



## **Weekly Briefing**

**Montenegro external relations briefing:  
Relations between Montenegro and Major Powers  
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# **Relations between Montenegro and Major Powers**

## **Summary**

*As a small country, lacking political and economic power globally, Montenegro pursues a policy of good relations with major powers. Montenegro is a candidate country for EU membership. At the same time, it has good relations with China and the USA, while diplomatic, but not economic relations with Russia have deteriorated in recent years. With all major powers, Montenegro has more or less economic cooperation.*

## **Introduction**

Montenegro is a small country that has no influence in political, diplomatic or economic terms on global trends. Therefore, Montenegro is adapting to global trends and conditions. It pursues a policy of EU accession, while maintaining good relations with non-EU countries, which today represent the most important powers, such as China, USA and Russia. Good relations with major powers were also demonstrated during the pandemic, where Montenegro received various forms of assistance from foreign countries.

## **Montenegro and EU**

Montenegro's foreign policy and strategic orientation is a European path. Reform processes and strategic planning within the country, as well as the course of external relations are in line with EU integration. Eleven years ago, Montenegro became a candidate country, while in 2012 it began the negotiations on accession. All negotiation chapters have been opened, while three chapters were temporarily closed. Compared to other candidate countries, Montenegro is the most successful in negotiation process. In general, Montenegro has very good cooperation with the European Commission, but also individual relations with all member states. During the previous period, as a candidate country, Montenegro used financial assistance from the EU. Through two instruments for pre-accession support (IPA) during the period 2007-2020 had financial assistance of EUR 505.7 million (EUR 235.2 million under the IPA I and EUR 270.5 million under IPA II).

However, the negotiation process has slowed down in recent years. Different attitudes of EU member states on enlargement have slowed down the EU enlargement process, not only in Montenegro but also in other countries in the region. This disagreement between EU officials has resulted in the adoption of new rules for EU accession. Namely, in order to improve the negotiation process in 2020, the European Commission adopted a New Revised Methodology of the EU enlargement. Although Montenegro is in an advanced stage of negotiations, the accession process continues under new rules that should yield better results. However, the question of the European perspective of Western Balkan countries remains unclear. Despite EU officials pointing out the importance of Western Balkans' EU

integration, there is still no clear picture about Montenegro and other Balkan countries joining the EU. Uncertainties are even more pronounced following the recent elections in Germany and the possible postponement of the enlargement process.

From the point of view of economic cooperation, Montenegro has a very intensive cooperation with the EU. Nearly 50% of total imports of goods are from the EU, while exports to the EU account for close to 40% of the total Montenegrin export of goods. Also, a third of the total number of tourists come from the EU.

### **Strengthening cooperation between Montenegro and China**

Montenegro has very good relations with China both when it comes to diplomatic relations and when it comes to economic cooperation. This friendship between the two countries has been shown many times during the previous period. Although diplomatic relations were established in 2006, when Montenegro regained its independence, good relations with China have existed before. Through its participation in various initiatives and events, Montenegro has shown its orientation and commitment to improving existing relations and cooperation with China. Also, China showed readiness and openness for cooperation and proved to be a reliable partner in the realization of many activities and projects. Montenegro is included in the initiatives initiated by China, such as the "17 + 1 initiative" and through which cooperation has been achieved in various fields.

Economic cooperation between Montenegro and China has been intensified in recent years. Namely, Chinese companies realize significant infrastructure projects in Montenegro in various fields, among which are transport infrastructure, energy and tourism. Certainly, the most important infrastructural project that is being realized in cooperation with the Chinese company is the construction of the highway, for the construction of which Montenegro was indebted to a Chinese bank.

Improving cooperation can only have positive effects on both sides. Stronger connections will contribute to increased economic exchange, greater flow of both people and capital. In recent years, the number of tourists from China has increased. Compared to 2015, the number of tourists from China in Montenegro in 2019 was 5.6 times higher. Tourists from China accounted for 3% of the total number of foreign tourists in 2019, which is 2.1 percentage points more than in 2015<sup>1</sup>. Also, foreign trade has intensified in previous years. The increase in cooperation has affected the availability of Montenegro to the Chinese market, so through various initiatives, cooperation has been established with Chinese companies, which has also contributed to the increase in exports of Montenegrin products to China. The Chinese market can be a significant generator of growth in exports of goods from Montenegro, given the size of the market in which significant amounts of production can be placed. Also, although its volume is significantly lower than from other major powers, the FDI inflow from China has

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<sup>1</sup> Source of data: MONSTAT

increased in recent years (the largest inflow was recorded in 2020, when it accounted for 10.7% of total FDI inflows)<sup>2</sup>. This may also indicate favourable relations between the two countries and a willingness to intensify and enhance co-operation.

### **Good relations with USA**

Although formal diplomatic relations between Montenegro and the USA began in 2006, the relationship between the two countries dates back to earlier times, with the role of the USA during the 1990s in maintaining peace and multi-ethnic harmony in the country. During overall previous period, Montenegro had good relations with the USA. With the membership of Montenegro to NATO Alliance, this relationship has been improved and strengthened. After a reduced USA presence in the Western Balkans over the past decade, in 2019 it was appointed a special envoy from the State Department for the Western Balkans. These developments can contribute to the improvement of the process of European and Euro-Atlantic integration of Montenegro and the entire region as well. Certainly, a greater USA presence in the entire region would contribute to the stability of the entire region.

One of the important fields in cooperation between Montenegro and the USA is security policy and cooperation within the NATO Alliance. In this segment, many programs related to the modernization and improvement of the capacity of the Montenegrin army have been implemented.

FDI inflows have increased in recent years, especially during 2020 and 2021, where FDI inflows from USA accounted for 4.4% and 3.5% of the total FDI inflow, respectively<sup>3</sup>. In addition, foreign trade between Montenegro and the USA is not at a significant level in terms of volume. Total exports of goods to the USA presented 0.4% of total exports of Montenegro, while imports from the USA makes 1% of total imports of goods (2019). The total number of tourist arrivals from the USA represents 1.4% of the total number of tourist arrivals (2019)<sup>4</sup>.

### **Complicated political relations between Montenegro and Russia**

Throughout history, Montenegro has had strong relations with Russia and Russia has had a strong influence on Montenegrin politics. After regaining independence in 2006, a significant number of Russians invested in real estate on the Montenegrin coast, resulting in large numbers of Russian tourists.

Unlike Montenegro's relations with other major powers, diplomatic relations with Russia are more complicated. Complications and deterioration of relations have occurred in previous years. By

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<sup>2</sup> Source of data: Central Bank of Montenegro

<sup>3</sup> Source of data: Central Bank of Montenegro

<sup>4</sup> Source of data: MONSTAT

turning to the EU and Western countries, Montenegro has moved away from a policy that is close to Russia. Therefore, Montenegro, following the European path, in 2014 imposed sanctions on Russia, which are still valid today. Although a number of members of the current Montenegrin ruling coalition are proponents of Russian policy, sanctions against Russia remained in place after the change of government in 2020. An additional separation between these two countries occurred with the accession of Montenegro to NATO, for which Russia expressed great opposition. However, Russia's influence on Montenegrin politics can still be seen in some segments and accusations by Russia against the Montenegrin government for pursuing a Euro-Atlantic policy are still present today.

On the other hand, economic relations with Russia follow different trend. Namely, tourists from Russia make up a very large percentage of the total number of tourists in Montenegro (15% of the total number of arrivals). In relation to the total number of overnight stays of foreign tourists, tourists from Russia have the largest share (25%)<sup>5</sup>. Also, Russia is one of the countries from which the largest FDI inflow was realized. In fact, the share in the total FDI inflow recorded a constant growth and ranged from 7.7% (2016) to 15.2% (2021)<sup>6</sup>.

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In the coming period, Montenegro will continue with the process of Euro-Atlantic integration, while at the same time one can expect intensification of cooperation with other countries. There is a wide field for improving and intensifying cooperation with major powers, which can contribute to greater utilization of Montenegrin capacities and resources, and consequently contributed to the higher economic growth.

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<sup>5</sup> Source of data: MONSTAT

<sup>6</sup> Source of data: Central Bank of Montenegro