Introduction

Karl Popper rightly says that “real starting point for each research is set based on assumptions of reality, not only based on the real facts”. The text below was prepared in accordance with this logic, where the Theories of International Development are treated especially focusing on International Economic Development. Therefore, theoretical reflections present assumption side, and study of many empirically measured data will correspond with real facts, because with ought these facts assumption would be useless.

Technically this writing consists of two parts: in the first part are elaborated all theoretical and practical characteristics of overall international development, while in a second part as a case study will be Economic Development in Kosovo. From methodological point of view this is a comparative study and based on statistical data, while problem treating approach is critical and explanatory.

As it will be understood later, development theories have been decisively influenced by economic thinking, and the focus on this dimension responds best to the nature of the term development. On the other hand the fact of unfolding economical development will reflect interference and the nature of it’s inter politics.

Today economic development becomes a worldwide goal, having a considerable place in most of the literature with economic content. Also, here are presented as well examples from different practices that reflect economic development in different periods and places. Here is presented international economic development starting with a brief description of a genealogy of this development and ways of economic development back that time. It is of a special importance elaboration through theoretical approach on the creation of capital and economic development, as
mercantilist theory, classic and neo classic theory, than capitalization and Socialism-Marxism.

To better understand the nature of economic development, the focus falls on the appearance of the Third Technological Revolution and its role in the world, contemporary economy and as well appearance of the development problems and a need for different theoretical approach.

As a separate part is presented international development and its measurement, the one that marks empty topic of analyses. Then, an important reflection on economic growth or economic development provides both multinational corporations and foreign investments, as mechanism of money. Hence, elaboration of these topics has a considerable place within this text linked to their role in the development or exploitation in different regions or countries. On the other hand, another alternative of Development Theories are presented “Theories of Addiction” which will be understood best after giving a broader explanation on economic development or non-development. This set overview will give legitimate basis or will expose more to criticism.

1. Genealogy of International Economic Development

Early human societies had a very simple capital stock consisting mainly of clothing and hand tools by producing only a few residuals. Later on, about 10 thousand years ago agriculture was discovered.\(^1\) Since then and until now the trajectory of development was sustained – early grow rates were mainly arithmetic, whereas now in the era of globalization development rates are almost geometric. During this time, main development characteristics were tendency to support establishment of the economic surplus, so more and more wealth is accumulated but at the same time number of population was increasing more and more.

This process of accumulation of wealth in a way speeded up even more Industrial Revolution that started some centuries ago and was based on development of industrial machinery. However, this proces of industrialization happened in a very un-proportional way among different regions of the world.

North has a very large accumulation of capital. South produces unexpected fortune and has special regions for wealth collection, but in majority of the zones it remains and preindustrial economy\(^2\). It means those zones are still not industrialized...because with an industrialized society (or place) is understood when more than 50% of the working society in involved in industrial activities in producing sector or secondary sector, hence these

\(^1\) Joshua S.Goldstein: International relations, 4th edition, Tiranë 2003, page 496.
\(^2\) same, page 497.
societies are named post industrial societies. This way, when we achieve an effective level of production in developed phase of technology, with the aim that less people can produce goods of the society, a majority of workers belongs to a servile sector or 3rd sector.

1.1 Theories for the creation of wealth

These theories are superficial for international economic development and every effort for analyzing more in details specifics of this development should be looked at through the theoretical approach. Here we will focus on two opposing theories on wealth accumulation shown in simplified form. Bow ways of treatment are based on world views that are more liberal and revolutionary.

a) Mercantilist views

Classical economics indicates that a country’s wealth is measured by the quantity (and quality) of productive resources, namely human resources, natural resources and their material resources developed by the work of people in that place. However, although incorrect mercantilist view is justified from the historical perspective. The main thesis of mercantilists consisted precisely on considering trade as a mean of accumulating gold and silver by encouraging exports and limiting imports. Thomas Munn (1571-1641) main representative of mercantilism in his “England’s treasury and foreign trade” wrote:

“Common tool to increase our wealth and treasure is foreign trade, in realization of which we should follow this rule: every year to sell more to foreigners than we buy from them. Because that part of the export trade which will not come back to us necessarily as an import will bring precious metals...”.

b) Classical View

D.Hume & A.Smith & D.Ricardo

From the second half of the 18th century mercantilist doctrine was attacked from the main representatives of the science of economics, which was in the development process back that time. David Hume in the year 1752 pointed out two mayor weaknesses of the mercantilist view on trade.

First: according to Hume, the quantity of gold and silver has no impact on the welfare of the nation, but the quantity of goods and services that can be bought by gold and silver.

Second: even if a country would be successful under the mercantilist view, this success will not continue for a long time. Accumulation of gold will have an impact on the increase of races while limiting exports and making imports more desirable. But, Adam Smith did not stop here. He supported view on mutual benefit from trade with a strong theoretical argument. According to Smith, trade between two countries is based on their absolute advantages.

According to him, if a country can offer us goods with a cheaper price then producing them on our own, it is better to buy them with our industrial products, out of which we have advantages.

In this part, we will focus only on clarifying the Ricardian hypothesis, that it fact has a value of a law on comparative advantages. According to Ricard’s law on comparative advantages:

...A country benefits from trade by exporting those goods and services out of which it has greater comparative advantages in productivity and by importing those goods out of which comparative advantages are smaller.

c) Neo-classic view

A very important contribution to the analytical contribution related to international trade and economic growth have given Eli Heckscher, a prominent historian of a Swedish economy and Bertil Ohlin, former student of the Heckscher view. To Hechscher, based on comparative advantages lie changes in proportion of factors, namely changes in the relative dominance and their relative use. This idea of Heckscher was developed further by Ohlin. According to Ohlin:

“countries export products requiring large amounts of their abundant production factors and import products requiring large amounts of their scarce production factors. So, indirectly factors with a large amount are exported and retail available factors are imported”.

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5 Sejdi Rexhepi: Economy and World politics, Programe of Master Studies. Dep:ShPAP.F.F.UP.
7 same, page, 29.
8 same, page, 34-35.
d) Theory of Capitalism

It’s a capital property system based on the market strength to distribute goods. In terms of capitalism the process of wealth creation is mainly controlled by individuals and private companies (since the government takes taxes). But, in reality pure capitalistic country does non exist. Almost all of them have a mixed form of the economy including private and state property. A “welfare state” ensures education, some health benefits and other similar services. Capitalist principles underline the global economy...which means that focus of the capital is in the north and far less in the global south. However in regard to this fact, this separation is not final because the concentrations of the capital disparities are large even within the respective region. For example if we compare concentration of wealth within these two regions and within the respective region itself we will see a huge difference. Hence, one out of seven inhabitants of the world lives in the chronic hunger. Based on some calculations in the year 2005, global overall product - so, overall value of the goods and services during that year was more than 47 trillion euro. If we would divide this nudge amount among the inhabitants of the world, every person would get around 7000 euro. This figure is growing. But global wealth is an ironic fact. According to a recent UN publication, the wealth of the three richest people in the world is greater than the total production of the 48 poorest states together. Also according to th United Nations Development Program 2.5 billion people are struggling to survive with less than 2 euro a day. In the United States, sociologists are working on a group study so called “on the verge of poverty”. They risk a lot to fall into poverty. More than 50 million people in the United States are in this situation, nevertheless they live in a very rich country.


e) Socialism

Linked to the process of the capital accumulation, socialism represents the idea that productive level should have a political power to redistribute that wealth to the workers who are producing it. Since this redistribution does not happen naturally in terms of capitalism, socialism supports interference of the state to do so, doing propaganda on the state property over capital more than on the private property in order to have a state controlled wealth collection to be able to distribute it equally.
f) Marxism

Marxism is a branch of socialism which includes communism as well as other ways of views (not all socialists are Marxist). In the mid 19th century Karl Marx pointed to the work of living as a source of economic surplus. At that time the industrial revolution was accompanied by the special difficulties faced by industry workers in Europe. Today, Marxists still believe that the surplus created by a living work should be retaken from the workers through a political war. Today Marxism is the most influential ideology in third world countries, where capital is still low and the working conditions of workers are bad. Just as capitalism, socialism even exists anywhere in a pure form. In mixed economies has an element of capitalism. China now calls its economic system "market socialism", which is a permanent coordination of state ownership of many large industries with capitalism that exists at the local level and openness international trade investment. Russia and Eastern European now are trying to make a transition to market economies due to the failure of planned economies from a single center. Many third world countries are also making efforts to sell large industries that are owned by the state, namely, making privatization in the hope that it will boost production.

2. Appearance of the third Technological Revolution and its role in the international economy

2.1 Contemporary world theory and needs for new theoretical approach

The theory of economic development-understood as the theory of certain types of economic development-which existed in parallel, is a theory of a certain age in developing world, which during the development of various social formations and economic, is constantly undergoing changes of diverse intensity. Therefore, if a science of studying highly dynamic systems, then without doubt here we have to do with the theory of economic development for the fact that today has become so common that great social changes are treated as cyclical changes. In this regard, we are witnessing the creation of a new era of global economic development where in parallel also emerging new theory of economic development. To explain the essence of this theory, it is necessary to first present the main phenomena of the contemporary world.

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12 Partizan Shuperka: Theory and politics of economic development, UP Faculty of Economy, page 1.
2.2 Main Centers of the crises and rapid exit from the crises

Taking into account the opinion of some economists, following are considered as hot-spots

a) aging of developmental conceptions and methodological approaches;
b) decrease of all growth rates -stagflation;
c) the rapid population increase, unemployment, and lack of food;
d) Increase of global debt;
e) Disorder of international political economic relations.\(^{13}\)

\(^a\) Aging of developmental conceptions and methodological approaches

Non-development is the situation of the soul, says Lawrence Harrison. It is now recognized that economic development cannot be explained only by material factors. First of all, it is necessary for the analysis to consider the human factor.\(^{14}\)

Development experience from a part of the world very slowly spreading to the rest, even when it comes to the same socio-political order. Parallel presentation of the Third Technological Revolution and the search for ways and methods to overcome the crisis; along with their application and experience gained, have made radical changes in global economic flows. Appearance and development of new branches of production which are the core of the TTR, namely new industrialization of developed countries, causing another phenomenon and this is by moving whole branches from developed countries to less developed ones, and here mainly it comes to branches that require lots of manpower, especially the unskilled.\(^{15}\)

At the same time, economic cooperation, much more complicated than before was developing. Now except the relation North-South, two new relations are appearing: North-North and South-South. Now in the scene of the international economy newly industrialized places are appearing.

One of the forms of aging development concepts is the meaning of large ensembles up to the world as a greater ensemble.

The first socialist revolution has emphasized the totality of society and economy, and the need for planning development of society and economy in their entirety. Then, the first global economic crisis 1929-1933, also need to put them out of sight of the economy as a whole, and for this reason it emphasizes

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\(^{13}\) Nagip Skënderi: Theory of economic development, UP Faculty of Philosophy, Prishtinë, 2006.
\(^{14}\) Partizan Shuperka: Theories and practices of economic development, UP Faculty of Economy, page 6.
\(^{15}\) Same.
the role of the state in regulating economic flows.

Problems that are caused by aging of developmental conceptions have included approaches to methodology development problems, and as always, there are the following combinations:

- Old thoughts on old problems;
- Old thoughts on new problems;
- New thoughts on old problems;
- New thoughts on new problems.

Old conceptions about old problems much less hinder development, and for the society and economy are the most useful new thoughts on new problems.

Presentation of the global crisis - known as the "crisis of kerosene 1973" - created four directions in economic theory: Keynesian plus a small group of post-Keynesian; Monetarism; ratex Group, rational expectations, and the economy supply.\(^\text{16}\)

b) Decrease of all norms of growth - stagflation

World Economic Crises, starting on 1973, as a crises of kerosene that later swept the whole world of economy, had a main characteristic the simultaneous increase of inflation and decrease of employment. Term Stagflation appeared in economic literature to unite the two main occurrences of this crisis: inflation and stagflation main occurrences.\(^\text{17}\)

c) The rapid population increase, unemployment, and lack of food;

Two hundred years ago, the British writer Thomas Malthus warned that the population tends to grow faster than food stocks and predicted that population growth will be limited by hunger and disease.

\(^{16}\) Same, page 7.  
\(^{17}\) Same, page 9.
Today, experts warn officials against overpopulation of the world sometimes called Malthusians world. Critics pointed out that in the past technology have progressed in step with the population, allowing extracting more food and resources from the environment, sometimes when the population was continuously increasing. The world population is foreseen to grow from 6.1 billion in the year 2000 to 8.9 billion in the year 2050, so, with an increase of 47%. Average annual increase norm will be 0.77%, lower than 1.76% average increase from 1950 to 2000. In addition, growth is projected to slow further than expected. For 2000-2005, the annual growth rate estimated at 1.22%, from 2045 -2050, it will be only 0.33%.18

World’s population has achieved a record number currently. World’s population in increasing every year with about 100 billion people, what means with more than a quarter of million every day, and in the year 1999 exceeded 6 billion. The foreseen population within next 25 years will be around 8 billion and little can be do to change it. 97% of population growth during this period will be in the South and 1/3 of it only in Africa19. However leaders of most third world countries realized that unrestricted growth of population will decrease incomes per capita. The concern is that with damaging the environment, actions taken to slow down the increase of population can lead to short term costs and long term benefits.20

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d) Increase of global debt

Except inflation and unemployment, debts of the developing countries are a sign of a fire of crisis in world economy.

Indeed, commenting on the fact that in developing countries (which are the largest debtors), the growth rate is smaller than the real rate of interest, and that these have been the main characteristic of the development of world economy in 80’s. However, the external debt is an issue that should be analyzed with caution, even now in early XXI century.

For example, the South carries nearly 2 trillion USD of foreign debt, and paid approximately USD 250 billion annually to debt servicing. Debt service (in the strong currency) absorbs approximately one third of the entire amount of earnings from exports in strong currency in Latin America—the region most affected. Africa’s debt is equal to two-thirds of GDP in the region, but many countries in this region are also vulnerable to debt problems (as was discovered in the assessment of the currency in 1997).

But, according to a World Bank report, all regions have been improvements on their foreign debts. Indicators of external debt measured in terms of Gross National Income (GNI) and revenues from exports have improved significantly since the beginning of the decade and this trend is expected to continue until 2008. For all developing countries the ratio of total external debt denominated in exports has fallen from 122.2% in 2000 to 58.7% in 2008, and debt service relative to exports are halved to 9.5%. (See Table 2).

Table 2. Indicators of the debts of the countries of regions in groups

<table>
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<tr>
<th>Region</th>
<th>Debt Stock / AKB</th>
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<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>29.5 16.7 13.7</td>
<td>77.3 35.1 30.9</td>
<td>11.4 4.4 3.9</td>
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<td>Europe and Central Asia</td>
<td>49.9 40.9 37.3</td>
<td>135.5 106.3 93.3</td>
<td>18.2 18.2 18.6</td>
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<td>Latin America and Caribbean</td>
<td>37.4 23.8 21.8</td>
<td>159.1 86.4 80.8</td>
<td>38.0 15.7 14.0</td>
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<td>Middle East and North Africa</td>
<td>33.9 19.6 15.1</td>
<td>95.0 43.3 33.3</td>
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<td>South Asia</td>
<td>26.7 20.0 21.3</td>
<td>152.3 81.5 74.7</td>
<td>14.6 12.4 8.4</td>
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<td>Sub-Saharan Africa</td>
<td>66.0 23.6 21.2</td>
<td>180.6 54.9 48.0</td>
<td>11.5 5.4 3.3</td>
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e) Disorder of international political-economical relations

In regard to these disordered relations we have the opinion of the economist Frenc Kozma who says the whole metabolism of the world economy is

21 Partizan Shuperka: Theory and politics of economic development, UP Faculty of economy, page 18.
disordered”. By approving this, Kozma says that disorder is deeper and more complicated to be removed, and talking based on medical language it needs longer therapy to be healed. Duration of the therapy does not depend on the problems created in the field on economic international cooperation only out as well on militarization and war, from the munition which causes environmental pollution as well.

Regarding these international economic challenges example shows that in every three seconds somewhere in the world a child dies as a result of poor nutrition. This means 1000 in every hour, 30 thousands every day and 10 million annually. The world produces enough food to feed these children and enough remedy to help them financially, but their families do not have enough income to do so. They die at the end of poverty. Have on mind that during same three seconds while a kid dies world spends 75 thousands USD for military forces. 1000 USD out of this amount will be enough to save a life of a kid.

3. International Development

Noted above, especially from the theoretical explication of economic wealth creation-the growing importance of this role was crucial trade cooperation between countries, cooperation with essentially interdependence.

3.1 Economic interdependence as a condition for development

Economic interdependence among countries has been continuously strengthened and it is expressed in a range of indicators. The main indicators used to show the level of economic interdependence are:

a) Absolute and relative rates (compared with the growth rates of world GDP) of growth of rates of goods and services;

b) National indicators of the relative growth of export (import) to GDP.

The dynamics of these indicators shows the essence of economic interdependence between countries.
For example, global trade has increased both in absolute and relative indicators, especially after 1990, where world exports rose in the wake of rapid industrialization in developing countries, particularly in China. The value of global exports the first time exceeded 1 trillion USD in 1977 and until 2008. During the same time, the share of global GDP accounted for by trade in goods, where imports and exports combined rose from 18% to 52%.26

As for the national indicators of the relative weight of imports and exports to GDP, can be seen that world GDP in foreign exchange markets widened by 3.6% in 2010, a year after an unprecedented contraction of 2.4% that accompanied the financial crisis of 2009. Outputs of the developed economies rose by 2.6% last year after falling by 3.7% in 2009, while the rest of the world (including developing economies and the Community of Independent States) rose by 2.1% in 7.0% in 2009.27

### 4. Globalization process

In fact, term globalization marks the phenomena of interdependence at the global level of economic dimension, communication, political etc. At this time of the definition of globalization, almost all social activities, mostly economic being tend to seen as increasingly global. For example, multinational corporations are now labeled as "global". In fact the activity of these organizations is becoming more prevalent and this happens through their foreign investments that have different shapes and are matched with the positive or the successes of globalization.

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26 Dr. Jean-Paul Rodrigue: Transportation, Globalization and International (World Merchandise Trade).
4.1 Multinational corporations and foreign investments

As independent actors of international arena, multinational corporate are becoming more powerful. Dozens of industrial MNC have annual sales of ten billion dollars each (about U.S. $ 100 billion each for General Motors, Ford and Exxon). Only 36 countries have more economic activity than GDP of most countries of the world. Many of the world's largest MNC-s are economically larger than all relevant domestic companies taken together. Some operating in over 100 countries, as IBM operates in 131 countries. From 25 companies in the list, 12 have headquarters in the U.S., 9 in Western Europe, 4 in Japan. Economic power they command is abnormally great too. According to one estimate, 500 industrial corporations occupy 80% of global direct investments and foreign ownership branches.

A view of constituting the largest multinationals geographically and their dynamics in the period 1973-1997 is given in Table 4. Although dominated by certain countries, the phenomenon of MNC-s is widespread throughout the world. For example, the centers of MNC-s 500 largest industrial enterprises are in 17 different countries. Direct investment activity in Africa, Asia, and Latin America grew more especially from the industrialized countries of this region, like Korea, Brazil. Euro-western state enterprises have also set up corporations in the East. Prevalence of MNC-s depends on branches of industries and countries. In oil, MNC commands 30% of production even in the opposition situations from many countries. Their share in refining and marketing is even greater, 45%. In some sectors, agribusiness MNC occupies approximately 60% of world production. For many MNC based in Europe sales may take place less than 10% of all sales.

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<tr>
<th>From 250 biggest</th>
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<td>1973</td>
<td>1997</td>
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<td>USA 126(48.5%)</td>
<td>162(32.4%)</td>
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<td>Japan 9(3.5%)</td>
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<td>GBR 49(18.8%)</td>
<td>34(6.8%)</td>
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<td>France 19(7.3%)</td>
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<td>Germany 21(8.1%)</td>
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Today, more than 37,000 companies worldwide have FDI (Foreign Direct Investment) in very different types of business functions such as, extraction of raw materials from the earth, plant cultivation, production of products or components, selling, offering services, etc..

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In 1992 the value of FDI-s was about 2 trillion USD. Profit from sales of these investments was around 5.5 trillion USD that is quite larger than the global value of exports of goods and services with the amount to 4 trillion dollars. FDI are not the only realm of big business or of some big powers. Also note that the trend of FDI directed to developing countries rather than to the rich countries of the industrialized world. In 1991, they were in developing countries 26% of FDI-s or 42 billion USD, while in 1997 the figures are considerably higher, respectively 37% and 149 billion USD. Data collected evaluated by the OECD and the IMF, suggest that FDI have increased dramatically. The total value of such global investments in 1967, RA was estimated to be USD 105 billion, went up to 596 billion by 1984. FDI appear to be making important way for the of sales in foreign markets. Only in America, in the period 1960-1985, the FDI increased from 6.9 to 183 billion USD. ³⁰

Based on these theoretical findings from these empirical situations can be described very clearly the nature of economic activities and international economic development in particular. These insights from this field also enable us to do comparative analysis clear enough for economic position and development of respective countries as may be Kosovo.

5. Theoretical and empirical reviews of the economic system in Kosovo

5.1 Economic development of Kosovo and of its relations with the international economy

Before analyzing the characteristics of the Kosovo economy in detail and its relations with the international economy (its current context, and during the time of its international management as well), we will explain the Kosovo's economy context in which has been operating before 1990's.

We must not forget that the years following World War II until today, Kosovo's economy faces three different realities. First period - Kosovo as a part of the Yugoslav economy, until the end of the eighties, the second one includes the whole nineties when Kosovo was entirely deprived of the basic rights which were reflected in economic reports, and third one, after 1999 when Kosovo realistically became independent, specifically in economic terms³¹.

³⁰ Same, pge 264.
³¹ Economics of International Market, (Short histori of trends and other characteristics of commercial exchanges between Kosovo and the world), Prishtina University, Faculty of Economy, Lesson 1. 2008, page 12-13.
a) Kosovo economic position and development before 1999

Yugoslav economic system, which Kosovo was a part of this economy, is estimated to have been between two antagonistic economic worlds, one side of the system was based on the free market and the other side was based on a East Soviet-type command system. Therefore, production and trade exchanges within and outside of the country were made based on market mechanisms, while the socialist element involved in this combination was about ownership structure, which in Yugoslavia, was different compared with other countries to block East.

Regarding Kosovo during this period, its trade balance shows the same tendency as that of Yugoslavia, particularly until the eighties. Until the late seventies, the country had a relatively good position with the world (see Figure 3 below), but afterwards the situation changed drastically. The level of export grew until 1980 and then remained unchanged. Despite this, imports grew enormous, reaching its highest level in 1979 when the negative trade balance exceeded the amount of 200 million. Since 1984 the trade balance stabilized and partly as a result of two factors: the dividend, a new wave of reforms that were initiated at this time, and secondly, as a result of continued decline in economic activity. However, everything changed in 1989 which was the year of radical changes in Yugoslavia. Consequently, Kosovo was deeply influenced by both economic and political terms. In this case, Kosovo lost its constitutional position within Socialist Yugoslavia. All activities in Kosovo, as well as economic policy were suspended from Belgrade. Among other things, this led to a drastic decline in economic activity in Kosovo. The internal situation in Kosovo's economy was in total downfall, with a macroeconomic balance and the balance trading was extremely negative.
a) Developmental aspects of Kosovo's economy during its international administration

The main feature in terms of economic development in Kosovo, especially immediately after the war, was the fact that at this time was evident in an emergency market involving the housing of the displaced and reconstruction of homes, infrastructure and public services in general. Passing through the reconstruction period in a sustainable development is conditioned by the restructuring of the Kosovo market.

Trade regime in Kosovo is completely liberalized with no restrictions on import and export, but even without motivation and export incentives. All these conditions are relevant in determining the potential investors for their transfers in Kosovo and in this regard in terms of trade regime in Kosovo, things seem to be in order. However, according to results from several surveys, 37% of companies consider the restricted market as a serious impediment, 24% consider the average impediment, while others consider small impediment or no relevant impact.

According to the Resolution 1244 and the Constitutional Framework, issues that were related to Kosovo's international relations, the SRSG had reserved rights. Within these issues and competencies, are those dealing with the creation of economic and trade partnership between Kosovo and abroad.

**Figure 3: Trade Balance of Kosovo, 1971-1998, in million USD**

Remarks: Official data on Kosovo Exports before 1971 do not exist
Also the data do not exist for the years 1993, 1994 and 1995

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Although Kosovo has created a basic legal framework for the realization of direct private investment, the lack of representation of Kosovo in the most important economic and financial institutions, at that time significantly reduced the negotiating capabilities to achieve bilateral agreements with other countries, which made it difficult to encourage foreign investors.

In previous years donors have focused increasingly on institutional capacity building. The technical assistance is estimated at about € 742 million or 29% of donor commitments from June 1999 until the end of 2003 (or € 525 million or 25 percent of donations for the same period). However, by the year 2004, technical assistance accounted for about 71 percent of all donor commitments (or 46 percent of total donations in 2004). This change reflects the ongoing transfer of responsibilities from UNMIK to the PISG and emphasis in the Standards for the strengthening of local institutions, improvement of economic policy capacity of Kosovo institutions and the strengthening of the public investment program and management budget.34 An overview of the percentage of foreign investment in the relevant sectors of the economy of Kosovo is presented in Figure 4.

a) Transition phase and trade activities of Kosovo after 1999

Kosovo is an open economy, the ratio between the total exchange with the outside world and GDP (or factor market opening) was over 0.6 in 2007 (also for previous years, the situation does not change much). Foreign trade is dominated by imports; the level of exports is small resulting in a high trade deficit. Kosovo's economy has grown relatively low in the post-war period (not including the very large increase in the first post-war but of a very low base). Although in this period, significant macroeconomic steps are taken to consolidate the long economic stagnation of Kosovo, a large part of the

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macroeconomic indicators show an unfavorable picture of the national economy.

One of them is Kosovo's trade balance, the difference of which shows a low level of competitiveness of Kosovo products in foreign markets. Kosovo's economy is largely dependent on imports (imports constitute about 50 percent of GDP), and trends show no drastic changes are expected in the short term. Studies show that this low level of competitiveness of Kosovo can only be improved through real devaluation of currency, ie through lower prices relative to foreign partners, as Kosovo uses the euro as currency exchange. (See further in Figure 5.)

![Figure 5: Kosovo Trade Balance (2001 - 2007, in billions of euro)](image)

Source: Economic of International Market, Pristina University, Faculty of Economics, Lesson 1, 2008

But if we analyze the period 2005-2009, we see that its commodity exports are covered with only 10.3% of its imports of goods in 2008. Reports of the IMF predict a current account deficit from 30% in 2008 to 37% of the GDP in 2009. However, improving the trade balance is crucial for Kosovo's economy which uses the euro and relies on its cash offer from the Balance of Payments accounts.35

a) Conditions for Imports and Exports

Kosovo has imported almost all consumer goods and raw materials after the war since the production did not resume in that period. Most of the imports were needed initially in the major reconstruction effort funded largely by remittances from the Diaspora and foreign aid. However with the expansion of economic activity in Kosovo, most of the machinery and raw materials were imported.

These investments have stimulated local production and gradually conditioned the start of import substitution, and finally assisted with exports. About 40% of building materials, such as agrarian exertions are now being produced within the country and playing a role in import substitution. However as the economy grew, imports also grew steadily.

Imports rose steadily from 2005-2008 from 1.16 billion € 1.93 billion € or 66.6%. This increase is represented in Figure 6.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Imports €</th>
</tr>
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<tbody>
<tr>
<td>2005</td>
<td>1,157,494,096</td>
</tr>
<tr>
<td>2006</td>
<td>1,305,860,834</td>
</tr>
<tr>
<td>2007</td>
<td>1,576,168,154</td>
</tr>
<tr>
<td>2008</td>
<td>1,928,238,482</td>
</tr>
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Table 5: Total Imports 2005-2008

Kosovo exports almost did not exist immediately after the war in 1999. However, they eventually were triggered after the activation of production capacities in Kosovo, especially after the privatization of some major factories such as Ferronikeli. Exports are still very low level as part of GDP (less than 6% of GDP), however, between 2005 and 2008 they grew by € 56 million to € 199 million, an increase of 253%. This is best shown in Figure 7.
Conclusion

From above can be understood that all phases of theoretical view on economic development in different places and from different authors, this phenomena was continuously in the center of attention, and as such was proved and contradicted depending on the theory researches were based on. Even those these theories that are considered to overcome the historical context, each of them has contributed in a specific direction regarding economic development and growth of economy in general. Some of them are presented with neo as neo-mercantilism.

Also, it is evident that international economic scene is characterized by events being problematical or in the benefit of economic development. It was highlighted that over a time there have been different tendencies related to the views of local and worldwide economic development. Although there were a variety of periods on international economic development, they have created unfavorable conditions in the regions of the world, such as the case with North-South.

Table 6, Exports in Total 2005-2008

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<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>total exports €</td>
<td>56,235,269.95</td>
<td>110,772,050.87</td>
<td>105,114,357.15</td>
<td>198,405,135.00</td>
</tr>
</tbody>
</table>


Box 1.
Kosovo exports are less than 6% of its GDP. The main commodities exported in 2008 were base metals and metal based items with € 124.1 million (63.3%), identifying Kosovo as an exporter of raw materials based on the extraction industry and not very high value of final products.
Appearance of the third technology revolution undoubtedly marked a turning point on the economic development for a considerable number of countries. From this period, technology in general progressed especially in the North, but it had an impact in the development of the south as well. Inequality between North-South are still deep, especially having in mind poor living conditions in some places of the South while at the other part of the world every fifth person is suffering from overweight.

Divisions regarding economic development are not only developed North-undeveloped South but divisions North-North and South-South as well. This is because of the upper mentioned reason, some countries of the South are developing much faster, and such is the example of Asian four tigers.

In Kosovo case study, can be seen that during the last decade Kosovo was and remains importing country for almost everything, including consuming goods, machinery and productive materials. Even more, Kosovo is still considered as a consuming market from its trade partners. Imports in Kosovo were doubled between the years 2005 - 2008. It is of a special importance the fact that the structure of import is based on machinery and raw materials, which is a potential base for the increase of production and economical development in the near future. While, regarding exports, it can be said that it is four times bigger between the years 2005 -2008. Anyhow, export in Kosovo is mainly oriented on export of base metal with a low value. Export recorded a slight decrease as a consequence of the economic crises. However, due to the low level of exports and overall economic performance in Kosovo, Kosovo economy was not strongly affected, and these negative effects were compensated by increase of consumption and public investments.

In future, if it continues with the same situation between export-import, tendencies for having a sustainable economic development would tend to be slimmer. This issue raises many questions, such as: What should Kosovo people do to change this trend, what kind of politics should be used? Which example should be followed to overcome this position? In coordination with whom this goal can be achieved? For how long, etc.
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