



FACULTY OF ECONOMICS - MASTER STUDIES

MA – FINANCIAL MARKETS AND BANKS

MASTER THESIS

THEME:

**EFFECTS AND IMPLICATIONS FROM THE TRADE DEFICIT OF THE
REPUBLIC OF KOSOVO ON THE ECONOMICAL DEVELOPMENT**

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INTRODUCTION

The external trade exchange of the Republic of Kosovo (regional and international) in the previous period of time, scores permanent increase. The increase of import is executed with a more emphasized dynamic compared to the export of wares and services of the country. Even though, at first sight, there seems to be a stability in the increase of external trade exchange, with a tendency of increasing the volume, or the value of trade exchange, and a more emphasized dynamic in the change of the structure of export and import, especially in the last years, the effects of these changes, according to research results, we assess that they're unachievable to release our goals of the trade policy. In reality, even though we have achieved absolute growth in the external trade exchange, and a partial change of the structure of export and import, the achieved effects are insufficient to improve the actual state in the external trade exchange of the country. It's more than evident that not only we face with failure in releasing our projected values of macro economical indicators, and with this of macro economical goals. In fact, we are even facing with degradation of state in many sectors of external trade exchange, even though the absolute value of it has scored absolute growth within years.

CONCLUSION

Based on research results, we can conclude that:

- The actual system of economical and trade relations of the country is compatible to contemporary systems of developed countries, especially with the systems of EU countries:
- Function of the actual system of economical and trade relations is based on base principles of trade's economy, such as: free market, equality of subjects and loyal competition
- With the measures and tools of macro economical policy, especially measures of trade policy, is acted towards the execution of the goals of trade policy, but in institutional frame-works, by respecting the legalities of country, but also obligations, as equal members in different organizations and associations with regional and global character
- Export of wares and services in the same time period scores decrease from (3.024.000 million Euros in 2012, in 2.639.000 million Euros in 2013). Meanwhile the import in the same time of period scores increase from 21.798.00 million Euros in June of 2012 in value of 22.241.000 million Euros in June of 2013
- Increase of trade deficit in the country is a consequence of the dimension of country's consumption on the level of the new value, respectively on the level of the effective BPSH
- The state of the trade deficit is a consequence of discrepancy between the potential BPSH and the effective one, or a consequence of the limited manufacturing potential of country's economy, and with this of the limitation to increase the offer of products in the local and international market
- The state of trade deficit is a consequence of the lowest productivity level, especially of the factorial productivity, mainly because of the absence of investments in the expansion of the producing potential of country's economy, which disables the increase of competitive skill of country's economy as in the local trade, so as in the external trade
- Increase of the import of wares and services is also a consequence of unfavorable structure of country's economy, of failures in the definition and expansion of producing mixture, lacks and limitations in the implementation of other tools of marketing, which would increase the offer of local products in the local and international market
- The unfavorable structure of market, especially in the last years, which has negative implications not only in the export of local products, but also on the general economical activity, mainly as a consequence of negative implications from the global financial crisis, but also evident failures in restructuring country's economy.