

In 2014, the Montenegrin government raised a \$ 944 million loan from China's Exim Bank through a direct agreement without a tender, provided that the highway is built by China Road and Bridge Corporation (CRBC). Despite numerous warnings that this is an overpriced section that will not have enough traffic to ever become profitable and that this agreement will push Montenegro into debt bondage to China, the government has ignored objections and started building a highway. Critics have warned that the area through which this road should pass is extremely inaccessible (steep and high rocks), that it passes through some of the most protected and ecologically important areas in Europe under UNESCO protection and most importantly, that the cost does not justify the needs of the Montenegrin people. They can be equally well satisfied with a fast road that would be easier to build and cheaper to repay. All this was happening at the same time as the IMF warned that Montenegro should wait for the construction of the highway until EU accession when cheaper credit lines would be opened for them, as well as other non-credit financial instruments.

Montenegrin debts to Chinese banks continue to be the subject of analysts. The fact that this country's debt to China is as much as the entire state budget is of interest not only to the regional public, but also across the ocean. The Washington Post also wrote about the importance that the European Union should have in solving this problem, primarily from geopolitical perspectives, which are almost the only ones relevant for the United States: not to allow China and Russia to get even closer to the West. Our countries, both historically and today, still form the dividing line between foreign economic and geopolitical interests. Among all of them is the Montenegrin government, which at the very end of March asked the EU for help in repaying China's debt, which the European Commission refused. Thus began speculation about Montenegro's financial future and its potential dependence on China. Despite numerous warnings, BIRN writes: "The new government insists that China's massive investments do not pose a threat to Montenegro's path to the European Union," adding that foreign investment in the country's major infrastructure projects is likely to continue. According to the Central Bank of Montenegro in October 2020, China was the largest investor in the country in 2020, with 70 million euros of foreign direct investment

### **There is no rationality in politics**

Most of the Montenegrin government's loan to Exim went to a very difficult section of the 169 km long Bar-Boljare highway, which, among other things, requires tunnels and bridges and all over the UNESCO area of the Tara and Durmitor rivers. According to the media, the price of this share rose to 45 percent of GDP last year. The section has not yet been built, its

deadline has been moved twice already, highway costs have risen to \$ 1.3 billion, and despite all that, Montenegro is due to pay its first installment of a \$ 67.5 million loan this summer. And that's where the problems arise. Economically, Montenegro has suffered greatly under the burden of the corona virus as its economy depends on tourism, which due to global quarantine has failed to raise enough funds to fill the public budget, so the country had to take another 750m-euro loan late last year to filled holes in the budget for 2021. With this loan, the public debt of Montenegro reached 91 percent of GDP. Pressed by financial burdens, Montenegro, as we have already written, turned to the EU, which explained that it could not be held liable for the debts of the candidate countries to third parties.

However, the EU is concerned about Montenegro's debt, especially in the context of other similar examples with Chinese infrastructure investments, such as in Sri Lanka, in the countries of Africa and South America, and at the time of the culmination of the Greek crisis - with the Athens port of Piraeus, which are all examples when countries had to leave their strategic positions to that country due to debts to China. More than the EU, this worries the United States, which insists on the Balkans as a clearly divided line that Eastern and Asian economies and ideologies must not cross. If anyone manages to persuade the EU to reschedule Montenegro's debt, it will be the United States rather than Montenegro.

In the end, if you are inclined to think that Montenegro has learned something from the whole story - it is not. According to BIRN, the government is currently negotiating with China to build a coal-fired power plant in Pljevlja in Montenegro, with an obligation to extract and burn coal in the next 20 to 30 years. At a time when the EU is increasingly pressuring coal, which in Europe has no more years of use than the government plans to commit to, Montenegro is again not listening, again not caring not only for its own ecosystem, air, health and the cost of pollution, but even for the economic viability of the planned projects. To that extent, the United States is right when, through the Washington Post and similar media, it pressures the EU to encamp more firmly in Montenegro, but just like this small Balkan country or large European one, the union does not listen to anyone, nor has it shown determination to finance development and sustainable projects.

Source: bilten.org