

COMPETITIVENESS OF MONTENEGRO

Prof. Milorad Katnic, PhD
Bojana Boskovic, PhD

Presentation prepared for the Conference:
Competitiveness Strategies for the EU Small States
Chambre de Commerce Luxembourg, Kirchberg
19 - 20 April 2018



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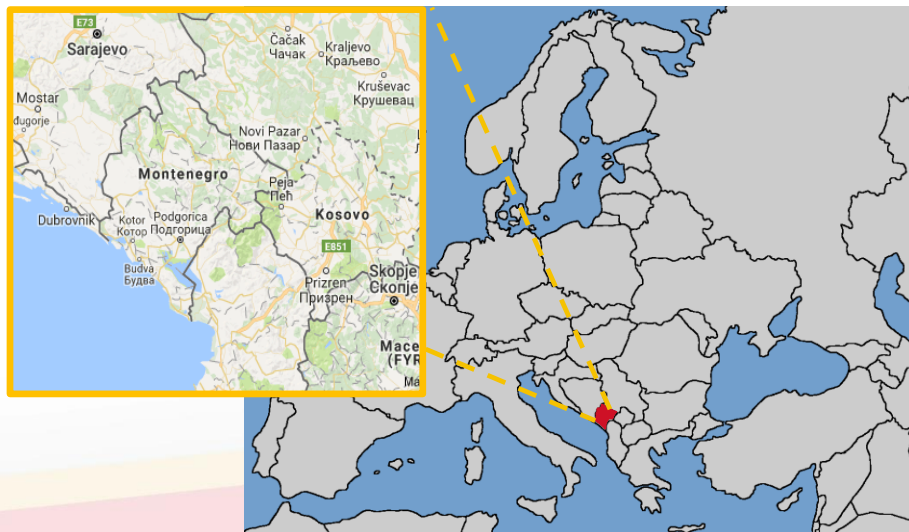


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MONTENEGRO – General information

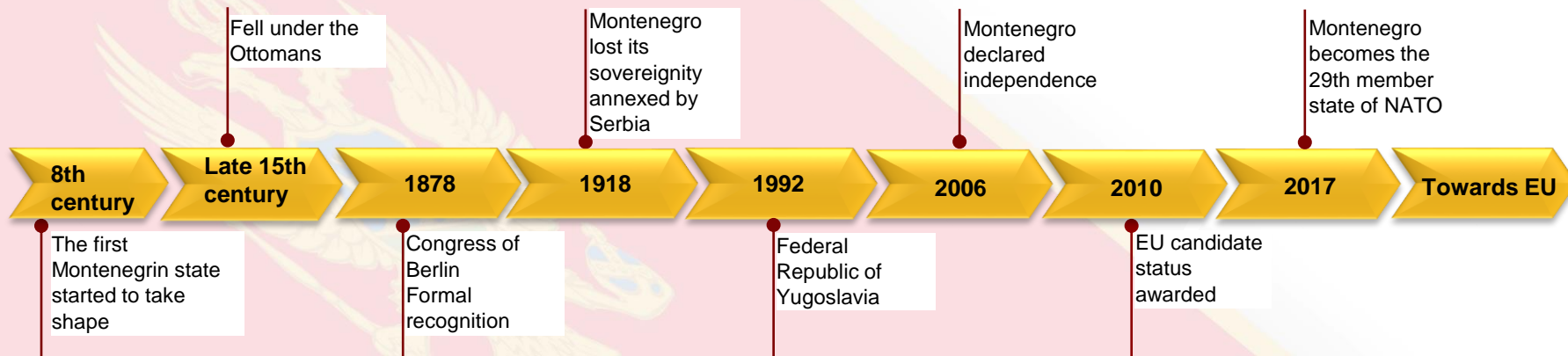
Well-positioned Adriatic economy



Key facts

- **Population** 625,266
- **Capital city** Podgorica
- **Area** 13,812 km²
- **Currency** Euro
- **GDP 2017** 4,202 mil €
- **GDP PC PPP (IMF)** 10,862 \$

Milestones



MONTENEGRO – Economic history

- Inaccessible and poor, always a battlefield
- Up until the 21st century Montenegro was an absolutely and relatively poor country, dependent on grants and aid from the great powers and federal instance transfers
- 22 times poorer than Slovenia in the Kingdom of Yugoslavia, the least developed in socialist Yugoslavia when industrialization started to take place
- Big demographic sufferings – in order to find a better life, a large part of the population temporarily or permanently has moved out of Montenegro
- Up until the 21st century noncompetitive and nonattractive for business

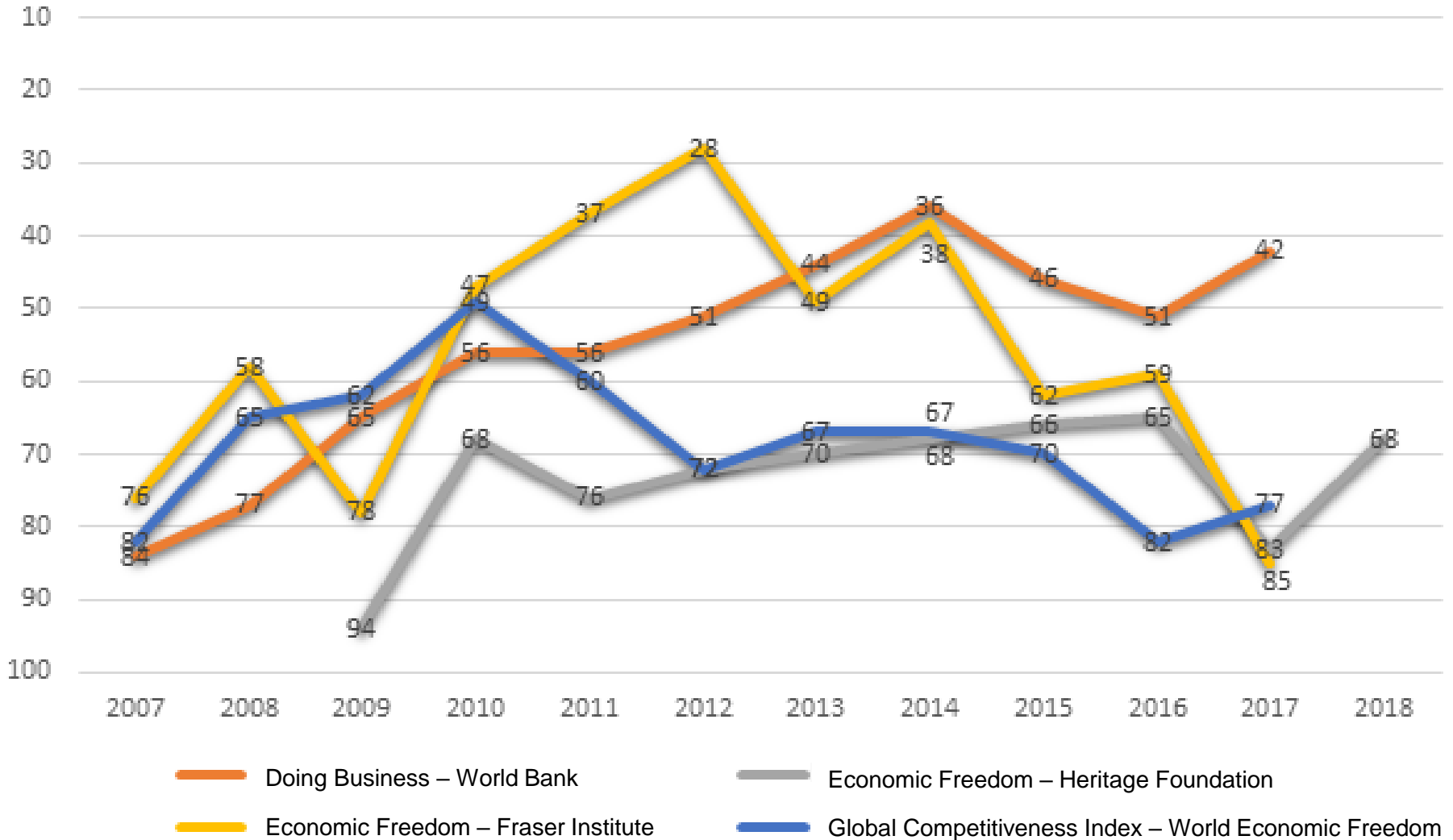
MONTENEGRO – Economic transition

- During the last decade of 20th century, negative economic trend has been recorded (mid 90's - GDP dropped to 40% of 1989 level)
- Certain reforms started in 1998, including crucial introduction of German mark as a legal tender switching to Euro in 2002
- The pace of reforms picks up in 2003 with the adoption and later on the implementation of the comprehensive Economic Reforms Agenda
- Economic growth supported by FDI flows
- Montenegro has doubled GDP pc in last 15 years and it is the highest one (after Croatia) in Western Balkans
- GDP has risen in relative terms (PPP) from 29% of the average income EU (2000), to 45% (2017)
- Relatively large public spending, growing public debt and high unemployment are main challenges

MONTENEGRO – International outlook

- **UN Human Development Report (2016)**
 - 48th out of 188 countries
 - VERY HIGH HUMAN DEVELOPMENT
- **World Bank - Doing Business Report**
 - Rank in DB2006: 70th
 - Rank in DB2018: 42nd
- **Fraser Institute – Economic Freedom**
 - Rank in 2007: 76th
 - Rank in 2016: 59th
 - Rank in 2017: 85th
- **Heritage Foundation– Economic Freedom**
 - Rank in 2009: 94th
 - Rank in 2016: 65th
 - Rank in 2017: 83rd
- **World Economic Forum – Global Competitiveness Index**
 - Rank in 2007: 82nd
 - Rank in 2017: 77th

MONTENEGRO – International outlook



Source: WEF (GCI), HF (EFI), WB (DB), FI (EF)

Competitiveness of Montenegro (GCI)

WEF breaks down countries' competitiveness into 12 distinct areas, which are grouped into three sub-indexes:

1. **“Basic requirements”** – institutions, infrastructure, macroeconomic environment and health and primary education.
2. **„Efficiency enhancers“** – higher education and trainings, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size
3. **„Innovation and sophistication factors“** – business sophistication and innovation

Montenegro – “efficiency driven phase“

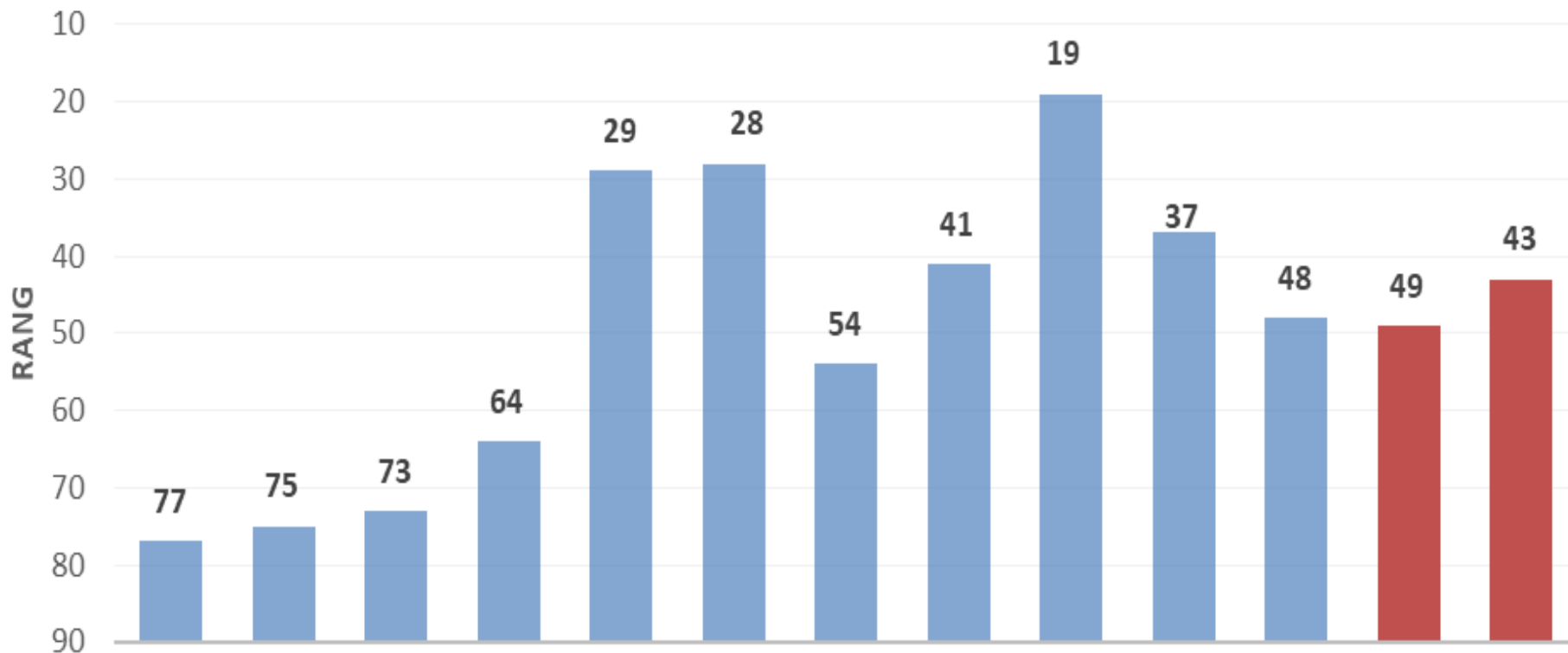
The newest report for 2017/2018: Montenegro ranked as 77th

- The best result achieved in 2010/2011 report : 49th place
- The worst result achieved in 2016/2017 report: 82nd place

Montenegro in Global Competitiveness Index 2007 - 2017

	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Number of analysed countries	137	138	140	144	148	144	142	139	133	134
GCI (Montenegro)	77	82	70	67	67	72	60	49	62	65
Basic requirements	80	86	58	61	68	74	57	45	65	59
- institutions	66	80	70	59	52	44	42	45	52	59
- infrastructure	70	76	73	72	70	66	63	67	93	100
- macroeconomic environment	116	119	79	88	112	118	94	37	70	35
- health and primary education	62	60	33	29	37	73	59	33	40	42
Efficiency enhancers	72	79	75	73	72	74	63	64	65	72
- higher education and trainings	61	64	54	51	50	51	48	52	57	55
- goods market efficiency	65	74	70	69	64	48	39	44	58	69
- labour market efficiency	74	83	74	65	58	93	45	39	53	53
- financial market development	47	54	44	56	49	40	35	28	17	35
- technological readiness	48	52	55	54	49	56	53	44	45	43
- market size	128	130	131	134	135	130	130	129	124	125
Innovation and sophistication factors	92	98	86	77	70	69	59	56	68	88
- business sophistication	101	103	102	97	89	76	70	70	80	90
- innovation	91	94	69	58	54	60	50	45	56	88

Competitiveness of Montenegro and other small countries



Montenegro

Albania

Armenia

Cyprus

Estonia

Iceland

Latvia

Lithuania

Luxembourg

Malta

Slovenia

Small Countries
average

European Countries
average

Source: WEF

Global Competitiveness Index: 12 European countries have less than 3 millions population.

Competitiveness of small European countries

Two groups:

- *Countries with less rank volatility (Lux, Iceland, Estonia, Malta, Lithuania) – rank <50*
- *Countries characterized by rank volatility*

Sudden changes in competitiveness can be a consequence of inconsistencies in economic reforms, political stability challenges, or insufficient administrative capacity for implementation of reforms

Montenegro has the most pronounced volatility, changes can not be described as classical cyclical, nor only upward or decreasing trend, since there are also "sharp" changes in positions

Competitiveness of small countries

Small countries:

- Do not have the opportunity to use economies of scale
- Do not have the opportunity to use benefits of using resources as a large economies have
- Very vulnerable to the global economy circumstances

Market size is a limitation for a number of indicators, and therefore for the overall position in the GCI

Among 10 most competitive countries in the world, six are not members of the European Union (Switzerland, USA, Singapore, Hong Kong, UK, Japan)

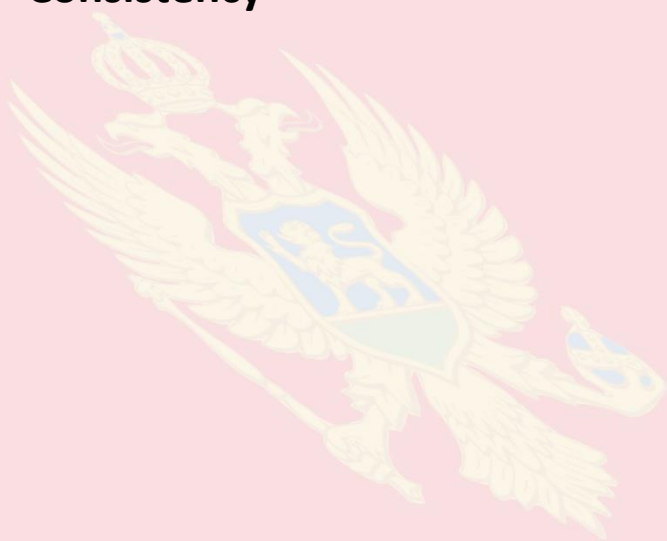
The best ranked small country, the EU member is in the 19th place (Luxembourg)

Impact of EU regulations and administrative costs on the competitiveness of small countries?

Recommendations

Competitiveness of small countries should be based on:

- **Openness**
- **Connectivity**
- **Makroeconomic stability**
- **Strong fiscal and financial system**
- **Small and efficient administration**
- **Flexible working legislation**
- **High quality education system**
- **Consistency**



THANK YOU!



CONTACTS:
katnic.@t-com.me
bojanab81@gmail.com