

# PERISKOPI



## CEFTA - Free Trade Disagreement

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## CEFTA - Free Trade Disagreement

Prior to the declaration of independence, Kosovo businesses had it much easier to develop and promote their products in the regional market. As a member of CEFTA - the Central European Free Trade Agreement - Kosovo enjoyed open, free trade without custom barriers when importing or exporting raw materials and finished products

The beverage producer company "Liberion" with headquarters in Podujeva, keenly recalls the days when he was able to hire 70 employees and reach an annual

turnover of over two million Euros.

A year after independence, in 2009, "Liberion's" sales fell by about 50%, as neighboring Serbia blocked all transportation and goods with a Republic of Kosovo stamp. The same blockade was applied to goods transiting through Serbia to be exported in other countries.

"On December 3, 2008, two of our trucks were returned from the border with Serbia," said Bashkim Osmani, General Manager of the Liberion Company. "We turned the

trucks back, and I informed customs and the Ministry of Trade and Industry (MTI). They promised that the issue would be resolved very quickly.”

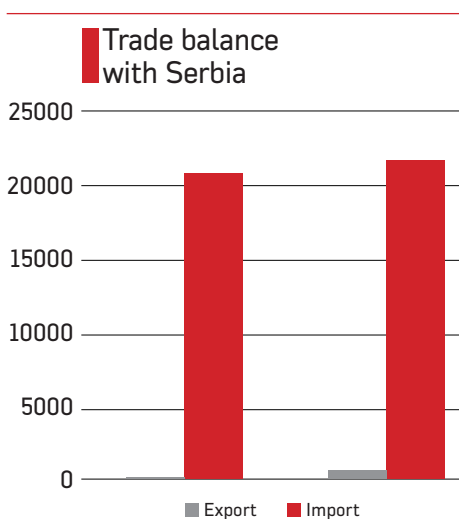
More than a year later, nothing has changed. Kosovo’s institutions have taken no action as they await a response from the international community. MTI officials say the responsibility falls upon the European Commission (EC) and international presence to pressure CEFTA’s Secretariat and Serbia to recognize Kosovo as an equal beneficiary. Meanwhile, the EC holds that the issue should be resolved either through a coordinated action with UNMIK or through direct talks with respective authorities in Serbia. Serbia maintains a consistent position by refusing anything that implies Kosovo’s statehood status.

During the Foreign Policy Club’s conference “Regional Agreements” on May 19, 2009, many proposed that Kosovo should apply reciprocity measures to Serbia. Head of the European Commission Liaison Office in Kosovo, Renzo Daviddi, opposed the idea because of political repercussions. His stance convinced the Kosovo authorities to withhold from any action, and since then, alternatives to CEFTA have remained mainly a discussion within the circles of businesses and civil society. Nine months later, Daviddi holds the same position.

“My perspective has not changed,” Daviddi said. “I’m still convinced that it is not politically astute to do something of this nature.”

For Kosovo Government Spokesperson, Memli Krasniqi, reciprocity measures would be inadequate.

“The Government of Kosovo will not replicate the bad examples from the countries in the region,” Krasniqi said. “Serbia’s approach is not a constructive one. We did not want



to follow in its footsteps - whether in our relation to Serbia or any other country in the region.”

Kosovo companies have had to come up with costly alternatives for transporting their goods; some have given up all together on exporting to Serbia. Meanwhile, Kosovo’s trading deficit reached 1.7 billion Euros, and 200 million Euros is in relation to Serbia alone.





## What is CEFTA, and what are Kosovo's benefits from being a signatory party?

**Kosovo's benefits from CEFTA are limited because Serbia blocks all transportation and goods carrying the stamp of the Republic of Kosovo.**

The Central European Free Trade Agreement, known as CEFTA, was initially signed in 1992 in Warsaw, Poland. The aim of the agreement was to create a free trade environment between the former eastern bloc countries. CEFTA enabled transitioning countries, such as the Czech Republic, Slovakia, Hungary, Poland, Rumania, Slovenia and Bulgaria, to trade with one another free of custom barriers, and the EU would monitor and test their capacities of adopting new trading policy concepts. EU countries also invested directly in Central European countries since they benefited from low cost labor force and tax facilitations. Such

investments were safe considering that the Central European countries would one day join the EU.

Along the same lines, the EU suggested the same agreement for the Southeast European countries. In 2006, in Bucharest, Rumania, CEFTA was signed between Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia, Kosovo, Albania and Moldavia.

At the time, UNMIK signed the agreement on behalf of Kosovo, which entered into force at the end of April 2007, and Kosovo businesses began operating in a regional market of 22 million customers.

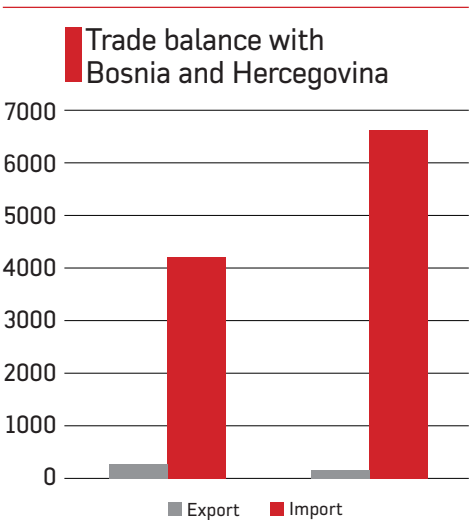
But not for long. After Kosovo's declaration of independence on February 17, 2008 - when the Ahtisaari Package was to be adopted within 120 days - UNMIK began the transfer of powers to the Republic of Kosovo institutions. Such competencies included the country's customs as well.

Kosovo's benefits from CEFTA were limited when on November 11, 2008 the Kosovo Assembly adopted the Customs Code - an advanced code taken from the European Union - which introduced the Republic of Kosovo stamp. From that moment on, any valid document carrying the stamp of the Republic of Kosovo and issued by the Kosovo Customs has been refused by the Serbian customs and tax administration.

All trucks carrying Kosovo products to Serbia, whether for export or transit, are returned from the border with Serbia. Meanwhile, Bosnia and Herzegovina do not accept the certificates of origin for products with a Kosovo Republic stamp. As such, Bosnia began charging Kosovo businesses a full customs tariff, which places them in an unfavorable position that often discourages many Kosovo companies from exporting to Bosnia altogether.

Kosovo inherited CEFTA as all other agreements that UNMIK signed on its behalf during the 1999-2008 period. The Institute for Advanced Studies, GAP, after examining the transfer of powers process from UNMIK to Kosovo institutions, concluded that Kosovo should have reviewed and negotiated all such agreements once more, and that the Government and MTI should have informed all CEFTA signatory countries that Kosovo would be inheriting all agreement powers and competencies

"On this issue, Kosovo had a legal basis to act upon," said Agron Demi, political analyst at GAP. "Not only that such a thing was not



done within those 120 first days, but nothing has been done up to this day."

Meanwhile, the Serbian government claims that the only legitimate signatory party is UNMIK. As the second largest exporter in Kosovo, after Macedonia, Serbia continues to benefit from free trade, while it limits Kosovo from such a right.

According to Kosovo customs data, Serbia imports around 200 million Euros a year in Kosovo, which is around one third of the overall import in Kosovo. Kosovo, though, has exported goods of around seven million Euros in Serbia and four million in Bosnia and Herzegovina.

"Certainly this amount would have increased hadn't there been for the export and transit blockade to Serbia," said Naim Huruglica, General Director of Kosovo Customs.



## Minimizing the role of CEFTA

Kosovo exports barely reach the amount of 100 million Euro a year, and export consists mainly of scrap metal, with around 49%.

Despite the asymmetric relation between the two countries and evident economic damages, international actors hold that economic repercussions from Serbia's blockade are not as serious and detrimental to Kosovo.

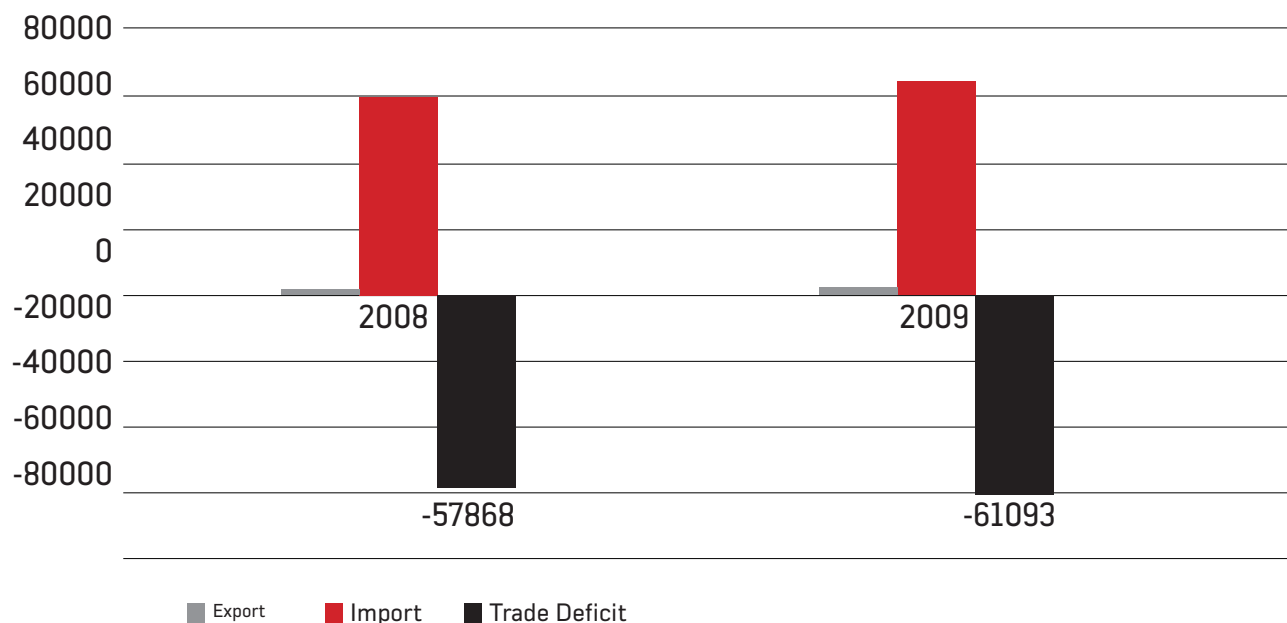
Head of the EC in Kosovo, Daviddi, said that Kosovo's losses from CEFTA are minimal, and the problem with Serbia is only of a political nature.

"I think the problem in terms of numbers is not that significant," Daviddi said. "I think

that net contribution of export to Serbia to the GDP [of Kosovo] must be equal to 0.05 % of the entire GDP (Gross Domestic Production). The economic dimension is very limited, and CEFTA is fundamentally a political problem."

However, economic trends do not coincide with the political concerns of the EC and Kosovo Government officials. In the past two years, Kosovo has had a substantial decline of direct foreign investments, and the country's

## Trade deficit with CEFTA members



trade deficit increased in 2009.

According to Daviddi, the slowing down of economic activities is largely connected to the global economic crisis. European countries' demand for many products has decreased; remittances have also declined in line with income.

Although other countries in the region have also experienced a decline in exports, they have largely retained or improved the overall trading balance. Only Kosovo's trading

deficit worsened in 2009, making it the highest in the region. According to the European Commission's Kosovo 2009 progress report, the trading deficit is equal to 46% of the GDP, and it has been continuously increasing since 2007 when it reached the peak at 39% of GDP.



## Impossible measures

Kosovo has yet to find an institutional way to address the blockade in CEFTA. Currently, it cannot file a complaint with the World Trade Organization (WTO) as it is not yet a member party. Meanwhile, its request for an arbitration in CEFTA has not been approved. "Minister Lutfi Zharku has sent a letter [after the blockade in 2008] to all international bodies, and the CEFTA Presidency issued a response, stating that

the Permanent Committee cannot gather [on this issue]," said Sytrime Dërvisholli, CEFTA official at MTI.

The minister and deputy minister send such letters to the CEFTA Secretariat on several occasions, but they were unsuccessful. MTI Deputy Minister and representatives of three subcommittees of the line ministries attended a regular CEFTA Secretariat meeting, held in Montenegro, May 2009. All four representatives left the meeting because of the inscription UNMIK Kosovo, which, according to them, no longer represents the Republic of Kosovo.

According to the Government Spokesperson Krasniqi, the Kosovo Government believes that "a solution to this issue will

be found this year, through contacts with the European Commission Liaison Office in Kosovo and senior officials in Brussels."

Daviddi said that a series of proposals on how Kosovo representatives could participate in CEFTA meetings were put forth.

"There have been a number of proposals for a way in which Kosovo representatives could participate in different meetings and different arrangements that indeed would require a certain amount of compromise from the institutions, and which I understand, the institutions are not necessarily ready to undertake," he said. "I understand the political problem. But that's reality; we are not moving ahead."

## Alternatives to CEFTA

During the Foreign Policy Club's conference of May 2009, alternatives to Kosovo's position in CEFTA included applying reciprocity measures to Serbia and Bosnia and Herzegovina, or withdrawing from the agreement and signing bilateral free trade agreements with interested parties.

At the time, Daviddi objected such alternatives and continues to hold the same position today.

"I would think twice on defaulting from agreements because there are extremely high economic costs and even higher political costs," he said. "At the end of the day, I think that you are not going anywhere, because the capacity of doing that, in my view, is very limited. I really want to see in which way the ban is imposed."

The MTI official agrees on the mat-

ter and considers border control as an obstacle to implementing reciprocity measures. For the government spokesperson, it's a matter of choice.

"The situation is that we didn't want to impose reciprocity measures," Krasniqi said. "If that would have happened, I believe that the institutions would have had the capacity to implement such an embargo."

The customs director, Huruglica, said that a comparison of the Serbian customs data, those collected by EULEX in the north, and those from the customs terminal in Mitrovica, show that numbers are 80% identical, and only 20% of them enter through the so-called "fictive documentation entries." This means a production company in Serbia that has Kosovo as an export destination is exempt from the Serbian VAT, provided that the quantity declared for exports is sold only outside of Serbia. After customs clearance in Kosovo, the company is reimbursed for the VAT previously paid in Serbia.

"This way, the income of goods belonging to that 20% is more related to documentation laundering," Huruglica said.

Meanwhile, other stakeholders such as the Kosovo Chamber of Commerce (KCC), Kosovo Business Alliance, Institute for Advanced Studies GAP, RIINVEST Institute, American Chamber of Commerce, have never felt more neglected by the Government of Kosovo.

Kosovo Chamber of Commerce analysis supports reciprocity measures on the basis that such measures would put pressure on Serbian producers and traders, who in return would pressure their own government to remove such blockades.

Safet Gërzhaliu, Deputy Director in KCC, said that "it is absurd to think that 10 years after the war, Kosovo could function without such an agreement, and that the government hasn't done anything for over a year."

He also said that Kosovo businesses representatives should create a more favorable economic environment that would attract more investors. But without a proper economic policy, Kosovo will not only fail in making its producers competitive to CEFTA members; it will also push domestic companies toward eventual bankruptcy.



# Q&A WITH HEAD OF THE EUROPEAN COMMISSION LIAISON OFFICE IN KOSOVO, RENZO DAVIDDI

Foreign Policy Club: Kosovo has experienced a degradation of numbers with regard to foreign direct investments and economic development. How do you see the economical situation of the country?

**Renzo Daviddi:** The general [economic] situation and foreign direct investments are both related to the development of the global economic crises. Kosovo, and more generally many of the countries in the western Balkans, have been affected by the economic crises. At the beginning, there might have been a misconception that the western Balkans countries were sheltered from the crises. But I think a number of channels have been transmitting this disease.

One is the overall slowing down of economic activities [because] export demand in European countries, where many of these goods are exported, has been reduced.

The other channel is that remittances have been declining. [The decline] has not been enormous, but there has been a fairly steady decline of remittances because people, in this case Kosovars employed abroad, have been hit by the crises, [which led to a] reduced income capacity. So, they are sending less money into Kosovo. These are some of the effects, but there are [also] other [factors] that are related to the financial instrument investments.

Then there is the question of how [the latter] impact foreign direct investments. The



Renzo Daviddi,  
Head of the  
European  
Commission  
Liaison Office  
in Kosovo.

impact is negative [because] there is less money available. Some companies that [previously] have been investing in some of the big infrastructural projects now have less equity at their disposal. In this respect, Kosovo is no different. Moreover, Kosovo is a small market. Frankly, I don't think that even under normal circumstances you will have a flood of investors coming and investing in Kosovo.

Where I see some possibilities, especially in the future, are [with] the three projects ongoing projects that may attract some foreign direct investments.

One is the privatization of the telecommunications system (PTK); one is the issue of the concession/privatization of the airport; and the other one is the question of energy investment. These are clearly three big projects. Not enormous for the amount that is involved, but they may attract middle size investors that are interested in investing in this region. I think probably in 2011 - because some of these projects may spread over a couple of years - Kosovo may have the opportunity to attract some resources.

**FPC:** In 2009, Kosovo's export declined by 39%. Having in mind that Kosovo does not export as much, how do you see that figure? Is it worrying for the European Commission despite the already small quote, Kosovo is still downsizing?

**Renzo Daviddi:** The trend, in my view, is not particularly worrying. As an economist, I wouldn't particularly be worried by the 39-40 % decline in exports because you are starting from an extremely low base. The problem is that [Kosovo] is exporting [almost] nothing. [Kosovo], fundamentally, is exporting scrap metal and stuff that has very little value. So the problem, from a policy point of view, is how you can improve the export base for this country, and then the trend in itself can be explained. For instance, there is quite a large amount of scrap metal

that has been exported, which is then reused for producing steel and some other parts. It's clear that steel production in some European markets has gone down vertically in the course of the last couple of years. In this field, there has been a decline in demand, and this is probably one of the reasons why part of this export has been discontinued or reduced. This can be reactivated. The problem is that I'm not really sure that you want to base your economic model on exporting scrap metal. That I think is a more relevant policy problem.

**FPC:** We constantly read in the European Commission progress reports that Kosovo needs to work hard on decreasing its trade deficit. The trade deficit is enormous as Kosovo mainly imports and barely sells anything. Do these figures depict the attitude and way in which the country is being managed?

**Renzo Daviddi:** The decline in itself, in my view, is statistically relevant. But from a policy point of view, I don't think you can read too much into it. I think what you want to ask yourself is to what extent you can create an economy which does exactly what you are saying. So, reduce the deficit and, at some point, it may even create a situation where export can make a positive contribution to economic growth. That's the real policy problem, and I think here you have a number of things. First, you want to work into the export side [...] through creating enterprises that are competitive on the European market and that can export certain goods and services on the regional market. This [does] not necessarily [mean] large enterprises. Kosovo doesn't have the kind of economic structure that may sustain large enterprises; this is a model of the past. Part of the growth may come from small and medium enterprises with niche markets. Of course, some of the big enterprises can make a contribution. Let's see how the energy and electricity [projects] come

about. It might be that at some point, part of this energy can be exported. But under the current consumption, I am not sure that you are going to have such a large amount of stuff that is left for exporting.

Then we have the import side, and there is also a normal amount that can be done for generating import substitution. This is a country that is importing a number of agricultural products that I suppose can be also easily produced domestically. The policy issue is how you can intervene with an appropriate agricultural policy [that would] create incentive and [ensure] that some of these products are produced domestically, like tomato, cabbage etc. I don't think you need a particularly sophisticated economic setup to do some of those things.

**FPC:** We would face difficulties in delivering such goods in the region. That's the main issue that prompted us to talk to you, the issue of CEFTA. Serbia, as the biggest market in the region, had imposed a ban on Kosovo products, and Kosovo cannot access its market. The situation has not improved from the last time we talked about CEFTA. Your opinion from May last year, that Kosovo should sustain from applying alternative measures, has prevailed. To date, no progress has been made in securing access into Serbia or CEFTA. What is your perspective today?

**Renzo Daviddi:** My perspective has not changed. But let's go back to what you said - the biggest market. The only country where there is a problem is Serbia, and here I think the problem in terms of numbers is not that significant. I think that the net contribution of export to Serbia to the GDP [of Kosovo] must be equal to 0.05 % of the entire GDP. I see the political dimension, but the economic dimension is very limited. That's the first observation. The second one - I think CEFTA is fundamentally a political problem. And both sides, the

Serbian side and to a certain extent the Kosovo side, have not moved much.

There might be good reasons for that, which are very much related to the court case in front of the International Court of Justice. But the problem remains that there [has been] no attempt [...] to move toward a pragmatic solution that [would] help to resolve the issue. We are a bit stuck in this position - Serbia is not evolving in its position, and Kosovo is not moving in its position. The clearest example is that Serbia [is] chairing CEFTA for the year 2010. Of course we are facing major problems for Kosovo [to] participate in the activities of CEFTA. And in 2011, Kosovo [will] chair CEFTA. We will see; unless we change substantially the way [in which] things are working now, we will face the same problem next year.

**FPC:** When you say Kosovo institutions are not moving, what do you specifically mean? What could Kosovo institution do? Do you have any particular suggestions? Entering negotiation with Serbia in terms of CEFTA?

**Renzo Daviddi:** There have been a number of proposals for ways in which Kosovo representatives could participate in different meetings and different arrangements that indeed would have required a certain amount of compromise from the institutions, and which I understand, the institutions are not necessarily ready to undertake. I understand the political problem. But that's reality; we are not moving ahead.

**FPC:** But we are not talking only about meetings. It's not about presentation; it's about blockade. Kosovo cannot export anything to Serbia. It's also about the image. When a potential foreign direct investor decides to come to the region, Kosovo has a disability and problem because it cannot export goods to Serbia or Bosnia.

**Renzo Daviddi:** This is a completely differ-

ent issue; this is a stamp issue. When Kosovo declared independence, the documentation stamp for goods that are shipped to other countries [...] had to be changed because it was saying UNMIK. The stamp has been changed, and it was transmitted to the European Commission - which is responsible for notifying all EU member states of the validity of this stamp. The EC has been notifying all the 27 EU member states, plus the countries in the region. For us, for the Commission, this stamp is perfectly valid. The proof is that something which is exported from Kosovo to Italy or to Lithuania doesn't have any problem. This is because in the EU model [...] the stamp is recognized [and] the Commission says the stamp is good. Serbia has been arguing on a purely bilateral basis that this stamp is not acceptable to them. This is Serbia's bilateral decision. It has nothing to do with CEFTA. All the other CEFTA countries recognize the stamp as legitimate. There is an issue with Bosnia. But Bosnia is following the right alternative procedure. They say "this stamp is not recognizable; this good in our view is not originating from Kosovo. We cannot apply the preferential treatment. We are simply leaving a customs duty." This is different, but it's not impeding the good to transit. They simply say, "we do not recognize the good as originating from a customs area that in our view is eligible for preferential trade, and therefore we have a customs duty." Fine. Where is the problem? The problem [remains in the fact] that there are fundamentally two ways in which the problem can be addressed - [through] dispute resolution mechanisms in the World Trade Organization (WTO) or in CEFTA. Kosovo is not member of WTO, so it cannot apply to the [their] dispute settlement mechanism. Kosovo is [running into] problems [when trying] to raise this issue inside the CEFTA dispute settlement mechanism. What has been done until now [is that there] have

been very clear attempts by several actors, including the Commission for what matters, to convince Serbia that they are not [making] the right decision by not allowing the transit of goods.

**FPC:** If the issue is bilateral, there are also mechanisms or measures that one can undertake. Figures show that Serbia exports 200 hundred million euros into Kosovo. In the FPC's conference "Regional Agreements" in May 2009, reciprocity measures were proposed as an alternative. You were opposed to the idea. Meanwhile, political leaders say we cannot move in this issue because of European Commission pressure.

**Renzo Daviddi:** I'm still convinced that it is not politically astute to do something of this nature - to [apply] measures of reciprocity. You [would be] making a political point, but in practical terms as we discussed, the economic impact [...] is relatively minor. The political point that you [would be] making [also] depends on how well you can manage, and you can even spin, this political problem. Because, I'm sure the point can be exploited against you in the same way it can be exploited in your favor. At the end of the day, I even think that you are not going anywhere. The practical implementation [...], the capacity of doing it, in my view is very limited. I really want to see how you are going to impede [...] even assuming that somebody imposes a ban on goods which are coming from Serbia. I really want to see how and in which way the ban is imposed. I really want to see how this thing is implemented in practical terms. So, you [would be] much worse [off], because you [would] be making a political point that would lead you nowhere. You would be probably much worse [off] because you may need to substitute goods that are relatively cheap with goods that are imported from somewhere else and are more expensive.



I think you [would be] running even some security risks in trying to implement the measures, which in my view, has a very limited impact. If someone wants to make political problems, go ahead.

**FPC:** In terms of technical incapacities to impose the ban, are you suggesting that the Northern gates are problematic?

**Renzo Daviddi:** I suggest that the capacity to control the border is still problematic. I'm not sure that you are in a [position] to absolutely control every single good that is coming in and going outside Kosovo.

**FPC:** So, basically, you suggest that Kosovo institutions should not move or take a political step? The only suggestion is to enter into discussions with Serbia and try to find a solution?

**Renzo Daviddi:** I suggest that the Kosovo authorities should continue the line that they have been following until now, [which is] restraining from imposing a ban on goods that are imported from Serbia. They [should] continue to rely on ways in which pressure is put on Serbia to try to resolve this problem. I do not know to what extent they can or want to engage into bilateral discussion, but [it can] certainly [be done] through the intermediation of some institutions.

**FPC:** But for the past year, results have been basically zero. Why should they restrain? Where should they base their arguments? The position of Serbia is not changing, and they say they have no intention of doing so. Their position is pretty constant.

**Renzo Daviddi:** Serbia has been saying that on a number of things [...] and things that have changed in the meantime. I do not know why you are giving all this importance to what Serbia is saying in this [regard]. Since I've been here, I've seen a complete change of the situation on the ground when it comes to certain issues.

The first thing that comes to mind is that the participation of Serb minority in the elections in the south.

**FPC:** We have a case study in this report that deals with a producer from Podujeva, who exported some of his products to Serbia. Now his business downsized for more than 50 %. What is your message to him?

**Renzo Daviddi:** I would say two things: First, perhaps you can make an attempt to differentiate your market. In fact, something that is competitive in Serbia may be competitive as a margin even in other countries. I do not know what these people were exporting to Serbia.

**FPC:** The company was exporting juice.

**Renzo Daviddi:** Juice is something which is relatively ...well demand exists also for other things. So that is certainly something that one can say. The other thing is that they should continue to put pressure on policy makers to try to address and solve this situation. [CEFTA] is clearly something that needs to be solved, and it requires the constant attention of the policy makers.

# Montenegro and Kosovo

## TWO YOUNG COUNTRIES, BUT OLD FRIENDS

### RELATIONS BETWEEN MONTENEGRO AND KOSOVO HAVE NEVER BEEN MORE FRIENDLY AND CLOSE. PODGORICA AND PRISHTINA HAVE STATED THAT THEY ARE SATISFIED WITH THEIR RELATIONS

Montenegro and Kosovo are the two youngest countries in Europe, but they have an old common history and close ties that have taken the form of a true friendship. According to the officials of the two countries, speaking for the Foreign Policy Club, relations between the two countries are advancing, despite the attempts, as they put it, of another capital to interfere between Prishtina and Podgorica.

Regardless of the fact that there are open issues between the two countries, Prishtina and Podgorica insist that they are only of a technical nature - soon to be clarified and accepted by both parties.

The two most concerning issues for Prishtina include the possible withdrawal of Montenegro's recognition of Kosovo's independence - in case the

International Court of Justice issues an opinion that the declaration of independence is in contradiction with International Law; and border demarcation between the two countries.

Podgorica officials stressed that the Prime Minister of Montenegro, Mr. Milo Gjukanović, has clearly affirmed that there will be no turning back in Kosovo's recognition, and that such a fact is rejected by only one Balkan capital. The issue of border demarcation between Kosovo and Montenegro is also considered to be inexistent; Podgorica officials called it a technical issue that will be resolved easily and quickly. Furthermore, Montenegro authorities have asked from Podgorica and Prishtina to prevent the involvement of any third party that might try and use any open issues to create tensions between Kosovo and Montenegro.

Podgorica's two primary issues in its relations with Kosovo include: Constitutional recognition, or re-recognition, of the Montenegrin nationality as an ethnic group in Kosovo; and the return of around 10.000 refugees from Kosovo, currently living in Montenegro.

Prishtina has expressed readiness to cooperate with Podgorica on both important issues.

### BRIEF HISTORY OF THE MONTENEGRO FOREIGN POLICY AND ITS RELATIONS WITH KOSOVO

Montenegro became independent in June 2006, not long before Kosovo. It has since undergone rapid state-building efforts, and it has marked notable success in Euro-Atlantic integrations.

The country held successful presidential elections in April 2008 and parliamentary elections in March 2009.

Montenegro became a member of the United Nations, Organization for Security and Cooperation in Europe, Council of Europe, and CEFTA (Central European Free Trade Agreement). In 2008, it officially applied for EU membership and hopes to reach the Candidate Country status this year. Montenegro is a NATO Candidate Country, as the Alliance offered Montenegro the Membership Action Plan last year.



Montenegrin Foreign Policy has its origin, at least symbolically, in the beginning of the XVIII Century. In its attempts for independence from the Ottoman Empire, Montenegro established diplomatic relations with Russia and Austria, and opened its first diplomatic representation in the very heart of Shkoder, which at the time was still part of the Ottoman Empire. A proper diplomacy began to take shape after the country's independence from the Ottoman Empire, and with the establishment of representation offices in different countries in the world.

Later as Montenegro became a part of the Yugoslav Kingdom, its diplomacy and foreign policy were extinguished. They were revitalized, once again, in socialist Yugoslavia, when Montenegro takes an active part in the country's diplomatic life. After the dissolution of Yugoslavia, Montenegrin diplomacy gained in intensity, and played an important role in promoting the country's aspirations for independence.

After independence, Montenegro's Foreign Ministry took over full responsibility for the country's foreign

relations. It established a diplomatic network worldwide, opening 22 embassies, two consulates and six missions in international organizations.

The Ministry of Foreign Affairs in Montenegro considers that its foreign policy top priorities are European Union and NATO integration, development of good neighborly relations, and regional cooperation and the development of bilateral and multilateral cooperation.

## MONTENEGRO'S RELATIONS WITH KOSOVO

The relations between Kosovo and Montenegro particularly picked up in spring 1999, of hundreds of thousands of Kosovo Albanians were forced to flee Kosovo into neighboring countries by Serbian forces. Several thousands Kosovars found refuge and shelter in Montenegro.

Both countries became closer after Montenegro recognized Kosovo's independence in October 2008. Although there were reports in the media that Montenegro could review its decision

on the recognition of Kosovo, if the International Court of Justice in Hague would decide that its declaration of independence is illegal, it seems unlikely to happen. On the contrary, on January 15, 2010, Podgorica established diplomatic relations with Kosovo, and now the appointment of diplomatic representatives of the two capitals is expected.

Kosovo citizens may travel to Montenegro without visas, and during the summer touristic season, only with IDs.

Montenegro has supported Kosovo's membership in the International Monetary Fund and the World Bank, and voted in favor of Kosovo's membership.

The two countries also have economic cooperation. In the beginning of 2008, economic exchange between the two countries was around 40 million Euros.



The Foreign Policy Club is a non-governmental organization which brings together intellectuals, politicians and prominent civil society activists that show affinity in foreign policy. The Club aims to contribute through intellectual debates and recommendations with regard to generating Kosovo's foreign policy in the function of peace in Kosovo, the region and the world. The Club generates debate, examines developments and gives recommendations for Kosovo's foreign policy; focuses in examining global trends that affect Kosovo's daily political-economics, and also researches Kosovo's opportunities for integrating in the world. The Club strives to draw attention to world debates and the necessary steps for Kosovo's politics in relation to such developments. Through its activities and intensive debate, the Club produces recom-

mendations and programs regarding regional, European and global integration processes, particularly in the process of EU and NATO integration, which fall upon the institutions of Kosovo. The organization's special focus is to develop a debate regarding immediate actions that Kosovo Institutions need to undertake in the diplomatic sphere, such as Kosovo's recognition from UN members states and Kosovo's acceptance in international organizations, as the UN, EC, OSCE, World Bank, IMF, Organization of Islamic Conferences, Olympic Committee etc.

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