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# ALBANIAN FOREIGN TRADE **ANNUAL REPORT**

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## 2003



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It is with great pleasure that I am introducing the Foreign Trade Annual Report 2003, ACIT newest product.


For the second consecutive year, ACIT offers to its partners and the public at large, a compact summary on the Albanian foreign trade developments, statistics, trends and problems related, in a year time. The warm acceptance and the very supportive feedback following the publication of our first trade report (2002) motivated us to improve and prepare a superior product.

This publication is a serious effort to give an overall picture of the Albanian foreign trade volumes, dispersion and structural changes, as well as to explore the complex factors behind the trends. The analysis has been putted in a regional and global context, taking into consideration the interaction between the domestic factors and liberalization and integration processes where Albania has been intensively involved.

The Foreign Trade Annual Report 2003 should not be considered as a separate attempt of ACIT program, neither as an exclusive outcome of ACIT staff only. Moreover, it is the result of continuous upgrade and research work with the theory, best practices and contemporary trends of foreign trade as well as of meticulous analyses undertaken in events that dealt with specific issues. Comments and observations that you will come across while reading this report, incorporate the contribution of a number of participants to these events, including government officials, business community representatives, academics, donors and partner agencies and organizations.

Along with ACIT staff members and local expert group, I would like to thank all of those contributing to the ACIT program and debate on trade policies. Our deep gratitude to the General Directorate of Customs, the Ministry of Economy, the Ministry of European Integration, INSTAT, the Ministry of Agriculture and Food and the Bank of Albania, for their cooperation, and their service as a valuable source of information. Special thanks goes to the USAID mission in Tirana and to ISB's top management, without whose support the publication of this report would have been difficult. Following the example of last year, the Albanian and English versions of the Foreign Trade Annual Report 2003 are being printed and published electronically in our website.

Conscious of the fact that further improvement of this material remains a constant concern, any comments and suggestions of yours will be highly appreciated.

**Selim Belortaja**  
  
**ACIT Executive Director**

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## **Introduction**

### **Trade, development, and poverty reduction**

Foreign trade developments are an important component of overall economic developments in general and of external sector in particular.

Research has been progressively emphasizing the importance of the relationship between foreign trade and economic development, and its role in poverty reduction. Progressive economic opening, through reduction of trade barriers, is certainly an important source of economic growth. Researchers have been trying to quantify the relationship between economic opening, growth and the income level, proving a strong statistical correlation between these variables. Foreign trade is crucial especially for small-scale economies. Increasing economic opening is the only alternative for such countries to overcome barriers stemming from small-scale markets. As indicated in this report, our country's economic opening level, measured considering exclusively the trade of commodities has increased during 2003, reaching 39 percent of the GDP, as compared to the 36 percent level registered during the previous year. Nevertheless, this is the lowest level of economic opening compared to all other regional countries and developed economies having similar market size as well, while this indicator's level commonly exceeds even 100 percent of the GDP. This is why intensification of economic opening is one of the key points concerning the activation of sources of economic growth.

However, reduction of trade barriers and trade liberalization, are not enough to promote economic development of the country. Trade and trade policies must be considered as part of a broader development strategy, a strategy including macroeconomic policies, physical infrastructure development, human resources development through improvements in education, health care, and leadership. These components of the general investment environment are key factors for attainment of a sustainable growth, as well as for making trade strategies profitable and turning them into sources of growth. The liberalization process, considered individually, apart from the reforms progress would fail to generate the expected positive returns. It is for this reason that intensification of liberalization reforms should go hand in hand with the consolidation of institutions that guarantee a fair competition for all subjects in the market. Despite progress made during 2003 in this context, after a new law on competitiveness, which conforms European legislation standards, entered into force, progress seems sluggish. Creation of the appropriate institutional network dealing with the execution of law requirements and effective realization of the goals stated in the law is still in its emerging state and executive capacities remain poor. If legislation on competitiveness and consumer protection does not become effective, then neither liberalization of the trade regime would help to promote poverty reduction through providing products and services at lower prices; instead, it would go in favor of a number of beneficiary groups in the form of rents. Moreover, this would contrarily sharpen inequity between social categories.

Foreign trade developments during more than a decade of economic transition have been characterized by a high level of trade deficit, which has contributed to a high level of the Current account as well. In spite of the positive dynamics of exports, improvement of the trade deficit has been impossible to achieve as a result of great differences in the import-export volumes. While economic growth will require the growth of imports as well, improvement of the trade deficit will be possible only through export promotion. This can be achieved through improvement of the general investment environment as well as domestic and foreign investment promotion. Thus, intensification of structural reforms is of key importance regarding improvement of competitiveness and improvement of the position of external economy as a result of the former.

Trade policies, comprise only one of the reforms directions toward achievement of development objectives stated by the Albanian Government in the National Strategy for Economic and Social Development. Efficiency of trade policies will be attained only if they are synchronous with the rest of transitional and integration reforms.

It is the purpose of this paper to analyze foreign trade developments during 2003, evolution of the trade regime over time and the regional and European integration agenda the country has already entered. Apart from providing significant statistical data regarding imports and exports, efforts are made in the report to analyze structural tendencies and changes, emphasizing positive experiences. The country's trade regime developments, in the context of the multilateral system, as well as in the context of regional and European integration, tend to inform the reader about the progress achieved, and future challenges. These developments have been analyzed in the context of global trade developments and global trade regime evolution. Summing up, export performance should be considered in the context of a growing world demand for the country's export products, and increasing competitiveness of domestic production on the other hand, as a result of lower prices, quality improvement and transition towards production of the most demanded export products in world markets.

## I.1 Global trade developments

After a drop in the world trade volume during 2001, a real growth of 2.5 percent was recorded by the end of 2002<sup>1</sup>. Exports of goods increased by 4 percent while exports of services increased by 5 percent, which is close to the average annual growth rate registered throughout the 1990 decade.

Table 1.1 Export volume growth of goods and services, 1999-2002

	<b>2002</b> <b>(billions of USD)</b>	<b>1990-2000</b>	<b>2000</b>	<b>2001</b>	(Percentage change)	
					<b>2002</b>	<b>2003</b> <b>(first half)</b>
World exports of goods	6,240	6	13.0	-4.0	4.0	15.0
World exports of services	1,540	7	6.0	-1	5.0	...

Source: WTO Annual Report

An increased demand for imports from Asian regions (roughly 21.4 percent of total world imports), transition economies (4.3 percent) and Western Europe (38.8 percent of volume) favored the increase of global trade exchange. Growth was slow in North America (which accounts for 21 percent of the world imports volume), while it was negative in the Latin America region (5 percent) and Japan (4.9 percent). On the other hand, exports from North America were hit by a decrease in demand from European and Latin American countries, as a result of a drop in their economic growth paces.

Table 1.2 World trade volume growth according to regions

(Percentage change, value in billion of USD)

Exports					Imports			
1990-00	2001	2002	2002 value		2002 value	1990-00	2001	2002
7.0	-7	-4.0	946	North America	1431	9	-6	2
9	-3	1	351	Latin America	355	10.5	-1.0	-5.5
4	0	5	2648	Western Europe	2644	4	-2	4
4	0	5	2441	European Union (15)	2438	4	-2	3
10	5	8.0	309	Transition economies	297	8.0	11	10
10	12	12	145	Central and Eastern Europe	176	12	9	10
3	-6	1	139	Africa	133	3	2	1
6	-7	-2	236	The Middle East	183	5	4	2
8	-9	8	1610	Asia	1457	8	-7	6
5	-16	3	416	Japan	336	5	-8	-4

Source: WTO Annual Report, 2003

China's ongoing fast-paced trade expansion was one of the most striking developments in global trade during this period. Both exports and imports increased by 30 percent, between 2000 and 2002 while the

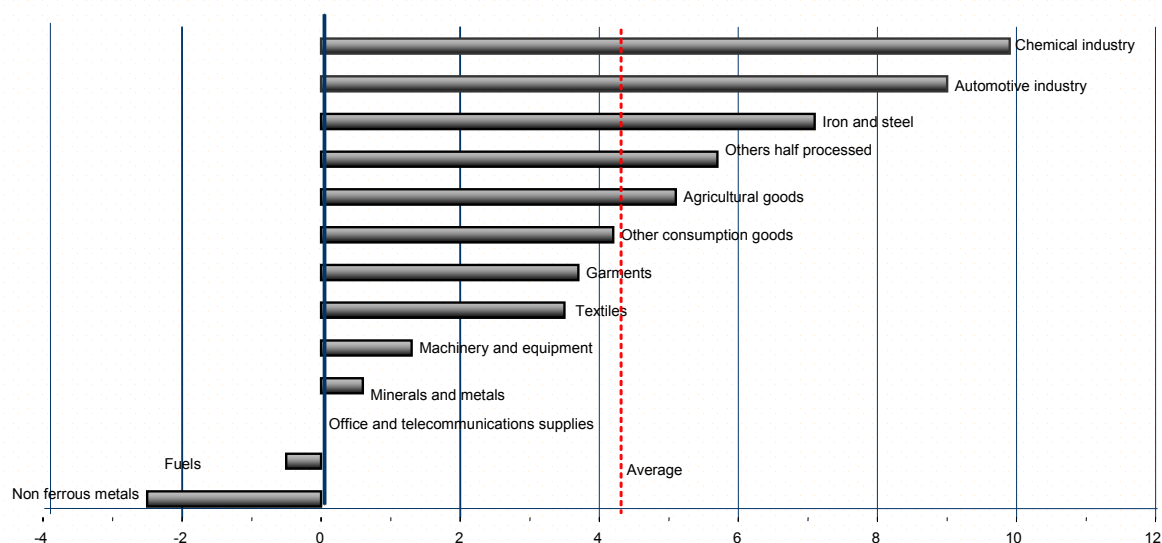
<sup>1</sup> The data has been extracted from the World Trade Report, 2003, a publication of the World Trade Organization. The report can be downloaded from the WTO web page: [www.wto.org](http://www.wto.org)

rest of the world was in stagnation. During the whole 1990 decade, China's trade exchange volume was approximately three times higher than the world average.

The trade of goods in **transition economies** also registered positive records, experiencing an exports growth of 8 percent and an imports growth of 10 percent (in terms of value). 14 out of 22 transition economies registered growth rates superior to 10 percent regarding both imports and exports. The most impressive growth took place in Central and East European countries, where a 12 percent increase in exports and a 10 percent increase in imports were registered.

Trade developments in **regional countries** can be generally considered positive, concerning both exports and demand for imports<sup>2</sup>. Growth of exports during 2002 was especially pronounced in Romania (21.8 percent) and Bulgaria (12.3 percent). Serbia and Montenegro also registered an increase (19.8 percent), but this came after an almost equal drop during the previous year. Exports growth was less impressive in Croatia (5 percent), while it was negative for Macedonia (-3.7 percent) and Bosnia (-7.1 percent). Total exports from these countries amount to 29 billion dollars and Albanian exports occupy only 1.14 percent of this volume. Demand for imports was positive in all countries. Growth was also strong in all countries: Bosnia (14.9 percent), Croatia (17.1 percent), Romania (14.8 percent), Serbia and Montenegro (14.9 percent), Macedonia (13.8 percent) and Bulgaria (9.9 percent). Total imports from this group of countries amounted to 43.3 billion dollars. Imports from our country represent roughly 3.4 percent of the region's total imports.

Figure 1.1 World trade by products, 2002



Source: WTO Annual Report

The world trade was also influenced by developments regarding exchange rates and prices. A depreciation of the US dollar in relation to the European and Asian currencies, starting from 2002, not only affected their competitiveness level, but also had an impact on the nominal value of trade exchanges. On the other hand, a slight increase in the price level of energetic and non-energetic products, contributed to an overall increase of the price level in world trade. World trade growth was supported by a higher trade volume growth of processed products while growth in the trade volume of energetic products (fuel) was much slower.

<sup>2</sup> The data concerning this group of countries have been extracted from the IMF "World Economic Outlook" report, 2003.



Taking into consideration the sectorial structure, the emerging leading position of chemical products concerning trade growth rates, contributed mainly by the pharmaceutical industry was probably the most prominent development. The chemical industry share in global trade volume exceeded 10 percent, hence surpassing the volume of automotive and agricultural products industries. Whereas the most noticeable decrease was registered in non-ferrous metal exports which was mainly caused by a drop in prices, especially those of aluminium.

**Perspectives for 2003 are positive.** Depreciation of the US dollar in relation to the main world currencies is one of the key factors contributing to this trade boom. High prices of fuel and non-energetic products have also influenced global trade growth. It is estimated that improvement of the world economy development indicators during the first half of 2003, will sustain the expected trends in global trade, achieving a real annual growth of 3 percent.

## **I.2 Developments in the global trade system**

According to Mr. Nicholas Stern, Vice President of the World Bank<sup>3</sup>, “a result in favor of poor countries of the Doha Agenda is only one step towards a more pro-development world. However, this is an important step”.

Developing countries have been traditionally considered as exporters of raw materials and natural resources and importers of technology and processed products. Starting from the ‘90s, the situation has changed thoroughly. The share of this group of countries has increased from ¼ to 1/3 of the global trade volume. On the other hand, the volume of processed products has increased from 20 percent to 80 percent of their total exports. This is why their presence in the round of negotiations in the context of the Doha Agenda was more powerful and their interest in being active in this context has increased proportionally.

Higher access in the markets of developed countries regarding agricultural products and the textile industry comprise subjects of essential interest for developing countries in these negotiations.

The Uruguay round - the first initiative that marked transition towards liberalization of the agricultural goods trade - imposed certain restrictions on the degree of protection that developed countries can apply on this sector. According to different studies, developed countries, including the Triad (USA, EU, and Japan) spend 200-300 billion dollars annually to support this sector. Policies that distort global trade conditions must be gradually eliminated, especially subventions of these products exports, which should encourage producers from developing countries.

The second question involves the intensive labor industry and the fact that it is the main opportunity that developing countries have to take part in international trade. The textile industry is one of the most strictly protected industries by developed countries; protected by rather high tariffs and reflecting an obvious cascade effect caused by tariff protection. Their trade policies encourage imports of raw materials or semi products of this industry from developing countries, while high tariffs on finished products discourage exports of this industry’s products from developing countries. According to the WTO Agreement on Textiles and Garments, quantity limitations regarding trade of these products must be eliminated until the end of 2004. This criterion, along with China’s membership and its volume in

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<sup>3</sup> World Bank Report, 2004 “Global Economic Prospects – Realizing the development promise of Doha”

the trade of these products, has increased concerns regarding the future impacts of developments in this industry.

Agricultural products and textile industry trade comprise approximately 70 percent of exports from developing countries. This is why benefits from progress of the negotiations in these sectors are very important for these countries. The WTO Annual Report<sup>4</sup> estimates that global benefits from industrial goods trade liberalization would cause an increase of global income from 250 to up to 620 million dollars annually, of which 1/3 go in favor of developing countries; while elimination of subventions in the agricultural goods trade would increase the farmers income in developing countries by approximately 30 billion dollars annually.

A number of conventions for negotiation have been already proposed aiming at tariff reduction in the trade of agricultural and non-agricultural products. WTO member countries (which now amount to 146 after the admission of the People's Republic of China and the Chinese Taipei in the Cancun meeting, September 2003) are already discussing about formulas aiming at a more disciplined global trade, especially regarding frequent use of antidumping measures in international trade.

If these reforms result successful, bringing about progress in these areas of concern, then the Doha Agenda promises regarding development promotion in developing countries, can be considered complete.

## II. Albania's foreign trade developments during 2003

### II.1 Macroeconomic developments

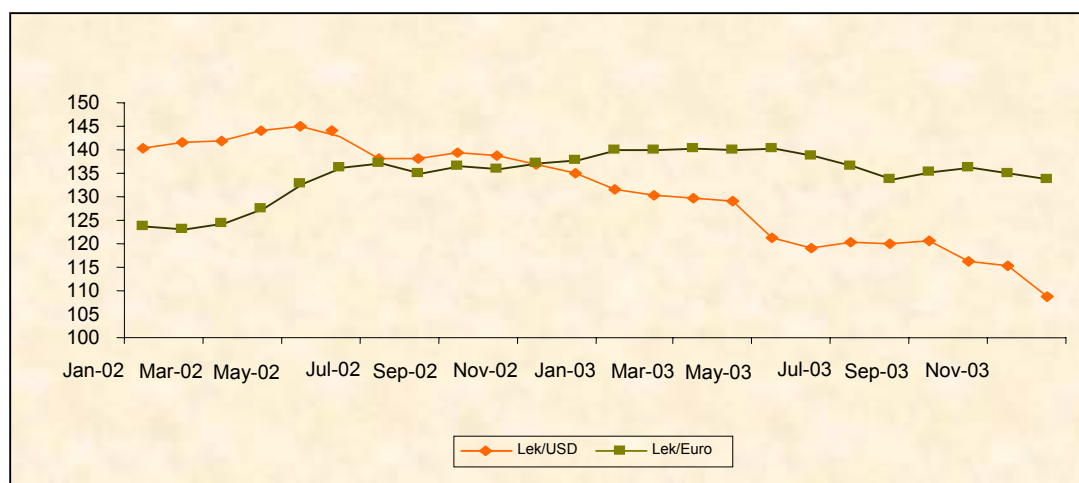
After a 4.7 percent growth in 2002, the annual real growth rate of the **Gross Domestic Product** during 2003 is estimated to be 6 percent<sup>5</sup>. Strong economic growth must be also considered in the context of intensification of efforts towards fiscal consolidation. Thus, it is estimated that public finances have been further consolidating, which is reflected by a lower fiscal deficit. According to estimations, the **fiscal deficit** (excluding grants) is expected to reach 5.6 percent of the GDP (or 5 percent if grants are included) by the end of 2003. Budgetary revenues increased to 23.6 percent of GDP as compared to the 22.7 percent level in 2002, while overall government expenditures were cut back to 28.5 percent of GDP as compared to the 29 percent level registered by the end of 2002.

Developments regarding **prices of goods** have reflected price stability during 2003. By the end of 2003, a 3.3 percent annual inflation rate was registered, a level considered to be acceptable for the Bank of Albania. The **exchange rate** performance during 2003 has generally reflected developments in international exchange markets. The American currency maintained its prevailing trend of depreciation starting from mid 2002. The national currency, Lek, has been appreciated by 13 percent, while it has been depreciated by only 4 percent in relation to the European currency, Euro.

Figure 2.1 Exchange rate performance 2002-2003

<sup>4</sup> WTO Annual Report, 2003 (the report can be downloaded for free from the WTO web page: [www.wto.org](http://www.wto.org))

<sup>5</sup> The data on macroeconomic developments have been extracted from the IMF mission report, published on January 2004. The report can be found on the following web page: [www.imf.org](http://www.imf.org) and can be downloaded free of charge. The data are provisional and a more comprehensive and accurate estimate will be carried out in the future.



Source: The Bank of Albania, Monthly Statistical Bulletins, 2003

The average dollar value during 2003 was 121.84 Lek/USD (as compared to 140.15 in 2002), while the Euro was quoted at an average of 137.51 Lek/Euro (as compared to 132.36 in 2002). Instability in the exchange market has influenced a strong fluctuation of the exchange rate in relation to the dollar while exchange rates in relation to the euro have been more stable<sup>6</sup>

Various trends in exchange rates between these two currencies have emphasized the need for a more accurate evaluation of the role each of them plays in the country's trade transactions and in the evaluation of currency effects in the trade balance. This remains an area of interest regarding future research.

According to provisional data from the Bank of Albania, the **Current account** is estimated to have a deficit of 406.7 million dollars, i.e. 6.8 percent of the GDP. This comprises a significant decrease on the deficit as compared to the 9 percent level registered during 2002. Higher income inflows and current transfers had a moderating influence on the Current account deficit, contrasting the increase of trade deficit.

**Trade of services** is taking a progressively overwhelming importance in the context of the balance of payments. The transactions volume of the services account amounts to 1,522 million dollars. This amount comprises 68 percent of transactions in the trade of goods during 2003. The tourism sector certainly occupies the dominant part of the services account, with a volume of 1,011 million dollars, or 66 percent of total transactions in the services account. Revenues from the tourism industry during 2003 are estimated to be 522 million dollars, which is approximately 16.7 percent higher than exports of goods. On the other hand, outgoing flows from residents for tourism abroad amounted to 489 million dollars, causing the services account to close with a net positive surplus of 33 million dollars. Growth of the tourism industry as compared to the previous year was about 7 percent regarding inflows and approximately 34 percent regarding outgoing flows.

<sup>6</sup> Measured by the standard deviation of the average monthly exchange rate during the 2002-2003 period, it has been noticed that during 2003 the dollar instability has increased by 5 units (its standard deviation has increased from 2.995 in 2002, to 7.033 in 2003), while the euro exchange rate was more stable (its standard deviation has decreased from 5.878 in 2002, to 2.715, in 2003).

Inflows from **current transfers** (net transfers) amounted to 842 million dollars, increasing by approximately 37 percent as compared to 2002. Remittances had a dominant impact, reaching 778 million dollars in 2003 or 146.5 million dollars more than the 2002 level.

**Foreign direct investments (FDI)** during 2003 had a poorer performance as compared to the previous year. FDI during 2003 shrank to 178 million dollars as compared to 268 million dollars in 2002. However, this figure should be considered in the context of the performance of privatization programs as well. Starting from 2000, FDI performance dynamics have been positively affected by the privatization of a number of strategic enterprises in the banking system, telecommunication, and concessions in the mining sector, while progress during 2003 in the privatization area was slower, failing to register any significant development.

## II.2 Foreign trade developments

### II.2.1 A general overview on foreign trade during 2003

The overall transactions volume in the trade of goods during 2003 amounted to 2.3 billion dollars, as compared to 1.8 billion dollars registered a year ago, reflecting a growth of 27 percent as compared to 2002. Such an impressive growth, apart from reflecting registered historical trends, is also a result of developments regarding exchange rates of the currency in relation to the euro and dollar. Developments during 2003 have had a positive impact on the level of economic opening of the Albanian economy. The index measuring the level of economic opening (measured exclusively by the volume of goods) has increased by 0.4 percentage points as compared to 2002, reaching 38 percent of the GDP.

Table 2.1 Foreign trade – 2003 (in millions of dollars)

	1999	2000	2001	2002	2003
Exports	276	258	305	330	448
Imports	1,203	1,071	1,333	1,490	1,860
Trade Balance	(927)	(813)	(1,028)	(1,160)	(1,411)
Trade Volume	1,479	1,329	1,638	1,820	2,308
Gross Domestic Product	3,444.6	3,694.3	4,254.4	4,835.4	6,065.7
<b>Indexes</b>					
Economic opening index	42.9%	36%	38.5%	37.6%	38%
Trade Deficit in percentage of GDP	26%	22%	23%	23%	24%
Export/Import ratio	23%	24%	23%	22%	24%

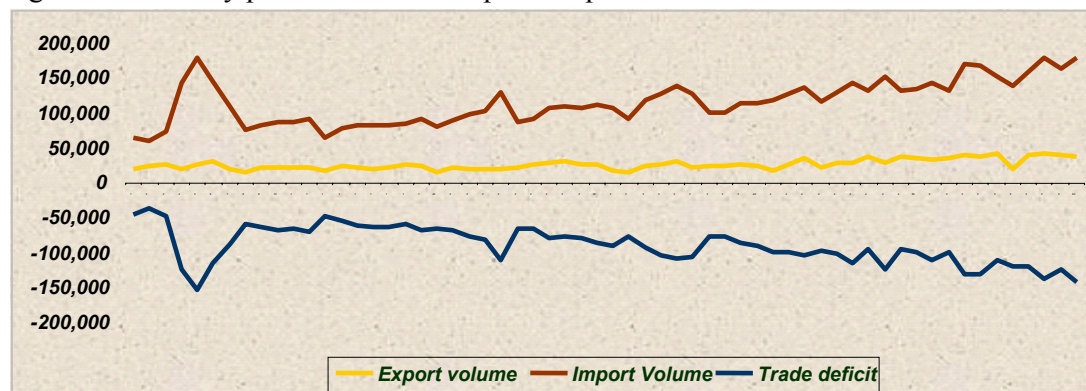
Source: ACIT, The General Directorate of Customs

Exports covered 24 percent of the volume of imports during 2003, but the permanent disproportionality in time between the export/import volumes is the main cause of a slight amortization of export growth rates, thus not allowing any significant improvement of the trade balance performance. Trade deficit has increased during 2003, amounting to 1,411 million dollars, registering a 22 percent growth rate as compared to 2002. Structure of the trade of goods remains static regarding sectorial distribution, while partners and geographic orientations have undergone changes, influenced by international trends and developments.

**Exports** have grown by 36 percent (14 percent in EURO, table 2.1) as compared to 2002, reaching 448 million USD, which is 2.5 times higher than the average change rates of export volumes during the 5-year

1999-2003 period. Exports indicate rather obvious fluctuations and seasonal tendencies (Figure 2.2). The average monthly variation index of export is about 2 times higher as compared to that of import and trade balance (export variation – 22 percent, the import and trade balance variation follow a common performance trend varying by 14 percent and 17 percent on average respectively<sup>7</sup>). In spite of volume fluctuations, exports indicate a stable sectorial distribution. Only one new sector, that of Wood and Paper has been added to the list of 10 most important sectors regarding export volume during the 1999-2003 period.

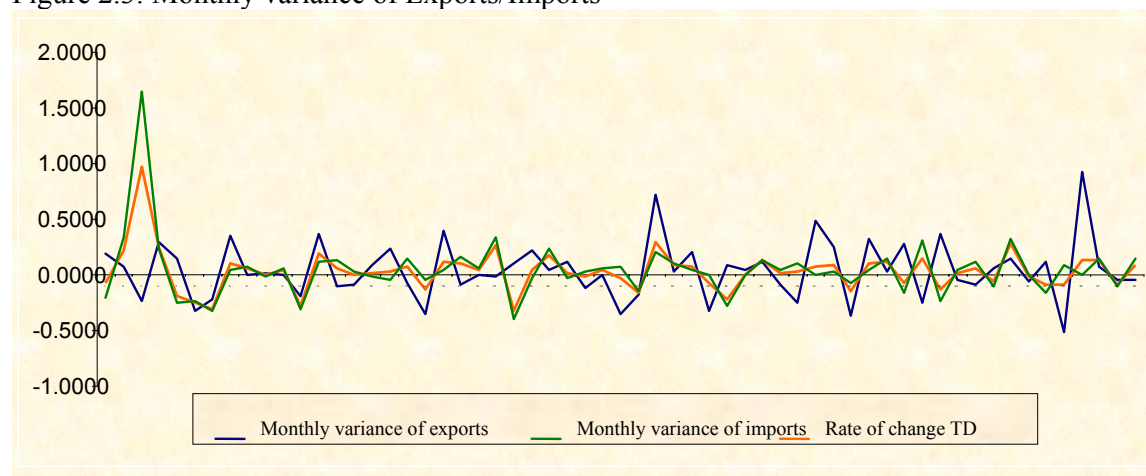
Figure 2.2 Monthly performances of Exports/Imports and the trade balance 1999-2003



Source: The General Directorate of Customs, ACIT

76 percent of sectorial lines of export volumes have registered increasing rates during 2003 (16 out of 21 sectors have had a positive change rate). Vegetal oils were the most dynamic sector during 2003. Exports from this sector were 4 times higher as compared to export volumes during 2002. Other important sectors of the export structure such as electrical and mechanical machinery and equipment, main metals and their derivatives, wood and paper products, processed food, beverages and tobacco were also characterized by significant expansive tendencies during 2003.

Figure 2.3: Monthly variance of Exports/Imports



<sup>7</sup> The index of exports, imports and trade balance variance has been calculated on the monthly series of volume performance, using the following formula, where EXP - stands for exports, m – stands for the index of a variable average,

used to reduce the seasonal effect. 
$$V_t = \left[ \left( \frac{1}{4} \right) \sum_{i=1}^4 (\ln EXP_{t+i-1} - \ln EXP_{t+i-2})^2 \right]^{1/2}$$

*Source: The General Directorate of Customs, ACIT*

**Imports** during 2003 have progressed at a slower pace than exports, and this phenomenon has been almost permanent in the country's foreign trade. Nevertheless, import growth rates remain positive reflecting a growing domestic demand. During 2003, imports amounted to 1,860 million USD, registering a growth of 25 percent as compared to the 2002 level. This is about 2 times higher than the average annual growth of imports during the past 5 years. From the structural point of view, imports appear more diversified and enjoy a more regular distribution as compared to exports. Structural changes in the 1999-2003 period have varied according to national economic developments and changes in the domestic demand. Electrical and mechanical machinery and equipment, mineral products, textiles and textile products, main metals and parts thereof were the most important sectors in terms of imports volumes.

## **II.2.2 Analysis of the structural distribution of the exports volume**

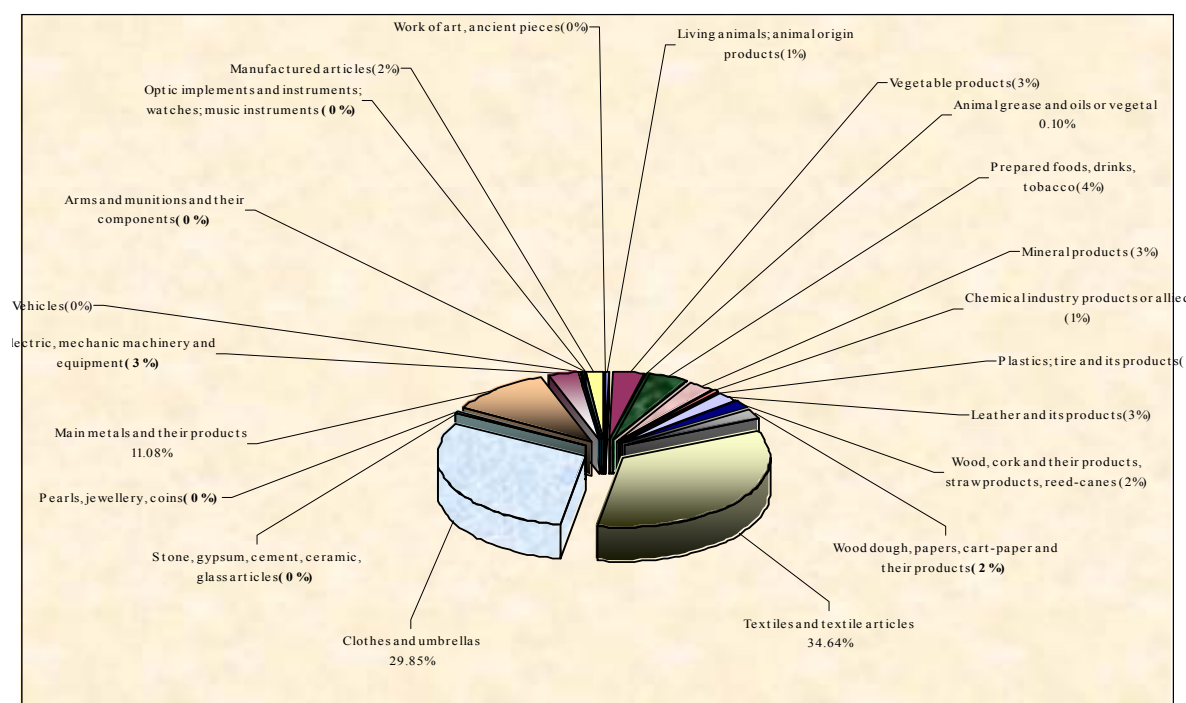
Textiles and textile products, dominate the exports structure, amounting to 155 million USD, comprising 36 percent of Albanian exports during 2003. The share of textile exports in the total exports volume decreased; thus, the textile exports volume decreased by 3 percent and growth rates were almost 15 percent lower than those of exports in general. Cotton products produced domestically were still dominating the structure of exports from the textile sector during 2003. The total exports value of this product-group has increased by 23 percent during 2003 (as compared to 2002), apparently under the strong influence of developments regarding prices and the USD/Euro exchange rate, because the physical volume performance of exports does not reflect expansive tendencies. In terms of quantity, textile sales in foreign markets registered a decrease of 34 percent as compared to 2002.

Footwear exports, comprising another important group regarding both active processing exports, and total exports (this group occupies 29.8 percent of total exports) have been characterized by expansive tendencies during 2003. Exports have increased by 40 percent (in terms of value), while their share in the total exports volume has increased by 1 percent as compared to 2002. Finished or semi-finished shoe uppers of leather or other materials were still among the most important products of this group of exports during 2003, amounting to 116.4 million USD, and registering an average growth of 30 percent as compared to 2002, which seems to be a real growth, taking into consideration similar growth paces of the physical volume of these exports.

Agribusiness exports accounted for 8 percent of the total exports volume during 2003, reaching 39 million USD. Volume distribution and the dynamics of this segment of exports are interesting. Overall developments regarding agribusiness exports have resulted from a combination of a drop in the development pace of livestock and vegetal products exports, and an impressive growth of the volumes and importance of processed food, beverages, tobacco, and vegetal oils exports. Frogs' legs, poultry eggs, and merluccius occupied the dominant part of exports of animals and their products during 2003. The scope of exported products has also increased during 2003. Consequently, 47 percent of the products have been exported for the first time during 2003. Exports of butchered animals, eels and cheese of sheep's milk were some of the most important categories. Medicinal herbs (especially sage), dry beans, chestnuts, and watermelons dominated exports of vegetal products. Nevertheless, sluggishness in the structure of agricultural exports and inconsistent tendencies in the exports performance can be observed. The processed foods sector and the oil sector have registered the most positive developments in the agribusiness group. Consequently, in aggregate terms, exports of the processed foods sector were 1.6 times higher as compared to 2002. This growth has been reflected in the share of this sector in the total exports volume, registering a growth rate of 2.1 percent.



Figure 2.4: Distribution of exports by sectors, 2003



Source: ACIT, The General Directorate of Customs

Exports of base metals and articles of base metal were also among those registering the best performance during 2003. Exports of base metals have increased at a pace 4 times higher than the overall exports volume, causing a 1.75 percent increase in the sector's exports share in the overall exports volume. This growth has resulted primarily from positive developments regarding the main classes of exports such as ferro-chrome (exports increased by 7 times as compared to 2001), copper (an increase by 69 percent), scrap (29 percent), articles of base metal, especially cylinders (refer to the detailed tables). Among main export articles from the base metals sector, exports of ferro-chrome containing chrome in 60 percent of their weight have been reduced by 89 percent, and this negative trend has also affected exports of aluminium scrapes, which decreased by 30 percent in terms of value. Exports of chrome minerals, paper packaging (of various dimensions), oak wood, plastic packaging elements, as well as a number of articles of the leather processing industry, comprise interesting developments regarding their positive dynamics and the importance they encompass in the respective sectors, but in spite of growing rates, their positive dynamics have been insufficient to influence the overall performance of this sector.

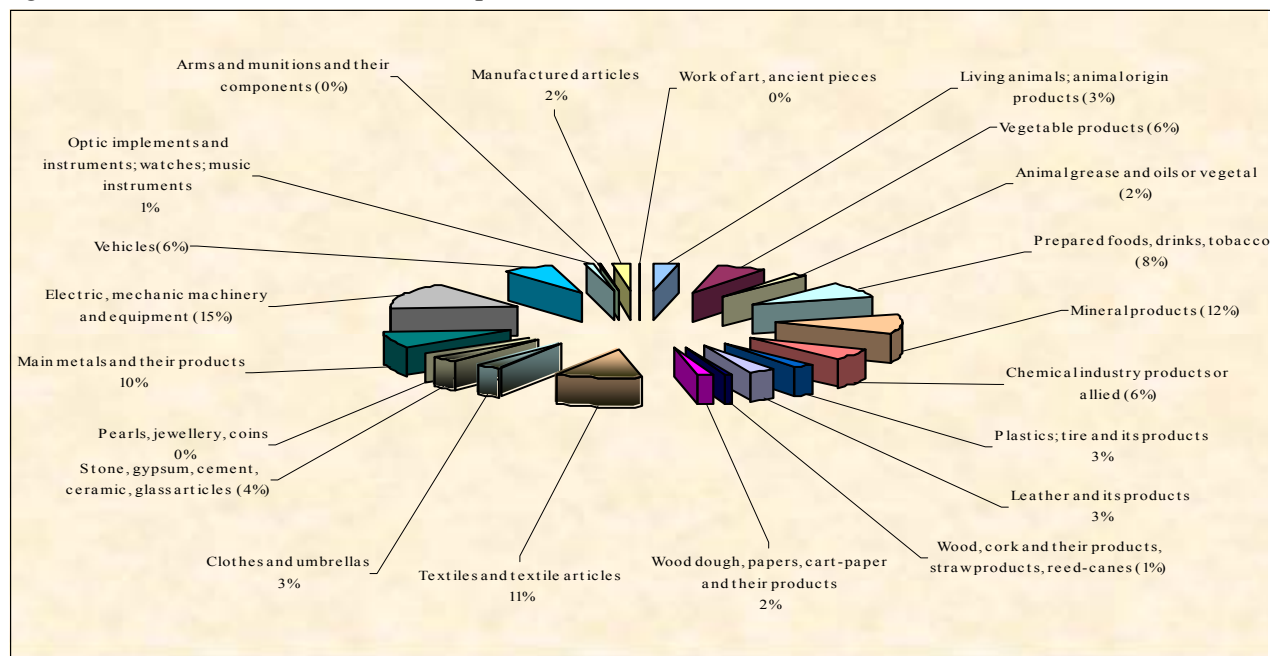
Meat and preserved fish, tobacco, water, yeast, and cherry juice were the main exports from this sector. Exports of alimentary oil were a new entry in Albanian exports, because in the group of top seven exports, six of them were being exported for the first time during 2003. Inedible mixtures or preparations of animal or of animal and vegetable fats and oils and their fractions, sunflower-seed oil especially for industrial use, were the main exports from this sector.

### II.2.3 Analysis of the structural distribution of imports

Leather and leather products were the most expansive sector in terms of volume during 2003, featuring a change rate of 50 percent as compared to 2002. The upward trend of this sector's imports indicates stability over time (the average change rate is 29 percent). Raw hides and skins of bovine (including

buffalo) or equine animals amounted to 49 million USD, making up 89 percent of imports from this sector. Leather imports originate mainly from Italy, where 98 percent of raw hides come from. Growth paces of this sector's volume reflect higher development dynamics compared to the average rate of imports developments. A 1.13 percent increase (as compared to 1999) of this sector's share in the general imports volume is also a result of this variability.

Figure 2.5: Structural distribution of imports, 2003



Source: ACIT database, The General Directorate of Customs

Imports of mineral products, amounting to 219 million USD, are the second most important sector in terms of general imports volume. Growth paces seem sluggish compared to previous years, and this is a result of developments involving the principal components of this sector's imports: electrical power and cement. Thus, imports of oil and its sub products increased by only 11 percent in terms of quantity (31 percent in terms of value), imports of electrical power decreased by 33 percent in terms of quantity (11 percent in terms of value) as compared to 2002, while imports of cement decreased by 17 percent in terms of quantity and 2 percent in terms of value. A 1.09 percent reduction of the share of this sector in total imports, and a change rate of 14 percent (during the 2002-2003 period), which is 2 times slower than the average annual change rate of this sector, are a result of developments in the structure of mineral products imports. The share of textile and textile products imports in the total imports volume has been decreasing progressively. The share of this product-group in the total imports volume has decreased by 3.6 percent during the 1999-2002 period and this negative trend has characterized the aggregate volume of this sector as well. Cotton garments, the variability of which indicates a disproportionality between fluctuations in the value rate of change and the volume rate of change, are the most important imports of this class.

Imports of mechanical, electrical machinery and equipment during 2003 have increased more slowly than overall imports causing a reduction of their share in the total imports volume by roughly 1 percent. Distribution of import volumes in this class is not concentrated; there is a large number of products making up this volume. Nevertheless, imports of electric generators, transformers and parts thereof, electric home appliances etc, are still among the most important. An increase in the imports of



machinery for liquefying air or other gases, indicating a movement towards alternative forms of energy, other than electricity, has incited interest. Imports of machinery for processing fruit and vegetables have also increased during 2003, indicating growing capacities of the agro processing sector as a result of increasing investments. Agribusiness (sectors 1-4) during 2003 accounted for 19.8 percent of the total imports volume, amounting to 368 million USD. Imports of tobacco (40 million USD), wheat (35 million USD), sunflower-seed oil (20 million USD), fresh and chilled chicken (15 million USD) and sugar (14.9 million USD) were the most important ones during 2003. The average rate of change of the imports volume of this product-group has been higher than the very performance of imports (a 46 percent growth rate), but this growth has been unable to increase the share of this sector in the total imports volume – a share which has been decreasing by approximately 1.6 percent annually.

Table 2.2: Agribusiness imports performance over the years

Year	Volume of imports (in thousands of USD)	Volume rate of change	Share of imports in the total volume	Share of agribusiness in the total imports	Weight rate of change
1999	317,995		26.43%		
2000	232,815	-26.79%	21.75%		-4.69%
2001	256,989	10.38%	19.28%		-2.47%
2002	298,063	15.98%	20.00%		0.72%
2003	368,809	23.74%	19.83%		-0.17%

Source: ACIT, The General Directorate of Customs

Imports of chemical industry products have also been increasing during 2003. This increase has been positive in terms of both volume (in USD) and share of this sector in the imports volume. Medicaments, detergents and surface-active preparations were the most important products of this sector in terms of value. Imports of these products have indicated a high growth rate, regarding both quantity and value, registering a 68 percent growth in terms of value and 69 percent in terms of quantity. They originate mainly from the EU trading block.

## II.2.4 Expected foreign trade developments during 2004

Foreign trade developments and tendencies over time have been taken into consideration in order to evaluate expected volume developments for 2004. Based on the variability that exports and imports have demonstrated<sup>4</sup>, during 2004, exports are expected to reach 546 million USD, while imports are expected to amount to 2.17 billion USD. These developments regarding imports/exports are going to further increase the trade deficit. Forecasts are expected to be affected by developments regarding the USD/Euro exchange rate for 2004. Free Trade Agreements are also expected to bring about new developments regarding trade flows.

4

The performance of Albanian exports and imports, observed through the gravity model, must have been affected more by insufficiency and domestic supply performance than by foreign supply developments. Exports and imports reflect a strong time-dependence and this phenomenon results from the importance of exports/imports of active processing products in the context of overall trade volumes. A comparison between economic dimensions of our country and those of our trade partners shows that divergence is the dominant feature of this comparison, a feature that along with the hypothetical divergence of economic structures has been an important factor in shaping the geography of Albanian trade. Economic similarity (in terms of structure and dimensions) has implied marginal volumes of trade exchange with Balkan countries, while economic divergence has been one of the reasons why trade is oriented towards EU countries.

Theory and empiric research recognize the trade-off between international trade volumes and distance, where “distance” includes not only transportation costs but also costs caused by procedures of entering foreign markets, procedures regarding movement of people and goods, costs caused by cultural differences between countries and those of information dissemination. Inclusion of distance in the applied model of gravity shows that “distance” exerts a strong negative influence on trade volumes; any increase in distance-related costs will bring about a more than proportional decrease in trade volumes. Albanian trade volumes manifest a high geographic concentration, and distance seems to have a special importance among other factors causing this concentration. Regional and European integration processes are expected to have a positive influence, cutting back distance-related costs and bringing about improvements in the structure of trade.

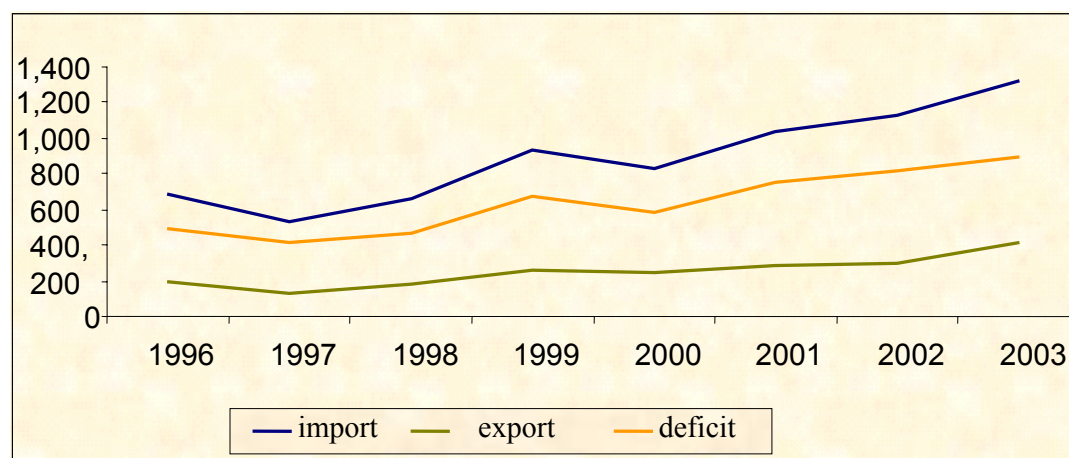
## **II.3 Geographic distribution of trade exchange**

### **II.3.1 Trade with EU countries**

The structure of geographic distribution of the trade volume during 2003 reflected again a concentration in EU countries. Albania has provided 0.04 percent of total imports for the Eurozone<sup>8</sup>, while receiving 0.11 percent of this block’s total exports. The exchange volume with EU countries reached over 1.7 billion dollars, starting from 1.4 billions registered in 2002, thus registering an annual growth of over 21 percent. Trade deficit with this group of countries amounted to approximately 900 million dollars by the end of 2003.

Figure 2.6: Foreign trade with the EU, in thousands of USD

<sup>8</sup> Calculated according to import-export data from the Euro zone, extracted from the Monthly Statistical Report (January 2004) of the European Central Bank.



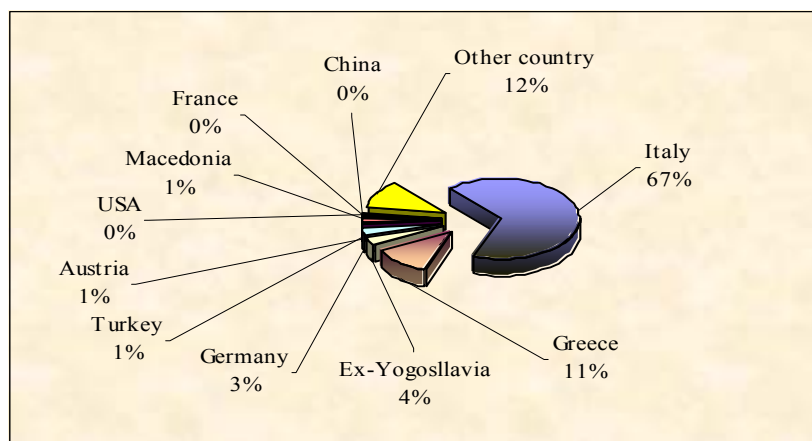
Source: The General Directorate of Customs

By the end of 2003, Albanian **exports** towards EU countries had increased by 37.1 percent, amounting to roughly 417.8 million dollars as compared to 304 millions in 2002. These export figures represent 93.2 percent of the country's overall export volume. Italy, Greece and Germany along with a modest presence of other EU countries remain Albania's main trade partners in terms of volume. (Figure 2).

Exports directed to the EU have increased by approximately 1.2 times as compared to the 1996 level. This increase has resulted almost exclusively from an increase in re exports of the clothes and leather industry products. Analyzing the structure of exports, it can be noticed that although the volume of agricultural and agribusiness products (product-group 1-4) has decreased from 15.2 percent to 7.2 percent of total exports, they were almost constant in absolute terms, amounting to approximately 29 million dollars a year. Structural changes have been registered in the context of this broad category: a drop in the volume of exports of living animals and products of animal origin, vegetables, and vegetal oils, and a significant increase in the processed food group (over 17 million dollars in 2003 as compared to 7 million dollars in 1996). On the other hand, exports of textiles and garments have increased both in terms of specific volume and in terms of absolute volume. Their share in total exports by the end of 2003 amounted to 68.7 percent as compared to 54.7 percent in 1996.

The volume of exports has increased from 107 million dollars to over 286 million dollars, registering a 107 percent growth. Metals and products thereof comprise the next most important category of export goods. The share of these exports reached 11.5 percent by the end of 2003 as compared to 10.6 percent in 1996. In absolute terms, exports of this category of products (dominated by iron and steel products and various articles of base metal) amounted to 48 million dollars as compared to about 21 million dollars in 1996.

Figure 2.7: Destination of Albanian exports, 2003



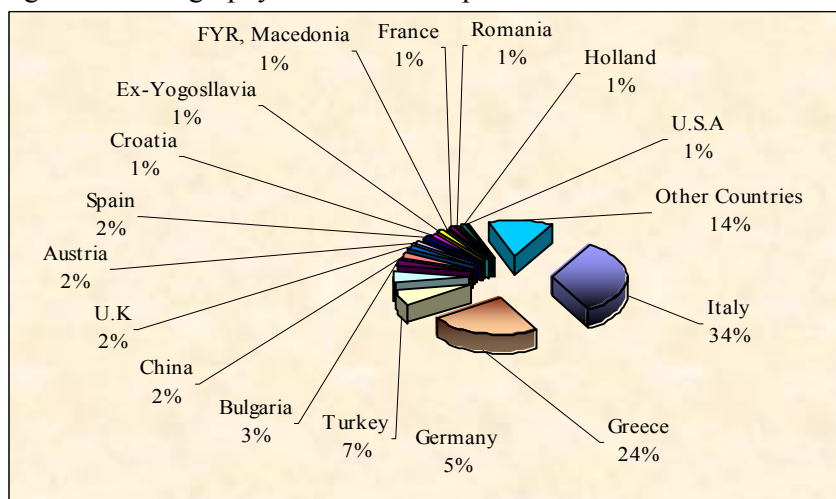
Source: ACIT, The General Directorate of Customs

**Imports** from EU countries have increased by 17.6 percent on average during 2003, amounting to 1,318 million dollars. This accounts for 71 percent of total imports. In addition, imports almost doubled during the 1996-2003 period, starting from only 690 million dollars in 1996. Growth of imports during 2003 as compared to 2002, has involved all categories of import goods, registering a higher impact of dominant product-groups in this structure, as the following analysis shows.

Imports are more evenly distributed through all product-group categories, in contrast with the concentrated structure of exports. However, four main categories of products are of significant importance regarding imports as well: machinery and equipment, textiles and textile products, processed food, minerals and metals. Imports of machinery, equipment and transportation vehicles comprise 24.8 percent of total imports. In absolute terms, growth during the 1996-2003 period was impressive, by roughly 200 percent: or amounting to 327.7 million dollars in 2003 as compared to 161 million dollars in 1996.

In addition, the specific volume of textile imports has reached 12.7 percent by the end of 2003, as compared to the 11 percent level registered in 1996, reflecting the growth of exports from the garments industry. Imports of this category have more than doubled in absolute terms: amounting to about 167 million dollars in 2003 as compared to about 75 million dollars in 1996.

Figure 2.8: Geography of Albanian imports



Source: The General Directorate of Customs, ACIT

The specific volume of imports of agricultural goods and food has been decreasing significantly in spite of the fact that they are the third largest category of imports: decreasing from 31 percent in 1996 to 17.6 percent in 2003. The imports volume during this period has been almost constant in absolute terms as well: 214 million dollars in 1996 and 231 million dollars in 2003. The most remarkable decrease of imports volumes has been registered in the vegetable product-groups (only 57 million dollars in 2003 as compared to about 104 million dollars in 1996), while an increase has been registered in the imports of processed food, beverages and tobacco (about 120 million dollars in 2003 as compared to 62 million dollars of imports in 1996). Imports of mineral products (mainly fuel and electrical power) have registered a significant increase, especially starting from the year 2000. As a result of aggravation of the energetic crisis and international developments regarding prices of fuel and electrical power, imports have increased from only 44.5 million dollars in 1996, to about 120 million dollars in 2003. No significant developments regarding imports of this product-group have been registered as compared to 2002.

### II.3.2 Trade with regional countries<sup>9</sup>

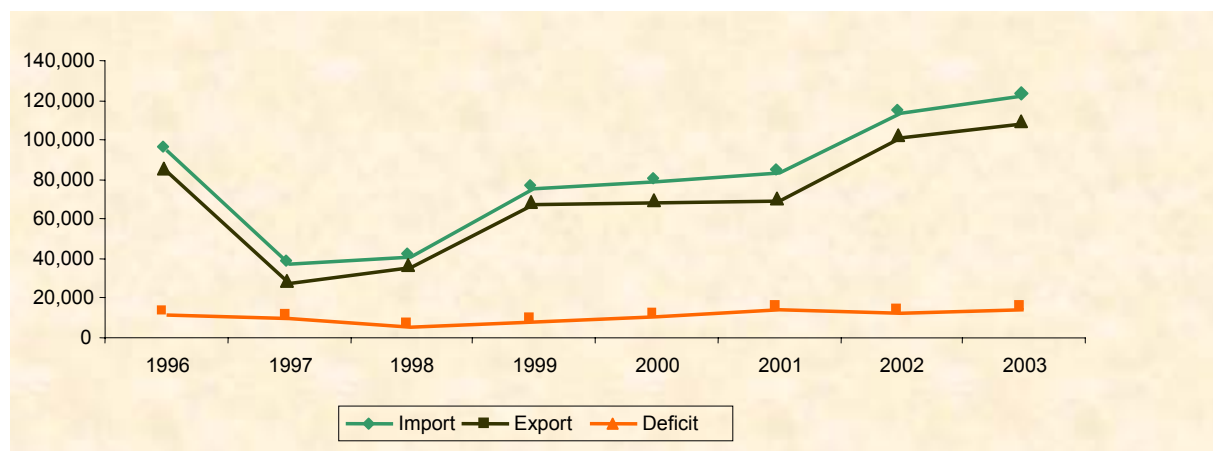
The exchange volume with regional countries amounted to 137 million dollars by the end of 2003 as compared to 126 million dollars in 2002, registering an increase by 8.7 percent. Trade deficit amounted to 108 million dollars by the end of the year, registering a 7.6 percent increase as compared to the previous year.

The country's **exports** towards this region reached 14.4 million dollars, as compared to 12.7 million dollars in 2002, registering an increase of 13.4 percent. Total exports directed to this region occupied only 3.2 percent of total exports. Exports of mineral products (about 3.4 million dollars), machinery and equipment (2.4 million dollars), vegetable products (1.8 million dollars), processed food (1.3 million dollars) and manufactured products (about 1 million dollars) dominate the structure of exports.

The following categories registered an increase affecting the performance of exports towards regional countries during 2003: mineral products (50 percent), vegetable products (100 percent) and manufactured products (about 51 percent). On the other hand, a decrease was registered regarding exports of processed food (43 percent) and exports of machinery and equipment (35 percent). In total, exports of agricultural goods amounted to 4.05 million dollars in 2003 as compared to 3.7 million dollars in 2002, registering an increase of 9.5 percent.

Figure 2.9: Foreign trade with regional countries

<sup>9</sup> Countries involved in the FTA initiative belong to this group: Macedonia, Bosnia and Herzegovina, Croatia, Bulgaria, Romania, Serbia and Montenegro and Kosovo customs territory.



Source: ACIT, The General Directorate of Customs

Total **imports** from this group of countries amounted to 122.6 million dollars, increasing by 8.2 percent as compared to the 2002 level. Consequently, imports from the region occupy 6.6 percent of total imports. Since 2000, the structure of imports has been dominated by imports of mineral products (fuel); by the end of 2003, the share of these imports in total imports from the region was 36.8 percent. This has resulted from a significant increase on imports of these goods from Bulgaria and Romania. The volume of mineral products imports has increased, amounting to about 15 million dollars in 2000 and 45 millions in 2003 as compared to 2.7 million dollars in 1996.

Imports of agricultural goods and food have decreased significantly: from 55.7 million dollars in 1996 to 23.6 million dollars in 2002 and 21.5 million dollars in 2003. The most significant decrease has been registered in imports of vegetable and animal origin products, while imports of living animals and processed food have registered a slight increase. Albania is a net importer in almost all 21 product-groups in relation to this group of countries as well.

Trade with Balkan partners indicates slight positive trends in development but not yet significant. The quality of being in the same region – geographically close to each other, and having only mild cultural differences, has not yet taken the shape of an opportunity. Evaluations through the gravity equation indicate trade potentials with a distorted distribution compared to natural tendencies, concentrated and often leaving potentials unexploited.

#### Balkan region – Trade Potential

Country	Actual Exports (in thousand USD)	Potential Exports (in thousand USD)	A/P Rate (%)	Actual Imports (In Thousand USD)	Potential Imports (In Thousand USD)	A/P Rate (%)
<b>Greece</b>	39,940	29,350	136%	383,543	365,380	105%
<b>Yugoslavia*</b>	9,127	4,170	219%	4,166	17,396	24%
<b>Macedonia</b>	4,667	3,849	121%	16,919	26,722	63%
<b>Bulgaria</b>	94.28	144.66	65%	28,642	27,691	103%
<b>Romania</b>	33.66	16.68	202%	13,037	10,909	120%
<b>Bosnia&amp; Herzegovina</b>	7.5	546.66	1%	111	483	23%
<b>Croatia</b>	49.2	647.39	8%	18,305	23,296	79%
<b>Slovenia</b>	124	206.35	60%	27,185	20,883	24%

Source: Estimated through the model of gravity

This picture of regional trade, must have been strongly influenced by economic structures of regional countries, cultural similarity between partners, and the fact whether they share the same border or not, but anyway the region's involvement in free trade initiatives is expected to improve the volumes and geographic distribution of trade.

### II.3.3 Trade with other countries

Turkey, Russia, the United States and China are other important trade partners. Trade with **Turkey** during 2003, increased by over 35 percent regarding both imports and exports. By the end of 2003, imports amounted to 126 million dollars, while exports amounted to 3.7 million dollars. Textiles (about 26.8 million dollars), metals (31.7 million dollars), processed food (16 million dollars), electrical machinery and equipment (11 million dollars) etc, dominate imports from Turkey. Exports mainly include leather products (2.4 million dollars) and vegetable products (over 900 thousand dollars).

Imports from **Russia** reached 51.5 million dollars, registering a 45 percent increase as compared to 2002. Exports amounted to 2.5 million dollars, while no sales of Albanian goods were present in this market before. Vegetable products (over 23 million dollars) and mineral products (21.5 million dollars) were the two main product-groups imported from Russia. A transaction involving mineral products, amounting to 2.4 million dollars was also registered in the exports structure.

Trade with the **United States** registered an increase on the imports side, from 8.4 million dollars in 2002 to 10.5 million dollars in 2003, while exports decreased from over 5.5 million dollars, to about 2.3 million dollars. Living animals and products of animal origin (amounting to roughly 5.2 million dollars) and electrical machinery and equipment (about 2.5 million dollars) were the main products of import. Exports, on the other hand, included almost exclusively vegetable products (about 2 million dollars).



Trade with **China** was another interesting development during 2003. Imports from China reached 38.6 million dollars, as compared to 10.7 millions in 2002. Exports amounted to 1.77 million dollars, as compared to inexistent volumes during the previous year. Imports from China were also dominated by machinery and equipment (about 11 million dollars), textiles (about 5.5 million dollars), optical instruments (over 4 million dollars), etc. Exports comprise a transaction of about 1.7 million dollars in mineral products.

## II.4 Trade developments in the context of Free Trade Agreements

According to commitments undertaken in the context of the Memorandum of Understanding (2001) in Brussels, Albania almost completed the bilateral network of FTA-s with countries involved in this initiative. Until early 2004, the status of FTA-s is as follows:

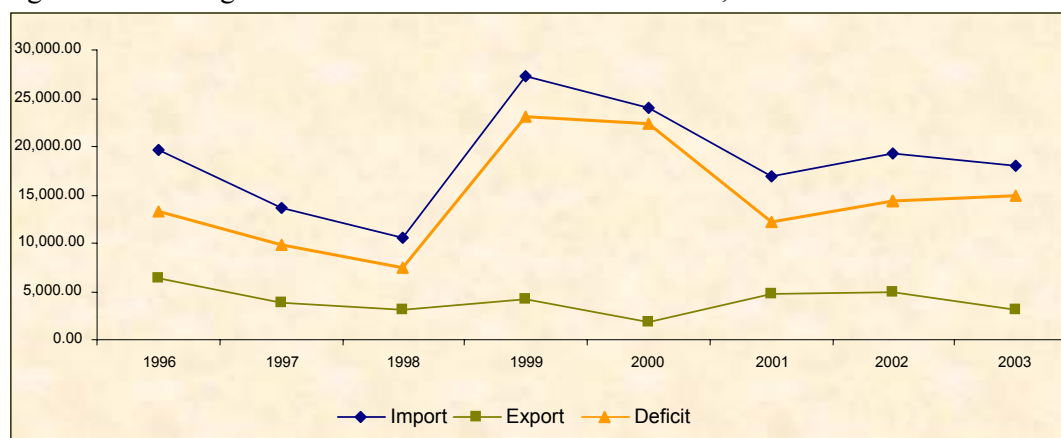
- agreement with Macedonia has entered into force in July 1, 2002
- agreement with Croatia – entered into force in June 1, 2003
- agreement with Bulgaria – entered into force in September 1, 2003
- agreement with Kosovo – entered into force in October 1, 2003
- agreement with Romania – entered into force in January 1, 2004

On the other hand, FTA-s with Serbia and Montenegro, and Moldova have been ratified by the Albanian Parliament during February 2004, and the establishment of a FTA with Turkey is under negotiation.

### II.4.1 Trade with Macedonia

Trade with Macedonia has fluctuated during 2003, as it did during previous years as well. The trade volume has decreased by 12.3 percent as compared to 2002, which is a result of a 6 percent decrease in imports and a decrease of 36.8 percent in exports. The trade balance was still negative, amounting to about 15 million dollars.

Figure 2.10: Foreign trade between Albania and Macedonia, in thousands of USD



Source: ACIT, The General Directorate of Customs

Vegetable products, processed food, beverages and tobacco, mineral products and furnishings were the sectors indicating increasing export rates after the agreement entered into force. Table 2.4.1 shows some of the dominant export products directed to Macedonia, which account for 96 percent of the total volume of Albanian exports to Macedonia during 2003. This list indicates a more diversified portfolio



as compared to previous years. The following customs procedures apply to these products according to the Free Trade Agreement with Macedonia:

- The most exported industrial products – have been totally liberalized or are under reduced tariff regime. Products such as cement, wooden furniture used in the bedroom, nickel ores and concentrates, zinc dust, powders and flakes, sulphur dioxide, clutches and parts thereof, etc are under reduced tariff regime.
- The most exported agricultural products – are assigned the Most Favored Nation tariff (fruit juices and early watermelons) or are included in the concessions lists.

Table 2.3: Most exported products to Macedonia during 2003, in thousands of USD

Code HS	Description	1999	2000	2001	2002	2003
843069	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof, Other moving, grading, leveling, scraping, excavating, tamping, compacting, extracting or boring machinery, for earth, minerals or ores; pile drivers and pile-extractors; snow ploughs and snow-blowers / Others				50.69	774.51
121190	Oil seeds and oleaginous fruits; miscellaneous seeds and fruit; industrial or medicinal plants; straw and fodder / 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/others	418.89	263.53	194.54	396.03	436.18
270400	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon			3.35	413.66	255.24
271320	Petroleum bitumen	228.39	530.24	35.78	227.16	227.39
252329	Salt; sulphur; earths and stone; plastering materials, lime and cement / Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers / others	1.37	2.47			218.64
842919	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof / Self-propelled bulldozers, angle dozers, graders, levelers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers / Others			59.38	708.73	184.95
940350	Wooden furniture of a kind used in the bedroom	2.91	7.59	6.90	4.41	169.42

*Source: ACIT, The General Directorate of Customs*

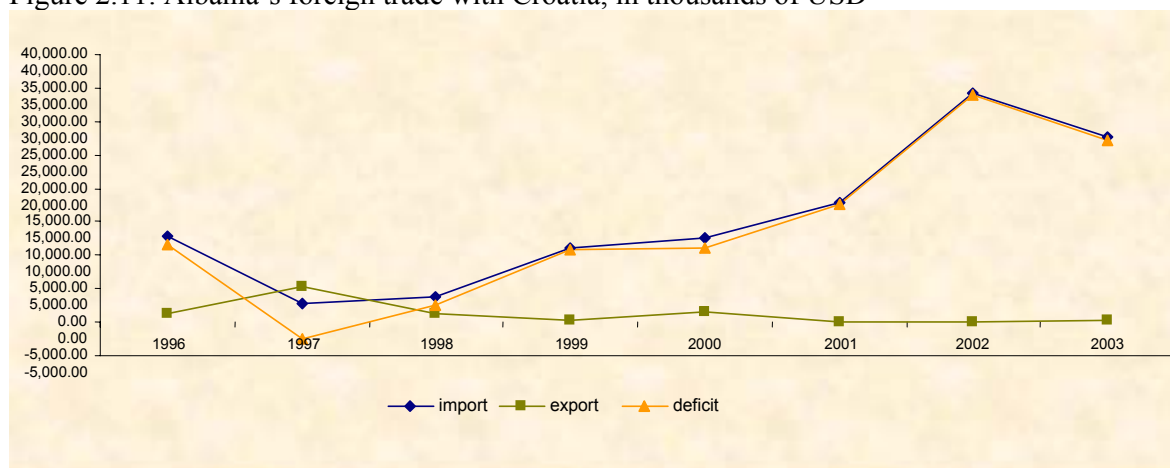
Application of quotas on products exchanged between the two countries (see Annex 1) has been limited in a few products and marginal amounts:

- Quotas accorded by Macedonia for Albanian exports – have been used for exports of fresh potatoes, tomatoes, and brandy at a very modest extent;
- Quotas accorded by Albania for Macedonian exports – have been used for exports of fresh cheese, cucumber and confections at a very modest extent, and for exports of fresh tomatoes and apples, exceeding the granted quotas.

## II.4.2 Trade with Croatia

Trade volumes with Croatia during 2003, amounted to about 27.9 million USD, registering a decrease of 18.7 percent as compared to 2002. Specifically, imports registered a decrease of 19.3 percent during 2003, while Albanian exports to Croatia registered a growth of 170 percent.

Figure 2.11: Albania's foreign trade with Croatia, in thousands of USD



Source: ACIT, The General Directorate of Customs

Mineral products occupying 60 percent of total imports from Croatia, and registering a 31 percent decrease as compared to 2002, electrical, mechanical machinery and equipment occupying 19 percent and registering a growth rate of 225 percent, and food, beverages and tobacco occupying 10 percent of imports, and registering an impressive growth of 948 percent as compared to 2002 are the main categories making up the structure of imports from Croatia.

On the other hand, mechanical, electrical machinery and equipment occupying 57 percent of total Albanian exports directed to Croatia, and registering a high growth rate of 643 percent, vegetable products occupying 28 percent and registering a growth rate of 122 percent, as well as textile products having a modest share and growth rate, make up the structure of exports. These categories of products have been totally liberalized or included in the lists of annual quotas.

The Free Trade Agreement with Croatia prescribes long lists of bilateral quotas which have been utilized by Croatia only for wheat and at a larger extent by Albania for dry beans, medicinal herbs and brandy (see Annex 1).

Table 2.4: Most exported products to Croatia during 2003, in thousands of USD

Code HS	Description	1999	2000	2001	2002	2003
843280	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof / Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers / Others					162.91
121190	Oil seeds and oleaginous fruits; miscellaneous seeds and fruit; industrial or medicinal plants; straw and fodder / 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/ Others			3.47	41.08	65.08
847190	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof / Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included/ Others					20.67
080711	Edible fruit and nuts; peel of citrus fruits or melons / Melons (including watermelons) and papaws (papayas), fresh / Watermelons			2.39		17.94
510119	Wool, fine or coarse animal hair; horsehair yarn and woven fabric / Wool, not carded or combed / Others	8.00	4.56	4.47	10.40	16.97

Source: ACIT, The General Directorate of Customs

### II.4.3 Free trade with Kosovo

Trade with Kosovo<sup>10</sup> has registered positive developments during the recent years. It soared after the Free Trade Agreement was signed. Registering an imports volume of about 3.8 million dollars and an exports volume of 7.7 million dollars, trade balance with Kosovo has recorded a positive surplus of 3.9 million dollars.

Figure 2.12: Albania's foreign trade with Kosovo, in thousands of dollars

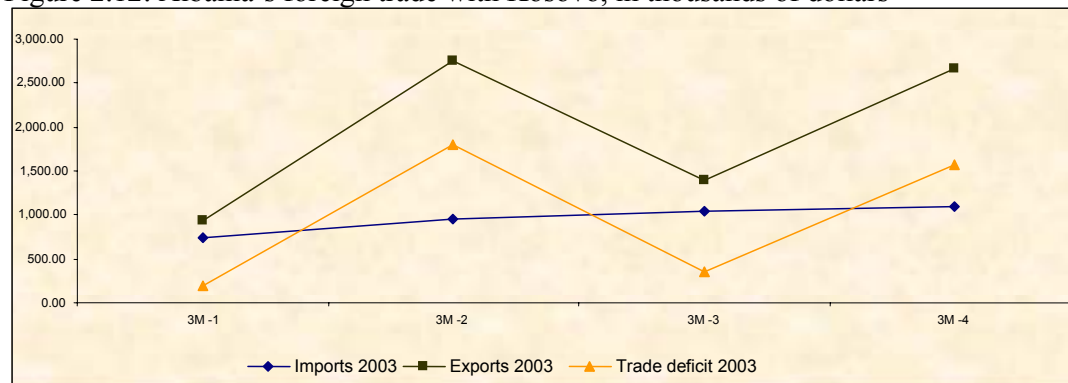


Table 2.5: Most exported products to Kosovo during 2003, in thousands of USD

Code HS	Description	2003
640610	Footwear/ Uppers and parts thereof, other than stiffeners:	813.06
110100	Wheat or meslin flour	580.65
040700	Birds' eggs, in shell, fresh, preserved or cooked	579.40
847330	Parts and accessories of the machines of heading No 8471	530.83
270710	Benzol (Benzene)	411.63
220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored	319.46
940350	Wooden furniture of a kind used in the bedroom	297.43
090121	Coffee, not decaffeinated	255.57
300490	Pharmaceutical products / Medicaments (excluding goods of heading 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale	246.98
630900	Worn clothing and other worn articles.	241.16
240290	Tobacco and manufactured tobacco substitutes / Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	206.32
300410	Pharmaceutical products / Containing penicillins or derivatives thereof, with a penicillanic acid structure, or streptomycins or their derivatives	166.49
271320	Petroleum bitumen	163.18
940429	Mattress supports; articles of bedding and similar furnishing / Of other materials	149.24
440710	Wood and articles of wood; wood charcoal; / Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm	147.00
080711	Watermelons	141.78
200980	Juice of any other single fruit or vegetable	129.68
250100	Salt (including table salt and denatured salt) and pure sodium chloride, whether or not in aqueous solution or containing added anti-caking or free-flowing agents; sea water	114.57
850710	Lead-acid, of a kind used for starting piston...	103.00
151219	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes / Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified	101.72

<sup>10</sup> The data regarding customs territory of Kosovo have been available only since 2003, and as a result the dynamics of exchange volumes are impossible to analyze.

Source: ACIT, The General Directorate of Customs

Transportation vehicles (mainly passenger motor cars and motor vehicles for the transport of goods) occupying 36 percent of total imports during 2003, main metals (aluminium and iron) occupying 16 percent and road rollers occupying 13 percent of total imports, dominate the structure of imports from Kosovo. On the other hand, the vegetable products sector (mainly wheat flour and coffee) with a share of 15 percent in total exports, the processed food sector (mainly mineral water, fruit juices, sugar) with a share of 15 percent, the machinery and equipment sector (mainly parts of automatic processing machines) with a share of 13 percent, the mineral products sector (mainly gasoline and bitumen) with a share of 12 percent and the footwear sector (mainly surfaces) with a share of 10 percent, make up the structure of exports. The portfolio of Albanian exports is rich and features a wide variety of products. The most exported products to Kosovo are shown in Table 3. The following customs regimes apply to these categories of products:

- Industrial products – totally liberalized after the Free Trade Agreement with Kosovo entered into force
- Agricultural products – are subject to Most Favored Nation tariffs, except for products with the following codes: 220210, 080711 and 200980.

#### II.4.4 Trade with Bulgaria

Trade with Bulgaria during 2003, has increased by 59 percent as compared to the volume of exchange during 2002. This volume is totally concentrated in the first trimester of 2003. The trade deficit registered almost the same value as imports (48.3 million USD), because Albanian exports to Bulgaria have registered a minimal value (197 thousand USD), but in the same time representing the highest value of exports directed to Bulgaria during the recent decade.

The mineral products sector (mostly construction materials) with a share of 40 percent in the total annual imports from Bulgaria, dough of wood with a share of 8 percent, the main metals sector (mainly different products of steel, copper and aluminium wire) with a share of 8 percent and the machinery and equipment sector with a share of 8 percent in total imports make up the structure of imports.

The sector of wood and its products, with a share of 29 percent in total exports to Bulgaria, the sector of main metals with a share of 25 percent, the sector of vegetable products with a share of 13 percent and the sector of transportation vehicles with a share of 10 percent in total exports make up the structure of exports. In spite of their marginal size exports to Bulgaria were diversified in a large number of products.

Table 2.6: Most exported products to Bulgaria during 2003, in thousands of USD

Code HS	Description	1999	2000	2001	2002	2003
740400	Copper waste and scrap					45.10
440799	Wood and articles of wood; wood charcoal; / Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm / Others					31.81
870322	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof / Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars / Of a cylinder capacity exceeding 1 000 cm <sup>3</sup> but not exceeding 1 500 cm <sup>3</sup>					20.06
090121	Coffee, tea, mat and spices / Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion / Not decaffeinated			20.66	4.65	17.80

846239	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof / Machine-tools (including presses) for working metal by forging, hammering or die-stamping; machine-tools (including presses) for working metal by bending, folding, straightening, flattening, shearing, punching or notching; presses for working metal or metal carbides, not specified above/ Others				2.27	9.49
441810	Builders' joinery and carpentry of wood, including cellular wood panels, assembled parquet panels, shingles and shakes / Windows, frenchwindows and their frames					9.47
080711	Watermelons					8.68
440792	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm / Of beech (Fagus spp.)					8.44
440710	Wood and articles of wood; wood charcoal / Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm / Coniferous					8.41
480810	Corrugated paper and paperboard, whether or not perforated			4.13	0.50	8.39
290420	Organic chemicals / Sulphonated, nitrated or nitrosated derivatives of hydrocarbons, whether or not halogenated / Derivatives containing only nitro or only nitroso groups					7.84
940350	Wooden furniture of a kind used in the bedroom					6.92
730690	Articles of iron or steel / Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel / Others					4.58
392350	Stoppers, lids, caps and other closures					2.63

Source: ACIT, The General Directorate of Customs

The following customs procedures apply to these products:

- regarding industrial products – with a number of minor exceptions, all industrial goods making up the dominant part of Albanian exports to Bulgaria, are assigned the Most Favored Nation tariff. Although the gradual reduction list of industrial goods is long, it does not include Albanian products having relative advantage in the Bulgarian market.
- regarding agricultural products – decaffeinated coffee, which has been assigned the Most Favored Nation tariff, watermelons and dry beans which have been assigned annual quotas are the most exported agricultural products to Bulgaria.

Although the quotas list for agricultural goods exchanges between Albania and Bulgaria is long, Albania has not exported any products of those, which concessions have been negotiated for, while Bulgaria has exported the widest range of quoted products ever negotiated with Albania as compared to all regional countries (see Annex 1).

#### II.4.5 Trade with Romania

The Free Trade Agreement with Romania enters into force in January 2004. Nevertheless, trade with Romania has undergone significant developments, comparable to those regarding trade with other regional countries. Imports from Romania have registered progressive growth, amounting to 14.8 million dollars in 2003, which is almost equal to the trade deficit with this country, as a result of minimal Albanian exports to Romania.

Mineral products (57 percent), stone, cement and ceramic products (10 percent), electrical and mechanical machinery and equipment (10 percent) and base metals (9 percent) dominate the structure of imports from Romania. Specifically, petroleum oils, toilet articles of porcelain, iron and steel, soap and washing preparations, electrodes and electrically insulated wires, hair cosmetics preparations and pharmaceutical products were the most imported categories.

The Free Trade Agreement with Romania prescribes:

- Regarding agricultural products – mutual concessions (50 tons of cheese, 50 tons of sausage, 50 tons of meat offals, 1000 tons of mineral water), unilateral concessions granted by Albania (50 tons of honey, 130 tons of nuts shelled or peeled, 30 tons of potato chips, 50 tons of chocolate, 50 tons of jams or marmalades, 100 tons of apple juice, 50 tons of soups and broths and margarine with no quantity limitation) and unilateral concessions from Romania (100 tons of beans, 50 tons of dry beans, 100 tons of dried figs, 500 tons of watermelon, 100 tons of melons, 100 tons of olive oil, 100 tons of preserved olives, 100 tons of grapefruit juice. Other agricultural products will be assigned the Most Favored Nation tariff by both countries.
- Regarding industrial products – gradual reduction on Romania's part on a wide range of Albanian products, namely chemicals, organic chemicals, pharmaceutical chemicals, fertilizers, colorants, cosmetic chemicals, hydro sanitary products and articles of rubber; gradual reduction on Albania's part on a wide range of Romanian products: hydrocarbons, cosmetics products, washing preparations, raw hides, articles of wood used for construction, footwear, articles of base metal, iron and steel, electric conductors, wooden furniture.

#### **II.4.6 Trade with Bosnia and Herzegovina**

The Free Trade Agreement with Bosnia-Herzegovina has not entered into force yet. Trade with this country currently occupies only 1 percent of trade with Southeast European countries. The trade volume during 2003 amounted to 1.4 million USD, while the trade deficit registered 1.3 million USD.

Iron and steel constructions, equipment for wharf construction, sawn coniferous woods, and a number of pharmaceutical products dominate imports from Bosnia and Herzegovina. On the other hand, Albania exports a marginal amount of raw hides, potatoes and watermelons.

Mutual concessions between Albania and Bosnia-Herzegovina include:

- Regarding industrial products – both countries are going to liberalize all industrial products according to a reduction scheme until January 2007.
- Regarding agricultural products – a mutual list of products, which will be assigned zero tariffs as soon as the agreement enters into force (geese, ducks, cut plants and flowers, vegetables, nuts, grapes, pepper, vanilla, cinnamon, ginger, barley, wheat flour, vegetal juices and extracts, fats), on gradual reduction (Meat of sheep and goats, fresh fish, mollusks, potatoes, tomatoes, figs, corn flour, olive oil, vegetables, fruit, sausage, meat offals, yeast) and the Most Favored Nation tariff on all other agricultural products.

#### **II.4.7 Trade with Serbia-Montenegro**

The trade exchange volume with Serbia-Montenegro appears to be high as compared to other countries in the region (a 16.6 percent share in the trade volume with regional countries), amounting to 11.2 million dollars during 2003, of which imports amounted to 8.3 million USD and exports amounted to 2.9 million USD indicating a progressively increasing trend. Iron and steel bars and constructions, raw hides, butanes, ethylene polymers, starch, sawn coniferous wood, bananas, beer, corn and corn seeds etc, were the most imported products from this partner.

On the other hand, Albanian exports to Serbia-Montenegro include bitumen, fresh fish, wooden furniture, limestone, propane, plastic office supplies, sulphur dioxide, raw hides, anchovies, doors and windows of aluminium, poultry eggs, aluminium profiles, etc. The Free Trade Agreement was ratified by the Albanian Parliament during 2003 but has not entered into force yet. It includes the following concessions:

- Regarding industrial products – gradual reduction on Albania's part on salt, cement, petroleum and bituminous minerals oils, petroleum gases, bitumen, oxygen, mineral or chemical fertilizers, cosmetics products and washing preparations, raw hides, cut and sawn wood, boxes and articles of carpentry, footwear and parts of footwear, iron and steel bars, furniture, etc; gradual reduction on Serbia-Montenegro's part on: special purpose fuels, propane, butane and tires. Other goods will be totally liberalized after the Agreement has entered into force.
- Regarding agricultural products – quotas granted by Albania: butter (200 tons), wheat (2,500 tons), wheat flour (2,500 tons), sunflower-seed oil (500 tons), margarine (1,500 tons), sausage (100 tons), doughs (250 tons), jams (250 tons), fruit juices (200 tons), water (200 tons), beer (200 tons), wine (200 tons), cognac (500 tons), grappa (200 tons), liquors (500 tons); quotas granted by Serbia-Montenegro on: meat of sheep (100 tons), caciocavallo (200 tons), tomatoes (750 tons), leeks (200 tons), cabbages (100 tons), carrots (200 tons), cucumbers (500 tons), watermelons (2,000 tons), melons (300 tons), cherries (50 tons), fruit juices (200 tons), water (200 tons), beer (200 tons), wine (200 tons), cognac (500 tons), grappa (200 tons), liquors (500 tons), oriental tobacco (500 tons).

### **III. Developments regarding trade policies and trade regime during 2003**

#### **III.1 Albania's trade policy in the context of the multilateral trade system**

Albania was granted membership in the World Trade Organization in September 2000. Consequently, the country's trade policies are now anchored by the regulation system of global trade, which makes these policies much more transparent and credible. In the context of membership, our country has undertaken a commitment to apply a maximum tariff of no more than 20 percent, while undertaking sectorial initiatives regarding gradual trade liberalization as well. Since 2000, these initiatives included specific commitments including transition towards a trade regime with zero tariff for a specific category of products. Nevertheless, our country has not thoroughly completed its obligations. This is why during approval of the Fiscal Package, the Albanian Parliament has authorized official authorities to start renegotiations (see box 1) in order to postpone liberalization deadlines for a number of sectors including the industry of oil, fish, beer, iron and steel, the pharmaceutical industry, etc.

On the other hand, commitments in the context of membership in the WTO regarding a broad category of products have been reflected in the 2004 Fiscal Package. According to ACIT estimations, liberalized products comprise 7.5 percent of total imports and fiscal costs caused by cutbacks in customs revenues are estimated to be 10 million Euros. If all commitments are to be respected according to the WTO commitments schedule, losses for 2004, 2005 and 2006 would be respectively 16, 21, and 25 million Euros.

Further intensification of the trade liberalization process is going to ensue changes in customs tariff levels stated in the 2004 Fiscal Package. As shown in the following table, the volume of products bearing a zero customs tariff is going to increase from 17.2 percent to 25.5 percent, while the number of products bearing maximal customs tariffs of 15 percent is going to decrease from 27.5 percent to



23.2 percent. On the other hand, while the average level<sup>11</sup> of customs tariffs remains constant (6.75 percent), the customs tariff level according to trade volumes is expected to decrease from 4.36 percent in 2003 to 4.1 percent in 2004.

Table 3.1: Tariff lines (in percentage points) according to the Harmonized System classification, sorted by tariff levels

Tariff level	<i>Percentage of tariff lines</i>	
	2003	2004
0%	17.2	25.5
2%	30.3	28.0
10%	25.1	23.3
15%	27.5	23.2

Source: ACIT estimations, 2004

### Box 1: Renegotiation in the context of the WTO

Omission of the commitments stated in the Protocol of Albania's Membership in the WTO regarding tariff reduction, conforming the attached schedule, violates article II: 1(a) of the GATT Agreement 1994, which states that all parties involved in the contract are disallowed to treat other parties less favorably than stated in the Schedule.

Nevertheless, one of the ways to bypass completion of such an obligation is prescribed in the XXVIII article of GATT, which allows for tariff renegotiation on one or more products conforming the conditions prescribed by the article. Firstly, the notification about the reasons and purpose of renegotiation must be made before the tariff is abrogated. The article allows for a deadline of 6 months to notify the WTO and member countries which, after being informed, get prepared for consultations. The notification document contains import statistics regarding the goods whose tariffs are going to be renegotiated, as well as comments regarding these statistics or specific conditions of industrial sectors. Given that renegotiation must be carried out conforming the compensation principle, in any case the party refusing to change the tariff must give evidence of liberalization of other sectors in the same document, and the level of liberalization must equal the amount generated by protection through increasing or refusing to change the tariff according to the commitment. Positive results of consultations, grant the country that asked for renegotiation the right to change the tariff according to the renegotiated value; in case of discordance, each trade partner involved in trade relations with this country, has the right to cancel the previously negotiated concessions. Albania has submitted such a document regarding the products mentioned above.

## III.2 Trade policy in the context of European integration

Albania has been negotiating with the European Union about the implementation of a Stabilization and Association Agreement, since the beginning of 2003. Until the end of 2003, the authorities carried out five rounds of technical negotiations. The fifth round took place in January 2004, in Tirana. The chapters on trade of industrial goods have been negotiated so far, while chapters on trade of agricultural goods are still under negotiation (chapters 1-24).

<sup>11</sup> Estimations by ACIT staff. The structure of imported goods has been considered constant during calculations of the average tariff according to trade volumes during 2004; calculations are based on commodity trade data according to the 8-digit level of the Harmonized System.



The level of customs tariffs with the European Union will be significantly reduced, probably by the beginning of the following year, in order to catch up with similar levels applied by countries that have already completed this process, such as Bulgaria or Slovenia, until the end of the transitional period accorded by the EU (6 years). These target tariff levels are shown in the table. Average customs tariff rates of respective countries in relation to all other countries (Most Favored Nation tariff) and regarding imports from European Union members, are shown in this table.

Table 3.2 Average tariff rates, 2002

Country	MFN	EU
Albania	7.5	7.5
Bosnia and Herzegovina	5.1	5.1
Bulgaria	7.9	2.5
Croatia	4.3	1.4
Macedonia	12.3	8.0
Romania	14.5	3.7
Serbia and Montenegro	8.2	8.2
Slovenia	7.6	1.2

Albanian imports of industrial goods from European Union countries will be carried out without customs tariffs, for the dominant part of goods, immediately with the Interim Agreement<sup>12</sup> entering into force. Sectors undergoing gradual liberalization<sup>13</sup> include salt, cement, several energetic products, detergents and articles of toilet, a number of articles of the plastics industry, garments, articles of the construction industry (including iron and steel profiles) and furniture. Customs tariff reduction for these products/sectors will be carried out according to the following schedule:

- standing at 80 percent of the base tariff, with the agreement entering into force;
- starting from January 1, 2005, at 60%
- starting from January 1, 2006, at 40%
- starting from January 1, 2007, at 20%
- starting from January 1, 2008, at 10%; and
- starting from January 1, 2009, the tariffs will be completely eliminated.

Taking into account the large volume of imports from EU countries, customs revenues from imports are going to be reduced significantly, urging the authorities to increase efforts for intensification of the financial reform in order to complete the vacuum created on the income side.

On the other hand, the trade regime granted to Albania by the European Union will not be less favorable than that accorded since September 2000 (on decision of the European Commission No. 2007/2000).

According to official documents from the European Commission, Albanian exports<sup>14</sup> directed to EU countries are almost totally liberalized. Except for products belonging to classes 0102, 0201, 0202 and 1604, all other products have been allowed to freely enter EU countries, without undergoing any quantity limitation or other restrictive measure and freed from the obligation to pay customs tariffs and

<sup>12</sup> While the Stabilization and Association Agreement enters into force after ratification by the Albanian Parliament, and Parliaments of EU countries, the trade regime enters into force immediately after being approved by the Commission, in the form of an Interim Agreement, because this subject has been left under EU jurisdiction.

<sup>13</sup> Detailed lists, along with other materials regarding Albania's trade regime with the European Union can be found on the ACIT web page: [www.acit-al.org](http://www.acit-al.org).

<sup>14</sup> This regime has also been applied for Macedonia and Croatia until the moment these countries signed Stabilization and Association Agreements; with Bosnia and Herzegovina, Serbia and Montenegro, and Kosovo.

other obligations having similar effects (article 1 of decision 2007/2000, September 18, 2000). A number of products have been granted free access (no customs tariff, or reduced tariffs) according to a specified annual quota including a number of categories of fish products, baby beef (for which no concessions have been granted except for Albania and Kosovo) and wine. As for industrial products, restrictions are still being applied on garments, with specified quotas for products originating in these countries as well as for volumes of imports from the active processing regime.

### **III.3 Trade policy with regional countries**

Encouraged by the European Union, Southeast European countries (seven of them: Albania, Bosnia and Herzegovina, Macedonia, Bulgaria, Romania, Croatia, Serbia and Montenegro, as well as Kosovo and Moldova joining later this initiative) signed a Memorandum of Understanding in 2001, in order to facilitate and liberalize trade between them. Creation of a free trade area between these countries until the beginning of 2008, through a bilateral network of Free Trade Agreements is the final goal of this initiative.

According to estimates, almost all of the 21 bilateral agreements were ratified and had almost completely entered into force by the beginning of 2004. FTA-s with Macedonia, Croatia, Bulgaria, Romania, Kosovo, Bosnia-Herzegovina have already entered into force in the case of Albania. FTA-s with Serbia-Montenegro and Moldova have been ratified<sup>15</sup> by the Parliament in February 2004, while the FTA with Turkey is under negotiation.

In spite of the bilateral network of FTA-s entering into force, the degree of trade liberalization is not the same in all countries, making the trade regime unfriendly for market operators. While the trade of industrial goods is expected to be almost completely liberalized, the pace of liberalization is different for different countries. On the other hand, trade opening on agricultural goods and food also reflects differences, not only in terms of deadlines, but regarding product-groups involved in these initiatives as well. As a result, efforts must be made by authorities in the near future, in order to promote sectorial harmonization and avoid distortions in the trade regime between regional countries.

### **III.4 Non-tariff barriers**

Reduction of non-tariff barriers is very important not only in the context of regional integration processes, but in the context of commitments with the World Trade Organization as well. To this end, a number of measures dealing with development and harmonization of our standards with international ones have been carried out. The law “On the accreditation of testing, calibrating laboratories, certifying and inspecting institutions in the Republic of Albania”, was approved by the Albanian Parliament during 2003, regulating the procedural and institutional aspects of accreditation, accreditation areas and the role of accreditation regarding procedures of compliance with standards and technical regulations (law no. 9024, 6/03/2003). The law no. 9097, approved on 3/7/2003 “On the evaluation of conformity” completes the standardization scope. This is an important law, defining standard procedures that must be followed by producers and subjects offering services, regardless of the fact whether they are Albanian, foreign, private or public subjects. In addition, measures have been undertaken in the sanitary and phytosanitary areas, which are directly related to the protection of people, animals and plants. Approval on principle of the agreement with UNMIK “On the cooperation on public veterinary health” can be mentioned in this context (Decision of the Council of Ministers no. 723 30.10. 2003) which consisting in defending people and living animals during import-export of living animals, as well

<sup>15</sup> See Table 15 (Annexes) for more detailed information on the legislation sanctioning these agreements and guaranteeing effective entering into force as well as other agreements regarding cooperation on customs with several regional countries, free movement of individuals, elimination of double taxation, etc.

as the decision regarding approval on principle of the agreement on “Cooperation regarding quarantine and plants protection”, (DCM no. 724 30.10.2003). BIO products, comprise a sensitive category in the context of domestic agricultural production. A new law has been proposed by the Albanian Government regarding production, certification and trading schemes for these products in order to facilitate protection of this category of products without holding back free trade (DCM no.22 16/01/2003 “On the bill regarding production, processing, certification and trade of BIO products”).

### **III.5 Consolidation of market institutions**

The institutional framework directly or indirectly related to trade and business in Albania, is not only an important factor in the context of integration processes, but also a factor influencing consolidation of the market system and imposition of the rules of the game. Completion of a legal framework regarding competitiveness conditions in the Albanian market, as well as consumer protection and intellectual property protection can be mentioned in the context of this category of laws and initiatives. Fair competition and preservation of fair competition in the Albanian market has been recently sanctioned by the law nr 9121 28/7/2003, which conforms European requirements and standards in this area.

Implementation of this law has marked a positive step as compared to the previous law, reflecting more comprehensive rules on preservation of competition, implementation of proper structures and the imposition of procedures and sanctions in order to provide rigorous execution of the former. The new law on competition is more transparent in defining goals, regarding the terminology used, and ad hoc evaluation of specific situations regarding the performance of enterprises in the conditions of market competition. This law applies not only to those enterprises that are directly related to the domestic market, but to those indirectly related to this market as well, consequently reflecting a supplementary element as compared to the previous law. A more clear distinction between vertical and horizontal agreements, exclusive cases, and conditions of a dominating position in the market is made. The concept of monopoly has not been tackled at all in the new law, and no conditions regarding monopoly limitations have been defined. To some extent, the law allows for evaluation of monopoly situations by the respective authorities, while in the same time, avoiding strict formulation in legal terms. The new law prescribes calculation methods regarding concentration of a specific enterprise in the market through international and domestic cash flow analysis, for both individual enterprises and groups of enterprises. Establishment of the Competition Authority, an institution monitoring the activity of domestic and foreign enterprises as well as that of other subjects operating in the domestic market, is a significant achievement in the context of this law. In contrast with the Directorate on Competition, established according to the previous law, the Competition Authority is an independent entity composed of qualified members chosen by the Parliament. The Authority includes the Commission and Secretariat as its integral parts. The Competition Authority can launch investigations on various sectors of the economy through the Secretariat: 1) by its own initiative, 2) when asked by specific enterprises and 3) on request of a third party. It takes decisions on issuing permissions regarding exclusions from abolition of agreements, respecting the requirements of the law. Decisions of the Competition Authority can be appealed in the Court of the First Instance. Issuing of periodic and individual fees is carried out by the Commission and they apply to both moderate and serious violations. Assessments are more accurate as compared to the previous law, because they are calculated in percentage according to cash flows, differentiating fees according to the cash flow of enterprises.

Another important law on Consumer Protection (law no. 9135 11.9.2003) further completes the above picture. This law recognizes and guarantees consumer rights regarding quality and guaranty of products and services, as well as consumer protection against arbitrary actions from public or private suppliers of products and services. In the context of public services, consumer rights regarding such services as electrical power, telecommunication and water supply, implying information on prices and a guaranty

for a permanent and high quality supply of these services, have been introduced for the first time in this law.

The new law on consumer protection comprises an achievement because it covers a wider range of relationships and provides additional mechanisms for guaranteeing consumer rights. The safety of goods and services is complemented through the supplier's obligation to provide safe products conforming European and international standards, transparency regarding information on products, services and prices. A whole chapter focuses on publicity and control over publicity in cases of interference with consumer rights. The new law prescribes a number of situations that had not been covered by the previous law, such as that regarding unfair conditions in contracts (supplier – consumer contracts), contracts covering services and trade over distance and those executed electronically, which precede future developments in spite of scarce application in the Albanian reality. The law completes the consumer rights framework defining criteria on product warranty too. The institutional framework is now complete as well, after the introduction of additional institutions designed to this end. Apart from the Consumers Association, the new law prescribes the Directorate of Consumer Protection, the Coordinating Council, the People's Advocate, and Tribunals. In order to effectively guarantee exercise of these rights, fees have been prescribed according to the values and cases stated in the law. Institutions dealing with execution of administrative measures have the authority of charging fees. Reclamations can be submitted to all the above-mentioned institutions.

Albania's membership in the World Intellectual Property Organization (the law no. 8993, 30/01/2003) and the Universal Convention on authorship rights and attached protocols (the law no. 9122 9/08/2003) were the most important events regarding intellectual property legislation.

### **III.6 Institutional initiatives regarding trade and business**

Three important government agencies have been established during 2003, in order to complete the institutional framework regarding trade and business development. "The agency for Small and Medium Enterprises" is the first one, coordinating and supporting this category of businesses to improve their performance and increase domestic production. The second agency deals with Export Promotion. Its target focuses on creation of opportunities of growth for Albanian exports to foreign markets. Finally, the institutional framework is completed through establishment of the Agency for Foreign Investment Promotion, which focuses on increasing foreign direct investments in Albania. All three institutions comprise an effective chain providing information and demonstrating essential conditions required for a high business performance.

## Annexes

Table 1: Sectorial distribution of exports and performance over time

HS	Sector description	Exports (in thousands of USD)	Volume change 2002-2003	Average volume change 1999-2003	Sectorial exports share in the total volume	Change of the share 2002-2003	Change of the share 1999-2003
1	Living animals; animal origin products	2,756	28%	0%	0.62%	-0.04%	-0.15%
2	Vegetable products	15,100	15%	5%	3.37%	-0.60%	-0.30%
3	Animal grease and oils or vegetal	453	4057%	1015%	0.10%	0.10%	-0.01%
4	Prepared foods, drinks, tobacco	19,180	164%	31%	4.28%	2.08%	-0.09%
5	Mineral products	11,946	31%	2%	2.67%	-0.10%	-0.92%
6	Chemical industry products or allied	2,483	51%	54%	0.55%	0.06%	0.07%
7	Plastics; tire and its products	653	-2%	-14%	0.15%	-0.06%	-0.08%
8	Leather and its products	11,228	-24%	15%	2.51%	-1.99%	-0.01%
9	Wood, cork and their products, straw products, reed-canes	8,744	2%	8%	1.95%	-0.65%	-0.09%
10	Wood dough, papers, cart-paper and their products	9,308	218%	53%	2.08%	1.19%	0.10%
11	Textiles and textile articles	155,219	25%	13%	34.64%	-3.03%	-0.27%
12	Clothes and umbrellas	133,743	40%	19%	29.85%	0.99%	1.26%
13	Stone, gypsum, cement, ceramic, glass articles	2,099	11%	48%	0.47%	-0.10%	0.06%
14	Pearls, jewellery, coins	415	14%	159%	0.09%	-0.02%	-0.05%
15	Main metals and their products	49,643	61%	36%	11.08%	1.75%	1.41%
16	Electric, mechanic machinery and equipment	14,661	74%	25%	3.27%	0.72%	-0.30%
17	Vehicles	1,190	39%	146%	0.27%	0.01%	-0.39%
18	Optic implements and instruments; watches; music instruments	254	-11%	0%	0.06%	-0.03%	-0.02%
19	Arms and munitions and their components	318	-52%	-15%	0.07%	-0.13%	0.02%
20	Manufactured articles	8,626	26%	6%	1.93%	-0.14%	-0.24%
21	Work of art, ancient pieces	30	-4%	148%	0.01%	0.00%	0.00%

Table 2: Sectorial distribution and imports performance, 2003

	Sector description	Exports (in thousand of USD)	Volume change 2002-2003	Average volume change 1999-2003	Sectorial exports share the total volume	Change of the share 2002-2003	Change of the share 1999-2003
1	Living animals; animal origin products	63,072	41%	15%	3.39%	0.39%	-0.33%
2	Vegetable products	119,294	18%	5%	6.42%	-0.38%	-2.17%
3	Animal grease and oils or vegetal	28,994	39%	10%	1.56%	0.16%	-0.21%
4	Prepared foods, drinks, tobacco	157,447	20%	4%	8.47%	-0.34%	-3.89%
5	Mineral products	219,778	14%	31%	11.82%	-1.09%	5.08%
6	Chemical industry products or allied	114,356	33%	14%	6.15%	0.39%	0.28%
7	Plastics; tire and its products	57,263	28%	15%	3.08%	0.07%	0.28%
8	Leather and its products	55,523	50%	29%	2.99%	0.50%	1.13%
9	Wood, cork and their products, straw products, reed- canes	22,810	40%	13%	1.23%	0.13%	-0.21%
10	Wood dough, papers, cart-paper and their products	36,597	24%	20%	1.97%	-0.01%	0.46%
11	Textiles and textile articles	203,043	24%	7%	10.92%	-0.03%	-3.60%
12	Clothes and umbrellas	64,996	17%	6%	3.50%	-0.24%	-1.71%
13	Stone, gypsum, cement, ceramic, glass articles	68,209	18%	20%	3.67%	-0.22%	0.94%
14	Pearls, jewellery, coins	687	89%	41%	0.04%	0.01%	-0.04%
15	Main metals and their products	177,152	32%	24%	9.53%	0.53%	3.21%
16	Electric, mechanic machinery and equipment	283,912	17%	19%	15.27%	-0.97%	2.16%
17	Vehicles	120,346	49%	13%	6.47%	1.04%	-0.17%
18	Optic implements and instruments; watches; music instruments	21,768	52%	19%	1.17%	0.21%	0.13%
19	Arms and munitions and their components	787	14%	-14%	0.04%	0.00%	-0.20%
20	Manufactured articles	42,843	17%	5%	2.30%	-0.15%	-1.15%
21	Work of art, ancient pieces	663	17%	441%	0.04%	0.00%	0.02%

Table 3: Exports to the EU according to structure, in thousands of USD

	Sector description	1996	1997	1998	1999	2000	2001	2002	2003
1	Living animals; animal origin products	6,700.18	4,027.93	3,792.17	3,331.87	1,646.50	1,936.18	1,611.90	1,993.03
2	Vegetable products	12,290.96	12,626.50	13,465.71	9,985.38	9,016.53	8,330.05	9,849.01	9,803.45
3	Animal grease and oils or vegetal	3,290.81	44.85	298.00	207.44	45.04	2.08	1.51	303.63
4	Prepared foods, drinks, tobacco	7,152.61	7,088.34	10,319.69	10,788.80	11,046.55	11,543.86	4,980.76	17,862.48
5	Mineral products	12,190.93	4,662.51	17,094.42	16,418.03	4,718.49	3,935.75	6,090.82	4,170.21
6	Chemical industry products or allied	2,237.43	1,089.10	627.96	344.95	779.62	1,973.73	1,002.86	1,555.76
7	Plastics; tire and its products	984.31	399.78	1,120.75	1,222.78	622.34	815.02	509.98	451.13
8	Leather and its products	8,378.67	7,097.34	5,429.88	6,235.38	6,707.65	8,229.11	8,887.92	8,593.12
9	Wood, cork and their products, straw products,	6,322.72	5,231.19	5,412.03	6,135.93	7,081.71	8,078.66	8,449.84	8,474.87
10	Wood dough, papers, cart-paper and their	2,106.87	3,195.42	2,625.72	1,838.57	1,693.98	1,522.13	2,633.01	8,707.14
11	Textiles and textile articles	53,513.92	33,768.48	65,096.77	97,861.53	95,334.41	112,595.06	123,434.24	153,968.26
12	Clothes and umbrellas	52,531.10	27,376.01	40,668.35	68,210.57	70,317.64	86,821.67	94,312.84	132,742.08
13	Stone, gypsum, cement, ceramic, glass articles	314.28	426.79	1,633.75	540.18	634.86	1,103.78	1,710.77	2,020.89
14	Pearls, jewellery, coins	70.23	53.12	173.25	389.44	526.74	308.05	351.97	409.88
15	Main metals and their products	20,672.62	13,724.40	8,561.07	13,795.18	20,883.35	23,450.74	29,948.74	48,068.32
16	Electric, mechanic machinery and equipment	1,864.33	2,016.80	4,281.68	10,210.79	3,367.02	3,456.03	3,668.74	10,048.23
17	Vehicles	105.40	82.67	78.96	2,868.95	70.72	89.19	262.36	876.79
18	Optic implements and instruments; watches;	165.41	98.72	519.27	308.27	468.31	174.56	94.62	160.08
19	Arms and munitions and their components	0.06				23.54	1.76	253.93	56.31
20	Manufactured articles	3,204.62	3,402.27	6,030.80	7,266.51	6,428.70	4,830.29	6,140.64	7,498.22
21	Work of art, ancient pieces	20.70	1.01	25.59	20.39	141.67	110.52	28.85	12.18
	Total	194,118.15	126,413.23	187,255.79	257,980.96	241,555.37	279,308.24	304,225.32	417,776.07

Table 4: Exports to the EU according to the share of each sector (in percentage)

HS	Sector description	1996	1997	1998	1999	2000	2001	2002	2003
1	Living animals; animal origin products	3.5%	3.2%	2.0%	1.3%	0.7%	0.7%	0.5%	0.5%
2	Vegetable products	6.3%	10.0%	7.2%	3.9%	3.7%	3.0%	3.2%	2.3%
3	Animal grease and oils or vegetal	1.7%	0.0%	0.2%	0.1%	0.0%	0.0%	0.0%	0.1%
4	Prepared foods, drinks, tobacco	3.7%	5.6%	5.5%	4.2%	4.6%	4.1%	1.6%	4.3%
5	Mineral products	6.3%	3.7%	9.1%	6.4%	2.0%	1.4%	2.0%	1.0%
6	Chemical industry products or allied	1.2%	0.9%	0.3%	0.1%	0.3%	0.7%	0.3%	0.4%
7	Plastics; tire and its products	0.5%	0.3%	0.6%	0.5%	0.3%	0.3%	0.2%	0.1%
8	Leather and its products	4.3%	5.6%	2.9%	2.4%	2.8%	2.9%	2.9%	2.1%
9	Wood, cork and their products, straw products, reed-canes	3.3%	4.1%	2.9%	2.4%	2.9%	2.9%	2.8%	2.0%
10	Wood dough, papers, cart-paper and their products	1.1%	2.5%	1.4%	0.7%	0.7%	0.5%	0.9%	2.1%
11	Textiles and textile articles	27.6%	26.7%	34.8%	37.9%	39.5%	40.3%	40.6%	36.9%
12	Clothes and umbrellas	27.1%	21.7%	21.7%	26.4%	29.1%	31.1%	31.0%	31.8%
13	Stone, gypsum, cement, ceramic, glass articles	0.2%	0.3%	0.9%	0.2%	0.3%	0.4%	0.6%	0.5%
14	Pearls, jewellery, coins	0.0%	0.0%	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%
15	Main metals and their products	10.6%	10.9%	4.6%	5.3%	8.6%	8.4%	9.8%	11.5%
16	Electric, mechanic machinery and equipment	1.0%	1.6%	2.3%	4.0%	1.4%	1.2%	1.2%	2.4%
17	Vehicles	0.1%	0.1%	0.0%	1.1%	0.0%	0.0%	0.1%	0.2%
18	Optic implements and instruments; watches; music instruments	0.1%	0.1%	0.3%	0.1%	0.2%	0.1%	0.0%	0.0%
19	Arms and munitions and their components	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
20	Manufactured articles	1.7%	2.7%	3.2%	2.8%	2.7%	1.7%	2.0%	1.8%
21	Work of art, ancient pieces	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%



Table 5: Imports from the EU according to their structure, in thousands of USD

HS	Sector description	1996	1997	1998	1999	2000	2001	2002	2003
1	Living animals; animal origin products	36,795.59	23,241.06	38,673.97	37,263.19	22,313.47	23,135.09	35,203.10	43,031.98
2	Vegetable products	103,848.80	68,980.67	63,660.19	71,368.74	60,683.39	60,449.06	55,947.79	57,220.75
3	Animal grease and oils or vegetal	11,365.38	12,530.12	17,704.24	11,338.80	8,849.20	11,185.16	9,939.83	11,670.60
4	Prepared foods, drinks, tobacco	62,431.19	36,011.00	58,575.74	116,663.34	79,473.76	87,838.11	107,098.90	119,667.62
5	Mineral products	44,507.67	46,161.14	64,280.91	66,573.32	106,291.86	137,423.06	119,265.33	119,666.17
6	Chemical industry products or allied	22,651.19	22,823.08	30,356.40	44,288.58	35,462.85	41,850.40	50,760.72	67,896.37
7	Plastics; tire and its products	16,152.68	16,254.20	20,463.74	27,654.45	24,770.96	30,293.55	34,884.68	42,856.61
8	Leather and its products	19,716.40	14,290.69	18,721.61	21,590.89	18,609.23	26,977.15	34,918.71	52,482.02
9	Wood, cork and their products, straw products,	4,995.72	6,375.98	9,216.11	16,210.51	9,125.17	10,620.26	14,928.73	19,899.70
10	Wood dough, papers, cart-paper and their products	8,066.98	4,981.61	6,789.80	11,841.18	11,800.09	12,103.08	20,782.81	23,989.93
11	Textiles and textile articles	74,509.74	60,217.57	91,134.23	145,597.89	99,208.16	112,537.51	135,208.66	166,823.48
12	Clothes and umbrellas	57,104.02	36,440.32	38,096.95	41,416.09	32,237.54	44,420.31	51,254.47	56,824.73
13	Stone, gypsum, cement, ceramic, glass articles	15,921.88	19,354.88	25,087.58	27,286.63	35,231.36	43,070.87	48,445.70	55,651.20
14	Pearls, jewellery, coins	600.72	145.37	364.26	954.19	2,645.31	389.47	354.78	511.09
15	Main metals and their products	29,633.54	33,951.19	43,059.08	55,333.39	63,799.06	84,107.83	88,915.53	102,206.43
16	Electric, mechanic machinery and equipment	114,251.85	87,835.05	69,863.58	125,743.45	118,264.44	207,173.03	197,445.01	220,356.63
17	Vehicles	46,699.58	28,349.52	39,450.21	65,237.99	68,175.79	62,111.84	71,723.95	107,393.46
18	Optic implements and instruments; watches; music	7,157.96	6,316.89	4,745.83	9,836.59	11,513.02	13,401.53	10,737.76	13,930.24
19	Arms and munitions and their components	486.41	4.85	16.98	2,832.79	278.95	356.46	424.73	430.64
20	Manufactured articles	13,748.03	13,105.95	16,466.46	31,238.96	20,812.14	27,123.21	32,715.60	35,370.85
21	Work of art, ancient pieces	41.74	7.80	1,720.65	122.29	30.01	12.70	565.26	584.55
	<b>Total</b>	<b>690,687.07</b>	<b>537,378.92</b>	<b>658,448.54</b>	<b>930,393.27</b>	<b>829,575.76</b>	<b>1,036,579.67</b>	<b>1,121,522.04</b>	<b>1,318,465.06</b>

Table 6: Imports from the EU, sorted by share (in percentage)

HS	Sector description	1996	1997	1998	1999	2000	2001	2002	2003
1	Living animals; animal origin products	5.3%	4.3%	5.9%	4.0%	2.7%	2.2%	3.1%	3.3%
2	Vegetable products	15.0%	12.8%	9.7%	7.7%	7.3%	5.8%	5.0%	4.3%
3	Animal grease and oils or vegetal	1.6%	2.3%	2.7%	1.2%	1.1%	1.1%	0.9%	0.9%
4	Prepared foods, drinks, tobacco	9.0%	6.7%	8.9%	12.5%	9.6%	8.5%	9.5%	9.1%
5	Mineral products	6.4%	8.6%	9.8%	7.2%	12.8%	13.3%	10.6%	9.1%
6	Chemical industry products or allied	3.3%	4.2%	4.6%	4.8%	4.3%	4.0%	4.5%	5.1%
7	Plastics; tire and its products	2.3%	3.0%	3.1%	3.0%	3.0%	2.9%	3.1%	3.3%
8	Leather and its products	2.9%	2.7%	2.8%	2.3%	2.2%	2.6%	3.1%	4.0%
9	Wood, cork and their products, straw products, reed-canes	0.7%	1.2%	1.4%	1.7%	1.1%	1.0%	1.3%	1.5%
10	Wood dough, papers, cart-paper and their products	1.2%	0.9%	1.0%	1.3%	1.4%	1.2%	1.9%	1.8%
11	Textiles and textile articles	10.8%	11.2%	13.8%	15.6%	12.0%	10.9%	12.1%	12.7%
12	Clothes and umbrellas	8.3%	6.8%	5.8%	4.5%	3.9%	4.3%	4.6%	4.3%
13	Stone, gypsum, cement, ceramic, glass articles	2.3%	3.6%	3.8%	2.9%	4.2%	4.2%	4.3%	4.2%
14	Pearls, jewellery, coins	0.1%	0.0%	0.1%	0.1%	0.3%	0.0%	0.0%	0.0%
15	Main metals and their products	4.3%	6.3%	6.5%	5.9%	7.7%	8.1%	7.9%	7.8%
16	Electric, mechanic machinery and equipment	16.5%	16.3%	10.6%	13.5%	14.3%	20.0%	17.6%	16.7%
17	Vehicles	6.8%	5.3%	6.0%	7.0%	8.2%	6.0%	6.4%	8.1%
18	Optic implements and instruments; watches; music instruments	1.0%	1.2%	0.7%	1.1%	1.4%	1.3%	1.0%	1.1%
19	Arms and munitions and their components	0.1%	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%
20	Manufactured articles	2.0%	2.4%	2.5%	3.4%	2.5%	2.6%	2.9%	2.7%
21	Work of art, ancient pieces	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%	0.1%	0.0%

Table 7: Exports to SEE, according to their structure, in thousands of USD

HS	Sector description	1996	1997	1998	1999	2000	2001	2002	2003
1	Living animals; animal origin products	6.47	18.70	2.87	48.04	272.54	343.34	529.67	763.34
2	Vegetable products	1,269.53	539.06	830.88	868.30	502.74	535.87	904.26	1,842.26
3	Animal grease and oils or vegetal	87.72			158.73	0.73	1.80	9.39	149.46
4	Prepared foods, drinks, tobacco	991.42	1,630.32	1,341.08	1,801.51	2,401.83	2,455.93	2,250.56	1,291.70
5	Mineral products	5,600.42	2,230.89	1,755.03	476.43	2,740.70	1,909.09	2,260.57	3,394.80
6	Chemical industry products or allied	292.57	57.12	78.28	360.92	625.71	932.16	273.58	808.94
7	Plastics; tire and its products	201.76	67.74	41.10	92.34	248.42	131.40	153.41	180.61
8	Leather and its products	4.28	127.38	5.42	79.50	1.15	38.03	50.38	58.57
9	Wood, cork and their products, straw products, reed-	8.76	5.44	3.28	276.89	223.49	451.20	82.71	258.86
10	Wood dough, papers, cart-paper and their products	6.20	50.82		266.90	280.28	62.26	81.15	99.72
11	Textiles and textile articles	198.26	21.10	88.43	412.50	83.85	1,054.64	173.48	309.71
12	Clothes and umbrellas	7.93	0.23		147.56	6.66	148.23	271.88	850.51
13	Stone, gypsum, cement, ceramic, glass articles	42.53	6.89	8.69	57.97	65.78	717.14	172.04	78.20
14	Pearls, jewellery, coins						0.10	11.65	
15	Main metals and their products	519.28	72.87	21.30	224.20	618.51	1,020.78	456.27	525.71
16	Electric, mechanic machinery and equipment	1,846.29	4,804.77	35.99	1,536.79	601.40	3,477.33	3,698.70	2,398.07
17	Vehicles	0.72	0.35	1,075.11	926.83	49.78	654.79	589.33	292.74
18	Optic implements and instruments; watches; music	20.04	4.84	1.51	66.55	13.42	12.17	119.78	37.00
19	Arms and munitions and their components	43.97	38.47			193.69	36.84		49.98
20	Manufactured articles	25.77	14.81	16.59	355.81	1,389.04	244.66	637.80	1,018.19
21	Work of art, ancient pieces	3.68			1.10		10.14		17.46
	<b>Total</b>	<b>11,177.59</b>	<b>9,691.80</b>	<b>5,305.56</b>	<b>8,158.88</b>	<b>10,319.71</b>	<b>14,237.91</b>	<b>12,726.61</b>	<b>14,425.82</b>

Table 8: Exports to SEE, according to structure (in percentage)

HS	Sector description	1996	1997	1998	1999	2000	2001	2002	2003
1	Living animals; animal origin products	0.1%	0.2%	0.1%	0.6%	2.6%	2.4%	4.2%	5.3%
2	Vegetable products	11.4%	5.6%	15.7%	10.6%	4.9%	3.8%	7.1%	12.8%
3	Animal grease and oils or vegetal	0.8%			1.9%	0.0%	0.0%	0.1%	1.0%
4	Prepared foods, drinks, tobacco	8.9%	16.8%	25.3%	22.1%	23.3%	17.2%	17.7%	9.0%
5	Mineral products	50.1%	23.0%	33.1%	5.8%	26.6%	13.4%	17.8%	23.5%
6	Chemical industry products or allied	2.6%	0.6%	1.5%	4.4%	6.1%	6.5%	2.1%	5.6%
7	Plastics; tire and its products	1.8%	0.7%	0.8%	1.1%	2.4%	0.9%	1.2%	1.3%
8	Leather and its products	0.0%	1.3%	0.1%	1.0%	0.0%	0.3%	0.4%	0.4%
9	Wood, cork and their products, straw products, reed-canes	0.1%	0.1%	0.1%	3.4%	2.2%	3.2%	0.6%	1.8%
10	Wood dough, papers, cart-paper and their products	0.1%	0.5%		3.3%	2.7%	0.4%	0.6%	0.7%
11	Textiles and textile articles	1.8%	0.2%	1.7%	5.1%	0.8%	7.4%	1.4%	2.1%
12	Clothes and umbrellas	0.1%	0.0%		1.8%	0.1%	1.0%	2.1%	5.9%
13	Stone, gypsum, cement, ceramic, glass articles	0.4%	0.1%	0.2%	0.7%	0.6%	5.0%	1.4%	0.5%
14	Pearls, jewellery, coins						0.0%	0.1%	
15	Main metals and their products	4.6%	0.8%	0.4%	2.7%	6.0%	7.2%	3.6%	3.6%
16	Electric, mechanic machinery and equipment	16.5%	49.6%	0.7%	18.8%	5.8%	24.4%	29.1%	16.6%
17	Vehicles	0.0%	0.0%	20.3%	11.4%	0.5%	4.6%	4.6%	2.0%
18	Optic implements and instruments; watches; music instruments	0.2%	0.0%	0.0%	0.8%	0.1%	0.1%	0.9%	0.3%
19	Arms and munitions and their components	0.4%	0.0%	0.0%	0.0%	1.9%	0.3%		0.3%
20	Manufactured articles	0.2%	0.2%	0.3%	4.4%	13.5%	1.7%	5.0%	7.1%
21	Work of art, ancient pieces	0.0%			0.0%		0.1%		0.1%

Table 9: Imports from SEE, according to structure, in thousands of USD

HS	Sector description	1996	1997	1998	1999	2000	2001	2002	2003
1	Living animals; animal origin products	3,922.69	1,173.24	615.91	1,941.67	876.80	466.72	1,261.72	1,405.71
2	Vegetable products	32,910.90	8,039.33	8,299.72	15,834.31	14,133.95	16,431.06	14,957.26	9,103.01
3	Animal grease and oils or vegetal	10,561.63	6,535.53	5,430.07	5,760.31	3,347.86	3,530.59	2,095.02	1,373.27
4	Prepared foods, drinks, tobacco	8,315.43	2,846.70	2,969.54	6,818.40	4,290.49	3,366.93	5,336.75	9,614.73
5	Mineral products	2,728.08	684.84	1,728.62	6,831.91	14,861.50	20,638.63	42,505.90	45,128.09
6	Chemical industry products or allied	7,678.14	4,885.17	6,078.20	5,135.80	3,042.80	4,282.78	6,883.51	9,558.33
7	Plastics; tire and its products	1,978.70	1,431.50	2,094.45	2,639.09	3,518.26	3,323.13	3,965.11	5,213.38
8	Leather and its products	21.33	89.92	202.44	169.86	107.28	152.72	1,249.84	1,745.69
9	Wood, cork and their products, straw products, reed-canes	1,588.47	753.79	721.68	699.75	846.26	1,051.29	773.27	2,023.62
10	Wood dough, papers, cart-paper and their products	785.80	340.64	1,098.03	1,658.60	1,760.23	2,306.43	2,807.91	4,476.21
11	Textiles and textile articles	1,114.56	993.54	1,424.19	3,230.21	1,458.82	1,557.93	1,197.14	1,171.38
12	Clothes and umbrellas	111.99	28.03	103.61	321.97	201.98	371.01	570.14	827.27
13	Stone, gypsum, cement, ceramic, glass articles	3,289.14	1,829.13	2,046.08	2,752.43	3,465.14	2,811.27	4,011.86	4,249.20
14	Pearls, jewellery, coins	12.02	0.05	3.72		0.54	0.11	5.04	24.10
15	Main metals and their products	4,989.16	3,127.59	3,593.49	4,281.53	6,281.08	6,550.17	9,575.27	10,661.59
16	Electric, mechanic machinery and equipment	10,638.60	3,351.44	2,507.73	10,834.76	15,298.51	13,115.29	11,869.91	12,108.66
17	Vehicles	3,310.78	745.84	1,325.65	4,674.48	3,503.67	3,107.51	2,284.62	2,709.51
18	Optic implements and instruments; watches; music instruments	434.23	259.36	170.68	530.85	449.39	296.09	1,490.98	285.92
19	Arms and munitions and their components	0.11	134.89			116.86	0.23	0.10	53.46
20	Manufactured articles	678.20	194.61	260.25	1,573.13	981.22	337.93	457.87	820.39
21	Work of art, ancient pieces			1.15			16.10	0.73	77.70
	Total	95,069.95	37,445.15	40,675.20	75,689.05	78,542.64	83,713.90	113,299.95	122,631.21

Table 10: Imports from SEE, according to structure, (in percentage)

HS	Sector description	1996	1997	1998	1999	2000	2001	2002	2003
1	Living animals; animal origin products	4.1%	3.1%	1.5%	2.6%	1.1%	0.6%	1.1%	1.1%
2	Vegetable products	34.6%	21.5%	20.4%	20.9%	18.0%	19.6%	13.2%	7.4%
3	Animal grease and oils or vegetal	11.1%	17.5%	13.3%	7.6%	4.3%	4.2%	1.8%	1.1%
4	Prepared foods, drinks, tobacco	8.7%	7.6%	7.3%	9.0%	5.5%	4.0%	4.7%	7.8%
5	Mineral products	2.9%	1.8%	4.2%	9.0%	18.9%	24.7%	37.5%	36.8%
6	Chemical industry products or allied	8.1%	13.0%	14.9%	6.8%	3.9%	5.1%	6.1%	7.8%
7	Plastics; tire and its products	2.1%	3.8%	5.1%	3.5%	4.5%	4.0%	3.5%	4.3%
8	Leather and its products	0.0%	0.2%	0.5%	0.2%	0.1%	0.2%	1.1%	1.4%
9	Wood, cork and their products, straw products, reed-canes	1.7%	2.0%	1.8%	0.9%	1.1%	1.3%	0.7%	1.7%
10	Wood dough, papers, cart-paper and their products	0.8%	0.9%	2.7%	2.2%	2.2%	2.8%	2.5%	3.7%
11	Textiles and textile articles	1.2%	2.7%	3.5%	4.3%	1.9%	1.9%	1.1%	1.0%
12	Clothes and umbrellas	0.1%	0.1%	0.3%	0.4%	0.3%	0.4%	0.5%	0.7%
13	Stone, gypsum, cement, ceramic, glass articles	3.5%	4.9%	5.0%	3.6%	4.4%	3.4%	3.5%	3.5%
14	Pearls, jewellery, coins	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%
15	Main metals and their products	5.2%	8.4%	8.8%	5.7%	8.0%	7.8%	8.5%	8.7%
16	Electric, mechanic machinery and equipment	11.2%	9.0%	6.2%	14.3%	19.5%	15.7%	10.5%	9.9%
17	Vehicles	3.5%	2.0%	3.3%	6.2%	4.5%	3.7%	2.0%	2.2%
18	Optic implements and instruments; watches; music instruments	0.5%	0.7%	0.4%	0.7%	0.6%	0.4%	1.3%	0.2%
19	Arms and munitions and their components	0.0%	0.4%			0.1%	0.0%	0.0%	0.0%
20	Manufactured articles	0.7%	0.5%	0.6%	2.1%	1.2%	0.4%	0.4%	0.7%
21	Work of art, ancient pieces						0.0%	0.0%	0.1%



Table 11: List of the most exported goods to Macedonia

HS	Description	1999	2000	2001	2002	2003
842920	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof / Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers / Graders and levelers				187.95	66.15
870432	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof / Motor vehicles for the transport of goods / g.v.w. exceeding 5 tons					64.66
870590	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof / Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, breakdown lorries, crane lorries, fire-fighting vehicles, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units)/ Others	4.93			19.97	61.03
260400	Nickel ores and concentrates					
842940	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof / Self-propelled bulldozers, angledozers, graders, levelers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers:			37.31	271.07	60.45
732190	- Parts				2.26	38.90
200980	Juice of any other single fruit or vegetable	4.90			23.22	36.41
790390	Zinc and articles thereof / Zinc dust, powders and flakes / Other articles of zinc					34.17
841350	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof				2.71	30.52
940360	Other wooden furniture	53.26			18.24	20.59
280700	Sulphuric acid; oleum	6.11	4.98		19.90	17.89
870332	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof / Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars / Of a cylinder capacity exceeding 1 500 cm3 but not exceeding 2 500 cm3	66.21				17.71
300210	Pharmaceutical products / Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions and modified immunological products, whether or not obtained by means of biotechnological processes; vaccines, toxins, cultures of micro-organisms (excluding yeasts) and similar products./ Antisera and other blood fractions and modified immunological products, whether or not obtained by means of biotechnological processes					16.28



630900	Other made-up textile articles; sets; worn clothing and worn textile articles; rags / Worn clothing and other worn articles	29.79	7.05			15.82
281123	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes / Other inorganic acids and other inorganic oxygen compounds of non-metals / Sulphur dioxide	6.23	7.86	245.61	4.66	15.70
870893	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof / Parts and accessories of the motor vehicles of heading 8701 to 8705/ Clutches and parts thereof					15.53
640219	Footwear, gaiters and the like; parts of such articles / Other footwear with outer soles and uppers of rubber or plastics / Others					15.30
870831	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof / Parts and accessories of the motor vehicles of heading 8701 to 8705 / Mounted brake linings				43.90	14.13
841459	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof / Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan, whether or not fitted with filters./ Others					12.28
330210	Essential oils and resinoids; perfumery, cosmetic or toilet preparations / Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufacture of beverages.. / Of a kind used in the food or drink industries					11.54
271112	Propane					10.85
870829	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof / Parts and accessories of the motor vehicles of heading 8701 to 8705 / Others	518.12				9.94
251612	Salt; sulphur; earths and stone; plastering materials, lime and cement / Granite, porphyry, basalt, sandstone and other monumental or building stone, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape / Merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape					9.49
120890	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder / Flours and meals of oil seeds or oleaginous fruits, other than those of mustard / Others					9.30
200919	Preparations of vegetables, fruit, nuts or other parts of plants / Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter../ Others				12.55	8.76
070200	Tomatoes, fresh or chilled					8.52
080711	Watermelons					7.53
730900	Articles of iron or steel / Reservoirs, tanks, vats and similar containers for any material (other than compressed or liquefied gas), of iron or steel, of a capacity exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment		9.24	1.24		7.05

**Source:** ACIT, The General Directorate of Customs

Table 12: List of the most exported goods to Croatia

HS	Commodity description	1996	1997	1998	1999	2000	2001	2002	2003
220820	Beverages, spirits and vinegar / Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages / Spirits obtained by distilling grape wine or grape marc					13.06			11.22
261900	Ores, slag and ash / Slag, dross (other than granulated slag), scalings and other waste from the manufacture of iron or steel:	16.39							10.91
401410	Rubber and articles thereof / Hygienic or pharmaceutical articles (including teats), of vulcanised rubber other than hard rubber, with or without fittings of hard rubber / Sheath contraceptives								8.70
071331	Edible vegetables and certain roots and tubers / Dried leguminous vegetables, shelled, whether or not skinned or split / Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek								8.23
491199	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans / Other printed matter, including printed pictures and photographs:							5.00	0.29

Table 13: Most exported goods to Bulgaria

HS	Commodity description	1999	2000	2001	2002	2003
930390	Arms and ammunition; parts and accessories thereof / Other firearms and similar devices which operate by the firing of an explosive charge (for example, sporting shotguns and rifles, muzzle-loading firearms, Very pistols and other devices designed to project only signal flares, pistols and revolvers for firing blank ammunition, captive-bolt humane killers, line-throwing guns) / Others					1.93
490700	Unused postage, revenue or similar stamps of current or new issue in the country in which they have, or will have, a recognised face value; stamp-impressed paper; banknotes; cheque forms; stock, share or bond certificates and similar documents of title	0.47	0.45		5.01	1.24
381700	Mixed alkylbenzenes and mixed alkylnaphthalenes, other than those of heading 2707 or 2902					1.20
850152	Electric motors and generators (excluding generating sets) / Of an output exceeding 750 W but not exceeding 75 kW					0.90
840820	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof / Compression-ignition internal combustion piston engines (diesel or semi-diesel engines) / Engines of a kind used for the propulsion of vehicles of Chapter 87					0.79
847710	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof / Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this chapter / Injection-moulding machines					0.52
820760	Tools for boring or broaching					0.32
392330	Plastics and articles thereof / Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics / Carboys, bottles, flasks and similar articles					0.32
901520	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof / Surveying (including photogrammetrical surveying), hydrographic, oceanographic,					0.12

	hydrological, meteorological or geophysical instruments and appliances, excluding compasses; rangefinders / Theodolites and tachymeters (tachometers)					
851539	Mechanical appliances and machineries; electrical appliances and their parts; etc...					0.11
631090	Other made-up textile articles; sets; worn clothing and worn textile articles; rags / Others					0.11
490110	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans / Printed books, brochures, leaflets and similar printed matter, whether or not in single sheets / In single sheets, whether or not folded				0.49	0.10
271320	Petroleum bitumen	2.89				0.09
620690	Articles of apparel and clothing accessories, not knitted or crocheted / Women's or girls' blouses, shirts and shirt-blouses / Of other textile materials					0.05
260300	Copper ores and concentrates					0.04
390120	Polyethylene having a specific gravity of 0,94 or more					
390290	Plastics and articles thereof / Polymers of propylene or of other olefins, in primary forms / Others				2.39	4.83
391723	Of polymers of vinyl chloride				10.90	4.97
070820	Beans (Vigna spp., Phaseolus spp.)				2.99	
071332	Small red (Adzuki) beans (Phaseolus or Vigna angularis)					
392390	Plastics and articles thereof / Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics / Others	11.80				

Table 14: Quotas used in foreign trade with regional countries

Quotas on Albanian exports to Macedonia					
Code	Description	Annual quota	Factual amount 2003	Previous experiences	
0701	Potatoes, fresh or chilled	300 tons	11.8 tons	Exported for the first time in 2003, after 1990	
0702	Tomatoes, fresh or chilled	150 tons	35.5 tons	Exported for the first time in 2003, after 1990	
22082012	Cognac	200 hl	2,000 l	Exported for the first time in 2003, after 1994	

Quotas on imports from Macedonia					
Code	Description	Annual quota	Factual amount 2003	Previous experiences	
040610	Fresh (unripened or uncured) cheese, including whey cheese, and curd	50 tons	7 tons	Very small or 0 amounts over the years	
0702	Tomatoes, fresh or chilled	150 tons	490 tons	Very small or 0 amounts over the years	
0707	Cucumbers and gherkins, fresh or chilled	100 tons	20.3 tons	Small and occasional amounts	
080810	Apples (except for apples from 1 October to 30 November)	3,000 tons	3,132 tons	Large and consistent amounts	

1602	Other prepared or preserved meat, meat offal or blood	100 tons	0.5 tons	Very small or 0 amounts over the years
1704	Sugar confectionery (including white chocolate), not containing cocoa	200 tons	1.62 tons	Very small or 0 amounts over the years

Quotas on Albanian exports to Croatia				
Code	Description	Annual quota	Factual annual amount 2003	Previous experiences
07133100	Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek, dry	100 tons	14.6 tons exported in October 2003	Exported for the first time in 2003
1211	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	50 tons	42.7 tons, all exported during the June-November 2003 period	Exported for the first time in 2001 ½ ton, and 56 tons in 2002.
22082012	Cognac	75 tons	5,000 l exported in September 2003	Only 6,000 l exported in 2000

Quotas on imports from Croatia			
Code	Description	Annual quota	Previous experiences
1001	Wheat and meslin	100 tons	Exported to Albania and indicating a growing tendency
2102	Yeasts (active or inactive); other single-cell micro-organisms, dead (but not including vaccines of heading No 3002); prepared baking powders	50 tons	Exported for the first time in 2003

Quotas on Albanian exports to Bulgaria			
Code	Description	Annual quota	Previous experiences
0	0	0	0
Quotas on imports from Bulgaria			
Code	Description	Annual quota	Previous experiences
0406	Cheese and curd	200 tons	Imports of this product had been decreasing over the recent years
0409	Natural honey	50 tons	Occasional imports
070820 071331	Beans (Vigna spp., Phaseolus spp.) Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek dried, shelled, whether or not skinned or split	400 tons	Growing imports during the recent years
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	200 tons	

2201	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured; ice and snow	3,000 HI	1,087 HI	
2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading No 2009			Growing imports during the recent years
22088012	Cognac	150 HI	1.74 HI	
22082029	Others	200 HI	1.58 HI	

Quotas on Albanian exports to Kosovo				
Code	Description	Annual quota	Factual amount 2003	Previous experiences
2203	Beer made from malt	500 tons	46 thousand litres	Exported for the first time in October, November, December 2003
Quotas on imports from Kosovo				
Code	Description	Annual quota	Factual amount 2003	Previous experiences
2203	Beer made from malt	500 tons	5.8 thousand litres	Exported for the first time in November, December 2003

- only for regional countries, with which FTA-s have already entered into force during 2003

Table 15: Legal developments during 2003

<ul style="list-style-type: none"> <li>• The law no.8993 31/01/2003 “On the adherence of the Republic of Albania in the founding Agreement of the World Intellectual Property Organization (WIPO)”</li> <li>• The law no.9023 6/2/2003: “On the establishment of the Exports Promotion Agency”</li> <li>• The law no.9024 6/03/2003; “On the accreditation of testing and calibrating laboratories, and certifying and inspecting organs in the Republic of Albania”</li> <li>• The law no. 9021 6/03/2003: “On the adherence of the Republic of Albania in the Convention on International Trade of Endangered Species of flora and fauna (CITES)”</li> <li>• The law no.9050 17/4/2003 : “On the ratification of the Free Trade Agreement between the Republic of Albania and Romania”</li> <li>• The law no.9077 9/06/2003: “On the ratification of the Free Trade Agreement between the Republic of Albania and Romania”</li> <li>• The law no.9080 12/06/2003: On the modification of the law no.8981 12/12/2002 “On approval of duty rates”</li> <li>• The law no. 9097 3/07/2003 : “On the evaluation of conformity”</li> <li>• The law no.9122 11/07/2003: “On the ratification of the Free Trade Agreement between the Republic of Albania and Bosnia and Herzegovina”</li> <li>• The law no.9121 28/07/2003: “On the competitiveness protection”</li> <li>• The law no.9122 29/07/2003 “On the ratification of the Free Trade Agreement between the Republic of Albania and UNMIK”</li> <li>• The law no.9192 11.09/2003: “On the adherence of the Republic of Albania in the Universal Convention on Authorship Rights and attached protocols”</li> <li>• The law no.9122 11/09/2003: “On the ratification of the bilateral Agreement on mixed international transport of goods” between the Republic of Albania and the Republic of Bulgaria.</li> <li>• The law no.9135 11/09/2003: “On the Consumer Protection”</li> <li>• The law no.9141 16/10/2003: “On the ratification of the Agreement on international transport of passengers and goods” between the Council of Ministers of the Republic of Albania and Bosnia and Herzegovina.</li> <li>• The law no.9155 4/12/2003: “On the ratification of the Financial Agreement between the Republic of Albania and the European Community Commission on the CARDS annual program, 2003.”</li> <li>• The law no.9159 18/12/2003: “On the modification of the law no.8981 12/02/2002 “On the approval of duty rates”</li> </ul>
<p><b>Decisions of the Council of Ministers (DCM)</b></p> <ul style="list-style-type: none"> <li>• DCM no.10 10/01/2003: “On the ratification of the Agreement on visa abolition for citizens having diplomatic and service passports, between the Republic of Albania and Serbia and Montenegro”</li> </ul>

• DCM no.22 16/01/2003; On the bill “On production, processing, certification and trade of BIO products, proposed by the Council of Ministers”
• DCM no.36 16/01/2003: “On the ratification of the agreement on mutual assistance on customs between the Government of the Republic of Albania and the Government of the Republic of Slovenia”
• DCM no.39 16/01/2003: “On the technical approval of the Free Trade Agreement between the Republic of Albania and the Republic of Serbia and Montenegro”
• DCM no.40 16/01/2003: “On the technical approval of the Free Trade Agreement between the Republic of Albania and Bosnia and Herzegovina”
• DCM no.50 23/01/2003 “On the approval of the Agreement on economic and trade cooperation between the Republic of Albania and Ukraine”
• DCM no.49 23/01/2003: “On the approval of the Agreement on mutual promotion and protection of investments between the Republic of Albania and Ukraine”
• DCM no.51 23/01/2003 : “On the approval of the Agreement on mutual promotion and protection of investments between the Government of the Republic of Albania and the Government of the Republic of Serbia and Montenegro”
• DCM no.52 23/01/2003 :“On the ratification of the Agreement on visa abolition for citizens having diplomatic and service passports, between the Republic of Albania and the Republic of Moldova”
• DCM no.91,92 23/01/2003 :“On the promotion of investments and economic cooperation between the Republic of Albania and Iran”
• DCM no.56 23/01/2003: “On the approval of the 2003 budget of the Agency for development of Small and Medium Enterprises” and the DCM no.74 dt.6/02/2003 : “On the status of the Agency for development of Small and Medium Enterprises”
• DCM no.70 6/02/2003: “On the bill on ratification of the Convention for abolition of double taxation with Moldova proposed by the Council of Ministers”
• DCM no.99 20/02/2003: “On the abolition of double taxation with France”
• DCM no.72 6/02/2003: “On the approval of fitosanitary quarantine inspection regulations”
• DCM no.234 10/04/2003: “On the modification of the DCM no.230 dt.22/05/1999 “On the structure and analytical organics of the customs administration”
• DCM no. 238 10/04/2003: “On the approval in principle of the agreement for financing the project “On the promotion of food production growth”, 2KR-2002 in Albania, between the Government of the Republic of Albania and the Government of Japan
• DCM no. 249 24/04/2003: “On the approval of the documentation on environment licenses and elements of environment licences”
• DCM no.258 24/04/2003: “On the certain amendments in the DCM no 205, 13/04/1999, “On executive dispositions of the Customs Code” Modified
• DCM no.276 8/05/2003: “On the approval of the document of development policies, on the second phase of credit supporting the National Strategy of Economic and Social Development (SKZHES)”



- DCM no.281 8/05/2003: “On an amendment in the DCM no. 646, 12.12.2002“ On approval of standards and technical conditions of design and execution regarding industry and energetics, which must obtain the status of compulsory “technical rules”
- DCM no.341 29/05/2003: “On the permission granted to the Ministry of Territory Regulation and Tourism for using the procurement procedure “ Request for quotation” on execution of promotional tasks for the 2003 tourism season”
- DCM no.369 5/06.2003: “On the approval of the 2003 budget for the Agency of Exports Promotion”
- DCM no.344 5/06/2003: “On the approval in principle of the Agreement on transportation of goods and passengers” between the Council of Ministers of the Republic of Albania and the Council of Ministers of Bosnia and Herzegovina.
- DCM no.383 12/06.2003: “On the approval in principle of the Agreement on cooperation on quarantine and plants” between the Government of the Republic of Albania and the Government of Serbia and Montenegro
- DCM no.392 6/12/2003 : “On the approval of the status of the Agency of Exports Promotion”
- DCM no.567 21/08/2003: “On the approval of the amendment of the Credit Agreement between the Republic of Albania and the International Fund on agricultural development for the mountainous areas development program”
- DCM no.724 30/10/2003 :“On the approval in principle of the Agreement on cooperation on quarantine and plants” between the Council of Ministers and UNMIK”
- DCM no.723 30/10/2003 :“On the approval in principle of the Agreement on cooperation on public veterinary health” between the Council of Ministers and UNMIK”
- DCM no.744 6/11/2003: “On the approval of the Agreement on mutual assistance on administrative issues of customs between the Republic of Albania and the Republic of Bulgaria”
- DCM no.748 6/11/2003 : “On the approval in principle of the Free Trade Agreement between the Republic of Albania and the Republic of Moldova”
- DCM no.783 26/11/2003: “On the approval of the Agreement on mutual assistance on administrative issues of customs” between the Republic of Albania and the Republic of Croatia
- DCM no.844 19/12/2003:“On the introduction of the bill “On ratification of the Free Trade Agreement between the Republic of Albania and Serbia and Montenegro”
- DCM no.846 19/12/2003: “On the ratification of the Free Trade Agreement between the Republic of Albania and the Republic of Moldova”

### **ACIT – a project of ISB, funded by USAID**

The Albanian Center for International Trade (ACIT) was established in 2002 with the main objective to improve the quality of trade policies as important instruments for growth and development, as well as for increasing the economic benefit from trade opportunities created by globalization trends and integration processes.

To fulfill its mission, ACIT's activities encompass four important components.

ACIT acts as:

- (i) a research center to improve trade policies and their implementation;
- (ii) a forum of dialogue between different actors and stakeholders to promote the process of trade policy formulation and encourage an informed public debate;
- (iii) a resource center providing easy access to high quality foreign trade information and the latest literature on international trade and international economics, and
- (iv) a capacity-building center to increase professional capacities in international trade.

In a period of two years, ACIT has played an important role in the trade policy issues, especially in its function as a trade information and scientific research center.

Our Trade Data Base, the rich theoretical and statistical information as well as ACIT professional assistance, have been of strong support for the decision-making processes of the country by providing all stakeholders with accurate information and data about the conditions, opportunities and risks that international trade entails.

As a research center, ACIT work has been focused on impartial assessments and analyses of Albanian foreign trade trends and problems, implementation of WTO commitments and FTA-s with regional countries, EU integration challenges, competitiveness of Albanian economy and Albanian business, etc.

As a forum of multi party dialogue ACIT has organized and facilitated a series of successful events, which contributed substantially in increasing the awareness about new challenges and helping the various interest groups to meet the required standards and take their own responsibilities.

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.acital.info](http://www.ftdb.acital.info) and [www.albamis.com](http://www.albamis.com).

# ALBANIAN FOREIGN TRADE ANNUAL REPORT

## 2003