

Montenegro: Economic Collapse Threatens Independence

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Montenegrins seem to be thinking twice about the wisdom of removing their

By Zoran Radulovic in Podgorica (BCR No. 295, 9-Nov-01)

As people shiver in unheated homes amid growing unemployment and economic privation, the popular will to make Montenegro independent from Serbia appears to be weakening.

For the time being opinion polls still show a small majority in favour of President Milo Djukanovic's campaign to sever Montenegro from the rump of the old Yugoslav federation. But there are signs that this could change by the time a referendum on independence is held next spring.

With electric power cut off for a large part of the day and state institutions unable to pay salaries people look enviously at Serbia where life looks far more comfortable.

"How can we survive without Serbia?" is a commonly heard sentiment on radio and television. As one woman put it, ""Why do we need an independent state when this one cannot provide food and a warm room for a five months old baby."

Montenegro used to receive substantial foreign aid when it was regarded as a bulwark against the former Yugoslav president Slobodan Milosevic. When Milosevic fell, the aid dried up and Montenegro's economy started going downhill.

Now with winter closing in electricity is cut off for four hours. Podgorica, the capital of Montenegro, looks like a ghost town during the cuts. Its streets are dark and empty. Most of the 600,000 inhabitants of Montenegro huddle inside their flats which nearly all use electric heaters as an only source of warmth.

The state electricity company Elektroprivreda cannot produce enough power and has no money to buy it from abroad. The company registered a loss of 30 million German marks at the beginning of the year.

When foreign aid was coming in, the government found it relatively easy to buy social peace. But the international community does not favour Djukanovic's eagerness for independence and is now reluctant to bail him out.

Another problem was caused by the government's attempt in July to crack down on the black economy. Last week, about 2000 street vendors demonstrated in front of government buildings in Podgorica against a decision to block the sale of imported goods, cosmetics and electrical appliances.

Officially, these sales had been illegal for 20 years but authorities had always turned a blind eye. Thousands of people lived comfortably by selling goods ranging from cigarettes and washing machines to televisions and luxury cars, much of them stolen from somewhere in the West.

Some official statistics showed that black market trade accounted for 40 to 60 per cent of economic

activity. People who earned a living this way are angry that the government has stopped it.

The official economy is also suffering. The overall industrial deficit is five per cent higher than last year. Although Montenegro replaced the Yugoslav currency with marks during the first ten months of this year, inflation has risen to 20 per cent. Unemployment is growing and losses within Montenegrin industry amounted to more than 200 million marks this year.

After several weeks of negotiations, the government warded off the threat of a general strike by promising the unions it would increase the national minimum wage from next January.

Having a job is one thing. Getting paid for it is another. More than 20,000 state sector workers have received no salary for more than a year. Before parliamentary elections last April, the government promised to bring wage arrears but has so far failed to do so.

These problems all bring into question the drive for independence, a basic policy plank of the ruling coalition. But some highly respected economists still argue that separation is the best solution not only for Montenegro but for Serbia as well.

Vladimir Gligorov from the Institute for International Relations in Vienna

Said, "Economic interests in this case, unfortunately, point towards the

idea of separation between Montenegro and Serbia. There aren't any strong

economic motives for integration."

For more than two years, Montenegro and Serbia have had separate monetary systems. In Serbia, the currency is the dinar. The Montenegrin mark will be replaced by the euro next year. It is the same with trade. Companies in Serbia and Montenegro already pay cross border taxes.

When it comes to transport, people travelling by rail between Podgorica and Belgrade cannot buy a return ticket, since Montenegrin and Serbian rail companies cannot agree how to share profits.

The views of economists seem to have less and less influence on ordinary Montenegrins as they grapple with everyday problems. Djukanovic's government finds it harder and harder to explain to the people that prosperity and security are waiting for them in an independent Montenegro.

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