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The Role of Turkish Firms on Kosovo's Economic Development

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Abstract

As one of the last countries declaring its independence in Europe, Turkey has been one of the first to recognise Kosovo as an independent state and has supported the country since 2008. Besides many governments approved and supported projects, Turkish firms have also a strong interest in the young state and play a very important role in the development of its economic structures. Turkish firms are on many projects regarding the infrastructure of the country, many of those firms play also an important role in educational sector and the economic relations are growing with a rapidly rising rate. Kosovo's independency came after a very long wartime and even now there are many countries not recognising this young state. Even in these circumstances along German and American Firms Turkish firms play a very important and pioneer role. With this paper I am attempting to explain the transformation of this country and the role of Turkish firms during that process. The data used in the paper comes mainly from governmental resources like ministries of both countries. The data shows the explicit progression of the transformation and even under the expectations Turkey should be considered as a transformative power in its own right as a part of global processes.

Keywords: Kosovo, Economic Power, Handelsmacht, Transforming Power, Bilateral Relations

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Introduction

As one of the youngest countries in Europe Kosovo still has some problems concerning its independence and its recognition by the other states. Currently the number of the states recognizing Kosovo as a sovereign is by 110 as stated by the Kosovar Foreign Ministry. But Kosovo had never had that problem with Turkey, than when Kosovo declared its independence on 2008 Turkey was the third state to recognize its independence just twenty hours later.

Turkey has always had strong relations with the Balkans. The region was for a long time under the Ottoman Rule and during that time people of the region and religions had to cooperate in order to live together. With the end of the era the nationalist movement of Europe has also reached the Balkans and many ethnic states have begun to rise. The ethnic movements of the region brought many tensions back in the Balkans and resulted in many casualties, wars, ethnic cleansing and so many tears.

With the rise of every sovereign there would be new minorities. Many Balkan people define themselves with their religions even if their ethnic roots may be the same and speaking the same language. The Bosnians speak the same Slavic language but differentiate themselves with being Muslims, Croatians with being Catholic and Serbians with being Orthodox Christians. The tensions born from the religion is the most dangerous among many because people follow their beliefs into unbelievable levels. After the Bosnia-War and the fall of Yugoslavia the Albanians of the Serbia were the last remaining religious minorities (Muslim minority) in an orthodox Christian country. While Turks or the Muslim minorities are in three states make the majority of the population, in Serbian the situation was much different. The civil war resulting in the İndependence of Kosovo lasted for many years and left many horrible experiences and memories in the minds of people.

The whole Muslim community in the Balkans makes more than several millions. While Albania was for a long time the only country with a Muslim majority, with the independence of Bosnia-Herzegovina and Kosovo the situation changed and Turkey with its Muslim roots has more than ever importance for many people in Balkans. More than 20 million Muslims live at the region with many relatives in Turkey and without the familiar bands of relations there would be also the religious bands as well as the cultural bands born from the long Ottoman rule and sharing geography also securing the grounds for a successful cooperation. For the ruling party AKP and actually the Turkish government the stability of the region has absolute priority than it would affect more than just neighbouring countries, it would affect the Turkish Republic from the very inside.

Just to list some of the reasons for Turkey and Turkish firms to intervene in the economic and social development of Kosovo shows how the search for stability means at the same time the search for opportunities for both countries with strong bonds. But at the same time the struggles of a young country should also be taken into consideration than the intervention of Turkey into economy means also the possible intervention into other sovereignty fields and something to be vary of.

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The Fundamentals about Kosovo

The sovereign state of Kosovo declared its independence on 17. 02. 2008 and recognized by over hundred countries including USA, France, İtaly, Germany, United Kingdom and Turkey.

Before its independence Kosovo has been a Serbian province with autonomy rights regarding its internal affairs. But with the rise of the nationalistic wave on the 1990's and the Bosnian War the situation at the Balkans came undone again. Serbian state saw itself as the single and legal successor to the Yugoslavia which at the other hand mean that all the countries trying their hand on independence had to be subservient to the Serbia.

It was impossible from the very beginning. Bosnia-Herzegovina, Croatia, Slovenia along with Serbia declared their independence, not allowing the same rights to other minorities within their territories.

The case of Kosovo was harder to accept than other minorities struggles. Kosovo was a prominently Muslim province surrounded by Muslim states such as Bosnia-Herzegovina, Albania and Macedonia, not to forget the other Balkan countries like Greek and Bulgaria which might be not Muslim countries at all but nonetheless have a staggering Muslim population to consider.

The apprehension of a grater Albania and a prominently Muslim country where not hundred years ago another mighty Muslim imperium (The Ottomans) had ruled, was of course understandable. Especially, remembering that the 1.8 ml. people living in Kosovo are mostly Kosovar Albanians who speak Albanian and Turkish.

The population of Kosovo is a very young one. The average age is 27,it is an incredibly low number comparable with some African countries. But with the war so fresh on mind on body, it is an understandable one.

The government is new to having to build a state from the scrapes of an hostile state-government of Serbia. The state building process is an ongoing one with the help of US, EU and unsurprisingly Turkey.

The building process is all-encompassing, including judicative, executive and legislative sides od a country government with all the military and police force and as well as mundane infrastructure considered self-explanatory and a-priori by many of us but to be structured to many Kosovars.

The Turkish Presence

The historical presence of Turkey is simply explained by the Ottoman Rule and ongoing Islamic roots of the region considering Turkey is the only strong Muslim country in the Balkans to whom the Muslim minorities of the region can turn to.

During the 1990's where the Balkan countries warred with each other, Turkey has always supported those Muslim minorities and as the second strongest army power within NATO, Turkey was also involved in the Kosovo Air Intervention during 1999 in order to stop Serbian government in his ruthless move against the Albanian-Kosovar minority. The government, in its haste to stop the independence movement, destroyed the carefully balanced situation with Kosovo's autonomy and moved against civilians.

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The support of Turkey during the war can also be read from its diplomatic help; Turkey was among the few countries who opened coordination offices in Prishtina which lasted also after the war, as it was mentioned before Turkey was one of the first countries to recognize Kosovo as a sovereign and independent state and opened an embassy in September 2008 moving the representing of the diplomatie a level up.

This move was followed by the bilateral agreement to allow citizens of both countries the freedom of movement without requiring any visa for an undetermined time with several more moves from economic organizations like TOBB or ITO and most importantly the establishment of Kosovo-Turkey Chamber of Commerce in 2008.

The amount of investment from Turkey might be not so much only up to 100 million Euro till 2010 and Turkey exported over $240 million of goods to Kosovo compared with the collective export and import rates of Turkey, it is a minimal number. But despite of it Turkey is only the third most investing country in Kosovo; just behind Germany and UK, followed by the US.

Nearly 500 firms are operating in Kosovo and the annual investment of Turkish firms is bordering on 340 m. Euro. The firms operating in Kosovo have a great scale of operation; they vary from building sector to textiles while the building sector is leading with outstanding projects having managed projects with a budget of 1.000 m. Euro.

For a new-developing economy like Kosovo, foreign investment is needed like the air for breathing for creating new jobs and lowering poverty rates. With the being so near behind the country is in a low passé and is depending on import incomes and customs. The unemployment is a serious threat to Kosovar Economy than as one may remember the country has an average population age of 27, which means an incredibly low age for entering the market and steadily increasing numbers of unemployed young people and low to non-existent job opportunities.

Normally companies would be critical to such a young and unexperienced country and administration like Kosovo which also can be seen from a World Bank survey. [1] But the turkish companies mostly don't share the same sentiments. Most of the firms have already deep connections with Kosovo, so the administrative problems don't deter them more than other international investors. The aim from the Turkish side has always been to increase the volume of commerce between the countries by doing almost everything to create an economic bridge he strengthens the existing emotional one.

It can be said the Turkish investors are more aware of the opportunities of agriculture, energy and infrastructure opportunities in Kosovo and are investing heavily in those sectors.

The most astounding example is most assuredly the building of the İbrahim Rugova National Highway which will be connecting Kosovo and Albania on a more direct way and will be supporting both countries.[2] But the one thing making this Project stand out from its peers is the sheer cost of the Project in

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[1] http://data.worldbank. org/country/kosovo
[2] http://www.hurriyet.com.tr/enka-otoyolu-12-ay-once-bitirdi-arnavutluk-ve-kosova-nin-birlesme-ruyasi-dunya-rekoruyla-gerceklesti-19229651

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comparison with Kosovo's budget. Kosovo's 2011 budget was approximately 1.4 billion euro and even if the details were never made public the initial cost for this project would be close to 700 million euro. This costly project is being built by the Turkish-American Consortium Bechtel-Enka. Enka is one of the largest construction and engineering firms of Turkey. [3] They have been building roads, highways and tunnels since 1958 and have also contributed to the overhauling of Turkey's infrastructure by building the Anatolian Highway connecting Ankara with Istanbul and meaning with the most visited harbours of Turkey was connected to the rest of Anatolia.

Enka with its partner Bechtel from Americas have built in more Balkan countries. They have been the constructing partners on many highway projects in Croatia, Romania, Albania and lastly in Kosovo with the necessary infrastructure. The building process has been most contributing to the Kosovo employment market, then the firms have contracted more than 70% of the workers from Kosovo and more than 80 firms from Kosovo overtaking some tasks from the main project. More than 10.000 Kosovar have been educated on construction and building, enabling them to working this field further if they should wish it thus taking the learning outcomes of the training to astounding levels. [4] The highway is so far the largest project that the Kosovar government has ever attempted and was entrusted to a Turkish company.

Another large project that has a valuable role in building Kosovo's infrastructure is in the energy sector and one of the most discussed issues of the recent times: The Privatization of Kosovo Electricity Distribution Network and Supply. [5] [6]The privatization process of the energy networks is not something new to the region, all other Balkan countries have already privatized their network and supply, but Kosovo had some transparency problems.

The opposition and many civil society organizations has stated that the privatization process has been done in a very speedy way and not by achieving consensus between relevant stakeholders in the society doing the process in a non-transparent way. The limiting of the official and public documents has been adding to the concerns of the civil society. [7]

Still, KEDS J.s.c was established in 2009 and is now owned by the Turkish partnership of Çalık Holding and Limak. They operate in seven districts and thirty different sub-districts in Kosovo.[8]

Çalık is one of the most influential Holdings in Turkey acting in energy, textiles, construction, finance, media and mining fields. They are working on projects on Balkans and Middle East along Turkey with a volume of 20 billion dollars. But most importantly, they have prior experiences on Energy Distribution; the refurbishment of electricity infrastructure of Turkmenistan, the stabilization of gas power plant in Georgia and Navol plant in Uzbekistan but also YEDAŞ- Yelişırmak Elektrik Dağıtım is also a part of their portfolio; they distribute energy to several important cities in Turkey.

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[3] http://www.enka.com/tr/portfolio-item/morine-merdare-otoyolu-guzergah-7/
[4] http://www.enka.com/tr/portfolio-item/morine-merdare-otoyolu-guzergah-7/
[5] This Project will be referred as KEDS.
[6] https://www.calik.com/tr/sektorler/enerji-sektoru/keds
[7] http://kfos.org/wp-content/uploads/2015/06/4.-KEDS-PRIVATISATION-IN-THE-ENERGY-SECTOR.pdf
[8] http://www.keds-energy.com/en/about.asp

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LİMAK Holding was created by 1976 but is also an influential firm with activities in several sectors; energy, tourism, cement, infrastructure, management and operation of airports, ports management, and food and aviation sectors. The company has become the market leader in the distribution of electricity, by winning the tenders for the privatization of Bogazici and Akdeniz distribution companies in Turkey alonag with UEDAŞ(Has 2.7 million customers and distributes 10 billion kWh. Limak owns 33% of shares.), ÇEDAŞ(725 thousand customers and distributes 3 billion kWh. Limak owns 33% of shares.), BEDAŞ(Has a total of 4.3 million customers and distributes 25 billion kWh. Limak owns 33% of shares.), AEDAŞ (Has 1.7 million customers and distributes 7.5 billion kWh. Limak owns 33% of shares.) and Kosovo Company for Distribution and Supply of Electricity in Kosovo which has over 450 thousand customers and delivers over 5 billion kWh of electricity per year.

Conclusion

The Turkish state strongly advises Turkish businessmen to increase their level of economic cooperation with Kosovo in order to mirror the already strong political relations. Business Associations and other economic institutions are positively encouraging Turkish firms to invest in Kosovo in order to strengthen the ties between the two countries.

There are no specific challenges faced only by Turkish investors, but the Turkish İnvestors are far more welcome then any others from different parts of the world, and as the examples show so distinctly, they use those changes accordingly. They build the infrastructure, job market and the future of Kosovo nowadays.

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