

CHRISTIAN SCIENCE MONITOR

# Montenegro: Country for sale

After ending its union with Serbia, Montenegro's land is a hot commodity.

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**KOTOR, MONTENEGRO** After spending a week in coastal Montenegro, eavesdropping on English couples discussing per-square-meter property prices; watching an Irish television crew follow two house-hunting brothers; and interviewing agents, developers, and buyers in the nearly one dozen real estate companies in the small town of Kotor alone, I had a hard time fathoming real estate agent Sasa Vukicevic's reminiscing of the bad old days of just two years ago.

"If you mentioned the Balkans to John Smith, it was still these pictures of AK-47s, nationalism, bad guys," he told me at the Dream Property Montenegro offices on one of the narrow streets of Kotor's walled town, where property prices have jumped threefold since last year. "Now I get the feeling that every granny in the Kotor old town is in the real estate business."

It's not only real estate that's selling well. Since Montenegro voted to pull out of its state union with Serbia earlier this year, and is enjoying its first summer out from under Serbia's shadow. It's become a country for sale. Companies, hotels, land, private houses it seems as if everything is on the block, mostly bought by people and investors from central Europe, the Britain and Ireland, though to hear the local gossip, it's shadowy Russian money launderers who are buying up most of the country.

The reasons for this sale of the century are simple. Montenegro's Serbia-free image comes as the government is eager to attract foreign investment to help the tiny country of just 650,000 get on its feet. Registering a company here takes just four days. Required starting capital for a limited-liability company is one euro. Foreigners have the same legal status as nationals. And Montenegro is an

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emerging market that daring investors are keen to get into while it's hot. Even before the independence referendum, foreign direct investment per head in this tiny country had shot up from 85 euros in 2004 to 618 euros in 2005. Norwegian and Hungarian telecoms have snapped up both Montenegrin telecoms.

Canadian billionaire Peter Mank is said to be buying the Tivat shipyard for some 100 million euros. The Russian-Montenegrin Montenegro Stars hotel group has invested 50 million euros in the new five-star Hotel Splendid, and Britain's Beppler & Jacobson have invested 9 million in Hotel Bianca, the north Montenegrin five-star spa. Headlines in the daily Vijesti range from "Mysterious millions from Holland," about a tender for one of the coast's boxy state-owned hotels, to "airports for sale," about government plans to privatize two airports. There are even rumors the government might sell off some submarines.

But this summer, worries about Russian investors are the talk in many Montenegrin cafes and bars. Concerns are so prevalent that one night I flicked on the state television news to see a segment protesting that investors from Russia ranked far down on the list 10th of all the foreign investors here. But central bank figures indicate that Russian Federation investors are sixth, after central European countries and Britain, with 2.7 percent of investments here over the past four years. But the talk persists probably because you can't spit on the coast without hitting squat, graying Russians with their much younger and taller trophy wives. At least one investor here finds the rumors enjoyable. "Every time we're about to close a deal, i.e., buy a plot of land, it's like, 'You've gotta sign today, because a Russian is coming with a suitcase of cash, and is going to buy it if you don't sign,' " says Justin Faiz, director of Pluto Capital, Ltd., a British-Montenegrin development fund. "Of course the Russian is never around the corner, so this fictional Russian we love to hear about."

Mr. Vukicevic at Dream Property says most Montenegrins don't mind Russians as tourists. "Whoever buys an ice cream or dines in a restaurant and is not a hooligan is welcome," he says. "But people are not very happy with the Russians buying companies. The way they manage it once they buy it is not pleasant for the workers." He cites the notorious example of an inland steel mill that was bought by a Russian investor who after several months, canceled the contract. Though the Russian threat has been blown out of proportion, another real estate agent warned there may eventually be a backlash. "Montenegrins fought very hard for their land and their territory, and they don't want to give it up," says Robin Gellately-Smith, a building surveyor at Kotor's Total Group Real Estate, referring to Montenegrins' pride in resisting the Ottoman Empire for 500 years.

I saw that for myself in Zoran Lemajic, who rented me a room at his pension outside Kotor. "Some Russian guy stopped by a few months ago and asked, 'How much for this place?' I told him three million."

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