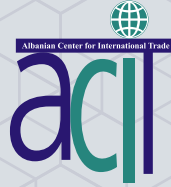




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A L B A N I A 2 0 0 6

# trade report

This Report is a publication of the ACIT, a joint project of the United States Agency for International Development (USAID) and the Institute for Contemporary Studies (ISB). It was made possible through the support provided by the USAID, under the terms of the Cooperative Agreement No. 182-A-00-03-00107-00". The opinions expressed herein are those of the ACIT's staff and do not necessarily reflect the views of the donor.



I am delighted to introduce to you the new Report on Albanian Foreign Trade 2006. It is the fifth in a series, since ACIT started. We are very pleased to see that our FT Report has already turned into a serious reference and a useful information source not only for scholars and researchers, but also for trade practitioners, BSO's, government agencies, media and the entrepreneurs and public at large. Advanced expertise, co-operation with partners and experience gained -all this made possible by the support of the U.S. Agency for International Development (USAID), enabled us to bring to your hands, an improved publication, in terms of both, extended coverage and the quality of analysis. The essential data on flows and dynamics of the Foreign Trade, are followed by serious effort for exploring trends, identifying problems and assessing the factors behind them.

The Albania's foreign trade flows in 2006 were characterized by a positive growth, with exports reaching 791 Mln USD, increasing by a rate of 20% as compared to 2005, thus slightly exceeding the average export growth rate for 1993-2006 (17.6%). However, the export growth rate remains low, considering the potential of the economy and the still large trade deficit. The imports grew by 17% reaching a total volume, which is 3.8 times higher than exports. The trade deficit increased 16%, reaching 2,259 Mln. USD in 2006. Also the level of trade openness (42 %) still remains below the regional average. In particular the low rate of the exports to GDP (8% only) and the weak coverage of the imports by exports (25.9 % -or less than one point percentage as compared to 2005) give reasons for concern.

This clearly demonstrates the need for more attention to be paid by all stakeholders, to all factors affecting the competitiveness of the Albanian economy and businesses, from

infrastructure and energy supply to the technological gap and structural reforms, from improved managerial skills to quality standards.

The report shows that the trade liberalizing process for Albania is progressing successfully and becoming more intensive, on all its three paths: bilateral, regional and multilateral. The country's efforts to comply with the WTO - Doha commitments, and the schedules of the bilateral FTA-s, are apparent. In late 2006, the network of 31 bilateral FTA-s was transformed into one regional trade arrangement, the CEFTA 2006. CEFTA agreement was signed on 19 December 2006 in Bucharest, and should enter into force Mid-2007. But the biggest event in this context however, was the signing of the SAA with the European Union and the entering into force of its interim level on December 1<sup>st</sup> 2006. CEFTA is a complementary effort to the Stabilization and Association process (SAP).

The report is a result of the professional work, performed throughout the year, by the ACIT team and consultants under the guidance of Prof. Ahmet Mançellari. Inputs from government agencies, private sector, NGO-s and academics, donors and partners, have significantly contributed to the Report's contents and quality. On behalf of ACIT staff, I would like to express my gratitude to all of them, especially to the General Directorate of Customs, the Ministry of Economy, Trade and Energy, the Ministry of European Integration, the Ministry of Agriculture, Food and Consumer Protection, the private business associations operating in Albania, the Bank of Albania, etc., for their contribution.

Special thanks go to the Mission of the USAID in Tirana, and to the ISB, whose guidance and support, have been crucial.

The Albanian Foreign Trade Annual Report 2006 may also be found in the Albanian language, on ACIT's main web page ([www.acit-al.org](http://www.acit-al.org)). As the further improvement of this product remains our constant concern, your remarks and suggestions will be highly appreciated.

Sincerely yours,  
**Dr. Selim BELORTAJA**  
 ACIT's Executive Director

The Report has been prepared through a process of complementary work by all the ACIT's staff, based particularly on the contribution of Mimoza Agolli (research department), Denalda Kuzumi (research department), Neritana Begaj (resource centre and cluster coordinator), Alban Gjikondi (IT manager), Ahmet Mançellari (external expert). Advices and remarks of S. Belortaja (executive director) also contributed to the quality of the document. An important supportive contribution is given by Edlira Shuli (administrative assistant) and Teuta Tavanxhi (finance manager).

All computation work, if not otherwise indicated, is based on data collected from the General Customs Directorate, ACIT database, and ACIT's staff calculations.

For further and more detailed information on the contents of this Report, please contact:

The Albanian Centre for International Trade (ACIT)

Rr. "Dëshmoret e 4 Shkurtit"

Sky Tower, Nr. 71, Tiranë

Tel/Fax: +355 4 271 486/7/8

E-mail: [acit@acit-al.org](mailto:acit@acit-al.org)

Web sites: [www.acit-al.org](http://www.acit-al.org); [www.ftdb.acit-al.info](http://www.ftdb.acit-al.info); [www.albamis.com](http://www.albamis.com).

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## CONTENTS:

I. WORLD AND REGIONAL TRADE DEVELOPMENTS .....	9
1.1 WORLD ECONOMIC ENVIRONMENT .....	9
1.2 MAIN WORLD TRADE AND TRADE-RELATED DEVELOPMENTS .....	10
1.3 GLOBAL TRADING SYSTEM DEVELOPMENTS DURING 2006 .....	13
1.4 ALBANIA IN THE FRAMEWORK OF THE WTO MEMBERSHIP .....	14
1.5 REGIONAL TRADE-FROM BILATERAL FTAS TO CEFTA 2006 .....	15
II. ALBANIA'S TRADE DEVELOPMENTS .....	19
2.1 ALBANIA'S ECONOMIC ENVIRONMENT DURING 2006 .....	19
2.2 TRADE FLOWS: DYNAMICS AND STRUCTURE .....	21
2.2.1 Sectorial Structure and Development of Albanian Foreign Trade .....	23
2.2.2 Most Traded Products during 2006 .....	25
2.3 THE GEOGRAPHY OF TRADE FLOWS .....	28
2.4 TRADE OF THE AGRICULTURE PRODUCTS .....	29
III. ALBANIA'S TRADE WITH THE EU .....	31
3.1 THE INTERIM AGREEMENT-THE PROSPECTS OF THE ALBANIA'S TRADE WITH THE EU .....	31
3.2 DYNAMICS AND STRUCTURE OF ALBANIA'S TRADE WITH THE EU-25 .....	33
3.2.1 Trade flows .....	33
3.2.2 Structure of Exports .....	33
3.2.3 Structure of Imports .....	35
IV. TRADE WITH THE COUNTRIES OF THE REGION .....	37
4.1. A GLANCE AT THE ALBANIA'S TRADE WITH THE COUNTRIES OF THE REGION .....	37
4.2. TRADE FLOWS AND BILATERAL FTAS .....	38
4.2.1 Trade with Bosnia & Herzegovina .....	39
4.2.2 Trade with Bulgaria .....	40
4.2.3 Trade with Croatia .....	42
4.2.4 Trade with Kosovo .....	43
4.2.5 Trade with Macedonia .....	45
4.2.6 Trade with Romania .....	46
4.2.7 Trade with Serbia & Montenegro .....	48
4.2.8 Trade with Moldova .....	49
V. TRADE WITH OTHER COUNTRIES .....	51
5.1 TRADE WITH THE U.S.A .....	51
5.2 TRADE WITH CHINA .....	52
5.3 TRADE WITH TURKEY .....	53
VI. LEGAL AND INSTITUTIONAL DEVELOPMENTS RELATED TO TRADE .....	55
6.1 AGREEMENTS RELATED TO TRADE .....	55
6.2 LAWS AND OTHER LEGAL ACTS RELATED TO TRADE AND BUSINESS ACTIVITIES .....	55
6.3 LEGAL AND INSTITUTIONAL DEVELOPMENTS AFFECTING THE BUSINESS ENVIRONMENT .....	56
ANNEXES.....	58

## Figures:

Figure 1.1 World Output and World Trade-related Developments .....	10
Figure 1.2: World Price Developments, 2003-2008 .....	12
Figure 2.1: Monthly Average Inflation Rate (2000-2006) .....	19
Figure 2.2: Trade Flows and Growth Rates, 1993-2006 .....	21
Figure 2.3: Sectorial Structure of the 2006 Exp. Flows .....	24
Figure 2.4: Sectorial Structure of the 2006 Imp. Flows .....	24
Figure 2.5: Countries of Exports Destination .....	28
Figure 2.6: Countries of Imports Origin .....	28
Figure 3.1: Share of the EU member states to total Albania-EU-25 trade volume, 2006 .....	33
Figure 3.2: Structure of Albanian Exports to EU-25 Trade Block, 2006 .....	34
Figure 3.3: Imports from member countries to total Albania's imports from EU-25, 2006 .....	35
Figure 3.4: Shares of sectorial imports from the EU-25, 2006 .....	35
Figure: 4.1: Structure of Imports from the region, 2006 .....	38
Figure 4.2: Structure of Exports from the Region 2006 .....	38
Figure 4.3: Trade flows with Bosnia & Herzegovina, 1999- 2006 .....	39
Figure 4.4: Structure of Imports from B&H, 2006 .....	39
Figure 4.5: Structure of Exports to B&H, 2006 .....	39
Figure: 4.6: Trade flows with Bulgaria 1999-2006, in million USD .....	40
Figure 4.7: Structure of Imports from Bulgaria, 2006 .....	41
Figure 4.8: Structure of Exports to Bulgaria, 2006 .....	41
Figure: 4.9: Trade with Croatia, 1999-2006, in million USD .....	42
Figure 4.10: Structure of imports from Croatia during 2006 .....	42
Figure 4.11: Structure of exports to Croatia during 2006 .....	42
Figure 4.12: Trade with Kosovo, 1999-2006, in million USD .....	43
Figure 4.13: Structure of Imports from Kosovo, 2006 .....	43
Figure 4.14: Structure of Exports to Kosovo, 2006 .....	43
Figure 4.15: Foreign Trade with Macedonia, 1999-2006, in million USD .....	45
Figure 4.16: Structure of Imports from Macedonia, 2006 .....	45
Figure 4.17: Structure of exports to Macedonia, 2006 .....	45
Figure 4.18: Trade Flows with Romania, 1999-2006 .....	46
Figure 4.19: Structure of Imports from Romania, 2006 .....	47
Figure 4.20: Structure of Exports to Romania, 2006 .....	47
Figure 4.21: Trade with S&M, 1999-2006, in million USD .....	48
Figure 4.22: Structure of imports from S&M during 2006 .....	48
Figure 4.23: Structure of exports to S&M during 2006 .....	48
Figure 4.24: Foreign trade with Moldova during 1999-2006 in million USD .....	49
Figure 5.1: Trade Flows with the U.S.A., 1999-2006 .....	51
Figure 5.2: Structure of Imports from the U.S.A., 2006 .....	51
Figure 5.3: Structure of Exports to the U.S.A., 2006 .....	51
Figure: 5.4: Trade Flows with China, 1999-2006 .....	52
Figure 5.5: Structure of Imports from China, 2006 .....	52
Figure 5.6: Trade Flows with Turkey, 1999-2006 .....	53
Figure: 5.7 Imports Structure, 2006 .....	53
Figure 5.8 Structure of exports to Turkey, 2006 .....	53

## Tables:

Table 1.1: Growth Rates Per World Regions .....	9
Table 1.2: World Trade Value Change by Trading Blocks, 2000-2006 .....	10
Table 1.3: Tariff Reduction Developments on Certain Products, 2006 .....	14
Table 1.4: Tariff Structure, 2006 .....	15
Table 1.5: Western Balkan Countries Trade Flows .....	16
Table 1.6: Balkan Countries' main trading partners .....	17
Table 1.7: Tariff Scales and Average Tariff for Imports Originating from CEFTA 2006 .....	17
Table 2.1: Economic Growth by Sector, 2006 .....	19
Table 2.2: Macro-Trade Indicators .....	20
Table 2.3: Albanian Imports and Exports Flows, 2006 .....	22
Table 2.4: Albanian Imports and Export Flows during 2006 .....	22
Table 2.5: Trade Flows Estimations .....	23
Table 2.6: The Hirschman Index of Exports/Imports structure concentration .....	23
Table 2.7: Structure of Exports and Imports Flows, 2006 .....	24
Table 2.8: Oil and Electrical Energy Imports .....	25
Table 2.9: Top Ten Exported Goods for 2006 .....	26
Table 2.10: Exported products with highest /lowest change in value during 2006 .....	26
Table 2.11: Top Ten Imported Goods for 2006 .....	27
Table 2.12: The Geography of Albania's Trade Flows .....	28
Table 2.13: Hirschman Index of Exports/Imports Geographic Concentration .....	29
Table 2.14: Export/Imports Flows of Agriculture Products, 2006 .....	30
Table 3.1: Tariff liberalization of agriculture products exported to the EU .....	31
Table 3.2: Tariff Liberalization of agriculture products exported in Albania .....	32
Table 3.3 Summary of Key trade indicators between Albania and EU-25 .....	33
Table 3.4 Table 3.4: Top-10 Most Exported Products to the EU, 2006 .....	34
Table 3.5: Most imported products from the EU-25, 2006 .....	35
Table 4.1: Trade with the Countries of the Region .....	37
Table 4.2: The Changes in price and quantity of imported fuel products, 2005-2006 .....	38

## Boxes:

Box 1: <i>The competitiveness position of the Albanian economy</i> .....	21
Box 2: <i>An estimate of Albania's trade flows</i> .....	22

## Abbreviations

<b>ACIT</b>	Albanian Centre for International Trade
<b>B&amp;H</b>	Bosnia and Herzegovina
<b>CEFTA</b>	Central European Free Trade Agreement
<b>CIS</b>	Commonwealth of Independent States
<b>EBRD</b>	European Bank of Reconstruction and Development
<b>EC</b>	European Commission
<b>EU</b>	European Union
<b>FTA</b>	Free Trade Agreement
<b>GDP</b>	Gross Domestic Product
<b>GCI</b>	Global Competitiveness Index
<b>GCR</b>	Global Competitiveness Report
<b>IA</b>	Interim Agreement
<b>ISB</b>	Institute of Contemporary Studies
<b>IMF</b>	International Monetary Fund
<b>MFN</b>	Most Favoured Nation
<b>NAMA</b>	Non-Agriculture Market Access
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>SAA</b>	Stabilization and Association Agreement
<b>SEE</b>	South Eastern Europe
<b>S&amp;M</b>	Serbia and Montenegro
<b>RoW</b>	Rest of the World
<b>UN</b>	United Nations
<b>UN/DESA</b>	Department of Economic and Social Affairs of the United Nations Secretariat
<b>UNMIK</b>	United Nation Mission to Kosovo
<b>U.S.A.</b>	United States of America
<b>WEF</b>	World Economic Forum
<b>WTO</b>	World Trade Organisation



# 1. World and Regional Trade Developments

## 1.1 World Economic Environment

The world economy expansionary tendency during 2006 was broad based, with economic and trade indicators in most of the world regions meeting or exceeding expectations. The estimates for global growth in 2006 are high, reaching at 5.1%, a rhythm that is 0.2 percentage points higher as compared to the year 2005 and which is forecasted to somehow decline in 2007 by going down to 4.9% (see figure 1.1 and table 1.1). Growth was particularly strong in the United States in the first quarter although it decelerated somehow afterwards in the face of pressures coming from the cooling housing market and rising fuel costs. Growth rate for Euro area in 2006 is estimated almost twice as much as the level of 2005 (2.4% as compared to 1.3%) and is also higher for Japan, United Kingdom, Canada and other advanced economies. High growth rates are maintained by emerging

markets and developing countries, being much higher than those of developed economies, including countries in the region of Central and Eastern Europe (5.3%, as compared to 5.4% in 2005 and the forecast of 5.0% in 2007). China is leading by maintaining a 2-digit growth rate (10%, as compared to 10.2% in 2005 and the forecast of 10% in 2007 - table 1.1).

The expected decline of the world growth rate for the year 2007<sup>1</sup> are mostly explained by the risk of intensified inflationary pressure requiring a tightened monetary policy; by an expected increase of oil prices beyond the effects of limited spare capacities; by a cooling of the U.S. housing market more rapidly than expected.

Inflationary tendencies combined with oil prices jumps to new highs, tighter conditions in financial markets, large global imbalances and increasing pressure of the protectionists with the almost deadlocked Doha Round continue to prompt concerns on the positive developments that have characterized the world economy<sup>2</sup>.

*Table 1.1: Growth Rates per World Regions*

	2004	2005	2006*	2007*
<b>World output</b>	<b>5.3</b>	<b>4.9</b>	<b>5.1</b>	<b>4.9</b>
<b>Advanced Economies</b>	<b>3.2</b>	<b>2.6</b>	<b>3.1</b>	<b>2.7</b>
United States	3.9	3.2	3.4	2.9
Euro Area	2.1	1.3	2.4	2
<b>Emerging markets and developing countries</b>	<b>7.7</b>	<b>7.4</b>	<b>7.3</b>	<b>7.2</b>
Central and Eastern Europe	6.5	5.4	5.3	5
Commonwealth of Independent States	8.4	6.5	6.8	6.5
<b>Developing Asia</b>	<b>8.8</b>	<b>9</b>	<b>8.7</b>	<b>8.6</b>
China	10.1	10.2	10	10
Middle East	5.5	5.7	5.8	5.4

Source: *World Economic Outlook, IMF - September 2006*

<sup>1</sup> According to an IMF staff estimate, growth could fall to 3<sup>1</sup>/<sub>4</sub> percent or less in 2007 by a probability of 1/6 (World Economic Outlook, IMF - September 2006, p. XIV)

<sup>2</sup> World Economic Outlook, IMF - September 2006

## 1.2 Main World Trade and Trade-related Developments

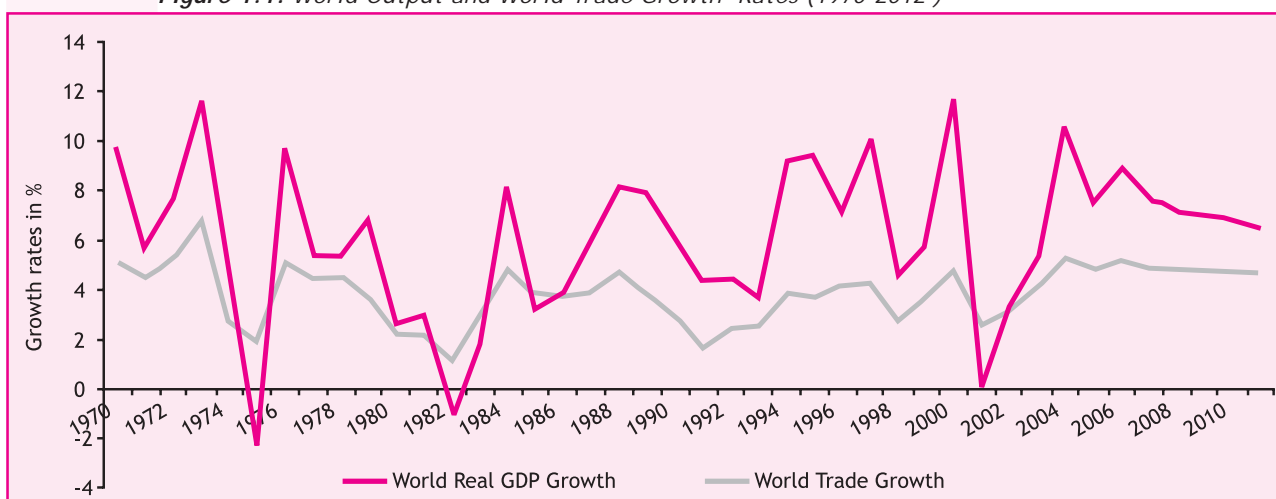
World trade has expanded rapidly during 2006, with a large increase in the value of trade flows of oil, non-oil commodities, and capital goods. Growth rate of world trade volume in 2006 is estimated to be 8.9% in 2006, being 1.75 times as much as the growth rate of world output as figure 1.1 shows, indicating a further deepening of the global economic integration.

According to the IMF estimates<sup>3</sup>, emerging market and developing countries are leading, having an import growth rate of 13% and an export growth rate of 10.7%, as compared to 7.5% and 10.7% respectively for the advanced

economies. Other sources<sup>4</sup> estimate higher growth rates of trade flows in 2006 and larger differences between advanced economies and emerging market and developing countries, as table 1.2 shows.

The strong growth of world trade flows was broadly based on increased import demand, where increase of capital goods demand was noticeably observed in a large number of economies. Demand for primary commodities, due to the effect of fast industrialization of emerging economies, has also been strong and a positive factor in world trade developments. US imports of goods and services, valued at 2.2 Trillion USD for 2006, accounted for 13% of the world trade. The demand for imports originating

Figure 1.1: World Output and World Trade Growth Rates (1970-2012<sup>1</sup>)



Source: World Economic Outlook - September 2006, IMF

Table 1.2: World Trade Value Change by Trading Blocks, 2000-2006

	2000	2001	2002	2003	2004	2005	2006*	2007*
<b>Dollar value of exports</b>								
World	13,4	-3,7	4,7	16,1	21,2	14,6	15,5	11,7
Developed economies	7,3	-2,8	3,5	15,0	18,0	9,1	13,3	12,9
North America	13,4	-6,6	-4,2	5,0	12,6	11,5	12,3	8,6
EU plus other Europe	3,5	1,1	6,5	18,9	19,3	8,3	14,0	14,3
Economies in transition	34,2	0,1	7,6	26,5	39,8	32,2	24,1	10,7
South -eastern Europe	16,6	6,7	14,5	25,6	32,6	27,0	19,2	11,7
Developing economies	27,3	-5,9	7,1	17,4	26,0	23,5	18,4	9,7
China	27,8	6,8	22,4	34,6	35,4	28,4	24,5	15,0
<b>Dollar value of imports</b>								
World	12,9	-3,4	3,5	16,2	21,9	13,6	15,3	11,2
Developed economies	10,3	-3,7	2,9	15,8	19,1	11,4	14,0	10,7
North America	17,6	-6,2	1,5	7,9	16,1	13,8	11,0	4,5
EU plus other Europe	5,3	-1,3	4,2	20,2	20,5	9,9	14,6	14,2
Economies in transition	14,8	14,5	12,2	25,7	31,2	25,0	21,4	14,4
South -eastern Europe	12,9	15,4	16,5	27,3	29,0	22,9	15,9	10,3
Developing economies	19,7	-4,0	4,4	16,5	27,9	17,3	17,5	11,9
China	35,8	8,2	21,2	39,8	36,0	17,6	21,5	16,0

Source: World Economic Situation and Prospects 2007, United Nations.  
\*2006 and 2007 indicators are estimates.

<sup>3</sup> World Economic Outlook, IMF - September 2006

<sup>4</sup> World Economic Situation and Prospects 2007, the United Nations

in the US economy has increased in all groups of products, but the demand for oil and raw materials surged the most. Import demand from the European Union economic area has also been increasing mainly to a better economic performance in the Euro Zone and a continued economic boom in new members of the EU. Developing and transition economies particularly China and Commonwealth Independent States, have also contributed to the increased world import demand mainly to support their high output growth rates.

The world export growth rates are however higher than those of imports, as estimated by the UN/DESA<sup>5</sup>, as indicated by table 1.2. The US exports have expanded during 2006 by 12%, a stronger pace than in many previous years. This net growth rate is mostly supported by increased exports of capital goods, such as computers and their accessories, telecommunications equipment and electric items. The destinations of US exports have been mostly oil-exporting countries and the Latin America. The European Union exports have only moderately suffered the effect of appreciation the Euro and other European currencies against the US dollar and some Asian currencies. However the export growth rate has not been uniform for the EU countries. For example, while the United Kingdom and Germany experienced growth of exports, Italy and Spain suffered loss of their competitiveness as a result of increased cost of production. New member states have also had strong export growth mainly as a contribution of the productivity growth. Czech Republic and Slovenian automotive industry has experienced a particularly strong growth of exports during 2006.

Asia continues to experience fast growing rates of exports, which vary from 10 to 20 percent. China's exports grew by 20% in 2006; if China's exports continue to grow at this pace; in three year period China is going to be the largest exporting country in the world. China's exports are mainly (about 60%) processing - assembling of imported intermediate goods for exports. Exports growth of India (with a growth rate of 20%) was driven by engineering goods with machinery and electronics instruments as the strongest performers. Western Asia oil exporting countries have also increased value of exports

substantially mainly because of oil price increase, while production constraints in the oil sector have contributed to limiting the export growth of African Countries.

Among the transition economies, exports of resource abundant countries of Commonwealth of Independent States (CIS) have been experienced fast expansion, reflecting the world market developments in energy and base metals. Leaders in export growth are Azerbaijan and Kazakhstan, owing to oil demand and prices increase, and Ukraine with the steel exports.

World exports and imports developments and distribution among trade blocks and countries, have contributed to widen imbalances across regions during 2006, with an estimated increase of US trade deficit by 60 Billion USD from the previous year. The deficit of EU as a whole has also been increased, while most of oil exporting countries, as well as China and Japan run a trade balance at surplus.

The price index increase in 2006, as underlined in the UN Report<sup>6</sup> was mainly driven by the increase in prices of metals and minerals, crude oils, as well as some vegetables and oilseeds used as substitute of oil products, as shown in figure 1.2. The general economic growth affecting the demand side and also the oil price increase have been the most important factors behind the non-oil commodities price increase. Expanding Chinese economy increased the demand for many primary inputs such as steel, copper, aluminum, zinc, rubber and cotton, contributing to the world elevated price levels.

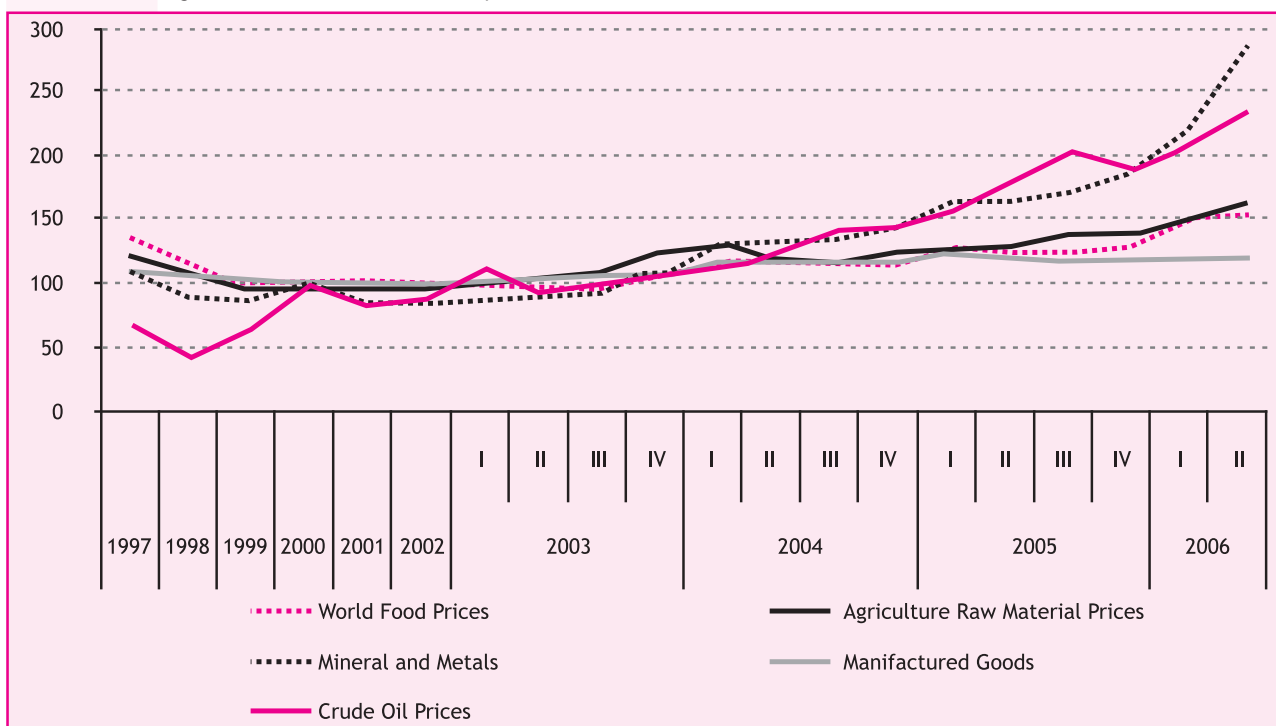
Food prices rose on average 4% over the first ten months of 2006, with the highest price increase experienced by fish, meals, and peppers, while bananas and sugar price decreasing the most. Prices of agriculture raw materials were quite volatile with a strong increment (16.5%) in the first half of 2006 and a strong decrease during the second half (15%). Rubber and cotton prices were affected by most the aggregate index of the world agriculture raw production prices.

International metal and mineral price increment, present for a long time in the world economy has been strengthened during 2006. Almost all metal prices, particularly such metals zinc, copper and nickel, have benefited from this

<sup>5</sup> Department of Economic and Social Affairs of the United Nations Secretariat.

<sup>6</sup> World Economic Situation and Prospects 2007, United Nations.

Figure 1.2: World Price Developments, 2003-2006



Source: *World Economic Situation and Prospects 2007*, UN

upward movement and now they result to be at higher level as compared to their historical standards.

Tight worldwide oil production and refinery capacities contrasted by a rapidly expanding world oil demand, have been the fundamental factors behind the surge in oil prices observed during 2006. Geo-political tensions have been adding uncertainty to supply reaction and induced high volatility making oil prices capricious, a tendency that may persist during 2007.

The negative impact of oil prices' hikes on world economic growth has been less than other historical observations. This is mainly due to the decreased oil intensity of the real output, and the fact that the origin of this oil price increment is by large the increased demand. Another factor that has reduced the oil prices

influence has been the fact that most of net exporting countries of oil have spent large part of their oil income on imports of goods and services and on buying US corporate and government bonds.

Oil prices developments have to a certain extent affected the shape and geographic distribution of trade flows - the new oil prices have re-valued the share of oil exporting countries exports on the world exports, which have recorded double digit export increment rates in 2006. The effect of changing oil prices is reflected in the sectorial trade flows performance; steel and petrochemicals prices and trade flows have been suffering more than other less intensive manufacturing sectors.

The rise in transportation costs have also been another factor in shaping trade flows and their distribution for 2005-2006.

### 1.3 Global Trading System Developments during 2006

The developments in trade talks and negotiations under the frame of Doha Round after the Hong Kong Ministerial Conference of the WTO, where, among others, important milestones regarding agricultural subsidies and NAMA<sup>7</sup> were set, have experienced a low pace during 2006. The Doha Round of multilateral trade negotiations has been under way for more than five years, which is much longer than initially scheduled. Negotiations turned out to be really difficult and complex, mainly due to the different expectations and policy objectives of the major trading blocks in the two negotiating areas - agriculture and NAMA, but also related to other issues such as services and development ones. By end July 2006 it became clear that the agreed objective of the Hong Kong Conference to complete negotiations in all areas by end of 2006 could not be reached. Under such circumstances the WTO Director-General Pascal Lamy recommended the WTO General Council on 27 July 2006 'to suspend the negotiations across the Round as a whole to enable the serious reflection by participants'<sup>8</sup>, without setting any time frames for resumption.

As the UN Report<sup>9</sup> underlines, the breakdown of the negotiations was not due to one specific obstacle or one particular country's negotiating position, but rather to a confluence of separate interests and goals. It seems that key world trade players from both developed and developing countries were subject to the prejudice that the economic and commercial benefits would not be substantial enough to cover the political costs of making further concessions on highly sensitive issues in agriculture and NAMA.

The suspension of negotiations may be accompanied with several implications being either long-term, systemic implications or short terms ones. The Doha Round otherwise known as the Development Round was widely expected to bring substantial gains for the development and poverty alleviation and eradication. Delays in successfully concluding the Doha Round can be translated as delays and difficulties in achieving the global development and poverty eradication goals.

Another long term implication is the unprecedented proliferation of bilateral and regional trade agreements which potentially represent significant challenges for the integrity of the multilateral trading system. By end of 2006 there were 240 FTAs' negotiations going on around the globe and 186 were already signed. Up to 400 such agreements could be implemented by 2010, including North-South and South-South agreements. Such agreements can either be complementary to the multilateral trading system or erode its basic rules and disciplines. To ensure the complementarities, a sound multilateral system is needed.

A prolonged suspension or a failure of the Doha Round could be accompanied with other long term consequences as well, including the resurgence of protectionist forces and confrontational and devastating trade disputes which can erode the foundations of the international trade relations.

Some shorter term implications of the negotiations suspension are the costs of not putting in life the progress achieved in the Hong-Kong Ministerial Conference in such issues as duty-free and quota-free market access for the least developed countries; cotton issues which are related with the interests of the poor cotton producers of Africa; elimination of export subsidies by 2013, etc.

While no formal agreement exists among WTO members on the pattern or timetable of the next stage of the Doha negotiations, intense diplomatic activities and consultations at various levels have been intensified with a view to agreeing on conditions for the Round's resumption. As the Director-General of WTO Pascal Lamy put it, 'members still have not lost confidence and now we are back into full negotiation mode in all negotiations groups'. There is a renewed engagement and support at the highest political level<sup>10</sup>. The expiry of the United State Trade Promotion Authority on June 2007, and the future of United States Farm Bill which also expires in 2007, would require a clarification of negotiation prospects in 2007. A growing number of countries, developed and developing, have emphasized for a higher political will and flexibility to resume the negotiations. Observers of the Doha Round have recognized the existence of an opportunity to conclude the round negotiations in 2007.

<sup>7</sup> NAMA-Non-Agriculture Market Access

<sup>8</sup> World economic Situation and Prospects 2007, UN.

<sup>9</sup> Idem.

<sup>10</sup> www.wto.org

#### 1.4 Albania in the framework of the WTO membership

The WTO membership of Albania means opportunities and responsibilities. The possibilities to be treated equally in the world trade system from all other member countries in aspects such as tariffs and duties - MFN principle or dispute settlements, the possibility to gain benefits of globalization, are associated with the responsibilities.

Albania has fulfilled most of the obligations that derived from the WTO membership, but still there are lists of sensitive products, which imports tariffs are being reduced at longer time horizon - through applying scaled reduction. For 2007, the number of tariffs lines that are being reduced to comply WTO agreement are 186, a reduction that does not affect the simple average tariff under WTO commitment (6%).

A request for suspension sent from our government was accepted and many products whose liberalised tariff level was not immediately met are supposed to reach their commitment level with a slower schedule than the one negotiated. The liberalisation schedule was covered by the Law 9521 of the Republic of Albania.

The table below shows a list of the products that are not yet liberalised and their schedule

for meeting the commitment. As we see most of the products that are under waiver are expected to meet the negotiated tariffs by 2007.

During 2006, the simple average tariff on the imported goods was 6.2%, while the agriculture and agro-processed goods were imported with a tariff rate of 8.63 %. The applied tariff rate, being calculated as a ratio between import duty payment (in value) and import values, is lower than simple average tariff and the weighted one for the year 2006

Both trade agreements, that Albania is part of - the Interim Agreement with European Union and the CEFTA 2006, do represent an important impetus toward Albania's trade liberalization. Import tariffs with the EU (considering the weighted average tariff) are three times lower than the tariff level which Albania applies for the rest of the world, treated by the MFN principle. If we consider an average import tariff negotiated under the CEFTA 2006 frame, and also the current structure of imports that Albania already has with the Balkan + Moldova area (countries involved in the Free Trade Area), the weighted average tariff that this area faces is reduced 6 times as compared with the MFN based weighted average tariff. This preferential treatment is less liberal for the agriculture products, which will be imported with an import tariff of 6.95% from the European Union, and 3.8% from the Balkan countries and Moldova.

*Table 1.3: Tariff Reduction Developments on Certain Products, 2006*

Product description	WTO bound rate	Tariff applied in 2005	Tariff applied in 2006	Bound Rate Application
Beer products	(0) 2005	10	10	0 (2007)
Perfumes and toilet waters	(6.5) 2004	15	8	5 (2007)
Candles	6.5 (2004)	10	8	6,5 (2007)
Tubes, pipes of plastic etc.	5 (2004)	10	8	5 (2007)
Plates, sheets, strip, etc	6.5 (2004)	10	8	6,5 (2007)
Wood	0 (2004)	10	5	0 (2007)
Wooden mosaics, etc	0	10	5	0 (2007)
Uncoated paper and paperboard, etc	0 (2004)	2	2	0 (2007)
Wallpaper, etc	0 (2004)	10	5	0 (2007)
Paper and paperboard, etc	0 (2004)	10	5	0 (2007)
Wheels, spokes, etc	0 (2004)	10	10	0 (2007)
<b>Other printed materials, etc</b>	<b>0</b>	<b>10</b>	<b>5</b>	<b>0 (2007)</b>

**Table 1.4: Tariff Structure, 2006**

	2006
Applied Tariff 2006	4.6%
Applied Tariff on Agriculture and Agro-Processed Products (01-24 HS 2 Digit)	7.04%
Applied Tariff on Industrial Products (25-97 HS Code)	4.40%
Simple Average	6.32
Simple Tariff on Agriculture and Agro-Processed Products (01-24 HS 2 Digit)	8.63
Industrial Products (25-97 HS Code)	5.39
Weighted Average Tariff	6.30%
Agriculture Goods on Agriculture and Agro-Processed Products (01-24 HS 2 Digit)	7.47 %
Industrial Products (25-97 HS Code)	6.08%
Weighted Average Tariff with EU*	2.07%
Agriculture Goods on Agriculture and Agro-Processed Products (01-24 HS 2 Digit)	6.95%
Industrial Products (25-97 HS Code)	0.53%
Weighted Average Tariff with CEFTA Trade Block	1.10%
Agriculture on Agriculture and Agro-Processed Products (01-24 HS 2 Digit)	3.80%
Industrial Products (25-97 HS Code)	0.70%

*Source: ACIT' own calculations  
\*Reflects the Interim Agreement's tariff structure*

## 1.5 Regional Trade - From Bilateral FTAs to CEFTA 2006

The Western Balkans trade flows have been experiencing "good times", being expanded faster than the EU-25 trade block trade flows (see table 1.2). Exports growth rate in 2006 was projected at 24% while imports' at 22%. Increased productivity due to further completion of economic transformation reforms, political stability and increased liberalization within the block (with FTAs and CEFTA 2006 agreements) as well as with the European Union, constitute some of the favourable changes that have supported the positive trade developments. However such expansion tendencies are not equally distributed in the region: the exports from Bulgaria, Serbia and Montenegro, and Bosnia and Herzegovina have been expanding more rapidly than exports of the other countries.

However, despite the positive trade developments while considering the total flows, it must be noted that the regional trade developments have been characterized by low volumes of intra regional trade and 'interethnic trade'<sup>11</sup>. Trade flows are mainly oriented towards the European Union - particularly to Italy, Germany, Austria and Greece. The differences in the liberalization stage between the EU and the region must be one of the explanations. Trade flows from each of the countries in the region and shares to the total

of region are shown in table 1.5, while table 1.6 gives information about the main trade flows within the region and with the rest of the world, denoting that the EU is by far the main trade partner of the countries in the region.

CEFTAs initiative of Western Balkan Countries, introducing a higher degree of trade liberalization and more harmonized policy framework aimed at promoting and increasing intra-regional trade and investment flows as well as accelerating integration, and also promoting trade with the European Union through extending the value chain into the whole region.

The idea of implementing a regional free trade area instead of a "spaghetti bowl" format of trade liberalization, which was already embodied in has been pronounced within the Stability Pact framework early in time, but due to the political obstacles this initiative took some time to be in place. The cumbersome nature of the bilateral agreements especially in terms of rules of origin has affected investors mainly because the absent diagonal commutation has impaired the investors' ability to take the advantages of free market access.

The CEFTA 2006 initiative aims to positively influence trade and investments within the

<sup>11</sup> Trade within ethnic groups, see Gligorov V, 2005 Western Balkan Free Trade Area - Comments, European Balkan Observer

Table 1.5: Western Balkan Countries Trade Flows (in Million USD)

Export Flows								
	2000	2001	2002	2003	2004	2005	2006+	Share to total regional flows
Albania	255	305	330	447	603	671	740	1%
Bosnia and Herzegovina	832	870	952	1,296	1,664	2,072	2,434	3%
Bulgaria	4,825	5,113	5,692	7,541	9,848	11,740	15,262	21%
Croatia	4,567	4,759	5,004	6,308	8,210	8,992	10,314	14%
Macedonia	1,321	1,155	1,112	1,363	1,672	2,040	2,300	3%
Montenegro	161	211	305	306	561	549	601	1%
Romania	10,366	11,385	13,869	17,627	23,518	28,149	35,468	49%
Serbia	1,923	2,003	2,075	2,477	3,726	4,647	6,000	8%
Total Exports	24,250	25,801	29,339	37,365	49,803	58,859	73,118	100%
Import Flows								
	2000	2001	2002	2003	2004	2005*	2006*	Share to total regional flows
Albania	1,076	1,332	1,485	1,783	2,189	2,539	2,900	2%
Bosnia and Herzegovina	2,547	2,701	3,211	3,816	4,496	5,195	5,541	5%
Bulgaria	6,000	6,693	7,287	10,059	13,491	17,139	21,766	19%
Croatia	7,770	8,860	10,652	14,216	16,560	18,288	20,813	18%
Macedonia	2,011	1,682	1,916	2,211	2,785	3,092	3,400	3%
Montenegro	354	647	707	711	1,079	1,189	1,252	1%
Romania	12,050	14,354	16,482	22,092	30,130	38,022	48,592	42%
Serbia	3,711	4,837	6,186	8,042	10,369	10,210	12,000	10%
Total Exports	35,520	41,106	47,927	62,930	81,099	95,674	116,264	

Source: EBRD, 2006 "Transition Report", data set. 2005 and 2006 data are estimates and projections

Western Balkan countries as well as flows toward EU market and promote cooperation in the region<sup>12</sup>. CEFTA agreement, which was signed on 19 December 2006, will come into force on 1 May 2007 after all participating parties (at least five of them) have deposited an approval or ratification document on the agreement. The process of creating a fully Free Trade Area in the region is foreseen, as foreseen in the signed Agreement, is going to last until December 2010.

The Agreement introduces a full liberalization of the industrial products - a zero tariff rate, but given the importance that agriculture has for the regional economies, as well as the sensitivity of these goods to imports, some protection for the agriculture sectors was negotiated by all the countries. For Albania, agriculture products' protection does not add much on the zero liberalization introduced for industrial good. Table 1.7 provides information on the situation of tariff protection/liberalization for the year 2006.

<sup>12</sup> Figures belong to the year 2005.

The average tariff applied on the imports originating from CEFTA 2006 countries, is for most of the countries around 2%. Albania's protection on the agriculture products does mainly covers imports of meat (poultry and cow), cheese, a group of vegetables and fruits (tomatoes, potatoes, onion, carrots, beans, apples, peas, oranges and tangerines, etc.), herbs (medicinal or of other uses), decorative tree and flowers, waters, milk based drinks, non-alcoholic drink and wines - all this broadly summarized group of products, considered as highly sensitive, are imported in Albania with a 15% import tariff (being the highest tariff rate under the CEFTA 2006 frame).

Trade liberalization through tariff reduction and agreement to remove also other not-tariff barriers to trade are supported by a higher harmonization that CEFTA introduces and by the diagonal accumulation of values. This important option of FTAs was missed by bilateral trade agreements and is debated to be a reason of having little changes in trade and economic integration throughout the region.



Table 1.6: Balkan countries' main trading partners<sup>12</sup>

The major import partners			The major export partners			The major trade partners		
Partners	Mio euro	%	Partners	Mio euro	%	Partners	Mio euro	%
World	29,122	100.0	World	12,780	100.0	World	41.902	100.0
EU	19,237	66.1	1 EU	8,285	64.8	1 EU	27,522	65.7
Russia	1,474	5.1	2 Bosnia Herzeg.	1,073	8.4	2 Croatia	1,681	4.0
Croatia	1,244	4.3	3 Serbia Montenegro	455	3.6	3 Russia	1,593	3.8
China	986	3.4	4 Croatia	436	3.4	4 Bosnia Herzeg.	1,445	3.4
Turkey	778	2.7	5 USA	413	3.2	5 China	1,096	2.6
Bulgaria	724	2.5	6 Turkey	181	1.4	6 Turkey	959	2.3
Romania	635	2.2	7 Romania	136	1.1	7 USA	907	2.2
USA	494	1.7	8 Russia	119	0.9	8 Bulgaria	821	2.0
Switzerland	428	1.5	9 China	111	0.9	9 Romania	770	1.8
Bosnia Herzeg.	372	1.3	10 United Arab Emir.	100	0.8	10 Switzerland	523	1.2
Serbia Montenegro	274	0.9	11 Bulgaria	97	0.8	11 Libya	311	0.7
Libya	271	0.9	12 Switzerland	95	0.7	12 Japan	266	0.6
Japan	233	0.8	13 Macedonia	77	0.6	13 Macedonia	241	0.6
Korea	169	0.6	14 Nigeria	53	0.4	14 Korea	178	0.4
Brazil	168	0.6	15 Albania	48	0.4	15 Ukraine	177	0.4
Macedonia	164	0.6	16 Libya	40	0.3	16 Brazil	173	0.4
Ukraine	157	0.5	17 Egypt	39	0.3	17 United Arab Emir.	106	0.3
Argentina	72	0.2	18 Syrian Arab Rep	38	0.3	18 Algeria	99	0.2
India	68	0.2	19 Japan	33	0.3	19 Syrian Arab Rep	91	0.2
Algeria	67	0.2	20 Lebanon	33	0.3	20 India	78	0.2

Source: Eurostat, 2006

Table 1.7: Tariff Scales and Average Tariff for Imports Originating from CEFTA 2006

Bosnia and Herzegovina		Croatia		Macedonia			
Nr of Tariff lines	Tariff Scale	Nr of Tariff Lines	Tariff Scale	Nr of Tariff Lines	Tariff Scale		
8763	0%	9212	0%	9163	0%		
75	5%	1398	2%	75	5%		
62	6%	75	5%	18	6%		
1337	10%	49	6%	1155	10%		
326	15%	1031	10%	246	15%		
1554	2%	354	15%	1462	2%		
2	12%						
Simple Average Tariff	7%		6%		6%		
Average Tariff*	2%		2%		2%		
Montenegro		Serbia		Kosovo		Moldova	
Nr of Tariff Lines	Tariff Scale	Nr of Tariff Lines	Tariff Scale	Nr of Tariff Lines	Tariff Scale	Nr of Tariff Lines	Tariff Scale
9258	0.0%	9197	0%	12117	0%	8779	0%
13	5.0%	71	5%	1	1%	48	5%
49	6.0%	49	6%	2	2%	62	6%
962	10.0%	1063	10%			1347	10%
315	15.0%	269	15%			326	15%
1522	2.0%	1471	2%			326	2%
Simple Average Tariff	6%		6%		1%		6%
Average Tariff*	1.5%		2%		0%		2%

Source: ACIT own calculations

\*Average is weighted by number of tariff lines



## 2. Albania's Trade Developments

### 2.1 Albania's Economic Environment during 2006

The ongoing structural reforms and relatively stable macroeconomic framework have been good supporters of the economic growth in Albania, which was estimated to reach at 5% in 2006 as compared to 5.5% in 2005. Positive developments from the supply side were present in industry, construction and services, while domestic demand has been high at satisfactory level to induce the economic growth. Demand seasonal features have not been putting unusual inflationary pressures on consumer prices.

The year 2006 favored particularly the construction and industry, which reached the highest growth rate, 10.3% and 10.1% respectively, although such rates are somehow lower compared to the previous year ones, as

shown in table 2.1. The industry growth is mainly a result of the increase of mineral extracting and processing activities. Services, counting for the largest share of GDP (43.1%) grew only moderately, by 2.1% although some specific services, like hotels and restaurants and other services have shown quite high rates of growth. Agro-processing industry is experiencing a good expansion, increasing its output by 6% while raw agriculture production, reflecting a low productivity and very poor investments, experienced a low growth rate of only 1.8%.

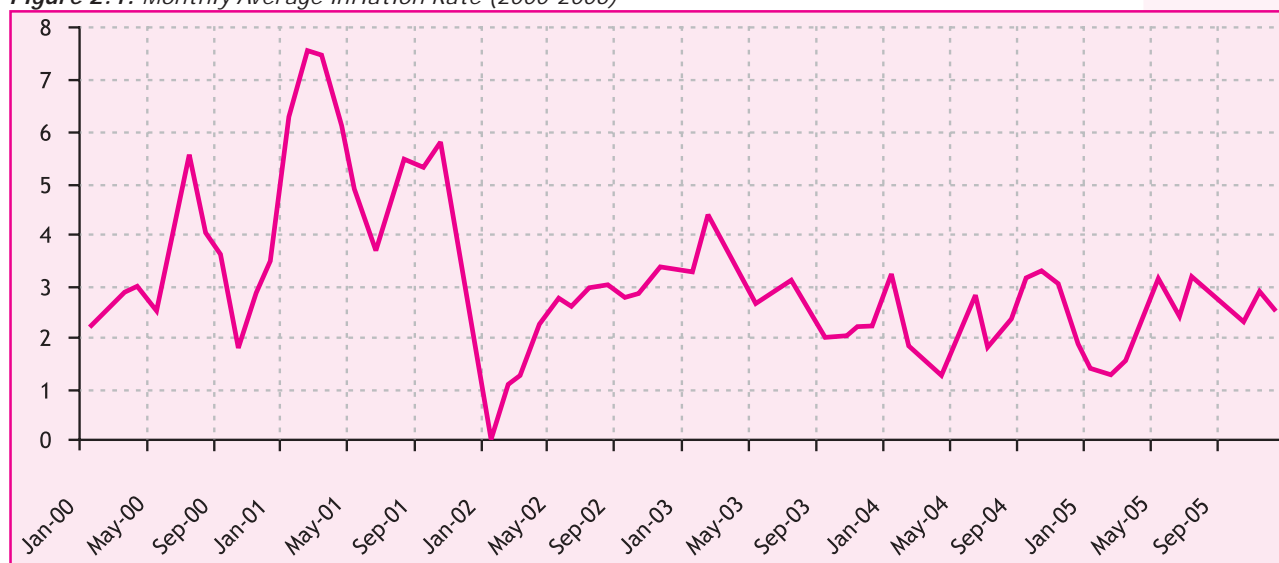
The energy sector being suffered from its supply side shortage, has negatively affected the real output growth and performance through its linkages with the costs structures. The persistence of the energy supply shortage increases the risk of having the economic growth influenced by such a factor even in a long term perspective.

**Table 2.1: Economic Growth by Sector, 2006**

Sectors	2005		2006*	
	Growth Rate (%)	Share on GDP (%)	Growth Rate (%)	Share on GDP (%)
Agriculture	2.6	21.9	3.0	21.5
Industry	12	9.5	10.1	10.1
Construction	15	16.5	10.3	17.3
Transport	7	7.8	7.0	8.0
Services	1.9	44.3	2.1	43.1
Gross Domestic Product	5.5		5.0	100.0

Source: Bank of Albania - "Economic Bulletin", Volume 9/4, 2006. \*Preliminary data.

**Figure 2.1: Monthly Average Inflation Rate (2000-2006)**



Source: The Bank of Albania - "Economic Bulletin", Volume 9/4, 2006.

The average inflation rate in 2006 was 2.4%, being the same as in the previous year and showing price stability. The inflationary pressure in the economy has come mainly from the increase of electrical energy prices in August 2006; increase of oil prices, and also seasonality of agriculture products prices. The Albanian currency (Lekë) appreciation toward Euros and USD has been playing a smoothing role on the supply side inflationary pressures, by reducing the cost of the imported goods, especially energy. The monthly based inflation dynamics and volatility in the period 2002-2006, is shown in figure 2.1.

The current account transactions volume was increased by 14% in 2006, with 95% of the current expenditures allocated to goods acquisition from other countries. During 2006, economy openness index experienced a slight increase, reaching 42% of the GDP as compared to 40% for the year 2005, as shown in table 2.2. The imports share of GDP was 33% while export share only 9%. Exports covered only 26% of imports (1 percent point higher when compare to 2005) and trade deficit was a quarter of the country GDP for 2006.

Such indicators attest the competitiveness challenges the Albanian economy is facing with.

In order to successfully cope with, and positively canalise the 'pressure' coming from, the liberalization processes, the only way is to advance and intensify the structural reforms particularly those related to the improvement of business and investment climate; the improvement of governance; institutionalizing the market and applying the EU internal market principles; facilitating trade, etc. Box 1 provides information on the Albanian economy's as regard to its competitiveness position, based on the indicators calculated by some international institutions.

Net service exports, as reported by the Bank of Albania, reached at 65 Million Euros in 2006, having decreased by 53% as compared to 2005. However, tourism sector has generated 804 Million Euros which is 28% higher than the income generated from exports of goods, having increased by 16% as compared to 2005. The improvements in the current balance of all other services, especially in financial services, reflect the positive developments in this sector characterized by market liberalization and technology invasion. Remittances, valued at 933 Million Euros or 12.8% of GDP, have been the main source of current transfers in 2006, as reported by the Bank of Albania.

Table 2.2: Macro-Trade Indicators<sup>15</sup>

		2000	2001	2002	2003	2004	2005	2006
<b>Gross Domestic Product</b>								
(at current prices)	(in Million Lekë)	532,977	590,282	628,527	694,018	752,367	822,035	899,700
<b>GDP Growth Rates</b>		7%	7%	4%	6%	7%	6%	5%
<b>Trade in Goods</b>								
<b>Trade Volume</b>	(in Million Lekë)	191,351	234,811	254,689	279,867	296,891	326,023	375,711
<b>Exports</b>	(in Million Lekë)	37,061	43,758	46,188	54,487	62,121	65,818	77,432
<b>Imports</b>	(in Million Lekë)	154,290	191,053	208,501	225,380	234,770	260,205	298,279
<b>Trade Balance</b>	(in Million Lekë)	-117,229	-147,295	-162,313	-170,894	-172,649	-194,387	-220,846
<b>Exports Growth Rates</b>		-7%	18%	6%	18%	14%	6%	18%
<b>Imports Growth rates</b>		-2%	24%	9%	8%	4%	11%	15%
<b>Trade-to-GDP-ratio</b>	(in %)	36%	40%	41%	40%	39%	40%	42%
<b>Trade Deficit as % of GDP</b>	(in %)	22%	25%	26%	25%	23%	24%	25%
<b>Imports Share to GDP</b>	(in %)	29%	32%	33%	32%	31%	32%	33%
<b>Export Share to GDP</b>	(in %)	7%	7%	7%	8%	8%	8%	9%
<b>Export/Import Ratio</b>	(in %)	24%	23%	22%	24%	26%	25%	26%

Source: The bank of Albania statistics, IMF and ACIT own Calculations

<sup>15</sup>Estimates sourced by IMF and Ministry of Finance and own calculations

<sup>15</sup> Some changes in the value of a few indicators as compared to the previous ACIT's reports, can be explained by different figures used for the value of the GDP being revised by the responsive institutions as well as by the effects of the currency used.

**Box 1:** The competitiveness position of the Albanian economy

According to the World Bank Report "Doing Business 2007" when considering the 'Ease of Doing Business', Albania is ranked at the 120<sup>th</sup> position (among 170 national economies). But, according to the same Report, it ranks at the 162<sup>nd</sup> at protecting investors; 125<sup>th</sup> at paying taxes; 161<sup>st</sup> at dealing with licenses; 121<sup>st</sup> at starting a business (<http://www.doingbusiness.org/ExploreEconomies>)

The Global Competitiveness Report 2006-2007 "Creating an Improved Business Environment" of the World Economic Forum, ranks Albania at the 98<sup>th</sup> position out of 125 countries/economies while considering the Global Competitiveness Index but the position is further worsened when the Business Competitiveness Index is considered: Albania is ranked as the 119<sup>th</sup> out of 121 countries/economies. The most influent factors for such a position are considered the inadequate supply of infrastructure, corruption, and inefficient government bureaucracy (p. 142).

**2.2 Trade Flows: Dynamics and Structure**

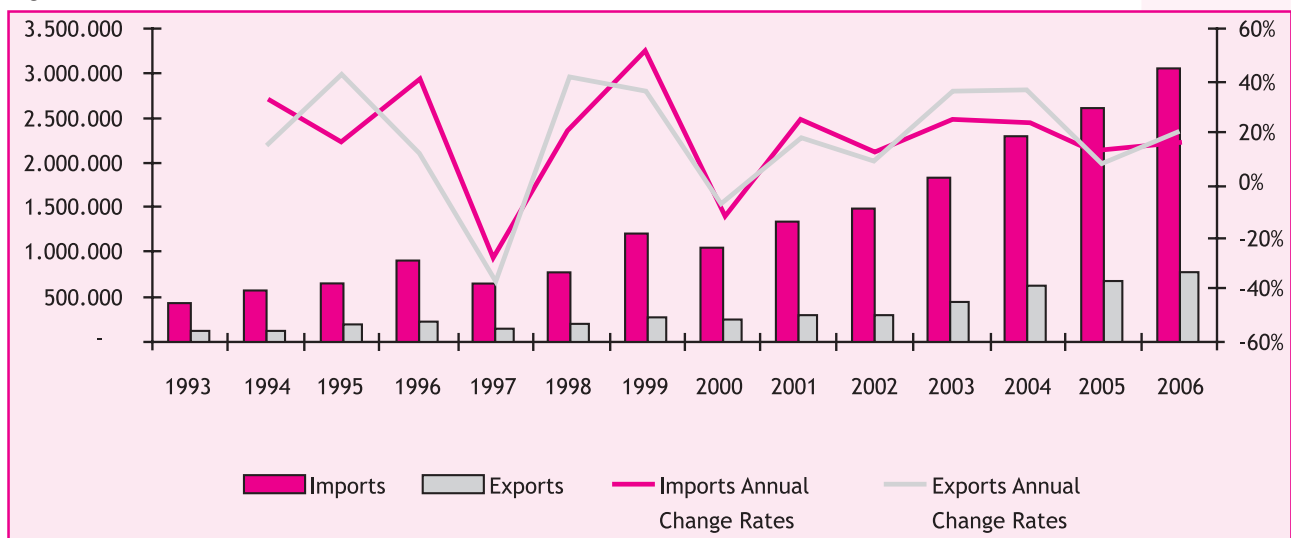
In 2006 Albania's foreign trade flows were characterized by positive developments. The trade volume reached 3,840.3 Million USD (3,052 Million Euros), having increased by 18% as compared to 2005. The exports volume was 790.6 million USD (629 Million Euros), having increased by 20%<sup>16</sup> as compared to 2005, a rate which stays above the average one (17.6%) for the period 1993-2006. Flow of imported goods into the domestic market increased slower than exports - there was a 3% difference in import and export growth rate. Imports valued at 3,049.7 Million USD (€2,243.0 Million) for 2006 and were 3.8 times higher than the volume of exports.

Trade deficit reached at 2,259 Million USD (1,794 Million Euro) and was increased by 16% as

compared to 2005, an increment lower than the average growth of trade deficit (19%) in a time horizon of 14 years starting from 1993 till 2006. Exports and imports volume and respective are shown in figure 2.2.

Imports' highest growth rates were reached during March, June and November 2006, while exports boomed during May 2006 and the last quarter, where the average growth rate of exports reached at 33%, as shown in table 2.3. The trade performance indexes do reflect the volatility of the local currency<sup>1</sup> against the dollar as well as the Euro evaluation against the USD. Table 2.4 shows such an affect, although the trend is maintained.

**Figure 2.2: Trade Flows<sup>1</sup> and Growth Rates, 1993-2006**



<sup>16</sup> This growth rates refer to data expressed in USD.

<sup>17</sup> ACIT's gross data on foreign trade are all expressed in the Albanian currency, Lekë, and originate from The General Directorate of Customs, Albania. Their conversion into EURO and USD is based on the average monthly exchange rate issued by The Bank of Albania.

Table 2.3: Albanian Imports and Exports Flows, 2006

	Imports Flows 2006	Growth rate	Export Flows 2006	Growth rate	2006 Trade Balance
	(in Mln USD)	(in %)	(in Mln USD)	(in %)	(in Mln USD)
January	194,5	18%	55,7	12%	-138,8
February	203,3	11%	54,6	8%	-148,7
March	250,6	26%	63,4	8%	-187,1
April	226,2	2%	64,4	12%	-161,8
May	251,0	15%	72,5	30%	-178,5
June	285,1	25%	71,2	7%	-213,9
July	255,5	24%	75,1	18%	-180,5
August	242,0	10%	47,3	23%	-194,7
September	259,6	12%	71,7	18%	-187,9
October	273,0	17%	71,3	38%	-201,7
November	284,7	25%	71,1	40%	-213,5
December	324,2	20%	72,2	33%	-252,0
Totals	3049,7	17%	790,6	20%	-2.259,0

Source: Customs General Directorate of Albania and ACIT own calculations  
\*The growth rates are calculate as percentage change between trade flows of the same month 2006/2005

Table 2.4: Albanian Imports and Export Flows during 2006

	Imports Flows 2006	Growth rate	Export Flows 2006	Growth rate	2006 Trade Balance
	(in Mln Euro)	(in %)	(in Mln Euro)	(in %)	(in Mln Euro)
January	160,4	28%	45,9	21%	-114,42
February	170,1	21%	45,7	18%	-124,40
March	208,4	38%	52,8	18%	-155,68
April	184,6	8%	52,6	19%	-132,02
May	196,6	15%	56,8	29%	-139,78
June	225,1	20%	56,2	2%	-168,88
July	201,5	18%	59,2	12%	-142,29
August	189,0	6%	36,9	18%	-152,08
September	203,9	8%	56,3	14%	-147,60
October	216,3	12%	56,5	32%	-159,84
November	221,5	15%	55,3	28%	-166,20
December	245,5	8%	54,7	20%	-190,83
Totals	2.423,0	15%	629,0	19%	-1794,02

Source: Customs General Directorate of Albania and ACIT own calculations

According to the estimates of foreign trade flows based on a time series analysis of monthly trade flows in the period 1993-2006, exports for 2007 are valued at 929.93 Million USD with an expected growth rate of 17.7%, and expected import are valued at 3,553.9 Million USD with an increment rate of 16.4%, as shown in table 2.5. The box 2 explains the model used for the estimates. The growth rates reflect a bit of a slow down, as compared to the development pace in 2006.

### Box 2: An estimate of Albania's trade flows

Albania's trade flows estimations are based on an autoregressive regression of exports/imports at first order of differentiation for both series to recover their stationary. For both series seasonal dummies were found significant and added to the forecast process. At explaining import and exports flows, significant relation was found between time  $t$  and five previous months, suggesting a lag structure of 5.

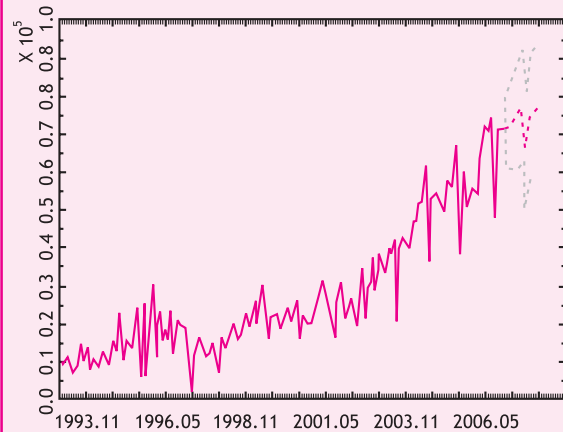
#### Export Equation

$$\Delta \ln(X_t) = \text{const} + \sum_{i=1}^5 \Delta \ln(X_{t-i}) + \delta_i^* \text{seasonal dummy} + \varepsilon_t$$

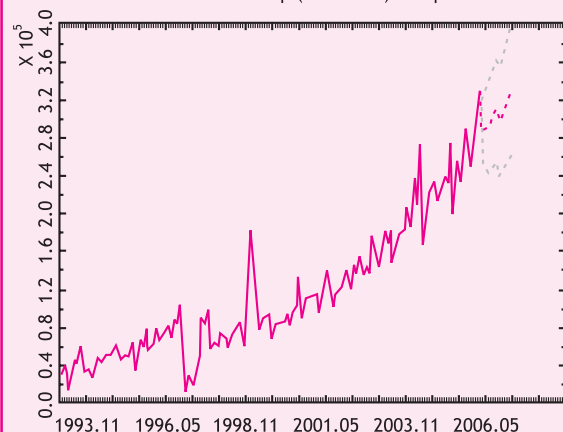
#### Import Equation

$$\Delta \ln(Y_t) = \text{const} + \sum_{i=1}^5 \Delta \ln(Y_{t-i}) + \delta_i^* \text{seasonal dummy} + \varepsilon_t$$

Forecast of Exp (CI 95.0%) of Exp



Forecast of Ixp (CI 95.07%) of Ixp



Some reasons that may supports such outcome could be an overall slowdown of the economic growth or increased competition from the European and regional markets under low competitiveness of the local business, which is further put at risk from the increased costs of labor and energy.

**Table 2.5: Trade Flows Estimations**

	Monthly Import flows	Monthly Export Flows
	Estimations	Estimations
2007 M1	279.36	72.08
2007 M2	278.08	73.05
2007 M3	283.3	74.69
2007 M4	285.11	75.30
2007 M5	294.11	77.17
2007 M6	301.78	80.26
2007 M7	296.76	81.43
2007 M8	288.91	69.88
2007 M9	302.34	80.41
2007 M10	309.27	80.50
2007 M11	308.18	82.16
2007 M12	324.70	83.00
Total Trade Flows Forecast	3551.91	929.93

Source: ACIT, own estimates.

### 2.2.1 Sectorial Structure and Development of Albanian Foreign Trade

Textile and footwear products, main metals, mineral products, prepared foods and drinks are the dominant product-groups in the sectorial structure of export in terms of the share they represents. Their dynamics have also shaped the total exports dynamics. The feature of concentration of exports in only few products, making trade performance more vulnerable to world trade and prices development, has been slightly reduced (by 5%) during the period 2003-2006 but it is still at high levels. The concentration indexes for exports and imports are shown in table 2.6.

Textile and footwear products' share in exports flows during 2006 was 77%, and differently from last year where a slowdown of this sector was observed mainly due to the world trade developments, the 2006 exports flows were quite dynamic with an increment rate of 14%. However a tendency of textile and footwear products to lose their share on the total exports is observed; year by year this group of export are losing share but this

phenomenon is more a reflection of the faster dynamics of the other group of exported products rather than a poor performance of these sectors.

Mineral products and main metals' exports were growing quite fast during 2006, partly affected by the increased world prices and demand. The increase in-country supply capacities in the oil sector, as well as steel and chromium production by foreign investments has supported such a growth. Mineral products and main metals' exports increased twice faster than total exports, and valued at 187 Million USD by end 2006. Exports of cooper and steel products, oil and oil products

derived from bituminous minerals and chromium minerals, were the products that mostly contributed to mineral and metal exports increment.

Positive developments have also characterized exports of vegetables products and prepared food, beverages and tobacco products. Their share in total exports has not changed much from the historical average, but the growth rate kept following the general export rhythm - vegetable products grew by 18% in 2006, while prepared food and beverages growth rate was 12%. Traditional exported products that have been contributing in the sector export performance are anchovies and salmons prepared and preserved, medical plants, waters, beer produced from malt, water melons, and olives. Chemical industrial products and alloys is the only group of product that has suffered shrinkage of exports, mainly due to the decrease in exports of medicaments. The structure of exports and imports is shown in table 2.7.

Positive growth rates have characterized most of the sectorial structure of imports; only 2 out

**Table 2.6: The Hirschman Index of Exports/Imports structure concentration**

	2003	2004	2005	2006
Hirschman Index of Export Concentration	48%	46%	45%	43%
Hirschman <sup>18</sup> Index of import Concentration	29%	29%	30%	30%

Source: ACIT's own calculations

<sup>18</sup> Hirschman (H) index of concentration is calculated using the share of exports of section i-  $x_i$  in the following formula :  $H_i = \sqrt{\sum (x_i/X_i)^2}$ , where  $x_i$  is exports of section i, and  $X_i$  is total exports. The lower the index, the less concentrated are exports/imports flows.

Table 2.7: Structure of Exports and Imports Flows, 2006

Nr	Description	Value of Imports (in 000 USD)	Share on Total (%)	Growth rate (%)	Value of Exports (in 000 USD)	Share on Total (in %)	Growth rate (%)
1	Live animals: animal origin products	94,544	3%	32%	5,506	1%	47%
2	Vegetable products	175,468	6%	16%	23,117	3%	18%
3	Animal grease and oils or vegetal and its products	39,512	1%	12%	564	0%	88%
4	Prepared food; drinks, alcoholic beverages and tobacco	236,527	8%	18%	33,842	4%	12%
5	Mineral products	423,565	14%	35%	59,462	8%	73%
6	Chemical industrial products or alloys	231,465	8%	28%	1,799	0%	-40%
7	Plastic and its products; tire and its products	106,189	3%	26%	6,555	1%	63%
8	Unprocessed and processed leather, coats and their products	66,875	2%	19%	15,129	2%	19%
9	Wood and its products; charcoal; cork and its products	53,449	2%	33%	11,089	1%	6%
10	Wood or other fiber, cellulose, paper or carton materials' dough...	58,216	2%	30%	14,477	2%	40%
11	Textile and its products	279,245	9%	12%	227,857	29%	14%
12	Footwear and hats, umbrellas and parasols, walking sticks....	79,305	3%	11%	205,106	26%	13%
13	Stone, gypsum, cement products...	110,042	4%	13%	5,036	1%	59%
14	Natural or cultivated pearls, jewellery	1,371	0%	21%	1,244	0%	8%
15	Main metals and their products	378,173	12%	31%	127,635	16%	27%
16	Mechanic, electric machinery and equipment	440,206	14%	-3%	27,749	4%	10%
17	Vehicles	172,918	6%	9%	2,199	0%	-2%
18	Optic, photographic, cinematographic, musical medical or measuring equipment	36,313	1%	1%	775	0%	-39%
19	Weapons and munitions and their equipment	919	0%	-29%	4,18	1%	563%
20	Different manufactured products	64,867	2%	1%	17,245	2%	23%
21	Works of art, collection and antics pieces	516	0%	241%	71	0%	47%

Source: Customs General Directorate of Albania and ACIT's own calculations

Fig. 2.3: Sectorial Structure of the 2006 Exp. Flows

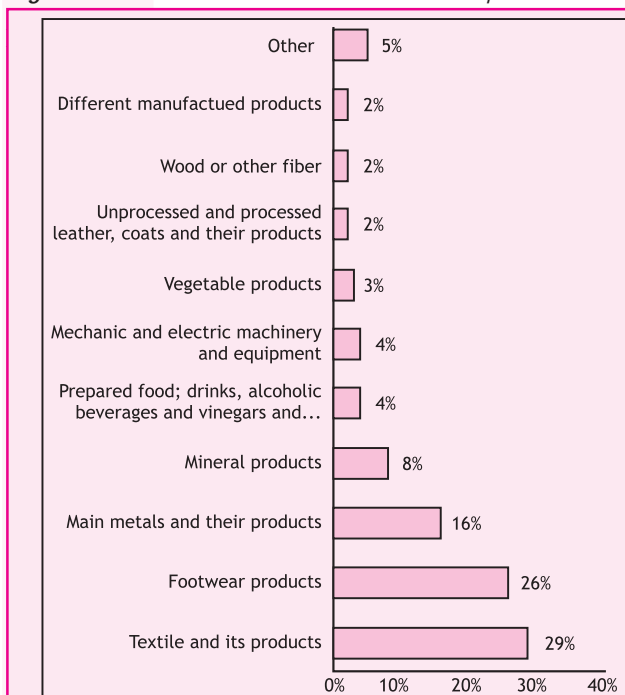
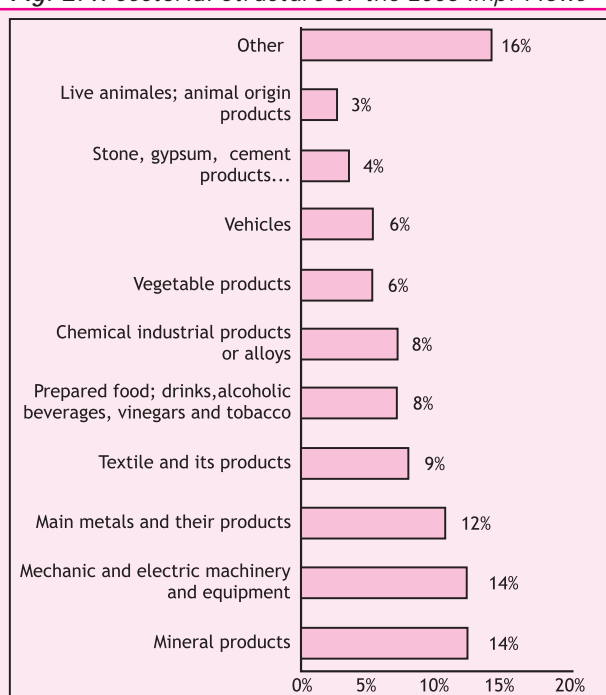


Fig. 2.4: Sectorial Structure of the 2006 Imp. Flows





of 21 sections have been experiencing a decreasing trend during 2006 as compared to 2005. The sectorial structure is more dispersed than that of exports, but in contrast to the dispersing tendency of the export structure, imports sectorial structure tends to get more concentrated. The sectorial structure of imports and exports is shown in figure 2.3 and 2.4 respectively. Imports of mechanical and electrical equipments, mineral and base metals, textile products, prepared food and beverages, chemicals and vegetable products, represented in 2006 71 % of the total import flows, valued in USD.

The imports of mechanical and electrical machineries decreased by 3% in 2006; such a decline has not been a feature of the top imported products from this category of goods. The highest share of imports on this category goes to investment in the energy sector and telecommunication; refrigerators and washing machines are also important.

The imports of mineral and main metal products represent the highest share of imports; for 2006 it was 23% and import expansion rate reached at 35% for mineral products and 31% for the base metal and their products. The share and development of imports in this group of products

is affected by high inflationary pressures on these products induced from the world market development, especially high prices for oils and steel products. Continuous booming demand for oil and seasonal hikes of demand for electrical energy, accompanied by serious domestic supply shortage has been a reason of the observed increment rate of mineral products' imports growth rate. Oil and electrical energy imports are shown in table 2.8.

Imports of steel, iron and aluminium products, mainly demanded as input of the construction sector has boomed during 2006, with growth rates far higher than total imports growth rates. Textile imports (mainly final products), food items (sugar, beer, waters, etc.), tobacco, medicaments (of different nature), cleaning products as well as vegetables (grain, rice, apples, oranges and coffee), have been important elements of the import structure in term of their volume.

Among the imported textile products, inputs for further processing are characterized by the highest growth rate (annual change rate was 29% as compared with 2005); tobacco (cigarettes) had the lowest growth rate among the prepared food products; while concerning fruits and vegetables, imports of apples has been decreased by 11% when compared with 2005, showing import substitution tendencies.

**Table 2.8: Oil and Electrical Energy Imports**

	2003 (in 000 USD)	2004 (in 000 USD)	2005 (in 000 USD)	2006 (in 000 USD)	Share (in %)	Average Growth (%)
<b>Oil products Import</b>	85,404	117,822	175,753	231,157	55%	40%
<b>Electrical Energy Imports</b>	51,766	28,281	7,670	38,330	9%	94%

Source: Customs General Directorate of Albania and ACIT's own calculations

### 2.2.2 Most Traded Products During 2006

The ten most exported products in 2006, as shown in table 2.9, represented 43% of the total export flows. Products from footwear and textile sector - shoes and upper parts of shoes, trousers and other clothing's for men, t-shirts and other cotton clothes were shortlisted as exports with highest values. Trousers and men clothing are also showed in the list of products with highest increase in export volume as compared with the previous year.

Exports of footwear products have listed exports of finished footwear (boots or winter shoes) as the product with the highest increase in value during 2006, while exports of spring and summer footwear with or without metallic cover had experienced a shrink in their value.

Cooper scrap and chromium minerals are important products in terms of both, of volume (in USD) and growth. Both copper scrap and chromium minerals volume of export have had

**Table 2.9: Top Ten Exported Goods, 2006**

Hs-Code	Description	2003 (in USD)	2004 (in USD)	2005 (in USD)	2006 (in USD)
640610	Parts of footwear - Uppers and parts thereof, other than stiffeners	116,399	129,393	123,759	110,221
620342	Men's or boys' suits, jackets, blazers, trousers, breeches and shorts (other than swimwear) of cotton	38,620	53,272	50,094	59,471
620520	Men's or boys' shirts of cotton	15,357	21,132	25,797	28,942
740400	Copper waste and scrap	3,593	7,567	9,673	28,343
830140	Padlocks and locks - Locks of a kind used for doors of buildings	1,957	9,092	17,404	23,916
160416	Anchovies	12,588	16,074	16,111	21,059
640510	Other footwear - With uppers of leather or composition leather	809.34	4,820	14,987	20,722
270900	Petroleum oils and oils obtained from bituminous minerals, crude			9,891	17,731
261000	Chromium ores and concentrates	5,406	4,540	6,550	17,218
610910	T-shirts - Of cotton	9,064	16,150	16,591	16,298

Source: Customs General Directorate of Albania and ACIT's own calculations

**Table 2.10: Exported products with the highest value of increment, 2006**

HS-Code	Description	2005 (in 000 USD)	2006 (in 000 USD)	Change compare with 2005 (in 000 USD)
<b>Exported products with the highest increase in their volume , compared with 2005</b>				
740400	Copper waste and scrap	9,673	28,343	18,669
261000	Chromium ores and concentrates	6,550	17,218	10,667
720449	Ferrous waste and scrap; remelting scrap ingots of iron or steel	5,378	15,279	9,900
640391	Sports footwear - Covering the ankle	383.50	10,257	9,873
620342	Men's or boys' suits, jackets, blazers, trousers, breeches and shorts (other than swimwear) of cotton	50,094	59,471	9,376
<b>Exported products with the largest decrease in their volume, compared with 2005</b>				
720241	Ferro-chromium: Containing by weight more than 4 % of carbon	29,332	9,642	-19,689
640610	Parts of footwear - Uppers and parts thereof, other than stiffeners	123,759	110,221	-13,537
640351	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather - covering the ankle	15,227	9,670	-5,556
640359	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	17,516	15,096	-2,420
260300	Copper ores and concentrates	2,939	691.06	-2,248

Source: Customs General Directorate of Albania and ACIT's own calculations

the highest growth in 2006 as compared to 2005, being increased by 19 Million USD and 11 million USD respectively. The exported products with the highest value of growth are shown in table

The ten most imported products were accounting for 20% of the total import flows during 2006. They reflected in a simplified manner those parts of the domestic demand that

have been leading the developments observed in total flows of imports. The unsatisfied domestic demand for both forms of energy, oil products and electrical energy, has contributed to enlist these products in the top ten most imported groups of products, with the highest increase of import value for 2006. Increased imports of vehicles are another factor exerting pressure on oil imports.

The need for fulfilling the demand for inputs of one of the most dynamic sectors of the Albanian economy-construction-namely cement and steel and iron, does explain the inclusion of such products in the list of the top ten most imported products, being also among the most dynamic imports. Other important imports are

medicaments, a variety in the domestic production covered by imports; grain and cigarette import are also important elements of the product structure of imports flows in term of their value.

The list of the most imported products in 2006 is shown in table 2.11.

**Table 2.11: Top Ten Ranked Imported Goods, 2006**

Hs-Code	Description	2003 (in 000 USD)	2004 (in 000 USD)	2005 (in 000 USD)	2006 (in 000 USD)
640610	Parts of footwear - with outer soles of other materials	116,399	129,393	123,759	110,221
620342	Trousers, bib and brace overalls, breeches and shorts of cotton	38,620	53,272	50,094	59,471
620520	Men's or boys' shirts of cotton	15,357	21,132	25,797	28,942
740400	Copper waste and scrap	3,593	7,567	9,673	28,343
830140	Padlocks and locks - Locks of a kind used for doors of buildings	1,957	9,092	17,404	23,916
160416	Anchovies	12,588	16,074	16,111	21,059
640510	Other footwear - With uppers of leather or composition leather	809.34	4,820	14,987	20,722
270900	Petroleum oils and oils obtained from bituminous minerals, crude			9,891	17,731
261000	Chromium ores and concentrates	5,406	4,540	6,550	17,218
610910	T-shirts - Of cotton	9,064	16,150	16,591	16,298
HS-Code	Description	2005 (in 000 USD)	2006 (in 000 USD)	Change compare with 2005 (in 000 USD)	
<b>Imported products with the highest increase in their volume , compared with 2005</b>					
271019	Medium oils	150,786	195,013	44,227	
271600	Electrical energy	7,670	38,330	30,659	
721420	Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	33,500	62,828	29,327	
720711	Semi-finished products of iron or non-alloy steel	4,439	30,971	26,532	
252390	Other hydraulic cements	646.97	15,417	14,770	
<b>Imported products with the highest decrease in their value, compared with 2005</b>					
847420	Machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading earth, stone, ores or other mineral substances, In solid (including powder or paste) form; Machinery for agglomerating, shaping or molding solid mineral fuels	29,820	2,035	-27,784	
721499	Other bars and rods of iron or non-alloy steel, not Further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling	30,496	10,571	-19,925	
271111	Natural gas	10,068	167.97	-9,900	
853720	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading No 8535 or 8536, for electric control or the distribution of electricity, including those incorporating instruments or apparatus of Chapter 90	10,585	4,824	-5,760	
850431	Other transformers - Having a power handling capacity not exceeding 1kVA	6,521	815.91	-5,705	
160416	Anchovies	8,187	3,092	-5,095	

### 2.3 The Geography of Trade Flows

During 2006 most of the Albanian exports flew towards Italy and Greece; their share on total exports was 83% and was characterized by expansionary tendencies. Exports in the whole EU-25 trade block reached at 696 Million USD and were increased by 19% as compared with 2005.

Exports flows toward Western Balkan countries represented a share of 8% of the total exports; in a ranking list of 10 main trading partners (in exporting) four of them were regional partners. As compared to 2005, exports toward regional trading partners have been changing faster than

Table 2.12: The Geography of Albania's Trade Flows

	Exports			Imports		
	Value (Million USD)	Share to (%)	Change rate (%)	Import Value (Million USD)	Share to (%)	Change rate (%)
<b>EU-25</b>	<b>696,43</b>	<b>88%</b>	<b>19%</b>	<b>1913,93</b>	<b>63%</b>	<b>12%</b>
Italy	574,57	73%	20%	883,46	29%	12%
Greece	75,22	10%	9%	512,05	17%	13%
Germany	25,09	3%	14%	142,01	5%	12%
Sueden	6,72	1%	127%	13,03	0%	6%
France	5,54	1%	21%	27,09	1%	3%
Austria	2,24	0%	48%	61,24	2%	0%
All other EU countries	7,06	1%	3%	275,05	9%	17%
<b>FTA-Countries</b>	<b>64,18</b>	<b>8%</b>	<b>30%</b>	<b>316,71</b>	<b>10%</b>	<b>54%</b>
Kosovo (UNMIK)	30,15	4%	12%	17,97	1%	61%
Macedonia	12,64	2%	22%	62,78	2%	59%
Serbia and Montenegro	10,82	1%	97%	33,27	1%	50%
Bosnia and Herzegovina	4,36	1%	303%	9,17	0%	177%
Bulgaria	3,28	0%	-8%	99,81	3%	23%
Croatia	2,26	0%	1163%	35,50	1%	35%
Romania	0,65	0%	-59%	53,14	2%	155%
Moldava	0,01	0%	173%	5,08	0%	479%
<b>Other countries</b>						
Turkey	9,99	1%	-12%	243,31	8%	26%
China	9,16	1%	185%	141,64	5%	-5%
US	3,44	0%	-48%	46,65	2%	101%
RoW	7,43	1%	1%	387,44	13%	20%
<b>Total Flows</b>	<b>790,63</b>		<b>20%</b>	<b>3049,68</b>		<b>17%</b>

Figure 2.5: Countries of Exports Destination

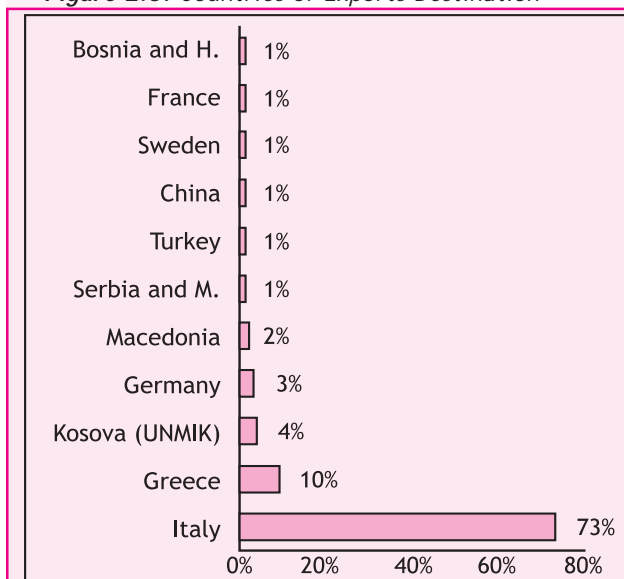
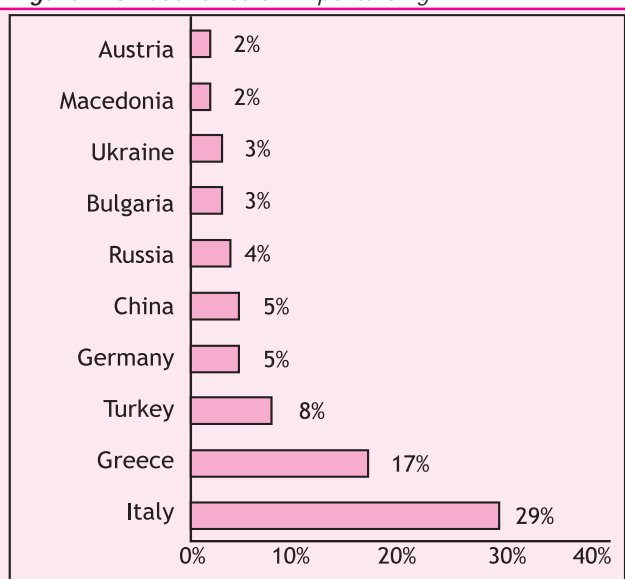


Figure 2.6: Countries of Imports Origin



the overall growth of exports and also faster than exports with traditional partners. The Free Trade area, which recently is moving toward a more uniformed and deep trade liberalization through CEFTA 2006, has shown signs of trade flows creations. The geography of exports and imports is shown in details in table 2.12 and in figures 2.5 and 2.6.

The casual and sometime more structural, developments in the geography of export flows have helped in a quite slightly smoothing of geographic concentration of exports flows, which is still very high as a result of the high concentration of the trade mass around EU-25 trading block.

The imports geographic concentration is as much as half of that of exports, and the disperse tendencies have given this ratio a faster downward trend. The Italy and Greece share on imports reaches at 46%, while other important partners are Turkey, Germany and China. The only regional partners in importing commodities among 10 most important importing countries are Macedonia (which provides 2% of total

imports) and Bulgaria (3%). Table 2.13 shows the geographical concentration indicators, referring again to the Hirschman Index.

The imports originating from the region reached for 2006 a value of 361 million USD, accounting for 10% of imports flows. The value of trade with the regional countries (bilateral FTAs - CEFTA 2006 partners) is not of a particular interest due to its value and share but the dynamics of trade flows are worth of attention. Other important partners in trade outside the two main blocks of trade are Turkey and China. Albanian exports toward Turkey were only 1% of the total export flows, and they somehow have shrank in 2006. A factor that might have affected this phenomenon could have been a possible postponement of commodity transactions by traders while waiting for benefits to be ripped from the bilateral FTA signed between Albanian and Turkey in December 2006. Imports from the Chinese market, were reduced by 5% as compare to 2005, a reduction that might have been partly caused by increased transportation costs and international prices, which reduces the competitiveness of goods originating from China.

**Table 2.13:** Hirschman Index of Exports/Imports Geographic Concentration

	2003	2004	2005	2006
Exports Geographic concentration index	76%	74%	73%	74%
Import Geographic Concentration index	43%	40%	37%	36%

Source: Author's own calculations

## 2.4 Trade of the Agriculture Products

Exports of agriculture products in 2006 valued at 63 Million USD and were increased by 17% as compared to the previous year. They captured only 8% of the total exports, showing a very slight shrinking tendency in their importance for the Albanian exports, which might be a result of the decreased agriculture and food prices. Seafood products (prepared and raw ones), herbs and spices (including medical plants herbs), tobacco and drinks (waters and alcoholic drinks produced of distilled grapes,) have been the dominating groups of products in term of their share on total agriculture products exports.

During 2006, water melon exports have been noticeably consolidated in the list of exported agriculture products, with an almost doubled

value as compared to the previous year and a much higher increase as compared with the historical presence of this product in the export flows. Another show up at the list of the most exported agriculture articles is beer, with an export value being increased 3 times as much as in 2005. Unfortunately these new products do not present a remarkable value or share to the total export flows, but they are definitely signs of the increased and improved agro-food production and marketing.

Among the traditional exports, the exports of anchovies reached at 21 Million USD and were increased by 4 Million USD (31%) in 2006, with destinations mainly to European and some regional markets, such as the Croatian one. Tobacco exports were decreased by 23% in 2006, while herbs and roots (mainly used for cosmetics

Table 2.14: Export/Imports Flows of Agriculture Products, 2006

No.	Description	2006 Exports Value (000 USD)	Share to Total (%)	Growth Rates (%)	2006 Imports Value (in 000 USD)	Share to Total (%)	Growth Rates (%)
01	Live Animals	1,080	2%	14%	23,882	4%	113%
02	Meat and Edible Meat Offal	1,463	2%	336%	44,421	8%	4%
03	Fish & Crustaceans, Mollusks & Other Aquatic Invertebrates	2,556	4%	44%	10,660	2%	113%
04	Dairy Produce: Birds' Eggs; Natural Honey; Edible Products of Animal Origin, Not Elsewhere Specified or Included.	152.72	0%	-74%	14,763	3%	19%
05	Products of Animal Origin, Not Elsewhere Specified or Included	251.82	0%	149%	815.94	0%	217%
06	Live Trees and Other Plants; Bulbs, Roots and the Like; Cut Flowers and Ornamental Foliage.	977.23	2%	45%	1,813	0%	-13%
07	Edible Vegetables and Certain Roots and Tubers	1,328	2%	6%	18,032	3%	15%
08	Edible Fruit and Nuts; Peel of Citrus Fruit or Melons	2,397	4%	258%	57,001	10%	11%
09	Coffee, Tea, Mate and Spices	1,450	2%	-2%	13,189	2%	59%
10	Cereals	11.13	0%	911%	72,231	13%	19%
11	Products of the Milling Industry; Malt; Starches; Inulin; Wheat Gluten	28.67	0%	205%	10,589	2%	-9%
12	Oil Seeds and Oleaginous Fruits; Misc. Grains, Seeds & Fruit; Industrial or Medicinal Plants; Straw and Fodder	16,277	26%	6%	2,481	0%	6%
13	Lac; Gums Resins and Other Vegetable Saps and Extracts	630.22	1%	182%	108.90	0%	81%
14	Vegetable Plaiting Materials; Vegetable Products not Elsewhere Specified or Included	15.74	0%	-38%	20.20	0%	1%
15	Animal or Vegetable Fats and Oils and their Cleavage Products; Prepared Edible Fats; Animal or Vegetable Waxes	563,78	1%	88%	39,511	7%	12%
16	Preparations of Meat, of Fish Or of Crustaceans, Mollusks or Other Aquatic Invertebrates	21,560	34%	31%	10,904	2%	-24%
17	Sugars and Sugar Confectionery	96.77	0%	574%	35,984	7%	43%
18	Cocoa and Cocoa Preparations	68.40	0%	-71%	8,330	2%	22%
19	Preparations of Cereals, Flour, Starch or Milk; Pastry Cooks' Products	137.31	0%	26%	38,994	7%	9%
20	Preparations of Vegetables, Fruit, Nuts or Other Parts of Plants	1,390	2%	7%	18,766	3%	17%
21	Misc. Edible Preparations	5.93	0%	-78%	20,358	4%	20%
22	Beverages, Spirits and Vinegar	6,366	10%	-1%	44,443	8%	37%
23	Residues and Waste From the Food Industries; Prepared Animal Fodder	1.38	0%	-99%	5,931	1%	12%
24	Tobacco and Manufactured Tobacco Substitutes	4,215	7%	-23%	52,813	10%	12%
	<b>Total Value</b>	<b>63,028</b>		<b>17%</b>	<b>546,051</b>		
	<b>Share on Total Export/Import Flows</b>	<b>8%</b>			<b>18%</b>		

and in medicament production) were increased by 6% and have reached a value of 16 million USD. This group of products count for 77% of the total export flows, which demonstrates the high concentration rate and poorness in the structure of agriculture products being exported.

The imports of agriculture products reached in 2006 a value of 546 Million USD, by accounting for 18% of the total imports. When compared to 2005 they increased by 16% and were dominated by imports of different grains, fruits, drinks (alcoholic and non alcoholic) as well as tobacco, vegetables, and oils products.

Imports of the live animals (caws - for reproduction, and pigs) as well as meat, imports of sugar and oil from sunflowers, beer and whiskies from alcoholic drinks were some products at 6-digit lists that showed an increase more than the other traditional imports. Imports of grain and tobacco, the most voluminous imports, were also increasing but at lower pace. Decreasing trends have characterized imports of chicken meat (frozen), some sea products (conserved anchovies), fruit juice, apples, etc. Flour volume has also decreased - contrasted by the increase in the processed grain; biscuits and pasta products have also decreased, showing a tendency of import substitution.

### 3. Albania's Trade with EU

#### 3.1 The Interim Agreement - the Prospects of the Albania's Trade with the EU

The Interim Agreement between Albania and the EU, which entered into force on 2006, December the 1<sup>st</sup> is going to have a great impetus in the liberalization of Albania's foreign trade. This is not only because of the accelerated rates of liberalization foreseen under this Agreement (as compared to the Albania's WTO commitments) but also because of the predominance of the EU as a trade partner of Albania. Being an integral part of the Stabilization and Association Agreement between Albania and the EU, this agreement will also play an important role in fostering the integration of Albania into the European Community (EC).

While the common breath of the Interim Agreement was that of symmetric trade regime between the parties, as opposed to an asymmetric regime in place since 1992, it makes specific treatments of different product-groups as follows:

For Albanian-originating products exported to the EC:

- (i) Industrial products: all duty free upon entering into force of the Agreement (01.12.2006)
- (ii) Agricultural products: tariff liberalization according to the table 3.1:

The agreement foresees duty free regime for a list of 323 processed agricultural products originating from Albania entering the EC markets.

For EC-originating products exported to Albania:

1. industrial products: all duty free, except some products such as salt, Portland cement, motor spirits, cosmetics and detergents, plastics, footwear, fuels, tiles, used tires, construction steel, wooden furniture, which will be reduced through a reduction scale in the lifespan of 5 years<sup>19</sup>.
2. agriculture products: tariff liberalization according to the table 3.2:

*Table 3.1: Tariff liberalization of agriculture products exported to the EU*

CN code	Reference	Description	Status in the IA
0102, 0201 and 0202	Paragraph 1 of Article 27 of IA	Baby-beef and bovine meat	MFN treatment
07 and 08	Paragraph 1 of Article 27 of IA	Vegetables and fruits	Only ad valorem duty is waived, while specific duty remains in force
1701 and 1702	Paragraph 1 of Article 27 of IA	Sugar	Tariff quota of 1,000 tons
220410 and 220421	Annex I of Protocol 3 of IA, p	Wine sector: Quality sparkling wine and Wine of fresh grapes	Exempted from duty within the quantity of 5,000 hl
220429	Annex I of Protocol 3 of IA, p	Wine sector: Wine of fresh grapes	Exempted from duty within the quantity of 2,000 hl
CN codes of trout, carp, sea bream and sea bass from chapter 03 16041311 16041319 16042050 160416 16042040	Annex III of IA, p	Fishery: trout, carp, sea bream, sea bass, sardines, anchovies	Duty free within 50 tons quota for trout Duty free within 20 tons quota for carp Duty free within 20 t quota for sea bream Duty free within 20 t quota for sea bass (reduction scale over quota for the above) 6% of MFN for 100 tons of quota for sardines (MFN over quota) Duty free 1,000 tons of quota for anchovies with an increasing quota up to 1,600 tons for the coming year.
All agricultural products not mentioned above			Duty free

<sup>19</sup> 80% of MFN duty upon entry into force, 60% of MFN duty in the first year, 40% of MFN duty in the second year, 20% in the third year, 10% in the fourth year, duty free in the fifth year

*Table 3.2: Tariff liberalization of agriculture products exported to the Albania*

CN code	Reference	Description	Status in the IA
CN codes of agriculture chapters	Annex II (a) of IA	701 tariff lines of primary agriculture products not considered sensitive for Albania	Duty free
CN codes of agriculture chapters	Annex II (b) of IA	495 tariff lines of primary agriculture products considered as semi-sensitive for Albania	Scaled reduction
10019091 10019099	Annex II (c) of IA	Common wheat and meslin seed Spelt, common wheat and meslin (excl. Seed)	Duty free within tariff quota of 20,000 tons
CN codes of chapters 05, 13, 14, 15, 17, 19, 21, 29, 33, 35 and 38	Annex II (a) of Protocol 2 of IA	148 tariff lines of processed agricultural products not considered sensitive for Albania	Duty free
CN codes of chapter 22	Annex II (b) of Protocol 2 of IA	Alcoholic spirits	Duty free
CN codes of chapters 07, 18, 19, 20, 21, 22, 23 and 24	Annex III (c) of Protocol 2 of IA	103 tariff lines including vegetables, chocolates/cacao, flour products, prepared vegetables/fruits, sauces, waters, beer and tobacco	Scaled reduction in five years
CN codes of chapter 04 and 21	Annex II (d) of Protocol 2 of IA	Milk and butter, ketchup	MFN treatment
220410 220421	Annex I of Protocol 3 of IA	Quality sparkling wine and Wine of fresh grapes	Duty free within quota of 10,000 hl

It is expected that IA will impact Albanian economy in various ways. From the consumers' perspective, it will make consumers' goods cheaper, considering the fact that most imported consuming products are coming from EC markets; it will also increase the consumers' choice. From the producers' perspective, while the sensitive sectors will try to cope with the competitive pressure of cheaper products coming from EU,

the production sectors that use imported raw materials and machineries will benefit from trade liberalization; also trade diversion might be expected. From the public finance perspective, while trade liberalization may be accompanied by less customs revenues in short run, the picture may change in longer terms; also other budget revenues will be expected in medium to long run as a result of a business environment expected to be improved.



### 3.2 Dynamics and Structure of Albania's trade with the EU-25

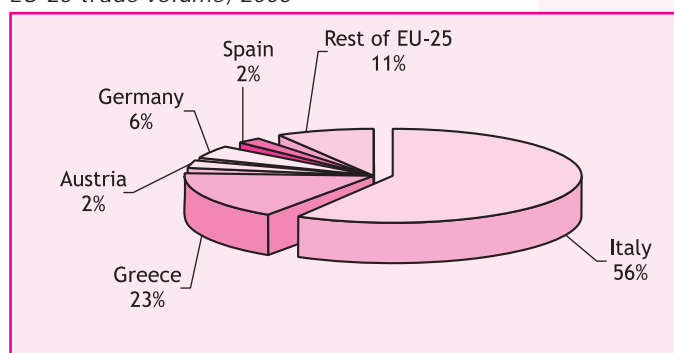
#### 3.2.1 Trade flows

Trade flows between Albania and EU-25 in 2006 reached to 1,800.486 million USD (€1,435.093 million), being increased by 14.55% as compared to 2006, while the share of such flows to the Albania's total trade flows declined from 57% in 2005 to 54% in 2006. Such change is verified both, for exports and imports. It must however be noted that the share indicators are higher for exports to the EU (88%) compared to the imports from the EU (63%). Table 3.3 summarizes the main developments of trade between Albania and the EU during the period 2003-2006.

Trade flows have been oriented mainly to Italy and Greece, Albania's main trade partners. Their share to total EU-25 trade volume has been stable during the years. Germany ranks in the third place, followed by Austria and Spain. All the rest of the EU 25 counts for only 11% of the total trade between Albania and EU 25. Figure 3.1 shows the geography of trade between Albania and EU-25 member states. In a dynamic

perspective, a change is observed in the share of imports from and exports to, Greece as compared to the total Albania-EU 25 exports and imports: the share of imports to Greece is reduced from 32% in 2003, to 27% in 2006; the share of exports to Greece has been slightly decreased from 14% in 2003 to 11% in 2006. In meanwhile, the share of imports from and exports to, Italy has been increased. For example, exports are increased from 80% in 2003, to 83% in 2006.

*Figure 3.1: Share of the EU member states to total Albania-EU-25 trade volume, 2006*



*Table 3.3: Summary of key trade indicators between Albania and EU-25<sup>20</sup> (in million USD)*

Trade Indicators	2003	2004	2005	2006
Albania-EU trade volume	1,800.486	2,143.184	2,275.526	2,606.549
Share to total Albania's trade volume	78%	74%	70%	68%
Imports from the EU-25	1,380.751	1,597.409	1,691.366	1,910.181
Share to total Albania's imports	74%	70%	65%	63%
Exports to the EU-25	419.735	545.775	584.160	696.368
Share to total Albania's exports	94%	90%	89%	88%
Trade balance (trade deficit)	(961.016)	(1,051.635)	(1,107.207)	(1,213.813)
Share to total Albania's trade balance	68%	62%	57%	54%
Export to EU/Import from EU, Coverage Ratio	30%	34%	35%	36%
Total Export/Total Import, Coverage Ratio				

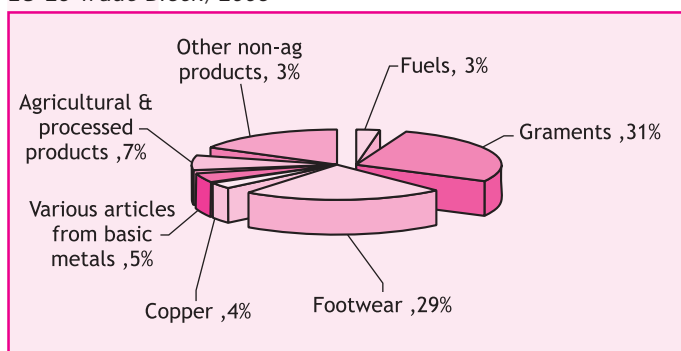
#### 3.2.2 Structure of Exports

Exports structure in 2006 shows the same pattern as in the previous years: it is concentrated on articles of footwear and textile group of products which represent 62% of the Albanian total exports towards the EU-25. These exports are mainly inward processing products

and they flow mainly towards Italy and Greece. Other important exports, as shown in figure 3.2, are metal products (iron and steel products, cooper and aluminum). Base metal exports represent about 11% of the total exports, a figure which is higher as compared to the

<sup>20</sup> Although 10 out of 25 EU-member countries got the membership only in May 2004, figures for 2003 include also the trade flows from these 10 countries.

**Figure 3.2: Structure of Albanian Exports to EU-25 Trade Block, 2006**



previous years. From the agro-food industry, processed meat, fish, crustaceans, mollusks and other aquatic invertebrate products represent 2.8% of the total exports, with a value of 20 Million USD.

Out of 10 most exported products in 2006, six of them are from the group of footwear products (HS-2 digits 64). Footwear uppers and parts of them (HS: 640610) is the most exported product valued at 110.2 million USD, as shown in table 3.4. In this group of products, export of footwear with metal cover has been decreased considerably during 2006 (from 15 million USD in 2005, to 9.7 million USD in 2006) while finished footwear (not only upper part) have been exported in an increasing rate during 2006.

Exports of textile products -men's trousers, and shirts - have taken respectively the second and third place in the list of the most exported products for 2006. Their exports are valued at 88.4 million USD for 2006, and seem to have been increased by an incremental rate through the time span considered.

Exports of metal products being represented by cooper waste and scrap are valued at 28 million USD for 2006. Cooper waste and scrap have been increased 5 times as compared with the volume of exports in 2005. Other important exports from the group are iron and steel as well as petroleum oils obtained from bituminous minerals.

From agriculture sector, in the top-10 most exported products are listed anchovies, prepared and preserved, whole or in pieces (HS: 160416, valued at 21 million USD), and also plants and parts of plants used primarily in perfumery, with a value of 15.5 million USD.

Agriculture exports for 2006, at a value of about 65 million USD, represented 7.93% of the total exports for 2006. The EU-25 area is getting 75% of the total agriculture exports of Albania.

The structure of agriculture exports to EU countries is dominated by primary agriculture products, with very little processing work embodied on their value. Prepared and preserved fish and caviar are the leading group of products being exported toward EU-25 countries, representing 42% of the total agriculture exports to that destination. The main exported product of this group, as mentioned above, is anchovies, representing 99% of the total agriculture exports. Other important agriculture products being exported are sage (HS: 121190), non-manufactured tobacco and fresh fish. Among processed agriculture products, the most important ones in export flows are prepared and preserved vegetables, waters and juices.

**Table 3.4: Top-10 Most Exported Products to the EU, 2006**

Rank	HS-code	Description	2006	Avg. change rate (2003-2006)
1	640610	Footwear uppers and parts thereof	110,182	-0.05
2	620342	Men's/boys' trousers, bib & brace overalls, breeches & shorts	59,467	+0.54
3	620520	Men's/boys' shirts of cotton	28,900	+0.88
4	740400	Copper waste and scrap.	28,339	+6.45
5	830140	Locks (key/combination/electrically operated), of base metal	23,912	+11.23
6	640510	Footwear with uppers of leather/composition leather	20,438	+24.25
7	160416	Anchovies, prepd./presvd., whole/in pieces	19,641	+0.56
8	270900	Petroleum oils and oils obtained from bituminous minerals, crude	17,731	n/a
9	610910	T-shirts, singlets & oth. vests, KN/CR, of cotton	16,298	+0.83
10	610610	Women's/girls' blouses, shirts & shirt-blouses, KN/CR, of cotton	15,122	+1.05

### 3.2.3 Structure of Imports

Imports from the EU-25 countries reached 1.9 billions USD in 2006, showing a 13% increase compared to 2005 (higher than the rate of 7% marked in previous years). Still this increase, in relative terms, was less than the increase of Albania's total imports. In 2006 the share of Albania's imports from the EU-25 to the total imports of the country reached at 63%, the lowest rate for the period 2003-2006.

Like exports, also imports from EU-25 have been dominated by imports from Italy and Greece. Figure 3.3 shows the share of EU-25 member countries in the total imports of Albania from EU-25 in 2006 while the sectorial content is shown in figure 3.4. The main importing sectors from EU-25 have been those of mechanical machineries, transportation vehicles, and electrical machineries. These imports represent

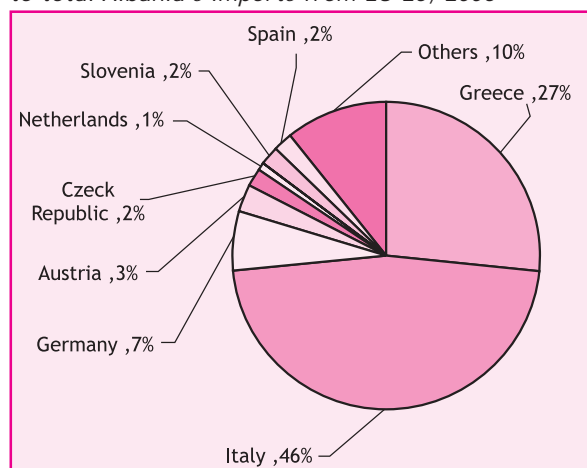
mainly ongoing investment for the economy and partly consumption for population. Their share to total Albania's imports from EU-25 has been almost constant through the years of the period under discussion.

A slight decrease in shares of imports has been noted in various agro-food sectors such as those of meat, fruits/vegetables, corn and flour, and vegetal oils. Such decrease has been mainly due to import substitution with domestic production and less due to trade diversion with other non-EU-25 countries.

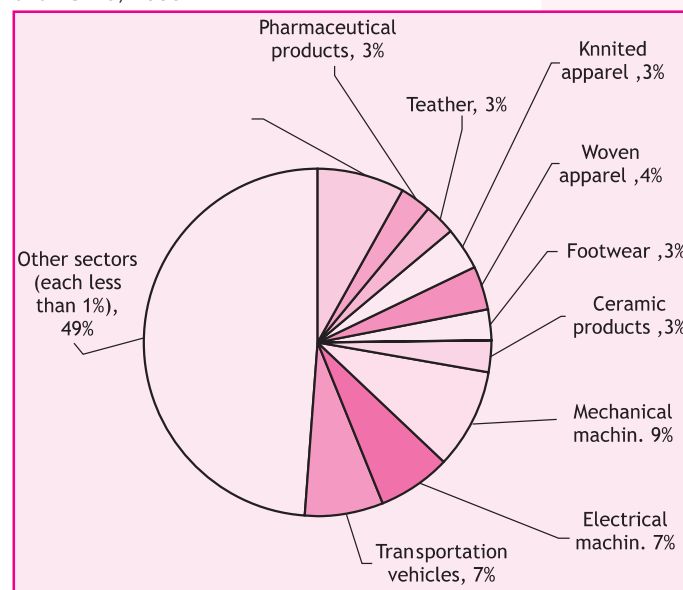
Information about the most important products, differentiated at the 6-digit level is given in the table 3.5.

It is important to note that almost all the above mentioned products (except for automobiles and medicaments) represent raw materials and supplies for production industries in Albania, namely those in cement production, footwear production, leather processing, etc.

**Figure 3.3:** Imports from member countries to total Albania's imports from EU-25, 2006



**Figure 3.4:** Shares of sectorial imports from the EU-25, 2006



**Table 3.5:** Most imported products from the EU-25, 2006

CN code	Description	Value in mln USD in 2006	Share to total imports (%)	Change of share*
271019	Light petroleum	77.8	5	Increased
870332	Automobiles with diesel engine displacing more than 1500 cc to 2500 cc	40.7	3	Declined
252329	Portland cement	35.4	2	Slightly decreased
640610	Footwear uppers	33	2	Slightly decreased
300490	Medicaments	30.8	2	Increased
410719	Processed leather	30.3	2	No change
240220	Tobacco	30.2	2	No change

\*The share to total imports in 2006 was compared to the share in the previous years.



## 4. Trade with the Countries of the Region

### 4.1 A glance at the Albania's trade with the countries in the region

Imports and exports with the region have been growing in percentage and in absolute values and their share to the total imports and exports has also increased in 2006 (see table 4.1). Imports reached 316.6 million USD, being 54% higher than their 205 million USD value in 2005. Exports were valued 64 million USD, being increased by 14.8 million or 30% more than their value in 2005. Nevertheless the region still accounts for a small share of imports and exports as compared to the EU, 10.2% and 8.06% respectively in 2006.

Trade flows, in relative terms, with each country in the region during the period 2000-2006 are shown in table 4.1.

Imports coverage from exports to the region, experiencing a constant growth during the years, reached to 20% in 2006, from 6.2% in 2002.

Regional trade of Albania has its geographical characteristics. So Kosovo accounts for almost half of the exports to the region to be followed

by Macedonia (20%) and Serbia and Montenegro (17%). Imports' shares are more evenly distributed; nevertheless Bulgaria, Rumania and Macedonia got the highest shares.

Industrial products account for the biggest share of imports from and exports to, the region in 2006, 76% and 82% respectively. Such a structure is positively related with the liberalisation focus of the FTA-s. The share of agricultural products to the total imports from and exports to, the region has been slightly decreasing through the last years. So, the agricultural products in 2006 account only for 18% of exports to the region - a decrease by 4 percentage points in comparison with the average share during the period 2003-2006.

If we look at the agricultural products trade flows of Albania with each country and their relation to the preferential treatments granted through tariffs liberalisation and quotas for specific products, we must admit that this 'liberalization space' of FTA-s has been not fully exploited. There is a lack of quotas fulfilment by all countries (see Annex 4 on Quotas

*Table 4.1: Trade with the Countries of the Region*

Code	Exports	2000	2001	2002	2003	2004	2005	2006
BA	Bosnia and Herzegovina	0.0%	0.0%	0.6%	0.3%	0.9%	2.2%	7.0%
BG	Bulgaria	0.8%	0.7%	0.8%	1.4%	3.9%	7.3%	5.0%
HR	Croatia	14.3%	0.3%	0.9%	2.2%	1.0%	0.4%	3.0%
KS	Kosovo	0.0%	0.0%	0.0%	53.7%	68.7%	54.8%	47.0%
MD	Moldova	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
MK	Macedonia	17.2%	34.6%	52.9%	21.5%	19.1%	21.0%	20.0%
RO	Romania	0.0%	0.2%	0.5%	0.6%	0.6%	3.2%	1.2%
YU	Serbia and Montenegro	67.7%	64.1%	44.3%	20.3%	5.9%	11.1%	17.1%
	<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		<b>4.0%</b>	<b>4.7%</b>	<b>3.9%</b>	<b>3.2%</b>	<b>6.7%</b>	<b>7.5%</b>	<b>8.02%</b>
	Imports	2000	2001	2002	2003	2004	2005	2006
BA	Bosnia and Herzegovina	0.1%	0.1%	0.7%	1.0%	0.9%	1.6%	3.0%
BG	Bulgaria	34.0%	34.0%	26.9%	44.0%	33.6%	39.5%	32.0%
HR	Croatia	15.9%	21.1%	30.1%	20.7%	21.6%	12.8%	11.0%
KS	Kosovo	0.0%	0.0%	0.0%	2.9%	3.5%	5.5%	6.0%
MD	Moldova	0.1%	0.6%	0.2%	0.4%	1.9%	0.4%	2%
MK	Macedonia	30.7%	20.1%	16.9%	13.6%	19.5%	19.3%	20.0%
RO	Romania	7.9%	15.5%	12.4%	11.2%	7.3%	10.2%	17.0%
YU	Serbia and Montenegro	11.3%	8.6%	12.9%	6.3%	11.6%	10.8%	11.0%
	<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	<b>Regional imports as % of total imports</b>	<b>7.3%</b>	<b>6.3%</b>	<b>7.6%</b>	<b>7.2%</b>	<b>6.6%</b>	<b>7.9%</b>	<b>10.2%</b>

Figure 4.1: Structure of Imports from the region, 2006

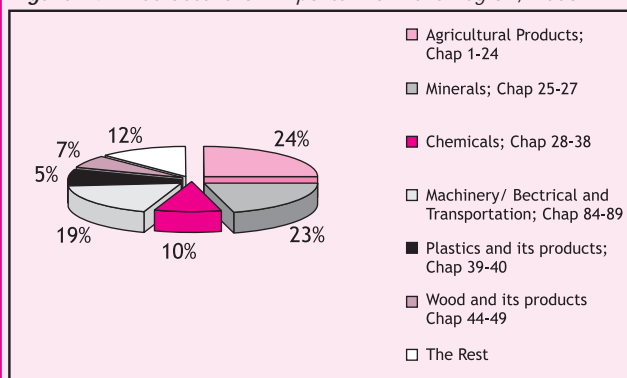


Figure 4.2: Structure of Exports from the Region 2006

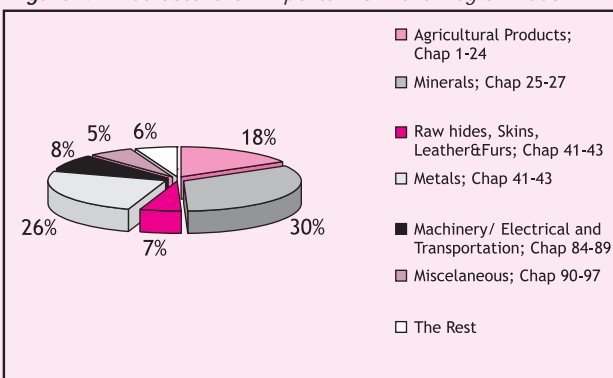


Table 4.2: The Changes in price and quantity of imported fuel products, 2005-2006

HS Codes	in million USD		Quantity in 000 units		Price/Quantity Ratio 2005	Projection Value in 2006 by this Ratio	Difference with the actual imported value in million USD
	2005	2006	2005	2006			
<b>271019</b>	Medium Oils						
Bulgaria	4.8	16.55	11967.6	32555.5	0.4	13.03	3.52
Romania	5.0	16.81	10940.2	30478.2	0.5	13.98	2.82
<b>2716</b>	Electricity						
Romania	4.0	11.47	88.2	181.4	45.6	8.27	3.20
<b>271011</b>	Light Oils						
Romania	1.5	3.65	3887.1	7044.6	0.4	2.61	1.04
						Total	10.58

Source: ACIT's own calculations

Fulfilment) and most traded agricultural products often/most of the time have not profited from tariffs liberalization. Only in special cases, like Kosovo, we see agricultural products that fall under the liberalisation scheme and are also in the top exported products list.

As we see from the Annex 4 on the most traded products from the region, petroleum products and electricity are the top imported products from the region accounting together for approximately 19% of the total imports. From a price/quantity ratio comparison between 2005 and 2006, it results that the value of imports has increased by 10.5 million USD or by 3% of the total imports just because of the price increase.

#### 4.2 Trade flows and bilateral FTAs

For the period 2002-2006, trade with the countries in the region has been tailored by trade liberalisation policies implemented through the bilateral free trade agreements. These agreements granted trade facilitation to the respective countries through tariffs liberalisation and also covered many trade related aspects such as rules of origin, import and export procedures between countries, etc.

Common Characteristics of tariffs liberalisation of all agreements were:

- Treatment of custom duties based in the Harmonised System codes and coverage of all products hereunder.
- Strong tariff decrease for the exchange of industrial products. Tariffs of industrial products tend to be zeroed within a 5-6 years period (by 2007) with all regional countries.

- Some tariffs facilitation for agricultural products through preferential treatment and quotas for specific products that were negotiated separately with each country.

Despite the positive effects of the bilateral FTAs, they showed also a number of shortcomings related to their asymmetries in the scope and deepness of tariff liberalization; difficulties in applying rules of origin; institutional problems; non-tariff liberalization; not properly covering the 'new trade issues' (such as competition, government procurement, protection of intellectual property) etc.

By end 2006 (19 December) in Bucharest, a modern, improved and expanded Central European Free Trade Agreement (CEFTA 2006) was signed by all countries of South Eastern Europe as well as Kosovo, which aims at creating a free trade area in South Eastern Europe. CEFTA 2006 is expected to enter into force in May 2007. It is expected that this agreement not will only accelerate the tariff and non-tariff trade liberalization between countries in the region by replacing the 'spaghetti bowl' of regional FTAs, but will also serve as 'a stepping stone towards the closer economic cooperation that is an inevitable part of membership of the European Union'<sup>21</sup>.

#### 4.2.1 Trade with Bosnia & Herzegovina

In the case of trade with Bosnia and Herzegovina we see a trade revival because of the impetus given by the bilateral FTA that entered into force in December 2004. Exports in 2006 have been growing almost 4 times while imports 3 times as compared to 2005; nevertheless imports are higher in absolute values, explaining an increasing trade deficit. The trade flows with Bosnia and Herzegovina are shown in figure 4.3. Imports' coverage from exports is 47.5%, having increased out of 32.7% in 2005. Imports and exports flows tend to be higher in the second half of the year 2006, although with a slow decrease in October. This is a repetitive characteristic during the last two years.

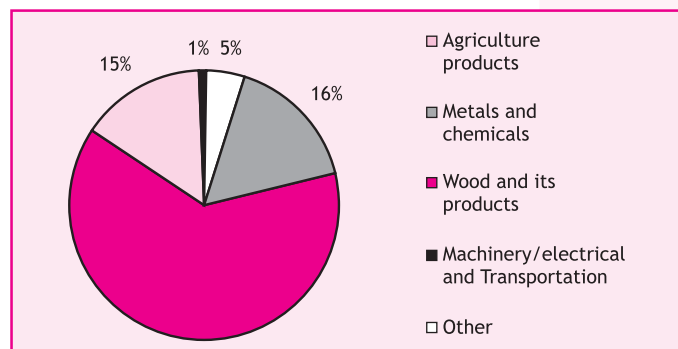
As we see from the figures 4.4 and 4.5, trade flows between the two counties are presented

from a narrow variety of products. In 2006, 63% of Bosnia & Herzegovina's imports are wooden semi finished products, a product that falls under the liberalisation scheme. The share of these products in the 2005's imports was 53%. Agricultural products account only for 5% of the total imports from B&H and the products accounting for the highest shares are treated with MFN tariffs.

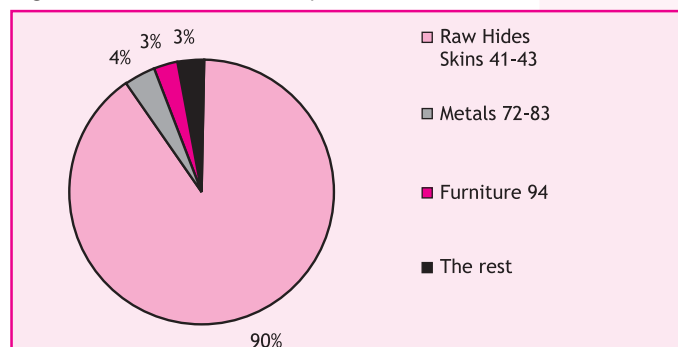
**Figure 4.3: Trade flows with Bosnia & Herzegovina, 1999- 2006 (in million USD)**



**Figure 4.4: Structure of Imports from B&H, 2006**



**Figure 4.5: Structure of Exports to B&H, 2006**



<sup>21</sup> Olli Rehn, EU Enlargement Commissioner.

About 90% of exports to Bosnia and Herzegovina are raw skins and hides. The value has been constantly growing to reach almost 6% of total exports to the region, another signal of already stabilized commodity exchange between Albania and B&H. This is also a group of products that profits from the industrial products liberalisation

scheme in the framework of the bilateral FTA. Agricultural products account for less than 1% of total exports, share which has shrunk further as compared with 2005, although exports of the only remaining representative from the agricultural products, watermelon, has been growing during 2006.

*Free trade agreement with Bosnia-Herzegovina entered into force only on December 1, 2004. The agreement foresees, amid others, the following import duties:*

Type of products	Imports of Albania from Bosnia-Herzegovina	Imports of Bosnia-Herzegovina from Albania
<b>Industrial products</b>	Customs duties <b>reduced according to a scale</b> for all originating products, were to be fully abolished in 2007. The tariff was deduced to 20% of the MFN tariff during 2006.	Customs duties reduced according to a scale for all originating products, to be fully abolished in 2007. The tariff was deduced to 20% of the MFN tariff during 2006.
<b>Agricultural products</b>	Customs duties <b>abolished upon entry into force</b> of the agreement for originating products listed in Annex 2 * of the agreement. Customs duties <b>reduced according to a scale</b> for originating products listed in Annex 3** of the agreement, to be fully abolished in 2008. <b>MFN treatment</b> for products not mentioned in Annexes 2 and 3 of the agreement.	Customs duties <b>abolished upon entry into force</b> of the agreement for originating products listed in Annex 2* of the Agreement. Customs duties <b>reduced according to a scale</b> for originating products listed in Annex 3** of the agreement, to be fully abolished in 2008. <b>MFN treatment</b> for products not mentioned in Annexes 2 and 3 of the Agreement.

Source: Free Trade Agreement between the Republic of Albania and Bosnia-Herzegovina

\* - geese, ducks, cut plants and flowers, vegetables, nuts, grapes, pepper, vanilla, cinnamon, ginger, barley, wheat flour, vegetal juices and extracts, fats)

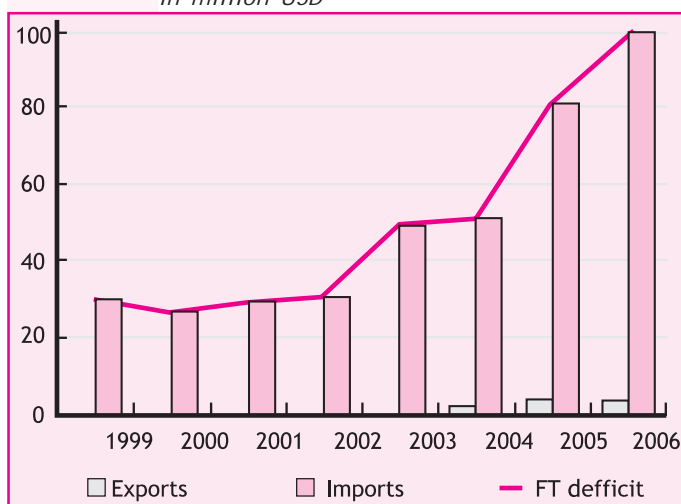
\*\* - meat of sheep and goats, fresh fish, mollusk, potatoes, tomatoes, figs, corn flour, olive oil, vegetables, fruit, sausage, meat offal, yeasts).

No quotas are applied to trade flows between the two countries

#### 4.2.2 Trade with Bulgaria

Trade flows with Bulgaria are highly dominated by imports. As the figure below shows, the trade deficit is almost equal with the imports value. Bulgaria is the most important regional import partner for Albania, accounting for 32% of

*Figure 4.6: Trade flows with Bulgaria 1999-2006, in million USD*



imports from the region, while export developments tend to be very slow. Albania is exporting only a value equal to 3.3% of the value of imports from Bulgaria, which account for 5% of the total exports to the region (see table 4.1) In 2006 there has been a small decrease of exports in absolute value in comparison with the previous year. Imports have been constantly increasing since 2003, letting behind their stability during 1999-2002 (figure 4.6)

Exports to Bulgaria in 2006 have been more intense during the first half of the year while imports are rather constant throughout the year.

Agricultural products account for 26% of the total imports while industrial products for 74%. There is a wide range of products supplied from Bulgaria; nevertheless the top ten imported products account for 60% of total imports. Bovine animal's imports account for 52% of agricultural products and for 16% of total imports; gas oils account also for 16% of total imports. The main imported products prove a constant presence in the Albanian market and



some of them like the two above mentioned ones have doubled or tripled their inflow during 2006 (for more see the Annex 4 on top traded products from the region). These agricultural products are not preferentially treated and do not fall under any liberalisation scheme in the framework of the bilateral FTA with Bulgaria.

Agricultural products account for 4% of total exports while industrial products for 96%. Some of the top exported products that have been constant in the Bulgarian market are roasted coffee even though representing a very small share, plants used in perfumery and pharmacy, cooper scrap that accounts for 61% of total exports and wooden furniture for bedrooms.

Quotas granted to each other for agricultural product have not been fully used from Bulgaria and mostly not used from Albania, as we see in the Annex 5. The average quota fulfilment from Bulgaria was relatively high in 2003 (41.4%) to drop to 6.03% in 2006. Some of the products for which quotas have been used in 2006 are natural waters with 17.9% of the quota, natural honey and other jams, etc. The decrease in the average fulfilment of quotas is mainly due to the suspension of imports of some products under quota tariffs such as cheese and crud, beans

Figure 4.7: Structure of Imports from Bulgaria, 2006

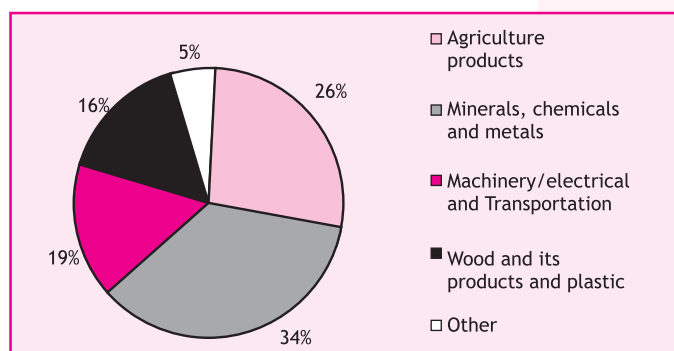
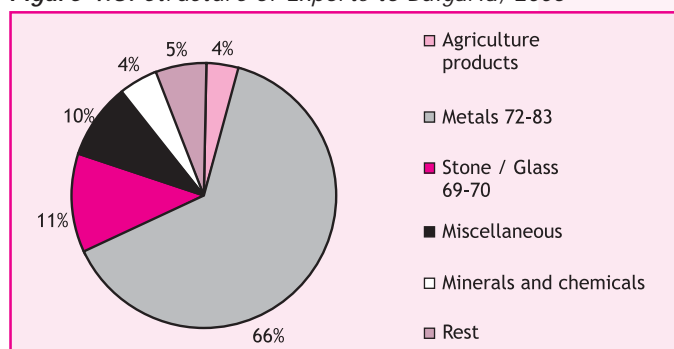


Figure 4.8: Structure of Exports to Bulgaria, 2006



and sweetened waters, etc.

Albania has only once filled the cabbage quotas in 2004 but has not used any of the granted quotas during the years 2003, 2005 and 2006. For more, see Annex 5.

The FTA with Bulgaria entered into force on September 1<sup>st</sup>, 2003. The Free Trade Agreement foresees, amid others, the following import duties:

Type of product	Imports of Albania from Bulgaria	Imports of Bulgaria from Albania Industrial
Industrial products	Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex II of the agreement, were to be fully abolished in 2007. During 2006 the tariff rate was reduced to 20% of the MFN tariff. Most of products covered in Annex II were salt, light oils and preparations, petroleum and electricity, mineral or chemical fertilizers, phosphate, beauty or make up preparations, organic surface -active agents like washing and cleaning preparations, soap etc, some articles of plastic, tyres, raw hides and skins some products, wood and product thereof, footwear articles, ceramic building bricks, some, cooper wires, electric machinery products and some furniture, bars and rods of iron and steel Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex II of the agreement.	Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex III of the agreement, were to be fully abolished in 2007. . During 2006 the tariff rate was reduced to 20% of the MFN tariff. Many industrial products are covered in Annex III as follows: some fuel products, fertilizers, washing preparations and organic surface agent preparations, plastic products, leather bags, carton ant toilet paper products, textile fabrics, raw material and finished products, footwear, ceramic and glass products, iron and steel articles, cooper products, aluminum articles, machinery, some vehicle and vehicles parts and furniture. Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex III of the Agreement.
Agricultural products	Customs duties <b>0 within quota limits</b> as foreseen in Annex I of Protocol A of the Agreement. <b>MFN treatment</b> for products not mentioned in Annex I of Protocol A of the agreement.	Customs duties <b>0 within quota limits</b> as foreseen in Annex II of Protocol A of the Agreement. <b>MFN treatment</b> for products not mentioned in Annex II of Protocol A of the Agreement.

Source: Free Trade Agreement between the Republic of Albania and Bulgaria

### 4.2.3 Trade with Croatia

Croatia is ranked the fourth in the list of regional countries, representing 11% of total imports from the region. Exports to Croatia (2.25 million USD) represent 3.5% of total exports to the region. Even though the exports value is still the second last in the region they show positive developments in 2006: a 10 times increase in comparison with 2005 (179 thousand USD), which is a positive shift for the first time after the

year 2000. The dynamics of trade with Croatia is shown in figure 4.9.

Still the imports coverage from exports remains very low (6.3%) while the trade deficit has been almost equal to the value of imports during the last years.

The figures 4.10 and 4.11 show the structure of imports from and exports to, Croatia respectively. About 96% of Albania's exports to Croatia are agricultural products, being relatively highly concentrated; 99% of exports are represented from the top 10 exported products. The sudden increase of exports during 2006 (10 times as much) is caused by the entry in Croatian market of the conserved anchovies and other fishery products, so this product that has found ground in the Croatian market only in 2006, represents already 62% of total exports to the country. Another top product whose quotas have been only partly used, are plants used in pharmacy or perfumery. Even though exports to Croatia have a strong agricultural character, only the above mentioned commodity is preferentially treated with the tariff quotas system.

Imports from Croatia offer a wider range to the Albanian market but remain still relatively concentrated: the top ten products represent 68% of total imports. This is a small increase in comparison with 2005 when they accounted for 63% of the total. That means that the increase in imports is either due to the entry in our market of new products and/or partially due to the fuel products price increase (one of the top imported products is butane).

Industrial products account for 90% of total imports from Croatia. The top imported product, which accounts for 25% of the total imports, is cement. Other imported products included in the top list, are bitumen (12%), and electrical appliances for the households (12%). Among most imported agricultural products are also fresh anchovies (2.5%) and malt (2.5%).

As we see from the Annex 5, the quotas have been used by both sides but more from Croatia, which has exceeded them in many cases (such as flour, and other wheat products). Albania has also been constantly using the medicinal herbs quotas, which were exceeded at last in 2006.

The quotas granted to Croatia were up to 44.2% used on average. The quotas granted to Albania were up to an average of 5.1% used, only because of the quota fulfilment und surpass of the medicinal plants (by 254%).

Figure 4.9: Trade with Croatia, 1999-2006, in million USD

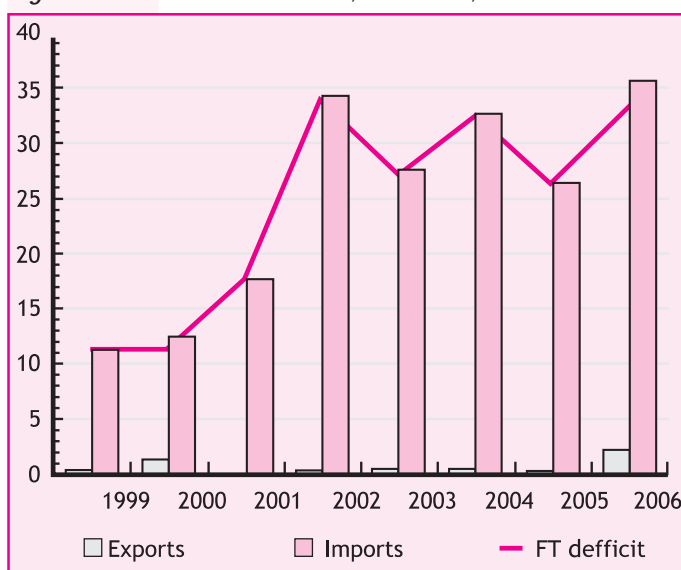


Figure 4.10: Structure of imports from Croatia during 2006

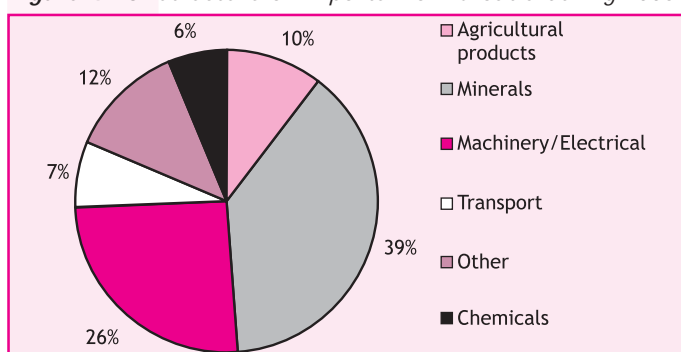
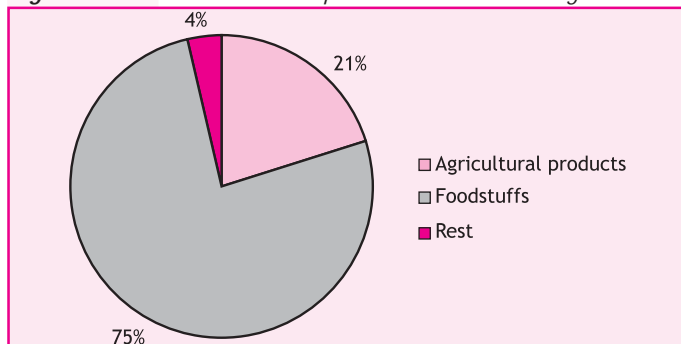


Figure 4.11: Structure of exports to Croatia during 2006



The Free Trade Agreement with Croatia, which entered into force on June 1, 2003, foresaw the following import duties:

Type of product	Imports of Albania from Croatia	Imports of Croatia from Albania
<b>Industrial products</b>	Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex II of the agreement, to be fully abolished in 2008. The tariff during 2006 was 35% of the MFN tariff. Products falling in the reduction scheme were: salt, quicklime, fuel products, fertilizers, preparations for personal hygiene, organic surface agents, very few plastic products, raw skins, wooden products, some footwear, iron bars and rods, nails, some furniture. Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex II of the agreement.	Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex III of the agreement, to be fully abolished in 2008. The tariff during 2006 was 30% of the MFN tariff. Products falling under the reduction scheme are less than in Annex II: marble, petroleum gases, some wood products such as doors and windows, some textile finished products, some footwear products, ceramic bricks and other tiles and bricks, some machineries and furniture Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex III of the agreement. Products falling in the reduction scheme were:
<b>Agricultural products</b>	Customs duties <b>0 within quota limits</b> as foreseen in Annex A of Protocol 1 of the agreement. <b>MFN treatment</b> for products not mentioned in Annex I or II of Protocol A of the agreement.	Customs duties <b>0 within quota limits</b> as foreseen in Annex B of Protocol 1 of the agreement. <b>MFN treatment</b> for products not mentioned in Annex B of Protocol 1 of the agreement.

Source: Free Trade Agreement between the Republic of Albania and Croatia

#### 4.2.4 Trade with Kosovo

Kosovo is the only country in the region with which we have a positive trade balance. The dynamics of trade with Kosovo is described in figure 4.12.

Exports from Kosovo account for 47% of exports to the region while imports for only 6%. Exports have increased with 12% during 2006 reaching 30 million US\$ in 2006, while the share to total regional exports has decreased, because of positive exports developments related with other countries of the region. On the other hand imports from Kosovo account for 6% of the total imports from the region, a share comparable with that of 2005 although in absolute value of imports was increased by 61% as compared to 2005, reaching at 17 million US\$.

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Figure 4.12: Trade with Kosovo, 1999-2006, in million USD



Figure 4.13: Structure of Imports from Kosovo, 2006

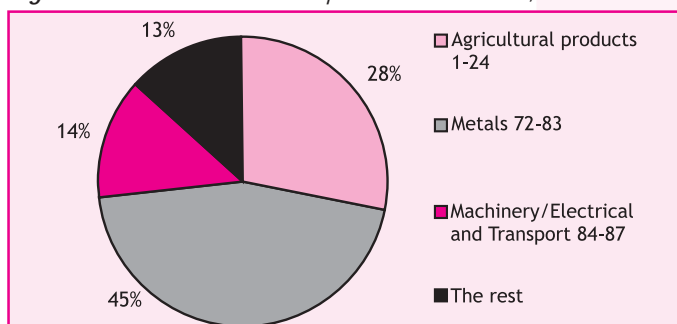
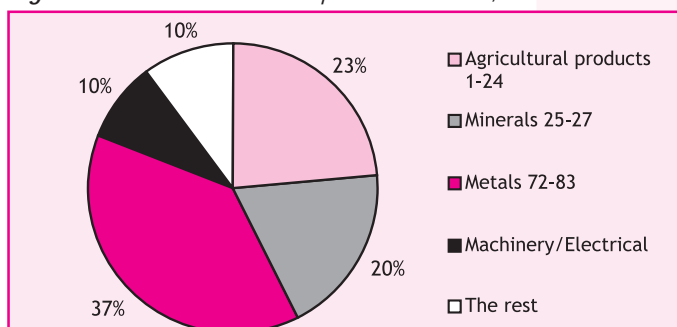


Figure 4.14: Structure of Exports to Kosovo, 2006



The structure of trade shows that industrial products account for 75% of the trade flows. Exports are represented by a relatively wide range of products, although 84% of the total belongs to the top ten most exported products. Bars of iron and steel account for 35% of the total exports, while fuel products like bitumen and other oils account for respectively 14% and 19% of the total. Agriculture products are strongly represented by some selective products, which are watermelons (1.6% of total exports to Kosovo), mineral waters (15%), and coffee roasted (2.1%).

All the top ten exported products, being industrial or agricultural, fall under the

liberalisation scheme of the FTA with Kosovo except for the roasted coffee.

Imports from Kosovo are also mostly industrial but agricultural products do have their share also (28%). The top ten imported products account for 65% of the total imports and are mainly industrial product like iron and steel scraps (approximately 30% of the total), aluminium scraps, etc. The most imported agricultural products are sweet potatoes and fruit juices.

Most of the imported products, both agricultural and industrial ones, fall under the liberalisation scheme.

*The FTA with Kosovo entered into force on October 1, 2003, foreseeing, amid others, the following import duties:*

Type of product	Imports of Albania from Kosovo	Imports of Kosovo from Albania
<b>Industrial products</b>	<p>Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex II of the agreement, to be fully abolished in 2007.</p> <p>During 2006 the tariff rate was reduced to 20% of the MFN tariff.</p> <p>Most of products covered in Annex II were shampoos preparations, organic surface active agents like washing and cleaning preparations, soap etc, some articles of plastic and paper, wood and product thereof, footwear articles, ceramic building bricks and other bricks, some, some furniture and bars and rods of iron and steel.</p> <p>Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex II of the agreement.</p>	<p>Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex III of the agreement, to be fully abolished in 2007. Annex III of the agreement, were to be fully abolished in 2007. During 2006 the tariff rate was reduced to 20% of the MFN tariff. Many industrial products are covered in Annex III as follows: some kinds of lime stones, paints and varnishes shampoos and organic surface agent preparations, plastic products, some wood products, ceramic, iron and steel articles and furniture.</p> <p>Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex III of the agreement.</p> <p>Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex III of the agreement.</p>
<b>Agricultural products</b>	<p>Customs duties <b>abolished upon entry into force</b> of the agreement for all originating products listed in Annexes 1 and 2 of Protocol A of the agreement.</p> <p>Products covered in these annexes are: some live animals and products of animal origin, fish product, milk products, some vegetables such as tomatoes, potatoes onions cucumbers etc, some fruits such as watermelons, nuts, herbs and spices products, prepared and processed vegetables like oils and other fats, sugar etc, other prepared foods such as wine spirits and wine.</p> <p>Customs duties <b>0 within quota limits</b> as foreseen in Annex 4 of Protocol A of the agreement.</p> <p><b>MFN treatment</b> for products not mentioned above.</p>	<p>Customs duties <b>abolished upon entry into force</b> of the agreement for all originating products listed in Annexes 1 and 3 of Protocol A of the agreement.</p> <p>Products covered in these annexes are: some live animals and products of animal origin, fish product, some vegetables such as tomatoes, potatoes onions cucumbers etc, some fruits such as watermelons, nuts, herbs and spices products, prepared and processed vegetables like oils and other fats, sugar etc, other prepared foods such as wine spirits and wine.</p> <p>Customs duties <b>0 within quota limits</b> as foreseen in Annex 4 of Protocol A of the Agreement.</p> <p><b>MFN treatment</b> for products not mentioned above.</p>

*Source: Free Trade Agreement Between the Republic of Albania and Kosovo*

Approximately only 50% of the quota granted to Albanian beer, which is the only product under quota treatment, has been used.

#### 4.2.5 Trade with Macedonia

The ratio of imports from, over exports to Macedonia (4.97) is almost equal with that of the total imports from, over total exports to, the region. That is why exports and imports share to the total values of exports and imports respectively in the region are both equal to 20% (see table 4.1). Exports and imports have been growing and kept their share in the respective markets with no big differences from 2005. The dynamics of the Albania's trade with Macedonia is shown in figure 4.15.

Imports' coverage in 2006 was 20%, having decreased as compared to 2005 (25%) because of the more aggressive growth of imports during 2006 (58%) compared to exports (22.3%). Macedonia is the second important trading partner in the region after Bulgaria, with trade flows even more balanced (imports versus exports).

The structure of imports from and exports to, Macedonia in 2006 is shown respectively in figures 4.16 and 4.17. Agricultural products in 2006 account for only 10% of exports; the difference of 90% belongs to the industrial goods. The top ten products represent 85% of the total exports and fall under the liberalisation scheme. The agricultural products hereunder are medicinal herbs and sunflower oil (this product being exported for the first time in the region). The most exported industrial products are iron ores (33% of the total exports to Macedonia), bitumen (12%), iron bars (7%) and some graffiti products used for electricity purposes (10%). These most exported products have been constantly present but growing in value for the most of the time in the Macedonian market.

Imports are composed by a relatively wide variety of products. The increased value of imports is to an extent due to the increase of the number of products imported. Most of imported products are the industrial ones and the top ten products account for only 31.5% of the total imports from Macedonia. A single product market share does not go beyond 6% (the case of iron bars, medicaments, etc.). Among the most imported agricultural products are grapes, apples, yeasts, and cigarettes.

Figure 4.15: Foreign Trade with Macedonia, 1999-2006, in million USD

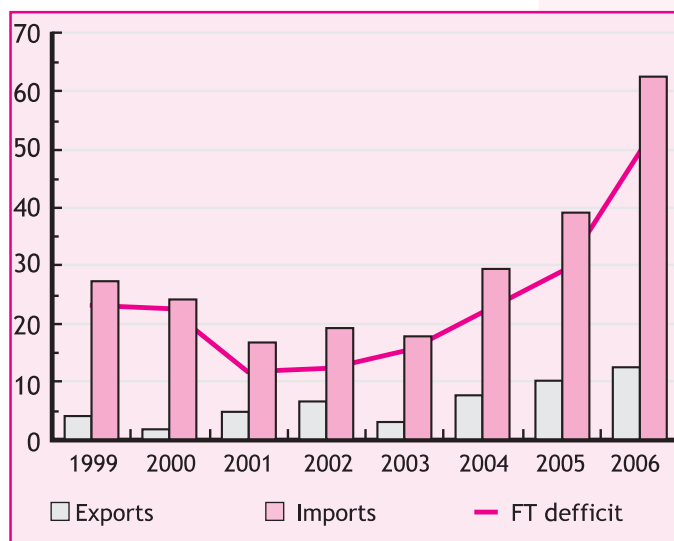


Figure 4.16: Structure of Imports from Macedonia, 2006

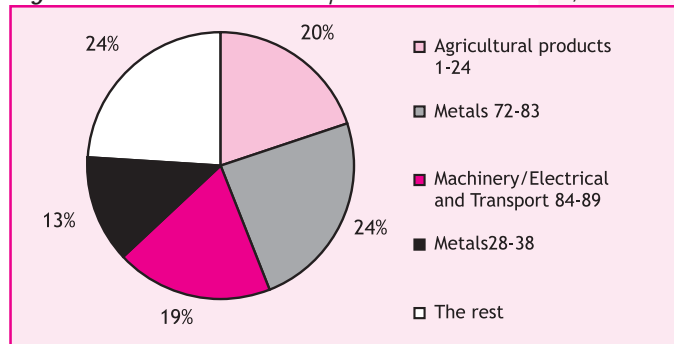
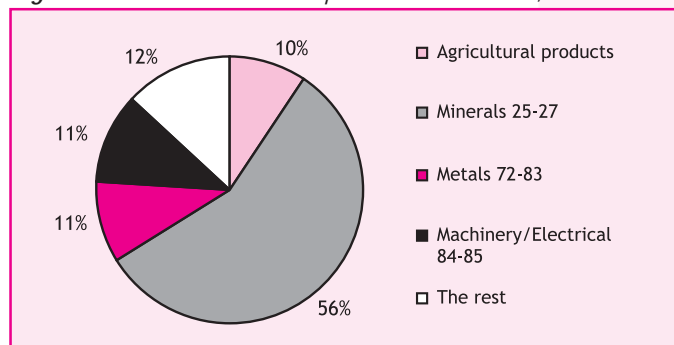


Figure 4.17: Structure of exports to Macedonia, 2006



The use of tariff-quotas from both parts, Albania and Macedonia is shown in Annex 5. Quotas have been only partially fulfilled from both sides. Quotas granted to Macedonia were exceeded in the case of tomatoes and apples. Quotas granted to Albania have been partially used in the case of tomatoes and cucumbers. Watermelons (belonging to the melons HS code 0807) are the only product whose exports to Macedonia exceeded the quota.

Free Trade with Macedonia entered into force on July 1, 2002 and foresaw amid others, the following customs duties:

Type of product	Imports of Albania from Macedonia	Imports of Macedonia from Albania
<b>Industrial products</b>	Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex II of the agreement. Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex II of the agreement. Custom duties of industrial products falling under liberalization scheme become all 0 in 2006 according to the chronological scale.	Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex III of the agreement. Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex III of the Agreement. Custom duties of industrial products falling under liberalization scheme become all 0 in 2006 according to the chronological scale.
<b>Agricultural products</b>	Customs duties <b>abolished upon entry into force</b> of the agreement for all originating products listed in Annexes 2.1 and 2.2 of Protocol A of the agreement. Some of the products falling under this annex are: some live animals, other meat, some diary products, some vegetables like potatoes onions, some herbs and spices, fats and oils, sugars, malt, jams, waters, chocolate, bread, fruit juices. <b>Customs duties 0 within quota limits</b> as foreseen in Annex 2.3 of Protocol A of the agreement. <b>MFN treatment</b> for products not mentioned in the annexes above.	Customs duties <b>abolished upon entry into force</b> of the agreement for all originating products listed in Annexes 1.1 and 1.2 of Protocol A of the agreement. some live animals, other meat, some fish, some diary products, some vegetables like potatoes onions, figs, some herbs and spices, rice, cereals, fats and oils, sugars, malt, jams, waters, soups, sauces. <b>Customs duties 0 within quota limits</b> as foreseen in Annex 1.3 of Protocol A of the agreement. <b>MFN treatment</b> for products not mentioned in the annexes above.

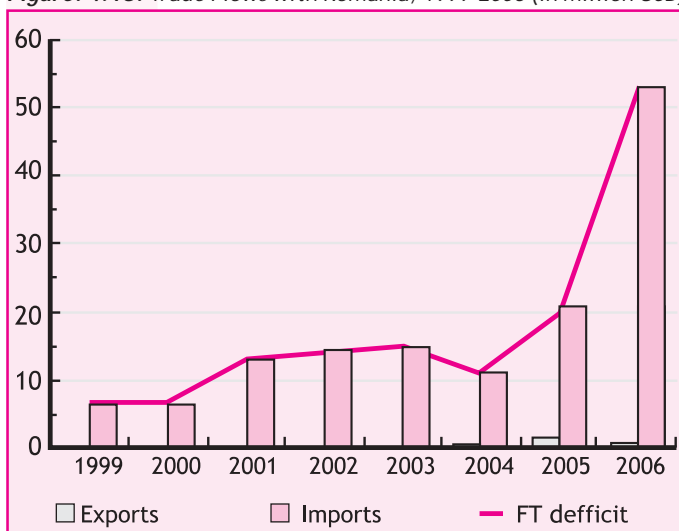
Source: Free Trade Agreement between the Republic of Albania and Macedonia

#### 4.2.6 Trade with Romania

Romania accounts for 17% of the total Albania's imports from the region while Albania's exports to Romania are ranked in the last place in the region. Exports in 2006 have dropped down to 650 thousand USD, a figure quite low as

compared with the previous year when they reached 1.6 million USD. In the meanwhile imports have experienced a 155% growth, reaching at 53 million USD. The dynamics of trade with Romania is described in figure 4.18.

Figure 4.18: Trade Flows with Romania, 1999-2006 (in million USD)



Figures 4.19 and 4.20, describe the structure of imports from and exports to, Romania respectively. The structure of imports is dominated by industrial products while only 4% are agricultural products. Exports are also mainly composed from industrial products, including raw materials and natural resources like ferrochrome, which accounts for 39% of the total. Finished and semi-finished industrial products have also found their way to the Romanian market, accounting for another 31% of the total exports to that market. Most of the exported products fall under the liberalisation scheme.

Imports are also mostly industrial products and are represented by some selected products,

which account for 85% of the total imports from the country. Industrial oils (31% of total imports) and electricity (21%) are the top imported products but also shampoos and also other washing preparations take an important share. (For more see the Annex 4 on top traded products with the region)

The quotas granted reciprocally to Albania and Romania, such as waters, sausages etc, as well as other quotas have been used only to a small extend from Romania as the Annex 5 shows (reaching at an average use of quotas of only 2% in 2006) and have not been used at all from Albania.

Figure 4.19: Structure of Imports from Romania, 2006

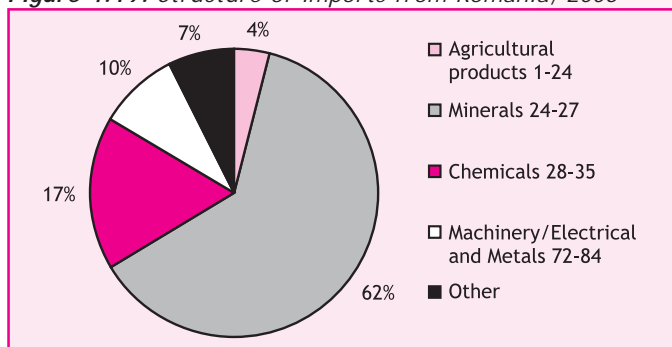
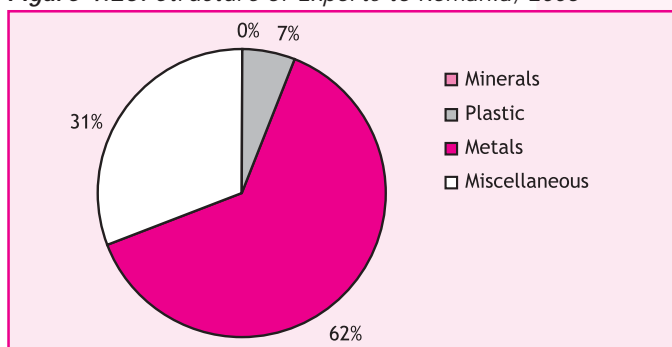


Figure 4.20: Structure of Exports to Romania, 2006



The Free Trade Agreement with Romania into force on January 1, 2004 and foresaw, among other things, the following import duties between the parties:

Type of product	Imports of Albania from Romania	Imports of Romania from Albania
<b>Industrial products</b>	Customs duties <b>reduced according to a scale</b> for all originating products listed in Annexes B & C of Protocol 1 of the agreement, to be fully abolished respectively in 2007 and 2005. Products of Annex B were treated with tariffs equal to 20% of the MFN, while those of Annex C became 0 in 2005. Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annexes B & C of Protocol 1 of the agreement.	Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex A of Protocol 1 of the agreement, to be fully abolished in 2007. These products were treated with tariffs 80% lower than the MFN tariff applied from Romania. Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex A of Protocol 1 of the agreement.
<b>Agricultural products</b>	Customs duties <b>0 within quota limits</b> as foreseen in Article 3 of Protocol 2 of the agreement. <b>MFN treatment</b> for products not mentioned above.	Customs duties <b>0 within quota limits</b> as foreseen in Article 2 of Protocol 2 of the agreement. <b>MFN treatment</b> for products not mentioned above.

Source: Free Trade Agreement between the Republic of Albania and Romania

#### 4.2.7 Trade with Serbia and Montenegro<sup>22</sup>

Trade flows with Serbia and Montenegro have increased by 60% in 2006, due to a 50% increase of imports that reached to 33.2 million USD and an almost 100% increase of exports that reached around to 11 million USD. Imports from Serbia & Montenegro account for 11% of the Albania's

Figure 4.21: Trade with S&M, 1999-2006, in million USD

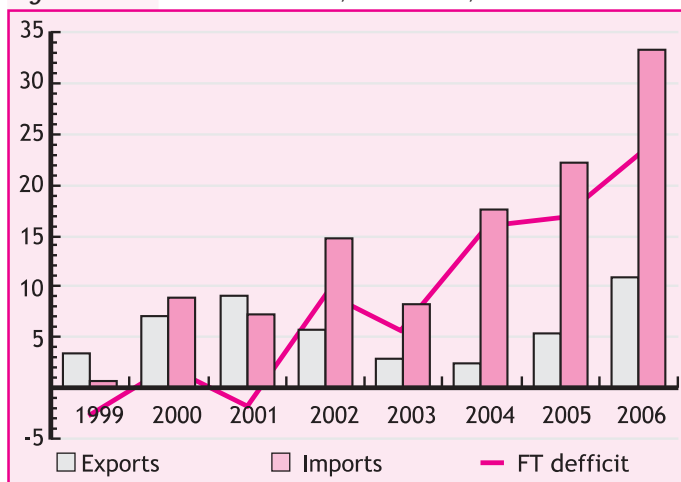


Figure 4.22: Structure of imports from S&M during 2006

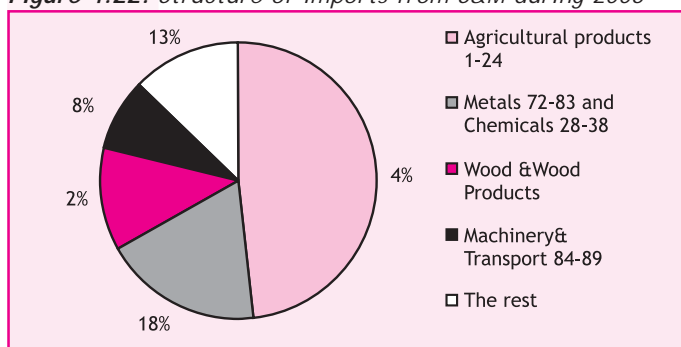
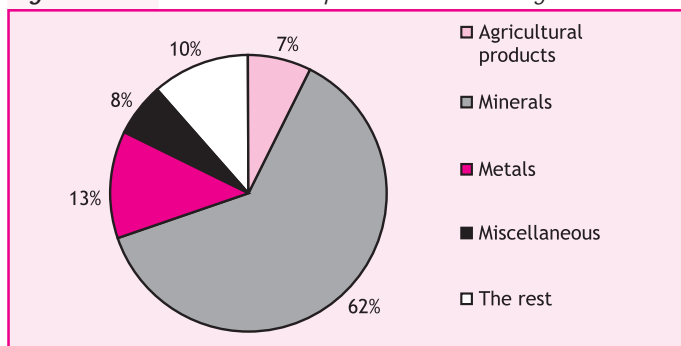


Figure 4.23: Structure of exports to S&M during 2006



<sup>22</sup> Montenegro is functioning as an independent state since 3 Jun 2006 but for the year 2006 all trade statistics come together with the Serbian ones.

total imports from the region, while exports for 17% of the Albania's exports to the region. The dynamics of Albania's trade with Serbia and Montenegro is described in figure 4.21.

Imports coverage was 32.5% for 2006, as compared to 24.8% in 2005. After a decrease in value during the years 2002-2003, the trade deficit experienced a growth during 2005-2006.

The figures 4.22 and 4.23 show the structure of imports from and exports to, Serbia and Montenegro, respectively. What are exports composed of and what is the increase in exports due to? The figure 4.23 shows that exports are mainly industrial products, which are totally liberalized. The top ten exported products account for 82.5% of the total exports where fuels, especially bitumen, account for 46%, aluminium products 10%, and furniture are also an important component of the list. In the top ten most exported products' list is also included an agricultural product, watermelons, whose quotas have been fulfilled in 2006 (for more see the quotas development during 2003-2006, Annex 5). Exports increase in 2006 is mainly because of the increase in value of these main products but a contribution was also given by the entry into the S & M market of some other products, like fuel ones.

Imports are split in industrial and agricultural products. From circa 700 group-products imported from Serbia and Montenegro, the top ten ones account for 43% of the total imports. Among them, corn, being treated with the MFN import tariff, accounts for 16% of the total imports, followed by apples, nuts, and bananas while most of the imported industrial products fall under the liberalisation scheme.

The use of tariff-quotas during the period 2003-2006 is described in the Annex 5. Quotas have been only partially filled from both sides. Serbia & Montenegro have partly filled the quotas of fruit juices, flour products, margarine, vine, etc. and overpasses the beer quota. The quota developments in years show that the flour quantities of imports have decreased in large amounts. The quotas from Albania have been surpassed in the case of cabbage and melons.



The Free Trade Agreement with Serbia and Montenegro entered into force on August 1, 2004. Amid others, the agreement foresaw the following:

Type of product	Imports of Albania from Serbia and Montenegro	Imports of Serbia and Montenegro from Albania
<b>Industrial products</b>	Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex II of the agreement, to be fully abolished in 2007. During 2006 the tariff rate was reduced to 20% of the MFN tariff. Most of products covered in Annex II were salt, light oils and preparations, petroleum and electricity, mineral or chemical fertilizers, phosphate, beauty or make up preparations, organic surface -active agents like washing and cleaning preparations, soap etc, some articles of plastic, tyres, raw hides and skins so me products, wood and product thereof, footwear articles, ceramic building bricks, some, cooper wires, electric machinery products bars and rods of iron and steel and some furniture. Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex II of the agreement.	Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex III of the agreement, to be fully abolished in 2007. Customs duties <b>abolished upon entry into force</b> of the agreement for all products that are not listed in Annex III of the agreement. During 2006 the tariff rate was reduced to 20% of the MFN tariff. Most of products covered in Annex II were only fuel products and wires.
<b>Agricultural products</b>	Customs duties <b>abolished upon entry into force</b> of the agreement for all originating products listed in Annex A of Protocol A of the agreement. Products covered in this annex are: some live animals and products of animal origin, fish product, some vegetables such as olives, peas, some fruits such grapes, dates, nuts, herbs and spices products, prepared and processed vegetables like oils and other fats, sugar, chocolate etc, other prepared foods such as sausages and soups . Customs duties <b>0 within quota limits</b> as foreseen in Annex B1 of Protocol A of the agreement. <b>MFN treatment</b> for products not mentioned above.	Customs duties <b>abolished upon entry into force</b> of the agreement for all originating products listed in Annex A of Protocol A of the agreement. Products covered in this annex are: some live animals and products of animal origin, fish product, some vegetables such as olives, peas, some fruits such grapes, dates, nuts, herbs and spices products, prepared and processed vegetables like oils and other fats, sugar, chocolate etc, other prepared foods such as sausages and soups .  Customs duties <b>0 within quota limits</b> as foreseen in Annex B2 of Protocol A of the agreement. <b>MFN treatment</b> for products not mentioned above.

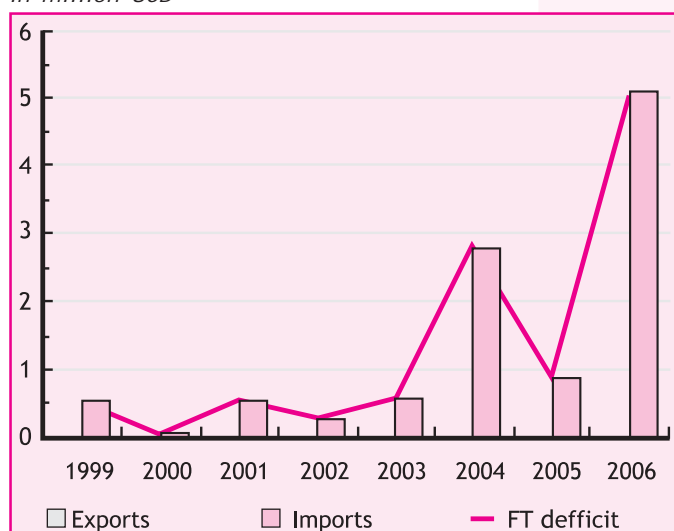
Source: Free Trade Agreement between the Republic of Albania and Serbia & Montenegro

#### 4.2.8 Trade with Moldova

Albania's trade with Moldova has always been at very modest levels, with imports from Moldova never exceeding the 2% share of the total regional imports of Albania, while exports being even more insignificant. Nevertheless imports from Moldova have experienced a significant growth in 2006, reaching at 5 million USD while exports remained at about 9 thousand USD. The dynamics of Albania's trade with Moldova is described in figure 4.24.

Only 9 imported group products account for 100% of imports from Moldova. They are represented from more agricultural products such as wheat derivates (38% of the total) milk products (23% of the total) but with a lower total value than the industrial products, which are represented from iron bars and rods and

Figure 4.24: Foreign trade with Moldova during 1999-2006 in million USD



account for 38.5% of total imports from Moldova (for more see the annex on most traded goods with the region). Exports are very occasional

represented each year from a different product and the flow in 2006 is represented from the 6-digit product: other seats.

*The FTA with Moldova entered into force on November 1, 2004 and foresaw amid others, the following customs duties:*

Type of product	Imports of Albania from Moldova	Imports of Moldova from Albania
Industrial products	Customs duties <b>reduced according to a scale</b> for all originating products to be abolished in 2007.	Customs duties <b>reduced according to a scale</b> for all originating products to be abolished in 2007.
Agricultural products	Customs duties <b>abolished upon entry into force</b> of the agreement for all originating products listed in Annex 2 of the agreement. Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex 3 of the agreement. <b>MFN treatment</b> for products not mentioned in the annexes above.	Customs duties <b>abolished upon entry into force</b> of the agreement for all originating products listed in Annex 2 of the Agreement. Customs duties <b>reduced according to a scale</b> for all originating products listed in Annex 3 of the agreement. <b>MFN treatment</b> for products not mentioned in the annexes above.

*Source: Free Trade Agreement between the Republic of Albania and Moldova*

## 5. Trade with other Countries

### 5.1 Trade with the U.S.A.

Trade with the U.S.A. has experienced positive developments in terms of volume, which has grown by 67% in 2006 as compared to 2005. This development is mainly supported from the high increase of imports, which reached 46.6 millions USD during 2006. Exports have diminished in 2006 back to the levels of 2004, reaching at 3.4 million USD. Apart from these developments, the share of imports from the USA to the total imports is quite modest, only 1.53%. The share of exports is even smaller, 0.44%. Trade flows between Albania and the U.S.A. are shown in the figure 5.1. Imports coverage in 2006 was only 7%.

The figures 5.2 and 5.3 show the structure of imports and exports with the U.S.A.

Imports are mainly industrial products, where metals play an important role. The sudden increase of imports during 2006 is also basically due to the entry in market of a new product that falls under this group: semi finished products of iron and steel. The top ten imported products account for 76% of total imports from the USA. Some of the most imported industrial products are iron and steel products as the one above mentioned.

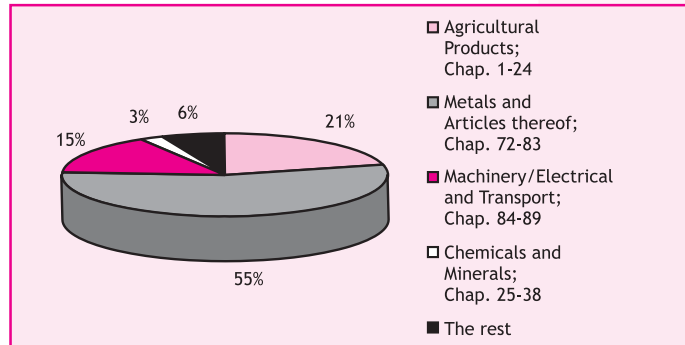
Agricultural products that account for 21% of the total imports from the USA are mainly represented by the frozen meat of chicken and pork.

Exports are mainly represented by agricultural products that account for 78% of the total. There is only one product entering the category of 'the most exported' and accounting for 76% of the total exports, or for 98% of the total agricultural exports: the medicinal herbs (mostly sage). Other exported products are alcohol, drill pipes etc. but in small quantities and values that vary between 50 and 100 thousand USD.

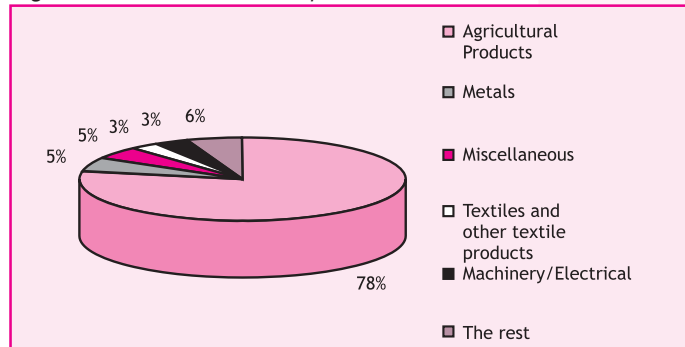
**Figure 5.1: Trade Flows with the U.S.A., 1999-2006**  
(in million USD)



**Figure 5.2: Structure of Imports from the U.S.A., 2006**

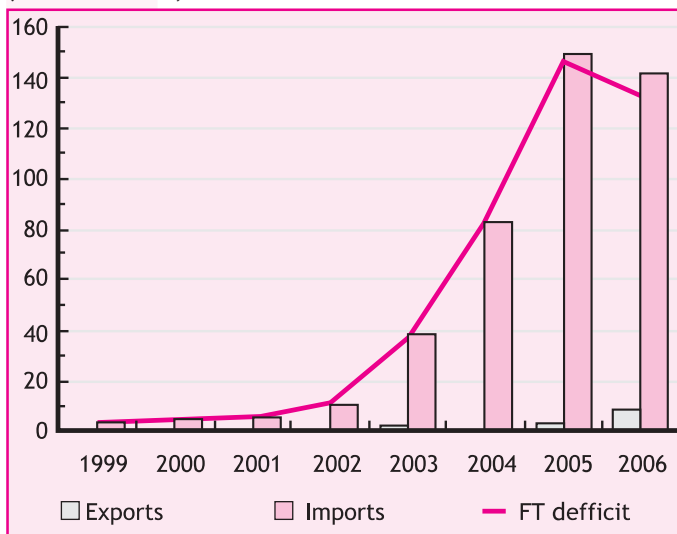


**Figure 5.3: Structure of Exports to the U.S.A., 2006**

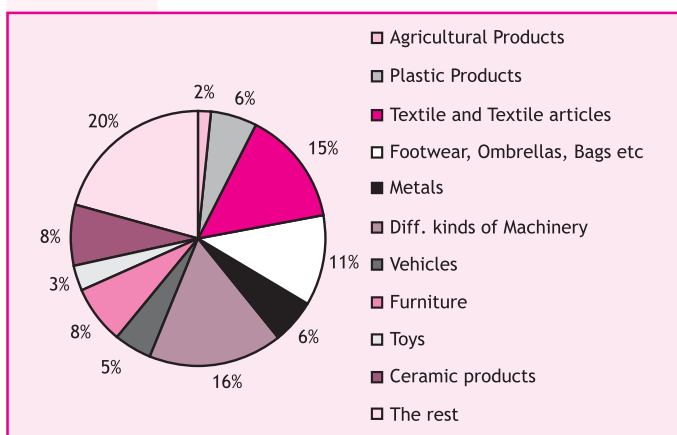


## 5.2 Trade with China

**Figure 5.4: Trade Flows with China, 1999-2006**  
(in million USD)



**Figure 5.5: Structure of Imports from China, 2006**



During 2006 there has been a stagnation of growth of imports from China, accounting for a lower share of imports to the total, 4.64%, as compared to 5.73% in the previous year. Exports on the other hand have experienced positive developments and a 185% growth, reaching at 9.1 million USD and accounting for 1.16% of the total exports.

However the China's role in the foreign trade of Albania has increased during the last years, as shown in figure 5.4. Imports coverage is very low, only 6%.

Imports from China, as shown in figure 5.5, are represented from a large variety of products although in some cases in very small amounts. Some of the most distinct imported product-groups are textiles, machinery, footwear, umbrellas, furniture, metals, ceramic products, etc. while a large percentage (20%) is formed by quite small amounts of different codes. The situation does not differ even in a 6 digits level. The top ten imported products account for only 21.5% of the total imports. Some products that represent large values are, fireworks, footwear with outer soles of plastic, ceramic bricks, sport shoes, ceramic sinks etc (the top ten imported products values vary between 2 and 4 million USD).

Exports to China are represented at a 99% level from chromium ores and concentrates. This is a product that has been constantly exported in China but has experienced an unusual growth of 219% in 2006.

### 5.3 Trade with Turkey

Trade with Turkey has been constantly growing in terms of trade volume and particularly imports. In 2006 imports reached up to 243.3 million USD, experiencing an increase of 25.5% in comparison with the previous year. Exports on the other hand have decreased by 1.4 million USD, reaching down to 9.9 millions, mainly because of the decrease of the mineral ores export. Imports from Turkey account for 7.98% of the total imports of Albania, while exports for 1.26%. The Trade flows between Albania and Turkey are shown in figure 5.6 while the import and export structures are shown respectively in figures 5.7 and 5.8.

Imports structure shows that metals account for the highest share (27%) to be followed by agricultural products (19%), textiles, and minerals and fuels (12% respectively). So, industrial products account for 81% of the total imports from Turkey while agricultural products only for 19%. The variety of imports is among others proved by the fact that the top ten products account for only 34% of total imports, where iron and steel bars and rods (7.2%), Portland cement (6.2%) and cigarettes with tobacco (4.9%), are the top traded products. The top industrial imports are mainly metal products, mineral or fuel derivatives, while wheat derivatives that all together account for 5.3% of total imports as well as and cigarettes are the only agricultural (agro-processed) products in the list.

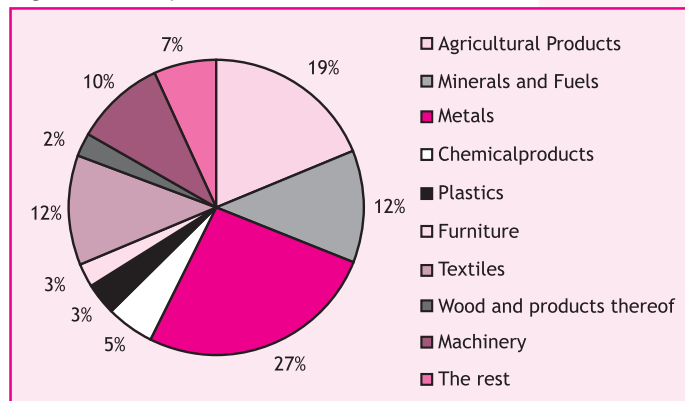
Exports are composed by a small number of products that represent the respective categories. Metals for instance are represented in a 98% level by ferrous waste and scrap, which account for 55.1% of the total exports. Agricultural products are represented by medicinal herbs, which account for 96.3% of the total agricultural products. Raw hides and skins is another product that has found its way to the markets of Turkey.

Only a very small number of products have found their way to the Turkish market (only medical plants out of the variety of agro processed ones) despite the near geographical position and easier market entry procedures compared to other developed countries.

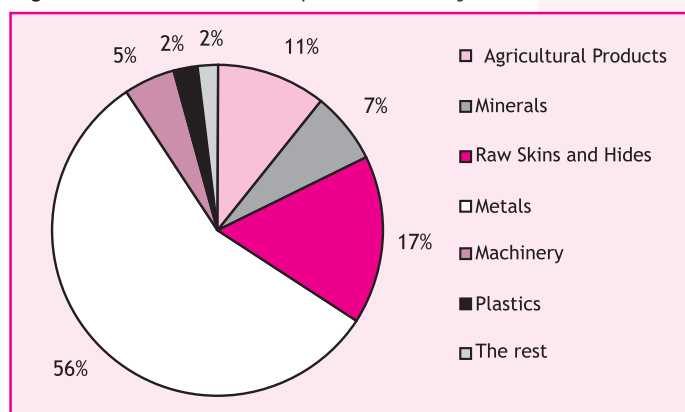
**Figure 5.6: Trade Flows with Turkey, 1999-2006**  
(in million USD)



**Figure 5.7 Imports Structure, 2006**



**Figure 5.8 Structure of exports to Turkey, 2006**





## 6. Legal and institutional developments related to trade

### 6.1 Agreements related to trade

The most important legal and institutional development for Albania in 2006 was the Interim Agreement between Albania and the EU, which entered into force on December the 1<sup>st</sup>, 2006. Being an integral part of the Stabilization and Association Agreement between Albania and the EU<sup>23</sup> the Interim Agreement deals exclusively with the trade issues and trade liberalization between the two parties. This Agreement is an important instrument for fostering the integration of Albania into the European Community. Considering the predominance of the EU as a trade partner of Albania, the Interim Agreement is going to have a great impetus in the liberalization of Albania's foreign trade.

Another important trade event for Albania in 2006 was the formalization of the regional integration process through the CEFTA 2006 which was signed by the Prime Ministers of the countries in the SEE region and is expected to enter into force by May the 1<sup>st</sup>, 2007. This Agreement is expected to serve as a vehicle for overcoming the problems and difficulties encountered in the process of applying the bilateral FTAs with the regional countries, and to accelerate the trade liberalization, economic cooperation and the integration process of the SEE region.

A number of other agreements with several countries and/or groups of countries have been signed or amended during the year 2006. These agreements cover trade issues or other trade and economic related issues. Such Agreements include, ratification of changes in the FTA between Albania and Kosovo, ratification of the free trade agreement between Albania and Turkey; rescheduling of some Albania's commitments to WTO, referring mostly to some domestically produced goods (rescheduling import duties of cognac, steel bars and rods, wooden furniture, paper pulp and cellulose, printed cards, electronic/iron keys, beer,

perfumes, detergents for human skins); dispositions related to mutual promotion and protection of investments between Czech Republic and Albania; e-communication with Greece; issues dealing with customs violation with Serbia and Cyprus; maritime transportation and economic cooperation with Croatia; mutual customs cooperation with Montenegro; technical-economic cooperation with China; economic cooperation with Hungary; economic cooperation with Romania; goods and people transportation with Slovenia; Albania's adhering in the Convention of International Road Transportation Contract for Goods (CMR); Albania's adhering to UN Convention of Goods Transportation by Maritime Mode (Hamburg Rules); ratification of the agreement on construction of a high performance railway in SEE; economic cooperation with Syria; road transportation with Latvia; agreement with IFAD on facilitation of farmers' access to Balkan markets; and also some other agreements related to air traffic.

A full list of these acts is provided in Annex 1 of this report.

### 6.2 Laws and other legal acts related to trade and business activities

Laws (no. 9494, 9545, 9599) related to changes to customs duties, mostly dispositions related to duty free access of goods entering Albania, have been enacted in March, May and July. These changes have been either willingness of Albanian Government for further liberalization or commitments deriving from Free Trade Agreements. A specific CMD (no. 306, dated 24.05.2006) has been enacted too for exemption from customs duties of sportive materials and equipments in view of cooperation with international sport organizations. For a complete list of acts related to customs duties, see Annex 1 of this report.

<sup>23</sup> The Stabilization and Association Agreement between Albania and the EU, being signed by both parties on 12 June 2006 in Luxemburg, was ratified by the Albanian Parliament on July 27<sup>th</sup> and got the assent of the European Parliament on 6 September 2006. This Agreement will come into force after being ratified by the parliaments of all the member states of the EU. Meanwhile, the Interim Agreement which is an integral part of the MSA dealing with trade issues has come into force since December 1<sup>st</sup>, 2006.

Partial changes of the Customs Code of the Republic of Albania have taken place in view of its alignment with EU customs code. These changes affect sufficiently the processing operations in some aspects, such as customs warehouses regime, structural organigrama of Customs Authority, staff recruiting, new customs point in Xhepisht-Trebisht (border with Macedonia), etc. For a list of these acts, see Annex 1 of this report.

A number of legal acts affect technical regulations and standards, such as those related to the trade of medicines (Law no. 9523, dated 25.04.2006); tobacco (Law no. 9636, dated 06.11.2006); measuring units and control of measuring instruments (Law no. 9542, dated 22.05.2006); trade and transportation of oil and gas (Law no. 9574, dated 03.07.2006); imported fuels for vehicles (CMD no. 170, dated 29.03.2006) used for industrial or public purposes; ratification of international convention on tobacco control (Law no. 9474, dated 09.02.2006); technical requirements on non-automatic weighting instruments (CMD no. 410, dated 21.06.2006); technical regulations in industry and energy sectors (CMD no. 40, 18.01.2006); technical regulations of cement industry (CMD no. 58, dated 01.02.2006); animal registration system (CMD no. 390, dated 21.06.2006), etc. For a list of these acts, see Annex 1 of this report.

### 6.3 Legal and institutional developments affecting the business environment

A new agency on business and investment promotion, AlInvest, was established by law no. 9497, dated 20.03.2006. One of the main strategic goals of AlInvest is '...to improve the competitiveness of the Albanian exporters', apart from assisting and accelerating the inflow of foreign investment into the Albanian economy', and 'providing professional services to assist the growth of the Albanian SMEs'.

A law on Business Consultative Council (BCC) was enacted on September 2006 (Law no. 9607). The dispositions of this law cover also the role of BCC, which is composed of representatives from business community, in trade and business development policies.

A new law on Chambers of Commerce and Industry has been enacted on November 2006 (Law no. 9640). The purpose of this law is to enhance trade and economic activities within Albania and with foreign partners. The chambers of commerce and industry are institutions which provide qualified services to businesses and protect their interests, which are in conformity with laws and regulations. The law also addresses other functional and operational issues.

A special Decision of Council of Ministers was enacted on February (CMD no. 179), establishing the European Integration units at line ministries. The purpose is to better coordinate the European integration work carried out by the government in various sectors, including the economic and trade integration.

Other acts have been enacted as regard to specific institutions in certain sectors, such as a Council of Ministers' Decision on the Council of Milk Experts (CMD no. 580, dated 23.08.2006), affecting the production and trading of milk products in Albania. For this and other acts, see a complete list at Annex 1 of this report.

In 2006 a bilateral protocol between Albania and Macedonia was approved in principle, containing dispositions on entry and exit points of AMBO pipeline.

A specific platform on the regulatory reform for business climate in Albania was designed in 2006. This platform is already in principle supported by grant agreements with IDA, IBRD, etc. Under this frame, important changes are being prepared for business registration procedures.

An act related to fuel used by fishery sector (vessels) has been enacted (CMD no. 877, dated 27.12.2006) in order to promote the sector. Another act affecting the fishery sector is that related to the credit agreement between Albania and Islamic Bank for the financing of fishery port of Durres.

This year notes for the first time the acknowledgment and relevant disposition of postal code for Albania.

Other laws related to energy, tourism, intellectual property, public procurements and competition, were prepared or enacted during the year 2006. For a list of all acts, see Annex 1 of this report.





## Annex 1: List of trade-related acts enacted during 2006

Type of legal act	No.	Date	Act
Law	9590	27.07.2006	On ratification of Stabilization and Association Agreement between the Republic of Albania and the European Communities and their member countries
Law	9497	20.03.2006	On the establishment of Albanian Agency of Business and Investment
Law	9607	11.09.2006	On Business Consultative Council
Law	9640	09.11.2006	On Chambers of Commerce and Industry
CMD	580	23.08.2006	On organization, functioning, structure and tasks of Council of Milk Experts
CMD	179	22.02.2006	On establishment of European integration units at line ministries
CMD	515	19.07.2006	On the restructuring of research-scientific institutes depending on Ministry of Agriculture, Food and Consumer Protection
Law	9494	13.03.2006	For a change of law no. 8981, date 12.12.2002 "For the approval of customs duty levels" changed
Law	9545	29.05.2006	For an addition to law no. 8981, date 12.12.2002 "For the approval of customs duty levels" changed
Law	9599	27.07.2006	For an addition to law no. 8981, date 12.12.2002 "For the approval of customs duty levels" changed
CMD	75	08.02.2006	For the approval of some changes in the agreement between the Republic of Albanian and Czech Republic on mutual promotion and protection of investments, signed in Prague on June 27th, 1994
CMD	86	15.02.2006	For the approval in principle of the agreement between Council of Ministers of Albanian Republic and the Republic of Greece on cooperation in the area of posts and electronic communication
CMD	101	15.02.2006	For the approval in principle of the agreement between Council of Ministers of Albanian Republic and the Republic of Serbia for mutual assistance in preventing, investigating and punishing customs violations.
CMD	106	22.02.2006	For the approval in principle of the changes in agreement between Republic of Albania and Republic of Croatia on maritime transportation
CMD	136	08.03.2006	For the approval in principle of the second session of Albanian-Croatian joint intergovernmental commission on economic cooperation
CMD	150	15.03.2006	For the approval in principle of the second session of Albanian-Croatian joint intergovernmental commission on economic cooperation
CMD	210	12.04.2006	For the approval in principle of the agreement between the Council of Ministers of Albanian Republic and the Government of Popular Republic of China on technical-economic cooperation
Law	9503	03.04.2006	On adhering of Republic of Albania in the Convention for the contract of goods international road transportation (CMR) and protocol of signing
Law	9504	03.04.2006	On adhering of Republic of Albania in the UN Convention for maritime transportation of goods (Hamburg's rules)
Law	9511	10.04.2006	On adhering of Republic of Albania in European Agreement "Main arteries of air traffic (AGR)"
CMD	312	24.05.2006	For the approval in principle of the agreement between the Council of Ministers of Albanian Republic and the Government of Hungary on economic cooperation

CMD	313	24.05.2006	For the approval in principle of the agreement between the Council of Ministers of Albanian Republic and the Government of Romania on economy, scientific and technical cooperation
CMD	675	04.10.2006	For the approval in principle of the agreement between the Council of Ministers of Albanian Republic and the Government of Slovenia on road transportation of goods and people
Law	9620	16.10.2006	On ratification of the multi-lateral agreement "On construction of a high performance railway in SEE"
CMD	412	21.06.2006	For the approval in principle of the agreement between the Council of Ministers of Albanian Republic and the Government of Syria on trade, economic and technical cooperation
Law	9577	11.07.2006	For the ratification of the agreement between the Council of Ministers of Albanian Republic and the Government of Latvia on international road transportation
CMD	614	07.09.2006	For the approval on changes in the grant agreement between Council of Ministers of Albanian Republic and International Fund for Agriculture Development (IFAD) on the program for the facilitation and access of farmers in the markets of Balkan area
Law	9521	25.04.2006	On ratification of a change in Protocol of Membership of Albanian Republic at Marrakech Agreement, establishing World Trade Organization
Law	9666	18.12.2006	On ratification of a change in the Free Trade Agreement between the Republic of Albania and UNMIK
Law	9591	27.07.2006	On ratification of Interim Agreement between the Republic of Albania and the European communities on trade and trade cooperation
CMD	47	27.01.2006	On a change of CDM 205, date 13.04.1999 "On implementing dispositions of Customs Code" changed
CMD	129	02.03.2006	For an addition to CDM no. 205, date 13.03.1999 "On approval of implementing dispositions of Customs Code" changed
CMD	172	29.03.2006	On some additions and changes of CDM no. 205, date 13.04.1999 "On approval of implementing dispositions of Customs Code" changed
Law	9523	25.04.2006	On some changes in law no. 9323, date 25.11.2004 "On medicines and pharmaceutical services"
Law	9636	06.11.2006	On protection of health from tobacco products
Law	9542	22.05.2006	On some changes in law no. 8996, date 30.01.2003 "On measuring units and control of measuring instruments (metrology)"
Law	9574	03.07.2006	On some changes in law no. 8450, date 24.02.1999 "On processing, transportation and trade of petroleum, gas and their byproducts" changed
CMD	170	29.03.2006	On coloring of fuels used for vehicles with diesel motor as well as fuels imported for industrial purposes and public ones
Law	9484	09.02.2006	On ratification of the Convention of World Health Organization on "tobacco control"
CMD	410	21.06.2006	On technical requirements and procedures of conformity assessment of non-automatic weighting instruments
CMD	40	18.01.2006	On some changes of CDM no. 646, date 12.12.2002 "On approval of standards and technical regulations of projection and implementation in the sectors of industry and energy, which should carry the status of obligatory "technical regulations" to be implemented" changed
CMD	48	27.01.2006	On some changes in CDM no. 205, date 13.04.1999 "On approval of implementing dispositions of Customs Code in the Republic of Albania" changed

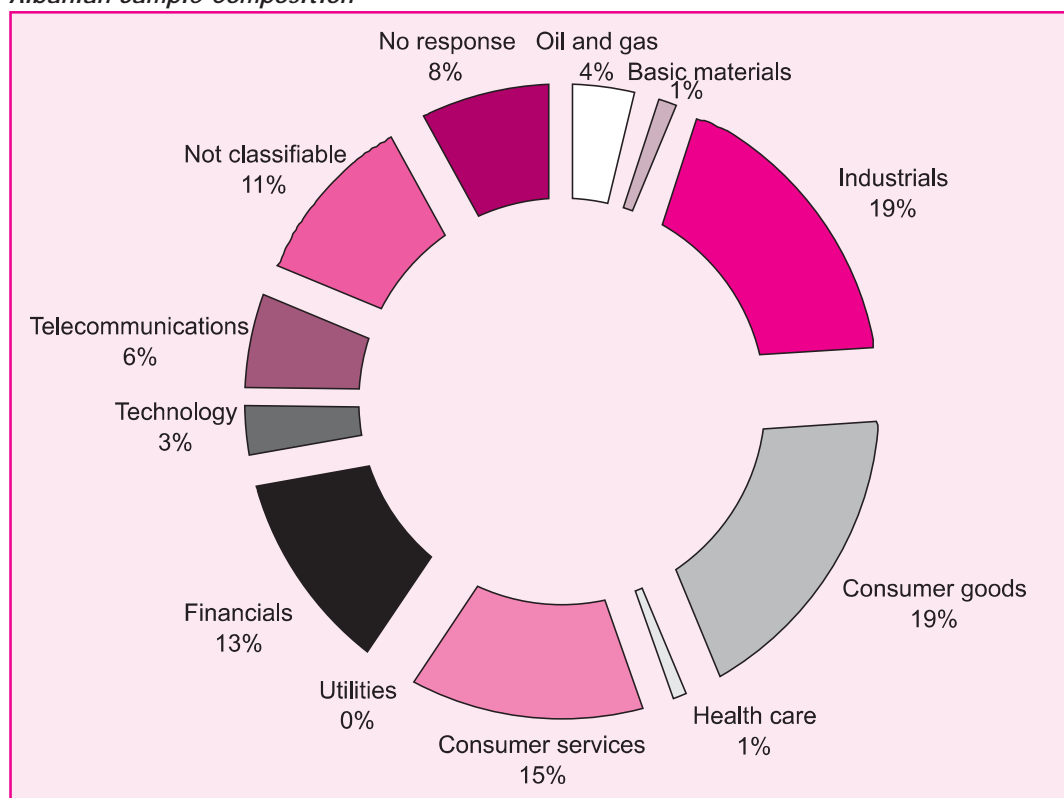
CMD	845	15.12.2006	For the approval in principle of CEFTA agreement extended and amended by Council of Ministers
CMD	795	27.11.2006	For an addition of funds in the annual budget of 2006 approved for Ministry of Economy, Trade and Energy, in order to cover expenses for organizing activities of Crans Montana Forum
CMD	613	07.09.2006	For the approval in principle of bilateral protocol between the Republic of Albania and Republic of Macedonia on determination of entry and exit points of AMBO pipeline, in the borders of two countries
CMD	676	04.10.2006	On postal code of the Republic of Albania
CMD	157	15.03.2006	For the approval of action plan of regulatory reform for business climate
CMD	877	27.12.2006	For a change of law no. 495, date 18.07.2003 "On defining conditions, persons and quantities of fuels for use of fishery vessels" changed
CMD	879	20.12.2006	Ratification of approval of Free Trade Agreement between Albania and Turkey
CMD	385	14.06.2006	For the approval in principle between Council of Ministers of Albanian Republic and Macedonian Republic for the opening of a new customs point in the road border between the countries of Xhepisht-Trebisht
CMD	58	01.02.2006	On approval of regulation "On procedures of control of product in the factory and distribution center, for getting the certificate of conformity assessment for cement, for which priority importance is given to resistance"
CMD	390	21.06.2006	For the system of animal identification and registration of livestock farms
CMD	81	15.02.2006	For the proposal of draft-law "On some additions and changes of law no. 7667, date 28.01.1993" "On trade registry and formalities required to be respected by trade companies"
CMD	455	05.07.2006	On approval of development strategy of mineral industry
CMD	689	11.10.2006	On the approval in principle of credit agreement between Council of Ministers of Albanian Republic and Islamic Bank for Development in participating in financing of construction project of fishery port in Durres, Albania
CMD	7	13.01.2006	For the approval in principle of the agreement between Council of Ministers of Albanian Republic and the Republic of Cyprus for mutual assistance in preventing, investigating and punishing customs violations.

## Annex 2: Global Competitiveness Index\*

Index	Albania	Croatia	Romania	Bulgaria	Macedonia	Moldova	S&M	B&H
GCI 2006 07 (out of 125)	98	51	68	72	80	86	87	89
GCI 2005 06 (out of 117)	100	64	67	61	75	89	85	88
<b>Basic Requirements</b>	<b>92</b>	<b>55</b>	<b>83</b>	<b>62</b>	<b>70</b>	<b>88</b>	<b>99</b>	<b>78</b>
1st pillar: Institutions	108	66	87	109	103	101	97	106
2nd pillar: Infrastructure	121	51	77	65	82	85	90	96
3rd pillar: Macro economy	83	73	97	35	30	67	106	45
4th pillar: Health and primary education	34	67	69	39	54	92	97	38
<b>Efficiency Enhancers</b>	<b>99</b>	<b>52</b>	<b>55</b>	<b>70</b>	<b>80</b>	<b>85</b>	<b>72</b>	<b>93</b>
5th pillar: Higher education and training	92	44	50	62	66	73	61	86
6th pillar: Market efficiency	109	68	76	90	91	92	97	93
7th pillar: Technological readiness	104	47	49	68	91	96	73	108
<b>Innovation Factors</b>	<b>121</b>	<b>50</b>	<b>73</b>	<b>85</b>	<b>87</b>	<b>98</b>	<b>83</b>	<b>99</b>
8th pillar: Business sophistication	115	61	73	84	88	93	94	92
9th pillar: Innovation	125	45	68	87	86	100	71	104

\* World Economic Forum: The Global Competitiveness Report 2006-2007

## Albanian Sample Composition



## Annex 3:

## Top Ten Imported Products from the EU, in thousands Euro

HS Code	Description	2003	2004	2005	2006
271019	Medium Oils	28,711.03	38,854.05	41,526.35	61,849.48
870332	Vehicles of a cylinder capacity exceeding 1 500 cm3 but not exceeding 2500 cm3 :	31,797.81	44,878.69	30,011.87	32,373.02
252329	Portland cement:Other	27,191.10	26,437.14	37,043.57	28,346.35
640610	Uppers and parts thereof, other than stiffeners:	39,283.34	33,028.31	26,933.91	26,333.80
300490	Medicaments (excluding goods of heading No 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms or packing for retail sale: Other	15,057.38	17,464.46	20,949.10	25,918.44
410719	In the dry state (crust)	19,710.27	21,415.78	16,507.53	24,047.05
240220	Cigarettes containing tobacco:	34,652.45	29,476.77	29,690.54	24,042.32
271011	Light Oils	7,620.15	11,337.75	18,447.47	23,630.31
170199	Cane or beet sugar and chemically pure sucrose, in solid form: Other	11,963.56	9,663.17	11,256.83	23,167.58
620342	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Of Cotton	17,173.30	19,259.27	16,981.10	18,137.80

## Top Ten exported products to EU, in thousands EURO

HS CODE	Description	2003	2004	2005	2006
640610	Uppers and parts thereof, other than stiffeners:	101.930,39	104.023,10	99.476,40	87.734,45
620342	Men's or boys' suits, ensembles, jackets, bl: Of cotton	34.125,84	42.841,77	40.123,52	47.382,81
620520	Men's or boys' shirts: Of cotton	13.596,69	16.975,48	20.692,54	23.015,12
740400	Copper waste and scrap:	3.124,01	5.294,34	4.911,80	20.798,85
830140	Other pad locks and locks of base metal, clasps and frames incorporated locks of base metal	1.725,91	7.256,18	13.931,84	19.084,92
640510	Other footwear: With uppers of leather or composition leather:	713,56	3.813,54	12.004,80	16.301,58
160416	Anchovies	11.062,73	12.834,89	12.936,92	15.606,46
270900	Petroleum oils and oils obtained from bituminous minerals, crude:			7.934,24	14.227,49
610910	T-shirts, etc: of cotton	7.799,97	13.020,97	13.314,53	12.999,59
610610	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted: Of cotton	6.577,97	7.151,15	10.465,40	12.044,62

## Annex 4:

## Top ten imported products from the Region, in thousands USD

HS Codes	Description	2006	% to Total	2003	2004	2005
271019	Medium Oils	34,981.6	11.0%	12,760.8	3,045.0	10,012.7
010290	Pure-bred breeding animals	17,365.5	5.5%	273.0	1,287.8	6,857.8
271600	Electric energy	12,898.2	4.1%	19,164.0	2,015.3	5,905.0
252329	Portland Cement: Other	9,729.7	3.1%	3,193.7	4,968.6	3,698.3
440710	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm: Coniferous	8,136.9	2.6%	1,190.8	3,023.4	5,156.3
340220	Organic surface-active agents (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap, other than those of heading No 3401: Put up for sale	7,499.0	2.4%	1,188.6	2,782.4	3,139.0
721420	Other bars and rods of iron and steel: Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	6,957.0	2.2%	59.9	231.7	1,022.2
100590	Corn	6,439.7	2.0%	460.4	856.6	2,956.7
300490	Medicaments (excluding goods of heading No 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms or packing for retail sale: Other	6,323.9	2.0%	1,446.5	1,609.6	3,168.9
720449	Ferrous waste and scrap; remelting scrap ingots of iron or steel: Other	6,072.6	1.9%	196.5	32.7	4,752.7
	Total Top 10 Imports	116,404.1	36.8%			
	Total Imports	316,711.4				

## Top 10 exported products to the Region in thousands of USD

HS Codes	Description	2006	% to Total	2003	2004	2005
721420	Other bars and Rods Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	11,642.5	18.1%		9,436.0	7,483.3
271320	Petroleum Bitumen	10,685.6	16.6%	1,891.0	4,739.3	6,119.0
220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored	4,596.1	7.2%	320.5	5,573.8	5,873.7
260111	Iron ores and concentrates, other than roasted iron pyrites: not agglomerated	4,257.2	6.6%		291.8	3,074.0
410120	Whole hides and skins of bovine animals, of a weight per skin not exceeding 8kg when simply dried, 10 kg when dry-salted, or 14 kg when fresh, wet-salted or otherwise preserved:	3,211.8	5.0%	57.1	546.7	1,079.8
940350	Furniture of a kind used in bedrooms	2,573.8	4.0%	594.6	1,353.9	1,609.2
847330	Parts and accessories of the machines of heading No 8471:	2,049.1	3.2%	530.8	1,340.8	1,625.3
740400	Copper waste and scrap:	2,003.7	3.1%	45.1	906.6	3,105.6
760410	Aluminum bars, rods and profiles: not alloyed	1,504.9	2.3%	161.5	177.4	1,123.5
271112	Propane	1,455.6	2.3%	141.2	91.6	31.9
	Total top 10 exports	43,980.4	68.5%			
	Total exports	64,182.5				

## Top ten imported products from Bosnia and Herzegovina, in thousand USD

HS Code	Description	2006	% to Total	2003	2004	2005
440710	Conferious	5,748.7	62.7%	113.5	168.2	1,732.6
870540	Concrete-mixer lorries	559.6	6.1%			
721420	Bars And Rods Of Iron containing indentations, ribs,	503.4	5.5%			
730840	Equipment for scaffolding, shuttering, propping or pit-propping	250.6	2.7%	305.6	205.4	478.2
340220	Preparations put up for retail sale	246.8	2.7%		97.6	127.1
843050	Other machinery, self-propelled	166.3	1.8%			
040120	Milk and Cream of a fat content, by weight, not exceeding 1 %	158.0	1.7%			13.1
870423	g.v.w. exceeding 20 tones	132.4	1.4%			
300410	Containing penicillins or derivatives thereof, with a penicillanic acid structure, or streptomycins or their derivatives	99.5	1.1%			100.5
845011	Washing machines Fully-automatic machines	75.1	0.8%			
	Total	7,940.4	86.6%			
	Total Imports	9,167.3				

## Top ten exported products to Bosnia &amp; Herzegovina, in thousand USD

		2006	% to Total	2003	2004	2005
410120	Whole hides and skins of bovine animals, of a weight per skin not exceeding 8kg when simply dried, 10 kg when dry-salted, or 14 kg when fresh, wet-salted or otherwise preserved	2,774.9	63.7%	13.4	335.2	817.3
410190	Other, including butts, bends and bellies	1,151.5	26.4%			176.7
760611	Plates, Sheets and Strip, Of aluminum, not alloyed, Rectangular (including square)	98.9	2.3%			
846299	Presses for Working Metal or Metal Carbides, Not Specified Above	69.8	1.6%			
940360	Other Wooden Furniture	69.0	1.6%			
940350	Wooden Furniture of a Kind Used in the Bedroom	61.8	1.4%			
080711	Fresh Watermelon	34.4	0.8%	5.6	3.7	16.8
760612	Plates, Sheets and Strip, Of aluminum alloys, Rectangular (including square)	33.1	0.8%			
732393	Table, kitchen or other household articles Of stainless steel	21.7	0.5%			
560122	Wadding; Other Articles of Wadding; of Man-made Fibers	15.7	0.4%			
	Total Top 10 Exports	4,330.8	99.4%			
	Total Exports	4,357.2				



## Top ten imported products from Bulgaria, in thousand USD

HS Code	Description	2006	% to Total	2003	2004	2005
010290	Other live bovine animals: domestic species	16,917.5	16.9%	261.8	617.8	6,483.6
271019	For undergoing chemical transformation by a process other than those specified in respect of subheading 2710 00 41	16,554.9	16.6%	0.7	15.5	4,790.9
151219	Other sunflower oil	5,494.0	5.5%	592.6	1,668.1	4,434.1
841821	Refrigerators of Household Type, Compression-type	3,960.5	4.0%		5.0	1,397.0
392330	Carboys, Bottles, Flask and Similar Articles, of Plastics	3,343.8	3.4%	1,045.8	1,605.3	3,037.1
300420	Medicaments Containing Other Antibiotics (Put up in Packing for Retail Sale)	3,292.7	3.3%	199.4	437.8	1,783.7
100190	Durum wheat	3,178.5	3.2%	354.4	1,406.7	2,400.8
390110	Polyethylene Having a Specific Gravity of Less than 0.94	3,149.4	3.2%	290.9	614.5	389.5
441032	particle board & similar board of wood etc	1,797.3	1.8%	49.3	392.2	658.4
271011	Petroleum Oils, Oils Obtained from Bituminous Minerals, Preparations Thereof	1,772.7	1.8%			
	Total Top 10 Imports	59,461.4	59.6%			
	Total Imports	99,809.0				

## Top 10 exported products to Bulgaria, in thousands USD

HS Code	Description	2006	% to Total	2003	2004	2005
740400	Copper waste and scrap	2,003.7	61.1%	45.1	906.6	3,105.6
690410	Ceramic Building bricks	357.7	10.9%			
940350	Wooden Furniture of a Kind Used in the Bedroom	309.6	9.4%	6.9	36.0	15.2
281123	Sulphur Dioxide	116.0	3.5%			29.7
841480	Other Air Pumps and Air or Gas Compressors; Other Hoods	93.7	2.9%			
090121	Coffee (Roasted, Not Decaffeinated)	54.3	1.7%	17.8	55.4	56.3
830260	Automatic door closers, and parts thereof , of Base Metal	51.3	1.6%			
860900	Containers (including containers for the transport of fluids) specially designed and equipped for carriage by one or more modes of transport	47.9	1.5%			
121190	Other Plants of a Kind Use for Perfumery, Pharmacy, Insecticidal Purpose (Fresh or Dried)	30.3	0.9%		12.2	55.3
848210	Ball Bearings	20.9	0.6%			
	Total Top 10 Exports	3,085.5	94.0%			
	Total	3,282.1				

## Top ten imported products from Croatia, in thousand USD

Hs code	Description	2005	%to Total	2003	2004	2005
252329	Portland Cement	9,201.6	25.9%	3,193.0	3,409.1	2,634.8
271113	Butanes	4,223.7	11.9%	281.1	535.6	2,525.2
850432	Transformers having a power handling capacity exceeding 1  kVA but not exceeding 16 kVA:	3,006.4	8.5%			
880330	Other parts of aeroplanes or helicopters:	1,845.8	5.2%			
701090	Other Carboys, of a capacity:	1,546.5	4.4%		1,367.2	1,468.4
851660	Other ovens; cookers, cooking plates, boiling rings; grillers and roasters:	1,137.5	3.2%	32.3	168.1	469.8
110710	Malt not roasted	966.2	2.7%	179.3		
030563	Anchovies 'engraulis spp.', only salted	893.4	2.5%	30.8	55.4	107.6
850423	Liquid dielectric transformers Having a power handling capacity exceeding 10 000 kVA	773.5	2.2%	2,657.5		
680710	Articles of asphalt or of similar material in rolls	671.9	1.9%			186.4
	Total Top 10 Imports	24,266.4	68.4%			
	Total Imports		3549684.5%			

## Top Ten exported products to Croatia, in thousands USD

HS Code	Description	2006	% to Total	2003	2004	2005
160416	Conserved Anchovies	1,418.1	62.6%			
160411	Conserved Salmon	270.2	11.9%			
121190	Other Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery,	255.2	11.3%	65.1	104.0	100.7
150910	Virgin Olive Oil	179.7	7.9%			
940350	Wooden furniture of a kind used in the bedroom	59.9	2.6%			38.4
120999	Other vegetables Seeds	19.4	0.9%			
080711	Fresh Watermelon	14.9	0.7%	17.9		
901520	Theodolites and tacheometers:.	9.8	0.4%			
160419	Other prepared or preserved fish	6.8	0.3%			
890399	Yachts and other vessels for pleasure or sports; rowing boats and canoes:	5.7	0.3%			
	Total Top 10 Exports	2,239.8	98.9%			
	Total Exports	2,263.7				

## Top ten imported products from Kosovo, in thousands of USD

HS Code	Description	2006	% to Total	2003	2004	2005
720449	Other ferrous waste and scrap; remelting scrap ingots of iron or steel:	5,271.3	29.3%		32.7	3,713.9
760200	Aluminum waste and scrap:	1,602.9	8.9%	435.6	309.1	721.4
071420	Sweet potatoes	1,599.4	8.9%	10.3	309.4	256.4
200980	Juice of any other single fruit or vegetable:	1,223.0	6.8%	123.9	461.3	1,036.6
100300	Barley:	419.2	2.3%	1.8		14.4
730610	Line pipe of a kind used for oil or gas pipelines:	386.7	2.2%	24.4	175.4	280.5
382450	Non-refractory mortars and concretes:	373.8	2.1%			
010290	Other pure-bred breeding animals	294.3	1.6%			284.3
870422	Of a gross vehicle weight exceeding 5 tonnes but not exceeding 20 tones:	252.9	1.4%	226.8	409.1	336.8
220290	Other alcoholic drinks	244.1	1.4%		1.2	12.7
	Total Top 10 Imports	11,667.6	64.9%			
	Total Imports	17,966.2				

## Top ten exports to Kosovo, in thousands USD

Hs Code	Description	2006	% to Total	2003	2004	2005
721420	Other bars and rods containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	10,663.0	35.8%		9,310.3	7,087.3
220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored	4,579.8	15.2%	319.5	5,559.4	5,843.1
271320	Petroleum bitumen	4,231.3	14.0%	163.2	3,000.2	2,675.7
847330	Parts and accessories of the machines of heading No 8471:	2,044.6	6.8%	530.8	1,328.4	1,619.0
271019	Medium oils for undergoing a specific process	850.2	2.8%	80.0	75.8	54.7
940350	Wooden furniture of a kind used in the bedroom	696.8		297.4	609.6	636.8
271112	Propane	690.6	2.3%	69.7	91.6	31.9
090121	Roasted coffee (exl. Decaffeinated)	639.3	2.1%	255.6	456.5	667.5
080711	Fresh Watermelon	506.5	1.7%	141.8	282.0	518.9
020714	Cuts and offal, frozen:	259.1	0.9%			
	Total Top 10 Exports	25,161.1	83.5%			
	Total Exports	30,148.9				

## Top ten imports from Macedonia, in thousands of USD

HS Codes	Description	2006	% to Total	2003	2004	2005
721420	Other Bars and rods containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	4,090.4	6.5%	38.4	171.5	138.8
080810	Fresh Apples	2,597.6	4.1%	1,139.0	2,305.5	2,058.7
300490	Other Medicaments	2,360.1	3.8%	1,026.8	922.2	1,408.1
080610	Fresh Grapes	1,717.6	2.7%	972.0	1,990.9	2,540.2
853720	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading No 8535 or 8536, for electric control or the distribution of electricity, including those incorporating instruments or apparatus of Chapter 90, tension>1000v	1,622.0	2.6%		10.8	1,158.6
300410	Containing penicillins or derivatives thereof, with a penicillanic acid structure, or streptomycins or their derivatives:	1,591.7	2.5%	725.4	1,800.0	1,497.2
271019	Medium Oils	1,550.8	2.5%			125.8
210210	Active Yeasts	1,470.3	2.3%	1,613.3	1,772.6	1,684.3
240220	Cigaretts containing tobacco	1,400.6	2.2%		1,211.4	454.4
730890	Other structures (excluding prefabricated buildings of heading No 9406) and parts of structures (for example bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors,	1,393.0	2.2%	165.6	373.4	598.1
	Total top 10 Imports	19,794.2	31.5%			
	Total imports	62,775.2				

## Top 10 exported products to Macedonia, in thousands USD

Hs Codes	Description	2006	% to Total	2003	2004	2005
260111	Iron Ore Non-agglomerated	4,256.1	33.7%		291.8	3,074.0
271320	Petroleum Bitumen	1,428.0	11.3%	227.4	748.3	212.9
854590	Other Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite or other carbon, with or without metal, of a kind used for electrical purposes:	1,207.2	9.5%		2,487.4	1,432.8
721420	Other Bars and Rods Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	979.5	7.7%		125.6	379.0
121190	Other plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered:	794.0	6.3%	436.2	650.9	530.0
252329	Portland cement: Other	793.7	6.3%	218.6	361.2	866.6
940350	Wooden furniture of a kind used in bedroom	518.6	4.1%	169.4	358.1	490.3
271490	Bitumen and asphalt, natural; bituminous or oil shale and tar sands; asphaltites and asphaltic rocks: Other	492.7	3.9%		3.7	820.6
151211	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified: Other	157.7	1.2%			
732690	Other articles of iron and steel	144.4	1.1%			2.1
	Total top 10 Exports	10,771.8	85.2%			
	Total Exports	12,643.1				

## Top imported products from Moldova, in thousands USD

HS Codes	Description	2006	% to Total	2003	2004	2005
721420	Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	1,950.1	38.4%			
040210	Milk in powder, granules or other solid forms, of a fat content, by weight, not exceeding 1,5 %:	1,142.4	22.5%	234.8	493.2	726.5
100190	Wheat and meslin:	1,122.8	22.1%			
100590	Corn	387.7	7.6%			
100110	Durum wheat	378.6	7.4%			
010290	Pure-bred breeding animals: other	44.6	0.9%			50.2
040120	Milk: Of a fat content, by weight, exceeding 1 % but not exceeding 6 %:	35.8	0.7%	82.2		
220429	Wine: Of an actual alcoholic strength by volume exceeding 18 % vol but not exceeding 22 % vol:	13.1	0.3%			
440920	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges or faces, whether or not planed, sanded or finger-jo: Non coniferous	7.5	0.1%			
	Top imported	5,082.7	100.0%			
	Total imports	5,082.7				

## Top exported products to Moldova, in thousands of USD

HS Code	Description	2006	% to Total	2005	2004	2003
940180	Seats	9.9	100.0%	—	—	—

## Top ten imported products from Romania, in thousands USD

HS Codes	Description	2006	% to Total	2003	2004	2005
271019	Medium Oils	16,812.4	31.6%	6,872.2	875.6	5,021.2
271600	Electric Energy	11,474.1	21.6%			4,022.1
340220	Organic surface active preparations, washing preparation etc Preparations put up for retail sale	6,310.1	11.9%	553.0	1,970.1	2,337.1
271011	Light Oils For undergoing a specific process	3,659.3	6.9%	840.6	461.4	1,445.5
761290	Aluminum casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular containers), for any material (other than compressed or liquefied gas), of a capacity not exceeding 300 liters, whether or not lined or heat- insulated: Other	2,383.0	4.5%			
330510	Shampoos	1,346.7	2.5%	276.8	661.5	931.8
100110	Durum Wheat	1,246.4	2.3%			
271113	Butanes	954.1	1.8%			70.7
691010	Ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures: Of porcelain of China	805.3	1.5%	1,290.1	1,131.5	945.5
853810	Boards, panels, consoles, desks, cabinets and other bases for the goods of heading No 8537, not equipped with their apparatus	703.0	1.3%			
	Total Top 10 Imported Products	45,694.5	86.0%			
	Total Imports	53,144.3				

## Top exported products to Romania, in thousands of USD

Hs Codes	Description	2006	% to Total	2003	2004	2005
720241	Ferro-chromium: Containing by weight more than 4 % of carbon:	251.6	38.5%		74.5	761.7
940350	Furniture of a kind used in bedrooms	206.3	31.6%		15.9	34.9
760200	Aluminum waste and scrap	76.8	11.8%			
760410	Aluminum bars, rods and profiles: not alloyed	71.0	10.9%			598.6
392690	Other articles of plastics and articles of other materials of heading Nos 3901 to 3914:	47.3	7.2%			
251710	Pebbles, gravel, broken or crushed stone, of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast, shingle and flint, whether or not heat-treated:	0.1	0.0%			
252100	Limestone flux; limestone and other calcareous stone, of a kind used for the manufacture of lime or cement	0.0	0.0%			0.1
	Total Top 10 Exported Products	653.2	100.0%			
	Total Exports	653.2				

## Top ten imported products from Serbia and Montenegro, in thousands of USD

HS Code	Description	2006	% to Total	2003	2004	2005
100590	Corn	5,385.3	16.2%	159.5	620.8	1,128.8
440710	Coniferous Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm:	1,861.8	5.6%	995.8	2,691.2	3,183.9
300490	Medicaments (excluding goods of heading No 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms or packing for retail sale: Other	1,502.1	4.5%	2.4	112.3	439.3
080300	Bananas, including plantains, fresh or dried:	1,368.9	4.1%	349.2	96.0	171.4
080810	Fresh Apples	1,259.3	3.8%	11.3	103.0	1,417.4
080290	Walnuts: Other	716.1	2.2%		94.6	99.3
721391	Bars and Rods Of circular cross-section measuring less than 14 mm in diameter :	635.6	1.9%			19.0
720449	Ferrous waste and scrap; remelting scrap ingots of iron or steel: Other	568.9	1.7%	196.5		
240220	Cigarettes containing tobacco	508.0	1.5%			
170199	Cane or beet sugar and chemically pure sucrose, in solid form: Other	487.2	1.5%		798.1	1,474.9
	Total top 10 Imports	14,293.3	43.0%			
	Total Imports	33,269.8				

## Top 10 exported products to Serbia and Montenegro, in thousands USD

Hs Code	Description	2006	% to Total	2003	2004	2005
271320	Petroleum Bitumen	5,026.3	43.3%	1,500.3	990.7	3,218.1
760410	Aluminum bars, rods and profiles: not alloyed	1,161.5	10.0%	91.2	126.9	223.3
271112	Propane	765.0	6.6%	60.6		
271111	Natural gas	742.8	6.4%	8.7		
940350	Furniture of a kind used in bedrooms	720.8	6.2%	120.8	334.3	393.7
410120	Whole hides and skins of bovine animals, of a weight per skin not exceeding 8kg when simply dried, 10 kg when dry-salted, or 14 kg when fresh, wet-salted or otherwise preserved:	361.1	3.1%	43.7	85.9	196.1
080711	Fresh Watermelon	302.2	2.6%	14.7		29.1
640510	Other footwear: With uppers of leather or composition leather:	284.6	2.5%			
090121	Coffee Roasted	123.2	1.1%	39.8	120.0	318.0
121190	Other plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered:	97.8	0.8%	33.7	27.7	41.6
	Top 10 exports	9,585.1	82.5%			
	Total Exports	11,611.6				

## Annex 5:

## Quotas fulfillment from both sides in the framework of FTA with Bulgaria

in tones		2003	2003	%	2004	2004	%	2005	2005	%	2006	2006	%
Quotas granted to Bulgaria													
307		100		0	100		0.00%	100	0	0.00%	100		0.00%
406	Cheese and curd	200	113.8	57%	200	14.2	7.12%	200	17.61	8.81%	200		0.00%
1509	Olive oil & its fractions	300			300		0.00%	300		0.00%	300		0.00%
2009	fruit juices	200	16	8.0%	200	32.8	16.40%	200	1.99	1.00%	200		0.00%
2201	waters, natural etc,			0.0%		30.0	2.00%		111.33	7.42%		268.37	17.89%
2202	waters, sweetened etc	1500	1086.6	72.4%	1500		0.00%	1500	72.22	4.81%	1500	8.74	0.58%
4090000	Natural honey	50	2	4.0%	50	3.5	7.04%	50	2.75	5.50%	50	2.86	5.72%
7082095	Beans			0.0%			0.00%			0.00%			0.00%
7133100	Beans of the species Vigna mungo	400	719	179.8%	400	316.1	79.01%	400		0.00%	400		0.00%
8024000	Chestnuts (Castanea spp.)	100			100		0.00%	100		0.00%	100		0.00%
8041000	Dates	100	1	1.0%	100		0.00%	100		0.00%	100		0.00%
8042090	Figs dried	100		0.0%	100		0.00%	100		0.00%	100		0.00%
8071100	Watermelons	300		0.0%	300		0.00%	300		0.00%	300		0.00%
8071900	Other Melons	200		0.0%	200		0.00%	200		0.00%	200		0.00%
12119070	Wild marjoram			0.0%			0.00%			0.00%			0.00%
12119075	Sage	200		0.0%	200		0.00%	200		0.00%	200		0.00%
20019065	Olives preparations	500		0.0%	500		0.00%	500	0.44	0.09%	500		0.00%
20079939	Other Jams	100	2	2.3%	100	10.1	10.10%	100	0.32	0.32%	100	3.61	3.61%
22082012	Cognac	150	2	1.2%	150		0.00%	150		0.00%	150		0.00%
22082029	Other Spirit	200	2	0.8%	200		0.00%	200		0.00%	200		0.00%
Total		4700	1943.94	41.4%	4700	406.7	8.65%	4700	206.66	4.40%	4700	283.58	6.03%



in tones		2003	2003	%	2004	2004	%	2005	2005	%	2006	2006	%
<b>Quotas granted to Albania</b>													
70490	Cabbage, Broccoli	100			100	108.6	109%	100			100		
4051011		50			50			50			50		
4051016		200			200			200			200		
4051050		50			50			50			50		
406		200			200			200			200		
7032000		50			50			50			50		
7070090		50			50			50			50		
7095100		50			50			50			50		
7099070													
7099090		100			100			100			100		
7101000													
7108051													
7108059													
7108069													
7108070		200			200			200			200		
71290		100			100			100			100		
71310													
71333													
71340		100			100			100			100		
8022100													
8023100													
8023200		50			50			50			50		
80920													
80930													
80940		50			50			50			50		
8112059													
8119095		200			200			200			200		
110311													
110313													
110319		400			400			400			400		
15010019													
15010090		100			100			100			100		
15121191		300			300			300			300		
151710		150			150			150			150		
1602		80			80			80			80		
1704		100			100			100			100		
1806		100			100			100			100		
1904		100			100			100			100		
20011000													
20019020													
20019050		100			100			100			100		
2002		100			100			100			100		
200310		30			30			30			30		
200510													
200520													
200540													
200551													
200590		150			150			150			150		
200811		150			150			150			150		
200819													
200850													
200860													

## Quotas fulfillment from both sides in the framework of FTA with Croatia

in tones	Description	2003	2003	%	2004	2004	%	2005	2005	%	2006	2006	%
Quotas granted to Croatia													
403	Buttermilk, curdled milk etc	50		0%	50		0%	50		0%	50		0%
1001	Wheat and meslin:	5,000	5,610	112%	5,000	28,778	576%	5,000	975	20%	5,000		0%
1107	Malt	200	500	250%	200		0%	200		0%	200	2,561	1281%
1602	Other prepared or preserved meat	100		0%	100		0%	100		0%	100	2	2%
1806	Chocolate	100		0%	100		0%	100	8	8%	100	38	38%
1901	Malt extract	250		0%	250		0%	250	9	4%	250	5	2%
1902	Pasta etc	150		0%	150		0%	150		0%	150		0%
1905	Bread and pastry cakes	200		0%	200	2	1%	200	4	2%	200	8	4%
2001	Prepared Vegetables, fruit, nuts	100		0%	100		0%	100		0%	100		0%
2007	Jams	50		0%	50		0%	50		0%	50		0%
2009	Fruit juices	200		0%	200	5	2%	200		0%	200		0%
2102	Yeasts	50	8	15%	50		0%	50	70	140%	50	424	849%
2104	Soups etc	50		0%	50		0%	50	3	6%	50	17	33%
2105	Ice-cream	50		0%	50		0%	50	17	33%	50	33	65%
2106	Food preparations	150		0%	150		0%	150	1	1%	150	11	7%
040630	Processed Cheese	100		0%	100		0%	100		0%	100		0%
040690	Other Cheese	100		0%	100		0%	100		0%	100		0%
170490	Cabbage	100		0%	100		0%	100		0%	100		0%
Total		7,000	6,117	87%	7,000	28,785	411%	7,000	1,087	16%	7,000	3,099	44%

Quotas Granted To Albania													
	Description	2003	2003	%	2004	2004	%	2005	2005	%	2006	2006	%
204	Meat of sheep or goats	150		0%	150		0%	150		0%	150		0%
409	Natural Honey	50		0%	50		0%	50		0%	50		0%
1211	Medicinal Herbs	50	43	85%	50	37	74%	50	45	90%	50	127	254%
2101	Yeasts	50		0%	50		0%	50		0%	50		0%
2201	Mineral Waters	150		0%	150		0%	150		0%	150		0%
2202	Other Waters	100		0%	100		0%	100		0%	100		0%
708200020	Beans	100	15	15%	100		0%	100		0%	100		0%
22082012	Cognac	75		0%	75		0%	75	2	2%	75		0%
23099097	Other Preparations of a kind used in animal feeding	100		0%	100		0%	100		0%	100		0%
4061080	Other cheese and crud	100		0%	100		0%	100		0%	100		0%
4069029	Kashkaval	150		0%	150		0%	150		0%	150		0%
4070030	Other birds eggs	70		0%	70		0%	70		0%	70		0%
701905020		200		0%	200		0%	200		0%	200		0%
702000010				0%			0%			0%			0%
702200020		300		0%	300		0%	300		0%	300		0%
7039000	Leeks and other vegetables	150		0%	150		0%	150		0%	150		0%
7061000	Carrots and turnips	100		0%	100		0%	100		0%	100		0%
7070005	Cucumbers	150		0%	150		0%	150		0%	150		0%
8041000	Dates	200		0%	200		0%	200		0%	200		0%
15091090	Other Olive Oils	150		0%	150		0%	150		0%	150		0%
20019065	Prepared Olives	100		0%	100		0%	100		0%	100		0%
Total		2,495	57	2%	2,495	37	1%	2,495	46	2%	2,495	127	5%

## Quotas fulfillment from both sides in the framework of FTA with Macedonia

HS Codes	Description	2003	Quota	Used %	2004	Quota	Used %	2005	Quota	Used %	2006	Quota	Used %
<b>Quotas granted to Macedonia in tones</b>													
702	Tomatoes	490.33	150	326.9%	59.67	150	39.8%	512.13	150	341.4%	460.02	150	306.7%
707	Cucumbers	20.33	100	20.3%	3.65	100	3.7%	70.72	100	70.7%	37.69	100	37.7%
1601	Sausages and similar products		150	0.0%		150	0.0%	5.02	150	3.3%	0.14	150	0.1%
1602	Other prepared and preserved meat	0.51	100	0.5%	3.56	100	3.6%		100	0.0%		100	0.0%
1704	Sweets from sugar		200	0.0%	4.11	200	2.1%	6.23	200	3.1%	4.70	200	2.3%
40610	Fresh Cheeses	7	50	14.0%	3.28	50	6.6%		50	0.0%	0.025	50	0.1%
080810	Apples	3132.4	3000	104.4%	5827.3	3000	194.2%	5192.02	3000	173.1%	6865.5	3000	228.9%
04069029	Kackavall		50	0.0%	5.06	50	10.1%	0.13	50	0.3%		50	0.0%
Total		3650.56	3800	96.1%	70.99	3800	1.9%	5786.11	3800	152.3%	7368.1	3800	193.9%
<b>Quotas granted Albania in tones</b>													
		2003	Quota	Used %	2004	Quota	Used %	2005	Quota	Used %	2006	Quota	Used %
701	Fresh potatoes	11.83	300	3.9%		300	0.0%		300	0.0%		300	0.0%
702	Tomatoes	35.54	150	23.7%	76.26	150	50.8%	93.02	150	62.0%	100.75	150	67.2%
706	Carrots etc		200	0.0%		200	0.0%		200	0.0%	2.09	200	1.0%
707	Cucumbers		100	0.0%	51.23	100	51.2%	16.32	100	16.3%	14.58	100	14.6%
807	Melons	29.76	2500	1.2%	90.97	2500	3.6%	254.3	2500	10.2%	302.96	2500	12.1%
1601	Sausages		100	0.0%		100	0.0%		100	0.0%		100	0.0%
1602	Other prepared meat		150	0.0%		150	0.0%		150	0.0%		150	0.0%
4069029	Kackavall		50	0.0%	4.421	50	8.8%		50	0.0%		50	0.0%
8071100	Watermelons	29.76	0		90.97	0		254.3	0		297.85	0	
22082012	Cognac	2.7	200	1.4%		200	0.0%		200	0.0%		200	0.0%
Total		79.83	3750	2.1%	222.88	3750	5.9%	363.64	3750	9.7%	420.38	3750	11.2%

## Quotas fulfillment from both sides in the framework of FTA with Romania

in tones	2003	Quota	% Used	2004	Quota	% Used	2005	Quota	% Used	2006	Quota	% Used
<b>Quotas granted to Romania</b>												
080231			0%	2.64		2.0%	1		0.8%			0.0%
080232		130	0%	31.52	130	24.2%	14.29	130	11.0%	32.56	130	25.0%
Other Codes	0	1480	0%		1480	0.0%		1480	0.0%		1480	0.0%
Total Romania		1610	0%	34.16	1610	2.1%	15.29	1610	0.9%	32.56	1610	2.0%
	2003			2004			2005			2006		
<b>Quotas Granted to Albania</b>												
All Codes	0	2300	0%	0	2300	0%	0	2300	0%	0	2300	0%
Total Albania	0	2300	0%	0	2300	0%	0	2300	0%	0	2300	0%

## Quotas fulfillment from both sides in the framework of FTA with Serbia &amp; Montenegro

in tones	Description	2003	2003	2004	2004	%	2005	2005	%	2006	2006	%
<b>Quotas granted to S&amp;M</b>												
405	Butter			200			200		0.0%	200		0.0%
1001	Wheat and mesin			2500	25622.35	1024.9%	2500	1812.11	72.5%	2500	2053.15	82.1%
1101	Wheat or mesin flour		376.35	2500	884.281	35.4%	2500	2226.82	89.1%	2500		0.0%
1517	Margarine;		35.32	1500		0.0%	1500	1.00	0.1%	1500	412.329	27.5%
1601	Sausage etc.			100		0.0%	100	13.50	13.5%	100	22.586	22.6%
1902	Pasta etc			250		0.0%	250	0.02	0.0%	250	9.528	3.8%
2007	Jams		1.69	250		0.0%	250		0.0%	250	4.71	1.9%
2009	Fruit juices		5.60	200	160.833	80.4%	200	150.23	75.1%	200	122.401	61.2%
2104	Soups etc		2.04	100		0.0%	100	1.02	1.0%	100	4.71	4.7%
2105	Ice			100		0.0%	100	6.49	6.5%	100		0.0%
2201	Waters		15	200		0.0%	200		0.0%	200	19.524	9.8%
2203	Beer		867.80	200	739.977	370.0%	200	976.41	488.2%	200	796.71	398.4%
2204	Vine from fresh grapes		9.57	200	30.662	15.3%	200	55.08	27.5%	200	98.107	49.1%
110313	Cereals of maize			5000	28.8	0.6%	5000	242.00	4.8%	5000	1034.01	20.7%
190530	Sweet biscuits			100		0.0%	100		0.0%	100		0.0%
220870	Liqueurs			500	0.032	0.0%	500		0.0%	500	0.888	0.2%
230990	Other			400	1.04	0.3%	400		0.0%	400	62	15.5%
04061080	Fresh Cheese		133.59	200	174.847	87.4%	200	12.00	6.0%	200	33.525	16.8%
15121991	Sunflower Oil			500		0.0%	500		0.0%	500		0.0%
22082012	Cognac		0.012	500		0.0%	500		0.0%	500	0.164	0.0%
22082026	Grappa		5.97	200		0.0%	200	6.00	3.0%	200		0.0%
Total				15700	27612.95	175.9%	15700	5502.68	35.0%	15700	4673.29	29.8%
<b>Quotas Granted to Albania</b>												
in tones	Description	2003	2003	2004	2004	%	2005	2005	%	2006	2006	%
204	Meat of ship or goats			100		0.0%	100		0.00	100		0.0%
0702	Tomatoes		25.5	750		0.0%	750	19.44	2.6%	750	90.70	12.1%
0704	Cabbage			100		0.0%	100		0.0%	100	391.92	391.9%
2001	Preserved vegetables or fruits			100		0.0%	100		0.0%	100		0.0%
2009	Fruits juice			200		0.0%	200		0.0%	200		0.0%
2201	Waters			200		0.0%	200		0.0%	200		0.0%
2203	Beer			200		0.0%	200		0.0%	200		0.0%
2204	Vine form fresh grapes			200		0.0%	200		0.0%	200		0.0%
70390	Leeks			200		0.0%	200		0.0%	200		0.0%
070610	Carrots			200		0.0%	200		0.0%	200	7.32	3.7%
080711	Melons		122.46	2000		0.0%	2000	204.6	10.2%	2000	2272.58	113.6%
080719	Other			300		0.0%	300		0.0%	300	1.00	0.3%
220870	Lickers			500		0.0%	500		0.0%	500		0.0%
230990	Other			400		0.0%	400		0.0%	400		0.0%
4069029	Kackavall			200		0.0%	200		0.0%	200		0.0%
7070005	Cucumber			500		0.0%	500		0.0%	500		0.0%
22082012	Cognac			500		0.0%	500		0.0%	500		0.0%
22082026	Grappa			200		0.0%	200		0.0%	200	3.02	1.5%
24012060	Tobacco			500		0.0%	500		0.0%	500		0.0%

## Annex 6:

## Top Imported products from Turkey in thousands USD

HS Code	Description	2006	% to Total	2003	2004	2005
721420	Other bars and rods Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	17,433.89	7.2%	5,353.73	5,465.69	6,199.43
252329	Portland cement: other	15,145.05	6.2%	4,186.67	6,793.65	13,123.08
240220	Cigarettes containing tobacco:	11,805.45	4.9%	489.04	1,557.80	1,229.91
190590	Rusks, toasted bread and similar toasted products:	8,561.43	3.5%	7,402.80	7,649.96	7,139.05
252310	Cement clinkers	7,972.90	3.3%	94.84	6,953.96	7,765.15
760410	Aluminum bars, rods and profiles: not alloyed	4,906.51	2.0%	1,276.29	3,234.11	4,817.79
110100	Wheat or meslin flour:	4,402.99	1.8%	2,544.14	5,190.15	3,927.32
760120	Aluminum alloys:	4,358.04	1.8%	435.91	1,170.44	3,595.04
721499	Other:	4,288.80	1.8%	523.06	4,374.27	10,715.99
271019	Medium Oils	3,929.13	1.6%	62.29	374.74	264.14
	Top ten Imported	82,804.20	34.0%			
	Total Imports	243,314.62				

## Top Ten Exported Products to Turkey in thousands USD

HS Code	Description	2006	% to Total	2003	2004	2005
720449	Ferrous waste and scrap; remelting scrap ingots of iron or steel: Other	5,506.89	55.1%		3,526.18	3,735.91
410210	Whole hides and skins, of a weight per skin exceeding 16 kg: With wool on	1,375.89	13.8%	1,615.75	1,524.52	1,135.77
121190	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered:: Other	1,034.04	10.4%	892.07	1,284.35	1,204.13
260300	Copper ores and concentrates	691.06	6.9%			2,939.95
851822	Multiple loudspeakers, mounted in the same enclosure:	374.97	3.8%			
391590	Waste, parings and scrap, of plastics: of other plastic	131.74	1.3%			
410510	Tanned or retanned but not further prepared, whether or not split: in a wet state	108.87	1.1%	24.27	25.68	
940370	Furniture of plastics:	85.54	0.9%			
761090	Aluminum structures (excluding prefabricated buildings of heading No. 9406) and parts of structures (for example, bridges and bridge-sections, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors: other	73.54	0.7%			
850134	Motors Of an output exceeding 375 kW:	63.74	0.6%			
	Top Ten Exported	9,446.29	94.6%			
	Total Exports	9,989.80				

## Top ten Imported Products from China in thousands USD

HS Code	Description	2006	% to Total	2003	2004	2005
690810	Tiles, cubes and similar articles, whether or not rectangular, the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm:	4,176.32	2.9%	79.57	829.06	2,565.04
360410	Fireworks	4,174.22	2.9%	357.45	1,304.90	1,633.59
640299	Other footwear with outer soles and uppers of rubber or plastics: Other	4,002.75	2.8%	1,551.14	3,615.48	3,881.83
640219	Other footwear with outer soles and uppers of rubber or plastics: Other Sports Footwear	3,605.17	2.5%	173.35	775.88	1,983.30
940360	Other wooden furniture:	2,920.33	2.1%	100.12	637.65	2,277.01
691010	Ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures: Other	2,677.43	1.9%	164.02	828.54	1,986.88
950390	Toys	2,640.18	1.9%	16.32	1,022.34	2,252.13
540771	Other woven fabrics, containing 85 % or more by weight of synthetic filaments : unbleached or bleached	2,313.67	1.6%		160.77	673.86
848180	Other appliances:	2,168.58	1.5%	234.26	1,050.72	1,976.52
640411	Sports footwear; tennis shoes, basketball shoes, gym shoes, training shoes and the like	1,902.57	1.3%	463.40	1,151.73	1,943.43
	Top Ten Imported	30,581.21	21.6%			
	Total Imported	141644.7471				

## Top ten exported products to China in thousands USD

HS Code	Description	2006	% to Total	2003	2004	2005
261000	Chromium Ore	9,147.71	99.86%	1,719.10	506.31	2,865.05
870323	Vehicles Of a cylinder capacity exceeding 1500 cc but not exceeding 3 000 cm3 :	10.10	0.11%			
845420	Ingot moulds and ladles	2.95	0.03%			
691010	Ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures:	0.03	0.00%		0.25	
392690	Other articles of plastics and articles of other materials of heading Nos 3901 to 3914:	0.01	0.00%			
	Top Ten Exported	9,160.80				
	Total exported	9,160.80				

## Top ten Imported Products from USA in thousands USD

HS Code	Description	2006	% to Total	2003	2004	2005
720711	Of rectangular (including square) cross- section, the width measuring less than twice the thickness:	21,909.65	47.0%			
020329	Meat of swine, fresh, chilled or frozen: Other	3,643.31	7.8%	227.05	283.16	2,406.52
020714	Cuts and offal, frozen: Chicken meat	2,223.11	4.8%	4,400.81	5,686.60	3,526.21
721420	Other Bars and Rods: Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling	1,662.38	3.6%			
852431	Discs for laser reading systems: For reproducing phenomena other than sound or image	1,449.25	3.1%	34.65	3,875.84	2,308.09
020230	Meat of bovine animals, frozen: Boneless	1,405.07	3.0%	206.39	352.89	258.77
020712	Meat and edible offal, of the poultry of heading No 0105, fresh, chilled or frozen: Not cut into pieces, frozen:	1,024.99	2.2%	36.45	231.17	447.79
100630	Semi-milled or wholly milled rice, whether or not polished or glazed:	791.14	1.7%			306.22
720449	Other :	773.41	1.7%			2,702.31
852432	Discs for laser reading systems: For reproducing sound only	672.59	1.4%			
	Top Ten Imported	35,554.89	76.2%			
	Total Imported	46,645.83				

## Top ten Exported products to USA in thousands USD

HS Code	Description	2006	% to Total	2003	2004	2005
121190	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered: Other	2,639.68	76.7%	1,989.10	2,985.12	3,488.94
730421	Drill pipe	144.95	4.2%			
940340	Wooden furniture of a kind used in the kitchen:	99.99	2.9%			
903039	Other instruments and apparatus, for measuring or checking voltage, current, resistance or power, without a recording device:	90.45	2.6%			
630900	Worn clothing and other worn articles	90.27	2.6%	8.76	7.32	69.28
940390	Furniture Parts:	66.34	1.9%			
847330	Parts and accessories of the machines of heading No 8471:	63.79	1.9%	13.39	2.76	4.16
680291	Marble, travertine and alabaster:	41.49	1.2%		41.63	15.47
220820	Spirits obtained by distilling grape wine or grape marc:	34.54	1.0%		23.37	30.98
690810	Of common pottery	31.67	0.9%			
	Top Ten Exported	3,303.18	96.0%			
	Total Exported	3,439.41				

## ACIT The Albanian Centre For International Trade

The Albanian Centre for International Trade (ACIT) - a joint program of the USAID and the ICS - was established in 2002.

The ACIT's mission is the improvement of the quality of trade policies in Albania, as an important instrument for the economic growth and development, as well as the increase in the benefits of the society and citizens from the opportunities created by the trade liberalization and integration.

To accomplish this mission, the ACIT has developed its program based on five main pillars. ACIT operates as

- i. a study and research centre on international trade and trade policies;
- ii. a dialogue forum among various stakeholders and interest groups, aiming at the improvement of trade policy formulation and the informed public debate;
- iii. a resource centre, which provides direct access to information processed on the international trade of Albania and other countries;
- iv. a capacity building centre in international trade policies;
- v. a promotion centre for the competitiveness of the Albanian economy and products.

The aim of ACIT work is the improvement of the performance of the Albanian economy, the increase of employment and welfare, and the

promotion of exports and investments.

For all the period since its establishment, the ACIT has played an important role particularly as a centre of trade information and professional research in the area of trade policy. ACIT supports the decision-making and marketing processes by providing to the interested parties accurate information and knowledge on conditions, opportunities and risks involved in international trade issues, as well as through unbiased analysis on the trends and problems related to the Albania's international trade; accomplishment of the WTO commitments; the SAA (Interim Agreement) with the EU and bilateral FTAs with the regional countries; competitiveness of Albanian economy and firms, etc.

Starting from the year 2003, the ACIT has been continually provided a special support to the firms operating in leather and footwear industry. This support aimed at increasing the competitiveness of the industry by improving the environment of development policies in the sector, and increasing the managerial, financial and marketing capabilities of the firms operating in the industry.

The main ACIT's website - [www.acit-al.org](http://www.acit-al.org) has been quite frequently visited from many Albanian and foreign visitors since the year 2002. Two years now, two other websites have been available to the public, [www.ftdb.acit-al.info](http://www.ftdb.acit-al.info) and [www.albamis.com](http://www.albamis.com).

