

## **U.S.-Montenegrin Policy Forum**

**Washington, D.C.**  
**June 25, 2002**

The CSIS Eastern Europe Project hosted its sixth meeting of the U.S.-Montenegrin Policy Forum on June 25, 2002. The guest speakers were Jonathan Davidson, senior advisor for political and academic affairs at the European Commission Delegation in Washington; John Hulsman, senior European analyst at the Heritage Foundation; and Steve J. Woehrel, specialist in European affairs at the Congressional Research Service. Janusz Bugajski, director of the CSIS Eastern Europe Project, chaired the session. In attendance were members of the U.S., Montenegrin, and Yugoslav diplomatic communities, businessmen, representatives from the U.S. administration, and members of the NGO community.

### **Summary**

The EU plan for creating a new Union between Serbia and Montenegro seems to have promoted political turmoil in both Podgorica and Belgrade. While Montenegro is in the midst of assembling a new workable government, following disputes over the feasibility of the new Union, the agreement has contributed to the conflicts between federal President Vojislav Kostunica and Serbian Prime Minister Zoran Djindjic. The EU agreement is subject to a diversity of interpretation and there are fears in Montenegro that Belgrade is using the EU plan to gain political and economic advantage.

The Agreement on Restructuring Relations between Montenegro and Serbia, signed on March 14, 2002 envisions a new relationship between Montenegro and Serbia. The question remains whether such a Union is sustainable? According to the EU, the agreement has placed both Serbia and Montenegro on the path towards stabilization and EU accession. The agreement may also be considered a "political shock absorber" in that it has reportedly defused political tensions that may have resulted from further moves toward separation. Other analysts believe that the EU plan may actually exacerbate political disputes between the two republics and distract attention from vital economic and structural reforms. The next three years will prove whether the Union will be durable or whether Montenegro will move toward a referendum on full independence.

The European Commission sees the creation of the Union as an essential step toward a Stabilization and Association Agreement (SAA). SAAs are contractual agreements with each country in the western Balkans on trade, aid, and political relations. They are designed to pave the way for eventual EU membership. The agreement is supposed to strengthen bilateral relations between the two states and enhance regional cooperation as part of the EU accession criteria. According to the EU, "harmonization" of the political system and the internal market of Serbia and Montenegro is a necessity for both EU and WTO accession. "Harmonization" of the customs and trade regimes is evidently needed in order to achieve economic stabilization and market liberalization. There will be a joint action plan for customs and trade policies as well as internal market related issues organized on July 10, 2002.

It was underscored that the U.S. has taken a "back seat" after the signing of the EU-brokered agreement. Although the NGO community favors Montenegrin independence as the most beneficial solution to existing political problems, the U.S. administration did not oppose the Union agreement. Some would argue that the White House stance has been neutral, with a "wait and see" approach regarding the results of EU policy. Nevertheless, regional stability remains of key importance for Washington. Continuing US engagement would complement EU engagement, contributing to stabilization and democratic progress in the region. In fact, the Balkans can represent an issue building closer transatlantic relations.

## Discussion

**Implementation of the Agreement:** It is necessary to have negotiating forces willing to reach a compromise on how to proceed in implementation. What kind of a constitutional charter for the new Union is drawn up will be a significant step in the implementation process and will test the viability of the new state arrangement. The EU agreement may only be a halfway house for Montenegro, and there is a need to relink the people to any externally engineered deals. Stakeholders must be created in each country in the region, otherwise stability will remain fragile.

**Economic Reform:** It is critical that a good investment environment be created in order to achieve durable economic growth. The internal market needs to be restructured and customs and trade policies need to be altered. But "harmonization" will be difficult to achieve in a situation where Montenegro's customs tariffs are so much lower than Serbia's and where Serbia lags behind in liberalization. Indeed, for some observers "harmonization" looks like subordination. The question on how the Union will cope with the wide disparities between the two economies remains unanswered. Some also wonder how the Montenegrin economy will be protected in case we witness a collapse of the Serbian economy.

**Cooperation and Trust:** The phrase "mutual trust and cooperation" were highlighted as the necessary foundation for progress in the Balkans. However, there is no certainty that any mechanism could ensure such a positive outcome. Both the US and the EU have devised agreements and plans to benefit the region, yet without a committed indigenous popular voice in these processes little can be achieved and Western leaders may merely serve as viceroys for any subsequent failings.

## Recommendations

- U.S. policies in the Balkans should be based on the consolidation of indigenously legitimate democracies.
- Serbian and Montenegrin leaders need to decide whether economic "harmonization" as envisaged by the EU actually benefits or hinders their economic development.
- Conditions must be improved in the region under which investment and trade can take place.
- The future of the Serb-Montenegrin Union should not be prejudged. If it proves a failure both politically and economically then the logical step of separation and independence for both republics should be supported by the international community.