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**RECOGNITION AND PROSPERITY:
EXPLORING THE CASE OF KOSOVO**

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Introduction.

The issue of self-determination after the colonial era has been a topic of controversy. The lack of defined mechanisms of secession and established legal grounds has promoted conflict and ambiguity. Kosovo is one of the cases of self-determination that has been challenged since its declaration of independence from Serbia in 2008. Being a contested territory since its first unsuccessful and illicit referendum for independence in 1991 hampered Kosovo's prosperity and its performance in the international arena—limitedly represented in international organizations, limited diplomatic relations, hindered bilateral trade and security cooperation, besides it complicates the process of entering into international trade agreements and accessing foreign markets under beneficial terms, affecting economic growth¹.

This example raises two important questions: How do independence and recognition influence Kosovo's economic development and its performance in the international arena from 1999 to the present day? Under what conditions do recognition and independence matter? Existing literature extensively discusses the legal and political aspects of self-declared states, but there is a gap regarding the economic implications of partial recognition, the operational challenges these states face, and the relation between legal (de jure) recognition and economic development.

In this paper, I will argue that independence and legal recognition have had a significant impact on Kosovo's economic development and international performance. By focusing on the constitutive theory of statehood, which emphasizes the importance of universal international recognition, this study explores the legal, political, and economic implications of partial recognition and highlights the factors under which recognition matters. Specifically, I will

¹ Tatjana Papic, "De-Recognition of States: The Case of Kosovo," *Cornell International Law Journal* 53, no. 4 (Winter 2020): 683-730

demonstrate that the necessity of recognition is contingent upon factors such as geographical location, the status of the parent country, and regional political stability.

I will illustrate my argument by employing both qualitative and quantitative methods to highlight the positive effect of de jure recognition on economic development, consequently, serving as evidence to support the identified conditions under which independence and recognition matter. The methods include data from the World Bank, IMF, and Kosovo Agency of Statistics, as well as archival research from Serbia. The time period under examination starts from 1999, following the bombings of Yugoslavia and the establishment of the UN interim administration, up to the present day. This comprehensive approach allows for a thorough analysis of the conditions under which recognition influences economic growth and international performance. Furthermore, as mentioned earlier, to supplement the available online data, I conducted extensive archival research in Serbia. The historical and quantitative data obtained from the State Archives of Serbia, the Archives of Yugoslavia, and the Historical Archives of Belgrade were crucial in overcoming the limitations posed by the lack of comprehensive online data. These archival sources provided essential information for my T-test analysis and for constructing various graphs that illustrate Kosovo's economic development over time by filling the gap in available data on Kosovo's economy. Moreover, the Historical Archives of Belgrade, with the largest database of information on Kosovo, have become a valuable source of information for the study of the history of conflict and trade in Kosovo up to 1999. On the other hand, it is worth noting that the State Archives of Serbia had almost no information on Kosovo. Moreover, some important fonds in the Yugoslav archives were unavailable due to access restrictions. Nevertheless, most of the necessary information for the research was found, although it is to be mentioned that in investigating the history of the conflict, information was taken from various sources to avoid a biased narrative.

Overall, the archival data were indispensable for ensuring the accuracy and depth of the study, offering a robust foundation for analyzing the economic impacts of Kosovo's independence and recognition.

My argument and evidence have implications for a host of literature. The issue intersects with fundamental principles of public international law, such as the territorial integrity of states and the self-determination of peoples. It also sheds light on the broader literature regarding the economic performance of partially recognized states and the practical realities of achieving sovereignty and prosperity under partial recognition. Hence, once examining recognition, it is impossible to keep the issue separate from the implications for international law, consequently, that is where the wide variety of literature is situated. For instance, Walter et al.² draw upon the phenomenon of self-declared states within the law and they highlight that the issue is an intersection of national and international law. The right to secession and the role of third parties are vital in one's endeavor to become a sovereign state. Besides, it is clear why there is a high interest and awareness around the legal side of the problem³ – it poses a contradiction between fundamental principles of public international law – territorial integrity of States and self-determination of peoples. However, the scholar community still needs a greater focus on how partially recognized states should operate, immerse, and survive in the environment where recognition is used as a political tool. Such an agenda affects ordinary people and leads to suffering and the state's failure. Not being considered unanimously as a *de jure* state limits its performance in the international arena. Kosovo has limited representation in international organizations, which

² Christian Walter, Antje von Ungern-Sternberg., and Kavus Abushov, "Self-Determination and Secession in International Law." (2014). <https://doi.org/10.1093/acprof:oso/9780198702375.001.0001>

³ Jan Klabbers, "The right to be taken seriously: Self-determination in international law." *Human rights quarterly* 28, no. 1 (2006): 186-206.; Milena Sterio, "The right to self-determination under international law: "Selfistans," secession, and the rule of the great powers." Routledge, 2012.; Ved P. Nanda, "Self-Determination and Sucession under International Law." *Denv. J. Int'l L. & Pol'y* 29 (2000): 305.

hampers access to the benefits provided. Nevertheless, what helps a partially recognized state to thrive under such conditions? Therefore, in my research, I will identify how gaining independence and recognition from members of the international community and establishing bilateral ties with them has influenced Kosovo's economic development and its performance in the international arena.

Furthermore, as far as it was analyzed, out of all the self-declared cases Kosovo has got the most attention from scholars and many works concerning the historical context have been written on that topic. The roots of the problem go back to the Ottoman Empire, therefore, getting acquainted with the historical background which led to the security implications and then secession from Serbia and the declaration of independence in 2008 is vital⁴. Nevertheless, assessing the present conditions, Troude⁵ argues that Kosovo is a failed state. Even though in 2008 Kosovo unilaterally declared its independence and has received recognition from multiple countries, it is still a center of drug and organ trafficking in Europe⁶. Yet, in contrast to Troude, I would say that without the recognition Kosovo would never have achieved economic growth and development, and its performance in the international arena would have been much poorer.

Nowadays, Kosovo's foreign policy is aiming at enhancing its position in the international arena and within the international community and it has been able to achieve strong relations with allies, and fractionally integrate in world affairs⁷. It is hard not to notice a positive outlook and perception of Kosovo as a recognized state.

⁴ Rekurd S. Maghdid, "International Reactions on Peace and Conflict and the Independence Declaration of Kosovo." *INTERNATIONAL JOURNAL* 3, no. 1 (2016).

⁵ Alexis Troude, "KOSOVO: A FAILED STATE IN THE HEARTH OF EUROPE." *Kosovo: Sui Generis or Precedent in International Relations Kosovo* (2018): 69-70.

⁶ *Ibid.*

⁷ Liridon Lika. "Conclusion: Assessment and Outlook of the Kosovo's Foreign Policy and Bilateral Relations." In *Kosovo's Foreign Policy and Bilateral Relations*, (2023): 271-287.

Thereby, having reviewed the relevant literature, it is evident that there is a gap in the literature on the grounds of prosperity, the importance of recognition, and the performance of self-proclaimed states after their unilateral declaration of independence. In the West, Kosovo is viewed as a successful story that can survive on its own, yet it is still in need of international attention and assistance. I will demonstrate the necessity of further recognition and the urgency for policymakers to focus on gaining recognition from the international community to lead Kosovo to prosperity and improve the everyday lives of Kosovars.

The remainder of the paper is organized as follows. First, I will provide a theoretical framework on the relationship between recognition and economic development as well as present conditions under which recognition matters. Then, I will discuss the context of Kosovo's journey towards independence. Next, I will present Kosovo's economic background to gain the full picture of the issue. This will be followed by an analysis of the impact of recognition on Kosovo's economic indicators also demonstrating the credibility of the condition under which recognition matters for a self-declared state. Finally, I will conclude with a discussion of the findings, policy recommendations, and their broader implications.

Theory: International Recognition, Statehood, and Economic Prosperity.

This section provides the conceptual framework necessary for understanding the relationship between international recognition, statehood, and economic prosperity. By outlining key theories and definitions, the foundation for analyzing the case of Kosovo will be established.

To comprehend the influence and further effect of independence and recognition on Kosovo, the type of recognition should be determined, and its importance to economic development and the case under examination.

To understand the topic and dive into the theme of self-declared nations one has to start from the very beginning as it always commences with a history of an existing self-determined group seeking recognition based on ethnicity, territory, language, etc. They identify themselves as a sovereign state. However, what does statehood signify? According to the accepted criteria of statehood laid down by the Montevideo Convention (1933) – a state must possess a permanent population, a defined territory, a government, and the capacity to conduct international relations. However, the question is: to be a fully pledged state, is merely satisfying the legal criteria of statehood enough, or recognition from other countries must be obtained? Hence, there are two opposing theories – constitutive and declaratory – to support each of the claims, yet in practice the benefit of recognition from the international community is unmatched⁸ and nowadays is being used as a norm to acknowledge the statehood of an entity.

There are various forms of recognition, the most common ones are de facto and de jure (legal) recognitions where de facto recognition is not a complete recognition while de jure is a complete one⁹. De jure recognition is expressed through a formal act and in principle is an unrevoked one, yet in a political sense either recognition can always be withdrawn. In this work and in the presented theories de jure recognition will be considered and implied.

As the decision of recognition has become highly politicized, Huddleston¹⁰ argues that there are ways of building one's sovereignty rather than reserving to the extreme for some states' measures like legal recognition. However, in my work, I will be considering a territory to be called a sovereign state with all the consequent opportunities by adhering to constitutive theory and

⁸ Sevanna Poghosyan and Eiki Berg, "When There Is a State? The Politics of Recognition and Kosovo," *Diplomacy & Statecraft* 32, no. 3 (July 3, 2021): 605–26, <https://doi.org/10.1080/09592296.2021.1961492>.

⁹ Bashkim Rrahmani, "RECOGNITION OF NEW STATES: KOSOVO CASE". *Journal of Liberty and International Affairs* 2:68-79.

¹⁰ R Joseph Huddleston, "Continuous Recognition: A Latent Variable Approach to Measuring International Sovereignty of Self-Determination Movements," *Journal of Peace Research* 57, no. 6 (October 28, 2020): 789–800, <https://doi.org/10.1177/0022343320960208>.

practical realities. Constitutive theory implies gaining universal recognition and views recognition as the legal act of state creation¹¹. Consequently, it makes the state dependent on recognition and it makes its performance challenging in the international arena due to the lack of universal recognition¹². On the other hand, declaratory theory argues that recognition is only a political act denying its legal transaction, hence, granting the recognition solely a normative value¹³. However, it is evident that without a de jure recognition, the performance of a state is limited, it cannot establish diplomatic relations nor enter into treaties¹⁴ as well as gain membership in international organizations. An explicit link exists between international recognition and economic development. Not to deny, a state has certain rights without legal recognition yet, they are severely limited¹⁵. Therefore, in this work, adhering to the constitutive theory I will argue that a state requires legal or de jure recognition where universal recognition is the end goal, in order to achieve economic development and refine its performance in the international arena. Recognized states can engage in bilateral and multilateral trade agreements, receive international aid, establish diplomatic relations deriving subsequent benefits. For instance, recognition can lead to membership in organizations like the World Bank and the IMF, which are essential for economic growth and stability. Thereby, for self-declared states like Kosovo, recognition is crucial for entering into trade agreements, joining international organizations, and attracting foreign investment.

As part of my research, I will determine the conditions under which recognition is necessary for prosperity, it is crucial to examine various hypotheses that explain possible reasons.

¹¹ Tatjana Papic, "De-Recognition of States: The Case of Kosovo."

¹² Ibid.

¹³ Ibid.

¹⁴ CRAwFoRD, *supra* note 119, at 27-28; JORm DUURSMA, FRAGMENTATION AND THE INTERNATIONAL RELATIONS OF MICRO-STATES?: SELF-DETERMINATION AND STATEHOOD 115 (1996).

¹⁵ Tatjana Papic, "De-Recognition of States: The Case of Kosovo."

One key hypothesis is contiguity, meaning that the closer the borders of a self-declared nation are to the parent state, the more necessary the recognition is. Extensive recognition from the international community may serve as a shield and allow a self-determined state to achieve steps aimed at enhancing its prosperity. This is particularly relevant in regions with high political tension or historical conflicts, where international recognition can provide a form of legitimacy and security that encourages investment and economic growth. The Balkan region with its extensive history of instability and the not-so-distant violent dissolution of Yugoslavia with substantial consequences for the whole region, certainly become a condition for an increased necessity of recognition.

Another significant factor is the unfavorable geographical location of a contested entity, which may also dictate the need for recognition for prosperity. For instance, Kosovo's landlocked nature adds an additional layer of complexity. Lack of direct access to the sea limits economic opportunities, trade routes, and transportation options. Recognition by major powers can help mitigate these disadvantages by facilitating international trade agreements and infrastructure investments that might otherwise be unattainable. Furthermore, the complexity is added by the fact that a limited number of countries recognize Kosovo's number plates, which makes the transportation of goods more difficult.

Furthermore, the status of a parent country is also critical and determines the urgency of recognition. Serbia is not a superpower nor nuclear, therefore, gaining legal or de jure recognition from major powers like the US is feasible and would be beneficial for the self-declared nation to achieve prosperity. That is what we see in the case of Kosovo. Recognition from powerful countries can lead to increased political stability and economic support, which are essential for the

development of a newly independent state. Moreover, it is more relevant for the Western powers which have substantial records of allies and, therefore, would lead to an extensive recognition.

To substantiate this claim, another example could be drawn. South Ossetia and Abkhazia succeeded from Georgia and were recognized by Russia, which was beneficial for their minimal prosperity as it brought foreign investments and facilitated economic development. The backing of a major power like Russia provided these regions with the necessary resources, recognition from its allies, and political support to establish and maintain economic stability, yet not sufficient on its own. Nevertheless, this highlights the importance of recognition from influential states in securing the prosperity of self-declared nations, especially when they lack geopolitical advantages or strategic importance that might otherwise attract international support. However, it still does not exclude the need for extensive recognition as it affects the overall economic development, trade, and membership in international organizations. It just provides the baseline, the opportunity that could be used to achieve prosperity.

Overall, the presented theoretical framework will guide the analysis of Kosovo's case. I will demonstrate that de jure or legal recognition under identified conditions significantly enhances economic development in newly independent states by facilitating access to international markets and investment.

Historical context

The question of Kosovo's territoriality has a rather long history. Before the Serbian state gained its independence in the twelfth century, the region of Kosovo was under the rule of the Roman Empire and then the Eastern Roman Empire. However, the independent existence of the Serbian state was short-lived and led to the collapse of the state and the recognition of the final

domination of the Ottoman Empire over the land in the 15th century for more than 350 years¹⁶. During the described historical milestones, the ethno-ethnic composition of the region changed. Thus, the territory of Kosovo in the fourteenth century, where the predominant part was Orthodox Serbs, by the middle of the XIX century, became a territory with a majority Albanian population, which led to the development of a national movement for unification and independence¹⁷.

By the 1990s, the conflict in Kosovo became part of the ongoing international disintegration of Yugoslavia, a multi-ethnic state with 6 republics¹⁸. Furthermore, the fear of Kosovo Albanians of changing the constitution, i.e. the status of Kosovo as an autonomous province with the broadest powers became the reality. One can only imagine the resonance that caused the adoption of the new Serbian Constitution in September 1990, which lowered the level of autonomy of the province¹⁹. As a result of the events, Kosovo was divided into two separate societies: Albanian and Serbian. A party system began to form in the province, political parties appeared – the largest was the Democratic League of Kosovo (LDK), headed by Ibrahim Rugova²⁰. In 1991, the Kosovo Albanians held a referendum concerning the independence of Kosovo, and in 1992 the illegal presidential and parliamentary elections took place²¹. The results were as follows: the referendum, demonstrated unanimous agreement with the creation of the independent republic

¹⁶Ema Miljković, "Ottoman Heritage in the Balkans: The Ottoman Empire in Serbia, Serbia in the Ottoman Empire." Süleyman Demirel Üniversitesi Fen-Edebiyat Fakültesi Sosyal Bilimler Dergisi 2009, no. 2 (2014): 129-137.

¹⁷Мария Олеговна Гузикова, Александр Геннадьевич Нестеров. "Косово на пути к суверенитету: к истории вопроса." [Maria Olegovna Guzikova, Alexander Gennadyevich Nesterov. "Kosovo on the way to sovereignty: to the history of the question. "Kosovo on the Road to Sovereignty: Background"]. СибСкрипт 3-2 (63) (2015): 178-184.

¹⁸ United Nations International Criminal Tribunal for the former Yugoslavia, "The Conflicts, " n.d., <https://www.icty.org/en/about/what-former-yugoslavia/conflicts>.

¹⁹Human Rights Watch, "Yugoslavia. Human Rights Abuses in Kosovo 1990 – 1992, " n.d., <https://www.hrw.org/reports/1992/yugoslavia/#:~:text=In%20July%201990%2C%20the%20Serbian,Kosovo's%20direct%20rule%20from%20Belgrade>.

²⁰ European Forum for Democracy and Solidarity, "Kosovo," n.d., <https://europeanforum.net/countries-list/kosovo/>.

²¹ Human Rights Watch, "Yugoslavia. Human Rights Abuses in Kosovo 1990 – 1992. "

of Kosovo; in the presidential and parliamentary elections Ibrahim Rugova and his party Democratic League of Kosovo (LDK) were elected as a legitimate authority²². Consequently, the goals and interests of the Kosovo Albanians conflicted, respectively, with the interests of Serbia and Yugoslavia, which were in favor of the integrity of their territory and the preservation of their former borders. Therefore, in order to achieve radically opposing objectives each party executed all the methods at hand, which often violated human rights²³.

The end of the 1990s, and 1997 in particular, can be called a landmark year for the conflict in Kosovo, as an important player emerged, such as the Kosovo Liberation Army (KLA), which came out of hiding and began active operations²⁴. One could say that the KLA was the emergence of repression that the Albanian population of the province had been facing for years. With the emergence of the KLA not only the number of arrests and clashes between police and civilians increased but also the number of terrorist acts²⁵. Consequently, the matter was no longer a domestic issue, it has been internationalized.

The beginning of 1998 was highlighted by repressions coming from Serbian security forces with the objective of asserting its dominance over Kosovo²⁶. The aggravation of the situation on the territory of the province between Serbs and Kosovo Albanians and, the accusation of ethnic cleansing by Serbian forces eventually led to the involvement of the international community in the problem and NATO's bombing of Yugoslavia in 1999. By the start of the bombing campaign, the count of refugees and internally displaced persons reached some 460,000

²² László Gulyás, "A brief history of the Kosovo conflict with special emphasis on the period 1988-2008." *Historia Actual Online* 27 (2012): 141-150.

²³ Steven J. Woehrel, "Kosovo: Historical Background to the Current Conflict." Congressional Research Service, The Library of Congress, 1999.

²⁴ European Forum for Democracy and Solidarity, "Kosovo."

²⁵ Damjan de Krnjevic-Miskovic, "The conflict in Kosovo." *Society* 39, no. 6 (2002): 82-86.

²⁶ Arielle Badger, "Serbia and Kosovo: A Resolution for Both Sides." In Claremont-UC Undergraduate Research Conference on the European Union, vol. 2009, no. 1, p. 3. 2012.

people 260,000 within Kosovo, and 200,000 in the rest of Yugoslavia and other countries. Nevertheless, the displacement has just begun, during the 78-day conflict the U.S. Committee for Refugees (USCR) reported hundreds of thousands of ethnic Albanians displaced within Kosovo, in addition to the nearly 900,000 who left the province²⁷. As a result of the bombing campaign much of Yugoslavia's infrastructure was damaged, more than 2500 civilians died and more than 12,500 were injured²⁸. Besides, the Kosovo Force (KFOR) was deployed and the UN Interim Administration Mission in Kosovo (UNMIK) was established. By the end of 1999, 810,000 Kosovo refugees returned home, yet about 350,000 returnees remained displaced at year's end²⁹. However, NATO's intervention and the establishment of international supervision institutions led in reverse to the violence, harassment, and displacement of ethnic minorities including Kosovo Serbians³⁰. Some 175,000 ethnic Serbs from Kosovo remained internally displaced in the rest of Serbia and Montenegro alongside 45,000 Roma³¹.

UNMIK's governance in Kosovo from 1999 until 2008³² set and prepared the next critical stage in the evolution of the conflict. On 17 February 2008, the Republic unilaterally declared its independence. It was negatively received by Serbia, yet resonated with many Western countries, nevertheless, there was still a lack of unanimity within the international community.

Recently, the desire of both Kosovo and Serbia to join the European Union³³ has been used as leverage to resolve and advance the conflict. Consequently, the conflict does not stand still, there is a tendency for the de-recognition of Kosovo, parties employing restrictive regulations and

²⁷ Human Rights Watch, "Yugoslavia. Human Rights Abuses in Kosovo 1990 – 1992. "

²⁸ Bombing of Serbia 1999, directed by Nemanja Trbojevic. (2016; Toronto, Canada)

²⁹ Human Rights Watch, "Yugoslavia. Human Rights Abuses in Kosovo 1990 – 1992. "

³⁰ Ibid.

³¹ Walid Ayoub, "Human Rights Watch: Abuses Against Serbs and Roma in the New Kosovo (August 1999), " July 16, 1999, <https://www.hrw.org/reports/1999/kosov2/>.

³² United Nations Peacekeeping, "UNMIK Fact Sheet," n.d., <https://peacekeeping.un.org/en/mission/unmik>.

³³ Arielle Badger, "Serbia and Kosovo: A Resolution for Both Sides. "

sanctions against each other, and the situation at the border and internally remains delicate. While some degree of political integration has been achieved, the imprint of conflict and the subsequent waves of violence remain in the minds of people and continue to complicate a peaceful way forward. However, still being an unrecognized state complicates the performance of Kosovo in the international arena and it has to find a way to survive and prosper. Even though the overall resolution of the conflict does not seem to be close, the successful economic development and integration of the partially recognized state could still be achieved and it could beneficially function under such conditions. Moreover, as of now, Kosovo Serbs constitute approximately 7,8% of the population³⁴, yet the proportion could be much lower.

Economic background

Kosovo during the Yugoslavian period until 1999

After the Second World War, Kosovo became the major recipient of financial investments towards its economy³⁵. In 1956 Serbia began to actively contribute to the growth of Kosovo, later the responsibility was divided and distributed between the other republics of Yugoslavia followed by the creation of the Federation Fund in 1965 to provide loans for the accelerated development of underdeveloped republics and autonomous provinces³⁶. From 1960 until 1990 Serbia invested in Kosovo 17 billion dollars³⁷ which corresponds with the statement that in the 1980s financial aid to Kosovo constituted 1,5 million dollars per day³⁸.

³⁴ Minority Rights Group, "Serbs in Kosovo - Minority Rights Group, " April 12, 2024, <https://minorityrights.org/communities/serbs-3/>.

³⁵ TRGOVINSKA KOMORA U BEOGRADU - BEOGRAD (509). The Historical Archives of Belgrade.

³⁶ Alexey Drynochkin, "Economic problems of the project «Kosovo»," World and National Economy, 2014, <https://mirec.mgimo.ru/2014/2014-04/ekonomiceskie-problemy-realizacii-proekta-kosovo>

³⁷ Polpred, "Стоимость недвижимости в Косово," [Cost of property in Kosovo], February 18, 2008, https://polpred.com/?ns=1&ns_id=95117#google_vignette

³⁸ Милена Марковић, "Проблем Косова." [Markovich Milena. "The Kosovo Issue"] Српско питање. — Београд: Политика (1991): 207-223.

Such monetary flows influenced some absolute indicators of the Kosovo economy. Thus, from 1965-1985, the economic growth rate in Kosovo was the highest in the country - 6.7%³⁹. Industrial production increased by 6% in the SFRY and 7% in Kosovo (mainly due to the extractive industries)⁴⁰. At the same time, relative indicators providing data in comparative terms and per capita ratios are unambiguously negative. For instance, in 1980 the level of GDP per capita in Kosovo was 72% lower than the all-Yugoslav level and the level of personal income in Kosovo was 40% of the Yugoslav average the same year⁴¹. The unemployment rate in Kosovo was 30 percentage points higher than the national average, more than 800 thousand people could not find a job⁴². To summarize the ineffective and unsuccessful measures to boost economic development in Kosovo regardless the federal investments during the period, a few reasons could be highlighted: high rate of natural increase in the Albanian population of Kosovo⁴³, 'which had a negative impact on per capita indicators and absorbed the effect of federal funding'; the formation of dependent governmental aid attitudes among the inhabitants of Kosovo and, as a consequence, the low profitability of industrial and agricultural enterprises, which reduced the effectiveness of investment⁴⁴; furthermore, the relative isolation of the Kosovo economy, weak networks with other regions, international sanctions imposed on Yugoslavia in 1990s and armed conflicts led to the overall decline of the Kosovo economy⁴⁵.

Kosovo in 1999 – 2008

³⁹ Drynochkin, "Economic problems of the project «Kosovo»."

⁴⁰ Ibid.

⁴¹ James Pettifer. "Kosovo Economy & Society After 1945-Some Observations." Conflict Studies Research Centre, Royal Military Academy Sandhurst, (2002).

⁴² Леонид Алексеевич Никифоров, Л. В Тягуненко, О. А Дзыза. "Социалистическая Федеративная Республика Югославия." [Nikiforov, Leonid Alekseevich, L. V Tyagunenko, O. A Dzyza. "Socialist Federal Republic of Yugoslavia."] Nauka (1985).

⁴³ Drynochkin, "Economic problems of the project «Kosovo»."

⁴⁴ Ibid.

⁴⁵ Ibid.

After the bombings of Yugoslavia, from 1999 until 2008 Kosovo was under international supervision governed by UNMIK. During the presented time frame the status of Kosovo was ambiguous, technically it was still a part of Serbia, but, was under the UN administration. Such positioning with a pending political status – not being independent and recognized by other states – impeded Kosovo’s economic development. It could not access loans from international organizations such as the World Bank, International Monetary Fund (IMF), and International Finance Corporation, consequently, leading to the inability to execute large-scale projects and facilitate the economy⁴⁶. Kosovo had limited ability to conclude trade agreements and was bound to asymmetric trade relations – ‘although Kosovo is technically still part of Serbia and trade is supposed to be free, Kosovo’s exports (and also imports) are charged with transit charges of 3% in Serbia and 5% in Montenegro, whereas Kosovo’s infrastructure is freely used by everyone’⁴⁷.

During the UNMIK, Kosovo’s economy was one of the poorest in Europe, with an estimated GDP per capita of €1,120 in 2005⁴⁸. Kosovo ranked second lowest in Europe after Moldova. Imports were much higher than exports causing a very large trade deficit. Moreover, even though having high rates of consumption, most of the consumed goods were imported⁴⁹, therefore, the money ended up abroad rather than inside the jurisdiction to generate production and promote investment. Besides, Kosovo was a recipient of enormous amounts of donor support. The UN and other international organizations spent over 22 billion euros on recovering the entity and its economy, yet it did not provide sufficient results in the economic sector. One of the explanations for such a phenomenon could be that ‘Kosovo became the UN’s biggest money laundering mission

⁴⁶ International Monetary Fund – IMF. "Aide Memories of the IMF Staff Mission to Kosovo," February 19 – 27, (2007), Washington D.C.: IMF.

⁴⁷ Isa Mulaj, "Forgotten Status of Many: Kosovo’s Economy Under the UN and the EU Administration," Ordnungspolitische Diskurse, No. 2007-08, Ordnungspolitisches Portal (OPO), (2007): 1-33, <https://www.econstor.eu/bitstream/10419/55438/1/685079570.pdf>.

⁴⁸ International Monetary Fund – IMF. "Aide Memories of the IMF Staff Mission to Kosovo."

⁴⁹ Mulaj, "Forgotten Status of Many: Kosovo’s Economy Under the UN and the EU Administration."

in history where the UN's bureaucrats and some local political mafia filled up their pockets'⁵⁰. Thus, by 2008 Kosovo had extremely high unemployment rates, widespread poverty, and low levels of economic growth, however, on February 17, 2008, the entity still unilaterally declared its independence.

Recognition of Kosovo

As of now, the Republic of Kosovo has been unconditionally recognized by 88 UN member states, while 105 member states out of 193 do not consider Kosovo an independent state⁵¹. Moreover, the President of Serbia in his annual address in 2023 noted that 9 other countries - Somalia, Burkina Faso, Gabon, Eswatini, Libya, Guinea, Antigua and Barbuda, St. Lucia, Maldives - have withdrawn their recognition, and corresponding action is expected from the 10th country, the name of which is not disclosed⁵². It is worth emphasizing that there is no certainty about the number of countries that have recognized Kosovo's independence, as Aleksandar Vucic states that there are growing reports from various countries about the withdrawal of recognition of Kosovo, while the official website of the Ministry of Foreign Affairs in Pristina still lists 117 countries that have recognized Kosovo's independence⁵³. However, according to official Belgrade, the number of states withdrawing their recognition is rapidly increasing and at the time of the 15th anniversary of Kosovo's independence, the list included 27 countries⁵⁴. In addition, there have been no new recognitions in the last two years, only statements to the contrary from Belgrade, and

⁵⁰Maciej Zaremba, "Colony Kosovo", translated by Oliver Grassman, (2007). <http://seeuropeonline.blogspot.com/2007/06/colony-kosovo-by-maciej-zaremba.html>

⁵¹ Kosovo online, "Serbia has obtained the 10th Kosovo recognition withdrawal, " January 3, 2023, <https://www.kosovo-online.com/en/news/politics/serbia-has-obtained-10th-kosovo-recognition-withdrawal-3-1-2023>.

⁵² Ibid.

⁵³ Ministria e Punëve të Jashtme dhe Diasporës – Republika e Kosovës, "List of Acknowledgments," Accessed June 5, 2024, <https://mfa-ks.net/lista-e-njohjeve/>.

⁵⁴ Kosovo Online, "Recognitions, withdrawals, and accessions: Where is Kosovo's diplomacy? " February 22, 2023, <https://www.kosovo-online.com/en/analysis/recognitions-withdrawals-and-accessions-where-kosovos-diplomacy-22-2-2023>.

the last country to recognize Kosovo was Israel in 2021. The Pristina government is thus criticized for a failed foreign policy and diplomacy that led to the withdrawal of recognition applications. The authorities are not working to strengthen relations with countries where diplomatic relations have been established, nor are they actively campaigning to attract new states that could be swayed to their side. While Serbia has not backed down and has pursued an effective and vigorous policy of non-recognition of Kosovo. Nevertheless, this contradicts the "Economic Normalization" agreement adopted in 2022, however, serving more like the intentions of the parties.

As for the reasons why some states withdrew their recognition, according to Petrovich-Belkin et al., it is safe to distinguish three factors that influenced this decision: political, economic, and separatist⁵⁵. Thus, politics refers to the process when the change of government revealed that the decision to recognize Kosovo was, for instance, taken bypassing the parliament, thus, illegitimate. Therefore, the newly elected government, having carried out the procedure again in due course, arrived at a result that concluded with the withdrawal of recognition. This was the case in Sao Tome and Principe. The second factor is economic. The authors believe that, for example, China, by supporting Serbia, may have influenced the decisions of some countries. 'China directly influences a number of Central and Southern African countries, both economically and politically, and if we look at the list of countries that withdrew their recognition, we can see that most of the countries from Africa are present there'⁵⁶. The third factor can be labeled as separatist. It can serve not only as a reason why states initially did not recognize Kosovo's independence (e.g. Spain,

⁵⁵ Олег Константинович Петрович-Белкин, Виктория Вадимовна Пчелкина, Борис Алексеевич Ремизов, Герман Дмитриевич Матвеев, and Михаил Игоревич Ведмин. "Позиция мирового сообщества относительно международно-правового статуса Косово в 1998-2019 гг." [The position of the world community regarding the international legal status of Kosovo in 1998-2019]. *Конфликтология/nota bene* 4 (2019): 84-94.

⁵⁶ Ibid.

China, Greece, etc.) but also as a reason for withdrawing its recognition due to ‘internal political destabilization, which was expressed in separatism’⁵⁷.

Focusing on the separatist factor, it is worth mentioning that many of the European countries recognized Kosovo’s independence, however, there are a number of European states that have not recognized Kosovo's independence. These are, for instance, Spain, Slovakia, Cyprus, Greece, Romania, Ukraine and Moldova. This position of non-recognition has various reasons: political, and economic, but the separatist factor plays a special role. For example, Spain has its own separatists in the Basque Country and Catalonia, thus recognizing Kosovo would set a precedent and raise the question of granting independence to the separatist movements in their country. Officially, Madrid stated that ‘Spain has not recognized Kosovo because it deemed its 2008 unilateral declaration of independence to be contrary to the rule of law and to our idea of a diverse and tolerant Europe’⁵⁸. There is also a problem of separatism in Cyprus in the form of the Turkish Republic of Northern Cyprus or, for example, in Moldova separatist movements coming from Transnistria. Thus, it is worth noting that in case of recognition or non-recognition of Kosovo, states pursue their personal motives, which correspond to the implemented foreign and domestic policy.

Evidence of economic development after gaining independence and recognition

In the following paragraphs, I will provide the evidence that supports the viability of identified conditions and the positive influence of de jure recognition on the economic development of Kosovo.

Trade

⁵⁷ Ibid.

⁵⁸ Andrew Rettman, "Spain to Recognise Kosovo if It Gets Serbia Deal," EUobserver, September 18, 2020, <https://euobserver.com/eu-political/149467>.

Having an unfavorable landlocked location and being unrecognized, hampered Kosovo's ability to trade with other countries. The vast majority of countries not only did not recognize passports issued by the government in Pristina but also the number plates which restricted already limited trade. However, once Kosovo began to gain legal recognition the situation altered.

After declaring its independence, Kosovo commenced to gain recognition from the international community consequently affecting its development due to the new emerging opportunities (Graph 1, Graph 2, Bar Chart 1, Bar Chart 2). It is obvious that recognizing a state 'can have concrete economic impacts'⁵⁹. For instance, being unrecognized creates challenges for the business environment stemming from difficulties of travel to issues in the exchange of goods and services⁶⁰. Therefore, declaring independence and then gaining recognition, brought the possibility to conclude desired multilateral and bilateral treaties with the countries involved.

Kosovo's international trade is managed by the Ministry of Trade Industry, Entrepreneurship, and Trade (MINT), yet, what is worth mentioning is that due to the disputed status of the entity, in some cases of signing international agreements Kosovo is referred to as Kosovo* where a footnote clarifies that the name is made without prejudice to Kosovo's legal status or UNMIK preforms as the signatory on behalf of Kosovo⁶¹. Nevertheless, 'Kosovo is a signatory of the Central European Free Trade Agreement (CEFTA) through the United Nations Mission in Kosovo (UNMIK) and has a Stabilization and Association Agreement (SAA) with the European Union that serves, among other things, as a free trade agreement'⁶². CEFTA was signed in 2006 while SAA in 2015. It is

⁵⁹ Jieun Choi, "The Costs of Not Being Recognized as a Country: The Case of Kosovo," Brookings, November 16, 2017, <https://www.brookings.edu/articles/the-costs-of-not-being-recognized-as-a-country-the-case-of-kosovo/>.

⁶⁰ Bashkim Rrahmani, "Recognition of new states: Kosovo Case." *Journal of Liberty and International Affairs* 4, no. 2 (2018): 68-79.

⁶¹ International Trade Administration, "Trade Agreements," January 24, 2024, <https://www.trade.gov/country-commercial-guides/kosovo-trade-agreements>.

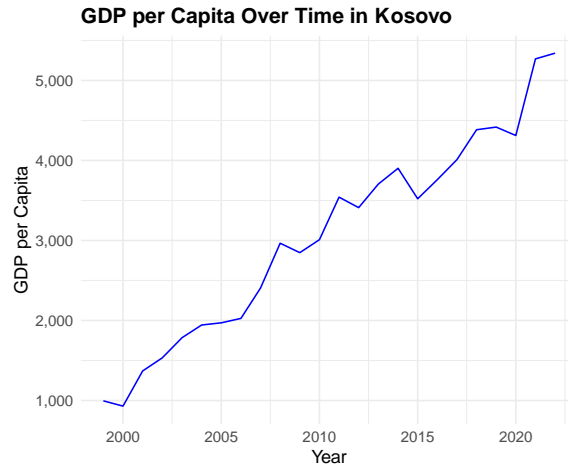
⁶² Ibid.

critical to notice that three of the seven CEFTA member states do not recognize Kosovo (Bosnia and Herzegovina, Serbia, and Moldova), whereas, it was possible to overcome the barrier by obtaining the signature from the UN Mission in Kosovo rather than the official government which is not recognized by some states. Furthermore, there is a trade and cooperation agreement with the

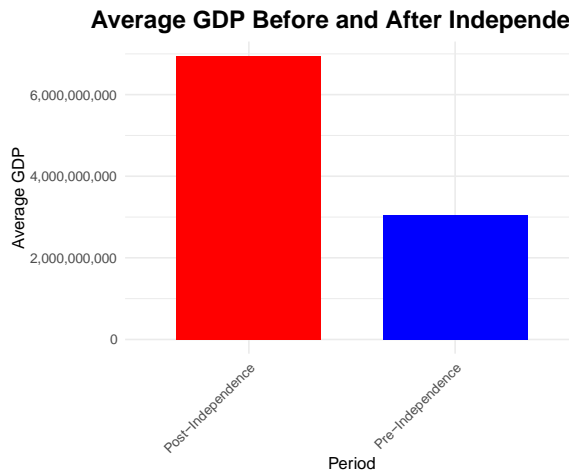
Graph 1. GDP (US\$) of Kosovo in 1999-2008.



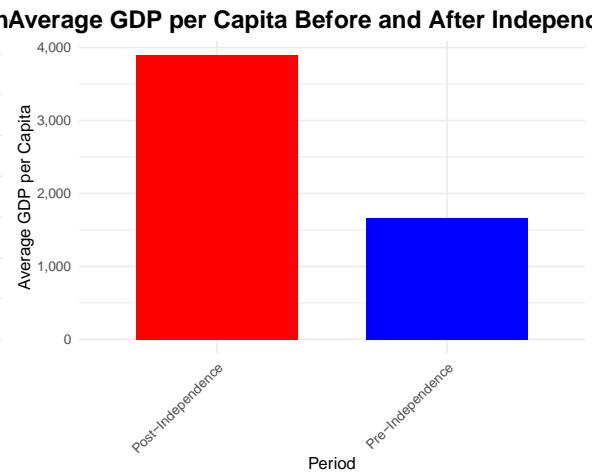
Graph 2. GDP per capita (US\$) of Kosovo in 1999-2008.



Bar Chart 1. Average GDP (US\$) of Kosovo before and after independence.



Bar Chart 2. Average GDP per Capita (US\$) of Kosovo before and after independence.



UK, and a free trade agreement with Turkey⁶³. Also, ‘Kosovo has signed double-taxation treaties with Albania, Austria, Croatia, Hungary, Latvia, Lithuania, Luxemburg, Malta, Netherlands, North Macedonia, Saudi Arabia, Slovenia, Switzerland, Turkey, the United Arab Emirates, and the United Kingdom. Older treaties with Belgium, Finland, and Germany from the time of the former Yugoslavia are still in effect⁶⁴. As a side note, double-taxation treaties refer to agreements between two countries aimed at avoiding the double taxation of income and assets. Thus, such agreements become crucial for the emerging state and its economic development as they reduce the risk for investors and make Kosovo a more attractive destination for foreign direct investment (FDI), stabilize tax revenues, make international trade smoother, more stable and conflict averse, consequently, bringing clarity to the operations of the partially recognized state and facilitating its economic growth. However, concluding a greater number of mutually beneficial agreements is vital for diverse and comprehensive trade, and economic development, which will encourage further exports, boost domestic production, and reduce the trade deficit in Kosovo.

Therefore, the evidence above presents the credibility of the observed condition – unfavorable location – and the beneficial effect of de jure or legal recognition on economic development and trade in particular.

Membership in International Organizations

Emphasizing the status of a parent state as a crucial condition to seek extensive legal recognition adhering to constitutive theory can be illustrated by Kosovo’s membership in international organizations. First, it was feasible to achieve membership due to the major support and de jure recognition from the Western powers. Second, it yielded comprehensive economic and infrastructural support and benefits from endorsers. Furthermore, having a shared border with the

⁶³ Ibid.

⁶⁴ Ibid.

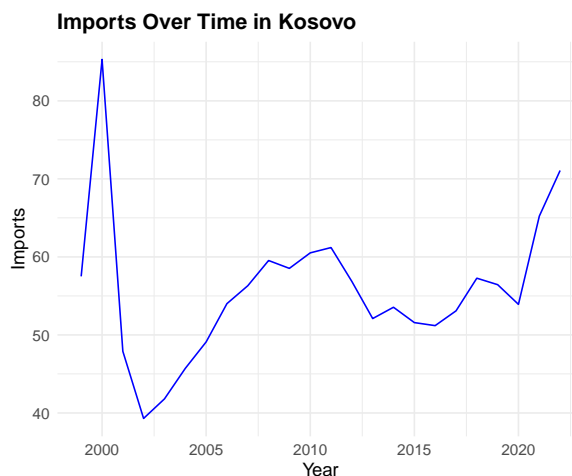
parent state dictated the necessity for Kosovo to join international organizations which from one perspective serve as a shield of especially economic stability.

With recognition, membership, or the status of an observer in international organizations (IOs) and other initiatives appeared for Kosovo. The self-declared state is a member of the European Common Aviation Area (ECAA) and a member of the Athens Process on Energy for the Southeastern Europe Energy Community Treaty⁶⁵. By joining the ECAA and implementing EU aviation laws and regulations, Kosovo Airlines gained access to the broader European aviation market, allowing them to operate flights to and from EU member states without restrictions, which

Graph 3. Exports (% of GDP) of Kosovo in 1999-2008.



Graph 4. Exports (% of GDP) of Kosovo in 1999-2008.

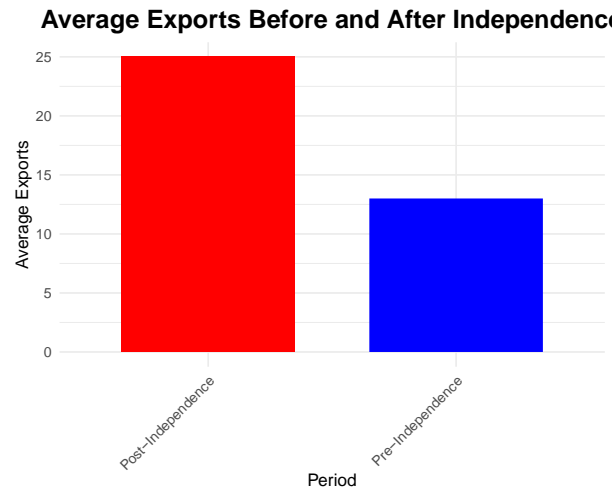


extremely liberated the performance and development of a partially recognized State in the international arena. Besides, joining the Athens Process on Energy stimulated the establishment of a secure, stable, and predictable energy market in Kosovo. Despite facing such challenges as political recognition and consequent lack of full integration, by being a member the partially recognized state already made a step towards successful economic development and regional cooperation. Moreover, in 2009 Kosovo became a member of the World Bank (WB) and the

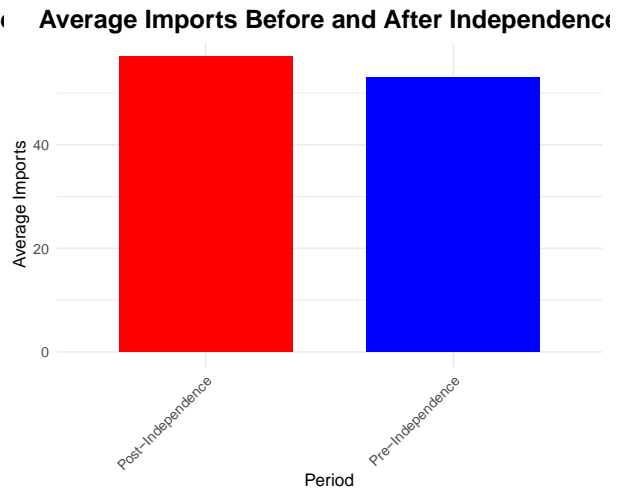
⁶⁵ Ibid.

International Monetary Fund (IMF) ‘but the high number of states (including China and Russia) that have rejected Kosovo’s claim of independence has continued to severely limit the process of the economic recovery’⁶⁶. Yet, joining the WB and IMF is seen as a positive sign for investors

Bar Chart 3. Average Exports of Kosovo before and after independence.



Bar Chart 4. Average Imports of Kosovo before and after independence.



and the international community increasing their confidence in investing in Kosovo⁶⁷. Moreover, ‘this has had an important impact on the overall economic development of Kosovo’⁶⁸. Other important organizations that Kosovo is a member of are the International Bar Association, the International Road Transport Unit, the World’s Customs Organization, the European Bank for Reconstruction and Development (EBRD), the Council of Europe’s Venice Commission, the Regional Cooperation Council, the Permanent Court of Arbitration, the World Football Federation,

⁶⁶ Daniel Silander and John Janzekovitz, "State-Building and Democracy: Prosperity, Representation and Security in Kosovo," *International Studies* 14, no. 1 (November 1, 2012): 39–52, <https://doi.org/10.2478/v10223-012-0053-1>.

⁶⁷ Adrian Emini and Alfred Marleku, "The Prospects of Membership in International Organizations: The Case of Kosovo," *Relationes Internationales*, Vol 9, No 2 (2016). <https://journals.univ-danubius.ro/index.php/internationalis/article/view/3382/3805>.

⁶⁸ *Ibid.*

the European Football Federation, the Olympic Committee and so forth⁶⁹. It only fostered economic development but also further consolidated Kosovo's status as a sovereign and independent state, and improved regional and international security⁷⁰. However, Kosovo is still not a member of such crucial organizations as the United Nations, the European Union (EU), the Council of Europe, the North Atlantic Treaty Organization (NATO), the World Trade Organization (WTO), and the World Health Organization (WHO).

However, Kosovo's activity and its extensive de jure recognition still demonstrate the robustness of the established conditions of recognition – contiguity and the status of the parent state. Nevertheless, pivoting and implementing a more active foreign policy agenda aimed at obtaining membership status along with a policy on gaining recognition would greatly assist in reinforcing its economic and political position in the international arena. The ultimate challenges that Kosovo faces in achieving the goal are the lack of international recognition and aggressive and I would say successful lobbying campaign coming from Serbia and its allies opposing Kosovo's statehood and IOs-membership⁷¹. 'A particular challenge remains the weak foreign service and the lack of lobbying initiatives from Kosovo itself. On many occasions, 'diplomatic relations with recognizing states have not been deepened, which in return paved the way for interference from third parties'⁷². Hence, as stated above, Kosovar official should actively engage and step up in promoting their own objectives to achieve prosperity within the entity.

FDI

⁶⁹ Radio Free Europe, "Which international organizations did Kosovo join and which ones does it aim for?", June 17, 2020, <https://www.evropaelire.org/a/ne-cilat-organizata-u-anetaresua-kosova-/30676253.html>.

⁷⁰ Arbër Fetahu and Group for Legal and Political Studies, "Kosovo's Membership Into International Organizations After the Expiration of the Moratorium: Opportunities, Challenges and the Road Ahead. " Policy Analysis. Group for Legal and Political Studies, 2022. https://www.legalpoliticalstudies.org/wp-content/uploads/2022/08/GLSPolicyAnalysis_Kosovos-Membership-into-IOs-after-the-Expiration-of-the-Moratorium.pdf.

⁷¹Ibid.

⁷²Ibid.

Due to the status of a parent country, major support, and extensive legal recognition, as proposed by the constitutive theory, from the Western block, Kosovo managed to gain increased political stability and economic support. Furthermore, it became a more attractive environment for foreign investments which had a positive impact on its prosperity.

FDI in Kosovo is a ‘very important source of capital growth flows and the economies development’⁷³. They indicate the confidence of investors to invest in a certain entity, serve as a strong foundation for future prosperity, and most importantly, in particular in the case of Kosovo, create new jobs⁷⁴. As a side note, Kosovo has one of the highest unemployment rates in Europe, even though tens of thousands of Kosovars leave its borders each year⁷⁵. Nevertheless, FDI should have a positive effect on the economy, ‘on GDP growth, the increase in FDI causes an increase in employment, domestic consumption which as a result has the mitigation of the large gap between imports and exports, economic stability or the achievement of other macroeconomic goals’⁷⁶, yet Kosovo still has a very low level of FDI. Furthermore, FDI in 2020 was lower (around 350 million euros) than in 2007 (around 450 million euros) despite the belief that recognition and independence should have brought more investments⁷⁷. Besides, there is no correlation between FDI level and employment in Kosovo. However, this could be explained by investments in real estate rather than the job-producing sector⁷⁸. Between 2020 and 2022 there has been a rise in FDI, it almost doubled going from 345.7 million euros to 778.2 million, whereas more than half of the investments went

⁷³ Fatos Geci, "Foreign Direct Investments in Kosovo," SHS Web of Conferences 114 (January 1, 2021): 01016, <https://doi.org/10.1051/shsconf/202111401016>.

⁷⁴ Ibid.

⁷⁵ Arton Konushevci and Doruntina Baftiu, "Kosovars Finally Get the Visas They’ve Longed for (Along With a Host of New Problems)," RadioFreeEurope/RadioLiberty, January 8, 2024, <https://www.rferl.org/a/kosovo-visa-free-travel-schengen-new-problems-economy-unemployment/32760866.html>.

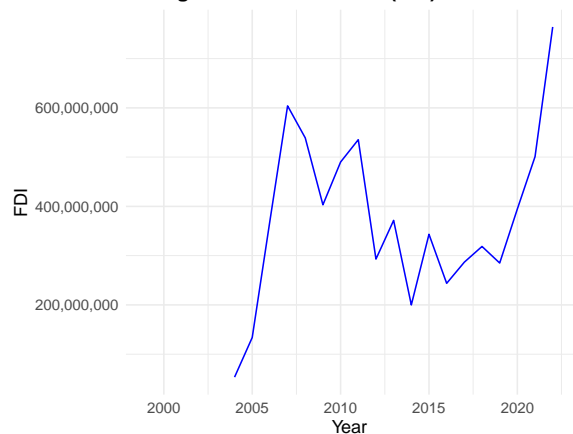
⁷⁶ Geci, "Foreign Direct Investments in Kosovo."

⁷⁷ American Chamber of Commerce in Kosovo and Diellë Duga, "Foreign Direct Investment in Kosovo," (2021), <https://www.amchamksv.org/wp-content/uploads/2021/07/FDI-in-Kosovo.pdf>.

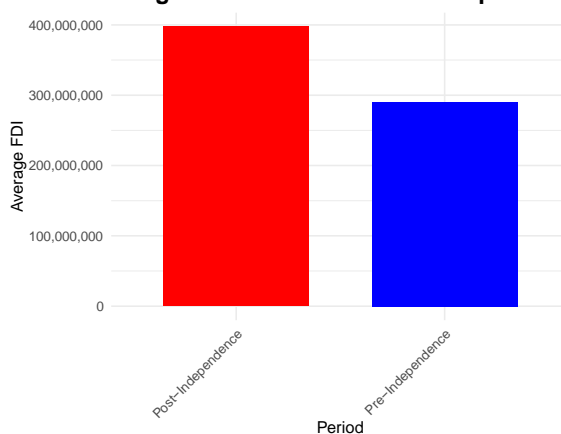
⁷⁸ Ibid.

into real estate by Kosovo Albanians living abroad purchasing properties⁷⁹, which did not produce economic growth nor provided jobs. ‘Over the past three years, on average 55 percent of FDI has come from Germany, Austria, and Switzerland, countries with significant Kosovo Albanian diaspora communities, while over the same period, roughly 72 percent of that investment has gone into real estate’⁸⁰. Nevertheless, according to Bar Chart 5, the average amount of FDI is higher after gaining independence and recognition in 2008.

Graph 5. FDI (US\$) of Kosovo in 1999-2008.
Foreign Direct Investment (FDI) Over Time in I



Graph 5. FDI (US\$) of Kosovo in 1999-2008.
Average FDI Before and After Independence



According to the Bertelsmann Stiftung’s Transformation Index (BTI) Country Report on Kosovo⁸¹, the main sources of economic growth in Kosovo are public investment, the export-oriented mining industry, and remittances. As stated above, diaspora investments drive and dominate Kosovo’s economy but they ‘leave the economy to pay for imports instead of strengthening the development of the local economy. The national economy should be driven by

⁷⁹Xhorxhina Bami, "BIRN Fact-Check: Kosovo Is Attracting More FDI, But Not Where It’s Needed," Balkan Insight, September 21, 2023, <https://balkaninsight.com/2023/09/21/birn-fact-check-kosovo-is-attracting-more-fdi-but-not-where-its-needed/>.

⁸⁰ Ibid.

⁸¹Bertelsmann Stiftung, "BTI 2018 Country Report," Bertelsmann Stiftung, 2018, https://bti-project.org/fileadmin/api/content/en/downloads/reports/country_report_2018_RKS.pdf.

investments and trade rather than remittances and consumption'⁸². Therefore, there are two occurring and interconnected issues, FDI flows that predominantly occupy the real estate sector rather than the job-producing ones, and FDIs primarily stemming from Kosovo Albanian diaspora leaving abroad rather than businessmen from a variety of countries. Hence, challenges may emerge due to ineffective policies, which once again must be pivoted and in the case of FDI towards entrepreneurship-friendly laws and regulations, elimination of bureaucracy, fight against corruption, reforms in the areas of tax and customs administration, land use, and building permits, and the administrative appeals system⁸³. The government should ensure that the coming FDI is beneficial for the economy and its growth and, therefore, make corresponding changes to create a more attractive environment. 'Adequate fiscal policies need to be applied in Kosovo to be very suitable for business development'⁸⁴ implementing fiscal incentives, or various tax breaks⁸⁵ or lower corporate taxes to make Kosovo a more attractive or similarly competitive place to invest; changing the policies to 'enable the competitive advantage of private sector enterprises, especially small and medium-sized enterprises, youth-run enterprises and women'⁸⁶. In general, government investments in infrastructure and predictable fiscal policies reduce the uncertainty for investors and make Kosovo a more favorable place for FDI.

Thus, showing the necessity of obtaining recognition from countries and their benefits for economic development it is necessary to provide an example of such cases of self-proclaimed states as Transnistria, South Ossetia, and Abkhazia. These contested entities do not have such broad recognition as Kosovo (Transnistria is unrecognized, while South Ossetia and Abkhazia are

⁸²Florije Govori and Amant Fejzullahu. "External financial flows and GDP growth in Kosovo." *Journal of Developing Societies* 36, no. 1 (2020): 56-76.

⁸³ Geci, "Foreign Direct Investments in Kosovo."

⁸⁴ *Ibid.*

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*

recognized by Russia, Nicaragua, Venezuela, Nauru⁸⁷ and Syria); no UN administration has been established on their territories to assist in the governance, development and reconstruction of the entity; Transnistria, South Ossetia and Abkhazia are not members of any internationally recognized organizations, which ultimately limits their potential, economic development and participation as a full-fledged actor in the international arena. Hence, the current state of affairs, the successful declaration of independence with subsequent recognition, inclusion in the international agenda, and a fairly positive start to the development of economic potential demonstrate that Kosovo has every chance to prosper with a successful domestic and foreign policy.

Overall, gaining legal recognition as proposed by the constitutive theory, has had a positive impact on Kosovo demonstrated by increased trade, membership in international organizations, and FDI. De jure recognition assisted in improving Kosovo's performance in the international arena and achieving economic development. Furthermore, it is evident, that contiguity, unfavorable geographical location, and the status of a parent state illustrate the general importance of recognition for Kosovo. Meanwhile, an increased number of legal recognitions in the case of Kosovo will lead the self-determined state to prosperity and economic growth.

Statistical and Comparative analysis

Looking at the data from the World Bank, the Historical Archives of Belgrade⁸⁸, the Archives of Yugoslavia⁸⁹, and Ivan Kushnir Institute of Economics and Law, I have compiled graphs comparing Kosovo's GDP, FDI, Imports, Exports, and GDP per capita to the countries with similar economies in Europe and former Yugoslav countries. It assists in visually displaying the

⁸⁷ TASS, "Countries that recognized South Ossetia's and Abkhazia's independence," May 29, 2018, <https://tass.com/world/1007058>

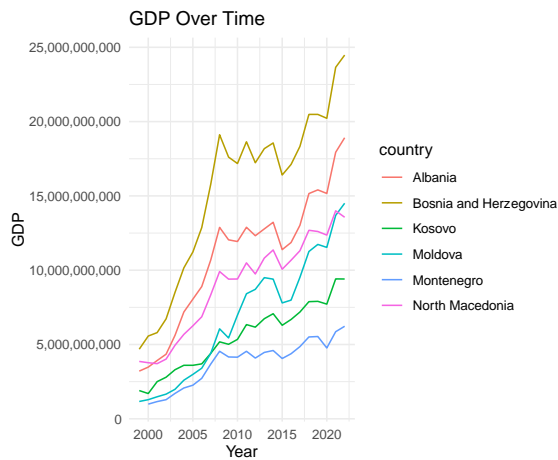
⁸⁸ TRGOVINSKA KOMORA U BEOGRADU - BEOGRAD (509). The Historical Archives of Belgrade; SKUPŠTINA GRADA BEOGRADA – BEOGRAD (17). The Historical Archives of Belgrade

⁸⁹ FEDERAL MINISTRY OF ECONOMY AND INTERNAL TRADE (814). The Archives of Yugoslavia; FEDERAL MINISTRY OF ECONOMY (815). The Archives of Yugoslavia.

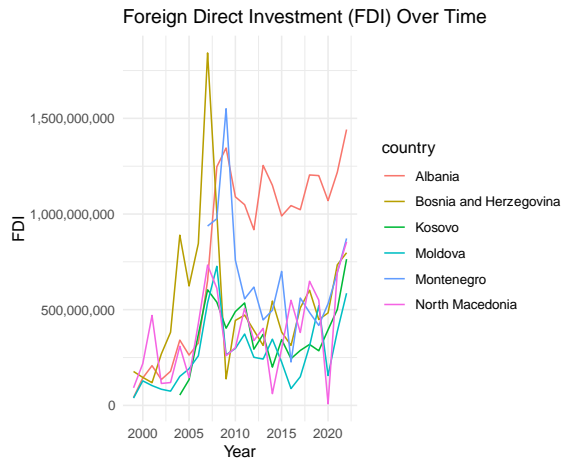
development of Kosovo and its current state of affairs. Even though the bar charts above depict that after independence and recognition economic indicators on average in Kosovo have been higher, they are still very low in comparison to the other European states.

As is seen above, Kosovo being one the poorest countries in Europe, along with Moldova, Montenegro, and Albania has one of the lowest economic indicators. Growth is evident, whereas, it still remains on the outskirts of prosperity.

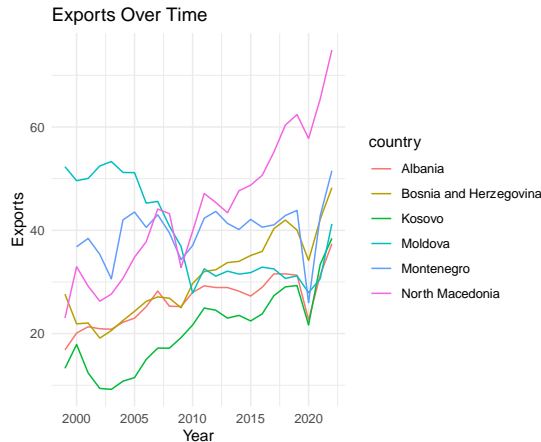
Graph 6. GDP (US\$) of Kosovo in comparison to Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia in 1999-2008.



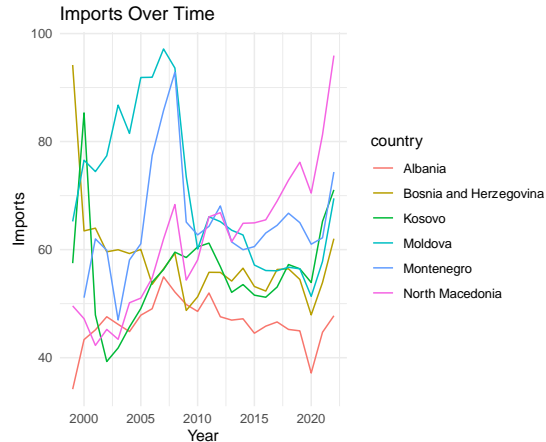
Graph 7. GDP (US\$) of Kosovo in comparison to Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia in 1999-2008.



Graph 8. Exports (% of GDP) of Kosovo in comparison to Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia in 1999-2008.

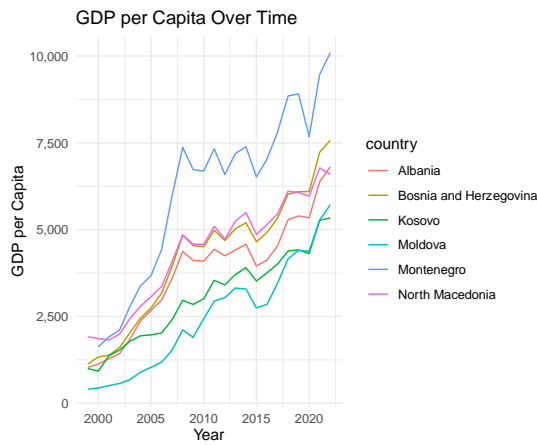


Graph 9. Imports (% of GDP) of Kosovo in comparison to Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia in 1999-2008.

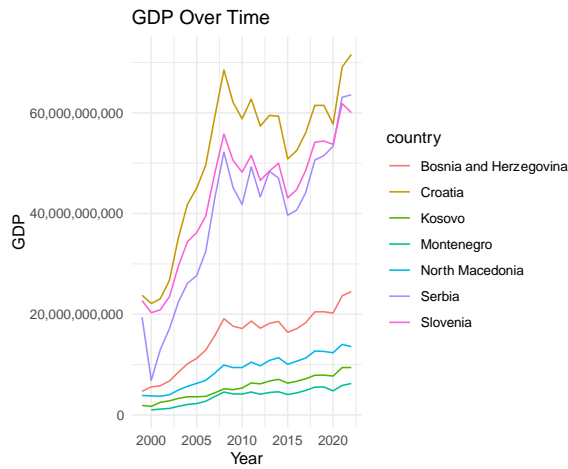


When it comes to comparing Kosovo to the former Yugoslav states, the economic underdevelopment and scarcity are vividly noticeable (Graph 11, Graph 12, Graph 13, Graph 14, Graph 15). Kosovo has the lowest GDP per capita and as well as Montenegro has the lowest GDP, leaving potential for growth and overall prosperity.

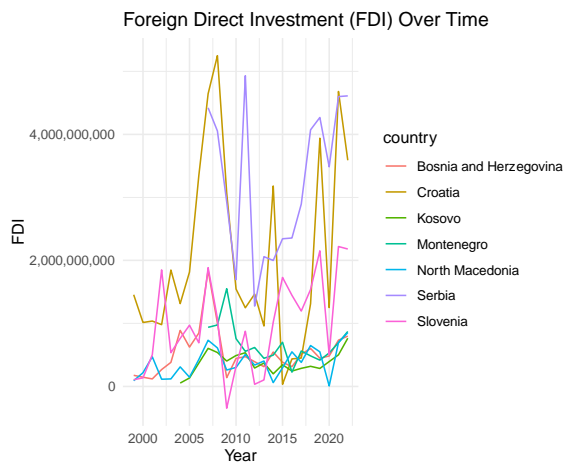
Graph 10. GDP per Capita of Kosovo in comparison to Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia in 1999-2008.



Graph 11. GDP of Kosovo in comparison to Bosnia and Herzegovina, Croatia, Montenegro, North Macedonia, Serbia, and Slovenia in 1999-2008.



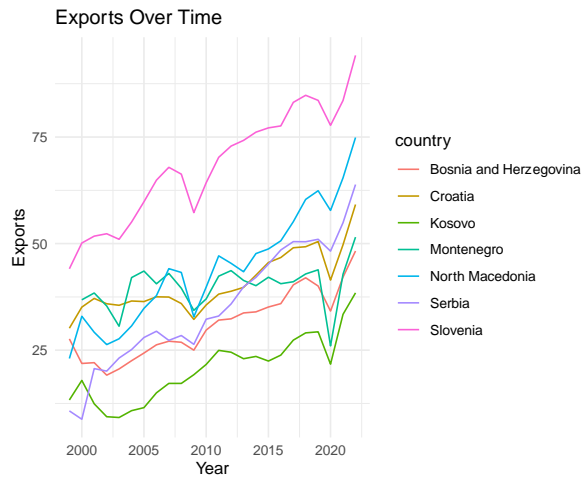
Graph 12. FDI of Kosovo in comparison to Bosnia and Herzegovina, Croatia, Montenegro, North Macedonia, Serbia, and Slovenia in 1999-2008.



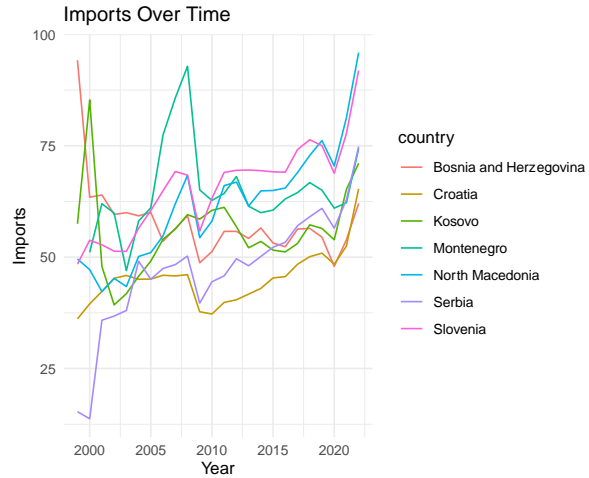
To demonstrate that independence and de jure recognition were nonetheless necessary to achieve prosperity and economic development, I have decided to conduct a T-Test analysis (Table

1) on the GDP per capita before and after independence. The aim was to determine whether there was a statistically significant difference in the GDP per capita between the periods 1999-2007 (pre-independence) and 2008-2022 (post-independence). I have chosen GDP per capita as the indicator as it demonstrates economic productivity and an estimate of the standard of living in a country, although it is crucial to consider other socio-economic factors for a comprehensive analysis.

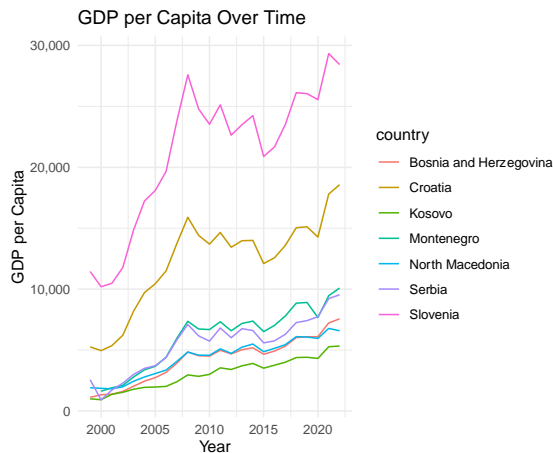
Graph 13. Exports (% of GDP) of Kosovo in comparison to Bosnia and Herzegovina, Croatia, Montenegro, North Macedonia, Serbia, and Slovenia in 1999-2008.



Graph 14. Imports (% of GDP) of Kosovo in comparison to Bosnia and Herzegovina, Croatia, Montenegro, North Macedonia, Serbia, and Slovenia in 1999-2008.



Graph 15. GDP per Capita of Kosovo in comparison to Bosnia and Herzegovina, Croatia, Montenegro, North Macedonia, Serbia, and Slovenia in 1999-2008.



The results reveal that there was a significant increase in GDP per capita in Kosovo after its independence in 2008. This is evident from both the t-test results and the confidence interval. The negative t-value of -8.741 and confidence interval (-2760.722, -1701.316) indicate that the mean GDP per capita was significantly higher in the post-independence period compared to the

Table 1. T-Test Results.

T-Test Results: GDP per Capita Before and After Kosovo Independence ¹ Comparing Means from 1999-2007 and 2008-2022	
	T-Test Summary
Measure	Result
T-Statistic	-8.741
P-value	0.000000015
Confidence Interval (Lower Bound)	-2760.722
Confidence Interval (Upper Bound)	-1701.316
Mean Difference	2231.019
Mean GDP per Capita (Pre-Intervention)	1661.778
Mean GDP per Capita (Post-Intervention)	3892.797

pre-independence period. A negative difference is expected and meaningful because it aligns with the hypothesis that GDP per capita increased post-independence. Furthermore, the p-value is significantly less than the convention threshold of 0.05, indicating that the difference in GDP per capita before and after 2008 is statistically significant. Moreover, as shown in the results, the mean GDP per capita before 2008 was 1661.778, while the mean GDP per capita after 2008 was 3892.797 as well demonstrating a substantial increase in GDP per capita post-independence. Therefore, one could emphasize that declaring unilateral independence and gaining legal recognition proposed by constitutive theory had a positive effect on Kosovo and its economic

growth (GDP per capita). Hence, multiplying the number of recognitions in the case of Kosovo will induce prosperity of the self-declared state.

However, I acknowledge that while the t-test shows a significant difference in GDP per capita before and after 2008, it does not prove causation. Other factors might have contributed to the growth in GDP per capita, such as international aid, economic reforms, or regional economic conditions. Furthermore, political stability, global market trends, and other events during the study period could influence GDP per capita. The t-test does not account for these factors. During the UN Interim Administration in Kosovo from 1999 until 2008, the entity received substantial international aid to boost its economy, however, after the war in 1999 and its ambiguous status, Kosovo was weak and required a full recovery, including its institutional frameworks. Hence, such a short time period 1999-2008 could have been just not enough to raise the economy.

Conclusion

Thus, the recognition has provided Kosovo with economic growth, development, new markets, opportunities to conclude trade agreements, and membership in international organizations. These are not available in such an ambitious format for other non-recognized states such as South Ossetia and Abkhazia. Hence, legal or de jure recognition highlighted in constitutive theory is necessary for economic development. Furthermore, recognition is of great importance for self-declared states facing the conditions I have identified: contiguity, unfavorable geographical location, and the status of a parent country.

Future research should further explore the viability of conditions under which recognition matters as well as other cases of unrecognized states that are currently not actively explored in the literature. The explanation could be the termination of the active phase of the conflicts, however, partially recognized states must thrive and develop, hence greater attention from the academic

community is needed. This will contribute to finding ways to prosperity and perhaps highlight the imperative of legal recognition for economic development. Kosovo is an excellent example of a state that started to develop actively after receiving recognition, which would not have been possible in its absence.

However, Kosovo and its policymakers should activate their foreign relations with the goal of receiving more recognition or as a bare minimum, not forfeit and maintain active ties with countries that have already recognized Kosovo. Recognition is multilayered and in the case of Kosovo, legal recognition should proceed with ensuring that its passports are recognized as well as number plates which is primarily beneficial for international trade. What is more, the partially recognized state should implement entrepreneurship-friendly policies and create a welcoming and safe environment for new businesses, stimulating and attracting FDI from major actors, which in reverse would produce employment opportunities and boost the economy. Membership in international organizations is also vital for the emerging state and its initiatives and overall development. Concluding versatile trade agreements and increasing the exports of goods and services, would decrease the trade deficit within the partially recognized state. Kosovo is a consumer society, yet the consumed products are mostly imported, thus, leading to the absence of salient local production.

Nevertheless, recognizing that the opportunities and performance of Kosovo are limited due to the lack of universal recognition and active campaigns from Serbia, economic prosperity is still feasible to achieve. Kosovo should switch its focus from political enmity to actively gaining legal recognition, carrying out economic reforms and development, improving the living standards, and strengthening ties with the international community.

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