



Weekly Briefing

**Montenegro external relations briefing:
Relations between Montenegro and PR China**
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Relations between Montenegro and PR China

In the previous period, a series of events took place in order to intensify cooperation between Europe and PR China. For Montenegro as a member of the Initiative 16 + 1 and the Belt and Road Initiative, as well as the candidate country for EU membership, participation at events is of great importance. During April, three important meetings were organized: the 8th CEEC-China Summit, the EU-China Summit and the 2nd Belt and Road Forum for International Cooperation that contributed to closer cooperation of the participating countries.

The 21st EU-China Summit

Early in April, Mr. Li Keqiang, Premier of the State Council of the PR China met with EU officials at the annual 21st EU-China Summit. Although the expectations, according to earlier announcements, were very small in relation to the meeting between the prime minister of PR China and high representatives of the EU, the EU-China Summit resulted in a joint statement by both sides.

Given the economic relations between PR China and USA, but the announcement of the introduction of customs duties for certain products from the EU that are imported into the USA, there is a mutual interest in maintaining trade cooperation between the EU and PR China. This year's Summit was a great opportunity to strengthen these relations. In addition, PR China and the EU are major trading partners. According to the Eurostat data, in 2018 PR China was the largest partner for EU imports of goods (20 %) and was the second largest partner for EU exports of goods (11%). Total EU-China trade deficit is 185 billion EUR. Considering the significant trade cooperation between the EU and PR China, maintaining good relations is of great importance. In addition to economic relations, total net direct investment flow from PR China to EU is 4.2 billion EUR (EC, 2017).

Conclusions of the Summit refers to more open Chinese market for European companies and cooperation on World Trade Organization reform, i.e. reforms and establishing solid international trade rules that would be based on equal treatment of Chinese and European companies. Of course, the layout and direction of the relationship between the EU and China will depend on the results of European Parliament election.

Why is it important for Montenegro? This, like the other two events organized in April, are of the great importance for Montenegro. First of all, for Montenegro that meets the European agenda and as a candidate country for EU membership which has focused its policy on joining the EU, it is very important to follow the strategic cooperation between the EU and PR China, i.e. be actively involved in defining the trade cooperation platform and, accordingly, to adapt and define future directions and development policies.

16+1 Summit in Dubrovnik

The 8th CEEC–China Summit was held in Dubrovnik on 11–12 April 2019. This summit is being organized since 2012, when the 16 + 1 member countries took part in the first summit, which was established with the idea and in order to encourage and improve business and investment relations between the countries of Central and Southeastern Europe and China. Member countries of 16+1 meet annually at the Heads of Government level. The importance of this Summit is multiple for both sides, considering the potential of the entire region from sixteen countries and great Chinese market. For China, the countries of Central and Southeastern Europe are of particular importance because of its project "One Belt, One Road", which envisages large investments in infrastructure. On the other hand, the inflow of investment for Member States of Initiative is of great importance for economic growth and prosperity.

The Summit was attended by Mr. Li Keqiang, Premier of the State Council of the People's Republic of China and prime ministers or government representatives of sixteen countries, as well as ministers, ambassadors and large trade delegations. The novelty of this year's Summit is participation of the Greek prime minister, with which Greece became a member of this initiative, which changed its name from 16 + 1 to 17 + 1. In addition, the Dubrovnik Guidelines for Cooperation between China and Central and Eastern European Countries was adopted at Summit. This Guidelines will determine direction of relations between seventeen countries and NR China in different areas.

Recognizing the importance, from the beginning of the Mechanism 16 + 1, Montenegro actively participated in this initiative. In the previous period, good results were achieved, especially in the area of infrastructure. This initiative is of great importance for Montenegro, taking into account that Montenegro's strategic policy is based on the improvement of infrastructure, tourism, agriculture, direct foreign investments, energy development which is in accordance with areas of cooperation under this initiative: trade and investment, connectivity, finance, agriculture, science and technology, health, education, culture, environment,

cooperation between local governments etc. In this regard, the Montenegrin delegation headed by Prime Minister Mr. Dusko Markovic participated at Summit in Dubrovnik. The Prime Minister emphasized and pointed to the success and importance of the cooperation of this group of European countries and PR China, but also the success of cooperation between Montenegro and PR China. Participation at the 8th Summit primarily contributes to the continued good bilateral relations between these two countries, but also the relationship between Montenegro and other participants in the initiative. During the Summit, the Prime Minister of Montenegro met with the Premier of the State Council of PR China, Mr. Li Keqiang, with whom he discussed the completion of the construction of the first section of the highway, but also the meeting with the Prime Minister of the Republic of Croatia, Mr. Andrej Plenkovic.

As a country member, Montenegro has a potential that could be used and thus contribute to economic progress. Strategic position and exit to the sea represent a significant advantage of Montenegro, which can be better used as a participant through this mechanism. In that case, the important resource of Montenegro is Port of Bar, whose greater valorization would have a significant role in connecting the two continents, i.e. a significant link in cooperation between China and Europe. Through participation in this initiative, Montenegro is using a part of the preferential credit package used for the construction of the highway. Realizing this most important infrastructure project would connect Montenegro with Serbia, more precisely Luka Bar with Serbia and Europe, which additionally points to the economic importance and investment potential of the Port of Bar. The project of construction of the highway Montenegro is being realized in cooperation with Chinese companies and the completion of the first section of the highway is expected next year. However, the investment in the highway contributed to the growth of public debt of Montenegro, which at the end of 2018 was 70% of the estimated GDP, while it is projected that the percentage will reach 80% of GDP this year, which will in the future present a problem and burden for the Montenegrin economy and citizens.

Completion of the first section of the highway represents an excellent basis for continuing cooperation with Chinese companies. In this regard, Montenegro is working on the potential expansion of cooperation with Chinese companies in the field of construction of the other two sections of the highway, inviting interested companies to join a future project, creating preconditions for the continuation of the successful cooperation between Montenegro and PR China. In addition to infrastructure, there are potentials and interest of countries for cooperation in the fields of agriculture, green economy, industry and construction of production capacities in Montenegro.

The second Belt and Road Forum for International Cooperation

The Second Belt and Road Forum was held in Beijing on April 25-28, 2019 and brought together leaders of 36 countries around the world and contributes to closer cooperation for all member countries. Around one third of participants were from Europe with growing interest for this initiative by these countries. However, Montenegro did not participated to Belt and Road Forum, but high involvement of European countries indirectly has an impact on Montenegro, and gives the importance of tracking the activities at the forum. Thorough this Initiative is endeavoring and planning to build an infrastructure that would connect China with other parts of Asia, Europe and Africa. The construction of new railways, roads, ports would contribute to greater connectivity and business cooperation, which would give significant benefits to the economies of the countries involved in the Initiative.

As part of the entire network, and taking into account the geographical position and the exit to the Adriatic Sea and potential of the Montenegrin port, as well as current construction of high-way, this initiative provides excellent opportunity which could contribute to economic progress of Montenegro. As already mentioned, Montenegro has the potential of a traffic junction where. On the one hand, it is connected by a maritime route, and on the other hand, the future highway would be a connection through Serbia to Europe. In this regard, at 16 + 1 Summit, Prime Minister of Montenegro, Mr. Markovic emphasized Montenegro's readiness to take advantage of the Port of Bar potential and make it available to trade between Europe and Asia.

Certainly, through this and other mechanisms, trade between Montenegro and PR China could be expanded. Namely, in addition to investments by PR China, the significance of Montenegro's cooperation with NR China and Chinese companies is reflected in the large market where Montenegrin producers can export and place their products to the Chinese market. More intensive cooperation between the two countries can only support and accelerate these trends, which will in the end bring benefits to Montenegrin economy. Also, the connection of countries has a consequence of the growth of tourists from China to Montenegro, which is evident in recent years, but also on greater cooperation in other fields.