



MONTENEGRIN HIGHWAY AND
OTHER HIGHWAY PROJECTS IN
ALBANIA AND MACEDONIA

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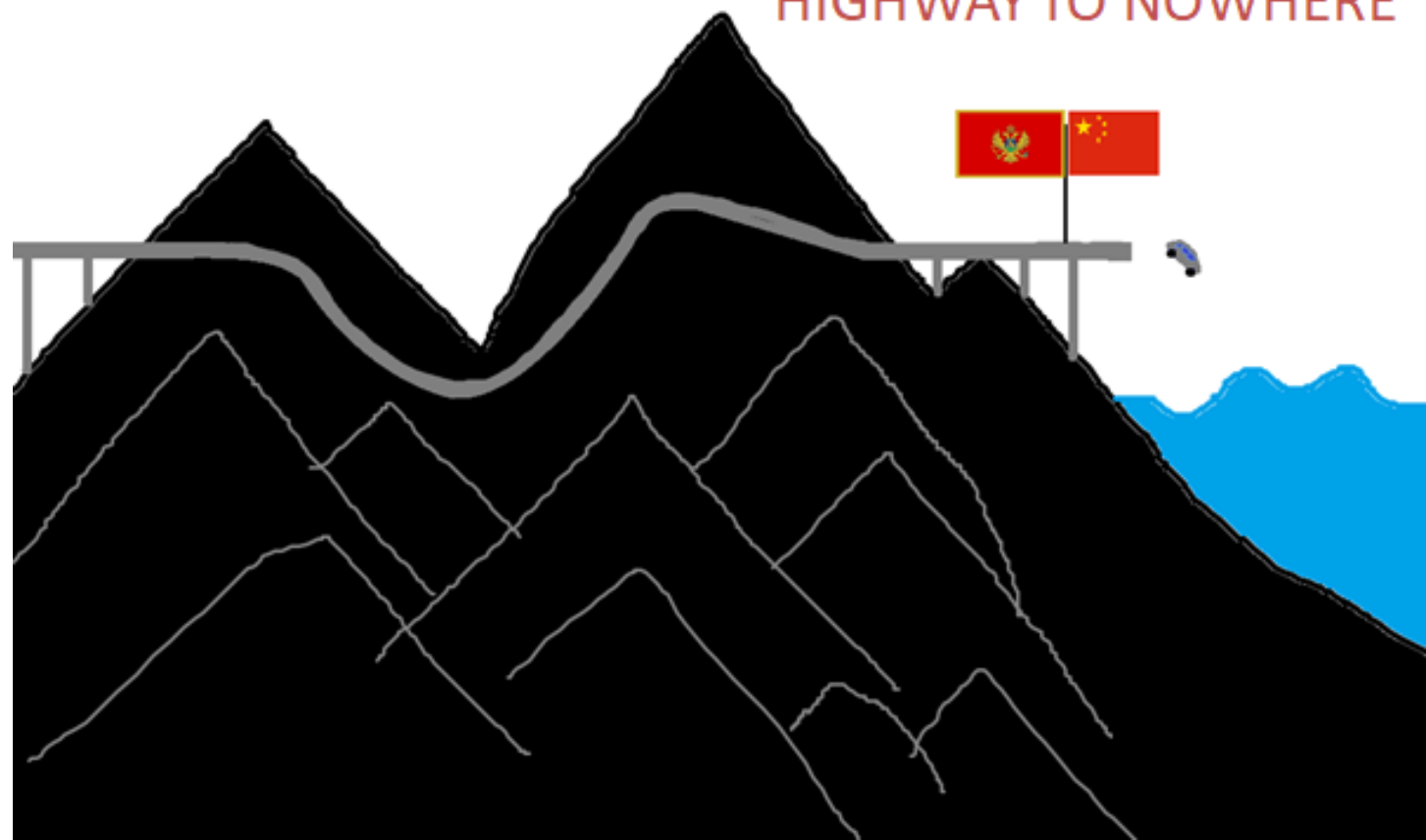
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Balkan Silk Road

- 16+1 Initiative
- Belt and Road Initiative
- Albania, Montenegro and Macedonia want to access the EU
- New way how to transport goods to the EU markets
- Chinese loans are a welcome complement to EU funds
 - It is rather hard for EU candidate states to access large EU structural funds
 - Chinese loan less complicated, more accessible and more speedy implementation

MONTENEGRO

“HIGHWAY TO NOWHERE”



Route Belgrade – Boljare – Bar



15.03.2014

Construction

- Project almost abandoned, but then China came in
 - not viable: 6 000 vs. 20 000+ cars/day
 - secret study
- No tender – EXIM Bank loan, money goes back to Chinese company, „cheapest“ option for MNE
- began May 11, 2015
- 1st stage:
 - north – Mataševo-Smokovac, 41 km, around 800 mil €
 - harsh terrain: 63m to 1100m altitude, 20 bridges...
 - should be finished by April 2019
 - public debt around 70% GDP
- next stages – signed memorandum for PPP, total cost around 1.2 bil € - suddenly viable?



Opinions

- opposition criticism:
 - MPs not informed
 - the public not informed
 - high costs:
 - first stage = half the government budget, 680 million € debt at EXIM Bank; 120 million € government funding
 - contractors VAT exempt, need to import raw materials
 - debt partly paid off by tolls?
- government:
 - „Not a road from nowhere to nowhere“, but connection to Belgrade, Budapest, Bucharest
 - „We should have done it 10 years ago“
- Mladen Grgić: “This highway is a big deal in Montenegro. It reminds people of Tito and the days of grand socialist projects in the region ... But it’s a trap. Now that it’s been started, the politicians can’t stop it – no matter how harmful it might be. And frankly they don’t want to.”

Concerns for MNE

Proposal of ad-hoc law about the highway (2014)

§ Capital outflow:

- foreign labor exempt of income tax and other taxes
- 30% quota for domestic workers

§ Chinese legal upper hand:

- arbitration court – government denies
- contract provisions by Chinese law

§ Warrant:

- all government property except military and diplomatic
- Environment – protected Tara river



Supposed Benefits

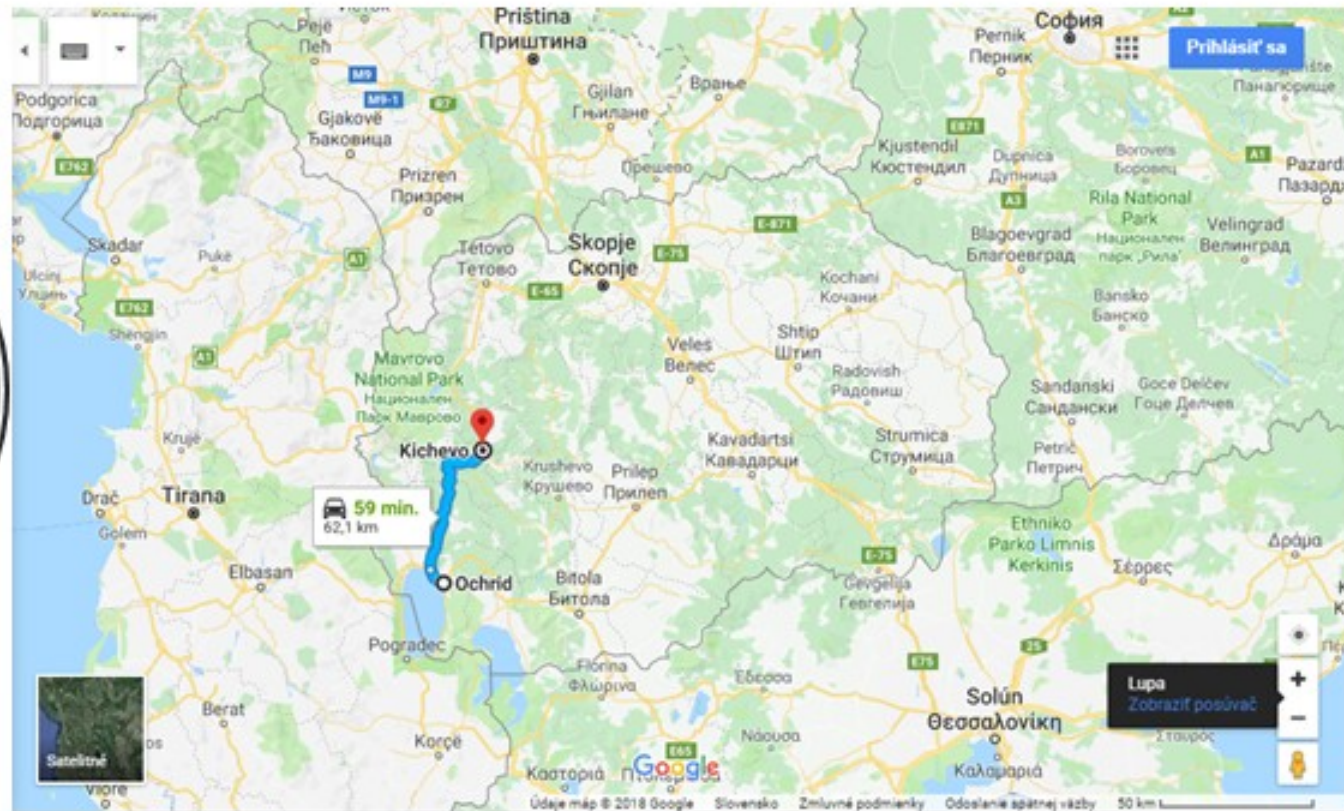
- Improved traffic safety and speed
- Better connection to neighbours – planned regional connectivity
- Better use of Bar – trading port
- Montenegro strong



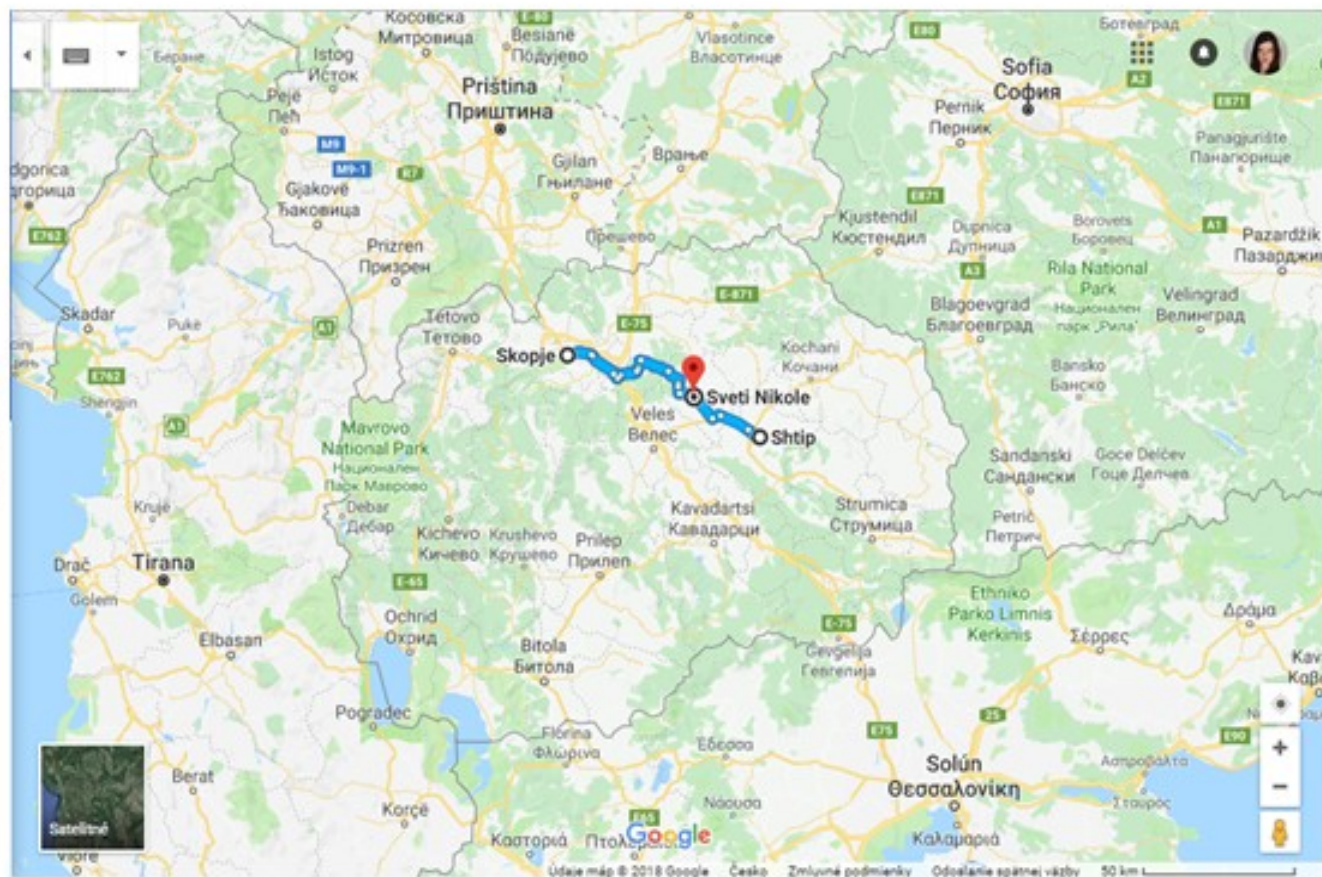
MACEDONIAN HIGHWAYS



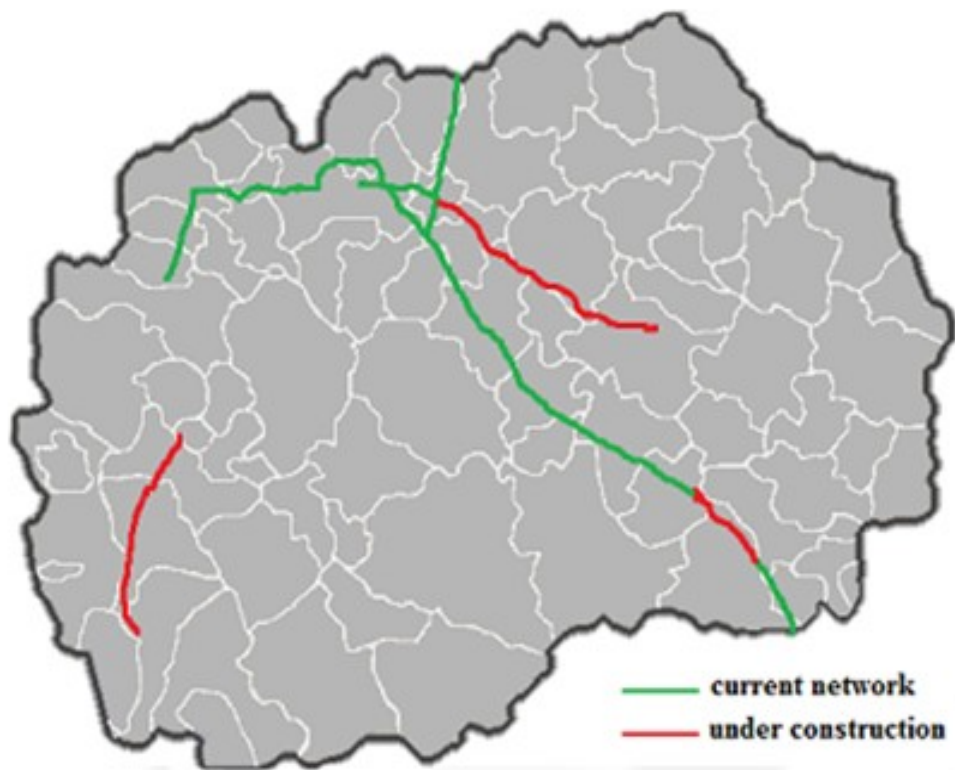
KICHEVO- OHRID



Skopje-Štip



CURRENT vs
UNDER
CONSTRUCTION



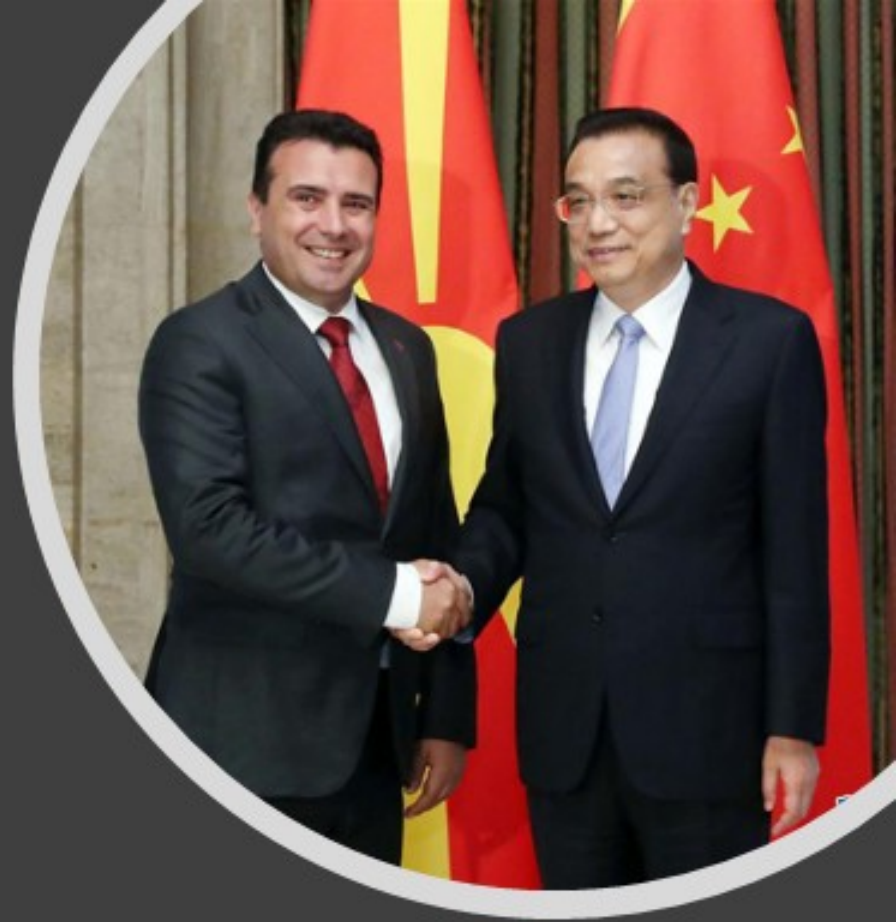


HOW IT STARTED...

- Beginig: 2014
- Chinese loan – 574 million €
- China Exim Bank + Sinohydro
- China says: Bordering Greece → Thessaloniki → Piraeus → transportation of goods → 👍
- Gruevski = money laundering and corruption

NEW GOVERNMENT = NEW DEAL = NEW PROBLEMS?

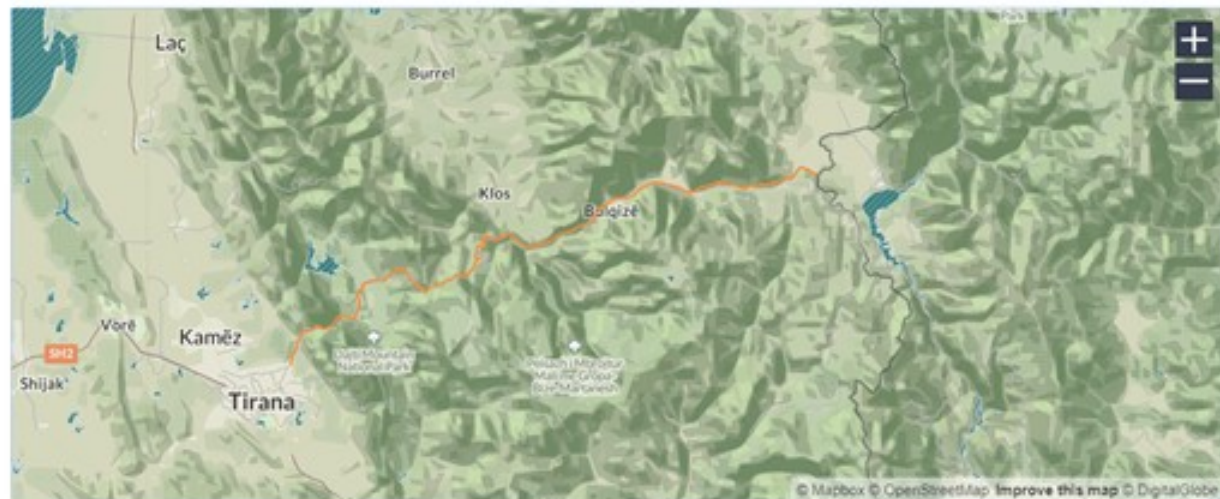
- Name deal is a good thing
- Bad planning
- New conditions:
- additional 187 million €
construction halted = losses
- Construction should end in 2021
- What Macedonians think?
- EU worries





ALBANIAN
HIGHWAYS

TIRANA- DIBRA ARBER MOTORWAY



Arber Highway Project

PROJECT INFORMATION

- Two-lane highway under construction
- Linking the Albanian capital, Tirana and Dibra region on the Macedonian borders
- Aim: Connecting the Albanian Ionian Sea coast and the Bulgarian Black Sea coast
- 26.8 km, shortens the current distance by 74 km and travel time by 2.5 hours
- Start date: March 2018
- Start of construction: -
- Planned completion date: 2022
- Funders: The Export-Import Bank of China (Exim Bank); Albania Ministry of Public Works, Transport and Telecommunications
- Contractors: China State Construction Engineering Corporation (CSCEC)



DEVELOPEMENT OF THE PROJECT

- 2014: China-CESEE summit memorandum of cooperation
 - Exim bank financing the project
- 2015: Albanian government proposes to fast-track the project
- 2016: CSCEC withdraws from the project
- 2017: Albanian government receives an offer from Gjoka Konstruksion company and opens a tender for the Arber highway project
- 2018: Gjoka Konstruksion gets the contract to build the highway for €250 million
 - The project is partially funded by the Albanian state as a part of public-private partnership
 - €190 million paid by the company and €60 million paid by the state
 - €3,5 million added to the cost of the highway



What's in it for China

- What is China's motivation?
 - New ways to transport goods to Europe
 - Enhancement of trade links in this region
 - Better infrastructure=better conditions for China and its global trade
 - China improving its face (臉面): socialists building infrastructure
 - Political power through debt traps but also "goodwill"
 - Exercise on business in rule-of-law environment
- Why are the projects not so succesful?
 - Bad business environment in the Balkans
 - Corruption and money laundering
 - Bad planning and complicated terrain
 - In the end the roads are more expensive than expected

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