
TRADE COOPERATION, AN OPPORTUNITY FOR OVERTAKING POLITICAL BURDENS IN BALKANS

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Abstract: Regional trade cooperation aims to advance political, economic, social and cultural interactions and to advance the process of integration into the European Union, as a fundamental unifying of Balkan space in the service of peace, stability and prosperity of the countries. Kosovo is the smallest country in the region, not only in terms of size but also of its economic impact, in the absence of capacities for economic development, production in Kosovo is at a low level which can not even respond to domestic needs. Consequently, Kosovo has a constantly negative trade balance, because market demand is mainly met by imports, while in the absence of an industry and a developed manufacturing sector, the country fails to perform satisfactorily in the export activity. Both Kosovo and the Balkan countries, due to their low economic potential, do not play an important role in European or world markets. However, unlike other countries, apart from the lowest economic capacity, Kosovo is a special case due to the circumstances and the context of political developments. Numerous problems in the political arena, such as the controversy of recognition by a considerable number of countries around the world, becomes even more serious when five of these states are "neighboring states" which still do not recognize the independence of Kosovo which is directly affecting the level and open alternatives for trade exchanges. Despite the fact that Kosovo and the countries of the region are members of the CEFTA regional free trade agreement, cases of blocking the free movement of goods and the presence of various barriers have not been scarce. Without wanting to go deeper into the analysis of the deficiencies with which this agreement is characterized, it is worth mentioning that the idea of its creation has been the establishment of an open trade area that would contribute substantially to the improvement of trade relations between the countries of region which have signed the agreement, thus serving as a preparatory test for the Western Balkan countries on their path to the European Union. Reality and everyday practice prove that the goals of this agreement are not being met and are not respected by the signatories, including the case of Serbia, Bosnia and Herzegovina, Albania and Macedonia in relation to Kosovo. This research paper provides an assessment of the progress made so far since the liberation and establishment of Kosovo as an independent State and at the same time a reflection on the developments in the field of trade relations and the barriers and reciprocity measures among the countries of the region. Finally, the paper will outline a list of recommendations on how to proceed further so that countries' aspirations for improving trade relations are resourced. Kosovo is one of the rare countries in the Western Balkans that has opened the doors for cooperation with all Balkan countries but in the other hand the same has not happened from them in relation with Kosovo. The regional cooperation initiatives that the EU has undertaken are good initiatives aimed at increasing cooperation, and this can benefit Kosovo, as Kosovo has barriers with several regional countries for export, in particular with Serbia.

Keywords: Regional initiatives, CEFTA, barriers and reciprocity measures, economic integration

1. INTRODUCTION

After the end of the Cold War, the Balkan countries with the old central plan began to experience the transition process of various social, economic, political, security and cultural dimensions. Despite the many changes in the Balkans since 1990, they still face some fundamental concerns. Despite all these difficulties, within 25 years the Balkans has undergone a colossal change. Major steps were taken to enforce laws, the worldview of democracy became rooted on the system, human rights were guaranteed, and efforts to return stability to the region for the market economy were made. As improvements in the economy were achieved, with the assistance of the international community, progress was made in the peace process, and the region went to co-operation with each other. In addition, the countries of the region have also taken important steps towards integration into European and Atlantic institutes. But again, these positive developments do not mean that the problems of the region are solved. From the former Yugoslavia, only Slovenia and Croatia have reached a considerable level of stability. While in Kosovo, Serbia, Bosnia and Herzegovina and Macedonia, there continues to be tension with the past as a source of that tension. It is likely that in the future some marginal groups that will be against the coexistence of ethnic groups will continue to create security problems for the people of this region. But what in the best interest of the Balkans is to make sure those who support the more division of the region fail. ([Http://www.ekonomia-ks.com/sq/opinion/strukturat-ne-ndryshim-dhe-problemet-e-vazhdueshme-ne-ballkan](http://www.ekonomia-ks.com/sq/opinion/strukturat-ne-ndryshim-dhe-problemet-e-vazhdueshme-ne-ballkan)).

2. SCIENTIFIC TREATMENT OF INTEGRATION AND TRADE

After the end of the East-West conflict, a key position in the process of re-establishing the rules of the continent belongs to the European Union. Because of its economic strength and political radiation, it has become a central partner for the modernization and democratization of neighboring post-communist states.¹⁰⁵ Integration is commonly understood as a peaceful and voluntary approach, namely the union of societies, states and peoples' economies beyond the boundaries that exist so far.¹⁰⁶ While the Common Market is a form of economic integration of some countries, where besides, the realization of the customs union, it also allows the free movement of labor and capital between the member states.¹⁰⁷ Common Market: is the Customs Union, the European Coal and Steel Community, the European Community.¹⁰⁸ The time is coming for the accession of the Balkan countries to the European Union (EU) including Bosnia, Macedonia, Montenegro, Albania, Kosovo and Serbia. The start of negotiations for the accession of these states to the European Union is foreseen in 2025. But recently, EU Enlargement Commissioner Johannes Hahn has specified the reasons for the decision taken at EU level, so he has counted some of these reasons, such as revival and Russian influence in the Balkans, the authoritarian regime in Turkey that has influence on region, the immigrant crisis that presents a particular issue and requires an immediate response, as well as the United Kingdom's Brexit of 2016. It is to be welcomed by the efforts of the Balkan states knocking on the EU's doors the desire of these Balkan countries to join the EU institutions and it is understandable that they require a special treatment, but according to the possibilities in accordance with Copenhagen criteria. Also, in regard to this, recently, these countries have made positive progress, reflecting on the political, economic, legal and social level. However, these Balkan states have a significant stagnation in the campaign, such as the justice system, the finance system, public services, and so on. Even so, the countries that are knocking on the EU doors are full of problems of the various nature of the security sphere. The question that interrogates us is whether we are moving the Balkan countries' problems into European space by speeding up their accession to the EU? It is a question that time will give an answer to in the near future.¹⁰⁹ Britain's decision to leave the European Union and the immigrant crisis has shifted its attention to developments and internal reforms at EU. This was the opinion of some experts during a discussion organized by the Atlantic Council in Washington. According to them, Brussels' current challenges may slow down the process of integration of the Balkan countries into the EU. The lack of reforms within the European Union, and particularly the issue of immigration, was the reason for the British voters' decision to say NO to the European Union. According to experts, the European Union is now concentrating on addressing these issues. This situation has also affected the efforts of the Balkan countries to integrate. The former British ambassador to Washington, Peter Westmacott, says shifting the EU's attention to domestic problems may slow down the integration process of Western Balkan countries. Apart from internal economic and political problems, these countries must meet a number of criteria for membership. Another challenge they have to deal with is the so-called EU's exhaustion with enlargement, says former Secretary-General of NATOS, Anders Fogh Rasmussen. However, the Balkan countries should remain on the path of integration as they have no alternative to security and economic development, says Damon Wilson, vice president of the Atlantic Council organization in Washington. Despite the major challenges it faces, experts say the European Union must continue its engagement in the process of integration of the Balkan countries.¹¹⁰ Integration into the Balkans as a prerequisite for EU membership: Representatives of the six Western Balkan countries (BP) gathered the entity in Sarajevo to identify joint economic integration initiatives and priority areas that could be presented at the Western Balkans Summit in Trieste of Italy on 12 July 2017. Goran Svilanovic, RCC Secretary General stressed the importance and complexity of the expected outcome of the meeting. Addressing seminar participants, Svilanovic stressed that the current challenges, including the different stages of EU accession to the Western Balkans, the political backdrop can be seen as an opportunity to advance regional co-operation and improve the economic situation of each country. "There is no doubt that the priorities of our region need to foster and shape

¹⁰⁵ Wajdenfeld, Wessels, W. (2004). *EVROPA prej A deri në ZH (Doracak i Integrimet evropian)*. Prishtinë: Europa Union Verlag GmbH, Bonn.

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¹⁰⁷ SKENDERI, N. (2010). *FJALOR EKONOMIKO-SOCIAL*. Prishtinë: Aleanca Kosovare e Bizneseve.

¹⁰⁸ R.BLAKEESLEE, A.GARCIA, M. (2002). *GJUHA E TREGTISË*. Tiranë: DEPARTAMENTI I SHTETIT I SHBA, ZYRA E PROGRAMEVE NDËRKOMBËTARE TË INFORMACIONIT.

¹⁰⁹ <http://www.albinfo.ch/problemet-e-vendeve-ballkanike-te-barten-ne-bashkimin-evropian/>

¹¹⁰ <https://www.zeriamerikes.com/a/3542332.html>

the process, determine its dynamics and format," he said. "Reducing the price for roaming, advancing trade and transport facilitation, boosting regional private sector cooperation, building a regional tourism offer etc. are among the many areas that prove to be an added value to joint efforts. Your level of readiness and ambition will determine the format and commitments of the Conclusions of the Trieste Summit," added Mr. Svilanovic. Bernard Brunet, Head of Unit at the EC Directorate, said the European Commission supports the efforts of six Western Balkan countries to deepen regional economic integration. "This could include the flow of goods, services and capital, the free movement of skilled labor, a common digital approach and a dynamic investment space, as they are all the main stones of the EU accession process. The European Commission hopes that the ambitious action plan will be adopted at the next Summit in Trieste," said Brunet. By joining CEFTA ten years ago, the Western Balkans region has benefited greatly, said Stanimir Vukicevic, Serbia's ambassador to the CEFTA office in Bosnia and Herzegovina, adding that there is still room for improvement, as there are still potential unused for trade in the region. "For this purpose, we at CEFTA hope that this cycle of increased regional cooperation efforts will result in the rapid implementation of additional protocols to facilitate trade and liberalize trade in services, as the CEFTA market constitutes a considerable group of around 20 million consumers," he said.¹¹¹

3. CHALLENGING CEFTA'S AGREEMENT OF BARRIERS

Kosovo's trade relations with the region are mainly characterized by industrial goods, where these goods account for about 75% of the trade exchange value with the region, while 25% of this trade exchange constitutes food commodities. Both for industrial and food commodities Kosovo is a net importer. Kosovo in the region exports more industrial goods than food merchandise. While it is seen that 51.68% of industrial goods entering Kosovo come from this region, while 31.55% of the export of these goods from Kosovo goes to the region, i.e. About two thirds of industrial goods Kosovo exports outside the region. As for groceries, 57.43% of groceries that are imported into Kosovo are from the region, while 84.35% of the export of these goods from Kosovo is destined for the region, i.e. only about 15% of the export of groceries goes beyond this region. If it is to be seen with which countries in the region Kosovo actually sells most of these goods, it is seen how food and industrial goods are mostly traded with its main trading partners. Regarding the import of groceries over 50% of groceries or 57.25% in 2008 and 55.55% in 2012 are imported from the region, while the rest from other countries outside this region. Regarding the countries of the region, groceries are mostly imported from Serbia, where within the five year period (2008-2012), except for the year when there was a reciprocal period, the import of groceries from Serbia was already increasing and so waged every year more in Kosovo's food imports portfolio. As a result, in 2012, 23.25% or nearly ¼ of all food products were imported from Serbia. As with other trade data, food imports from Serbia are also replacing food imports from Macedonia, where imports of these goods in 2008 represented 12.05% of Kosovo's 50 total food import portfolios, while in Kosovo in 2012 this share of this state was reduced to 7.50%. Other countries that rank right after Macedonia's Serbia with their participation in Kosovo's food imports such as Turkey, Slovenia, Bulgaria, Croatia, BiH have had virtually unchanged participation in Kosovo's food imports. Albania is one of the last partners of Kosovo with regard to the import of groceries whose participation in Kosovo's food imports has grown very little within this 5 year period, with 0.81% more than it participated in 2008, it rose only to 1.38% in 2012, replacing them so little as almost all other countries. As for the import of industrial goods, as seen in Figure 3.9.4, most of these goods are imported from the region, except in 2012, when the import of these goods to Kosovo from the region was below 50%. Macedonia ranks first with its participation in Kosovo's industrial import portfolio, however, this share within the period 2008-2012 has marked an obvious decline. This decline in the share of industrial imports from Macedonia has mostly replaced other countries outside this region, but in terms of countries within the region they were mostly replaced by Turkey, industrial imports from which the country accounted for 6.67% of imports Kosovo industrial generators, while in 2012 this share grew to 8.54%. Albania also increased its share of Kosovo's industrial imports within this period, where in 2008 industrial imports from Albania accounted for 3.84% in Kosovo's general industrial imports, while in 2012 this share increased to 5.27 % in 2012, the latter passed to Greece. Regarding the export of Kosovo groceries, they do not find much more than the region, so over 80% of them are exported to the region, while less than 20% of Kosovo groceries reaches beyond the region as seen in Figure 3.9.5. Nearly half or 46.13% of groceries exported from Kosovo in 2012 were destined for Albania, 16.24% in Macedonia and around 5% in Montenegro, and similar in Serbia and Croatia. It should be noted that within the period 2008-2012, while Albania's market found more place in Albania, Serbia and Macedonia's participation in Kosovo's food export portfolio was shrinking within the same period. As for the export of industrial goods, they represent a characteristic almost opposite to the export of groceries where most or more than 60% are exported to the region, while less than 40% are exported to this region, as shown in Figure 3.9.6. Kosovo's export of industrial goods to Albania and Macedonia represent about 8-10% of Kosovo's

¹¹¹ <https://www.rtsh.al/lajme/integrimi-ne-ballkan-si-parakusht-per-anetaresimin-ne-be/>

industrial goods export portfolio. Export of industrial goods to Serbia and Turkey has also increased.¹¹² Trade barriers have been present throughout the region, depending on the state bloc and Kosovo's political relations with these states. Kosovo has encountered different barrier variants with several CEFTA countries that have been of different nature, both political and practical. The EU has applied preferential trade measures with the Balkan countries outside the EU bloc since 2000 in general, and Kosovo has benefited from this unilateral EU move towards the Balkan states. However, as far as trade relations between Kosovo and the EU are concerned, there has been a period when the EU has restored these barriers to attract them again. As far as Turkey is concerned, as it is not a member of CEFTA or the EU, Kosovo and Turkey did not have a free trade agreement within the period 2008-2012, although both countries have started and are in the process of the negotiations on mutual trade liberalization. Since it is a member of CEFTA, Kosovo has withdrawn a 10% customs tariff to member countries of this free market bloc in the region, a fee it applies to other countries as a tariff barrier. However, different CEFTA members have used different cases to set tariff and non-tariff barriers to other bloc members, mainly in order to protect their domestic products, but also as a result of reciprocity that barriers to entry by a country have encouraged to other member states. Establishing barriers within the CEFTA bloc is also possible because of the flexibility that exists in the CEFTA agreement to do so, which hinders the free trade - which is also the subject of this agreement. For example, Article 23 of the CEFTA Agreement permits the undertaking of safeguards by a CEFTA member country against another member if, as stated in this Article, "a high import quantity of a product which causes serious damage to the manufacturer the importing country or in case this high import quantity causes serious obstacles in any particular sector of the economy of the importing State which could damage the economic situation. "It was precisely this article and Article 24 which foresees the barrier-setting procedures underpinned by the decision of the Kosovo MTI dated 11 June 2012 to impose a 35% tariff on imports of cement in Kosovo. If the CEFTA agreement is carefully looked at, it leaves vast room for interpretation and is not at all "conservative" in the defense of free trade that is also intended, but allows the members of this agreement to apply any one-sided barriers they stand for a while, while members themselves choose the problems in bilateral form. As a result, within the period 2008-2012 there have been many cases, especially with Kosovo, when different countries have applied various barriers, both tariff and non-tariff, and which have not necessarily in each aspect been in conflict with the CEFTA agreement.¹¹³

4. INTERNATIONAL FAIR "PRISTINA 2018" A GOOD EVENT FOR ECONOMIC INTEGRATION IN THE REGION

As ever before, this time the international fair 'Prishtina 2018' has been filled with Serbia's businesses. About 70 businesses have exhibited their products at this fair, hoping to sell them by the end of the fair. These companies have good words for Kosovo's businesses. For Milan Vukasinovic is the first time he participates in this fair. Vukasinovic is general manager of business 'Panon d.o.o, producer of socks' from Belgrade, Serbia. Vukasinovic has said he only heard good words from Serbian businessmen for Kosovo businesses here in Pristina. Even Director of Serbian company Borovnica Klub from Belgrade, Veselin Dordevic for the first time is participating in this fair, promoting the newest technology for growing blueberries. Dordevic has shown the reason for participation in 'Prishtina 2018.' Six months ago, we exchanged emails with some people who are interested in this field. That is why we wanted to be here, talk to people, explain these things and maybe cooperate together.¹¹⁴

5. CONCLUSION AND RECOMMENDATIONS

The countries of the region do not have time to lose with the burdens of the past, so every glance back would cost the perspective of the region. To look for the future by boosting trade co-operation, cooperation in tourism, sport, culture and science as curative steps of the past at the same time closer to membership as a region in the EU. The region should focus on:

- More frequent regional meetings at the level of States and business associations

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http://www.kipred.org/repository/docs/Kosova_n%C3%AB_Kontekst_Rajonal_Marr%C3%ABdh%C3%ABnie_t_Ekonomike_dhe_Tregtare_851607.pdf

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http://www.kipred.org/repository/docs/Kosova_n%C3%AB_Kontekst_Rajonal_Marr%C3%ABdh%C3%ABnie_t_Ekonomike_dhe_Tregtare_851607.pdf

¹¹⁴ <http://indeksonline.net/kemi-degjuar-fjale-te-mira-per-bizneset-in-Kosovo-talk-owners-the-company-Serbian/>

- Facilitating roads, telephone, and rail and sea communication in order to facilitate businesses
- Approximation in education, culture, sport, to improve neighboring relations and beyond.

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