



Policy Brief

Podgorica, March 2025

INTRODUCTION

In today's globalized environment, trade in food and energy represents a key pillar in maintaining the stability and prosperity of the world economy. The growing demand for food and energy makes these sectors vital for economic growth and sustainability. In recent years, global markets have faced numerous challenges – from economic instability caused by the

pandemic, through geopolitical tensions in Europe, to the war in Ukraine – all of which have led to supply disruptions and rising prices of food and energy. Both producers and the population, especially vulnerable groups, have felt the impact. The European Union responded with support measures for citizens and agricultural producers, as well as energy assistance packages. These challenges have also affected the

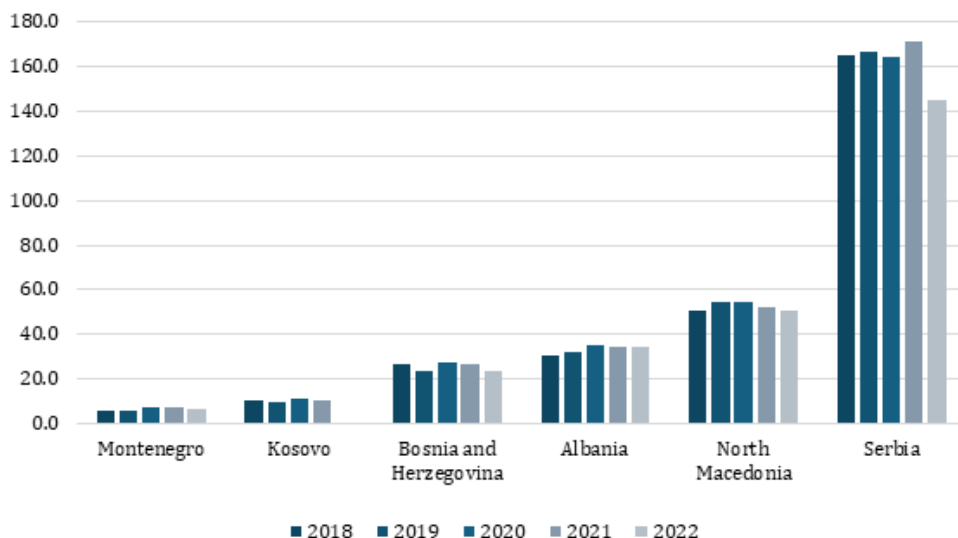
Western Balkan countries. This analysis provides an overview of food and energy trade in the region, with a specific focus on Montenegro, in order to assess interdependence and the potential for improving market stability. It reveals complex interconnections among Western Balkan countries, highlighting both vulnerabilities and opportunities for growth and advancement in these key sectors.

IMBALANCE IN FOOD TRADE AND CHALLENGES

There is a significant imbalance in food trade among Western Balkan countries. Serbia stands out as the only country in the region with a food trade surplus, while Montenegro and Kosovo face substantial deficits. Between 2018 and 2022, Montenegro's food imports were on average 16 times higher than its exports, while in Kosovo this ratio was 10 times higher. This trade deficit is largely the result of a heavy reliance on food imports to meet domestic demand, particularly during the peak tourist season. In addition to structural challenges, the influence of the tourism sector on food imports is also evident. In 2022, Montenegro's food export-to-import coverage stood at only 6.8%, clearly indicating a serious imbalance.



Figure 1: Food Import Coverage by Exports in Montenegro and Regional Countries



Source: ISSP based on MONSTAT data

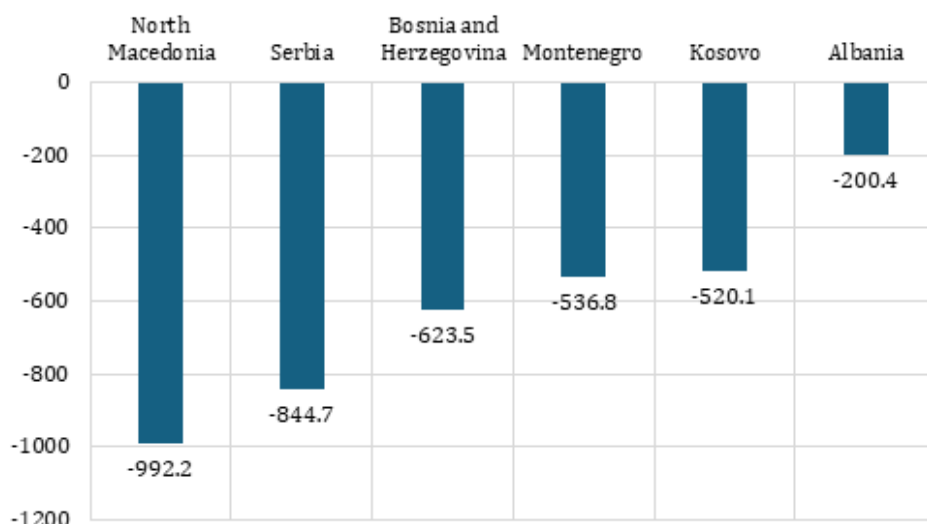
The roots of the food trade deficit in Montenegro are multifaceted. The country's agricultural sector is characterized by fragmentation, with predominantly small landholdings and limited capacity for large-scale production. For example, permanent crops and arable land account for only 4.8% of total agricultural land, which further constrains productivity.

Energy Trade Dynamics and Potential

An analysis of energy production and trade highlights significant regional differences and potential vulnerabilities. Between 2018 and

2021, primary energy production in the region followed varying trends. In Montenegro and North Macedonia, primary energy production remained relatively stable during this period, with minor fluctuations. In contrast, Albania experienced a significant decline in energy production, followed by a recovery in 2021. Kosovo recorded continuous growth in energy production each year, demonstrating resilience and potential for further development. On the other hand, Serbia and Bosnia and Herzegovina experienced more pronounced fluctuations.

Figure 2: Per Capita Energy Trade Deficit in 2021 (in thousand tonnes of oil equivalent)

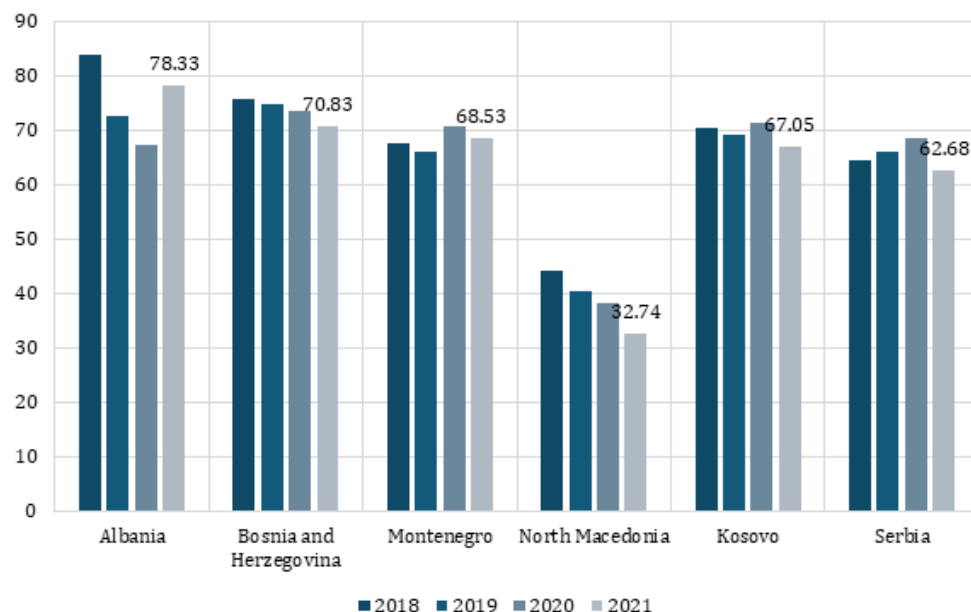


Source: ISSP based on EUROSTAT data

Energy trade data can be linked to the previously mentioned differences in production. The energy trade balance in the region remains negative, with no country achieving net exporter status. Growth rates of energy exports and imports during this period reflect the region’s sensitivity to global market fluctuations and internal factors, such as investments in renewable energy infrastructure. Serbia, along with Bosnia and Herzegovina, is the leading energy exporter in the region, maintaining a strong and growing export sector, while other countries, including Montenegro, have lower participation levels. However, Montenegro’s energy exports have increased in recent years due to new infrastructure projects, highlighting the impact of energy infrastructure investments on trade capacity.

Import dependency remains a key issue for all Western Balkan countries, indicating their vulnerability to external energy sources. Serbia and Bosnia and Herzegovina import large quantities of energy, demonstrating that domestic production is insufficient to meet their energy needs. Montenegro, despite lower import volumes, has a significant level of dependency, suggesting room for increasing domestic production, particularly from renewable sources.

Figure 3: Energy Self-Sufficiency Index for Regional Countries



Source: ISSP based on EUROSTAT data

The energy self-sufficiency index, defined as the ratio between primary energy production and gross available energy, indicates differences among countries in terms of the share of energy demand that can be met through domestic production. For Montenegro, this indicator ranged between 67–69% in the observed period. Although the index varies across Western Balkan countries, it reveals that all of them face the need for improvements—whether through technological advancement, investment in new energy sources such as renewables, or changes in internal energy policies aimed at increasing energy self-sufficiency.

Montenegro’s Strategic Role in Regional Energy Trade

Montenegro’s strategic geographic position and its growing capacity in the field of renewable energy offer significant opportunities for the country to position itself as a key player in regional energy trade. With its extensive electricity grid infrastructure and strong connections to neighboring countries, Montenegro has the potential to become an energy hub for the Western Balkans.

Renewable energy sources already account for a significant portion of Montenegro’s total electricity production. The development of renewable energy projects is crucial not only for meeting domestic energy needs but also for positioning Montenegro as a leading exporter of clean energy in the region. However, the country faces several challenges in realizing this potential. One of the main obstacles is the need for continued investment in energy infrastructure, particularly in the expansion and modernization of the electricity grid, to accommodate the increased production of energy from renewable sources.

Regional Cooperation and Market Integration

Regional cooperation in food and energy trade plays a key role in enhancing food security and energy security, as well as in promoting sustainable development throughout the Western Balkans. Countries in the region are interconnected in both food and energy trade, highlighting the importance of harmonizing regulatory frameworks and strengthening market integration in order to fully leverage these interdependencies.

One of the key recommendations is the need for deeper market integration within the Western Balkans and with broader regional markets. By adopting EU energy standards and aligning energy policies, Western Balkan countries could simplify energy transactions, reduce price volatility, and ensure a stable and reliable energy supply.

The dynamics of energy trade within the region underline the need to improve regional cooperation, diversify energy sources, and increase investment in renewable energy in order to reduce import dependence and enhance energy security across the region. By utilizing its potential in renewable energy, Montenegro could transform from an energy importer into a net exporter, contributing to broader energy security in the Western Balkans.

In the food sector, there are also potential benefits from regional cooperation, especially in addressing trade imbalances faced by countries such as Montenegro and Kosovo. Strengthening cooperation among

agricultural producers and promoting the development of regional supply chains would allow Western Balkan countries to improve food security and reduce import dependence. One of the recommendations is to implement policies that support the development of producer associations and clusters, which could help small farmers improve their competitiveness and reduce the country's reliance on food imports.

Reform policies are necessary to accelerate the transition to a low-carbon economy, which is crucial not only for achieving environmental sustainability goals but also for ensuring long-term economic growth and stability in the region. By adopting EU energy standards and harmonizing regulatory frameworks, Western Balkan countries can build a more integrated and resilient energy market that supports the growth of renewable energy and reduces dependence on fossil fuels.

A coordinated approach to regional cooperation, market integration, and sustainable development will be

essential for ensuring the long-term prosperity and stability of the Western Balkans.

CONCLUSION

Food and energy trade in Western Balkan countries is marked by significant imbalances and import dependence, making them vulnerable to global disruptions. Montenegro, in particular, has a pronounced food trade deficit and relies heavily on imports during the tourist season. At the same time, increased investment in energy infrastructure and renewables positions Montenegro as a potential net exporter of clean energy. Through regional cooperation, alignment with EU standards, and deeper market integration, countries in the region can enhance food and energy security, reduce reliance on fossil fuels, and promote sustainable development. These measures are essential for long-term economic stability and greater resilience to external shocks.



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