
THE 100% TAX ON SERBIA'S PRODUCTS AND INTERNATIONAL PRESSURE ON KOSOVO

Vehbi Ramaj

Universiti "Haxhi Zeka", Peja, Kosovo, vehbiramaj@yahoo.com

Mensur Tusha

Doni Fruits SH.P.K, Kosovo

Hazir Hajdari

International University of Struga, N. Macedonia

Mustafë Kadriaj

International University of Struga, N. Macedonia

Abstract: With the imposition of a 100% tax in November 2018 for products originating from Serbia and Bosnia and Herzegovina, the Government of the Republic of Kosovo, like never before, reacted to aggressive Serbian diplomatic politics. As a result of Serbian diplomacy, recognitions have been contested, causing Kosovo to fail in membership in international organizations. According to the current prime minister, the Government of Kosovo is determined until the Serbian state reflects, despite the international pressure until recognition of Kosovo, as an independent country in mutual recognition. The tax, at the same time, was the awareness that every citizen tried to avoid consuming products of Serbian origin. But, despite the economic effects, Kosovo is being asked to withdraw or suspend the tax based on the principles of CEFTA and SAA, at the same time asking Kosovo to give priority to dialogue and that pressure comes from Serbia with the lobbying that it does in countries that have an impact on Kosovo. As a result of pressure, Kosovo should reflect on its friends and strategic partners because a shrinking friendship is in favor of Serbia, despite the argument that Kosovo has. Through this paper, we will bring scientific analyzes from local and international media and we will bring statements from local and international statesmen, as well as analysis from economic case-tellers by bringing conclusions and recommendations on how to approach the Kosovo Government tax and exit from this international political pressure.

When a country unilaterally raises a trade barrier, other countries usually follow the same example, ie raising their trade barriers, which escalate to a large-scale commercial war, or even worse, to a military war . During the 1930s, the United States decision to set up a trade barrier ended with the famed planetary depression, or - as others say - with the onset of the Second World War. Each country wants to have full access to international markets, but at the same time, many governments and states try to help local producers in competing with foreign producers. Although consumers and businesses have their benefits of unrestricted access to imports, often governments are unable to withstand the political pressure coming from inefficient industries. (Epping, 2007, p. 71). Although a trade war may not be as destructive as a war between the armies, in both cases we have people who suffer (often those people whose defense has started the war itself). The most common barriers to trade are quotas, fees and subsidies. By imposing a quote, a country limits the amount of foreign products that can be imported. The tariff is a tax - paid for goods crossing the country's customs points, which makes the price of manufactured goods abroad to rise. Governments, on the other hand, may use taxpayers' money to provide subsidies to domestic producers, which makes the local commodity price artificially lower than the price of imported goods. (Epping, 2007, p. 69.70). With the industrial revolution and the overcoming of mass production and distribution mass, in the 19th century, have come up the new challenges of the scientific approach to the market and the different approaches of knowledge gained in school trade. (Segetlija, 2009, p.24). The welfare economy represents a theory that gives us the basic arguments of government intervention in the economy. One of the main arguments discussed so far relates to "market failures", which appear to be impossible to regulate without the government intervening in the market by imposing taxes and making expenditures that also effect redistribution of income in a desirable way from a social point of view. On the other hand, other theories point to "government failures," which appear alongside market ones, and are the source of the overwhelming public discontent over the government's role. (Haderi, Milova, 2015, p. 143)

Keywords: reciprocal measures, tax, economic effect, political pressure, reflection.

1.THE DEFINITION OF THE ECONOMIC SECURITY MEASURES

Ad Valorem Tariff (AD VALOREM TARIFF) –Is a fee calculated by value or as a percentage of the value of the goods cleared, for example, fifteen (15) percent ad valorem means 15 percent of the value of the goods entered. See also Specific Fee, Fee, Evaluation.⁷⁰

Protectionism - Is the protectionist attitude towards the national economy, expressed in the entirety of measures that favor the favor of the country's production. Production protection can be directly or indirectly. It is accomplished by raising the prices of imported goods to the level of prices for the same domestic commodities.⁷¹

The fee is the tax on imported goods - It may be a percentage of the price, either of the value of the commodity, or of the unchanged value of the goods for each unit. Fees are of different classes, all together make up what is called a tariff system.⁷²

Balancing tariff - Is a type of import tariff that places a country, other than a normal fee, to balance the dumping of another country or its subsidy for some products that another country or its subsidies for certain products imported by another country.⁷³

Customs Tax - Customs, in an institutional perspective, is a state-owned body specialized in controlling the entry and exit of goods, as well as for the determination and collection of taxes on customs duties. Customs tax is a financial obligation imposed by the government on import, export or transit goods. As institutions charged with the control of entry and exit of goods from one state to another, customs are located at all border crossing points, whether land, sea or air.⁷⁴

2.CEFTA-S ROLE FOR KOSOVO

The European Union, in order to support the membership of Central European states, had created a project called CEFTA, with the aim of creating a liberal trade link between these countries. This meant that these countries, before joining the EU, would create free trade between themselves, in order to facilitate their membership. This in reality had significantly increased the trade exchange, without barriers between these countries. This project proved to be successful in this case because it was proven before the membership process took place. Taking into account the aspirations of the Western Balkan countries, the EU also established the Free Trade Zone - CEFTA for these countries as well. Thus in 2006 between Albania, Serbia, Bosnia and Herzegovina, Croatia, Kosovo and Moldova, the agreement was signed for this market. It was thought that this would create relaxed relations in the region and that all these countries would lower customs tariffs in order to stimulate the exchange regardless of the state borders. In this agreement it is important that Kosovo became an equal part of it even though it was represented by UNMIK. The project included the countries: Slovenia, Albania, and Moldova. It was thought that all these states would neglect hostilities and return to economic prosperity. It should be acknowledged that this concept of free trade was realized in the context of a mistrust and resistance to building a good neighborhood, especially from Serbia on others. Serbia showed non-European rejection of Kosovo by making efforts to remove it from this project. During the implementation of the project, Serbia's asymmetric measures were introduced to Kosovo's exports, followed by Bosnia-Herzegovina-Croatia problems. In general, all countries with an active trade balance benefited from this market. While Kosovo always remained with a negative trade balance, respectively, a country with a high level of dependence on imports from these countries and other countries. It is important that Kosovo as a developing country relatively relativized its own state borders in favor of free trade exchange. Despite the problems, a new awareness of free trade was created in the region. This was also an investment for these countries aimed at EU integration.⁷⁵ Developing countries, like countries in transition, recruit their own experts from the ranks. Usually they are experts employed in the economic entity that concludes the contract with the foreign partner. This narrow circle from which experts are selected makes selection choices too limited. Rarely, the local enterprises of these countries are willing to engage external co-workers for the conduct of negotiations, therefore, the negotiating basis is, as a rule, limited to the potential of the state or public enterprise organization or body that participates in negotiations.⁷⁶ Oliver Wendell Holmes, chairman of the Supreme Court, said there are three types of people. There are people who make things

⁷⁰ R. Blakeslee, A Garcia, M. (Tiranë). *Gjuha e Tregtisë*. 2002: Zyra e Programeve Ndërkombëtare të Informacioit, Departamenti i Shtetit i SHBA-ve .P.177

⁷¹ Skenderi, N. (2010). *Fjalor Ekonomiko-Social*. Prishtinë: Aleanca Kosovare e Bizneseve.

⁷² Skenderi, N. (2010). *Fjalor Ekonomiko-Social*. Prishtinë: Aleanca Kosovare e Bizneseve. P.247

⁷³ Skenderi, N. (2010). *Fjalor Ekonomiko-Social*. Prishtinë: Aleanca Kosovare e Bizneseve. P.247

⁷⁴ Bundo, S. (2012). *Financë*. Tiranë: Sh.B albPAPER

⁷⁵ Cërabegu, Sadiku, M. (2016). *Gjeoekonomia - Implikimet zhvillimore*. Pejë: Dukagjini.p.106,107

⁷⁶ Vukmir, B. (2007). *Strategjia dhe taktika e negocimit*. Prishtinë: Kolegji Universitar VICTORY. p.33

happen, there are people who see what's happening and there are people who have no idea what's going on. In our society, there is a need for leadership. The need for leadership we also have in our homes, where we work, in relationships with people, both private and public, and of course, in the government. We need leadership more than ever. And especially, this need for leadership is because we want that leader to lead us toward the future. We need people who have vision and courage, people with the ability to break through new oceans and discover new lands. We need two types of leaders. The first type which is the most important, or, most crucially, is the interactive leader. The Interactive Leader is a leader who works with other people. The second type of leader we need is the transforming leader. This kind of leader is the one who opens new roads. This is the visionary leader. This is the leader who motivates, encourages, inspires and empowers people to show themselves at much higher levels than they have ever done before.⁷⁷

3.THE TAX SETTING - LOCAL BEHAVIORS UPON THAT, REACTIONS AND PRESSURES FROM OUTSIDE

The Kosovo government has decided to increase the 100 percent customs duty on products imported from Serbia and Bosnia and Herzegovina. The imposition of this tax has prompted the reaction of the European Union, namely High Representative Federica Mogherini, who has asked Kosovo to immediately abolish this decision. The tax increase follows the Government's preliminary decision to impose a 10 percent tax on products from Serbia and Bosnia and Herzegovina. The new 100 percent customs tax, according to some officials in Pristina, may also be understood as a response that Kosovo gives Serbia's aggressive policy against Kosovo's membership in INTERPOL and Serbian diplomacy to countries targeted to remove Kosovo's recognition. Kosovo Prime Minister Ramush Haradinaj said that the decision immediately enters into force and all institutions are obliged to implement it. Haradinaj has justified the tax on violations, as he said Serbia has done to the Free Trade Agreement - CEFTA. "We are witnessing that Kosovo has been blocked for a long time, has not been allowed to enjoy the rights of CEFTA, has been hampered through the origin of goods, thus not recognizing the origin of goods, is hampered in transport, analysis and in any other instrument. CEFTA, has not worked between Kosovo and Serbia, and that's a proof. Serbia is also violating national security, which is the approach that has come from Serbia in continuity in recent times," Haradinaj said. Prime Minister Haradinaj said that after an analysis on the respecting the CEFTA agreement from Serbia, it can be seen that in all the past years, since CEFTA exists, Serbia has imposed Kosovo non-tariff barriers, not a similar tax as Kosovo has put in Serbia's products, but has disputed the origin of goods and in itself Kosovo's goods have had difficulties entering Serbia.



Meanwhile, Minister of Trade and Industry, Endrit Shala, says imposing 100 percent (100 percent) tax on Serbian and Bosnian products, intent on "empowering local producers" and Kosovo's economy.

⁷⁷ Tracy, B. (2014). *Lidershipi*. Prishtinë: botime damo.p.3,4

Deputy Prime Minister of Kosovo, Enver Hoxhaj, in a post on social networks has said that the new decision on Wednesday is to protect the vital interests of the state of Kosovo. "Serbia is continuing its aggressive campaign against Kosovo in the international arena. It is also undermining the normalization process. To protect our vital interest, the Government of Kosovo has decided to increase the 100 percent customs tax. Further measures will be published soon," Hoxhaj wrote on Twitter.

While Serbia's President, Aleksandar Vucic will meet with the ambassadors of the European Union, China and Russia, and Quint, following the decision of the Kosovo Government, to increase the 100 percent tax on Serbian goods.

In the first reaction after the tax decision, Serbian Trade Minister Rasim Ljajic told Radio Free Europe that "after the action of Kosovo, the Free Trade Agreement in the Western Balkans - CEFTA no longer exists". "This is a pure political and non-economic or trade action," Ljajic said.

European Union High Representative Federica Mogherini urged the Kosovo Government to withdraw the 100 percent tax on products imported from Serbia and Bosnia. Through a statement to the media, she said that this decision is a violation of CEFTA and SAA.

Following the Government's decision to increase the tax rate by 100 percent, has reacted the UN Special Representative for Kosovo Zahir Tanin, who is also UNMIK's chief. Through a media statement, he said he expressed concern over the potential impact that could have on the people of Kosovo, as well as the political implications that may have (tax setting) in the dialogue on the normalization of relations between Pristina and Belgrade.

Meanwhile, business representatives in Kosovo have backed the decision of the Kosovo Government to levy a tax of up to 100 percent for the products of Serbia and Bosnia. The Kosovo Business Alliance (KBA) called on importing businesses to orient themselves from Kosovo's friendly countries to replace these products. Also, KBA also seeks out local manufacturing businesses to increase its capacity to supply the consumer without the lack of substitution of products from Serbia with those of "Made in Kosovo". "The tax imposed by the Kosovo government is a courageous decision to Serbia, but also a direct revenge on the continued blockades that Serbia is politically and economically doing to Kosovo, even though, there is an agreement in Brussels that Serbia has agreed to not prevent Kosovo on its path to membership in international mechanisms. This tax implies calling our popular conscience for a boycott of Serbia's products."

On the other hand, the head of the Serbian Chamber of Commerce, Marko Chadezh, said that the new decision to raise 100 percent of the customs duty on goods to Serbia and Bosnia shows a lack of understanding of the economy and interests of Kosovo companies. "This will cost serious damage to Kosovo's economy. You have to understand that most of the raw materials for the processing industry come from Serbia. This is an illogical political decision, but it seems that we live in such times where someone makes decisions that damage their own companies and regional co-operation and all that should be the normalization and stabilization of the entire Western Balkans region," Chadezh told Radio Free Europe. "On the other hand, let's see how long this decision will last. We saw it when we took the 10 percent tax decision on how food prices rose 10 percent in Kosovo. Let's wait now and see if the politicians will return to a more logical terrain," he said.

Following the decision to increase the tax on Serbian and Bosnian products, the Chamber of Commerce of Bosnia and Herzegovina reacted. The head of this Chamber, Nemanja Vasić, said this decision is political. "This is a reaction to what happened at INTERPOL. Kosovo can not do this long because it will close itself to all European processes. I fear they will remain isolated because at least the CEFTA countries have agreed to implement this free trade agreement as it is a market of 30 million." ⁷⁸

4. GOVERNMENT ATTITUDES FOLLOWING INTERNATIONAL PRESSURE

Minister of Trade and Industry, Endrit Shala, through a media conference spoke about the tax (one hundred) 100 percent set against Serbian products and those coming from Bosnia and Herzegovina. According to him, from tomorrow are obliged all inspectorates and other competent agencies to remove from the market every product that in his statement, the official name of the Republic of Kosovo may be replaced by other names as one of them "Kosovo of Metohija" or only with names of Kosovo cities. According to him, any other name is in opposition to the Republic of Kosovo. He also said that customs and other relevant institutions are obliged to immediately apply the same measures for documents and certificates when it is required to trade with these two countries, such as testing tests or even Kosovo product barcodes. ⁷⁹

⁷⁸ <https://www.evropaelire.org/a/rritet-taksa-per-produktet-serbe-/29613129.html>

⁷⁹ <https://indeksonline.net/shala-deklarohet-rreth-taksesh-100-ndaj-serbise-fton-qytetaret-ti-bashkohen-kauzes/>

While Kosovo Prime Minister Ramush Haradinaj said that the tax on goods from Serbia can only be removed when Serbia will end its aggressive behavior towards Kosovo, adding that it hopes that this year will reach a final agreement with Serbia. He added that the purpose of imposing the tax was to let Serbia know that it should change. “We were faced against the wall and could not be protected. If Belgrade agreed to sit together, but not just to be photographed, but something like Rambouillet or Dayton, if we had something similar, I would consider how to solve all the issues. We will not solve things one by one, we must solve all open issues between Kosovo and Serbia, otherwise it will last for centuries. We are also interested in solving all taxes and free trade, as well as independence, recognition and membership in the United Nations and all that comes with it.”⁸⁰

Whereas, Prime Minister of Albania Edi Rama, stated that Kosovo's tax on Serbian goods is a political response to Serbia's actions, while criticizing the European Union for Kosovo's access. He drew attention as he said, Serbia's hits on Kosovo's back, which, as he said, give an explanation to the 100 percent tariff on Serbian products. “It is an irrational decision under normal conditions, but quite normal in irrational conditions such as those outlining the twofold approach of Serbia. Who sees the 100 percent tariff as an economic decision - it's wrong. No. The 100 percent tariff is a political response to the continuing excesses of Serbia's supremacist behavior towards Kosovo,” he said.⁸¹

5.THE TAX – AS A CAUSE OF BLOCKING THE KOSOVO – SERBIA DIALOGUE, UE – AGAIN WITH THE REQUEST TO WITHDRAW THE TAX

Dialogue between presidents Hashim Thaci and Aleksandar Vucic is not foreseen to continue in the near future. A decision on when negotiations can continue should be taken from Kosovo and Serbia. So said European Commission spokeswoman Maja Kocijancic. The latter has once again reiterated the European Union's stance that the imposed tax on Serbia and Bosnia is at odds with CEFTA and SAA. Despite calls from the EU, and the recent meeting of Kosovo delegation with Mogherini, Prime Minister Haradinaj is not ready to withdraw the tax decision. “We are ready today to drop the tax if Serbia recognizes us,” Haradinaj said on Tuesday, at a press conference.⁸²

The demands of US and EU representatives to abolish 100% tax on Serbian goods have not shaken the governing coalition in Kosovo. Coalition partners say the tax will not be lifted despite this being seen as an obstacle to developing dialogue with Serbia. Regarding economic measures to the neighboring state, Kosovo Assembly Speaker Kadri Veseli declared that the tax should remain in force until it is committed to not harm the partnership with the US.⁸³

CONCLUSIONS AND RECOMMENDATIONS

Unlike other exact disciplines, the economy operates on the principle of potential and interest both at the micro and macro level and always trying to keep every action taken, keep the balance of doing the economy both internally and outside. In principle, in this century, where each country tends to be part of the global economy in order to gain the practices and experiences they apply in business or economic policies in a given country, imposing one-sided measures is meaningless. The imposition of a 100 percent tax on products of Serbian origin and Bosnia and Herzegovina does not accept economic logic under normal circumstances, but given that Serbia has consistently attacked Kosovo in any regional initiative and wider with the sole purpose of presenting Kosovo as a failed project has impunour such an action. As a result, in 2018, the Government of Kosovo first imposed a 10 percent tax, and after a few days raised it to 100 percent, making it impossible for Serbian products to be competitive in the Kosovo market and at the same time obliging commercial malls to place the flag of any exposed product. This is so that through the flag it irritates the consumer for Serbian products as well as removes all those products that the Republic of Kosovo does not write on the destination.

As noted above, the tax is not in harmony with CEFTA and SAA, but a political response to the unreserved neighbor. But without taking into account the behavior of Kosovo's northern neighbor, Kosovo must look to the future and in cooperation with international friends to find an opportunity to overcome this challenge that is penalizing Kosovo on the road to consolidation as a state. By providing security from international friends to change Serbia's course of action on Kosovo, Kosovo will suspend the tax at first as a test to give Serbia a chance to reflect,

⁸⁰ <https://www.trt.net.tr/shqip/balkani/2019/01/01/haradinaj-taksat-ndaj-serbise-do-te-hiqen-kur-ajo-te-heq-dore-nga-sjelljet-armiqesore-ndaj-kosoves-1117055>

⁸¹ <https://www.zeriamerikes.com/a/kosovo-albania/4673874.htm>

⁸² <http://lexo.com.al/bllokohet-dialogu-prishtine-beograd-be-serish-kerkese-publike-per-heqjen-e-taksesh-ndaj-serbise/>

⁸³ (<https://portalionline.com/koalicioni-qeverises-unik-rreth-mbetjes-se-taksesh-100-perqind-ndaj-serbise/>)

while giving the opportunity for dialogue on a final agreement that Kosovo provides the seat at the United Nations and at the same time the European perspective.

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