

# ALBANIA IN TRANSITION AND THE REGIONAL INTEGRATION PROCESS

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If we look at the experience of the change from socialist economy to market one since 1989, we focus on the main characteristics of the second decade of their transition period, which is how these countries are integrating into the economic area of the European Union.

The transition of the Western Balkans into a zone of stability and growth is one of the most challenging tasks that the International Community has been facing during the past decade. So all the actors in a country and all the countries in the Region need to work together in order to integrate the Western Balkans into the rest of Europe

The fact that *Albania is Gateway of Adriatic* in the Balkan does make sense talking about the issues of Economic Integration to the Region and EU.

There are problems, which link to the quality of the economic & political reforms of the countries, which can make successful the transition in Balkan. For a deeper economic integration, the role of Trade & Banks is important as well. All the above need from us to clarify gradually some phenomenon like corruption, lacks in the property rights, characteristics of the bank sectors etc.

This paper is an attempt (*effort*) to make the actual situation in Trade Balance, domestic Production, Population & Migration Process, Poverty Reduction, Increasing of employment level & social integration, through Albanian data analyses useful information, for creating a right view (*Scenario*) about comparative advantages that we have. The paper, will also focused on the economic development in the condition of economic globalization, as very useful for a realistic economic growth in every sector as very needed in order to bring the amazing story of European Integration to a higher level.

## Key Words:

Average Level; Balkans; Budget; Country; Deficit; Deposits; Economy; European; Fiscal & Monetary Policies; Foreign Investment; Growth; Inflation; Infrastructure; Integration; Interest Rate; Migration; Poverty; Process; Remittances; Reforms; Region; Taxes; Transition; Zone; etc..

## Background

**Albania is undergoing many reforms when other countries in the Region are in a similar position.**

Talking about transition and integration processes, we have before us a jigsaw of economic & political factors to analyze.

My paper is focused on two pillars as it looks like: Transitional and Regional Integration, which means change from one condition or set of circumstances to another, aims to be part as well as combined parts into a whole, (*like the arms & legs are parts of a human being*).

New Development during transition is based on:

- A. \* Macroeconomic stabilization.

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- \* Microeconomic restructuring.
  - \* Adaptation of the institutional framework to create an efficient market economy.
- B.** \* Domestic development opportunities to be integrated to the Contemporary development of the EU in the economic, social & environmental aspects of welfare, since these three correspond with three economic, social and environmental components of development.

The output that comes from the above is:

- ▶ *It improves the position of current generations.*
- ▶ *Increase the development potential of future generations.*
- ▶ *Fit to the reduction of the development gap in the economy.*

Five Western Balkan countries: Albania, Bosnia, Croatia, Macedonia and Serbia & Montenegro – are all keen to join the wealthy bloc, but face a hard slog as they reform their economies and try to cement democracy & the rule of law.

However the countries in transition, demonstrate different levels in the reform processes, the origin of which derives from the initial national circumstances of the transition, as well as from the specific & social economic conditions & policies, they are following.

If we look at the experience of the change from socialist economy to market one since 1989, we find grate differences among the countries in the Region.

Why it is so different this process in the same Region?

Different countries of the transition economies have experienced the integration with Western Europe at a different level.

The process of the former socialist economy (*as we are*) becoming integrated into the economic area of the European Union, is the most important economic phenomenon of the transition experience from communism to market economy.

At very the beginning of the transition, Albania needed to establish good trade relations with Western Europe, and to provide an increase of the foreign Western European investment.

Therefore, it happens & it will happen when we take care of economic growth. Of course, Albania has its own characteristics in its way towards Regional Integration Processes.

First, these characteristics depend on the fact of being closer or further away to the border of EU.

The political changes have had specific difficulties between fall of the communist regime & beginning of serious economic reforms and macroeconomic stabilization.

Foreign investment inflow continues to be very low in Balkan because of the perceived geopolitical risks in the region, also because of the rather transportation costs perceived.

Judging from the experience of other countries, it is quite clear that the growth of Albanian exports destinate to EU countries will increase the investment coming into Albania from there.

There are some deeper problems to face in order to make transition period in Balkan area as successful as it was in Poland & Hungary.

Therefore, the countries of the EU should begin concrete negotiations to become members of the EU in a suitable period of time.

Albanian membership in the EU is a huge advantage and is going to give a lot of confidence to foreign investors and guidance for the economic policy makers as well as the proper management of our national economy.

Our macroeconomic stabilization program will have the same impact on foreign investors. So as a feedback comes, a tremendous number of economic development activities which can take place through Regional Integration Processes.

We have to focus on modernization reforms in terms of the:

(a) *Economic policies &*

(b) *Infrastructure.*

Where we talk for the first we mean the followed things, which need to be under control:

- ▶ *The level of corruption.*
- ▶ *A lack of clarity of property right.*
- ▶ *Instability of policy*
- ▶ *Weak banking sectors*

For the second we can say that it is very needed an appropriate infrastructure, particularly for information technology. The Internet means more ability to Albanian firms to participate in the globalize economy. A part of the strategy is also using the internet from the government and schools.

In this point of view, physical infrastructure means: improvement of the road system, airport facilities and port facilities too.

I see this fact as an important point where we have to focus on, because, thanks to geographical position, Albania is called as ***Gateway of Adriatic in Balkan***. In these circumstances, those linkages are key in creating the possibility of Albanian deeper economic integration as the matter of this fact.

Economic reform in most of the region has improved and, macroeconomic stabilization has been achieved almost everywhere. Therefore, the region could raise the dynamism quite significantly.

From all the above we can stress that there are two common things for all the transition countries that are included in the regional Integration Processes:

*A. New Development Paradigm (Scheme) is focused on overcoming the implementing gap. They are facing the cost of democratic changes in the Region.*

*B. The process of reforms is realized in the globalization economic circumstances.*

Why do I select this last as important one?

Beginnings of economic globalization give us the right answer.

European Agreement, which was established in the 1615 year from the Vienna Congress, presented an attempt for political coordination at the top levels of the state (*government*). National Alliance was an agreement of winners.

Not pretending to be long, that is enough to under stress the fact that nations attempts did not rest (*cease*). They were successfully with the foundation of International & Super national Organizations. Super national Organizations require their members to deliver, at list, a part of their sovereignty and they have an obligatory power for the accepting with their mandates.

International Organizations are based (*relied*) on voluntary cooperation of their members. They do not have direct obligatory power. National Alliance & United Nations are examples of International Organizations. Treaties and Agreements is an evidence of earlier attempts for economic globalization. That's way **actually, "globalization" sounds as a new stress on an old problem.**

All the countries in the Region have a European perspective, which aims to give their efforts for the promotion of democracy, the rule of law & the free market in the country, for

reforming and consolidating democratic institutions, matching European standards. These the above are a precondition for Albania's integration into Europe.

We are transferring from war to the post-war circumstances, from planned to market economy, from state to private ownership. Therefore, it is our economic performance, first, which will be a major factor in the development of the situation. This fact tells us a lot about how the essential support from the partners in the Region is. This process needs good governance and a big respect to the rule of law.

It takes importance the knowing & efficiently using of comparative advantages when we under stress that development strategy of one country, in the circumstances of economic globalization, includes international markets and changes of macroeconomic policies for their development.

As for all the Eastern European countries, linkages of Albania with Western Europe in private investments and joint enterprises, or its membership in EU, as a hope of development strategy sought and continues to, for functioning of stable economy and policies.

In 1993 year, was founded a European Economic Zone (*EEA*), joining European Community and Free-market European Association.

That made possible the joining in a one free-market zone "The Greatest of the World", with 380 million habitants and 46% World trade. In 1997 year, Community founded its own Central Bank, which followed by an only coin in 1999 year.

Such a development accompanied with harmonization of Monetary and Fiscal Policies, as well as with the confidence of all other countries including Eastern Europe, would make EU a reality at the beginning of 21<sup>st</sup> century.

This is based on what vice president of the European Commission stress, which is:

The transition of the Western Balkan into a zone of stability and growth is one of the most challenging tasks.

Therefore, the Stabilization Association process is now at the core of European policy towards the Western Balkan.

Attention has already been paid to the short-term support & stabilization of economies of the countries concerned on two fronts:

- *Immediate relief assistance for refugees and*
- *The support of social structure of the countries which have accepted the refugees as well as,*
- *External financing to face macroeconomic consequences of the crisis.*

The macroeconomic scenario, which is following, presents in quantitative terms the strategy, which is a feasible path for Albania's development.

## **Albanian Macroeconomic Scenario**

### **What does it tell?**

The Macroeconomic Scenario, based on the latest data presents in quantitative terms about the Strategy sees as a feasible path for Albania's development.

It is expected that the real rate of GDP to be 6,0%, This is the rate forecasted by the economic development program of the country for the 2003 year.

The agro industrial production for the first 6/months of 2003 year, has shown an increase of 13,0% compared with the same period of the previous year.

We can point out that industrial; transport & telecommunication sectors marked better results in nominal & real terms. In connection with the foreign trade, we may point out that it has made an increase of Albanian exports during the first 6/months of 2003 year.

**Labor Force  
second quarter 2003**



In the second quarter 2003, the unemployment rate decreases compared to the first quarter from 15.5% to 15.2%.

Employment in non-agricultural private sector increases

Although the export share is still low in the general Albanian foreign trade export-imports volume.

One quite important resource for the increase of the incomes has been remittances from emigration.

The rate of inflation in the end of September 2003, resulted to be 2,0-4,0% being so in the objective interval of the country development program (*proclaimed from the Bank of Albania*).

Except traditional factors, there are some factors that have influenced to that inflation rate: the increase of the number of tourists; the increase of exports, which has given its impact to the increase of groceries.

Monetary factors such as rate of exchange & budget deficit have influenced upon amortization of the pressures caused by the increases of foreign demand.

Monetary & Fiscal Policies, implemented within the planned parameters has brought & must bring their contribution (*impact*) to the macroeconomic stability of the country. In the process of macroeconomic indicators, is based the argument for the reduction of the basic interest rate from 7,5% to 7,0%.

The prerogatives for having a more suitable situation of the liquidity to (*in*) the system are argued with the latest development of the Bank System extension & the improvement of the offered services.

During the time period January-August 2003 year, is accorded about 55 million Leks credits, that is 1,4 time more than the same period of the previous year.

In the development of the foreign trade a special role have had the increase of exports & remittances.

The trade deficit has been \$615 million for the 6/months of the 2003 year.

International trade transactions as end September 2003 amounted to over \$1,661 millions, registering an impressive 28% increase compared with the same period of 2002. Exports during

the third quarter amounted to \$102,76 millions or \$325 millions during the nine months. This is a 19% increase compared to the third quarter of 2002, and 38,7% during the nine months as compared to the same period 2002.

Imports increased by 17,5% during the third quarter 2003 as compared to the same period of last year. In absolute terms, import value as end September of 2003 was \$1,335.9 millions, a 26% increase compared with the same period of the last year. Trade deficit as end September amounted to \$1,010.9 millions, 22% higher than the deficit registered for the same period of the last year.

**Table 1**

<b>Trade Imports and Exports January – September 2003</b>					
<i>In million of USD</i>					
<b>Quarters</b>	<b>Trade Export</b>		<b>Trade Import</b>		<b>Trade Deficit</b>
	<i>In absolute Values</i>	<i>As percentage change towards the same period of 2002</i>	<i>In absolute Values</i>	<i>As percentage change towards the same period of 2002</i>	
<b>Total Q1</b>	108.54	42.82	410.25	30.45	<b>301.71</b>
<b>Total Q2</b>	113.72	57.68	473.36	31.38	<b>359.64</b>
<b>Total Q3</b>	102.76	19.34	452.32	17.48	<b>349.56</b>
<b>Total of 9 months</b>	<b>325.02</b>	<b>38.75</b>	<b>1,335.93</b>	<b>26.05</b>	<b>1,010.91</b>

*Source: Albanian Center for International Trade (ACIT)*

From all the above show that the activity in the different Albania's economic sectors, in general is in an increasing progress.

Statistical table's data underline the increasing tendency, which according to the rhythms of growth in percentage give us the information presented to the following table.

**Table 2**

**Rhythms of products' growth in Agro industry.**

<b>Indicator</b>	<b>T2-'02/T1-'02</b>	<b>T2-'03/T1-'03</b>	<b>T2-'03/T2-'02</b>	<b>6m-l '03/6m-l-'02</b>
<b>Agro industrial Product</b>	20.0%	30.3%	16.9%	12.7%

*Source: Ministry of Agriculture & Food, September 2003.*

**Table 3**

If we refer to the changes of sales indexes, in real terms we see that:

<b>CHANGES OF SALES INDEXES</b>
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Sectors	T2-2003/T1-2003 in %	T2-2003/T2-2002 in %
<i>Industry</i>	7.9	9.5
<i>Construction</i>	34.2	1.1
<i>Trade, Hotels, Restaurants</i>	15.8	13.2
<i>Transport–Translocation</i>	43.9	4.1
<i>Total Economy</i>	<b>18.1</b>	<b>7.7</b>

Source: INSTAT, sales index, September 2003.

In such a way we understand how have advanced the incomes from sales, among the sectors in these comparative levels. A powerful factor to the development of economic & policies reforms is the encouragement of domestic & foreign investment. Although that investment has an increasing & positive tendency, actually those still are lower than those of the year 2000.

The development of free-market is one of the meanest indicators of the ability of one country to be integrated to the wide World economy and to be successful into the European Integration Processes.

We emphasize that one less developed country that now is exporting only natural products; it can protect an internal (*domestic*) industry, in purpose to change its economy, and at the same time reduce the economy's risk. Such an economy can make steps forward if it will be stabilized.

An export oriented economy has some advantages (*without avoiding the necessary professionalism, we must have, preparative not to pay the cost or disadvantages of that*).

Advantages:

- *Potential market is bigger than domestic one.*
- *Products or services in sale can be more appropriate to foreign markets.*
- *Sales in the foreign markets, is a higher safety against a decrease to the economy of the export country.*
- *Exchange rates can offer an advantage if our circulatory money system is presented weaker, comparatively to that of our clients (or it can appear as a disadvantage if our circulatory money system is strong).*

Based on the data for Albanian foreign trade volume we can see that the volume mentioned has been increased 33,3% in first half of the year 2003, compared to the same period of the previous year. (*INSTAT, Conjecture, September 2003.*)

The development scenario forecast a real rise in exports of goods & services which is to be achieved through Albania's increased International/Regional competitiveness. The real volume of merchandise exports may be increased by grater regional dispersion.

The export scale is still lower in the foreign trade volume. This is shown by the fact that domestic production is not able to cover completely the economic demand. Exports do not answer to imports in absolute values making in such a way, the trade deficit deeper. For the first half part of the year 2003 imports are covered only 26% from exports. Actually Albanian economy & domestic market is an import oriented, which takes 79% of the trade volume.

**Table 5**

Import	Export
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<i>In Cash</i>	<i>increase 6/ first months 2003/02</i>	<i>In Cash</i>	<i>increase 6/ first months 2003/02</i>
\$847 million	25%	\$222.3 million	50%

*Source: Bank of Albania – Q3/2003.*

So the trade deficit for the mentioned period is \$625,6 million.

Almost 50% of goods' & services' deficit for the first half of 2003 have been financed from income transfers, mostly from remittances which have register the sum of \$366,5 million. The last figure is 15% higher that the same period time of the past year.

In fact, remittances play an important role as for the income of migrants' families as well as for Albanian macroeconomic stabilization. Remittances have been the main resource of the income and have taken a part of 10-22% of our GDP during the period 1991-2002. These are bigger than foreign aids & investments to Albania. These are bigger too, than the incomes from export and have financed the increasing deficit of trade balance. *(Center for Economic & Social Studies – CEES, Aug. 2003.)*

Therefore, the remittances have appointed a special characteristic of Albanian transition, which is named "Extra-version" of economy *(which means bigger domestic consumption than national product – SAMSONI. Albanian experience among transition trajectories, working Paper, Grenoble 1996.)*

Remittances also have their impact to the poverty reduction and play a considerable role to the family's incomes *(Often/time after time it feels the presents of dependence from remittances.)*

However, economic development cannot be considered as challenged without making evident the country poverty level. Poverty is more evident in big families, retired people, unemployed, minorities, children without support, women.

Therefore, we come to **power**, which means the capacity of the poor people to influence social processes & governmental institutions, to improve solutions from the public side. In this way, economic security & education possibilities must make the focus of intervening for the reduction of poverty for vulnerable group that live in poverty or near the poverty line & for those who are risking to touch the poverty line. Factors which made obvious the phenomenon recently; **1-** Liberalized prices & wages; **2-** Decrease of output caused the decrease of the real wages, increase of unemployment; **3-** For fiscal reasons, inflation saving & income transfer did not correspond with the changes of prices and as the result of fiscal effects, a reduction of government ability to counter reply.

For the first part of the year 2003 foreign investment were increased almost 21%, reaching the sum of \$64 million. Here is essentially involved the activity of foreign petrol and mobile telephone companies.

Albanian Foreign Debt reaches up to \$59 million.

### **Table 6**

**If we refer to annual rate of inflation (in percentage-%) we see that:**



	January	February	March	April	May	June	July	August	September	October	November	December
2002	6.5	7.7	7.6	6.6	4.6	3.8	4.3	5.5	5.4	6.1	4.1	2.1
2003	0.3	1.5	1.9	2.8	4.0	3.8	4.2	4.0	3.9			

Source: Bank of Albania – Q3/2003

Table 7

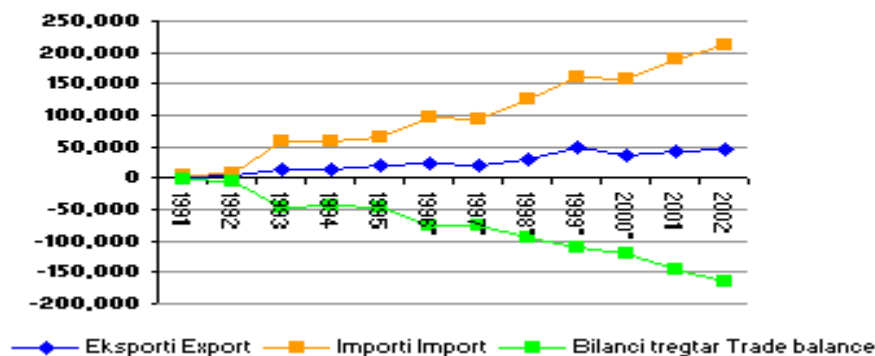
States	Feb.	Mar.	Apr.	May	June	July	Aug.
Germany	1.2	1.2	1.0	0.6	0.9	0.8	1.1
Greece	4.2	3.9	3.3	3.5	3.6	3.5	3.3
Italy	2.6	2.9	3.0	2.9	2.9	2.9	2.7

Source: Bank of Albania – Q3/2003

Annual inflation registered on September 2003 goes to the objective interval, up to 3,86%, mentioning here that this figure in the end of the year 2002 was 5,35%.

## Foreign Trade

Flow of goods in foreign trade



Export and import rise in September compared with the previous month. Export increased from 2.466 mln Leks to 4.771 mln Leks (93.5%) and import increased from 16847 mln leks to 19.207 mln Leks (14%) Aid on August is 65 mln Leks.

Trade deficit for September is 14.435 mln Leks signing an increase of 0.4 per cent comparing with the previous month.

Trade with the EU countries is 71.9 per cent. The main trade partners for this month remain Italy and Greece. Export to Italy is 75.4 per cent and import 29.6 per cent. While the export to Greece is 12.9 per cent and import 21.2 per cent.

In the total annual inflation give their impact the main groups of the basic needs which starting from January–September 2003 have been respectively: 1,54; 1,89; 2,82; 4,03; 3,81; 4,16; 4,00; 3,86.

Monthly expenditures/person has been increased three times since 1993. Considering that for the period 1993 – 2000 the inflation rate was 129 percent (*2.2 times*) then we may say that real family expenditure for consumption have increased 1.3 times.

The fact that inflation is in the objective limits 2-4%, has done the bank of Albania to follow a suitable Monetary Policy

**Table 8**

**Fiscal Indexes (in million Leks).**

	<b>July-Aug 2003</b>	<b>2003/2002 changes in %</b>	<b>Realization of plan %</b>
<i>Incomes</i>	25.7	5.6	95.1
<i>Expenditure</i>	33.8	3.8	86.2
<i>Deficit</i>	8.1	-1.8	54.9

*Source: Ministry of Finance.*

According to info data of Ministry of Finance, up to the end of August are gathered 95% of planned incomes and there are realized almost 86% of planned expenditures. This deficit may will be higher actually, because of expenditures increase, which usually happens by the end of the year.

Almost 70% of budget incomes up to the end of August came from taxes, which realized by 95,8%. We include to these taxes: *(a)* Income tax; *(b)* Local Gov. Incomes; *(c)* Incomes from independed budget; *(d)* Non-tax incomes.

In order to achieve the price and monetary policies' goal of bringing inflation down to levels comparable to the EU and at the same time maintaining the external balance, it will be necessary to co-ordinate macroeconomic policies, whose measures will eliminate the current generators of inflation and will to a greater extent than before neutralize external and one-off effects that push prices up.

In addition, the monetary aggregates have had a considerable increase during the third quarter of the year 2003.

The Bank deposits are increased in average level by 4,9 billion Leks during the period July-August 1999-2002.

In addition to macroeconomic policies, an important role will be played by structural reforms, and the creation of a more flexible labor market.

When adjusting relative prices to the EU levels, a distinction should be drawn between discrepancies caused by administrative factors & those reflecting the processes of catching up the advanced countries.

The main goal of fiscal policy is to gradually achieve balanced public finances so as to enable the Government to allocate a larger proportion of budget spending to development projects on one hand and on the other, enable the disburdening of the economy by lowering the share of general government revenue in gross domestic product.

The gradual elimination of the fiscal deficit will reduce the need for additional government borrowing and lower the cost of its financing, which has increased in the last few years.

To the focus of stable macroeconomic policies, it must be keeping of fiscal indicators to the forecasted level such as:

For the time period September–December 2003 (*according to the info. of Bank of Albania*), is needed to generate at list 1,3 billions Leks more incomes per month then those forecasted, in purpose to realize the objective of 175 billion Leks by the end of 2003.

Deficit of the budget, by the end of the August 2003 was 12,1 billion Leks.

Suitable monetary policy followed from Bank of Albania has been reflected to the reduction of the basic interest rates by 0,5%. This brought the reaction of the deposits and credits market. This action of Alb. Bank followed the reduction of the basic interest rates from the European Central Bank and FED, during last June as well as the increase of money supply, mainly from remittances and tourism.

Giving more details about monetary & fiscal aggregates, we will figure out a better view of macroeconomic scenario, but the time is limited, so it is enough to assume that:

Albania's economic development, as priorities needs to strengthen the factors of development: the share of programs in the areas of education; science & technology; information; infrastructure; labor market policy; health insurance; culture & sports; social security and environmental protection; **On Its Way to the EU.**

**Let us mention some milestones in the relations between the EU and Albania:**

◀ **1992:**

*Trade & Cooperation Agreement between the EU & Albania. Albania becomes eligible for funding under the EU Phare Program.*

◀ **1999:**

*Feasibility study on Stabilization & Association Agreement completed. Albania benefits from Autonomous trade preferences with the EU.*

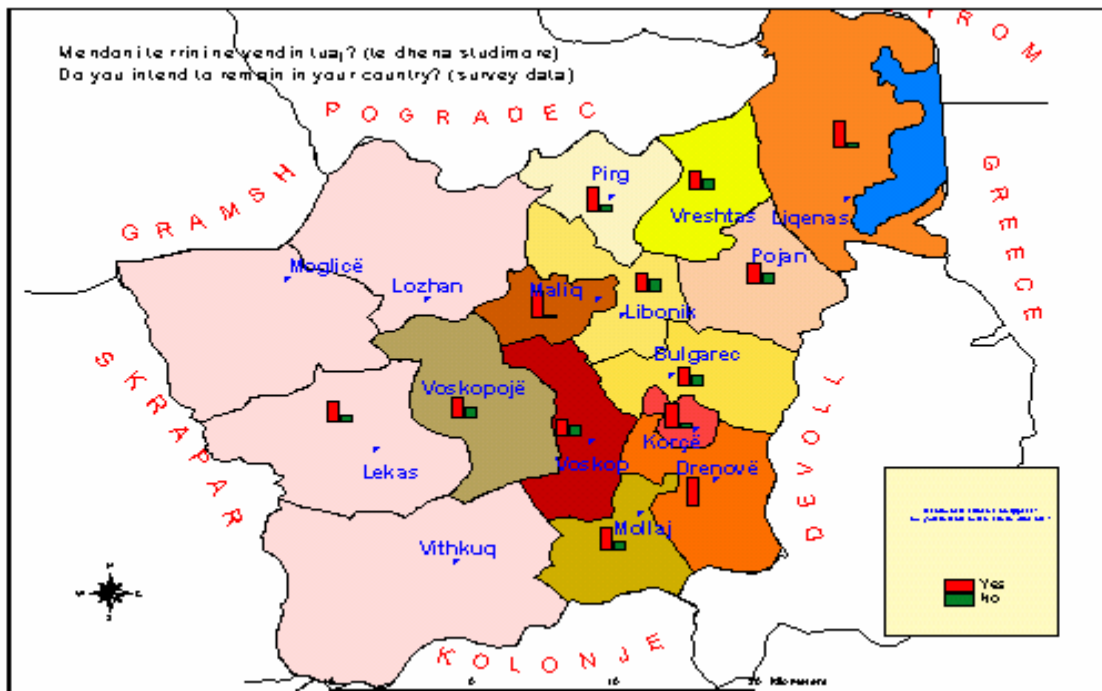
◀ **2000:**

*Extension of duty free access to EU Market for product from Albania.*

◀ **2001:**

**The Commission concludes that it is now appropriate to proceed with a Stabilization & Association Agreement with Albania. The Göteborg European council (June 2001) invites the Commission to present draft negotiating directives for the negotiation of a Stabilization & Association Agreement with Albania.**

## Case Study



In early 2002 the Center for Refugee and Migration Studies (*CRMS*), based in Tirana opened a project office in Korca district, to implement a two-year project on Migration and Community Development: Enhancing Community Assessment & Reaction Strategies. The Swedish International Development Agency (*SIDA*) funds this project.

Sida Korca Community Project aimed to help the Region, Municipalities, and Communes & University of Korca to develop community change strategies and to create and sustain the organizational infrastructure, necessary to support & implement the strategies.

Our project has been recognized and visited by numerous International, National and Local Officials, Agencies and Institutes throughout Albania: the International Organizations for Migration, OSCE, the Rector of Korca University and the Chairman of the Korca Regional Council among others.

With the access of Albanian INSTAT on random sampling, we interviewed 1342 families of Communes and Municipalities of Korca and Maliq. I should want to come out with some conclusion in brief, based on data analyses as follows:

- ❶ From the sample, we noticed a decrease in the number of the youngest team-ages in Korca District.
- ❷ From the gender point of view, the percentage of males migrated is higher than females' one, which are respectively 81,0% & 19,0%.
- ❸ The average age of the emigrants is 33,5 years old.

④ 93,7% of the emigrants is in the labor age, while those which are under labor age consist of 4,7%.

⑤ The emigrants from urban area have a higher education stage, 63,0% of them have accomplished 9-12 grades, while 42,3% of those who migrated from rural areas have these grades.

⑥ There are some reasons for Albanians to leave their country, such as:

- a. *searching another job;*
- b. *joining their families;* (the majority are females);
- c. *taking education abroad;*

The first reason has the higher percentage, 80,8%. Based on this reason 47,9% think that “can not find a job”; while 38,8% think that “have a job but don’t earn enough from it”.

In addition, interviewed people had specified the destination countries where they want to go. In the 1st place it is Greece with 54,9%, the 2nd is USA with 27,7%.

Remittances are coming in Albania in Cash with the measure 93,8% and those in the form of goods take only 6,0%.

In the essence people migration is a kind of development. It is true for normal migration but it is not the same for the flux migration, as it is for Albania starting from the nineteen’s when the Albanians felt for the first time themselves free to move around.

During this period two peak years of this process have been 1992 and 1998 years.

As a characteristic feature has been people movement from rural areas to urban ones and from urban areas abroad.

During the period we are talking about, it was noticed the phenomenon of existing of the literate labor force but this does not mean qualified people, especially of the people coming from rural to urban areas.

Being not fully prepared, from the above-mentioned point of view, with the requirements of the free market economy, these categories of people increased the unemployment rate, as well as have been predominant suppliers of the informal economy, which takes a considerable part to the factors that feed the fiscal evasion.

As a conclusion to this process, we can say, we have to promote policy that will help to maximize the potential benefits of migration for poor people, whilst minimizing its risks and costs. In addition, we see one more reason to stress the need to follow University Education Reforms, as well as realization of professional qualification courses through Training Vocational Centers.

### **Perspectives and Hopes in the Regional Integration Processes**

I would like to give some remarks about perspectives and hopes, by referring to the speech of Christopher Patten at the Western Balkan Democracy Forum\* (*Thessalonica 11 April 2002*).

“..... Our policy amounts not to an exit strategy, but to an entry strategy, a strategy to help the Balkan Countries themselves, become members one day of the EU.”

All the countries in the Region have a European perspective.

To years ago the EU explicitly recognized Albania as a potential candidate for membership, and carry out a policy for the Stabilization and Association Process – to help turn that dream into a real possibility. Compared to only two years ago, the situation has been transformed. However, the Region remains desperately weak and vulnerable.

The main goal is preparing Albania as candidate country for membership. This means intensively work with reforms to prepare for starting negotiation. How soon is soon will depend largely on

Albania. Hard work against corruption, organized crime, use of professional advice and policies & the rule of law is only just the beginning.

Turning Albanian economy into a free market in which enterprises can thrive under the law and in which barriers to legitimate regional trade are steadily eliminated.

If there exists a high rate of unemployment in one country, let say A, the fiscal policy is the remedy and not the market restrictive measures, which have to deal with the policy of “neighbor impoverishment” (*it is the policy which means to transfer the poverty of country A to B one*).

The development of the free market is one of the main indexes for the ability of one country to be integrated into the World Economy. Considering the environment as a factor of development, means using of comparative advantages and environmental protection.

Creating a climate of trust. The processes of the regional integration require the state role to be seen, among all, in how it creates a harmonious business environment as a facilitator in the market process as well as an entrepreneur of the economic processes.

Albania has been joining in different areas international organizations. Non-cooperation would be serious brake on our relations to the Region. Based on the Regional experience we conclude the work devise in the Regional integration processes as it follows: Economic growth, progress, require the explanation & putting into the movement of the mechanism’s of the change.

In addition, it means:

- *To further extend the amount of economic freedom on our societies;*
- *To make sure that the rule of law must be applied in all activities;*
- *To promote transparency in order to meet our citizen’s needs, based on commitment & solidarity;*
- *To turn the area into an attractive zone for West foreign investment, we need to make the right and suitable steps.*

From these short remarks, we can stress that:

We have a long way to go in the integrated Europe but... we are getting there because “The future of the Balkans” is within the EU.

The long & difficult way towards Europe needs persistence hard work, free-market democratic & reforming institution in order to create new mentality for matching (*to match*) European standards as a precondition for Albania’s integration into Europe.

Stabilization & Association process has proven “*extraordinarily*” successful in transforming the Region.

As the EU’s external affairs commissioner Chris Patten said: “The time has come to enrich the cooperation by setting up European Integration Partnerships.”

EU community programs, in the fields like science and education will have their impact on the medium term, as well as liberalization of trade and the creation of the free-trade area in the five Western Balkan Countries.

At last but not at list we feel that: To be an important part of the Region, the New Development Paradigm, in the second decade of transition, needs to be oriented on making useful comparative advantages to be considered as role-player into European Integration. From this point of view, Albania’s future economic performance has to be focused on economic growth; poverty reduction; high employment level as well as to give effective solutions, to the issues of economic freedom in the society. To get the desirable results we need to fight and face the major obstacles identified for the Region wider such as organized crime & corruption.

This is European vision & what is needed in order to bring the amazing story of European Integration to a higher level.

“The speed of movement ahead, lies in the hands of the countries of the Region.”

The transition of the Western Balkans into a zone of stability and growth is one of the most challenging tasks that the International Community has been facing during the past decade. So far, we have taken a number of important steps, but we still have a long way to go and this we can do only if we proceed with good will, patience and coordination of our endeavors. The International Community, the European Union, political functions, nongovernmental organizations but –most of all– the countries concerned need to work together in order to integrate the Western Balkans into the rest of Europe. (*Ms. Loyola de Palacio del Valle-Lersundi, vice president of the European Commission*)

It is clear and understandable, that in the integration processes, Albania is not alone, because we are working hard with the partners, having the same purpose which is already emerging as global partnership.

In order to become even more safe anchored to the international community and to the EU, we need a step-by-step working plan and a regional permanent work, to make it touchable.

From my point of view as University professor, I think that **the more efficient management of education and training system (which is economic objective), can dictate a high decentralization scale, which in turn, supports creativity and diversity (social objective).**

..... “Failures in investments for the education of the youth will generate high costs for the state and the individual, because deficient education will result in an increase in the number of the unemployed and the ones who live in poverty and, those who consume a disproportional part of public services and expenses”. (*Labor Markets & Social Policy in Central and Eastern Europe - page260*)

Nevertheless, there exists now a distinguished sign from which derives our visionary optimism which is **“A new Generation is creating a European Future for the Western Balkan”**.

As we see, despite the difficulties & differences, it looks like things are moving towards the progress.

I would prefer to conclude this paper wishing to this conference that Albania must be seen, as soon as possible, an integrated part of the whole World & like this, to move continuously as it requires the economic globalization process.

**Somebody is a good speaker when he is a good listener,  
and if he has understood that, for an ideal communication,  
every part of that must be in the same time transmitter & recipient.  
So our duty is to reach the goal and to find the followers.**

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