

How the European aluminium business lost its shine: The case of Montenegro

by **Andrey Petrushinin***

It has become fashionable recently to suggest that the EU's influence is waning – whether on the EU's doorstep or further afield. This could not be further from the truth and a case in point is Montenegro where - for weeks now - protests have been regularly erupting in its capital Podgorica. Almost daily, thousands march on the streets calling for a future closer to the EU.

These Montenegrins no longer want such promises of 'change for the better' from the Milo Djukanovic era that spans two decades. They want action and results. They want to see a period in their history with greater political stability, an end to cronyism and a crack-down on the rampant corruption in the highest offices of government. They want greater rule of law and all the benefits that brings in terms of improving the business and investment environment that helps create jobs and give them real futures.

This is why the recent European Commission 2015 Progress Report on Montenegro's reform efforts falls short of what the people of Montenegro deserve. A frank and honest assessment is merited which places the responsibility for such failures toward significant reform squarely on the shoulders of the current government. Sadly, this year's report has a tendency to pander to the empty words of a beleaguered government and its leader - that has left a trail of broken promises and missed opportunities over the last two decades for all to see. Montenegro's investment environment has been a poisoned chalice for some time already.

Take the case of Kombinat Aluminijuma Podgorica (KAP) - a metal plant in which Central European Aluminium Company (CEAC) invested massively in back in 2005. It turned out that KAP's books had been cooked, the Montenegrin government

then both reneged on its obligations toward the investment and illegally expropriated the company from CEAC in 2013. Almost three years later and we are still fighting for some form of fair and just settlement. Despite our repeated attempts to get Podgorica around the table for talks, the Djukanovic government doesn't even return our calls.

Is that the kind of open, transparent and fair investment environment likely to attract more international business to this country at the heart of Europe? Clearly, not.

But let's be fair here, CEAC is not the first victim of illegal expropriation. Such cases do happen from time to time - as unfortunate as they are. Take the infamous case of Argentina's expropriation of Spanish company Repsol in April 2012. Then, the European Commission rightly slammed Argentina's action and vocally supported compensation calls. This pressure undoubtedly helped the parties to reach a solution. The case of Cypriot CEAC – agreed a much smaller company and economic case in terms of euros - has received much less attention across the EU institutions despite being in the EU's backyard. But the volume of noise around this expropriation is really not what is at the heart of the issue regarding the problems facing Montenegro and its prospects of accession. What matters is maintaining pressure when it is justified to do so and being consistent at every step.

Deviating from such a path - for whatever reason - only ever plays into the hands of those seeking to suppress democratic root and branch reforms which can benefit a broad swath of the population and not just the elite - who cling to power year after year in one form or another.

That is why this year's Progress Report on Montenegro falls short of what the

people of this small yet significant country deserve since it suggests that there has been economic and rule of law progress around the case of KAP and CEAC – when there has been none.

In our view, the government of Montenegro is simply not making the effort toward grass roots reform that the ordinary people of this important country have a right to expect. Seen from another perspective, the 500 million citizens of the EU are being short changed too, since they have the right to expect the EU institutions to hold a country like Montenegro to account in a fair, balanced, consistent and accurate way. After all, getting accession right is critical for the very future stability of the Union in the decades to come – with wrong moves potentially spelling disaster for the future make-up of the EU as we currently know it.

But the good news is that the people of Montenegro – and not the political elite in Podgorica for once – do have friends in high places in Brussels. For example, the track record of the European Parliament for fighting for the rights of citizens set to join the EU one day is difficult to fault. As the democratic strength of the European Parliament has grown over recent years, so we remain confident that this important institution can make the difference.

That's why today, we are calling for an independent, EU-backed inquiry into the Kombinat Aluminijuma Podgorica (KAP) affair – from CEAC's acquisition until today. Equally, we call on the government of Montenegro to heed the repeated urgings of all the EU institutions to bring this dispute to a fair and satisfactory solution, overhaul its governance and embed real and meaningful application of the rule of law in the country for the benefit of all its citizens. ■

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