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KOSOVO'S TRADE IN SERVICES WITH THE EU AND CEFTA MEMBER COUNTRIES



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Kosovo

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Report

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Contents

1. Introduction.....	1
2. Kosovo's Trade in Services: Regulatory Environment.....	3
2.1 The SAA.....	3
2.2 The CEFTA Agreement.....	4
3. Kosovo's Bilateral Trade in Services with the EU and CEFTA.....	6
3.1 Kosovo's Bilateral Trade in the Main Services Subsectors with the EU Member Countries.....	6
3.1.1 Travel.....	7
3.1.2 Transport.....	12
3.1.3 Telecommunications, Computer, and Information Services (ICT).....	15
3.1.4 Other Business Services.....	17
3.1.5 Conclusions and Recommendations for Kosovo's Direction of Trade in Services with the EU.....	19
3.2 Kosovo's Trade in the Main Services Subsectors with the CEFTA Parties.....	19
3.2.1 Travel.....	21
3.2.2 Other business services.....	22
3.2.3 Telecommunications, computer and information services (ICT).....	23
3.2.4 Conclusions and Recommendations for Kosovo's Trade in Services with CEFTA Parties.....	24
4. Concluding Remarks.....	25
5. Annex 26	
5.1 Data on Trade in Services with the EU.....	26
5.1.1 Table 1: Kosovo's Total Trade in Services with the EU in million EURO.....	26
5.1.2 Table 2: Kosovo's Travel Trade Transactions with the EU in million EURO.....	27
5.1.3 Table 3: Kosovo's Transport Trade with the EU in million EURO.....	28
5.1.4 Table 4: Kosovo's Construction Trade Transactions with the EU in million EURO.....	29
5.1.5 Table 5: Kosovo's Insurance and pension services trade transactions with the EU in million EURO.....	30
5.1.6 Table 6: Kosovo's Financial Services Trade Transactions with the EU in million EURO.....	31
5.1.7 Table 7: Kosovo's ICT Services Trade Transactions with the EU in million EURO.....	32
5.1.8 Table 8: Kosovo's Other Business Services Trade Transactions with the EU in million EURO.....	33
5.1.9 Table 9: Kosovo's Personal, Cultural, and Recreational Services Trade Transactions with the EU in million EURO.....	34
5.1.10 Table 10: Kosovo's Government Goods and Services n.i.e. Trade Transactions with the EU in million EURO.....	35
5.1.11 Table 11: Kosovo's Manufacturing services on physical inputs owned by others with the EU in million EURO.....	36
5.1.12 Table 12: Kosovo's Maintenance and repair services n.i.e. with the EU expressed in million EURO.....	37

5.1.13	Table 13: Kosovo's Charges for the use of intellectual property n.i.e. with the EU in million EURO.....	38
5.2	Data on Trade in Services with the CEFTA Parties	39
5.2.1	Table 14: Kosovo's Total Services Trade Transactions with CEFTA Parties in million EURO	39
5.2.2	Table 15: Kosovo's Manufacturing Services on Physical Inputs Owned by Others Trade Transactions with CEFTA Parties in million EURO	39
5.2.3	Table 16: Kosovo's Maintenance and Repair Services n.i.e. Trade Transactions with CEFTA Parties in million EURO.....	40
5.2.4	Table 17: Kosovo's Transport Trade Transactions with CEFTA Parties in million EURO.....	40
5.2.5	Table 18: Kosovo's Travel Trade Transactions with CEFTA Parties in million EURO.....	41
5.2.6	Table 19: Kosovo's Construction Services Trade Transactions with CEFTA Parties in million EURO	41
5.2.7	Table 20: Kosovo's Insurance and Pension Services Trade Transactions with CEFTA Parties in million EURO	42
5.2.8	Table 21: Kosovo's Financial Services Trade Transactions with CEFTA Parties in million EURO.....	42
5.2.9	Table 22: Kosovo's Charge for the Use of Intellectual Property Trade Transactions with CEFTA Parties in million EURO.....	43
5.2.10	Table 23: Kosovo's ICT Services Trade Transactions with CEFTA Parties in million EURO	43
5.2.11	Table 24: Kosovo's Other Business Services Trade Transactions with CEFTA Parties in million EURO	44

Kosovo's Trade in Services with the EU and CEFTA Member Countries¹

1. Introduction

Recent analysis conducted by the Trade Department, of the Ministry of Economy, Employment, Trade, Industry, Entrepreneurship and Strategic Investments of Kosovo (MEETIESI), with the assistance of the European Union project "Further Support to the Development of Trade to Kosovo (EUTSP)", show that services activities constitute the largest sector of Kosovo's economy, whose contribution to total domestic value added generation is constantly growing.² Service activities accounted for 72.6% of Gross Domestic Product (GDP) at basic prices, in 2018, and employed 85.3% of the labor force. Furthermore, the services sector accounts for the majority of the established businesses in the country. In 2018, around 71.2% of the newly registered businesses were in the services sector.

Trade in services,³ at the same time is very important for the integration of Kosovo into the international economy. Contrary to the case of trade in goods where Kosovo registers a sustained and growing deficit; Kosovo has experienced a continuous surplus in trade in services, which has been instrumental in contributing to partially finance the current account of the Balance of Payments (BOP). In the case of total trade in goods, imports account for 85% of the total in this sector. In the case of services, the situation is completely different, with exports accounting for 78.2% of the total trade in this sector in 2017, and 80.96% in 2018. Therefore, it would be appropriate for policy-makers to shift the focus and give higher priority to trade in services as a potential driver of sustainable growth and development of the country.

It is important to note that this is the first analysis of Kosovo's direction of trade in services. The document examines the structure and performance of Kosovo's trade in services with the European Union (EU), and the Central European Free Trade Agreement (CEFTA) Parties. However, it should be noted that Switzerland, after Germany within Europe, is Kosovo's second larger partner in trade in services. Due to the lack of disaggregated data on trade in services between Kosovo and each of the European Free Trade Agreement (EFTA) member countries, this report does not include the necessary assessment of those trade flows. Further efforts should be made to examine trade in services with the EFTA member countries.

This assessment covers only the years 2017 and 2018, because the Central Bank of Kosovo (CBK) has only reported data on services trade to Eurostat since 2017; which has been a main source of the data utilized. This is a limitation of the present study, which cannot provide a longer view which would allow to gain a better understanding on the main trends and the underpinning factors explaining the evolution of Kosovo's direction of trade in services. All the data utilized in this report can be found in the Annex. There is a significant regional concentration of Kosovo's trade in services. The bulk of trade in services of Kosovo takes place with the EU (28) and the CEFTA member countries. In 2017, 73.33 per cent of Kosovo's total worldwide exports of services were registered with the EU and CEFTA member countries. This percentage increased to 75.7 per cent in 2018. Furthermore, in 2017 69.85 per cent of Kosovo's total services imports originated in the EU and in CEFTA countries; and 61.44 per cent during 2018.

This report only covers three of the four modes of supply of services identified in the World Trade Organization (WTO) General Agreement on Trade in Services (GATS); which now has been

¹ This document has been prepared with the assistance of the EU-funded Project "Further Support for the Development of Trade in Kosovo". The content of this publication is the sole responsibility of the authors and GFA Consulting Group and can in no way be taken to reflect the views of the European Union.

² Refer to Abugattas, Jashari-Sekiraga, Simnica, and Džudžević (December 21, 2018) "Kosovo's Services Economy: Challenges and Opportunities for Growth and Sustainable Development". GFA Consulting Group GmbH

³ For this analysis we use the categories of trade in services followed for Balance of Payments purposes by Central Bank of Kosovo (CBK).

adopted as a consensus definition of trade in services worldwide. The mode of delivery is identified on the basis of where the supplier and the consumer are physically located at the time of the transaction. For trade to be considered under mode 1 it must be a cross-border transaction, meaning supplied from one territory to another. Telecommunication, transport, and postal services are usually included here. Mode 2 of supply includes consumption abroad, meaning a resident in one territory consumes the service in another territory. Travel, health and education services are the most common services included in mode 2 of supply.

Mode 3 of supply of services is through commercial presence. This trade takes place when a service supplier from one territory establishes a locally-based affiliate in the territory of another country. Trade in services under this mode is estimated by what has been called Foreign Affiliate Trade in Services (FATS) data. This data is not available in the case of Kosovo. Therefore, this report does not include trade in services through Mode 3. However, worldwide this is the mode of supply through which most of international trade in services takes place; around 70 per cent of all registered international trade. In the case of Kosovo, for example, this mode of supply is predominant in the case of financial services, where foreign banks represent the bulk of financial activity in the country. The collection and processing of FATS data should be included as a core task in the future efforts aiming at improving trade in services data in Kosovo.

Mode 4 is the supply of services from one territory to another via the presence of natural persons. The categories of construction, and other business services usually fall under the mode 4 of supply with construction workers, consultants, lawyers, engineers and other professionals from every field being able to move and provide services in another country different from their own.

This report is structured as follows. The second section of this report examines the Kosovo's regulatory framework for trade in services; which in general terms has established a relative liberal regime for trade through its domestic laws and the international commitments adopted. . The third section is divided in two subsections which respectively analyse trade in services with the EU, and trade in services with CEFTA member countries. The analysis of trade in services with the EU focuses on four main sectors -travel, other business services, transport, and Telecommunication, Information, and Computer (ICT) services. In the case of trade within CEFTA a more detailed analysis is presented in relation of trade in travel services, other business services, and ICT services.

High concentration by category and country can be observed, mostly due to diaspora contribution (mainly to mode 2 of supply), which is the backbone of trade in services in Kosovo. Non-recognition often serves as an obstacle for the proper development of mode 1 of supply and the right to establishment in terms of the mode 3 of supply, and presence of natural persons in mode 4; the lack of visa liberalization serves as an obstacle in terms of modes 2, 3 and 4 of supply, but it also contributes to Kosovo's trade surplus in travel services (mode 2). Not having yet established mutual recognition of professional qualification with neither the EU nor CEFTA, mode 4 of supply has not reached its full potential, nevertheless it is the second larger trade in services category, implying that some bona fide⁴ has been established.

⁴ From Latin: good faith

2. Kosovo's Trade in Services: Regulatory Environment

Governing trade in services is composed by two closely interrelated bodies of legal instruments, which together provide for the conditions under which trade in services takes place: domestic legislation and the commitments adopted in the trade agreements to which Kosovo is a party. Domestic legislation encompasses horizontal norms, which applies to a number of services activities, and there is a number of sectoral legislations governing the provision of specific services. Kosovo grants in many cases national treatment to foreign providers, and there are a limited number of quantitative restrictions affecting foreign services providers. In many cases, there is still no regulation governing the provision of some services activities. The MEETIESI has undertaken the compilation of all laws and administrative instructions governing the provision of services in the country; which would be subject of a regulatory audit to assess whether it is the most appropriate regulation or some amendments would be necessary in order to enhance the development of services in the country.

This section of the report focuses mainly in the international commitments adopted by Kosovo in the SAA and in the CEFTA Agreement, and their relation with services trade with those partners. In both cases the agreements incorporate substantive normative obligations, as well as procedural and administrative commitments that have to be implemented by the parties.

2.1 The SAA

In the SAA there are no specific sectoral commitments on the liberalization of services trade as such. A main commitment adopted by Kosovo in the framework of the SAA⁵ is that Kosovo's domestic legislation in general must comply with that of the EU. In the realm of services what is very important is the obligation to transpose the EU Services Directive (SD),⁶ which has been done partially through the enactment on March 2017, of the Law on Services.⁷ The Law on Services covers a substantial number of services activities, but there are a number of important exceptions.⁸ The law guarantees the right of establishment, covering around 200 different services activities, regulating market access for foreign services suppliers, granting the right of establishment, and providing for regulation of administrative procedures. This law, together with the Law on Foreign Investment, which provides for national treatment for foreign suppliers that invest in Kosovo, has opened the market for Mode 3 in those services activities covered by the law.

In relation to the implementation of the Law on Services, 54 domestic legal instruments, laws and administrative instructions, have been identified as requiring amendments in order that the Law on

⁵ The SAA is an international agreement between Kosovo and the European Union, the purpose of which is to establish formal and contractual relations between the two parties with the prospects of Kosovo's EU membership. Moreover, the goal of the SAA is to support Kosovo's economic transition, as well as to strengthen its integration into the EU market. The EU council approved the Stabilization and Association Agreement (SAA) between the EU and Kosovo on 22 October 2015. The SAA was signed on October 27, 2015 in Strasbourg. The Assembly of the Republic of Kosovo approved the Law on Ratification of the SAA on November 2, 2015 and it came into force in April, 2016.

⁶ The EU Services Directive (SD) 2006/123/EC aims to facilitate the establishment and provision of services within the EU's single market. By complying with the EU SD, Kosovo will have it easier to potentially be authorized to engage in trade in services with the EU member states, in accordance with Chapter III of this directive.

⁷ Together with Law on Services No. 05/L130, other domestic horizontal laws concerning trade in services include Law NO. 04/L-219 On Foreigners; Law NO. 04/L-220 On Foreign Investment; Law NO. 06/L-016 On Business Organizations; and Law No. 04/L-094 on the Information Society Services. These laws, together with all the laws, administrative instructions, and regulations of Kosovo, can be found in Kosovo's Official Gazette in three official languages, Albanian, Serbian, and English.

⁸ Article two of the Law on Services provides that the law does not apply to the non-economic, financial, electronic communication networks, temporary network, healthcare transport, medical, audiovisual, gambling, social assistance, exercise of official authority, security and private property, notaries and bailiffs services.

Services is in full compliance with the EU Services Directive. A work program has been elaborated to undertake this task. Moreover, the Administrative Instruction No. 05/2018 on the notification procedure and the compliance assessment of draft normative acts with the law on services was enacted on 23rd of March, 2018, to assure that any new regulation is in line with the provisions of the Law. Furthermore, the Law on Services provides that Kosovo must establish a Point of Single Contact (PSC). In this regard, the government enacted also on the 23rd of March 2018 the Administrative Instruction No. 04/2018, on the manner of functioning of Point Of Single Contact (PSC), which regulates the functionality of a multifunctional electronic platform on services whose goal is to facilitate the access to the Kosovo market for services suppliers. A work program has been proposed to undertake this task, which is a very ambitious one and that will require a significant allocation of resources,

The SAA also incorporates some important general provisions related to trade in services in Title V on “Establishment, Supply of Services and Capital”. Article 51 entrenches the principle of national treatment and non-discrimination, which are crucial for the liberalization of trade in services. Article 55, paragraph 2 provides that the key staff of a foreign company, intra-corporate transferees, can be nationals of the country of origin of the company, therefore allowing Kosovo's nationals to be able to work in companies owned by Kosovo citizens in the EU, and foreigners to be able to easily work in Kosovo in foreign owned firms. These individuals would be allowed to reside in the other party territory during the duration of their contracts in accordance with the relevant laws. Finally, the SAA incorporates a very important *stand still* clause through Article 59, which requires that the Parties shall not take any measures or actions which render the conditions for the supply of services significantly more restrictive as compared to the situation existing on the day preceding the day of entry into force of this Agreement.

Furthermore, the SAA contains a significant *built-in agenda* related to trade in services. Article 56 calls for examining within two years of coming into effect the necessary steps for the mutual recognition of qualifications as to facilitate trade in services; this examination has not been launched yet. Article 57, on its part, provides that six years from the entry into force the SAC shall establish the modalities to extend its provisions to “EU nationals and citizens of Kosovo with a view to the temporary entry and stay of service suppliers established as self-employed in a territory of a Party and who have concluded a bona fide contract to supply services with a final consumer in that Party, requiring their presence on a temporary basis in that Party in order to fulfil the contract to provide services”. Furthermore, Articles 58 stipulates that five years from entry into force the parties shall take the necessary steps to “allow progressively the supply of services by EU companies, Kosovo companies or by EU nationals or citizens of Kosovo which are established in the territory of a Party other than that of the person for whom the services are intended”.

The SAA built-in agenda foresees important future developments in the bilateral relations concerning trade in services; therefore, in order to enhance bilateral trade in services with the EU it would be appropriate to give the necessary priority to this agenda on services trade and to program its progressive implementation. Some of the commitments already undertaken by the parties in the SAA, as well as the future measures to be agreed under the built-in agenda necessarily will involve the facilitation of individuals traveling across borders. Therefore, the elimination of obstacles to free travel should be adequately and promptly incorporated in any work program aiming at implementing the current and future SAA commitments related to trade in services.

2.2 The CEFTA Agreement

In the case of the CEFTA Agreement, the commitment towards the liberalization and facilitation of trade in services was incorporated in the body of the agreement itself, which has among its objectives the expansion of trade in goods and services, and the facilitation of cross-border movement of goods and services (Article 1.c and d). This was to be achieved through the progressive liberalization and the mutual opening of the markets. The agreement included an evolutionary clause in Article 29 foresees the launching of negotiations with the aim to achieve progressively a high level of liberalization in accordance with Article V of GATS; and that the commitments undertaken further to such negotiations would be set out in schedules which would become an integral part of the Agreement (Article 29). It should be noted however, that the CEFTA

Agreement incorporated important obligations regarding investments, as national treatment and non-discrimination (Article 32) among others, which applied to trade in services through Mode 3 since its coming into effect. In order to undertake all the coordination and activities related to trade in services the Subcommittee on Trade in Services⁹, was established by the decision of the CEFTA Joint Committee in 2015.

A very important development in the framework of CEFTA has been the negotiation and adoption of Protocol 6 on Trade in Services (AP6); through which CEFTA Members have made significant commitments adopting specific commitments bounding the liberalization of trade in a wide range of different services sectors, and within each sector in the different modes of supply.¹⁰ Kosovo has included significant liberalization commitments in its schedule annexed to AP 6.¹¹ Once AP6 comes into effect, and if is effectively implemented, even though it has mostly bound the status quo regarding regulation of trade in services, it should contribute to increasing intra-regional trade in services as it will provide predictability to the conditions under which trade will take place.

One administrative obligation that emanates from AP6 is the establishment of a Contact Point for Services (CPS) in each of the participating parties, entrusted with fulfilling the transparency and notification obligations contained in AP6. The CPS should be in the position of providing all the information that might be requested by other party, and to promptly and adequately comply with the notifications required by the agreement. In Kosovo the CPS is embedded in the Trade Department of the MEPTINSI. In collaboration with EUTSP, the Department of Trade is currently working in developing the database that will underpin the work of the CPS. This is the first step towards the establishment of the Single Point of Contact (SPC), which will be the final result of the progressive upgrading of the CPS. The establishment of SPC will be very important for Kosovo, because it will allow providing in an efficient manner all the information and assistance needed by services businesses for establishing and operating in the country, and facilitating all the necessary administrative procedures which will be possible to be done on line through a single electronic platform, which will articulate all the intervening public and private entities with a function in approving and regulating the different services sectors in the country.

Another important development in the framework of regional cooperation, with significant potential to enhance trade in services, has been the efforts to achieve an agreement among the WB 6 on the mutual recognition of professional qualifications (MRPQ). Negotiations towards this end were launched and the first round of negotiations was held on December, 2018. Four professions have been identified as being of interest of participating countries and included in the negotiations, Medical doctors, Dentists, Architects, and Civil Engineers. Until June, 2019, seven rounds of negotiations were held. This process is led by RCC and CEFTA Secretariat. Kosovo would highly benefit with the reciprocal recognition of professional qualifications with the WB6 considering that two CEFTA Parties do not recognize its statehood. Negotiations in this aspect continue.

⁹ More information regarding the responsibilities of Subcommittee on Trade in Services can be found in CEFTA web site (<https://cefta.int/structures/subcommittee-on-trade-in-services/#1464189451900-e423c71a-0456>)

¹⁰ AP6 was approved in December 2020 by CEFTA parties and now it has to pass the Governmental procedures for adoption.

¹¹ Refer to Abugattas Luis "Assessment of Kosovo's Obligations Emanating from Additional Protocol 6 on Trade in Services"

3. Kosovo's Bilateral Trade in Services with the EU and CEFTA

This section of the report analyses bilateral trade between Kosovo and the EU (28) and trade between Kosovo and CEFTA parties. The data for trade in services with EU have been collected from EUROSTAT, whereas the data for CEFTA have been made available via the cooperation of Central Bank of Kosovo, responsible for recording in the balance of payments the value of services exports and imports. As stated in previous reports, conducted by the MEPTINSI with the support of the EUTSP, Kosovo has much work to do in order to improve the collection of statistics on service activities, since lack of data is a constant obstacle in making adequate conclusions and evaluating patterns of trade. The analysis also faces a limitation in terms of allowing the reach of conclusions regarding observed trends in trade in services in certain sectors, due to the restricted time period being considered in this assessment, only the years 2017 and 2018. All the data used in this report can be found in the Annex.

The bulk of Kosovo's trade in services takes place with the EU and the CEFTA members, therefore is important to examine the composition of such trade with those partners. In the future when longer term data is available it would be possible to get a better understanding of the determinants and prospects of trade in services with those countries; which would provide important insights for policy formulation. Also, it should be noted that besides the high geographical concentration of Kosovo's trade in services, there is also a high concentration in the travel account, which registers the expenditures of non-residents while in the territory of Kosovo. Travel also accounts for a significant proportion of services trade with the EU and CEFTA member countries; in particular in respect of services exports.

In the case of Kosovo there is a close association between the country of residence of the diaspora and trade in travel services. Kosovo has a total population of 2,231,000; 400,000 of which are registered as residing and active abroad. The former Ministry of Diaspora, now part of Ministry of Foreign Affairs and Diaspora (MFAD) analyzed the data on 342,803 registered members of diaspora to comply the Diaspora Registry, in 2017. Despite the high level of exports in travel services, it appears that the main source of revenue comes from family visits from Kosovo's diaspora, which mainly resides in EU and in Switzerland, country that is not included in this report. Another source of revenue are the visits to family and relatives from the region due to the historical ties and closeness.

The Diaspora Registry has been used in this report to gain a better understanding on the connection between diaspora and trade in services in Kosovo, by examining the association of country of residence and flows on travel services. It should be noted that in 2018, there have been 4.707.785 visits to Kosovo from people residing abroad: 227,203 more than in 2017. It should be noted that a person may visit the country more than once a year, as is the case of diaspora members, which in 70 per cent of the cases visit Kosovo more than once during the year. Around 75.33 per cent of the visits in 2018 were registered as visits to friends and relatives, almost 2 per cent more than in 2017. From these visits registered as to friends and relatives, only around 8 per cent have been of people coming from the EU and around 84.3 per cent from CEFTA member states. Nevertheless, the main revenues from the export of travel services are generated from EU and Switzerland. The findings suggest that the number of visitors does not necessary translate into higher travel revenues

3.1 Kosovo's Bilateral Trade in the Main Services Subsectors with the EU Member Countries¹²

Overall, Kosovo registers a surplus in trade in services with the EU, which has increased since 2017. In 2017, Kosovo's trade surplus in services with the EU was EURO 717.3 million, whereas

¹² This section will also analyze Kosovo's trade in services in the main subsectors with the United Kingdom (UK). The UK left EU on January 31, 2019, however, it is still part of the trade agreements signed by EU until the end of 2020.

in 2018 it slightly increased by EURO 49.5 million. Exports of services to the EU in 2018 reached EURO 968.5 million, increasing by EURO 62.7 million from the 2017 level. Kosovo's imports of services from the EU in 2018 reached EURO 201.7 million, slightly increasing in EURO 13.2 million in comparison with the previous year. The main contributor in Kosovo's exports of services to the EU are travel services, which accounted for around 81.16 per cent of total services exports in 2018. In the case of imports trade is much more diversified, with travel only representing on average 21 per cent of total services imports from the EU during the two years under consideration.

This section analyzes Kosovo's trade in services with the EU. High concentration by country and activity can be observed; with trade in services mainly occurring in a few categories, and with only certain EU member countries.

During the period analyzed, four services account for a significant high proportion of Kosovo's services exports to the EU: travel, transport, ICT services, and other business services. These services represented, in 2018 94.3, per cent of total Kosovo's exports of services to the EU. In terms of imports these services accounted for 77.4 per cent of total Kosovo's imports of services from the EU. Trade with the EU in other services categories is quite limited.

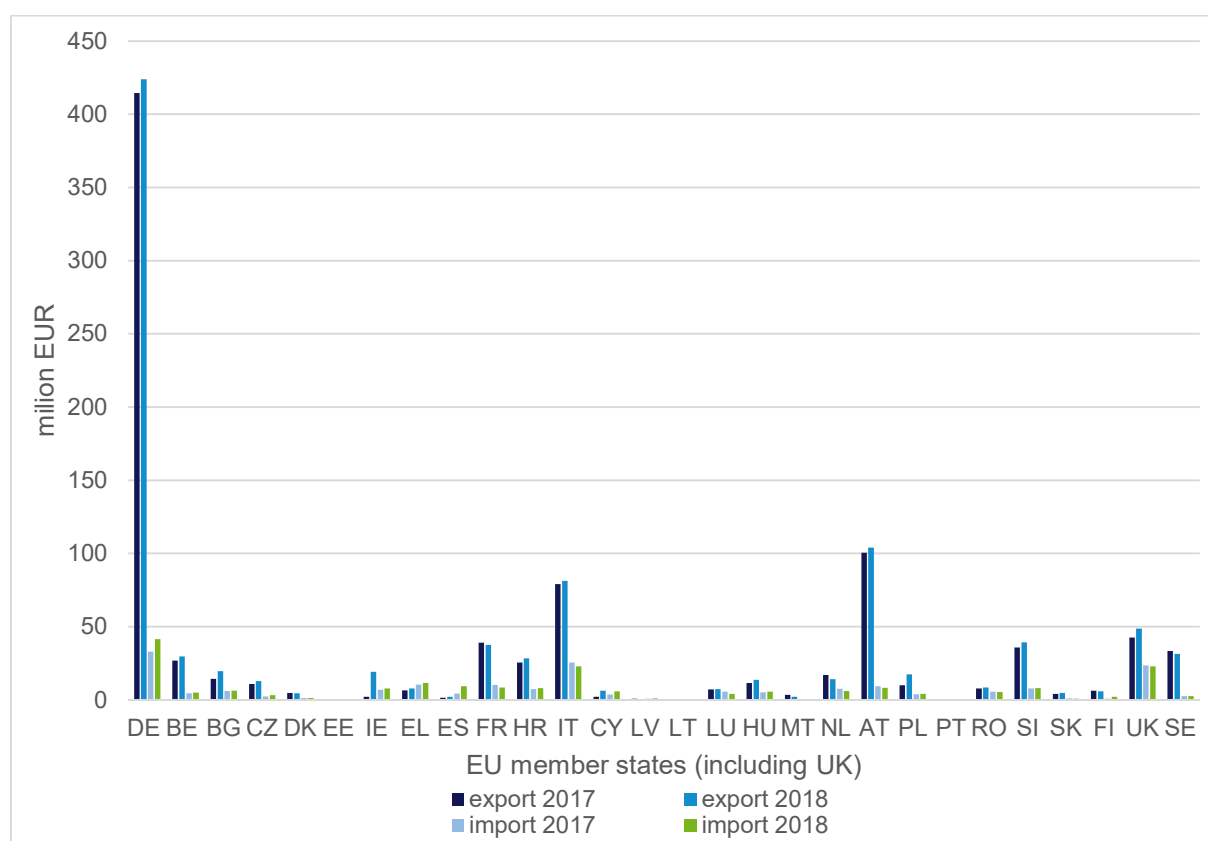


Figure 1: Kosovo's trade transactions in services with the EU member states (including the UK), for 2017-2018. Source: EUROSTAT. Elaboration by the authors.

3.1.1 Travel

This section examines Kosovo's travel services trade with the EU. Travel is mode 2 of supply. Travel exports register the expenditures within the territory of Kosovo by non-residents during the year in question. It includes visitors for tourism, business, and for education or health purposes. The account includes expenditures in different sectors of the economy, such as hotels, restaurants,

transport, retail, education and health establishments, among other. Travel import registers the same type of expenditures, but of Kosovar residents abroad.

Travel is the main generator of the trade surplus in services in Kosovo's economy, hence reducing the general sustained overall trade deficit of the country. Despite the high value of exports within this services sector, it is not necessarily the result of a developed tourism sector but of the diaspora loyalty.

Travel accounted for 77.6 per cent of Kosovo's total exports of services during 2018, registering a total trade surplus of EURO 851.7 million in that year. During 2018, travel services contributed with 97.3 per cent of the overall Kosovo's trade surplus in trade in services with the EU. Kosovo's services with the EU. Within the travel category, exports to the world, visitors for tourism, which is personal travel, generate an overwhelming proportion of travel receipts of Kosovo, and explain the trade surplus registered in this sector. Currently there are no disaggregated data on travel services between Kosovo and EU member states by the different categories it entails.

Kosovo exported to the EU a total of EURO 786 million in travel services in 2018, experiencing an increase of 13.3 million EURO compared to 2017. The high exports in travel sector usually can be attributed to either strategic investment or to diaspora loyalty. Considering that there is no National Strategy in Tourism in Kosovo, but only strategies in the municipal level in some municipalities such as Pristina and Prizren, it seems the reason for trade surplus in the travel sector of services is the loyal diaspora. Nevertheless, the overall contribution of services to Kosovo's export in trade in services with the EU in 2018 has decreased by 14.4%, compared to 2017.

Kosovo's imports of travel services in 2018 from the EU also experienced a slight decrease of the order of EURO 3.1 million compared to 2017. The main reason for the relative low level of imports of travel services might be the restrictions facing Kosovo nationals for traveling to the EU, as are the visa required to travel to the majority of the EU member states. And the non-recognition by particular ones, which contributes to the high export in this account, cause for a significant share of the trade surplus in services. During 2018, Kosovo experienced an increase in the surplus on trade in travel services with the EU of EURO 15.9 million, as a result of a decrease in the order of EURO 2.6 million of imports of these services, and a simultaneous increase of EURO 13.3 million in travel services exports. The trade surplus reached EURO 851.7 million, up from EURO 842.3 million in 2017. Figure 2 presents data on trade in travel services with the individual EU member states.

This section will argue that high export in travel services, which mainly explain the trade surplus on trade in services with the EU, is mainly due to diaspora visits to their friends and family, as well as the difficulties in getting the required visa to temporary travel to the EU, which might be significantly limiting travel imports by Kosovo. One issue that challenges the proper estimation of Kosovo's diaspora is the existence of both: dual citizenship, individuals who have both a Kosovar citizenship and of the country where they reside abroad; and the absence of Kosovar citizenship. The latter one is common due to Kosovo having declared its independence just in 2008, creating obstacles in applying and being granted a Kosovar citizenship to national residing abroad.

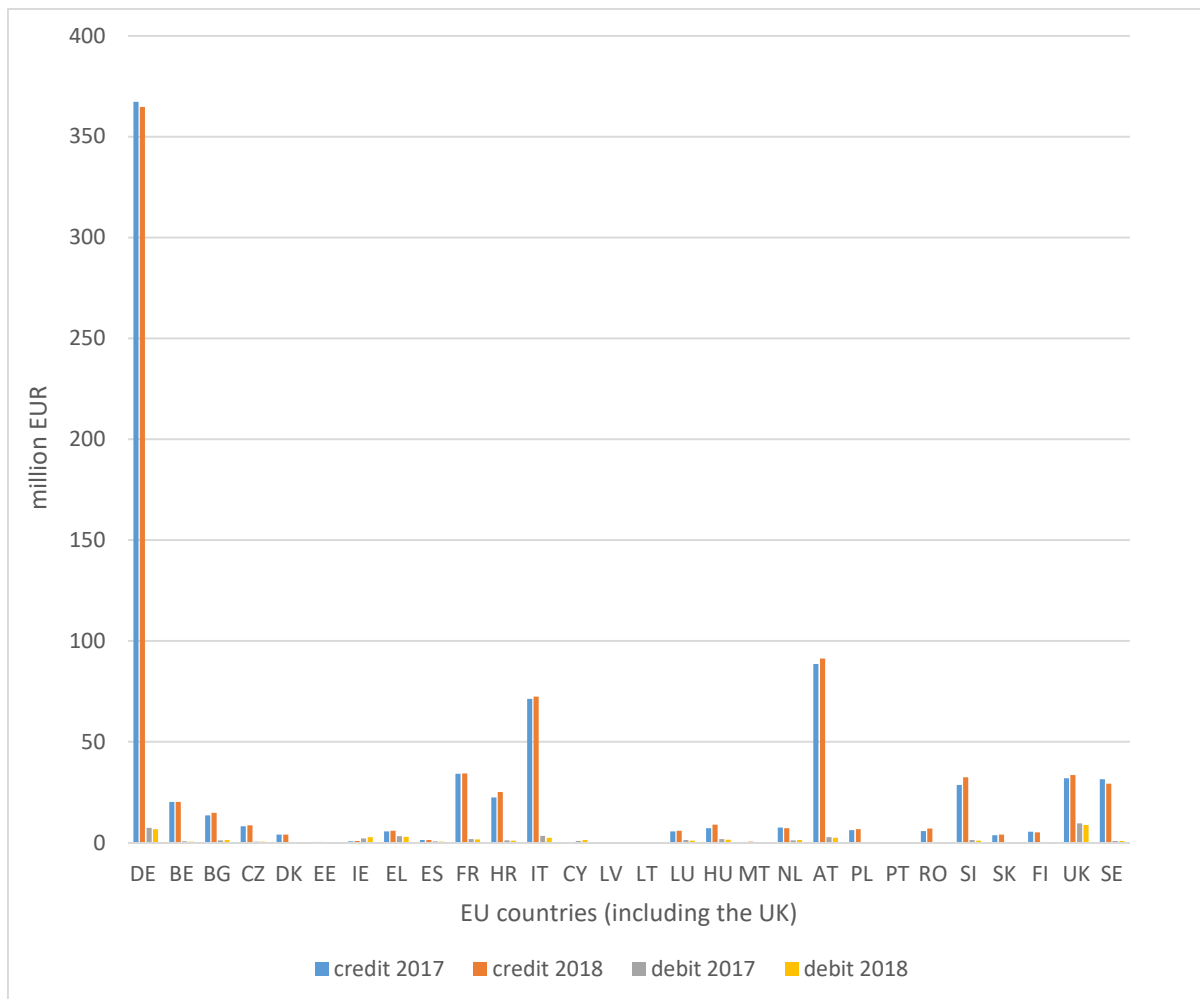


Figure 2: Kosovo's trade in travel services with the EU member countries (including the United Kingdom), in 2017-2018. Source: EUROSTAT

This section will analyze Kosovo's travel trade transactions using the data of the Preliminary Results of Diaspora Registry, conducted by the former MFAD, thus a total of 342,803 Kosovo citizens living abroad as diaspora members will be considered. According to Kosovo's Diaspora Registry, in 2016 there were 400,000 Kosovo citizens living and being active abroad, and data of 342,803 people were analyzed from MFAD, without 57,197 registered members of Kosovo's diaspora. The data from MFAD, show that around 226,216 Kosovo citizens reside in the EU, around 66 per cent of Kosovo's diaspora.

It should be noted that Kosovo's diaspora might have increased and is larger in number than the official number in MFAD's report, for various reasons. First, only diaspora of Albanian descent was considered in the Diaspora Registry's report. Second, the report was conducted three years ago. Third, according to the International Organization for Migration (IOM), Kosovo's diaspora consists of 800,000 people. Due to the lack of other disaggregated data, this report will use the analysis of MFAD.

In 2018, around 304,556 people, out of 4,707,785 who visited Kosovo, were registered as traveling to visit friends and relatives. The number of visitors registered as traveling to visit family and friends in 2018, entering from the EU, was 265,372, only 17% more than the number of diasporas registered as residing in the EU. The number of entries to visit family and friends from the EU to Kosovo increased by 39,184 in 2018 compared to 2017.

Figure 3 below shows exports of travel services, in 2018, with the EU member states with the highest frequency of diaspora registered in 2016 as residing and being active in those countries. It

specifically shows the total export in travel services,¹³ travel to family and friends within Kosovo,¹⁴ and diaspora residents,¹⁵ of Germany, Italy, Austria, and France, expressed in percentages of the overall estimate of the same categories with the European Union as a whole. It can be seen in the figure that the areas almost overlap, implying the direct association between diaspora residing in particular EU member states and the travel income registered to Kosovo with the origin from these particular states. The data, also show a high concentration by country with the majority of trade in travel, in 2017 and 2018, taking place with Germany, Italy, Austria, and France. Trade in travel services with these countries will be analyzed in more detail.

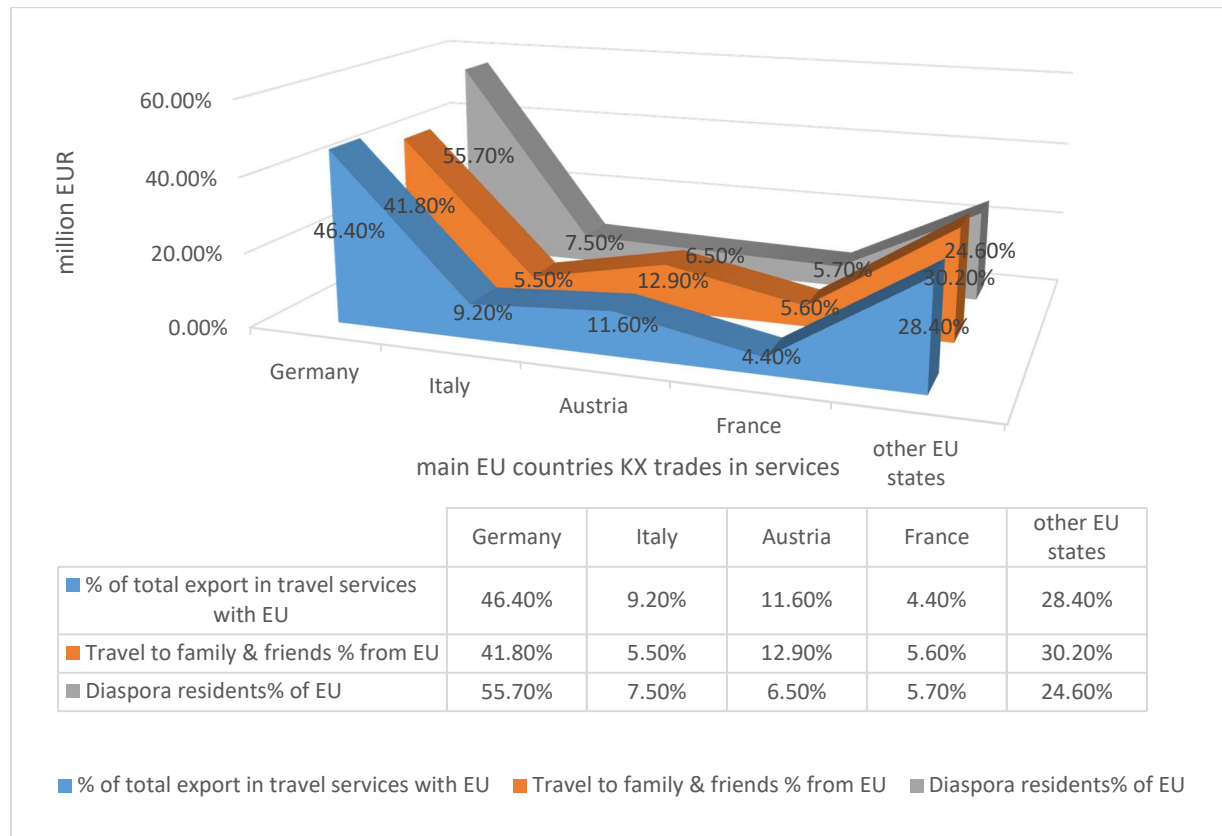


Figure 3: Direction of exports in travel services with the EU member countries which have the highest frequency of diaspora residents within the EU. Source: EUROSTAT, Kosovo's Customs, Kosovo Diaspora Registry.

1. Germany

Kosovo's travel exports with Germany accounted, in 2018, for EURO 364.8 million, or 46.4 per cent of the total export on trade in services. A decrease by 2.5 million EURO can be seen compared to 2017. Kosovo imported an amount of 6.8 million EURO in travel services from Germany in 2018, with a decrease of 600 thousand EURO in comparison to 2017. The trade surplus in travel trade services with Germany was EURO 358 million in 2018, and with a decrease in the trade surplus of 19 million EURO, compared to 2017, due to the simultaneous decrease in both exports and imports of travel services.

According to the former Ministry of Diaspora, 36.77% of the whole Kosovo's diaspora resides in Germany, which means that 55.7% of the Diaspora who resides in the EU, lives in Germany.

¹³ 2018 data from the Central Bank of Kosovo.

¹⁴ 2018 data from Kosovo Customs.

¹⁵ 2016 data from Kosovo Diaspora Registry.

Moreover, around 41.8% of the people who entered Kosovo in 2018 from EU to visit family and friends, were from Germany. In 2017, this percentage was slightly smaller with 36.3% of the individuals entering from the EU to visit family and friends were from Germany. Hence, the majority of the travel exports of Kosovo to Germany is generated by the diaspora. Considering that 60.5% of the entries from Germany into Kosovo in 2018 and around 58.23% in 2017 have been visits to family and friends, it can be concluded that Kosovo's main export on travel services with Germany comes from diaspora's loyalty to Kosovo.

II. Austria

Kosovo's travel exports to Austria accounted in 2018 for EURO 91.4 million, or 11.63% of the total export of trade in services. An increase by 2.8 million EURO can be seen compared to 2017. Kosovo imported an amount of 2.4 million EURO in travel services from Austria in 2018, with a slight decrease of 0.3 million EURO in comparison to 2017. The surplus in trade in travel services with Austria amounted to EURO 89 million in 2018, showing an increase in the trade surplus by 3.1 million EURO, compared to 2017; basically, due to the decrease in imports and increase in exports during 2018.

According to the former Ministry of Diaspora, 4.3% of the whole Kosovo's diaspora resides in Austria, which means that around 6.5% of the Diaspora who resides in the EU, lives in Austria. Moreover, around 12.7% of the people who entered Kosovo in 2018 from EU to visit family and friends, were from Austria. In 2017, this percentage has decreased compared to 2017 when 13.4% of the entries from the EU to visit family and friends were from Austria. Hence, the majority of the travel export to Kosovo from Austria comes from diaspora. Around 75.5% of the entries from Austria in Kosovo in 2018 and around 71.3% in 2017 have been visits to family and friends, therefore, it can be concluded that Kosovo's main export on travel services with Germany is generated by the diaspora.

III. Italy

Kosovo's travel exports to Italy accounted for EURO 34.3 million, or 4.36% of the total export on trade in services, in 2018. A decrease by 1.1 million EURO can be seen compared to 2017. Kosovo imported an amount of 2.4 million EURO in travel services from Italy in 2018, with a decrease of 1 million EURO in comparison to 2017. The surplus in travel trade in services with Italy is EURO 70 million in 2018, with an increase in the trade surplus by 0.4 million EURO, compared to 2017, due to a higher decrease in imports than in exports.

According to the former Ministry of Diaspora, around 5% of the whole Kosovo's diaspora resides in Italy, which means that around 7.5% of the Diaspora who resides in the EU, lives in Italy. Moreover, around 5.5% of the people who entered Kosovo in 2018, from EU to visit family and friends, were from Italy. The percentage has not changed compared to 2017, however, around the number of entries from Italy to visit family and friends increased by 2,095 entries. Hence, the majority of the travel export to Kosovo from Italy comes from diaspora. Around 62.7% of the entries from Italy in Kosovo, in 2018, and around 59.5% in 2017 have been visits to family and friends, therefore, it can be concluded that Kosovo's main exports of travel services to Italy is generated by the diaspora.

IV. France

Kosovo's travel exports to France amounted in 2018 to EURO 72.4 million, or 9.2% of the total export on trade in services. A slight decrease of 0.1 million EURO can be seen compared to 2017. Kosovo imported an amount of EURO 1.6 million in travel services from France in 2018, with a slight decrease of 0.3 million EURO in comparison to 2017. The surplus in trade in travel trade with France was EURO 32.7 million in 2018, with a decrease in the trade surplus by 2.1 million EURO, compared to 2017, due to the simultaneous, but differential, decrease in both exports and imports of travel services.

According to the Ministry of Diaspora, around 3.8% of the whole Kosovo's diaspora resides in France, which means that around 5.7% of the Diaspora who resides in the EU, lives in France. Moreover, around 5.6% of the people who entered Kosovo in 2018, from EU, to visit family and friends, were from France, 0.1% less than in 2017, but 1,894 more people. Hence, the majority of travel exports to Kosovo from France comes from diaspora. Around 58.4% of the entries from France in Kosovo, in 2018, and around 53.5% in 2017 have been visits to family and friends.

The preceding analysis clearly suggests that in the case of Trade between Kosovo and EU member states in travel services, traditional tourism is not contributing much to Kosovo's economy; as exports are mainly explained by incoming travel by members of the diaspora. This section analyzed data from four EU member states where there is a significant presence of the diaspora. However, figure 4 shows that aggregated data regarding Kosovo's exports of travel services to the EU as a whole demonstrate a similar pattern. The data on Kosovo diaspora residents in the EU almost overlap with the entries to visit family and friends from the EU and with Kosovo's exports of travel services to the Union.

Kosovo is in the process of compiling a national strategy for tourism. So far the country's tourism has survived based on local level tourism strategies conducted by different international projects in collaboration with particular municipalities, such as the municipality of Pristina and Prizren. Not having a national tourism strategy has many negative implications for trade in travel services. Currently, the travel receipts are the backbone of Kosovo's trade in services, both with the world and with the EU as well. However, the country cannot always rely on loyal diaspora, as the level of attachment to the country of origin has the tendency to fade with more generations being born and grown abroad. Therefore, policymakers should prioritize strategic investments in the tourism sector to further develop traditional tourism in order to attract foreign nationals to visit Kosovo and establish tourist loyalty, which will also positively improve the country's image abroad.

3.1.2 Transport

According to the BOP Manual transport services includes different methods of transportation including air, land, and maritime, both of freight and passengers. The transport sector also includes services supplementary to all modes of transport such as cargo handling services, storage and warehouse services, freight transport agency services including other auxiliary transport services, and other supporting and auxiliary transport services (freight brokerage; bill auditing and freight rate information; transportation document preparation; packing and unpacking; freight inspection, weighing and sampling; and freight receiving and acceptance). This section analyzes Kosovo's trade in transport services with the European Union by analyzing trade with individual EU member states.

Kosovo has registered the highest negative balance on trade in services in transport services. In 2018 Kosovo imported EURO 68.2 million of transport services from the EU, and exported EURO 24.5 million. Kosovo's exports of transport services to the EU represented in 2018, 58.6 per cent of the total exports of these services to the world. At the same time, 53.7 per cent of the total imports. Therefore, the EU is an important trade partner of these services. Kosovo's exports of transport services to the EU increased by EURO 5.6 million, in 2018 in comparison to 2017, while imports registered a higher increase in 2018, by EURO 6.9 million. This has caused Kosovo's deficit in these services to increase considerably from the same period of the previous year.

Trade in transport services is closely associated with trade in goods; as freight transport represent the bulk of transactions of these services. Transport services accounts reflects mainly the nationality of the providers of these services. The land-locked condition of Kosovo has a significant effect on the observed trends in overall trade in transport services. Furthermore, in the absence of a national carrier, air transport accounts for an additional 23.1 per cent of total Kosovo's imports of transport services. In this case, exports of air transport are mainly the receipts from the services provided in Kosovo territory to foreign carriers.

Kosovo's imports of transport services from the EU are concentrated in six EU member states, which account for 63.3 per cent of all imports from that origin.¹⁶ There is a close association between imports of transport services and the presence of a significant diaspora, which accounts for passengers transport, as well as with trade in goods reflecting freight transport. In the case of Kosovo's exports of transport services to the EU, three countries, Germany, the U.K and Cyprus account for 83 per cent of total exports. Trade in transport services with individual EU members is presented in figure 5. Data can be found in Table 3 of the Annex.

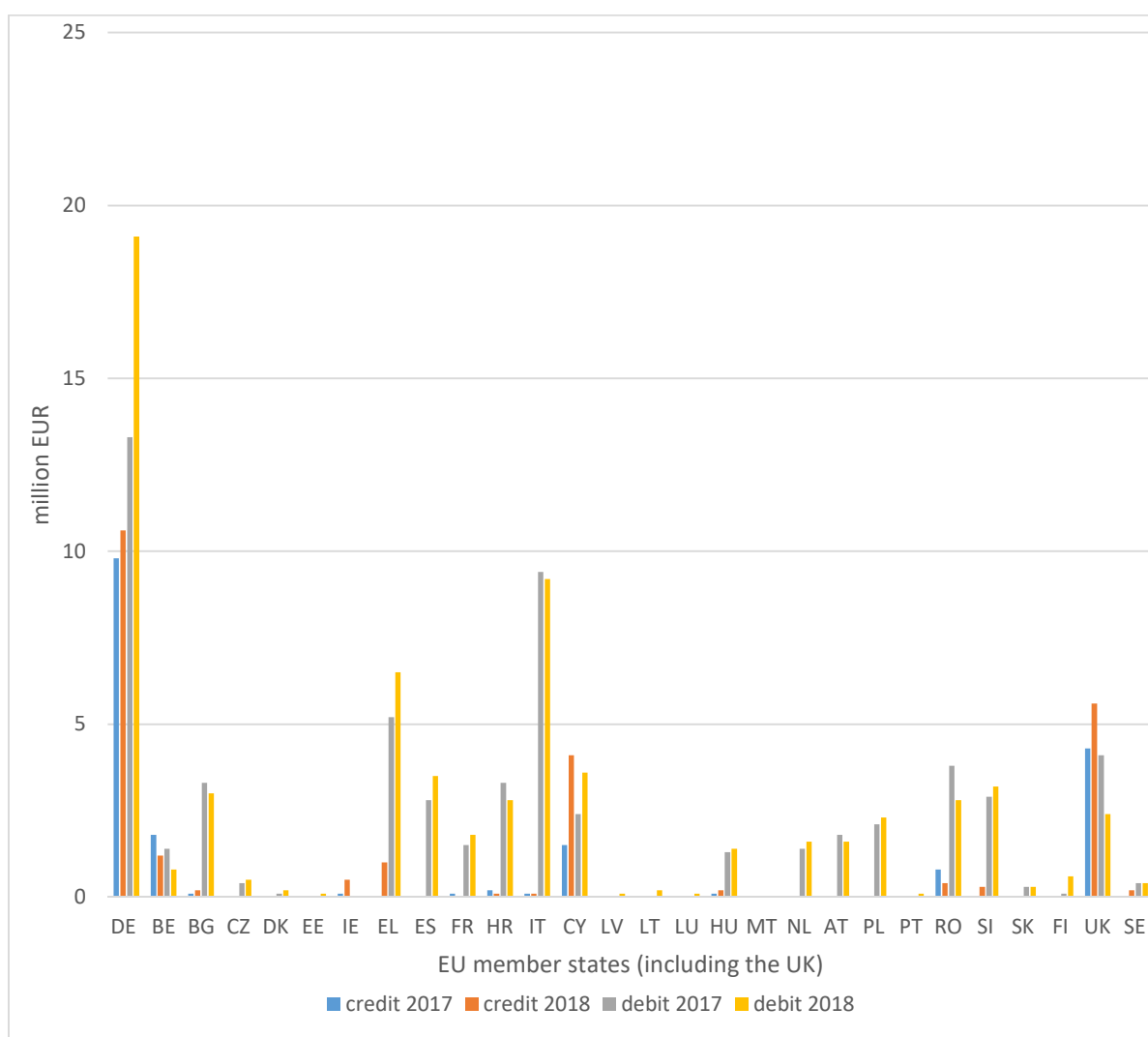


Figure 4: Kosovo's trade in transport services with the EU member states (including the UK), in 2017-2018. Source: EUROSTAT

It is important to note that Kosovo has registered a positive trade balance in transport services, in 2018, only with Belgium (Euro 0.5 million), Ireland (Euro 0.5 million), the United Kingdom (EURO 3.2 million), and surprisingly with Cyprus (EURO 0.5 million). An increase can be detected in Kosovo's trade with each of these countries with the exemption of Belgium in comparison to 2017, as shown in figure 6 below.

¹⁶ Germany, Italy, Greece, Slovenia, Romania, and the UK.

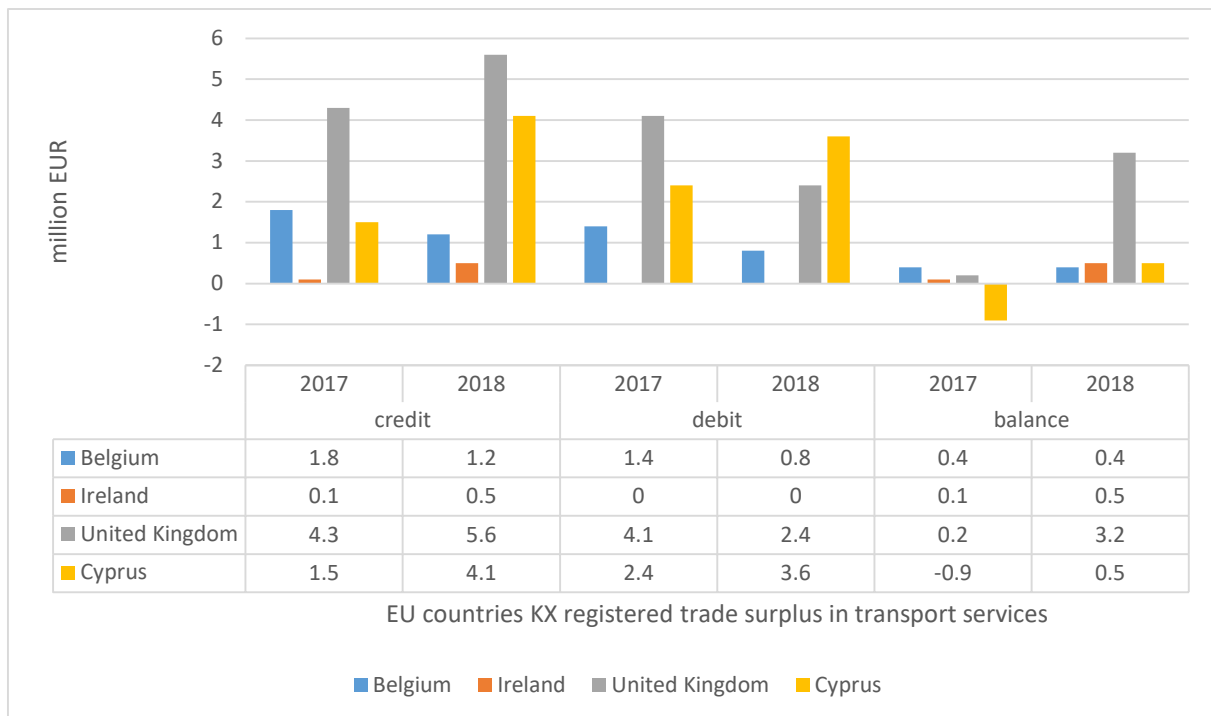


Figure 5: Kosovo's transport trade transactions with the EU member states it has experienced a trade surplus in 2018 (including UK), (in million Euro). Source: EUROSTAT

There is no data disaggregated to a detail that would allow further examination of trade in transport services between Kosovo and the EU. However, some approximation is possible examining other available information, gathered through interviews with Kosovo transport firms. Kosovo transport services confront some important challenges. Companies which engage in goods transport trade transactions with the EU member states, claim that, occasionally, special permissions are needed to transport in the countries that do not recognize Kosovo issued licenses, but Kosovo companies mainly use intermediary Serbian and Macedonian companies. The need for regional intermediary companies is a disadvantage for Kosovo's trade in transport services with the EU because the expenditures and revenues are not registered in neither Kosovo's trade in services data or in the EU data. Greece is an exemption because there is no need for special permission for Kosovo transport companies to transport there. Moreover, Kosovar companies benefit from EU's internal market in land transport of goods.

Regarding land passenger transport, due to the non-recognition of Kosovo's passports by some EU countries it is impossible or very difficult for Kosovars to directly enter EU from Kosovo. Therefore, direct passenger transport from Kosovo towards EU states that do not recognize Kosovo is not existent, with the exemption of Greece. Kosovar citizens can be granted a permission, to directly travel to Greece. Land transport of passengers is developed especially with the countries where Kosovar diaspora mainly resides, such as for example with Germany, Italy, and Austria, according to transport companies.

Concerning air transport Kosovo is served by foreign carriers in the absence of a national airline company. It is totally dependent on imported services. The value recorded as Kosovo exports of air transport services reflects the services provided in Kosovo to foreign carriers. According to data from the Ministry of Infrastructure and Environment (MIE), EU companies of air transport services, operating in Kosovo are from Germany, Austria, Slovenia, Norway, Greece, Belgium, Hungary, Denmark, and Sweden. This partially explains the trade in air transport services with these particular EU member countries.

The trade in transport services with the EU member states, which do not have a carrier serving Kosovo and there is no direct land transport to, can be contributed to other auxiliary transport services, and other supporting and auxiliary transport services.

In terms of maritime transport, Kosovar transport companies report that they are only allowed to import from Albania's port and not use it for exports as well. However, Kosovar transport companies also benefit from International Maritime Law by shipping products from Albania's airports, towards EU member countries, mainly using intermediary companies such as in the case of shipment to Spain, by using, mainly Serbian and Macedonian intermediary companies. However, similarly to land transport, these particular transactions are not registered to Kosovo's balance of payments but to that of the state the intermediary company is registered to.

3.1.3 Telecommunications, Computer, and Information Services (ICT)

Telecommunications, Computer, and Information (ICT) Services sector has recently emerged as a very important and growing sector of Kosovo's economy. ICT is mainly a mode 1 of supply of services, and it includes cross-border transactions. ICT services comprises three subcategories: First, telecommunications services which is the broadcast or transmission of sound, images, data, or other information by telephone, telex, telegram, radio and television cable transmission or satellite, electronic mail, facsimile, and so on, including business network services, teleconferencing, and support services. Secondly, computer services which consist of hardware/software-related and data-processing services. Finally, information services, which include news agency services, such as the provision of news, photographs, and feature articles to the media. Other information provision services include database services—database conception, data storage, and the dissemination of data and databases, both online and through magnetic, optical, or printed media; and web search portals. Also included in this category are direct non-bulk subscriptions to newspapers and periodicals, whether by mail, electronic transmission, or other means; other online content.

Kosovo is import dependent in trade with the world in this account. There is no disaggregated data on the trade with EU in different categories of the telecommunication, computer, and information services. However, overall trade in telecommunication services with the world is predominant, accounting for 72.9 per cent of total exports, and almost 80 per cent of total imports of these services Kosovo's computer and information services have emerged as a promising sector and are constantly developing, and in the overall trade with the world, this subcategory has had a positive balance in 2018, whereas information services are not very developed in Kosovo.

Kosovo is export reliant in trade transaction in ICT with the EU. Kosovo's exports of telecommunications, computer, and information services with the EU reached EURO 26.8 million in 2018, experiencing an increase of EURO 7.1 million compared to 2017. Hence, differently from 2017, where Kosovo had registered a trade deficit of EURO 4.5 million in trade in ICT services with the EU, Kosovo registered a trade surplus in this account, of EURO 7.1 million in 2018. This occurred because Kosovo also experienced a decrease in imports in 2018, of the account of EURO 4.5 million.

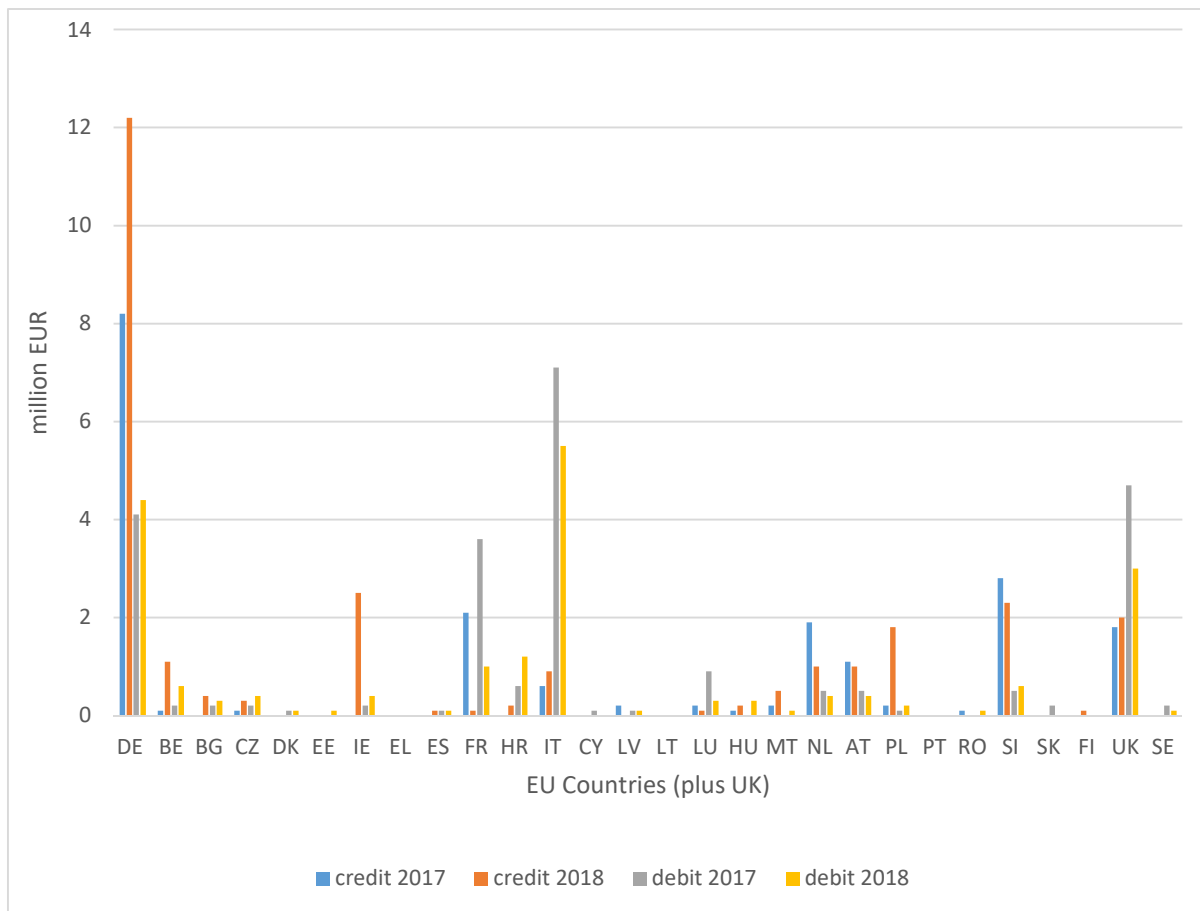


Figure 6: Kosovo's trade in Telecommunication, Computer, and Information (ICT) services with the EU member states and the United Kingdom, 2017-2018. Source: EUROSTAT

A high concentration of trade by EU member country can be observed in ICT services as well. Kosovo mainly trades with Germany in ICT services, registering the highest positive balance of trade in this service activity. In 2018, Kosovo registered EURO 12.2 million in exports to Germany, experiencing EURO 4 million increase compared to 2017.

Kosovo continues to be import dependent in ICT services with the UK, however, the trade deficit has decreased due to a positive increase in exports followed by a simultaneous decrease in imports, in 2018 compared to the same period in 2017, showing a positive trend in Kosovo's advancement in ICT services. Kosovo's exports in ICT services with the UK have registered EURO 2.0 million in 2018, registering an increase of EURO 0.2 million compared to the same period in 2017. Whereas Kosovo's imports in ICT services with the UK have decreased by EURO 1.7 million in 2018, accounting an amount of EURO 3 million.

It is interesting to see how Kosovo's trade in ICT services with Ireland has emerged recently registering EURO 2.5 million in exports of ICT services in 2018, whereas in 2017 Kosovo only imported EURO 0.2 million but did not export to Ireland. This emergence of ICT services has allowed registering a positive balance of EURO 2.1 million with Ireland.

Kosovo also has a considerable trade surplus in ICT services with Slovenia, however, trade has decreased at Kosovo's expense. Kosovo's exports in trade in ICT services with Slovenia have decreased by EURO 0.5 million in 2018, compared to 2017, registering EURO 2.3 million. Imports have increased by EURO 0.1 million registering EURO 0.6 million in 2018 compared to 2017.

The trade deficit in ICT services, with France, has decreased in 2018 compared to the same period in 2017, but this is not an implication to the improvement of the trade at Kosovo's benefit. Kosovo has changed its direction of trade, decreasing the amount of in ICT services with France but continuing to remain import dependent. Exports of ICT services in France have decreased by

EURO 2.0 million in 2018 compared to 2017, causing for Kosovo to register only EURO 0.1 million in exports. The imports from France have also decreased with Kosovo registering EURO 1.0 million in 2018, EURO 2.6 million less than in 2017.

ICT services is an emerging sector in Kosovo, which contribute to the trade surplus with the EU in services. Kosovo should invest more in the development of ICT services considering that it has a surplus in the trade with the EU in this sector. The lack of disaggregated data in ICT services limits the analysis in reaching specific conclusions in regards to the needs of the sector. It is important that efforts are made to improve the collection of more disaggregated data of trade in these important activities, which seems promising for Kosovo.

3.1.4 Other Business Services

Other Business Services trade is to a large extent a mode 4 of supply of services, which requires two preconditions: access to territory, hence liberalized move of natural persons; and recognition of professional qualifications. This account registers exports and imports of a variety of market services, such as, among other: research and development services, professional and management consulting services, technical services, trade-related and other business services. This sector is among the most dynamic in worldwide trade in services, and therefore it is very important to focus and further enhance the performance of this sector in Kosovo. Trade in these services has shown significant dynamism in Kosovo, both in terms of exports and imports.

Trade in "Other Business Services" has a significant weight in Kosovo's overall trade in services with the world. Imports of these services are the third largest in value, while exports are the second largest export activities of services in the country. Total Imports are growing at a faster rate than exports progressively reducing the trade surplus that the country has experienced. According to data for the years 2017 and 2018 the situation of trade with the EU shows a different pattern. In 2018, Kosovo registered around EURO 76.4 million in exports with the EU countries, Euro 25.7 million more than in the same period of the previous year. Imports also increased in this sector during 2018 in comparison to 2017, however, much less than the exports. In 2018, Kosovo registered Euro 27.5 million in imports of other business services with the EU, only EURO 7 million more than in 2017. This performance allowed the trade surplus in trade with the EU to increase by EURO 18.7 million.

As is the case with trade in different services, there is also high concentration of trade with EU member countries in Other Business Services as well, as can be seen in figure 8. Detailed data on Other Business Services with the EU can be found at table 8 in the annex.

Other business services is an emerging sector in Kosovo's trade in services with the EU and signing an agreement for the mutual recognition of professional qualification might potentially be of benefit for Kosovo's trade with the EU in this sector. The Article 56 of SAA predicts the negotiations for such agreement to start within two years of entry into force. Moreover, SAA also provides that within six years of entry into force, the temporary free movement of natural persons that have established bona fide contracts to provide services would have access to the markets of the parties.

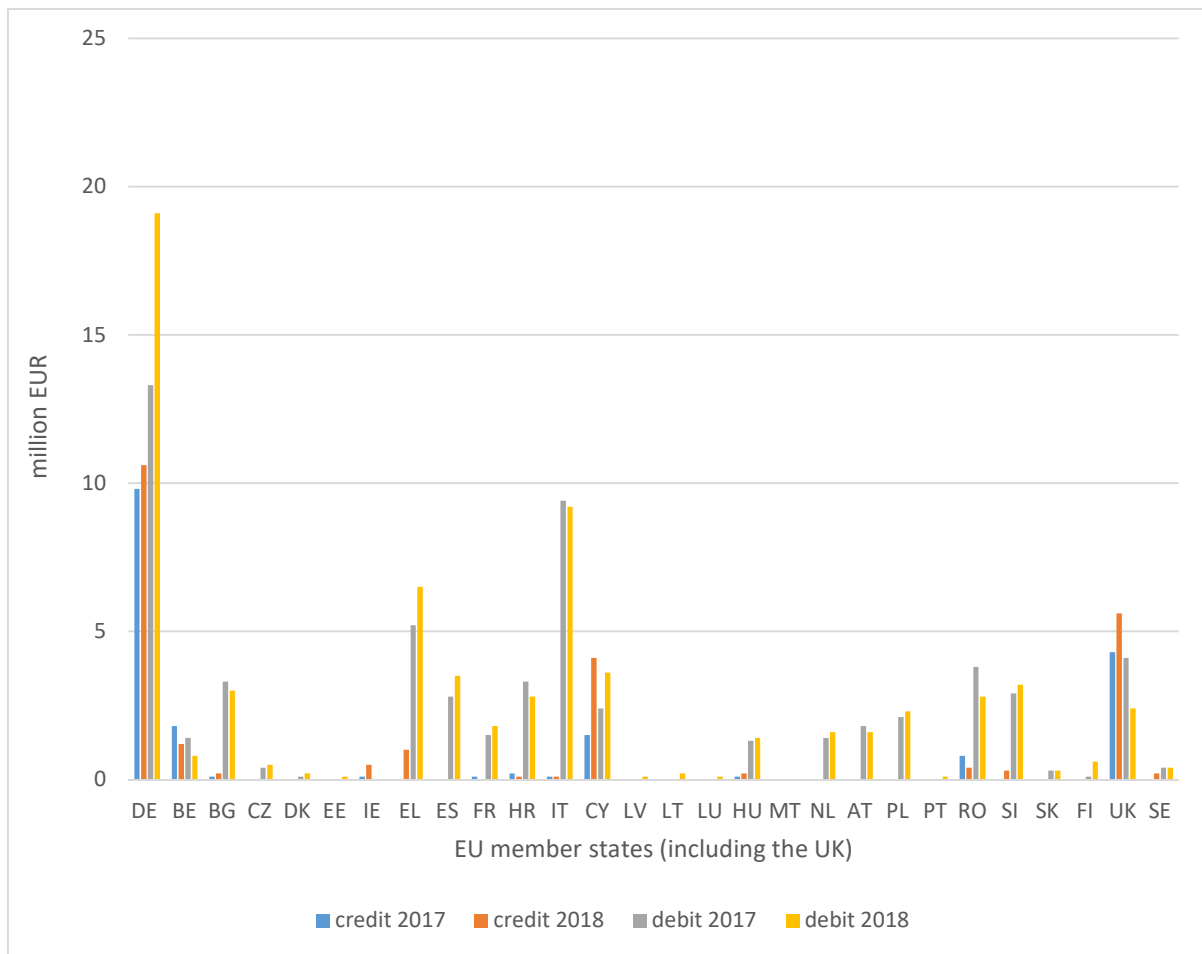


Figure 7: Kosovo's trade in other business services with EU member states (including the UK), in 2017-2018. Source: EUROSTAT

The main export market for these services in the EU for Kosovo is Germany, which in 2018 was the destination of 32.2 [per cent of total exports to the EU. In 2018, exports increased by EURO 7.3 million, in comparison to 2017, accounting for EURO 26.4 million in 2018. Imports also increased, but with a lesser amount in comparison with the increase in exports. In 2018, Kosovo registered EURO 3.5 million in imports in other business services from Germany, EURO 1.4 million more than in 2017. This increased the trade surplus by EURO 5.9 million more in 2018. The other business services exports to Germany could be enhanced even further due to the new German Skilled Immigration Act, which enters into force in March, 2020, which allows everyone to go and work in Germany without having a work permit in advance. Other important destination of Kosovo's exports is Austria, Ireland, Bulgaria, Belgium, Poland and the U.K, which together represent an additional 37 per cent of all Kosovo's exports of these services.

Other business services are a very significant services sector for Kosovo's trade with the EU. Despite that a mutual recognition of professional qualifications agreement is not in place, Kosovo has experienced a trade surplus in other business services with the EU. This shows the significance of investing in this sector by improving the education system, professional accreditation, and pushing for mutual recognition agreements with the EU. Kosovo's policymakers must conduct a market analysis, which distinguishes the domestic and international needs of professionals and recommend strategies to fill the gaps.

3.1.5 Conclusions and Recommendations for Kosovo's Direction of Trade in Services with the EU

Kosovo stands very good in trade in services with the EU, with a trade surplus of EURO 766.8 million in 2018, EURO 4.5 million more compared to the same period in 2017. Considering that Kosovo historically experiences a trade deficit in the trade in goods, the services sector is currently the backbone of the economy.

A high concentration by category and country can be observed in trade transactions with travel services with the EU. The main service sectors Kosovo trades with the EU member states include travel, transport, other business services, and ICT. Kosovo mainly trades in services with the EU member countries with the highest frequency of diaspora residence. Here are included mainly Germany, Italy, Austria, France, and Belgium. This implies that Kosovo's government should invest more in trade in services in order to advance and expand this sector of the economy, without the dependence on diaspora loyalty.

Travel is the backbone of services sector, highly contributing to the trade surplus in services. The main reason of the trade in travel services transactions is the diaspora loyalty to Kosovo. Kosovo's government should increase its investments in order to establish traditional tourism in Kosovo by first conducting a national strategy in tourism.

Kosovo has experienced a deficit in transport trade transactions with the EU, however, this sector is very important due to its correlation with the trade in goods. Kosovar companies engage in all forms of transport services, however, not all is registered to the balance of payments due to the usage of intermediary companies.

ICT services should be taken into consideration for the future policymaking due to its contribution to the trade surplus in services with the EU.

Other business services is also an emerging sector in the trade in services with the EU, because Kosovo also experiences a trade surplus in this sector and the establishment of the grounds for further negotiations with the EU in terms of mutual recognition of professional qualifications and free temporary movement of natural persons, in accordance with SAA.

3.2 Kosovo's Trade in the Main Services Subsectors with the CEFTA Parties

This section briefly analyzes Kosovo trade in services with CEFTA countries. Trade in services has gained importance in the framework of CEFTA. CEFTA countries engaged in negotiations to liberalize trade in services, which allowed the signing of AP6 which was approved in December 2019. Kosovo with AP6 has committed to on trade liberalization in a significant number of services categories. This protocol only applies with CEFTA countries. AP6 covers a wider spectrum of services sectors based on GATS WTO.

Table No.1 presents the data of trade in services between Kosovo and each of the CEFTA parties. In 2018 CEFTA markets where the destination of approximately 5.7 per cent of total exports of services, and the origin of around 26 per cent of total imports. Kosovo registers an aggregate trade deficit in trade in services with CEFTA members. There is only a surplus in trade in services with Serbia during the period under consideration. In 2018 exports increased by 24 per cent, while imports increased by 22 per cent, increasing the trade deficit by 20 per cent. Even though exports are not that substantial yet, CEFTA can be considered as a strategic destination for trade in services. Detail data by services category can be found in the Annex. It includes some services not discussed in this report.

Table No. 1: Trade in Services with CEFTA by country 2017-2018 in million euro

	Export	Import	Balance	Export	Import	Balance
Country/Year	2018			2017		
Albania	54.896	178.73	-123.834	18.01	140.58	-122.57
Bosnia and Herzegovina	1.523	4.25	-2.727	16.89	5.17	11.72
North Macedonia	9.48	26.55	-17.07	4.35	15.10	-10.75
Moldova	0.372	0.07	0.302	0.38	0.06	0.33
Montenegro	7.034	18.63	-11.596	8.92	14.88	-5.95
Serbia	15.566	8.15	7.416	18.39	8.98	9.41
Total	88.871	236.38	-147.509	66.94	184.76	-117.83

The main trading partner in services is Albania, to which Kosovo exported EURO 54.9 million compared with the same period of 2017, an increase of exports of the order of 67.2 per cent. The second biggest export partner was Serbia with 15.6 million € followed by North Macedonia with an amount of 9.5 million €, and Montenegro with 7 million euro. Albania was the biggest importer of services in 2018 with the amount 178.7 million €, compared with 2017 imports has grown from this country by 21.3%, followed by North Macedonia with 26.6 million € and Montenegro with 18.1 million €.

Table No. 2: Trade in Services balance with CEFTA 2017-2018 in million euro

Year	2018	2017	% change
Export	88.87	66.95	32.74
Import	236.38	184.82	27.89
Balance	-147.5	-117.07	-25.99

Source: CBK

There is no data available of trade with each CEFTA Member at a more disaggregated level. This section examines the performance and patterns of trade in the main services activities, focusing on suggesting an explanation of the observed trade flows in services, with a view of having a clearer picture and identify the challenges and opportunities for better cooperation on this sector in the future.

Kosovo main trade with CEFTA partners are in travel services, telecommunications, computer and information services and other business services. An urgent task to undertake is to improve data on trade in services with CEFTA parties.

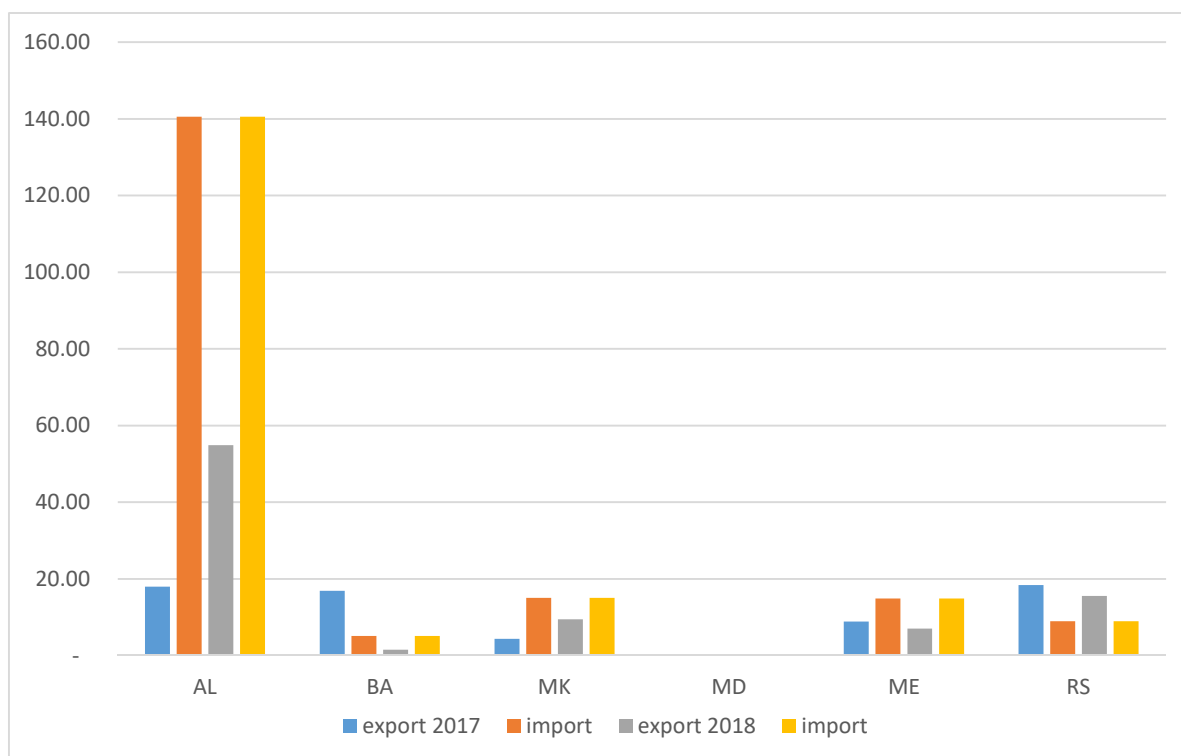


Figure 8: Kosovo's trade in services with CEFTA member states, in 2017- 2018. Source: Central Bank of Kosovo (CBK). Elaboration by the authors.

3.2.1 Travel

Travel services represents the bulk of trade in services between Kosovo and CEFTA parties, facilitated to a large extent by proximity. Other factors that should be taken in to account when analyzing this flows sector are family relations between countries. In each country there is a significant number of Albanians living, here Moldova is excluded. Other reasons for travel between CEFTA countries is tourism as such, including, among other, different cultural activities and shopping. Travel services in 2018 represented 67 per cent of total services exports of Kosovo to CEFTA parties, and 81 per cent of total imports. In this regard, trade within CEFTA mirrors the general pattern of Kosovo's trade in services.

Exports of travel services to the region reached, during 2018, EURO 59.8 million, increasing from the previous year by 18.48 million euro, a 31 per cent increase. Imports also increased by 22.3 per cent and reached EURO 191.94 million in 2018. This had an impact on increasing the negative trade balance in 2018, which amounted to EURO 132.14 million.

The data show that high concentration of trade with Albania, which accounted in 2018 for 68 per cent of Kosovo's exports to the region, and 84 per cent of its imports from CEFTA parties. In terms of exports Serbia is the second most important partner accounting for 22 per cent of total export of travel services to CEFTA parties. Therefore, these two trading partners represented 90 per cent of total export of travel services to the region. Is important to note the insignificant levels of imports of travel services with Serbia, which is indicating almost no movement of people from Kosovo to that country. Imports from Serbia in 2018 only amounted to EURO 1.9 million. Figure 9 presents data on trade in travel services with CEFTA parties.

If we compare trade in these services with same period of 2017, travel with Albania increased by 34.12 million, with Serbia export decreased by 2.86 million euro in 2017 and with North Macedonia

export increased by 2.92 million euro. Another interesting detail is that export trade with Bosnia and Herzegovina in 2017 was 16.11 million euro and in 2018 it decreased in 0.51 thousand euros. This need further analyses to identify the factors that caused this big decrease. Increase of export with Albania may be attributed, besides visits to family and friends, to the fact that Albanians are spending winter holidays in Kosovo's ski resorts, also summer activities such as different cultural events.

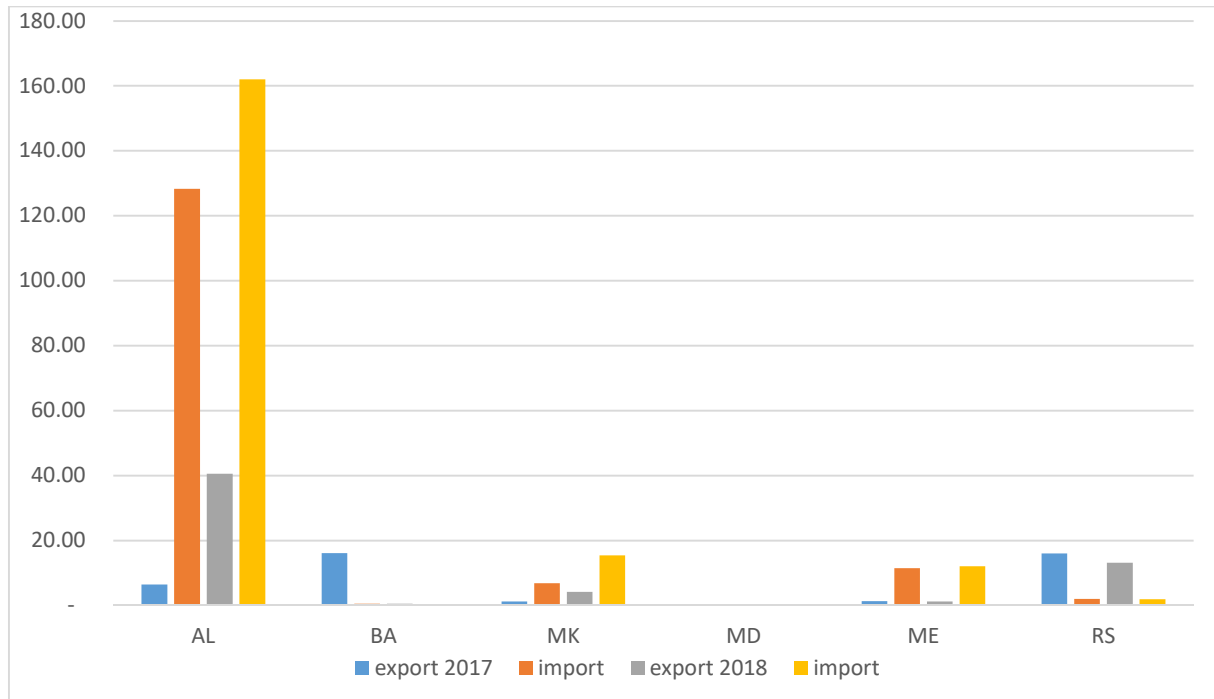


Figure 9: Kosovo's trade in travel with CEFTA member states, in 2017- 2018. Source: Central Bank of Kosovo (CBK). Elaboration by the authors.

Regarding imports, most originate in Albania, amounting to 162 million euro or 20.8% higher than in 2017. Travel sector is related with summer holidays, and Kosovars visits to family and friends in Albania. North Macedonia is the second biggest importer in 2018 it reached the amount of 15.43 million euro 55.9% higher than in 2017. With Montenegro imports in 2018 where 12.12 million euro or 5.3% higher. Comparing with export, import with Serbia is lower in 2018 than in 2017, only EURO 1.93 million, or 4.7% less than in 2017. An issue that might be having an effect on trade in travel services is the fact that Kosovar citizens are required to obtain a visa if they want to enter in Bosnia and Herzegovina and Moldova, Kosovo applies the same requirements for visa to the citizens of these two countries. The limited travel of Kosovars to Serbia responds to the existing restrictions regarding identity documents.

3.2.2 Other business services

Other business services are the second main trading sector of Kosovo with CEFTA parties. It generated a surplus of 6.68 million euro in 2018. Exports where EURO 13.4 million, and imports where EURO 6.78 million, compared with 2017 export increased by 11.4%. This sector is very important for Kosovo because include various services such as, among other: research and development services, professional and management consulting services, technical services, trade-related and other business services. These services are considered to have high productivity. Figure 10 presents trade in these services with each CEFTA party.

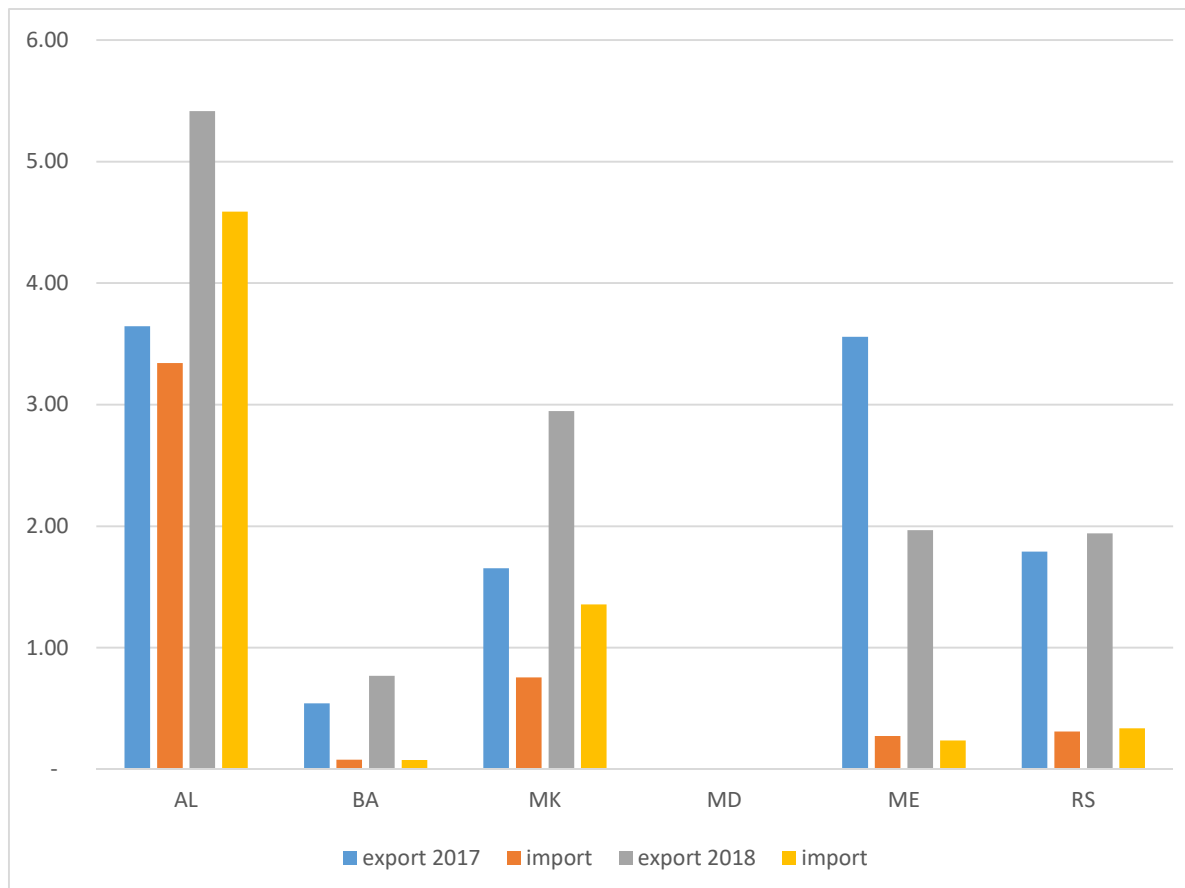


Figure 10: Kosovo's trade in other business services with CEFTA member states, in 2017- 2018. Source: Central Bank of Kosovo (CBK). Elaboration by the authors.

The leading country for this sector is Albania, Kosovo exported professional services to Albania with a value of EURO 5.4 million compared with 2017, exports increased by 32.7 %. The second major trading partner is North Macedonia with 2.95 million euro or 44.1% more than in 2017. Also with Montenegro and Serbia exports in 2018 were around 2 million euro. The amount of exports with Serbia is not high but it is worth mentioning that even though Serbia does not recognize Kosovo's qualification, still some export of professional services takes place between these two countries. When professional services are discussed it is important to recognize that an agreement on recognition of professional qualifications would contribute significantly to increase the trade potential in these services.

3.2.3 Telecommunications, computer and information services (ICT)

Telecommunications, computer and information services trade mainly takes place with Albania and Montenegro. Exports to Albania in 2018 reached 6.32 million euro, 28 thousand less compared with 2017. Exports to Montenegro in 2018 were 2.56 million euro or 44 thousand euro less compared with 2017. Even the amount is low still a negative balance can be noticed in this sector.

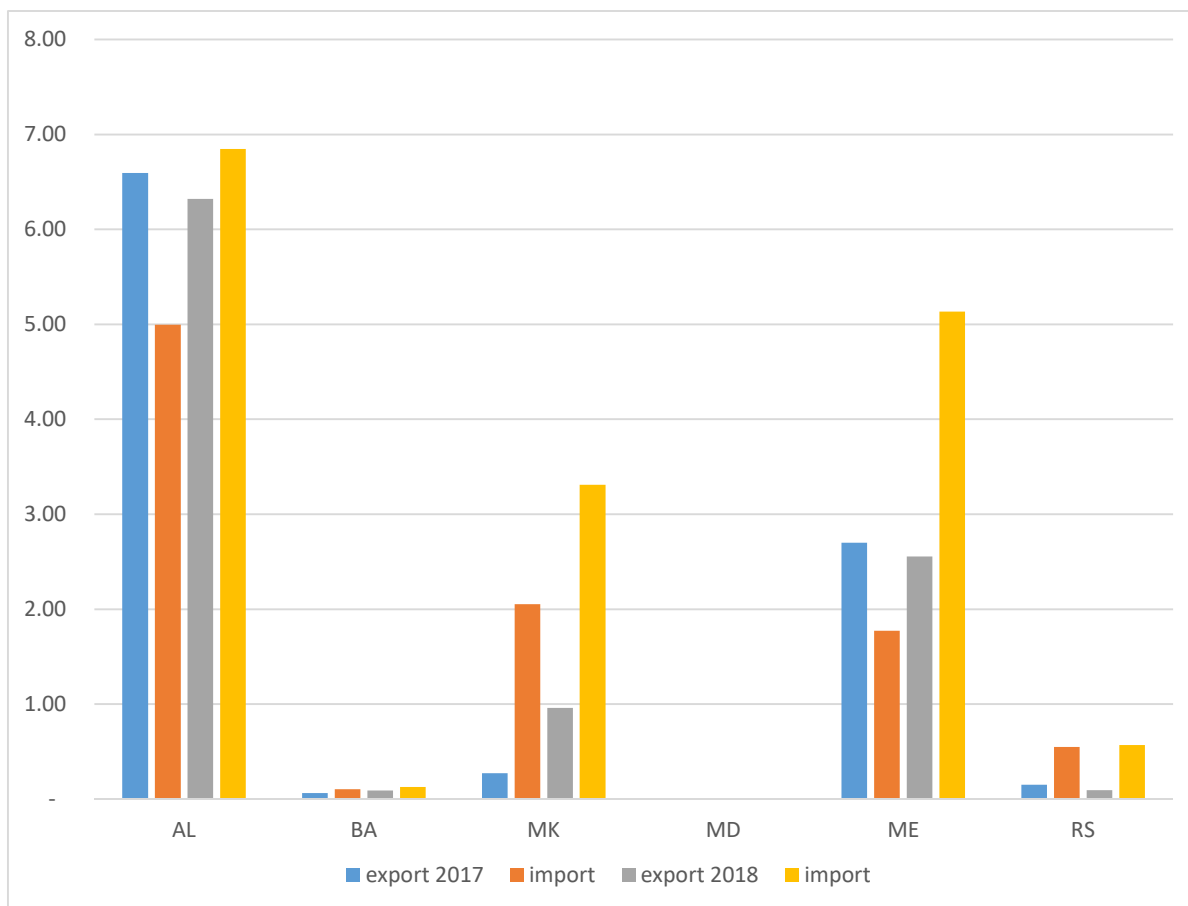


Figure 1: Kosovo's trade in Telecommunications, computer and information services with CEFTA member states, in 2017- 2018. Source: Central Bank of Kosovo (CBK). Elaboration by the authors.

3.2.4 Conclusions and Recommendations for Kosovo's Trade in Services with CEFTA Parties

It is very difficult to make proper conclusions in terms of Kosovo's direction of trade in services with CEFTA member countries taking into account only two years. However, it can be seen that Kosovo's trade transactions with CEFTA member countries are of a very small scale despite the existence of a free trade agreement, which is constantly being updated. Nevertheless, it can be seen that differently from 2017, in 2018, trade in services of Kosovo with CEFTA member countries, has changed. Kosovo has traded less with Serbia and Bosnia and Herzegovina in 2018 than in 2017, and more with Albania.

4. Concluding Remarks

Ministry of Economy, Employment, Trade, Industry, Entrepreneurship and Strategic Investments of Kosovo, referred to as MEETIESI in this report, in collaboration with EU project Further Support to the Development of Trade of Kosovo, referred to as EUTSP in this report, relied on examination of data of Kosovo's trade to evaluate Kosovo's trade in services with EU and CEFTA countries. It is important to note that this is the first attempt for an analysis of bilateral trade in services in Kosovo. Considering that Kosovo has provided data for Eurostat only started from 2017, and the 2019 data have not yet been finalized by the relevant institutions, the report analyzed trade in services for 2017 and 2018 with the EU and CEFTA. These are the main partners of Kosovo in trade in services. However, trade with EFTA should also be considered for the future analyses.

In order to have a better understanding on the patterns and determinants of Kosovo's trade in services, which would inform policy decisions regarding the services sector which is the backbone of the Kosovo's economy, this type of report should become an annual activity of the MEETIESI. The future analyses should include, as data become available, a longer time period, as well as to expand the assessment to other international markets.

A main conclusion that can be advanced is that Kosovo's trade in services rests mainly on travel services, which on their part are closely associated with the inbound travel of the diaspora to visit family and friends. The question arises how sustainable this will be in time. Even though some dynamism can be observed in other categories of services, the current levels of exports seem not enough to turn services exports as a substantial driver of economic growth and development. Some important policy decision needs to be taken to turn the potential of trade in services into a fruitful reality, which will contribute significantly to achieving the development and welfare aspirations of the country. The political situation regarding recognition might have some effects in trade in some services, as the case of travel, transport and professional services, but does not seem to be an insuperable obstacle, which totally impedes trade in services. More analysis is needed to identify in further detail the obstacles, both domestic and in the international markets, that might be restricting the trade potential in services.

Finally, is important to highlight that Kosovo continues to have an urgent need to improve the collection of statistics on services activities, both in terms of national accounts by generating much more disaggregated data at the sectoral level; and also regarding trade in services where there is a need to begin generating more detailed data on the different services categories and on FATS. The progressive implementation of the Manual on Statistics (MSIT 2010) on Trade in Services would be an appropriate instrument to improve the statistics on trade in services.

5. Annex

5.1 Data on Trade in Services with the EU

5.1.1 Table 1: Kosovo's Total Trade in Services with the EU in million EURO

	Export		Import		balance	
Country/ YEAR	2017	2018	2017	2018	2017	2018
Germany	414.0	423.8	32.9	41.4	381.5	382.4
Belgium	26.8	29.6	4.4	5	22.4	24.6
Bulgaria	14.4	19.6	6	6.3	8.4	13.3
Czech	10.9	12.8	2.3	3.1	8.6	9.7
Denmark	4.8	4.5	1.2	1.3	3.6	3.2
Estonia	0.4	0.5	0.2	0.6	0.2	-0.1
Ireland	2.1	19.1	7	7.8	-4.9	11.3
Greece	6.5	7.8	10.4	11.4	-3.9	-3.6
Spain	1.5	2.2	4.3	9.3	-2.8	-7.1
France	39.1	37.6	10.2	8.4	28.9	29.2
Croatia	25.5	28.3	7.4	8	18.1	20.3
Italy	79.0	81.2	25.4	22.9	53.6	58.3
Cyprus	2.2	6.2	3.7	5.8	-1.5	0.4
Latvia	0.8	0.5	0.7	1.1	0.1	-0.6
Lithuania	0.5	0.4	0.4	0.5	0.1	-0.1
Luxembourg	7.1	7.4	5.7	4.1	1.4	3.3
Hungary	11.6	13.6	5.1	5.5	6.5	8.1
Malta	3.4	2.2	0.3	0.4	3.1	1.8
Netherlands	16.9	14.2	7.6	6.1	9.3	8.1
Austria	100.0	103.9	9.4	8.2	91	95.7
Poland	10.0	17.4	3.8	4.1	6.2	13.3
Portugal	0.2	0.3	0.3	0.3	-0.1	0.0
Romania	7.7	8.5	5.5	5.3	2.2	3.2
Slovenia	35.7	39.3	7.7	8	28	31.3
Slovakia	4.1	4.7	1	0.7	3.1	4.0
Finland	6.3	5.8	0.7	2.1	5.6	3.7
United Kingdom	42.5	48.7	23.6	22.8	19	25.9
Sweden	33.3	31.4	2.6	2.6	30.7	28.8
total	908,0	971.5	189.8	203.1	718.4	768.4

Source: EUROSTAT

5.1.2 Table 2: Kosovo's Travel Trade Transactions with the EU in million EURO

	Export		Import		Balance	
Country/Year	2017	2018	2017	2018	2017	2018
Germany	367.3	364.8	7.4	6.8	359.9	358.0
Belgium	20.3	20.3	0.7	0.6	19.6	19.7
Bulgaria	13.5	14.8	1.2	1.4	12.3	13.4
Czech	8.1	8.6	0.5	0.6	7.6	8.0
Denmark	4	4	0.3	0.2	3.7	3.8
Estonia	0.4	0.4	0	0.1	0.4	0.3
Ireland	0.7	0.8	2.1	2.7	-1.4	-1.9
Greece	5.7	6.0	3.2	3.0	2.5	3.0
Spain	1.3	1.3	0.7	0.6	0.6	0.7
France	34.2	34.3	1.9	1.6	32.3	32.7
Croatia	22.4	25.2	1.2	1.1	21.2	24.1
Italy	71.3	72.4	3.4	2.4	67.9	70.0
Cyprus	0	0.0	0.8	1.3	-0.8	-1.3
Latvia	0.1	0.2	0	0.0	0.1	0.2
Lithuania	0.3	0.3	0	0.0	0.3	0.3
Luxembourg	5.7	6.0	1.4	1.1	4.3	4.9
Hungary	7.3	9.0	1.9	1.5	5.4	7.5
Malta	0.4	0.5	0	0.1	0.4	0.4
Netherlands	7.5	7.3	1.2	1.4	6.3	5.9
Austria	88.6	91.4	2.7	2.4	85.9	89.0
Poland	6.3	6.7	0.2	0.4	6.1	6.3
Portugal	0.1	0.2	0.1	0.0	0.0	0.2
Romania	5.8	7.0	0.2	0.3	5.6	6.7
Slovenia	28.7	32.5	1.3	1.0	27.4	31.5
Slovakia	3.7	4.0	0.1	0.2	3.6	3.8
Finland	5.5	5.1	0.4	0.3	5.1	4.8
United Kingdom	32	33.6	9.6	8.8	22.4	24.8
Sweden	31.5	29.3	0.8	0.8	30.7	28.5
Total	772.7	786.0	43.3	40.7	729.4	745.3

Source: EUROSTAT

5.1.3 Table 3: Kosovo's Transport Trade with the EU in million EURO

	Export		Import		Balance	
Country/Year	2017	2018	2017	2018	2017	2018
Germany	9.8	10.6	13.3	19.1	-3.5	-8.5
Belgium	1.8	1.2	1.4	0.8	0.4	0.4
Bulgaria	0.1	0.2	3.3	3.0	-3.2	-2.8
Czech	0.0	0.0	0.4	0.5	-0.4	-0.5
Denmark	0.0	0.0	0.1	0.2	-0.1	-0.2
Estonia	0.0	0.0	0.0	0.1	0.0	-0.1
Ireland	0.1	0.5	0.0	0.0	0.1	0.5
Greece	0.0	1.0	5.2	6.5	-5.2	-5.5
Spain	0.0	0.0	2.8	3.5	-2.8	-3.5
France	0.1	0.0	1.5	1.8	-1.4	-1.8
Croatia	0.2	0.1	3.3	2.8	-3.1	-2.7
Italy	0.1	0.1	9.4	9.2	-9.3	-9.1
Cyprus	1.5	4.1	2.4	3.6	-0.9	0.5
Latvia	0.0	0.0	0.0	0.1	0.0	-0.1
Lithuania	0.0	0.0	0.0	0.2	0.0	-0.2
Luxembourg	0.0	0.0	0.0	0.1	0.0	-0.1
Hungary	0.1	0.2	1.3	1.4	-1.2	-1.2
Malta	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	1.4	1.6	-1.4	-1.6
Austria	0.0	0.0	1.8	1.6	-1.8	-1.6
Poland	0.0	0.0	2.1	2.3	-2.1	-2.3
Portugal	0.0	0.0	0.0	0.1	0.0	-0.1
Romania	0.8	0.4	3.8	2.8	-3.0	-2.4
Slovenia	0.0	0.3	2.9	3.2	-2.9	-2.9
Slovakia	0.0	0.0	0.3	0.3	-0.3	-0.3
Finland	0.0	0.0	0.1	0.6	-0.1	-0.6
United Kingdom	4.3	5.6	4.1	2.4	0.2	3.2
Sweden	0.0	0.2	0.4	0.4	-0.4	-0.2
Total	18.9	24.5	61.3	68.2	-42.4	-43.7

Source: EUROSTAT

5.1.4 Table 4: Kosovo's Construction Trade Transactions with the EU in million EURO

	Export		Import		Balance	
Country/Year	2017	2018	2017	2018	2017	2018
Germany	1.3	1.1	0.2	0.2	1.1	0.9
Belgium	1.2	1.5	0	0	1.2	1.5
Bulgaria	0.1	0.4	0	0	0.1	0.4
Czech	0.1	1.6	0	0	0.1	1.6
Denmark	-	-	-	-	-	-
Estonia	-	-	-	-	-	-
Ireland	0	0.1	0	0	0	0.1
Greece	-	0	-	0	-	0
Spain	—	0.5	—	3.9	—	-3.4
France	0.3	0.4	0	0.3	0.3	0.1
Croatia	0.3	0.2	0.1	0.4	0.2	-0.2
Italy	0.3	0.4	0.3	0.3	0	0.1
Cyprus	-	0	-	0	-	0
Latvia	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-
Luxembourg	0.1	0	0	0	0.1	0
Hungary	0	-	0	-	0	-
Malta	0.0	—	0	—	0.0	—
Netherlands	0	-	0	-	0	-
Austria	1.2	0.8	0	0	1.2	0.8
Poland	0	—	0	—	0	—
Portugal	0.1	0	0	0	0.1	0
Romania	0	0	0	0.2	0	-0.2
Slovenia	0	0.1	0	0	0	0.1
Slovakia	0	0	0	0	0	0
Finland	0.1	0.1	0	0	0.1	0.1
United Kingdom	0.2	0.6	0	0	0.2	0.6
Sweden	0	0.2	0	0.1	0	0.1
Total	5.3	8.0	0.6	5.4	4.7	2.6

Source: EUROSTAT

5.1.5 Table 5: Kosovo's Insurance and pension services trade transactions with the EU in million EURO

	Export		Import		Balance	
Country/Year	2017	2018	2017	2018	2017	2018
Germany	4	3	4.4	4.7	-0.4	-1.7
Belgium	0.1	0.2	0	0.2	0.1	0
Bulgaria	0	0.1	0.8	0.8	-0.8	-0.7
Czech	0	0.1	0.4	0.4	-0.4	-0.3
Denmark	0	0	0	0.1	0	-0.1
Estonia	0	0	0	0	0	0
Ireland	0.6	12.1	0	0	0.6	12.1
Greece	0	0	1.6	1.4	-1.6	-1.4
Spain	0	0	0.5	0.9	-0.5	-0.9
France	0.3	0.3	0.5	0.7	-0.2	-0.4
Croatia	0.5	0.2	0.7	0.7	-0.2	-0.5
Italy	0.4	0.5	2.1	2.4	-1.7	-1.9
Cyprus	0	0	0	0	0	0
Latvia	0.1	0	0.5	0.8	-0.4	-0.8
Lithuania	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0
Hungary	0	0.1	0.4	0.4	-0.4	-0.3
Malta	0	0	0	0	0	0
Netherlands	0	0	0.4	0.4	-0.4	-0.4
Austria	1.5	2	1.9	1.9	-0.4	0.1
Poland	0	0	0.8	1	-0.8	-1
Portugal	0	0	0	0	0	0
Romania	0	0	0.5	0.7	-0.5	-0.7
Slovenia	0.9	0.8	1.1	1.9	-0.2	-1.1
Slovakia	0	0	0	0.2	0	-0.2
Finland	0	0	0	0	0	0
United Kingdom	0.5	2.6	1.8	3.2	-1.3	-0.6
Sweden	0.1	0.2	0	0.1	0.1	0.1
Total	9	22.2	18.4	22.9	-9.4	-0.7

Source: EUROSTAT

5.1.6 Table 6: Kosovo's Financial Services Trade Transactions with the EU in million EURO

	Export		Import		Balance	
Country/Year	2017	2018	2017	2018	2017	2018
Germany	0	0	0.1	0	-0.1	0
Belgium	0	0.2	0	0	0	0.2
Bulgaria	-	-	-	-	-	-
Czech	0	0	0	0	0	0
Denmark	-	-	-	-	-	-
Estonia	-	-	-	-	-	-
Ireland	0	0	0.8	0.5	-0.8	-0.5
Greece	-	-	-	-	-	-
Spain	-	-	-	-	-	-
France	-	-	-	-	-	-
Croatia	-	0	-	0	-	0
Italy	-	-	-	-	-	-
Cyprus	-	-	-	-	-	-
Latvia	-	-	-	-	-	-
Lithuania	0	-	0	-	0	-
Luxembourg	0	0	2.9	2.5	-2.9	-2.5
Hungary	-	-	-	-	-	-
Malta	-	-	-	-	-	-
Netherlands	-	0	-	0	-	0
Austria	0	0	0	0	0	0
Poland	0	-	0	-	0	-
Portugal	-	-	-	-	-	-
Romania	-	-	-	-	-	-
Slovenia	0	—	0	—	0	—
Slovakia	-	-	-	-	-	-
Finland	-	-	-	-	-	-
United Kingdom	0	0	0.3	0.4	-0.3	-0.4
Sweden	0.1	0	0	-	0.1	0
Total	0.1	0.2	4.1	3.4	-4	-3.2

Source: EUROSTAT

5.1.7 Table 7: Kosovo's ICT Services Trade Transactions with the EU in million EURO

	Export		Import		Balance	
Country	2017	2018	2017	2018	2017	2018
Germany	8.2	12.2	4.1	4.4	4.1	7.8
Belgium	0.1	1.1	0.2	0.6	-0.1	0.5
Bulgaria	0	0.4	0.2	0.3	-0.2	0.1
Czech	0.1	0.3	0.2	0.4	-0.1	-0.1
Denmark	0	0	0.1	0.1	-0.1	-0.1
Estonia	0	0	0	0.1	0.0	-0.1
Ireland	0	2.5	0.2	0.4	-0.2	2.1
Greece	0	0	0	0	0.0	0.0
Spain	0	0.1	0.1	0.1	-0.1	0.0
France	2.1	0.1	3.6	1	-1.5	-0.9
Croatia	0	0.2	0.6	1.2	-0.6	-1.0
Italy	0.6	0.9	7.1	5.5	-6.5	-4.6
Cyprus	0	0	0.1	0	-0.1	0.0
Latvia	0.2	0	0.1	0.1	0.1	-0.1
Lithuania	0	0	0	0	0	0.0
Luxembourg	0.2	0.1	0.9	0.3	-0.7	-0.2
Hungary	0.1	0.2	0	0.3	0.1	-0.1
Malta	0.2	0.5	0	0.1	0.2	0.4
Netherlands	1.9	1.0	0.5	0.4	1.4	0.6
Austria	1.1	1.0	0.5	0.4	0.6	0.6
Poland	0.2	1.8	0.1	0.2	0.1	1.6
Portugal	-	0.0	-	0	-	0.0
Romania	0.1	0.0	0	0.1	0.1	-0.1
Slovenia	2.8	2.3	0.5	0.6	2.3	1.7
Slovakia	0.0	0.0	0.2	0	-0.2	0.0
Finland	0.0	0.1	0	0	0	0.1
United Kingdom	1.8	2.0	4.7	3	-2.9	-1.0
Sweden	0.0	0.0	0.2	0.1	-0.2	-0.1
total	19.7	26.8	24.2	19.7	-4.5	7.1

Source: EUROSTAT

5.1.8 Table 8: Kosovo's Other Business Services Trade Transactions with the EU in million EURO

	Export		Import		Balance	
Country	2017	2018	2017	2018	2017	2018
Germany	19.1	26.4	2.1	3.5	17	22.9
Belgium	2.7	4.7	1.2	1.3	1.5	3.4
Bulgaria	0.5	3.7	0.5	0.8	0.0	2.9
Czech	2.4	2.1	0.1	0.4	2.3	1.7
Denmark	0.4	0.3	0.5	0.6	-0.1	-0.3
Estonia	0.1	0.1	0.1	0.2	0	-0.1
Ireland	0.6	3.0	3.8	4.2	-3.2	-1.2
Greece	0.0	0.1	0.4	0.4	-0.4	-0.3
Spain	0.2	0.2	0	0.4	0.2	-0.2
France	1.2	1.5	1.5	1.1	-0.3	0.4
Croatia	1.4	1.9	0.9	0.7	0.5	1.2
Italy	2.3	3.0	1.9	2.2	0.4	0.8
Cyprus	0.4	2.0	0.4	0.9	0	1.1
Latvia	0.3	0.2	0	0.2	0.3	0.0
Lithuania	0.0	0.0	0	0.1	0	-0.1
Luxembourg	0.9	1.1	0.1	0.2	0.8	0.9
Hungary	1.5	2.1	1	1.2	0.5	0.9
Malta	2.3	1.3	0	0.2	2.3	1.1
Netherlands	1.0	1.6	0.6	0.8	0.4	0.8
Austria	4.9	5.4	1.2	1.2	3.7	4.2
Poland	1.8	7.5	0	0.3	1.8	7.2
Portugal	0.0	0.0	0	0.1	0	-0.1
Romania	0.3	0.4	0.7	1	-0.4	-0.6
Slovenia	1.7	1.7	0.5	0.7	1.2	1.0
Slovakia	0.1	0.8	0.2	0.1	-0.1	0.7
Finland	0.4	0.4	0.3	1.1	0.1	-0.7
United Kingdom	3.4	3.9	2.3	3.4	1.1	0.5
Sweden	0.8	1.0	0.2	0.2	0.6	0.8
total	50.7	76.4	20.5	27.5	30.2	48.9

Source: EUROSTAT

5.1.9 Table 9: Kosovo's Personal, Cultural, and Recreational Services Trade Transactions with the EU in million EURO

	Export		Import		Balance	
Country	2017	2018	2017	2018	2017	2018
Germany	0	0.6	0.2	0.2	-0.2	0.4
Belgium	0.1	0.0	0	0.1	0.1	-0.1
Bulgaria	0.0	0.0	0	0	0.0	0.0
Czech	0.0	0.0	0	0	0.0	0.0
Denmark	0.0	0.0	0	0	0.0	0.0
Estonia	-	0.0	-	0	-	0.0
Ireland	0.0	0.0	0	0	0.0	0.0
Greece	0.0	0.0	0	0	0.0	0.0
Spain	0.0	0.0	0	0	0.0	0.0
France	0.3	0.1	0	0.1	0.3	0.0
Croatia	0.0	0.1	0	0.2	0.0	-0.1
Italy	0.0	0.0	0	0.1	0.0	-0.1
Cyprus	0.0	0.0	0	0	0.0	0.0
Latvia	0.0	0.0	0	0	0.0	0.0
Lithuania	0.0	0.0	0	0	0.0	0.0
Luxembourg	0.0	0.0	0	0	0.0	0.0
Hungary	0.0	0.1	0	0	0.0	0.1
Malta	0.0	0.0	0	0	0.0	0.0
Netherlands	0.0	0.2	0	0	0.0	0.2
Austria	0.0	0.1	0	0.1	0.0	0.0
Poland	0.0	0.0	0	0	0.0	0.0
Portugal	-	0.2	-	0	-	0.2
Romania	0.0	0.0	0	0	0.0	0.0
Slovenia	0.0	0.1	0	0	0.0	0.1
Slovakia	0.0	0.0	0	0	0.0	0.0
Finland	0.0	0.0	0	0	0.0	0.0
United Kingdom	0.4	0.3	0	0.4	0.4	-0.1
Sweden	0.0	0.1	0	0	0.0	0.1
total	0.8	1.9	0.2	1.2	0.6	0.7

Source: EUROSTAT

5.1.10 Table 10: Kosovo's Government Goods and Services n.i.e. Trade Transactions with the EU in million EURO

	Export		Import		Balance	
Country	2017	2018	2017	2018	2017	2018
Germany	4.2	4.3	0.4	0.7	3.8	3.6
Belgium	0.0	0.0	0.4	0.7	-0.4	-0.7
Bulgaria	0.0	0.1	0	0	0.0	0.1
Czech	0.0	0.1	0.5	0.7	-0.5	-0.6
Denmark	0.2	0.2	0	0	0.2	0.2
Estonia	0.0	0.0	0	0	0.0	0.0
Ireland	0.0	0.0	0	0	0.0	0.0
Greece	0.8	0.6	0	0	0.8	0.6
Spain	0.0	0.0	0	0	0.0	0.0
France	0.0	0.0	0.9	1.4	-0.9	-1.4
Croatia	0.0	0.1	0.4	0.7	-0.4	-0.6
Italy	3.2	3.1	0.4	0.7	2.8	2.4
Cyprus	-	0.0	-	0	-	0.0
Latvia	0.0	0.0	0	0	0.0	0.0
Lithuania	0.0	0.0	0	0	0.0	0.0
Luxembourg	0.0	0.1	0	0	0.0	0.1
Hungary	2.0	2.1	0.4	0.7	1.6	1.4
Malta	0.0	0.0	0	0	0.0	0.0
Netherlands	0.0	0.0	0.4	0.7	-0.4	-0.7
Austria	2.8	2.9	0.5	0.7	2.3	2.2
Poland	1.6	1.4	0	0	1.6	1.4
Portugal	0.0	0.0	0	0	0.0	0.0
Romania	0.4	0.4	0	0	0.4	0.4
Slovenia	1.6	1.6	0	0	1.6	1.6
Slovakia	0.0	0.0	0	0	0.0	0.0
Finland	0.2	0.1	0	0	0.2	0.1
United Kingdom	0.0	0.0	0.6	0.7	-0.6	-0.7
Sweden	0.0	0.0	0.5	0.7	-0.5	-0.7
total	17.0	17.1	5.4	8.4	11.6	8.7

Source: EUROSTAT

5.1.11 Table 11: Kosovo's Manufacturing services on physical inputs owned by others with the EU in million EURO

	Credit		Debit		Balance	
Country	2017	2018	2017	2018	2017	2018
Germany	0.2	0.2	0	0	0.2	0.2
Belgium	0	0.1	0	0	0	0.1
Bulgaria	0	0.0	0	0	0	0
Czech	0	0.0	0	0	0	0
Denmark	0	0.0	0	0	0	0
Estonia	0	0.0	0	0	0	0
Ireland	0	0	0	0	0	0
Greece	0	0	0	0	0	0
Spain	0	0	0	0	0	0
France	0.2	0.4	0	0	0.2	0.4
Croatia	0.2	0.4	0	0	0.2	0.4
Italy	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0
Latvia	0	0	0	0	0	0
Lithuania	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0
Hungary	0	0	0	0	0	0
Malta	0	0	0	0	0	0
Netherlands	1.5	1.6	0	0	1.5	1.6
Austria	0	0.2	0	0	0.2	0.0
Poland	0	0	0	0	0	0
Portugal	0	0	0	0	0	0
Romania	0	0.1	0	0	0.1	0.0
Slovenia	0	0	0	0	0	0
Slovakia	0	0	0	0	0	0
Finland	0	0	0	0	0	0
United Kingdom	0	0	0	0	0	0
Sweden	0	0.1	0	0	0.1	0.0
total	2.1	3.1	0.0	0.0	2.5	2.7

Source Eurostat

5.1.12 Table 12: Kosovo's Maintenance and repair services n.i.e. with the EU expressed in million EURO

	Credit		Debit		Balance	
Country	2017	2018	2017	2018	2017	2018
Germany	0	0.0	0	0.6	0	-0.6
Belgium	0	0.0	0	0.1	0	-0.1
Bulgaria	0	0.0	0	0	0	0
Czech	0	0.0	0	0	0	0
Denmark	0	0.0	0	0	0	0
Estonia	0	0.0	0	0	0	0
Ireland	0	0	0	0	0	0
Greece	0	0	0	0	0	0
Spain	0	0	0	0	0	0
France	0	0	0	0	0	0
Croatia	0	0	0	0	0	0
Italy	0	0	0.1	0	-0.1	0.0
Cyprus	0	0	0	0	0	0
Latvia	0	0	0	0	0	0
Lithuania	0	0	0	0	0	0
Luxembourg	0	0	0.1	0	-0.1	0.0
Hungary	0	0	0	0	0	0
Malta	0	0	0	0	0	0
Netherlands	0	0	0.1	0	-0.1	0.0
Austria	0	0	0.1	0	-0.1	0.0
Poland	0	0	0.1	0	-0.1	0.0
Portugal	0	0	0	0	0	0
Romania	0	0	0	0	0	0
Slovenia	0	0	0	0	0	0
Slovakia	0	0	0	0	0	0
Finland	0	0	0	0	0	0
United Kingdom	0	0	0	0	0	0
Sweden	0	0	0	0	0	0
total	0	0.0	0.5	0.7	-0.5	-0.7

Source EUROSTAT

5.1.13 Table 13: Kosovo's Charges for the use of intellectual property n.i.e. with the EU in million EURO

	Credit		Debit		Balance	
Country	2017	2018	2017	2018	2017	2018
Germany	0	0.0	0	0	0	0
Belgium	0	0.0	0	0.2	0	-0.2
Bulgaria	0	0.0	0	0	0	0
Czech	0	0.0	0	0	0	0
Denmark	0	0.0	0	0	0	0
Estonia	0	0.0	0	0	0	0
Ireland	0	0	0	0	0	0
Greece	0	0	0	0	0	0
Spain	0	0	0	0	0	0
France	0	0	0	0	0	0
Croatia	0	0	0	0.1	0	-0.1
Italy	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0
Latvia	0	0	0	0	0	0
Lithuania	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0
Hungary	0	0	0	0	0	0
Malta	0.2	0	0	0	0.2	0.0
Netherlands	0	0	0	0	0	0
Austria	0	0	0	0	0	0
Poland	0	0	0	0	0	0
Portugal	0	0	0	0	0	0
Romania	0	0	0	0	0	0
Slovenia	0	0	0.7	0.3	-0.7	-0.3
Slovakia	0	0	0	0	0	0
Finland	0	0	0	0	0	0
United Kingdom	0	0	0.1	0.1	-0.1	-0.1
Sweden	0	0	0	0	0	0
total	0.2	0.0	0.8	0.7	-0.6	-0.7

Source: EUROSTAT

5.2 Data on Trade in Services with the CEFTA Parties

5.2.1 *Table 14: Kosovo's Total Services Trade Transactions with CEFTA Parties in million EURO*

	Export	Import	Balance	Export	Import	Balance
Country/Year	2017			2018		
Albania	54.896	178.73	-123.834	18.01	140.58	-122.57
Bosnia and Herzegovina	1.523	4.25	-2.727	16.89	5.17	11.72
North Macedonia	9.480	26.55	-17.07	4.35	15.10	-10.75
Moldova	0.372	0.07	0.302	0.38	0.06	0.33
Montenegro	7.034	18.63	-11.596	8.92	14.88	-5.95
Serbia	15.566	8.15	7.416	18.39	8.98	9.41
Total	89.871	236.38	-147.509	66.94	184.76	-117.83

Source: Central Bank of Kosovo (CBK)

5.2.2 *Table 15: Kosovo's Manufacturing Services on Physical Inputs Owned by Others Trade Transactions with CEFTA Parties in million EURO*

	Export	Import	Balance	Export	Import	Balance
Country/Year	2017			2018		
Albania	0.19	0.00	0.19	0.131	0.000	0.131
Bosnia and Herzegovina	-	0.00	-	0.000	0.000	0.000
North Macedonia	0.22	0.00	0.22	0.099	0.000	0.099
Moldova	-	0.00	-	0.000	0.000	0.000
Montenegro	-	0.00	-	0.003	0.000	0.003
Serbia	-	0.00	-	0.000	0.000	0.000
Total	0.41	0.00	0.41	0.234	0.000	0.234

Source: Central Bank of Kosovo (CBK)

5.2.3 *Table 16: Kosovo's Maintenance and Repair Services n.i.e. Trade Transactions with CEFTA Parties in million EURO*

	Export	Import	Balance	Export	Import	Balance
Country/Year	2017			2018		
Albania	-	0.00	-	0.000	0.000	0.000
Bosnia and Herzegovina	-	0.07	-0.07	0.000	0.031	-0.031
North Macedonia	-	0.08	-0.08	0.000	0.010	-0.010
Moldova	-	0.00	-0.00	0.000	0.000	0.000
Montenegro	-	0.00	-	0.000	0.000	0.000
Serbia	-	0.21	-0.21	0.000	0.058	-0.058
Total		0.00	-0.37	0.000	0.099	-0.099

Source: EUROSTAT

5.2.4 *Table 17: Kosovo's Transport Trade Transactions with CEFTA Parties in million EURO*

	Export	Import	Balance	Export	Import	Balance
Country/ Year	2017			2018		
Albania	0.24	0.61	-0.37	0.191	1.112	-0.921
Bosnia and Herzegovina	0.04	3.45	-3.41	0.000	2.666	-2.666
North Macedonia	0.43	1.97	-1.54	0.331	2.117	-1.787
Moldova	-	0.01	-0.01	0.000	0.020	-0.020
Montenegro	0.17	0.51	-0.34	0.122	0.191	-0.070
Serbia	0.01	0.30	-0.29	0.032	0.376	-0.344
Total	0.89	6.85	-5.96	0.675	6.483	-5.809

Source: Central Bank of Kosovo (CBK)

5.2.5 Table 18: Kosovo's Travel Trade Transactions with CEFTA Parties in million EURO

	export	import	balance	export	import	balance
Country/Year	2017			2018		
Albania	6.47	128.28	-121.81	40.599	162.056	-121.457
Bosnia and Herzegovina	16.11	0.50	15.60	0.507	0.340	0.167
North Macedonia	1.27	6.81	-5.54	4.186	15.429	-11.243
Moldova	0.14	0.04	0.10	0.132	0.043	0.089
Montenegro	1.30	11.51	-10.21	1.206	12.119	-10.913
Serbia	16.03	2.02	14.02	13.169	1.930	11.239
Total	41.32	149.15	-107.83	59.802	191.918	-132.117

Source: Central Bank of Kosovo (CBK)

5.2.6 Table 19: Kosovo's Construction Services Trade Transactions with CEFTA Parties in million EURO

	Export	Import	Balance	Export	Import	Balance
Country/Year	2017			2018		
Albania	0.28	0.06	0.22	1.051	0.090	0.961
Bosnia and Herzegovina	0.02	0.00	0.02	0.013	0.000	0.013
North Macedonia	0.05	0.27	-0.22	0.187	0.421	-0.234
Moldova	-	0.00	-	0.000	0.000	0.000
Montenegro	0.53	0.13	0.41	0.481	0.013	0.468
Serbia	0.09	0.08	0.00	0.054	0.080	-0.027
Total	0.98	0.55	0.43	1.792	0.604	1.188

Source: Central Bank of Kosovo (CBK)

5.2.7 Table 20: Kosovo's Insurance and Pension Services Trade Transactions with CEFTA Parties in million EURO

	Export	Import	Balance	Export	Import	Balance
Country/Year	2017			2018		
Albania	0.08	2.46	-2.38	0.597	3.008	-2.411
Bosnia and Herzegovina	0.10	0.94	-0.84	0.107	0.804	-0.696
North Macedonia	0.33	2.54	-2.21	0.540	2.677	-2.138
Moldova	-	0.00	-0.00	0.000	0.005	-0.005
Montenegro	0.66	0.19	0.48	0.676	0.188	0.488
Serbia	0.31	5.18	-4.88	0.253	4.671	-4.418
Total	1.48	11.31	-9.82	2.193	11.354	-9.161

Source: Central Bank of Kosovo (CBK)

5.2.8 Table 21: Kosovo's Financial Services Trade Transactions with CEFTA Parties in million EURO

	Export	Import	Balance	Export	Import	Balance
Country/ Year	2017			2018		
Albania	-	0.00	-	0.000	0.000	0.000
Bosnia and Herzegovina	-	0.00	-	0.000	0.015	-0.015
North Macedonia	-	0.00	-	0.064	0.000	0.064
Moldova	-	0.00	-	0.000	0.000	0.000
Montenegro	-	0.00	-	0.000	0.000	0.000
Serbia	0.00	0.17	-0.17	0.000	0.008	-0.008
Total	0.00	0.17	-0.17	0.064	0.023	0.040

Source: Central Bank of Kosovo (CBK)

5.2.9 Table 22: Kosovo's Charge for the Use of Intellectual Property Trade Transactions with CEFTA Parties in million EURO

	export	import	balance	export	import	balance
Country/ Year	2017			2018		
Albania	0.03	0.17	-0.14	0.089	0.137	-0.048
Bosnia and Herzegovina	-	0.00	0.00	0.000	0.180	-0.180
North Macedonia	-	0.02	-0.02	0.001	0.367	-0.366
Moldova	-	0.00	-	0.000	0.000	0.000
Montenegro	-	0.00	-	0.000	0.021	-0.021
Serbia	-	0.06	-0.06	0.000	0.046	-0.046
Total	0.03	0.25	-0.22	0.090	0.751	-0.661

Source: Central Bank of Kosovo (CBK)

5.2.10 Table 23: Kosovo's ICT Services Trade Transactions with CEFTA Parties in million EURO

	Export	Import	Balance	Export	Import	Balance
Country/ Year	2017			2018		
Albania	6.60	5.00	1.60	6.322	6.847	-0.525
Bosnia and Herzegovina	0.06	0.10	-0.04	0.089	0.126	-0.037
North Macedonia	0.27	2.05	-1.78	0.961	3.311	-2.350
Moldova	-	0.00	-	0.000	0.000	0.000
Montenegro	2.70	1.77	0.93	2.556	5.135	-2.580
Serbia	0.15	0.55	-0.40	0.092	0.567	-0.475
	9.78	9.48	0.31	10.113	15.988	-5.875

Source: Central Bank of Kosovo (CBK)

**5.2.11 Table 24: Kosovo's Other Business Services
Trade Transactions with CEFTA Parties in
million EURO**

	Export	Import	Balance	Export	Import	Balance
Country/ Year	2017			2018		
Albania	3.64	3.34	0.30	5.416	4.589	0.827
Bosnia and Herzegovina	0.54	0.08	0.46	0.769	0.076	0.693
North Macedonia	1.65	0.76	0.90	2.949	1.357	1.591
Moldova	-	0.00	-	0.000	0.005	-0.005
Montenegro	3.56	0.27	3.28	1.969	0.238	1.731
Serbia	1.79	0.31	1.48	1.942	0.338	1.604
Total	11.19	4.76	6.43	13.463	6.603	6.860

Source: Central Bank in Kosovo (CBK)