

Montenegrin motorway is one of the most expensive in the world. It's financed by a loan from China. Paying back this money is creating problems. Is Montenegro now stuck in Chinese debt?

Montenegro is building its first-ever motorway. Due to a huge loan scandal, it's now become the country's highway to hell. 40 bridges and 90 tunnels are expected to be built and financed by the Chinese. However, the project has been hit by corruption allegations, construction delays and environmental tragedies. Today, out of the planned 170 kilometres, just 40 have been completed.

The story starts with Montenegro's former Prime Minister and current President, Milo Đukanović. He conceived the motorway to boost trade in the small Balkan country. However, lacking funds to start construction, he accepted a billion-dollar loan from China in 2014. Other investors didn't want to get involved. Prior to this, French and American feasibility studies highlighted the risks of such an oversized project. The European Investment Bank and the IMF also announced that it was a bad idea.

Now, with the pandemic crushing Montenegro's tourism-dependent economy, the country is struggling to find a way to finance the missing stretches of road.

### **The highway to nowhere**

The motorway should link Bar harbour in the south to the border with Serbia in the north. The first section was scheduled to be finished in 2020, but it still isn't.

We talked to Bojan. He and his family have lived in Montenegro for generations. Part of his property was expropriated for the motorway project, but he was not fully compensated. Politicians promised lorry drivers, like him, that the motorway would create thousands of jobs, but Bojan got nothing. The Chinese contractor brought in its own workers. Bojan also knows of subcontractors hiring illegal workers from neighboring countries, workers with no contracts or social security contributions.

Bojan tells us that he would have preferred Montenegro to choose Europe for this loan instead of China. He believes that choosing Europe would have meant more checks would have been done "and the construction would be done by now". It is his belief that 100 million euros have been stolen from the project.

The deputy project manager of the State-run China Road and Bridge Corporation, CRBC, in charge of construction took us on a lengthy car ride, but refused to comment about the project. On this journey we noticed the road to CRBC's headquarters was covered in graffiti. Some of it says: "Milo - you are a thief". This refers to the Montenegrin President's alleged links to local subcontractors. Clearly many Montenegrins are upset by what's happening.

An NGO backed by the EU is investigating corruption allegations involving subcontractors. Dejan Milovac is part of the team digging the dirt on the motorway project. Out of the huge loan from China, 400 million euros were given to subcontractors. Milovac says some are linked to the President.

He tells us that “there was no public procurement procedure for the subcontractors. Most of the project was declared as a state secret. All the benefits that CRBC receives, such as not paying VAT, or no taxes on labor, or no customs on imported goods, was also applied to the subcontractors with absolutely no control”. According to him, this creates “a huge opportunity for corruption”.

More and more citizens are fed up with corruption in Montenegro. Last year they voted in a new government. Today’s Deputy Prime Minister, Dritan Abazović, has a solid reputation as a fighter for transparency, a precondition to bring Montenegro closer to the European Union.

To improve transparency in this matter, Abazović says that the government can make the related documents readily available and monitor the situation. He is also of the opinion that there will be an investigation into what went on.

In regards to who and how the motorway will be finished, Abazović is looking towards Brussels. “I am more than sure we will find some solution for the financing from the European institutions”, he adds.

Some fear that China has its eyes on Bar’s deep-water harbour. When signing the billion-dollar-loan with China, Montenegro agreed to some strange terms, like giving up sovereignty of certain parts of the land in the case of financial problems. Arbitration in this scenario would take place in China using Chinese laws.

A long-term harbour concession would fit nicely into China’s “Belt-and-Road-Initiative”, a global infrastructure project to access markets. Harbour authorities in Bar are already hoping for an economic upturn and have plans for two new terminals. Deda Đelović, the deputy executive director of the Port of Bar tells us that they are already getting ready to create “a port of regional importance”.

The Chinese-managed motorway isn’t just mired in cronyism allegations, it’s also accused of damaging the protected Tara river valley. Nataša Kovačević, a member of the ecology group ‘Green Home’, monitors it. She says the results are disastrous. Sediment from the construction site is trickling into the water, preventing the fish from spawning.

She says that they have devastated the most important part of the Tara. They’ve made it “unlivable for the fish”. She believes that the fish won’t come back for the next 20 years or even more. Her fear is that “some of them will never come back”.

Chinese managers have been accused of ignoring basic EU standards and Montenegro is criticised for failing to supervise construction correctly. Rubble has changed the Tara riverbed, perhaps irreparably.

Environmental experts proposed alternative layouts of the motorway that would have avoided the Tara valley, but they were ignored.

The river Tara is UNESCO protected and it should be forbidden to gravel the soil and sand, but this is happening there because of the construction work.

All over the Western Balkans, Chinese investment has slowed down EU compatible reforms. China's silk road ambitions are not always in line with EU standards of good governance, environmental protection, rule of law and transparency. Their influence is creating a wedge between the EU and the Balkan states.

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