

**MONTENEGRO: THE TWOFOLD CHALLENGES OF
INTERNAL REFORM AND UNSETTLED STATUS
QUESTION**

Introduction

These two factors combined – the unsettled status question and the challenge of internal reform – have contributed to Montenegro’s weakness. The degree of progress made in the area of institutional and economic reform is directly linked to the capacity and efficiency of the state to provide basic services, collect taxes, devise and implement policies, in other words, the ability of the state to address peoples’ needs. In this respect, all Southeast European states could be considered weak though at varying degrees. On the other hand, the unsettled status issue has a direct impact on the legitimacy of the state itself. It is important to clarify the peculiarity of Montenegro a bit further and comparing it with Kosova will help. In both cases the final status has not been defined. (Despite the recent agreement reached between Serbia and Montenegro the situation still remains uncertain). The magnitude of the issue is such that it overshadows other pending questions. As the Montenegrin experience has shown that it is extremely difficult for the government to undertake institutional and economic reform while the status question is unresolved.¹ However, in the case of Montenegro the unsettled status question involves bigger issues than this. Unlike Kosova, where over 90 percent of the population support independence and the question now evolves around the

¹ **European Stability Initiative**, *Sovereignty, Europe and the Future of Serbian and Montenegro* (2001), at: <http://www.esiweb.org>.

negotiations of Albanians with the *others* for the final status, in the case of Montenegro the idea of independence is opposed by a significant segment of the Montenegrin population. Thus it is not only a question of the Western pressure but also the opposition demands to remain in a federation with Serbia. This cleavage in Montenegrin politics is not new, although it resurfaced after several decades. The first Montenegrin Parliament of 1906 was divided along the same lines. Labels such as *Whites* and *Greens* have represented these two opposing groups. This conflict, whether old or new, is directly linked with the “basic legitimacy of the state rather than simply the orientation of policy within a structure the legitimacy of which is generally above the question.”² This has been the defining cleavage in Montenegrin politics for the last 4 years.

Although as we mentioned earlier that the lack of consensus on the ‘*idea of the state*’ and sluggish institutional reform have contributed to the state weakness, the latter is not a constant variable. So until the fall of Milosevic, despite its weakness, Montenegro’s weight in regional politics was not commensurate to its size and strength. Montenegro played a crucial role in the Western efforts to overthrow Milosevic. During this period Podgorica received strong international backing both politically and financially. The role played by the West constitutes another important variable that has a bearing on setting the final status question and the pace of economic reform.

In the rest of the paper we will analyse the developments in Montenegro during the last decade – three main periods – from the angle of state legitimacy and capacity of state institutions to fulfil peoples’ needs. We will be paying attention also to the role of the West in this process.

² **John B. Allcock**, *Explaining Yugoslavia* (2000), p. 261.

1990-97: Political and Economic Stasis

During this period the political life of Montenegro could be described as falling into the *dominant-power politics* category. According to this, “one political grouping dominates the system in such a way that there appears to be little prospects of alternation of power in the foreseeable future. A key political problem in the dominant power politics countries is the blurring of the line between the state and the ruling party. The state’s main assets are gradually put in the direct service of the ruling party.”³ In Montenegro the Democratic Party of Socialist, the successor of the Communist League of Yugoslavia, continued to be in power unchallenged until 1997 (and remained in power after 1997 but in a different context that will be explained later). Thus Montenegro, similar to Serbia, did not experience any political transition. During this period the links between Serbia and Montenegro remained strong. In the referendum held in March 1992, 96 percent of the 66 percent participating voters supported the continuation of the Yugoslav federation between Serbia and Montenegro. As we can notice during this period there was consensus among the ruling elite and the Montenegrin public about the ‘idea of the state’ – the federation with Serbia enjoyed legitimacy and Montenegro remained an ally of Serbia despite the wars and international sanctions. (However, the 1997 split of the ruling party showed that discontent had been growing within the party as well as in the public).

The picture in the institutional and economic areas was similar to the one in the political sphere. The lack of political transition, the continuation of the phenomenon of one-party rule and the decision to remain in a federation with Serbia reflected itself in the economic and institutional fields. During 1990 to 1997, the

³ **Thomas Carothers**, The End of the Transition Paradigm, 13 Journal of Democracy, Number 1 (2002), pp. 11-12.

Montenegrin economic system did not undergo any transformation either in terms of structure or management. The state remained the major player in the economy, and industry continued to be considered as the basic sector in economy.⁴ The disintegration of Yugoslavia, the wars and the international sanctions reduced the capacity of the state to address peoples' needs, which was reflected in the negative economic growth that Montenegro has experienced since 1989. And the consequences of the delayed economic and institutional reform will continue to contribute to Montenegro's weakness for some time to come. Nevertheless, the weakness of Montenegro in this respect should not be assessed in absolute terms, but rather should be seen in a larger context taking in consideration the situation in the immediate neighbourhood and especially in Serbia. During the sanctions the Montenegrin government tried to develop semi-illegal ways to maintain some kind of economic activity and the economic situation was slightly better than in Serbia.⁵ This fact becomes important if we consider it against the background that Montenegro had been one of the poorest regions in former Yugoslavia.

In a few words, during this period Montenegro could be considered a relatively stable and strong state, though a semi-authoritarian one. The Democratic Party of Socialist retained political and social control and there was consensus among the majority of the population regarding the future of Montenegro or what we could call identity politics, although there were groups that supported the independence of Montenegro. While in economic terms the capacity of the state had declined, in relative terms the situation was better than in neighbouring Serbia.

⁴ **Veselin Vukotic**, The Economic Situation and Economic Reforms in Montenegro, in: Nicholas Whyte (ed.), *The Future of Montenegro* (2001), p. 45.

⁵ **European Stability Initiative**, *Autonomy, Dependency, Security and the Montenegrin Dilemma* (2000), at: <http://www.esiweb.org>

The Split with Milosevic and the Drive for Independence

The DPS division in 1997 created a radically different situation for Montenegro itself and for its relations with Serbia. By virtue of the dominant position in Montenegrin politics and its identification with the state the break up of DPS in two groups – anti-Milosevic and pro-Western led by Djukanovic and pro-Milosevic led by Bulatovic – created a deep cleavage in Montenegrin society. Although initially the creation of an independent state was not articulated as an objective, the intransigent position adopted by Belgrade regarding Podgorica's proposal to restructure the federation combined with measures taken by Milosevic, which undermined the parity of Montenegro with Serbia in federal institutions and attempts to weaken Djukanovic forced the authorities in Podgorica to take over federal functions and establish a de facto independent state.

The split in DPS also marks the beginning of transition in Montenegro. Although the DPS remained in power it was no longer the same party. The change in DPS was not only reflected in its new stance regarding relations with the West, Milosevic and reform, but also in its membership where the more modern, younger and educated party elite and members remained on the anti-Milosevic faction, which kept the party name – Democratic Party of Socialist. The other group that remained loyal to Bulatovic and Milosevic formed a new party called Socialist Peoples' Party (SNP). In addition to this, as a result of the division in the old DPS several other new elements were introduced to Montenegrin political scene. In the parliamentary elections of May 1998 DPS formed a coalition with Social Democratic Party (SDP), and Peoples Party (NS). Although DPS remained the major party in the coalition government, this power sharing was a novelty in the

Montenegrin politics.⁶ The winning coalition attracted also the votes of the Albanian and Bosnian/Muslim minorities. Another new dimension that was introduced to domestic politics was the emergence of a real opposition represented by SNP led by Bulatovic. The close presidential race of October 1997, and the parliamentary results of May 1998 (SNP received 36.1 percent of the vote while Djukanovic led coalition 49.54 percent) showed that the pro-Milosevic faction had significant support among the population.

Thus, in other words, the split in DPS heralded the beginning of the Montenegrin exercise in democracy. However, the milieu in which this democratic experiment was taking place was fraught with danger. As we mentioned earlier the government and opposition endorsed diametrically different set of values concerning the very nature of the state and many other key issues. If we add the Milosevic/Belgrade factor into the equation we notice that the lack of a legitimate, above politics framework for the Montenegrin democracy emerged as very threatening. This threat was mainly embodied in the presence of the Yugoslav army and the different perceptions of the government and opposition about its role in Montenegro.

One indispensable element in a state is that there is only one authority claiming the legitimate right to use coercive means. In the case of Montenegro we witness a different situation. The Yugoslav Federal Army loyal to Belgrade claimed the constitutional obligation to protect and operate in the territory of rump Yugoslavia, while on the other hand there was also a 15000 strong Montenegrin police force that was loyal to Podgorica and was set up as a countermeasure to any action that Yugoslav Army troops could have taken. As Podgorica continued to take over functions from the federal level, the Yugoslav Army remained the

⁶ **Centre for Democracy and Human Rights**, Country Report for Montenegro (2001).

only factor through which Milosevic could influence developments in Montenegro.⁷ So in 2000, in addition to the internal trade blockade that Serbia had imposed on Montenegro, the Yugoslav army imposed a blockade on the international borders of Montenegro. While for the governing coalition and pro-independence forces the Yugoslav army constituted a serious threat as was indicated by the creation of the strong police force to counterbalance it, for the pro-Yugoslav opposition the army was a legitimate institution that was carrying out its functions. What is more, in 1999, federal authorities in cooperation with the pro-Yugoslav opposition in Montenegro formed the 7th Battalion of Military Police, a paramilitary organizations comprised of 1000 people.

This acute security concern and the deep division in the society are also reflected in the process of state building in Montenegro. The police force established to protect Podgorica from Belgrade and pro-Yugoslav opposition in Montenegro, is feared and seen with suspicion by the supporters of the opposition. The opposition (SNP) has criticized the privatisation process as benefiting only certain section of the society that are close to the government and has also complained that its members cannot get civil service jobs.⁸ The opposition is simply against the institutional building that has taken place since 1998. However, while the state building in Montenegro, by virtue of the deep cleavage in the society, could not bring together both 'ideological views' it does have elements that are inclusive both in terms of values and procedure. First, except for the presidential elections of 1997, in which Momir Bulatovic declared that it does not recognize the election results, which was followed by demonstrations and some acts of violence, the elections have been the mechanism through which "the real

⁷ **International Crisis Group**, Current Legal Status of the Federal Republic of Serbia and Montenegro, at: <http://www.intl-crisis-group.org>.

⁸ **International Crisis Group**, Montenegro: Socialist Peoples Party a Loyal Opposition, at: <http://www.intl-crisis-group.org>.

issues of power have been solved” creating a tradition in peaceful political change.⁹ Second, unlike the 1990-97 period, the governing coalition has reached out to minorities. The anti-Milosevic and pro-Western platform pursued by Djukanovic and DPS led coalition secured them the vote of Albanian and Boshniak/Muslim minorities, which has proven important. Actually the minorities have voted more for DPS, SDP and Liberal Alliance (LSCG) than for their own ethnic parties.¹⁰

The split in DPS and the break up with Milosevic also heralded the initiation of economic and institutional reforms in Montenegro. The capacity of the government was enhanced both in terms of the new functions that were now administered at the republican level as well as due to significant western financial and technical support during this period. As we mentioned earlier, forced by Milosevic’s actions that was trying to undermine the position of Djukanovic and in order to avoid the negative consequences of decisions over which it had no say – such as monetary policy – Podgorica took over several functions that were previously administered at the federal level. Thus in November 1999 the *Deutsche Mark* was introduced and in November 2000 it became the sole currency and Monetary Council of the National Bank of Montenegro was set up. As result of this reforms inflation dropped from 23.2 per cent in December 1999 to 1.5 per cent by May 2000. In August 1999, Montenegro began collecting customs duties at its external borders. The reforms tried to revive the process of privatisation by implementing a mass voucher privatisation scheme. The government liberalized foreign trade as it is indicated by the different custom tariffs implemented by Serbia 10 percent and Montenegro 3 percent. Price controls were also removed, except for certain commodities such as electric energy, water. Steps were taken in other areas, such as foreign relations, reflecting the desire

⁹ **European Stability Initiative**, *supra* fn 5.

¹⁰ **International Crisis Group**, Montenegro in the Shadow of Volcano, at: <http://www.intl-crisis-group.org>.

of Montenegro to create its own international personality. In spring 1999, Montenegro adopted a liberalized visa regime no longer demanding visas to foreigners who entered its territory.¹¹

Despite the continuation of the military threat and the ‘sanctions’ taken by Belgrade such as stopping the budgetary exchanges between the federal and the Montenegrin budgets by the end of 1998 and the imposition of the trade embargo the position of Djukanovic strengthened. The ability of Podgorica to withstand pressure from Belgrade and its allies in Montenegro bolstered the image of Djukanovic as a capable leader who had the situation under control. Two factors accounted for this. As it was indicated by several polls, but also by the parliamentary elections of April 2001, the pro-independence electorate had grown in numbers thus increasing the legitimacy of the government. Secondly, the western political and financial support strengthened the position of Djukanovic. Montenegro occupied an important position in the Western efforts to weaken and overthrow Milosevic. While the West remained ambiguous and refrained from making a clear commitment to support Montenegro in case of a military attack from Belgrade, it left open the option that it could get involved trying in this way to prevent both a potential attack from Milosevic as well as Podgorica’s declaration of independence. The financial support given to Montenegro by the West was one of the highest per capita received in Central and Eastern Europe. In the period 1998-2001 Montenegro received about 800 million DM of international help, which made possible for the government to continue functioning, but also resulted in the dependence of the Montenegrin economy on the international aid. Since the main aim of the aid was to strengthen the position of the pro-western forces, it was not conditioned to the progress made in the implementation of the reforms. In addition to this, there are two other factors that had a negative impact on the resolve of the government to pursue

¹¹ Centre for Democracy and Human Rights, *supra* fn 6.

the reform agenda. First, as we pointed out at the beginning of this paper the unresolved status question and the continuous need to focus on the danger emanating from Milosevic diverted the energies of the government away from pending domestic issues. Lastly, “the economy was/is run by a tight web of political patronage and cross-ownership, which generates strong vested interests in the status quo. The government depended on this stratum for its political support and did not have the authority to push for the reform.”¹² These inherent weaknesses reappeared once the West changed its attitude toward Montenegro.

Montenegro after the fall of Milosevic

As we showed above, until the fall of Milosevic Djukanovic and Montenegro enjoyed a very strong support from the West. However, the fall of Milosevic changed all this. The West lost interest in the anti-Belgrade policy line pursued by Djukanovic, which was reflected in a significant drop in political and financial support. The prevailing Western perception is that the independence of Montenegro would have a negative domino effect not only on the unresolved status of Kosova but even beyond in the region. Paradoxically as it could sound, the fall of Milosevic left Montenegro in a very precarious and actually weaker position, at a time when Podgorica should have felt stronger than ever – the military threat from Belgrade had ceased to exist and those favouring independence formed a majority in Montenegro, though a thin one. However, this slight majority, as it was indicated by the parliamentary elections of April 2001, could not form the ground for launching the referendum on independence. On the other hand, since the independence card was the motto of the election campaign, which gave the government the winning majority made

¹² **European Stability Initiative**, *supra* fn 5.

the retreat very difficult and costly for Djukanovic. In order to fully comprehend the tough challenges facing Djukanovic and pro-independence forces, we should consider all this against the background of an ailing economy and its dependence on Western financial aid.

Since 1989 peoples' living standards have fallen steadily as is indicated by the 50 percent decline of GNP. Due to reasons that we pointed earlier, the progress made in reforming the economy was limited leaving the basic structure of the former economic system still in place. The state provides subsidies for the heavy industry, which is a large component of the present economic activity that cannot be sustained. These industries have little prospects to survive privatisation. Furthermore, over the past few years the Montenegrin the number of the people employed by the government has increased to more than 34 000 people. In total the Republic employs 75 000 individuals in the public administration and in publicly controlled companies. This is some 60% of active official work force (the data conflict regarding the total number of employed however, the number of those employed by the state is very large). Montenegro has a negative trade balance in 2000 of \$193 million or 26 percent of GDP and a budget deficit of 17 percent. While the state does not have the ability to deal with the problem created by the large share of informal economic activity. As we can notice the foreign financial assistance has been crucial for the running of the economy.¹³ This provided to the West a strong leverage that could use against Djukanovic in case he continued its independence drive. However, this policy, which was labelled as short sighted by many observers, carries several negative repercussions. Instead of focusing on the functional ties that would exists between Montenegro and Serbia, whatever the final outcome thus stimulating a constructive dialogue, the EU is

¹³ For details on Montenegrin Economy see: European Stability Initiative, *Montenegro: Rhetoric and Reform*, 28 June 2001, at <http://www.esiweb.org> and *MONET Montenegro Economic Trends*.

pursuing the policy of conditionality which does not facilitate the parties defining the interests involved in the process.¹⁴ Actually it seems that the EU is even more interested than Federal and Serbian authorities for the existence of the federation. In addition, the EU is isolating the pro-western forces in Montenegro while indirectly enhancing the legitimacy of the opposition, whose pro-European credentials are suspect.¹⁵

On 15 March it seems that the EU was able to bring the parties into an agreement. The name of the new state is the Union of Serbia and Montenegro. The agreement provides for: a unicameral parliament; a president; a council of ministers composed of five ministries; and the court. In the economic sphere the two republics will keep their separate economic systems: both in monetary as well as trade and custom policies. The agreement should be ratified by the republican and federal parliaments. However, nothing seems very certain. As a report indicates that the union of Serbia with Montenegro it's losing appeal.¹⁶ Beyond the status issue the Montenegrin authorities and the international community should focus on domestic challenges that have a direct impact on people's lives.

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¹⁴ **European Stability Initiative**, *supra* fn 1.

¹⁵ **Mabel Wisse Smit**, Squabbling Yugoslav Republics Set for Divorce, Balkan Crisis Report (2002), Number 322, at: <http://www.iwpr.net>.

¹⁶ **Daniel Sunter**, Serbia: Union with Montenegro Losses Appeal, Balkan Crisis Report (2002), Number 325, at: <http://www.iwpr.net>.