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Faculty of Social Sciences
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Mijo Ivanović

Charles University Prague

Faculty of Social Sciences

International Economics and Politics



Montenegro's accession to European Union

Master Thesis

Mijo Ivanović – mijo.ivanovic@udg.edu.me

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Declaration of Authorship:

I hereby declare that this thesis is my own work, based on the sources and literature listed in the appended bibliography. The thesis as submitted is 115.931 keystrokes long (including spaces), 70 i.e. manuscript pages.

Your name:

Your signature:

Date:

Mijo Ivanović

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Faculty of Social Sciences
Charles University in Prague

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Author:	Mijo Ivanović	Supervisor:	Irah Kučerová
E-mail:	mijo.ivanovic@udg.edu.me	E-mail:	Irah.kucerova@fsv.cuni.cz
Phone:	+38267601133	Phone:	-//-
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Montenegro's accession to European Union

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Topic Characteristics:

My thesis will focus on requirements of potential candidate country for European Union enlargement, Montenegro, its ability to fulfill the necessary requirements, changes this country has to go through and the analysis of the consequences of its potential acceptance and accession to European Union. Strategic goal will be to preview the current position of Montenegro in its European integration. Readers will be presented with the overview of the success of integration so far, with as well as options for the utilization and improving the situation in Montenegro in the coming years.

Research questions:

1. What kind of problems and challenges is Montenegro facing?
2. To what extent are the solutions optimal and relevant for Montenegro?
3. What methods in the context of European integration Montenegro is using?

Working hypotheses:

1. Cost benefit and SWOT analysis is greatly underestimated in case of Montenegro
2. With the current crisis Montenegro's young economy might not be able to compete in EU market
3. Although EU commission has opened Accession negotiations in 2012 with Montenegro, this country still needs continued improvements in numerous fields.

Methodology:

A series of empirical research will be enforced during my work, focusing on:

1. Cognitive problems: Public Policy Framework; Political, Economic and Institutional stability; Economic and International cooperation; Micro and Macroeconomic analysis.
2. Research questions
3. SWOT and cost-benefit analysis
4. Interviews with Montenegro's leading experts in EU accession

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LIST OF ABBREVIATIONS

CEFTA	Central-European Free Trade Agreement
GDP	Gross Domestic Product
G6	“Balkan sextuplets”
EC	European Commission
ECSC	European Coal and Steel Community
EEC	European Economic Community
EU	European Union
EURATOM	European Atomic Energy Community
FDI	Foreign Direct Investments
IPA	Pre-accession assistance
MDD	Montenegro Development Directions
MIPA	Montenegrin Investment Promotion Agency
MONSTAT	Statistical Office of Montenegro
SAA	Stabilization and Association Agreement
V4	Visegrad Group countries (Hungary, Czech Republic, Slovakia and Poland)

INTRODUCTION

The strategic goal of this paper is to gain an overview of the position of Montenegro in the context of European integration. Specifically, to prove the hypothesis that **Montenegro is on the right way to become a member of European Union**. This will be achieved by taking into account the success of integration so far, and by projecting the utilization of available support options for improving the situation in Montenegro in the coming years. Analytical overview of the current situation in this process enables identifying optimal solution for, so to say, appropriate methodology of integration of Montenegro into the EU. Specifically, such analysis will give an answer on how relevant is the method of “Balkan sextuplets” (G6) as a platform for joint activities and responses in the context of EU integration for the next period.

The research part of the paper is related to the perception of the current situation in the country and is based on a complete analysis of EU integration process, in order to determine whether Montenegro is on the right path to the EU. The analysis is complemented with comments and opinions of people who have a significant role to this process, with the emphasis on a proposal for "Balkan sextuplets." Bibliography for the analysis in this paper makes references concerning all mentioned, including IPA. Available literature in the form of research and seminar papers and articles that cover issues addressed in this paper will be a secondary source of information and data. In addition, direct contact with members of the working group for negotiations between Montenegro and the EU, their material available and their experience will be the basis for more comprehensive analysis of EU integration of Montenegro.

Individual parts of this paper are conceived in the following manner. The introductory part gives an overview of the integration process, from idea to the current number of members of the

European Union. Furthermore, relevant chronology is described in the context of EU integration of Montenegro with a more detailed examination of important dates, attached as an annex of this paper. The second chapter is dedicated to the description of the importance of Montenegro's accession in the European Union, both, from the perspective of the European Union, as well as from the perspective of Montenegro.

Since a significant part of the integration process are the negotiations with the EU, the third chapter of the paper describes a detailed process of negotiations with the description of current status of the negotiation chapters and tools used for negotiations in Montenegro. The fourth chapter is devoted to the functioning of EU pre-accession assistance that is available to Montenegro from 2007 and will be further one until the day of entering into the EU. This chapter aims to draw attention to the financial opportunities that Montenegro has, and to assess the degree of utilization of grants that are available through the IPA. The fifth chapter analyzes the idea of "Balkan sextuplets" and the advantages and disadvantages of this idea in the context of Montenegro. The concluding section of the paper takes out a personal opinion and recommendations for further actions in the process of integration which are identified by this analysis.

I EUROPEAN INTEGRATION – From Concept to Practice

Considering the flow of the integration process of the European Union, from the original six founding countries of the European Economic Community to the current number of Member States, the EU is the most intense process of political, legal and economic integration of countries. Nowadays, the European Union has 28 countries with a unique economic policy, whereby states together perform, on the market, as one economic unit. The origins of the idea of creating a single economic bloc¹ dates back to 1950 when the French Foreign Minister Robert Schuman presented to the public a proposal on the creation of European Community, which is exposed to the public on **9th May 1950**². As a result, the Treaty establishing the European Coal and Steel Community (ECSC), known as the Treaty of Paris was signed on 18th April 1951 between Belgium, France, Italy, Luxembourg, the Netherlands and Germany, and entered into force on 23rd July 1952. The Treaty of Paris agreement between the founders the present European Union is the base document which eventually suffered amendments in parallel with a significant transformation of the original community and ended with the Treaty of Lisbon and the current number of member states.

In Rome, 25th March 1957 treaties on the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM) were signed and entered into force on 14th January 1958. These treaties established a customs union among the States Parties, set criteria

¹ It is considered that the father of idea of united Europe is Jean Monnet, (1888 - 1979) French diplomat who has in 1950s, in the midst of international tensions, shaped the idea of the European Community with his team, while Robert Schuman, on behalf of the French government and with the approval of Chancellor Adenauer, introduced his Declaration.

² This date was chosen as the "birthday" of the EU and each year is celebrated as Europe Day.

and the basic objectives of a common market that would ensure the free movement of people, goods, services and capital, respectively the four key pillars of economic freedom. To the first expansion and strengthening of the common foreign policy of the European Community is coming in 1973, while the signing of the Single European Act affected the further expansion of community. The Treaty of Maastricht, which entered into force in 1993 has a special role in the European integration process as it is the first time the concept of the European Union was introduced, and the Treaty of Lisbon³ (also known as the Reform Treaty) signed on 13th December 2007 and entered into force on 1st December 2009, currently has the most important role for members of the European Union with regard that its application is still on-going.

1.1. Chronology of the EU integration process of Montenegro

The beginning of integration of Montenegro into the European Union was in 1997 when the Council of the European Union established the political and economic criteria for the development of bilateral relations with the countries of the Western Balkans. In November 2000 the Stabilization and Association Process was launched for five countries of South-Eastern Europe, including the former Serbia and Montenegro. Stabilization and Association Process later evolved into constant dialogue between two sides, and on 10th of October 2005 this agreement was initialized as “twin track” negotiations between EU and Serbia and Montenegro. The principle of “twin – track” was supported by the Member States through meetings of heads of diplomacy of the EU countries in Maastricht, since they aspired objectives of stabilization of the entire zone and the autonomy of both republics. This included making that Montenegro and

³ The official name of the Contract is "Treaty on modifications and amendments of the Treaty on the creation of the European Union (Maastricht Treaty) and the creation of the European Economic Community (EEC) (Treaty of Rome)." In other words, this is an international treaty of 28 members of the European Union.

Serbia separately negotiates the trade part of the Stabilization and Association Agreement, while the political part of the SAA was negotiated as a state unique.⁴ This was valid until the date of declaration of independent state of Montenegro on 3rd June of 2006, whereby the Council of the European Union on 12th June 2006 made a statement on deepening relations with Montenegro as an independent state, which was accompanied by individual recognition of independence of Montenegro by the Member States. In the context of European integration, 2007 is an important year for Montenegro due to the establishment European Partnership and the signing of the Stabilization and Association Agreement (SAA) (which entered into force on 1st May 2010), as well as due to the acquisition of rights to resources from EU IPA (Instruments for pre-Accession Assistance) funds⁵ (Component I - Institution building and support the transition and Component II - cross-border cooperation).⁶

One year later, the Interim Agreement on trade and trade-related matters, the Visa facilitation and readmission agreements entered into force. In addition, the 6th September 2008 was followed by the opening of a permanent Representation of Delegation of the European Union in Montenegro while on 15th December in 2008 Montenegro has submitted an application for membership in the European Union.

Since 2008, the reform of government of Montenegro is directed towards integration into the European Union, with special efforts to actively implement internal reforms, institutional advancement and human capacity building. Aforementioned requests allocation of funds which

⁴ This principle was established already in 2004

⁵ Pre-accession assistance under IPA came into force on 1 January 2007 by the European Council Regulation no. 1085/2006 which was adopted on 17 July 2006.

⁶ The Instrument for Pre-Accession Assistance: Component I - Institution building and support the transition; Component II - cross-border cooperation; Component III – Regional Development; Component IV – Human resources development; Component V – Rural development

resulted an increase in the deficit of Montenegro, but on the other side absorption of the funds available from the EU IPA funds for this purpose, reduce the allocation of Montenegro's own resources and continue to contribute to this process. In the last 7 years significant results were achieved in the process of accession of Montenegro to the European Union as evidenced by granting candidate status for EU membership on 17th December 2010.

With obtaining the candidate status, Montenegro has acquired the right to the funds available from remaining 3 components of IPA funds that are related to regional development, human resources development and rural development. The chief negotiator of Montenegro to the EU, Mr. Aleksandar Pejovic says that "All segments of society have made significant contributions in previous efforts and showing a clear willingness to actively participate in the continuation of the reform process."

Accordingly, on 26th September 2012 at a meeting of the Council of Ministers of Foreign and European Affairs in Luxembourg, the decision on the opening of accession negotiations between Montenegro and the EU was made, so the accession negotiations formally began on 29th June 2012 on the first intergovernmental conference between Montenegro and the EU in Brussels. As a result of the efforts of Montenegro to meet the accession criteria and to make the necessary reforms on 11th December 2012 the Council for General Affairs of the EU welcomed the opening of accession negotiations with Montenegro.

As foreseen in the program accession, Montenegro as a candidate for EU membership follows the following:

- Agreements on Europe / Agreements / Stabilization and Association Agreement;
- Accession Partnership / European Partnership;

- Pre-accession assistance;
- Co-financing from international financial institutions;
- Participation in the programs, agencies and committees of the EU;
- National Program for the Adoption of the *acquis communautaire*;
- Regular reports / Progress Reports;
- Political dialogue.

Montenegro meets a large number of these mechanisms for the accession by putting effort to actively monitor and comply with all the requirements of the EU. "We can say that there is a clearly defined internal commitment and strategic course with regard to the EU accession process. The idea of European integration has unified all the internal potentials which Montenegro has. All segments of society have made significant contributions in previous efforts and they demonstrate a clear willingness to actively participate in the continuation of the reform process. I think we as a society have manifested a maturity in making some important decisions and have shown that despite differences of opinion, we can work together towards creating the best solutions. I believe and expect that it will be the same in the future."⁷

⁷ Aleksandar Pejovic, the chief negotiator of Montenegro with the EU, interview with the national newspaper "Pobjeda", 3rd November 2013.

1.2. The Current Situation in Montenegro

Montenegro, as a small and open economy with a population of some 620,000 (2011 census), is defined as one statistical region within the statistical classification of territorial units Eurostat.⁸

However, according to the Law on Regional Development of Montenegro, three regions in this country have been identified and formed: Coastal, Central and Northern, in accordance with the geographical characteristics and conditions for development.⁹

The coastal region of Montenegro is relatively well developed due to tourism, maritime economy, entrepreneurship and agriculture, while the development of the central region is based on the industrial sector, power generation, construction, transportation and warehousing, trade and catering as well as agricultural production and processing in the last period. On the other side, the northern region is the least developed region of Montenegro although it possesses the largest number of extraordinary but still unutilized resources and potentials. The northern region of Montenegro is faced with drastic population outflows to the central and coastal region, as well as to other countries in the region and the EU. In addition, this region is characterized by a significantly higher unemployment rate in comparison to other regions, as well as by an

⁸ Before accession to the European Union, a candidate is required to determine the appropriate statistical spatial units according to the classification applied by the European Union, which are determined according to the methodology provided in the NUTS Regulation (EC) no. 1059/2003 of the European Parliament and the Council on the adoption of a common classification of territorial units for statistics.

- NUTS1- 3-7 million inhabitants (Government level)
- NUTS2 - 800000-3 million inhabitants (province level)
- NUTS3 - 150-800000 inhabitants (community level)

In April 2009. The Government of Montenegro adopted the proposal of the Department of Statistics on statistical regions in Montenegro, which correspond to the NUTS regions to regulation EC 1059/2003. Accordingly, Montenegro is defined as one statistical region on all 3 levels.

⁹ Coastal region - 11.5% of total territory, 23.4% of total population, 6 municipalities;

Central region - 35.5% of total territory, 45.1% of total population, Capital and 3 municipalities

Northern region - 53% of the total territory, 31.4% of total population), 12 municipalities.

unfavorable age structure of population. Despite the fact that this region has *the largest part of total available hydropower potential, the overall reserves of coal, about 67% of arable land, 71% of wood mass, close to 70% of livestock, almost the entire reserves of lead and zinc, as well as resources for the development of winter and eco-tourism and production of ecological food and protected geographical origin*, its contribution to the Montenegrin GDP is below one fifth. The problem of underdeveloped road infrastructure and territorial disconnection between regions significantly influences the inadequate development of the northern region, further leading to insufficient functional integrity of the economy in general.

The transition from a centrally planned economy to a market economy and the economic boom that marked the period after independence, have all contributed to the deepening levels of socio-economic disparities and unequal development opportunities in different parts throughout Montenegro. Below is an overview of macroeconomic indicators of Montenegro for the period 2006- 2011.

Table 1: Macroeconomic indicators of Montenegro, 2006-2011

Macroeconomic indicators	2007	2008	2009	2010	2011	2012
GDP real growth rates	10,7	6,9	-5,7	2,5	3,2	-2,5
Industrial production - growth rate %	0,1	-2	-32,	17,5	-11,3	-7,1
Manufacturing industry - the growth rate%	9,3	-11,3	-38,6	-0,3	6,8	-10,1
Inflation, method of Consumer Prices (%)	4,2	7,3	3,6	0,7	2,8	5,1
Number of tourists	1,150,000	1,188,100	1,207,700	1,263,000	1,373, 500	1,439,500
Number of employees	216,902	166,221	174,152	161,742	163,082	166,531
Unemployment rate (%)	11,9	16,8	19,1	19,7	19,7	19,7
Exports of goods and services (million EUR)	1,080	1,222	980	1,163	1,100	
Imports of goods and services (million EUR)	1,647	2,337	1,940	1,830	1,563	
Trade Balance (million EUR)	-566	-2,082	-1,350	-1,163	-984,688	
Foreign direct investment (million EUR)	678	685	1,070	692	534	
Grey economy (% of GDP)	22,6%	4,70%	9,60%	2,60%		
Poverty rate (%)	8,00%	4,90%	6,80%	6,60%	9,3	

Source: Monstat, Institute of Statistics of Montenegro

As previously explained, Montenegro is usually observed as one region. Because of that, there is lack of numerous indicators on a regional level, that is on Northern, Central and Coast part of Montenegro. However, the main development indicators, such as taxable income, unemployment,

current revenue budget, the rate of population growth and the rate of education, indicate the existence of significant differences in development in different parts of Montenegro.

In order to overcome regional disparities, the Ministry of Economy has established a legal and strategic framework for regional development policy in 2010/2011 by adopting Regional Development Strategy of Montenegro - 2010-2014 ("Official Gazette of Montenegro ", No. 42/11) and Law on Regional Development ("Official Gazette of Montenegro ", No. 20/11).

Until 2011, regional development in Montenegro was based on a relatively inadequate approach that was based on a planned economy. In that process, there were two main reasons that created disparities among regions: A. lack of adequate management and coordination of activities of the regional development policy and B. uneven investment in basic infrastructure and business in Montenegro. On the other side, the focus of latest development policies is achievement of more balanced regional development based not on addressing less the more developed parts of the country but on creating conditions for faster development of less developed parts of Montenegro.

Below is a SWOT analysis of a situation in Montenegro in order to observe the current socio-economic position of the country.

1.2.1. SWOT analysis of Montenegro

In order to observe the relevant socio-economic situation in Montenegro, a SWOT analysis of Montenegro is done, which provides a clear overview of all strengths and weaknesses, as well as opportunities and threats for this country. The analysis was made based on an objective and realistic assessment of collected data / information from various relevant local and national strategic documents.

Strenghts

- Relatively good educational opportunities;
- Scientific research capacity;
- Existence of mineral raw materials;
- High energy potential (hydro-potential, interconnecting cable with Italy, wind-potential, solar-potential, biomass energy potential);
- High-quality forest resources;
- Available agricultural land;
- Biodiversity;
- Rich cultural and historical heritage;
- Potentials for the development of different forms of tourism (cultural tourism, religious tourism, ethnic tourism, ski tourism, conference tourism ...);
- Potentials for marine and freshwater fisheries development (Skadar Lake);
- Potentials for agriculture and livestock farming development;
- Potentials for food industry development;
- Potentials for energy development;
- Renewable energy sources (hydropower, wind and solar energy);
- Potential for forestry and wood processing development;
- Entrepreneurship development;
- The existence of economic zones (mainly industrial);
- Existing industrial base (e.g. textile, chemical industry, energy production and supply, metal and food processing), which is undergoing restructuring towards higher competitiveness;

- Administration is oriented towards the development of entrepreneurship and the creation of a favorable business environment;
- Montenegro is part of the Central European Free Trade Agreement - CEFTA;
- Growing SME sector by number and turnover;
- Well developed craft industry;
- Suitable eco climate for wine-making, fruit, vegetables, tobacco, medical plants and herbs;
- Relatively good network of regional roads and highways;
- Well developed energy production and supply network;
- Good infrastructure for water supply in urban areas;
- Well developed telecommunications network;
- Airports in Podgorica and Tivat.

Weaknesses

- Depopulation;
- Migration from Northern region to Coastal and Central regions (regional disparity);
- High outflow of educated people abroad;
- Lack of social inclusion mechanisms, especially in the northern region;
- Low level of public awareness on the economic potential;
- Long-term unemployment in the northern region;
- Reduced number of jobs out of season;
- Insufficiently developed system of lifelong education;
- Low level of awareness on Environment;

- Inadequate evaluation of Cultural - Natural Heritage;
- High level of unused agricultural land, as an unexploited potential;
- Poor organization of small and medium enterprises;
- Structural mismatch between supply and demand on the labor market;
- Mismatch of educational programs with projected needs of the economy;
- Inadequate management of forests;
- Low level of domestic and foreign investment;
- Underdeveloped economic infrastructure;
- Low level of processing products and export of raw materials;
- Unorganized purchase of agricultural products;
- Low level of competitiveness and innovation;
- Low level of promotion available resources and potentials;
- Inadequate road and rail infrastructure (including quantity and quality);
- Low quality of transport infrastructure in general and poor planning and maintenance of road network;
- Lack of sanitary landfills in the Northern region;
- Low level of mutual cooperation between local governments and lack of integration activities on the regional level;
- Lack of strategic planning, and underdeveloped infrastructure and systematic integration of environment and climate change in all sectors' policies.

Opportunities

- Investing in lifelong education;
- Retraining programs for unemployed labor force;
- Introduction of decentralized implementation system (DIS) of management of EU funds;
- Trainings on and utilization of EU programs (IPA);
- Valorization of the rich Natural Heritage;
- The use of development and economic potentials of rural areas;
- EU funds and other potential sources of funding for infrastructural projects;
- Development of potential renewable energy sources (sun, water, biomass energy etc);
- Improved forest management;
- Strengthening of manufacturing sector;
- Development of new trends in tourism (cycling, ethnic, hunting, rafting, etc.);
- Development of organic agriculture;
- Branding of regional products;
- Strengthening and development of the small and medium enterprises (SME) sector;
- Investment through Private-public partnership (PPP) model;
- The possibility of cross-border cooperation (IPA projects).

Threats

- The devastation of land through unplanned and illegal construction;
- Marine pollution;
- Negative impacts of climate change, natural disasters;
- Reduction of visits by foreign tourists;
- Increased exposure to global markets and increased competition within the region;

- Grey economy and perceived threat of corruption;
- Increased dependence on import of goods;
- Lack of investors for investments in infrastructure;
- Lack of financial resources for the implementation of infrastructure projects;
- Poor partnership between the public and private sectors.

The previous analysis illustrates a complete state of Montenegro in context of human, economic, infrastructural and cultural issues. Considering all that is highlighted, it is necessary to focus on the improvement of weaknesses and utilization of all opportunities in the coming period. That will have a direct impact on key indicators of Montenegro and increase the level of development of the country, making it closer to the EU 28 average.

II THE IMPORTANCE OF ACCESSION OF MONTENEGRO TO THE EU

2.1. From the point of view of Montenegro

Negotiations on accession of Montenegro to the EU represent a long way to transform the whole society and the most challenging phase of the process of European integration, which contributes to the change of the entire system by EU standards and values. For Montenegro, membership in the European Union is a strategic objective of a long time, and extensively since the declaration of independence of the state.

Accordingly, all policies of Montenegro are directed towards the harmonization of national legislation with EU *acquis communautaire* and adjustment of all European Union standards. Of particular importance is the alignment with priorities defined by the strategy "Europe 2020"¹⁰ which are reflected in an intelligent, sustainable and inclusive growth of the EU countries.

Montenegro, as a small country and at the same time open economy tends to become part of the single market, more precisely, part of a single monetary area with a common currency. In this regard, strives to achieve the necessary level of development and meet the Maastricht criteria, "The euro convergence criteria" which are reflected in 1) HICP inflation; 2) Government budget deficit; 3) Government debt-to-GDP ratio; 4) Exchange rate; 5) Long-term interest rates.¹¹

Membership in the European Union to Montenegro, not only allows the free flow of goods, services, capital and people, the more it comes the stability of institutions guaranteeing

¹⁰ "Europe 2020: A strategy for smart, sustainable and inclusive growth" was adopted in June 2010 by the European Council on the proposal of the Commission's strategy for growth and employment.

¹¹ For more information: <http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp896.pdf>

democracy, the rule of law, human rights and protection of minorities. This also encourage education, networking, communication, research, innovation, achievement of regional competition and employment.

In addition, Montenegro as a country with less developed and economically backward regions, with the membership is entitled to the funds from the Structural Funds and the Cohesion Fund¹² of European Union. European regional policy is aimed at improving transport infrastructure, environmental protection, as well as the financing of developed projects in the field of energy efficiency, renewable energy and combined, urban and collective transport, which would further improve the social and economic situation in Montenegro and contribute to achieving the objectives of regional and structural policy of the European Union. Regional policy objectives are reflected in the following: A. Convergence, B. Regional competitiveness and employment and C. European territorial cooperation. Accordingly, Montenegro, after joining the European Union, will achieve an increase in the employment, competitiveness, as well economic growth and it will improve the quality of life with the principles of sustainability in the long term.

EU membership implies introduction and compliance with the Entire EU legal heritage (Acquis Communautaire), access to development funds, participation in the joint budget, voting rights in the European Council, and representatives in the European Parliament as well as advocacy for interest on a global scale.

¹²In the Financial Perspective 2007 - 2013 Structural Funds are the second largest budget item in the overall budget (approx. 308 billion EUR), while the financial period 2014-2020 provides around 379 billion EUR of funds. However, given that all member states still have not finally confirmed a multi-year financial framework for this period, the amount is not official yet.

Of great importance is mobility of people that will, through entrance in the common European labor market, enable Montenegrin work force to compete on a market where annually more than million working positions are opened. In addition, free flow of capital does not contribute just to attractiveness to foreign investors, but to overall attractiveness of Montenegro as a destination. The possibility of offering and utilizing a variety of Montenegrin resources such as human capital, land, Adriatic Sea, geopolitical position and large natural riches, opens diverse opportunities for achieving economic welfare of Montenegrins. Taking into account that development and reach of high (elite) lifestyle (which is possible) in Montenegro requires capital, modern technologies and reasonable organization of Montenegrin society, by entering in the EU, Montenegro will have all of that at its disposal. Through inclusion in the joint European market with the free flow of capital, technology and labor force, Montenegro will howl its recession. With that capital available in the EU, Montenegro will gain access to opportunities for development to its full potential, and better and secure life of its citizens. Being part of a joint EU market additionally stimulates export potentials by raising standards of goods and services. Also, possibilities for cross-border, infrastructural and other projects will be open, which will tackle majority of Montenegrin problems. With the accession, positive effects will be achieved even within national security, economy and policy framework, due to EU membership that secures peace within Union and stimulates democracy principles, human rights and freedom of expression.

SUMMARUM

- ✓ *Free movement of goods, services, capital and people;*
- ✓ *Stability of institutions guaranteeing democracy, the rule of law, human rights and protection of minorities;*
- ✓ *Encouraging education, networking, communication, research, innovation, using modern technology;*
- ✓ *Improving the business environment; regional competition and employment; increasing of competitiveness, economic growth and quality of life with the principles of sustainability in the long term;*
- ✓ *Attracting foreign direct investments;*
- ✓ *Gross Domestic Product (GDP) growth,*
- ✓ *Upgrading the economy's credibility on the basis of fiscal and financial stability;*
- ✓ *Entrepreneurship development based on the use of natural resources, primarily in tourism, agriculture and food processing, forestry and wood processing industry;*
- ✓ *Financing of infrastructure projects;*
- ✓ *Accession to the Structural Funds and the Cohesion Fund;*
- ✓ *Voting rights in the European Council, and representatives in the European Parliament;*
- ✓ *Improvement of environmental protection in accordance with the standards of the European Union;*
- ✓ *Encouraging the valorization of rich cultural and historical heritage;*
- ✓ *Import substitution, export expansion and consumption liberalization.*

2.2. From the point of view of Europe

Expansion¹³ is not only the most powerful political, economic and cultural tool of the EU, it also helps in the transformation of the countries involved in the context of achieving peace, stability, prosperity, democracy, human rights and rule of law across Europe. In this regard, the entire Western Balkans has a European perspective. Membership of the Western Balkan countries in the European Union is a true example of a win-win situation, in other words, for each side there is the potential for further economic growth, increase competitiveness and economic stability. More precisely, Montenegro, as a small open economy with a lot, still unused, resource offers a wide variety of future development potential, which will have further impact on macroeconomic development of the whole EU market.

¹³ According to Article 49 of the Treaty on European Union, any European country may apply for membership if it respects the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States' (Article 6.1 TEU). Accession, however, can only follow if the given European country fulfils all criteria of accession which were fixed by the European Council in Copenhagen in 1993 and reinforced by the European Council in Madrid in 1995. These criteria (also known as Copenhagen criteria) are:

- political: stable institutions guaranteeing democracy, the rule of law, human rights and respect for protection of minorities;
- economic: a functioning market economy and the capacity to cope with competition and market forces in the EU;
- the capacity to take on the obligations of membership, including adherence to the objectives of political, economic and monetary union;
- Adoption of the acquis communautaire (the entire European legislation) and its effective implementation through appropriate administrative and judicial structures.

In addition, the EU must be able to absorb new members, so it reserves the right to decide when it will be ready to accept them.

"It is entirely clear to Austria that the Western Balkans belong to Europe", said Lopatka, Austrian Secretary of State. "The EU enlargement process must not be allowed to stall following the EU accession of Croatia. It is a decisive issue for Austria that support is given to all the states of the Western Balkans in their reform efforts towards stability and the rule of law, not least because the costs of an 'enlargement failure' would be enormous. Not only would the stability of the region as a whole be put at risk, but cross-border crime and the collapse of the economy together with investment opportunity losses due to the inadequate legal security for Austrian companies are all to be feared from failure", Lopatka said and added: "Developments of this kind would bring very real negative consequences for Austria."¹⁴

When it comes to the accession of Montenegro, the country of the Western Balkans which has rich development potentials that are not fully utilized yet, the European Union recognizes the future market prospects of this small open economy. Mr. Ivo Josipovic, the President of Croatia, as the youngest member country of EU, said that he supports the expansion of the European Union in all the countries of Western Balkans. He said that the EU would be incomplete without Montenegro, but also other countries in the region. "Montenegro is our neighbor, friendly country and we believe that Europe is not complete without Montenegro, as well as other countries in the region."¹⁵

"The opportunities to move decisively forward on the path to European integration are clearly visible and they are equally open to all aspiring countries. It is up to these countries, to make these opportunities a reality to the benefit of their citizens, as Croatia did. We remain fully

¹⁴ Meeting of Ministers of Foreign Affairs of the Visegrad Group V4 countries (Hungary, Czech Republic, Slovakia and Poland) with ministers of the Western Balkans, Hungary 31st October 2013, on the invitation of Hungarian diplomacy chief János Martonyi.

¹⁵ Interview with the national Television of Montenegro in Podgorica, 4th September 2013

committed to support them along the way, knowing that this is as much about our joint success as it is about the credibility of the enlargement as one of the key policies of the EU.”¹⁶

Accession of Montenegro in the EU does not mean just one member more in the Union. Membership of Montenegro in the EU opens a door for new opportunities, new investments, and new external capital to the EU. Future development potential of tourism in Montenegro which is already recognized by major investors from Canada, Azerbaijan and the Arab countries, will significantly affect the increase of FDI¹⁷ in EU. In addition, there are also investment opportunities in other sectors that are consistent with European standards, such as agriculture, energy (especially solar energy and energy by wind – green energy) and banking sector which can be attractive for foreign investments. The overall Montenegrin investment climate is very attractive for investors, especially having in mind the favorable tax climate (corporate income tax and personal income tax is 9%; VAT rate amounts to 19%), equal business treatment for foreigners, favorable conditions for business start up (registration for only 1 EUR and in 4 days) etc. Beside, a great importance for a dynamic economic and social growth of Europe is Montenegrin quality human resource, skilled labor force as well as young population with multilingual talents

Negotiations on accession of Montenegro to the EU represent a long way to transform the whole society and the most challenging phase of the process of European integration, which contributes to the change of the entire system by EU standards and values. For Montenegro, membership in

¹⁶ Common Article of Minister of Foreign Affairs of Lithuania and EU Commissioner for Enlargement. File - Linkevičius: Western Balkans and Turkey-New opportunities for EU enlargement, 25th October 2013

¹⁷ The total amount of foreign direct investments in 2011 was 534 million Euros and is 158 million less, or 22.83%, against 2010. FDI per capita in 2011 was 860 Euros. By this indicator, Montenegro is still far ahead of other countries in the region. Source: <http://www.mipa.co.me>

the European Union is a strategic objective of a long time, and extensively since the declaration of independence of the state.

Accordingly, all policies of Montenegro are directed towards the harmonization of national legislation with EU *acquis communautaire* and adjustment of all European Union standards. Of particular importance is the alignment with priorities defined by the strategy "Europe 2020"¹⁸ which are reflected in an intelligent, sustainable and inclusive growth of the EU countries.

Montenegro, as a small country and at the same time open economy tends to become part of the single market, more precisely, part of a single monetary area with a common currency. In this regard, strives to achieve the necessary level of development and meet the Maastricht criteria, "The euro convergence criteria" which are reflected in 1) HICP inflation; 2) Government budget deficit; 3) Government debt-to-GDP ratio; 4) Exchange rate; 5) Long-term interest rates.¹⁹

Membership in the European Union to Montenegro, not only allows the free flow of goods, services, capital and people, the more it comes the stability of institutions guaranteeing democracy, the rule of law, human rights and protection of minorities. This also encourage education, networking, communication, research, innovation, achievement of regional competition and employment.

In addition, Montenegro as a country with less developed and economically backward regions, with the membership is entitled to the funds from the Structural Funds and the Cohesion Fund²⁰

¹⁸ "Europe 2020: A strategy for smart, sustainable and inclusive growth" was adopted in June 2010 by the European Council on the proposal of the Commission's strategy for growth and employment.

¹⁹ For more information: <http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp896.pdf>

²⁰In the Financial Perspective 2007 - 2013 Structural Funds are the second largest budget item in the overall budget (approx. 308 billion EUR), while the financial period 2014-2020 provides around 379 billion EUR of funds.

of European Union. European regional policy is aimed at improving transport infrastructure, environmental protection, as well as the financing of developed projects in the field of energy efficiency, renewable energy and combined, urban and collective transport, which would further improve the social and economic situation in Montenegro and contribute to achieving the objectives of regional and structural policy of the European Union. Regional policy objectives are reflected in the following: A. Convergence, B. Regional competitiveness and employment and C. European territorial cooperation. Accordingly, Montenegro, after joining the European Union, will achieve an increase in the employment, competitiveness, as well economic growth and it will improve the quality of life with the principles of sustainability in the long term.

EU membership implies introduction and compliance with the Entire EU legal heritage (Acquis Communautaire), access to development funds, participation in the joint budget, voting rights in the European Council, and representatives in the European Parliament as well as advocacy for interest on a global scale.

Of great importance is mobility of people that will, through entrance in the common European labor market, enable Montenegrin work force to compete on a market where annually more than million working positions are opened. In addition, free flow of capital does not contribute just to attractiveness to foreign investors, but to overall attractiveness of Montenegro as a destination. The possibility of offering and utilizing a variety of Montenegrin resources such as human capital, land, Adriatic Sea, geopolitical position and large natural riches, opens diverse opportunities for achieving economic welfare of Montenegrins. Taking into account that

However, given that all member states still have not finally confirmed a multi-year financial framework for this period, the amount is not official yet.

development and reach of high (elite) lifestyle (which is possible) in Montenegro requires capital, modern technologies and reasonable organization of Montenegrin society, by entering in the EU, Montenegro will have all of that at its disposal. Through inclusion in the joint European market with the free flow of capital, technology and labor force, Montenegro will howl its recession. With that capital available in the EU, Montenegro will gain access to opportunities for development to its full potential, and better and secure life of its citizens. Being part of a joint EU market additionally stimulates export potentials by raising standards of goods and services. Also, possibilities for cross-border, infrastructural and other projects will be open, which will tackle majority of Montenegrin problems. With the accession, positive effects will be achieved even within national security, economy and policy framework, due to EU membership that secures peace within Union and stimulates democracy principles, human rights and freedom of expression.

2.3 With the current crisis Montenegro's young economy might not be able to compete in EU market

One of the prerequisites for membership in the EU is for countries to meet the requirements of the effective market economy and to be competitive so that they can withstand the pressure of the common market. "The economic crisis has clearly underscored the importance of a competitiveness-supporting economic environment to better enable national economies to weather these types of shocks and to ensure solid economic performance going into the future".²¹

Considering the fact that Montenegro is getting closer to the European Union, which is both a challenge and a responsibility, the country has to work a lot on improving its competitiveness, in order not to come into a situation of not being able to compete in the EU market. This way

²¹ <http://www.weforum.org/pdf/Gcr/LisbonReview/TheLisbonReview2010.pdf>

Europe is not only a chance for Montenegrin economy in the term of a large market, but also represents its huge support. The primary objective of the Montenegrin economy is a long-term sustainable development of the country and reaching a certain level of the international competitiveness. Montenegrin economy will be able to operate on equal footing in the international market and achieve socio-economic benefits only as developed and competitive. On the global economic scene, the realization of business activities in the international market is a key element of that development. This applies particularly to the small countries such as Montenegro.

The country's competitiveness, in fact, represents its efficiency and ability to withstand the pressure of the common market. Montenegro's competitiveness and its economic entities determine its long-term development in the first place, as well as its integration into the EU. Bearing in mind the limitations regarding the size of the Montenegrin market, the competitiveness of its economy will compensate the magnitude of these weaknesses. Therefore, it is very important for Montenegro to position as recognizable by the provision of services, especially in the field of tourism.

Montenegro does not have enough experience in developing competitiveness, and this can affect the competitiveness of its economy. From that comes conclusion that Montenegro needs to improve its achievements and accomplishments in the field of factors which increase the productivity of the country and in this way it can become more competitive. To increase the competitiveness of the overall economy of Montenegro, it is necessary to work on the improvement of all the pillars of competitiveness. Although Montenegro has a certain macroeconomic stability, acceptable to tax system, implementation of the activities on the international market represents a special dimension in its development. As exports are the

separate dimension, it is necessary to pay attention to the factors that interfere with the expected contribution of exports to the economy. Primarily the high cost of labor and raw materials are directly determined by other problems referring to the lack of innovation and use of modern technology. Creating own competence means taking advantage of the opportunities openness and availability of various markets bring. The preparedness of business entities to conduct such activities on the international market shall protect Montenegro of the possibility that it might not be able to compete in the EU market.

In conditions of crisis Montenegro, as a small country with no experience, should recognize the necessity in providing the necessary conditions in terms of quality and prices of products and services, being informed about the international quality standards and modern marketing. Only in this way it can respond to the domestic market and to the common market of the European Union. It remains to Montenegro to improve the factors of competitiveness, which directly or indirectly affect its position on the international scene. It is clear that the European market is a big chance for Montenegro, and whether Montenegro will be able to compete, depends mostly on the transition period, the period of accession, the speed and the manner in which it will adapt and enhance its competitiveness.

Global trends of the world economy show that the markets which have the highest increase in the field of exports have the highest growth rate and that the technology becomes of a crucial importance. All this implies a need for stimulating the growth of exports and imports and the application of the technology or its creation for the sake of gaining competitiveness. Montenegro has already taken measures to enhance its competitive position. The objective of Montenegrin government is to improve its productivity and competitiveness through various policy initiatives. These included the developing of a business-friendly start-up environment, establishing efficient

and integrated financial markets. But, it still remains ensuring more and better jobs, modernizing social protection and social inclusion and enhancing sustainable development.

Yet, despite a progress, the crisis has exposed Montenegro's economy and called into question sustainability of its growth pattern and its ability to compete in EU market. It forces Montenegro to develop a growth model that it would drive to the next stage on its way of development and make it competitive in international environment. The global crisis has heightened the role of sustainability economy. To ensure sustainable growth and to be competitive in EU market, Montenegro must increase its productivity in the first place. It must also work on creating mechanisms that will contribute to its competitiveness. Enhancing productivity and competitiveness shall be the main directions of further development of the Montenegrin economy.

The period of Montenegro's accession to the EU can be utilized for developing competitiveness just before competing in the EU market. The foundations of development should be the pillars on which the state needs to work in order to increase its competitiveness. In addition, even though Montenegro and other Western Balkan countries have been undergoing the process of transition for years, many countries still treat them as cheap sources of labor and raw materials. So, Montenegro has to work very hard on building its image in the international market because it can be a major obstacle to building its competitiveness, especially if the competitiveness is built on non-price competition. Non-price competitions must be based on quality of not only the products and services, but also of the entire business process.

2.4 To what extent are the solutions optimal and relevant for Montenegro?

The competitiveness of the country represents the efficiency of the national economy to realize its activities in the international market under the direct influence of international competition. Montenegro has worked on the analysis and implementation of projects in various areas, such as standards, education, small and medium-sized enterprises, all in order to adapt and increase their competitiveness. It registered in the international competitiveness base, or in The Global Competitiveness Report published by the World Economic Forum, since the year of 2007.

According to The Global Competitiveness Report 2013-2014, in 2014 Montenegro improved its position for five places comparing to the year of 2013. Situated on the 67th place out of 148 countries covered in the survey, Montenegro is the leader of the region with an index value of 4.2 Competitiveness of 7 possible points in relation to Macedonia (73), Croatia (75), Bosnia and Herzegovina (87), Albania (95) and Serbia (101). Such results classify Montenegro in a second stage - in the group of efficiency-driven economies. At this stage, countries have the basic infrastructure, institutions, have the appropriate level of education and health care and are relatively stable macroeconomic. Despite the achieved development, to improve its competitiveness, Montenegro has to work on certain elements. The impact of the crisis is being felt throughout the region, which caused conditions of low level of income and investments and high and rising unemployment rate, or in other words, the conditions of low level of competitiveness in the Western Balkans. Still, some positive developments have been achieved and further development requires focus on the following components.

Figure 1: Montenegro's stage of development



Source: The Global Competitiveness Report 2013-2014

To compensate for the problem of market size, Montenegro should use export as a substitute for domestic demand. To be able to compete in the EU market, to make its exports possible, it needs to work on specific components. Firstly on labor market efficiency and goods market efficiency. Improving these components of development of the Montenegrin economy will contribute not only to the quality of products and services, but also to the image of Montenegro in the international market. In this context, policymakers must implement structural reforms to ensure that Montenegro can provide a prosperous environment and employment for its citizens. By eliminating barriers of labor market, youth unemployment shall be reduced. Montenegro's labor force must be prepared for the challenges of a much more competitive international economy and it requires improving skills. Goods market efficiency is needed to produce goods and deliver services that meet a compelling need of international markets. Special attention must be paid to

the qualitative aspect of development, because it is a requirement not only for integration into the European Union but also for the long-term improvement of the quality of life.

For a small country like Montenegro, innovation and technology readiness can help strengthening the country's competitiveness. Not only it can provide huge payoffs in terms of growth and high-wage jobs, but also directly contribute to the productivity of its industry, representing industry-wide enabling infrastructure. Readiness of innovation and technology is especially emphasized. The country does not have to have a high level of technological development within its borders, but it is important to have the ability to absorb them and to use them in the open market. Foreign direct investments play the key role in this. What country can provide is a favorable investment climate and a support to the technology readiness.

The quality of institutions has been a central driver of productivity and economic growth, but without higher productivity, future growth will be dependent on a capital and it will be more difficult to access than it used to be. Enhancing productivity and competitiveness must be the most important direction for further development of Montenegro's economic policy. The factors of productivity are typical factors of comparative advantages and competitiveness. Clustering of businesses can contribute to increasing the productivity of the country, because in that way the problems of fragmentation and lack of production capacities can be eliminated. Setting production standards is also an important factor to increase productivity because the standardization promotes mutual cooperation. To strengthen the competitiveness of Montenegro, it is preferably needed to work on the construction of motorway physical infrastructure (roads and railways), modernization of tourist facilities, as well as on limited factors such as innovation and technology, funding for research and development, consumer protection in compliance with EU standards and implementing the quality standards. The slowness of technology and

knowledge transfer as well as the continuation of the economic crisis could represent a possible threat to the competitiveness of the Montenegrin economy. On the other hand, EU integration increases the demand for products and services, and opportunities for the production and export of traditional products, organic foods and medical herbs can represent an opportunity for the development of Montenegrin economy and gaining competitive advantage in the international market. Creating new and strengthening existing manufacturing brands can significantly contribute to strengthening the image of Montenegro in the international market.

Maintaining and raising growth potential will require macroeconomic stability of Montenegro's economy. It includes sustainable fiscal position, reducing public debt, creation and implementation more export-oriented growth strategy in the areas of tourism, energy, food and other Montenegro's comparative advantages, then labor market, greater connectivity and improvement of investment climate. Domestic policies and reforms have a key importance for maximizing membership benefits.

III THE NEGOTIATION PROCESS

European integration of a country implies accession negotiations, specifically negotiations about the conditions under which a candidate country access to the European Union and its founding treaties, which, upon completion of negotiations, are determined by an international agreement between the EU member states and candidate countries, so-called *Accession Treaty*. Membership in the European Union is depended on the acceptance of all the rights and obligations on which the European Union and its institutional framework are covered by the term *acquis communautaire*.

The most important elements of *acquis communautaire* are:

- Primary legislation – Contracts;
- Secondary legislation - regulations, directives, decisions, recommendations and opinions;
- Other sources of law - the European Court of Justice, the general principles of law, international treaties;
- Other acts - resolutions, statements, recommendations, guidelines, joint actions, common positions, etc.

The Acquis is divided into 35 chapters, which are also considered as negotiation chapters. By entering into the European Union each candidate state is obliged to take over the entire acquis of the European Union and needs to be capable for its effective implementation. In connection with the implementation of the Acquis it is possible to request a transitional period, more precisely, an additional period of time for full harmonization of national legislation with the acquis of the European Union in a particular area and after accession to the European Union. The same is possible only if the transitional period does not violate the freedom of competition or affect the

functioning of the internal market of the European Union. In addition, in certain cases, the candidate countries have been granted exceptions such as permanent derogations from the application of the achievements in a particular area if they are not relevant to that country.

The Course of negotiations follows the formal opening on the Intergovernmental Conference by sharing general negotiating position of the EU and the candidate country, and followed by a meeting of the explanatory and bilateral screening. More specifically it is the analytical review and assessment on harmonization of national legislation of the candidate country with the EU acquis. Firstly the candidate country gets familiar with the acquis communautaire, and then, at the bilateral meeting the representatives of Member States assess the level of readiness of the candidacy country and get familiar with their plans for future preparation and obtain preliminary indications of issues that will likely arise during the negotiations.

The Screening is provided for each chapter individually, except for Chapter 34 - Institutions and Chapter 35 - Other issues. After the bilateral meeting, the Commission makes a report about screening and represents it by the Council. In the report, the EC gives the opinion, is the chapter ready for opening the negotiations or are there essential benchmarks for the opening. In another case, a candidate is required to prepare negotiating positions which sets out how it intends to adopt and implement the acquis communautaire, with description of administrative capacity. Then the common positions of EU have to be adopted by the Ministers Council, on the basis of the draft of negotiating positions that is proposed by the European Commission taking into account the negotiating positions of the Member States.

The European Union Council is obliged to decide about opening chapters for each chapter individually depending on the assessment of readiness of the candidate country. With the opening of negotiations on individual chapters begins the negotiation on conditions under which a

candidate country has to accept and implement the EU acquis in the chapters, including an interim period that is requested by the state candidate.

After reaching an agreement between the European Union and the candidate country on particular chapter, the chapter should be temporarily closed until the signing of the Accession Treaty. If it doesn't fulfill previously agreed preconditions, then there is possibility of re-opening chapter. Once the negotiations have been temporarily closed to all chapters, the European Council in its conclusions usually marks the end of negotiations with the candidate countries.

3.1. Negotiation Chapters

Following the decision of European Council on 9th December 2011, Montenegro has undertaken activities to further phases of EU integration. Under the Decision of Government of Montenegro on 2nd February 2012 (Official Gazette of Montenegro no. 9/12), a structure for the negotiations on the accession of Montenegro to the EU is established, which is composed of the following bodies:

1. Collegium for negotiations on Montenegro's accession to the EU, which consists of the Prime Minister; Deputy Prime Minister ; Minister of Foreign Affairs and European Integration; Deputy Prime Minister for political system, internal and external policies; Deputy Prime Minister for economic policy and financial system and the chief negotiator for conducting negotiations on the accession of Montenegro to the EU. In addition, in the work of this collegium also other ministers can participate.
2. State delegation of Montenegro for the accession negotiations of Montenegro to the EU, which consists of the head of state delegations - Minister of Foreign Affairs and European Integration, Deputy Head of the delegation - the chief negotiator, Deputy Chief

Negotiator, Head of Mission of Montenegro to the European Union and the Secretary of the Negotiating Group. The work of the delegation is focused on the management of direct political talks and negotiations with the Member States and the institutions of the European Union, as well as on monitoring the development of the negotiation chapters. In accordance with the guidelines for the negotiations adopted by the Government of Montenegro, this body is required to submit to the Government a report on the state of negotiations after each meeting of the Intergovernmental Conference between Montenegro and the EU member states at the ministerial level, as well as to submit special reports, if requested by the Government.

3. Negotiating Group to conduct negotiations on the accession of Montenegro to the EU, which is responsible for the expert and technical piece of legislation.
4. Working Group for the preparation of negotiations on the accession of Montenegro to the EU by the individual chapters of the Acquis EU - participate in the screening and assessment of compliance legislation in Montenegro with EU acquis (screening), as well as in drafting of negotiating positions, with the support of state administration and other agencies and institutions. In Montenegro, there are designated members for all 35 chapters, which consist of representatives of different institutions related to the concerned legal framework. Each working group consists of group chief operating groups (mainly general manager/deputy minister) from the relevant Ministry, Secretary Working Group (representatives of the Ministry of Foreign Affairs and European Integration of Montenegro) and other members representing various governmental and non-governmental sectors;
5. The Office of the Chief Negotiator for negotiations on the accession of Montenegro to the EU - performs expert and administrative and technical support for the chief negotiator;

6. The Secretariat of the Negotiating Group - coordinates all tasks and duties arising from the accession negotiations of Montenegro EU. In addition, according to decisions of the Government, the Secretary shall prepare an analytical review and assessment of the conformity of legislation of Montenegro with EU acquis and prepares reports on the progress of negotiations. In addition, the Secretariat conducted technical processing and preparation of the basis for the work of the working group for the preparation of negotiations on individual chapters, technical preparation of the draft negotiating positions, preparation of meetings of the delegation and the Negotiating Group and coordinates the use of a database to monitor the negotiations. In addition, the Secretariat performs other administrative and technical tasks related to the negotiations as directed by the chief negotiator and Secretary of the Negotiating Group.

3.1.1. The current state of the negotiation chapters

The current state of Montenegro in terms of chapters is described below. The European Commission has provided benchmarks for the opening six chapters in the negotiations of EU and Montenegro, which must be met to be able to access their opening. Opening benchmarks have been set for chapters dedicated for free movement of goods (Chapter 1), right of establishment and freedom to provide services (Chapter 3), competition policy (Chapter 8), agriculture and rural development (Chapter 11) and regional policy and coordination of structural instruments (Chapter 22). In the screening report, European Commission has judged that the Montenegrin legislation is partly in accordance with the *acquis communautaire*, or has reached a low level of compliance with the *acquis* of the European Union in these mentioned areas.

Momcilo Radulovic, ambassador to the European Union in Montenegro, said that "*These are voluminous and difficult chapters, and billing of additional criteria for the opening chapter is a*

normal and expected part of the negotiation process." Generally we are talking about a set of tasks (which refer to the adoption of certain strategies or legislation / laws that transpose the Directive / Regulations into national legislation) that must be met by a certain time.

In addition to these chapters in the "Priorities for the 2014" European Commission has assessed that there is a possibility of opening additional six chapters, while the two chapters relating to *institutions* and *other issues* will be analyzed at the end of the process.

Consideration of Chapter 17 - Economic and Monetary Union is forthcoming, while Chapter 23 - Judiciary and fundamental rights and Chapter 24 - Home Affairs were proposed to open by the EC on 18th December 2013. In the Report, European Commission stated that "Attacks on journalists are a cause for serious concern and should be investigated and prosecuted," so that it is necessary to put efforts in the implementation of the measures from the Action Plan in order to advancing the fight against corruption and organized crime. On the same date the European Commission has announced the opening of Chapter 5 – Public procurement, Chapter 6 – Company law and Chapter 20 – Enterprise and industrial policy.

Chapter 20 - Enterprise and industrial policy is one of the chapters that is technically ready for opening. "Other chapters are those for which Montenegro has already submitted a negotiating position, these are related to public procurement law on companies, intellectual property and information society and media. But the precise timing of the opening of this chapter will depend on the finalization of the common position of EU" said Mr. Peter Stano, Spokesperson of the EC. Peter Stano is a Spokesperson of Štefan Füle, Member of the EC in charge of Enlargement and European Neighborhood Policy.

When it comes to Chapter 25 - Science and Research , and Chapter 26 - Education and culture , they are temporarily closed since Montenegro align its legal system by agreement with the functioning of the European Union and adopted objectives, policies and priorities of the European Union in this field. In addition, Montenegro has accepted participation in the Framework Program for Research of the European Union - FP7 and expressed its intention to participate in the new Framework Program HORIZON 2020, as well as to contribute to the activities of the European Union, which are determined by an agreement on the functioning of the European Union. The documents of the European Commission relating to chapter 25, states that Montenegro "accepts the *acquis communautaire* in the areas of science and research and education and culture," noting that "until the moment of accession to the EU there shouldn't be any expected difficulties in the implementation of European legislation in the framework of this chapter ". Also, by the EC, it was announced that "Montenegrin institutions of higher education has a large extent exploit of capabilities of Tempus, Erasmus Mundus and Jean Monnet. Capacity of academic and administrative staff has been significantly improved through projects and cooperation with higher education institutions from the EU and the region. In addition, there were created a framework for improving cooperation at the local, regional and international levels, and as well the acquisition of modern equipment, new teaching materials and improving teaching methods, have significantly improved working conditions at higher education institutions. Montenegro has expressed willingness to participate in the Lifelong Learning Program (LLP), as well as to sign a Memorandum of Understanding to participate in the centralized actions of the Lifelong Learning Program."

For the purpose of greater clarity, below is a detailed overview of the negotiation progress.

Table 2: Negotiation progress: Montenegro to the European Union

ACQUIS CHAPTER	EC assessment at start	Screening started	Screening completed	Chapter opened	Chapter closed
Chapter 1: Free movement of goods	Considerable efforts needed	14/01/2013	06/03/2013		
Chapter 2: Freedom of movement for workers	Further efforts needed		07/06/2013		
Chapter 3: Right of establishment and freedom to provide services	Further efforts needed	23/10/2012	30/11/2012		
Chapter 4: Free movement of capital	Further efforts needed	18/01/2013	21/02/2013		
Chapter 5: Public procurement	Further efforts needed	27/09/2012	19/11/2012	18/12/2013	
Chapter 6: Company law	Further efforts needed	02/10/2012	22/11/2012	18/12/2013	
Chapter 7: Intellectual property law	Considerable efforts needed	11/10/2012	21/11/2012		
Chapter 8: Competition policy	Further efforts needed	03/10/2012	04/12/2012		
Chapter 9: Financial services	Further efforts needed	17/04/2013	11/06/2013		
Chapter 10: Information society and media	Further efforts needed	06/12/2012	22/01/2013		
Chapter 11: Agriculture and rural development	Considerable efforts needed	06/11/2012	13/12/2012		
Chapter 12: Food safety, veterinary and phytosanitary policy	Considerable efforts needed	15/10/2012	01/02/2013		
Chapter 13:	Considerable	14/03/2013	06/06/2013		

Fisheries	efforts needed				
Chapter 14: Transport policy	Further efforts needed	22/04/2013	30/05/2013		
Chapter 15: Energy	Further efforts needed	27/02/2013	11/04/2013		
Chapter 16: Taxation	No major difficulties expected	08/04/2013	30/04/2013		
Chapter 17: Economic and monetary policy	Further efforts needed	11/01/2013	25/02/2013		
Chapter 18: Statistics	Considerable efforts needed	03/06/2013	25/06/2013		
Chapter 19: Social policy and employment	Considerable efforts needed	23/01/2013	13/03/2013		
Chapter 20: Enterprise and industrial policy	No major difficulties expected	25/10/2012	28/11/2012	18/12/2013	
Chapter 21: Trans-European networks	Further efforts needed	22/04/2013	30/05/2013		
Chapter 22: Regional policy and coordination of structural instruments	Considerable efforts needed	14/11/2012	18/12/2012		
Chapter 23: Judiciary and fundamental rights	Considerable efforts needed	26/03/2012	31/05/2012	18/12/2013	
Chapter 24: Justice, freedom and security	Considerable efforts needed	28/03/2012	25/05/2012	18/12/2013	
Chapter 25: Science and research	No major difficulties expected	24/09/2012	25/09/2012	18/12/2012	18/12/2012
Chapter 26: Education and culture	No major difficulties expected	26/09/2012	16/11/2012	15/04/2013	15/04/2013
Chapter 27:	Totally	04/02/2013	22/03/2013		

Environment	incompatible with acquis				
Chapter 28: Consumer and health protection	Further efforts needed	19/02/2013	16/04/2013		
Chapter 29: Customs union	No major difficulties expected	24/05/2013	21/06/2013		
Chapter 30: External relations	No major difficulties expected	14/05/2013	12/06/2013		
Chapter 31: Foreign, security and defense policy	No major difficulties expected	17/05/2013	27/06/2013		
Chapter 32: Financial control	Considerable efforts needed	16/05/2013	19/06/2013		
Chapter 33: Financial and budgetary provisions	No major difficulties expected	15/05/2013	26/06/2013		
Chapter 34: Institutions	Nothing to adopt				
Chapter 35: Other issues	Nothing to adopt				
PROGRESS		33 out of 33	33 out of 33	7 out of 35	2 out of 35

Source: http://en.wikipedia.org/wiki/Accession_of_Montenegro_to_the_European_Union

To end the negotiations, it is necessary to close a total of 35 chapters, which will be a process that, according to expert estimates, will not end before 2020. According to unofficial information, in communication with members of the working group, it is known that the Montenegrins were initially too optimistic by believing that they will become members of EU in 2018.

However, the European Commission predict that 2020 would be the optimal year for the official signing of the Accession Treaty considering the challenging process and upcoming activities

related to the closing of negotiation chapters. This was stated as well by Mrs. Marta Garcia Fidalgo, DG Enlargement, on an explanatory screening meeting for Chapter 1 - Free movement of goods. Also, Mr. Eduard Kukan, Head of Delegation of the European Parliament for Relations with Montenegro said that will be needed 8 to 10 years that Montenegro became part of the EU.

This is not something that should be discouraging. On the contrary, Montenegro faces with a long process, a process that involves changes and these changes themselves require a long period of time to take place. In order to speed up this long process, it is necessary to work on expansion of administrative capacities in certain areas and strengthening of inter-sectoral relations between institutions and government bodies. Special attention should be devoted to Secretariat for legislation, considering that this body has only 3 employees. Having in mind enormous number of legal documents that have to be inspected and commented before adoption, it is physically impossible to fulfill all forthcoming obligations with such small capacity. Additional problem for negotiation structures, in terms of regulations that need to be introduced in the Montenegrin legislation, is EU terminology. Since Montenegrin language lacks huge number of EU terms and phrases, and doesn't have adequate translations synonyms, Secretariat for legislation often disputes the procedure of adoption of legal acts due to lack of understanding of essence of certain legal clauses. To resolve this issue, a special team of experts needs to be formed, which will provide support to the employees of the Secretariat, thus helping speed up the process of negotiations.

3.1.2. The Program of Accession

Montenegro's Program of accession to the European Union for the period 2014-2018 is a multi-year strategic document that needs to respond to the needs of the negotiation process. More specifically, it is a document that represents a comprehensive table of the existing and planned strategic and legislative framework including the necessary administrative capacity for their development and implementation. The document aims to efficiently track the percentage of their achievement in the areas that are of interest for accession, and after the adoption - in the implementation phase, to be an efficient mechanism for data collection, reporting and further planning and reviewing the activities of state bodies. The Montenegrin government has adopted on 1st august 2013 the Information on the development of the Program of accession to the European Union for a period 2014-2018, while the document was adopted on 26th December 2013. In addition, the Program will be significant when it comes to programming the IPA funds, as well as for setting priorities for employment and strengthening the administrative capacity of the state administration.

The Program of accession was preceded by the National Program for Integration of Montenegro into the EU (NPI) for the period 2008 – 2012 which were adopted by the Government of Montenegro at the meeting held on 21 June 2007, and which also represented the national plan for alignment with the *acquis communautaire* and the basis for the reform activities and development of the annual work program of the Government.

The methodology of this Program is reflected in inputs of members of the working group for singles 33 chapters. Specifically, the structure of Montenegro's Program of Accession is made by heads of working groups for negotiation, the members of the negotiating groups, as well as members of the Committee for European Integration. In the drafting of the Program were

involved representatives of the Secretariat for Legislation and the Administration staff also. They were required to assess compliance of the existing strategic and legal framework with the EU acquis, as well as to assess the financial aspect of the additional costs necessary for the development and implementation of the existing / future legislative framework. On the basis of direct contact with a certain number of members of working groups, it is known that most of them are faced with the problem of financial resources estimates for the period from 2014 to 2018, since budget planning in Montenegro is based on an annual basis in contrast to the European annual financial specification. In addition, difficulties in planning administrative framework also occur because of the uncertainty of funds for the long term. In addition, the internal intergovernmental agreements on taking responsibility in certain areas are still an open question for a number of legal acts. In order to increase the resolving outstanding issues and ambiguities in the drafting of the document, the Government of Montenegro has established a working team of 5 members which includes an experienced expert from Slovenia who helps in the efficient preparation of the document. There are also many seminars and training sessions to train relevant stakeholders in preparation of this document to reflect the importance of the document and comply with deadline for adopting this strategic document. As an additional tool in making this document was used a Portal of Montenegro's accession to the EU in an electronic version of the entire contents regarding Montenegro and the EU. Specifically, it contains a detailed review of all relevant documents (contract, regulations, decisions etc.), including details about negotiating chapters (Decision on appointment of working groups, video recordings of the explanatory and bilateral screening meetings, reports of the EC etc.) as well as review of the relevance of all CELEXes and names of competent persons for implementation these CELEXes.

This strategic document contains 527 pages and almost 48 thousand regulations of an accession program and represent the current status of strategies, programs and action plans, laws and regulations that are currently in force and are related to legal achievements of the EU, as well as an overview of all future actions, plans, and commitments with clearly defined deadlines and responsible institutions to 2018.

Reflecting on the above mentioned, we can conclude that this Program will facilitate monitoring of the degree of fulfillment of strategic objectives, and provide a realistic picture on how Montenegro has progressed in the previous period. Rapid progression will be easier to achieve if the state starts cooperating with civil society organizations and citizens that can provide bottom-up feedback, and in that way help fulfill the tasks and challenges that await Montenegro on its European path. So far, Montenegro has made significant progress in the negotiation process, and with this strategic document, Montenegro can achieve faster and systematic full compliance and eligibility for membership in the European Union.

IV PRE-ACCESSION ASSISTANCE FOR MONTENEGRO

The path to full membership of European Union requires overall political, economic and institutional-legal reforms which is stipulated by the European Union. In this way, countries achieve long-term sustainable economic development, which is reflected in territorial planning, growth, competitiveness and in increasing the employment rate. In order to successfully implement the negotiations and achieve a certain level of development of a country that meets the criteria for the entrance, the European Union's countries that are in the phase of pre-accession EU integration are able to use the pre-accession funds to finance development projects in their countries.

Until 2007, Montenegro has enjoyed in the pre-accession assistance funds from the CARDS program (Community Assistance for Reconstruction, Development and Stabilization), which was intended solely to potential candidate countries at that time. Allocation of this program was conducted through the European Agency for Reconstruction (EAR) and the areas of transport, energy, health, transportation, education, small and medium enterprises and local governments.²²

²² The total budget for the provision of assistance under the CARDS program amounted to 4.65 billion Euros in the financial perspective 2000-2006. This program was divided into two sub-programs: national and regional. National CARDS program was related to Albania, Bosnia and Herzegovina and Croatia and managed by the European Commission, while the Regional CARDS was managed by the European Agency for Reconstruction, referring to Serbia and Montenegro, Macedonia and Kosovo. CARDS funds for Serbia and Montenegro amounted to 49.7% of the total funding of the program, (more precisely 2547.8 million Euros), while for Macedonia the amount was 298.2 million Euros and for Kosovo 205.5 million Euros.

The total allocation of funds from the CARDS program for Montenegro amounted to EUR 277.2 million in the period 1998 - 2006, whereby investments were mostly done in public administration reform and build institutions, economic reconstruction, recovery and reform, in social development and civil society.

CARDS program and other assistance programs are replaced by IPA funds in the financial perspective 2007-2013. In the period 2000 to 2006, the countries in the EU accession process were available to use four financial instruments: PHARE (Pologne et Hongrie - Aide à Restructuring Economique), SAPARD (Special Accession Programme for Agriculture and Rural Development), ISPA (Instrument for Structural Policies for Pre-Accession) and CARDS (Community Assistance for Reconstruction, Development and Stabilization). Of all pre-accession programs in the Financial Perspective 2000-2006. Montenegro has had access to funds of CARDS program through the European Agency for Reconstruction (EAR).

Pre grant funding for the period 2007-2013 (IPA funds) with a total budget in the amount of EUR 11.468 billion is available to candidate countries and potential candidates through 5 components: Component I - Institution building and support the transition; Component II - Cross-border cooperation, Component III - Regional Development, Component IV - Human resources Development, Component V - Rural Development. Funds of the first two components are available to potential candidates while the remaining three components are available to candidate countries.

Below is a detailed table of the Instrument for Pre-Accession Assistance per year, which are available to Montenegro in the framework of the financial perspectives 2007-2013.

Table 2. Pre-Accession Assistance for Montenegro, period 2007-2013, (mill EUR)

<i>Component/Year</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>TOTAL</i>
Comp I	27.490.504	28.112.552	29.832.179	29.838.823	29.843.599	16.346.471	5.238.958	166.703.086
Comp II	3.909.496	4.487.448	4.667.821	3.682.690	4.310.344	4.588.551	4.418.687	30.065.037
Comp III	0	0	0	0	0	8.000.000	15.200.000	23.200.000
Comp IV	0	0	0	0	0	2.800.000	2.957.077	5.757.077
Comp V	0	0	0	0	0	3.300.000	7.600.000	10.900.000
TOTAL	31.400.000,00	32.600.000,00	34.500.000,00	33.521.513,00	34.153.943,00	35.035.022,00	35.414.722,00	236.625.200,00

Source: *Revised Multi-Annual Indicative Financial Framework for 2012-2013*; Brussels, 12.10.2011; COM (2011) 641 final

Montenegro, in order to implement the project proposals that are listed in multi-annual indicative financial plan and other strategic documents, actively use the first two components, and on the other hand, work on obtaining the accreditation to establish a decentralized system for managing projects that are funded by EU funds. With the establishing of this decentralized system, Montenegro will have access of the remaining three components of EU funds.

Based on information about the support programs of the European Union to Montenegro which is prepared and published by the Ministry of Foreign Affairs and European Integration of Montenegro in December 2012, it is known that Montenegro was granted 245 million EUR within the financial period 2007 – 2013.

When it comes to component I - 99 national projects with a total value of EUR 245,344,313 were financed by the EU with a grant of financial assistance of EUR 152,245,105 and with the national participation in these projects of EUR 93,099,207 for now.

This data shows that Montenegro has a serious approach to institutional building and harmonization of national legislation with the EU since the development projects which are

financed under this component are mainly focused on the harmonization of legislation, justice and internal affairs, environment and climate change, as well as traffic, public administration reform and social development.

On the other hand, Montenegro has made considerable efforts in establishing a decentralized management in accordance with the steps that are defined in the roadmap for establishment of the system. Montenegro has already set up the operating structure for all IPA components, whereby the national accreditation and submission of applications for the transfer of responsibility for the management of IPA for Component I and II is ended on 31st July 2012 (4th step of the roadmap). Also, the mission of the European Commission auditors checked the ability of the operators during the period of 15th - 19th April 2013 in order to fulfill the last step of the roadmap and prepare a formal Commission decision on the establishment of decentralized system management for IPA Components I and II in Montenegro. On the other hand, for the IPA components III and IV is delivered a final report of auditors as the ultimate opinion on the readiness of the national structure for the national accreditation, and in connection with that is submitted the accreditation for transfer of responsibility for the management of IPA components III and IV. At the end of 2013 is expected to establish a centralized system for these two components in Montenegro too

Preparation of a new financial perspectives for the period 2014-2020 - IPA II is in progress. IPA II is a continuation of the pre-accession EU assistance for candidate countries and potential candidates for membership in the European Union. The indicative financial budget of IPA II at the level of the beneficiary countries is EUR 14.1 billion. Montenegro is making great efforts to increase administrative capacity in order to increase further absorption of the available funds in terms of IPA II. If the level of using the funds for the coming seven-year financial perspective is

at a satisfactory level, it will affect in increasing the speed of integration of Montenegro into the EU.

To develop the priority sectors in Montenegro and to increase the number of activities for improving of current situation, many of plans and further activities in national strategic documents are consistent with the financial perspective 2014 - 2020, which will have an additional impact on achieving specific goals of Montenegro that are in accordance the objectives defined in the Strategy „Europe 2020“.

Additionally, the programming of IPA II for the period 2014-2020 will be adjusted to the strategic goals and efforts of Montenegro to join the EU. In accordance with that, it is planned that IPA II provides support in the area of Justice and Home Affairs, especially in terms of implementation of Action Plans for Chapters 23 and 24. Furthermore, IPA II will continue to support Public Administration Reform in Montenegro, as well as provide assistance with the overall process of alignment with the EU Acquis, by addressing needs identified in the screening process.

Taking into account the chapters planned under IPA II program that relate to 1. Smart and inclusive growth; 2. Sustainable growth; 3. Security and citizenship; 4. External relations of the EU and 5. Administrative costs of European institutions²³, Montenegro will achieve remarkable results if it continues with the same speed as so far, and in this way will prove its readiness for using the Structural Funds and the Cohesion Fund as a member of the European Union in future.

Structural Funds of the European Union can be defined as the future (national) IPA funds whereby it is already necessary to pay special attention to potential final beneficiaries of the

²³ http://ec.europa.eu/europeaid/how/finance/mff/eu-budget_en.htm

Structural Funds. More specifically, it is necessary to start with education of potential users because of complex requirements for preparation and implementation of infrastructure projects.

Therefore, it is recommended to pay attention to local governments and public companies, as potential final beneficiaries of structural funds, in a way that already in the pre-accession phase steps are made aiming their awareness raising on importance of funds, their purpose and way of functioning.

When observing participation of state institutions, local self-governments and other civil sectors and organizations in the implementation of EU regional policy in Montenegro, a tendency of higher participation can be noticed, which directly influences increase in absorption of EU funds. Positive results have been achieved in the so far realized activities, and especially in development of public infrastructure, productivity and competitiveness, accumulation of economic resources, use of natural resources, as well as in harmonization of national legislation with EU Acquis.

For further development and progress, one of key recommendations of this paper is further improvement of know-how of people employed in operational structures of public administration for all activities related to IPA funds and other EU funds, and development of system, for improved motivation of these employees. Also important is exchange of information between all relevant actors in the government and society in order to identify and draft appropriate project ideas in line with Montenegrin and EU strategic documents. This will contribute to design of appropriate programming ideas, and later on to successful implementation of development projects financed by pre-accession funds. Therefore, of great importance is knowing of procedures in project cycles of EU financed initiatives, or, in other words, existence of officers specialized in issues of programming, implementation, irregularities,

risk assessment and project monitoring. After introduction of decentralized implementation system (DIS) they will be key factor for high level of utilization of available funds allocated to development projects and development in general in Montenegro. And if such development is achieved, then Montenegro's integration process will be significantly accelerated.

V CONCLUSION

Previously analyzed five chapters are illustrating a summary of the current state of Montenegro in the process of integration, analyzing in detail the importance of joining Montenegro in the European Union, as well as from the perspective of the EU and the perspective of Montenegro in the negotiation process, also by utilization of available funds from the EU pre-accession assistance and the potential model of Balkan sextuplets as a method of joining the European Union. Based on that, this paper aims to give an integrated picture of the position of Montenegro on the road to the European Union and the assessment of the efficiency of the accession to the EU. Regarding to this, final part, besides already stated personal comments sections, will be supplemented with recommendations for further development of Montenegro in order to accelerate the process of integration into the EU.

Montenegro as a candidate for full membership in the EU has already done a several steps to move closer to its strategic goal, which are reflected in becoming a member of the EU. But still, as a small economy, Montenegro is facing with numerous internal problems where solving the same represent a precondition for further progress. One of the major problem with whom Montenegro is facing with is reflected in undeveloped public infrastructure, especially road infrastructure which has resulted in the underdeveloped Northern region which drastically lagging behind from the central and coastal region.

Unfortunately, Montenegro is not able to provide funds for large infrastructure projects from its own resources in aim to overcome this strategic problem. Accordingly, Montenegro needs to focus on external sources of financing, especially on the available EU funds, as well as to

consider partnerships with the private sector and investments through Public Private Partnership model.

Additionally, development projects besides financial resources, also requires an adequate level of human resources in order to set up an important segment of sustainability especially in less developed areas of Montenegro. A key issue in the context of human resources is reflected in the fact that there are relatively good opportunities for education but at the same time there is a problem of outflow of educated people and a problem of long-term unemployment due to mismatch between supply and demand in the labor market as well as the inconsistency of educational programs with the projected needs of the economy.

Possible solutions of this problem could lies in retraining programs, opening new educational institutions and programs, and investing in lifelong education. Additionally, strengthening the administrative capacity at local and national level especially through trainings on EU funds, which can have directly affect on the increase the absorption of EU funds, is from the great importance. Thereby, it has been recognized the need to bear in mind that EU funds are a significant source of funding for development activities, but from public sources they are also required.

Regarding to the public infrastructure, it is necessary to make reviewing and defining the development priorities of Montenegro, proceeding from the "bottom-up" approach through better links between local and regional development needs, as well as harmonization with EU objectives and thematic multi-annual financial framework 2014-2020. This includes the encouragement of competitiveness and the development of individual integrative development projects (for example: clusters) as well as the development of individual projects that are based

on Multi-Municipal Cooperation. Related to this, the optimal level of development of Montenegro will be achieved, and also, the same will have an impact on attracting investment, improving the productivity, developing innovation and economic growth.

Taking that into the consideration, the readiness of Montenegro for EU accession is measured by solving internal economic and social problems with the full harmonization of national legislation with the EU Acquis. So far there are made visible steps that have had a direct influence on the development of Montenegro. However, Montenegro is still facing with enormous moves in the context of European integration until the end of the 2020 when it is estimated that Montenegro will join to the European Union. So far it can be said that Montenegro is on the right track and if she continues with the same rhythm, putting emphasis on the earlier defined priorities, Montenegro will ensure a smart, sustainable and inclusive growth, as well as a safe and stable process of European integration.

RECOMMENDATIONS

- ✓ Pay attention to the weaknesses and threats in the SWOT analysis, which are discussed in the first chapter of this paper, and on the other hand, utilize analyzed opportunities and enhance the advantages of Montenegro in the coming period;
- ✓ Increase the utilization of natural resources and potentials of Montenegro;
- ✓ Montenegro should invest in research and innovation and private sector development in order to ensure sustainable economic growth, as well as to comply with the economic criteria for membership to the EU;

- ✓ Opening new educational institutions and programs, and investing in lifelong education in order to prevent the outflow of educated population;
- ✓ Establish a contractual partnership between different levels of government and organizations (public, private and NGO) and manage the implementation of certain projects on a functional level;
- ✓ Define operational objectives (priorities), by the "bottom-up" approach, in order to overcome regional disparities within the country;
- ✓ Montenegro should follow the recommendations of the European Commission as promptly as possible to fulfill obligations / opening benchmarks in order to accelerate the progress of Acquis Chapters;
- ✓ Montenegro needs to focus on the process of legislative alignment with the EU acquis, as well as to ensure its implementation and enforcement by ensuring the necessary administrative capacity and mechanisms including the local and regional level;
- ✓ Increase the number of employees in the Secretariat for Legislation and engagement of additional experts in order to accelerate the process of preparation and adoption of legal acts;
- ✓ Application of best practice from Croatian as a neighboring country that is a member of the European Union from 1 July 2013
- ✓ Intensify activities under Chapter 27 - Environment given that the compliance of legislation in this area is the lowest in comparison to other Chapters;
- ✓ Strengthen the development of internal market in line with EU requirements (in the area of free movement of goods and services, intellectual property and protection of competition), to enhance the development of legal and institutional infrastructure for industrial policy and foreign investments,

- ✓ The electronic Portal of Montenegro's accession to the EU which was used for the creation of the Program of accession should be updated regularly in order to effectively monitor the progress of negotiations;
- ✓ Introduction of Decentralized Implementation System (DIS) of EU funds management and strengthen the administrative capacity at local and national level in order to increase the absorption of EU funds for development projects, especially in less developed municipalities;
- ✓ Strengthen cross-border cooperation to achieve common goals and priorities identified in the SEE region.

SUMMARY

All policies, initiatives and ideas of accession countries are directed towards the European Union. With the safe development and enlargement, European Union is the world's center of peace and stability.

For Montenegro, as a small open economy in the Western Balkans, which tends to become part of a unique political, economic and cultural market, entrance into the EU is a strategic goal from independence gained in 2006.

Within the framework of the process of European integration, Montenegro unifies all resources that are still significantly underdeveloped thus creating better options for their absorption and further development.

In accordance with the previous, the key issues that are analyzed in this paper are the following: In what way and at what "speed" is Montenegro working on the process of EU integration? With what kind of problems and challenges Montenegro is facing? What methods in the context of European integration Montenegro is using? To what extent are the solutions optimal and relevant for Montenegro?

Key words: integration, candidate, negotiation, accession, Montenegro, European Union

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- **Additional sources**

Direct contact with members of working groups for negotiation Montenegro - EU

ANNEXES

ANNEX 1

Chronology of relations between Montenegro and the EU - IMPORTANT DATES

DATE	EVENT
27/6/2013	The Government adopted actions plan for 2014 on Chapter 23 and 24
27/6/2013	Completed the process of screening for negotiation chapter 33s.
26/6/2013	The second meeting of the Joint Consultative Committee between Montenegro and the EU, in Podgorica
4/6/2013	The second meeting of the Joint Consultative Committee between Montenegro and the EU In Podgorica,
15-18/ 4/ 2013	European Parliament adopted a resolution on the progress of Montenegro where was recognized the significant progress of Montenegro in the European integration process and its leading role in the region in this area
15/4/2013	The first official visit of EU High Representative for Foreign Affairs and Security Policy Catherine Estonia in Montenegro
15/4/2013	Officially opened and provisionally closed Negotiation chapters 26 - Education and Culture
29-30/ 4/2013	The sixth meeting of the Parliamentary Committee for Stabilization and Association of Montenegro and the European Union, in Podgorica
18/12/2012	Officially opened and provisionally closed first negotiation chapter 25- <i>Science and Research</i>
March 2012	Started the process of Acquis-screening - detailed analysis of the level of harmonization of Montenegrin legislation to EU legislation.
22/1/2013	The Foreign Affairs Committee of the European Parliament adopted a draft resolution on the progress of Montenegro in 2012
18/12/2012	The Third Intergovernmental Council meeting of the Stabilization and

	Association Council in Brussels
11/12/2012	Council for General Affairs of the EU, welcomed the opening of accession negotiations with Montenegro on June 29, 2012
28/11/2012	The fifth meeting of the Parliamentary Committee for Stabilization and Association Agreement between Montenegro and the European Union, In Brussels.
11/7/2012	The second meeting of the Stabilization and Association Agreement between Montenegro and the EU, in Brussels,
29/6/2012	In Brussels, the EU Intergovernmental Conference was held when Montenegro formally began accession negotiations
26/6/2012	At a meeting of the Council of Ministers of Foreign and European Affairs in Luxembourg, the decision was taken to open accession negotiations between Montenegro and the EU.
1/4/2012	Entered into force the Agreement between Montenegro and the European Union on the establishment of a framework for the participation of Montenegro in EU operations for crisis management
29/3/2012	The European Parliament adopted a resolution on the progress of Montenegro in 2011
12/10/2011	Recommendations of the European Commission to start negotiations
13/5/2011	The first meeting of the Stabilization and Association Council EU-Montenegro, in Brussels
9/3/2011	European Council adopted a Resolution of Montenegro by a majority vote. They welcomed the decision of the European Council to grant Montenegro the status of candidate and expressed their hope that negotiations could begin by the end of this year.
17/12/2010	Montenegro granted candidate status for membership
9/11/2010	Commission Opinion on Montenegro's application for candidate status;
1/5/2010	Entry into force of the SAA (Stabilization and Association Agreement)
19/12/2009	Montenegro gets the visa liberalization;
9/12/2009	The Prime Minister of Montenegro, Milo Djukanovic, delivered to Commissioner Olli Reno, answers on the Questionnaire of the European

	Commission;
22/7/2009	Commissioner Olli Rehn delivered to the Prime Minister of Montenegro Milo Djukanovic the Questionnaire of the European Commission
23/4/2009	Council requested the Commission opinion on the application of Montenegro
15/12/2008	Montenegro submitted an application for membership in European Union
6/6/2008	Opening of the Permanent Representation of EC Delegation in Montenegro
1/1/2008	Entry into force: Interim Agreement on trade and trade-related matters, the Agreement on Visa Facilitation and Readmission Agreement
15/10/2007	In Luxembourg was signed the Stabilization and Association Agreement (SAA)
22/1/2007	Council adopted the European Partnership for Montenegro;
12/6/2006	European Council provides the Statement of deepening relations with Montenegro as an independent state, which was followed by individual recognition of independence by the Member States;
21/6/2006	Renewal of Montenegrin independence (score of 55.5% in the referendum), which was officially confirmed by the Parliament of Montenegro on 3 June
10/10/2005	Start of negotiations on the Stabilization and Association Agreement between the EU and Serbia and Montenegro, which were based on the principle of "double-track". Montenegro and Serbia will separately negotiate the trading part of the SAA but as a single state negotiate the politically part of the SAA (this principle was established 2004);
July 2003	Enhanced Permanent Dialogue between the EU and Serbia and Montenegro was launched
June 2003	Summit in Thessaloniki, where the European perspective of the Western Balkan countries was confirmed (based on individual achievements -the principle of race);
Novembar 2000	Summit in Zagreb, where was launched the Stabilization and Association Process for five SEE countries
March 2002	Belgrade agreement on the creation of the State Union of Serbia and Montenegro which was carried out in February 2003
2001	Launched CARDS program for assistance for the Community of reconstruction, development and stabilization;

1997	European Council established political and economic criteria for the development of bilateral relations with the countries of the Western Balkans
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ANNEX 2

Enlargement of EU per year

Year	MEMBERSHIP
1951 / 1957	The founders of the European Community of Coal and Steel Community, which was followed by the European Economic Community and the European Atomic Energy Community: Belgium, Germany, France, Italy, Luxembourg and the Netherlands
1973	Denmark, Ireland and the United Kingdom
1981	Greece
1986.	Spain and Portugal
1995	Austria, Finland and Sweden
2004	Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia and Slovenia
2007	Romania and Bulgaria
2013	Croatia