

WESTERN BALKANS CHINA POLICY TEAM

POLICY MEMO – MONTENEGRO

Strategic Imperative: Montenegro's Fast-Track EU Accession to Safeguard Against Rising Chinese Influence

The best safeguard against rising Chinese influence in Montenegro would be implementing the country's strategic priorities and accelerating its alignment with the EU in view of full membership, while at the same time developing a coherent and principled policy towards China. Hence, it is imperative to enhance the EU's influence in Montenegro at the political level by urging the newly appointed Government to demonstrate unwavering commitment to speeding-up the EU integration process. Prioritizing the rule of law and strengthening legal and institutional framework aligning it with strict EU standards, stands as the singularly sustainable strategy to preempt influence of external actors, including China, in Montenegro. By synergizing the political and economic influence of EU and U.S. on the new Government, coupled with a credible perspective on Montenegro's fast-track EU membership, a strategic approach of the Government to deliver reforms in the next 12-18 months can lay the groundwork for a comprehensive shift, firmly aligning Montenegro within the political, financial, and value framework of the West, reducing the space for political and economic influence of China and other interested actors.

A Call for Pragmatic EU and US Caution on China's Renewed Economic Strategies in Montenegro

Chinese political influence in Montenegro remains minimal, with recent public opinion surveys, indicating that merely 1% of Montenegrin citizens perceive China as a noteworthy foreign political partner for the country. This suggests a lack of substantial political alignment between Montenegro and China. Nevertheless, the positive image of China within the Montenegrin public is influenced by Chinese active involvement in the implementation of important infrastructure projects and the aid extended by China during the initial stages of the COVID-19 crisis. The construction of the initial segment of Montenegro's first highway (41 km) connecting the Montenegrin port of Bar with the capital Podgorica and Serbia, funded by a nearly €1 billion loan from Chinese Exim Bank, resulted in long-term debt for the state. Concerns about Montenegro's capacity to repay Chinese loans are significant, considering the country's actual foreign debt rate and relatively modest economy. Recently, it was rumored that Montenegro could seek debt restructuring or other forms of financial support to manage its Chinese debt burden.



Despite the modest political perception, the favorable public sentiment towards China underscores the multifaceted nature of international relations, where non-political factors, such as **economic collaboration** and **crisis assistance**, play a significant role in shaping public opinion. Recent diplomatic efforts made by the Chinese Ambassador to Montenegro strongly signal China's intention to exert influence in Montenegro primarily through economic cooperation, veiled under the guise of investments aimed at strengthening the Montenegrin economy. Capitalizing on the new government's precarious financial position at the onset of its mandate, China is poised to preempt EU-supported financial assistance through the "Growth Plan" initiative. With potential Russian financial influence isolated due to Montenegro's unwavering (100%) adherence to the EU Common Foreign and Security Policy (CFSP), the country may soon emerge as a contested arena for financial influence among the EU, US, and China.

Anticipating this dynamic, it is foreseeable that China will strive to position itself as a reliable financial partner, offering expeditious alternatives to the EU's perceived slow and bureaucratically-driven financial support structured mainly in loans. Consequently, Montenegro could witness a competition for influence, prompting the United States to strategically intervene with more substantial financial support. This move aims to establish the US as Montenegro's primary financial and investment partner, countering China's attempts at long-term and sustainable influence through substantial contributions to large infrastructure projects. Considering these developments, there is a shared interest between the USA and the EU in mitigating China's financial influence, necessitating coordinated efforts to bring Montenegro back within the financial orbit of the West.

Evidences

- The public opinion survey conducted by Centre for Monitoring and Research CeMI in August 2023 reveals that only 1% of Montenegrin citizens believe that the country should align its foreign policy with China. In contrast, a significant majority, 57.1% of citizens, perceive the European Union (EU) as the primary foreign policy partner for Montenegro. See more: <https://cemi.org.me/me/post/istrazivanje-mediji-dezinformacije-i-spoljni-uticaj-u-crnoj-gori-1115>

The Chinese company was awarded the contract only on the second international tender held. On the first international tender, the Croatian construction firm Kon struktor, which



had built highways in Croatia, was awarded the contract for building the entire highway, not just one part of it. The contract was signed and even the prime ministers of Montenegro, Croatia, and Serbia ceremoniously opened the construction works. However, the Croatian firm failed to secure credit guarantees due to the Croatian government's led by Jadranka Kosor's inability to issue guarantees for this project. As a result, the contract was terminated. The total value of the contract awarded to the Croatian firm to construct entire highway (165 km) was 2 billion and 300 million euros, while the cost of constructing the first section of the highway (41 km), which was later built by the Chinese company, was 910 million euros. See more: <https://www.slobodnaevropa.org/a/1513233.html>

- On 4 December, the Chinese Ambassador to Montenegro Fan Kun penned an op-ed presenting new perspectives for **economic collaboration** between China and Montenegro. This rhetoric is 'softly' addressed to the newly formed Montenegrin government and employs subtle persuasive language. It highlights the harmonization of the government's objectives with China's current development framework, characterized by the principles of "Innovation, Coordination, Green, Openness, and Sharing". The Ambassador concludes his op-ed by stating, *"China is willing to work with Montenegro to deepen cooperation in traditional infrastructure, but simultaneously to actively explore new opportunities for collaboration in new infrastructure areas, including electric vehicles, new energy, ultra-high voltage transmission, and the digital economy. In this way, we are creating a new momentum for development together, sharing new possibilities for cooperation, and further bringing China and Montenegro closer, with the aim of achieving mutually beneficial cooperation that brings even more results for everyone."* The OP-ED is available at: <https://www.pobjeda.me/clanak/novi-razvoj-kineske-ekonomije-nove-mogucnosti-za-saradnju-kine-i-crne-gore>
- On 28 November 2023, a Montenegrin government delegation, including the Deputy Prime Minister for Economic Development and key ministers, visited the European Commission in Brussels. They were briefed on the "Growth Plan" initiative for Western Balkan countries. The Montenegrin government expressed a strong commitment to collaborate with the European Commission on implementing reforms to accelerate economic and societal development, expediting the EU accession process. The European Commission proposed an additional investment package of 6 billion euros for the Western Balkans, including 2 billion euros in grants and 4 billion euros in soft loans. Around 413 million euros are allocated for Montenegro, emphasizing joint efforts to



support economic growth and reforms in line with EU integration. More information available at: <https://en.vijesti.me/news/politics/683724/Montenegro-received-around-413-million-euros-from-the-growth-plan-to-increase-the-rate-of-economic-growth-and-speed-up-the-EU-accession-process>

Practical Steps to Curtail Chinese Influence in Montenegro

1. Montenegro should promptly demonstrate its commitment to expediting the EU integration process by unwaveringly implementing reforms to enhance the rule of law. This entails key judicial appointments by the Parliament, enacting legislative changes in the justice sector in line with recommendations from the European Commission (EC) and the Venice Commission (VC), and intensifying efforts to meet the political criteria for EU membership through a comprehensive electoral reform. All this urgent reform measures should be implemented in the next 6-9 months.
2. It is crucial for Montenegro to develop a Strategic document vis-à-vis China. The Government should involve national and EU experts in politics, international relations, economy, defense, and security in the process of drafting the Strategy on future relations with China. In the strategy development process, careful consideration should be given to whether and to what extent the expert's work will be made public, including the final text of the Strategy. Notably, several EU countries have opted to keep such documents confidential, reflecting a shared concern about revealing strategic guidelines to China. This discretion can be a strategic approach to safeguarding sensitive information and maintaining a diplomatic advantage in future cooperation.
3. It is crucial to adopt a set of rules to better regulate trade and investments from China, especially on aspects related to procurement, various trade sectors such as infrastructure, economic development, etc. The rules advocated for should be in line with EU standards and developed in close cooperation with relevant EU institutions, using best practices from different EU member states.
4. It is recommendable to advocate for economic projects with China to be reduced to a minimum, with partial EU assistance. Alternatively, projects should be structured in a way that minimizes the use of harmful contracts while ensuring the quality of the executed works. Bilateral models of contracts for capital investments should be discouraged under the auspices of bilateral agreements with China, or at least conditioned with external financial audit and quality control.



Shaping Montenegro's Future: A Strategic Framework for Mitigating Chinese Influence and Reinforcing the EU Reform Agenda

The successful implementation of key EU related reforms would result in accelerating the negotiation process and closing a substantial number of negotiating chapters by the end of 2024. The completion of reforms should be accompanied by a more substantial financial support package from the EU's "New Growth Plan" and other financial instruments directed to Montenegro. This would not only reinforce the country's credibility in the EU integration but also diminishes the space for the influence of China and other external actors. Strategy outlining relations with China will set the framework for future interactions between Montenegro and China. This document holds the potential to mark a pivotal moment in Montenegro's positioning as the next EU member state, especially concerning anticipated efforts by China to exert influence in the realms of economy and business. A valuable guideline for Strategy development can be found in the statement made by the President of the European Council, Charles Michel, during the recent EU-China summit on 7 December 2023. *"The EU-China relationship is of significant importance. However, we must strive for more balanced, reciprocal, and mutually beneficial trade and economic relations,"* emphasized President Michel on this occasion. Elaborating on these principles in its Strategy, Montenegro can serve as a commendable model for other countries in defining the future relations with China.

