THE APPLICATION OF THE INTERNATIONAL AND DOMESTIC ARBITRATION LAW IN SETTLEMENT OF LEGAL DISPUTES: A COMPARATIVE STUDY

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Abstract

This paper aims to analyze the credibility and perception of business entities on arbitration with domestic and international elements, which operate particularly in the Republic of Kosovo and the Republic of North Macedonia, in resolving economic and civil disputes. The main advantages that arbitration has in resolving disputes are the speed of resolution and the lowest cost of expenses (Larson, 2018). In the article, comparative, interpretative, and analysis methods are used to reach the final goal of this paper. In this paper, it is found that business entities, which are registered in the Republic of Kosovo and in the Republic of North Macedonia, prefer arbitration as an alternative method of resolving disputes, but their experience regarding the domestic arbitration response is not at the gratification level. These findings are important to quote and avoid obstacles to the promotion of arbitration, and the perception, and credibility of business entities, which may be parties in legal economic, and civil legal disputes with a domestic or international element. From this data, we create a general puzzle on the probability of promotion and use of arbitration in the future in this region.

Keywords: International Law, Arbitration Law, Kosovo, Macedonia, Legal Dispute, Business

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1. INTRODUCTION

It has been scientifically proven that arbitration nowadays, where global developments affect every sphere of life and are very dynamic, is considered to be one of the main means of alternative settlement of civil-legal and economic-legal disputes, regardless of the nature of the dispute whether local or international (Latham & Watkins, 2019).

The increase in the dynamics of business interactivity between different economic entities, and other legal entities, as a result of modern technological-information developments, has significantly influenced the appearance of economic disputes between them. Even in the countries of the Western Balkans (Kosovo and North Macedonia) the increase in business interaction between legal entities on the one hand and the increase in the number of disputes, on the other hand, is inevitable. The parties to a legal dispute, whether domestic or international, naturally seek to resolve their legal claims against each other, which arise as
This paper concludes that promoting arbitration in these two countries through various scientific debates, courses in faculties, and different roundtables will increase the credibility of citizens and various legal entities, in its selection as a necessary alternative mechanism in resolving disputes with local and international elements. It will also change their perception of this institution, which will affect the safety of foreign investors and increase economic turnover. Moreover, the increase in efficiency and credibility of this institution would have a positive impact on the functioning of the judicial system as a whole, because the number of cases in the courts will be reduced, and these will become more effective and will solve cases with a careful added.

Finally, this paper recommends the establishment of an institutional arbitration with a list of arbitrators from all Western Balkan countries with equal participation and rights and without discrimination regardless of the origin of the state. Place of hearings, procedural rules, language, etc., will remain at the free choice of the parties. This would also affect the facilitation of foreign investments, and economic turnover and increase the dynamics of integration of these countries in the EU.

The remainder of this paper is structured as follows. Section 2 contains a review of the existing literature, where, in addition to analyzing the literature, the legislation of both countries is analyzed, regarding the functioning of arbitration. Section 3 deals with the research methodology used in this research. Section 4 contains the results and discussion of the findings, where the relevant collected data in this article are analyzed and discussed. Section 5 contains the conclusion of the paper, and gives the final opinions, recommendations, and research difficulties. It also gives suggestions for future research.

2. LITERATURE REVIEW

The challenges of the functioning of arbitration are not present only in Kosovo or Macedonia, but they are also found in countries with more advanced legal systems. For this can be mentioned the challenges of implementation of the applicable law that will be applied in an arbitration agreement. In the international arena, there is still international uncertainty and many difficulties regarding this matter, even though the states have tried to bring it closer to a single legal regulation. For example, the approach of the law in England remains very clear based on several cases which the Court has resolved earlier with the Enka and Kabab-Ji decisions. While the Court of Appeal in Paris has taken into account the decision that the English courts have evaluated in the Kabab-Ji case, their conclusion was different on which governing law was applied to the arbitration agreement of the parties (Gibson, Dunn, & Crutcher, 2022). In Japan, the Arbitration Act governs both domestic and international arbitration proceedings, but it is limited to arbitration that is taking place in the territory of Japan (Ishou, 2020). However, arbitration is still considered to be the preferred method of resolving disputes at the level outside national borders, whenever the parties to the dispute
come from two or more different state jurisdictions (Plavec, 2020). Also, the legislative changes that are made with the purpose of adapting to the current circumstances are indispensable. Thus, the changes in the 2020 regulation represent relevant changes that have to do specifically with arbitrators, lawyers, and parties in the current situation brought about by the COVID-19 pandemic (Sabharwal & Vaswani, 2020).

The need for foreign investment in Kosovo and Macedonia, to revitalize the economy, which was in decline for almost three decades in this region, requires foreign investors to have real legal guarantees in case of legal disputes. To offer this guarantee, these countries have established an arbitration institution (regardless of its local or international designation, for example, in Macedonia), which enables them to resolve their legal and civil legal disputes in a manner faster, cheaper, and more flexible (American Chamber of Commerce in Kosovo, 2021).

Kosovo, in order to attract foreign investors, has created a solid legal basis by issuing the law on investments, where the content of this act contains norms, which determine the right to choose a foreign investor, to go to court or local arbitration, or international compensation for the damage if it is proven that it has been caused to them. Expenses incurred as a result of action or inaction by the Republic of Kosovo, which actions are contrary to positive domestic law or general norms of international law will also be reimbursed (Law on Foreign Investments of 2014, Article 16). What promotes arbitration in this law, is the consent of the Republic of Kosovo to participate in the investment dispute for arbitration, according to this article, is considered to have been given on the basis of this law. The consent of the foreign investor may be given at any time, either by submitting a request for arbitration or by submitting a written request to the Agency where it is proven that it has been given, so that the case can be resolved through arbitration (Law on Foreign Investments of 2014, Article 16).

Arbitration as an institution was established by the Kosovo Chamber of Commerce and is regulated by the Law on Arbitration (Law on Arbitration of 2008) and Arbitration Rules issued by the Kosovo Chamber of Commerce (Kosovo Arbitration Rule, 2011). The Law on Arbitration was issued in accordance with the relevant articles of the Constitutional Framework for Provisional Self-Government in Kosovo, which aimed to regulate the subject matter of arbitration and the execution of its decisions, issued within and outside Kosovo, and all this in full legal compliance with contemporary international conventions (Regulation on Constitutional Framework for Provisional Self-Government in Kosovo, 2001). If a parallel of comparative and historical interpretation is drawn between the Kosovo Law on Arbitration and that of North Macedonia, then we find that the Kosovo Law on Arbitration was issued during the period of the Kosovo International Mission called “United Nations Interim Administration Mission in Kosovo” (UNMIK). During this period of time in Kosovo, there was a hybrid legal system consisting of acts issued by the provisional institutions of Kosovo, and other legal acts issued by international institutions in Kosovo. This is confirmed by the fact that this law entered into force through the Regulation on the Promulgation of the Law on Arbitration adopted by the Assembly of Kosovo, 2008, while in the Republic of Macedonia the same act was issued by the Parliament of the country in 2006 (Law on International Commercial Arbitration of the Republic of Macedonia, 2006).

In the naming of these two laws, we find differences, wherein Kosovo this law is entitled the “Law on Arbitration”, while in Macedonia this act is called the “Law on International Commercial Arbitration”. At first glance, such a designation creates a perception that the international term creates greater credibility in the Western Balkans, but from the research conducted through interviews with entities from both Kosovo and Macedonia, to most of them, this designation has not had any impact, except for a small number of them where they emphasize that the international designation creates greater credibility for the parties in the proceedings. The meaning of the term “international” is rather used to distinguish arbitrations that are purely national and those that in some way transcend national borders as either the object, the subject, or the rights and obligations are related to the sovereignty of two or more states (Blackaby, Partasides, Redfern, & Hunter, 2015). For example, in some countries, there are special laws when it comes to international elements and other laws when it comes to local pure disputes. The Law on Arbitration in Kosovo does not make such a distinction and can be applied in both the first and the second case, and is in full compliance with international conventions (United States Agency for International Development [USAID], 2014).

Article 1 of the Kosovo Law on Arbitration defines its functioning, which states that this act regulates the arbitration agreement, arbitration procedures, as well as the recognition and execution of arbitral awards rendered inside and outside Kosovo. While in Macedonia, the law states that positive law is enforced by international commercial arbitration if the place of arbitration is the state of the Republic of Macedonia, but exceptionally the provisions of Articles 8, 9, and 36 apply even if the place of arbitration is outside Macedonia (Law on International Commercial Arbitration in Macedonia of 2006, Article 1). Within these two acts, if interpreted through legal logic, we further find that the Law on Arbitration in Kosovo deepens that this institution resolves disputes between parties from the legal-civil and legal-economic fields (Law on Arbitration in Kosovo of 2008, Article 5). While regarding the cases of dispute, which can be resolved in the arbitration of Macedonia, the provisions of Art.3 act emphasize that this institution resolves disputes depending on the free will of the parties, which disputes that they wish to address. However, the same paragraph further states that this law does not affect other laws of Macedonia where exclusive jurisdiction falls on the jurisdiction of the courts (Law on International Commercial Arbitration in Macedonia of 2006, Article 1). Thus, in this paper, it was examined that the parties, which operate in Kosovo, do not have adequate knowledge

1 https://unmik.unmissions.org/sites/default/files/regulations/02enGLISH/E2001regs/E2001regs.htm
2 https://www.international-arbitration-attorney.com/wp-content/uploads/2013/07/Macedonia-Arbitration-Law.pdf
regarding the content of legislation in the Republic of Macedonia, nor the businesses, those which are based in this country did not have basic knowledge of the content of legislation in the Republic of Kosovo. Another difference between these two countries is that in Kosovo, the law stipulates that the competent to decide on the validity of the arbitration clause is the enforcement court (Law on Arbitration of 2008, Article 14). While in the Republic of Macedonia, in addition to the validity of the arbitration agreement who is competent to decide, he is also competent to decide on the existence of the arbitration clause (Law on International Commercial Arbitration in Macedonia of 2006, Article 16). Furthermore, during the interpretation of these two acts, similarities are found in the regulation of different legal institutions, for example, in Article 3 of the Law on Arbitration in Kosovo and Article 5 of the Law on Arbitration in Macedonia, state courts are prohibited from interfering in the arbitration activity, except in specific cases defined by law. Also, the manner and moment of concluding the arbitration clauses when it is arbitrated that the agreement is concluded between these parties, in both acts of these two countries are regulated in the same way (by exchange of letters, fax, telegram or other ways telecommunications or electronic communications) but these provisions are found in different articles. In Kosovo, it is precisely in Law on Arbitration in Kosovo of 2008, Article 6, while in Macedonia, it is in the Law on International Commercial Arbitration of 2006, Article 7.

There are also similarities in the composition of the arbitration panel in these two countries, if the parties could not agree on the number of arbitrators then the number will be 3 (three).

The image, prestige, and authority of an arbitration institution depend mainly on the list, which contains the names of potential arbitrators, where the parties can identify and select according to their preference persons with high professional and moral integrity. Parties usually from the current practice, prefer arbitrators who have long practical experience in resolving various disputes of a civil-economic and legal-legally nature in their professional career. So, first of all, they appoint arbitrators, who have a reputation in society and are well-known names with international renown, are known for their impartiality, are independent, and have high ethical virtues (JD Supra, 2021).

It is universally known that one of the advantages of the arbitration procedure is that the parties are given the opportunity to choose arbitrators with specific experience depending on the type of expertise required in the proceedings, which is related to their dispute. For example, some parties prefer to appoint arbitrators who have knowledge in the field of law, economics, construction, engineering, etc. But regardless of the different preferences, almost all without exception, prefer their case to be judged by arbitrators, who have the attributes of impartiality and efficiency. It is important to mention in this paper the priority of institutional arbitration, where the arbitrator discharged a duty to provide a list of names of arbitrators that meet the requirements of the parties, which are defined in the arbitration clause. If the institution in question is able to provide a list of arbitrators with a different composition of expertise, this also implies and is perceived that such an institution is prestigious, and increases the credibility of the parties as to the composition of the panel with such arbitrators, increases the possibility of decision-making, fast, effective and fair (Beyea, 2019). But choosing the attributes of arbitrators from the list remains a challenging issue for the parties to the dispute. In advance, the parties must have knowledge of the qualities of their expertise, in order to decide right in their case, so they must know where to look for data on the persons concerned and where to find information about the personalities. All these are, at the same time, the primary premises of a serious institution if it will be able to offer opportunities to the interested parties, and easy access in order for them to be provided with the necessary information on the issue in question. The discussion at a roundtable, organized by the American Chamber of Kosovo, was about arbitration, where participants were also representatives of construction companies. The representative of the construction company who wants to stay unanimous told of his difficult experiences, which had to do with the wrong choice of the arbitrator in two contentious cases where he was a party, as he had no knowledge of how to find an effective and suitable arbitrator for the case (Petillon, 2019).

The question that is most often asked in arbitration proceedings is: “What are the attributes of an effective arbitrator?” Some thinkers who deal with arbitration issues think that practical experience (practical knowledge of procedures), pragmatism, and flexibility are the main qualities in the personality of an effective arbitrator (Petillon, 2019). Some other thinkers prioritize previous professional experience in the position of judge or attorney (Salomon, 2002).

While most authors think that the main attribute of an effective arbitrator remains his independence and impartiality, the main challenge in this regard remains the choice of a neutral presiding arbitrator, when the panel consists of three arbitrators (Salomon, 2002). Some other thinkers, as another important attribute to the effective arbitrator, mention his management skills of the parties and time in the procedure, communication skills, flexibility, acting with authority, and other important actions that rank him high among internationally renowned arbitrators (Salomon, 2002). These qualities should be explored in advance by stakeholders, before determining the name of the arbitrator who will make up the panel (if the panel consists of more than three arbitrators). The parties must also take into account and be careful about their professionalism and relevance to the subject matter of the dispute. All information obtained should be carefully analyzed in order to create a clearer picture of an arbitrator’s profile. According to some authors, this profile can be better known through previous arbitration decisions made by these personalities. Data on their professional expertise can also be found in their biographies (Petillon, 2019).

To analyze the attributes of arbitrators in the arbitration institutions in Kosovo and Macedonia, it should be noted that in Kosovo,
arbitration proceedings are organized by the Permanent Arbitration Tribunal since 2011 and by the Arbitration Center within the American Chamber of Commerce. Arbitration, which operates at the Kosovo Chamber of Commerce. The latter has been authorized by law to provide services of arbitration proceedings (Law on Kosovo Chamber of Commerce of 2004). The list of permanent arbitrators in this institution has grown continuously, and who are known in international practice. This list has been extended to names, based on agreements with arbitrators in the region, who have experience in various fields to resolve disputes as fairly as possible (Kosovo Chamber of Commerce, 2021).

In the list of arbitrators, published on the website of the Permanent Arbitration Tribunal at the Kosovo Chamber of Commerce (https://www.oek-kcc.org/uploads/files/2021/July/15/Vendimet_kuvendit_2021_071626346408.pdf), which from time to time is not so effective, there is approximately a total of 100 arbitrators. The number is changed depending on the decisions taken by authorities of the Kosovo Chamber of Commerce. The last time checked the website there were 100 arbitrators. Then, after analyzing the decision, there are 67 lawyers, 11 economists, 11 engineers, 7 doctors, 1 architect, 1 dentist, 1 mathematician, and 1 linguist.

**Figure 1.** Classification of arbitrators by professions in Kosovo Chamber of Commerce

![Graph showing the classification of arbitrators by professions in Kosovo Chamber of Commerce](https://www.oek-kcc.org/uploads/files/2021/July/15/Vendimet_kuvendit_2021_071626346408.pdf)

**Source:** Developed by the authors.

The last time the website was checked in February 2022, the composition is over 60 percent who are lawyers, over 10 percent economists, and over 10 percent engineers, while the rest are doctors, mathematicians, and others. Most of them are from Kosovo, but the number from other mainly Western countries is solid. These data were proven by the decision of bodies at the Kosovo Chamber of Commerce (Kosovo Chamber of Commerce, 2021).

Also, in Kosovo, there is an Arbitration Center, within the American Chamber of Commerce, which was established to assist business activities by resolving commercial disputes, which arise from business transactions (Hapçiu & Osmani, 2018). This institution in the list of arbitrators counts a total of 41 arbitrators. Among them are 35 lawyers, 2 economists, 1 engineer, and 3 architects. If they are calculated in percentage, then this composition can be calculated as over 60 percent are qualified lawyers, and the others are from the field of Economics, Engineering, etc. (https://www.amchamksv.org/roster-of-arbitrators/).

**Figure 2.** Classification of arbitrators by professions in American Chamber of Commerce in Kosovo

![Graph showing the classification of arbitrators by professions in American Chamber of Commerce in Kosovo](https://www.amchamksv.org/roster-of-arbitrators/)

**Source:** Developed by the authors.

While in Macedonia, the Permanent Court of Arbitration operates at the Chamber of Commerce of North Macedonia, as a permanent mechanism, which was established in accordance with the Law on Chambers of Commerce and the Statute of the Chamber of Commerce of North Macedonia. This mechanism resolves disputes of local and international nature and has been operating since 1993 (Permanent Court of Arbitration, n.d.).

Based on the latest decision, which deals with the determination of the lists of arbitrators of the Permanent Elected Court of Arbitration in the Chamber of Commerce of North Macedonia, this decision divides the arbitrators into two groups: in arbitrators, who can be elected by the parties when the dispute has no international element, and the second list containing the names of arbitrators, who may be selected by the parties if their dispute...
contains an international element (Permanent Court of Arbitration, 2020).

The first group of arbitrators includes a total of 31 arbitrators, of which are: 27 from the field of justice (bailiff, lawyer, university professor, former judge, and dispute resolution consultants). From the economic field, their number is 4, of those who are engaged in the Chamber of Commerce of Macedonia, university professors, etc. These arbitrators are almost all from the Republic of Macedonia and are appointed by decision in the Chamber of Commerce of Macedonia (Permanent Court of Arbitration, 2020).

Their composition calculated in percentage based on their expertise is listed below.

**Figure 3. Classification of arbitrators who resolve disputes only with a domestic element in North Macedonia**

![Diagram showing percentage of arbitrators by profession](source: Developed by the authors)

While the second list of arbitrators, who resolve disputes only with an international element based on the recent decision on the completion of arbitrators (after the list has been added new names with preliminary decisions on change and completion of the list of arbitrators) totals 66 arbitrators, where 3 of them are economists from the Macedonian Chamber of Commerce and 63 are lawyers (lawyer, Professor at the Law Faculty, legal advisor) (Permanent Court of Arbitration, 2020).

Listed below is their composition calculated in percentage based on their expertise.

**Figure 4. Classification of arbitrators who resolve a dispute with an international element in North Macedonia**

![Diagram showing percentage of arbitrators by profession](source: Developed by the authors)

These arbitrators come from different countries, such as Macedonia, Serbia, Croatia, Great Britain, Austria, Bosnia and Herzegovina, Poland, Bulgaria, Greece, etc. (Permanent Court of Arbitration, 2020).

Based on the final decision as an integral part of the list of arbitrators for disputes with an international element are the lists submitted by all arbitration institutions with which the Permanent Elected Court has signed a cooperation agreement (Permanent Court of Arbitration, 2020).

If we compare and analyze the list of arbitrators, which are on the list of arbitrators in the Republic of Kosovo and in the Republic of North Macedonia, we can see the number of arbitrators in institutions that offer arbitration proceedings in Kosovo, if we take it. Together with the arbitration at the Kosovo Chamber of Commerce, and that at the American Chamber, the number is greater than the number of arbitrators in the arbitration institution in Macedonia. Also, in terms of the composition of the lists with the expertise of arbitrators with professional experience, the list prevails in Kosovo. The lists are richer with the great diversity of arbitrators’ expertise, as they belong to different professions (e.g., engineer, doctor, architect, etc.). This positive professional diversity is not found in the lists of arbitrators in Macedonia. Also, from their national origin, the list of names in the arbitration institutions in Kosovo includes arbitrators almost from all countries of the continents around the globe, and most of them are from Europe. In the arbitration institutions in Macedonia, most are of national origin from Macedonia, while some of them are also from European countries (but compared to arbitration in Kosovo the number of foreign arbitrators is much lower, and the description of their profile in the biography is deficient and less inclusive in the geographical aspect).

Institutions in Kosovo have published the biographies of arbitrators, with a broader and more detailed description, while in Macedonia, their biography is poorer, this also makes the institutions of the latter be perceived less seriously, and have lower credibility, compared to arbitration in Kosovo. Especially this value for the list of arbitrators who are competent to resolve disputes with an international element. From the analysis of the list of arbitrators in both countries, it can be said that what is the priority in the permanent arbitration in the Republic of Macedonia, is that the arbitrators are divided and that the group of arbitrators who resolve only legal disputes with only national element, and arbitrators, who resolve legal disputes only with an international element. This division also creates the perception and conviction among legal entities, that the arbitrators in question are more specialized in case of litigation, and allows the parties to identify which arbitrators are most appropriate to select in the arbitration clause.

What is important to emphasize in this paper is that in the decision on the completion of
the arbitration lists in Part III, in the arbitration of Macedonia, it is stated that an integral part of the list of arbitrators for disputes with an international element is the lists submitted by all arbitration institutions with which the Permanent Elected Court has signed cooperation agreements (Permanent Court of Arbitration, 2020). It should be borne in mind that the Cooperation Agreement between the Permanent Court of Arbitration within the Kosovo Chamber of Commerce and the Permanent Court of Arbitration within the Macedonian Chamber of Commerce promotes and advances the arbitration mechanism by both institutions of these two countries. Especially when businesses operate and operate in these two countries, and further this agreement also provides how the optional norms should be written within the arbitration clauses (Agreement on Cooperation between the Permanent Arbitration Court within the Economic Chamber of Macedonia and the Permanent Arbitration Court within Kosovo Chamber of Commerce, 2003, Article 1).

The Agreement further stipulates that these two organizations will act with each other in order to facilitate commercial business in the region of both countries, as well as to facilitate and overcome various bureaucratic administrative procedures (Article 3). It is also important to mention the fact, which is positive regarding the future of arbitration in the Western Balkans region, and especially in Kosovo and Macedonia, that from research conducted by Zeka and Kelmendi (2021), the Kosovo Government has moved to 6 places lower in 2021 in the ranking of institutions with the highest level of corruption, compared to the previous year when it was ranked first. Arbitration, as an alternative dispute resolution mechanism, in this research, is considered to be the institution with the lowest ranking regarding the perception of corruption, where only 2.48% of respondents believe that there is corruption in this mechanism (Zeka & Kelmendi, 2021). This data can be considered an important indicator for the use of this method in the future by businesses, which have not been attacked by arbitration corruption. This necessarily affects the promotion of this mechanism as a trusted body as well (Zeka & Kelmendi, 2021).

In order to increase economic business, and exchange of goods and services, throughout the Western Balkans (a region aiming at European integration) the establishment of a joint arbitration institution, with equal composition and full rights for all, should be promoted to its members. This arbitration will, first of all, resolve disputes with a regional and international element. This would also enable the increase of foreign investments in these countries, increasing the credibility of investors.

3. RESEARCH FRAMEWORK

3.1. Analysis of interviews conducted with various companies in the Republic of Kosovo

For the realization of this research, the authors of this paper have interviewed 5 companies from the Republic of Kosovo, where 2 of these companies have been parties participating in the arbitration proceedings, while another party has signed an arbitration clause in its trade agreement. The selection and ranking of companies are done in that way based on the long years of their operation in the domestic and international market, as well as the diversity of their activity. The table below lists the types of companies that participated in the interview, the place where they operate, the fields, and years of operation. The ranking is done in that way based on the years of their operation starting from the company, which has the longest years of operation to the one that has the least.

**Table 1. Interviewed companies operating in the Republic of Kosovo**

| Name of the company | Place of operation | Operation field | Years of operation |
|---------------------|--------------------|-----------------|-------------------|
| Dardafon.net, LLC   | Kosovo             | Telecommunication | 12 years          |
| Walker's Food, SH.P.K. | Kosovo          | Gastronomy       | 10 years          |
| PRISIG, SH.A.       | Kosovo             | Insurance company | 7 years           |
| Orienti Group       | Kosovo             | Construction company | 3 years         |
| TDM Global, LLC     | Kosovo             | Supply and production of drinking water | 1 year |

Source: Developed by the authors.

Regarding the question “How is your business with other business entities in the region, especially with businesses headquartered in the Republic of North Macedonia?”: Most of the companies selected for interviews are companies that operate outside Kosovo, especially in Macedonia, where we see that these companies have signed MOU (memorandum of understanding) and have excellent business interaction with Macedonian companies. For example, the insurance company “PRISIG”, SH.A., which is also a licensed insurance company and part of the Kosovo Insurance Bureau, has signed an MOU with the National Bureau of Macedonia for recognition of insurance policies, which are binding on third parties. This company also has excellent cooperation relations with all insurance companies based in Macedonia.

As for the question “How much do you know about arbitration, and what do you think are the advantages of this mechanism over court proceedings?”: All interviewed companies stated that they have a solid knowledge of arbitration. Some of them have a deeper knowledge of the procedures to be followed in arbitration as they have also been parties involved in the proceedings. For example, Dardania.net is a company that has been involved three times in the arbitration process. In their answer regarding they believe that this company has the most experience in arbitration proceedings among other business entities in the entire region. Some of them claim, for example, that PRISIG mentions the advantages of arbitration as an alternative method of resolving disputes over court proceedings, where it mentions the efficiency of the arbitration procedure in terms of time, predictability regarding the time aspect of the pre-arbitration process, confidentiality, of arbitrators by the parties as well as the final decision. Whereas, TDM Global, LLC emphasizes that the main advantage of arbitration is the speed of resolving disputes between the parties.
To the question “Have you ever entered into arbitration clauses with any business entity?”: Some of the companies interviewed state that they have entered into arbitration clauses, while some of them prefer to enter into arbitration clauses in the case of agreements with business companies (e.g., TDM Global, LLC). The other two companies have never entered into arbitration clauses.

To the question “When did you first hear about arbitration?”: Most companies have received their first knowledge of arbitration proceedings since the beginning of their business, while the representative of TDM Global, LLC states that their knowledge about this mechanism came by reading and studying various literature during the study. The other companies in their answers said that they can not remember the moment when they first heard about this institution.

Among the new questions that were asked to the interviewees was the question: “If you would have a dispute with a business entity, what are your reasons for not sending the case to arbitration?”. Two of the interviewed companies stated that they would not send the case to arbitration and would prefer to resolve the case through negotiations. While the other company, TDM Global, LLC, states that it would be reluctant to send the case to the Kosovo arbitration, due to the lack of professional experience of arbitrators, the other company, PRISIG, has stated that it would not send the case if the value of the dispute is small.

“If you had a dispute with a company, which arbitration would you specify in the clause and why?:” Companies in this question have different preferences. For example, PRISIG prefers to define in institutional clauses institutional arbitration, because, according to it, this institution as such is already formed with its own rules, and has consistency and experience in procedures and organization of processes. Also, the prices of arbitrators and other procedural costs are fixed and are not negotiable. While Orienti Group has stated that it would consult in advance with the legal office before signing the arbitration clause. Regarding Dardafon.net, it determines the determinability of arbitration with the value of the dispute, according to it for larger monetary disputes it prefers international arbitration, while for disputes of small value and which may be more frequent prefers national arbitration or in any nearby country of the region. While TDM Global, LLC prefers to refer to the International Arbitration Tribunal, due to their experience and the list of renowned professional arbitrators in this field. Walker’s Food, SHPK, prefers arbitration based in the Republic of Kosovo, as there is no knowledge of the legal system in Macedonia.

“If you would choose between the Law on Arbitration of Kosovo and the Republic of Macedonia which would you prefer and why?:” All companies have stated that they prefer the Kosovo Law on Arbitration, except Dardafon.net, which does not pay much attention to it.

The other question is closely related to the previous one — “Does the name of the law affect your credibility towards arbitration (in Kosovo, it is called the ‘Law on Arbitration’, while in the Republic of Macedonia the ‘Law on International Commercial Arbitration’) and if so, what are the reasons for this?:” All the interviewed companies emphasize that the naming of the law does not matter.

As for the question “Which Law on Arbitration do you think gives you greater freedom of action in this regard, Kosovo or Macedonia, or any other country in the region?”. Almost all the interviewed companies stated that they do not have enough knowledge to compare such a situation, only one of them thinks that the Law of Kosovo gives the parties more freedom.

Regarding the question “Where would you like the arbitration hearing to be held (the place of the hearing) in Kosovo, Macedonia, or any other country in the Western Balkans and why??: Most of the interviewed companies state that they prefer the place of arbitration to be a neutral country (EU country).

Whereas, “How much does the language affect the companies, if the other party insists that the language of arbitration is kept in a language other than your mother tongue and what are the difficulties for the companies in question?”. Most companies besides their native language. For example, Dardafon.net justifies in its answers that every country in the Western Balkans is multilingual, so it believes that English would be more preferred, this also shows neutrality, and still leaves no room for misinterpretation. According to this company, arbitration is a process for resolving commercial disputes and only there should the focus be kept, and in no way should it be influenced by discrimination on national, religious, or any other political issues.

The next question posed to the companies was “Does the appointment of arbitrators in arbitration affect you if they are of a different nationality?:” Most of the interviewed parties emphasize that the appointment of arbitrators does not affect if they are of another nationality, and prefer more professional and neutral arbitrators, while only one of them, for example, Walker’s Food, SHPK stated that it affects, because according to him, nationality also affects its impartiality. When asked to get the opinion of companies regarding their experiences in arbitration, three of the interviewed companies stated that they had a case in arbitration, while Dardafon.net and TDM Global, LLC point out that they have several times participated in arbitration proceedings, international and domestic. According to them, expediency and professionalism have been much greater at the international arbitral tribunal compared to domestic arbitration. Also, according to them, this mechanism has enabled confidentiality for witnesses and that the arbitrators were persons with high integrity.

As for the question “What would be the most appropriate way for you to resolve the dispute?”. Most companies envisage negotiations, mediation, and finally, arbitration as mechanisms for resolving disputes. These companies prefer resolving disputes by alternative means at different levels.

Regarding the very important question “In which judicial system do you trust the most, Kosovo or Macedonia, and why??:” Most of the respondents prefer arbitration with 3 (three), while the other two companies, Walker’s Food, SHPK, and TDM Global, LLC emphasize that they would decide depending on the complexity of the case in dispute.
The apostrophized entities were asked the question “How much would arbitration affect your security to invest in Macedonia, Kosovo, or any other country in the Western Balkans?”: Most of the interviewees emphasize that this institution has a positive effect if the arbitration is foreseen in the clauses of the main contract, while Dardafon.net emphasizes that the presence of the clause providing for international arbitration in the commercial contract in case of disputes between the parties is very necessary and that for any public-private partnership which operates in the Western Balkans. Whereas, in the partnerships between two private companies, this business subject leaves open the possibility that is defined as local arbitration or any regional arbitration. But this company insists and considers it necessary to define arbitration in the main contract.

As for the opinion of the interviewed businesses on whether the publication of arbitral awards is a problem for them: Most of them, who have also had an earlier case in the arbitration procedure and who are interviewed, prefer that the arbitration decision be confidential. For two other companies that did not participate in the arbitration procedure yet, the publication of arbitration awards is not a problem.

In order to measure the pulse of fear of companies, the question “Does it affect their security to invest in Macedonia and Kosovo, when from time to time in these countries and in other countries of the Western Balkans?” was asked: All interviewed companies point out that political tensions affect their security to invest. They consider capital to be a great coward. Political tensions undoubtedly increase the uncertainty of any potential investor to undertake business activities in those countries that do not have stable political stability.

“If you will conclude arbitration clauses, which institution will be chosen, the one that has fewer arbitration costs (but there are no internationally renowned arbitrators), or the institution, which has the list of credible arbitrators with international experience in the field of arbitration (but the costs are higher)?” Respondents have different answers, some of them prefer the institution, which has a list of credible arbitrators with international experience in the field of arbitration. Without taking into account the costs of arbitration. Some others prefer to select arbitrators depending on the nature and financial amount specified in the clause, while others rightly answer that a credible arbitrator is a precondition and a prerequisite for a credible institution. While some others prefer choosing the tribunal, which has a good reputation for fair and quick resolution of disputes even though it would be more expensive.

### 3.2. Analysis of interviews conducted with various companies in the Republic of North Macedonia

For the realization of this research, the authors of this paper have interviewed 5 companies from the Republic of North Macedonia, where one of them is a party in arbitration proceedings with a Croatian company. The selection of companies was done in the same way as the companies, which had their headquarters in Kosovo, based on the long years of their operation in the local and international market, as well as the diversity of their activity. The below table has listed the types of companies that participated in the interview, place of operation, field, and years of operation. The ranking is made in that way based on the years of their operation starting from the company which has the longest years of operation to the one which has the least.

| Name of the company | Place of operation | Operation field | Years of operation |
|---------------------|--------------------|----------------|--------------------|
| EUROACTIVA         | North Macedonia    | Construction and trade of building materials | 30 years |
| IMPEKSEL 2, LLC,   | North Macedonia, Germany | Trade, transport, and construction | 25 years |
| SOLID AS, LLC      | North Macedonia    | Trade, transport, and construction | 23 years |
| KARTEL, SH.P.K.    | North Macedonia    | Production and trade | 20 years |
| OS-IMPEKS          | North Macedonia    | Trade, transport, and construction | 18 years |

Source: Developed by the authors.

Regarding the question “How is your business with other business entities in countries in the region, especially with businesses based in the Republic of Kosovo?” Most of the companies selected for an interview are companies that operate outside Macedonia (Croatia) and especially in Kosovo. However, if we compare the data with Kosovo companies that operate in Macedonia, then it turns out that the largest number of companies come from the Republic of Kosovo and they have a greater affinity to operate in the Republic of Macedonia.

As for the question “How much do you know about arbitration, and what do you think are the advantages of this mechanism over court proceedings?” All interviewed companies stated that they have knowledge of arbitration. For example, one of the companies for trade, transport, and construction IMPEKSEL-2, LLC, which also operates in Macedonia and Germany is a party to a dispute in arbitration proceedings with a Croatian company and has deep knowledge of arbitration proceedings. These companies in their interview responses do not mention the advantages of arbitration, as in Kosovo companies. Regarding the question of whether you have ever entered into arbitration clauses with any business entity, one of the interviewed companies (IMPEKSEL-2, SH.P.K.) states that it has entered into arbitration clauses, while others would not hesitate to sign arbitration clauses in cases of agreements with other business companies.

To the question “When did you first hear about arbitration?” Most of the interviewed companies will not specify when they first heard about arbitration, but only state that they have had knowledge for a long time. The interviewed subjects give different answers. For example, one of them mentions large expenses (KARTEL, LLC). Other companies mention that they would prefer the case to be resolved through negotiations between the parties, while another states that there is no reason not to send the case to arbitration (EUROACTIVA).
"If you have a dispute with other companies, which arbitration would you specify in the clause and why?": Companies in this question have different preferences, for example, IMPEKSEL-2, SHP.K., prefers to specify in the clause the arbitration of Zagreb, while it does not state the reasons why it would make such a choice. While the company for production, trade KARTEL, SHP.K., has stated that it would prefer arbitration in Vienna or Paris. Other companies have preferred the arbitration of the Republic of North Macedonia because they have confidence and knowledge in their legal system.

Businesses were also asked, "If you would choose between Kosovo’s Arbitration Law and Macedonia’s, which would you prefer and why?": All companies have stated that they have no knowledge of Kosovo legislation, some of them state that they would prefer to choose Macedonian law, while KARTEL, LLC, has no knowledge of Kosovo legislation in terms of arbitration proceedings, but now we do not even believe in the legal system of the Republic of North Macedonia.

Also, the following question was asked: "Does the name of the law affect your credibility towards arbitration (for example, in Kosovo it is called the ‘Law on Arbitration’, while in the Republic of Macedonia, the ‘Law on International Commercial Arbitration’) and why?": Most of the interviewed companies emphasize that the name of the law does not matter, except OS-IMPEKS, which states that the name of the law of the Republic of North Macedonia, as it contains the word "international", at the same time this name creates higher credibility compared to the law of Kosovo.

"Which Arbitration Law do you think gives them greater freedom of action, Kosovo or Macedonia’s, or of any other country in the region?": Almost all the interviewed companies stated that they do not have enough knowledge to compare such a situation. As the parties state that they have no knowledge of Kosovo Law on Arbitration. As for the place of arbitration, in Kosovo, Macedonia, or any other country in the Western Balkans and what are the reasons for such a selection, most of the interviewed companies have different preferences, and some of them do not see any differences between the countries of the Western Balkans, one of them, which is also a party to the proceedings, prefers Zagreb as a place for holding arbitration hearings, while another prefers the Republic of North Macedonia.

To the next question that concerns the language of the interviewed subjects, "If the other party insists that the language of arbitration is kept in a language other than your mother tongue and what are the difficulties for you?": All companies emphasize that language is not a problem in arbitration proceedings.

"Does the appointment of arbitrators affect the arbitration by the other party if they are of a different nationality?": Most of the interviewed parties emphasize that the appointment of arbitrators does not affect if they are of another nationality, for example, OS-IMPEKS states that it does not make racial, ethnic, or religious differences in the selection of arbitrators. Whereas on the question of whether they have had a case in arbitration and what are their experiences, most of the interviewed companies stated that they have not had a case in arbitration, except IMPEKSEL-2, LLC declares that it is in arbitration procedure and that at the moment it can not give an adequate answer regarding this question until the end of the process.

Business entities are further asked that "If in the future you have civil legal and economic legal disputes, what would be the most appropriate way for you to resolve the dispute?": Most companies envisage arbitration as an alternative means of resolving disputes. The reason for this, for example, KARTEL, SHPKNJP, mentions unreliability in the judicial system, so it would prefer to resolve the case through arbitration, while the other company, OS-IMPEKS as reasons why they would prefer arbitration cite low costs compared to those of the court, lack of strict procedural rules bureaucratic formalities, and that the solutions are limited to the initial agreement of the parties, etc.

"Which judicial system does Kosovo or Macedonia trust the most and what are the reasons?": Most of the respondents do not have knowledge about the judicial system of the Republic of Kosovo, but they do not trust the judicial system of the Republic of North Macedonia.

"Would you prefer arbitration with one arbitrator or three?": Most of the respondents prefer arbitration with three arbitrators, while the company EUROACTIVA prefers arbitration with one arbitrator.

"How much would arbitration affect your security of investing in Macedonia, Kosovo, or any other country in the Western Balkans?": All respondents see arbitration as a good opportunity to invest if it is provided in the clause, while another company states that without certainty there is no investment (SOLID AS, LLC).

As for the question of whether the publication of arbitral awards is a problem, all companies have stated that the publication of arbitral awards is not a problem for the publication of arbitral awards.

To the question "Does it affect your security to invest in Macedonia and Kosovo when from time to time there are political tensions in these countries and other countries of the Western Balkans?": All interviewees responded that they agree that political tensions affect their security to invest. For example, OS-IMPEKS considers that situations with political tensions negatively affect and create uncertainty for all foreign investors. This company comes to this conclusion by reasoning the opposite (logical interpretation of the situation) as there is a lack of foreign investors in the Republic of Macedonia, which also means that there are constant political tensions and uncertainty in this country.

Furthermore, the subjects were asked if they would conclude arbitration clauses, which institution will choose, the one that has the least arbitration costs (but there are no internationally renowned arbitrators), or the institution that has the list of credible arbitrators with international experience in the field of arbitration (but the costs are higher). Respondents prefer the decision to be fair regardless of their international reputation, except OS-IMPEKS states that it would prefer to choose arbitration with higher costs and lower renowned arbitrators because it does not mean that arbitrators with higher renown are not corrupted or judged unfairly.
3.3. Research methodology

In order to reach an important theoretical conclusion, in this research, in addition to using and reviewing the existing literature on arbitration in general, which also deals with domestic disputes and international legal disputes, the existing scientific sources have also been researched and reviewed jurisprudence, in terms of arbitration in Kosovo and Macedonia, and where obvious scientific gaps have been found in terms of the focus of the research presented in this paper. In this article, the descriptive method is used, which explained arbitration in general at the international level, its impact, and analyzed the context in which this mechanism faces in the resolution of disputes between the parties, whether they are domestic or international. With this method, a number of important legal institutes related to the problem posed in this article have also been explained.

In this paper, comparative methods have been used, with which the legislation of both countries has been interpreted and compared in terms of arbitration procedures, substantive law, and economic and political circumstances where these institutions operate. Also, using these methods the professional skills of arbitrators who are found in the arbitration list in Kosovo and North Macedonia are analyzed. After applying this method the advantages and disadvantages of one arbitration alongside the other are found. Furthermore, what is critical to reaching the scientific truth on the perception and reliability of arbitration in business entities in Kosovo and Macedonia is the use of empirical methods, where important data were collected through interviews, where ended questions from representatives of business entities, some of which, in addition to operating in these two countries, also operate in other countries of the EU. The questions were formulated in such a way as to understand how much the parties in Kosovo and Macedonia have knowledge of the institution of arbitration in general, and then the questions focused on other essential issues in arbitration in these two countries. Whereas, the main focus of the questions has been set in such a way as to derive their current credibility on this institution in these two countries and in other countries. Moreover, questions have been asked in that direction to provide answers that reflect the mentality of the parties regarding the promotion of arbitration in this region.

This data has been collected in such a way to create a list of open-ended questions, and the same has been offered to the subjects in question, without outside influence to freely express their beliefs on arbitration in general, and in Kosovo and Macedonia, in particular. Their opinions were answered, then they were analyzed and discussed where they finally enabled the creation of a real picture of the mentality of business entities, their perception, and credibility in the efficiency of arbitration in resolving commercial disputes and the future of this alternative mechanism in dispute resolution.

4. RESULTS AND DISCUSSION

From the review of the existing literature on arbitration it is found that this institution, in general, has been treated enough, but in the Western Balkans, especially in countries such as Kosovo and Macedonia, has not been treated at a satisfactory level. This institution in these two countries, compared to other Western countries, has not been practiced so much, precisely because in the Western Balkans it has not been integrated into the global economy, especially in the 90s, it has been involved with conflicts, and also even foreign investment has been scarce.

Also, in this paper, it is found that the laws of both countries name this institution differently, but the naming of this mechanism according to the interviewed subjects does not have any impact on the parties to create credibility. For example, this mechanism in Macedonia is referred to as International Commercial Arbitration and in Kosovo only Arbitration. But what is interesting to discuss is Arbitration in Kosovo, although there is no such designation as “international”, the list of arbitrators, which is found in this institution (both arbitration institutions in the Kosovo Chamber of Commerce as well as the American one) is much richer with arbitrators who come with the expertise of the most famous Western countries, for example, Japan, in these countries are also considered to be the leaders in the use of this mechanism throughout the globe. Therefore, we find that the name in this regard does not play any impact on increasing the prestige, trust, and image of this institution.

The most important to address in this paper are the findings related to the expertise of arbitrators in both countries. The advantage in the Republic of Macedonia in this regard is that the list of arbitrators is divided into arbitrators who deal only with domestic disputes, and arbitrators who deal only with international disputes. This makes it easier for the parties to identify and select the right people at the same time. It can also affect them to specialize in disputes either only local or only international.

The result of this research work can be further needed through the answers given by the interviewed subjects. From the above data, it results that:

- The parties prefer that in the future their clauses provide for arbitration as an alternative means of resolving their dispute. This comes as a result of distrust of the regular courts, redundant cases and overburdened work of the courts, and unnecessary bureaucracies.

- Care should be taken that arbitration clauses do not include both litigation and arbitration. From practice, it turns out that there are such cases, and this gives the opportunity for different interpretations.

- The parties have no knowledge of arbitration or the composition of the list of arbitrators in either Kosovo or Macedonia. Moreover, there is a lack of experience in how identifying arbitrators who are effective in the proceedings. This comes as a result that this institution is not yet sufficiently promoted in the region of these countries. Inevitably, this institution needs to raise awareness of its use, through various roundtable discussions with business entities, construction companies, traders, etc. It should also be promoted even more in high-level educational institutions where the subject of Arbitration is taught, as well as the improvisation of alternative means of resolving disputes.
The parties do not trust local arbitrators but prefer arbitration in other European countries. This comes as a result of the increase in corruption in regular judicial institutions. In insufficient to distinguish court proceedings from arbitration, the parties often confuse these mechanisms.

Entities envisage arbitration as a guaranteed tool for their investments abroad. This alternative tool, which the parties find more favorable if compared to all other alternative dispute resolution mechanisms, turns out that arbitration will be the most preferred because it has flexibility, selection procedures, and autonomy of the will of the parties very wide.

Regardless of costs, the parties prefer reputable arbitrators with high ethical and professional integrity. The number of unresolved civil law cases and economic and legal cases in the courts is very high, on the other hand, in Kosovo and Macedonia, the cases that have been treated in arbitration are very symbolic and small. This will inevitably increase the number of cases and cases to be referred to arbitration institutions in the future. This will undoubtedly make arbitration more competitive with the courts of these two countries.

The Law on Foreign Investments in Kosovo has established a good legal basis for attracting foreign investment toward the country, as it allows parties to use either court proceedings or arbitration as alternatives to dispute resolution.

Political tensions in Macedonia, Kosovo, and throughout the Western Balkans continue to hamper economic development, as foreign investors are afraid to invest in these countries, and at the same time, this logically hinders the use of arbitration proceedings.

5. CONCLUSION

Arbitration as the main alternative means of resolving civil-legal and economic-legal disputes, whether with a local or international element, will be promoted even more in the future in the Western Balkans, as well as in Kosovo and Macedonia. The main challenge remains the strengthening of the trust of business entities, as for a long time the mindset of legal entities in this part has deepened the belief that officials in institutions without exception are corrupt. For this reason, we have to spend some time until the twin is changed and we are also in charge of arbitration.

Arbitrators must be careful in making their decisions, fully respecting the basic principles of arbitration such as impartiality, flexibility, and the principle of economy of the procedure. This will help facilitate the promotion of arbitration in the future and increase trust in potential parties to arbitration proceedings.

Another challenge of promoting arbitration in these two countries is confidentiality, where the parties have the right for the procedure to be confidential, which is also the positive side of this mechanism. But the downside of this method in terms of confidentiality is that these decisions are not made public. This would also increase the value of arbitration, as arbitrators would be more careful in making decisions.

During this study, difficulties were found in the in-depth research of the focus of this paper, because it was difficult to find or interview most of the parties who participated in the arbitration proceedings, due to confidentiality it was impossible to find and interview these parties. Also, due to the COVID-19 pandemic, it was impossible to interview directly some of the representatives of the interviewed companies, so the questions were emailed to them.

From this research are also derived indications that in the Western Balkans an arbitration can be created, with the list of arbitrators of countries from this region, but also international, with fair and equal participation, of all countries, where the parties would have opportunity to contact this institution. At the same time, this would affect the interaction between business entities from these regions. It would also affect the attraction of foreign investment. This would lead to an improvement in the image of these countries and a change in the perception that this region is in tension. This regional cooperation would also facilitate the path of faster integration into the EU.

This research of this issue in these two countries remains an initial and modest framework for addressing this issue, so in the future, it is recommended to research more other target groups such as heads of arbitration institutions, more business companies involved in research, academy staff and student, citizen. The questions that would be addressed to these categories would be oriented to the role of arbitration in terms of guarantees and the creation of conditions for attracting foreign investment.

What is recommended in the future that is researched in this part, and is not yet complete and once considered to be a scientific void, which must be filled, is the research of the opinions of legal schools in the Western Balkan region. Through this research, it would be good to interview students and professors who have the knowledge and professional interests related to Arbitration. Lawyers and judges should also be interviewed. All this is in order to have a clearer view of the problem, which would create an asset for the future, and the role of arbitration in the countries of the Western Balkans, and beyond with a particular emphasis on Kosovo and Macedonia.

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