

THE TRADE IMPORTANCE IN ECONOMIC DEVELOPMENT OF THE REPUBLIC OF KOSOVA

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Abstract

The Trade is a tertiary activity which in the Republic of Kosova as a country under transition has its own impacts in the economical development. Its importance is multiple in influencing the income increase, GDP increase and reduction of unemployment.

Keywords: Trade, Republic of Kosova, economic development, countries under transition, gross product increase.

I. Introduction

The Republic of Kosova is a country in transition. Its development is linked to the service activities, among other activities is also linked with trade. Thanks to the development of the country and due to the lack of development of the industrial sector, Kosova is focused in the development of tertiary activities. Given the current circumstances in the Republic of Kosova this activity is considered more favorable and appropriate. Trade sector employs substantial number of workforce in both genders, qualified and semi-qualified. One of the main challenge of the current situation in Kosova as in most of the countries under transition is high deficit in trade exchanges. Kosova represents a small economy in the global market with a liberal trade regime, where imports of goods consists about half of Kosova GDP, while exports are much smaller than imports (The coverage of exports with Imports ranges approximately in the rate of 8%).

In order to understand the importance of trade and its role in the economic development we have conducted a trade analyze of Kosova. For this purpose we have divided the analysis of Kosova trade into two periods:

1. Kosova trade in retrospective and
2. Current trade situation of Kosova.

1. Kosova trade in retrospective

After the World War II the development of trade of Kosova began in the terms and conditions of a centralized system that was applied in the former Yugoslav Federation. In this period, Kosova was a typical agrarian country with no industry to develop, where agriculture took part with over 70% net income that were created at that time, while only 30% of industrial products. This period was characterized by the low level of trade and economic development, given that the main carrier of creating income was agriculture and extensive agriculture of the trade was symbolic role in creating revenues. In general the trade of years in question is characterized by the low level of doing trade. In the beginning of the first years of the 50th in general the overall economy of Kosova took place with a low rate of increase of 5.7%. Kosova in these years is peculiar to say that there was no equal treatment as other federal units in all sectors of economic development including the trade. The structure of the economy was undeveloped and was represented by a small number of industrial branches including the trade which was mainly represented by ores and ferrous metal processing,

wood processing and plates, as well as the production of coal. All these above mentioned indicators participated with 90% in the creation of industrial product while trade took part with only 10%. Until 1956 when the investments were made by the state without return, Kosova was forgotten and did not take any inventive assistance from the state. In this period the exchange of goods had more internal trade character with some exceptions. In the foreign market mainly were exported ores for the processing of ferrous metal, wood processing and processing of coal and plates. The highest economic growth and quality change in Kosova was realized in the periods 1971-1975 and 1976-1980, and this thanks to a decentralization that was created at that time. Thus, the territory was equalized with other units of the former Yugoslav federation. It also came to expression the affirmation of a greater autonomy for Kosova in the implementation of economic development, fiscal budget policy, involvement in credit allocation of funds from foreign and regional governance of development. In the late '80s, the economy of Kosova, although less developed compared to other units of the former Yugoslav Federation, it had a more favorable structure compared to previous periods. Kosova's economy consisted of small and medium enterprises, and large manufacturing enterprises, whose products were exported not only in the territory of the former Yugoslav Federation but also in other countries, including the Western European markets. Based on the data received from the statistic yearbook of the Statistical Office of Kosova, Kosova in this period of time has exported its products in the foreign market the in value of which ranged from 121 million € (in U.S. dollar would be \$ 147.50 million).

Herewith we are presenting the data on table content:

Table no. 1. Kosova Export in the late 80s

No.	Economic Sector	Value \$ Million	Participation in %
1.	Industry of Battery	31.000.000	15.50
2.	Buffers	10.000.000	5.00
3.	Ferro-nickel	95.000.000	47.50
4.	Electromotor	20.000.000	10.00
5.	Textile, shoes and accessories	12.000.000	6.00
6.	Auto parts	9.500.000	4.70
7.	Production of Wine	8.500.000	4.20
8.	Others	14.000.000	7.10
	Total:	200.000.000	100.00

Source: Statistical Yearbook of Kosova in 1998

Table comment: From the data in the table we can conclude that at the end of 1980 Kosovar exports reached the figure of \$ 200 million which was dominated by heavy industry products including: battery industry, Shock Absorbers, Ferro nickel and electromotor, in Kosovar export a very significant role took the wine products, shoe products and fancy articles which participated with 10.20%. The exporting countries mainly were the Western European countries and other countries. After continuous destruction of the economy, since 1990 up to the end of the war in Kosova in 1999, the production in Kosova was almost inexistent and the traditional foreign market for export was lost. Most of the production capacities with potential exporters were destroyed, and I can say that it is still lacking the new genuine capacity with new exporting potential.

The only sector which has worked and we can say with very difficult conditions, has been the trade sector by making efforts to supply the population with the necessary items for life. In this period of time based on the actual state of the economy, due to the lack of balance in the economic structure, the export as part of the trade remains one of the weakest sectors.

2. Current trade situation of Kosova

One of the main challenges of the current policy of Kosova, as well as in the most transitional countries is the high trade deficit in trade exchanges. With such a problem is also being faced Kosova which has a misbalance in trade exchanges which is dominated by imports with 96%. The causes of disproportions of foreign trade stand in the structure of the previous system of Kosova. Kosova represents a small economy with a liberal trade regime where imports of goods consists of about half of the GDP of Kosova, while exports are much smaller than imports (the coverage of exports with imports revolves at the rate of about 6%) Kosova continues to be ranked among the countries with lowest export coverage. In the period of 2006-07, the growth of exports had higher rhythm compared to the import growth, where we can notice an increase in exports with Italy and Albania. With the beginning of the application of CEFTA agreement with Kosova participating as an equal member, there was supposed to have positive effects and increased exports, but on the contrary we have a decrease in exports. According to the statistical data after the declaration of independence of Kosova in 2008 Kosovar export has seen a trend of the recession as a result of the financial crisis in international markets and the export blockade by some countries such as Serbia and Bosnia and Herzegovina. The main category of exports in Kosova remains the export of minerals especially zinc concentrate, lead, and nickel but also an increase of agricultural products, meat processing Industries and timber Industries. In the current conditions it is clear that Kosova does not have a diversified, competitive and developed sector of export in order that the domestic products can be successfully exported in the international market. However the Kosova companies focused on export of their products should be flexible and observe the movements in foreign markets, to developed programs in order to promote exports and to be focused more towards human capital investment and new technology so they would become members of the global trade network. The role of trade in economic development is widely recognized in all developed countries, especially in the developing countries. The development of trade has influence in the balance of payments, improves the quality of life and creates growth of Gross Domestic Product (GDP). In Kosova, the role of trade, export growth and intensification of production represent the generator of economic development, reducing poverty and increasing employment. Kosova's trading activity will realize the promotion of economic growth in several ways including the liaison of production of demand, the economy of rate as flow of major international markets, efficiency increase, foreign direct investments through technology know-how, the effects of learning and increase of productivity through specialization and the creation of new jobs.

Kosova is known for the lowest level of the exports in volumes and in proportion towards GDP.

Table no. 2.Circulation of goods in foreign trade

No.	Period (1)	Exports (2)	Imports (3)	Trade Balance(4=2-3)	%(5=2/3)
1.	2001	10.559	684.500	-673.941	1.5
2.	2002	27.599	854.758	-827.156	3.2
3.	2003	35.621	973.265	-937.644	3.7
4.	2004	56.567	1.063.347	-1.006.780	5.3
5.	2005	56.283	1.157.492	-1.101.209	4.9
6.	2006	110.774	1.305.879	-1.195.105	8.5
7.	2007	165.112	1.576.186	-1.411.074	10.5
8.	2008	198.463	1.928.236	-1.729.773	10.3
9.	2009	165.328	1.935.541	-1.770.213	8.3
10.	2010	295.957	2.157.725	-1.861.769	13.7
11.	2011	319.165	2.492.348	-2.173.184	12.8

Source: Statistical Office of Kosova in July 2012.

Table comment: The trade exchanges of Kosova during 2011 reached a value of 2.492.348.000 € of imports, while exports amounted to 319,165.000 €. From the data given in the table shows that the export covers the import by 12.8%. Kosova export in 2011 was higher than in 2010 to about 8%. From what we understand for every year we have an increase in imports of goods, while the exports although there is increase over the years we have cases where there is a decrease in exports compared to the previous year, one example is year 2009 where we have export of goods in smaller amount than € 32,506,000 (year 2008-198.463, year 2009-165.957).

3. The Structure of Exports and Imports

On the basis of statistical procedures the data show that 42.2% of export is regular export while the rest or 53.8% is re-exported, mainly export after internal processing. Regular imports consist 96.2% and re-imports include the value of only 3.8% (ESK footnotes Prishtinë 2011).

4. The structure of exports and imports by product

Regarding the structure of exports by product they remain the same as in previous years and are mostly in the form of raw materials and unfinished products. The exports are dominated by crude metal (or metal debris) and mineral products. According to the main export data Kosova exports these products expressed in percentage (%): 48.6% base metals and their products expressed in monetary terms are calculated over 155 million € (Nickel and Trepça ores minerals), 6, 2% herbal products, 5.2% of prepared foods, etc. According to the products in Kosova there are imported these products: 19.9% minerals, 12.9% of prepared foods, beverages and tobacco, 11.9% of base metals and their articles, 10.4% of machines, equipment and their articles, 7.1% products of Chemical Industry, 5.7% transportation and 5.4% plastic, rubber and their articles.

5. The structure of exports and imports by trading partners

The main trading partners of exports in 2011 were the EU countries and the regional ones, (CEFTA).

A greater percentage of exports and imports of Kosova and during these years have penetrated more in the markets of the EU than in the countries of CEFTA. The main exporters by country and percentage in 2011, according to data published by the Statistical Office of Kosova are: Italy 22.7%, Germany 21.4%, Albania 17.2%, Macedonia 6.9% and Serbia 4.6%. Importer countries by SOK for the year 2011 are: Germany 14.2%, Italy 11.2%, Macedonia 10.8%, Serbia 11.5%, Turkey 7.2% and China 6.1%. European Union with 51.3% remains the largest participant of Kosova export, while with imports the European Union participates with 43.3%.

Conclusion

The importance of stories in the economic development of the Republic of Kosova as tertiary or service branch in the current situation which is considered favorable and appropriate. Trade sector employs a significant number of affected workforce reductions of unemployment which in the Republic of Kosova is over 40% of the active working population. For a greater impact on the development of economy, trade in the Republic of Kosova is facing multiple challenges of the most important is the trade balance. To change the negative trade balance which is required to access and trade exchanges reforms in this direction.

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