As Montenegro's premier electricity company, EPCG is not only one of the country's largest companies but its largest employer. Under brand new management and equipped with highly efficient production, distribution and supply departments, EPCG is more committed than ever to modernization and the future. With several large investment ventures underway, they are more than ready for new partnerships and the possibilities are endless. EPCG has been, is and will continue to be the driving force behind Montenegro's economy for years to come.

THE ELECTRIC POWER INDUSTRY OF MONTENEGRO
Joint-Stock Company NIKSIC

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