



REPUBLIKA E KOSOVËS/REPUBLIKA KOSOVA/ REPUBLIC OF KOSOVA

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**MINISTRIA E TREGTISË DHE INDUSTRIË
MINISTARSTVO TRGOVINE I INDUSTRIJE
MINISTRY OF TRADE AND INDUSTRY**

**DEPARTAMENTI I TREGTISË/ DEPARTAMENT ZA
TRGOVINE/DEPARTMENT OF TRADE**

Trade Brief for Trade in Service

January – June 2017

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The service sector is an important component of the economy of each country. It provides a direct and important contribution to GDP and job creation, and provides significant inputs to the rest of the economy, thus affecting the overall investment climate, which is an essential determinant of growth and economic development.

Services are key inputs for most other businesses, e.g. Infrastructure services such as energy, telecommunications and transport. Financial services that facilitate transactions and provide access to finance for investment. Health and education services that contribute to a healthy and well-trained workforce. Legal and accounting services that are part of the institutional framework needed to support a sound market economy. These service sectors are a key part of the investment climate and may have a greater impact on overall business performance and investment levels, hence in growth and productivity of the economy.

Kosovo trade in services for the period January-June 2017 has reached the amount of € 568.2 million. From this amount, the total of exports amounted € 350.1 million, while the imports € 218.1 million. This shows a positive trade balance of €132.1 million. If we compare it with the same period of January-June 2016, we can see that the export of services was € 324.8 million, while the imports 204.5 and the balance of € 120.2 million in the international trading of services. From the above statistics we can see that we have a positive trend which has increased the balance of services by Euro 11.9 million or 10%.

Trade in Services / Balance January – June 2017

Year	Export of services	Import of services	Balance
	<i>million euro</i>	<i>million euro</i>	<i>million euro</i>
2017	350.1	218.1	132.1
2016	324.8	204.5	120.2

Source: Central Bank of Kosovo

The main sectors that contributed to a positive trade balance for the period January-June 2017 are: Travel (tourism) with export value of € 241.4 million, followed by professional and business services with € 31.5 million, communication services (ICT) by € 23.5 million, government services by €17.9 million and construction by €3.6 million.

Travel and tourism services are mainly attribution of Kosovo diaspora and foreigners working in Kosovo.

Export of services / Top sectors for January- June 2017

Year	2017
	<i>million euro</i>
Travel	241.4
Other business services	31.5
Information and Communication Technology (ITC) Services	23.5
Governmental goods and services	17.9
Construction services	3.6

Source: Central Bank of Kosovo

Compared to the same period of 2016, export of travel (tourism) services reached amount of € 219.1 million, followed by business and professional services by € 29.6 million, communication in amount of € 21.8 million, Government services about € 17.5 million and construction by € 5.2 million. Analyzing these statistics, we can see that we have a positive trend of increasing exports in services. The negative trend of trade in services (with regard to the balance of services), which every year includes key sectors such as: transport with €-38.7 million euros and pension and insurance services -11.8 million euros in 2017 (January-June). Having a positive balance in services has resulted in the reduction the high trade deficit in goods.

Negotiations on Trade in Services within CEFTA

So far, nine round of negotiations has been organized on Trade in Services, which are planned to be completed within 18 months from the first negotiating session that was organized in October 2014. The deadline for the completion of the negotiations is expected to be November of the year 2016.

Round 1	Business and Professional Services	06.09 2014/Skopje
Round 2	Business and Professional Services	26.02. 2015/Brussel
Round 3	Tourism, Environment, Recreational Services (except Audiovisual)	29-30.06.2015/Moldavia
Round 4	Communication and Construction Services	17-18.09.2015/Moldavia
Round 5	Distribution, Education and Health Services	23.11.2015/Moldavia
Round 6	Financial and Transportation Services	2016/ Montenegro
Round 7, 8, 9	Review of the sectors committed to change and additional negotiations	2016/Montenegro

The first round of negotiations (Business and Professional Services) was held on 6 November 2014 in Skopje, Macedonia. Representatives from Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro, Kosovo and Serbia participated in this meeting.

The second round of talks led by Moldova was held on February 26, 2015 in Brussels and there were negotiated business and professional services as planned for the first two rounds. The third round of negotiations was held on 29-30 June 2015 in Moldova, where Tourism, Environment and Recreation Services were negotiated.

The fourth round of negotiations took place on 17-18 September, while the fifth round of negotiations was held same in Moldova on 23 November 2015, while the 6, 7, 8 and 9 rounds of negotiations involving (finance, transport and reconsideration sectors committed to change and additional negotiations) were held in Montenegro during 2016. Participants from Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro, Kosovo and Serbia participated in all meetings. Currently it is being worked on the approval of Additional Protocol 6 on services, where after its approval will be raised new obligations for CEFTA member countries, on implementation of AP6.

TIS Database

Regarding the TIS database and its implementation, the MTI has improved the database on trade in service. The database includes 6 categories of different fields, such as:

1. Statistics – import, export and trade balance,
2. Legislation,
3. Relevant stakeholders and their contacts,
4. Trade barriers,
5. Offensive and protective measures,
6. Trade Agreements.

The TIS database is organized on sectorial basis and specifies the government agencies responsible for the various measures. The database also contains brief comments on potential issues for certain measures, such as market access restrictions or potential discriminatory provisions. The database is a very valuable mechanism. This base should contain data based on the segregated categories, activities and projects undertaken by MTI in the context of CEFTA and SAA with a broad involvement of other relevant stakeholders such as line ministries, agencies and the private sector (chambers, associations, etc.). However, the database must be completed and updated and does not constitute a complete list of any measures included in the requirements within the Directive on Services.

Directive on Service

Currently, the Ministry of Trade and Industry in cooperation with the EU project is in the final phase of reviewing national legislation if it is in compliance with EU Directive 2006/123 / EU. The Directive on Services aims at facilitating the establishment and provide services in other member countries and providing cross-border services between EU member states. Since the Directive is a horizontal instrument covering a wide range of services, its implementation requires a combination of legislative, organizational and practical measures. The provisions of the directive to a considerable extent are based on the case law of the European Court of Justice in the fields of freedom of establishment and providing service and complement the existing EU instruments. The directive obliges member states to establish a "Single Contact Point" and to participate in an electronic information exchange system and to cooperate in services surveillance between member states. For Kosovo SCP is very important since all business services can be provided through the Web Portal due to receiving information from starting a business, obtaining a permit and licenses, and on potential sectors for direct investment. Its role is as an e-commerce portal, but wider in terms of doing business.

Ministry of Trade and Industry respectively Department of Trade (MTI) has drafted the Law on Services which transposes the EU Directive no. 2006/123 / EC on Services in the Internal Market. New Law on Services No. 05 / L-130 has been approved by the Kosovo Assembly and entered into force in March 2017. This Law rise additional obligations for the harmonization of all Kosovo's legal acts and bylaws with this Law. Also is foreseen to be drafted bylaws which will support implementation of this law.

Based on Law on Services 05/L-130, two administrative instructions are drafted.

The Administrative Instruction on the manner of functioning of the Single Contact Point has been subject to prior consultation and public consultation.

The Administrative Instruction on the Notification Procedure and the Draft of Normative Acts Compliance Assessment with the Law on Services has passed all the procedures and is expected to be sent to the Government.

Whereas, regarding the mutual recognition of professional qualifications with the countries of the region, regular meetings have been held in the last two years. CEFTA member states have already confirmed the starting negotiations on the mutual recognition of professional qualifications for the four selected sectors with a common interest in recognition of qualifications. Sectors on which are expected to start negotiations at the end of 2017 are: Doctors, Dentists, Architects and Engineers.