

Background briefing 5-1999  
November

**Montenegro: Issues and Questions**  
**Brussels, 26 November 1999**

**Executive Summary**

- There is a real threat of parallel structures consolidating in parts of Montenegro governed by the SNP (the pro-Milosevic party of Momir Bulatovic), as municipalities in the area are passing resolutions to assert their autonomy from Podgorica, should the government in Podgorica move towards independence. This was timed to coincide with the beginning of negotiations between the governments.
- Even holding a potential referendum on independence in these areas is considered impossible by some observers. The implementation of new laws on state enterprises and the regulations to control currency transfers across the borders will indicate the extent of the authority of the Podgorica administration.
- The establishment of a Montenegrin Monetary Council and of the DM as a parallel currency on 2 November 1999 will help protect Montenegro against the effects of accelerating inflation in Serbia. But it also accelerates the economic disintegration of the Federal Republic of Yugoslavia.
- Currency controls at the borders with Serbia and the end of an integrated payments system will continue to weaken economic ties between Montenegro and Serbia. For the first time the Montenegrin government is itself establishing controls at what appears more and more to be an inter-state border.
- The Montenegrin Interior Ministry continues to remain confident that it can maintain control of a complex security situation. While tribal assemblies (*plemenske skupstine*) in the Northern municipalities continue to meet, they have lost some of their initial momentum since September.
- The economic and social situation continues to deteriorate. There is fear that social unrest and strikes at major enterprises in protest at delays in payments of wages and social benefits could be instrumentalists to weaken the hold of the Podgorica government.
- The Parliament continues with the preparation and adoption of key laws on Montenegrin citizenship (passed on 28 October), amnesty for those refusing to fight in the Kosovo war and on state property, to assert its control. A law on the carrying of weapons is in preparation.
  - Negotiations on the "Platform" by the Montenegro government to renegotiate relations between Serbia and Montenegro have started at the end of October. However, there is no sign that negotiations are likely to yield any substantive results.

## **Security Situation and developments in Northern Montenegro**

In recent weeks government officials have held several meetings with representatives of the Yugoslav Army including the indicted General Odjanic. Government officials consider these meetings to have been extremely useful in limiting the scope for misunderstanding and incidents. However, small incidents continue to keep

tensions high, such as the attack on 18 November on a senior Yugoslav Army officer who was badly beaten by a group of unidentified individuals in Niksic.

Tribal gatherings ("assemblies") continue in the North, although the general assessment is that these gatherings, which are said to be organized by the SNP, have lost momentum. Estimates of attendance are a maximum of 1,500-2,000 people. Meetings are dominated by Belgrade Montenegrins supportive of the Milosevic regime. They are characterized by calls for Yugoslav unity such as 'Call for the separation of Montenegro [from Yugoslavia] for us is the same as a call to arms' (*Pozivanje na odvajanje Crne Gore za nas su isto sto i pozivi na oruzje*).

In light of the poor turn-out, the tribal meetings are not at present considered a likely trigger for civil unrest. Winter weather will also slow down gatherings in the North in particular. However, in the last month a worrying development has occurred in the northern municipalities of the Republic ruled by the pro-FRY SNP. Municipal assemblies in these municipalities have adopted proclamations, which were earlier adopted by tribal assemblies in the area. These proclamations have not yet been published in the municipal official gazettes. At the end of October, the municipalities of Pljevlja and Zabljak in the North passed resolutions stating that should the government move towards independence, they would refuse to recognise its decisions. The SNP made clear that it had instructed the municipalities to pass these resolutions.

At the beginning of the next year the government is due to submit a Law on the Prohibition of Carrying and Using Weapons to the parliament. The implementation of this law, particularly in the North, could also be difficult.

### **A Visit to the North: The Municipality of Berane**

Montenegro is topographically, politically and economically a divided Republic. No assessment of the country can be complete without visiting the North of the country and in the future more international attention needs to be focused on this area of the Republic.

The Municipality of Berane is situated in the north-east of the country approximately 20 kilometers from the border with Serbia and Kosovo. The government coalition secured a narrow majority in Berane in the May 1998 local elections securing 18 of the 35 seats in the Municipal Assembly. The remaining 17 delegates are from the SNP.

According to the 1991 census, Berane had a population of 38,953 (Serbs 2,842, Montenegrins 22,995, Muslims 11,769, Albanians 46 and Yugoslavs 706). In addition there are currently approximately 10,000 displaced persons from Kosovo residing in the municipality.

The social situation is tense. There are 5,000 people in employment while 5,500 are unemployed and a further 1,300 are not working and are on waiting lists. In addition, there are 4,000 pensioners. All local industries have struggled for most of the past decade. The current blockage of the payment system with Serbia is affecting the local leather and paper industry. On a positive note, a dairy factory is due to open in Berane in six months time and will employ 200 workers.

The government policy to encourage farming (livestock/orchards) appears to be reaping some limited rewards. There is a wide urban-rural gap, with impressions in Berane that the process of urbanization between the 1950-70s had destroyed village life. The on-going government assistance would assist the rejuvenation of smaller communities.

The Mayor (DPS) confirmed that the general climate had improved significantly in the last six months vis-à-vis the SNP and there was a marked increase in dialogue. When asked about negotiations on the platform and a proposed referendum, he was adamant that it would not come to a referendum. He estimated that 30% of the coalition were against independence and that in the northern municipalities it would not be possible to even hold a referendum.

## **The Economic Situation**

The economic situation remains extremely difficult. Many officials warn of the potentially destabilizing impact of increased strike action. Djukanovic and his ruling coalition were elected on a platform of promising improved living standards. In reality in the period since Djukanovic was elected as President living standards have declined further. Officials consider success in kick-starting the economy and raising living standards fast a matter of political survival.

It is still too early to assess the success of the introduction of the dual currency system. On the street the immediate concern of an already impoverished populace is that the introduction of the DM will result in an increase in the cost of living. The effects of the stability gained from isolating Montenegro from inflationary pressures from Serbia have yet to become apparent. Prices have started to appear in both DM and Yugoslav Dinars in the shops of Podgorica, but money dealers continue to do good business. Government staff and pensioners have started to receive payments in DM.

The Monetary Board of the National Bank of Montenegro last week passed a decision limiting private individuals from carrying more than 100 DM outside the Republic as well as individuals bringing more than 17,500 Yugoslav Dinars into the Republic. The enforcement of this decision on the border with Serbia by the Financial Police is likely to create tension in the North and will be a test to assess the authority of the government. However, the common expectation is that in the short term, the situation is going to get worse before it can get better.

Meanwhile, the severing of the links between the Montenegrin and Serbian payment bureaus which has resulted from a decision of the National Bank of Yugoslavia (NBY) to suspend transactions -- a response by Belgrade to the introduction of the DM in Montenegro -- is already affecting the Montenegrin economy. Several officials noted that companies were already turning to a barter system to get around the suspicion, while others claimed that some companies were still managing to make transfers. The physical transfer of money across the inter-republic boundary line is not possible due to the presence of the financial police.

The recent announcement of most favored nation trading status with the United States was warmly welcomed in Montenegro. However, Montenegro has only limited trade with the US and as such this gesture cannot be expected to have much impact on the economy. An equivalent gesture by the EU would have a far greater impact as the EU is a far more significant market for Montenegro. Government officials stressed that they expected a decision from the EU shortly.

## **The social situation**

The social situation in the country remains bleak, with government officials estimating that approximately 200,000 people are living below the (local) poverty line. 75,000 people are unemployed. In addition, many employees are on waiting lists or are working and have not been paid for months on end. Also, up to a third of the population is said to be entitled to one form or another of social assistance from the state.

Pensions are being paid regularly, but the Republic pension fund is close to empty. Approximately 25,000 pensioners of Montenegro's 83,000 pensioners receive pensions of between 30-40 DM. Money appears to be frequently transferred between different social funds (Health, Social, Pension) suggesting an increasingly desperate situation.

By law, companies are entitled to dismiss employees and declare them as "technological extras" (technicki visak). Such persons are entitled to 24 salaries as a form of redundancy pay. As companies have not been meeting this obligation, the government has promised to take on the responsibility of making these payments. (albeit in the form of 24 average salaries rather than 24 salaries). However, the government is not able to meet these obligations and this is causing unrest in several large companies such as the large Radoje Dakic company in Podgorica. The number of such cases can be expected to increase, especially if the privatization process begins to have an affect in the second quarter of next year.

Elsewhere strikes are becoming commonplace. The 7,000 employees of the Niksic Steel Works are reported to be on the verge of strike action. Workers at the former factory of celluloid and paper in Berane recently held a three-day hunger strike. At present the government clearly does not have the financial resources to meet a growing number of demands.

Government officials suggest that strikers are being manipulated by political factors. This would appear to be the case with the recent strike that took place at the Aluminium Factory in Podgorica (KAP Kombinat Aluminioma Podgorice) where salaries are several times the national average. Newspaper reports have suggested the strike had been organized by union members sympathetic to the SNP.

## **Political Developments**

The Parliament of the Republic of Montenegro (73 Seats in total; 42 for the Coalition For a Better Life - DPS 30, Narodni Savez 7 and SDP 5) – 29 for the SNP, 5 for Liberal Union of Montenegro, 1 for the DSDG and 1 for the Democratic Union of Albanians) is proceeding with its second session of 1999 and a 33 item agenda. In the last seven days the Parliament has adopted a Law on Amnesty and a Law on State Property which has transferred ownership of state property to the Government and local authorities. The Coalition is currently stable and all agenda items are expected to be adopted. The government has been criticized sharply by the opposition in particular in relation to the law on State Property.

Parliamentary debate can be expected to increase in intensity as the agenda progresses. Under item 26 of the agenda there will be a discussion on the platform for redefining the Federation.

## **Divisions Mirrored in the Church - An Orthodox Schism**

Divisions in Montenegro are also reflected in the Orthodox Church. In 1920 King Alexander incorporated the Montenegrin Orthodox Church into the Serbian Orthodox Church. Since this time, Montenegro has fallen under the Serbian Orthodox Church. However, in 1993 the Montenegrin Orthodox Church was re-established when one of its buildings in Cetinje was returned. The head of the Montenegrin Church Mitropolit Crnogorske Mihail travels extensively, although he has been forced to hold services outside of churches as Serbian Orthodox priests refuse to give him access. On 21 November Mitropolit Mihail was attacked by a Serbian Orthodox priest in Cetinje. The Montenegrin Orthodox Church has the support of the pro-independent Liberals. The government continues to recognize the Serbian Orthodox Church.

The head of the Serbian Orthodox Church in Montenegro, Mitropolit Amfilohije is opposed to undermining the unity of Serb Yugoslavia. Meanwhile construction of a large (Serbian) Orthodox Church in Podgorica is continuing. On 18 November a large gold cross on the church was raised and lit up for the first time in a ceremony overseen by Mitropolit Amfilohije.

## **Relations with Belgrade seen from Podgorica**

Most eyes continued to be focused on Belgrade as Milosevic's next moves are awaited. Attacks on Federation Prime Minister Momir Bulatovic by the party of JUL have given rise to widespread predictions that Bulatovic is on his way out. Senior officials in Podgorica have responded to rumors that Milosevic will offer the DPS the position of Federal Prime Minister stating that they will not accept any such offers. It is not clear yet how a fall from grace by Bulatovic might affect the SNP internally. The common view is that the party is divided

between hard-line members in Belgrade working in the Federal structures and the more moderate members residing in Montenegro.

Talks between the DPS and the ruling Coalition in Belgrade (SPS, SRS and JUL) on the Platform to re-define the Federation, which began in Sveti Stefan and Belgrade on 25/26 October can be expected to continue. However, the likelihood of reaching any agreement is minimal, as there is not even a consensus on which institutions are competent. Belgrade continues to insist that the issue is resolved at the Federation level in

accordance with the Constitution. In turn, the DPS does not recognize the legality or legitimacy of the Federation government and parliament and insists that negotiations take place between the governments of Serbia and Montenegro.

In terms of the recently adopted legislative acts of the Montenegrin parliament, further confrontation with Belgrade is likely. Both the Law on Citizenship and the Law on Amnesty are considered by Belgrade to be federal competencies. The Federal Constitutional Court is considered to be firmly in the hands of Milosevic, and can be expected to issue decisions, which will not be accepted by the Montenegrin authorities

### **Developing Relations with Croatia**

In the last ten days the President of the Montenegrin Independent Union of Trade Unions has attended an international conference in Dubrovnik and made an unreserved apology for Montenegro's involvement in the 1991 attack on Dubrovnik. This could not have taken place without the approval of the Montenegrin government. In addition Montenegro has returned a collection paintings belonging to the Republic of Croatia to the Croatian Ambassador. Perhaps of greatest significance is the announcement that a bus line will run from the first of December between Ulcinj, via Dubrovnik, Metkovic and Knin to Zagreb and beyond to Varazdin. This is a joint venture between two companies from Montenegro and Croatia and the first post-war bus service between Montenegro and Croatia.

### **What to Expect in the Coming Months - A Quiet Winter before the Storm?**

While the government continues to stress that its preference is a redefinition of the Federation and no public deadline has been given, many interlocutors expressed a feeling, which they argued was shared by the public, that there is in fact an unwritten spring deadline for a referendum.

If the coming months see a continuing deterioration of the economy (as can be expected) accompanied by further social turmoil the Montenegrin government can expect to find itself under significant pressure on two fronts. The first will be from those in favor of independence who will argue that real international financial assistance (IMF/World Bank) is only possible when Montenegro is internationally recognized (Liberals and the population in the coastal regions) and secondly from the SNP and the regime in Belgrade. While the cold winter months can be expected to limit the possibilities for social unrest, especially in the North, the situation could deteriorate rapidly in the early spring. The common view among government officials was that international financial assistance had to arrive in the next two-three months otherwise civil unrest would certainly erupt in the spring.

### **Referendum - Unanswered Questions**

It seems that the government will continue to perform its delicate balancing act. However, further economic decline could force it to decide to proceed with a referendum.

Discussions with the President of the Constitutional Court of Montenegro Professor Dr. Blagota Mitric and representatives of the Liberals and SNP revealed that the procedure for a possible referendum on independence is far from clear and will be fraught with controversy. According to Mitric the referendum would be called by the Parliament (by a majority of delegates). The decision of the parliament would define details of the referendum including the question to be asked and the majority required. His view was that as the decision of the Parliament to call a referendum only requires a simple majority, it could be argued that only

a simple majority would be required in the referendum itself. A Republic law on Referendum exists, but it is not applicable in this case. Due to the lack of any set procedure it is certain that the issue would be referred to the Constitutional Court by the SNP.

The SNP and Liberals continue to call for Parliamentary elections in advance of any referendum arguing that the Coalition were elected with a pro-Federal policy and as a result elections need to be held before the government would have the legitimacy to call for a referendum.

### **The Details of Reform - Moving Beyond the Short Term**

The broad thrust of the political and economic reform process in Montenegro is positive. However, more detailed attention, in the form of resident international experts and an informal international agency-coordination body on the ground, is essential if the international community is to gain a decent overview. At present the presence of international organizations is neither sufficient nor coordinated enough to achieve this.

On the basis of opposition views the government coalition is not the guardian of democracy it has presented itself to be. By focusing greater attention and human and financial resources on the reform process rather than political personalities the International Community will be better placed to see a democratic Montenegro (quite separate from the independence issue) emerge in the medium term.

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