



# **Annual Report on Foreign Trade in Controlled Goods in 2007**

Montenegro  
Ministry of Economic Development  
Podgorica, 2008

***Annual Report on Foreign Trade in Controlled Goods in 2007***

---

The Ministry of Economic Development of Montenegro, as a key agency responsible for the arms transfer control system, has produced the Second National Report. This Report gives an overview of exports and imports of controlled goods in Montenegro and describes the cooperation of the Ministry with international institutions and organizations in the area of arms, military equipment and dual-use transfer control.

---

## Acronyms

AG	Australia Group
CoE	Council of Europe
CWC	Chemical Weapons Convention
EU	European Union
IMF	International Monetary Fund
MTCR	Missile Technology Control Regime
NSG	Nuclear Suppliers Group
OECD	Organisation for Economic Co-operation and Development
OPCW	Organisation for the Prohibition of Chemical Weapons
OSCE	Organisation for Security and Co-operation in Europe
SALW	Small Arms and Light Weapons
UN	United Nations
UN SC	United Nations Security Council
UNDP	United Nations Development Programme
WA	Wassenaar Arrangement
WB	World Bank
ZG	The Zangger Committee

## Contents

<b>Acronyms</b> .....	<b>i</b>
<b>SECTION 1</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>1</b>
<b>SECTION 2</b> .....	<b>2</b>
<b>NATIONAL LEGISLATION</b> .....	<b>2</b>
<b>1. Law on Foreign Trade in Weapons, Military Equipment and Dual-Use Goods</b> .....	<b>2</b>
1.2. Export and Import Control System .....	3
1.2.1. Registration .....	3
1.2.2. Individual licences .....	3
1.2.3. Oversight and control .....	4
<b>2. Sub-legal acts</b> .....	<b>5</b>
2.1. National Control List .....	5
<b>3. International Conventions and Agreements</b> .....	<b>6</b>
<b>4. Other regulations</b> .....	<b>7</b>
<b>SECTION 3</b> .....	<b>8</b>
<b>INTERNATIONAL AGREEMENTS</b> .....	<b>8</b>
<b>1. International control regimes</b> .....	<b>8</b>
1.1. The Wassenaar Arrangement.....	8
1.2. The Missile Technology Control Regime .....	9
1.3. The Australia Group .....	9
1.4. The Nuclear Suppliers Group .....	10
1.5. The Zangger Committee .....	10
<b>2. Arms Trade Treaty</b> .....	<b>10</b>
<b>SECTION 4</b> .....	<b>11</b>
<b>MONTENEGRO IN THE EXPORT CONTROL SYSTEM</b> .....	<b>11</b>
<b>1. International cooperation</b> .....	<b>11</b>
1.1. Technical support to capacity building in Montenegro in the field of controlled goods transfers .....	12
<b>2. Cooperation with commercial companies – planned activities</b> .....	<b>14</b>
<b>SECTION 5</b> .....	<b>15</b>
<b>STATISTICAL OVERVIEW</b> .....	<b>15</b>
<b>Annex 1/07: List of Persons entered in the Register</b> .....	<b>16</b>
<b>Annex 1a: System of controlled goods transfer control in Montenegro</b> .....	<b>17</b>
<b>Annex 2/07: Data on issued export licences for Arms and Military Equipment (AME)</b> .....	<b>18</b>
<b>Annex 2a: Issued licences for export of controlled goods</b> .....	<b>19</b>
<b>Annex 3/07: Data on issued import licences for AME</b> .....	<b>20</b>
<b>Annex 3a: Issued licences for import of controlled goods</b> .....	<b>22</b>
<b>Annex 4/07:</b> .....	<b>23</b>
<b>A. Data on licences issued for dual-use goods</b>	
<b>B. Data on denied applications for AME exports</b>	
<b>Annex 4a: DUAL-USE EXPORT LICENCES</b> .....	<b>24</b>
<b>Annex 5/07:</b> .....	<b>25</b>
<b>A: Data on destruction of surplus weapons and military equipment in 2007</b>	
<b>B: Planned activities for destroying surplus weapons</b>	

## SECTION 1

### INTRODUCTION

Based on the results of a democratic referendum held on 21 May 2006, the Republic of Montenegro restored its statehood on 03 June 2006. Shortly after that, Montenegro was recognised as an independent state within the international community and became a member of the UN, thus assuming the obligation to implement the decisions of the UN Security Council, as well as other commitments related to the export, import and transit of controlled goods.

By virtue of the “Decision on the Proclamation of Independence” (“Official Paper of the Republic of Montenegro [RMNE]”, no. 36/06 of 05 June 2006), the Government of Montenegro inherited the legislation that had previously been implemented by the former State Union, including the licensing of foreign trade in weapons and military equipment. To carry out this new task a government decree established the necessary licensing regime, which is under the competence of the Ministry for Economic Development (MED). This governmental decree (“Official Paper of the RMNE”, no. 40/06 of 22 June 2006) provides the legislative framework for foreign trade in controlled goods. With the enforcement of the Law on Foreign Trade in Controlled Goods<sup>1</sup> Montenegro will have harmonized its national legislation with the international regulations and standards in this area.

The legal framework for producing the Annual Report on Import and Export of Controlled Goods (the Report) has been summarized in Article 28, paragraph 3 of the **Law on Foreign Trade in Arms, Military Equipment and Dual-Use Goods**. The MED, as the body responsible for the implementation of the law and related regulations in the area of exports and imports of controlled goods, produced the Report.

The Report was made on the basis of a database, compiled by the MED pursuant to Article 28, paragraph 1, which submits detailed information on the licences issued to the Government of Montenegro. After the Report has been submitted to the Government, adopted, and the Montenegro Parliament advised accordingly, the Report is forwarded to all relevant international institutions and organizations and is published on a dedicated internet site. Thus a higher level of transparency is achieved in these activities, which contributes to building the reputation of Montenegro globally and improving international cooperation in this field.

As regards the publication of data, a compromise has been reached implying that there is a commitment to publish information while at the same time protecting the commercial interests of companies. All data have been given in an aggregated form in order not to compromise the confidentiality of this data.

In producing this Report the EU recommendations on the form and content of national reports have been observed in order to make it compatible with the reports of the European Union and useable for comparison with the national reports of neighbouring countries.<sup>2</sup> The International Community is trying to introduce global transparency standards in the field of foreign trade in weapons, and, since 2000, in the field of dual use goods.

*The main body of the Report contains general information on applicable legislation, the policy of export/import controls, national control lists, competent institutions in the licensing process, licensing criteria, international agreements, past experience in the field of foreign trade of controlled goods, active participation in workshops and further advancement of the control system, as well as analysis of statistical data shown in the Annexes.<sup>3</sup>*

<sup>1</sup> Controlled goods are arms, military equipment and related technologies, as well as dual-use goods, including software and technologies, which may have military as well as civilian use. The Law on Foreign Trade in Controlled Goods was passed in 2005 in the State Union of Serbia and Montenegro, and has been published in the “Official Paper of SCG”, no. 7/05.

The MED has also drafted a new Law on Foreign Trade of Arms, Military Equipment and Dual Use Goods to replace the existing Decree. The passage of this law, based on the new legislative framework in Montenegro, will represent an important step towards fulfillment of international commitments and compliance with the regulations of the European Union.

<sup>2</sup> Note: The Report gives data based on export and import licences issued, as the Ministry does not have information on exports and imports actually realized, for the obvious reason that the licences issued in 2007 are valid for minimum one year, which does not allow for control of actual implementation of approved activities of foreign trade in controlled goods.

<sup>3</sup> General Annexes give comparative data for 2006 and 2007.

The Annexes also contain tables with figures of registered foreign trade activities, i.e. approved and denied applications, as well as data on companies registered for trade in controlled goods and information on the destruction of surplus arms and military equipment in 2007.

It is the Government of Montenegro's strong belief that the promotion of responsible export control and arms transfers strengthens global and especially regional security. Therefore, in the spirit of transparency and good will, the Republic of Montenegro will provide information on its controlled goods import and export control policy on an annual basis.

## SECTION 2

### NATIONAL LEGISLATION

National legislation in the area of foreign trade in controlled goods includes the following inherited laws:<sup>4</sup>

1. Law on Foreign Trade in Weapons, Military Equipment and Dual-Use Goods;
2. By-laws;
3. Other regulations; and
4. Ratified international conventions and agreements.

#### 1. Law on Foreign Trade in Weapons, Military Equipment and Dual-Use Goods

The Law on Foreign Trade in Weapons, Military Equipment and Dual-Use Goods ("Official Paper of Serbia and Montenegro [SCG]", no. 7/2005, 8/2005) prescribes the procedure and conditions for foreign trade, transport and transit of arms, military equipment and dual-use goods.

The enforcement of this law aims at establishing state control in order to achieve and protect the security, foreign policy and economic interests of the State of Montenegro, its international credibility and integrity, and to ensure the fulfillment of the international commitments assumed by Montenegro.

Foreign trade in controlled goods includes: a) export and import; b) scientific and technical cooperation, production cooperation, acquisition and transfer of property rights for technologies in the area of manufacturing controlled goods; c) provision of intellectual and material services that might be used for designing, developing, production, use and maintenance of controlled goods; d) representing foreign companies, brokering, re-export, maintenance and other services in foreign trade in controlled goods; e) non-commercial export and import.

The MED has actively cooperated with UNDP experts in the first half of 2007 in drafting the Montenegrin law. Taking into consideration the main principle related to arms and dual-use goods regulations, which provides that "each country in accordance with its own legislation decides on the system of arms and dual-use goods export controls, in conformity with international standards", experts have assessed the current situation as regards export controls and have given recommendations for producing a new draft law.

Based on close cooperation with experts from the German Federal Office of Economics and Export Control (BAFA)<sup>5</sup> and the Swedish NGO, Stockholm International Peace Research Institute (SIPRI),<sup>6</sup> which provide support to Montenegrin institutions in the implementation of controls of arms, military equipment and dual-use

---

<sup>4</sup> Note: Montenegro is working on drafting its own arms export control legislation.

<sup>5</sup> Federal Office of Economics and Export Control (BAFA), [www.bafa.bund.de](http://www.bafa.bund.de).

<sup>6</sup> Stockholm International Peace Research Institute (SIPRI), [www.sipri.org](http://www.sipri.org).

goods transfers; considering recommendations of UNDP representatives; and drawing on the experience and recommendations from workshops, seminars, relevant EU proposals and neighbouring countries, the MED has established a multi-sectoral working group that has drafted the new Law on Foreign Trade of Controlled Goods, which will probably be adopted in the course of 2008.<sup>7</sup>

The Draft Law will create the conditions for greater transparency and an improved approach by Montenegro to international markets. A safe and planned approach to markets, promotion and increase of export and import activities, economic activities of Montenegrin citizens abroad and of foreign investors in Montenegro should be a permanent task and orientation of the local economic policy, which makes this draft law consistent with the Law on Foreign Trade (“Official Paper of RMNE”, no. 28/04, 37/07) as well as with international legal documents in this area.<sup>8</sup>

## 1.2. Export and Import Control System

**A comprehensive control system** of foreign trade in controlled goods or technologies prescribes, inter alia, mandatory registration of persons (natural and legal) that wish to engage in this activity (**see Annex 1**).

### 1.2.1. Registration

Pursuant to Articles 11 and 12 of the Law, the right to engage in foreign trade (export, import, transit, brokering, technical assistance, etc.) in controlled goods may be exercised once the applicants are entered in the **Register of Persons** that may perform foreign trade, kept by the competent Ministry, the MED.

The MED issues a **Decision**, valid for five years. In this way the entire process has become transparent, and the procedure simplified in cases of announcing tenders on the sale of weapons by administrative authorities, or, for instance, in controlling a specific foreign trade. This is a procedure that does not incur any expenses for the persons to be registered and is not long. The procedure is simple and, as a result, we have a database of individuals involved in these activities.

### 1.2.2. Individual licences

A licence for foreign trade in controlled goods is a written act of the competent ministry, by which a person is entitled to perform **a single foreign trade deal involving a known quantity and type of controlled goods**, under the conditions stipulated by a contract with an international partner, and in accordance with a previously conducted, legally prescribed procedure. The Rulebook on the licensing application form, licence form and other forms of documents accompanying the foreign trade in controlled goods<sup>9</sup> defines a specific uniform pattern of the licensing application and other forms, as well as the list of documents to be attached to the submitted application.

Prior to making a final decision on the applications in question, the MED must obtain **consent** from the *Ministries of Defence (MoD) and Foreign Affairs (MFA)* and an **opinion** from the *Ministry of the Interior and Public Administration (MoI)*, which make decisions on a case-by-case basis and within their respective areas of responsibility. If the ministries give a negative response to the application in question, it will be denied, and

<sup>7</sup> Sources used in drafting the law are: Bonn International Centre for Conversion, [www.bicc.de](http://www.bicc.de); Bundesamt für Wirtschaft und Ausfuhrkontrolle, [www.bafa.de](http://www.bafa.de); Government of Montenegro, [www.vlada.cg.yu](http://www.vlada.cg.yu); Organization for Security and Cooperation in Europe, [www.osce.org/montenegro](http://www.osce.org/montenegro); Parliament of Montenegro, [www.skupstina.cg.yu](http://www.skupstina.cg.yu); South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons, [www.seesac.org](http://www.seesac.org); Stockholm International Peace Research Institute, [www.sipri.org](http://www.sipri.org); United Nations Development Programme, [www.undp.org.yu/Montenegro](http://www.undp.org.yu/Montenegro); Wassenaar Arrangement, [www.wassenaar.org](http://www.wassenaar.org).

<sup>8</sup> The international legal documents that deal with combatting the proliferation of weapons of mass destruction and specific conventional weapons are: Conventions on the prohibitions or restriction on the use of specific weapons that could be potentially dangerous or could have non-discriminatory consequences – so-called inhumane weapons; conventions on the prohibition of development, production and stockpiling of biological and toxic weapons and their destruction; conventions on the prohibition of development, production and stockpiling of chemical weapons and on their destruction; conventions on the banning of development, production and stockpiling of anti-personnel mines and on their destruction; UN Conventions against Transnational Organized Crime, including the UN Firearms Protocol.

<sup>9</sup> “Official Paper of SCG”, no 12/05.

the licence shall not be issued<sup>10</sup>. Montenegro has accepted a system of **consensus**, which must be reached in order for a licence to be issued, and with a view to reaching efficiency, i.e. so that the **Government** does not have to reconsider the positions of some of its bodies. Notwithstanding the above, the Government of Montenegro retains the possibility to deliberate and decide on complicated and complex applications for which a consensus of the ministries could not be reached.<sup>11</sup>

### *Licensing criteria*

In giving its approval the MFA has to consider all the aspects related to the Decision on the Criteria for Licensing Exports of Arms, Military Equipment and Dual-Use Goods, harmonized with the EU Code of Conduct on Arms Exports (the Code).<sup>12</sup> **The Code is politically binding for EU Member States. By coherently applying the eight criteria in the licensing procedure the Republic of Montenegro will comply with European standards while not being a member of the EU, and will thus pave the way for membership in international control regimes, with the possibility to benefit from all their advantages.**<sup>13</sup>

**The MED issues an End User Certificate**, in the case of imports, or else checks up the “End User Certificate” in the procedure of issuing an export licence. A Permit for Transport and Transit of Arms and Military Equipment by land and water is approved by the MoI, while the transport and transit by air is approved by the Ministry of Navigation, Transportation and Telecommunications, on the basis of a previously issued licence by the competent ministry for the specific foreign trade deal and the consent of the MFA and MoD.

### 1.2.3. Oversight and control

**The MED** oversees and controls the foreign trade in controlled goods in accordance with the provisions of the Law, and in cooperation with the MFA, MoD, MoI, Customs, Security-Intelligence Services, etc.

Persons engaged in foreign trade, transport or transit of controlled goods have a legally prescribed obligation to allow inspection of the goods by the competent oversight and control bodies in all the phases of transfer, transport, transit and storage. In the case of disappearance or damage of controlled goods kept by the person engaged in the foreign trade of controlled goods, or by the person who acquires and stockpiles these goods, they shall report the damage or disappearance of the goods within 24 hours from the occurrence of damage or disappearance to the competent ministry. The person engaged in foreign trade of controlled goods (importer, exporter, broker, owner or second user) shall keep all the documentation on the trade in these goods for a minimum of ten years.

Customs clearance is performed by the **Montenegrin Customs Administration**, which, pursuant to Article 36 of the Law, may during Customs clearance of the controlled goods within its area of responsibility, limit, stop, revoke or suspend the transport of controlled goods. The Customs Administration shall inform the MED of such decisions. The Customs authorities shall check whether the Unique Customs Document (JCI), is accompanied by a licence issued by the competent ministry and whether the data from the licence for controlled goods transfer correspond to the data in the JCI and to the actual condition of the goods.

<sup>10</sup> An issued licence may be revoked if the competent ministry finds out that it has been issued on the basis of false data; in the case that the circumstances under which the licence was issued have significantly changed; when the person or the foreign trade deal threaten the security and foreign policy interests of the country; when the person does not observe the conditions given in the licence; or when the person ceases to observe the conditions.

<sup>11</sup> During the period of the State Union of Serbia and Montenegro (31 March 2005 – 05 June 2006), the final decision on licensing applications was made by the Council of Ministers.

<sup>12</sup> This Code of Conduct was adopted in June 1998 and includes eight criteria. All EU Member States have agreed to comply with the Code of Conduct on Arms Exports when considering licensing applications for goods from the Common EU Military List. The Code of Conduct also intends to improve the exchange of information between the Member States and to contribute to better understanding of their export control policies. In June 2000 these rules were expanded to include Dual-Use Goods (Regulation EK 1334), in the cases when it is known or suspected that the end user or end use of the goods is of a military nature.

<sup>13</sup> *The Ministry of Foreign Affairs* on 23 May 2008 sent an official letter to the EU High Representative for Foreign and Security Policy informing him of the legal framework of Montenegro in the area of foreign trade in controlled goods, as well as the application of the EU Code of Conduct on Arms Exports in Montenegro.



**The Mol** controls and oversees the transportation and transit of arms and military equipment, weapons and ammunition and explosives over the state border and in the territory of Montenegro, in road and railway traffic, in accordance with the provisions of the following legal regulations:

1. Law on Transportation of Dangerous Materials;<sup>14</sup>
2. Law on Weapons;<sup>15</sup>
3. Law on Explosives, Incendiary Liquids and Gases;<sup>16</sup>
4. Decree on Transportation of Arms and Military Equipment.<sup>17</sup>

## 2. Sub-legal acts

The Decree on taking over responsibilities of state authorities prescribes that the following by-laws (detailing specific issues from the subject matter of the law) should be applied in the Republic of Montenegro:

- Decision on the National Control List of Arms and Military Equipment (harmonized with the EU Common Military List);<sup>18</sup>
- Decision on the National Control List of Dual-Use Goods (harmonized with the EU List of Dual-Use Goods and Technologies);<sup>19</sup>
- Decision on the Criteria of Licensing Arms, Military Equipment and Dual-Use Goods Exports;<sup>20</sup>
- Rulebook on the form of licence application, licence form and other documents required for international trade in controlled goods;<sup>21</sup>
- Rulebook on the manner of keeping a Register of persons who may perform foreign trade in controlled goods and the Decision on defining a national control list for dual-use goods.<sup>22</sup>

### 2.1. National Control List

The Law prescribes that the Government may establish other lists required for fulfillment of commitments laid down in international treaties. As already mentioned, the main goal of establishing national control lists is to control transfers of controlled goods and to improve regional and international security, with a view to establishing transparency, exchange of information and achieving higher responsibility in the area of transfer of conventional munitions and dual use products and technologies, as well as to prevent the proliferation of weapons of mass destruction, their launching systems and related materials and technologies, i.e. to take all available measures and steps so that the controlled goods do not fall into the hands of terrorists in order to promote global security.

***EU Lists are evolving documents and are updated on an annual basis; thus it is necessary to regularly update corresponding national lists in order to keep up with developments and events in the respective international control regimes, and to harmonize with them.***

---

<sup>14</sup> "Official Paper of RMNE", no. 05/08 of 23 January 2008.

<sup>15</sup> "Official Paper of RMNE", no. 49/04 of 22 July 2004.

<sup>16</sup> "Official Paper of Socialist Republic of Montenegro [SRMNE]", no. 17/92, 59/92, 27/94.

<sup>17</sup> "Official Paper of SRY" no. 54/97.

<sup>18</sup> "Official Paper of SCG", no. 11/05 of 18 March 2005.

<sup>19</sup> "Official Paper of SCG", no. 11/05 of 18 March 2005.

<sup>20</sup> "Official Paper of SCG", no. 11/05 of 18 March 2005.

<sup>21</sup> "Official Paper of SCG", no. 12/05 of 25 March 2005.

<sup>22</sup> "Official Paper of SCG", no. 12/05 of 25 March 2005.

**The National Arms and Military Equipment Control List** has been harmonized with the EU Common Military List included in the EU Code of Conduct on Arms Exports.

According to the Council of Europe Declaration, published on the occasion of the adoption of the above-mentioned Common List, this List is politically binding, together with the EU Code of Conduct on Arms Exports, in the framework of the Common EU Foreign and Security Policy. In this context, all EU Member Countries are politically bound to include the goods from the Common List in their national regulations on export control.<sup>23</sup>

**The National Dual-Use Control List** (including software and technologies) related to the goods that may have military as well as civilian use has been harmonized with the EU List of Dual-Use Goods and Technologies. The main instrument of controlling these goods in the EU is Regulation 1334/2000, which is binding for all EU Members.

The EU Control List of dual-use goods and technologies includes the lists of all different international control regimes, such as the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies (WA), the Missile Technology Control Regime (MTCR), the Nuclear Suppliers Group (NSG), the Australia Group (AG) and the Chemical Weapons Convention (CWC). The List has a flexible format which allows for the integration of new international controls.

*The new Draft Law introduces a “catch-all” clause. This clause regulates the possibility of controlling goods that have not been included in the prescribed national control lists, but that are considered as controlled goods in the case that the person intending to carry out a foreign trade deal learns from the competent authorities or has a reason to believe that the goods in question are or may be, entirely or partially, used for the development, manipulation, possession, maintenance, stockpiling, tracking, detection, identification or proliferation of chemical, biological or nuclear weapons or other nuclear and explosive devices, or else for the development, maintenance or stockpiling of rockets capable of carrying such weapons. The provisions of this article will be entirely harmonized with Article 4 of Council Regulation no.1334/2000 dealing with “comprehensive control”.*

### 3. International Conventions and Agreements

Having restored its statehood, the Republic of Montenegro has been committed to applying and adhering to International Treaties and Agreements signed by the states Montenegro was party to (Serbia and Montenegro [SCG], the Socialist Republic of Yugoslavia [SRY], the Socialist Federal Republic of Yugoslavia [SFRY], the Federal People's Republic of Yugoslavia [FNR]). Consequently, Montenegro made a successor statement related to the most important international disarmament, non-proliferation and arms control agreements. The acknowledged international agreements are part of national legislation and are directly enforced. Montenegro is a contracting party for the following international agreements:

1. **Convention on Prohibition or Restriction on the Use of Certain Conventional Weapons that may be Deemed to be Excessively Injurious or to Have Indiscriminate Effects – the so-called inhumane weapons (CCW)** (SFRY ratified in 1970, SRY approved in 2002; Montenegro became a party as a successor on 23 October 2006);
2. **The Treaty on the Non-Proliferation of Nuclear Weapons (NPT)** (SFRY ratified in 1970, SRY approved in 2002; Montenegro became a party to this Treaty as a successor, on 03 June 2006);<sup>24</sup>
3. **Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxic Weapons and on their Destruction (BTWC)** (SFRY ratified in 1973, SRY approved in 2001; Montenegro became a party to this Convention as a successor on 03 June 2006);

<sup>23</sup> The **MED** in cooperation with the **UNDP** office in Belgrade is drafting revised Lists of Military Goods, adopted by the Council of Europe on 19 March 2007 (2007/197/CFSP), as well as the *List of Dual Use Goods* adopted by the same institution on 18 September 2007, COUNCIL REGULATION (EC) No. 1183/2007, which will represent the latest lists of goods, updated and included as an integral part of the legal regulations in Montenegro.

<sup>24</sup> On 26 May 2008 Montenegro signed the Agreement on the Application of Protection Measures in the context of the Treaty on the Non-Proliferation of Nuclear Weapons and related protocols (Additional Protocol and Protocol on Small Quantities).

4. **Convention on the Prohibition of the Development, Production and Use of Chemical Weapons and on their Destruction (CWC)** (SRY ratified in 2000; Montenegro became a party to this Convention as a successor on 03 June 2006);
5. **Missile Technology Control Regime (MTCR)** (in February 2004 Serbia and Montenegro unilaterally accepted to comply with the MTCR document "Equipment, Software and Technology", beginning on 30 May 2003, and the "Guidelines for Sensitive Missile-Relevant Transfers" beginning on 07 January 1993);
6. **Comprehensive Nuclear Test Ban Treaty (CTBTO)** (Serbia and Montenegro ratified this Treaty in 2004; Montenegro became party to the treaty on the basis of succession on 23 October 2006);
7. **Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction – Ottawa Convention** (Serbia and Montenegro submitted the ratification instrument to the UN Secretary General in September 2003, the respective commitments commenced on 01 March 2004; Montenegro gave a successor statement on 23 October 2006);
8. **Treaty Banning Nuclear Weapon Tests in the Atmosphere, in Outer Space and Under Water – Outer Space Treaty** (Montenegro became a party to this treaty on the basis of succession on 03 June 2006);
9. **Treaty on the Prohibition of the Placement of Nuclear Weapons and other Weapons of Mass Destruction on the Sea-Bed and the Ocean Floor and in the Subsoil Thereof – Sea-Bed Treaty** (Montenegro became a party to this treaty on the basis of succession on 03 June 2006);
10. **Protocol against the Illicit Manufacturing of and Trafficking in Firearms, their Parts and Components and Ammunition, supplementing the United Nations Convention against Transnational Organized Crime** (Montenegro made a successor statement on 23 October 2006).

**Moreover, Montenegro applies the following measures and instruments on disarmament, non-proliferation and arms control:** Vienna Document 99; 2000 OSCE Document on Small Arms; 2003 OSCE Document on Stockpiles of Conventional Ammunition; 2004 OSCE Document on End User Certificates; 2004 OSCE Document on Arms Brokers; 2003 OSCE Document on MANPADS; 2001 Stability Pact Regional Implementation Plan; Hague Code of Conduct against Ballistic Missile Proliferation (HCOC); 2004 UN Security Council Resolution 1540 against Proliferation of Weapons of Mass Destruction; Conclusive Negotiation Document as per Article V of Annex 1B of the General Framework Agreement for Peace in Bosnia and Herzegovina (BiH) (Dayton Agreement); United Nations Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All its Aspects (UN PoA SALW).

#### 4. Other regulations

Besides this Law, in the positive Montenegrin legislation in the area of foreign trade in controlled goods, other laws are also applied, regulating specific issues of importance in the field of arms transfers. These laws include the following:

1. Law on Production and Transfers of Arms and Military Equipment ("Official Paper of SRY", no. 41/96);
2. Law on Foreign Trade ("Official Paper of the RMNE", no. 28/04, 37/07);
3. Law on Customs ("Official Paper of the RMNE", no. 07/02, 38/02, 72/02, 21/03, 31/03, 29/05 and 66/06);
4. Law on Weapons ("Official Paper of the RMNE", no. 49/04);
5. Law on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction ("Official Paper of SCG", no. 44/05);

6. Law on Transportation of Dangerous Materials (“Official Paper of the RMNE”, no. 05/08);
7. Law on Crossing the State Border and Movement in the Border Zone (“Official Paper of SFRY”, no. 34/79 and “Official Paper of SRY”, no. 24/94, 28/96).

Besides the above mentioned, other laws are also applied, e.g.: the Law on Explosive Materials, Incendiary Liquids and Gases (“Official Gazette of the Republic of Serbia[RS]”, no. 44/77, 45/85, 18/89, 53/93, 67/93, 48/94, 101/05); the Law on the Production and Trade in Toxins (“Official Paper of SRY”, no. 15/95, 28/96 and “Official Gazette of the RS”, no.37/02, 101/05); the Law on the Protection from Ionic Radiation (“Official Paper of SRY”, no. 46/96 and “Official Gazette of the RS”, no.85/05, 101/05); the Law on the Production and Trade of Narcotics (“Official Paper of SRY”, no.46/96, 37/02 and “Official Gazette of the RS”, no.101/05).

## SECTION 3

### INTERNATIONAL AGREEMENTS

#### 1. International control regimes

Despite the fact that the Law has been harmonized with international standards in this area, and that the national control lists of arms, military equipment and dual-use goods are practically identical to the EU lists, including the internationally accepted controls such as WA, MTCR, NSG, AG and CWC, recent activities of our country in this field have not been oriented towards accession to these regimes, which should become a priority in the near future.

As mentioned above, international control regimes, aimed at identifying goods and technologies that should be subject to export controls, exchanging information on the proliferation of risks and promoting non-proliferation of weapons of mass destruction in contacts with non-regime countries are:

- The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies (WA);
- The Missile Technology Control Regime (MTCR);
- The Australia Group (AG);
- The Nuclear Suppliers Group (NSG);
- The Zangger Commission (ZAC).

##### 1.1. The Wassenaar Arrangement

The Wassenaar Arrangement was established in December 1995 by 33 states, as a contribution to regional and international security by promoting transparency, information exchange and greater responsibility in transfers of **conventional arms and dual-use goods and technologies**.<sup>25</sup>

---

<sup>25</sup> Conditions for becoming a state-party to the Wassenaar Arrangement are: that the applicant has the status of producer or exporter of conventional weapons or industrial equipment and has a non-proliferation policy, and that they comply with all relevant national principles, including conformity with the existing non-proliferation regimes and arrangements, and that the applicant has an efficient export control system. Membership decisions are made by consensus of member countries at annual plenary sessions (usually two sessions are held per year, one in spring and one in autumn).

**Participating States in the Wassenaar Arrangement are:** Argentina, Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Romania, Russian Federation, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, Ukraine and United States of America (a total of 40 countries in 2006).

This is an arrangement that is supplementary to other regimes, in so far as it ensures that nothing related to proliferation activities bypasses the existing controls over transfers of conventional weapons and weapons of mass destruction and their delivery systems. States parties to the Wassenaar Arrangement act in order both to prevent and to combat the possible acquisition of such weapons by terrorist groups and organizations. This arrangement also encourages other non-member countries to adopt national policies consistent with the goals of greater transparency and responsibility as regards transfers of *conventional arms and dual-use goods and technologies*.

## 1.2. The Missile Technology Control Regime

MTCR is a voluntary international association (not an agreement) **aimed at controlling the transfer of technology and equipment for ballistic and cruise missiles, space launch vehicles and other unmanned delivery systems**; it is open to all countries, of a global nature, and established on a non-discriminatory basis whereby every member has an equal standing. The association was established in 1987 by the 'Group of 7' as an informal group of highly developed countries with the aim of curbing the spread of unmanned delivery systems for nuclear weapons, specifically delivery systems that could carry a minimum payload of 500kg for a minimum distance of 300km, as well as WMD delivery systems, and to ensure transparency and active exchange of information among members.<sup>26</sup>

## 1.3. The Australia Group

The Australia Group was established in 1985, as an informal organization of 15 countries, with the goal of curbing the **proliferation of chemical and biological weapons**, their production capacities and equipment and related technologies, by increasing the effectiveness of export controls.<sup>27</sup>

Control documents include the guidelines and common control lists defining what should be controlled and incorporated in the national legislation. Common control lists usually include biological agents, toxins, chemical weapon precursors and dual use technologies and equipment. The Australia Group supports the goal of the international CWC and the BTWC, ratified by Serbia and Montenegro and taken over by Montenegro. All states participating in the Australia Group are parties to these Conventions.

**The Chemical Weapons Convention** is an international agreement controlling the transfer and use of chemicals and destruction of chemical weapons, with an emphasis on chemical weapons and precursors. Each state-party to the Organisation for the Prohibition of Chemical Weapons (OPCW) is to establish a National Team for the Prohibition of Chemical Weapons, whose duty will be to coordinate the activities of relevant state institutions and strengthen cooperation with the OPCW bodies and its member countries. By implementing technical cooperation programmes, submitting specific information and clarifications, conducting training programmes for the staff of relevant institutions, ensuring communication with the National Teams of other countries, etc., the OPCW provides substantial support to new members in the implementation of the Convention.

<sup>26</sup> The decision to admit a new partner into the MTCR is taken by consensus; partners consider whether a prospective new member would strengthen international non proliferation efforts, demonstrate a sustained and sustainable commitment to non proliferation and if they have a legally based effective export control system. MTCR has no Secretariat; the Regime's dialogue with prospective partners is conducted through the MTCR Chair, visits to capitals by teams comprised of representatives of four MTCR partners and bilateral exchanges.

**Missile Technology Control Regime partners are:** Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Czech Republic, Denmark, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Russian Federation, South Africa, Spain, Sweden, Switzerland, Turkey, Ukraine, United States of America (total of 34 countries). In February 2004, SCG unilaterally accepted to comply with MTCR documents: Equipment, Software and Technology as of 30 May 2003, and to observe the Guidelines for Sensitive Missile-Relevant Transfers as of 07 January 1993.

<sup>27</sup> Membership in the Australia Group is achieved by showing full commitment to non-proliferation of chemical and biological weapons and the strength of a country's national export control measures that must be effective in impeding the production of chemical and biological weapons; these measures should be practical and reasonably easy to implement and should not impede the normal trade of materials and equipment used for legitimate purposes.

**Australia Group Participants are:** Argentina, Australia, Austria, Belgium, Bulgaria, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United States of America (total of 40 countries). The European Commission has the status of observer.

With its membership in the OPCW, Montenegro, as a state-party, has accepted inter alia the commitment to adopt the necessary legal measures, in accordance with its national legislation, prohibiting all the activities as prescribed by the Convention, including changes in criminal legislation. Also, by establishing the National Team for the Prohibition of Chemical Weapons, Montenegro has made an important step towards fulfillment of its commitments assumed with the accession to the Convention on the Prohibition of the Development, Production and Use of Chemical Weapons, which will enable the competent Montenegrin institutions to take part in different assistance programmes, and strengthen the overall cooperation of Montenegro with this important organization and its member countries.

#### 1.4. The Nuclear Suppliers Group

The Nuclear Suppliers Group is not an internationally binding agreement, but a multinational body which seeks to ensure, through the implementation of NSG guidelines, that trade in nuclear material for peaceful purposes does not contribute to the proliferation of nuclear weapons and other nuclear products. This group also aims to control exports of dual-use equipment that may be used as nuclear weapons.

The NSG publishes Guidelines and uses the so-called “trigger list”, which includes products “especially designed or prepared” for processing, use or production of special fissionable materials, nuclear reactors and equipment. The Guidelines also include the respective technology for the development and production or use of the mentioned products and processing plants.

The Guidelines are drafted by consensus of states at annual plenary meetings held in Vienna.<sup>28</sup>

#### 1.5. The Zangger Committee

The Zangger Committee was formed as an informal agreement, which is not legally or politically binding for Member States. Its goal is the harmonization of interpretation of the Nuclear NPT – ratified by SFRY in 1970, and approved by SRY in 2002 – and the requirements of the International Atomic Energy Agency (IAEA) as regards nuclear exports safeguards. The Committee establishes and updates a list of equipment and materials that may be exported only if the necessary safeguards have been observed. Each Member is free to define its scope of activities. The decisions of the Committee are made by consensus.<sup>29</sup>

There are numerous advantages for states-parties of international agreements and regimes in the area of arms, military equipment and dual-use export control, such as:

- The possibility of exchanging information between member countries;
- The possibility for a member country to propose or influence decisions related to guidelines or changes in control lists;
- The fact that export into regime Member Countries may be deemed safer, since the country in question performs adequate export controls, etc., as all decisions are made by consensus.

## 2. Arms Trade Treaty

On 27 October 2006 the UN General Assembly initiated, by a majority of votes, work on drafting an international Arms Trade Treaty. The idea is to take specific measures aimed at addressing the gaps in the existing legislation

<sup>28</sup> **Nuclear Suppliers Group Participants are:** Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Italy, Japan, Kazakhstan, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Romania, Russian Federation, Slovakia, Slovenia, South Africa, Sweden, Switzerland, Turkey, Ukraine, United States of America (total of 45 countries). The European Commission takes part as an observer.

<sup>29</sup> **Members of the Zangger Committee are:** Argentina, Australia, Austria, Belgium, Bulgaria, Canada, China, Croatia (joined on 30 June 2006), Czech Republic, Denmark, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Poland, Portugal, Republic of Korea, Romania, Russian Federation, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, United States of America (total of 36 countries). The European Commission takes part as an observer.

that allow for diverting weapons in conflict zones in spite of sanctions and export controls, and to stop supplying weapons to countries whose development has been obstructed by the use of weapons and military equipment.<sup>30</sup>

## SECTION 4

### MONTENEGRO IN THE EXPORT CONTROL SYSTEM

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

In the initial period of establishing legal regulations in this field, the implementation of the Law started on 31 March 2005, and then in June 2006 in Montenegro, with considerable support from the USA, Great Britain and later the EU with a view to implementing the Law as effectively as possible.

The US State Department demonstrated special interest in including this region in export control processes with its decision to appoint within the US Embassy in Belgrade a Resident Representative of the Export Control and Border Security Programme (EXBS) whose field of responsibility includes Serbia, Montenegro and BiH.

In the course of 2005, 2006 and 2007, the EU fully supported the development of an efficient export control system in Montenegro. The 2004 EU Pilot Project related to building the export control system in South Eastern European countries, conducted by SIPRI and BAFA, was given a mandate to implement the Pilot Project 2005/06/07 – Cooperation with Third Countries in the Area of Export Control.

#### 1. International cooperation

International and regional organizations invest much effort into issues of illegal arms trade and control. The leading agencies are the UN and its agency the UNDP, as well as the OSCE and the Council of Europe. Given the responsibility of the Government of Montenegro to provide a higher security level for its citizens, and to fulfill its inherited international commitments, a broad social campaign has been launched with a view to sensitizing the public on the issue of illegal weapons possession, covering all parts of the society. To this end, in the course of 2003, the MoI, in cooperation with the NGO “**Akcija**” organized a campaign for the voluntary surrender of weapons and explosives entitled “Respect Life – Return Weapons”. The campaign was launched between March and May 2003. This campaign was supported by USAID, UNDP and the South Eastern and Eastern Europe Clearinghouse for the Control of SALW (SEESAC). The goal of the campaign was that citizens should voluntarily surrender the weapons that according to the law they are not allowed to hold and carry. In terms of its effects, the number of participants and the manner of implementation, this campaign was conducted with much success; citizens surrendered a total of **1,764 weapons and 274 items of ammunition**. These were destroyed in May in Niksic, under the auspices of UNDP and USAID-ORT.

In early August 2004 the Government of the Republic of Montenegro adopted the SALW Control Strategy, and in October a National Commission was established and a SALW Control National Coordinator appointed.<sup>31</sup>

<sup>30</sup> The Republic of Serbia is one of 139 countries that voted in favour of taking the first steps towards this international treaty with the goal of preventing illegal and irresponsible arms trade, which fuels conflicts, poverty and serious violations of human rights (only the USA voted against). If appropriate, Montenegro will support this initiative.

<sup>31</sup> **The Ministry of Foreign Affairs of Montenegro**, in cooperation with its responsible authorities, and in view of its new international commitments, is drafting, inter alia, reports on illegal trade in small arms and light weapons (in accordance with UN General Assembly Resolution 63/47); reports related to building a legal framework; procedures and mechanisms in the field of effective control of arms, military equipment and dual-use transfers (in accordance to the UN General Assembly Resolution 62/26); reports related to the observance of specific Conventions and so on.

As one of the activities of the UNDP Small Arms Control Project, a campaign “Arms into Art”, was also conducted, which involved an artistic sculpture being made from old weapons.<sup>32</sup> After that, a new phase of the joint Montenegro Mol and UNDP Project started with the presentation of the National Strategy, followed by drafting an Action Plan for the implementation of the Strategy, awareness raising of the public on risks posed by weapons and sensitization of international and other partners aimed at supporting future projects in the field of small arms and light weapons control.<sup>33</sup> As a result of active cooperation among the Government of the Republic of Montenegro, UNDP and the Government of the Republic of Bulgaria, on 28 February 2006, in the Iron Works of Nikšić **2,519 weapons and 527,369 various caliber items of ammunition** were destroyed.<sup>34</sup>

### 1.1. Technical support to capacity building in Montenegro in the field of controlled goods transfers

The Montenegrin Government continued its active cooperation with international organizations and institutions in the field of control of arms, military equipment and dual-use transfers in 2007. **On 26 January 2007 at the MED** a meeting was held in the framework of the MED Capacity Building Project in the field of arms and dual-use transfers licensing: **“Arms export control – legal regulations”**.

This meeting was intended for putting forward proposals regarding future activities in this field, in the framework of the above-mentioned Project. **UNDP** provided support for drafting a new law by preparing a report outlining the practice of EU countries in the field of arms, military equipment and dual-use exports control. In addition UNDP organized a visit of an MED representative in March to the *Arms Export Control Department of the MFA of Latvia in Riga*. This visit was useful and important because the MED representative was able to see a system functioning in a country with a relatively small population (around 2 million), with well developed legal regulations (especially in the area of transit and transport), the implementation of which is highly professional. The experience gained about such an efficient arms export control system will be used for as effective as possible implementation of the national legal regulations.

As regards long-term successful cooperation with the US Government, the representatives of the **US Defense Department** visited MED on **01 February 2007**, highlighting the importance of inter-agency cooperation in the implementation of legal regulations in the field of arms, military equipment and dual-use export control, with a special emphasis on technical assistance to be provided in the coming period by the US Defense Department in the form of workshops, training courses and other trainings in three areas: a) techniques and equipment of inspection authorities; b) research techniques; and c) emergency response (when the problem has already occurred).<sup>35</sup>

The US and Romanian Governments organized the **“Eighth International Conference on Arms Exports Control”** in Bucharest, Romania, from 06 to 08 March 2007. The conference, also attended by Montenegro (amongst 60 participating countries), was dedicated to sharing the attitudes and opinions of various countries in the field of arms export control. Exchanging experience and gaining new knowledge should contribute towards improving export controls in each country.

<sup>32</sup> The sculptor was a young Montenegrin artist, **Lada Perović**, who was supported by artists/sculptors from neighbouring countries. Thanks to the joint efforts of the Montenegrin Mol, UNDP, the NGO “Pax Cristi” and Municipality of Podgorica, the sculpture was inaugurated and placed on a plateau near the Security Centre of Podgorica on 6 May 2005. This sculpture is a symbol of the common position and commitment to seriously tackling the issue of arms control in Montenegro.

<sup>33</sup> At the time the Government organized an awareness raising programme in high schools including visits of Members of the Government Commission, lectures and practical exercises on the risks and dangers posed by weapons, especially for children and young people. Thus the awareness of the public was raised on the risks posed by weapons.

<sup>34</sup> Source: Government of Montenegro, Mol.

<sup>35</sup> These trainings are mostly intended for individuals who directly enforce the legal regulations (Border Crossing Officers), but also include representatives of the MED, as this is the ministry responsible for issuing export/import licences for controlled goods. The presence of MED representatives at these workshops will also have an impact on cooperation with inter-governmental bodies, which is the key to the efficient operation of the system and effective implementation of legal regulations. These workshops should build the administrative capacities of the employees, especially as regards recognition of dual use goods, which is of special importance for the employees of the MED and representatives of the authorities of the Montenegrin Customs, who perform arms, military equipment and dual-use export control tasks. The workshops have been conceived as presentations followed by discussions and case-studies, where moderators of work groups present the results of their groups at a plenary session.



In Zagreb in May 2007 at the Regional SEE Centre “RACVIAC” a two-day workshop was held on “**Application of the EU Code of Conduct on Arms Exports**”. The workshop was intended for high-level representatives of the ministries and agencies responsible for issuing weapons licences and national security.

The topics discussed at the workshop included the following issues:

- Information about international arms export legal networks and criteria and their relationship with the EU Code of Conduct;
- Distinction of responsibilities of the relevant authorities in the procedure of arms export control; and
- Exchange of experience among countries including defining problems and challenges in the implementation of the EU Code of Conduct on Arms Exports.

Another workshop entitled “**Weapons of Mass Destruction**” was organized in April in Budva, in cooperation with the US Department of Defense and its Defense Threat Reduction Agency (DTRA). It was attended by around thirty high level representatives from the governmental agencies of the Republic of Montenegro.

The workshop was intended for managers and agencies involved in investigations, incidents or WMD related crimes (smuggling, trafficking, etc.). The workshop dealt with issues of weapons of mass destruction in terms of global and regional threats posed by these weapons, as well as with issues of combating the traffic of such weapons, military equipment and dual-use goods.

In late May and early June 2007 in Frankfurt, under the framework of the EU Pilot Project, BAFA organized a workshop “**Advanced Licensing Training for South Eastern Europe**”. The workshop was organized exclusively for licensing officers responsible for foreign trade of controlled goods in the region of South Eastern Europe (SEE).

The Workshop dealt mostly with control of dual-use exports within the **catch-all** clause<sup>36</sup> and included the following:

- What is the catch-all clause?
- What are catch all-documents?
- What are the special licensing procedures?

The Government of the Republic of Serbia, in cooperation with the Portuguese Government and SIPRI, organized a training course entitled “**EU Code of Conduct on Arms Exports**”, on 13-14 December 2007, also attended by Montenegro representatives. This workshop was based on the experiences of successful workshops held in Vienna, Sarajevo and Zagreb, and stressed the importance of the EU Code of Conduct on Arms Exports, and the promotion of international peace, security and stability.

The goal of the workshop was to show the importance of the Code of Conduct on Arms Exports as regards the improvement of international peace, security and stability, recognizing the importance of exchanging experience among countries in creating a common platform in this area.

Topics tackled at the workshops included the following:

- Transparency in arms exports;
- Short overview of 2006 reports;
- Principles of EU Code of Conduct on Arms Exports;

---

<sup>36</sup> **Catch-all** is related to dual-use goods that have not been included in the National Control List of Dual-Use Goods, but may be used in military production.

- **Brokering** in arms transfers; and
- Exchange of experience including defining the problems and challenges in the implementation of the EU Code of Conduct.

## 2. Cooperation with commercial companies – planned activities

Comprehensive training of the employees of the competent institutions has been carried out, realized with the financial support of UNDP, SIPRI and the US (Department of Commerce and Defense). However we have not been able to organize concurrently workshops for representatives of local institutions and companies dealing with production and foreign trade of controlled goods.

After the adoption of the new Law on Foreign Trade in Controlled Goods, the activities of the Ministry will become focused on training local companies on the rights and responsibilities included in the laws and by-laws, informing them of the need to obtain licences for dual-use goods. This will be a chance to create a relationship between governmental authorities and commercial interests known within the international community as **“Industry Outreach or Industry-Government Relations”**.

MED activities aimed at the constant improvement of export control should be maintained, including enforcement of the law. In this we still need the help of the international community and naturally, inter-agency cooperation of all institutions in the application of regulations in this sensitive field, as well as training of commercial actors.

In order to further improve the export-import control system, it is necessary to:

- Continue with the process of development and full implementation of legal regulations and of the present system of arms, military equipment and dual-use export control system;
- Strengthen regional cooperation in the field of export control;
- Establish new National Control Lists, or else harmonize them with the latest lists adopted in 2007 in the EU;
- Improve the existing regulations and change certain solutions imposed by limited responsibilities of the State Union of SCG;
- Initiate formal procedures for accession to international agreements and control regimes, so as to achieve Montenegro's full membership;
- Fulfill all the commitments deriving from the membership of Montenegro in the UN, together with numerous resolutions, recommendations and other documents in the field of combating proliferation of weapons of mass destruction and terrorism;
- Hold workshops and training courses for local commercial actors and the governmental sector on export control of controlled goods;
- Improve the technical base and education of Customs Authorities in order to train them to combat the trafficking of controlled goods;
- Install TRACKER software;<sup>37</sup>

<sup>37</sup> TRACKER software is a programme that has replaced non-automated methods of processing data on transfer control and allows for keeping track of thousands of cases. Thus Tracker functions as a central database of licence applications to record data on the submitting, processing, monitoring, assessing and decision-making of applications.

**Tracker** has evolved into a powerful, international set of tools and includes automatization of work, internationalization, users, groups, licences and relation-building. Using this set of tools and technologies, the authorities may communicate directly with their peers (e.g. ministries, agencies and departments) and organize and analyze information in a way that was not previously possible.

- Continue participating in the EU Pilot Project;
- Strengthen cooperation with the EU in the framework of the TAIEX Programme;
- Initiate work on the introduction of the Internal Control Programme in local companies, with the support of the US Department of Commerce (ICP Programme).

## SECTION 5

### STATISTICAL OVERVIEW

In order to have an overview of arms, military equipment and dual-use imports and exports, all the relevant data have been given in tables in the Annexes. This part of the Report gives an overview of issued export and import licences for arms, military equipment and dual-use goods and the value of exports and imports of controlled goods, broken down by issued licences, destinations and categories of the National Control Lists.

For dual-use goods no licences were issued in 2006. During 2007 two export licences were issued, which demonstrates that companies are still not familiar with the legal regulations related to such goods.

It is worth mentioning that the value of exports or imports significantly differs from the value of issued export or import licences, for the reason that the licences are issued for one year, which does not correspond to the calendar year.

The following five Annexes give a detailed overview of the functioning of the system of transfer control of arms, military equipment and dual-use goods in 2007.

## Annex 1/07:

### List of Persons entered in the Register

In 2006 at the MED of Montenegro, 16 companies dealing with foreign trade in controlled goods were entered in the Register.<sup>38</sup> In 2007 another company dealing with import of dual-use goods was entered in the Register of the Ministry.

In terms of the property of the registered legal entities, in most cases property is privately owned (94.1%), followed by state ownership with (5.9%). With regard to the principal capital of the registered persons, local capital is the most common (70.6%), followed by mixed capital at 29.4%, while there was not any foreign capital inflow.

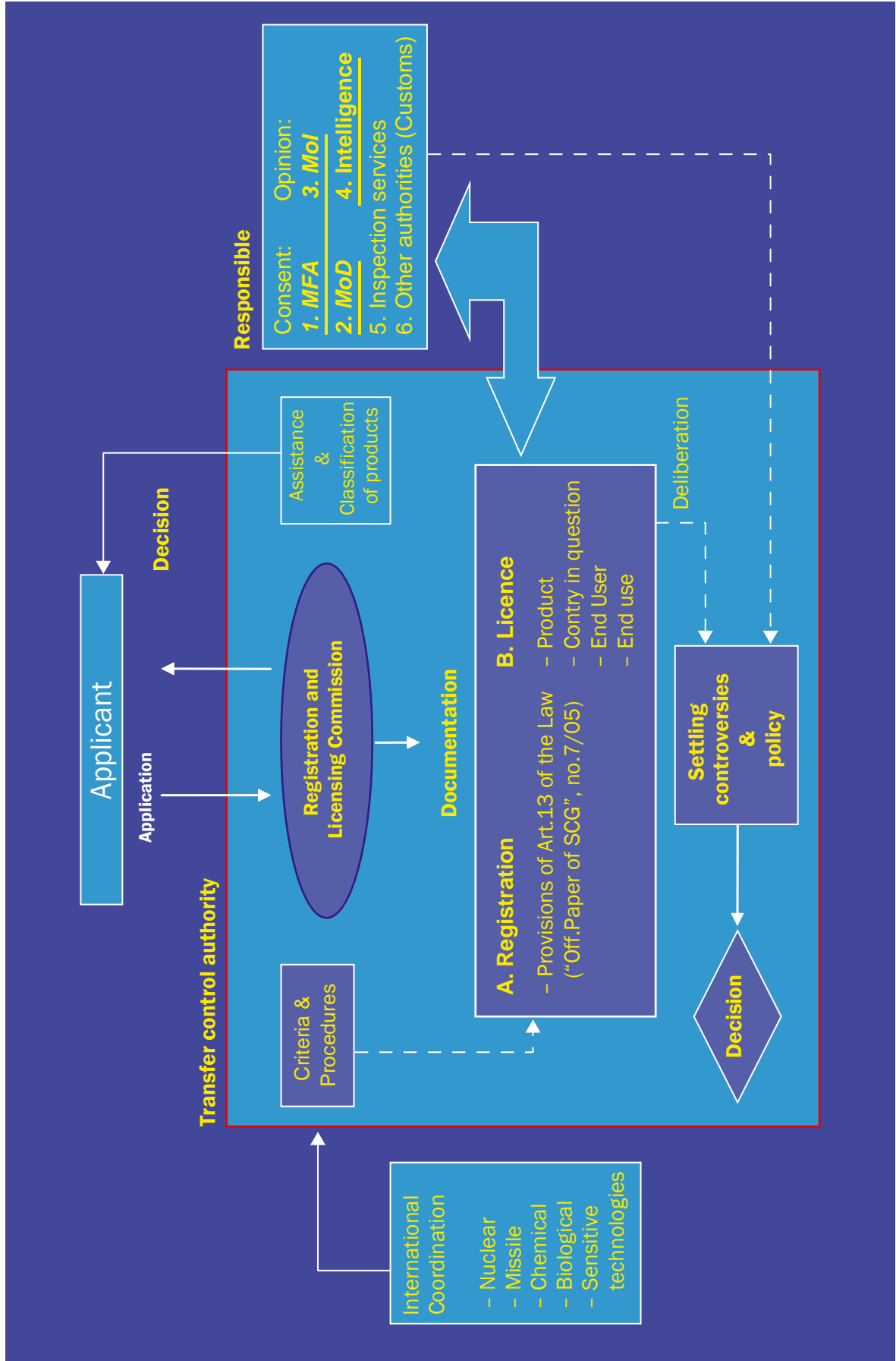
The list of companies registered for the foreign trade of arms, military equipment and dual-use goods in 2007 is given in *Table no.1*.

**Table no.1: List of Companies**

NO.	NAME OF THE COMPANY	SEAT OF COMPANY	TYPE OF PROPERTY	ORIGIN OF CAPITAL
1.	"Montenegro Defence Industry" d.o.o.	Podgorica	State	Local
2.	"COFIS-MONTENEGRO" d.o.o.	Podgorica	Private	Mixed
3.	"POLIEX" a.d.	Berane	Private	Local
4.	"19 DECEMBAR" a.d.	Podgorica	Private	Local
5.	"BOOM COMPANY" d.o.o.	Podgorica	Private	Local
6.	"Kuljača Company" d.o.o.	Budva	Private	Local
7.	"DIANA" d.o.o.	Podgorica	Private	Local
8.	"IDEA" d.o.o.	Podgorica	Private	Local
9.	"NIKOLAS" d.o.o.	Herceg Novi	Private	Local
10.	"RASTOVAC" d.o.o.	Berane	Private	Local
11.	"RUDNIK UGLJA" a.d.	Pljevlja	Private	Local
12.	"VATROSTALNA" a.d.	Podgorica	Private	Local
13.	"TARA – Aerospace and Defence products" a.d.	Mojkovac	Private	Mixed
14.	"Dura Investmens" d.o.o.	Podgorica	Private	Mixed
15.	"ELETTOENGEGENERING" d.o.o.	Tivat	Private	Mixed
16.	"BOOSTER" d.o.o.	Nikšić	Private	Local
17.	"KOMBINAT ALUMINIJUMA" a.d.	Podgorica	Private	Mixed

<sup>38</sup> Note: Over 80% of registered companies deal with import of sports and hunting weapons, while few companies are actually involved in foreign trade of controlled goods.

### Annex 1a: System of controlled goods transfer control in montenegro



## Annex 2/07:

### Data on issued export licences for Arms and Military Equipment (AME)

In 2007 the MED of Montenegro issued a total of **45** export licences for **13** destinations, to the value of **€31.26 million**.

The total value of foreign trade in controlled goods in the period January-December 2007 was **€47.36 million**. Exports realized in this period amounted to **€31.26 million**, which is by **92.87%** more than in 2006<sup>39</sup>; the import value was **€16.10 million**, which is by **89.50%** more than in 2006. This shows that trade activities in 2007 were more dynamic than in 2006.

#### Graph no. 1: Graph of exports of controlled goods (2006/2007)



In view of the fact that Montenegro commerce does not have the necessary AME production capacities, the main activities of companies is trade, or else export of imported goods, as shown in Graph no.1.

In comparison with 2006, the 2007 data show a considerable increase in the value of issued licences for arms and military equipment. This higher value is a result of the sale of surplus weapons and the discovery of new trade partners by local companies. Exports have been given in percentages in Graph no. 1.

The highest number of export licences in 2007 were issued to the following destinations: Cyprus (18), Serbia (nine), Croatia and Macedonia (three each), Switzerland, BiH and Slovakia (two each) and one licence to Albania, Bulgaria, Israel, Afghanistan, USA and Armenia (*see details in Annex 2a/07*).<sup>40</sup>

From the value of issued export licences we can conclude that the most important foreign trade partners for the export of arms and military equipment in 2007 were: **Cyprus** (€15.5 million), **Israel** (€9.8 million), **Serbia** (€3.8 million) and the **USA** (€1.3 million). 96% of the value of our exports were to these destinations.

<sup>39</sup> Note: For 2006, data have been taken from the moment of taking over the responsibilities from the State Union level, i.e. from July.

<sup>40</sup> For reasons of confidentiality the names of persons dealing with controlled goods transfers have not been given below.

Annex 2a: Issued licences for export of controlled goods (in thousands of EUR) <sup>41</sup>

EXPORT DESTINATION	NUMBER OF ISSUED LICENCES	CATEGORY IN NATIONAL CONTROL LIST (AME)	VALUE OF ISSUED LICENCES	DESCRIPTION OF GOODS	QUANTITY (IN MEASUREMENT UNITS)	COUNTRY OF ORIGIN	END USER COUNTRY	TYPE OF END-USER*
ALBANIA	1	4.1	582.00	- Illumination mortar M91; M84	- 5,000 pcs	BIH	Albania	m
BULGARIA	1	3	224.88	- Ammunition	- 370,000 pcs	BIH	Cameroon	m
MACEDONIA	3	4.1; 4.2	542.88	- Parts of a torpedo; overhaul of torpedo; - Components of torpedo 53-65 KE	- 103 sets	Montenegro	Kyrgyz Republic	c
CYPRUS	18	10.7; 3; 1.1; 1.4; 4.1	15,547.63	Electrical pyrotechnic cartridges, pyrotechnic cutters 82mm smoke mortars M74; Ammunition Machine gun M84; automatic rifles; submachine guns; machine gun stand NSV; spare parts	2,343 pcs 4,385 pcs 11,600,000 pcs 25,875 pcs	Montenegro; Serbia; BIH	Angola; Iraq; Ukraine; Kazakhstan; Afghanistan	m/c
SWITZERLAND	2	10.7	93.43	- Propellant charge for pilot catapults	- 25 sets; 341 pcs	Montenegro	Malaysia	m
ISRAEL	1	4.1	9,796.62	Mines M72; M73	- 18,666 pcs	Serbia	Philippines	m
AFGHANISTAN	1	1.1; 3	Donation	- Automatic rifles; submachine guns; - Ammunition	- 1,600 pcs - 250,000 pcs	Serbia	Afghanistan	m
SERBIA	9	6; 4.1; 10.7; 3; 1.1; 2.1	3,810.07	"Rubež" rockets, spare parts Pyrotechnic cartridges Ammunition Automatic rifles and anti-aircraft gun barrels	- 18 pcs; 3 sets - 154sets+ 870pcs - 3,824,350 pcs - 125pcs.	SFRY; Montenegro; Serbia	Egypt, Libya, USA, Serbia, Cyprus	m/c
REPUBLIKA SRPSKA	2	8.2.5	192.88	- Hail suppression rockets - Spare parts for hail suppression rockets	- 800 pcs - 261 pcs	Montenegro	Bosnia and Herzegovina	c
SLOVAKIA	2	10.7	39.87	- Pyrotechnic cartridges	- 49 pcs	Montenegro	Egypt	m
USA	1	3	1,260.45	- Ammunition	- 27,300,000 pcs	BIH, Serbia	USA	m
CROATIA	3	10.7; 8.2.5	472.74	- Pyrotechnic cartridges - Meteorological hail suppression rocket TG-10	- 36 pcs - 2,300 pcs	Montenegro	Croatia	m
ARMENIA	1	2.1	474.40	- Howitzer and its spare parts	- 374 sets	BIH, RF	Armenia	m

\* Type of End-User: **m** - military; **c** - civilian.

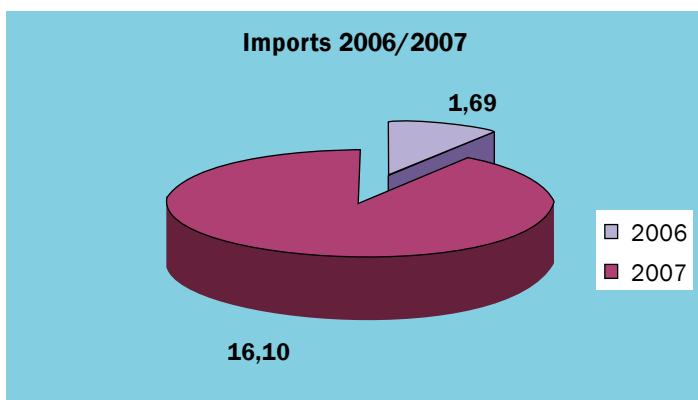
## Annex 3/07:

### Data on issued import licences for AME

Contrary to other countries controlling only the export of arms and military equipment, our country enforces legislation regulating the import of goods as well.

In 2007 the MED of Montenegro issued a total of **32** import licences from **eight** destinations. The value of imports was **€16.10 million**, which is 89.50% more than in 2006.

**Graph no. 2: Graph of imports of controlled goods (2006/2007)**

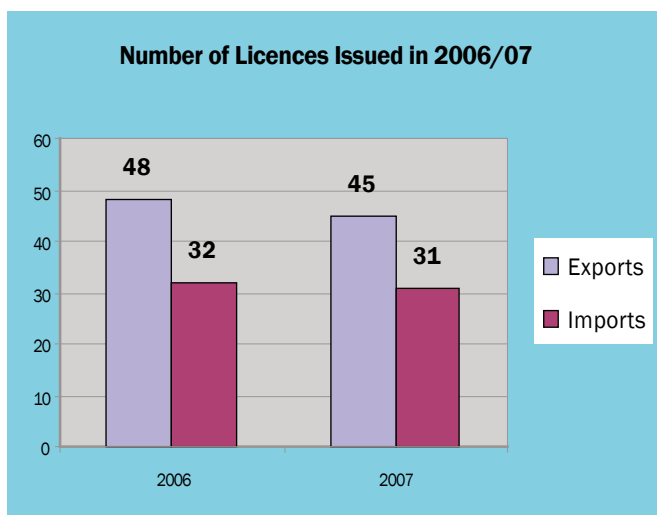


Montenegrin companies dealing with export and import of controlled goods imported in the observed period mostly for purposes of re-exporting.

The highest number of import licences in 2007 were issued to the following destinations: Serbia (20), Italy (three), Croatia and Austria (two each), Switzerland, BiH, Greece and Israel (one each) (**see details in Annex 3a/07**).

The most important foreign trade partners in AME imports in 2007 were: **Serbia** (€15.0 million), **Austria** (€0.36 million), **Italy** (€0.25 million). The percentage of imports from these destinations as opposed to total imports of arms, military equipment and dual-use goods is 97% of the import value.

**Graph no.3: Number of issued export and import licences in 2006/07**



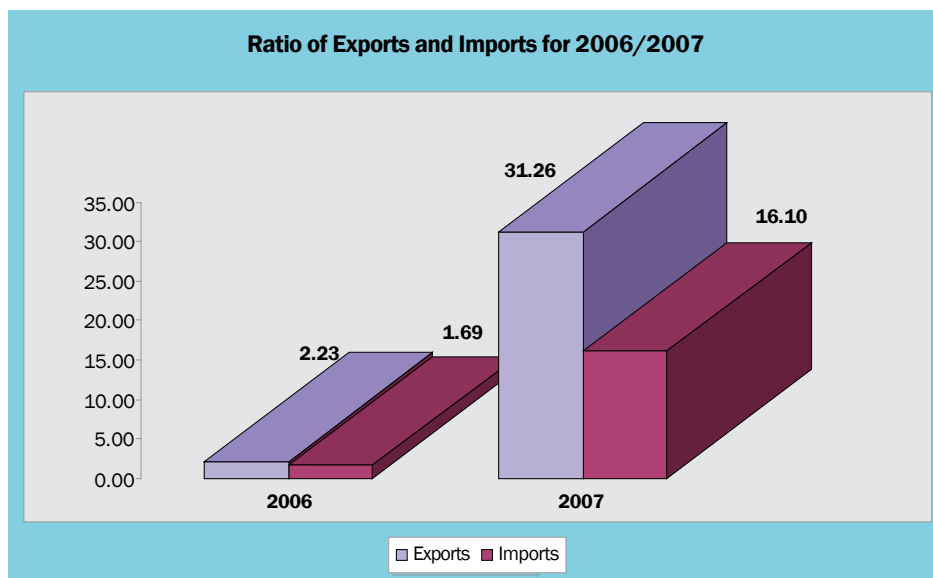


With regard to the number of issued licences (Graph no. 3.), in 2007 fewer licences were issued than in 2006.

The fewer licences issued in 2007 did not imply less value.

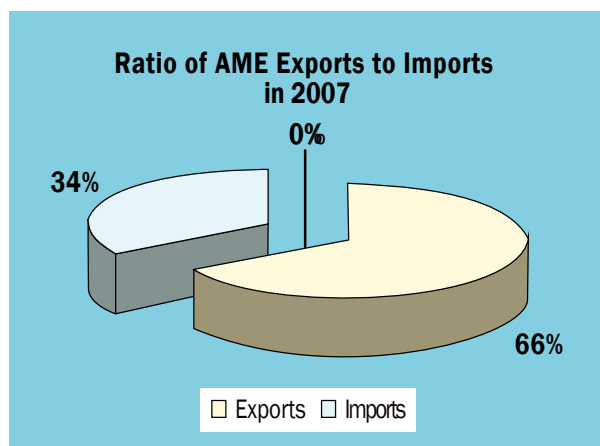
Graph no. 4 shows the structure of foreign trade in controlled goods realized in 2006/2007, and points to increased transfers of controlled goods.

**Graph no. 4: Graph of foreign trade in controlled goods in 2006/07**



Graph no. 5 shows the ratio between exports and imports in 2006 and 2007 in percentages. The value of exports in 2007 exceeded that of imports by **€15.16 million**, or 32%, and in 2006 exports exceeded imports by 16% (**€0.54 million**). Exports realized in 2007 are about 15% larger than in 2006, as are imports. The ratio of exports compared to imports has a positive effect on the Montenegro trade balance, but most of all it shows the commitment of Montenegro to dispose of surplus weapons (partly by destruction and partly through sales).

**Graph no. 5: Graph of percentage of exports and imports of controlled goods in 2006/07**



Annex 3a: Issued licences for import of controlled goods (in thousands of EUR) <sup>42</sup>

IMPORT DESTINATION	NUMBER OF ISSUED LICENCES	CATEGORY IN NATIONAL CONTROL LIST (AME)	VALUE OF ISSUED LICENCES	DESCRIPTION OF GOODS	QUANTITY (IN MEASUREMENT UNITS)	COUNTRY OF ORIGIN	END USER COUNTRY	TYPE OF END-USER*
BOSNIA AND HERZEGOVINA	1	4.1	178.34	- Illumination mortar M 91; M84	-2,000 pcs	BIH	Albania	m
GREECE	1	1.1	87.23	- Hunting rifles; pistols; spare parts	- 254 pcs	Italy, Spain, USA	Montenegro	c
SERBIA	20	8.2.5; 1.1; 3.18.4; 4.1; 1.4.	14,991.45	Double base propellant; propellant charge; composite propellant charge KBP-21 M-2; KBP-16 M 60 mm mortar M73; 81 mm mortar M72; 82 mm smoke mortars M74 Pistols; sports and hunting carbines Machine guns 7.62;12.7; snipers; machine gun stand NSV - Pistol ammunition; carbine ammunition - Services – maintenance of components for helicopters H42/45; Repair services at motor yachts	- 8,690 kg + 1,250 primers - 23,069 pcs - 8,628 pcs - 11,413,050 pcs	Serbia	Montenegro; Iraq; Philippines; Afghanistan	m/c
ISRAEL	1	1.1	47.95	- Pistols; spare parts	- 410 pcs	Israel	Montenegro	c
CROATIA	2	18.4;10.4.3	123.74	- Services – repair of navigable crane LDI-18; navigation equipment	- 11 pcs	Croatia, USA	Montenegro	m
SWITZERLAND	1	1.1.	52.05	- Second-hand machine gun (refurbishing service)	- 1,180 pc	Belgium	Montenegro	c
AUSTRIA	2	1.1.	365.10	- Pistols; revolvers; hunting carbines	- 704 pcs	Belgium, Italy	Montenegro	c
ITALY	3	1.1.	251.10	Sports hunting carbines; pistols and revolvers; spare parts Ammunition	- 280 pcs - 500,000 pcs	Italy, Spain, Austria, Belgium, Germany, Turkey, Russia, USA, Czech Republic	Montenegro	c

\* Type of End-User: **m** - military, **c** – civilian.

<sup>42</sup> Values of different currencies have been calculated according to the average exchange rate of the Central Bank of Montenegro (CBCG) on 28 December 2007 (1€ = \$0.6786) <http://www.cb-cg.org>.

## Annex 4/07:

### A. Data on licences issued for dual-use goods

In the second year of dual-use transfer control, the MED issued two export licences for dual-use goods.<sup>43</sup> The main problem is still a lack of knowledge on the part of both producer and importer, as well as the customs authorities, about what dual-use goods are and whether a product may have a dual-use or not. This is an indicator that the control of transfers of such goods needs to be more efficient.

Developed countries have been facing this challenge too, for the reason that the list of dual-use goods is constantly being updated, with the discovery of new products and the development of technology and technical performance of existing products.

At the end of last year one company was registered to import dual-use goods for its own purposes (aluminium production), so it is likely that our next report will contain data for dual-use imports as well.

### B. Data on denied applications for AME exports

In 2007 two applications for an export licence were denied on the grounds of submitted documentation being incomplete.

In 2006 there were no denied applications, and in view of the reasons for denials in 2007, we may say that the exporters are quite familiar with their duties and responsibilities as prescribed by the law.

---

<sup>43</sup> See data on imports of controlled goods in **Annex 4a**.

Annex 4a: Dual-use export licences (in thousands of EUR) <sup>44</sup>

EXPORT DESTINATION	NUMBER OF ISSUED LICENCES	CATEGORY IN NATIONAL CONTROL LIST (AME)	VALUE OF ISSUED LICENCES	DESCRIPTION OF GOODS	QUANTITY (IN MEASUREMENT UNITS)	COUNTRY OF ORIGIN	END USER COUNTRY	TYPE OF END-USER
MACEDONIA	1	8.1.19	7.70	Ammonium perchlorate	770 kg	Montenegro	Macedonia	c
SERBIA	1	8.1.19	12.00	Ammonium perchlorate	1,000 kg	Montenegro	Cyprus	m

\* Type of End-User: **m** - military; **c** - civilian.

<sup>44</sup> Values of different currencies have been calculated according to the average exchange rate of the Central Bank of Montenegro (CBCG) on 28 December 2007 <http://www.cb-cg.org>.

## Annex 5/07:

### A: Data on destruction of surplus weapons and military equipment in 2007<sup>45</sup>

The Government of Montenegro, at its session held on 02 November 2006 made a **Decision on the Sale of Surplus Weapons and Military Equipment (“Official Gazette of RMNE”, no. 67/06 of 08 November 2006)**<sup>46</sup>, based on which the MoD received a mandate to conduct the procedure of selling surplus weapons and military equipment, in accordance with the Decision of General Staff of the Montenegrin Army, no. 1390-1 of 16 October 2006.

In the framework of the initiative of the US State Department related to destructions, its office for destruction and reduction of weapons (WRA) decided to provide practical support for the demilitarization of the earmarked small arms and light weapons and various ammunition types in Montenegro. The MoD of Montenegro and the US State Department signed a **“Technical Agreement on Destroying Small Arms and Various Types of Ammunition”**, according to which the operational costs are to be covered by the US State Department.

As a result of activities in 2007, the following destructions were carried out:<sup>47</sup>

#### 1. In the factory “POLIEX” A.D. in Berane, the following types and quantities of ammunition were destroyed:

**Table no. 2: Type of destroyed weapons at the factory “POLIEX” A.D.**

NO.	TYPE OF AMMUNITION	QUANTITY (PCS.)	ESTIMATED VALUE (€)
1.	Shell 122 mm	296	2,091.60
2.	Shell 100 mm	2	30
3.	Bullet 20 mm	1,930	5,790
4.	Mortar 82 mm	626	5,508.80
5.	Hollow-charge mine	144	648
6.	Anti-personnel mine	630	2,016
	<b>TOTAL:</b>		<b>16,084.40</b>

#### 2. With the support of UNDP, 61 T-55 tanks were destroyed. The estimated value of the destroyed tanks is €407,289.

### B: Planned activities for destroying surplus weapons:

- According to the Technical Agreement signed between the Montenegrin MoD and the US State Department in 2008, 43 types of obsolete and surplus ammunition will be destroyed;
- A Contract was reached with the Swedish company “SAKAB”, through UNDP, related to the destruction of operational components (46,080 litres of oxidant and 40,226 litres of propellant) in 2008. The value of this contract is €188,000;
- In the second half of 2008 it is planned to destroy a specified quantity of light weapons.

<sup>45</sup> In order to produce a comprehensive report, this section was written in cooperation with the Montenegrin MoD.

<sup>46</sup> This decision was made in accordance with Article 3 paragraph 2 of the Decree on the Procedure of Sales of Surplus Arms and Military Equipment (“Official Paper of RMNE”, no. 63/06).

<sup>47</sup> Source: Government of Montenegro, MoD.

*For further information contact:*

**Montenegro**  
**Ministry of Economic Development**  
Department of International Economic Relations  
Foreign trade policy and regime  
Tel: + 382 20 482 294  
Fax: + 382 20 234 576

**Nada Medenica**  
Assistant Minister  
Tel: + 382 20 224 726  
Fax: + 382 20 234 576  
E-mail: mnada@gov.me

**Mr. Kadrija Kurpejović**  
Advisor  
Tel: + 382 20 482 294  
Fax: + 382 20 234 576  
E-mail: kadrija@gov.me

**Dragan Vujović**  
Advisor  
Tel: + 382 20 234 976  
Fax: + 382 20 234 576  
E-mail: draganv@gov.me

**Žarko Marjanović**  
Advisor  
Tel: + 382 20 482 294  
Fax: + 382 20 234 576  
E-mail: zarko.marjanovic@gov.me



**Annual Report on Foreign Trade  
in Controlled Goods in 2007**