

A MARRIAGE OF INCONVENIENCE:

MONTENEGRO 2003

16 April 2003



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EXECUTIVE SUMMARY AND RECOMMENDATIONS

It is time for new policies and new approaches on Montenegro. International engagement with that republic in recent years has brought significant positive results. It bolstered the pro-Western government of Djukanovic when it faced the threat from Milosevic. It has helped promote reforms that have set Montenegro on the way to becoming a modern democracy, with a market economy and an independent, effective criminal justice system. However, efforts to promote regional stability have been hampered by an unnecessary obsession with keeping Montenegro and Serbia in a single state. The international community's overriding interest in the region should be to find stable, long-term solutions. Cobbling together interim solutions that lack legitimacy for those who must implement them and that are unlikely, therefore, to be functional in practice, is not the way to build stability.

The formation of a new state union of Serbia and Montenegro, following the March 2002 Belgrade Agreement, has failed to resolve the future relationship of the two republics. The tortuous negotiations that eventually produced the new union's Constitutional Charter demonstrated the lack of common purpose or consensus. Throughout the negotiations, from November 2001 until December 2002, only heavy engagement and pressure from the European Union (EU) kept the process on track.

The agreement on a new union takes no account of the status of Kosovo, notionally still an autonomous province of Serbia, but in practice a UN protectorate. As long as Kosovo's future remains unresolved, the territory and the constitutional make-up of Serbia, and of the joint state of Serbia and Montenegro, remain undefined. The agreement between Serbia and Montenegro only partially addresses the future of the defunct Federal Republic of Yugoslavia and

does not represent a stable solution for the territories of the former state.

The EU's determination to press Montenegro into retaining the joint state was largely driven by its fear that early Montenegrin independence would force an unready international community to address Kosovo's status prematurely. Consequently the EU and the wider international community have opted for interim, inherently unstable solutions for Serbia, Montenegro and Kosovo alike, rather than tackling the causes of instability.

The international community should no longer oppose Montenegrin independence but should instead be ready to support whatever solution Montenegro and Serbia can agree upon for their future relationship. It, and the EU in particular, should be ready to assist those two republics to work out a satisfactory arrangement, while adopting a neutral stance on what the form of that relationship is to be.

A major focus of international policy should be to promote needed reforms. Already, considerable resources have been devoted to this end, and they have brought good results. However, the negative attitude of much of the international community towards Montenegro, as an alleged haven of organised crime, has led to a distorted approach in which the prevalence of organised crime is sometimes linked to the status issue.

Organised crime and corruption are indeed problems in Montenegro, as elsewhere in the region. Some steps have been taken, although concerns remain about the degree of commitment Montenegrin authorities demonstrate when the allegations that need to be investigated relate to senior officials. The focus should be on helping, and when necessary

pressing Montenegro, as well as other entities in the region, to show greater zeal in carrying out reforms and in tackling organised crime and corruption.

Particular stress should be placed on reform of the criminal justice system, especially to end political interference. Assessments of progress should be based above all on concrete results. In particular, any suspicion that some figures are above the law, due to their high connections, and that sensitive cases are covered up should be dispelled.

Strict conditionality should be applied on assistance to Montenegro, based on performance. Assessments of reform programs need to go beyond ticking off legislation adopted and focus on implementation. In particular, the international community should insist upon effective measures to tackle corruption. Where there is not adequate evidence of action, assistance programs should be shut down. Credit should be given where it is due, and pressure should be applied where progress is lacking, but no assessment should be influenced by a desire to influence Montenegro on the status issue.

Given its budgetary problems, the Montenegrin government depends on international assistance. Until now the leverage that fact of political life implies has largely been used in the ill-conceived effort to keep the republic in a union with Serbia. Instead, it should be used to force real change in the way that Montenegro is governed.

RECOMMENDATIONS

To the international community, in particular the European Union:

1. The EU should discontinue its policy of pressuring Montenegro to remain in a single-state union with Serbia and accept whatever solutions Serbia and Montenegro can agree upon for their future relationship, including the possibility of eventual separation.
2. The EU should be ready to provide impartial technical assistance to Serbia and Montenegro on the practical issues that need to be resolved whatever the form of their ultimate relationship.
3. The EU should not sign a Stabilisation and Association Agreement (SAA) with Serbia and Montenegro before the status of the third

entity of the now defunct FRY, Kosovo, has been resolved.

4. The international community should continue to provide assistance to Montenegro's reform efforts, strictly conditioned on the government's performance in carrying out reforms, and should be prepared to suspend or withdraw assistance if progress is not satisfactory.
5. The international community's assessment of reform progress should be based on concrete evidence of changes in practice, including clear indications that investigations of corruption and organised crime activities are thoroughly pursued, no matter where the investigations lead or whom they involve.

To Serbia and Montenegro:

6. Concentrate on resolving the concrete issues involved in the future relationship, and in particular work constructively to integrate and harmonise economies, in line with the 14 March 2002 Belgrade Agreement and the Constitutional Charter.

To Montenegro:

7. Accelerate reforms in order to regain momentum lost in 2002, in particular by:
 - (a) increasing the pace of reform of the finance ministry, and especially of public finances;
 - (b) reinvigorating efforts to combat the grey economy;
 - (c) continuing reforms of the judiciary and police, including ending politicisation of the criminal justice system;
 - (d) pursuing all cases involving serious criminal allegations thoroughly, without political interference, wherever they lead and whomever they implicate; and
 - (e) raising the salaries of senior officials to more realistic levels while at the same time ending the system of offering perks, such as free housing, to certain officials.

Podgorica/Brussels, 16 April 2003

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I. INTRODUCTION

On 4 February 2003, the new state of Serbia and Montenegro was proclaimed after its Constitutional Charter had been approved by the lower house of Parliament of the old Federal Republic of Yugoslavia (FRY). Thus ended constitutional uncertainty whose seeds were sown at the very foundation of the FRY in 1992, and that broke into open view in the late 1990s as Slobodan Milosevic attempted to undermine Montenegro's autonomy, and Milo Djukanovic, then President and now again Prime Minister of the smaller republic, worked instead to strengthen its de facto independence.

The birth of the new state was greeted with little fanfare or enthusiasm, and it has as yet neither a flag nor a national anthem. Few in either Serbia or Montenegro were satisfied with the arrangement. Just about the only positive reaction was relief that months of wrangling over the constitutional set-up had been concluded. Even before the new union had been formally established, the painful course of the negotiations over its founding Constitutional Charter showed the lack of consensus behind its creation. EU pressure, rather than any shared commitment on the part of the two republics, brought Serbia and Montenegro into this redefined union. The manner of its beginning does not augur well for its future.

II. A FLAWED UNION

A. A DIFFICULT BIRTH

The March 2002 Belgrade Agreement on the new union specified that a Constitutional Commission, drawn from the parliaments of the FRY, Serbia and Montenegro, should draft a Constitutional Charter, to be submitted to the parliaments by the end of June 2002.¹ It quickly emerged that the deadline was overly ambitious; arguments about implementation of the Agreement began even before the Constitutional Commission had been convened.²

That Commission did not meet until 18 June 2002, after which months of wrangling followed, during which opening positions were repeatedly re-stated without forward movement. Hopes for a compromise were regularly disappointed. The European Commission for Democracy through Law (the 'Venice Commission' of the Council of Europe) contributed a draft text in July 2002 in an effort to un-block the proceedings, but this was rejected by Montenegro's pro-independence parties.³

The most contentious point was a procedural issue of huge symbolic importance: would the unicameral parliament of the new union be directly elected, or delegated by the parliaments of the two republics? This was seen as going to the heart of the nature of

¹ Proceeding Points for the Restructuring of Relations Between Serbia and Montenegro, Belgrade, 14 March 2002 (hereafter the Belgrade Agreement).

² For an analysis of the negotiations that led to the signing of the Belgrade Agreement and of the early discussions over its implementation, see ICG Balkans Report N°129, Still Buying Time: Montenegro, Serbia and the European Union, 7 May 2002.

³ Comments by Montenegrin representative in the Constitutional Commission Miodrag Vukovic, Mina News Agency, 28 July 2002.

the joint state: would it function as a real union, or would it be a largely paper union of what would for most practical purposes be independent states on their way to full separation? A directly elected parliament would, it was believed, enjoy greater legitimacy – and give greater legitimacy to the joint state – than a delegated one. Hence the pro-independence parties in Montenegro favoured a delegated parliament, while their pro-Yugoslav rivals, as well as most Serbian parties, advocated direct elections. The pro-independence parties also were determined to maintain the principle that the manner of electing deputies to the joint parliament should be regulated by the republics, not determined in the Constitutional Charter.⁴

Other contentious issues included whether the court of the joint state would have supremacy over those of the republics, and whether the joint state would have its own budget or be funded by subventions from the republics. There was little dispute over the competences of the joint state, however, as these had been largely determined by the Constitutional Charter.

In July 2002 there was a small advance; the two governments adopted an Economic Action Plan envisaging harmonisation between the republics in areas such as customs, foreign and internal trade and taxation, but between two essentially autonomous economic entities, with separate currencies and central banks.⁵ The Action Plan was also signed by federal Deputy Prime Minister Miroljub Labus, and welcomed by the EU Council of Ministers.⁶ A common customs tariff will be essential for any future negotiations on trade, including for a Stabilisation and Association Agreement, with the European Union.

In August, the Montenegrin and Serbian governments tried to repeat their success in the economic sphere and overcome the deadlock in the Constitutional Commission by taking the initiative to produce a draft Charter.⁷ It was reported that they were prepared, if necessary, to bypass the Commission altogether and present their draft directly to the parliaments of the two republics for approval.⁸ Crucially, according to the draft, the manner of elections to the joint parliament would be determined by the individual republics – a key concession by the Serbian government.

This initiative quickly came unstuck. The pro-Yugoslav Montenegrin parties rejected the draft, especially over the elections issue.⁹ The draft also faced opposition in Belgrade, both from the Democratic Party of Serbia (DSS) of FRY President Vojislav Kostunica and from elements within the ruling Democratic Opposition of Serbia (DOS) coalition. It was asserted that Serbian Prime Minister Zoran Djindjic had gone too far in his willingness to compromise with Djukanovic and had deviated from a previously agreed DOS draft.¹⁰

Objections were also raised in Belgrade and Podgorica that the Serbian and Montenegrin governments were seeking to usurp the role of the Constitutional Commission. Some in Belgrade also complained that the draft made no mention of Vojvodina and Kosovo as autonomous provinces of Serbia.¹¹ The upshot was that the DOS quickly backtracked from the positions agreed with the Montenegrin government, and proposed a new draft that specified direct elections. This was rejected by Djukanovic's Democratic Party of Socialists (DPS).¹²

A casualty of this squabbling was the Federal Republic of Yugoslavia's accession to the Council

⁴ The Belgrade Agreement states that "The Laws on the Election of Representatives to the Parliament of Serbia and Montenegro shall be adopted by the member states, in compliance with the principles defined by the Constitutional Charter". A Venice Commission expert asserted that, while the Council of Europe would prefer direct elections, either direct or indirect elections would be compatible with the Belgrade Agreement, Vijesti, 26 September 2002. Stefan Lehne, Balkan envoy of the EU's High Representative for Common Foreign and Security Policy, Javier Solana, reportedly urged that the direct election model be adopted during a visit to Podgorica in October 2002, Vijesti, 24 October, 2002, and a senior Montenegrin source to ICG.

⁵ Text of the Action Plan in CEPS, Europa South-East Monitor, Issue 36, July 2002.

⁶ Conclusions of the General Affairs Council, 22 July 2002.

⁷ Vijesti, 23 August 2002. The Montenegrin government side was represented only by Djukanovic's Democratic Party of Socialists (DPS), as was stressed by its smaller coalition partner, the Social Democratic Party (SDP), which had temporarily left the government over its opposition to the Belgrade Agreement, Vijesti, 28 August 2002.

⁸ Vijesti, 25 August 2002.

⁹ VIP Daily News Report, 23 August 2002.

¹⁰ For example, comments by Serbian Deputy Prime Minister Nebojsa Covic, reported in VIP Daily News Report, 28 August 2002.

¹¹ The reference to Kosovo was particularly insisted upon by Covic, who is also head of the FRY's Kosovo Coordination Centre, VIP Daily News Report, 28 August 2002.

¹² VIP Daily News Report, 3 September 2002.

of Europe. On 24 September 2002, its Parliamentary Assembly voted to recommend acceptance of the FRY (or Serbia and Montenegro, as the new union was to be known) as a member, pending finalisation of the Constitutional Charter.¹³ If all had gone well, the Council's Committee of Ministers would have confirmed the decision on membership on 7 November 2002. However, no agreement had been reached by that date, and in the meantime the revelation that Yugoslav firms had been exporting military material to Iraq and Liberia in violation of binding UN Security Council sanctions,¹⁴ and a negative report from the international war crimes tribunal in The Hague (ICTY)¹⁵ had eroded some of the goodwill in Strasbourg. The Council of Ministers "noted with regret that circumstances at present do not yet permit the adoption of an official invitation to the Federal Republic of Yugoslavia to join the Council of Europe".¹⁶ Compliance with ICTY was explicitly mentioned as a key issue.

In November 2002, a proposal by Djindjic's Democratic Party (DS) opened up the way to a solution. It was that elections to the joint parliament should initially be indirect, but become direct in 2004. As Kostunica's DSS and Djukanovic's DPS appeared to accept this solution – a significant compromise by the latter – it seemed that the deadlock was broken. By 21 November, most participants had accepted the compromise.¹⁷

However, divisions re-emerged among the Montenegrin negotiators. The leading pro-Yugoslav Montenegrin opposition party, the Socialist People's Party (SNP), rejected the proposal, maintaining that only direct elections would be acceptable. Djukanovic's allies, the SDP and the pro-independence Liberal Alliance of Montenegro (LSCG), rejected any compromise involving direct elections. There was, therefore, no majority for the proposal among the Montenegrin delegation. The DPS then startled the Serbian delegates by reiterating that in any case, the manner

of electing the parliament should not be defined in the Constitutional Charter.¹⁸

In a visit to Belgrade on 28 November 2002, the EU's High Representative for Common Foreign and Security Policy, Javier Solana, persuaded Djukanovic to reverse his position and agree that the manner of electing the joint parliament, initially indirectly and after two years directly, would be stipulated in the Constitutional Charter.¹⁹ The news was greeted with bitterness by independence supporters in Montenegro, who felt that Djukanovic had once again caved into pressure from Solana. What seemed doubly incomprehensible to many was that he had done so in spite of enjoying a considerably stronger political position following the DPS-SDP coalition's convincing victory in the parliamentary election on 22 October 2002. Many in Montenegro wondered what had enabled Solana to twist Djukanovic's arm. SDP leader Ranko Krivokapic asserted that future EU assistance had been made conditional upon acceptance of the deal.²⁰

In any case, the Constitutional Commission adopted the Charter on 6 December 2002.²¹ The SNP overcame its objections over indirect elections to the joint parliament, having won assurances that the three-year moratorium on holding an independence referendum would run from adoption of the charter and not, as pro-independence Montenegrin parties had wanted, from the March 2002 signing of the Belgrade Agreement.

Further controversy followed over the details of a law on the implementation of the Charter, which specified how and according to what timetable the institutions of the new state would be set up, and how the institutions of the former federation would be wound up and their competencies transferred either to the new joint state institutions or to Serbian institutions. A key issue was the division of former FRY property between the republics and the joint state, especially property of the army. The pro-independence Montenegrin parties argued that the army should be granted the right to use property that would be held by the republics, while other parties said that the army should have its own property, as in the FRY. Rather than delay the Charter further, this issue was postponed. The DSS

¹³ Vijesti, 25 September 2002.

¹⁴ See ICG Balkans Report N°136, Arming Saddam: The Yugoslav Connection, 3 December 2002.

¹⁵ See 29 October 2002 statement of the Chief Prosecutor to the UN Security Council, <http://www.un.org/icty/pressreal/p709-e.htm>

¹⁶ See Council of Ministers communiqué, [http://press.coe.int/cp/2002/555a\(2002\).htm](http://press.coe.int/cp/2002/555a(2002).htm).

¹⁷ Reports in Vijesti, 22 November 2002.

¹⁸ Reports in Vijesti, 23, 24 and 26 November 2002.

¹⁹ Vijesti, 29 November 2002.

²⁰ Ibid.

²¹ Vijesti, 7 December 2002.

in Serbia, and the SNP's smaller partners in Montenegro's pro-Yugoslav coalition, the Serb People's Party (SNS) and the People's Party (NS), opposed the implementation law over this issue, but with the backing of the DPS and the SNP itself in Montenegro and the DOS coalition in Serbia, the law had sufficient support.

The law was adopted by the Constitutional Commission on 16 January 2003, and the FRY parliament proclaimed the Charter and implementation law on 4 February,²² after their passage by the Serbian and Montenegrin parliaments. The new Parliament of Serbia and Montenegro was duly elected by the Serbian and Montenegrin legislatures on 25 February, and met for the first time on 3 March, electing as Speaker Dragoljub Micunovic (who had previously been speaker of the FRY lower house). Svetozar Marovic, speaker of the Montenegrin parliament from 1994 to 2001, was elected President of Serbia and Montenegro on 7 March. Election of the five members of the Council of Ministers was postponed for four days because of the assassination of Serbian premier Zoran Djindjic on 12 March but was completed on 17 March.²³

B. A SHORT-TERM SOLUTION

The very difficulty of reaching agreement on the Constitutional Charter suggests the problems that it will face in providing the basis for a long-term relationship between Montenegro and Serbia. In key respects, the set-up that has emerged is deeply flawed and suits neither republic. They are likely before long to try again to find a solution that is mutually satisfactory and sustainable. The lesson of the period since November 2001, when Solana began his initiative, is that any durable agreement must reflect the real interests and wishes of the majority of Serbs and Montenegrins.

1. Lack of Legitimacy

The main reason for the difficulties experienced in adopting the Constitutional Charter was the lack of genuine commitment to the Belgrade Agreement from either senior levels of the two governments or their public opinion. As a document that was negotiated under heavy EU pressure, largely in order to prevent Montenegro from holding an independence referendum, it enjoyed real legitimacy in neither republic. In the longer run, any arrangement with Serbia can only be lasting if it is based on genuine Montenegrin consent. Montenegro's pro-independence governing parties, while asserting that they would work constructively within the new union, have maintained their intention to hold an independence referendum after the stipulated three-year moratorium.²⁴ In Montenegro's parliamentary election on 20 October 2002, pro-independence parties increased their majority.²⁵

Neither did the Belgrade Agreement satisfy the hopes of many in Serbia to rebuild a functioning state union. With no common currency or central bank and without any budgetary funds of its own, the union is widely seen in Serbia as little more than a shell of a state and a way-station on the road to full separation. Fatigued as a result of the constant arguments with Montenegro, increasing numbers of Serbs question the value of maintaining such a union.

Some leading Belgrade figures, such as the outgoing FRY deputy prime minister, Miroljub Labus, and the central bank governor, Mladjan Dinkic, expressed bitter disappointment with the outcome and with Solana, whom, they asserted, they had expected to exert pressure on Montenegro to accept a greater level of economic integration. In the absence of such meaningful economic integration, both men have said, they see little future for the union and would prefer separation.²⁶

²² VIP Daily News Report, 17 January and 5 February 2003.

²³ See ICG Balkans Report N°141, *Serbia After Djindjic*, 18 March 2003. Ironically the election of the new government is in violation of the Constitutional Charter, in that both Foreign Minister Goran Svilanovic and Defence Minister Boris Tadic come from Serbia; Article XIV of the Charter specifies that the two posts should not be held by citizens of the same republic.

²⁴ In his speech presenting his new government (following the October 2002 parliamentary election) on 8 January 2003, Djukanovic reiterated his conviction that after three years Montenegro would be independent, *Vijesti*, 9 January 2003.

²⁵ The DPS-SDP coalition won an absolute majority of 39 out of 75 parliamentary seats, while the pro-independence LSCG and ethnic-Albanian parties won a further four and two seats respectively. Between them, these pro-independence parties won slightly over 55 per cent of the vote, while the pro-Yugoslav parties won around 41 per cent.

²⁶ *Frankfurter Allgemeine Zeitung*, 29 January 2003, "Solana hat seine Aufgabe nicht erfüllt: Notenbankchef Dinkic für

While others have not been as blunt as Labus and Dinkic, few have any real commitment to implementing the Belgrade Agreement and making the new constitutional set-up work. For Montenegro's leaders especially, but for many in Belgrade as well, professions of commitment to the union are mainly for the sake of form, a pretence of good behaviour for the benefit of the EU, which had pressed with such determination for the union's creation. With either side having the right to conduct an independence referendum after three years,²⁷ its temporary nature is built in. For the Montenegrin authorities, the overriding strategy was to give joint institutions as little real content as possible, while they wait out the three years. In spite of concessions, notably on the manner of electing the joint parliament, they have largely succeeded. This is recognised by many in Belgrade. The Demo-Christian Party of Serbia, led by Serbian Justice Minister Vladan Batic, has campaigned for independence since the signing of the Belgrade Agreement. The new G17+ party of Labus and Dinkic states that if economic harmonisation with Montenegro does not proceed satisfactorily, Serbia should assert its independence and pursue integration with the EU separately.²⁸

2. Lack of Functionality

One of the more positive results of the Solana initiative to keep the joint state intact was that it for the first time encouraged the political parties in Serbia and Montenegro to engage on the practical, substantive issues involved in any new arrangement. However, the Belgrade Agreement itself is very brief, and it left the details to be argued over and worked out afterwards. Despite attempts by both governments to reach accommodations, persistent wrangling over key aspects reflects the existence of wide differences over how the new state should function, especially in the economic sphere.

The competencies assigned to the union were designed as a compromise between the desire of the EU and others (such as the IMF) for it to have a

single international personality ("one letter box") and that of the Montenegrin authorities to preserve the highest possible level of domestic autonomy. The agreement was not based on any practical assessment of areas in which it would be more efficient and in the interests of both republics to perform functions in common. Neither did it satisfy the desire of Belgrade leaders for a stronger state. Critics such as Labus and Dinkic complained, with good reason, that a state with so few competencies was hardly worthy of the name.²⁹

The result is a hybrid solution, with an expensive administration that has very little to do. The projected cost of the joint state (€550 million in 2003, of which some €50 Million is to be borne by Montenegro)³⁰ seems not to be balanced by any benefits or economies of scale. The expenses of the Yugoslav federal administration since Montenegro distanced itself had been borne by Serbia. Montenegro now has new financial obligations for the joint state, with little in return. Some, such as for the army and the diplomatic service, would have to be borne by Montenegro anyway. But Montenegro appears to have little interest in carrying out many of these functions jointly. For example, it has stressed that it will maintain its own, distinct diplomatic offices abroad.³¹

The added cost of the new administrative layer seems all the more burdensome for Montenegro when one considers that its government has been (rightly) under international pressure to bring its public finances under control and reduce its

eine Trennung von Montenegro" [Solana has not fulfilled his task: Central Bank governor Dinkic is for separation from Montenegro]; interview with Labus for the Belgrade weekly NIN, 19 December 2002.

²⁷ Article 60 of the Constitutional Charter.

²⁸ The ten principles expounded by Labus at the G17 Plus conference on 15 December 2002, at which the transformation of G-17 Plus into a political party was proclaimed.

²⁹ On disappointment with the Belgrade Agreement in Belgrade itself, see ICG Balkans Report N°129, *Still Buying Time: Montenegro, Serbia and the European Union*, 7 May 2002.

³⁰ Statement by Serbian Finance Minister Bozidar Djelic after a meeting on 7 November 2002 of the finance and economy ministers of Serbia and Montenegro and the central bank governors of the FRY and Montenegro, reported in *Vijesti*, 8 November 2002, and information from Montenegro's Finance Ministry. According to Djelic, the number of people employed in the FRY administration could be reduced from 10,400 to around 3,000 in the administration of the new joint state, with around another 4,500 transferring to the Serbian republic administration. The costs of the FRY administration have mainly been borne by Serbia, since Montenegro cut its links with the FRY. Montenegro has contributed to some FRY costs, notably for the Yugoslav Army units present on its territory.

³¹ *Vijesti*, 21 January 2002. The maintenance of separate diplomatic networks is allowed for in Article 15 of the Constitutional Charter.

worryingly large budget deficit. Yet the same international community is also insisting that Montenegro, for political reasons, take on a share of the financing of a new joint state administration that gives it little and that its leaders and the majority of its citizens did not want.³²

The new union has an extremely weak centre. There is a unicameral assembly consisting of 126 deputies (91 from Serbia, 35 from Montenegro).³³ Laws must be passed by a majority of deputies from each republic.³⁴ In the initial two years, as deputies will be delegated by the parliaments of the two republics, the majority in each delegation will in effect directly represent the ruling authorities in each republic. The parliament will thus not be an autonomous legislative body, but rather a forum for rubber-stamping decisions made by consensus between the two republic governments elsewhere.

According to the Charter, after two years there should be direct elections for the joint parliament. This would strengthen its democratic legitimacy; on the other hand it is quite likely – given that this is effectively a “secondary election”, for a level of government with less powers than the more important republican parliaments – that the elections will favour opposition parties. Nevertheless, the need for decisions to be passed by a majority of deputies from each republic would remain, so there would be danger of gridlock if the joint parliament were not prepared to implement the common will of the two republic governments. The Council of Ministers of the union will not play an important role here; it has few competencies and will act more as a coordinating body, with most governmental functions being exercised at republic level or, where joint action is required, by consensus between the republics.³⁵

As this is a union of republics of extremely disproportionate size, the potential for Serbia to be held hostage by problems in reaching consensus decisions with tiny Montenegro is likely to breed increasing impatience in Belgrade. Labus and Dinkic

have expressed fears that Serbia will pay a price for entering such a dysfunctional union, in terms of slowed reforms and integration with the EU and difficulties in relations with international financial institutions such as the IMF and the World Trade Organisation.³⁶

Differences over economic harmonisation already arose during the negotiation of the Belgrade Agreement, as Djukanovic was determined to preserve the autonomy that Montenegro had attained. He won Solana’s acceptance (to the dismay of many in Belgrade) that the two republics would continue to use different currencies and to have separate central banks (the National Bank of Yugoslavia, which already had no role in Montenegro, being transformed into the National Bank of Serbia) and customs administrations.³⁷ The Constitutional Charter repeats the stipulation in the Belgrade Agreement that the union should have a common market, with free flow of people, goods, services and capital.³⁸ However, harmonisation was, according to the Belgrade Agreement, supposed to be achieved by both republics harmonising with the EU.

The Serbian finance minister, Bozidar Djelic, and his Montenegrin counterpart, Miroslav Ivanisevic, initially appeared to be finding a common understanding. Their vision of the union was contained in the Economic Action Plan adopted in July 2002. However, despite this apparently positive start, differences over economic harmonisation soon asserted themselves.

Particularly problematic has been the convergence of customs tariffs, for the EU an essential prerequisite before the new state can enter negotiations for a Stabilisation and Association Agreement. Montenegro has much lower tariffs than Serbia – an average of around 3.5 per cent, compared with an average of around 12.5 per cent. Each side argues

³² See *Monitor*, 29 November 2002, “Crna Gora i savezni budzet: skupa zajednica” [Montenegro and the Federal Budget: An Expensive Union].

³³ The composition and election of the joint parliament is defined in Article 20 of the Constitutional Charter.

³⁴ Article 23 of the Constitutional Charter.

³⁵ See commentary by Srdjan Darmanovic, Director of the Centre for Democracy and Human Rights in Podgorica, in *Monitor*, 7 February 2002.

³⁶ For example, Dinkic’s interview with *Frankfurter Allgemeine Zeitung*, 29 January 2003. On 14 April 2003 it was reported (“Fiscal Agent Determined, Obstacles Eliminated for IMF Cooperation”, VIP Daily News Report) that an agreement had been reached whereby Montenegro would “cover” the new state’s relations with the World Bank, and Serbia likewise the IMF; the details however apparently remained to be finalised.

³⁷ For a summary of the arguments over economic integration prior to the signing of the Belgrade Agreement, see ICG Balkans Report N°129, *Still Buying Time: Montenegro, Serbia and the European Union*, 7 May 2002.

³⁸ Article 3 of the Constitutional Charter.

that convergence near the rates of the other would be harmful to its own economy. Serbia says that it needs high tariffs to protect industries such as textiles and metals, which have not yet gone through restructuring. Montenegro, by contrast, insists that, with little heavy industry, it does not need such protective measures, indeed because it is a small economy highly dependent upon foreign trade, it makes sense for it to have a highly open trade regime. Each side rejected the Brussels suggestion that convergence should be achieved through tariff cuts by Serbia and increases by Montenegro. Dinkic said that "Either Montenegro will raise customs to our level, or we should not live with them. It is not acceptable for us to destroy half of our industry to have one quasi-state".³⁹

Whether a convergence of import tariffs would, overall, be harmful to the two republics is disputed. It is highly debatable that Serbia would benefit in the long term from continuing to protect uncompetitive industries. As for Montenegro, converging tariffs at Serbian levels would bring a net loss to the economy in so far as consumers turned instead to Serbian-produced goods.⁴⁰ In many cases, however, they would likely continue to buy imported goods, so that the cost to consumers from higher prices would be balanced by a gain for the republic's budget of higher import duties.

The Montenegrin economy is not as liberal as the Podgorica authorities like to suggest, or as has always been recognised by opponents of harmonisation. While tariffs are low, quantitative restrictions on imports (quotas, licenses etc.) are thought to be a significant part of the reason why prices are considerably higher in Montenegro than in Serbia.⁴¹ These quantitative restrictions are to the detriment of Montenegrin consumers, and do not benefit the budget. The only winner is Montenegro's powerful import lobby, which benefits from low tariffs while passing on costs to consumers. If, as part of a customs harmonisation with Serbia, such

quantitative restrictions were to be removed, consumers would benefit from lower prices, the budget would benefit from higher import duties, and only importers would lose. In fact, such quantitative restrictions should be removed, whether or not tariffs are harmonised with Serbia's.⁴²

In a sense, the actual merits of economic harmonisation are only part of the question. Of key importance is that such complex issues touching on the perceived vital interests of each republic are likely to continue to be sources of contention for as long as the union survives in the form envisaged in the Constitutional Charter survives. Economic integration and the establishment of a single market might bring benefits. But in a form of relationship that corresponds to the wishes of neither side yet depends on consensus, the prospects for achieving those potential benefits are poor.

Another area of contention has concerned the relationship of the new union with the international financial institutions, especially the IMF. Since the FRY was readmitted into international organisations following the fall of Milosevic, Podgorica recognised that there was no choice but to deal with the IMF through the channels of the joint state even if that joint state hardly existed other than on paper. The IMF established positive relations with its counterparts in Belgrade, notably Labus and Dinkic. To Podgorica officials, it appeared as though the IMF regarded having to deal with the complex relationship between Serbia and Montenegro as an inconvenience. Worse, it seemed to them that IMF officials, who spent nearly all their time in Belgrade, paid only cursory attention to Montenegro, treating it as a mere troublesome appendage of Serbia.⁴³ Particularly galling was the impression that a somewhat impatient IMF attitude was influenced by the frequently voiced negative views of Labus and Dinkic concerning their republic.⁴⁴

³⁹ See Institute for War and Peace Reporting (IWPR), "Serbia/Montenegro: Customs Row Holds Up Union", 28 November 2002.

⁴⁰ On the potentially harmful effects of a Montenegrin hike in tariff rates to Serbia's levels, see Daniel Gros, "Establishing the Common Market between Montenegro and Serbia", CEPS Europa South-East Monitor, Issue 41, December 2002.

⁴¹ Data from Federal Statistical Office for October 2002 that the cost of a consumer basket for a four-member household was about 20 per cent higher in Montenegro than in Serbia is supported by anecdotal evidence.

⁴² On the pluses and minuses for Montenegro of harmonising its customs regime with that of Serbia, see interview with Milenko Popovic, director of Podgorica's Centre for International Studies, in *Monitor*, 24 January 2003.

⁴³ Montenegrin central bank chief Ljubisa Krgovic complained that G17 Plus representatives (i.e. Labus and Dinkic) had effectively monopolised relations with international financial institutions such as the IMF, *Vijesti*, 16 January 2003.

⁴⁴ Dinkic and Labus have often spoken in highly dismissive tones of Montenegro. See, for example, Dinkic's interview with *Frankfurter Allgemeine Zeitung*, 29 January 2003 and

The IMF insisted that, for the purposes of its three-year stand-by arrangement with the FRY, it needed to have as a counterpart a clearly defined joint depositary.⁴⁵ According to sources in the Constitutional Commission cited in the Serbian media, the IMF and the World Bank proposed that, after the transformation of the National Bank of Yugoslavia (NBJ) into the National Bank of Serbia (NBS), the latter should continue to perform that function on behalf of Serbia and Montenegro.⁴⁶ Montenegrin central bank chief Ljubisa Krgovic quickly rejected that idea, and expressed doubt that it had come from the IMF and the World Bank.⁴⁷

A compromise was reached according to which the Council of Ministers of the new union, once constituted and with the approval of the member republics, would determine the manner of representation with international financial institutions.⁴⁸ In the meantime, the duties of fiscal agent in relations with international financial organisations would be performed by the Federal Ministry of Foreign Economic Relations.⁴⁹ Labus cast doubt on whether such an arrangement would be acceptable to the IMF. Claiming that the issue was not adequately settled in the Constitutional Charter, he suggested that the IMF might impose the NBS as depositary⁵⁰ and also delay credits under the stand-by arrangement because of the political uncertainty.⁵¹ Labus further warned that the new state would need urgently to agree on its budget in order to satisfy the IMF.

The controversy over relations with international financial institutions, as well as the impatience of Labus and Dinkic and the sensitivity of Krgovic, show again the scope for conflict in the new union. For its part, the IMF should find a way to show flexibility towards the admittedly unusual new state union, which, after all, largely exists due to

international insistence. It should also take greater account of Montenegro than it has hitherto.⁵²

More fundamentally, Belgrade and Podgorica should make every effort to make the new arrangement work. However, they should also be ready to correct its real deficiencies. That might, conceivably, in due course mean evolving a tighter union, with more competencies and economies of scale. If, as is more likely in the medium term, it would mean reassessing the union and perhaps dissolving it, then the international community should not seek to prevent them.

3. Kosovo: The Ghost at the Table

The Belgrade Agreement referred only fleetingly to Kosovo, which, of course, is still legally a part of the FRY, although administered by the UN.⁵³ Importantly, the Agreement states that if Montenegro were to withdraw from the union, the status of Kosovo would not be altered thereby. Kosovo would, under UN Security Council Resolution (UNSCR) 1244, remain part of Serbia, as the successor of the FRY, and its final status would still have to be resolved, whatever path Montenegro chose. While this only re-stated the existing position in international law, it was important to scotch the notion that Montenegrin independence would complicate the situation.

Nevertheless, while Montenegrin independence would not make a resolution of Kosovo's status more complicated, it would be mistaken to imagine that a long-term solution for a joint state of Serbia and Montenegro could be attained without addressing Kosovo's status. As long as Kosovo's future remains unresolved, the territory and the constitutional make-up of Serbia, and of the joint state of Serbia and Montenegro, remain less than fully defined. The 2002 agreement between Serbia and Montenegro only partially addresses the future of the defunct FRY and does not represent a stable solution for the territories of the former state.

Labus's scathing dismissal of Montenegro's reform record, reported in *VIP Daily News Report*, 7 February 2003.

⁴⁵ Statement by the IMF's representative in Belgrade, reported in *VIP Daily News Report*, 6 December 2002.

⁴⁶ Report by Belgrade's Radio B92, cited in *VIP Daily News Report*, 19 December 2002.

⁴⁷ *VIP Daily News Report*, 20 December 2002.

⁴⁸ Article 34 of the Constitutional Charter.

⁴⁹ Article 14 of the law on the Implementation of the Constitutional Charter.

⁵⁰ Pobjeda, 30 January 2003.

⁵¹ *VIP Daily News Report*, 5 February 2003.

⁵² Djelic suggested that the IMF should open an office in Podgorica, *VIP Daily News Report*, 3 January 2003.

⁵³ It affirmed that "If Montenegro withdraws from the state union, international documents related to the FRY, the UN Security Council Resolution 1244 [which defines the interim status of Kosovo] in particular, shall relate to and fully apply on Serbia as its successor".

A major reason why the EU was so determined to persuade Montenegro to retain the joint state was its concern that early independence would force it to address Kosovo's status prematurely. The EU and the wider international community have opted for interim, inherently unstable solutions for Serbia, Montenegro and Kosovo rather than tackling the causes of instability. This unwillingness to address difficult issues avoids exposing the deep international divisions over the issue of Kosovo's status, but it leaves all three entities in a highly unsatisfactory limbo.⁵⁴

The reference to Kosovo as an autonomous province of Serbia that was inserted in the preamble of the Constitutional Charter at the insistence of some parties in Belgrade elicited a strong reaction from Kosovo Albanians. A resolution in Kosovo's Assembly declaring the provision invalid was struck down by the Special Representative of the UN Secretary-General, Michael Steiner,⁵⁵ whose spokesman asserted that, as Kosovo's status is defined in UNSCR 1244, what Serbia and Montenegro wrote in their Constitutional Charter was not important.⁵⁶

Nevertheless, the establishment of a new union of Serbia and Montenegro raises awkward questions about Kosovo. Notwithstanding that some Serbian politicians privately take a more pragmatic view and accept that Kosovo is likely to separate from Serbia at some point, Belgrade's official position is that Kosovo continues, under UNSCR 1244, to be an internationally recognised part of the FRY and of Serbia. In January 2003 Djindjic began calling for Kosovo's status to be addressed sooner rather than later. Officials of the EU, the United States and the UN reiterated that the time was not ripe, and Djindjic's assassination probably has put an end to that initiative.⁵⁷ Contrary to Djindjic, Labus had cited the need to buy time for the resolution of Kosovo's status as one reason for accepting the Belgrade Agreement with Montenegro.⁵⁸

It is difficult to imagine how Kosovo could be fitted into the framework provided by the Constitutional Charter. For Kosovo's Albanians, any form of union with Serbia is wholly unacceptable. The idea of reintegrating Kosovo into the joint state of Serbia and Montenegro as a mere province of Serbia, as some Belgrade politicians envisaged in the preamble of the Constitutional Charter, would thus appear to be out of the question.

It would also appear difficult to fit Kosovo in the joint state as a third entity, equal with Serbia and Montenegro. The proposed union of Serbia and Montenegro envisages positive discrimination in favour of the smaller republic. Any such arrangement would be even more complicated in case of a union of three entities, in which Serbia, though much larger than Montenegro and Kosovo combined, would have to accept a three-way division of authority in the joint institutions. Montenegro is in any case sensitive to the danger of finding itself in the shadow of Serbia in any union. There is little prospect that Montenegrins of any political persuasion would agree to become the smallest entity in a union of three republics.⁵⁹

A union of Serbia and Montenegro without resolution of the status of Kosovo also raises practical difficulties. European officials are keen to move ahead with integrating the new joint state into European structures, including early membership of the Council of Europe – which was in fact finally extended to the new state on 3 April 2003⁶⁰ – and negotiations for an EU Stability and Association Agreement (SAA). They say that the uncertainty over Kosovo's future should not hold up Serbia and Montenegro's progress on European integration.⁶¹

⁵⁴ For a detailed discussion of the options for Kosovo's final status, see ICG Balkans Report N°124, *A Kosovo Roadmap (1): Addressing Final Status*, 1 March 2002.

⁵⁵ Blic, 8 November 2002.

⁵⁶ Statement by UNMIK Spokesperson Susan Manuel to Zeri, reported in VIP Daily News Report, 5 November 2002.

⁵⁷ VIP Daily News Report, 17 and 20 January 2003.

⁵⁸ VIP Daily News Report, 3 January 2003.

⁵⁹ The difficulty of fitting Kosovo into the union of Serbia and Montenegro as a third entity was acknowledged by a Venice Commission expert advising on the Constitutional Charter, cited in *Vijesti*, 20 October 2002.

⁶⁰ The sudden resolution of the question of membership of the Council of Europe was a direct result of the assassination of Zoran Djindjic on 12 March 2003; see for instance the letter of Peter Schieder, President of the Parliamentary Assembly of the Council of Europe, to the Chairman-in-Office of the Committee of Ministers, 13 March 2003, calling for rapid accession for Serbia and Montenegro as a demonstration of international solidarity, available on-line at [http://press.coe.int/cp/2003/142a\(2003\).htm](http://press.coe.int/cp/2003/142a(2003).htm).

⁶¹ For example, the statement by Reinhard Priebe of the European Commission reported in VIP Daily News Report, 8 November 2002.

However, what membership in the Council of Europe for Serbia and Montenegro will mean for Kosovo is unclear. For example, as citizens of the joint state, against whom will Kosovo citizens be able to seek redress at the European Court of Human Rights in Strasbourg – the Belgrade authorities that have no sway in Kosovo, or the UN administration that is not and cannot be a signatory to the European Convention on Human Rights?⁶² The European Commission's keenness to begin negotiations on a Stability and Association Agreement with the joint state is also problematic. As things stand, such an agreement could not include Kosovo.⁶³ The EU's rush to cement a union which is, due to the undefined status of Kosovo, inherently unstable, and to bind it into the Stability and Association process runs against the core purpose of that process: to foster stability in the region. A long-term, stable solution need to include resolution also of Kosovo's status.

4. Political Expediency

The new state delivered short and medium-term gains for its two key negotiators, Zoran Djindjic and Milo Djukanovic. For Djindjic, the end of the FRY meant that his major political rivals, Kostunica and Labus, were left without positions. The new Serbian Prime Minister, Zoran Zivkovic, should still be able to exploit those advantages following the Djindjic assassination. For Djukanovic the deal had obvious benefits. First, it relieved him from his commitment to hold an early referendum on independence. It was highly uncertain that such a vote in 2002 would have produced a convincing pro-independence majority, especially if the pro-Yugoslav parties succeeded in persuading their supporters to boycott as they threatened. Withdrawal from that promise under intense EU pressure may have been a welcome escape for him.

Secondly, Djukanovic's pro-Yugoslav Montenegrin rivals will now be outvoted by his supporters inside the new state institutions in Belgrade and so will lose the benefits of patronage and federal support (including federal resources) for their political activities in Montenegro. Djukanovic secured both economic portfolios in the new five-member council

of ministers for his own allies,⁶⁴ who will no doubt use these to build Montenegro's contacts with the international financial institutions and end the alleged Serbian monopoly.⁶⁵

The prominence of such political considerations further emphasises the lack of genuine belief in the new union. Rather, cooperation between Serbian and Montenegrin government officials was to a considerable extent about mutual, short-term political gain. By contrast, those who really wanted the union to work, such as Labus and Dinkic, have been openly unhappy about the agreed arrangements.

⁶² This dilemma is discussed in *Vijesti*, 20 October 2002, "Koga ce Kosovari tuziti - UNMIK ili Beograd?" [Who will the Kosovars accuse - UNMIK or Belgrade?].

⁶³ As stated by a senior official of the European Commission and reported by the SENSE Agency, 4 November 2002.

⁶⁴ The members of the Council of Ministers include three from Serbia – Goran Svilanovic as Foreign Minister, Rasim Ljajic as Minister for Protection of Human and Minority Rights, and Boris Tadic as Minister of Defence – and two from Montenegro, Branko Lukovac (former Montenegrin Foreign Minister) as Minister for Foreign Economic Relations, and Amir Nurkovic (nominated by Djukanovic's coalition allies, the SDP) as Minister for Internal Economic Relations. The stipulation of the Constitutional Charter that the ministers of Defence and Foreign Affairs should not originate from the same state has been ignored. Svetozar Marovic, as President of Serbia and Montenegro, also presides over the Council of Ministers.

⁶⁵ *Ibid.*

III. EU ENGAGEMENT

The EU's heavy engagement has been essential in shaping the new relationship between Serbia and Montenegro.⁶⁶ However, there has not been uniformity of approach among EU institutions, and not all member states have been equally enthusiastic about the policy of pressuring Montenegro to stay in the joint state. Neither were all member states comfortable with the approach of some EU ambassadors in Belgrade of working to bring about regime change in Podgorica. For example, the British ambassador in Belgrade, Charles Crawford, was particularly active prior to Montenegro's parliamentary election on 20 October 2002 in encouraging the pro-Yugoslav parties and the pro-independence LSCG Alliance to cooperate in an ultimately unsuccessful effort to defeat Djukanovic.⁶⁷

As already noted, some Belgrade officials have been highly critical of EU High Representative Solana for being too little interested in the content of the new union. The European Commission, although no less determined than Solana to keep the joint state together, has generally been more concerned about the nature of the integration, especially in the economic sphere. During a visit to Belgrade in July 2002, EU External Affairs Commissioner Chris Patten reportedly called for a closer economic union than envisaged in the Belgrade Agreement.⁶⁸ This was a blow for Djukanovic, who had made much of preserving Montenegro's economic autonomy when explaining the compromise over independence that

the Agreement represented. Following Patten's visit, Djukanovic warned that any attempt to force Montenegro into new concessions could unravel the Agreement.⁶⁹

The concerns of the Commission stem in large part from its desire to avoid complications as Serbia and Montenegro embark upon the Stability and Association Process and proceed towards the ultimate goal of EU membership. This again reflects the preference for a "single post box", and the legal reality that the EU signs agreements with states, not with parts of states. For officials in Brussels, it is inconvenient to have to deal with such a small entity as Montenegro separately, and there is no appetite for having another very small state eventually join the EU – particularly now that it is generally accepted in Western European capitals that all the Balkan countries will join, sooner or later.⁷⁰

However, as discussed earlier, the particular, practical concerns of the European Commission notwithstanding, the EU's policy has more to do with fears for regional stability. Solana presented his initiative to preserve the joint state as an example of conflict prevention.⁷¹ EU officials pointed to the supposed potential for conflict in Montenegro between supporters and opponents of independence as one reason for heading off independence moves. However, once Milosevic was no longer around to generate trouble in his neighbourhood, such concerns were misplaced,⁷² and any danger is by now so remote that it should be discounted. The most genuine worry is about Kosovo. As discussed above, however, in its overriding concern to put off addressing the status of Kosovo, the EU and the wider international community are prolonging an inherently unstable status quo, to which both Serbia and Montenegro are being held hostage.

Given the widespread dissatisfaction with the new union in Serbia and the lack of commitment to it in Montenegro, the EU should not elevate preservation of the joint state to the status of an ultimate strategic goal. Instead, it should be ready to help Serbia and Montenegro work out their relations to their own

⁶⁶ On the EU's approach prior to the signing of the Belgrade Agreement, see ICG Balkans Report N°129, *Still Buying Time: Montenegro, Serbia and the European Union*, 7 May 2002.

⁶⁷ See IWPR, "Djukanovic's unexpected victory", 24 October 2002. Pro-Djukanovic elements of the Montenegrin media, notably *Publika*, had repeatedly attacked Crawford in the weeks leading up to the election. A UK statement denied that Ambassador Crawford had actively engaged in Montenegro's internal politics. However, diplomatic sources confirmed to ICG that he was generally perceived as supporting the Montenegrin opposition, and a senior SNP official, Bozina Mrdovic, stated, naming Crawford, that some international representatives had the habit of making suggestions about election candidates, reported in *Vijesti*, 20 November 2002. The ambassadors of two other large EU states were, according to ICG sources, initially supportive of Crawford's approach, but drew back when they concluded that he had gone too far.

⁶⁸ See IWPR, "Montenegro: Brussels U-turn on New State", 12 July 2002.

⁶⁹ Associated Press, 8 July 2002.

⁷⁰ Montenegro is not exceptionally small. Luxembourg is smaller, and soon-to-join Malta is of comparable size.

⁷¹ Speech in Brussels reported in *Vijesti*, 16 October 2002.

⁷² On the alleged threat to internal stability in Montenegro, see ICG Balkans Report N° 107, *Montenegro: Settling for Independence?*, 28 March 2001.

mutual satisfaction. This still appears far from the minds of many EU officials, however. On a visit to Podgorica at the end of January by ambassadors of fourteen EU states, the Greek Presidency representative repeated the Brussels line that integration with Serbia is a pre-requisite for Montenegro's integration with the EU and that it could not join the EU on its own.⁷³ As a small, poor state, deeply dependent on international assistance, such threats of EU displeasure cannot be taken lightly. However, despite the strong leverage that the EU has used to divert Montenegro temporarily from its independence course, Brussels should not congratulate itself. The union to which it played midwife is unhealthy and unlikely to survive.

The EU is well placed, if it so wished, to help Montenegro and Serbia place their relations on a sounder footing. It has considerable direct experience of integration and harmonisation. As discussed above, economic integration as part of a broader reform and restructuring process could bring positive benefits if handled sensibly, with account taken of the interests of both republics.

Political integration, including joint functions in some areas, would also make good sense, especially for Montenegro. Given its small size and limited human and financial resources, there is considerable doubt as to its capacity to maintain the range of activities of a modern state.⁷⁴ This has already become apparent in Montenegro's struggle with institutional reform. Eventually such issues may be resolved through EU membership, but in the meantime it would be sensible to share some functions with Serbia.

Neither economic nor political integration need necessarily imply full merger in a single state. There are plenty of examples of economic integration between states that retain important elements of independence, not least the EU itself. In December 2000 the DPS and the SDP put forward their "Platform" proposing a union of independent states with Serbia. So far, Serbia has shown little appetite for a union of that sort, and has adopted instead an "all or nothing approach" – either a full state union or nothing at all. What is important, however, is that

Serbia and Montenegro work out constructively for themselves what kind of relationship they want and what level of integration suits them. Strong historical, cultural, familial and sentimental ties bind them together, and there are strong practical arguments for close cooperation as well. They should be allowed to develop those ties as they see fit, with help and advice from the EU, but without pressure.

⁷³ Pobjeda, 1 February 2003.

⁷⁴ For a discussion of Montenegro's limited capacity to sustain a modern state, see Milenko Popovic, "Let Us Talk About Europe: Resolving Montenegro-Serbian Issue Via European Integration", Reper, N°1, CEDEM, January 2003.

IV. ASSESSING REFORMS

Unlike pressure to adopt a particular model of relationship, international pressure for reforms is wholly appropriate. It is not just that aid should be conditional on reforms being carried out that are in any case in Montenegro's (and Serbia's) best interest and are pre-requisites for EU integration. Strengthening the rule of law, state institutions and civil society, as well as the fight against corruption and organised crime are necessary for the region's long-term stability.

Some international officials have cited the prevalence of organised crime activities in Montenegro as a reason for opposing independence.⁷⁵ Such thinking is mistaken. First, while corruption and organised crime do need to be addressed seriously in Montenegro, the same can be said for several other states in the region, including Serbia. Secondly, the point should be to combat corruption and organised crime in all the states concerned, not to use the issue as an argument for restricting the right of entities to decide their own fate.

Progress on reforms in Montenegro has been patchy. Following his assumption of the presidency in 1998, Djukanovic pursued a policy of distancing the republic from Milosevic's Serbia and courting the favour of the West. Montenegro received substantial international assistance from the U.S. and EU, which were anxious to bolster Djukanovic's government against a potential threat from Belgrade. Much of the aid was straight budget support, with few strings attached. Nevertheless, some support, including technical assistance, was directed at promoting reforms.

These were initially slow in getting started. Measures such as assuming control of customs and establishing a separate monetary regime, were primarily directed at cutting ties with Belgrade. However, following the fall of Milosevic, international technical assistance was stepped up and, especially after the parliamentary election in April 2001, real reforms began to be made in a number of key areas. During 2002 the pace was

undermined by the extended political crisis. With much political energy devoted to the issue of the new joint state, and with a government that lacked a parliamentary majority for much of the year, reform momentum slowed.

A significant international focus has been economic reforms. These included reform of the banking sector and payments system, public finances, privatisation and an overhaul of the taxation system.⁷⁶ Legislative measures included a series of laws designed to improve Montenegro's business environment.⁷⁷ Implementation remains a major challenge, and international support for the reform process will be needed for some time to come. Nevertheless, in the economic sphere it can be said that substantial progress has been made. The experience of international technical experts⁷⁸ has been generally positive as regards the will of the authorities to carry out far-reaching reforms, although there are serious question marks about capacity.

The importance of economic reforms notwithstanding, Montenegrin authorities face their severest test in the fight against organised crime and corruption. Restoring the health of public finances is one of the government's biggest challenges. Some economic reforms, if implemented effectively, should make government more transparent and reduce corruption. Reorganisation of the finance ministry, including the introduction of a treasury system, for example, should bring much greater transparency to public finances. According to an IMF assessment in May 2002, however, much remained to be done in reforming the finance ministry and introducing adequate budgetary controls.⁷⁹

International advisers of the Montenegrin government reported in October 2002 that they were encouraged by the privatisation of the formerly state-owned petroleum company, Jugopetrol, which,

⁷⁵ An international official in Brussels told ICG that in the event of Montenegrin independence, it could be expected that while Serbia would proceed through reforms towards European integration, Montenegro would risk remaining a crime centre on a European scale.

⁷⁶ For a summary of economic reforms in Montenegro, see ICG Balkans Report N°114, *Montenegro: Resolving the Independence Deadlock*, 1 August 2001.

⁷⁷ An enterprise law and an insolvency law were passed in January 2001; a series of laws to reform the taxation system was passed in December 2001; an accounting law was passed in February 2002. These reforms are detailed in the Ministry of Economy's "Handbook on the New Business Environment in Montenegro".

⁷⁸ As reported to the ICG.

⁷⁹ See comment on the May 2002 IMF Stand-by arrangement with the FRY in Montenegro Economic Trends N°11, ISSP/ CEPS, October 2002.

they said, was conducted in a correct and transparent manner.⁸⁰ The signal that this sent goes to the crux of what many see as the problem with the way in which Montenegro has been governed. A key theme running through the campaign for the parliamentary election on 20 October 2002 was allegations by opposition parties that the authorities are irredeemably riddled with corruption and cronyism and enmeshed in organised crime.⁸¹ According to this view, a small group of people, closely connected with the republic's leadership, carves up opportunities for itself, at the expense of the wider public. The properly handled Jugopetrol deal holds out hope of a real change in the way things are done.

Concerns about the extent of corruption and organised crime in Montenegro have been a persistent international theme as well. In a speech in Montenegro's second city of Niksic in November 2002, UK Ambassador Crawford pointed to a "dangerous combination of weak institutions and strong criminals". During the 1991-95 war and international sanctions, the smuggling of cigarettes and other items, such as stolen vehicles, through Montenegro flourished. This continued after the war, distorting economic development and political life.⁸²

Allegations touch the highest levels of government. Since the late 1990s there have repeatedly been reports in the Italian media about Montenegrin involvement in cigarette smuggling. An October 2002 civil action, brought by the EU against U.S. tobacco company R.J. Reynolds to "obtain injunctive relief to stop the laundering of the proceeds of illegal activities and to seek compensation for losses sustained" from tobacco smuggling, named President Djukanovic and another, deceased Montenegrin official as participants in the illegal trade.⁸³ Reportedly,

Montenegro was a key transit route for cigarettes destined for Italy. Djukanovic's involvement has been officially investigated most recently by the Prosecutor's Office in the Italian town of Bari. These allegations have not roused much concern in Montenegro, where such activities are often portrayed as having been a means of survival under international sanctions. However, allegations that Djukanovic had close connections with Italian crime bosses and afforded some of them protection in Montenegro and that smuggling activities continued well after the war and sanctions had ended may have a more serious different quality.⁸⁴

There is no doubt that smuggling through Montenegro, with the acquiescence of the authorities, was on a significant scale for many years. The fact that stolen vehicles brought into Montenegro could be registered without questions being asked as to origin was strongly suggestive of official complicity. The West looked leniently upon such activities as long as it was keen to support Djukanovic against Milosevic. Following the fall of Milosevic and as the international community turned against Djukanovic's independence aspirations for Montenegro, accusations of crime and corruption were given prominence. Montenegrin officials see these allegations as one more means of exerting pressure in order to deflect the republic from independence.⁸⁵

The references to Montenegrin officials are on pages 72 and 73, paragraphs 140-145. This case is still pending; a previous case against Philip Morris, R. J. Reynolds and Japan Tobacco for smuggling and money laundering was rejected by the court in February 2002, though the EU is appealing the smuggling part of that decision; see European Commission press release IP/02/1592, 31 October 2002.

⁸⁴ Regarding Italian investigations of smuggling activities and alleged connections between the Montenegrin authorities and Italian crime gangs, see article in the Belgrade weekly NIN, 6 June 2002, "Djukanovic: krivac po potrebi"; and IWPR, "Montenegro: Djukanovic Threatened by Alleged Mafia Links", 7 June 2002. Allegations of organised crime connections received prominent attention in 2001 following a two-part article in the Zagreb weekly, Nacional, "Glavni mafijaski boss Balkana", 15 and 22 May 2001; interview with Srećko Kestner, Nacional, 29 May 2001; "Likvidacija opasnog svjedoka", Nacional, 5 June 2001.

⁸⁵ See, for example, the statement by Djukanovic's adviser, Milan Rocen, concerning the EU's tobacco smuggling case, Vijesti, 2 November 2002. Regarding speculation that crime allegations against Djukanovic have been used to undermine Montenegrin independence moves, see IWPR, "Montenegro: Djukanovic Threatened by Alleged Mafia Links", 7 June 2002.

⁸⁰ Greece's Hellenic Petroleum bought a controlling stake in Jugopetrol in October 2002. The positive assessment that an international consultant interviewed by ICG provided was confirmed by the U.S. ambassador to the FRY, Vijesti, 11 October 2002. Opposition leaders, notably the then parliamentary speaker, Vesna Perovic of the LSCG, did not share this positive assessment, Vijesti, 12 October 2002.

⁸¹ This was the key theme at rallies of both the pro-Yugoslav parties and the LSCG, as reported, for example, in Vijesti, 16 and 18 October 2002.

⁸² Report on Crawford's speech in Vijesti, 13 November 2002.

⁸³ The full text of the EU's formal Complaint to the U.S. District Court of the Eastern District of New York is on-line at http://www.tobacco.neu.edu/Extra/hotdocs/ec_v_rjr02.pdf.

Djukanovic and his government have taken steps in recent years to stop the smuggling rackets and crack down on the grey economy.⁸⁶ Notably, the activities of speedboats that had plied their trade across the Adriatic to Italy have been drastically reduced. The Montenegrin authorities have actively cooperated with the Italian police against Italian criminals who sought refuge in Montenegro. Also, under EU pressure, the trade in stolen vehicles no longer receives official sanction. The authorities seem to have recognised that it is in Montenegro's long-term interest to bring more of the grey economy into the legal sector and to end the republic's image as a crime haven. Another step in that direction was the move, in 2002, under U.S. pressure, to end Montenegro's status as an offshore banking centre.⁸⁷ However, after visible success in tackling the grey economy in 2001, momentum seemed to slip in 2002. For example, black-market cigarette traders, who had largely disappeared from the streets of Podgorica, reappeared in larger numbers.

Other steps are in train that should increase transparency and reduce opportunities for corruption. Important among such efforts are reforms of the criminal justice system. A new Law on Courts took effect in 2002, among the key aims of which are to reduce the potential for political influence over appointments and procedures, and to make the judicial system generally more transparent. Other new legislation with similar aims are the Law on Prosecutors, the Law on Judges and the Law on Criminal Procedures.

An assessment of the judicial system carried out in 2002 found many persistent problems.⁸⁸ These included politicisation of appointments and advancement, though it was suggested that changes introduced by the Law on Courts should improve matters. Notably, it alters the composition of the Judicial Council, which recommends judges for appointment by parliament, so as to reduce the possibility of political influence and make the entire process more transparent.

Another problem that the Law on Courts addresses is how cases are allocated to particular judges by court presidents. Hitherto, it was widely felt that court presidents sometimes abused this authority, for example by delivering a case to a judge known to have a particular pre-disposition on the matter, or who could be relied upon not to act upon a sensitive case. The new provision for random allocation of cases should make a positive difference.

The practice of compensating for inadequate judicial salaries by granting significant perks, is widely seen as highly corrupting, not only in the judiciary, but also in much of the administrative apparatus.⁸⁹ The system is a holdover from the socialist era. Some judges, as well as other civil servants, are given houses, flats or housing loans from the government for free or on highly favourable terms or the 24-hour use of official cars. Although supposedly objective criteria are laid down for the distribution of such perks, in practice the system is highly non-transparent and open to abuse. It is believed that favoured officials are more likely to receive benefits, and that ruling as the government desires can bring rewards. Moves to end the practice and instead raise salaries to more realistic levels would be an important step to bolster judicial independence.

Legislative reforms alone, however, cannot resolve the entire issue of judicial independence in a country with a long tradition of politicisation of the judiciary. Real transformation will depend on a more fundamental change of habits, regardless of how good the laws become. Some judges deny that undue influence is brought to bear on them. Others, however, identify a range of pressures.⁹⁰ In addition to those already mentioned, some cited social pressures, a particular problem in a small community where personal connections count for much in almost every aspect of life, and some acknowledge that bribery is frequent.

Another vital aspect of reform of the criminal justice system involves the police. The bad legacy of

⁸⁶ On measures against the grey economy, see IWPR, "Closing Down Smugglers' Paradise", 24 August 2001.

⁸⁷ See IWPR, "Montenegro: 'US Pressure' Led to Offshore Bank Blow", 18 July 2002.

⁸⁸ "Judicial Reform Index for Montenegro", American Bar Association's Central and East European Law Initiative, April 2002. The comments on the judicial system below are based on this report, as well as on ICG interviews with legal experts in Montenegro.

⁸⁹ For example, in 2002, the president of the Supreme Court received around 340 Euros per month, while presidents of the higher courts received 310 Euros per month, data from "Judicial Reform Index for Montenegro", American Bar Association's Central and East European Law Initiative, April 2002.

⁹⁰ As reported in "Judicial Reform Index for Montenegro", American Bar Association's Central and East European Law Initiative, April 2002.

communism was compounded by further degradation of the rule of law during the Milosevic period. A top-to-bottom revolution is needed in the way the police are trained and operate and in the whole culture of a service that is bloated in numbers, often corrupt, and ineffective in tackling crime. Several years will be required to transform the Montenegrin police into a modern force.

Following the April 2001 parliamentary election, a new interior minister, Andrija Jovicevic, set about transforming his ministry. A new police law was drafted, with advice from the Council of Europe and the OSCE, and concrete measures taken to modernise and improve performance. The police training system is being overhauled, and officers retrained.⁹¹ Procedures have been instituted to ensure that complaints against the police are taken seriously. Reflecting the new standards, there has been a significant upsurge in cases of police officers being disciplined, dismissed or, in the worst instances, arrested for abuses.⁹² The new police law also seeks to increase transparency, including through oversight by parliament and a Council for Citizens' Control, although scepticism, among the public and journalists is high.⁹³

Overall, there is some reason for optimism about the steps being taken to change the way in which the interior ministry and the police operate, and about the reform willingness of the ministry's senior officials. However, at the end of 2002 the ministry was plunged into a controversy that raised serious questions about the real commitment of the top political leadership to reform.

The scandal that broke in November 2002 in the media concerned allegations of a woman of Moldovan citizenship who had taken refuge in a

Women's Safe House in Podgorica. She told how she had been held against her will, forced into prostitution and severely abused and named several senior officials as having been among her clients. The affair took on deeper significance when the police arrested, among others accused of involvement in sex trafficking, Deputy State Prosecutor Zoran Piperovic. Accusations against the prosecutor himself, Bozidar Vukcevic, were also levelled in the media.⁹⁴

Trafficking in women has for some time been identified as a major problem throughout the Balkans. Under Jovicevic and Deputy Interior Minister Mico Orlandic, serious steps had begun to be taken, and by December 2002, 29 people were reported to have been arrested in connection with trafficking.⁹⁵ Senior figures in the ruling coalition gave assurances that the affair would be fully investigated. However, Djukanovic's decision to replace Jovicevic, reportedly because of dissatisfaction at not being informed in advance of Piperovic's arrest, appeared to many an unfortunate signal of disapproval of his zealotry in tackling trafficking. While this was denied, both Jovicevic and Orlandic were reportedly concerned that their efforts were being punished.⁹⁶ The replacement of Jovicevic was resisted by the SDP, leading to a crisis between the governing parties that in December 2002 delayed formation of Djukanovic's new government. Finally a new interior minister without party affiliation was agreed, while the SDP added its voice to those calling Vukcevic's resignation.

Djukanovic signalled his belief that the affair was yet another plot, similar to the tobacco affair, to undermine Montenegro and himself. A media campaign, above all through the DPS mouthpiece, *Publika*, and using information leaked from the investigation set out to discredit the Moldovan woman and especially the director of the Woman's Safe House. In late January 2003, following a visit

⁹¹ For an explanation of the police reforms, see interview with Deputy Interior Minister Mico Orlandic in a Monitor magazine supplement on the reform of the police, August 2002. See also article in *Polje*, 9 July 2002, including comments on police reform by legal expert Nebojsa Vucinic.

⁹² ICG information from the interior ministry.

⁹³ As things stand, Parliament largely fails to perform the normal task of a democratic assembly to scrutinise the work of the government and government institutions, according to research carried out by the U.S. National Democratic Institute. The parliamentary committee system barely functions. The fault is with all political parties, including the opposition, which shows little understanding of the role of a loyal opposition in a democracy. The result is that the Montenegrin parliament is a very weak and ineffective institution.

⁹⁴ For a summary of the trafficking affair, see *Monitor*, 7 February 2003, "Pricka bez kraja", [Story Without an End]; Transitions On-line, 23 December 2002; The Guardian, 13 February 2003.

⁹⁵ Agence France-Presse, 13 December 2002.

⁹⁶ Jovicevic reportedly said that the affair was a test for all of the relevant Montenegrin institutions and asserted that there were organised crime links within state institutions, Transitions On-line, 23 December 2002, citing *Vijesti*. Orlandic reportedly criticised Djukanovic for not supporting the interior ministry in the affair, Agence France-Presse, 13 December 2002, citing *Vijesti*.

from the U.S. consul in Podgorica, the Moldovan woman left the country. The suspects were released, and Piperovic warned that those who had allegedly fabricated the case would be made to pay.

The investigation has continued, and there seems to be no doubt that the magistrate in charge has acted correctly throughout (including on occasion rebuking officials and media for inappropriate speculation).⁹⁷ The affair nevertheless raises awkward questions about the authorities' willingness to tackle crime allegations when they involve senior officials. The case should, of course, be left to the judicial authorities, without pre-judging the outcome (contrary to the inappropriate behaviour of *Publika* and some DPS officials).

Whatever the substance of the case, trafficking and enslaving of women does exist in Montenegro. The Moldovan woman, according to her medical examination, had been seriously abused. She had pointed the finger at senior officials whom she accused of involvement in that abuse or of using the services she was forced to provide. The appropriate response from the authorities should have been to encourage the police and the investigating magistrate to investigate fully, wherever that might lead. Djukanovic, however, sacked the minister who had begun to tackle the trafficking issue. Rather than focusing on the alleged serious crimes, he, other DPS figures and *Publika* sought to turn the blame on to those who had allegedly fabricated the affair to discredit Montenegro and its political leadership.⁹⁸

The reaction of Djukanovic to this affair would be worrying enough but this is not the only case that calls into question the willingness of the authorities to tolerate criminal investigations when they touch those close to the leadership. In 2000-2001 there was a series of murders in Montenegro of people closely connected with cigarette smuggling. Among the victims were a senior police officer and an adviser to Djukanovic. This had the hallmarks of a settling of accounts among rivals in the highly lucrative smuggling business. Despite assurances the murders were being pursued, the investigation has made no progress. It is difficult not to suspect that this is one

of those cases where an investigation is "put in a drawer" because it is too sensitive.⁹⁹

The unfortunate impression given by cases such as those described above is that when it comes to allegations of misconduct concerning senior officials, the leadership's reaction is to close ranks. That some in Montenegro and the international community have sought to exploit allegations of criminal connections to undermine Djukanovic and the independence campaign should not obscure the fact that some of the allegations raise real issues. The tendency of the DPS to see plots behind all of them is not credible. If Montenegro is to break fully with the sanctioned lawlessness of the Milosevic era, any suspicion that those involved in criminal activities can be protected by their connections in high places must be dispelled.

The international community should strictly condition its assistance on reform progress. Change in the criminal justice system should be a litmus test. However, while it is important, legislative reform is not sufficient evidence of change. Assessing change in terms of concrete actions is not easy. Allegations of corruption and cronyism are often politicised, for opponents of the government a part of political campaigning. It is unsurprising that the authorities tend to be defensive. Nevertheless, the government presents itself as being committed to the fight against organised crime, and Djukanovic has proposed that a regional centre for this purpose be established in Podgorica, with international assistance.¹⁰⁰ Whether such commitment is more than rhetoric ultimately can only be judged by solid evidence of change in Montenegro itself, not least by how cases such as those described above are handled.

⁹⁷ Mina News Agency, reported in Montenegro Daily, 1 February 2003.

⁹⁸ See commentary on the affair by Drasko Djuranovic in *Monitor*, 31 January 2002.

⁹⁹ See *Monitor*, 20 July 2001, "Kome sluzi sluzba?" [Who does the Service Serve?].

¹⁰⁰ Djukanovic reiterated this proposal to a delegation of EU ambassadors visiting Podgorica at the end of January 2002, reported in *Pobjeda*, 1 February 2002.

V. CONCLUSION

International engagement in Montenegro has brought significant positive results. It bolstered the pro-Western government of Djukanovic when it faced the threat from Milosevic. It has helped promote reforms that have set Montenegro on the way to becoming a modern democracy, with a market economy and an independent, effective criminal justice system. However, efforts to promote regional stability have been hampered by an obsession with keeping Montenegro and Serbia in a single state. The West's overriding interest in the region should be to find stable, long-term solutions. Cobbling together interim solutions that lack legitimacy on the ground and that are unlikely to be functional in practice, is not the way to build stability.

Central to building stability is the fight against the legacy of institutional weakness, corruption and organised crime from the Milosevic era. Here, too, the international community's approach to Montenegro has been distorted by the misplaced determination to preserve the joint state. Opposition to Djukanovic's independence aspirations has mistakenly been bundled with criticisms of alleged links to organised crime. That allegations of crime links started to be made in public just when the West was turning against Montenegro's independence campaign, though the information had long been known in policy circles, raised suspicions that the issue was being manipulated. Further, the notion, popular in some quarters, that an independent Montenegro would more likely be deeply corrupt than a republic in union with Serbia has no basis in reality.

The frequent tendency among Western officials to portray Montenegro as uniquely corrupt is not only unfair. It has also fuelled resentment among many Montenegrins that their republic is being slandered as part of an attempt to bully them into accepting a particular solution for their future. It has also allowed Montenegrin leaders to dismiss serious allegations as plots to bring pressure on the republic. Indeed, pressure on Djukanovic has not produced the desired result, as his ruling coalition won increased support in the October 2002 parliamentary election and its presidential candidate, Filip Vujanovic, won still

more votes in elections in December 2002 and February 2003.¹⁰¹

The international community should end its policy of opposing Montenegrin independence and instead be ready to support whatever solution Montenegro and Serbia can agree upon for their future relationship. The international community, and the EU in particular, should be ready to assist Montenegro and Serbia to work out a satisfactory arrangement, while maintaining neutrality about the form of their relationship.

Donors should apply strict conditionality on assistance to Montenegro, tied to real performance on reforms. Assessment of progress needs to go beyond ticking off new legislation and focus on implementation. In particular, the international community should insist upon measures that really deal with allegations of corruption, cronyism and criminal activities connected with senior officials. Unless there is adequate evidence in this respect, it should withdraw or suspend assistance programs. The international community has considerable leverage. Given its budgetary problems, the Montenegrin government depends on international aid. Until now that leverage has largely been used in the ill-conceived effort to keep Montenegro in a union with Serbia. It should now be used to force real change in the way that Montenegro is governed.

Podgorica/Brussels, 16 April 2003

¹⁰¹ The elections failed to produce a valid result as, due to an opposition boycott, the turnout failed to reach the required 50 per cent of the overall electorate. Nevertheless, the size of Vujanovic's vote was such that if it were not for that rule and for the boycott, he would have won convincingly. The 50 per cent rule has been criticised by the OSCE for giving the opposition an incentive for a boycott. Once the rule is changed, Vujanovic is expected to win the presidency in elections scheduled for 11 May 2003.

APPENDIX A

MAP OF MONTENEGRO



APPENDIX B

LIST OF ACRONYMS

CEDEM	Center for Democracy and Human Rights (Montenegrin NGO)
CEPS	Centre for European Policy Studies (Brussels think-tank)
DOS	Democratic Opposition of Serbia (governing coalition in Serbia)
DPS	Democratic Party of Socialists (Montenegrin party led by Milo Djukanovic)
DS	Democratic Party (Serbian political party, leading group within DOS)
DSS	Democratic Party of Serbia (Serbian party, led by Vojislav Kostunica)
EU	European Union
FRY	Federal Republic of Yugoslavia (consisting of Serbia and Montenegro, from 1992)
ICTY	International Criminal Tribunal for the Former Yugoslavia (based in the Hague)
IMF	International Monetary Fund
LSCG	Liberal Alliance of Montenegro (pro-independence Montenegrin party)
NBS	National Bank of Serbia
NBJ	National Bank of Yugoslavia)
NS	People's Party (anti-independence Montenegrin party)
OSCE	Organisation for Security and Cooperation in Europe
SAA	Stabilisation and Association Agreement
SDP	Social Democratic Party (pro-independence Montenegrin party)
SNP	Socialist People's Party (anti-independence Montenegrin party)
SNS	Serbian People's Party (anti-independence Montenegrin party)
UN	United Nations
UNMIK	United Nations Mission in Kosovo
UNSCR	United Nations Security Council Resolution

APPENDIX C

ABOUT THE INTERNATIONAL CRISIS GROUP

The International Crisis Group (ICG) is an independent, non-profit, multinational organisation, with over 90 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

ICG's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, ICG produces regular analytical reports containing practical recommendations targeted at key international decision-takers.

ICG's reports and briefing papers are distributed widely by email and printed copy to officials in foreign ministries and international organisations and made generally available at the same time via the organisation's Internet site, www.crisisweb.org. ICG works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The ICG Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring ICG reports and recommendations to the attention of senior policy-makers around the world. ICG is chaired by former Finnish President Martti Ahtisaari; and its President and Chief Executive since January 2000 has been former Australian Foreign Minister Gareth Evans.

ICG's international headquarters are in Brussels, with advocacy offices in Washington DC, New York and Paris and a media liaison office in London. The organisation currently operates eleven field offices (in Amman, Belgrade, Bogota, Islamabad, Jakarta,

Nairobi, Osh, Pristina, Sarajevo, Sierra Leone and Skopje) with analysts working in over 30 crisis-affected countries and territories across four continents.

In *Africa*, those countries include Burundi, Rwanda, the Democratic Republic of Congo, Sierra Leone-Liberia-Guinea, Somalia, Sudan and Zimbabwe; in *Asia*, Indonesia, Myanmar, Kyrgyzstan, Tajikistan, Uzbekistan, Pakistan, Afghanistan and Kashmir; in *Europe*, Albania, Bosnia, Kosovo, Macedonia, Montenegro and Serbia; in the *Middle East*, the whole region from North Africa to Iran; and in *Latin America*, Colombia.

ICG raises funds from governments, charitable foundations, companies and individual donors. The following governments currently provide funding: Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, Japan, Luxembourg, The Netherlands, Norway, Sweden, Switzerland, the Republic of China (Taiwan), Turkey, the United Kingdom and the United States.

Foundation and private sector donors include The Atlantic Philanthropies, Carnegie Corporation of New York, Ford Foundation, Bill & Melinda Gates Foundation, William & Flora Hewlett Foundation, The Henry Luce Foundation, Inc., John D. & Catherine T. MacArthur Foundation, The John Merck Fund, Charles Stewart Mott Foundation, Open Society Institute, Ploughshares Fund, The Ruben & Elisabeth Rausing Trust, the Sasakawa Peace Foundation, the Sarlo Foundation of the Jewish Community Endowment Fund and the United States Institute of Peace.

April 2003

APPENDIX D

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* The Algeria project was transferred from the Africa Program in January 2002.

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