

THE IMPACT OF THE BORDER REGIONS AND PROCEDURES IN THE BUSINESS IN MACEDONIA

Abstract: In the nowadays globalized world international trade is of growing importance for the business in every country. Border regions are influential factor for the development. On the other hand, too much documentation, burdened customs procedures, inefficient ports, and improper infrastructure, are causing increasing costs and export import delays, slowing down the trade potential. This paper looks up of the importance of the neighboring countries, as well as the cost of administrative procedures associated with the logistics processes of export and import of goods. Three groups of administrative procedures are highlighted, documentation of the process compliance of the process, border compliance and the domestic transportation in the framework of the trade process between countries. It is done in order to show their effects on business in the economy. Republic Macedonia has benefited from trade with neighboring countries, and the qualitative changes of the administrative procedures are of great importance, which influence is subject of investigation of this paper.

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Keywords: neighboring borders, administrative procedures, time and costs, business economy

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Introduction

In nowadays globalized world trade is of greater importance for the business. Complexity of the administrative procedures, known by the usage of too much paper documents, burdened custom procedures, inefficient ports inappropriate infrastructure, which leads to additional costs and export import delays, damaging individual trade potential of each country. Economies are in need of trade facilitation through borders through determination of classified procedures for effective formalized across border trade results, which is effectuated by preparation and filing of documents during transport and customs, processing the documents during customs clearance, inspections and ports form one side, and costs around them, are factors of influence on the export import process of the goods. Port or a border is defined as place (port, airport, or land crossing) where goods can enter or leave the economy.

1. Literature review

Characteristics of the geography of the countries, but also the influence of the endogenous lifestyle, and with the neighboring countries are establishing exogenous international relations (Gottmann 1951:154). Borders, because of their political and economic implications, have a sufficient impact on the domestic and international economies (Alvarez 1995:449). Although we live in a world where borders are not impediments for goods and people movements, yet there are scientist that share widespread arguments that the borders are important, and that they are even of greater importance for the globalization processes (Ohmae,1990). This proves that geography has wide specter of many human life activities and geography affects human behaviour (Starr and Most, 1976:581-620). Borders are physical as well as political (Wilson and Donnan, 1998). This thesis focuses on many interrelated questions. In economic sense theories for bordering regions influence are opposed. There is narrow connection for the association of countries and regions, which show how the course of power streams form “center” to the “periphery” .Because border is away from central area according to Alesina and Spolaore, (1997:1027-1056), that covers the main parts of the country and higher revenue rate, border regions is considered relatively non-productive compared to the central area¹.

„border region has tendency of trading with regions more than outside of the border because of the transportation costs“ (Niebuhr and Stiller, 2004:3-21)².In that sense for volume of the trade between the countries, Rauch's (1991:1230-1244) in his model suggest that port cities are attracting economic activities , because of the low cost access for abroad markets (Ohlin, 1967).³ Furthermore, because trade is not taking place through ports, but the goods are also transported from one to another country, bordering regions may have advantage in terms of attracting of the companies, because of their closeness with the foreign markets (Niebuhr и Stiller, 2004). Neighboring regions are more likely to advance with the active trade and businesses, which as result, which generates economic growth in the bordering regions. Businesses in the processing industries are more likely to spend more on transport, they will locate themselves near the borders, because border area has productive environment with viable trade. Productive business facilities that require transportation are located near the borders (Evans, 2003: 1291-1312).This is done on purpose for cost reduction and efficient business economy ⁴.

2. Global perspective

Review of the World bank reports for facilitation of activities of export and import of goods, as a component of the development of the business, for some Balkan countries gives the following data: Bosnia and Herzegovina facilitates trade by adoption of the new customs law, by the establishment of the new customs administration and the conducting of the electronic data exchange system. Table below shows the trade data.

Table 1 Trade between R.Macedonia and Bonsia and Herzegovina

External trade by Classification in euros and dollars for January-November for 2015 and 2016					
Republic of Macedonia - Bosnia nad Herzegovina					
Currency	Export		Import		
	thousand	indices	thousand	indices	

¹Supposing borders are impermeable within a closed economy, Losch (1944) described a border region as a desert because they would have only little economic activities and would have only firms requiring a mall market area regarding borders as distortions.

² The region’s geographic position is important regarding regional adjustments to trade, since location is decisive for access costs to foreign markets (Niebuhr and Stiller, 2004).

³ By integrating theories of location and international trade, Ohlin (1967) concludes that altogether essential results on international trade can be applied to interregional trade relations as well.

		I-XII 2016	I-XII 2017	I-XII 2017 ----- I-XII 2016	I-XII 2016	I-XII 2017	I-XII 2017 ----- I-XII 2016
Total							
Total	Euros						
	Dollars						

Source : Chamber of commerce of R. Macedonia , downloaded on 14th of March pp.3

Albania has lowered the time needed for customs administering of the imports by use of the electronic data interchange system ASYCUDA World and by use of sceneries. Following trade exchange confirms cooperation between countries:

Table 2 Trade between R.Macedonia and Albania

Trade between the economies : R.Macedonia and R.Albania			
US dollars value			
January-August 2017 year			
Total trade	Export	Import	Trade balance
91.848.786	45.321.046	46.527.740	-1.206.694
January-August 2016 year			
Total trade	Export	Import	Trade balance
63.050.242	39.196.667	23.853.575	15.343.092

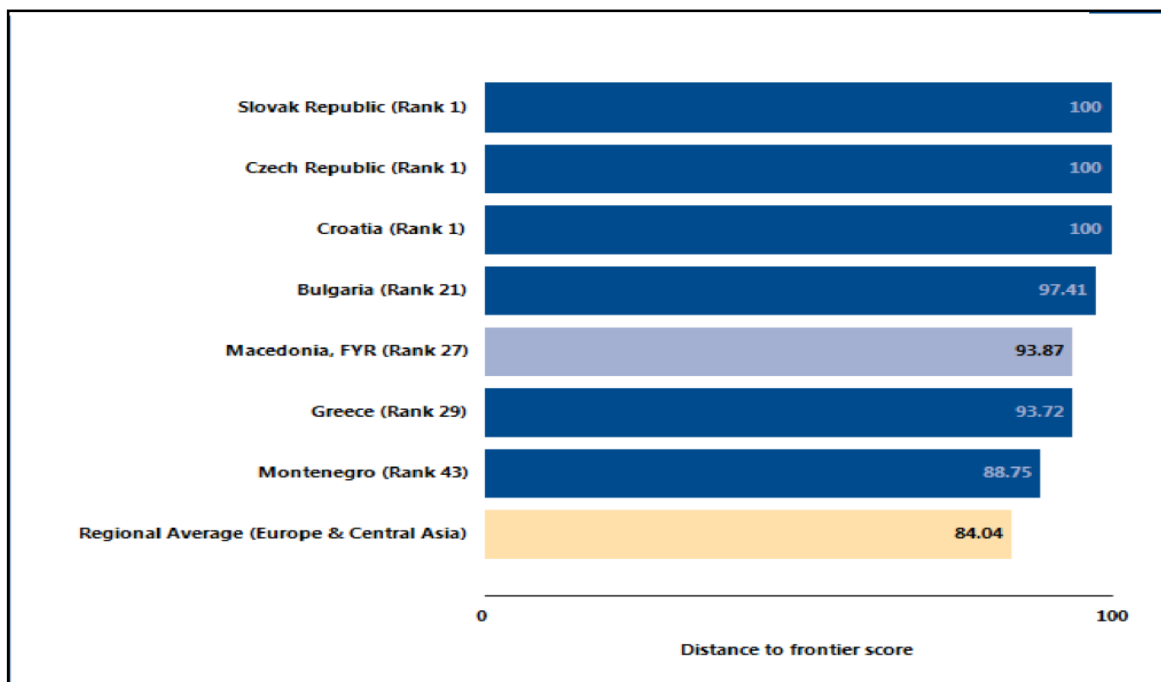
Source : Chamber of commerce of R. Macedonia , published : November 2017 year ., pp: 5.

Bulgaria trades faster by the implementation of customs declaration papers. Croatia facilitates trade by improvement of the infrastructure physical and informative system in port Rieka and by rationing of the customs procedures for export in preparations for accession to convention for mutual transit in European union.

3. National perspective

Macedonia has shortened the time for export and import by rationalization of the schedule of customs fees and license structure, by the improvement of the inspection risk based system, simplification of customs procedures and by elimination partially of the necessary documentation, and by which ration time and costs. Distance to the border helps in the measurement of the absolute level of the performance in the course of time. Distance to the border is one of the best indicators in all economies. With this indicator one can see the gap between the performance of the particular economy and the best results at any moment and to assess the absolute change in the regulatory environment of the economy over the time taken (Doing Business). This paper shows the trade indicator that is about warehouses in the largest business town in the economy (except for 11 economies for which the data are averages weighted by population from 2 largest towns) which trade with the main importing and exporting partner through border. On a global scale, R.Macedonia is on 27th place in the ranking out of 190 economies for trade facilitation through borders (Figure 1).

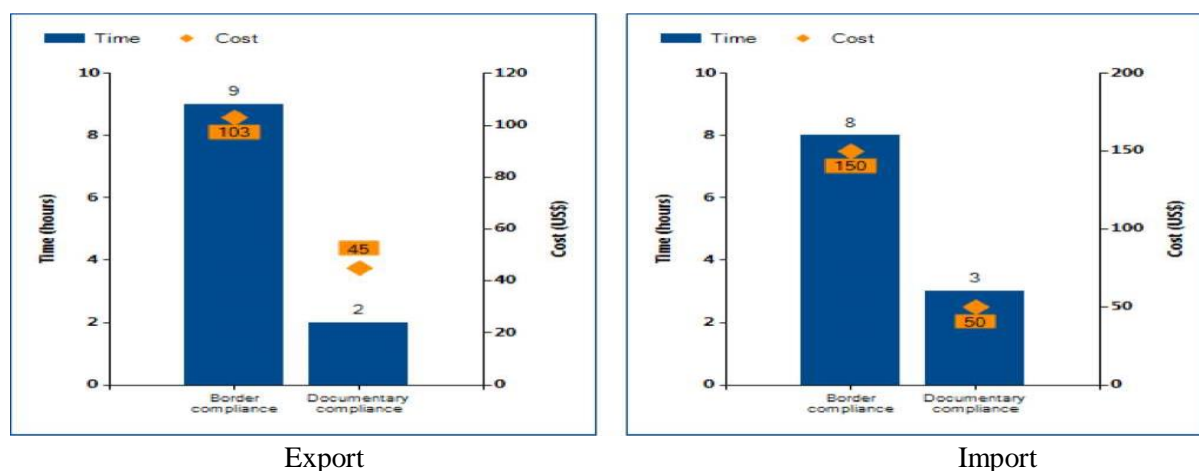
Figure 1: How Macedonia and comparator economies rank on the ease of trading across borders



Source: Doing Business database

Details about the set of the procedures interconnectedness and time and costs for export and import and deliverance of goods are listed in the table below, together with the necessary documents, and for location city of Skopje is city of Skopje.

Figure 2: Summary of export and import time and cost for trading across borders in Macedonia



Source: Doing Business database

4. Methodology and research frame

This paper takes time and costs as aspects related to the logistic process of export and import of goods. Three procedures are taken into account—documentation of the process compliance, in terms of the total process of shipment of goods in trade. The ranking of economies to facilitate trade across borders is determined by the distance to border trading limits across borders. These results are a simple average of the distance to the limit results on the time and costs of compliance with the documentation and border compliance with exports and imports, without domestic transport. In order to make data comparable in all economies, the economy's distance to the border is shown on a scale of 0 to 100, where 0 represents the lowest performance, and 100 represents the high limit. Time is measured in hours, 1 day is equal to 24 hours (for instance 22 days are written as 22 x 24=528 hours). Cost of insurance and

informal payments for which it's not been issued confirmation are exempted from the written costs. Documentary compliance is followed by obtaining, preparing and submitting documents during transport, customs clearance, inspections and ports or border operations in the economy of origin of goods, cocoa and processing of documents during customs clearance, inspection and border management.

Table 3. Summary of Macedonia on the ease of trading across borders

	Macedoni	Europ
Time to export: Border compliance	9	28
Cost to export: Border compliance	103	195
Time to export: Documentary	2	27
Cost to export: Documentary	45	111
Time to import: Border compliance	8	26
Cost to import: Border compliance	150	202
Time to import: Documentary	3	26
Cost to import: Documentary	50	91

Source: Doing Business database

5. Analysis and findings

If we compare the data for the trade for the period of observation, it is evident the growth of the trade that is a result of the mentioned changes and efficient improvements that were subject of discussion so far. Factors for decrease of the volume of the documentation, as well as the time and cost for obtaining them, is encouraging Macedonian companies to direct their development towards this direction. Indicators are showing improved efficiency in terms of time and money. From the other hand bordering regions, that are compared only to city Skopje, are enabling territorial closeness of all towns and regions with frequent border crossings, that are of importance for the trade in R.Macedonia

Table 4. Financial data for the trade in 2016 and 2017

External trade by Classification in euros and dollars for January-November for 2016 and 2017							
	Currency	Export			Import		
		thousand		indices	thousand		indices
		I-XI 2016	I-XI 2017	I-XI 2017 ----- I-XI 2016	I-XI 2016	I-XI 2017	I-XI 2017 ----- I-XI 2016
		Total					
Total	Euros	3 928 039	4 588 109	116,8	5 514 164	6 197 172	112,4
	Dollars	4 364 758	5 175 429	118,6	6 133 348	6 977 194	113,8

Source <http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/MakStat>

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Thus, according to the data presented, the total value of the export of goods from Macedonia in the period January-November 2017 is 282 549 916 thousand denars and it is an increase of 16.8% compared to the same period of the previous year. The value of imported goods in the period January-November 2017 is 381 606 496 thousand denars, which is 12.3% more compared to the same period of the previous year. The trade deficit in the period January-November 2017 was 99 056 581 thousand denars. The coverage of the import with export in the period January-November 2017 was 74.0%.

In the period January-November 2017, according to the total volume of foreign trade, Macedonia mostly traded with Germany, Great Britain, Greece, Serbia and Bulgaria.

The total value of export of goods from the Republic of Macedonia in the period January-November 2017 is 5 175 429 thousand US dollars and it is an increase of 18.6% compared to the same period of the previous year. The value of the imported goods in the same period amounted to 6 977 194

thousand US dollars, which is 13.8% more compared to the same period of the previous year. The trade deficit in the period January-November 2017 was 1 801 765 thousand US dollars (<http://www.stat.gov.mk/PrikaziSooopstenie.aspx?id=78&rbr=2517>).

The table below shows the total import and export of the total exchange in euros and US dollars for the period January-November for 2016 and 2017.

Conclusion

Republic of Macedonia is a developing country, that is making efforts and steps in direction of further economic cooperation with other countries in order to improve its own economic condition. Macedonia is taking further steps toward rationalization of the trade processes. Its geographic location enables short distance with the neighboring countries and ease in formal procedures which is effective in terms of trade between economies and businesses. Accessions towards CEFTA and EU are incentive for belonging to this important regional structure, and an incentive for furthermore increase in trade between regional countries, for trade liberalization in the regional framework and compliance of national trade regulative with the global rules for trade facilitation. The detailed summary of these procedures, along with the time and costs spent, shows that the indicated procedures applicable to a company correspond to the standard assumptions that according to the research are standards practiced in multiple countries in the region. From the discussion so far, the conclusion is drawn that the high ranking of Macedonia in the region on the issue of facilitating the approach to start a business is based on the movement of the growth of the Macedonian economy is in a sharp upward trend, and the growth can be seen in the increase in gross domestic product and the level of exports.

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