



FORUM ZA ETNIČKE ODNOSI
FORUM FOR ETHNIC RELATIONS

**PROJECT:
BRINGING THE EU-FACILITATED DIALOGUE CLOSER
TO THE BUSINESS SECTOR IN SERBIA AND KOSOVO**

LEVEL OF COOPERATION BETWEEN BUSINESS SECTORS IN SERBIA AND KOSOVO

(Research Report)

Belgrade, Prishtina, April 2020

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SUMMARY

The research conducted among companies in Serbia and Kosovo about their attitudes, perceptions and information about economic cooperation between Serbia and Kosovo suggests that the vast majority of respondent companies from Serbia and Kosovo believe that the cooperation is positive for their business. In addition, the majority of companies state that improved regional cooperation enhances the performance of their businesses. The research has found that for business communities in Serbia and Kosovo, besides cooperation in trade, are also interested to continue or expand their operations through higher forms of business cooperation such as: joint production, joint procurement and sale, joint ventures and joint appearance in other's markets.

A significant majority of owners and managers of respondent companies in Serbia and Kosovo rated the overall business climate as a negative 1 or 2, on a scale of 1 to 5 (1 being the lowest grade, 5 being the highest grade). At the same time, the companies believe that there is potential for future cooperation.

Companies consider that the main barrier to their cooperation are political relations. Solving political problems through dialogue is seen as the most important step in restoring economic relations.

Representatives of the business communities made specific recommendations for improving the economic cooperation between Serbia and Kosovo: implementation and compliance with trade agreements, mutual recognition of documents accompanying exports and imports, suspension of the regulation of Kosovo Government on imposing a tariff, simplification of payment systems, reduction of costs of exchange differences, simplification of the customs clearance procedure, reduction of costs of customs clearance, increasing the volume investment to business operations, creating conditions to open the public procurement market of Serbia for companies from Kosovo, i.e. the public procurement market of Kosovo for companies from Serbia, cooperation in the implementation of projects funded by the European Union (hereinafter: the EU).

Companies are insufficiently informed about the agreements reached in the EU led dialogue between Kosovo and Serbia. The majority of companies also stated that the agreements do not affect their business, except for the agreement on free movement of people and goods.

Half of the interviewed companies from Serbia that have business relationships with partners in Kosovo are informed about the cooperation of the chambers of commerce of Kosovo and Serbia, while the majority of companies from Kosovo do not have sufficient information on it. The key message of companies from Serbia is that the chambers of commerce should intensify activities again in order to restore and improve economic cooperation between companies in Serbia and Kosovo, once the tariff on goods imported from Serbia has been revoked.

INTRODUCTION

This report shows the results of the research on knowledge and awareness of the business community concerning the EU-facilitated Dialogue, implemented within the project: “*Bringing the EU-facilitated Dialogue Closer to the Business Sector in Serbia and Kosovo*”. The project was implemented in cooperation with the Forum for Ethnic Relations, the Chamber of Commerce and Industry of Serbia, Kosovo Chamber of Commerce and the Institute for Development Policy.

The research is devoted to the study of attitudes of business communities towards the dialogue between Serbia and Kosovo facilitated by the European Union and conducted on the basis of UN Security Council Resolution 64/298 of March 2011 (hereinafter referred to as the "Brussels Dialogue"). The dialogue aims to normalize relations between people and national communities of Serbia and Kosovo. The purpose of the process of normalization is to establish peace, security and stability in the Western Balkans, promote co-operation, and move towards joining the EU in order to improve overall living standards. Certain European *acquis* or cooperation “standards” are transposed and implemented during the process.

So far, the Brussels dialogue has resolved a large number of technical, legal and political issues of importance for improving the business climate and conditions for the convergence of business communities of Serbia and Kosovo. Basically, the normalization process facilitates political and business decision-making, and this cooperation is one of the important elements of economic development and overall normalization of Kosovo and Serbia¹.

Although the Brussels agreements do not explicitly speak about the economies of Serbia and Kosovo, they do create the necessary preconditions for the improvement of the economies and for creating more profound connections between business sectors.

¹*Overcoming the Barriers that Hamper Free Business Activity and Normalization. Analysis of the Economic and Legal Framework for Doing Business between Serbia and Kosovo*, Forum for Ethnic Relations and Heinrich Böll Stiftung, Serbia, Montenegro, Kosovo, Belgrade, June 2017, pp. 12.

Especially important for this research is the agreement on freedom of movement, underpinned by the agreement on integrated border management, recording and collection of customs revenue and V.A.T. excise stamps. As a collateral result, the Interim Fund for Economic and Infrastructural Development of North Kosovo was set up (hereinafter: the Fund). The implementation of these agreements enables the establishment of European standards that support the process of normalization of relations and creates the preconditions for eliminating barriers to faster economic development of Serbia and Kosovo, including the north of Kosovo².

The overall result, especially in the implementation of over 43 agreements, numerous “agreed conclusions”, action plans, technical protocols etc., is a modest, but still a result that has improved the relations between Serbia and Kosovo. However, these relations are far from satisfactory.

This research comes at a time when Kosovo’s government imposed the tariff on goods imported from Serbia and Bosnia and Herzegovina. This measure had a negative impact on business cooperation itself and led to its radical decline. It also had a significant political influence, which led to excessive politicization of business cooperation as a topic, and thus to a significant reluctance in the public to express their opinion about this cooperation. Finally, this measure led to stagnation of the Brussels dialogue. This is why the majority of businesses (57%) think that the climate of cooperation between businesses is not good. However, it is significant that some 43% of them believe the potential is there and that this cooperation can improve significantly.

The goal of the empirical research is to assess the needs of the business community (companies, associations, entrepreneurs and cooperatives) within the Brussels dialogue, and to determine the level of knowledge and information within the business community about this EU-facilitated dialogue.

The collected and processed data concerned the visible and concrete benefits of the economic development of Kosovo and Serbia, including the issue of employment and migration; the opportunities for the placement of capital through investment projects, and for increasing labor mobility. Barriers to cooperation and opportunities for joint participation of business entities from Serbia and Kosovo in international and bilateral projects have also been identified (IPARD, Erasmus +, Horizon 2020).

The research was multidisciplinary, applying different methodologies of economic, legal and sociological research to interview (in-depth interviews and focus groups), collect, process, classify and analyze statistical and other data.

²A “Peace Treaty” for Sustainable Peace: A new beginning for Kosovo and Serbia, Policy Study, Kosovo Institute of Peace, Prishtina No. 1, 2012, 6, 8, 10.

The methodology for data collection was quantitative. The methodological basis of the research was a questionnaire (see appendix: *Questionnaire*). The form and content of the questionnaire were agreed upon by partners and representatives of the Chambers of Commerce of Serbia and Kosovo.

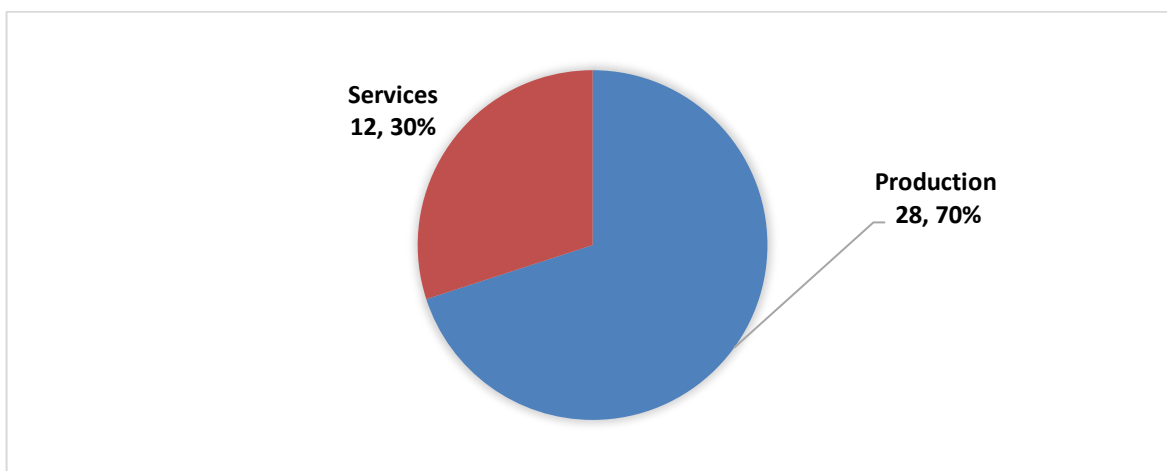
Based on the previously submitted questionnaires (July 21, 2019 - August 30, 2019), in the period from September 7 to December 20, 2019, in-depth interviews were conducted with representatives of 40 companies from Serbia, 25 companies from Kosovo and 5 companies from Serb majority municipalities in Kosovo.

The in-depth interviews were carried out with a total of 70 companies from Serbia and Kosovo that are already cooperating or intend to cooperate. These companies are a representative sample with which the research team collaborated with the Chambers of Commerce of Serbia and Kosovo.

Regional distribution of Serbian companies was taken into account in the preparation of the sample, (i.e. regions of Serbia, namely: South Serbia, Rashka district, Belgrade, Vojvodina and other parts of Serbia), as well as the specifics of the regions in which they operate. The sample was built on the territorial principle, taking into account the location of companies, since companies from certain regions in Serbia and Kosovo have a longer tradition of collaboration with partner companies, primarily due to the proximity of the market. The sample included a number of companies from the Serb majority municipalities in Kosovo.

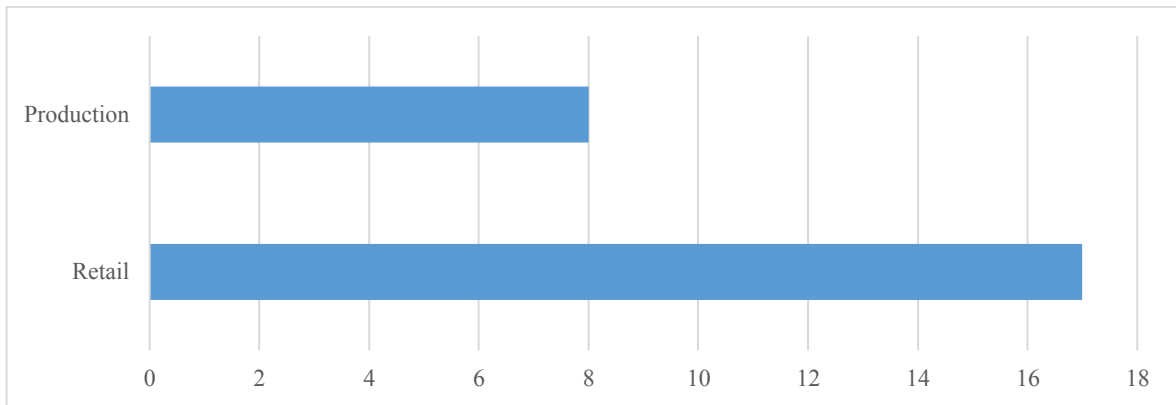
The structure of economic activities of Serbian companies that cooperate with companies in Kosovo was respected in structuring the sample.

Figure 1. The structure of companies included in the research sample in Serbia



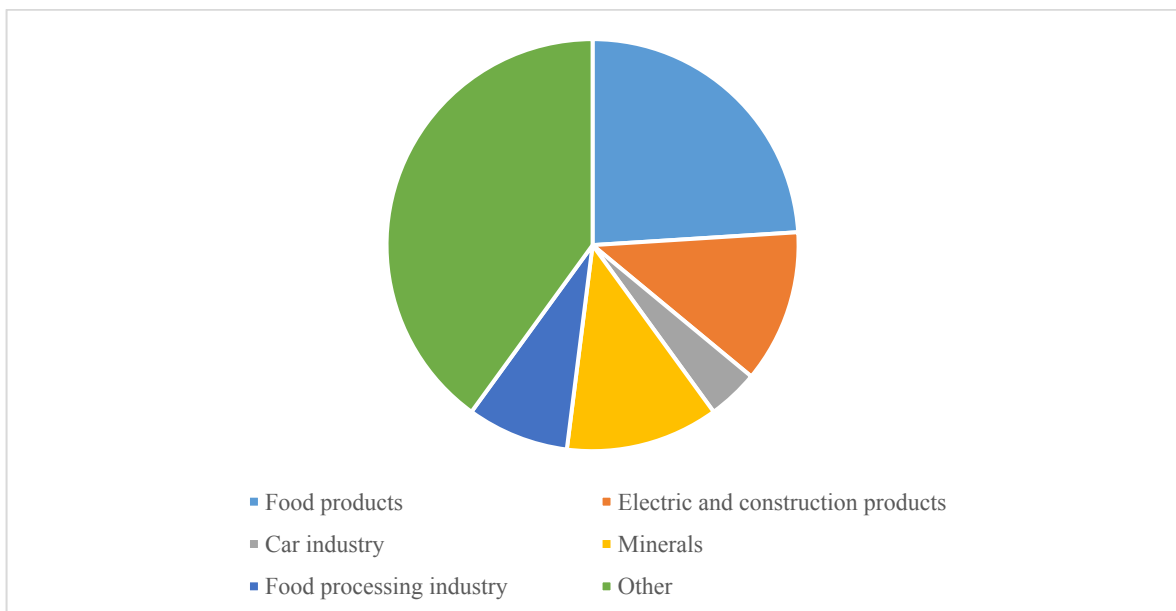
The majority or 70% of the companies which took part in the research in Serbia belong to the production sector and 30% to the service sector. The sample in Kosovo was composed of 70% of retail-based companies, while the remaining 30% are in the production sector.

Figure 2. The structure of companies included in the research sample in Kosovo



The structure of companies included in the research sample in Kosovo is diverse. Their main activities are: food industry, minerals, the car industry, electrical equipment, home equipment etc. The examined sample mirrors the structure and character of companies in general in Kosovo: food companies - 24%, production and sale of minerals, electric and construction products - 12% each. The car industry was the least represented in the research sample in Kosovo, with only 4% of companies.

Figure 3. The structure of business activities of companies in Kosovo



The data were inserted into an Excel sheet (see: *Data sheets*) and analyzed after they were collected.

Ultimately, we combined the quantitative data with the insights that the businesses gave us during the interviews. Findings and observations reflect both the data collected in the research and the qualitative information we collected during this process.

It should be noted that the methodology used has its limitations. This is because companies not always agreed to provide information. Given this, one of the findings of this research is also that due to aggravated political relations between Kosovo and Serbia, business trust has decreased and sometimes businesses feel intimidated to talk about cooperation.

The research was carried out by a team of experts, namely: Dr Dusan Janjic (Project Manager), Dr Boban Stojanovic and Dr Zorana Kostic (researchers for companies in Serbia and Serb majority municipalities in Kosovo), Burim Ejupi and Dardan Abazi (researchers for companies in Kosovo), and contributors: Katarina Antic, Miomir Brkic, Nenad Djurdjevic i Aleksandar Radovanovic.

This report is produced in English and Serbian language.

THE QUALITY OF THE BUSINESS ENVIRONMENT IN SERBIA AND KOSOVO

Bearing in mind the methodology applied by the World Bank in measuring the quality of the business environment in Serbia and Kosovo, we have made a comparative analysis of Serbia and Kosovo in the period 2018-2020. This period was taken as relevant, since the tariff on goods imported from Serbia, which significantly influenced the business environment, were in force within this time period.

Based on the data presented in the *Table* below: “Assessment of the quality of the business environment in Serbia and Kosovo according to the World Bank Doing Business List”, a negative trend can be observed in Kosovo when it comes to the quality of the business environment.

Table: Assessment of the quality of the business environment in Serbia and Kosovo according to the World Bank Doing Business List.

<i>Doing Business</i>						
	2018		2019		2020	
	score	rank	score	rank	score	rank
Serbia	73.13	43/190	73.49	48/190	75.7	44/190
Kosovo	73.49	40/190	74.15	44/190	73.2	57/190
	<i>Trading across borders</i>					
Serbia	96.64	23/190	96.64	23/190	96.6	23/190
Kosovo	86.87	48/190	87.46	51/190	94.2	31/190

Source: World Bank data, available at: <https://openknowledge.worldbank.org/handle/10986/32436> (10/11/2019)

The tariff on imported goods is one of the negative factors that significantly determined this result. On the other hand, there is a positive trend in Serbia when it comes to assessing the business environment. As far as cross-border trade, there is a trend of stagnation in Serbia in the period 2018-2020, while a slight positive trend was observed in Kosovo in relation to the value of this indicator.

PART I:

RESEARCH RESULTS - SERBIA

Economic cooperation between the business communities of Serbia and Kosovo is an important indicator of the economic development and normalization of relations between Belgrade and Prishtina. In order to better understand the conditions that allow this cooperation and to identify barriers and opportunities, a harmonized structured questionnaire was created, containing 19 questions for companies in Serbia that have business relationships with partners in Kosovo, as well as companies from Kosovo that cooperate with Serbia.

This research was conducted on companies that produce the following product categories: fresh meat and meat products, milk and dairy products, flour and cereals, carbonated mineral water, juices and soft drinks, wine, beer, food products, measurement research and navigation devices and instruments, cosmetic products, commercial goods, utility equipment, construction blocks and roof tiles, stoves, animal feed, scaffolding and galvanizing elements, cookware and boilers, paints and varnishes, steel structures, motor oils, lubricants and industrial oils, liquid petroleum gas, cardboard packaging, agricultural raw materials, mercantile goods and small machinery, drugs and medical supplies, tires and furniture.

The measured extent and effects of economic cooperation suggest a change in the business environment. This is supported by the research results, in Serbia:

- despite the fact that less than 50% of interviewed companies are informed of the content of the agreements reached in the EU-facilitated dialogue between Prishtina and Belgrade, it is estimated that they have a positive impact on companies' operations. A fifth of companies have identified the CEFTA agreement as the most significant agreement that enabled, facilitated or enhanced their operations,
- over 50% of companies are familiar with the cooperation between the Serbian and Kosovo Chambers of Commerce,

- concerning business cooperation with Kosovo, the business climate in Serbia was given an average score of 2.46 on a scale of 1 to 5 (1 being the lowest, 5 being the highest grade). Over 70% of company representatives said that the business climate is poor and not stimulating enough. Almost half of respondent companies believe that currently there is no interest in higher forms of business cooperation such as joint ventures or joint production. In 70% of the companies, sales in the Kosovo market have declined 100% in the last six months due to the tariff, which has also resulted in a drastic drop in revenue. In half of the companies surveyed in Serbia, the tariff caused the loss of the Kosovo market in a very short time,
- over 90% of the companies from Serbia access the Kosovo market directly. Almost a quarter of companies generate between 5.1-15% of their revenue in the Kosovo market. The vast majority of companies (85%) estimate that business cooperation between Serbia and Kosovo does not affect a change in the employment structure of those companies.
- even though the majority of companies do not share this opinion, it is encouraging that almost 40% estimate and understand that business cooperation between Serbia and Kosovo can have a positive influence on the increase of production, investments and development of the company. In addition, cooperation enables new business activities such as: new contracts, new business partners, joint procurement and production, and new markets, since there is a large interest for such activities within the Serbian business community,
- over 82% of companies have no problems obtaining documentation accompanying goods during import, export or transit. Any problems with competent authorities at border/boundary crossings were mostly solved, with 70% of companies stating that border/boundary crossings are unified and that the work of border/boundary crossing authorities is coordinated. A third of companies stated that they encounter inadequate infrastructure in their daily operations, and,
- only 15% of companies participated in tenders in Kosovo. Less than 15% of companies had experience in dispute resolution before the competent courts in Kosovo.

Interviewed representatives of Serbian companies stated that they consider the following types of support most needed to stimulate and establish economic cooperation between Serbia and Kosovo:

- recognition and unconditional implementation of the CEFTA Agreement,

- a more effective role of governments in order to fully normalize relations as soon as possible; the chambers of commerce should start again to organize business meetings with the aim of connecting interested companies more effectively,
- greater political stability, clear political status and separation of the economy from politics, further harmonization of the legal regulations of Serbia and Kosovo and establishment of better security conditions,
- better exploitation of market proximity, equal treatment for all companies present on the markets of Kosovo and Serbia,
- abolition of the tariff and other non-customs barriers on imports from Serbia.

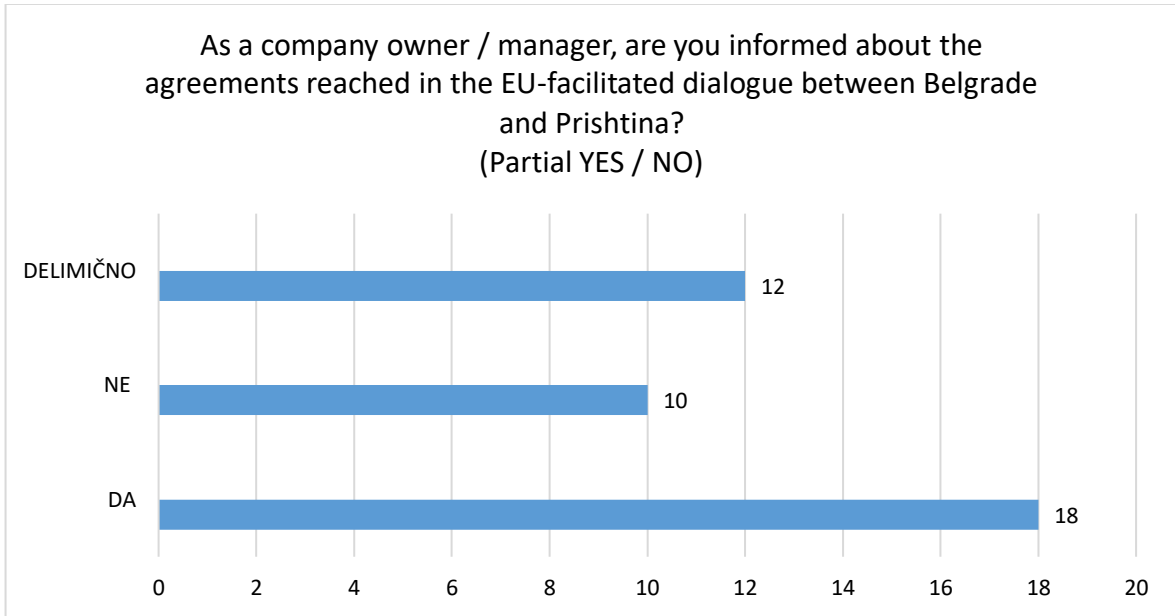
The companies propose the following measures to improve the economic cooperation between Serbia and Kosovo:

- mutual recognition and harmonization of documents accompanying export and import,
- harmonization of the laws and regulations governing financial and foreign exchange operations, simplification of operations of a payment system,
- simplification of the customs clearance procedure and reduction of costs,
- mutual recognition of diplomas,
- joint work on development projects that are financially supported by the European Union,
- discourage the grey economy, which is particularly pronounced in food products, with a greater involvement of the media, and increasing company awareness,
- encourage investments and participation of companies from Serbia and Kosovo in public procurement procedures, which requires the harmonization and recognition of supporting documents that are submitted for application.

92.5% of companies from Serbia access the Kosovo market directly, while only 7.5% of companies access the Kosovo market indirectly, through intermediaries or through a third market

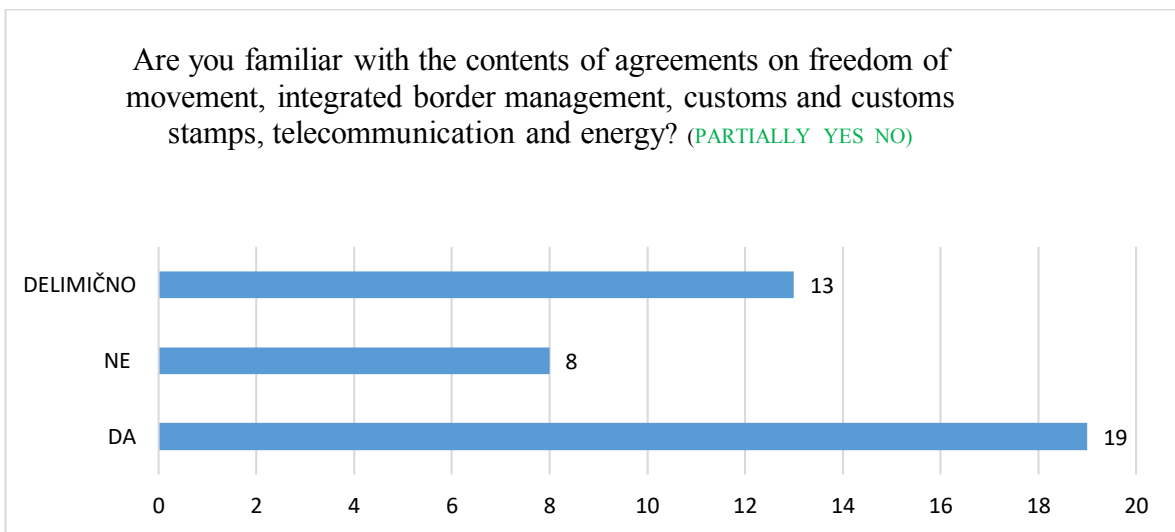
In response to question 2I, provided in *Figure 4 (Level of information about the agreements reached in the Brussels dialogue)* 45% of the company owners/managers in Serbia stated that they are informed about the agreements reached in the Brussels dialogue, 25% are not informed, while 30% are partially informed.

Figure 4. Level of information about the agreements reached in the Brussels dialogue – Serbian companies



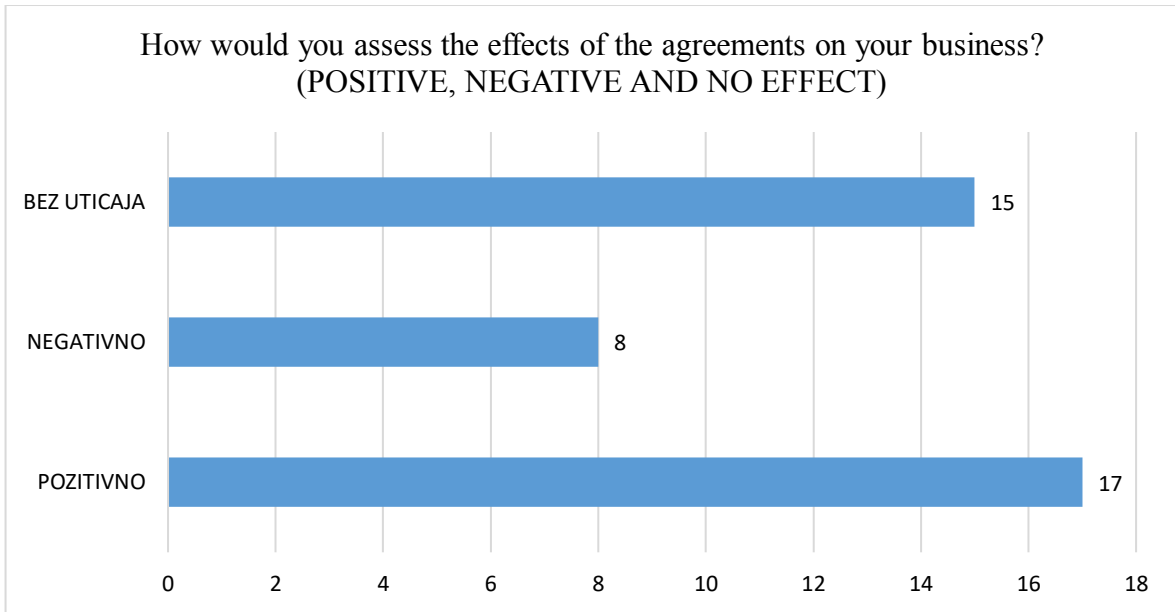
The responses given to question 2 II, (provided in Figure 5. Level of information about the content of the agreements on freedom of movement, integrated border management, customs and customs stamps, telecommunication and energy) indicate that the majority 47.5% of companies are familiar with the agreements and their content, 20% are not familiar, while the remaining third of companies stated that they are only partially familiar with the content.

Figure 5. Level of information about the content of the agreements on freedom of movement, integrated border management, customs and customs stamps, telecommunication and energy



In response to question 2 III, provided in *Figure 6 (Effects of the agreements on business of companies in Serbia)* 42.5% of surveyed companies believe that the effects are positive, 20% believe that the effects are negative, while 37.5% of the companies stated that the agreements do not have any effect on their business.

Figure 6. Effects of the agreements on business of companies in Serbia



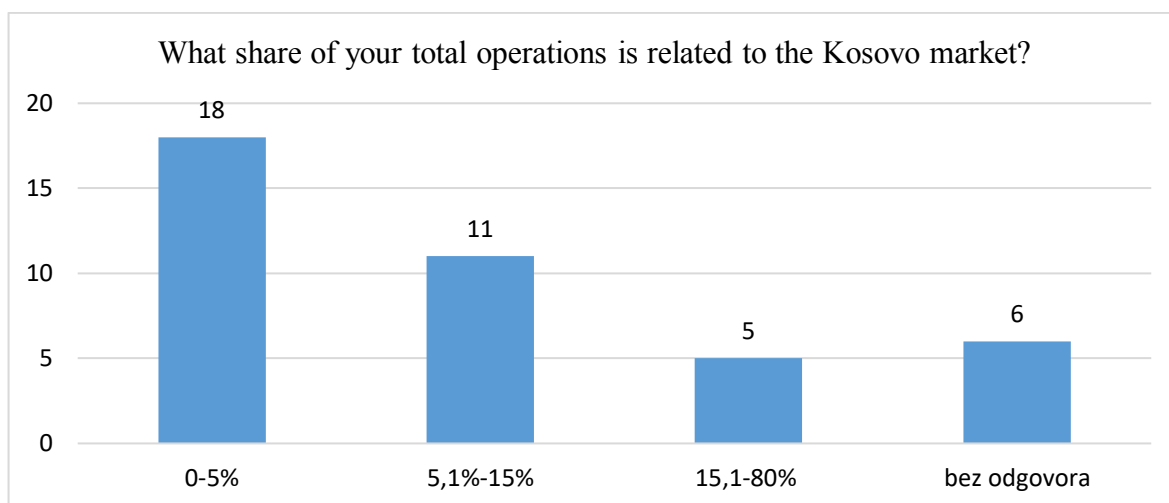
22.5% of companies highlighted the CEFTA agreement as the most significant agreement that enabled, facilitated or promoted their business, 7.5% of companies pointed out the Brussels Agreement, 5% of companies cited the agreement on integrated border management, 5% of the companies emphasized recognition of veterinary certificates, while one company cited the energy agreement and the agreement on vehicle insurance. 55% of companies did not cite any agreement that enabled, facilitated or promoted their business.

When it comes to the economic cooperation with Kosovo, representatives of the companies assessed the business climate in Serbia with an average score of 2.46 on a scale of 1 to 5 (1 being the lowest grade, 5 being the highest grade). One company did not answer this question.

When asked if the business climate is conducive for business cooperation between partners from Kosovo/Serbia, 72.5% of company representatives gave a negative answer and rated the business climate as bad and not stimulating primarily due to the tariff. 17.5% of companies rated the business climate as conducive, 7.5% (3 companies) said that the business climate was partially conducive, while 2.5% did not answer the question.

The responses to question 5: “What share of your total operation is related to the Kosovo market?” (provided in *Figure 7. Links of business operations with the Kosovo market*), 6 companies (15%) considered this to be a trade secret and did not answer. In 45% of companies, the share of business related to the Kosovo market is between 0-5%. 27.5% of companies realize 5.1-15% of their business operations in the Kosovo market, while 12.5% of companies realize a significant part of their business activities in Kosovo (15.1-80%).

Figure 7. Links of business operations with the Kosovo market



When it comes to evaluating the change in business operations with partners from Kosovo over the last six months, 10% of companies in Serbia that have economic ties with Kosovo did not answer this question. 20% of companies responded that sales and revenue did not change in the last six months. In 70% of companies, sales in the Kosovo market have declined 100% in the last six months due to the tariff, which has also resulted in a significant drop in revenue.

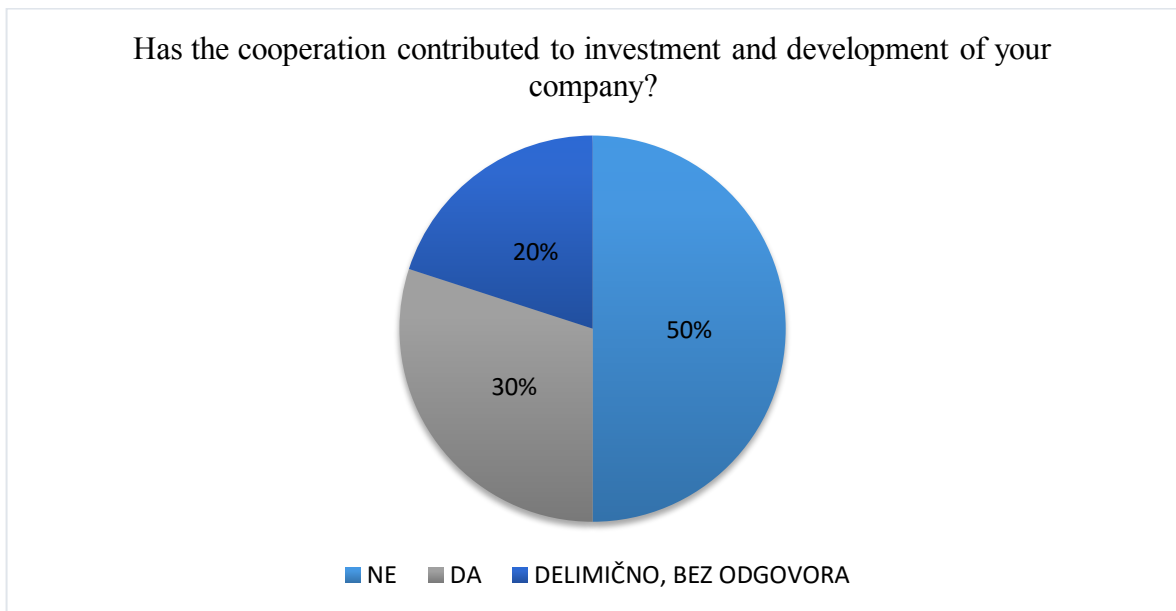
When asked “How would you assess the overall effects of cooperation with your business partners in Kosovo/Serbia, including the cross-border/boundary trade, on your business?” the following was highlighted:

- bad, unfavorable, negative; cooperation in 2019 does not exist, which has brought lower sales, loss of market and credibility,
- there is a big political influence on economic cooperation and on the public, including calls for a boycott of Serbian products, which in some cases has resulted in falling sales and losing the desire and interest for cooperation,
- business climate is positive when business cooperation is not hindered,

- overall effects of economic cooperation were satisfactory before the tariff on imports from Serbia and Bosnia and Herzegovina was introduced,
- business climate stimulates dealing with stocked goods, which produces losses, the current situation has compromised Serbian products in the Kosovo market, and the end-consumers will pay the price,
- potentials and proximity of the market have not been fully utilized.

The responses to question 8: “Has this cooperation contributed to investment and development of your company?” (provided in *Figure 8. Impact of cooperation on the level of investment and development of companies in Serbia*) 50% of companies answered that the cooperation does not have a positive effect on investments and development of the company, 30% stated that the cooperation did contribute to investment and development at all, 17.5% said that the impact on investment and development was small or almost insignificant, while 2.5% of companies did not answer this question.

Figure 8. Impact of cooperation on the level of investment and development of companies in Serbia



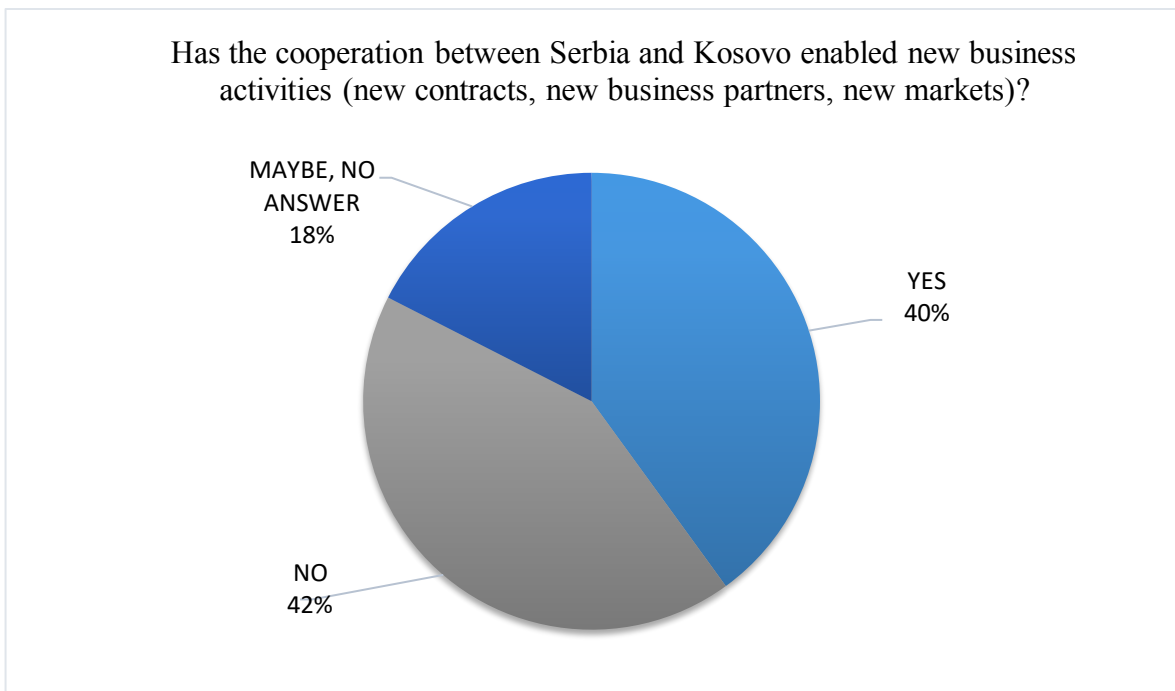
When asked if the cooperation influenced their company’s level of production, 47.5% of companies said that the cooperation did not significantly affect the production, 10% of the companies did not answer this question, while 42.5% of the companies stated that cooperation had a positive impact on production, especially in the period before the tariff

was introduced (2010-2018). The positive impact is reflected in the import of raw materials from Kosovo.

When asked: “Did business activity with Kosovo/Serbia have any impact on the level and structure of employment in your company?”, 85% of companies stated that the business cooperation between Serbia and Kosovo did not affect any change in the structure of employment, 10% of companies stated that (the lack of) business cooperation with Kosovo has led to a reduction in employment throughout the supply chain, while the remaining 5% of the companies did not answer this question.

When asked whether the cooperation between Serbia and Kosovo has enabled new business activities,(question 11, provided in *Figure 9. The effect of cooperation between Serbia and Kosovo on new business activities*), 40% of companies stated that this cooperation did facilitate new business activities such as: new contracts, new business partners, joint procurement, joint production and new markets, because there is great common interest and mutual benefit. However, 42.5% of the companies stated that the cooperation does not enable new business activities primarily due to: political conflicts, the presence of the grey economy and perception of high level of corruption. 17.5% of the companies did not answer this question, or estimated that cooperation between Serbia and Kosovo could, in a small, almost insignificant percentage enable new business activities such as new contracts, new business partners or new markets.

Figure 9. The effect of cooperation between Serbia and Kosovo on new business activities



When asked “Do you encounter problems when obtaining documentation that accompanies goods for import/export/transit?” 82.5% of companies stated that they had no problems in obtaining documentation accompanying goods for import/export/transit until the tariff was introduced. The situation in terms of documentation was stable until November 2018. 12.5% of the companies stated that they had problems in obtaining supporting documentation, and this primarily relates to issues in interpretation of documents by accredited institutions, returning documents that are copies (not originals), requesting new copies or additional papers, refusing to accept documentation containing designation Prishtina – Serbia, non-recognition of transport documents, etc. There were instances when the Kosovo Customs or Border Veterinary Inspectorate had made certain small changes regarding required documentation, of which people were informed only after trucks with goods had arrived at the border/boundary crossing. Just before the tariff was introduced, there was a practice to require exporting companies from Serbia not to mention Resolution 1244 on invoices, or to require additional specific elements in invoices. Problems also arose due to inconsistent coordination between the competent customs offices. 5% of the companies did not answer this question or thought that documentation problems were partial and periodic.

When asked “Do you encounter problems with competent authorities at border/boundary crossings (customs, police and inspections?)” 12.5% of companies answered that they do have problems with the competent authorities at the border/boundary crossings. Although the number of companies admitting to having problems is rather small, their answers deserve special attention. They specified the following: atypical requirements by the customs authorities, asking for additional paperwork, lack of information about the harmonized regulations, poor working conditions of the authorities make it difficult to take goods across the border, certificates of origin are required for each instance of export, sampling often lasts longer than the expiration date on goods, sampling problems exist when transporting a large number of different types of products in a single truck, there were instances when a truck with a deadline of three days to leave the country could not enter Kosovo and, for various reasons, the border authorities had stopped working so the trucks were stuck at the border/boundary crossing area. There is also a lack of response by the competent authorities to requests by the companies, which has caused misunderstandings concerning the certificate of origin of goods, and there are cases when misdemeanor proceedings were initiated by the competent authorities. 75% of companies did not have any problems at the border/boundary crossings with competent authorities (customs, border police, inspections), while 5 companies did not answer this question.

When asked if whether the services and inspections on border/boundary crossings are coordinated, and are their working hours harmonized, 65% of companies answered that they are coordinated and that the working hours are harmonized, 17.5% of companies stated that the services were not coordinated, that there are long waiting times, that inspections are often not present and that there are unplanned service interruptions. Seven companies are not familiar with the work of crossing services because they transport works through partners.

When asked “Have you ever had any problems with the treatment of transit goods in Kosovo/Serbia”, 82.5% of companies stated that they had no problems with the treatment of transit goods through Kosovo, 15% of companies are not involved in the transit of goods through Kosovo (most often via North Macedonia).

When asked “Have you participated in tenders in Kosovo/Serbia”, 15% of companies from Serbia stated that they mostly participated indirectly in tenders in Kosovo. There were cases when bids were returned and not considered at all. Tender performance was assessed as modest. The only way to assess a tender in Kosovo as successful is if the application was made through business partners from Kosovo. 80% of companies from Serbia did not participate in the tenders in Kosovo. An insufficient level of information on the conditions on the Kosovo market is cited as the main reason, which should be urgently dealt with by the Chambers of Commerce of Serbia and Kosovo. Two companies did not answer this question.

37.5% of respondent companies stated that in their day-to-day business they are faced with a lack of adequate infrastructure (roads, inadequate border/boundary crossing conditions, telecommunications, payment services, insurance). Problems are related to: lack of logistical infrastructure (insufficient warehouse capacities), the small number of terminals at crossings, high congestion and long waiting times, poor road infrastructure, non-functioning GPS signals on trucks, Serbian mobile operators not operating in Kosovo, high truck insurance costs, operations of a payment system, inadequate crossing conditions and lack of space, high depreciation costs and slow transport. 57.5% of companies stated that there were no problems with existing infrastructure at the crossings, while two companies did not answer this question.

In the course of the research, companies listed the following types of support they most need to stimulate and establish economic cooperation between Serbia and Kosovo:

- unconditional implementation of the CEFTA Agreement,
- more effective role of the governments in order to completely normalize relations in the shortest possible time,
- the chambers of commerce should once again organize business meetings with the aim to connect interested companies more effectively, and introduce permanent consultation,
- more determined and more effective EU support for regional cooperation, that will facilitate new business contacts between the companies operating in Serbia and Kosovo,
- greater political stability, a clear political status and separation of the economy from politics,

- further harmonization of the laws and regulations of Serbia and Kosovo,
- revocation of the tariff on imports of goods from Serbia and other non-customs barriers,
- establishment of better security conditions for the realization of passenger transport and return to the Kosovo market lost by Serbian operators,

90% of companies believe that business cooperation contributes to the development of the local community in which a company's head office is located, as well as of the local community in which the business partner is located through: a) payment of taxes, contributions, customs and other fees; and b) increase in business activity.

Representatives of the companies made the following concrete proposals and recommendations for improving the economic cooperation between Serbia and Kosovo:

- mutual recognition of documents accompanying export and import,
- suspension of the regulation on introducing the tariff,
- simplification of payment operations and reduction of costs of exchange rates,
- encourage companies to work together on EU funding projects,
- greater volume of investments and opening up the public procurement market,
- simplification of the customs clearance procedure and reduction of costs of customs clearance.

When asked whether there is a common interest for them and their business partners in Kosovo to continue or expand their business through higher forms of business cooperation, 42.5% of companies indicated that there is currently no interest in joint ventures, joint production or joint participation for the award of grants/initial capital. But, 22.5% of companies indicated their willingness to work together with partners in Kosovo.

The following higher forms of business cooperation between companies from Serbia and Kosovo are proposed: joint imports, passenger transport, joint procurement and sale, exclusive distribution, joint appearance in other markets and joint participation in tenders.

When asked "Does regional economic cooperation have any impact (positive or negative) on your company's development?", 70% of the companies agreed that regional economic cooperation contributes to higher production and sales volume, encourages development, exports, improves product/service competitiveness, increases profit, gives greater product

placement opportunities and encourages business communication. 15% of the companies responded that regional cooperation would not significantly affect the development of the company until full normalization of Belgrade-Prishtina relations is established. 15% of companies did not answer this question.

When asked has the 100% tariff on imported goods from Serbia and Bosnia and Herzegovina affected their company, 17.5% of companies answered that their long-term market position has been compromised, 55% of the companies stated that the tariff affected market loss in the short-term, but the long-term market position has not been compromised (encouraging information), while 22.5% of companies replied that this measure has not directly affected their business. Two companies did not comment on the issue.

12.5% of companies stated that they had experience in resolving disputes before competent courts. Representatives of the companies stated that they had a positive experience with the Commercial Court in Prishtina, with the Court of the First Instance in Prishtina and that they successfully collected the claims and completed the initiated proceedings. Serbian companies cited the major problem of being able to secure adequate legal representation before the courts in Kosovo. 70% of the companies involved do not have experience before the competent courts in Kosovo, while 17.5% of company representatives replied that they were not aware or did not answer this question.

When asked about cooperation between the Chambers of Commerce of Serbia and Kosovo, 52.5% of the companies stated that they are aware of the cooperation which is beneficial for their business. The remaining 47.5% of companies said they are not familiar with the cooperation between the Serbian and Kosovo Chambers of Commerce.

PART II:

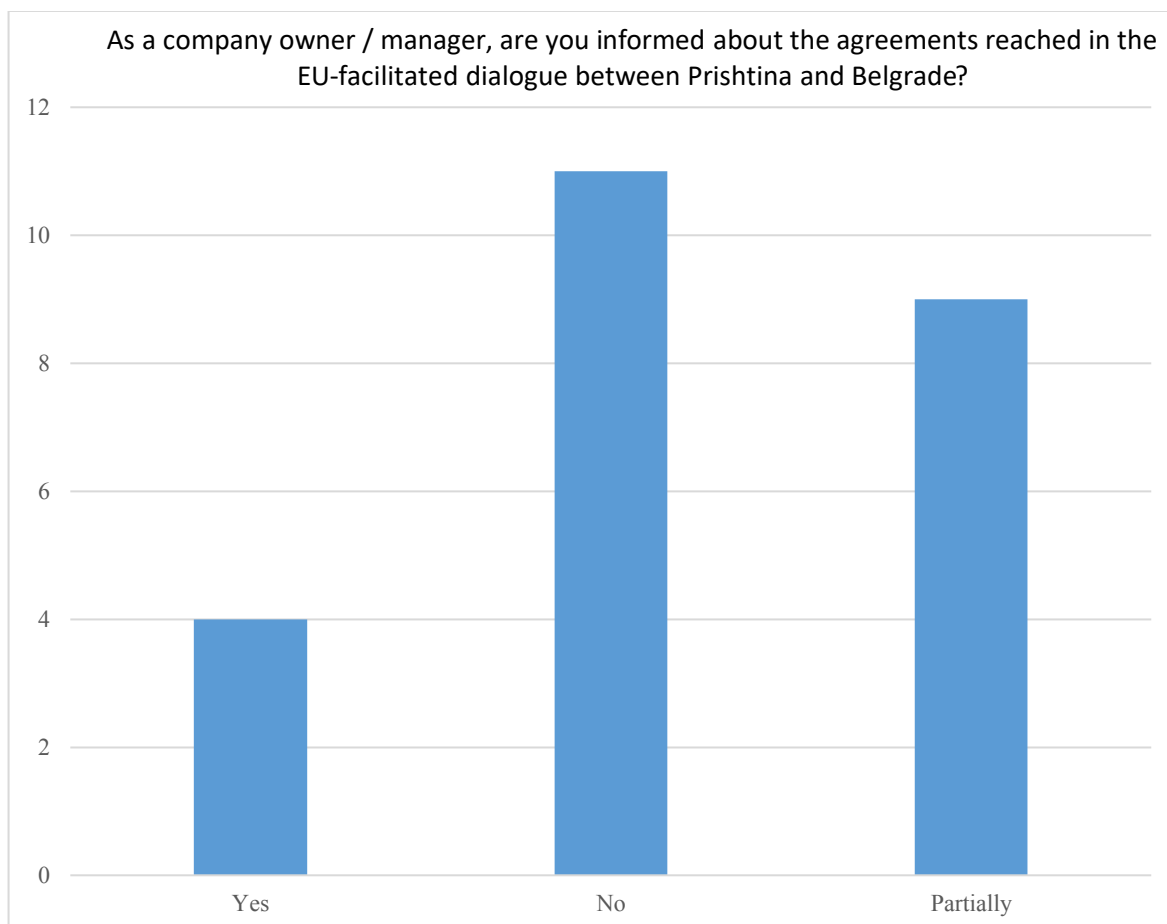
RESEARCH RESULTS – KOSOVO

The questionnaire was divided into 19 questions as well as several sub-questions. Businesses were asked different forms of questions from “yes and no” questions, to ones with scales from 1 to 5, to open questions.

The responses given to question 2 I, (provided in *Figure 10. Level of information about the agreements reached in the Brussels dialogue*) reveal that companies from Kosovo are not sufficiently informed of the agreements reached between Pristhina and Belgrade. The results shown in Figure 4 indicate that around 45% of companies are not informed, while 55% are informed, or partly informed of the agreements reached in the Brussels dialogue. The research shows that companies in Kosovo are poorly informed of the agreements reached in the EU-facilitated dialogue between Prishtina and Belgrade.

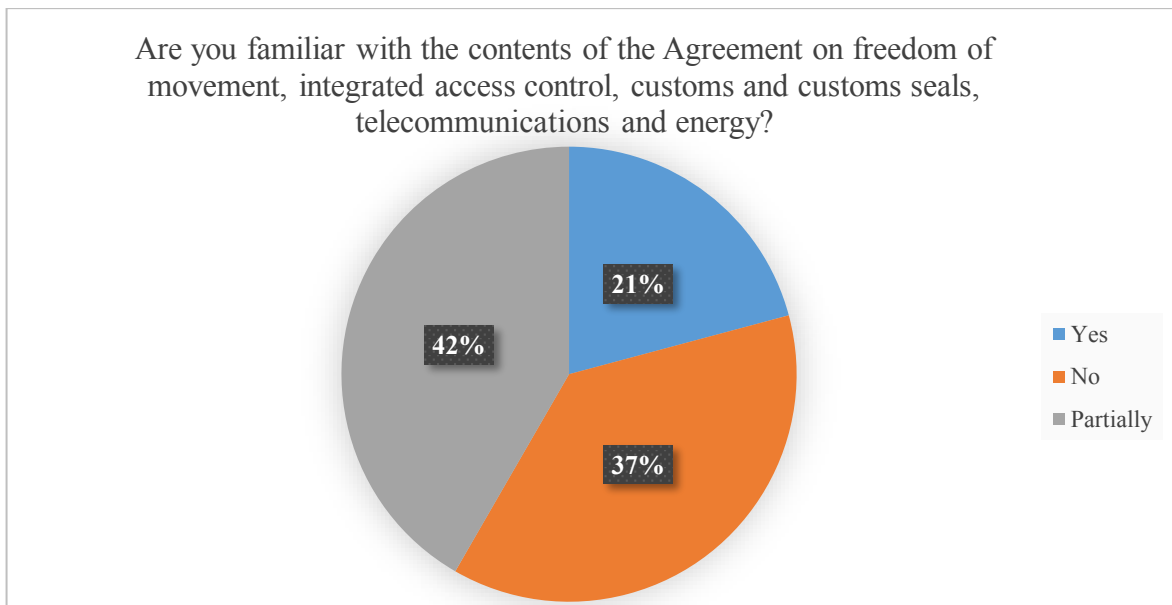
The political impacts and consequences of the agreements have been the subject of public discourse much more than their economic implications, leaving businesses little informed about the possible benefits of the agreements.

Figure 10. Level of information about the agreements reached in the Brussels dialogue – Kosovo companies



The responses to the question about the level of information about specific agreements, provided in Figure 11 (Level of information about the content of the agreements on freedom of movement, integrated border management, customs and customs stamps, telecommunication and energy) show that 21% of companies are familiar with the content of the agreements, while 37% are not familiar at all. 42% of companies stated that they are partially informed but most of them only heard about these agreements on TV. Not only did we ask the companies if they had heard of the agreements but as will be seen, in the following questions, we also specified these agreements and then asked the companies if they had seen the individual benefits of these agreements. The answers to these various levels of questions were different as well. The fact that half of respondent companies in Kosovo are not informed about the agreements and the other half heard about the agreements on TV suggests which direction the Chamber of Commerce of Kosovo should follow in the coming period.

Figure 11. Level of information about the content of the agreements on freedom of movement, integrated border management, customs and customs stamps, telecommunication and energy

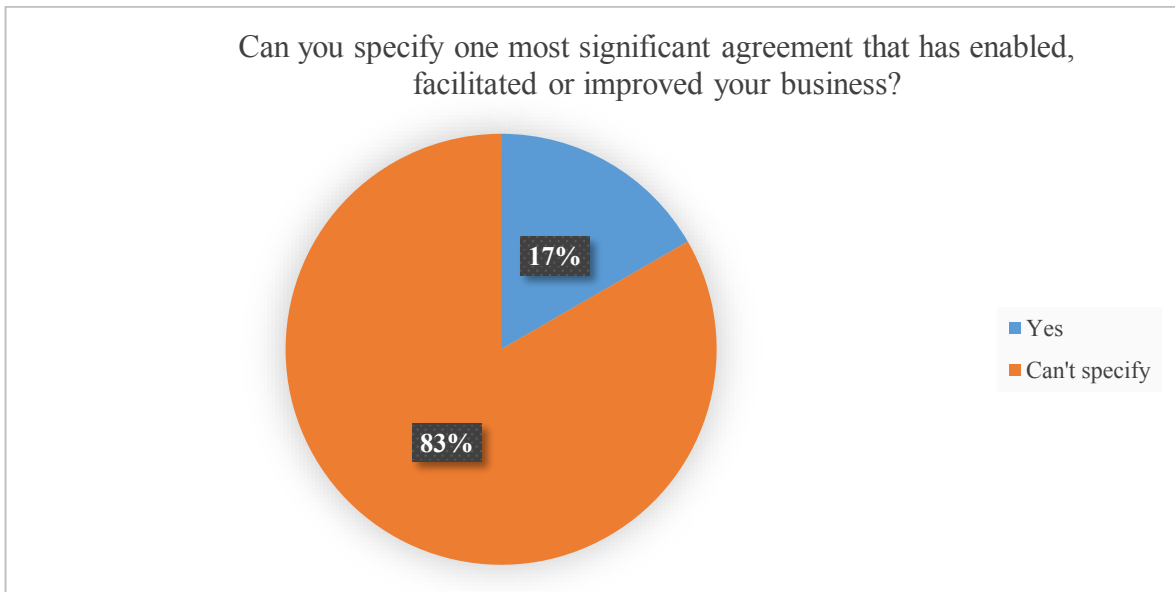


The companies were asked to name an agreement that has enabled, facilitated or improved their business. Their responses, provided in *Figure 12(One most significant agreement)* indicate that even though the companies in general are not very familiar with their contents, a significant number of them believe that the agreements have a positive effect on business. Nevertheless, 50% of companies do not see any effect at all (this might suggest that half of Kosovo companies haven't had any opportunity to operate in the Serbian market), 15% even believe that the effect is negative, while only 17% of the companies could specify one most significant agreement that has enabled, facilitated or promoted their business. When specific agreements were mentioned in the question, the results show that 37% of them are not familiar with the content of agreements related to freedom of movement, integrated access control, customs and customs seals, telecommunications and energy. Whereas only 21% are aware of the content and among them only 42 % are partially familiar with the aforementioned content of agreement.

However, when asked if they can specify one most significant agreement that has improved their business most of the businesses surveyed were not able to specify one. 83% of the businesses could not specify one agreement that directly increased their business. From the conversation we had with the respondents, although they replied that they could not specify any agreement that directly benefited them, they were able to say that in general the agreements are positive, especially as we will see for the general climate of business relations.

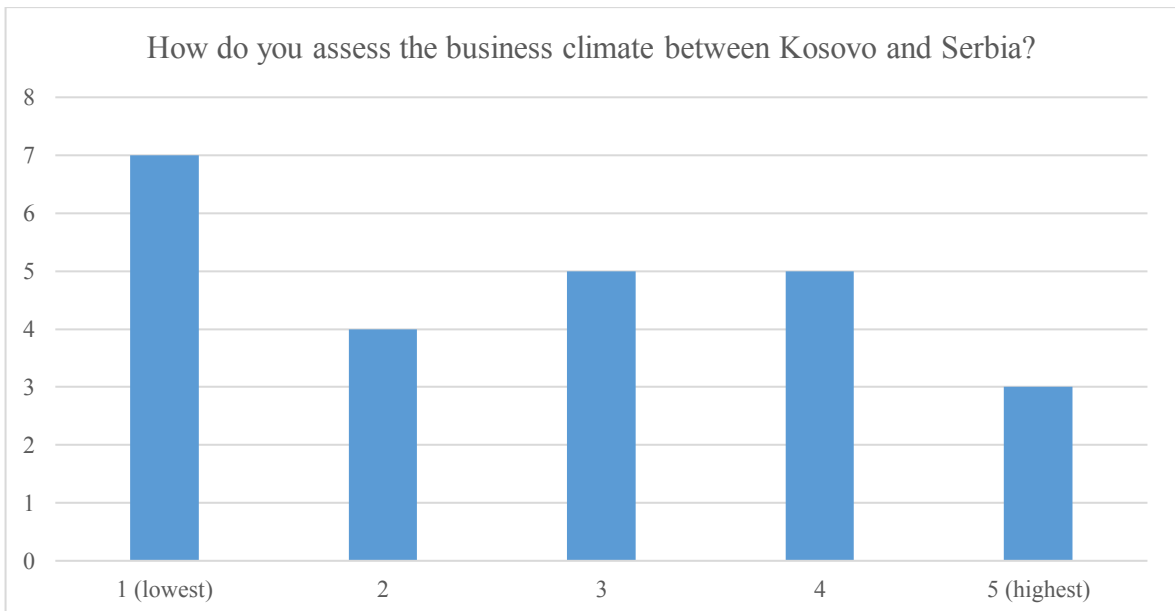
Most of them pointed to the agreement on “freedom of movement”, which enabled them to increase the frequency of border crossings more efficiently and without many problems.

Figure 12. One most significant agreement



The majority of respondents replied negatively to question 3 when asked to assess the overall business climate for economic cooperation between Kosovo and Serbia, (*Figure 13. Overall business climate*).

Figure 13. Overall business climate

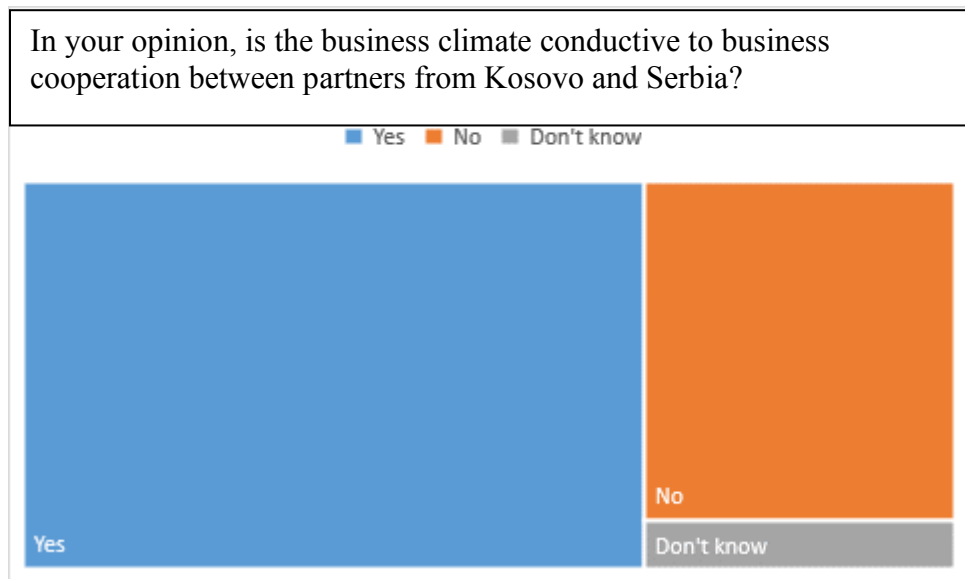


However, some companies believe that even though cooperation is hindered now, the potential is still there and the situation can improve significantly in the future. This was

reflected mostly when the question was rephrased and companies were asked if the business climate is conducive for cooperation.

As seen from the responses given to question 4, about the business climate,(provided in *Figure 14. Conductivity of the business climate*), a majority of more than 60% cite that the business climate is conducive to business cooperation between partners from Kosovo and Serbia.

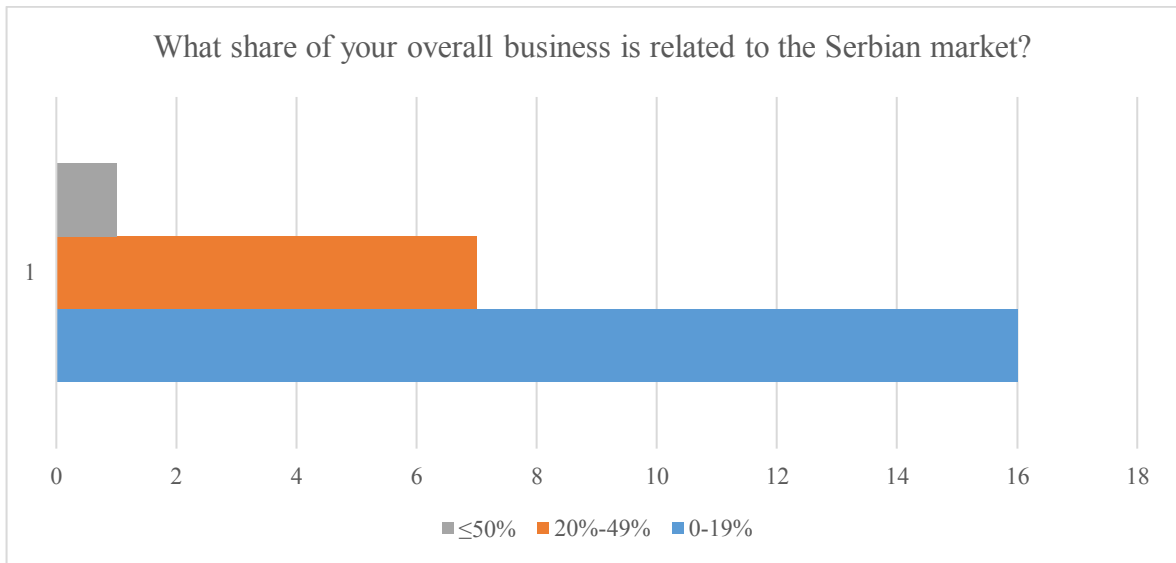
Figure 14. Conductivity of the business climate



When asked about the overall business climate in Kosovo-Serbia, a significant portion responded positively, seeing it as appropriate in the sense that the potential comes mostly from the special historical links. The answer to the above question mainly took into account the current circumstances. In the explanations we gave to the respondents during the filling of the questionnaire, we emphasized the adjective "appropriate" meaning “proper in current circumstances”. This response is a good sign that the will still exists and that businesses see good opportunities for future cooperation.

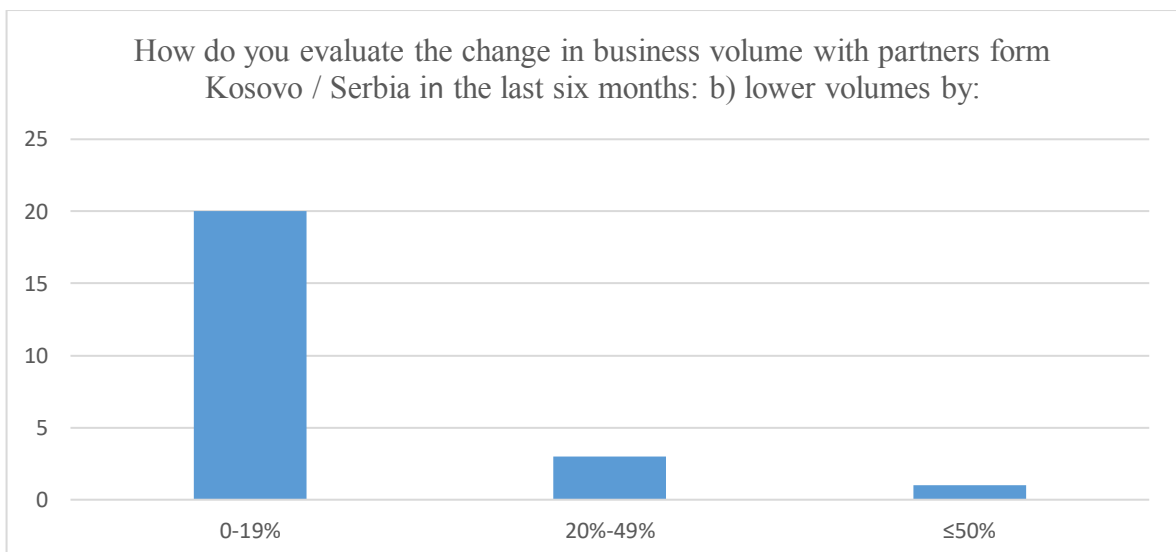
The responses given to question 5: “What share of your overall business is related to the Serbian market?”(provided in *Figure 15. Links with the Serbian market*),lead to a conclusion that the cooperation is dwindling. Most of the companies answered that the share of their business activities related to the Serbian market is under 20%, with an average of 15%. Very few of companies realize over 20% of their business activities in Serbia. The tariff imposed on products coming from Serbia has caused business activity to fall significantly between Kosovan and Serbian companies. The possibility of introducing the reciprocity principle of cooperation with Serbian companies is a topic that has been recently discussed in Kosovo and could be relevant for such findings.

Figure 15. Links with the Serbian market



The responses given to question 6, provided in *Figure 16*. (*Change in business volume with partners from Serbia in the last six months*), show the developments of cooperation as compared to the situation six months ago. Companies now report lower volumes of sales and revenue. According to their responses, the companies manage to recover lost revenue either by increasing their prices (which harmed consumers) or by switching to partners from other countries. The change in sales and revenue is within the range below 20%. Despite the reported changes, these changes are mostly circumstantial and have to do with the circumstances surrounding the tariff and the generally negative public rhetoric about doing business between Kosovo and Serbia.

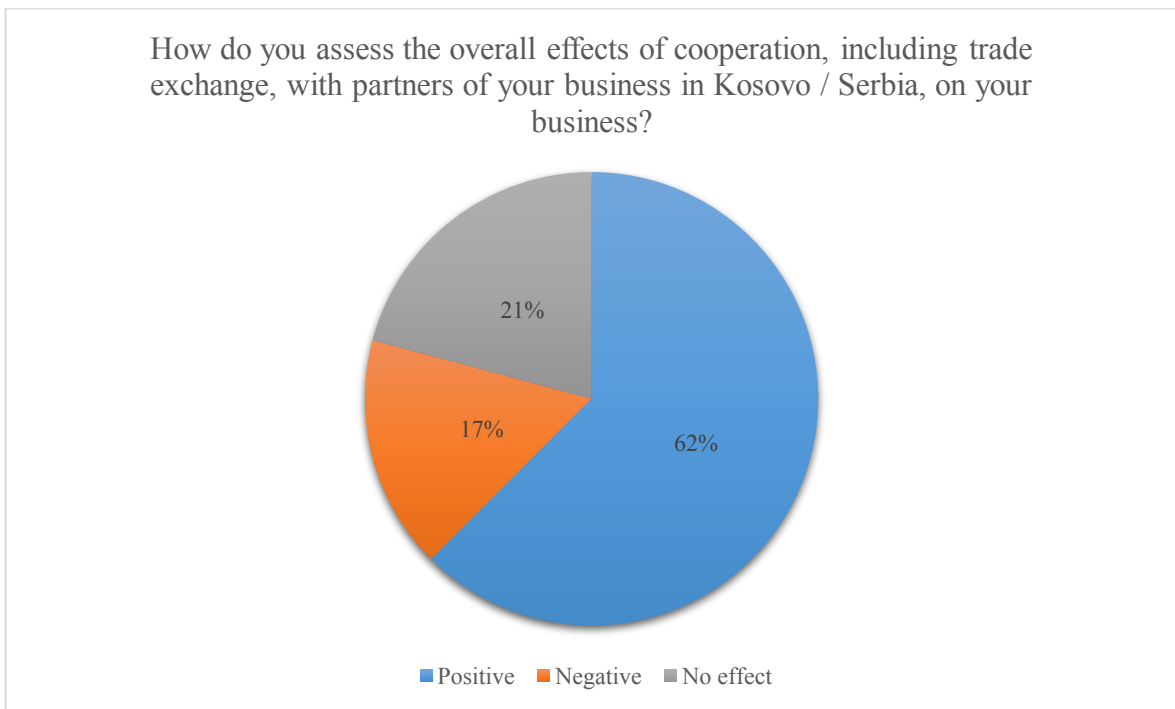
Figure 16. Change in business volume with partners from Serbia in the last six months



When asked to assess the overall effects of cooperation with partners in Serbia (Question 7, provided in *Figure 17. The overall effects of cooperation*), the respondents gave some of the most encouraging answers of this research. The companies still believe that the overall effects of cooperation on their business are positive. 62% of companies report benefits of cooperation, only 17% believe that the overall effects of cooperation are negative, while 21% see no effects on their performance.

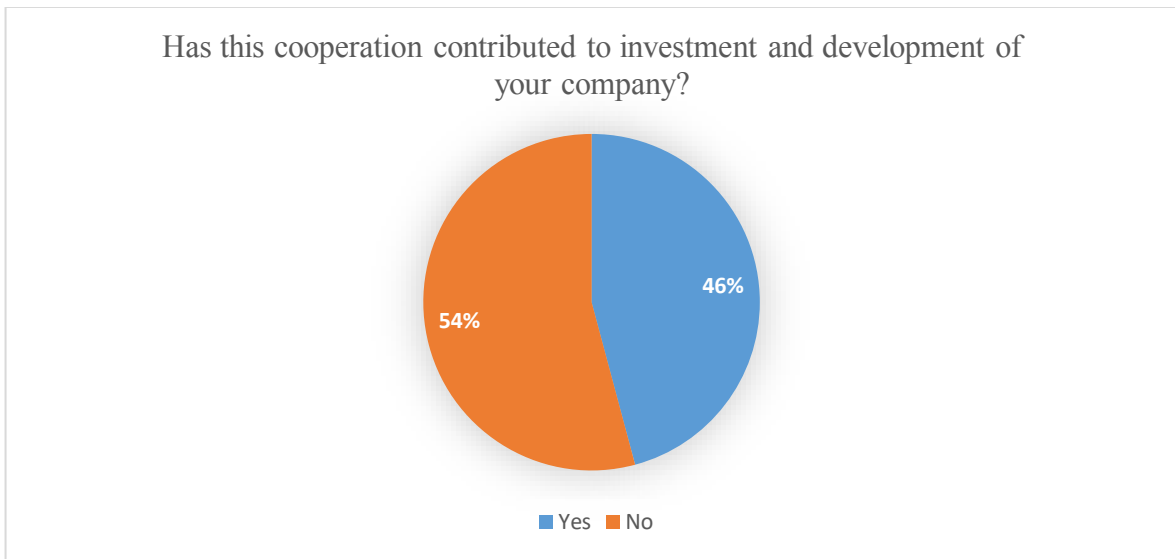
Since most view the level of cooperation positively, we believe more work should be done with those respondents that see no impact at all or those who view it negatively. From discussions with businesses beyond the numbers in the questionnaire, we noticed that most of those who said they saw the situation negatively could not say why. They simply considered that any cooperation with Serbia would not bring anything positive. In this sense, we note that communication between chambers would be very useful in breaking down prejudicial barriers and in fostering economic interest in order to prevail over common and not-constructive stereotypes.

Figure 1 The overall effects of cooperation



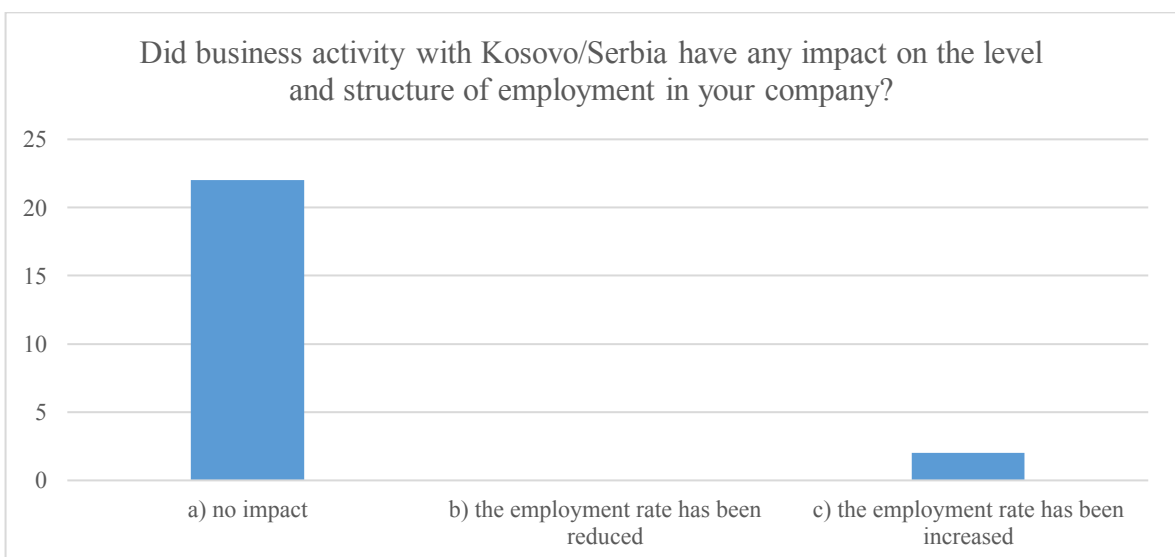
When asked if this cooperation has contributed to investment and development of their business, (question 8, provided in *Figure 18. Impact of cooperation on the level of investment and development of companies in Kosovo*), the companies were evenly split between those who responded that the cooperation does contribute to investment and development and those who think that it does not

Figure 18. Impact of cooperation on the level of investment and development of companies in Kosovo



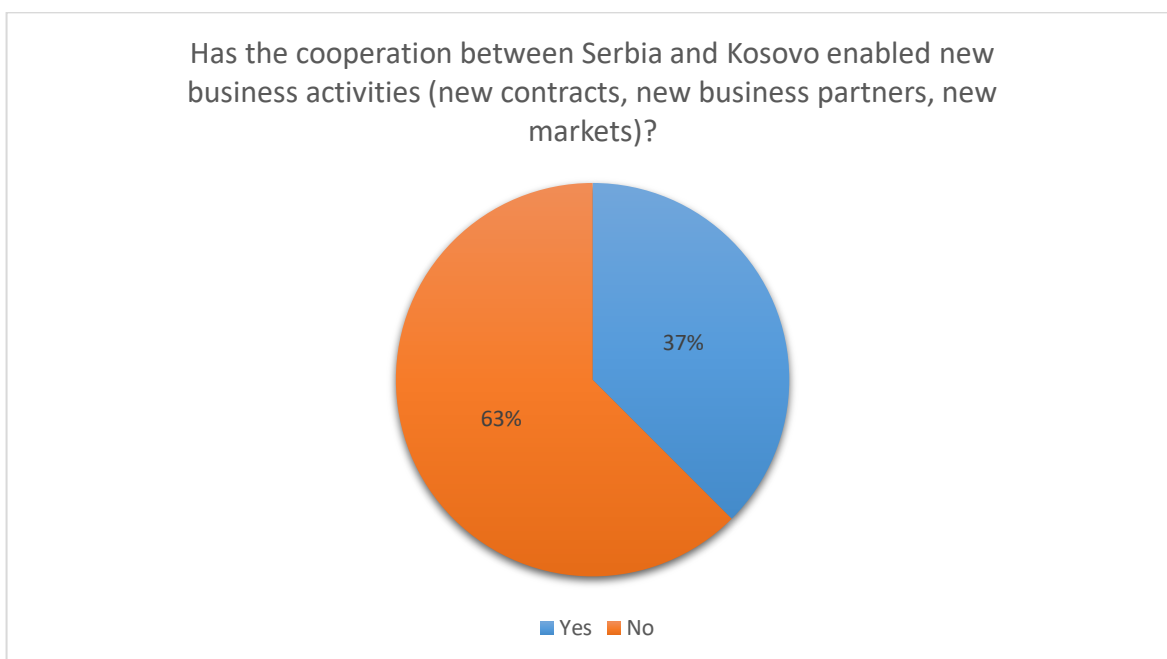
When asked if business activity with Serbia had any impact on the level and structure of employment (question 10, provided in *Figure 19. Impact of business activity with Serbia on the level and structure of employment in the company*), the companies did not report big change. Only 8% of the companies stated that business cooperation between Serbia and Kosovo has led to an increase in employment by 5-10%. Despite political rhetoric, this proves again that the 100% tariff applied to goods from Serbia has not significantly affected the level and structure of employment.

Figure 19. Impact of business activity with Serbia on the level and structure of employment in the company



As seen in from the responses given to question 11, provided in *Figure 20. (Business cooperation and new business activities)*, the majority (63%) of companies reported business cooperation with partners in Serbia, stating that peak-periods of cooperation have facilitated new business activities, such as: new contracts, new business partners, new markets, etc. This indicates that restoration of business cooperation depends on whether the companies see a light at the end of the tunnel and whether all sides will benefit from it.

Figure 20. Business cooperation and new business activities



Most companies have not encountered any problems when obtaining documentation that accompanies goods for import/export/transit. However, when asked to specify major barriers and policies that should be changed, the companies specified non-recognition of documents featuring “Republic of Kosovo” insignia by the Serbian customs administration and other authorities as one major barrier.

A vast majority of companies stated that they operate through subcontractors who take over responsibility for communication with the customs administration and other authorities.

Of those who cited problems with customs, the vast majority attribute them to political decisions, such as: on-recognition of certificates of origin, car plates and destination documents.

Some respondents reported problems with documents prepared by partner companies in Serbia to designate products in Kosovo. Declarations of origin often cause difficulties with the customs administration because they are not politically acceptable for one or the other party.

When responding to question 13, provided in Figure 21. Customs barriers and problems, question 14, in Figure 22.(Cooperation with competent authorities at border/boundary crossings, and question 15, in Figure 23. Treatment of transit goods), most of companies stated that they have no problems with transit of goods through Serbia.

Figure 21. Customs barriers and problems

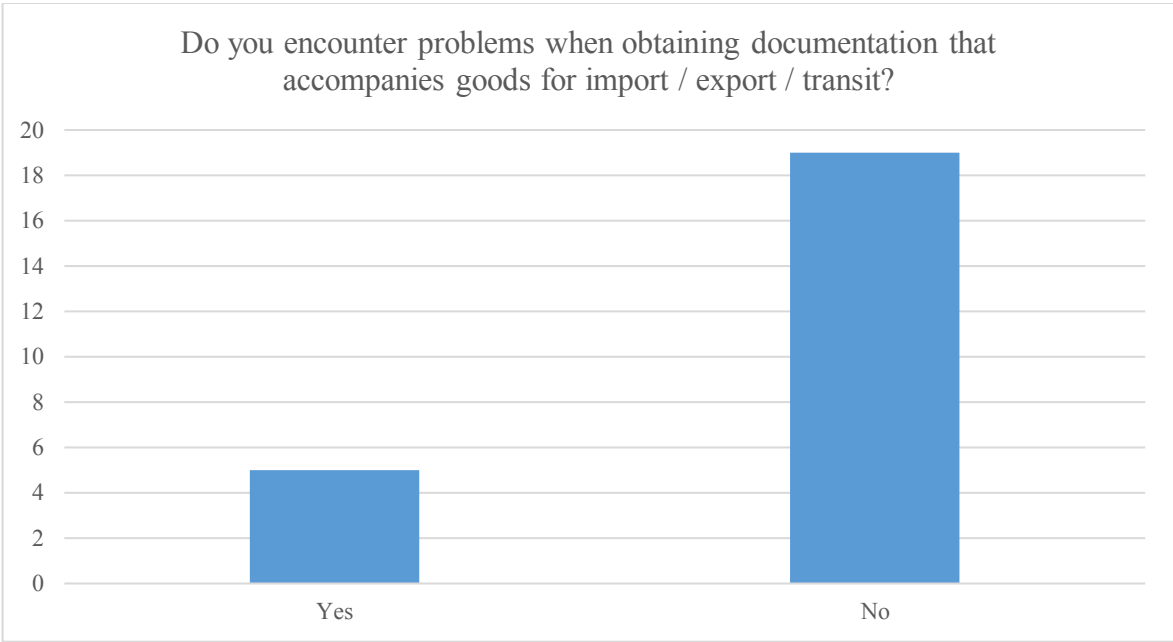
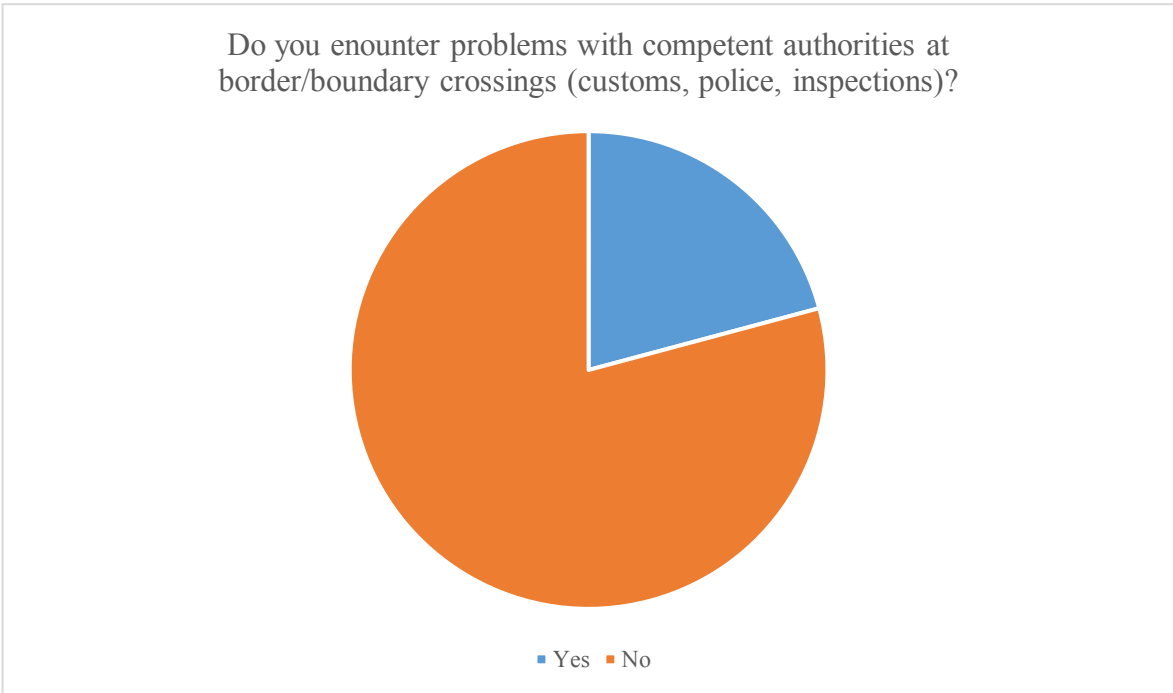


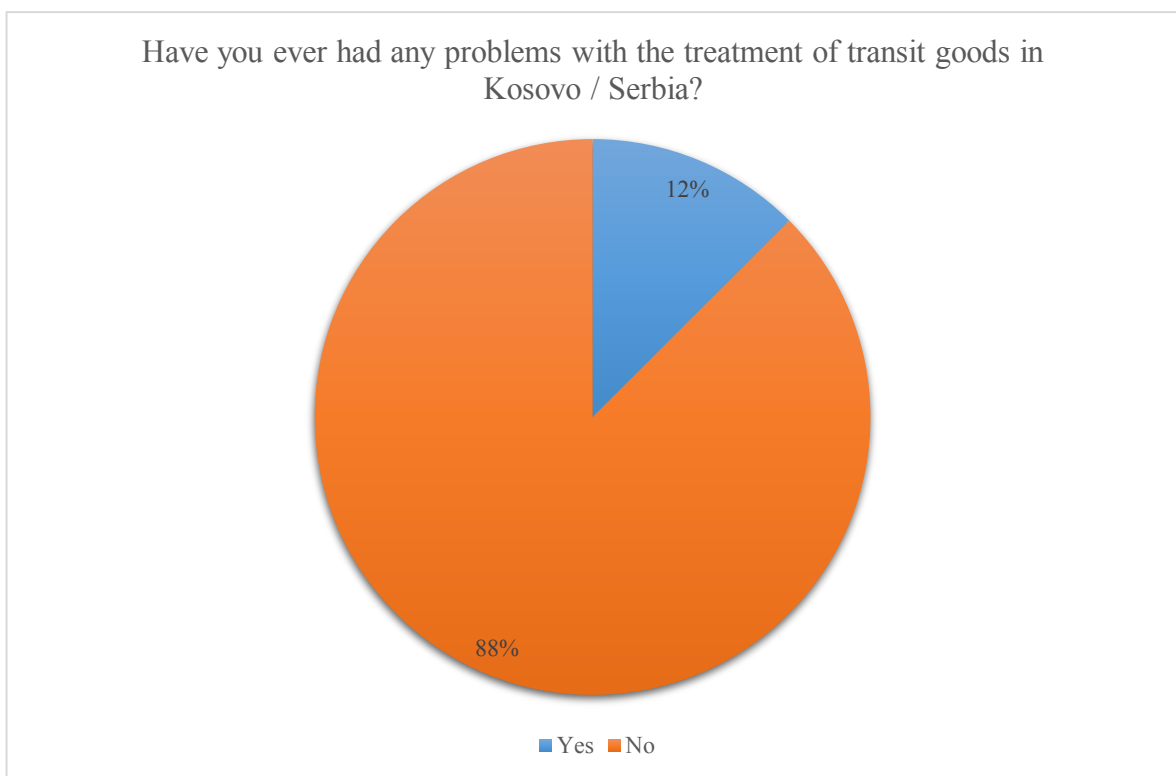
Figure 22. Cooperation with competent authorities at border/boundary crossings



The two figures above show that most surveyed businesses did not have problems when obtaining appropriate documentation to accompany goods for import / export / transit. This has two explanations: in the first place, businesses stated that there is an imbalance between the problems they encounter when importing products and when they export them. According to them, the main problems start if they want to export goods to Serbia. As the trade ratio shows a trade deficit of Kosovo in relation to Serbia, most of the exchanges are in the form of imports from Kosovo. At this level, most businesses do not have problems with documents and customs authorities. In fact 79% of them said they do not encounter such problems.

However, of the companies that said they have encountered problems most of them are/were exporting companies and they declared that in most cases, these problems have led to the cessation of cooperation or to them finding other partnerships within other countries.

Figure 23. Treatment of transit goods

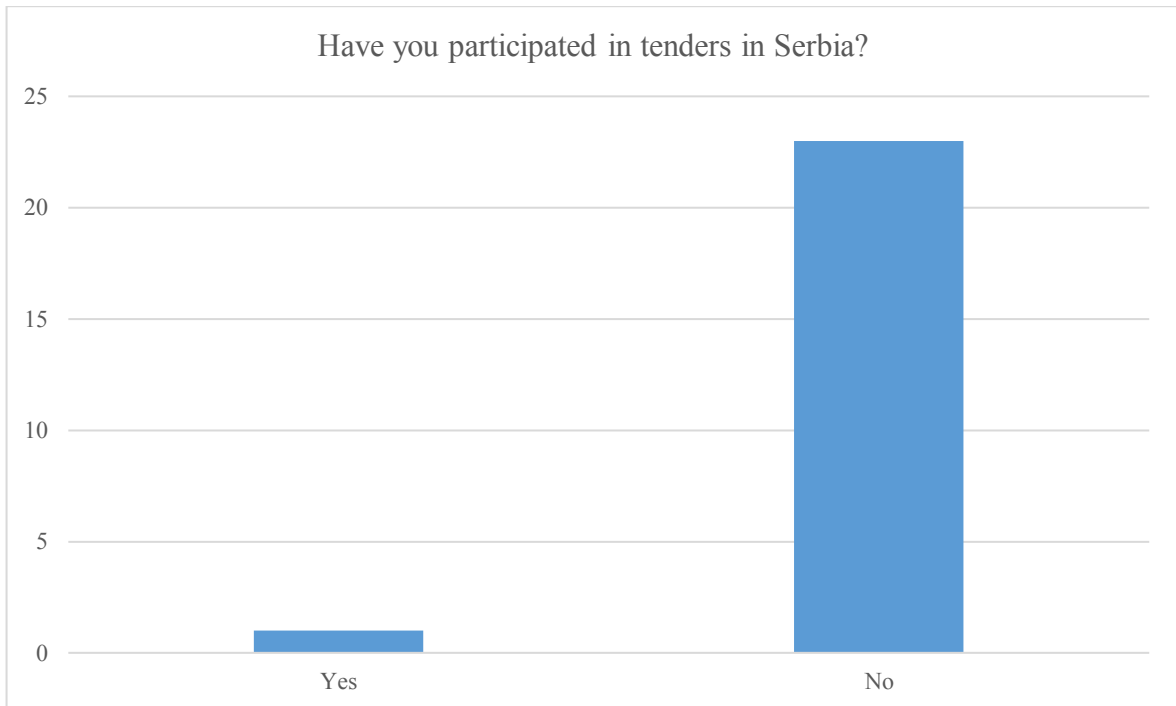


The majority of companies said that they see dialogue and solving political problems as the crucial support they need in order for cooperation to take place.

Reduction of custom duties and VAT, support of joint entrepreneurship initiatives, increase of dialogue between the companies from Serbia and Kosovo, recognition of documents etc., were also mentioned as recommendations.

When responding to question 16, provided in *Figure 24.(Participation in tenders)*, Kosovan companies stated in the survey that they have never participated, or been considered for participation in tenders in Serbia. However, when asked about possible forms of business cooperation, they mentioned participation in grants and tenders, which shows that the companies are open to participation in the future.

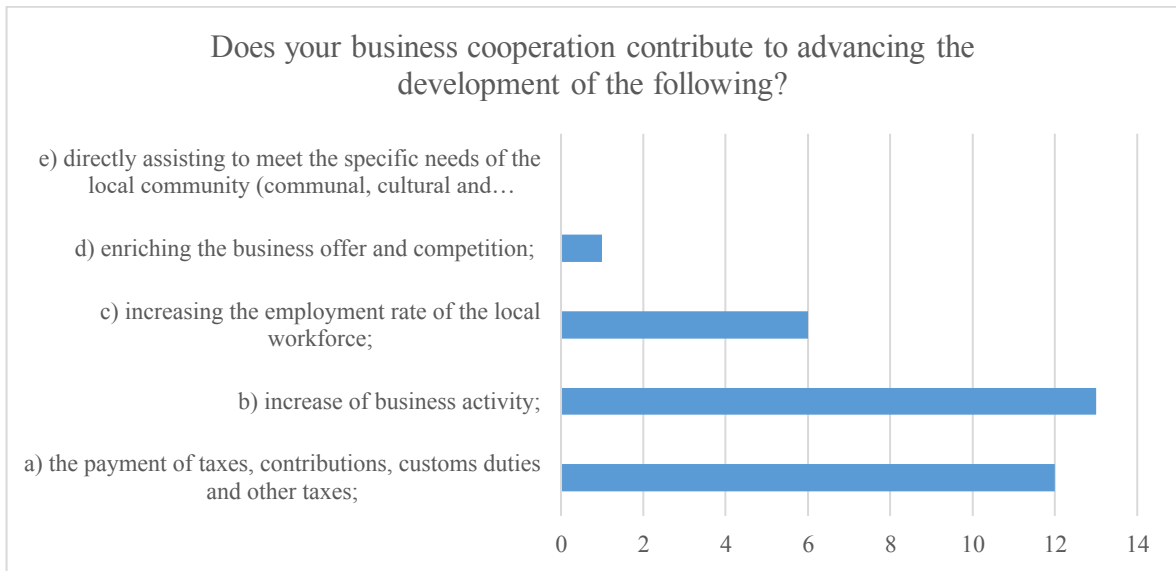
Figure 24. Participation in tenders



When the companies were asked if they lack adequate infrastructure, the majority of them mentioned road infrastructure and traffic jams major problems. Reliable water and electricity supplies were also mentioned as thing that need to be improved.

The responses given to question 19I, provided in *Figure 25. (Cooperation and advancement of development)*, show that companies recognize the benefits that cooperation brings for the local economy as well as for the community and the economy of the partner from Serbia. Most of the answers stated that cooperation increases business activity, the level of taxes collected and the employment of the local workforce.

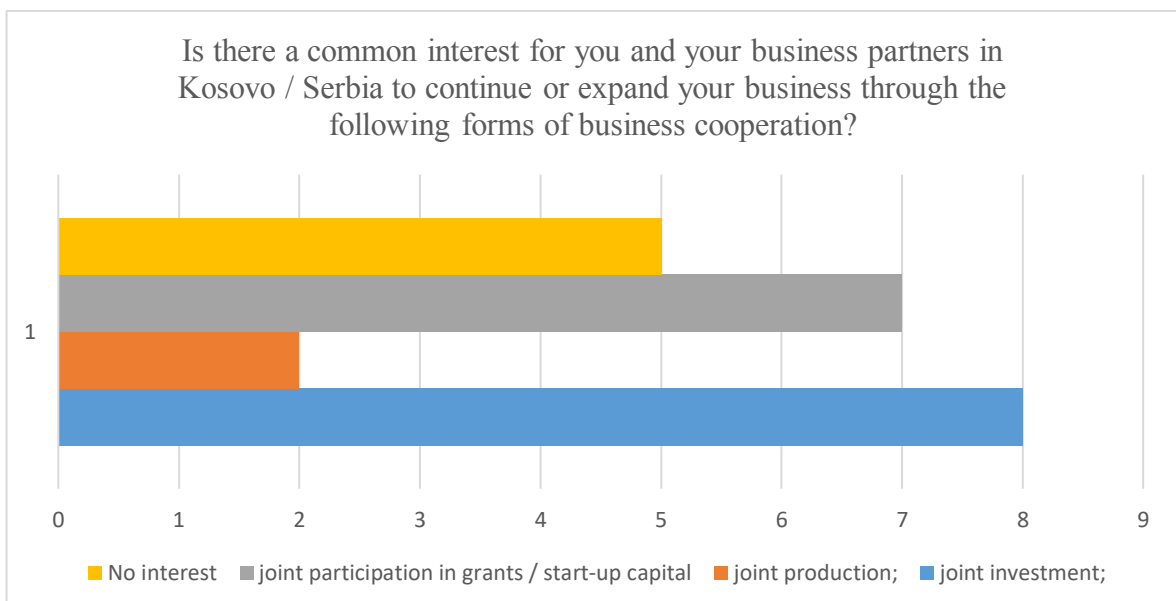
Figure 25. Cooperation and advancement of development



80% of companies saw great potential and interest to continue or expand their business through joint investment, joint production and joint participation in grants/start-up capital.

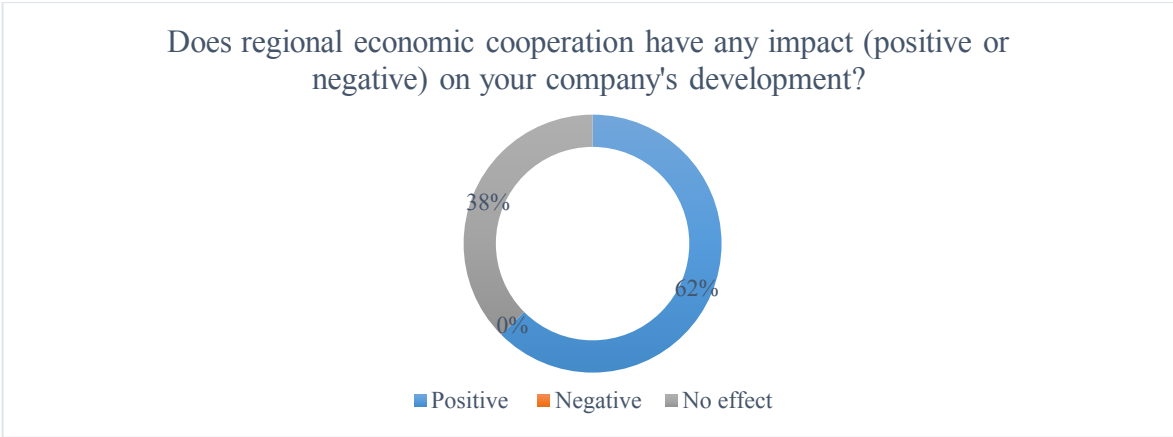
The responses to question 19 IV, provided in *Figure 26. Fields of cooperation in the future*, reveal a great potential for new forms of business cooperation between companies in Serbia and Kosovo - 33% of companies said that they see interest in joint investment. 29% said they see interest in joint participation in grants/start-up capital. Some 8% said they see interest in joint production initiatives.

Figure 26. Fields of cooperation in the future



In response to question 19 V, provided in *Figure 27. (Impact of regional economic cooperation)*, the majority of companies see a positive correlation between the regional cooperation climate and the development of their company: 62% declare that good regional cooperation affects positively their business. None of companies believe that regional cooperation affects negatively their company.

Figure 27. Impact of regional economic cooperation



The responses given to question 19 VI, provided in *Figure 28. (Impact of the customs tariff)* show that companies faced difficulties after the customs tariff was imposed, especially during the initial period. 41% of companies declared that they had losses in the short-term but were able to recuperate them and the long-term market position has not been compromised. These are companies that were able to replace the products or raw materials imported from Serbia, with other products from partners in different countries.

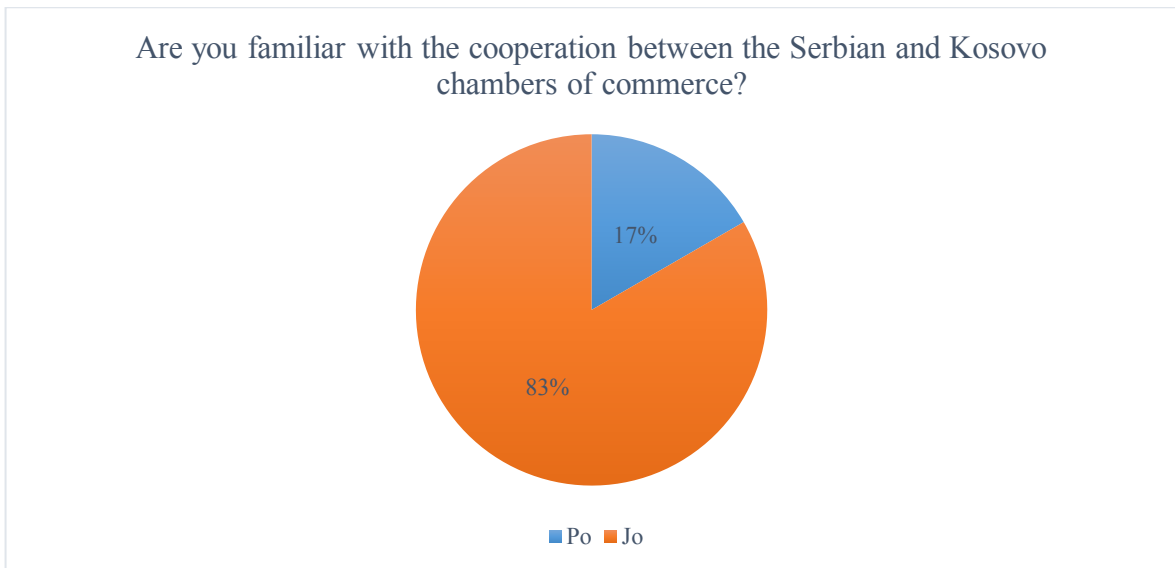
Figure 28. Impact of the customs tariff



8.33% of the companies said that their long-term market position has been compromised. These are companies that could not replace the products sold in cooperation with partners from Serbia. For example, a company selling car wheels stated that they were forced to double their prices. Such practice affects their position in the market since the volume of sales dropped significantly leaving them in a difficult position. However, a number of companies (33.33%) reported no major changes in their business.

The responses given to question 19 VIII, provided in *Figure 29. (Information about the cooperation between the Serbian and Kosovo chambers of commerce)*, indicate that the majority of companies were not aware of any cooperation between the chambers of commerce of Serbia and Kosovo. 83% of companies were not informed of any cooperation while only 17% were. Very few of those 17% of companies that were informed for the cooperation between the two chambers had benefitted from that cooperation.

Figure 29. Information about the cooperation between the Serbian and Kosovo chambers of commerce



Based on the research results it is possible to draw the following conclusions:

Companies from Kosovo continue to see the potential and benefit of collaborating with businesses from Serbia. Although the current situation has resulted insubstantially less cooperation, the potential for future cooperation exists. The research also found that the vast majority of companies have already found other partners from other countries after the 100% tariff. This means that additional stimulation measures are necessary in the future in order for cooperation to be restored.

Companies from Kosovo are poorly informed about the agreements reached in the dialogue between Kosovo and Serbia. Although some respondents stated that they had information about the agreements reached, when asked to cite an agreement 83% of them could not specify one agreement for which they had sufficient information.

The majority of companies stated that the agreements do not affect their business. This in itself showed how little companies trust the agreements reached so far. Companies not only lack confidence but also great interest in the agreements. Other than the free movement agreement, other deals could not even be named. This information is an opportunity to establish higher forms of cooperation between companies from Kosovo and Serbia. This specifically means that ordinary trade exchange should be replaced with production joint ventures, joint applications for EU-funded development and high-tech projects, and joint participation in public procurements not just in Kosovo and Serbia, but also in other countries of the region.

Although companies generally do not think that the business climate is conducive, they do see significant potential. About 33% of companies think that a conducive business climate exists. When asked to explain this further, they stated that the geographical position as well as the cost-benefit are extremely large and therefore they see great potential for future cooperation. There is nothing more stimulating for a company than a benefit-cost ratio, because it is an indicator of profitability.

In the research, including fieldwork, it was discovered that in addition to the economic impact that the tariff had, it has also had an effect on the overall trust to trade. We have noticed this especially in the questions about the volume of trade between Kosovo and Serbia, the effects of this trade and the changes in business. Businesses have generally been reluctant to answer these questions or responded with small percentages. Of course, the tariff has led to a marked reduction in economic activity, but we feel that businesses had an increased reluctance to respond correctly to tariff and economic cooperation questions in general as a consequence of a public discourse that is more and more rejecting cooperation. The decline in confidence in trade could be seen as an opportunity for creators of economic relations between Serbia and Kosovo to raise the topic of other, non-trade related forms of cooperation that are less visible to the public and far more effective for businesses and overall economic cooperation between Kosovo and Serbia.

Among the main difficulties mentioned are the lack of recognition of the stamped documents stating "Republic of Kosovo", or on the other hand, problems in customs because products from Serbian partners write "Province of Kosovo and Metohija" etc.

Other problems include not recognizing stamps, delays in processing documents, not recognizing car plates, etc. Companies also stated that they face infrastructure problems in their businesses. They cite the quality of road infrastructure as one of the things that causes

them great losses. Other problems include lack of security of supply for electricity and water supply, communication costs, etc.

Companies considered that the main problem of cooperation between Kosovan and Serbian businesses is political relations. Solving political problems through dialogue was seen as the first step in restoring economic relations. Companies stated that there is a good tradition of cooperation between companies from Kosovo and Serbia but that political problems are a barrier to this economic potential to be utilized;

Companies also cite the lack of sufficient communication between businesses from Kosovo and Serbia as another barrier. A more active role of both chambers of commerce is the number one priority here. Companies demanded that in addition to resolving political problems, communication should be increased along with support from both economic and political stakeholders.

They considered that the increase of cooperation significantly affects the advancement of development especially in terms of paying taxes, contributions, increasing business activity, increasing employment and the local labor force, building competition etc. Companies consider that cooperation benefits both parties but first of all some preconditions needed to be met;

Companies recommended that efforts to resolve political problems be intensified. They also stressed that more incentives would be needed in terms of tax exemption, and custom duties. Companies also recommended that institutions facilitate more Kosovo-Serbia business cooperation activities;

Most companies stated that they have an interest in continuing to do business with partners in Serbia through forms of joint venture cooperation, joint production, and grant participation. Thus, a majority of almost 80% stated that they see an interest in cooperating in these areas, and of concern was the level of awareness companies had about the cooperation of the Kosovan and Serbian chambers of commerce. A majority of 83% of companies stated that they had no information of any cooperation between the chambers and that they did not benefit greatly from this cooperation.

PART III: RESEARCH RESULTS –SERB MAJORITY MUNICIPALITIES IN KOSOVO

Field research in Kosovo, in Serb majority municipalities in Kosovo (Sevce-Strpce, Donja Bitinja-Strpce, Klokot, Gracanica, Kosovska Mitrovica) points to the following conclusions:

Trade is most prevalent economic activity in Serb majority municipalities in Kosovo. Given that the tariff on imported goods from Serbia is still in force at the time of conducting the research and writing this report, the prevailing view is that imports from Serbia are almost fully suspended. This situation is also reflected in a significant drop in revenue. The tariff did not drastically change the position of Serbian companies in the Kosovo market, but it did significantly influence the change in the structure and range of products in the shops. There are almost no products of Serbian origin on store shelves. Products from Northern Macedonia, Turkey, Greece and Slovenia are dominant.

When it comes to the level of information about the agreements reached in the Brussels dialogue, companies in Serb majority municipalities in Kosovo that are predominantly engaged in commerce, are not informed about the content of those agreements. Traders evaluate the impact of the agreements reached as negative and assess the business climate in northern Kosovo as poor (on a scale of 1 to 5, with 1 being the worst and 5 being the best, they gave a rating of 1.5). Business cooperation with Serbia did not affect investment growth, increase in investments, sales volume and employment growth in the retail sector in northern Kosovo.

Companies that deal mainly with trade do not encounter problems when obtaining documentation that accompanies goods for import; they have no problems with competent authorities at border/boundary crossings; they have no problems with the treatment of transit

goods, and find that adequate infrastructure is in place. Also, they believe that given the current circumstances, there is no interest in expanding business cooperation with Serbia through higher forms of cooperation such as joint ventures, joint sales etc. This information deserves special attention and engagement of economic policy makers in Serbia interested in changing economic relations with northern Kosovo.

Companies engaged in commerce reported positive experiences with their participation in tenders in Kosovo. They considered that business cooperation significantly affects the development of local communities especially in terms of the level of paying taxes, contributions, increasing business activity, increasing local employment and enriching business offering and competition.

Companies engaged mostly in commerce have no experience in resolving disputes before the competent courts. They are informed about the cooperation of the chambers of commerce of Serbia and Kosovo, and propose greater participation of Serbian business representatives in the meetings organized by the chambers of commerce.

Companies engaged in the processing of fruits and vegetables in Serb majority municipalities in Kosovo have formed an independent association in order to better position themselves in the Kosovo market. The following products are traded with Serbia: ajvar, honey, brandy, syrups, compotes, etc.

Companies engaged in processing of fruits and vegetables are informed about the agreements reached in the Brussels dialogue, but are not familiar with the content of those agreements and believe that they do not have a significant impact on their business. When it comes to economic cooperation with Serbia, they assess the business climate in Kosovo as poor.

Among the main problems mentioned is the problem faced by the packaging manufacture in Kosovo. Imports of packaging glass from Serbia (Paracin) require high transportation and production costs. They also considered that the main problem for their survival in the market is selling of their products. They stated that they have an interest in continuing to do business with partners in Serbia through forms of joint venture cooperation or joint production. They pointed out that there is a silent boycott against products and services of the companies owned by the Serbs, i.e. Albanian citizens refuse to buy their products and services.

Companies proposed that the regulatory framework in Kosovo should be improved to support the development of social entrepreneurship.

Companies engaged in purchase and storage of fruits and vegetables in Serb majority municipalities in Kosovo are informed about the agreements reached in the Brussels dialogue, but they think that the agreements do not affect their businesses. They assess the overall effects of cooperation, including trade, as excellent, and believe that cooperation contributes to increased investments, increased business volume and change in employment

structure. Companies do not have problems with obtaining documentation, they think that services on the border/boundary crossings are coordinated; inspections are coordinated and their working hours are harmonized.

Representatives of the business community believe that there is a lot of unfair competition; business conditions are difficult and campaigns against the purchase of fruits and vegetables from Serbian producers are very common. Interest in cooperation with partners in Serbia exists because the equipment is imported from Serbia and purchased fruits and vegetables from Kosovo are marketed in Serbia.

The responses and opinions of construction companies operating in Serb majority municipalities in Kosovo are very important, given that most imports of construction materials into the Kosovo market come from Serbia. As a result of 100% tariff on goods, companies are giving up their margins in order to maintain competitive prices. In addition, there is a significant increase in the overall level of prices in Kosovo. The tariff has reduced employment in construction firms by 40%. Construction companies believe that their long-term market position has been compromised and that additional strong measures and more active participation of the Chambers of Commerce are needed in order to develop the suitable market situation for companies operating in Serb majority municipalities in Kosovo. Such measures should facilitate the engagement of construction companies from Serb majority municipalities in Kosovo in the preparation and construction of the Nis-Durres highway and encourage them to partner with construction companies operating in Kosovo.

Companies engaged in production of mineral water and PET packaging assess the business climate as poor and not stimulating enough to enhance business operations. They are partially informed about the Brussels agreements, and believe that the agreements have a negative impact on their businesses. They do not encounter any difficulties when obtaining the documents that accompany the goods when importing/exporting/transiting goods or problems with competent authorities. They reported positive experiences in participating in tenders and they are confident of common interest in multiple forms of cooperation, such as joint production. Producers from Kosovo feel that the tariff on goods imported from Serbia have a positive effect in this sector, since there is less competition from Serbian brands (Knjaz Milos, Heba).

None of the sample companies had experience in resolving disputes before the competent courts.

The research revealed the following key problems faced by companies operating in Serb majority municipalities in Kosovo:

- insufficient information about the content of the agreements reached,
- poor business climate,

- business cooperation with Serbia does not significantly affect investment growth, increase in turnover volume and employment growth in retail sector in northern Kosovo;
- lack of a regulatory framework in Kosovo for the development of social entrepreneurship,
- uneven administrative procedures,
- insufficient communication between business operators,
- there is strong unfair competition; conditions for business operations are difficult and campaigns against Serbian producers are very frequent,
- registration of two companies is required: one according to Serbian and the other according to Kosovo regulations. This produces business operations in two taxation systems and involves complications and increased cost,
- Serbian banks do not provide access to loans because they do not recognize the operations of Kosovo companies and do not recognize mortgages or guarantees in northern Kosovo. There is no Serbian cadastre in Kosovo, which is a big burden for companies,
- lack of distribution centers in northern Kosovo, the inability of representative offices of large companies whose products are placed on the Kosovo market to be located in Serb majority municipalities in Kosovo, not just in Prishtina,
- product declarations create problems in obtaining supporting documentation,
- the existence of different customs rates in Kosovo leads to frequent returns of goods,
- there is a problem of packaging manufacture in Kosovo. Importing packaging from Serbia requires high transportation costs, which affects retail prices of products.

RECOMMENDATIONS

Based on the research data, the following recommendations have been formulated:

General recommendations:

- Economic cooperation should be seen not only as the key result of peace and dialogue but also as an impetus for this process to be accelerated and facilitated. Institutions should put much more effort and resources into informing businesses about the agreements reached so far in the Kosovo-Serbia dialogue and on the benefits these agreements bring.
- Compliance with existing agreements is also a prerequisite for increasing the credibility and trust between businesses. Some businesses, even though they had benefited directly from agreements (such as, the agreement on freedom of movement) were not able to confirm it. Explaining the agreements, including their benefits and expediting their implementation, is a prerequisite for increasing the interest, cooperation and confidence of businesses in these agreements.
- The CEFTA agreement needs to be respected by both signatory parties and both sides should not impose additional documents creating non-tariff barriers for businesses. Both Serbia and Kosovo should create a joint mechanism that regularly evaluates all non-tariff barriers and gives recommendations for the future of cooperation.
- Companies' willingness to cooperate should be exploited in order to foster new collaborative initiatives. Given that in the research, a significant number of businesses pointed out that the climate of cooperation can however be improved, it is incumbent on institutions and chambers of commerce and civil society to promote this cooperation.
- Media, opinion-makers and relevant institutions should promote the economic benefits from cooperation into the public discourse. This was mentioned by the companies surveyed. Institutions should focus on the economic benefits of cooperation, parallel to solving political problems.

- The majority of companies, required a better political environment in order for the cooperation to be re-established and to continue. “Solving political problems” and “having a mutual recognition of documents” were two of the main recommendations that companies had. Relevant stakeholders should include trade issues as soon as possible into the political dialogue.
- Serbia and Kosovo should make efforts to find modalities for overcoming problems related to non-recognition of documents.
- Both governments should take in account requirements, statistics and recommendation of the Kosovo and Serbia Chambers of Commerce when it comes to policy making.
- After the tariffs are lifted and measures to facilitate the free flow of goods have been implemented to offset the negative consequences of the pandemic, both Chambers of Commerce should intensify their cooperation to advance business cooperation.
- Kosovo Chamber of Commerce should increase efforts to inform their members and also businesses about their cooperation and should increase their overall outreach to businesses.
- Companies need better infrastructure conditions in order to increase cooperation. Businesses recommended investing in better roads including rail transport as well as improving the overall supply of electricity and water. These problems reduce the opportunities for companies to grow and increase cooperation with partners in Serbia and elsewhere. This would also be an opportunity to apply for EU funding for projects that will improve the situation in these areas.
- With regard to better transport connections, competent institutions should explore the possibility that Nis Constantine the Great Airport becomes a regional hub for Kosovo-Albania citizens and Diaspora. Before it happens, some systemic solutions regarding transit and visa policies must be tailored and agreed upon under the auspices of the European Union.
- Institutions should do more to reduce communication costs between business partners in Kosovo and Serbia. The respondent companies welcome the Regional Roaming Agreement signed in 2019 at the 2nd Western Balkans Digital Summit in Belgrade, to gradually remove all roaming costs in the region, that will encourage cooperation and ease the economic activity.
- In the event of a tariff revocation, given the fact that much of the cooperation has been lost, more efforts will be needed through activities such as joint fairs, conferences and communications in order to reestablish good relations and pave the way for future initiatives of cooperation.

- The chambers of commerce of Kosovo and Serbia should strengthen their cooperation in order to improve communication between Kosovan and Serbian companies. Kosovo companies should be informed more frequently about this cooperation. Donors should help create opportunities for joint investment in order to promote both cooperation and economic development in general, and companies should be more engaged in offering joint projects that have already been prepared.
- Awareness campaigns on the economic benefits of the Kosovo market from regional economic cooperation including the cooperation with Serbia are needed to inform the public and business community. Based on the research, businesses showed a great willingness to make joint ventures and participate in joint grants. This must be done for the benefit of the economy, employment on a larger scale, peace and prosperity for all.
- A more active role of the European Commission is needed to fully normalize relations between Belgrade and Prishtina, which also requires its more active role in achieving the agreements reached and the rules established.
- The chambers of commerce require greater support in connecting companies, establishing more efficient business connections and organizing business events.
- A solution should be adopted as soon as possible to alleviate the grey economy and unfair competition in the market.
- Improving and harmonizing regulations in Serbia and Kosovo and a more efficient judiciary can eliminate a number of barriers that limit business development.
- It is necessary to improve the existing security system and adopt incentive measures to motivate business actors from Serbia and Kosovo to cooperate with each other.
- Intensified regional cooperation and compliance with applicable agreements will ensure an increase in business activities and will create preconditions for the growth and development of companies who have an interest in cooperation. The tariff on goods imported from Serbia is causing serious losses to business communities of Serbia and Kosovo. In the period after the abolition of the tariff and resumption of negotiations, major changes will have to be made in the non-conductive business climate.
- In addition to changing the environment, a new business paradigm is necessary – one that will not rely on the prevailing trade relations. Under current circumstances, trade is susceptible to foreign influences and is a vulnerable economic activity. It was demonstrated that just one measure (although a drastic one - introducing a 100% tariff on goods from Serbia) was enough to stop economic cooperation between Serbia and

Kosovo. Establishing other forms of economic cooperation (joint ventures, joint production, joint appearances in third markets, joint appearances in public procurement, and joint applications for EU funding and international financial markets) would create a system of economic cooperation that is more resilient to unilateral institutional measures.

- Higher forms of business cooperation (for example, joint production) between companies from Serbia and Kosovo would be greatly encouraged by establishing a special Commercial Arbitration responsible for resolving company disputes to replace the competent Serbian and Kosovo authorities. Responses by the surveyed companies show that a small number of Serbian companies participate in tenders in Kosovo and that no companies from Kosovo participate in tenders in Serbia. Also, the number of companies going to courts is almost negligible (less than 15% of companies have argued disputes before competent courts in Kosovo). The reason is distrust in the judicial system. Having independent Arbitration would be of great help to companies as it would build their mutual trust and provide them with the security to engage in business relations more readily. Such Arbitration should be established with the EU institutions responsible for the implementation of agreements and arrangements between Serbia and Kosovo.
- The low level of communication and information among business people from Serbia and Kosovo raises the question of a different role of the media in improving the business environment and supporting business cooperation. A good step in that direction could be joint media project from Serbia and Kosovo, encouraged by the interest in making higher profits and higher employment through joint operations by business people and their companies.

Specific recommendations:

- It is necessary to regulate the system of public procurement and provide a level playing field and equal treatment for all companies participating intenders in Kosovo and Serbia.
- Systematically solve the problem of product labeling, as the business community faces operational problems in realizing economic activities with Kosovo.
- Settlement of the property issues.

Open issues

The following major obstacles were cited by the companies, which should be further explored and resolved:

- The Kosovo government introducing a 100 % tariff on products from Serbia and BiH, the obligation to use designation "Republic of Kosovo" on customs documentation and product declarations on the packaging;
- The price tags in consumer/ retail goods stores, in addition to the price, must display the flag of the manufacturer's country even though the country of origin is already stated on the product declaration,
- The lack of veterinary certificates for meat and meat products, and milk and dairy products
- 4% tax on flour per kilogram (40 Euros per ton),
- Tax on block products to the amount of 2 cents per block,
- Inadequate calculation of transportation costs
- Inefficient payment collection - conversion of foreign currencies into RSD is required, and later purchases of foreign currency are accompanied by losses due to significant exchange rate differences due to the application of the NBS middle exchange rate.
- Banks from Serbia cannot issue payments and performance guarantees to beneficiaries in Kosovo because this type of business is not regulated by law.
- The Serbian market is closed for products from Kosovo
- Inability to place excise goods (alcohol, cigarettes etc.) on the Kosovan or Serbian market;
- Lack of postal, rail or air traffic;
- Serbian authorities do not recognize Kosovo registration plates marked "RKS, product declaration on packaging indicating "Made in Kosovo",
- Non-recognition of documents issued by Kosovo authorities.
- Failure to comply with customs seal arrangements and the like.
- Failure to enforce the IBM agreement at the Merdare border/boundary crossing.

APPENDICES

Questionnaire

Dear Respondent,

“Economic cooperation between business communities in Kosovo and Serbia is an important indicator of economic development and normalization of relations between Belgrade and Prishtina”. In order to understand better the conditions that enable cooperation and to identify barriers and opportunities we would kindly ask you to take your time and fill out the questionnaire.

We emphasize that the confidentiality of individual responses is guaranteed, that the collected data will be used exclusively for research purposes and that companies' individual opinions will not be published and distributed.

Answers will be valued 1 to 5 with 1=Very low and 5 =Very high.

QUESTIONNAIRE

COMPANY DATA

Company Name: _____

Core activity: _____

Address: _____

Postal code: _____ Place/City: _____

Phone: _____

E-mail: _____ Website: _____

1.

I) Name of the product/service imported/exported/transported:

II) Market access is:

a) direct;

b) indirect, through another market(state);

c) _____

2.

I) As a company owner/manager, are you informed about the agreements reached in the EU-facilitated dialogue between Pristhina and Belgrade?

a) YES

b) NO

c) PARTIALLY

II) Are you familiar with the content of the agreements on freedom of movement, integrated border management, customs and customs stamp, telecommunication and energy?

a) YES

b) NO

c) PARTIALLY

III) How would you assess its effects on your business:

- a) positive
- b) negative
- c) had no effect

IV) Can you name an agreement that had enabled, facilitated or improved your business?

3. How would you assess the business climate in Serbia/Kosovo in terms of business cooperation between Kosovo and Serbia?

1 2 3 4 5

4. In your opinion, is the business climate conducive to business cooperation between partners from Kosovo/Serbia?

5. What share of your total operations is related to the Kosovo/Serbia market?

_____ %.

6. Evaluate the change in business volume with partners from Kosovo/Serbia in the past six months:

- a) Lower sales volume by _____ %.
- b) Lower profits by _____ %.

7. How would you assess the overall effects of cooperation with your business partners in Kosovo/Serbia, including the cross-border/boundary trade, on your business?

8. Has this cooperation contributed to investment and development of your company?

9. Has this cooperation influenced your company's level of production? If the answer is YES, please specify the period when it happened? If possible, could you tell us how big the change was?

10. Did business activity with Kosovo/Serbia have any impact on the level and structure of employment in your company?

- a) had no impact
- b) employment decreased by _____ %
- c) employment increased by _____ %

11. Has this cooperation enabled new business activities (new contracts, new business partners, new markets)?

12. Do you encounter problems when obtaining documentation that accompanies goods for import/export/transit?

a) YES

b) NO

If the answer is YES, please provide details.

13. Do you encounter problems with competent authorities at border/boundary crossings (customs, police and inspections)?

If the answer is YES, please provide details.

14. Are the services and inspections on border/boundary crossings coordinated, and are their working hours harmonized?

If the answer is NO, please provide details (including which border/boundary)

15. Have you ever had any problems with the treatment of transit goods in Kosovo/Serbia?

Please specify the type of problems.

16. Have you participated in tenders in Kosovo/Serbia?

If the answer is YES, please indicate the problems you encountered.

17. In your daily business operations, do you find that adequate infrastructure in place (traffic, conditions at border/boundary crossings, telecommunications, and operations of a payment system, insurance)?

If not what is missing?

18. What kinds of support do companies need most to stimulate and establish economic cooperation between Serbia and Kosovo?

19. Does your business cooperation contribute to advancing the development of

I) the local community in which your company is based and how? By

- a) paying taxes, contributions, customs duties and other charges;
- b) increasing the volume of economic activity;
- c) raising employment rate of the local labor force;
- d) enriching the business offer and competition;
- e) directly assisting your local community satisfy certain needs (communal, cultural and educational, humanitarian and alike).

Please explain, if necessary _____

II) the local community in which your business partner sells your products or services and how? By

- a) paying taxes, contributions, customs duties and other charges;
- b) increasing the volume of economic activity;
- c) raising employment rate of the local labor force;
- d) enriching the business offer and competition;
- e) directly assisting your local community satisfy certain needs (communal, cultural and educational, humanitarian and alike).

Please explain, if necessary _____

III) Please provide specific proposals and recommendations for the improvement of economic cooperation between Serbia and Kosovo.

IV) Is there a common interest for you and your business partners in Kosovo / Serbia to continue or expand your business through the following forms of business cooperation?

- a) joint investment;
- b) joint production;
- c) joint participation in grants/start-up capital
- d) other _____

V) Does regional economic cooperation have any impact (positive or negative) on your company's development? Please explain _____

VI) Has the 100% tariff on goods imported from Serbia and Bosnia and Herzegovina affected your company? If YES, please explain how the tariff charged has reflected on your company's market position?

- a) Long-term market position has been compromised.
- b) Market loss in the short-term, but the long-term market position has not been compromised.
- c) The tariff has not directly affected my/our business
- d) _____

VII) If you had any experience with dispute resolution before the competent courts, please answer the following questions:

Was the dispute settled before the court in Serbia or Kosovo? _____

Which level court handled your dispute? _____

Were the proceedings conducted in compliance with the law?

a) YES

b) NO

Please explain, if necessary _____

VIII) Are you familiar with the cooperation between the Serbian and Kosovo Chambers of Commerce?

a) YES

b) NO

Has this cooperation help your business and how?

Your proposals to improve the cooperation

Questionnaire filled out by: _____

Position in the company: _____

Contact phone: _____

E-mail: _____

Thank you for your time