
International Business Cooperation as an Opportunity to Increase Competitiveness and to Generate New Jobs: The Case of Kosovo

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Abstract:

Purpose: With this paper, we aim to show the benefits of international business cooperation in Kosovo.

Design/Methodology/Approach: We do this by providing an overview of the current international business cooperation in Kosovo, the policies and procedures and the conditions available.

Findings: It is recommended that businesses in Kosovo intensify business cooperation since global competition compels corporations to increase competitiveness by lowering production costs. Internationally affirmed brand corporations manage to lower production costs by applying different forms of international business cooperation with business entities in developing countries

Practical Implications: One of the forms of international business cooperation is cooperation with internationally affirmed brand corporations to reduce production costs. At the same time, businesses in developing countries realize the profits for themselves and contribute to reducing the level of unemployment in their countries.

Originality/Value: Given the positive aspects of the manufacturing cooperation, we believe that it is important to determine and highlight the impact on the economy in Kosovo and to recommend changes if and where necessary so as to improve benefits for the country.

Keywords: Customs Procedures, International Business Cooperation, Brands, Kosovo, Competitiveness, Business in Developing Countries.

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1. Introduction

Nowadays, global competition has intensified due to the fast pace of globalization and technology upgrades. In such circumstances, in order to increase competitiveness, they are forced to implement different forms of international business cooperation. One of the forms of international business cooperation is "manufacturing cooperation". Business Cooperation is based on the contract for the integration of production factors of the local partner with the external partner. External partners usually bring "know-how", raw materials and reproductive materials necessary for the production of certain products, while local partners engage production capacity (facilities, infrastructure, employees,) to manufacture finished products under the supervision and control of the external partners. The finished products bear the brand of the external partner, which is usually an internationally renowned brand. Therefore, in this kind of cooperation, the foreign partner usually has the obligation of placement of products on the international markets (Kukaj, 2014).

Business entities in the developed countries implement this form of cooperation aiming to reduce production costs, while entities in developing countries realize profits for themselves and contribute to the reduction of unemployment in their countries by such cooperation. As noted by Andrianic (2001) manufacturing cooperation, as a form of business cooperation, is attractive in cases where the local market is too small to be attractive for foreign direct investment. Given the positive aspects of manufacturing cooperation, the majority of developing countries implement various measures to encourage corporations of developed countries to enter into cooperation with local business entities, for the final Business Cooperation (Sinanagic, 2002).

In this paper we aim to highlight the Business Cooperation as an international business operation, in particular, the experiences of its implementation in Kosovo, emphasizing the fact that Business Cooperation has had an impact on the economic growth and has generated new jobs in Kosovo. Given the positive aspects of the manufacturing cooperation, we believe that it is important to determine and highlight the impact on the economy in Kosovo and to recommend changes if and where necessary so as to improve benefits for the country.

2. International Business Cooperation

Business cooperation is based on a contract for the integration of factors of production of local partners with external partners. External partners usually bring "know-how", raw materials and necessary reproductive materials for the production of certain products, while local partners engage their production capacity (facilities, infrastructure, employees,) to produce finished products under the supervision and control of the external partner. The finished products bear the trademark of the external partner, which, usually is an internationally renowned brand. Therefore, in

this kind of cooperation, the foreign partner usually takes the obligation of placement of products in international markets (Kukaj, 2014).

This form of cooperation ensures products of high quality and low cost and provides a competitive advantage in the market. High quality and low-cost production result from the combination of the advantages of the external production partners and those of the local ones. By such cooperation, local partners benefit from: 1) the provision of contemporary "know-how"; 2) better use of production capacity; 3) avoidance of the problems associated with the placement of products; 4) gaining knowledge from the renowned foreign partner.

However, the disadvantages of this form of cooperation for local partners are that 1) the local partner remains anonymous because his name does not appear on the products and 2) after the end of the contract, there is a risk that the production capacity remains unused. This risk is higher when production capacities are high and are used for the production of specific items. The external partners benefit from this form of cooperation are since they increase the amount of production without investing in developing production capacity and thus avoids the risk of major investment, exploits cheap labour of local partner, uses free inputs in the country, facilitates the placement of products in the local market, eliminates the problem of currency risk and exceeds barriers of local customs.

However, the disadvantages of this form of cooperation for external partners are the difficulties in finding the appropriate local partners and possibilities of creating future competitors, etc. (Andrianic, 2001). Foreign companies, which implement manufacturing cooperation, are mostly known brand enterprises of labour-demanding intensive activities, e.g. textile industry, confectionary industry, leather and shoes processing industry etc. This form of cooperation is attractive when the local market is too small to engage in foreign direct investment.

3. Imports of Goods for Business Cooperation

Raw material and reproductive material of the external partner is imported by the local partner in order to be processed by implementing the customs procedure of manufacturing cooperation. Customs procedure of Business Cooperation permits the import of foreign goods to be processed in the country free from import charges and the products resulting from the processing (products obtained) must be re-exported within a given period or settled in another customs procedure or placed in a customs-approved use.

Imports of goods for Business Cooperation can be executed only with the permission (authorization) for Business Cooperation issued by the central Customs to the entity that has formally applied (in written format). According to the proposal of the applicant, the central Customs unit shall designate the terms of the license. The license duration expresses the term within which the products obtained must be re-

exported and, if products obtained are not re-exported, then, the permission must be required for any procedures of other import-export customs or import-export customs approvals. The license duration is set depending on the time required for processing of the products. This deadline may be extended on the basis of a reasonable request which is presented on time to the central Customs unit, but the general term cannot be longer than 12 months from the date that goods are put on the Business Cooperation procedure.

For the discharge of the Business Cooperation procedure, the central customs unit in accordance with the applicant determines the rate of use. The rate of use represents the number of products obtained from the number of goods imported for free. This means, setting the expenditure norms for the unit. For example, if the object of Business Cooperation is textile and other materials for the production of men's suits, then the imported material for Business Cooperation flows with re-exporting of sewed costumes, designs and sizes according to the norms set (e.g. 3 m of coating = 1 pair of men's suits). Business Cooperation may include different processing operations, starting from assembling, glueing, sewing, painting, repairing up to more complex processing.

By means of a written request by the applicant for business cooperation, the central customs may allow free circulation for business cooperation of goods from the local market to the foreign partner to sell these goods on international markets as agreed earlier in the contract. Central customs unit may allow the license holder for business cooperation to utilize the equivalence. Exporting equivalence entitles the license holder to export the acquired products (identical goods released for free circulation) prior to the import of goods for manufacturing cooperation. This means that export is allowed before import. Import of goods for Business Cooperation becomes duty-free import in two ways: with suspension and reimbursement.

Imports of goods for Business Cooperation with suspension – is based on the fact that the holder of the license for Business Cooperation is duty free for imports, it means that import duties are suspended, but after the expiration of the license, the products obtained must be re-exported, or placed in another customs procedure or placed in a customs-approved use. If the products obtained (and intact goods) are not moved within the deadline of Business Cooperation procedure with suspension, then the importer is obliged to pay import duties on imported goods plus the compensatory interest.

In order to import goods for Business Cooperation with suspension, it is necessary that the license holder submits a bank guarantee to the customs unit. License holders place the goods on the Business Cooperation procedure with suspension, presenting to the Customs Offices the following: license, UCD (Unique Customs Document), marked with IM-5 in the first box, while the code of customs procedure is written in box 37, where the first two digits will be 51 (suspension), while two other figures show the previous procedure, eg. if the goods are imported directly from abroad, the

figure will be 00, in that case, the CPC would be 5100, or if they come from the customs warehouse (71), the CPC would be 5171, if they come from another Business Cooperation process with suspension (51), then CPC would be the 5151. An attached document with the following information:

Name and address of the applicant (the one who pleads and the operator):

- The nature of the processing of goods;
- A description of importing goods and products obtained;
- The estimated rate of operation;
- The period for the procedure discharge;
- The country of processing.

The license holder can discharge the procedure of Business Cooperation with suspension if within the allowed term allowed, the products obtained and untouched imported goods by the procedure of Business Cooperation with suspension are removed and placed in another customs procedure or approved customs execution, as follows:

- re-exporting;
- transferring to another customs procedure, e.g customs storage, processing under customs control, temporary import;
- transferring to another license holder for Business Cooperation with suspension;
- releasing for free circulation, paying import duties plus compensatory interest;
- transferring to any other customs permitted operation, such as duty-free shops (duty-free shops) at international airports, UNMIK, KFOR, embassies, charities etc. (In such cases they must have a certificate from the above-mentioned organizations);
- liquidating under customs supervision.

Discharge of the Business Cooperation procedure with suspension through re-export is done by submitting a UCD to the appropriate customs unit, which is noted with EX-3 code in the first box whereas in the box 37 there is the customs procedure code 3151. The license holder is obliged to complete a report every quarter of the year where all goods received and removed from the Business Cooperation are presented with a suspension (discharge) to be submitted to the competent customs unit. Imports of goods for Business Cooperation with a drawback -is based on the fact that the license holder pays import duties for Business Cooperation, and the paid import duties will be refunded if this is done within the allowed term of the products obtained or imported.

License holders place the goods on the Business Cooperation procedure with reimbursement while presenting to the Customs Offices unit the following:

authorization, UCD, where the code IM-4 is marked in the first box, the code of customs procedure is marked in the box 37, the first two digits are 41, while two second digits will be the subject of whether those goods are directly imported 00 (CPC would be 4100). If the goods come after a different procedure, for example, from customs filing 71 (CPC would be 4171) or by another procedure or the Business Cooperation with suspension (it would be 4151). An attached document with the following information:

- Name and address of the applicant (the one who pleads and the operator);
- The nature of the processing of goods;
- A description of the imported goods and the products obtained;
- The estimated rate of operation;
- The period for the procedure discharge;
- The place of the processing;

A declaration of customs value (CV-1), when the value of imported goods is higher than € 5,000.

To use the Business Cooperation with reimbursement, the license holder does not need to submit a bank guarantee. The license holder can discharge the procedure of Business Cooperation with a reimbursement if, within the allowed term, the products obtained and untouched imported goods by the procedure of Business Cooperation are removed and placed in another customs procedure or approved customs execution as follows:

- re-exporting;
- transferring to another customs procedure, e.g. customs storage, processing under customs control, temporary import;
- transferring to other license holders of manufacturing cooperation;
- releasing for free circulation;
- transferring into any other customs permitted operation, eg in duty-free shops (duty-free shops) at international airports, to UNMIK, to KFOR, the humanitarian organizations etc.

Discharge of the Business Cooperation procedure with reimbursement through re-export is done by submitting the appropriate customs unit UCD, EX-3 code is marked in the first box while the 37 box marks the code 3141 of customs procedure. The license holder has to complete a report every three months where are specified goods received and removed from the procedure of Business Cooperation with reimbursement and submit it to the competent customs unit to demand repayment of the amounts paid (claims for refunding). Demand for refunding shall be fulfilled no longer than the deadline of one year from the date of payment of the duty (Customs Administration of Kosovo, 2005).

4. The Implementation of the Business Cooperation in Kosovo

The implementation of Business Cooperation in Kosovo is seen from the following data in Figure 1, which shows that the total value of imported goods in the reporting period has been relatively high and it ranges from 3.15 billion € in 2012 to around € 2.85 billion in 2014. The data in Table 2 indicates that in the customs procedure IM5 (Business Cooperation with suspension), the goods come mainly from customs warehouse (5171), and the direct goods come from abroad, there was oscillation within the reporting period. Also, it is seen that the customs procedure IM4 (business cooperation with reimbursement), mainly, goods come directly from abroad (4100), and the arrival of goods from customs warehouse (4171) is smaller and it is with oscillation through the years.

Figure 1. The total value of imported goods

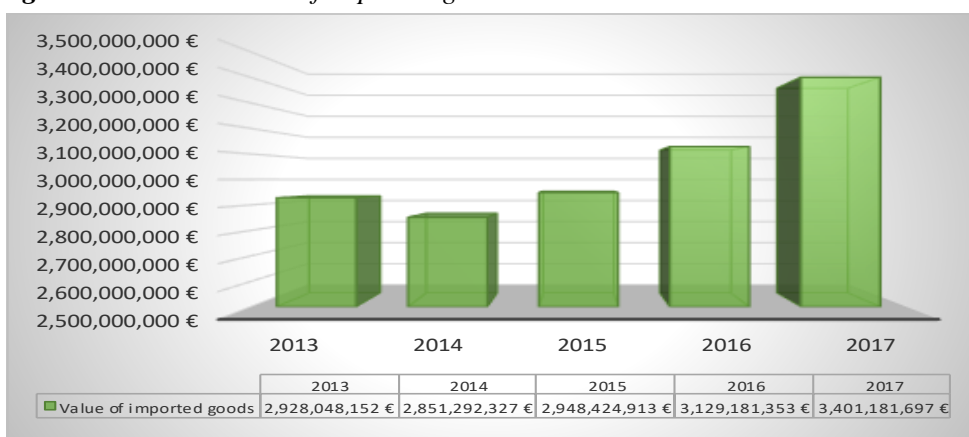


Table 1. Value of imported goods under customs procedures with an economic impact

Year	Imports under customs procedures with an economic impact				Total
	4100	5100	7100	9100	
2013	7,747,498	13,561,016	516,837,960	9,959,426	548,105,900
2014	7,751,382	14,054,257	521,589,202	10,682,923	554,077,764
2015	10,334,143	19,450,429	350,875,627	6,375,725	387,035,924
2016	8,190,430	33,467,743	257,047,280	10,500,742	309,206,195
2017	4,647,891	38,905,400	246,430,607	7,422,129	297,406,027

Source: Adapted from Customs Administration of Kosovo, 2018.

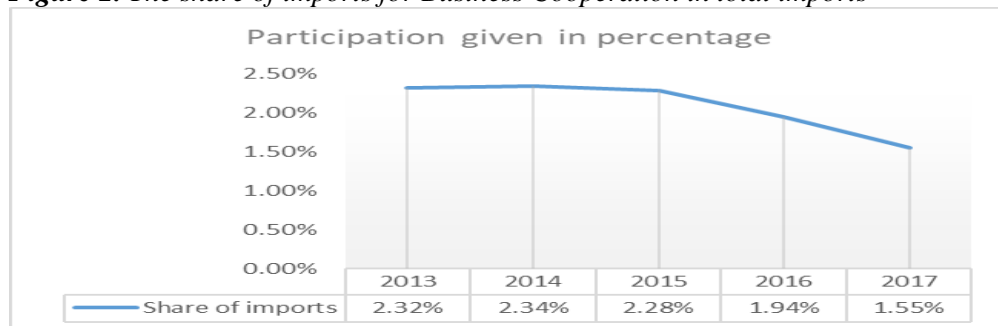
The data in Table 1 shows that during the reporting period, imports under customs procedure 7100 (filing customs) have the (business cooperation with reimbursement).

Table 2. The value of goods imported for manufacturing cooperation

Year	Imported goods for manufacturing cooperation				Total
	IM5		IM4		
	5100	5171	4100	4171	
2013	13,561,016	47,313,448	7,747,498	1,172,316	69,794,278
2014	14,054,257	48,421,830	7,751,382	3,654,083	73,881,552
2015	19,450,429	35,851,478	10,334,143	1,126,696	66,762,746
2016	33,476,743	8,835,245	8,190,430	4,916,573	55,418,991
2017	38,905,400	1,168,115	4,647,891	973,341	45,694,747

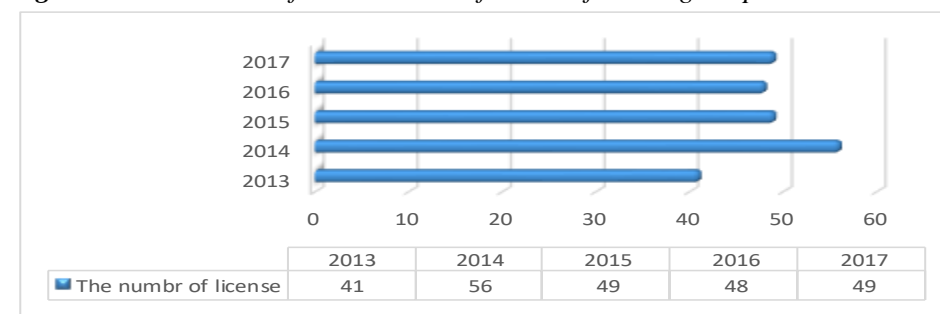
Source: Adapted from Customs Administration of Kosovo report, 2018.

The data given in Figure 2, indicates that the share of imports of goods for Business Cooperation in total imports is very low and ranges from 2.32% in 2013 up to 1.55% in 2017. It is also considered that this participation has declined steadily during the reporting period.

Figure 2. The share of imports for Business Cooperation in total imports

Source: Adapted from Customs Administration of Kosovo report, 2018.

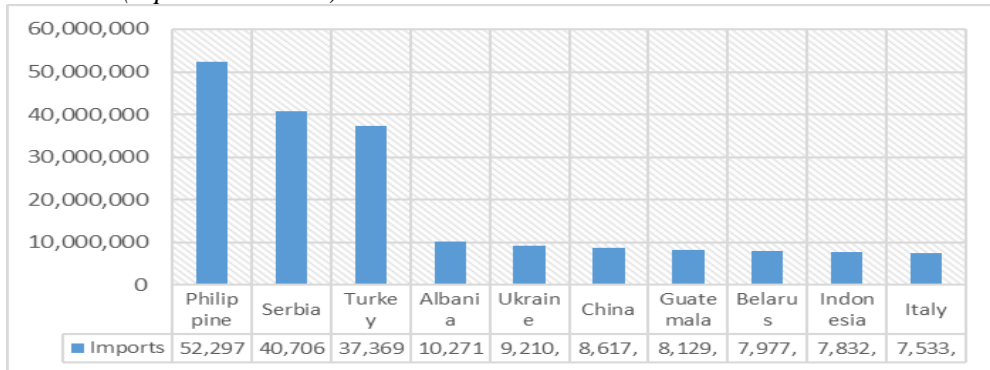
The data in Figure 3 shows that the number of licensed users for BusinessCooperation is very small and after 2012 there was a decline.

Figure 3. The number of licensed users for manufacturing cooperation

Source: Adapted from Customs Administration of Kosovo report, 2018.

The data in Figure 4, shows what are the top ten countries in terms of total imported goods for Business Cooperation in Kosovo, within the reporting period. The first place is occupied by the Philippines followed by Serbia, and in tenth place Italy.

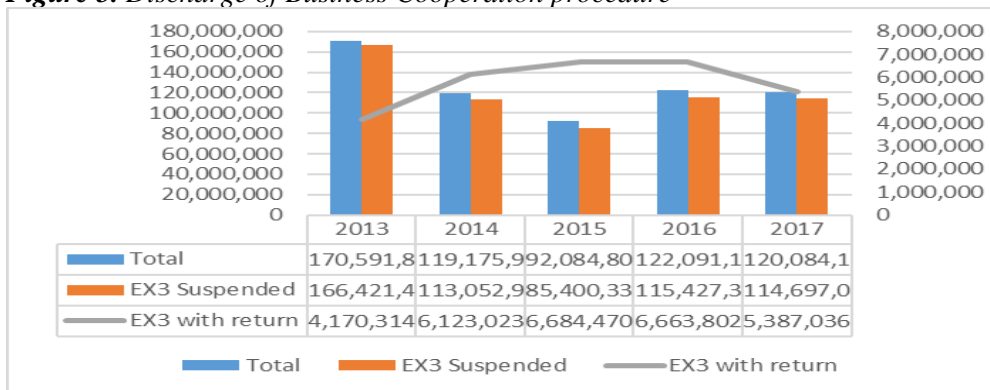
Figure 4. *The value of goods imported for Business Cooperation according to countries (top ten countries)*



Source: Adapted from Customs Administration of Kosovo report, 2018.

The data in Figure 5, indicates that the majority of imports of Business Cooperation is discharged through the export of the products obtained (EX3 with suspension), while the export of the products obtained with the drawback (EX3 with reimbursement) is very small.

Figure 5. *Discharge of Business Cooperation procedure*



Source: Adapted from Customs Administration of Kosovo report, 2018.

5. Conclusion

From what is stated above, it can be concluded that the Business Cooperation is an advantageous business operation for corporations between developed countries and business entities in developing countries. Corporations of developed countries through this form of international business cooperation manages to reduce production costs and increase competitiveness in terms of global competition which

is increasing fiercely. Implementation of Business Cooperation of business entities in Kosovo is very low. Such findings are supported by the data that the share of goods imported for Business Cooperation in total imports is very low and ranges from 2.32% in 2013 up to 1.55% in 2017. Also, the number of users of the Business Cooperation license is very small and ranges from 41 to 56 users. The contribution of Business Cooperation in generating economic activity and reducing unemployment in Kosovo is small. Among the causes of such a situation may be the restriction of the free movement of the citizens of Kosovo to developed countries with the consequence of the limitation of the possibility to find potential partners for business. Also, businessmen from Kosovo are not well informed of the opportunities offered by the Customs Administration of Kosovo to import goods under the customs procedure of manufacturing cooperation.

Given the positive aspects of manufacturing cooperation, we recommend that the government institutions of Kosovo take measures to stimulate Business Cooperation through fiscal policy measures, organize meetings between foreign businessmen and local ones, inform them directly about the possibilities that government provide to the dynamism of Business Cooperation etc.

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