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## **THE IMPACT OF GLOBALIZATION ON POVERTY AND PROPERTY RIGHTS IN KOSOVO: A COMPREHENSIVE ANALYSIS**

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### **Abstract**

This research analyzes the impact of globalization processes on poverty levels in Kosovo. The research findings indicate a significant increase in Kosovo's exports and foreign direct investments, particularly in the real estate and tourism sectors. However, poverty remains a major challenge, deepening social and economic disparities. A comprehensive analysis of the labor market emphasizes the need for policies that encourage sector diversification and equal participation of women. Social issues such as disparities in employment rates and inflation are highlighted as challenges requiring immediate and long-term solutions. The research contributes to understanding the impact of globalization on economic and social dynamics in Kosovo, emphasizing the need for long-term strategies and continuous commitment to address challenges and build a more sustainable and just society. This research aims to be a valuable resource for decision-makers, researchers, and those interested in Kosovo's sustainable economic and social development in the context of globalization.

**Keywords:** *globalization, poverty, economy, development, employment, investments.*

## 1. Introduction

In recent decades, the impact of globalization on various aspects of socio-economic development has become the subject of extensive interest and debate. Globalization, as a multifaceted phenomenon, has become an integral aspect of contemporary societies, influencing various dimensions of economic, social, and political life. In the context of Kosovo, a region affected by historical complexities and ongoing development challenges, the interaction between globalization and poverty has significant implications. This research aims to analyze the relationship between globalization and the spread of poverty in Kosovo, seeking to provide insights into the impact of globalization on the country's economic aspect. Specifically inspired by Dani Rodrik's book "The Globalization Paradox: Democracy and the Future of the World Economy," Chapter VII: "The Poor Countries in a Wealthy World," this study seeks to understand whether globalization has played a mitigating role against poverty in Kosovo. The primary objective of this research is to uncover the relationship between globalization and poverty in Kosovo. By examining economic and social dimensions, the study aims to provide insights into whether the forces of globalization have led to a reduction in poverty within the country. This research is designed specifically to dissect the relationship between globalization and the prevailing level of poverty in Kosovo, focusing on one single but essential question:

*PI: Has globalization acted as a force in reducing poverty in Kosovo?*

In line with insights derived from Rodrik's research, this study aims to offer a comprehensive understanding of the specific implications of globalization in reducing poverty in Kosovo. This research is significant as it contributes to the broader discourse on the effects of globalization on poverty alleviation specifically in Kosovo. The findings will not only deepen our understanding of local-global interaction but also inform policymakers and practitioners about possible strategies to promote sustainable development and poverty reduction.

## 2. Theoretical Perspectives

Understanding globalization fundamentally hinges on how the concept of globalization is defined (Scholte, 2007, p.1). Although research on globalization dates back to the 15th century, there is still no definitive and widely accepted definition of the concept of globalization. A renowned work that popularized the term globalization is the work of the American author and journalist Thomas L. Friedman, titled "The Lexus and the Olive Tree" (1999). (Gulmez, 2017, p.1). In Friedman's context, globalization refers to the interconnectedness and interdependence of nations, economies, and cultures on a global scale. Specifically, in this work, Friedman defines and explains globalization, in part, as an international system that replaced the Cold War system; according to him, globalization is the unprecedented integration of markets, nation-states, and technologies. "Globalization is a free-market economy, innovation, and change at the speed of light and is not sympathetic to countries or individuals who are not competitive" (Friedman, 2000, p.1).

Friedman thus portrays globalization as a powerful force characterized by rapid economic, technological, and social changes. He also emphasizes the competitive nature of globalization, suggesting that success in this globalized world requires adaptability, competition, and the ability to operate in a dynamic environment with rapid development rates. Scholte presents a definition that characterizes globalization as the spread of trans planetary and increasingly inter-territorial connections among people (Scholte, 2007, p.1). This definition underscores the idea that globalization involves the creation and intensification of connections that extend beyond national borders. There is an ongoing debate about the definition of globalization, specifically whether globalization should be narrowly defined, emphasizing economic interdependence and technological advancements, or more broadly in the direction of shifting the focus from physical interconnectedness to an increasing sense of global awareness of common issues and shared responsibility (Gulmez, 2017, p.2). This debate reflects the complex and multifaceted nature of globalization, including various dimensions that extend beyond simple economic interdependence and technological advancements. The ongoing debate highlights the evolving nature of globalization, making it a dynamic and contested concept in academic and public discourse.

Greater optimism towards globalization is shown in underdeveloped parts of the world, while the developed areas show a more critically oriented attitude, which is especially expressed in terms of the quality of the environment, poverty and job vacancies (Drakulovska Chukaleska, M., Dragovikj, I., & Dragovikj, A, 2017). The ongoing debate also extends to the perceived beneficial effects of globalization. Thus, while anti-globalists see globalization as a producer of inequality, others see it as equalization, democratization, and expansion of the horizons of the poor. (Heinze, 2020, p.1). Globalization promises to offer everyone the opportunity to participate in international markets, to access capital and technology, and to encourage a form of governance. In other words, globalization has the potential to eliminate the deficiencies that cause and perpetuate poverty. However, in the past two centuries, there has been a noticeable economic divergence on a global level, raising doubts about globalization's promise to improve economic conditions and reduce disparities. Why does this happen? This question has intrigued economists and policymakers for a long time. The answers they have provided revolve around two opposing explanations. One theory argues that the main problem is "insufficient globalization," while the other theory blames "excessive globalization" (Rodrik, 2011, p.135). As Rodrik argues, at different times and periods in history, each of these paradigms has enjoyed favor and has experienced different influences in different parts of the world. However, the debate on globalization and development ultimately revolves around the challenge posed by these opposing versions: Should we aim to increase economic growth by opening up to the forces emanating from the global economy, or should we shield ourselves from them? According to Rodrik, neither of these perspectives provides a complete explanation of why some countries succeed more than others. This lack of explanation makes them

carefully used as guides for policies. Rodrik emphasizes that, although globalization has great potential to boost the economy, the smartest way to benefit from this process is not simply to remove barriers and transaction costs to allow full integration to the maximum possible extent. Rodrik encourages a cautious approach to globalization, acknowledging its potential for economic growth, but also increasing awareness of the challenges and using protective policies to prevent negative impacts (2011, p.135). Therefore, in the effort to benefit from globalization, we should not forget to protect ourselves from some potential negative consequences.

Watkins suggests that what truly matters in the globalization debate is the ability of countries to integrate the poor into market-led growth. Simply following export growth is not sufficient; the emphasis should be on ensuring that the benefits of this growth reach the poor population. To achieve this, Watkins advocates for a set of comprehensive strategies:

- a) Land redistribution may be a strategy to ensure that the poor have access to resources, encouraging their inclusion in economic growth.
- b) Developing marketing infrastructure can increase the participation of the poor in economic activities and global markets.
- c) Ensuring good access to education and healthcare is essential for empowering the poor and increasing their participation in economic growth.
- d) Addressing corruption is crucial for creating a favorable environment for equitable economic development.

The author also suggests that certain policies, which may have fallen out of favor in the era of "openness", may be necessary. This includes: protecting small farmers from international competition; ensuring that workers have basic labor rights; implementing measures to protect minimum wages, etc. (Watkins, 2002, p.26). Thus, Watkins argues that a successful and inclusive approach to globalization involves not only promoting export growth but also implementing a series of policies and strategies that directly address the needs of the poor. While globalization offers numerous opportunities, it also presents challenges, especially for small and developing economies such as Kosovo. Kosovo, since 2000 and particularly after declaring independence in 2008, has experienced satisfactory rates of economic growth (Shahini et al., 2014, p.161). As assessed by the World Bank, despite the sustained economic progress since independence, there remains a considerable income gap between Kosovo and an average EU member state (World Bank, 2023, p.1). Specifically, according to the World Bank, Kosovo faces a complex set of economic challenges, including:

- a) Constraints in the private sector (difficulties for firms in accessing finance);
- b) Dependency on remittances (the country traditionally relies on remittances for fuel consumption, but there has been a recent shift towards export-oriented growth, suggesting a diversification in the economic model).
- c) Concentration on construction-focused investments (with limited contributions to overall economic growth);

- d) Human capital and labor market issues (a significant portion of the population is inactive or unemployed, with gender gaps in employment persisting);
- e) Population decline (the working-age population shrank in 2022 due to migration),
- f) Energy challenges (limited energy production capacity relies on outdated and unreliable thermal power plants and inadequate grid-based production, presenting a significant barrier to sustainable economic growth (World Bank, 2023, p.1).

The European Commission, in its 2023 report on Kosovo, assesses that the country has shown progress in developing a functional market economy but faces significant challenges. The report highlights the positive aspects of gradual improvements but also points out weaknesses, including the lack of economic diversification, high dependency on imports, and unreliable energy supply. These factors make Kosovo vulnerable to negative external shocks, which could affect its economic stability. A specific concern mentioned is that Kosovo's GDP per capita is the lowest in the Western Balkans region, standing at 27% of the EU average in 2022 (European Commission, 2023, p.60). This indicates economic inequality and suggests that Kosovo faces challenges in catching up with more developed economies in the region. In summary, despite progress, Kosovo faces a complex set of economic challenges. Addressing these challenges will be crucial for Kosovo's sustainable and inclusive economic development. According to Shkodra & Badivuku-Pantina et al., the only therapy for sustainable economic development in Kosovo is foreign capital investment. Without this investment, Kosovo's economy cannot hope for sustainable growth and development in a market economy. Foreign direct investments, according to them, not only alleviate unemployment but also bring new markets, new production and service technologies, and contribute to improving the country's budget revenues. In essence, the authors suggest that to achieve these advantages and create sustainable economic growth, it is crucial for Kosovo to focus on creating a favorable administrative and legal environment for investors. This favorable environment would provide investors with optimal security for their capital investments in the country (2013, p.135). From the literature review on globalization and poverty, it is evident that the debate and understanding of these concepts are uncertain and complex. Various theoretical perspectives such as those of Scholte, Friedman, Rodrik, Watkins, and Heinze describe globalization from their different viewpoints, emphasizing economic interconnectedness, social challenges, and global responsibility. While some see globalization as an opportunity for equality and development, others emphasize the risk of inequality and loss of cultural identity. In the context of Kosovo, studies highlight gradual improvements in the country's economy, but also significant challenges threatening stability and sustainable growth. However, it is suggested that foreign direct investments may be an important avenue to address these challenges and help create a favorable environment for economic development in Kosovo. Thus, this literature review

underscores the need for a careful approach to globalization and continuous efforts to find appropriate strategies for sustainable economic development.

### **3. Methodology**

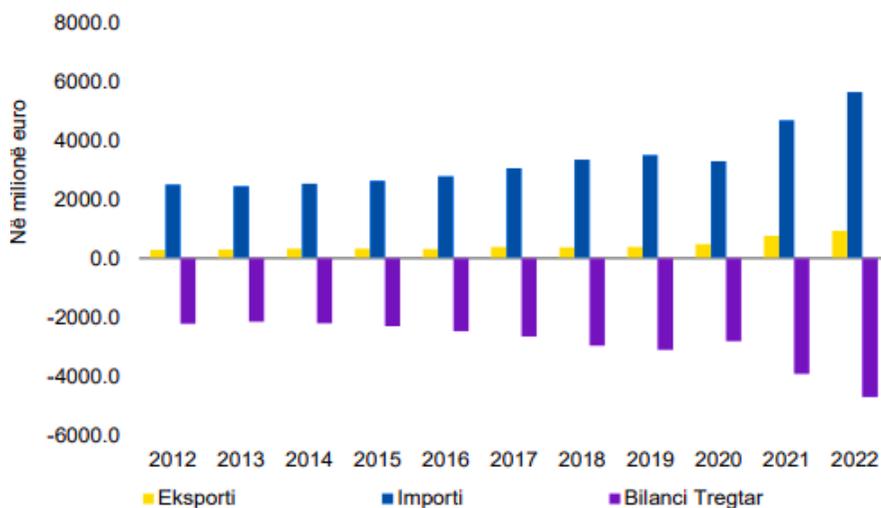
To determine the impact of globalization on poverty in Kosovo, this research utilizes a wide range of data sources from various local and international institutions. The selection of these sources is based on a critical assessment of their reliability and relevance in the context of Kosovo. Official reports from the Kosovo Agency of Statistics and the Central Bank of Kosovo are included to ensure comprehensive data on economic development, the labor market, and social aspects. Documents from the European Commission provide an integrated perspective on socio-economic development in the context of Kosovo's European integration. Additionally, other data from local and international institutions have been analyzed to have a complete overview of the situation. The book "The Globalization Paradox: Democracy and the Future of the World Economy" by author Dani Rodrik serves as the theoretical basis for understanding the impact of globalization on poverty. The problem of poverty and social exclusion has gained particular sensitivity in the context of the global crisis with COVID-19 (Dimitrova & Dimitrov. S, 2023). The research focuses on two main dimensions: the economy and the labor market. Key variables used include Gross Domestic Product (GDP), unemployment rate, and other relevant data for economic development and poverty alleviation in Kosovo. To ensure a comprehensive perspective, data are compared between relevant periods and segments.

## **4. The effect of globalization on the economic/social structure and property and property rights**

### **4.1. Exports, imports, and foreign direct investments**

Globalization has expanded Kosovo's access to international markets, enabling growth in the trade of goods and services. Official statistics show that Kosovo has experienced an expansion in international markets; from exporting to 127 countries in 2021, Kosovo now exports to 140 countries (CBK, 2023, p.35). Data from the Central Bank of Kosovo and the Kosovo Customs offer an interesting overview of developments in the export sector for the year 2022. The export of goods has recorded an annual growth of 21.7%, reaching a value of 920.4 million euros. This is a significant indicator of the vitality and competitiveness of the exporting sector in Kosovo. Rising prices in international markets and an increase in the volume of exports have been the two main factors that have encouraged this growth. Higher prices and a larger quantity of exported goods have contributed to the positive performance. The export structure has not undergone major changes, but there has been growth in categories such as basic metals, plastics, rubber, and other relevant articles, as well as mineral products. The main partners for the export of goods are European Union countries (33.9%) and Western Balkan countries (36.2%).

This indicates a sustainable orientation towards important European markets. Although there has been overall growth, the export structure remains relatively concentrated, with doors and windows and articles thereof valued at 129.2 million euros (14.0% of total exports), mainly exported to the American market; doors and windows valued at 65.5 million euros (7.0% of total exports), as well as electricity valued at 63.2 million euros (6.8% of total exports), primarily for the EU market (Ibid, p.35). Overall, these data indicate a success story in Kosovo's export sector, with a focus on increasing the value of exports and diversifying the market. The interaction of rising prices and quantity has created a good opportunity for the development of the economic sector in the country. However, Kosovo's economy continues to face structural challenges reflected in the trade deficit as a result of high levels of imports compared to exports. The significant dependence of the economy on imports has led to imports being significantly higher than exports (Badivuku-Pantina et al., 2013, p.135). Thus, during 2022, the value of imports saw a significant increase of 20.4%, reaching a figure of 5.6 billion euros. This indicates a growth in demand for foreign products in the Kosovar market during this year. The high increase in imports is mainly due to the rise in the prices of imported goods. This indicates that the Kosovar market has faced an increase in price levels in 2022. Although the value of imports has increased, the quantity of imports and the overall weight of imported goods have decreased (0.3% and 14.5% respectively). This can be interpreted as an effort to increase efficiency in the use of goods or an indication of changes in the import structure. About 42.3% of imported goods come from European Union countries, with a major share from Germany (10.8% of total imports). This indicates a close trade and economic link with European countries. On the other hand, outside the European Union, Turkey is an important source of imports (14.9% of total imports), while China has a considerable share (9.7%). This diversification of import sources can be interpreted as a strategy to avoid dependence on a specific market or country. These data indicate an increase in demand for foreign goods in the Kosovar market, but also efforts to diversify sources and optimize their use. The decrease in quantity and the overall weight of imported goods may be related to other factors such as changes in the structure of domestic demand or efforts to improve efficiency in resource utilization (CBK, 2023, p.38).

**Fig 1: Exports, Imports, and Trade Balance in Kosovo**

*Source: Central Bank of Kosovo, 2023, p. 35.*

According to the Central Bank of Kosovo, foreign direct investments have shown an excellent annual growth rate of 85.0%, reaching a total value of 778.2 million euros in 2022. This is a strong indicator of investors' interest in Kosovo's economy. Investments have been primarily recorded in the real estate, hospitality (including hotels), and construction sectors. These sectors have a high overall share of foreign direct investments, especially the real estate sector covering 67.3% of total FDI. The real estate sector has recorded an excellent annual growth rate of 36.4%, reaching a value of 523.7 million euros in 2022. The increase in prices in this sector, accompanied by the growth in investments, is one of the reasons for this growth. Despite the decline in activity in the construction sector with an average of 7.6% in 2022, the increase in basic inputs and other associated costs may have influenced the increase in FDI in the construction sector by 70.0%. This suggests that even in the case of a decline in one sector, other factors may contribute to investment growth. Resident investments from Kosovo in other countries have seen a high increase of 75.0%, reaching a value of 175.6 million euros in 2022. This indicates a high interest of residents in investing, especially in the real estate sector in regional countries.

**Fig 2. Foreign Direct Investments**



Source: CBK, 2023, p. 39

According to CBK, Foreign Direct Investments (FDIs) in Kosovo have shown a significant increase by the end of the third quarter of 2023, reaching a value of 621.3 million euros. This indicates the interest and confidence of investors in the country's economic climate. From the total value of FDIs, it is seen that a considerable portion, specifically 368.8 million euros, is directed towards the real estate sector. This factor may be linked to the high potential for development in the real estate sector in the country. CBK has made forecasts for FDIs in 2024, including a value of 792 million euros. This positive forecast suggests that the growth of investments by international actors is expected to continue. Long-term forecasts indicate a continuation of the growth of FDIs even in the following year, expected to reach a value of 846.7 million euros. This is a positive indicator for long-term development and the confidence of investors in the potential of the Kosovar economy (Ismaili, 2023). With these developments, it seems that the economy of Kosovo has the potential to continue attracting investments and to create a favorable environment for economic development.

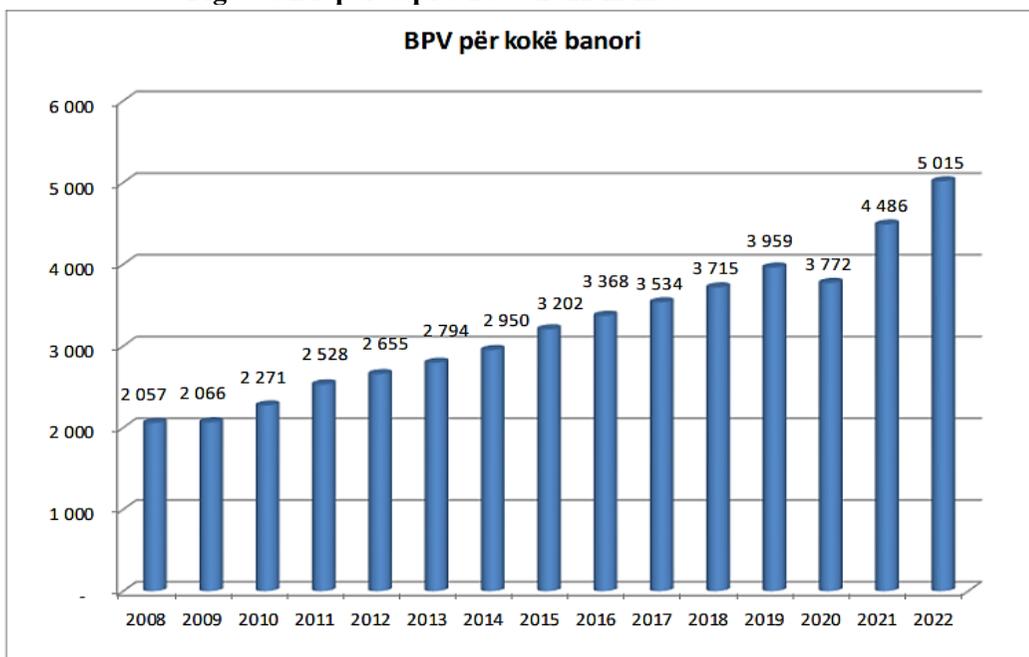
#### 4.2. Gross Domestic Product in Kosovo

In 2022, Kosovo's GDP reached a value of 8.94 billion euros. Figure 2 serves as an illustration of the GDP development per capita from 2008 to 2022. The figure shows that the economy has experienced sustainable growth year by year, with some interruptions in the decline of GDP value. In 2022, Kosovo's GDP per capita was 5,037 euros. Compared to 2021, where GDP per capita was 4,486 euros, there has been a significant increase. To understand the long-term

growth, it is useful to look at the development of GDP per capita in other years. In 2020, the GDP per capita was 3,772 euros, while in 2019 it was 3,959 euros. This indicates a decline compared to 2022, but an increase compared to the years 2018 (3,715 euros), 2017 (3,534 euros), 2016 (3,368 euros), 2015 (3,202 euros), 2014 (2,950 euros), 2013 (2,794), etc. (See Fig.2). The decline in GDP in 2020 is explained by the impact of the COVID-19 pandemic on the global economy. Many countries, including Kosovo, were affected by containment measures and disruptions in economic activities. The increase in GDP in 2022 indicates a process of economic recovery after the crisis caused by the pandemic. This growth-recession trend can help assess the country's economic performance and changes in residents' lifestyles. Growth trends continue from 2013 to 2022, showing a stable economic situation and continuous improvement in productivity per capita. Based on the trend of continuous growth, it can be expected that Kosovo's economy will continue to develop, and productivity per capita will increase in the coming years.

According to the Governor of the CBK, Mr. Ahmet Ismaili, economic growth is expected to be 3.8% during the year 2024, primarily driven by foreign investments and domestic consumption (Ismaili, 2023). The anticipated economic growth of 3.8% indicates a positive outlook and sustainable growth. This could be the result of recovery from the period of economic uncertainty caused by the pandemic. Foreign investments and domestic consumption have been identified as key sources of growth. This suggests that the economy is developing in the business and domestic consumption sectors. For the year 2023, economic growth of 3.2% is expected, while for 2024, a higher growth of 3.8% is anticipated. This indicates a continued improvement in the economic situation. As reported by the Governor of CBK, Mr. Ismaili, CBK has carefully analyzed the visa liberalization, which is planned to take place in 2024. This step is expected to bring about changes in the workforce and in our economy. To prevent possible negative effects, Mr. Ismaili states that they have included this impact in the baseline scenario for projecting GDP for the years 2024 and 2025 (Ismaili, 2023). This statement expresses CBK's efforts and concerns regarding a fundamental change in visa policy and efforts to determine the necessary measures to protect the country's economic stability and workforce. Visa liberalization may lead to an increase in the influx of immigrants and increased competition in the labor market. This situation may have implications for wage levels and could pose challenges in managing the labor sector.

**Fig 3: GDP per capita 2008-2022 in Kosovo**



*Source: Kosovo Agency of Statistics, 2023, p.15.*

### 4.3. Employment in Kosovo

According to data from the Kosovo Agency of Statistics (ASK), about 66% of Kosovo's population is in the 15-64 age group, which is an important indicator of the potential workforce. This figure reflects the fact that the country has a considerable number of young people who can work. It is expected that this number will increase in the coming years, considering that Kosovo has one of the youngest populations in Europe. However, in 2022, 61.4% of individuals were not employed. The employment rate, which measures the number of employed individuals compared to the working-age population, was 33.8%. This indicates that about one-third of the working-age population was employed, while a significant portion remained unemployed.

Gender analysis of the labor market shows considerable differences. In 2022, only 22.0% of women in the working age group were employed, compared to 55.5% of men in the same age group. Specifically, the employment rate for women was only 18.4%, while for men, it was 49.4%. Youth unemployment is an important aspect to analyze. In 2022, the unemployment rate in the 15-24 age group was 21.4%, indicating a high figure, especially for young women (27.0%) compared to young men (18.6%). About one-third (33.0%) of individuals in this age group were not in employment, education, or training (NEET). This figure was 33.8% for young women and 32.2% for young men, highlighting their challenges in labor market integration and education.

From the analysis of these data, it seems that there are challenges in the labor market in Kosovo, especially for women and youth. The low employment rate and high unemployment rate in these two age groups indicate the need for specific measures and policies to encourage employment and skill development for these population categories. It is important for the government and relevant institutions to create tailored policies and programs to improve the employment rate, especially for population groups that have been more affected by unemployment (women and youth).

**Table 1: Key Labor Market Indicators in Kosovo 2022**

Main labor market indicators (%)	Males	Females	Total
Labor force participation rate	55.5	22.0	38.6
The unemployment rate	44.5	78.0	61.4
Employment to population ratio	49.4	18.4	33.8
Unemployment rate	11.0	16.5	12.6
Youth unemployment rate (15-24)	18.6	27.0	21.4
The NEET rate among youth in the population (15-24)	32.2	33.8	33.0
The share of informal employment in total employment	15.7	6.9	13.3

*Source: ASK "Labor Force Survey 2022" 2023, p.13*

Data analysis on wage levels in Kosovo, based on the ASK report for the year 2022, provides insight into developments in the labor market and economic sectors. Despite the pronounced rise in food prices, wage levels have continued to remain low. This phenomenon may pose challenges to the purchasing power of citizens, especially as food prices increase. Consumer price inflation in Kosovo experienced a significant acceleration in 2022. The average annual inflation rose to 11.6%, a considerable increase from the 3.3% recorded the previous year in 2021. This increase is mainly attributed to the rising trend in energy, food, and transportation prices. However, towards the end of the year, there were signs of inflation slowing down. Moderation continued, with average inflation dropping to 10.1% year-on-year in the first quarter of 2023. This slowdown was further emphasized, reaching 2.4% in July. The decline is attributed to the gradual slowdown in global commodity prices during this period (European Commission, 2023, p.62).

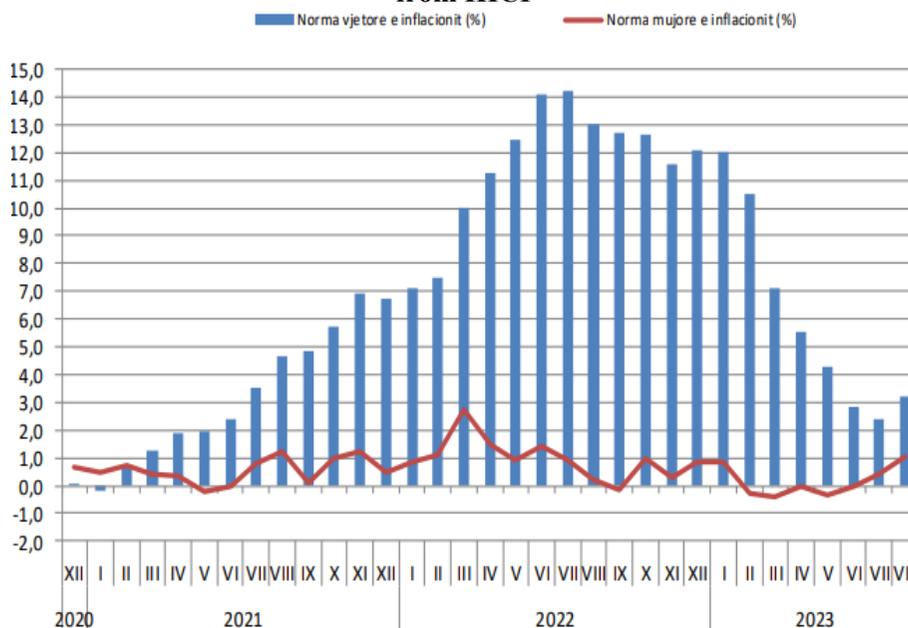
The private sector continues to have lower average wages compared to the public sector. The average gross wage in the private sector increased by 54 euros (from 419 euros in 2021 to 473 euros in 2022), while the average net wage increased by 25 euros (from 376 euros in 2021 to 401 euros in 2022). In

comparison, the gross wage in the public sector saw a significant increase of 197 euros over a decade (from 407 euros in 2012 to 604 euros in 2022). The average net wage increased by 170 euros (from 366 euros in 2012 to 536 euros in 2022). The public enterprise sector has shown a considerable increase in wage levels. The average gross wage increased by 228 euros (from 561 euros in 2012 to 789 euros in 2022), while the average net wage increased by 157 euros (from 502 euros in 2012 to 659 euros in 2022). In 2022, economic activities with the highest average gross wages are electricity, gas, steam, and air conditioning supply (968 euros) and information and communication (896 euros). On the other hand, the accommodation and food service activities sector showed the lowest average gross wage (323 euros). In terms of net wages, the ranking of economic activities is similar, with electricity supply and information and communication at the top, while accommodation and food service activities are at the bottom. Wage growth in the public sector and public enterprises may be an important factor in improving working conditions and the quality of life for employees in these sectors. However, the challenges of wage reduction in the private sector may require specific measures and policies to support this sector and improve wage levels overall.

**Table 2: Average Wage Level by Year, Variable, and Gross/Net**

	Average Wage		Public Sector		Public Enterprises		Private Sector	
	<b>Bruto</b>	<b>Neto</b>	<b>Bruto</b>	<b>Neto</b>	<b>Bruto</b>	<b>Neto</b>	<b>Bruto</b>	<b>Neto</b>
2022	521	446	604	536	789	659	473	401
2021	484	432	612	542	768	680	419	376
2020	466	416	624	552	769	680	380	342
2019	477	430	584	519	766	677	411	372
2018	453	409	573	509	721	639	376	342
2017	431	390	532	474	699	620	356	324
2016	422	382	525	467	686	609	340	310
2015	415	376	509	454	674	598	328	300
2014	403	365	473	423	656	583	329	301
2013	386	351	411	370	573	512	340	310
2012	383	348	407	366	561	502	337	308

*Source: Kosovo Agency of Statistics, 2023*

**Fig 4: Annual and Monthly Inflation Rates as a Percentage, Compiled from HICP**

Source: ASK Harmonized Index of Consumer Prices, August 2023, p.9.

The UNDP analysis of poverty in Kosovo indicates that the rise in prices has deeply impacted the poverty level. Expenditures on basic needs such as food, transportation, utilities, healthcare, rent, and education have seen an increase over the past two years. In 2021, 38.8% of household economies spent 200 euros or more on food. This figure increased to 47.8% in 2022 and further to 59.5% in 2023. The increase in food expenditures highlights the challenges families face with rising prices. Using the poverty line of 1.85 euros per person per day, the poverty rate in 2023 is estimated to be 16%. This figure indicates that a portion of the population continues to be below the poverty line, facing challenges in meeting basic needs. Compared to 2021, in 2023, an additional 10% of surveyed families were living below the threshold of 1.85 euros per day, considering data on rising prices (UNDP, 2023, p.8). This shows that inflation has had a negative impact on the purchasing power of families, causing many of them to fall below the poverty line. The increase in expenditures, especially for food, may affect the standard of living and economic well-being of families. The poverty rate and the increase in the impoverished population highlight the need for measures and policies that can alleviate pressure on this segment of the population. Addressing the rise in poverty is essential for formulating social and economic policies that can improve the community's living conditions.

According to data from the International Monetary Fund (IMF), published in the Global Economic Outlook for 2023, Kosovo is ranked as the poorest country in Europe, with per capita income of 15.6 thousand international

dollars, making it the poorest in this category. On the other hand, Albania ranks second from the bottom in Europe, with per capita income of 19 thousand international dollars. When compared to other countries in the region, all of which are still categorized by the IMF as poor, it is observed that the ranking continues with Bosnia and Herzegovina, which has a per capita income of 19.6 thousand international dollars. North Macedonia follows with 21.1 thousand dollars, while Serbia with 25.4 thousand dollars. Montenegro, the richest country in the region according to the IMF, ranks at the top with a per capita income of 27.6 thousand international dollars. IMF forecasts for the period up to 2028 suggest that neither Kosovo nor Albania is expected to see any improvement in their position in this classification, continuing to remain the poorest countries in Europe in terms of per capita income (IMF, 2023). Overall, the analysis of IMF data highlights the need for interventions and improvements in economic structures to address the challenges of poverty in Kosovo and Albania in a difficult regional context.

### **5. Property and property rights in Kosovo**

The real estate sector has been one of the key segments of Kosovo's economy, gaining particular importance after 1999 and especially after declaring independence in 2008 (PIPS, 2021, p.7). The onset of more serious development in this sector during these periods has been associated with the reconstruction of war aftermaths and the establishment of new infrastructure, as well as the opening of markets and new investment opportunities following the declaration of independence. This has led to increased activity in the real estate sector and a rise in construction interventions throughout the territory of Kosovo. In this way, this sector has played a key role in the reconstruction and development of the country's economy. Until 2022 in Kosovo, only Kosovar citizens had full rights over real estate property. Foreign nationals could only own property if acquired through inheritance. The Stabilization and Association Agreement (SAA) between Kosovo and the EU foresaw the opening of the real estate market in Kosovo to citizens and companies from EU member states. (*Ibid*, p.7). However, despite clear guidelines in the SAA, the implementation of this market opening was challenged by the legal framework in Kosovo and its application until 2022. With Kosovo aiming for membership in the EU, this situation has changed. In 2022, Kosovo approved the "*Law on the Property Rights of Foreign Citizens in the Republic of Kosovo*" allowing foreign nationals to have property rights in Kosovo. This law enables individuals from EU member states to enjoy property rights over immovable property in Kosovo under the same conditions as Kosovar citizens. This includes legal entities from EU states, which must benefit from the same conditions as legal entities in Kosovo, in accordance with the principle of non-discrimination. To exercise these rights, EU citizens must prove their citizenship of an EU member state, while legal entities must be established under the laws of an EU member state. Furthermore, the right to hold property rights must be linked to the exercise of fundamental rights guaranteed by EU legislation (Article 9). Essentially, this

law aims to ensure equal treatment for EU citizens in Kosovo regarding property matters, guaranteeing a level playing field of justice and non-discrimination for all. This can serve as a mechanism to encourage foreign investments in the real estate sector by EU citizens in Kosovo, contributing to the country's economic development. It's important to note that for non-EU foreign nationals, the right to own property in Kosovo is limited under the conditions of reciprocity. This means that foreign nationals will have property rights in Kosovo only if their home country offers the same rights to Kosovar citizens. If the home country of foreign nationals does not provide an equivalent level of rights for Kosovar citizens, then citizens of that country will not have full rights to purchase property in Kosovo (Article 4).

Furthermore, it is important to emphasize that prior to the enactment of the 2022 law, there were various debates within the legal community in Kosovo regarding the possibility of foreigners owning immovable property. This debate arose as a result of different interpretations of Article 121.2 of the Constitution, which stipulates that foreign individuals and foreign organizations may secure property rights over immovable property in accordance with reasonable conditions specified by law or international agreements. One line of interpretation argued that foreign individuals could acquire immovable property in Kosovo only if such action is permitted by law or requires an international agreement. In the absence of a law or international agreement, foreigners were not allowed to acquire ownership over immovable property. Meanwhile, there have been strong arguments against this interpretation, arguing that Article 121.2 of the Constitution is formulated positively. According to this interpretation, foreign individuals and foreign organizations may secure property rights over immovable property in Kosovo. On the other hand, Kosovo's Law on Foreign Investments has demanded that Kosovo ensures foreign investors receive equal treatment, regardless of their nationality and origin. However, foreign citizens, during their efforts to register property rights in the cadaster, have encountered resistance from municipal cadastral offices (*Strategjia kombëtare për të drejtat pronësore në Kosovë*, 2016, p.24). Well, until 2022, the issue of foreigners' acquisition of property rights over immovable property had not been clearly defined, and they were unable to register property rights in the Cadaster. The Law on Foreigners' Property Rights in Kosovo, adopted in 2022, has brought about a fundamental change in the context of immovable property ownership. This law grants the right to own immovable property in Kosovo to foreign nationals, favoring citizens of EU countries, who can enjoy this right without restrictions. This law has a significant impact on the economy and society. Allowing foreign nationals, especially those from the EU, to acquire ownership of immovable property without restrictions serves as a stimulus for further investment in the immovable property sector in Kosovo. This could lead to an increase in foreign capital inflows and create a more favorable environment for business and infrastructure development. At the same time, recognizing property rights for foreign nationals from outside the EU under reciprocity conditions may help increase the confidence of potential investors and improve the business climate

in Kosovo. This could bring considerable benefits in the form of increased employment, infrastructure development, and state revenue growth through taxes. Overall, this law serves as a means to increase Kosovo's attractiveness to foreign investors and promote the country's economic growth as a whole.

## 6. Discussion

Globalization is a complex and intricate phenomenon that has various impacts on economies, societies, and cultures. In the global context, there has been an ongoing debate about the role globalization plays in economic development and poverty reduction. Some economists see globalization as an opportunity for growth and equality, while others warn of the risks of inequality and loss of cultural identity.

Overall, globalization seems to have had a positive impact in Kosovo, increasing access to international markets and promoting economic growth. The export of goods has diversified trade and facilitated integration into European markets. However, poverty remains a major challenge, and Kosovo continues to be dependent on several critical factors. Dependence on remittances, limitations in the private sector, and human capital issues are just some of the concerns that may constrain economic development.

Dani Rodrik's perspective on a cautious approach to globalization appears significant. Encouraging protection against possible negative consequences of globalization is an important determination for economic policies.

For Kosovo, a country that has experienced economic growth since its independence in 2008, globalization is a factor that has shaped its development. The growth of exports, foreign direct investments, and strong economic ties with European Union countries are some distinct signs of globalization's positive impact on Kosovo's economy. However, poverty and other economic challenges continue to be the main obstacles for Kosovo. In efforts to address these challenges, foreign direct investments stand out as a potential tool to stimulate economic development and reduce poverty levels. In our discussion, we have identified the real estate sector as one of the areas where significant investments have been made. A noticeable increase in investments has been observed here, indicating investors' interest in sectors that have the potential for sustainable growth. However, it should be emphasized that to ensure sustainable economic development, it is important for Kosovo to create a favorable environment for investors. This will involve advanced regulations and policies that reduce constraints and encourage foreign investments.

Kosovo's ranking as the poorest country in Europe in terms of per capita income highlights a visible challenge. IMF forecasts for the future indicate the need for long-term strategies to improve the economic situation and address the structural problems that cause poverty. The distribution of expenses for basic needs and the rise in prices, as shown by UNDP analysis, underscore the importance of addressing social and economic challenges for families in need. Another key point highlighted in the discussion is the situation in the labor market in Kosovo. Despite a high percentage of the population in the 15-64 age group, the employment rate remains relatively low. Gender analysis shows

considerable differences, emphasizing the need for specific measures to improve women's employment. If Kosovo aims to improve the situation in the labor market, it is important to develop policies and measures that encourage diversification of economic sectors and provide equal opportunities for all. In this regard, there has also been an observed difference in wage levels between the private and public sectors. This situation highlights the challenges Kosovar society faces in ensuring fair and equal wages for employees in all sectors. To create a fairer and more equal society, policies should focus on increasing wages in the private sector and eliminating unacceptable differences between sectors.

Another crucial issue highlighted in the discussion is related to the rise in prices and their impact on the poverty level. The increase in expenses for food and other basic products indicates the challenges families face with rising prices. If this trend continues, there is a risk that a large part of the population will remain below the poverty line. To address this challenge, policies should aim to reduce inflation and improve access to basic products.

In conclusion, our discussion has highlighted a combination of challenges and opportunities that Kosovo faces as a result of globalization and economic development processes. Foreign direct investments, the labor market, wage levels, and price increases are key aspects that need to be addressed with excellent policies and long-term strategies. With careful focus on these areas, Kosovo can build a sustainable and advanced economy, while simultaneously reducing the poverty gap and ensuring prosperity for its citizens.

## **7. Conclusions**

The analysis of the impact of globalization on Kosovo's economy and society provides a rich and nuanced view. On one hand, opening up to international markets and economic liberalization have brought economic growth and new opportunities for trade and investment. Improving access to international markets and increasing exports is a crucial factor for the vitality of Kosovo's economy. In particular, the orientation towards European markets and diversification of goods are positive factors. However, challenges and imbalances still exist, especially regarding poverty levels, employment, and investment structure.

Foreign direct investments are a positive factor that has contributed to economic growth, especially in the real estate, agriculture, and construction sectors. However, the concentration of investments and the risk of dependence on imports indicate the need for better policies aimed at diversifying the economy and promoting growth in potential sectors.

Poverty remains a major challenge, particularly due to inflation and disparities in the labor market. Policies and measures that promote gender equality, improve working conditions, and reduce inflation are essential to address these issues.

Visa liberalization is expected to impact the labor force and the economy, requiring careful measures to assess the effects and maintain economic

stability. To prevent loss of workforce and maintain economic stability, Kosovo can take several important steps:

- Identifying and supporting key sectors of the country's economy can create a favorable environment for investors and employees. This may include favorable fiscal policies, developed infrastructure, and assistance for key sectors.
- Improving working conditions, including wages and working environment, is a factor that influences employees' decisions to stay in their country.
- The government and relevant institutions should closely collaborate with the private sector to ensure mutual support and sustainable economic development.
- Through responsible policies and funds, Kosovo can develop strategies to reduce the impact of emigration. This may include providing career development opportunities, increasing wages, and social security.

To improve the economic and social situation, Kosovo needs a long-term strategy for economic development, including diversification of the economy, poverty reduction, and improvement of working conditions. Additionally, creating an attractive environment for foreign investment and supporting innovation and technological development are essential to ensure sustainable and responsible growth. Through a careful and responsible approach to challenges and opportunities, Kosovo can build a more sustainable economy and a fairer and more prosperous society for all its citizens. This research can serve as a basis for future discussions and actions related to the challenges and opportunities arising in the context of globalization in Kosovo.

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