

The European Union (EU) and international organizations are warning about the Chinese debt and the growing influence of that country in Montenegro.

Analysts point out that China is strengthening its position in Montenegro through investments, which have suddenly started to grow. From 2006 to the end of 2019, they amounted to only about ten million euros. But, in 2020 alone, this amount was 71.2 million euros and China broke out in second place, behind Russia. According to the data of the Central Bank of Montenegro (CBCG), however, out of the total amount, the intercompany debt (loans between affiliated companies) accounts for the largest part, around 70 million. Every citizen of Montenegro owes on average more than a thousand euros to China for the withdrawn loan amount for the highway so far. Debt on this basis currently amounts to 640.54 million euros and individually ranks second, right after Eurobonds. If Montenegro fails to repay this debt, it could happen that China seizes the most valuable resources, including the territory, according to the agreement with Exim Bank. The debt to China will increase by approximately 300 euros per citizen, when the remaining 144,095,162 million loans are withdrawn and the line is drawn below the additional costs of the largest Montenegrin investment. Dependence on China does not end only with a highway loan, which was inherited by the DPS government for decades. There is also a loan of about 60 million euros for the purchased ships, the payment of which was temporarily postponed by the new Government of Montenegro.

According to Monstat, Montenegro imports the most goods from China, along with Serbia and Germany. Last year, imports from this country amounted to almost 222 million or ten percent of the total, while exports were only 17.4 million euros. As for a large part of the world, China is important for Montenegro, in addition to high technology, as a major supplier of medical equipment in the fight against the pandemic caused by COVID 19. In addition to the donation of 30 thousand vaccines Sinofarm, which already immunizes the most vulnerable population, health authorities have announced that they have agreed to deliver another 150,000 doses. The key arrangement with Exim Bank for the construction of a 41-kilometer section of the Bar-Boljare highway is part of the Chinese Belt and Road Initiative (BRI). The contractor is the Chinese company CRBC, which, according to the contract, is tax-exempt in Montenegro.

BRI is a policy and investment program aimed at developing infrastructure and accelerating the economic integration of countries along the route of the historic Silk Road, with a focus on the countries of Asia, East Africa, Eastern Europe and the Middle East. The goal of the Silk Road is to connect China by sea with Southeast Asia, Indonesia, India, the Arabian Peninsula, Somalia, Egypt and Europe. In that sense, according to the reports of

international organizations, the Chinese are also interested in the Port of Bar.

"China could upgrade its co-operation with Montenegro in the Port of Bar by capitalizing on the growing financial difficulties of the facility's owners, which could lead to a handover," the European Council on Foreign Relations (ECFR) warned in a February report.

Economic influence can spill over into politics

The executive director of the Politikon network, Jovana Marovic, estimates that the Chinese influence in the country is growing rapidly, which is shown by the CBM data on Chinese investments, contracts on new projects that have already been concluded or are announced, but also the recent donation of vaccines.

"In the future, this influence could spill over into the political sphere, especially if Montenegro does not find a solution to the growing public debt, which could trigger the guarantees contained in the highway contracts, if the state is unable to repay the loan from Exim Bank.", Marovic told CIN-CG.

Professor at the School of Global Studies Frederic S. Pardi at Boston University and former diplomat Vesko Garcevic told CIN-CG that the important way in which Montenegro, or countries like it, is in economic trouble, with weak institutions and an underdeveloped democratic culture, enter into a relationship with Beijing.

"Such a relationship can have long-term bad consequences for those countries, and one of them is disproportionate indebtedness and financial dependence on Beijing." That is exactly what happened to Montenegro, "Garcevic said.

According to the latest data from the Ministry of Finance, the total government debt (excluding deposits), on December 31, 2020, amounted to 4.33 billion euros or 103 percent of GDP, including new indebtedness to issued Eurobonds at the end of last year (750 million). About 14.5 percent of the total debt is Chinese.

The agreement with the Chinese Exim Bank for lending the section of the highway from Podgorica to Kolasin with 943.99 million dollars was concluded on October 30, 2014, and the repayment of the principal will begin this year. The Ministry of Capital Investments did not answer CIN-CG's questions about whether they are worried about the loan to Exim Bank, whether there is a danger that the Chinese will take the Port of Bar in case of late repayment and whether new projects are planned with them. They referred to the Ministry of Finance, from which they told CIN-CG that there is no fear that liabilities to Exim Bank will not be serviced in a timely manner, as this was made possible by the successful issue of Eurobonds in December last year. The first installment of the highway loan is due on July 21, when \$ 36,608,708 will be paid. Of that, \$ 28,567,726 relates to principal and \$

8,040,982 to interest.

"The remaining undrawn amount from the Exim Bank loan for the highway, out of the total agreed amount of \$ 943,991,500, is \$ 144,095,162.76. It is planned that the remaining funds will be withdrawn by the time the highway is completed," said the Ministry of Finance.

Pearl Necklace Theory

According to the European Bank for Reconstruction and Development (EBRD), by March last year, 138 countries had joined the Belt and Road initiative by signing a Memorandum of Understanding with China. However, analysts warn that behind the official goal of the connection, there is a deeper motive - for China to become a global superpower by realizing this initiative and to surpass the European Union and the United States economically. A report by the Belgrade Center for International Public Policy states that the United States is still the most powerful military power in the world and because of the large number of aircraft carriers (globalfirepower.com estimates that the United States has 11) can react in any part of the world where its interests very quickly and efficiently. China owns only two. The US has military bases around the world, China does not.

"That is why China has developed the so-called pearl necklace theory, which can be defined as a chain of ports in the Indian Ocean in which the Chinese navy will be able to anchor its ships and thus protect its interests in the countries of the new Silk Road." Each port is a pearl, "the report explains.

According to the report of the American Center for Strategic and International Studies, in Africa, Chinese companies manage 46 ports.

Garcevic states that China has already become a superpower measured by economic, military and other potentials, which can include the so-called soft power and that there is no doubt that the Belt and the Road is an effective economic, political, and even cultural tool for spreading Beijing's influence, which is no different from what other great powers have done.

Danger due to bad contracts

Jovana Marovic says the highway project is one of the main threats to financial sustainability and could lead to even bigger problems due to poorly negotiated conditions. Garcevic states that the projects that the countries are implementing with China are not bad or good in advance, nor is it a question of not cooperating with Beijing.

"The point here is that countries in democratic transition, or hybrid regimes, when cooperating with China, strengthen a certain type of development model or model of managing state and natural resources that is not in line with the norms on which

democratic, responsible governance is based, and that is what all countries have set as a goal and which, in the end, is related to fulfilling the norms for EU membership, "Garcevic said.

He reminds that most of the projects concluded with Chinese partners are shrouded in secrecy, and the possibility of controlling other state institutions (parliament) has been reduced to a minimum.

"In many cases, concluding projects is related to corruption. Environmental protection measures are not respected. This is not just about Tara, but also other projects on which Chinese companies are engaged in the region. For example, two months ago, at the end of January, a group of 25 members of the European Parliament wrote to the EC warning of environmental incidents in Serbia caused by Chinese-owned companies, "Garcevic said. In the long run, he adds, this strengthens the business culture that makes Montenegro unattractive to investors from EU countries or other Western countries and leaves Montenegro to be a European economic and political periphery.

Source: cin-cg.me