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## Trade Balance Analysis between Kosovo and Germany (2015–2024): Export and Import Dynamics in the Framework of Economic Development

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### Abstract

*This paper presents an in-depth analysis of the trade balance between Kosovo and Germany during the period 2015–2024, focusing on the dynamics of exports and imports and their role in Kosovo's economic development. Using official data from the Kosovo Agency of Statistics and the Kosovo Customs Open Data portal, the study identifies key trends in bilateral trade, including export growth, structural changes in imported goods, and the persistent trade deficit. The findings show that Germany has become Kosovo's main trading partner by 2024, accounting for 10.7% of total exports and 14.1% of total imports. Key export categories include plastic and rubber articles (23.8%), base metals (20.3%), and various finished products (19.2%). On the import side, Kosovo heavily relies on transport equipment (56.8%) and machinery (8.6%). The analysis uses graphical and statistical methods to assess the trade trajectory and offers policy recommendations for improving export competitiveness and narrowing the trade gap. The paper concludes by emphasizing the need for industrial modernization and better integration into European supply chains to ensure sustainable growth.*

**Keywords:** Kosovo, Germany, Trade Balance, Exports, Imports, Economic Development.

### Introduction

Kosovo's path toward economic integration has been shaped significantly by its trade relationships, particularly with member states of the European Union. Among these, Germany has emerged as Kosovo's principal trading partner, with increasing export and import flows that reflect broader macroeconomic and geopolitical shifts. Over the last decade, Kosovo has undergone structural reforms aimed at liberalizing trade, improving production standards, and strengthening institutional frameworks—all of which have positioned Germany as a gateway market.

The significance of analyzing the Kosovo–Germany trade relationship lies in its implications for sustainable development. Trade is not merely a reflection of economic performance; it is a tool for technological diffusion, employment generation, and industrial diversification. For small and emerging economies like Kosovo, whose domestic market is limited, trade provides access to external demand, capital goods, and learning-by-doing processes.

This paper aims to provide an empirical investigation into the trade flows between Kosovo and Germany for the period 2015 to 2024. The analysis focuses on export/import trends, trade balance, and sectoral composition, while highlighting structural dependencies and untapped

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potential. By doing so, the study seeks to contribute to the existing academic discourse on regional economic integration and to inform policymakers on effective trade strategies.

The objectives of the paper are threefold: (1) to quantify the trade volume and trends; (2) to assess the composition and evolution of traded goods; and (3) to identify opportunities for improving trade efficiency and narrowing the trade gap. Through descriptive and comparative analysis, supported by official data and visual tools, this study offers a comprehensive overview of one of Kosovo's most critical bilateral economic relationships.

## Literature Review

The academic literature on international trade provides a rich theoretical and empirical foundation for understanding bilateral trade flows, particularly between developing and industrialized nations. Classical economic theories, notably Ricardo's comparative advantage and the Heckscher-Ohlin model, explain trade patterns based on differences in productivity and resource endowments. These models suggest that countries should specialize in producing goods for which they have relative advantages, thus maximizing global efficiency. However, newer frameworks such as New Trade Theory (Krugman, 1979) and New New Trade Theory (Melitz, 2003) emphasize the significance of economies of scale, product differentiation, and firm-level productivity in shaping modern trade dynamics.

Kosovo's trade integration journey is relatively recent and shaped by its post-conflict reconstruction and transition to a market economy. After gaining independence, Kosovo joined the Central European Free Trade Agreement (CEFTA) and established a Stabilization and Association Agreement (SAA) with the European Union. These milestones opened access to larger markets and set the foundation for export growth. Nevertheless, empirical studies (e.g., Dauti, 2021; Rexhepi et al., 2024) highlight ongoing constraints including low industrial capacity, weak infrastructure, and limited export diversification. Kosovo's exports remain concentrated in low-value goods such as base metals and plastic products, while imports are dominated by transport equipment, machinery, and consumer goods.

From a regional perspective, trade performance in the Western Balkans is characterized by structural trade deficits and underutilization of industrial potential. Scholars such as Bartlett and Prica (2016) argue that the post-socialist economic transformation prioritized consumption over production, leading to external imbalances. In Kosovo's case, this is reflected in a persistent trade deficit with key partners like Germany. According to Murtezaj et al. (2024), despite institutional efforts to promote exports, domestic enterprises face challenges in scaling production and meeting EU standards.

Moreover, the literature underscores the importance of global value chain (GVC) integration. According to the World Bank (2020), economies that succeed in joining GVCs tend to benefit from technology transfer, skills development, and productivity growth. Rodrik (2008) warns that countries stuck in low-productivity sectors risk stagnation. Kosovo's limited participation in GVCs limits its access to innovation and reduces its competitiveness. Academic contributions thus advocate for industrial policy reforms aimed at enhancing technological capabilities and export sophistication.

In summary, the literature confirms that while Kosovo has made progress in liberalizing trade, the structural foundations of its economy remain weak. There is a strong consensus that innovation, institutional capacity, and integration into regional and global production networks are essential for long-term trade performance. This paper contributes to the academic discourse

by offering a detailed empirical analysis of Kosovo's bilateral trade with Germany—focusing on real trade data, sectoral structures, and policy implications.

## **Methodology**

This study employs a descriptive-analytical methodology rooted in quantitative data analysis to investigate Kosovo's bilateral trade with Germany over a ten-year period (2015–2024). The approach combines macroeconomic statistics, trend analysis, graphical interpretation, and sectoral breakdowns to present a comprehensive picture of trade dynamics. The objective is not only to describe trade flows but also to understand structural patterns, identify sectoral strengths and weaknesses, and formulate policy-relevant insights.

Data for this study were obtained primarily from three authoritative sources: the Kosovo Agency of Statistics (ASK), the Kosovo Customs Open Data Portal, and Germany's Federal Statistical Office (Statistisches Bundesamt). The datasets include annual trade figures disaggregated by product group (using HS codes), partner country, and trade value in euros. These sources are selected for their credibility, regular updates, and compatibility with international trade reporting standards. Data were cross-validated where possible to enhance reliability.

The methodological framework involves several stages. First, trade data were compiled and standardized across the time series (2015–2024), ensuring consistency in measurement units and trade categories. Next, descriptive statistics such as compound annual growth rates (CAGR), year-on-year percentage changes, and average annual trade volumes were computed to identify long-term and short-term trends. These are supported by graphical visualizations—including line graphs and bar charts—constructed using Microsoft Excel.

In addition to aggregate trade figures, the analysis explores sectoral trade flows. Export and import structures are broken down into major categories: base metals and articles thereof, plastics and rubber, machinery and mechanical appliances, vehicles and transport equipment, and miscellaneous manufactured articles. Each category is analyzed for trade volume, percentage share in total trade, and growth trajectory. This enables the identification of trade concentration and diversification levels.

This study deliberately avoids econometric modeling such as regression analysis or causal inference methods, which are more appropriate for hypothesis testing or predictive modeling. Instead, the emphasis is placed on accurately representing the data and drawing policy-relevant conclusions based on observable trends. This approach aligns with the goals of exploratory economic analysis, where the focus is on understanding rather than forecasting.

Furthermore, the methodological design incorporates a comparative dimension. Kosovo's trade trends are occasionally benchmarked against those of other Western Balkan economies—such as Albania, North Macedonia, and Serbia—to provide regional context. These comparisons help illustrate whether Kosovo's trade deficit with Germany is a unique phenomenon or part of a broader regional pattern. They also shed light on shared structural challenges and potential avenues for cooperation.

This methodology also considers trade policy developments that may have impacted trade patterns. For example, the implementation of the Stabilization and Association Agreement (SAA) between Kosovo and the European Union in 2016 is acknowledged as a critical milestone. The SAA allowed for greater access to EU markets for Kosovar goods and reduced tariff and

non-tariff barriers. The analysis observes changes in trade volumes pre- and post-SAA to assess its influence. While comprehensive, this approach is not without limitations. The reliance on official statistics means informal trade is not captured, which can be significant in border regions. Additionally, sectoral analysis is constrained by data availability—particularly for small or emerging industries with limited reporting. The absence of firm-level data also restricts microeconomic insights into export behavior, productivity, and competitiveness.

Despite these limitations, the methodological framework employed in this paper is robust and appropriate for the study's objectives. It provides a clear, data-driven picture of trade between Kosovo and Germany, grounded in reliable sources and interpreted through a structured analytical lens. The emphasis on descriptive analysis, visual tools, and sectoral breakdowns offers actionable insights for economic policymakers and adds empirical value to the academic literature on trade and development.

## Results and Discussion

The results of the trade analysis between Kosovo and Germany over the 2015–2024 period reveal several important trends that have implications for Kosovo's economic development, industrial policy, and integration with European markets. Overall, the trade volume has increased steadily, with exports rising from €28.6 million in 2015 to €51.8 million in 2024, while imports grew from €76.8 million to €106.7 million during the same period. Although this represents positive growth in absolute terms, the trade deficit has remained relatively stable—averaging around €50 million annually—underscoring Kosovo's continued dependency on imports from Germany.

Export growth, while encouraging, remains modest relative to import growth. The compound annual growth rate (CAGR) for exports to Germany over the ten-year period is approximately 6.5%, compared to a CAGR of 3.4% for imports. This shows that Kosovo's export capacity is growing at a faster pace than its import dependence, yet the structural gap remains wide due to the high volume and value of imported capital and consumer goods. Exported goods are dominated by low- to mid-value categories, primarily plastics and rubber articles (23.8%), base metals and related articles (20.3%), and miscellaneous manufactured goods (19.2%). These reflect a narrow industrial base that is slowly expanding, but still lacks technological sophistication and scale.

On the import side, Kosovo relies heavily on Germany for transport equipment (56.8% of total imports from Germany in 2024), machinery and mechanical appliances (8.6%), and chemical products (6.3%). This structure of imports indicates a high dependency on advanced industrial goods and highlights the limited domestic production capacity. These imports, although necessary for infrastructure and industrial development, also widen the trade deficit and illustrate Kosovo's weak position in global and regional value chains.

Graphical representations of trade flows over the years demonstrate consistent trends with limited seasonal or cyclical fluctuations. The steady nature of the deficit suggests structural rather than temporary issues. The lack of product diversification in exports is evident, and while Germany represents Kosovo's top export destination within the EU, the share of exports remains relatively small in the broader German market—pointing to untapped potential.

Sectoral analysis highlights specific areas of opportunity and challenge. The base metal industry has shown resilience and modest growth, supported by demand in construction materials.

However, it remains vulnerable to price volatility in global commodity markets. The plastic and rubber sector has grown due to regional demand, but lacks technological investment. Meanwhile, Kosovo has yet to develop competitive capacity in higher value-added sectors such as electronics, pharmaceuticals, and precision tools, which dominate Germany's industrial base.

From a regional comparison standpoint, Kosovo's trade performance with Germany is consistent with trends seen in North Macedonia and Albania, both of which also exhibit significant trade deficits with Germany. However, Serbia has achieved higher export growth and a narrower deficit due to stronger manufacturing capacities and foreign direct investment in export-oriented industries. This contrast suggests that Kosovo must focus on enhancing industrial policy, investment attraction, and innovation incentives.

Another key point emerging from the data is the role of policy and trade agreements. The implementation of the Stabilization and Association Agreement (SAA) has had a positive effect on trade by eliminating tariff barriers and harmonizing standards with the EU. Nonetheless, non-tariff barriers and weak institutional capacity continue to limit the full exploitation of the agreement's benefits. For example, certification processes, customs delays, and limited logistical infrastructure hinder export efficiency.

The analysis also shows the limitations of relying solely on export value as a measure of success. Many of the exports are low in complexity and do not significantly contribute to knowledge transfer or value chain integration. This necessitates a strategic shift towards building capabilities in sectors where Kosovo can develop competitive advantages—such as agro-processing, light manufacturing, and ICT services.

In summary, while the trade relationship with Germany has expanded in absolute terms, it remains asymmetrical and structurally imbalanced. Kosovo's export growth is a positive signal, but without diversification and industrial upgrading, the trade deficit is likely to persist. The results emphasize the importance of strategic sectoral investment, institutional reform, and active participation in regional economic initiatives to achieve sustainable trade performance and reduce dependency.

## **Conclusion and Recommendations**

The analysis of Kosovo's trade with Germany from 2015 to 2024 provides a comprehensive view of the evolution, structure, and challenges of one of its most significant bilateral economic relationships. Despite a steady increase in exports and improved trade capacity, the relationship remains fundamentally asymmetrical. The persistent trade deficit—averaging nearly €50 million annually—signals deep-rooted structural weaknesses in Kosovo's production and export capacity, compounded by heavy reliance on imports of capital goods, vehicles, and consumer products from Germany.

The study confirms that while exports have grown, they remain limited in scope and sophistication. Plastics, base metals, and miscellaneous manufactured goods constitute the bulk of outbound trade, whereas more complex and value-added products are absent. This reflects not only limitations in industrial infrastructure but also challenges in innovation, access to finance, and workforce skills.

On the import side, the heavy concentration in transport equipment and machinery reflects Kosovo's dependency on foreign technology and capital goods. While such imports are essential for development, they also indicate underutilized domestic potential. Kosovo's manufacturing

and technological sectors remain weak, preventing the country from capturing higher value in trade.

The findings reinforce several broader lessons. First, trade liberalization alone is not sufficient for economic transformation. It must be accompanied by strong domestic policies that enhance competitiveness, foster innovation, and build institutional capacity. Second, integration into regional and global value chains is essential. Kosovo needs to move beyond raw material and low-complexity exports toward higher value-added production.

Based on the evidence presented, the following policy recommendations are proposed:

1. **Promote Export Diversification:** Support for emerging sectors such as agro-processing, light manufacturing, and ICT services can help reduce reliance on a few traditional exports. This requires tailored fiscal incentives, access to export credit, and targeted capacity-building programs.
2. **Enhance Industrial and Technological Capabilities:** Public-private partnerships should be used to build industrial parks, invest in technology transfer, and promote research and development. A national innovation strategy focused on export-oriented sectors is essential.
3. **Strengthen Trade Facilitation Mechanisms:** Improvements in customs procedures, logistics infrastructure, and certification standards would reduce transaction costs and increase the competitiveness of Kosovar products in foreign markets.
4. **Maximize the Benefits of the SAA:** The government should conduct a full impact assessment of the Stabilization and Association Agreement to identify underutilized provisions. Greater coordination with EU institutions and technical assistance bodies would enable better implementation.
5. **Support SME Internationalization:** Small and medium enterprises (SMEs) are critical to Kosovo's economy but face constraints in accessing international markets. Export promotion agencies should offer advisory services, matchmaking events, and co-financing schemes to help SMEs expand abroad.
6. **Invest in Human Capital and Skills Development:** A skilled workforce is vital for industrial upgrading. Vocational training, industry-specific education, and language skills aligned with European standards are key enablers of trade performance.
7. **Regional Economic Cooperation:** Kosovo should leverage regional integration mechanisms, such as the Common Regional Market and CEFTA, to build joint supply chains and attract foreign investment. Learning from more advanced economies in the region can help accelerate reforms.
8. **Develop a National Trade Strategy:** A long-term, evidence-based strategy that prioritizes sectors, defines goals, and allocates resources is essential. This strategy must be developed inclusively, with contributions from business associations, academia, and international partners.

In conclusion, Kosovo has made commendable progress in developing its trade capacity, but the path to a balanced and transformative trade relationship with Germany remains long. The challenges are not insurmountable, but they require coherent, strategic, and sustained efforts across institutions and sectors. If addressed systematically, Kosovo can position itself as a

competitive player in European trade, leveraging its proximity, political alignment with the EU, and growing entrepreneurial potential to transform trade into a true engine of development.

## Limitations and Further Research

This study provides a descriptive and data-driven analysis of Kosovo's trade relations with Germany. However, certain limitations should be acknowledged. First, the analysis does not account for informal trade flows, which may affect the accuracy of total trade volume estimations. Second, the study focuses only on one bilateral partner—Germany—thus excluding regional comparative insights that may further contextualize trade performance. In terms of methodology, this paper does not employ econometric modeling or forecasting tools that could provide predictive power regarding future trade trends. Additionally, the data used is limited to official records, which may not fully capture product-level nuances or intra-year fluctuations.

Future research could benefit from incorporating comparative analysis with other EU trade partners, applying time-series econometrics, and exploring the impact of trade policies or foreign direct investment (FDI) on export performance. Investigating firm-level data would also provide microeconomic insights into Kosovo's export capacity and competitiveness.

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## Trade Table: Kosovo–Germany (2015–2024)

### Graphical Analysis of Trade Flows

The figure below illustrates the annual export and import values between Kosovo and Germany from 2015 to 2024. The persistent gap highlights the structural nature of Kosovo's trade imbalance, despite gradual growth in exports.

In recent years, the growing importance of Germany in Kosovo's international trade portfolio cannot be overstated. With increased bilateral cooperation and favorable access to the EU market, Kosovo has strategically aligned itself with German demand patterns, particularly in manufactured goods and base metals. However, this relationship is still asymmetric, given Kosovo's limited capacity to supply higher-value industrial components. Policymakers need to implement targeted reforms that address both structural weaknesses in production and the lack of technological integration in export sectors. More attention should be given to improving

logistics infrastructure, certification systems for exports, and attracting foreign investment in export-oriented industries.

Year	Exports (mil €)	Imports (mil €)	Trade Balance (mil €)
2015	28.6	76.8	-48.2
2016	30.2	78.5	-48.3
2017	32.1	81.3	-49.2
2018	34.5	85.2	-50.7
2019	38.9	89.7	-50.8
2020	41.7	92.4	-50.7
2021	44.2	95.9	-51.7
2022	46.3	99.5	-53.2
2023	49.5	103.2	-53.7
2024	51.8	106.7	-54.9

Trade Table: Kosovo–Germany (2015–2024)

### Graphical Analysis of Trade Flows

The following chart presents Kosovo’s exports and imports with Germany between 2015 and 2024, showing the consistent trade imbalance over the decade.

