



Weekly Briefing

Montenegro External Relations briefing:


Montenegro at the international fair in Shanghai China International Import Expo (CIIE) – real reflection of the current Montenegrin economic capacities

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Montenegro at the international fair in Shanghai China International Import Expo (CIIE) – real reflection of the current Montenegrin economic capacities

China International Import Expo (CIIE), the First China International Import Exhibition, was organized in Shanghai from November 5-10 under the slogan “New Era - Shared Future”. The event was so great that it attracted delegations from over 170 countries and international organizations, as well as more than 3600 foreign companies. However, the very small presence of representatives from Montenegro indicates that the importance of the event is not seriously understood by the Montenegrin authorities or that Montenegro currently does not have the economic capacities that would be of significance to the attendees at the fair.

However, it seems that the second is true, because the Montenegrin delegation was made by representatives of the Montenegrin government, which indicates that the understanding of the importance of this event is at the highest level. Namely, the representatives of the Directorate General for Economic and Cultural Diplomacy of the Ministry of Foreign Affairs, as well as the representatives of the Chamber of Commerce of Montenegro, visited Shanghai. In addition, two representatives of the biggest wine company “Plantaze” and representatives of tourist agency “Fly Montenegro” visited fair in Shanghai. Still, one more fact is worrying. Namely, this fair was intended not only for government officials, but also for business communities, exhibitors and professional purchasers. However, there were only few representatives of individual companies from Montenegro who would have the opportunity to explore the Chinese market and potential for domestic exports with their presence at CIIE. This is varying having in mind that all regional countries had representatives of dozens of companies at the CIIE. Hence, the message is that Montenegrin industry cannot offer too much to Chinese market, or the opportunities are very limited. However, there should be remembered that Montenegrin small economy (unlike some other regional countries) had more radical transition process, and the majority of industrial companies that could not survive at the market and be competitive are shut down, or privatized. However, their processing capacities are not enough to compete to other big companies from the same branch. Hence, these companies cannot offer significant quantity to the large Chinese market. The strategic documents of Montenegro favor development of small and medium size

companies which dominate in Montenegrin economy. All strategic documents of Montenegrin government are now focused on several important sectors that put emphasis primarily on tourism and connected sectors.

In addition to the Chamber of Commerce, representing the Montenegrin companies at the fair, as mentioned above, only two individual companies attended the fair. Both of them already have import of goods and services to China. Plantaze exports wine to China for years backwards. According to estimates, about 8% of total exports of Plantaze's wine are related to China and numerous Chinese distributors are interested in the wines of the largest wine producer in Montenegro. However, one of the limitations of exports of wine to China is high tariffs which affecting the high price of Montenegrin wines in the Chinese market. In this connection, the CIIE fair has played a significant role in increasing wine exports to Chinese market. Representatives of "Plantaze" had a series of meetings with potential distributors in order to establish trade cooperation. However, the only Montenegrin company that held the stand at the fair was the tourist agency Fly Montenegro, which previously established cooperation with Chinese tour operators and realized touristic tours from China, have had high contribution to establishing connection between Montenegrin touristic offer and tourists from China.

Actually, the presence and topics discussed between Montenegrin delegation and Chinese hosts reveals that the biggest strength of vulnerable Montenegrin economy is the sector of tourism and energy sector. Namely, during the participation in the fair, the delegation of Montenegro met with the representatives of the largest Chinese tour operator "C Trip", which discussed the improvement of cooperation in order to increase the number of Chinese tourists in Montenegro. In the previous period, number of Chinese tourists who visited Montenegro has been increased. Growth in number of arrivals and number of overnight stays has been recorded. During 2017, around 24 thousands of tourists from China visited Montenegro, which represent doubled number compared to 2016 and was realized 34 thousands of overnight stays. This positive trend are being continued in 2018, where in the first three quarters number of tourists from China increased for around 65% in comparison to the same period in previous year. Therefore, a special emphasis is put on tourism, bearing in mind that at the beginning of November in Montenegro a meeting was organized, attended by representatives of Montenegrin hotels and agencies and Chinese tour operators who were interested in establishing cooperation and improving Montenegro's position as a tourist destination in China. The visit of the Chinese Tour Operator to Montenegro was organized by the National Tourist Organization of Montenegro (NTO) and

was realized on the initiative of the European Commission for Travel (ETC), and within a joint project with the tourist organizations of Romania and Serbia. Chinese tour operators also met with representatives of the tourism industry of Montenegro where around 30 representatives of Montenegrin hotels and agencies exchanged experiences with Chinese tour operators and on that occasion expressed great interest in establishing cooperation that would improve the position of Montenegro as a tourist destination on the Chinese market. As a logical continuation of such activities, the National Tourism Organization of Montenegro, in cooperation with the Tourist Organization of Serbia, continued the promotional activities in the market of China within the framework of regional cooperation and presented Montenegro's tourist offer at the Shanghai Fair. In this regard, it is important to point out that Montenegro's National Tourism Organization, in cooperation with the Ministry of Sustainable Development and Tourism, tourism industry and strategic partners, presented touristic offer of Montenegro at international tourism exchange CITM 2018 - China International Travel Mart which took place in Shanghai in mid-November.

The fair was the chance to discuss on the other opportunities that small Montenegrin economy can offer to the giant such as China. There should have in mind that China is huge market with rapid growth of consumption and import. Hence, in the continuation of the visit to CIIE, the representatives of Montenegrin delegation had meetings with the company "JD" - one of the leading platforms for electronic - online sales, and with the representatives of the Government of Shanghai City. The Montenegrin delegation also visited the local governments of the provinces of Jinshan District, Qingpu District and visited their industrial zones. The representatives of Montenegrin delegation had opportunity to see not only what China offers but also what Chinese market requests. This is of highest importance having in mind that China is expecting to import products and services valuing more than 10 trillion U.S. dollars. This should be sufficient message to Montenegrin economic community that such opportunity to enter the huge Chinese market should not be rejected. This perhaps should be also message to policy makers (since government officials were at then CIIE) what policies to define and where to focus their economic policies.

A three-day visit to Shanghai ended with a meeting with representatives of the company "Shanghai Electric Power", which is already present in Montenegro through the projects of building a wind power plant in Montenegro (Možura location). Given that energy sector is one of the four priority development sectors, linking and establishing cooperation between Montenegrin institutions and companies and Chinese companies is of the great importance. In that case, the

meetings that the Montenegrin delegation had with the companies from the energy sector at the fair can potentially contribute to the expansion of business cooperation.

However, through this fair, China is striving to increase import and entry of foreign companies into the market. Although Montenegro is very small in this regard, with very little effect on the total trade exchange, the importance of the fair for the Montenegrin companies and the Montenegrin economy as whole, could be seen in improving the export-import ratio between Montenegro and China. Namely, compared to 2010, the volume of trade between these two countries has increased. Although in the observed period exports from Montenegro to China increased, imports recorded higher growth rates, so in 2017 trade deficit of Montenegro increased was 2.4 times higher than in 2010. In the previous period, there was a steady increase in trade deficit of Montenegro and in 2017 deficit of trade exchanges with China amounted to 215 million EUR. High trade deficit leaves room for greater involvement of Montenegrin companies and opportunities that can bring new markets, and thus reduce the difference between exports and imports, which will have positive impact on the economic growth.

The presence at CIIE was opportunity not only to estimate potentials for Montenegrin export to China, but also to meet with companies and representatives from other countries, and to establish new connections, discuss on new business channels, strengthen cooperation and explore trade opportunities. However, without representatives of major large companies, this is hard to achieve, despite the fact that some officials attained the CIIE.