



U.S.–MONTENEGRIN POLICY FORUM

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MONTENEGRO RISING

Montenegro stands at an important juncture in its long history as a state. After diligently resisting the criminalized nationalism promoted by former Yugoslav president Slobodan Milošević's regime and refusing to recognize the legitimacy of the federal structure that the deposed dictator created, Montenegro appears poised to regain its independence without a Yugoslav military crackdown. The newly elected government in Podgorica has placed statehood on the political agenda and a national referendum on this question has been scheduled for early 2002. In the meantime, Montenegrin authorities have endeavored to engage officials in Belgrade in a meaningful dialogue in order to establish a mutually beneficial alliance without a federal appendage with Serbia.

In the midst of Montenegro's efforts at reform and modernization, the Yugoslav federal structure's volatility and instability has been intensifying, demonstrated by the federal government's collapse following the Serbian government's extradition of Slobodan Milošević to The Hague; a move that the Yugoslav administration vehemently opposed. The event revealed the growing disputes between the federal structure led by President Vojislav Koštunica and the Serbian republican leadership led by Prime Minister Zoran Djindjić. The federal and Serbian governments are currently waging a battle of words, with mutual accusations of criminality and corruption.

Clearly, if reforms in either Serbia or Montenegro are to be successful, streamlining the ruling bureaucracy inherited from the communist era is essential. Indeed, the elimination of the federal tier of government that obstructs reform and shields former Milošević allies from justice is long overdue. In this context Montenegrin and Serbian independence will become important for long-term security, democratic reform, economic development, and European integration on the Balkan Peninsula.

The United States can play a pivotal role in this process by developing its bilateral relations with the newly emerging Montenegrin state and enhancing the government's reformist agenda. Earlier this year, in order to address these issues and to offer viable recommendations for the U.S. and Montenegrin governments, CSIS established a U.S.-Montenegrin Policy Forum. Its purpose is to bring together on a regular basis, both in Washington D.C. and in Podgorica, policymakers, regional specialists, representatives of nongovernmental organizations, and business leaders in order to help Montenegro on its path toward market democracy and European integration.

This first issue of *U.S.-Montenegrin Policy Forum* is intended to better inform U.S. and international audiences on Montenegrin political developments, economic issues, the reform agenda, foreign relations, and business opportunities. We welcome any news items and suggestions on how we can improve the news brief's content and reach.

Thank you for your interest.

Janusz Bugajski, Director

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POLITICAL OUTLOOK

August 20: Leaders of the two largest parties, the Democratic Party of Socialists (DPS) and Socialist People's Party (SNP), on President Milo Djukanović's invitation, commenced a dialogue on how to resolve the statehood question and how to create favorable conditions for the implementation of economic and political reforms, prerequisites for Montenegro's democratic development and European integration. SNP leader Predrag Bulatović said that his party would not participate in the drafting of the law on the referendum. The coalition "Together for Yugoslavia" (SNP, SNS, and NS) favors a broad "concentration government" to enact the appropriate legislation.

September 24: Great Britain's ambassador to Yugoslavia, Charles Crawford, held talks with Djukanović and Filip Vujanović, Montenegro's prime minister, in Podgorica. He stated that the West will not hold anything against the independence referendum, but stressed that should the pro-independence movement win, the majority had to be significant. He said that the world did not object to Slovenia's independence because the vast majority of its population supported the idea. He stressed that the Federal Republic of Yugoslavia (FRY) should solve its debt problem, adding that slow reform instigates political insecurity, instability, and uncertainty.

September 25: The U.S. ambassador to Yugoslavia, William Montgomery, held talks with Djukanović in Podgorica. Montgomery also met with the foreign minister, interior minister, and parliamentary speaker. Despite the troubles on its own soil, the United States remains concerned for the future of Montenegro, Montgomery stated. Washington is keen to see the republic implement democratic reforms and for Yugoslavia to resolve the thorny issue of its federal relations.

REFERENDUM UPDATES

June 18: The Council of Europe's secretary general, Walter Schwimmer, said that the council was ready to help Montenegro formulate and implement the law on the referendum. According to Schwimmer, Montenegro's stability is crucial to the stability of the region.

September 18: The DPS offered all parties a political agreement for organizing the referendum on statehood. It party proposed adopting the revised version of the current law or introducing new legislation. The agreement offers two options for the referendum question: "Are you for an independent and internationally recognized Montenegro?"

or an alternative that the "Together for Yugoslavia" Coalition and the Democratic Opposition of Serbia (DOS) would suggest. The DPS believes that the referendum should be held in April 2002.

September 24: The Montenegrin parliament formed a commission to determine the referendum law with 41 votes for the commission and none against. During the voting, deputies of the "Together for Yugoslavia" Coalition were absent. DPS, LSCG, and SDP deputies will compose the commission. The Democratic Union of Albanians (DUA) supported this decision. The SNP conditioned its participation in the commission on the continuation of talks at the federal level.

PODGORICA–BELGRADE RELATIONS

July 16: In an interview with a U.S. television network, Serbian prime minister Zoran Djindjić said that Yugoslavia does not actually exist as a country because Montenegro has not accepted its formal federation with Serbia within Yugoslavia. He said that Montenegro should conduct a referendum on independence, adding that Montenegrin statehood would not destabilize the region because Yugoslavia is not founded on ethnic principles.

September 19: Koštunica invited Djukanović, Vujanović, Djindjić, and Yugoslav prime minister Dragisa Pešić to discuss the future of the federation and suggested that a first meeting take place in Belgrade. Montenegrin officials refused to attend, as they do not recognize any federal authorities and were against the participation of the Yugoslav prime minister. Milan Ročen, Djukanović's foreign policy adviser, stated that Kostunica knew that the Montenegrin government did not recognize the illegitimate Yugoslav government and deliberately invited the Yugoslav prime minister.

September 23: Serbian prime minister Zoran Djindjić told B92 Radio that he did not understand Koštunica's statements after failing to organize the first round of talks. Djindjić was surprised that Koštunica declared the talks a failure, adding that no one has the right, not even according to the constitution, to declare that a deal cannot be reached. Djindjić expected the DOS' leadership to propose ideas to resolve the crisis. The Serbian prime minister stated that the debate over future relations with Montenegro should be completed within the next three months. Djindjić believes that the future state should be a reformed federation, but if the majority of Montenegrins oppose such a proposal, the Serbian government will accept their will.

October 21: Miodrag Vuković, a leader of the governing Democratic Party of Socialists (DPS) and adviser to Djukanović, said that Montenegro would not participate in talks on the future of Serbian-Montenegrin relations announced by Koštunica for October 26. Podgorica objects to Koštunica's inclusion of pro-Belgrade Montenegrins from the federal government in the talks.

ECONOMIC REFORMS

The Montenegrin government prepared a *Reform Strategy* prior to the donors' conference for the FRY held in Brussels on June 29, 2001. The government created the strategy with the EU's assistance, and EU advisers helped the government establish an aid coordination unit to enable Montenegro to absorb assistance effectively.

The *U.S. Agency for International Development (USAID)* has provided assistance in the spheres of privatization, economic policy, central bank reform and bank supervision, reform of the payments system, tax and fiscal matters, formation of capital markets, and commercial law reform.

The *EU* has set up an Agency for Reconstruction in Montenegro, responsible for coordinating its aid efforts in areas such as infrastructure development, micro-credits for small and medium-size businesses, education reform, and reorganization of the finance ministry.

The *World Bank* will grant new funds to Montenegro in support of reforms in the areas of pension and disability insurance, fiscal management, and private sector development through microcredits. World Bank representatives have confirmed that they will establish an agency for development of small- and mid-sized enterprises that will facilitate trade and support export-oriented enterprises.

The Montenegrin parliament adopted a *law on public procurement*, which the consulting company Price Waterhouse Coopers prepared. The law promises higher levels of transparency and accountability in government, and is a basic anticorruption regulation. The parliament also adopted a new *law on the budget*, which will better control the flow of state money by establishing a Central State Treasury within the Ministry of Finance. Both laws comply with EU legislation. The government is also preparing laws on freedom of information, conflicts of interest, and the financing of political parties.

The government of Montenegro passed a decree on marking cigarettes and alcohol beverages with excise stamps on August 25. Authorities will treat cigarettes without excise stamps as illegal imports, confiscate them, and take

measures against the offender. Since August 10, the directorate of public income confiscated goods worth about 1.3 million DEM from 125 persons and procedures were initiated against the offenders. In addition, 705 mandatory penalties were stated, worth about 118,000 DEM, and 57 shops were closed.

FOREIGN AFFAIRS

September 3: Branko Lukovac, Montenegrin foreign minister, expressed his belief that authorized Montenegrin agencies would arrest and hand over those charged with war crimes to The Hague if they were found on Montenegrin territory. He reiterated that the Montenegrin government is ready to fully accept international obligations and that any other type of attitude would be unimaginable and contrary to the true, long-term interests of Montenegro, its citizens, and its future in Europe.

October 21: Retired Yugoslav general Pavle Strugar, indicted for the alleged plunder and destruction of the medieval town of Dubrovnik in 1991, flew voluntarily to The Hague to surrender to the International Criminal Tribunal for the Former Yugoslavia. U.S. State Department spokesman Philip Reeker said that the United States welcomed Strugar's surrender and commended Montenegrin authorities for their cooperation in this matter. He stated that this first voluntary surrender by a Yugoslav citizen is an encouraging sign that the people of Montenegro are moving toward a stable and peaceful future by addressing the crimes of the past.

October 23: Djukanović met with Carla del Ponte, chief prosecutor of The Hague Tribunal, who commended Strugar's voluntary surrender as a positive example of a responsible attitude toward international institutions. Djukanović reiterated the readiness of Montenegrin authorities to aid the tribunal in its prosecution of war criminals.

BUSINESS NEWS

August 29: Judging by export and import statistics for the first half of 2001, businessmen from Montenegro work intensively with off-shore zones. Foreign trade statistics for the first six months showed that most goods, valued at U.S.\$30 million, were imported from the British Virgin islands, an off-shore center in the Caribbean. Other countries exporting to Montenegro include Italy with U.S.\$25.85 million, Liberia with U.S.\$19.38 million, Great Britain with

U.S.\$18.70 million, Gibraltar with U.S.\$17.95 million, and Croatia with U.S.\$17.3 million. Regarding exports, Montenegro's main foreign trade partner is Switzerland with exports amounting to U.S.\$64.62 million mostly as a result of the agreement between Podgorica Aluminum Plant and Glencor International.

August 30: The German Investment and Development Company, DEG, a specialist in long-term project and corporate financing, created a "master plan" for Montenegro, which it presented in May at the Investors' Conference in Igalo, Montenegro. The plan focuses on the development of tourism in Montenegro. The "master plan" has been sent to all state commissions and government officials and will be adopted later this year. It focuses primarily on "elite tourism." At present, Montenegro has 26,000 hotel beds; plans call for 74,000 more by next year and higher-quality hotel service.

September 25: The Ministry of Tourism confirmed that the Alsa Tours tourist agency from Budva signed a contract with the German tour operator Neckermann on the rental of the majority of the Budvanska Rivijera hotel company's hotels from May to October 2002.

October 15: Businesses in Montenegro began listing prices in German marks and euros in preparation for the introduction of the euro as the official domestic currency. Montenegro is set to switch over to the euro on March 31, 2002.

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THE WAR AGAINST TERRORISM

Podgorica Announces Actions

September 28: The Montenegrin government has decided to undertake necessary measures and entrust concerned

governmental bodies with activities aimed at controlling and preventing any form of possible terrorist acts in Montenegro. Government measures have included stronger control at border crossings, the enhancement of security measures in air, road, and sea traffic, as well as continuous and efficient action against all aspects of criminal activities.

Montenegrin Stands with the United States against Terrorism

October 8: The Montenegrin ministry of foreign affairs stated that the terrorists' violence on September 11 provoked the military action of the United States and its allies against the terrorists' bases and military targets in Afghanistan. The present military action is the beginning of a comprehensive and long-term campaign aimed at disabling international terrorism. The Montenegrin government fully supports the action against terrorism and will cooperate with the United States, UN, EU, all the states in the region, and other international institutions, in the fight against terrorism and all other forms of organized criminal activity.

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