

INTRODUCTORY REMARKS

The aim of this monograph is to shed light on the factors that have influenced the economic growth and development of Montenegro and what needs to be done in the coming period in order to achieve a long-term sustainable development and increase the living standard of the citizens. It points out the areas where the country has achieved enviable results, but also the ones requiring radical and substantial improvements. Therefore, a very important part of the monograph are recommendations for improving the current situation, formulated for all key areas in which challenges of economic growth and development have been identified. As a kind of economic guide, these recommendations can be useful not only to the creators of economic policy in Montenegro, but also to all people in the profession and science, and all its citizens.

Special emphasis in the book is placed on the key sectors: industry, agriculture, and tourism. In addition to the analysis of the current situation, recommendations for their improvement are also presented. Financial analyses of both the entire economy of Montenegro and its key sectors are particularly highlighted. They are based on the annual accounts processed by the Central Bank of Montenegro which have been available since 2005 and thus conditioned the time frame for their review. To my best knowledge, this is the first comprehensive and thorough financial analysis of these three sectors in Montenegro. Moreover, sectoral income statements and balance sheets were prepared for these three sectors.

This monograph is a result of my fifteen years of scientific research and practice, and it had been preceded by a large number of individual papers that shed light on certain segments of economic development of Montenegro. However, the papers needed to be updated, connected into one whole and supplemented with a large number of new considerations. This is also the result of the theoretical knowledge that I came to through my work at the Faculty of Economics, University of Belgrade, and the Institute of Economics

in Belgrade. The practical dimension of the book comes from my many years of work at the Central Bank of Montenegro, as well as specialist programs and visits to a large number of renowned central banks such as the Fed, the European Central Bank, Deutsche Bundesbank, the Bank of England, the Swiss National Bank, the Austrian National Bank, and many others.

Professional economic books are often complicated and incomprehensible to people who are not specialised in this field. They are full of technical terms, diagrams and mathematical models which, in order to be comprehended, look like they need a reader to take an advanced course in econometrics and already have a significant and broad economic background knowledge. With this monograph I have tried to show that economic books can be written in a clear, simple and user-friendly style that does not require much knowledge of economics by the reader. I leave it to the readers to judge whether I have succeeded in this intention or not. The book also provides a large amount of basic information and data intended for readers who do not know much about Montenegro.

The book begins with short summaries in Montenegrin and English, and extensive concluding remarks synthesize all of its most important research findings. They are intended for those who want to reach the most important conclusions quickly, as well as for those who do not have time to read the entire book.

The book is organised in six chapters. The first one deals with the position of Montenegro inherited from the period of the former state of Yugoslavia, with particular reference to its transition process. Montenegro entered this process with a significant delay compared to other economies in transition, and a very specific model of rapid opening of the country was applied with a high degree of liberalisation, low taxes, and with the introduction of a foreign currency.

The second chapter deals with the issues of sustainable development and climate change, i.e. their impact on Montenegro. Sustainable development is observed through the totality and interconnectedness of its three components: economic growth, social sustainability, and environmental protection.

This chapter unequivocally shows that although Montenegro contributes little to global warming that is pinpointed as the major cause of climate change, it is nonetheless very much affected by it. Even greater multiplication of negative effects of climate change can be expected in the future.

The third chapter deals with the demographics change and regional development. It analyses the demographic variables, as well as the impact of economic structural changes on regional development, giving a proposal for economic policy measures to reduce regional disparities.

The fourth chapter discusses the most important economic policies: fiscal and monetary policies. This chapter shows their historical development since the 1990s, as well as the undertaken reforms, the results achieved so far, and the challenges for the coming period.

The subject of the analysis in the fifth chapter are three key sectors of the Montenegrin economy: agriculture, tourism, and industry. This chapter provides an overview of the situation, a financial analysis of the key business indicators, ending with the key recommendations for improving the current situation.

The sixth chapter gives a comparative overview of the level of development of Montenegro, countries in the region, and the European Union (EU). This chapter analyses parameters such as the progress in transition, GDP per capita, inflation, public debt, unemployment, inflow of foreign direct investments, quality of business environment, and the like.

I take this opportunity to thank the reviewers for their useful suggestions, as well as to the Central Bank of Montenegro which enabled this book to see the light of day. I also owe a great deal of gratitude to my praiseworthy associates from the Department for Financial Stability, Research and Statistics, and the Centre for Macroeconomic Research and Analysis. Their assistance in collecting and analysing numerous documents and statistical indicators was very valuable.

N. F.