

ROLE OF THE INVESTMENTS AND TRADE EXCHANGE ON KOSOVO'S ECONOMIC DEVELOPMENT

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Abstract

The importance, meaning and management of investments are elaborated in this paper. Direct Foreign Investments (DFIs) and their role in the economic development and growth take a special part here. Foreign investors are presented according to the country of their origin and the countries that dominate with the highest percentage of investments and the fluctuations from year to year are detailed. Kosovo's foreign trade exchange, geographic distribution of Kosovo's trade with European Union countries and regional ones (CEFTA members) as main trade partners, are dealt with as well. Statistic data from professional institutions, such as, Kosovo Central Bank (KCB), Kosovo Statistical Agency (KSA) that investigate and elaborate various economy fields are shown here. The paper is based on the descriptive method, statistical data and analysis of the data presented in the form of graphs and tables, which helped us to see the fluctuations of investment over the years and achieve the effects in the economic development of the Republic of Kosovo.

Keywords: Investments, Foreign Direct Investments, foreign trade exchange, structure of goods, export, import

INTRODUCTION

The concept of investments and Management of investments in Kosovo

In the economy literature we come across various definitions for investments from various authors where each of them deals with and explains them from their angle. According to the USA Bureau of Statistics - investments are common goods, produced in the period dealt with, dedicated to the production process in the future. According to Prof V Misja, "Capital investments represent sums of monetary and material means that are spent for the renewal and building of basic funds.

While, according to P. Masse “the essence of investments is endurance (tolerance) of sacrifice and denial of the consumption at present in order to increase the usefulness i.e. the consumption in the future”. (Portal: Ekonomia Shqipe – Albanian Economy 2013). Investment is shown as a process of engaging – mobilizing money or other production resources at the actual moment, in hope and expectation that certain predicted profits in the future will be achieved.

Investments can be divided in two large groups: 1. Real Investments, and 2. Financial Investments. Real investments are those investments that are made for establishing, enlarging and modernizing real physical means, such as: facilities, buildings, machinery, precious metals, human resources potential together with their knowledge, etc. While, financial investments are those investments performed for purchasing financial means of various securities character, such as: shares, bonds, treasury bills, etc. (Luci, Kripa 2005). In order to understand better investments, we can define them as follows: 1. Narrow concept – which represents advancements in main funds, and 2. Broad concept – that represents general advancements in main and gyro funds. Investments are considered to be an important factor for maintaining, upgrading and developing the economy of a country.

Management of Investments in Kosovo

Kosovo's economy is a part of economic integrations in the region, giving the opportunity to the foreign investors to integrate in Kosovo's market. After the independence, Kosovo has achieved a great progress in many fields of its development, such as: the increase of political stability, the upgrade of security level, stable economy with continuous growing, completing the legislation, etc. It has become an important part of regional cooperation initiatives, through which the common regional market was created, the elimination of custom fees, elimination of trade barriers, and opening of new perspectives were made. Kosovo institutions, have worked and continue working with large steps in fulfilling the necessary standards necessary for membership in the European Union. A stable macro-economic environment, sustainable financial system has been created, and fiscal policy reforms and applying the lowest tax rates in the region were achieved. Amongst important objectives of our country is increasing the economy competitiveness of our country in the regional market.

Progress has been achieved in upgrading the modern infrastructure, both within the country and in connections with the region. It is worth mentioning here the connection with Albania through the built motorway as well as the Albania's promise to build the railway between our two countries in the near future. Soon the construction works of motorways connecting Kosovo with Albania, Macedonia and Serbia will start and their construction represents a favourable opportunity for foreign investors.

Business registration system in Kosovo represents another stimulating factor for increasing the investments, with its simplified procedures and speedy registration of new businesses in a short time. Benefits for potential foreign and local investors are given as reasons for investing in Kosovo. Some of these benefits include lower taxes, rich resources and supportive business environment. Amongst other reasons for investing in Kosovo the following should be taken in consideration:

- * Young and motivated population, 70% under 35, young and motivated work force with strong enterpreneuring spirit and skills and general knowledge of most of European languages;
- * Enviaible natural resources: coal, zinc, lead, ferro-nickel and fertile agricultural land;
- * Modern institutions supporting businesses;
- * Simple and fast procedure for registration of businesses (within 3 days);
- * Safe banking system;
- * Modern legal structure in accordance with EU Laws;
- * Free access to European Union market and neighbouring markets;
- * Official currency in Kosovo is Euro, which eliminates Euro-Zone risks, etc.;

All these features make Kosovo a quite attractive country with investment opportunities for foreign and local investors in various sectors. (The Ministry of Foreign Affairs, Republic of Kosovo, 2013).

FOREIGN INVESTMENTS IN KOSOVO

A considerable amount of foreign investments was brought to Kosovo enabling creation of new job positions. Foreign investors found opportunities for business development in Kosovo. They contribute positively to the sustainable development by motivating local investors for successful running of their businesses. The improvement of business environment is important for both foreign and local investors. In European Union and EFTA's countries, in March 2014 the European Investors Council was established. The initiative of the members of this investment council is supported from the EU Office in Kosovo and its representative.

Management of investments in Kosovo's economy is an object for European Commission's evaluation for the region. EU Office in Kosovo has actively supported the idea for creation of a council of investors in Europe as a body that aims the elimination of systematic failures of the business environment, and enables the increase of the foreign investments in Kosovo. The main goal of the European Investors Council is to support the Kosovo institutions in solving the issues related to the rule of law, corruption, informality and necessary improvement of the education system. This council will deal with other issues of importance for the improvement of the business environment (Mustafa L. 2014).

The development of modern economy creates the opportunity for increasing the number of job positions and the income for Kosovo citizens. The development of a constructive dialogue with business community would facilitate this process. The Government of Kosovo through dialogue may obtain information regarding the existing great loads and would focus on finding investors for better and more practical solutions. Solving these issues would improve the conditions for businesses of investors from EU countries and would improve the environment for all foreign and local companies that operate in Kosovo (Koha ditore 2014).

According to Open Data Albania a research regarding Direct Foreign Investments in Kosovo according to the country of the origin was performed. The research focuses on data for the period 2007-2013. During 2013 the country where most of Direct Foreign Investments in Kosovo came from is Turkey with 82.8 million euros or 28% of the total.

Other countries of importance related to the Direct Foreign Investments are Switzerland (14%), Germany and Albania (7%), etc. It's interesting that the value of Direct Foreign Investments for Greece and Holland for 2013 is negative which means that during 2013 investors from these countries who had invested in Kosovo previously, have transferred investments towards their countries.

During years the situation regarding Direct Foreign Investments changes according to the country of their origin. In 2007 and 2011 the biggest part of Direct Foreign Investments originated from Great Britain with a value of 116.16 and 80.1 million euros. In 2008 DFIs came mostly from Austria with a value of 51.3 million euros.

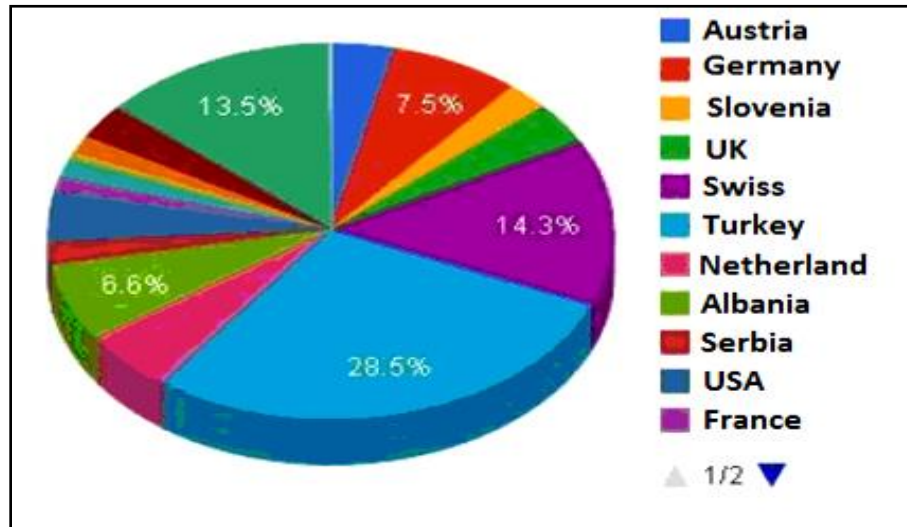
Germany is the country of origin of most of Direct Foreign Investments for 2009 and 2010. During these two years this country has invested in Kosovo 75.15 million euros (2009) and 91.54 million euros (2010).

During the analyzed last two years, 2012-2013, it results that Turkey has invested the most in the country of Kosovo. In 2012 Direct Foreign Investments from this country score the value of 65.55 million euros and in 2013 the value of 82.73 million euros.

On March 31st 2014 the situation regarding DFIs in Kosovo was the following: with countries of the European Union 962.83 million euros of Incoming Direct Investment and 53.81 million euros of Outgoing Direct Investment; with other European countries 534.32 million euros of Incoming DFIs and 75.4 of Outgoing Investments, and with other non-European countries 111.31 million euros Incoming DFIs and 11.41 million euros Outgoing DFIs.

In total, on March 31st 2014, the situation on Direct Foreign Investments scores 2.8 billion euros of Incoming Investments and 141 million euros of Outgoing Investments (Open data al. 2014).

Figure 1 FDI in Kosovo by Country of Origin



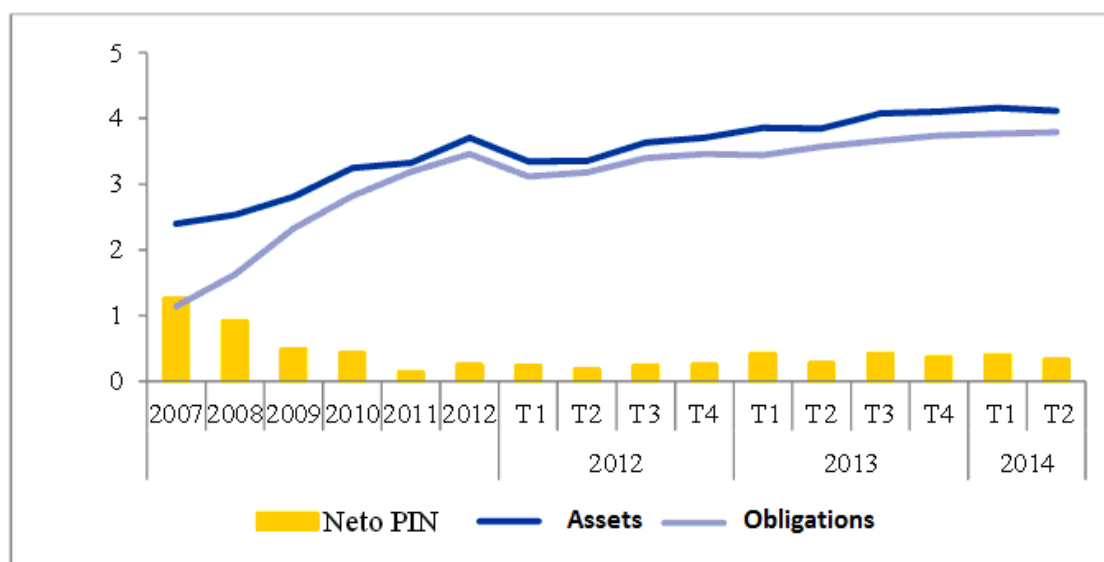
Source: Central Bank of Kosovo, Comments and analysis: ODA, 2014

Balance of direct foreign investments (DFIs) in Kosovo

Balance of direct foreign investments (DFIs) in Kosovo in the second trimester in 2014 has scored a negative value of 3.6 million euros. The negative result of DFIs resulted more from the withdrawal of the capital as a super-dividend and the kosovarization of enterprises owned by foreigners, and not as a result of the decrease of the investments that have entered for a trimester. Balance of investments on securities, not including the securities that are a part of reserve assets, during this trimester dropped to 3.1 million euros in the second trimester (in the same period of the previous year it was 81.7).

On the other hand, the position of international reserves in the first trimester in 2014 has decreased for 21.7 million euros. Position of international investments – Kosovo continues to register a positive balance of international investments position (IIP), which at the end of the second trimester in 2014 was 327.8 million euros (394.5 million was at the end of the first trimester). External assets have scored a decrease for 46.6 million compared to the previous trimester. The value of external assets on June 30th 2014 was 4.12 billion euros. The main contributor to the decrease of external assets was the category 'Other Investments' which decreased for 50.1 million euros. External liabilities scored an increase of 20.1 million euros and at the end of the second trimester in 2014 they scored the value of 3.79 billion euros. The increase of external (foreign) liabilities was mostly due to the level of trade loans (Central Bank, 2014).

Figure 2 The position international investment, the situation at the end of the period in billion Euros



Source: Central Bank of Kosovo, Statistical Report, 2014

Kosovo foreign trade exchange in 2009 - 2010

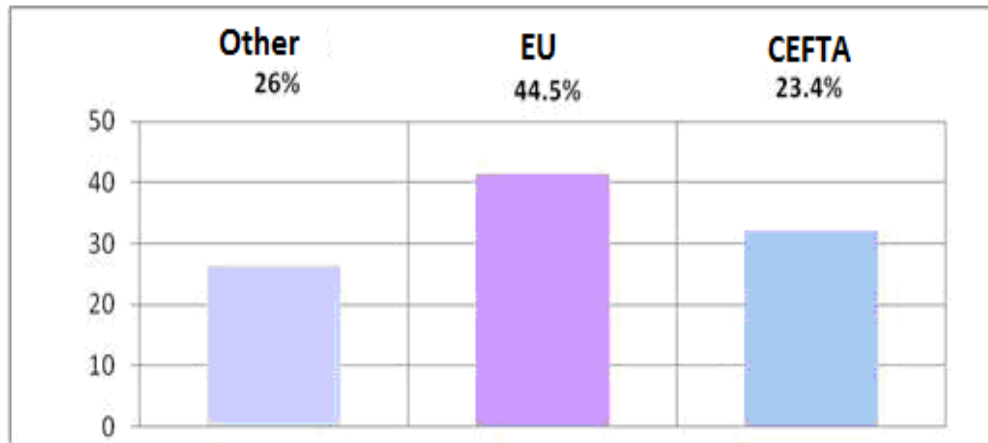
Kosovo has scored a value of 2.45 billion euros of trade exchange during 2010, which compared to the previous year is an increase of the exchange for about 17%. The import of goods in Kosovo during 2009 scored the value of 2.16 billion euros which is an increase of about 11.48%.

The export from Kosovo in 2010 was 295.9 million euros which compared with the previous year represents an increase of around 79%. Trade deficit decreased slightly from 91.5% in 2009 to 86.3% in 2010, thus achieving the highest coverage percentage, for the whole postwar period, of 13.7%.

Geographic distribution of Kosovo Trade during 2010

The countries of European Union (EU) and those of the region (CEFTA members) remain our main trade partners. The export from Kosovo to the EU countries was 44.7% of the total, which compared to the previous year shows an increase of 3.71%. The export towards CEFTA member countries was 24.1% of the total, which compared to the previous year shows a decrease of about 25.39%, while exports towards other countries make 31.2% of the total value. Exports of Kosovo in EU countries were 44.5% of the total, towards the CEFTA countries was 23.4% of the total, while towards other countries were 26% of the total value.

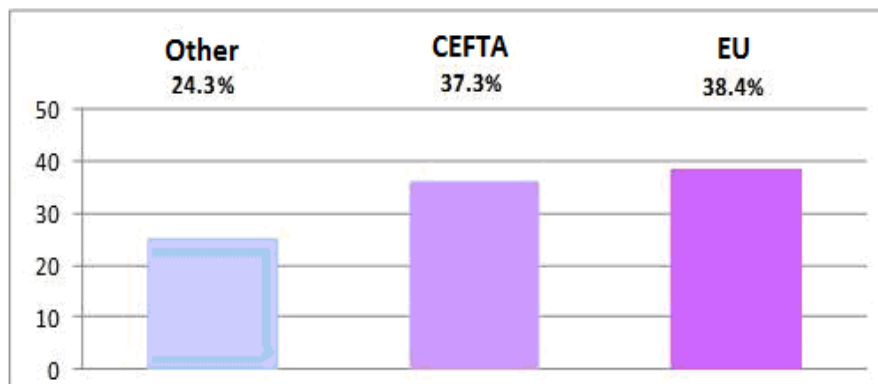
Figure 3 Kosovo exports by group of countries for 2010



Source: Ministry of European Integration, Republic of Kosovo, 2012

Imports of Kosovo from EU countries were 38.4% of the total, towards the CEFTA countries was 37.3% of the total, while towards other countries were 24.3% of the total value.

Figure 4 Imports of Kosovo according to the group of countries for 2010



Source: Ministry of European Integration, Republic of Kosovo, 2012

Kosovo's main partners in export and import

Kosovo imports from European Union countries the vast majority of vehicles, machinery and equipment, tobacco products, fuel, construction materials, food products, etc. Kosovo exports into the EU market, prove the low competitiveness level, since it comprises of various metals scrap and in a more limited scale comprises of some industrial products, such as ferro-nickel, building materials, wood products, etc.

Table 1 Kosovo's main partners in export and import

Nr. Countries	Export (000) €	Participation in total %	Import (000) €	Participation in total %
1. Italy	80.193	27.1	100.603	4.7
2. Albania	30.841	10.4	69.714	3.2
3. Macedonia	26.308	8.9	319.313	14.8
4. Swiss	17.786	6.0	20.981	1.0
5. Germany	15.587	5.3	280.617	13.0
6. China	14.779	5.0	135.406	6.3
7. Serbia	3.941	1.3	260.471	12.1

Source: Ministry of Foreign Affairs, Republic of Kosovo, 2013

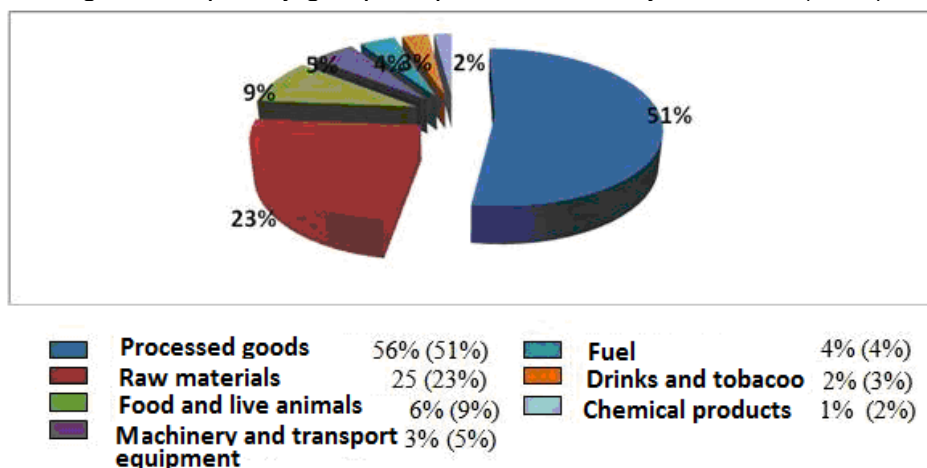
Trade with other countries of the world

Though over 3/4 of Kosovo's trade is oriented towards CEFTA and EU countries, Kosovo has trade exchange with most of the countries of the world, mainly towards import. It is worth mentioning Turkey where 7% of the total value of import comes from, and China where 6.3% of the total value of import comes from, while export towards this distant Asian country makes 5% of the total of exports from Kosovo.

Export and the structure of exported goods

Vast majority of export in 2010 were the processed goods with 51% and a value of 150.9 million euros, other un-processed goods made 25% of export, with a value of 60.1 million euros. The rest includes: food and live animals 6%, fuel 4%, machinery and equipment 3%, drinks and tobacco 2% and chemical products with 1% of the total export value. The comparison with the previous year is illustrated below.

Figure 5 Export by groups of products for the years 2010 (2009)

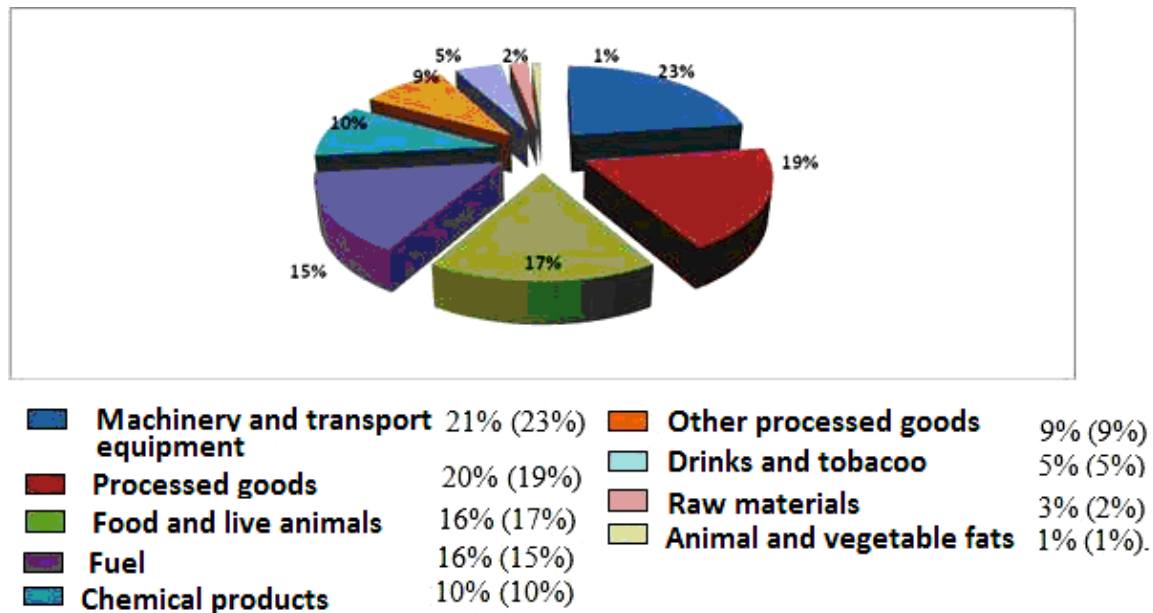


Source: Ministry of European Integration, Republic of Kosovo, 2012

Import and the structure of the imported goods

Import in 2010 comprised of machinery and transport equipment with 21% and the value around 453.1 million €, processed goods with 20%, and a value of 431.5 million €, food and live animals 16% or 345.2 million €, fuel 16% or 345.2 million €, chemical products 10% or 215.8 million €, other processed goods 9% with 194.2 million €, drinks and tobacco 5% with 107.9 million €, un-processed materials 3% with a value around 64.7 million €, vegetable and animal fat 1% or 21.6 million € (Ministry of European Integration, 2012).

Figure 6 Import by products group for the years 2010 (2009)



Source: Ministry of European Integration, Republic of Kosovo, 2012

FOREIGN TRADE EXCHANGE DURING 2013-2014

The data regarding Foreign Trade of Kosovo show a higher trade deficit for March 2014 for 179.3 million euros compared to the deficit of 172.1 million euros for the same period in 2013. Meanwhile, the coverage of import by export is 11.4%. The country where Kosovo exports the most is Italy, while the country where from Kosovo imports the most is Serbia.

These data are from the report "Statistics of Foreign Trade" for March 2014 published by the Kosovo Statistics Agency. The export of goods in March 2014 had the value of 23.1 million euros, while import was 202.4 million euros. This shows an increase of export for 0.1% and an increase of import for 3.7% compared to the same period of the previous year (2013).

According to the data regarding the main export groups: (43.9%) of export is comprised of basic metals and their products, (17.5%) of mineral products, (6.8%) of processed food,

drinks and tobacco, (5.8%) of textile and textile items, (5.7%) of plastic, rubber and their products, (5.2%) of leather and its products, and (4.7%) of herbal products.

While, according to the data regarding main import groups: (15.8%) of the import is comprised of mineral products, (13.4%) of processed food, drinks and tobacco, (10.3%) of machinery, mechanic and electric equipment, (10.2%) of basic metals and their products, (9.7%) of chemical industry products, (6.5%) of herbal products, (6.4%) of plastic, rubber and their products, and (5.2%) of transport means.

Main trade partners regarding export and import in Kosovo, according to March 2014 report, are EU countries which participate with 38.8% in export and 43,1% in import. While CEFTA's countries participate with 47.0% in export and 28.2% in import.

Highest percentage of export was: in Italy (21.2%), Serbia (14.4%), Albania (13.8%), Macedonia (12.4%), India (8.8%) and Montenegro (5.2%). While, according to the data, the highest percentage of import was from: Serbia (14.8%), Germany (10.5%), Turkey (10.4), Italy (7.1%), China (6.3%), Greece (5.9%), Macedonia (5.7%), etc. (Koha net, 2014)

The decrease of import and increase of export

The data from Foreign Trade in Kosovo reveal a lower trade deficit for June 2014 with 188.6 million euros compared with the deficit of 195.9 million euros for the same period in 2013.

Export covers import 12.6%. Our country continues to import mostly from Serbia and to export mostly in Italy.

Export of goods in June 2014 scored the value of 27.1 million euros, while import was 215.7 million euro, which makes an increase of export for (2.9%) and a decrease of import for (-3.0%) compared to the same period in 2013.

According to the data regarding the main groups of export: (51.6%) of the export is comprised of basic metals and their products, (15.8%) of mineral products, (6.5%) of processed food, drinks and tobacco, (5.3%) of plastic, rubber and their products, (4.5%) of herbal products, (4.1%) of leather and its products, (3.2%) of machinery, mechanic and electric equipment, (3.1%) of textile and textile products, etc.

According to the data regarding the main groups of import: (16.5%) of the import comprised of mineral products, (13.5%) of processed food, drinks and tobacco, (10.4%) of machinery, mechanical and electrical equipment, (9.5%) of basic metals and their products, (7.6%) of chemical industry products, (5.9%) of plastic, rubber and their products, (5.7%) of transport means, (5.4%) of live animals and products of animal origin, (5.4%) of herbal products, etc.

Main trade partners, regarding the export and import in Kosovo, in March 2014 report, are EU countries which participate with 37.7% in export and with 41.7% in import, while CEFTA's countries participated with 44.6% in export and 28.3% in import. The highest percentage of export was in Italy (24.6%) followed by Albania (14.5%), Serbia (12.8%), Macedonia (10.8%), Turkey (5.6%), China (5.2%), Montenegro (4.3%) etc.

According to the data the highest percentage of import is from: Serbia (13.3%), Germany (11.2%), Turkey (9.6%), China (8.5%), Italy (6.9%), Greece (6.0%), Albania (5.6%) (Koha Net, 2014). Kosovo Statistics Agency (KSA) has published "Statistics of Foreign Trade" for August 2014. The data from Foreign Trade in Kosovo show a higher trade deficit for August 2014 with 208,5 million euro compared to the deficit of 204,7 million euros for the same period in 2013. Export covers import with 13.7%. Export of goods in August 2014 reached the value of 33,0 million euros, while import was 241,6 million euros, thus showing an increase of export for (42.3%) and of import for (6.0%) compared to the same period in 2013.

According to the data regarding the main groups of export: (59.2%) of export comprised of basic metals and their products, (10.6%) of mineral products, (7.2%) of herbal products, (5.6%) of processed food, drinks and tobacco, (4.8%) of plastic, rubber and their products, (3.7%) textile and its products, (2.6%) leather and its products, etc.

While according to the data regarding the main groups of import: (22.0%) of the import comprised of mineral products, (15.0%) of processed food, drinks and tobacco, (10.2%) of machinery, mechanic and electric equipment, (8.7%) of basic metals and their products, (6.2%) of chemical industry products, (5.4%) of plastic, rubber and their products, (4.7%) of transport means, etc.

Main trade partners, regarding export and import in Kosovo, in August 2014, are the countries of European Union which participate with 18.1% in export and with 45.2% in import, while CEFTA's countries participate with 33.2% in export and with 29.9% in import. The highest percentage of export was in: China with (29.0%), India (12.4%), Albania (11.4%), Macedonia (10.6%), Italy (6.0%), Serbia (5.1%), Montenegro (4.7%) etc. While, according to the data the highest percentage of import is from: Serbia (15.7%), Germany (10.4%), Greece (8.7%), Turkey (7.6%), China (7.5%), Italy (7.4%) etc. (Koha net, 2014).

Countries that dominate in Kosovo's export and import

Export – In 2005 Kosovo exported mostly in Macedonia, Serbia and Germany. In 2013 this has changed in favour of Italy, Albania and Macedonia regarding exports from Kosovo. In 2013 Kosovo has exported the value of 74 million euros in Italy, 44 million euros in Albania and 26 million euros in Macedonia.

Import – In 2005 Kosovo imported mostly from Macedonia, Serbia and Germany, while in 2013 it has imported mostly from Serbia, Germany and Italy. In 2013 Kosovo has imported the value of 285 million euros from Serbia, 253 million euros from Germany and 229 million euros from Italy. In total, import of this year scored the value of 2.4 billion euros (Mapo Online, 2014).

CONCLUSION

It is considered that investments play an important role in generating new job positions that is followed by economic growth and development.

Government must pay special attention to the creation of favourable environment for attracting both foreign and local investors. Depending on the changes of conditions for investors we can observe their fluctuation from year to year.

Investments are also considered a driving premise for the increase of export. Depending from the economic growth that existed (in a small percentage), we saw the results of the increase of export and of the decrease of the import in the recent years.

Taking into consideration recent global crisis which is affecting all countries of the world and not only countries of our region, we should not be unsatisfied with the slow rate of economic growth and development in Kosovo.

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