

MAPPING CHINA'S INFLUENCE

CASE STUDY
MONTENEGRO



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CIP - КАТАЛОГИЗАЦИЈА У ПУБЛИКАЦИЈИ
НАЦИОНАЛНА БИБЛИОТЕКА ЦРНЕ ГОРЕ, ЦЕТИЊЕ

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EXECUTIVE SUMMARY

The foreign policy positioning of the People's Republic of China in modern international relations is determined by the geopolitical dimension of its historical experience and long-term strategic goals independent of the programs of individual leaders. Another important aspect is the fundamental settings of its political and economic system as the key factors determining the framework and dynamics of Chinese foreign policy.

Historically and culturally, the relationship between the state and society in China is imbued with a deep moral connection and an increasingly sophisticated form of social and ideological authority of the Communist Party, with the succession of political power at the core of elite politics.

To understand the achievements of the People's Republic of China, both domestically and in foreign policy, it is necessary to consider *the mindset of great power within a civilizational and not national framework*. The implications

of the vision of China at the top of the world hierarchy are visible through the distribution of its economic power on a global scale and the synthesis of political, economic, and military power.

At the global level, the relationship between China and the United States is one of the most complex bilateral relations that these states have. At the same time, China is showing interest in investing in strategic infrastructure in Europe in order to realize its policy and influence in that part of the world. Common interests exist in the spheres of trade, investment,

technology, and education. However, the main issues burdening China's relations with the United States and the European Union remain unresolved, such as Taiwan, maritime territorial disputes in the South China Sea, human rights and democratic values, environmental protection, the 5G network, and other security issues.

Chinese projects and investments in the member states of the European Union are accompanied by non-transparency, non-compliance with legal, social and environmental standards, and non-fulfillment of given promises.

It is the issues of human rights, territorial disputes, and security that have made China and Russia find common interests and *language*, primarily in opposing America in the geopolitical arena, defining the relationship between the two countries as a *partnership without borders*. However, the Russian aggression on Ukraine is a kind of test for the relationship between Moscow and Beijing. In the new situation, China on one hand blames the West for the alleged threat to Russian security, condemning the United States for imposing sanctions. On the other hand, China cannot support the separatist agenda of Russian President Vladimir Putin for eastern Ukraine, because it is contrary to the Chinese policy of the *One China*. Therefore, Beijing calls for negotiations to resolve the conflict, which he calls the *Ukrainian crisis*. China has also tried to mend strained relations with Europe as its trade with the

EU is an important *engine* of its economic growth. But China's efforts are likely to be hampered by its *pro-Russian neutrality*.

Chinese projects and investments in the member states of the European Union are accompanied by non-transparency, non-compliance with legal, social and environmental standards, and non-fulfillment of given promises. Such activities are part of China's comprehensive strategy, which seeks to maintain presence and influence in certain sectors in European countries and achieve primacy in that part of the world, thus creating conditions for distancing Europe from the United States. China exercises its *soft power* through the most powerful institutional weapon of the Chinese Communist Party - the United Front. By doing so, it skillfully promotes its economic power, thus gaining more publicity and together with Russia placing a narrative focusing on the sovereign rights of countries and not on the human rights of individuals.

The foundations of Chinese activities in Europe, and especially in the Balkans, are the *Belt and Road Initiative (BRI)* and the *16+1*¹ multilateral platform. In addition to the economic sphere, China seeks to strengthen its presence in Europe through political and cultural cooperation with the Balkan countries. That has proved particularly effective in the Western Balkans. Underdevelopment, weaker infrastructure, the lack of democratic capacities, but also the reserved stance of the West, have enabled China to position itself as an important factor and partner in the Balkans.

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Cooperation between China and the Balkan states has mainly developed through the aforementioned 16+1 Platform. China has signed bilateral agreements with all Western Balkan countries in the fields of tourism, culture and education, economy, and health. The Chinese *modus operandi* is clearly profiled through cooperation within infrastructure projects. Offering cheaper services compared to American or European competitors, China ensured cooperation with the Balkan countries. However, the EU and the US, since the beginning of the COVID-19 pandemic, have begun to pay more attention to China's economic engagement and identification of negative

consequences. One of them is *creating* unsustainable debt, which threatens economic stability and thus the overall social and security environment.

What it largely lacks for China in other European countries – direct cooperation and support from political leaders, it has found in

Cooperation between the China and Serbia is being intensified from year to year in all areas

Serbia, which is one of China's key partners in Europe. Cooperation between the two countries is being intensified from year to year in all areas. The political and economic situation in Serbia is strongly reflected in Bosnia and Herzegovina, i.e. in its entity the Republic of Srpska, where China has found one of the most reliable partners in the Western Balkans.

In recent years, Montenegro has been at the center of numerous political and academic debates discussing the possibilities and risks of cooperation with China. China's extensive approach in the region, including Montenegro, encompasses the development of relations at various levels, from infrastructure to energy and culture, and aims to promote Chinese narratives and interests. To this end, Beijing has used the space created due to the preoccupation of the West with its own issues to invest in strategically important sectors in the Western Balkans.

In the Montenegrin public, China is generally perceived as a powerful but well-meaning world power. That can be interpreted as a result of the media's uncritical approach to reporting on China and its non-aggressive public presence in Montenegro. China's relations with Montenegro or any other country in the Western Balkans do not rely on historical, cultural, or identity ties. However, 43% of Montenegrins view China in a positive light and not as a threat to their country.²

China's involvement in energy/infrastructure projects in Montenegro began during the government, which was predominantly constituted by the Democratic Party of Socialists (DPS). It has maintained regular contacts with Chinese officials through various multilateral and bilateral meetings

since the post-referendum period. The most notable project in this regard is the first section of the Bar-Boljare highway, which is a key step in bringing Montenegro closer to the Trans-European transport network. The credit arrangement has caused a number of controversies due to the non-transparency of the loan agreement, as well as the construction process, which NGOs (specifically coping with the issue of high corruption) have linked to former government officials. Apart from the highway, there are other energy and infrastructure (non)transparent Montenegrin-Chinese projects.

The deepening of ties is also noticeable in the field of education and research. Thus, the University of Donja Gorica gradually became a center of Montenegrin-Chinese cooperation with its numerous research projects, exchanges, and joint study programs.

Chinese officials, in their sporadic media appearances, insist on a public narrative that China will refrain from interfering in political issues and maintain the image of an economic partner that offers a win-win strategy for all parties involved. This contributes to the impression that the Chinese presence in Montenegro is not motivated by political aspirations in terms of direct interference in internal affairs or the country's foreign policy orientation.

RECOMMENDATIONS

1

An increased presence of the EU in the Western Balkans would further strengthen its role and influence. This applies specifically to Montenegro, which is going through a very sensitive phase of democratic development accompanied by internal political instability and deepening religious and ethnic divisions, making it somewhat susceptible to foreign influence. Combining political and economic instruments of assistance to Montenegro, which is the country that made the greatest progress in the region on the path to European integration, but also unequivocal confirmation of the prospect of membership in the event of meeting all conditions, would further strengthen EU authority and send a clear message to the Western Balkans. It will not be left to the influence of third parties who want to distance it from Western partners and allies and encourage processes contrary to the values of the European community of nations.

2

The development gap between the region and the EU points to the need for increased EU-US engagement in combating Chinese influence, through initiatives such as targeted investment plans in energy and infrastructure as China's presence in the region is largely based on economic cooperation, along with enhancing its presence through the aspect of soft power and the promotion of academic and research and cooperation in the field of culture, as well as support for the media in Montenegro.

3

In this regard, additional support needs to be provided to strengthen the capacity of media and investigative journalists to thoroughly research in a quality manner, evaluate and produce materials, and publish information that will critically address foreign factors whose interests and activities are not complementary to strategic interests and proclaimed goals of Montenegro.

4

The Government, as well as all other institutions and state bodies in Montenegro in the coming period, should carefully assess the entry of foreign capital into Montenegro with the following in mind: Montenegrin national interests, strategic commitments, and goals in line with economic development; but also standards, i.e. *acquis communautaire*, rules and policies of the EU and NATO. Given the fact that authoritarian and hybrid regimes are increasingly investing in Montenegro³, it is necessary to introduce measures to stop the dominance of corrosive capital that can potentially have a negative impact on the foreign policy and functioning of the state.

5

Montenegrin and Chinese business partners must commit to strict compliance with EU standards, procedures, and legislation in the implementation of all foreign investments and projects.

6

A consistent criticism of the EU towards the countries of the Western Balkans for its tendency to enter into various arrangements with China without concrete measures. The EU must combine political and economic instruments of support in helping Montenegro and the region, with stronger efforts to successfully counter third-party narratives. By taking these measures, the EU would reaffirm its position, demonstrating its commitment to play a key geopolitical role in its immediate neighborhood.

CHINA IN INTERNATIONAL POLITICAL RELATIONS

In theoretical approaches to international relations, China's policy of *peaceful rise* seeks to be explained by the principles of the liberal paradigm of trade interdependence and the principles of structural realism. According to that, international trade and investments decrease the possibility of armed conflict outbreaks. However, having in mind a strong and intensified armory of China and aggressive policy towards the neighbors in the South China Sea, the role it has in spreading nuclear weapons, cooperation with autocratic regimes⁴ and terrorist organizations⁵, understanding its position in modern international relations is insufficiently impartial without interpreting within the frameworks of classical real politics.

China's international behavior is crucially shaped by historical factors that reflect the biases and prejudices of Chinese foreign policymakers toward the international system and China's position. These are *national revitalization*, victimization, and defence security policy⁶. At the same time, these parameters reflect three long-term goals in Chinese politics – sovereignty and territorial integrity, economic development, and international status and image. From the founding of the People's Republic in 1949 until today, these goals have changed in the political agenda only in importance.

Chinese strategists see the current rise of China as a historical process of *rejuvenating the nation* on the way to the return of the status of great power from the time of imperial dynasties. This belief is based on the idea of China as an economically advanced, culturally and technologically highly developed, and internationally respected society, and is supported by arguments about large populations, millennial history, globally integrated economy, and the position of nuclear power and permanent member of the United Nations Security Council. According to China, all nations in the *Confucian civilizational zone* should accept their *natural right* to leadership.

The next thought concentrated in all the important Chinese writings concerns the narrative of *100 years of shame and humiliation* in which China was

attacked, weakened and divided. Such a mental map, especially sensitive to issues of sovereignty and territorial integrity, is the basis of the legitimacy of the Communist Party, and the cult of personality of Mao Zedong, a symbol of national liberation and unification, contributed to China's strong insistence on non-interference in other countries internal affairs.

The issue that particularly burdens the Chinese authorities is *Cross-Strait relations*, as the independence of Taiwan (officially the Republic of China) is called in China, as well as differences in positions on its status that encourage growing tensions between the island and mainland China. The conflict also has the potential to become a hotbed of relations between China and the United States. The island, which is separated from the Chinese mainland by the Taiwan Sea and considers itself a sovereign state, is governed by an independent democratic government, but the Chinese government views it as its breakaway province.⁷

The narrative of the *victim mentality* is particularly visible in the field of the exercise of basic human rights and freedoms, which are systematically violated under the pretext of protecting *basic socialist values*.⁸

The scope of human rights violations in China ranges from concealing news about the coronavirus, adopting harsh quarantine measures and preventing an independent and unhindered investigation into the Chinese government's response to the epidemic, restricting religious freedom and freedom of expression, refugee rights, internet and media censorship, discrimination against various social groups, severe repressive measures for insisting on political loyalty in Hong Kong, Xinjiang Province, Tibet and Inner

Illustration: China and Taiwan | Source: ABC News



Mongolia, and the arrest and persecution of political activists, human rights activists and their families, as well as journalists.

An example of the dramatic level of human rights violations is the treatment of Uighurs, Kazakhs, and other indigenous Muslim ethnic groups in the Xinjiang region by Chinese authorities, which was declared genocide and crimes against humanity by the London-based Unofficial Independent Tribunal in late 2021.

Nonviolent protests in China are allowed as long as they do not criticize the work of the Communist Party, and non-governmental organizations that are critical of the regime are facing strong systemic repression.⁹

Conditions for the work of domestic and foreign media in China have greatly deteriorated after Xi Jinping took power in 2013. According to the World Index of Freedom of the Media for 2021, Reporters Without Borders (RSF) ranked China 177th out of 180 places, while that country is also characterized as the *world's largest prison for journalists*.¹⁰

China's foreign policy strategy is imbued with historical fears that foreign powers are trying to exploit its internal weaknesses and prevent its rise, which further contributes to strengthening the Communist Party's legitimacy as China's protector against harmful foreign intentions.

With the political rise of Xi Jinping, China has become more assertive in international relations, while in territorial disputes it is increasingly supporting its diplomatic activities by demonstrating impressive military force.

Demonstrators, ethnic Uyghurs, demonstrating against China in Istanbul.

Photo: REUTERS



As part of the *Belt and Road Initiative*, China has invested tens of billions of dollars worldwide so far, and by strengthening its military presence in the Indo-Pacific¹¹ and Atlantic¹², it wants to integrate the military component into economic partnerships and change global power dynamics.

System of Government and One-Party System

The Communist Party's (CCP) rule in China was established in 1949, and today it is a socialist state based on the principle of a people's democratic dictatorship led by the working class. Chinese socialist democracy is understood as the broadest and most efficient form of democracy and the logical outcome of the evolution of history, political theory, and practice.¹³ In such a system, supreme authority derives from the political power of the party and the beliefs of the leaders, not from legal norms.

The Chinese nomenclature system consists of two vertically integrated and interconnected institutions – the Communist Party and the state apparatus.¹⁴ The party is organized as a pyramid and has an institutional monopoly over state and political resources. The Politburo and the Standing Committee are the highest party bodies headed by the Secretary-General, but political decisions are also influenced by other actors – the state bureaucracy, the military, and various formal and informal groups. At the

Chinese Communist Party's flag



same time, the differences between civilian and military leadership are very weak. The representative body is the National People's Congress, but its role in practice has been significantly weakened by reducing it to confirming the already made decisions. This body should be distinguished from the National Party Congress.

The judiciary in China is not organized as a separate branch of government but is under the jurisdiction of the legislature and party oversight.

Although burdened with numerous external and internal challenges, the Chinese political and party system has shown resilience and the ability to institutionally adapt to new political circumstances through a process of (limited) transitions. China has a long history of political reforms, but the values of its policy are fundamentally different from the democratic values of Western countries.

PARTY'S CONGRESS

The Chinese political tradition does not recognize free and democratic elections, in terms of the mechanism through which citizens directly give legitimacy to government. Instead, national party congresses are considered the most important public events in Chinese politics.

Formally, Congress is the highest decision-making body that determines party policy and elects leaders. It is held over a period of five years, and its convening implies long preparations and repressive measures that *heat up* the social atmosphere.¹⁵ The session of the Congress lasts for a week and consists of about 2,000 delegates representing provincial party units, state-owned companies, and military and financial institutions.

The Party Congress is important for several reasons. First, it reviews the work of the Communist Party in the past five years, assesses the current state of the party, and sets general guidelines for work in key sectors over the next five years.

18TH AND 19TH CONGRESS OF THE COMMUNIST PARTY OF CHINA

Until then, the most important congress in China's political history, the 18th National Congress, held in November 2012, marked the beginning of the transition of power in China, when seats were given to a new, fifth generation of Chinese leaders led by former Vice President Xi Jinping.

Jinping, who has been the second in the chain of command since 2008, took over the function of the Secretary-General of the Communist Party, which was the introduction to the assumption of office of the President of the People's Republic of China in March 2013. His political rise was acceptable to various party fractions and, with the change in the method of electing delegates, the greatest achievement of intra-party democracy.¹⁶



Xi Jinping standing before delegates at 19th Nacional Congress in 2017

Photo: *REUTERS*

The 2012 Congress marked a transition in both personnel and ideology, but at the level of administrative restructuring rather than political liberalization or structural political reform.¹⁷

Xi Jinping's first term was marked by the consolidation of power, the modernization of national defense, and the reform of the Chinese armed forces, which increased his individual role in the military structure.

At the 19th Congress of the Communist Party of China, which is considered a turning point in Chinese politics, Xi Jinping confirmed his new mandate as the head of the party and the state, consolidated his political rise, and accumulated political and military power. In a sense, the 19th Congress was not an exception to previous congresses but showed the continuity of the Communist Party's leadership.

The significance and scope of the 19th Congress can be summarized through several main aspects.¹⁸ The historical position of a new theoretical concept has been established – Xi Jinping's thoughts on socialism with Chinese characteristics for the new era, which introduced the Chinese dream as a phrase for the Chinese model of political and economic development, fundamentally different from the Western one. The new official political doctrine was then integrated into all aspects of Chinese society – the national curriculum¹⁹, the media, and government bodies – gained special significance by being introduced into the 2018 Party Constitution. Compulsory Marxism classes at universities have been replaced by the study of *Xi Jinping's Thought* and institutes to study it has been established.²⁰

The new doctrine is a comprehensive plan to make China a world superpower, not only economically prosperous, but also politically powerful, and its implementation is planned in phases – the period from 2020 to 2035 envisages the realization of socialist modernization. The realization of the second phase is planned for 2049, i.e., the 100th anniversary of the founding of the People's Republic when China will take the place of world number one in the new type of international relations.

At the 19th Congress, the constitutional limitation on the term of office of the President (10 years) was revoked. In addition, a deviation from the practice of appointing a successor at the beginning of the second presidential term was made, which created the preconditions for Xi Jinping to continue his political role.

The clear anti-Western rhetoric of the Chinese leader at the 19th Congress will prove to be an important factor in global geopolitics in an atmosphere of growing rivalry with the United States.

Communist ideology and capitalist business

Today, China is the country with the fastest growing economy, which is the bearer of its foreign policy, but which it fails to absorb internally. The expectation that development stimulated by economic liberalization will follow the process of transition and democratization of society proved to be wrong.

To denote China's unconventional market approach, the term *Chinese model* is used, which explains the complex combination of political authoritarianism with economic openness, the so-called authoritarian capitalism.

China is the world's second-largest economy and a carrier of global trade and investments. Although it has expanded its capital to 139 countries through the International Economic Development *Belt and Road* Program, China does not have a comprehensive economic strategy at home, which is why it has not made significant economic reform for more than a decade. The process of market reforms in China is being carried out without privatization and political reform, and party control over most companies and the socialist political economy prevent greater openness to foreign companies from facing stiff competition from Chinese state-owned companies.

The obvious resistance to leaving the socialist market economy is indicated by the fact that the share of publicly controlled GDP exceeds half of the total economy, the law against monopolies exempts state-owned companies, and the law on foreign investments is the most restrictive in the world's 20 largest economies. Half of the companies based in the Member

States of the European Union, which operate in China, are denied access to the market through a mechanism that the EU Chamber of Commerce has characterized as *mass asymmetry in market access*.²¹

The largest and most successful Chinese companies are under state control, and the private sector is facing existential problems created by government pressure for political loyalty to the Communist Party.²²

■ Strategic documents

China's rise in the global political structure could result in a transition of power within the international system. The perception of its own position as a great power regardless of national strength and the international constellation of geopolitical power, based on economic self-sufficiency, the role of a major regional political player, and a belief in cultural superiority, has shaped China's strategic approach to political and military security. At the heart of China's strategic thinking are its territorial, development, and security interests, so current strategic documents (like the Great and Military Strategies) are characterized by a synthesis of political, economic, and security dimensions.

Of particular importance is the Resolution of the Central Committee of the Communist Party of China on the main achievements and historical experience of the party in the past century, adopted in late 2021, which is the official narrative of Chinese history and the past of the party. The resolution is part of the media and curriculum and is one of the most important documents the party has issued in recent decades, but with a key difference in global ambition.

■ Soft power institutes

The implementation of soft power would not be possible without a well-connected network of organizations, associations, and proxies with coordinated action, on which the activities of the Communist Party of China are based. Among the most prominent organizations are the Confucius Institute, the United Front of the Communist Party of China, the Chinese People's Political Consultative Conference (CPPCC), the National People's Congress, the Ethnic and Religious Affairs Commission, the China Foreign and Overseas Office, the Federation of Industry and Trade, and the State Council Information Office, The Committee on Foreign Affairs of the Central Committee (CCF), the China-United States Exchange Foundation, and others.

Chinese society and culture were shaped under the strong influence of the ancient philosopher Confucius, whose teachings developed into the ethical and philosophical system of Confucianism. In order to create a receptive perception abroad and in some way secure its political influence on academic communities around the world, China instrumentalized the idea of the Chinese philosopher by establishing the Confucius Institutes. Confucius thus appears as the perfect symbol for creating the image of a kind and peaceful China.²³ The institutes function as non-profit educational institutions funded by the Chinese government, to promote the Chinese language and culture. The program was launched in 2004



with the establishment of the first Confucius Institute in South Korea, and to date has provided partnerships with educational institutions in 146 countries (in 2017, 525 institutes at universities and 1,113 classrooms in primary and secondary schools).²⁴

Unlike other cultural institutions, Confucius Institutes operate as organizational units within universities and use a system of dual directors (local and Chinese). The Russian *Federal Agency for the Commonwealth of the Independent States, compatriots living abroad, and international humanitarian cooperation – Rossotrudnichestvo* and the *Russian World Foundation* – operate according to a similar model to the institute's network.

On several occasions, especially in 2014, the Institute's activities drew public criticism for its lack of transparency and restriction of intellectual freedoms²⁵ through self-censorship of sensitive political and historical topics (issues of Tibet, Taiwan, Tiananmen Square protests and coping with other issues contrary to the official policy of Beijing)²⁶. Controversies in the work of the Confucius Institute have greatly contributed to the understanding of the Institute as an instrument of Chinese influence and the extension of the Chinese government, which is why the Canadian and American University Professors' Associations in 2013 and the National Association of Scientists of the United States requested the closure of the Institute in those states.²⁷

CHINA AND GLOBAL PERSPECTIVE

■ Bilateral relations China - USA

The relationship between China and the United States is quite complex. The two countries find common interests in trade, investment, technology, and education. However, relations between the two countries are burdened by the issue of Taiwan, which is the most unstable point in that relationship, maritime territorial disputes in the South China Sea, as well as human rights, cyber warfare, and other security issues.

Efforts to bridge the economic gap and the need to work together on climate change were evident during the Obama administration, but relations deteriorated after the United States accused Chinese hackers in 2014 of stealing trade technology from US companies and data from 22 million employees.

The corona virus has made this relationship even tenser due to mutual accusations between the two sides over the outbreak of the pandemic.



Chinese officials claimed that the US military brought the virus to China, while President Trump repeatedly used the term Chinese virus in his speeches, insinuating its origin.

Despite strained political relations between the United States and China, energy trade between the two countries remains active, at least when it comes to crude oil. China needs continuous access to the United States as an export market for its production. However, in order to ensure that this economic line remains open, Beijing must fulfill its promise within the first phase of the trade agreement signed with former US President Trump. The US oil and gas sector has suffered many of Donald Trump's harsh trade policies, especially the trade war that has resulted in tariffs on Chinese imports of crude oil and natural gas.

However, the historic move by US President Joseph Biden to release oil from strategic reserves in coordination with other major countries, including China, represents a unique opportunity to find common ground with major economic rivals and regulate fuel prices. The move underscores the complexity of the relations Biden is trying to establish with China as it seeks agreement on key issues such as climate change and trade.

■ China-EU

Relations between China and the European Economic Community, the forerunner of the European Union, were established in 1975, and relations between China and the European Union have intensified since China entered the World Trade Organization. However, over time, relations have gained much wider significance than economic and trade relations, and China has turned from a strategic partner of the European Union into a systemic rival that is trying to take over the primacy in Europe. Relations between the European Union and China have deteriorated since the European Union accused China of violating Uighur human rights, suppressing freedoms in Hong Kong and Taiwan, and lack transparency in projects across Europe. The exchange of sanctions for human rights violations and the consequent suspension of the Comprehensive Investment Agreement have further raised geopolitical tensions. However, the European Union is an important export market for China, which it wants to preserve, and at the same time, it will try to distance the European Union from the United States. China's growing presence in member states is of growing concern to the European Union due to its strong economic, political, and social consequences. Beijing is trying to bring to Europe its economic and national model that would influence European democracy, which is why an adequate response of the European Union to the challenges from China is needed.

Europe has begun to reconsider its policies toward China. Despite the differences between the member states of the European Union on issues related to the Chinese presence, the overall changes are increasingly noticeable, which are reflected in a stricter policy towards China and caution in relations and activities with it. Investments and projects in which China sees an opportunity for economic strengthening in Europe are increasingly under the control mechanism of the European Union due to the numerous controversies that accompany them. For the European Union, China is becoming an economic and systemic rival that promotes alternative models of governance. All indications are that the period of openness towards China is over and that competition with China in many areas requires reflection by the European Union and reform of its policies towards China. China, led by President Xi Jinping, is trying to expand its political influence in Europe, which should be a sufficient reason to change European behavior in relations with China. China is trying to achieve this political influence through economic changes following its model in Europe. Although business interests used to prevent the European Union from taking a tougher stance toward China, political and security challenges have led the European Union to tighten its stance.

Even though the European Union has become more critical and harsher towards China, the member states still do not agree on the risks related to Chinese investments and the presence of Chinese companies in the construction of infrastructure for the 5G network in Europe. In this way, the member states undermine the unity of the European community and enable China to exercise its influence. Thus, Italy became the first G-7 member to sign a cooperation agreement on the *Belt and Road Initiative*, and Hungary is China's main partner in the European Union, which in some cases has blocked European Union decisions aimed at China.

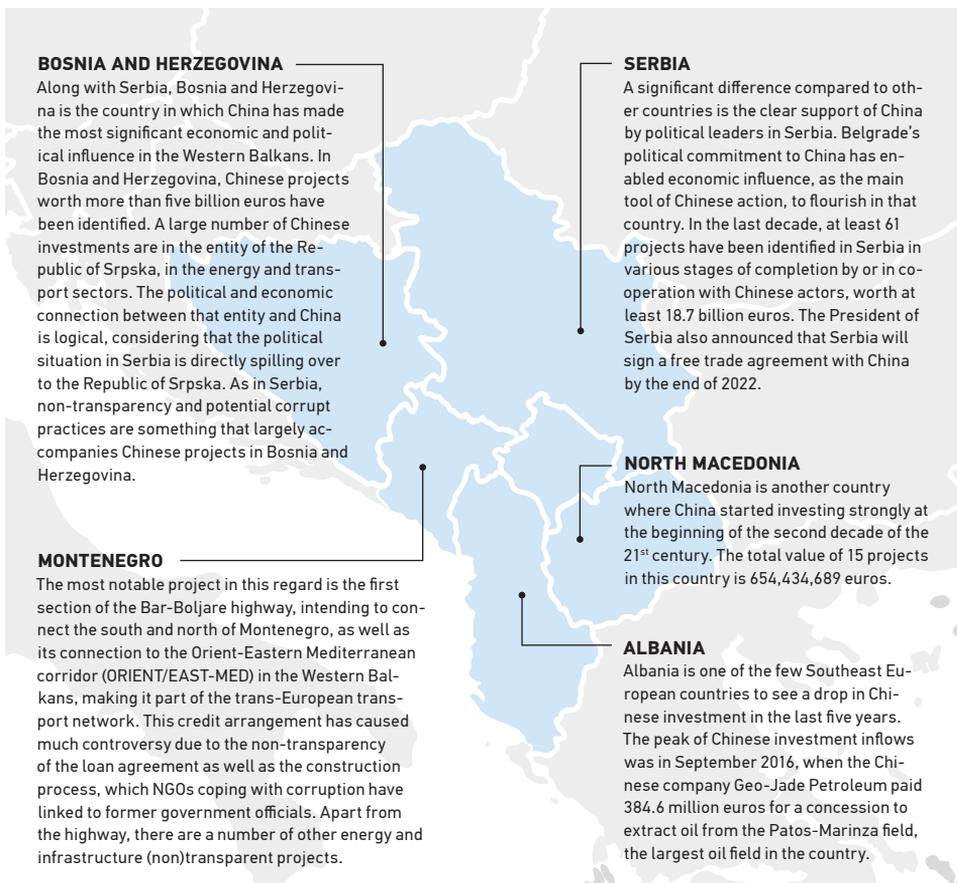
China is trying to expand its political influence in Europe, which should be a sufficient reason to change European behavior in relations with China

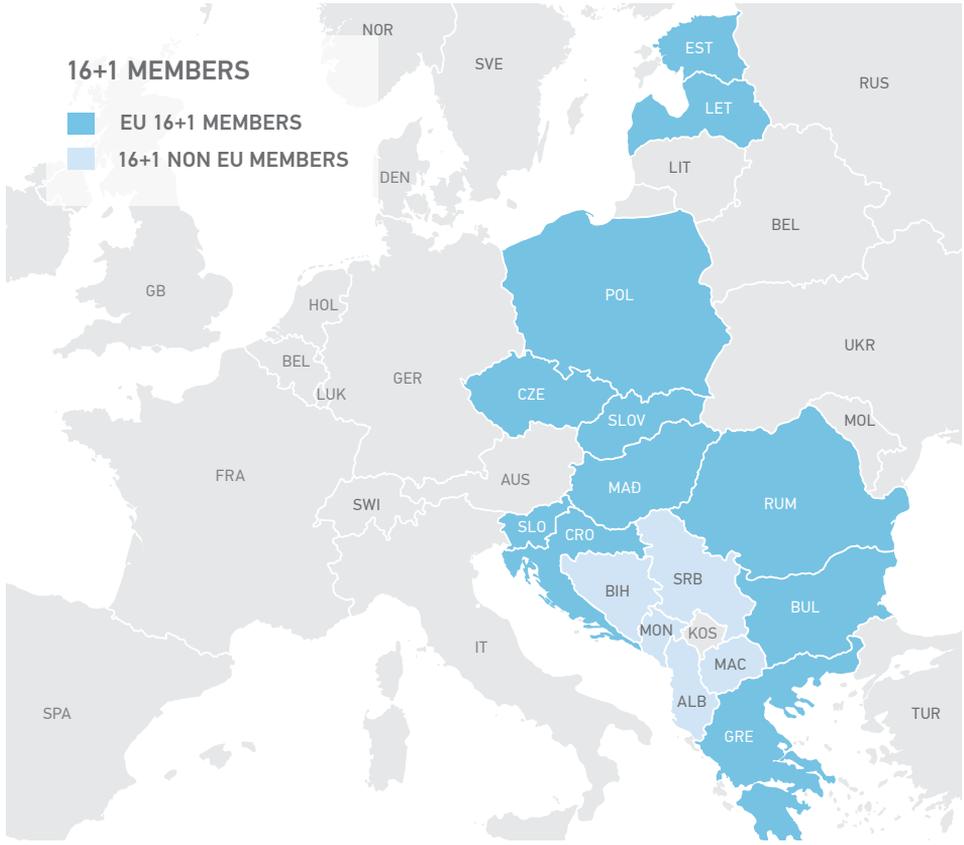
CHINA'S STRATEGY IN THE BALKANS

The Balkan Peninsula is of great importance for China and the achievement of its strategic goals, and intensified presence in that space would enable it to continue acting toward the European Union. Also, for China, the Balkans represent an important stronghold in Europe to confront the United States. China has a special focus on the countries of the Balkans, where due to the lack of democratic capacity and weaker economic development, it is easier to achieve its geopolitical goals.

China cooperates with the Balkan countries through the multilateral platform *16+1*, which was formed in 2012 in Budapest and is part of the BRI.

China and Western Balkans countries





Member states of the 16+1 Initiative

This platform represents China's cooperation with the countries of Southeast Europe, most of which are in the Balkans. The countries that make up the current 16+1 Platform are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Greece, Hungary, Latvia, North Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia. The priority areas identified by China under 16+1 are infrastructure and advanced technology. What is interesting is that 16+1 gives the impression of multilateralism, but China mainly uses this platform to conclude bilateral agreements.

Although Beijing claims that it is a purely economic project, its geopolitical dimension is indisputable. In this way, China has established stronger political and economic ties, strengthened its soft power around the world, and paved its way to the position of a global player. The goal of the Silk Sea Route is to connect China 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 cooperation 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, according to the reports of international organizations.²⁸

The value of Chinese projects in 16+1 countries exceeds 27 billion euros. What is particularly significant is that over 50% of the value of Chinese projects is in the five non-EU countries of the Western Balkans. Nearly

four-fifths of China's infrastructure construction projects are in Albania, Bosnia and Herzegovina, Montenegro, Macedonia, and Serbia. The report of the Central and Eastern European Center for Asian Studies emphasizes that *75-85% of projects are financed from Chinese loans, and the total value of construction represents significant amounts compared to the GDP of the economies of the Western Balkans. The level of credit offered by China can reach 18% of GDP in Montenegro, 12% in Serbia, 10% in Bos-*

In addition to economic influence, China is increasingly using culture, educational institutions, and the media to promote and spread soft power

nia and Herzegovina, and 7% in North Macedonia. Also, the mentioned report indicates that countries with above-than-average investment tend to have higher levels of corruption.²⁹

Initiative 16+1 is a mechanism that China uses to expand its influence using soft power. In 2016, the European Commission's *Joint Communication on Elements for a new EU Strategy on China* required that any bilateral agreement, as well as agreements within 17+1 (at the moment of drafting the document, Lithuania was a member of the Initiative), be agreed in coordination with the EU, which requires a greater degree of involvement and compliance with the EU acquis, rules and policies so that the overall outcome is beneficial to the EU as a whole.³⁰

In addition to economic influence, China is increasingly using culture, educational institutions, and the media to promote and spread soft power. The promotion of Chinese culture plays an important role in Chinese diplomacy. A special role in this is played by the Confucius Institutes, operations of which have been the subject of serious criticism in many countries. In a 2019 report for China, *Human Rights Watch* noted that the *Confucius Institutes are extensions of the Chinese government that censors certain topics and perspectives in policy materials and uses employment practices that take political loyalty into account.*³¹

In addition to culture and education, China is successfully using the media to spread soft power in the Balkans. China and Chinese companies do not own media in the Balkans, but in some Balkan countries, Chinese media



have signed cooperation agreements with media agencies. In addition to the media, China skillfully uses social networks. Disinformation campaigns placed on social networks were especially visible during the corona virus pandemic.³²

A large network of pro-government bot accounts from Serbia on Twitter wrote about and praised Chinese aid, as well as friendship between the two countries, and increased the visibility of posts by retweeting.³³

Also, Huawei, which is trying to position itself as a key company for the development of telecommunications and digitalization, has been recognized as a significant lever of the Chinese authorities in spreading soft power.

CHINA AND THE SOUTHEASTERN EUROPEAN COUNTRIES

The economic crisis and the slow action of the EU have completely opened the door to China, which presents itself as a savior who will encourage further development of the region. In addition, China is very skillful in trying to connect with the Balkan countries through cooperation in the fields of culture and technology.

The most obvious example of this is Greece. Greece is the country with which China had the strongest ties in Europe. Taking advantage of the economic crisis that hit Greece, China emerged as a savior and began investing in this country. Greece has mapped 11 Chinese projects that are currently being implemented – from foreign direct investment to trade, cultural diplomacy, and various donations to help in the corona virus pandemic. As for foreign direct investment, the most famous is the Chinese control of 64 percent of the Port of Piraeus through the company COSCO Shipping, which originally paid 280.5 million euros for 51 percent of the shares in 2016. In the same year, China's state-owned network bought a 24 percent minority stake in Greek power grid operator ADMIE for 320 million euros. There are also at least six projects in the field of cultural diplomacy, including the Confucius Institutes in the capital Athens, Volos, and Thessaloniki, as well as the Center for Chinese Studies in Piraeus.³⁴

Slovenia's geostrategic position, as well as the Port of Koper (the largest container terminal in the Adriatic and the second largest car terminal in the Mediterranean), are the reason why China is trying to profile itself as a key partner of this country. Logistically, this port offers the best access to European markets, especially Central Europe. The port is crucial for the Austrian, Hungarian, and Slovak markets. In 2018, the Port of Koper officially joined the Chinese *Belt and Road Initiative*³⁵. When it comes to foreign direct investment, the Slovenian company Outfit 7 was sold for one billion US dollars to the United Luck Consortium, and the Chinese company Hisense became the owner of 95% of Gorenje shares.³⁶

The Chinese *modus operandi* is clearly profiled through cooperation within infrastructure projects. Chinese companies always offer cheaper services compared to their American or European competitors, and in that way, they cooperate with the Southeastern Europe countries. The clearest example of such action is Croatia. The main Chinese project in the country is the construction of the Peljesac bridge. The project has long been in the plans of all Croatian governments, but due to lack of funds, it was never started, until 2017 the European Commission allocated 357 million euros (85% of the total value) for the construction of the bridge. The Chinese company CRBC (the same company that is building a highway in Montenegro) won the tender for the construction of the bridge thanks to a promise to build it six months ahead of competitors, half a billion Croatian kuna less than the competition (coming from EU countries). China also has strong political support in Croatia. Opening the Croatia-China Forum in 2018, Croatian Prime Minister Andrej Plenković called on Chinese companies to invest in the country, especially in railway infrastructure and ports. At the forum, he especially emphasized the geographical position of Croatia, which enables easier entry into the entire European market.

On the other hand, Romania is an example where long-term economic cooperation through Chinese investments has not yielded significant results. In recent years, the Romanian government has begun to revise its policies in line with EU guidelines to improve the foreign investment *screening* mechanism. This is a particularly problematic issue for China, given the concerns of both Europe and the United States about the participation of Chinese companies in the development and construction of 5G infrastructure in Europe.

According to the already established matrix, China complements its economic influence with interstate cooperation in the fields of technology, media, culture, and education. Huawei was envisioned as one of the key pillars for expanding Chinese influence in Europe. However, the reaction of the USA and the EU to the strong expansion of Chinese influence has limited the reach of the Chinese technology giant.

Slovenia and Greece are countries that have signed a declaration on the security of the 5G network, which is considering declaring Huawei a *high-risk* supplier, potentially blocking the Chinese telecommunications giant's access to the market. In March 2021, Cosmote, the largest Greek mobile service provider, selected the Swedish telecommunications company, Ericsson, as its exclusive supplier of 5G equipment. However, in 2020, Croatia refused to sign the US Declaration on the Security of Using the 5G Network, which is directed against Huawei.

However, the strongest influence of China is visible in Serbia. China's presence in the largest and most populous country in the former SFR



Billboard in Belgrade: Brother Xi, thank you | Source: *Taipei Times*

Yugoslavia is visible not only through its investments, loans, culture, and education but also through strategic cooperation in the security sector.

China was presented as the most important strategic partner of Serbia, although it did not have an excessive campaign to build such an image in Serbian society because it did not even need it. She had Serbian officials and Serbian media for that project. Although the country is a candidate for membership in the European Union, the rhetoric of Serbian officials, and especially the *alpha* and *omega* of Serbian politics, President Aleksandar Vučić, was extremely favorable to China and Russia in relation to the West. In the period from 2010 to 2020, only 1% of foreign direct investments came from China, while 70% came from European Union countries. However, how successful the campaign to promote China was is shown by the data from 2020, according to which 71% of Serbian citizens believe that China and Russia are the most important economic partners of Serbia.³⁷

Chinese influence on Serbia is spreading in the same way as in all countries in the region. A significant difference compared to other countries is the clear support of China by political leaders in Serbia. Belgrade's political commitment to China has enabled economic influence, as the main tool of Chinese action, to flourish in that country. In the last decade, at least 61 projects have been identified in Serbia in various stages of completion by or in cooperation with Chinese actors, worth at least 18.7 billion euros.³⁸ From 2012 to 2021, Chinese companies invested or allocated more than two billion euros in only 16 projects in Serbia, and the Chinese Exim Bank approved loans for projects worth at least 5.7 billion euros. The President of Serbia also announced that Serbia will sign a free trade agreement with China by the end of 2022.



Aleksandar Vučić and Xi Jinping | Source: *Tanjug*

The lack of transparency is something that characterizes almost all Chinese projects in Serbia. In addition, a BIRN investigation in January 2021 revealed evidence of exploitation of Chinese workers in the former Mining Smelter Basin Bor, the only Serbian producer of copper and precious metals, which was taken over by Chinese Zijin Mining in December 2018. The same is with the Vietnamese workers brought to build a tire factory for the Chinese Shandong Linglong in Zrenjanin. In addition, several Chinese projects in the heavy industry can also have unforeseeable consequences for the environment.

Laying the foundation stone for the Linglong factory in Zrenjanin | Source: *Tanjug*



The strength of Chinese influence is shown by the readiness of the Serbian authorities to change the legislation in favor of Chinese companies. For these reasons, Serbia amended the Law on Special Procedures and the Labor Law.³⁹ All Chinese projects are based on interstate agreements, which

A large number of Chinese investments are in the entity of the Republic of Srpska, in the energy and transport sectors

means that Serbia has agreed that Chinese laws apply to workers brought by the Chinese side on Serbian soil.

Education, culture, and technology are also segments through which China is expanding its influence in Serbia. Serbia is deepening relations with Huawei, despite signing an agreement in Washington in September 2020, under which it has pledged to keep the Chinese technology giant out of its 5G

network. One week after signing the agreement, Huawei opened the Center for Innovation and Development in Belgrade.

Intensified media cooperation at the institutional level between Serbia and China began in 2016 when a cooperation agreement was signed between the Chinese State Council and the Information Office and the Ministry of Culture of Serbia.

There are two Confucius Institutes in Serbia – in Belgrade and Novi Sad, while the Chinese Cultural Center in Belgrade was recently opened. In addition, universities in Belgrade, Nis, and Novi Sad have intensive cooperation with Chinese cultural and educational institutions.

Along with Serbia, Bosnia and Herzegovina is the country in which China has made the most significant economic and political influence in the Western Balkans. In Bosnia and Herzegovina, 29 Chinese projects worth more than five billion euros have been identified.⁴⁰ A large number of Chinese investments are in the entity of the Republic of Srpska, in the energy and transport sectors. The political and economic connection between that entity and China is logical, considering that the political situation in Serbia is directly spilling over to the Republic of Srpska. As in Serbia, non-transparency and potential corrupt practices are something that largely accompanies Chinese projects in Bosnia and Herzegovina.

In that context, it should be pointed out that the cooperation between the Republic of Srpska and China was intensified during 2019, and continued during the next three years, with special emphasis on cooperation in the field of energy. Since 2019, the Republic of Srpska entity has signed agreements with China to build several hydro and thermal power plants. In addition to power plants and factories, the Chinese have participated in numerous infrastructure projects in the Republic of Srpska.

Albania is one of the few Southeast European countries to see a drop in Chinese investment in the last five years. The peak of Chinese investment inflows was in September 2016, when the Chinese company Geo-Jade Petroleum paid 384.6 million euros for a concession to extract oil from the Patos-Marinza field, the largest oil field in the country. Just a month later, China Everbright Group, a state-owned financial company, bought a 100 percent stake in Tirana International, then the country's only airport, for 82.25 million euros. However, instead of increasing Chinese investment, the country's economic influence has weakened in Albania. Information indicates that Chinese investors have begun to feel unwelcome. In December 2020, with another seven-year concession agreement, the Chinese company sold Tirana International without explanation, handing over management to Albania's Kastrati Group for 71m euros.

At the end of 2019, the state Radio-Television signed a broad cooperation agreement with the Chinese

state Radio-Television, which envisages the exchange of content (including films, documentaries, and cartoons), as well as staff training. The Chinese side provides a significant amount of content free of charge. Xinhua has its own correspondent office in the country, but they are not particularly active and have an explicit bias toward reporting on state and official activities.

North Macedonia is another country where China started investing strongly at the beginning of the second decade of the 21st century. The total value of 15 projects in this country is 654,434,689 euros.⁴¹

On November 26, 2013, North Macedonia and the Exim Bank of China signed a loan agreement for the 206-million-euro project for the new Miladinovci-Stip highway. Also, the Exim Bank is financing a loan to North Macedonia for the construction of the Kicevo-Ohrid highway. Sinohydro Corporation Limited is the main contractor with local construction companies Granit and Beton. This project is not finished yet, its construction is significantly delayed.

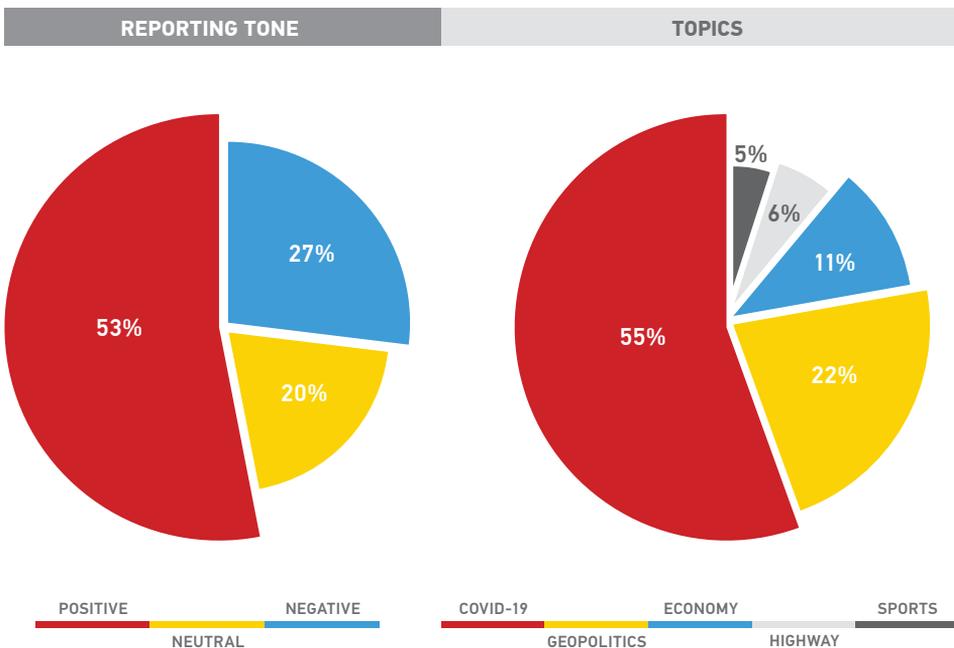
Other Chinese projects in North Macedonia are mainly health and education donations. The Confucius Institute was opened in September 2013 at the St. Kliment Ohridski National and University Library, within the University of Skopje.

North Macedonia is another country where China started investing strongly at the beginning of the second decade of the 21st century

CHINA AND MONTENEGRO

China's presence in Montenegro is relatively new and has been fueled by the alienation of the EU and the US from the Western Balkan region, due to a series of internal problems and the 2008 global financial crisis. A country with access to the sea and a candidate for EU membership, but with weak and politicized institutions, represented an opportunity for China to position itself in another strategically important country with a port and access to the EU market. Since the recognition of Montenegro by the People's Republic of China in 2006, numerous Montenegrin officials have visited China or hosted Chinese officials and study visits, with multiple bilateral agreements signed between the two countries resulting in numerous projects in Montenegro funded by Chinese loans.

Given Beijing's involvement in major energy and infrastructure projects, locals increasingly see China as a world power whose public presence is less aggressive than Russia's, which can be interpreted as a result of the media's approach to reporting on China. According to the Montenegrin media monitoring conducted by DFC in 2019, 2020, and 2021, Montenegrin media



published 8,470 relevant articles for analysis (economy, security, politics, and society) about China, of which over 50% were neutral. The most written was about the corona virus, geopolitics, economy, highway, and sports. Even though China's relations with Montenegro or any other country in the Western Balkans do not rely on any historical, cultural, or identity ties, 43% of Montenegrins view China in a positive light and not as a threat to their country.⁴² We can compare that with 34% and 40% of Montenegrins who have a negative attitude towards the United States and NATO, respectively. There may be several reasons for this trend: 1) members of part of the population who declare themselves as Serbs are likely to be distrustful of the West and especially the United States, given their role in the wars in Kosovo and Bosnia and Herzegovina; 2) the ambivalent attitude of the European Union towards the Balkans, with the Balkan population and its leaders tired of the long and complicated process of EU accession; 3) Russian and pro-Russian disinformation narratives representing Russia and China as powerful forces in technological and economic terms, which also oppose Kosovo's independence in the Security Council, while creating the EU's image as an allegedly corrupt and bureaucratic organization; 4) China's more complex approach to the region, which implies influencing all segments of social and institutional life, with donations and cooperation with the local academic community and the media.

China's extensive approach in the region, including in Montenegro, focuses on developing relations at various levels – involving everything from infrastructure and energy to culture and political parties – and aims to promote Chinese narratives and interests. Beijing has taken advantage of the geopolitical vacuum in the Western Balkans region, which has redirected the priorities of Western partners preoccupied with their own problems, properly assessing investment opportunities in strategically important sectors whose development is a necessary step to reduce the gap between the region and developed EU members.

All foreign investors in Montenegro have national treatment, and the only restriction is the requirement to have a special permit for the production

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and trade of weapons or military equipment. Also, the right of foreigners to private ownership or the establishment of companies in Montenegro is not limited. In addition, Montenegro does not currently have a mechanism to verify incoming foreign investments.⁴³ In Montenegro, data on the ultimate beneficial owners of capital do not have to be entered into the register of companies, thus leaving room for the inflow of capital originating from hidden owners and illegal activities. The signing of international agreements creates an opportunity to circumvent national regulations on public procurement and the principles of their transparency. This was exactly the case with the Bar-Boljare highway project. This example showed that investments in projects of strategic importance for the Montenegrin economy can be carried out without much-needed public scrutiny.⁴⁴

In Montenegro, data on the ultimate beneficial owners of capital do not have to be entered into the register of companies, thus leaving room for the inflow of capital originating from hidden owners and illegal activities

In addition, Montenegro has introduced an economic citizenship project, criticized by local organizations and the EU⁴⁵, which allows investors to obtain Montenegrin citizenship under the condition of financially investing in the country. Local NGOs have warned that such schemes threaten the financial integ-

egrity of investors and candidate countries, and are often used to cover money laundering or tax evasion activities. In the period from December 7, 2020, to February 15, 2022, the Government gave the most economic citizenships to the citizens of Russia – as many as 198 and China – 19.⁴⁶

It seems that the Chinese presence in Montenegro, unlike the Russian one, is not motivated by political aspirations, at least not in the sense of direct interference in internal affairs or foreign policy orientation of the country. In this context, Chinese officials, as well as the Chinese Ambassador to Podgorica, in their sporadic media appearances, insisted on a public narrative that China would refrain from interfering in political issues, with the image of an economic partner offering a win-win strategy.

Traditionally, while the EU has sought legal and institutional harmonization of Montenegro in connection with the accession process, China has focused on practical cooperation with ministries, government agencies, and companies involved in infrastructure, energy, and finance. Such Chinese engagement includes the exchange of state visits (especially frequent

in the period between 2012-2020), the signing of a memorandum of understanding, study tours, and initiatives of Chinese companies in the region.⁴⁷

The most notable project in this regard is the first section of the Bar-Boljare highway, intending to connect the south and north of Montenegro, as well as its connection to the Orient-Eastern Mediterranean corridor (ORIENT/EAST-MED) in the Western Balkans, making it part of the trans-European transport network. In 2014, Montenegro took an 809-million-euro loan from the Exim Bank to build the section, and the main contractor is China Road and Bridge Corporation (CRBC), a large Chinese state-owned company.

This credit arrangement has caused much controversy due to the non-transparency of the loan agreement as well as the construction process, which NGOs coping with corruption have linked to former government officials.⁴⁸ Apart from the highway, there are a number of other energy and infrastructure (non)transparent projects. Chinese companies are involved in improving the country's railway network and are also involved in the energy sector. *Dongfang Electric Corporation* is carrying out the ecological reconstruction of the Thermal Power Plant in Pljevlja, which should be completed by 2023.

Apart from the economic one, the cooperation is especially visible in the spheres of education and research, where the University of Donja Gorica (UDG) has established itself as a center of Montenegrin-Chinese cooperation with numerous research projects, exchanges, and joint study programs. At UDG, the Confucius Institute has been operating since 2019, while it has been

The Moračica Bridge, first section of the highway in Montenegro | Source: AFP



operating at the State University of Montenegro since 2015. Activities dedicated to China are organized through the Confucius Institute, such as important traditional Chinese festivals and lectures on Chinese culture; summer camps, and exchange of Montenegrin and Chinese students and professors between the two universities to gain and enrich the intercultural experience.

The University of Donja Gorica has developed cooperation with Chinese universities and business entities. UDG has signed agreements with ten uni-

Activities dedicated to China are organized through the Confucius Institute, such as important traditional Chinese festivals and lectures on Chinese culture; summer camps, and exchange of Montenegrin and Chinese students and professors between the two universities to gain and enrich the intercultural experience

versities in China, exchanges students, and staff, and with some of them (Xihua University, Beijing Union University, and Southwester University of Finance and Economics) implements students and staff exchanges. Companies from China that significantly cooperate with the University of Donja Gorica are Sichuan Road and Bridge Group Corp. and Sichuan Tianfu Bank. In addition to acquiring knowledge in the fields they are studying, all students and associates during their stay in China learn the language and study Chinese culture and tradition.⁴⁹

The Montenegrin Chamber of Commerce organized several visits of business delegations from China and signed several memoranda of cooperation with Chinese business associations and business centers. The Chamber of Commerce also signed a

Memorandum of Cooperation with the Tianjin Chamber of Commerce in 2001. Memoranda of cooperation with the Beijing Chamber of Commerce, as well as with the Chinese Council for the Promotion of International Trade, were signed in 2017. A memorandum of understanding between the Arbitration Court within the Chamber of Commerce of Montenegro and the International Arbitration Center in Shanghai was signed in 2019.⁵⁰

On the other hand, security and technological cooperation between Montenegro and China hasn't gained momentum. Montenegro is a member of NATO, which seriously limits the possibilities of security arrangements with Beijing. Huawei is commercially present in Montenegro but is not currently involved in the implementation of the 5G project for commercial purposes.⁵¹

The Chinese Embassy in Podgorica has made several financial donations, including those to primary schools and the health sector.⁵² Following the



Receiving a Chinese donation of vaccines against COVID-19 in March 2021

Source: Government of Montenegro

COVID-19 pandemic and the controversy over the origin and spread of the virus, China has emerged as a generous donor in the Balkans and Montenegro, giving the impression of defeating the coronavirus and further positioning itself as a global power. In 2020 and 2021, China repeatedly donated medical equipment and Sinopharm vaccines to help the Montenegrin health system fight COVID-19.

The growth of China's influence in Montenegro can be seen through regular participation in the annual *16+1* forums and the *Belt and Road* initiative. From the very beginning, in 2012, Montenegro has been participating in every *16+1* Initiative summit used to reaffirm commitment to the Initiative, build closer relations between Podgorica and Beijing, and highlight readiness to strengthen cooperation in the economy, energy, transport, and tourism. By strengthening cooperation, Montenegro wants not only to increase the export of high-quality products to the market of the People's Republic of China, increase the exchange of students, artists, scientists, and cultural workers but also establish tourism cooperation. In Sofia, in 2018, the Financial Agreement was signed with the Bank of China in support of the Investment and Development Fund of Montenegro (IDF MN) for the development of small and medium enterprises in Montenegro. Apart from the highway, the annual meetings also discussed the implementation of several other projects in Montenegro, such as the development of the Port of Bar, the construction of the Verige Bridge, an industrial park, and a bypass around Budva.

The political aspect of the Chinese presence

Since the beginning of Sino-Montenegrin diplomatic relations in 2006, the two countries have signed a total of 17 cooperation agreements and memoranda of understanding. Areas of formalized cooperation include diplomacy, culture, education, infrastructure, health, and agriculture. In 2017, the two countries signed a Memorandum of Cooperation at the first forum of the BRI initiative in Beijing. The Montenegrin president participated in the BRI summit held in February 2021. In 2021, the local government in Podgorica also participated in the summit of local leaders hosted by the Chinese province of Liaoning.⁵³ In 2008, Chinese public broadcasters signed a Memorandum of Cooperation with the Montenegrin public service, Radio Television of Montenegro.

Although China is a global power, its political influence in Montenegro is limited for now, primarily due to the small potential of the Montenegrin economy, NATO membership, and the orientation of citizens towards the EU.

However, the backbone of Montenegrin-Chinese relations is the controversial highway project, which began in 2015 during the rule of the Democratic Party of Socialists. The 42nd Montenegrin government was forced to renegotiate the terms of the Chinese loan repayment and, through negotiations

The plan of the highway



with Western banks, agree on a new arrangement, thus reducing interest rates.⁵⁴ Controversies over the construction of the Smokovac-Mateševo section of the Bar-Boljare highway, in addition to the economic one, also acquired a political character, because many processes pointed out the oversights of the then government, which resulted in additional costs and prolongation of the project.

Beijing has been nurturing political relations with the Democratic Party of Socialists for a long time, which is evidenced by over 75 interstate official visits and meetings in the period from 2006 to 2020. Contacts continued after the change of government in 2020 in Montenegro.⁵⁵ While ties with China have been publicly described as *good, traditional, and fraternal*, and the highway presented as a *symbol of friendship*, messages have been sent that European officials' criticism of China's presence in Europe is out of place and that the EU needs to reconsider its agenda and relations with China.⁵⁶ During numerous meetings and visits, the advantages of cooperation with Beijing in the areas of road and transport infrastructure, environmental protection, digital technologies, and valorization of water and forest resources were often highlighted.⁵⁷ However, the picture presented to the public remains in stark contrast to the real problems of Chinese investment and presence, with environmental destruction and non-transparency of the processes being the primary concerns.

■ Chinese projects in Montenegro

Although China is perceived as a major investor in the Balkans, most of its investments are loans from Chinese banks, often conditioned by higher interest rates than loans offered by Western financial institutions. China's lending procedures do not require as much supervision and control as loans provided by Western institutions. This allows project funds to circulate out of control, and China often makes these loans under the condition of engaging the Chinese workforce in the project.

CRNOGORSKA AND BARSKA PLOVIDBA

The first major business arrangement between China and Montenegro was the directly contracted procurement of ships for two state-owned companies, *Crnogorska* and *Barska plovdba*. During 2010 and 2013, the Montenegrin government issued \$93.7 million in state guarantees to Chinese shipping companies for the purchase of four ships, representing approximately 2 percent of GDP. The loan arrangements were realized in cooperation with the Chinese company Poly Technologies, which built ships for the needs of the companies *Crnogorska plovdba* (*Kotor* and *Dvadesetprvi maj*) and *Barska*



The *Kotor* ship owned by state company *Crnogorska plovidba*

plovidba (*Bar and Budva*), while the loan was provided by the Chinese Exim Bank. The agreement stipulates that in the event of a dispute over the payment of guarantees, the arbitration will be organized in Beijing. According to the findings of The Network for Affirmation of NGO Sector (MANS), the Montenegrin government has not conducted an adequate economic analysis of the cost-effectiveness of this project.⁵⁸ Criticisms that warned that a significant part of the loan would eventually have to be paid by Montenegrin citizens were well-founded because, after a grace period of 5 years, the Government usually paid its obligations to Exim Bank from the budget. However, as announced, in 2022, *Barska* and *Crnogorska plovidba* will be able to pay two installments for the purchase of ships from their own revenues. The return of several installments owed to the state was also announced from *Barska plovidba*.⁵⁹

HYDROPOWER PLANTS

Chinese companies are showing a growing interest in the implementation of renewable energy projects in Montenegro. Activities in this area began in 2016 when the Chinese state-owned companies China Power and the State Development & Investment Corporation (SDIC) expressed interest in building hydropower plants on the Moraca. The final bids for this project were ultimately submitted only by Norinco International Ltd. from China

and Bereket Enerji from Turkey. The public is not aware of further developments regarding this project.

The Podgorica-based company World vision corp (WVC) intends to build the first kinetic-powered power plants in Montenegro. In November 2019, the company announced that it would enter into a project with strategic partners, the Chinese state company China Rainbow International Investment (CRIIC) and the German-Swiss holding Save the Planet, ready to invest in Montenegro in power plants larger than 100 megawatts (MW).⁶⁰

RECONSTRUCTION OF TPP PLJEVLJA

In 2019, the Montenegrin energy company Elektroprivreda Crne Gore (EPCG) delegated the project of ecological reconstruction of the Pljevlja Thermal Power Plant to a consortium that includes the Chinese DEC International, Bemax from Podgorica, and BB Solar. The 54.4 million-euro project includes the installation of a desulphurization and denitrification plant, the improvement of the electrostatic precipitator plant, the construction of a wastewater treatment system, and the reconstruction of the internal ash and slag transport system. In addition to the mentioned consortium, the German-Slovenian consortium Hamon-Rudis and the Chinese group Shanghai Electric also applied for the tender, but their bids were significantly more expensive. It is planned that the realization of the project will take place in the period from 2019 to 2021. It is important to note that one of the companies in the

Thermal power plant Pljevlja



consortium selected as the best bidder in the tender, Dongfang Electric Co-operative, was among six large state-owned companies that were the target of public criticism by China's main anti-corruption agency after inspections revealed violations of anti-corruption regulations.⁶¹

In 2021, the consortium requested an additional 15 million euros for the ecological reconstruction of the TPP, although 11 million were paid to them in 2020, without the works even starting. Finally, the cornerstone for the ecological reconstruction of TPP Pljevlja was laid at the end of April 2022.⁶²

MOŽURA WIND FARM

The Možura wind farm in the vicinity of Ulcinj, an investment by a Maltese state-owned company, worth around 90 million euros, was solemnly put into operation on November 18, 2019.⁶³

Možura will produce about 120 GWh of energy a year, replacing energy imports worth about six million euros, the government said. The 46 MW production facility consists of 23 windmills with a capacity of 2 MW each. The investment is being made by the Maltese state-owned company Enemalta (66 percent owned by the state of Malta and 33 percent owned by China's SEIP, a subsidiary of China Power Investments) and Možura Wind Park, owned by the Fersa-Celebic consortium. Shanghai Electric Power Engineering, while Bemax was hired as a subcontractor on this project. Several affairs are connected to the project.⁶⁴

The Government pointed out in 2019 that the long-term lease agreement determined that the wind farm, after the lease period, will be completely revitalized and become the permanent property of the state of Montenegro in 2035.⁶⁵

Možura wind farm



RECONSTRUCTION OF THE TARA BRIDGE

In December 2020, a contract was signed on a Chinese donation of 7.05 million euros to Montenegro for the project of reconstruction of the bridge on Đurđevića Tara, which is very famous in China because of the popular Yugoslav film Bridge.

It was also announced that after the completion of the main project, the Chinese side should choose the contractor, which is defined by the signed contract.

The Ambassador of China to Montenegro, Liu Jin, pointed out that the Bridge on Đurđevića Tara is an important traffic, historical and tourist facility in Montenegro.

The Tara Bridge



ADRIATIC-IONIAN HIGHWAY

In November 2015, Montenegro and Albania signed a memorandum of understanding with China Pacific Construction Group (CPCG) to build a 1.4 billion-euro express highway between Montenegro and Albania – as part of the Adriatic-Ionian highway, which includes Bosnia and Herzegovina, Croatia, Montenegro, Albania, and Greece. Despite the announcement that the construction of the 110-kilometer connection will be completed in 2018, the project has stopped.

The Ministry of Capital Investments announced on June 28, 2021, that the average estimated price of a highway per kilometer along the Montenegrin coast is around 13.2 million euros. Given that the road should be about 110



Adriatic-Ionian highway

kilometers long, according to preliminary data, it could cost about 1.45 billion euros. The Ministry of Capital Investments announced that the project of a road along the Montenegrin coast should primarily unburden the city core and redirect traffic flows to bypasses around certain coastal cities⁶⁶, noting that, given its strategic importance and maturity, the project of a fast road along the Montenegrin coast is included within the indicative expansion of the Trans-European Transport Network in the Western Balkans and is part of a broader initiative marked at EU level as the *Blue Highway*.

Although the Government of Montenegro announced in December 2021 that the section through Montenegro will be built by the American company Bechtel⁶⁷, which was previously associated with controversial projects in the region⁶⁸, on the new list of development infrastructure projects adopted at the Government session, 29. December 2021, there is no such project. The public is not aware of further developments on this issue.⁶⁹

KOLAŠIN-KOS RAILWAY RECONSTRUCTION

The Kolašin-Kos railway modernization program on the Belgrade-Bar railway in Montenegro is financed by a loan from the European Bank for Reconstruction and Development (EBRD). In 2015, China Civil Engineering

Construction Corporation (CCECC) won a tender for construction. The project was completed in December 2017.

The total value of this work was about six million euros, while the project employed about 70 workers.

■ The highway

Montenegro is the only country in the Balkans that has not had a single kilometer of the highway so far. This fact, as well as Montenegro's reliance largely on tourism and trade, has made road infrastructure an important issue, despite Montenegro's rather inaccessible geographical terrain structure and the low level of road safety. However, the economic viability of the highway has been controversial since the government decided in 2008 to build the highway through a public-private partnership. From the beginning, it was considered that the highway project had no economic justification. Two independent studies conducted by the French company Louis Berger, in 2009, and the American company URS, in 2012, concluded that the highway would not have enough traffic flow to justify the project.⁷⁰ Alternative solutions have been suggested from Europe, such as the modernization and widening of existing roads. There were warnings that Montenegro could be trapped in debt bondage status if the country continues the project.

Montenegro's first attempt to find a partner in the project was conducted through a transparent and open tender process, although negotiations with the

Croatian Konstruktor failed. The government then began negotiations with the Greek-Israeli company Aktor/HCH, which was also unsuccessful because the company was unable to provide the necessary financial guarantees. Despite claims that the project was not financially viable, the then government started the project and chose Chinese partners in the process. Some non-governmental organizations pointed out that the realization of the project was, among other things, motivated by satisfying the financial interests of local companies close to the then-ruling DPS.

At the session on July 4, 2013, the Government assessed as first-ranked and accepted the offer of Chinese companies CCCC and CRBC for the design and construction of the priority section Smokovac-Uvac-Mateševo 41 km long, as part of the 170 km long "Bar-Boljare" highway. The contracted value

**From the beginning,
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for design and construction is € 809.6 million, with 85% of the funds provided from the loan of Exim Bank, and 15% from the budget of Montenegro.

The completion of the construction of the first section was originally planned for May 2019, but the deadline has been continuously broken. According to current information, the first section will be open for traffic in 2022. The annex to the contract did not identify the culprit for the delay, but CRBC told the media that the extension was conditioned by necessary works such as connecting roads and loops Smokovac, Veruša, and Mateševo, which were not part of the initial project, water supply, and permanent power supply resulted in additional costs of €134 million and criminal charges.⁷¹

Local NGOs, including MANS, warned that the entire project remains non-transparent, as the new government continued the practice of presenting project documentation as classified, with only a few people aware of the full financial details of the project. The same NGOs warned that local companies engaged as subcontractors, such as BEMAX, are profiting from a project that allegedly leads Montenegro right into debt bondage.⁷²

Many documents related to the planning and construction of the highway are protected by secrecy, and the public does not have a complete picture of this project even after several years. The conclusion of an intergovernmental agreement and a credit arrangement under that agreement circumvented national regulations that increase control and transparency, including those on public procurement.⁷³ *The agreement with Exim Bank stipulates that Montenegro waives immunity based on sovereignty or otherwise for itself or its property, except property related to diplomatic and consular missions and military property, in connection with any arbitration proceedings under the agreement.*⁷⁴

The bed of the river Tara near Mateševo April 22, 2021 | Source: Green Home



Also, the issue of environmental impact was raised. Based on the decision of the Basic Court in Podgorica from November 17, 2021, CRBC should pay around 200,000 euros for the destruction of fish fauna and other wildlife in the Tara River during the construction of the Bar-Boljare highway.

Conditioning the agreement by Chinese partners, which includes potential arbitration in Beijing in the event of a dispute, exempting the CCCC and CRBC from income and import taxes with a project that relies heavily on hiring Chinese labor, has opened up questions. In addition, the project faced serious delays, resulting in the need for Montenegro's additional 90 million euros loan.

The debt-to-GDP ratio of 57 percent in 2012 rose to 69 percent in 2015, then to almost 73 percent in 2018, 107 percent in 2020, and 105 percent in 2021.⁷⁵ It is predicted that this project will represent a great burden on public finances in the coming years. Although the Chinese presence is not primarily motivated by the influence on the domestic or foreign policy of Montenegro, the potential effect of the project and the loan by which it is implemented in the future may spill over into political decisions.⁷⁶

It is predicted that this project will represent a great burden on public finances in the coming years

FEAR OF DEBT BONDAGE

Although The International Monetary Fund (IMF) warned that the rush to complete the highway is likely to jeopardize Montenegro's fiscal sustainability, the construction of the remaining three sections has entered a new phase of uncertainty over the coronavirus pandemic crisis (COVID-19), which has hit the Montenegrin economy hard. A report by the Washington-based Center for Global Development, which investigated BRI-related debt risks, listed Montenegro as one of eight high-risk countries, along with Djibouti, Maldives, Laos, Mongolia, Tajikistan, Kyrgyzstan, and Pakistan.⁷⁷

In June 2020, the Montenegrin government requested funding from the IMF under the Rapid Financing Instrument (RFI), stating that until the prospects for public finances improve significantly, it will not undertake further construction of the Bar-Boljare highway or other major capital expenditures that could jeopardize debt sustainability.

The main corrosive effect of the Chinese loan is reflected in the fact that it blocks the autonomy of the current and future Montenegrin governments because it is financially tying the hands of Montenegro in the years to come. Under the burden of high public debt, Montenegro is finding it increasingly difficult to find money in financial markets and is already borrowing at less

favorable interest rates than neighboring countries. Montenegro's public debt discourages potential investors because they see a possible tax increase to finance public debt as an unjustified business expense. Lack of inflows of investment and other revenues may make it difficult for Montenegro to finance reform projects.⁷⁸

The intervention of the then Deputy Prime Minister of Montenegro, Dritan Abazović, in March 2021 in the European Parliament, when help was requested to repay the loan, shook the confidence of investors and led to a sharp decline in the value of Montenegrin government bonds.⁷⁹ The former Minister of Finance and Social Welfare confirmed in an interview with the Financial Times that Montenegro needs help when he announced that the Government would seek financial assistance from a number of Western organizations, including the European Commission, the European Investment Bank, and the European Bank for Reconstruction and Development.⁸⁰

Although the EU said it did not have a mechanism to directly cover or refinance Montenegro's debts, Brussels expressed concern over the social, economic, and financial effects of China's business arrangements in the region. The EU fears that Montenegro could be another victim of Chinese "debt diplomacy" and that Beijing will try to turn the loan into political capital if Montenegro cannot repay the loan.

Abazović's appearance provoked reactions and geopolitical arguments in the foreign policy community about why the EU should get involved in

Presentation of Dritan Abazović at the European Parliament's Committee on Foreign Affairs | Source: Government of Montenegro



order to oppose China's growing presence in Montenegro. The Chinese state-owned company COSCO Shipping Lines already owns a majority stake in the Greek Port of Piraeus, 47 percent of the Italian Port of Genoa, and 35 percent of the Dutch Port of Rotterdam.

The construction of the highway in Montenegro caused controversy because of the currency risk because the deal was originally agreed upon in dollars, but also because of the cost of building a kilometer of road. The European Union has repeatedly warned in recent years about the danger to the Montenegrin economic system due to the loan that Montenegro took from a Chinese bank.

At the end of March 2021, the EU expressed its readiness to help Montenegro find a solution to repay the debt. In July 2021, the Government of Montenegro implemented a hedging arrangement with Western partners (two American and one French bank), based on which the interest rate was lowered from 2% to 0.88%, and the first installment of EUR 29 million was returned to China's Exim Bank.⁸¹

■ Investments and trade

In Montenegro, the share of capital participation from countries with authoritarian, hybrid regimes in foreign direct investment has increased significantly in the past seven years. Although the policy of pro-Western orientation of the state was publicly proclaimed in that period, economic relations with foreign countries largely depended on states that do not belong to that value system.⁸²

From 2006 to the end of 2019, Chinese investments in Montenegro amounted to only about ten million euros. According to the Central Bank, China invested 6.4 million euros in 2021, compared to 2020, when it was the second-largest investor after Russia, with 71 million euros.⁸³

Data on individual Chinese investments in the report of the Central Bank of Montenegro are marked with a *C* for confidentiality, which makes confidential information about the type of these investments, individual transactions, companies, banks, or transactions.⁸⁴ It is only stated that the Chinese investments referred to investments in companies in Montenegro or their purchase, purchase of real estate and the so-called intercompany debt, i.e. companies from Montenegro borrowed money from companies from China.

It turns out that in 2020 alone, China invested 10 times more money in Montenegro than in the entire previous decade. It is also interesting that 70 million euros of Chinese investments, which the Central Bank marked as secret in its report, were invested during the coronavirus pandemic, at a time of serious challenges for the world economy.⁸⁵

China has not yet become a major investor in Montenegro as in the region (Željezara, heating, railways, Corridor 11, Bor mine – in Serbia, thermal power plants – in Bosnia and Herzegovina), but it is a major lender and contractor and significantly participates in the foreign trade balance.

According to Monstat data, Montenegro imports the most goods, besides Serbia and Germany, from China.

Last year, in 2021, imports from that country amounted to almost 245 million euros, or 10 percent of total imports, while exports were only 5.6 million euros or just over 1% of total exports.

FOREIGN TRADE IN GOODS WITH CHINA IN THE PERIOD 2015-2021 ⁸⁶

IMPORT - EXPORT / CHINA				
Year	Import		Export	
	%	EUR	%	EUR
2021	9.8%	245,172,000	1.3%	5,683,000
2020	10.4%	218,000,000	6.0%	22,136,000
2019	8.5%	221,954,000	4.2	17,413,000
2018	10.0%	256,624,000	3.5%	14,010,000
2017	9.6%	221,410,000	1.7%	6,450,000
2016	9.0%	185,182,000	5.8%	18,932,000
2015	10.3%	189,591,000	2.5%	7,904,000

During 2021, 40% of exports to China from Montenegro were non-ferrous metals, while beverages accounted for 30%. Total Montenegrin exports in the same year amounted to 437.1 million euros, which means that exports to China account for 1.3% of total Montenegrin exports.

China was the second-largest trade partner of Montenegro when it comes to imports in 2021, after Serbia. Total imports in 2021 amounted to 2.5 billion euros, which means that 10% of imported goods into the country came from China. Just over 15% of these goods are telecommunications apparatus and equipment for sound recording and reproducing (37 million euros).

Electrical machinery, apparatus, and appliances, as well as electrical parts (including non-electric analog household electrical appliances), account for 11% of total imports from China. Garments and clothing accessories account for 10% of total imports from China.

According to the data obtained by the DFC from the Central Register of Business Entities (CRPS), there are 208 active companies in Montenegro founded by Chinese citizens, which is an increase compared to March 2021, when the number was 179.⁸⁷

■ China and tourism

Currently, holders of diplomatic and official passports of Montenegro and the People's Republic of China can travel to these countries without a visa for up to 90 days. Citizens of the People's Republic of China who have a valid travel document or business passport can enter, cross the territory and stay in Montenegro for up to 30 days without a visa if they have an invitation letter or are part of an organized tourist group and have proof of payment of tourist package and proof of ensured return to the country of origin or transit.⁸⁸

Since 2008, promotional activities on the emitting market of the People's Republic of China have been continuously realized. Promotional activities began during the 2008 Beijing Olympics and continued during the 2010 World Shanghai Exhibition, appearances at tourism fairs and exchanges, and tourism offerings. Initiative *16+1* has proven to be one of the most successful when it comes to regional cooperation. Within this initiative, cooperation has been established with the NTO of China (CNTA), which provides logistical support for the promotion of this region. Through the initiative, a joint appearance at tourism fairs in the People's Republic of China was organized. NTO Montenegro regularly participates in seminars and forums in China in order to promote the country, but also to exchange experiences.⁸⁹

In the conditions of the pandemic, during 2020 and 2021, within the *16+1* Initiative, a project was realized which consisted of webinars and live streaming for the Chinese market and promotions on the Chinese networks Weibo and WeChat⁹⁰, during which they were given the opportunity to show comparative advantages of the destination. The project was designed in cooperation with the Tourist Coordination Center based in Budapest and the Chinese tour operator GEG Travel⁹¹. Recently, Montenegro was named the best foreign destination with a natural landscape by the specialized Chinese magazine for tourism and travel *Traveling Scope*⁹², while earlier the Chinese tourist magazine *WiTrip*⁹³ awarded Montenegro the prestigious award *TOP 10 dream destinations*.

Apart from this initiative, NTO Montenegro (National Tourism Organization) has established cooperation with NTO Serbia in the field of product development and promotion, and the creation of a common visual identity and slogan Wild Soul of Europe⁹⁴ – a combination of Wild Beauty and Soul Food. This identity was performed at tourism fairs in the People's Republic of China and was promoted during joint study trips of journalists and tour operators from the People's Republic of China, through media appearances and articles, as well as through an online campaign. The National Tourist Organization of Montenegro, in cooperation with the Tourist Organization of Serbia, participated in the international tourism exchange CITM, which was held in November 2021 in Shanghai. CITM is one of the most important tourism exchanges in the People's Republic of China, and the organizer is the Chinese National Tourism Administration – CNTA.

Although the Chinese ambassador, in September 2021, emphasized that more and more Chinese are choosing Montenegro as a tourist destination, the official figures say otherwise.

ARRIVALS AND OVERNIGHTS OF TOURISTS FROM CHINA 2016-2021.⁹⁵		
Year	Arrivals	Overnights
2021.	1 514 (0.2%)	3207 (0,2%)
2020.	3 060 (0.9%)	6 143 (0.3%)
2019.	74 833 (3%)	97 726 (0,7%)
2018.	42 715 (2,1%)	56 620 (0,5%)
2017.	23 495 (1,3)	33 810 (0,3%)
2016.	11 894 (1,6%)	16 901 (0,5%)

When it comes to tourism, the Đurđevića Tara Bridge is one of the most important destinations for Chinese tourists, due to the 1969 film *The Bridge*, which is very popular in China. A poster of this bridge can be found at Beijing Railway Station, while a statue of the bridge carved on ice can be found at China's annual Ice and Snow Festival.⁹⁶

CONCLUSION

The Communist Party's efforts to build an *isolation wall* around China, creating a perception that differs drastically from the version of events in other parts of the world, are based on the synergy of state media, social networks, and censorship.

China's global rise poses a serious challenge to the United States, the European Union, and some European governments. The United States and the European Union have brought their positions closer to China's actions and have begun to recognize that cooperation and partnership among allies are key to meeting the challenges posed by China. China is a country that does not share the same values as the European Union and the United States, which is evident in the examples of the suppression of democratic freedoms and human rights. China's interests range from ensuring economic prosperity that would be environmentally sustainable; moving toward the West, which Beijing is doing through projects such as the *Belt and Road Initiative*; positioning China in Europe and the United States, and trying to reshape the current world order based on liberal democracy to one that will be adjusted to China's national interests and strategic goals.

China has skillfully exploited the political vacuum in the Balkans, strengthening its presence in the region. The key driver of Beijing's influence in Southeastern European countries is the expectation that China can help the region improve its infrastructure, strengthen itself economically, and thus catch up with developed Europe. China's actions and influence are clearly visible in the countries that are members of the European Union, and especially in the countries of the Western Balkans that aspire to join the European community of nations. The Balkans are a stepping stone and a bridge for expanding Chinese investment and credit lines and establishing a significant economic presence in Europe.

In essence, Beijing is not against the EU integration of the Western Balkan countries, but its influence undoubtedly slows down the democratization of the region. Since the beginning of the coronavirus pandemic, the European

China's actions and influence are clearly visible in the countries that are members of the European Union, and especially in the countries of the Western Balkans that aspire to join the European community of nations

Union has focused significantly on China and its impact on member states, but also on candidate countries. Commitment to combating China's economic influence has yielded some results, especially within EU countries.

Despite China's significant economic presence in the Balkans, influence is currently limited due to a lack of stronger political influence. Russia's invasion of Ukraine further complicates Chinese action in the region. The war united the countries of the European Union, strengthened its partnership with the United States, and spurred cooperation throughout NATO. These factors will make it significantly more difficult for China to achieve its long-term

goals in Europe. Although China supports a world order based on rules of respect for sovereignty and territorial integrity, it has not yet made a clear strategic choice over the war in Ukraine, carefully weighing its international position and trying to balance the conflicting parties.

Geopolitical changes in the Balkans have prompted countries in the region to re-strengthen security ties with the United States, given their reliance on Washington and NATO as guarantors of security. Negative attitudes towards Russia have also increased skepticism towards China. In addition, China is slowly losing its image

as an economic savior in countries such as Greece and has failed to maintain significant influence in Albania and North Macedonia. Bosnia and Herzegovina and Serbia are currently important Chinese strongholds in Europe.

Montenegro, like the rest of the Balkans, suffers from chronically weak state institutions that are often politicized and personalized, with a deficit in the rule of law. Beijing's agenda regarding the development of huge infrastructure projects and lending to Montenegro raises a very serious question about the long-term consequences of the influx of Chinese money. Montenegro's continued use of Chinese funds could lead to a loss of its attractiveness as a desirable destination for reputable foreign investors.

As a new member of NATO, with a relatively weak institutional capacity, Montenegro is, strategically, an ideal target for expanding Chinese influence in Europe. Western allies are paying close attention to China's geopolitical investments in important infrastructure facilities in Europe, such as roads, railways, and ports. Therefore, it is not surprising that in the discussion on helping Montenegro to deal with its debts to China, the argument that it is important to prevent Beijing from taking over another port in a NATO member state came to the fore. However, it is unclear whether Montenegrin

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territory actually serves as collateral in the loan, as the relevant part of the agreement is unclear. Comprehensive studies such as the one conducted by Rhodium Group suggest that seizure of property from China is extremely rare, while debt forgiveness and refinancing are common.⁹⁷

Beijing cares about partners who support the policy of *One China*, so it is unrealistic to expect that China could confiscate state property if Montenegro is not able to repay its debt. It is more likely that Beijing will opt for a much more pragmatic approach, which is reflected in debt restructuring, given that Montenegro's membership in the EU may have positive implications for China's economic and political interests.⁹⁸

On the other hand, the new EU economic and investment plan for the Western Balkans of 3.2 billion euros is a good response to China's penetration in the region. It is questionable whether it will be a sufficient stimulus and encourage countries to refrain from risky partnerships with third parties. The West will have to prove its commitment to the integration of the Balkan countries into the EU and express its readiness to become even more actively involved in geopolitical trends in the region. The absence of its engagement when it comes to Montenegro could lead to further strengthening of the anti-Western narrative at the time of the Russian invasion of Ukraine, which further polarizes Montenegrin society.

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