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# ALBANIA 2007 trade report



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## FOREWORD

By Mr. Selim Belortaja, Executive Director of ACIT



Launching the ACIT's Foreign Trade Report 2007 gives me a special pleasure. The pleasure of lending a hand to our main stakeholders, especially to the private business and the public, by providing them with a set of trade info which is becoming essential to their objectives as well as to their daily operation.

This is the sixth consecutive annual report, since ACIT was established in 2002. Committed work and the accumulated experience enabled us to bring forth a comprehensive publication, regarding both, the scope of the coverage and the structure and the quality of the analysis.

Indeed it represents the quintessence of a professional work, performed throughout the year,

by ACIT's team and associated experts. Further than a valuable source of data on flows and dynamics of the Albanian foreign trade, the document constitutes a devoted effort for assessing the results, identifying factors and problems behind, and pointing out some key policy issues.

Apart from detailed data compiled in seven annexes, the report contains five systematic chapters. The first one starts with a quick look on the world economy's main indicators focused on the trade developments, followed by a synthesis of Albanian macro-trade developments. It also provides a picture of the main Albanian foreign trade indicators. Trade volume increased by 37.55% as expressed in USD, exports by 36%, whereas imports by 38.2%, as compared to 2006. Expressed in local currency (ALL) these figures are about 10-11 percentage points lower. There is a clear progress with the trade openness index (48.5%), which still remains the lowest in the region. The trade deficit ratio to GDP worsened by 4 percentage points in 2007, while the import coverage by domestic exports remains almost unchanged (25.7%). Important changes in commodity structure and geographical distribution of trade flows have also been highlighted. We see for instance, that exports of inward processing industry in footwear and textiles are losing weight, while trade expansion to the region is much faster than the average rate.

Chapter II describes the main characteristics of Albania's trade structure in 2007. In the third chapter we display a brief assessment of trade patterns in selected sectors: inward processing, agriculture, energy, minerals, and main metals.

Chapter IV is dedicated to the main characteristics of Albania's trade geography: partners, dynamics, and structure of trade for each of them, while the last section brings an overview on trade-related institutional developments during 2007: the multilateral and regional trade integration of Albania and enacted legislation related to trade.

The analysis stands on a regional and global context, and refers to the most up to date international trade agendas, especially the progress of the WTO - Doha agenda and the European and regional trade openness developments, as well. Their impact and interaction with domestic factors and Albanian integration commitments completes the picture.

Special credits go to our research staff. Inputs from many other colleagues, from ministries and governmental agencies, from private business associations, NGO-s and academic institutions, from donors and partner projects, contributed to the quality of the assessment and the related findings. I would like to express my gratitude to all of them, especially to the General Directorate of Customs, the Ministry of Economy, Trade and Energy, the Ministry of Agriculture, Food and Consumer Protection, the main private business associations operating in Albania, INSTAT, the Bank of Albania, etc.

Particular tributes are reserved for the US Agency for International Development (USAID), and to the Institute for Contemporary Studies (ISB), without whose support, this publication would not have been possible.

The Trade Report 2007 is being published both in Albanian and English language. You can have it by downloading it from the ACIT main page ([www.acit-al.org](http://www.acit-al.org)), or ask for a printed copy, by contacting us on the addresses as below, or by visiting us at our premises. Conscious of the fact that further improvement remains a constant concern for us, any comments and suggestions will be highly appreciated.

As we document our record of trade success we must be mindful of the challenges. In designing the right trade policy of the future, transparency, engagement, discussion, research and analysis must be part of the process

Tirana, February 2007

The Report has been prepared through a process of complementary work by all the ACIT's staff, under the coordination and consultancy of Prof. Ahmet Maçellari.

The concrete chapters, initially drafted separately by Ahmet Maçellari, Alban Gjikondi, Denalda Kuzumi, Gentian Elezi, Teuta Tavanxhiu, Edlira Shuli and Mimoza Agolli, underwent a revision process by all the team, in a highly collaborative approach.

Supervision and advice by Selim Belortaja (executive director) contributed to the quality of the document.

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

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## Abbreviations

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

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# I. Albania's Macro-Trade Developments and Trade Dynamics in 2007

## 1. 1 World economic environment

The estimation for the growth of the world output in 2007 is at about 4.9 percent which is only slightly lower (by 0.1 percentage point) than the growth rate in 2006. Global growth remained above 5 percent in the first half of 2007. The strong growth in the third quarter of the year was followed by a moderate economic expansion by the end of 2007 and a decelerating growth rate, down to 4.1 percent, is projected for the year 2008<sup>1</sup>. According to other international institutions, the global growth rates would be even lower.<sup>2</sup> As underlined in the World Economic Outlook, October 2007, 'strong global growth is being confronted by turbulent financial conditions'<sup>3</sup>, which would further reduce domestic demand in the advanced economies and create more significant spillovers into emerging markets and developing economies. As IMF Managing Director Dominique Strauss-Khan put it, "*the current financial crisis began as a problem in a single sector in a single economy-the housing market in the United States-has become a global problem'. And what first appeared as a problem for financial institutions, is now becoming a problem for economies. The effects that are already seen in the United States will increasingly be felt in Europe and the emerging economies will not remain immune from the crisis.*"<sup>4</sup> –

As reported in table 1.1, a notable decline is estimated for the United States from 2.9 percent in 2006 to 2.2 percent in 2007, with a projection of 1.5 percent in 2008. Economic growth in the United States slowed notably in the fourth quarter of 2007, having reflected in weakening indicators of manufacturing and housing sector activity, employment, and consumption. Difficulties in the mortgage market are reflected in declining residential investments, while higher energy prices, sluggish job growth and lower house prices are reflected in weakening consumption spending.

*Table 1.1: World growth rates (annual percentage change)*

	2004	2005	2006	2007*	2008**
<b>World output</b>	<b>5.3</b>	<b>4.4</b>	<b>5.0</b>	<b>4.9</b>	<b>4.1</b>
<b><i>Advanced Economies</i></b>	<b>3.2</b>	<b>2.5</b>	<b>3.0</b>	<b>2.6</b>	<b>1.8</b>
United States	3.9	3.1	2.9	2.2	1.5
Euro Area	2.1	1.5	2.8	2.6	1.6
<b><i>Emerging markets and developing economies</i></b>	<b>7.7</b>	<b>7.0</b>	<b>7.7</b>	<b>7.8</b>	<b>6.9</b>
Central and Eastern Europe	6.5	5.6	6.3	5.8	5.2
Commonwealth of Independent States	8.4	6.6	7.7	7.8	7.0
<b><i>Developing Asia</i></b>	<b>8.8</b>	<b>9.0</b>	<b>9.6</b>	<b>9.6</b>	<b>8.6</b>
China	10.1	10.4	11.1	11.4	10.0
Middle East	5.5	5.4	5.6	5.9	5.9

\*Estimates; \*\*Projections

Source: World Economic Outlook Update, IMF –January 2008

<sup>1</sup> IMF, World Economic Outlook Update, January 2008.

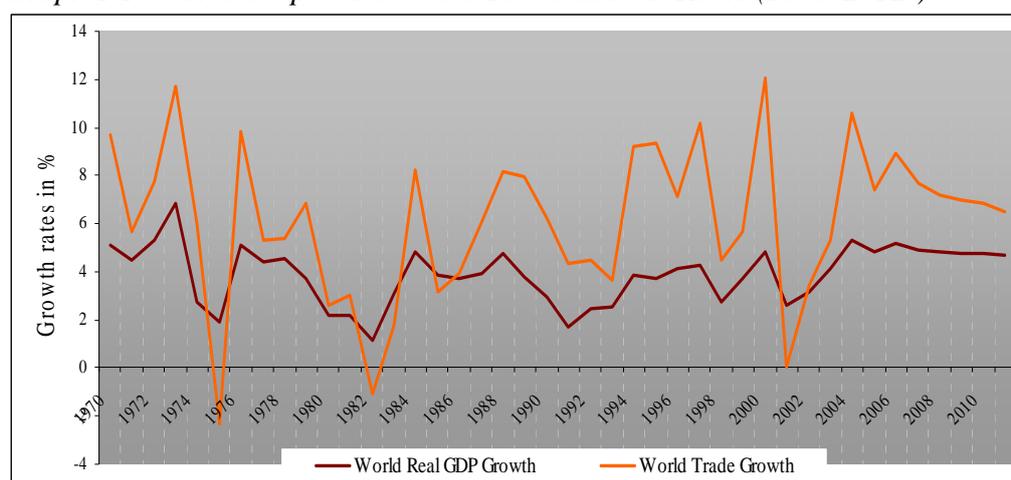
<sup>2</sup> According to the UN Economic Situation and Prospects 2008, real GDP world growth rate for 2007 is estimated at 3.7% and for 2008 the projection is at 3.4%.

<sup>3</sup> IMF, World Economic Outlook, *Globalization and Inequality*, October 2007, p. 1.

<sup>4</sup> 'IMF head urges global actions to counter slowdown', [www.imf.org](http://www.imf.org).

For the euro area, growth on annual bases is estimated at 2.6 percent in 2007 (being 0.2 percentage points lower than in 2006), and is projected at 1.6 percent in 2008 (see table 1.1). Such a decelerating growth rate is considered as a reflection of lagged effects of the euro appreciations, trade spillovers from the United States, and more difficult financing conditions. Growth has also slowed down in some other advanced economies. For Japan, growth is estimated to have slowed down from 2.6 percent in 2006 to 1.9 percent in 2007 and is projected at 1.5 percent in 2008.

Graph 1.1: World Output and World Trade Growth Rates (1970-2012<sup>5</sup>)



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

Table 1.2: Annual percent change of trade, commodity prices, and consumer prices

	2005	2006	2007*	2008**
<b>World trade volume (goods and services)</b>	<b>7.5</b>	<b>9.2</b>	<b>6.6</b>	<b>6.7</b>
<b>Imports</b>				
<i>Advanced Economies</i>	6.1	7.4	4.3	5.0
<i>Emerging markets and developing economies</i>	12.1	14.9	12.5	11.3
<b>Exports</b>				
<i>Advanced Economies</i>	5.8	8.2	5.4	5.3
<i>Emerging markets and developing economies</i>	11.1	11.0	9.2	9.0
<b>Commodity prices</b>				
<i>Oil<sup>1</sup></i>	41.3	20.5	6.6	9.5
<i>Non-fuel (average based on world commodity export weights)</i>	10.3	28.4	12.2	-6.7
<b>Consumer prices</b>				
<i>Advanced economies</i>	2.3	2.3	2.1	2.0
<i>Other emerging market and developing countries<sup>2</sup></i>	5.2	5.1	5.9	5.3

\*Estimate; \*\*Projection

<sup>1</sup>Simple average price of U.K. Brent, Dubai, and West Texas Intermediate crude oil. The average price oil in U.S. dollars a barrel was \$64.27 in 2006; the assumed price is \$68.52 in 2007 and \$75.00 in 2008.

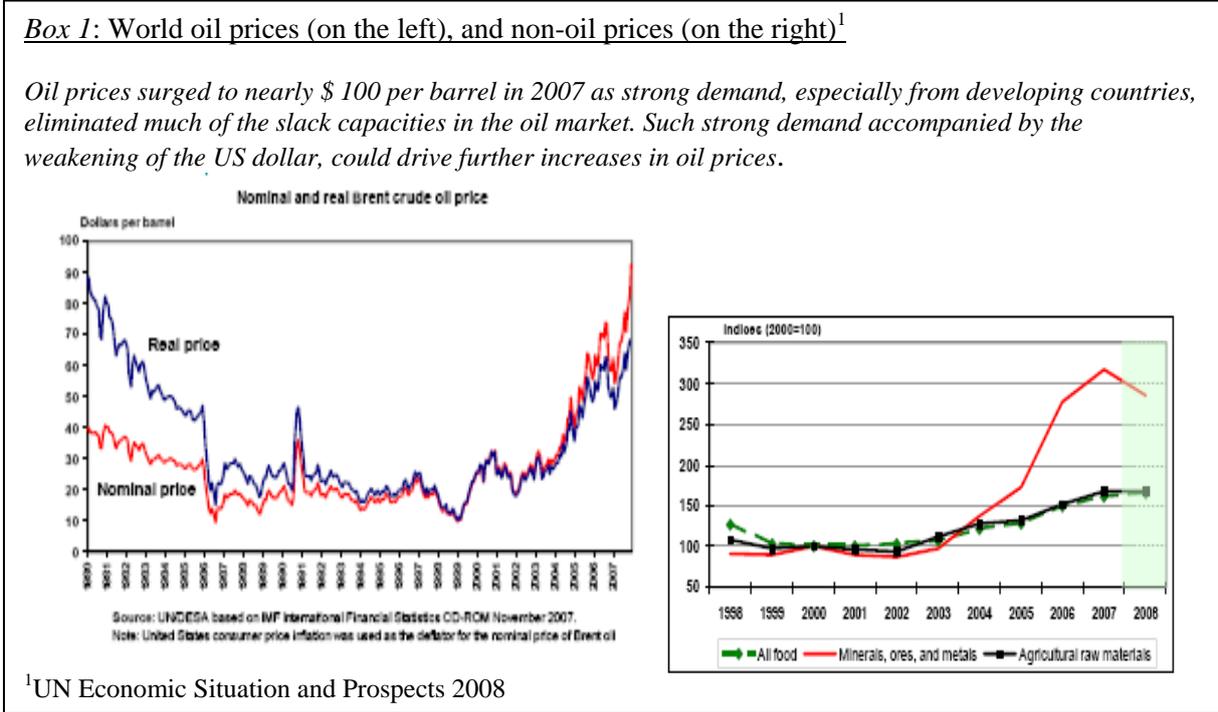
<sup>2</sup>Excludes Zimbabwe

On the other hand, emerging markets and developing economies have continued to expand strongly, led by China and India. For all this group of economies, growth rate is estimated at 7.8 percent in 2007 which is slightly higher (0.1 percentage point) than in 2006. The projected figure for 2008 is 6.9 percent. China growth rate is estimated at 11.4 percent in 2007 (0.3

<sup>5</sup> 2006 and 2007 data are projections.

percentage points higher than in 2006) and is projected at 10 percent in 2008 (table 1.1). It is considered that such economies have benefited from the strong domestic demand, more disciplined macroeconomic policy frameworks, and also, for commodity exporters, from high food and energy prices. On the other hand growth in those economies which are heavily dependant on capital inflows could be particularly affected by spillovers of financial market turmoil in advanced economies. For Central and Eastern Europe economies growth rates are rather moderate having decelerated from 6.4% in 2006 to 5.5% in 2007, with a projection of 4.6% in 2008.

World trade growth and output growth are prone to be positively related, as shown in graph 1.1, although trade growth is much more volatile than output growth. It is a reflection of other factors influencing more import and export volumes, such as commodity and consumer prices, exchange rates, trade liberalization and facilitation, etc.



However, trade growth rates on average and almost for the entire period 1970-2010 are much higher than output growth rate. It is also shown in table 1.2. Although declining in the years 2007 and 2008, world trade growth rates remain higher than output growth rates, respectively 6.6 percent against 5.0 percent in 2007, and 6.7% against 4.9% in 2008. Trade volume (goods and services) growth rates are much higher for emerging and developing economies compared with the advanced economies. For the year 2007 the figures are respectively 12.5 percent and 4.3 percent while for the year 2008 the projected difference is narrowing down to 11.3 percent and 5.0 percent.

Table 1.2 also reports a decelerating growth of commodity prices (either oil or non-oil), and consumer prices. Oil prices in the year 2007 are estimated to have increased by only 6.6 percent as compared to 20.5% in 2006 and 41.3% in 2005. According to the UN World Economic Situation and Prospects 2008, high oil price has re-emerged as a threat to global growth. Non-fuel commodity prices change is estimated to have reached at 12.2 percent in 2007 while the growth rate was 28.4 percent in 2006. According to the UN World Economic Situation and Prospects 2008, non-oil commodity prices may have peaked (box 1). No significant changes are also expected for consumer prices neither in advanced economies nor

in emerging markets and developing economies although for the latter the price increase is 2-3 times higher.

## 1.2 Albania's macro-trade developments

Despite difficulties related to energy crisis and the extended drought, and also to inflationary pressure coming from imports, economic growth in Albania in 2007 is estimated to remain strong at 6 percent which is a programmed objective<sup>6</sup> for the year. Such a growth was mainly supported by an improved performance and high growth of industry, by a better performance of businesses in general, and also by a notable growth of exports and foreign direct investments. Growth is also supported by macroeconomic stability, administrative and fiscal policies favorable to businesses, improvements in infrastructure, technological innovations in various sectors, and also developments in human capacities<sup>7</sup>.

Total sales<sup>8</sup> volume of all the economy in 2007 was around 20 percent higher than in the previous year. Higher figures for the period January-September 2007 as compared with the same period of 2006 were observed in the extracting industry (51.6 percent), manufacturing (20.2 percent), electric energy, water, and gas (31.2 percent). Relatively high rates of growth are also observed in transport and communications (19.0 percent), and trade, hotels and restaurants (17.9 percent)<sup>9</sup>. Positive but decelerating growth rates are observed in construction (10.7 percent) and agriculture.

Credits to economy for the first 10 months of the year 2007 increased by 37 percent, reaching at 27 percent of GDP. Around 21 percentage points of such increase belongs to loans to businesses which are overwhelmingly used for investments. Despite such an increase the 'bad credits' remain at low levels. Until September 2007 'bad credits' accounted for only 8.8 percent of the overall credits to economy. In order to decrease the risk of 'bad credits', the Credit Registry, which is the electronic database on banking system borrowers, started to operate in the beginning of year 2008 (January 3<sup>rd</sup>, 2008).

The average inflation rate for the year 2007 was 2.9 percent, so complying with the Bank of Albania target of 2-4 percent. The highest monthly inflation rates were registered in August, September, and October, being respectively 4.2, 4.4, and 4.2 percent. Such an upward tendency was highly influenced by the increase of the food items prices being influenced partly by a shortage of the domestic agriculture production (under the conditions of extended drought), and partly by higher prices of grains in the international markets. The influence of the energy crisis that the country experienced during most of the year should also be accounted. In its efforts to maintain the inflation rate within the targeted limits, Bank of Albania has interfered with the money market through increasing the base interest rates (Repo rate) three times by 0.25 percentage points each time. Thus, the Repo rate increased from 5.5 percent in June to 6.25 percent in November 2007.

The Albanian currency (ALL - Lekë) was depreciated against EUR by 0.5 percent on average in the year 2007 but appreciated against US dollar by about 7.49 percent in the same period. The average exchange rate of ALL for that period was 1 EUR=123.02 ALL, and 1 US dollar=97.74 ALL.

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<sup>6</sup> IMF Country Report July 2007, and Albania's Ministry of Finance.

<sup>7</sup> Albania's Ministry of Finance: Macroeconomic and Fiscal Framework, 2009-2011, [www.minfin.gov.al](http://www.minfin.gov.al)

<sup>8</sup> Sales indicator is important, since its equal to production plus change in inventory.

<sup>9</sup> Albania's Ministry of Finance, Macroeconomic and Fiscal Framework, 2009-2011, [www.minfin.gov.al](http://www.minfin.gov.al)

*Table 1.3: Macro-Trade Indicators<sup>10</sup>, in million ALL unless otherwise indicated*

	2000	2001	2002	2003	2004	2005	2006	2007
Real GDP growth	7.7%	6.5%	4.7%	6.0%	6.0%*	5.5%*	5.0%*	6%*
Nominal GDP growth	8.7%	10.9%	6.1%	9.3%	12.2%	9.2%	7.1%	9.2%*
Nominal GDP value	530,900	588,700	624,700	682,700	766,100	836,600	896,300	979,000*
Trade in Goods								
Exports	37,061	43,758	46,188	54,487	62,121	65,818	77,441	97,155
Imports	154,290	191,053	208,501	225,380	234,770	260,205	298,279	377,447
Trade volume	191,351	234,811	254,689	279,867	296,892	326,023	375,720	474,602
Trade Balance	-117,229	-147,295	-162,313	-170,894	-172,649	-194,387	-220,837	-280,292
Exports growth rates	-2.4%	18.1%	5.6%	18.0%	14.0%	6.0%	17.7%	25.5%
Imports growth rates	-7.1%	23.8	9.1%	8.1%	4.2%	10.8%	14.6%	26.5%
Openness index	36.0%	39.9%	40.8%	41.0%	38.8%	39.0%	41.9%	48.5%
Trade deficit/GDP	22.1%	25.0%	26.0%	25.0%	22.5%	23.2%	24.6%	28.6%
Imports/GDP	29.1%	32.5%	33.4%	33.0%	30.6%	31.1%	33.3%	38.6
Export/GDP	7.0%	7.4%	7.3%	7.9%	8.3%	8.0%	8.7%	9.9%
Import coverage (Exp/Imp)	24.0%	22.9%	22.2%	24.2%	26.5%	25.3%	26.0%	25.7%

Source: Bank of Albania *Annual Report 2006*, Albanian Ministry of Finance, IMF and ACIT's calculations

\*Estimate, Ministry of Finance, and IMF.<sup>11</sup>

The external sector of the country's economy was characterized by an intensified activity, being expressed in significant increase of the country's current, and capital, income and expenditure. The current account balance, being a negative one for a relatively long period, has increased in absolute and also relative terms. Expressed as percentage to GDP, the figure for the current account balance in 2007 is expected to be -7.8 percent, which is 0.4 percentage points higher than the level of 2006, as shown in table 1.3. However, the overall balance of payments (increase of foreign exchange reserves) in 2007 is positive, estimated at 173 million EUR. An important contribution to the capital and financial account balance which is a component of the overall balance of payments is given by foreign direct investments which only for the 9-month period of 2007 are estimated at about 370 million EUR. The total foreign exchange reserves are estimated at 1.5 billion EUR, which is equivalent to 4.2 months-imports of goods and services.

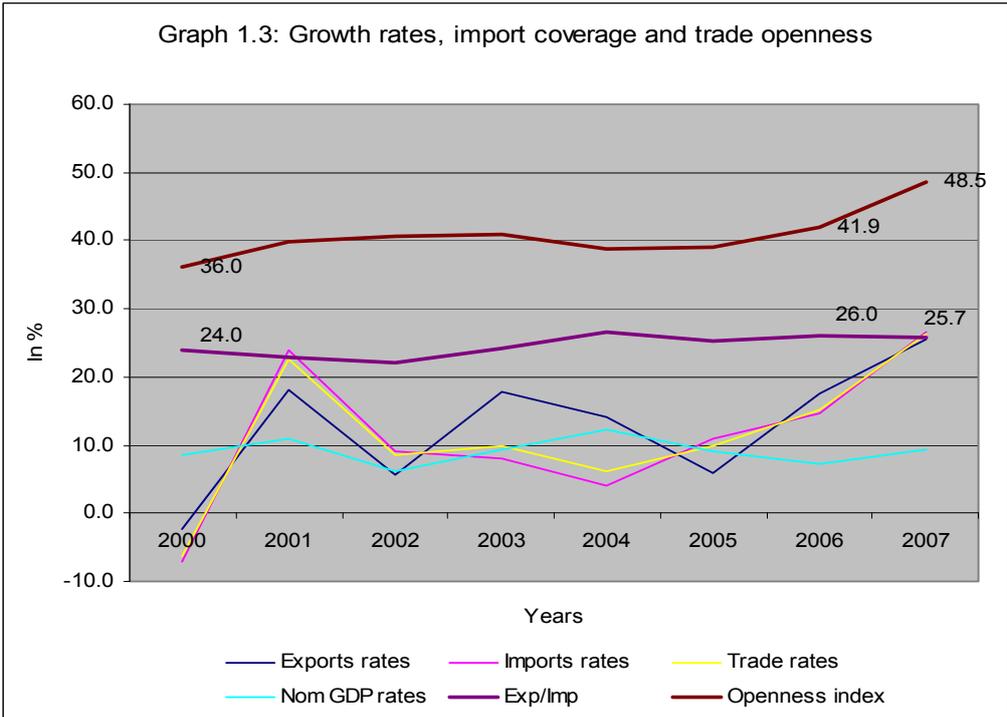
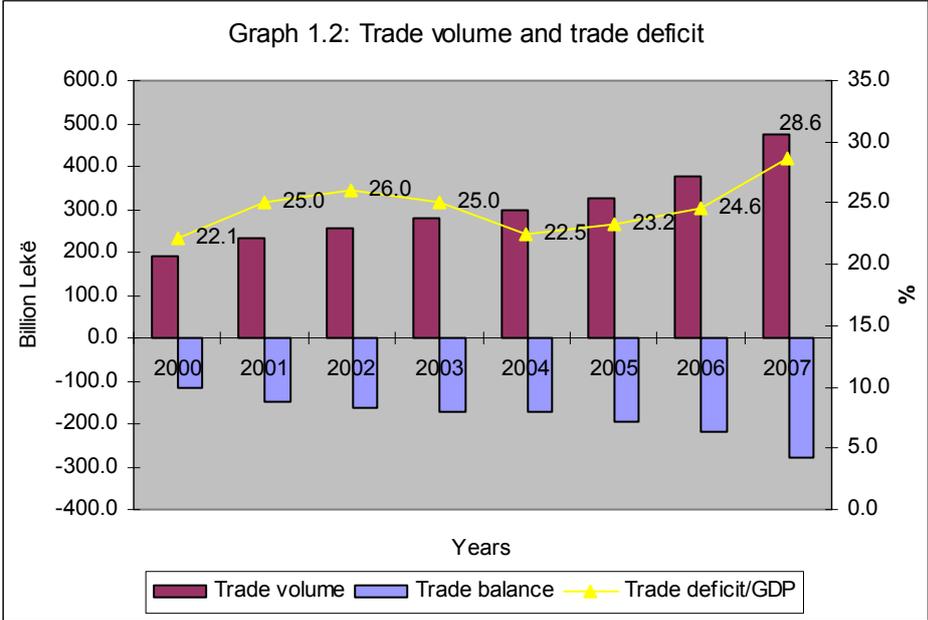
High current account deficit reflects first of all the high trade deficit that the country is undergoing for a long period. Table 1.3 and also graph 1.2 reveal that trade deficit, in both absolute and relative (as a ratio to GDP) terms, show a growing tendency starting from the year 2004. The increase is considerably high in 2007.

As a result of liberalization processes in which Albania is involved, the country's import weighted average tariff level has been declining over time: from 15.3 percent in 1998, to 11

<sup>10</sup> Some changes in the value of a few indicators as compared to the previous ACIT's reports, can be mainly explained by different figures used for the value of the GDP which has been revised by the responsive institutions, as well as by the effects of the currency used.

<sup>11</sup> Referring to the United Nations World Economic Situations and Prospects 2008, the rate of growth of the real GDP for Albania in 2007 is estimated at 5.6%, while for South-Eastern Europe the figure is 6% and for all economies in transition, 8%.

percent in 2000, 8.2 percent in 2005, 6.6 percent in 2006, and 3.1 percent in 2007, to reach at less than 1% in 2010 (Albanian Centre for International Trade (ACIT)).



Despite such intensive trade liberalization processes and also exports and imports growth trends, the trade openness index<sup>12</sup> of the country remains still low (table 1.3, and graph 1.3), being the lowest in the region<sup>13</sup>. However, in 2007 the openness index increases by 6.6 percentage points, reaching at 48.5 percent. Table 1.3 and also graph 1.3 provide information

<sup>12</sup> Defined as a ratio of commodity trade volume with the nominal GDP.

<sup>13</sup> Commodity trade openness index in 2006 was 97.2 percent for Bosnia and Herzegovina, 74.7 percent for Croatia, 113.5 percent for Moldova, 61.6 percent for Serbia, 114,7 percent for Montenegro, 99.4 percent for Macedonia (source: ComTrade [www.comtrade.com](http://www.comtrade.com))

on import coverage index (Exp/Imp ratio) which is slightly lower in 2007 as compared to 2006 and has a low value overall reflecting the still low competitiveness of the country's economy. Box 2 provides information on the Albanian economy's competitiveness position, based on the indicators calculated by the World Economic Forum, the World Bank, and the Heritage Foundation.

Box 2: The competitiveness position of the Albanian economy

*The Global Competitiveness Report 2007-2008 of the World Economic Forum (pp. 102-103) ranks Albania at the 109<sup>th</sup> position out of 131 countries/economies, while in the previous year Report Albania was ranked at the 98<sup>th</sup> position out of 122 countries/economies. The score of Albania according to the Global Competitiveness Index is 3.48, being slightly lower than the score to the country in the previous year Report, 3.56. Considering the Business Competitiveness Index reported for 2007, Albania ranks at the 122<sup>nd</sup> position out of 127 countries/economies while in 2006 Albania ranked at the 119<sup>th</sup> position out of 121 countries/economies. The most influent factors for such a position are considered infrastructure, inefficient bureaucracy, corruption, and policy instability (p. 142).*

*According to the World Bank Report "Doing Business 2008", considering the 'Ease of Doing Business' Albania ranks at the 136 position out of 178 economies while in the previous year the country ranked at 120<sup>th</sup> position out of 175 economies. Albania is positioned better when 'getting credits' (48<sup>th</sup> position), 'trading across borders' (70<sup>th</sup> position), and enforcing contracts (74<sup>th</sup> position) are considered.*

*Regarding the Economic Freedom Index 2008 (Heritage Foundation and Wall Street Journal Report), Albania was valuated as 63.3% free, being ranked at the 56<sup>th</sup> position in the world and the 27<sup>th</sup> position in the region (out of 41 economies in the region). The level of country's economic freedom increased by 0.9 percentage points compared to the preceding year. Improvements are noted in six out of 10 freedoms. The best position of the country is in 'fiscal freedom' (90%) and the worst position is in 'freedom from corruption' (26%). Trade freedom is valuated at 75.8%.*

Increasing competitiveness is one of the main challenges that the Albanian economy is coping with. Important reforming steps already undertaken including those launched in the year 2007 should progress and intensify further, particularly those related to the improvement of business and investment climate; improvement of governance; institutionalizing the market and applying the EU internal market principles; facilitating trade, etc.

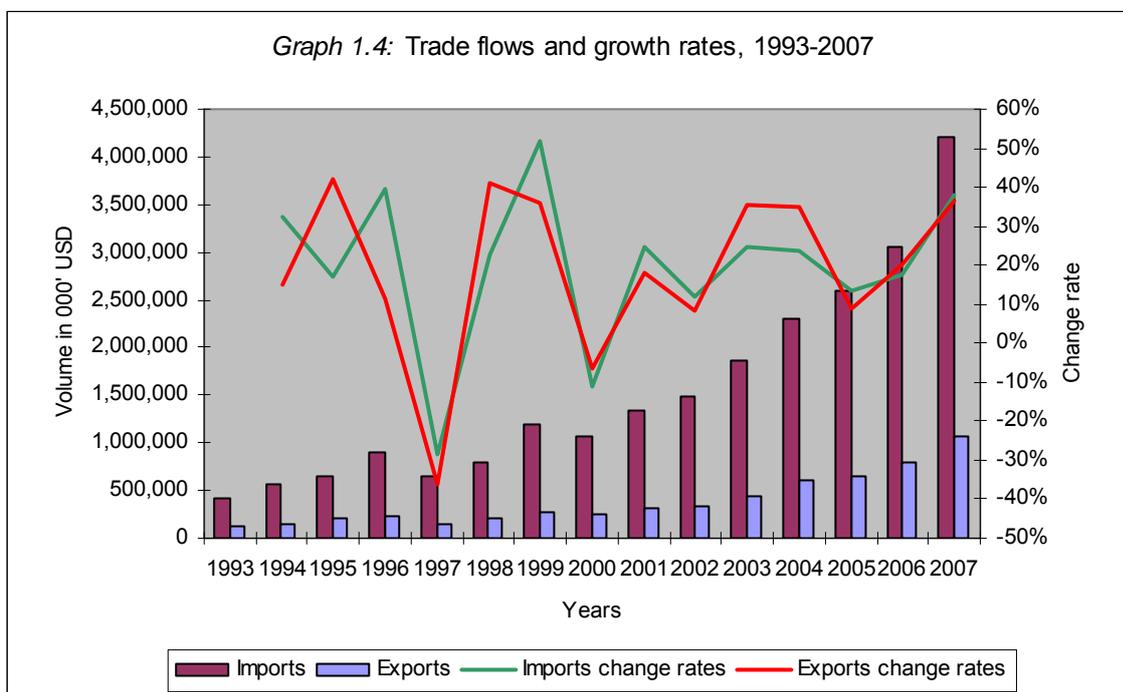
### 1.3 Albania's export and import dynamics

Albania's foreign trade flows in 2007 were characterized by positive trends, increasing its overall trade performance. The trade volume reached 5,281 mln USD (3,842 mln EUR), having increased by 37.5 percent as compared to 2006<sup>14</sup>.

The exports volume was 1,077 mln USD (786 mln EUR), having increased by 36. Flows of imported goods into the domestic market increased by 38 percent. Imports in 2007 valued at 4,203 mln USD (3,056 mln EUR) and were 3.9 times higher than the volume of exports. Trade deficit reached 3,126 mln USD (2,270 mln EUR), having increased by 38 percent as compared to 2006.

Imports highest growth rates were reached during April, September and November 2007, while exports boomed in September and November, as shown in the table 1.4. Growth rates in table 1.4 take into consideration the devaluation of the US currency. Therefore, in order to give another prospect of the effective change, table 1.5 shows the same calculations in the euro currency, whose exchange rate has been much more stable<sup>15</sup>.

Both imports and exports showed the highest growth rates during the fourth quarter of the year, reaching respectively 45 percent and 33 percent as compared to the same period of 2006. If compared to the previous quarter, exports have experienced the highest growth rate during the second quarter of the year (18 percent), and imports reached the highest rates in the second quarter (17 percent), and the fourth quarter (21 percent).



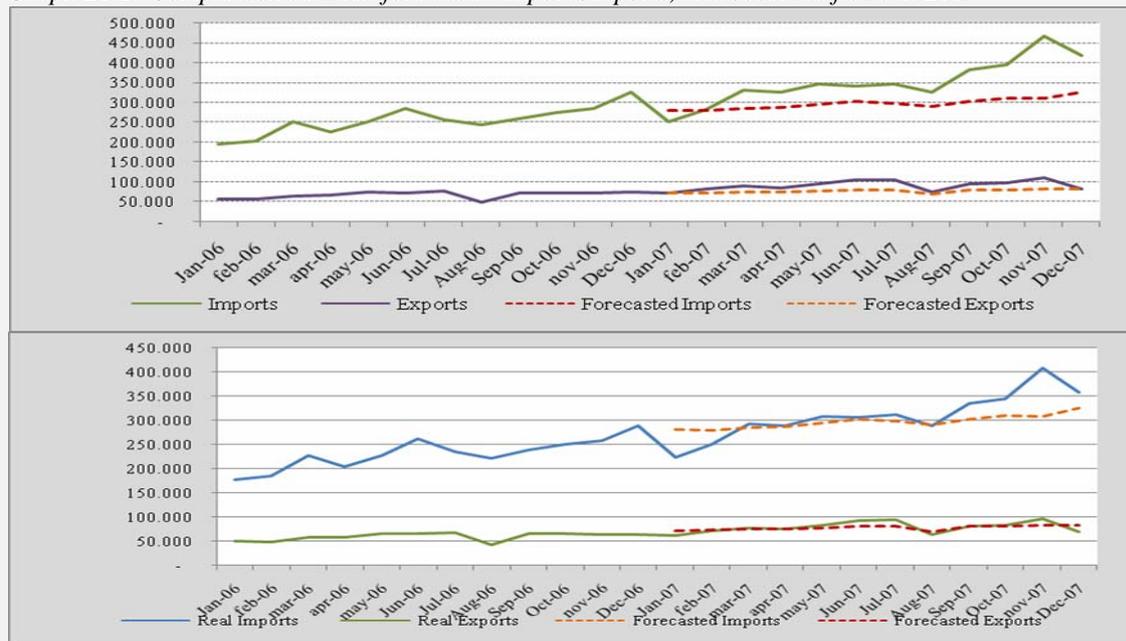
<sup>14</sup> This growth rate refer to the data expressed in USD. The trade performance indexes do reflect the volatility of the local currency against the dollar as well as the Euro evaluation against the USD.

<sup>15</sup> The exchange rate of USD agains Albanian Lekë in 2007 was depreciated by 7.5 percent on average terms, while Euro was appreciated by 0.5 percent on average terms. End-year figures were -11.4 and -2.3, respectively.

**Box 3. Albania's trade flows in 2007 as compared with their forecast (2006)**

Observed exports and imports flows were, as shown in the following graph, constantly above estimated flows, mainly due to the fueled prices observed in domestic and international markets, fluctuations in exchange rate and energy crises. Real flows of exports and imports, generated by adjusting nominal flows as per prices level changes (domestic inflation rate<sup>1</sup>), converge close to export forecast, while imports stay for the whole year above the forecasted level. Changing prices level stands for a part of fluctuations observed in trade flows or even creates some “artificial growth” of trade flows volumes. Another factor that has affected fluctuations being more sharply than they were forecasted – is the fact that USD was the currency in which trade flows are evaluated, and during 2007 USD has been very volatile and unstable. The long lasting energy crises, inflated imports beyond expected levels especially between August 2007 and November 2007 (see figure 1) the time where the crisis was really aggravated and the only way to smooth the energy shortage was to import energy.

Graph B3.1: Comparison between forecasted imports/exports, and observed flows in 2007\*



Source: General Directorate of Customs and ACIT forecasts

\*Trade Data are in thousand USD

Table 1.4: Albanian imports and exports flows, 2007

	Imports Flows (in mln USD)	Growth rate (in %)	Exports Flows (in mln USD)	Growth rate (in %)	Trade Balance (in mln USD)
January	251,391	29%	69,788	25%	-181,603
February	282,057	39%	80,467	47%	-201,590
March	331,259	32%	88,033	39%	-243,226
First Quarter	864,707	33%	238,288	37%	-626,419
April	325,267	44%	84,886	32%	-240,382
May	345,895	38%	93,697	29%	-252,198
June	339,603	19%	103,708	46%	-235,894
Second Quarter	1,010,764	33%	282,291	36%	-728,473
July	345,672	35%	104,708	39%	-240,964
August	325,238	34%	73,367	55%	-251,871
September	381,593	47%	92,990	30%	-288,603
Third Quarter	1,052,502	39%	271,065	40%	-781,437
October	393,709	44%	95,784	34%	-297,925
November	465,464	64%	109,857	54%	-355,607
December	416,285	28%	80,117	11%	-336,168
Fourth Quarter	1,275,458	45%	285,757	33%	-989,701
Total	4,203,433	38%	1,077,402	36%	-3,126,031

#### Box 4. Albania's trade flows forecast - 2008

Trade flows are expected to increase by a rate of 16% and amount at USD 6,149.30 Mln as compared to 2007, as described in table B5.1. Forecasted exports at a value of USD 1,311.87 Mln by end of 2008 are expected to cover only 27% of imports, while being characterized by a higher average increment rate than imports. Imports are expected to expand at an average rate of 15%, and reach a value of USD 4,837.43 Mln.

Highest exports flows are expected during the third quarter 2008, while for imports the same variation as 2007 is mirrored. Foreign trade developments are, in general, expected to be quite of a positive nature, mainly driven by demand development and of course by improved supply side through investments and facilities introduced by trade liberalization processes.

Table B5.1: Forecasted Exports and Imports Flows for 2008

	Export Forecast	Export Growth rates	Imports	Imports Growth Rates	Trade Deficit Forecast	Trade Flows Forecast	Trade Flow Change
	(in Mln USD)	(in %)	(In Mln USD)	(In %)	(in Mln USD)	(in Mln USD)	(in %)
January 2008	97,34	39%	275,39	10%	-178,05	372,73	16%
February 2008	100,20	25%	337,06	19%	-236,86	437,25	21%
March 2008	108,33	23%	394,26	19%	-285,93	502,59	20%
April 2008	98,71	16%	378,27	16%	-279,56	476,98	16%
May 2008	115,84	24%	403,89	17%	-288,05	519,74	18%
June 2008	125,02	21%	393,60	16%	-268,58	518,62	17%
July 2008	123,46	18%	390,67	13%	-267,21	514,13	14%
August 2008	77,65	6%	366,24	13%	-288,59	443,89	11%
September 2008	122,17	31%	448,59	18%	-326,42	570,77	20%
October 2008	113,71	19%	451,71	15%	-338,00	565,42	16%
November 2008	129,44	18%	519,46	12%	-390,03	648,90	13%
December 2008	100,00	25%	478,29	15%	-378,29	578,28	16%
<b>Total</b>	<b>1.311,87</b>	<b>22%</b>	<b>4.837,43</b>	<b>15%</b>	<b>- 3.525,56</b>	<b>6.149,30</b>	<b>16%</b>

Source: ACIT estimates

Graph B4.1: Estimated change rates and their confidence interval for exports and imports, 2008

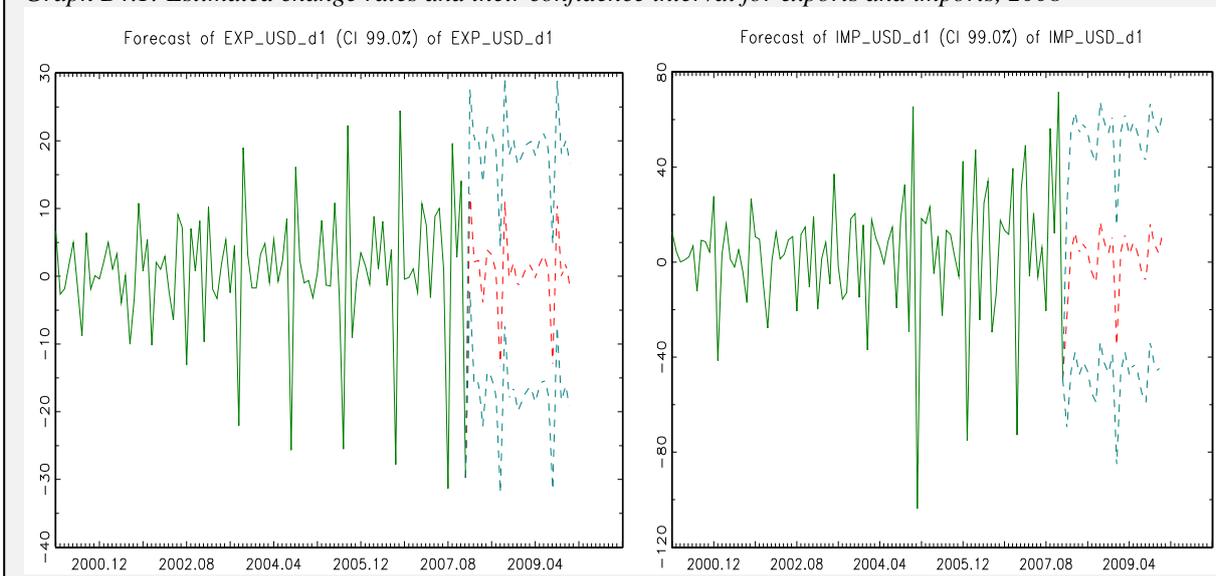


Table 1.5: Albanian imports and exports flows, 2007

	Imports Flows (in mln EUR)	Growth rate (in %)	Exports Flows (in mln EUR)	Growth rate (in %)	Trade Balance (in mln EUR)
January	193,799	21%	53,800	17%	-139,999
February	215,858	27%	61,581	35%	-154,276
March	250,341	20%	66,528	26%	-183,813
First Quarter	659,999	22%	181,911	26%	-478,088
April	240,912	30%	62,871	20%	-178,041
May	256,031	30%	69,354	22%	-186,677
June	253,225	13%	77,330	38%	-175,895
Second Quarter	750,168	24%	209,556	27%	-540,612
July	252,184	25%	76,389	29%	-175,795
August	238,665	26%	53,838	46%	-184,828
September	274,846	35%	66,977	19%	-207,869
Third Quarter	765,696	29%	197,205	29%	-568,491
October	276,809	28%	67,343	19%	-209,466
November	317,278	43%	74,882	35%	-242,396
December	285,866	16%	55,017	1%	-230,850
Fourth Quarter	879,954	29%	197,243	18%	-682,711
Total	3,055,819	26%	785,915	25%	-2,269,904

Source: Customs General Directorate of Albania and ACIT own calculations. The growth rates are calculated as percentage change between trade flows of the same month 2007/2006.

## II Albania's Trade Structure

### 2.1 Main characteristics

Albania's trade structure in 2007 presents some differences in terms of overall volumes and shares, and also the volumes and shares of specific sectors, as compared to 2006. While total exports increased by 36 percent as valued in USD (but only 25.5 percent as valued in ALL and 25 percent as valued in EUR), imports increased by 38.2 percent as valued in USD (but only 26.5 percent as valued in ALL, as shown in table 2.1, and 26 percent as valued in EUR). As a result, the share of imports in the total trade flows was slightly expanded as compared to 2006, reaching 79.6% (79.4 percent in 2006).

Some changes are also evident referring to sectors. Although the ranking of the sectors remains the same, the growth rate is different. Thus, product-groups as textile and footwear even though remaining in the main categories, as shown in table 2.1, show lower growth rate as compared to other sectors such as minerals, etc.

Table 2.1 provides information on exports and imports volume, share to total, and growth rate, based on the classifications of goods by sections (sectors).

Table 2.1: Structure of exports and imports flows

No	Description	Imports			Exports		
		Value of Imports (000 USD)	Share on total (%)	Growth rate (%)	Value of exports (000 USD)	Share on total (%)	Growth rate (%)
1	Live animals: animal origin products	134,894.58	3.2%	43%	8,214.48	0.8%	49%
2	Vegetable products	229,452.38	5.5%	31%	29,667.79	2.8%	28%
3	Animal grease and oils or vegetal and its products	46,888.78	1.1%	19%	1,001.39	0.1%	78%
4	Prepared food; drinks, alcoholic beverages and tobacco	288,572.26	6.9%	22%	39,962.77	3.7%	18%
5	Mineral products	701,776.99	16.7%	66%	166,655.09	15.5%	180%
6	Chemical industrial products or alloys	300,653.06	7.2%	30%	3,185.23	0.3%	77%
7	Plastic and its products; tire and its products	139,850.65	3.3%	32%	7,823.99	0.7%	19%
8	Unprocessed and processed leather, coats	87,069.12	2.1%	30%	22,318.30	2.1%	48%
9	Wood and its products; charcoal; cork and its products	69,384.24	1.7%	30%	13,396.57	1.2%	21%
10	Wood or other fiber	78,527.71	1.9%	35%	20,269.14	1.9%	40%
11	Textile and its products	362,993.32	8.6%	30%	293,942.91	27.3%	29%
12	Footwear and hats, umbrellas and parasols,	73,648.05	1.8%	-7%	227,261.22	21.1%	11%
13	Stone, gypsum, cement products...	141,898.80	3.4%	29%	6,643.48	0.6%	32%
14	Natural or cultivated pearls, jewellery	4,678.07	0.1%	241%	2,754.64	0.3%	121%
15	Base metals and their products	516,823.02	12.3%	37%	159,679.25	14.8%	25%
16	Mechanic, electric machinery and equipment	595,834.41	14.2%	35%	42,812.36	4.0%	54%
17	Vehicles	278,931.98	6.6%	61%	2,246.27	0.2%	2%
18	Optic, cinematographic, photographic.	46,761.93	1.1%	29%	1,610.30	0.1%	108%
19	Weapons and munitions and their equipment	1,673.86	0.04%	82%	3,158.90	0.3%	-24%
20	Different manufactured products	102,613.65	2.4%	58%	24,706.68	2.3%	43%
21	Works of art, collection and antics pieces	506.11	0.01%	-2%	91.10	0.01%	28%
	Total	4,203,432	100%	38% (26.5%)*	1,077,401	100%	36% (25.5%)*

\*Figures in brackets represent growth rates as expressed in Albanian Lekë.

## 2.2 Export structure

Textile and footwear products, mineral products, base metals, and mechanic and electric machinery, are the most important product-groups in the sectorial structure of exports in terms of the share they represent. Textile and footwear products' share in the total exports flows in 2007 was 48.4 percent (it was 55 percent in 2006). Despite increasing the volume of exports (29 percent and 11 percent), these sectors are showing a tendency in losing share. Their increase is lower compared to previous years, but also other sectors, such as minerals are increasing faster their share on total exports.

Mineral products and base metals' exports were growing very fast during 2007. The increase of local supply capacities in the oil sector, as well as steel and chromium production by foreign investments has supported such a growth. Mineral products exports increased four times faster than total exports, and valued at 166 mln USD by end 2007. Exports of oil and oil products derived from bituminous minerals, chromium minerals, cooper and steel were the products that mostly contributed to mineral and metal category exports increment.

Positive developments have also characterized exports of vegetable products and prepared food, beverages and tobacco products. Their share in total exports has not changed much from the previous years, but the growth rate kept following the general export rhythm – vegetable products grew by 28 percent in 2007, while prepared food and beverages growth rate was 18 percent. Traditional exported products that have been contributing in the sector export performance are prepared and preserved anchovies and salmons, medical plants, waters, beer and olives. Chemical industrial products and alloys exports experienced a high growth rate reaching 77 percent as compared to 2006. The structure of exports is shown in table 2.2.

The ten most exported products in 2007, as shown in table 2.2, represented 44 percent of the total export flows. Products from footwear and textile sectors – uppers and parts of shoes, trousers and other clothing for men, t-shirts and other cotton clothes, as well as petroleum oils, were ranked at the top of highest value exports. The first three products together have a share of 23 percent to the total exports (respectively, uppers and parts of shoes 10 percent, men's trousers 7 percent, and petroleum oils 6 percent).

*Table 2.2: Top ten exported goods for 2007 (in 000 USD)*

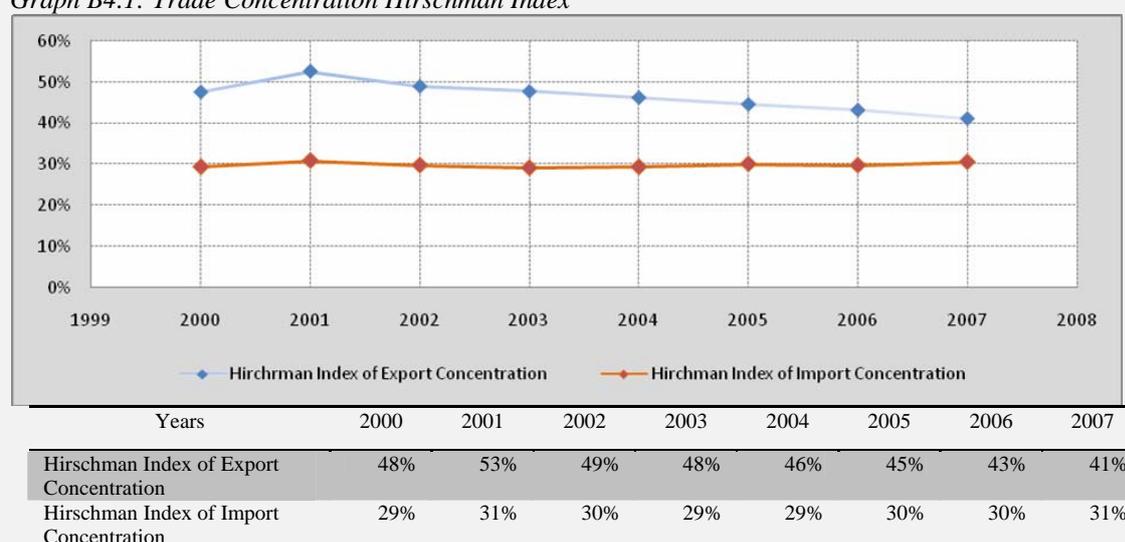
HS - Code	Description	2003	2004	2005	2006	2007
640610	Uppers and Parts Thereof	116,399	129,393	123,759	110,298	112,775
620342	Men's or Boys' Trousers	38,620	53,273	50,094	59,471	75,100
270900	Petroleum Oils and Bituminous Oils			9,892	17,731	59,546
261000	Chromium Ores and Concentrates	5,407	4,540	6,551	17,218	49,678
830140	Other locks of Base Metal	1,958	9,093	17,404	23,917	39,040
620520	Men's or Boys' Shirts, of Cotton	15,358	21,133	25,797	28,943	35,415
721420	Concrete reinforcing bars and rods		9,436	7,483	11,642	28,940
740400	Copper waste and scrap:	3,594	7,568	9,719	28,343	27,201
640510	Other Footwear With Uppers of Leather	809	4,820	14,988	20,723	24,224
160416	Anchovies	12,589	16,074	16,112	21,059	20,785
Total value of 10-most exported products		194,733	255,33	281,80	339,35	472,702
Value of overall exports		448,052	605,437	658,761	790,727	1,077,402
Share of 10-most exported products, in %		43%	42%	43%	43%	44%

Box 5 provides more information on exports, and also imports concentration during the last eight years.

**Box 5: Hirschman Trade Concentration Index**

Hirschman Concentration index\* (HIC) takes into account the share on total trade flows of each group of product and takes value from a minimum of zero (meaning no concentration) to 100% (meaning concentration on one group of product). Concentration index between 20% and 80% defines the area of moderate to high concentration, which means that both Albanian exports structure and import structure are quite concentrated. Export structure has started from 2001 a tendency of reducing its structural concentration, measured by Hirschman Concentration Index. Improving structural diversification reduces export flows fluctuations induced by its dependency on only few markets development. Export concentration Hirschman index for 2007, was 41%, and has decreased as compared to 2001 by 23%. Imports structure diversification, as measured by import concentration index, has remained almost the same (for 2007 imports HI was 31%). This is a sign of poor import substitution - imported range of products that have been demanded highly by the domestic market have remained within the same structural frame.

Graph B4.1: Trade Concentration Hirschman Index



Source: Customs General Directorate and ACIT Calculations

\*  $HIC = \sqrt{\frac{\sum x_i^2}{X^2}}$ ,  $x_i$  is product export or import (at section level of HS classification) while X the total export or import flow

Table 2.3: Exported products with the highest change in their value (in 000 USD)

HS-Code	Description	2006	2007	Change compared to 2006
<b>Exported products with the highest value of increment</b>				
270900	Petroleum Oils and Bituminous Oils	17,731	59,546	41,814
261000	Chromium Ores and Concentrates	17,218	49,678	32,460
721420	Concrete reinforcing bars and rods	11,642	28,940	17,298
620342	Men's or Boys' Trousers, Overalls	59,471	75,100	15,628
830140	Other locks of Base Metal	23,917	39,040	15,123
<b>Exported products with the largest decrease in their volume</b>				
720241	Ferrocromium Containing by weight more than 4 percent of carbon; chromium content	9,643	1,369	-8,274
640351	Footwear With Outer Soles and Uppers of Leather	9,671	2,867	-6,804
720449	Ferrous waste and scrap, iron or steel	15,279	9,039	-6,240
640319	Other Sports Footwear, Uppers of Leather	9,041	3,797	-5,244
240110	Tobacco (Not Stemmed)	2,315	34	-2,282

### **2.3. Import structure**

Positive growth rates have also characterized most of the imports sectors; only 2 out of 21 sections have been experiencing a decreasing trend during 2007 as compared to 2006. As in previous years, the imports structure is more dispersed than that of exports. The sectorial structure of imports. Imports of mineral products, mechanical and electrical equipments, base metals, textile products, chemicals, prepared food and beverages, vehicles, vegetable products, stone and plastic, represented 85 percent of the total import flows in 2007, valued in USD.

The imports of mechanical and electrical machineries increased in 2007 by 35 percent reaching a share of 14 percent on total imports; the top imported products from this category of goods are investments in the energy sector and telecommunication; refrigerators and washing machines are also important in the imports of this sector.

The imports of mineral and base metals represent two of the highest share of imports, respectively 17 percent (13.8 percent in 2006) and 12.4 percent (12 percent in 2006); for 2007 import expansion rate reached at 66 percent for mineral products and 37 percent for the base metals and their products. The share and development of imports in this group of products is affected by high inflationary pressures on these products induced from the world market development, especially high prices for oils and steel products. Continuous booming demand for oil and seasonal hikes of demand for electrical energy, accompanied by serious domestic supply shortage has been a reason of the observed increment rate of mineral products' imports growth rate.

Imports of steel, iron and aluminium products, mainly demanded as input for the construction sector have experienced an increase during 2007, with growth rates higher than total imports growth rates. Textile imports (mainly final products), food items (sugar, beer, waters, etc.), tobacco, medicaments (of different nature), cleaning products as well as vegetables (grain, rice, apples, oranges and coffee), have been important elements of the import structure in term of their volume.

The ten most imported products were accounting for 24 percent of the total import flows during 2007. As shown in table 2.4 there is a slight increase of this share as compared to 2006, from 19 percent to 24 percent. The Hirschman Index for imports concentration is quite lower than for exports, as explained in more details in box 6.

The domestic demand for both forms of energy, oil products and electrical energy, has contributed to enlist these products in first two most imported groups of products, with the highest increase of import value for 2007. Increased imports of vehicles are another factor exerting pressure on oil imports. The top three products of table 2.4 have 14 percent of total share of imports (respectively, oil 6 percent, electrical energy 6 percent, and medicaments 2 percent). The products that show the highest growth rates as compared to 2006 are electrical energy (almost 6 times) and medicaments (2 times).

**Table 2.4: Top ten imported goods for 2007 (in 000 USD)**

HS - Code	Description	2003	2004	2005	2006	2007
271019	Oil (not crude) from petrol & bitumen mineral	73,528	102,313	150,787	195,014	251,499
271600	Electrical Energy	51,766	28,281	7,670	38,330	248,059
300490	Other Medicaments	21,781	28,727	34,761	48,262	85,231
721420	Concrete reinforcing bars and rods	25,375	29,108	33,501	62,828	83,408
100190	Seed, White, Other	35,514	50,613	35,291	38,701	73,837
870332	Other Vehicles, Compression-ignition Engine (diesel) not exceeding 2,500 cc	38,742	58,643	40,147	43,227	69,530
410719	Bovine/horse whole skin, processed	22,471	26,483	20,579	30,400	61,007
240220	Cigarettes	41,041	44,443	47,241	52,691	56,869
271011	Oil (not crude) from petrol & bitumen mineral, Other Vehicles, Compression-ignition Engine (diesel) exceeding 2,500 cc	11,760	15,104	24,906	36,119	49,091
870333	Other Vehicles, Compression-ignition Engine (diesel) exceeding 2,500 cc	4,960	9,199	13,474	23,086	48,047
Total value of 10-most imported commodities		326,937	392,915	408,356	568,658	1,026,579
Value of overall imports		1,859,550	2,296,061	2,599,549	3,049,684	4,203,433
Share of 10-most imported commodities, in %		18%	17%	16%	19%	24%

**Table 2.5: Imported products with the highest change in their value (in 000 USD)**

HS - Code	Description	2006	2007	Change compare to 2006
<b>Imported products with the highest value of increment</b>				
271600	Electrical Energy	38,330	248,059	209,729
271019	Light petroleum distillates nes	195,014	251,499	56,486
300490	Medicaments nes, in dosage	48,262	85,231	36,969
100190	Seed, White, Other	38,701	73,837	35,136
720449	Ferrous waste and scrap, iron or steel	8,967	40,819	31,852
<b>Imported products with the largest decrease in their volume</b>				
252329	Portland Cement	63,431	46,435	-16,996
252310	Cement Clinkers	11,409		-11,409
411200	No hair sheep hides and skins, processed	17,325	6,254	-11,071
640610	Uppers and Parts Thereof	33,056	25,328	-7,728
850490	Parts, of Electrical Transformers, of Static Converters	8,570	928	-7,643

### III. Trade in Specific Sectors

#### 3.1. Inward processing trade

As in previous years, inward processing (IP) exports were an important part of the total exports in 2007. They reached at 714.2 mln USD, showing an increase of 28.8 percent as compared to 2006. Exports in the inward processing trade account for 66.3 percent of the total exports, as compared to 70 percent in the previous year. Such a decrease can partly be explained by the increase of direct exports in these industries. Imports related to this sector reached at 555.7 mln USD in 2007, having increased by 21.3 percent as compared to 2006. The value added in the sector was 158.5 mln USD as compared to 96.3 mln USD in 2006, having increased by 64.5 percent.

Sectors that have the main share in inward processing exports are: textiles with 40.9 percent (291.7 mln USD and 32.3 percent higher than 2006) and footwear with 32.3 percent (226.6 mln USD and 11.2 percent higher than 2006). Another sector that is increasing its presence is base metals with 12.3 percent of share on total inward processing exports (87.9 mln USD and 84.5 percent higher as compared to 2006).

Table 3.1 provides information on exports growth rates and share to total, of the top-ten products in the inward processing sectors.

Table 3.1: Inward processing exports, 2007

HS - Code	Description	Exports (in 000 USD)	Share to total IP exports	Growth rate
640610	Uppers and parts thereof, other than stiffeners	112,772	15.8%	3.2%
620342	Mens/boys trousers and shorts, of cotton, not knitted	75,100	10.5%	26.6%
830140	Locks of base metal, nes	39,028	5.5%	63.2%
620520	Mens/boys shirts, of cotton, not knitted	35,410	5.0%	23.1%
721420	Bars & rods, i/nas, hr, hd or he, cntg indent, ribs, etc, prod dur rp/tar, nes	28,805	4.0%	270.6%
640510	Footwear with uppers of leather or composition leather, nes	24,006	3.4%	17.5%
160416	Anchovies, prepared or preserved, whole or in pieces, but not minced	20,768	2.9%	-1.3%
640590	Footwear, nes	20,372	2.9%	72.3%
610821	Womens/girls briefs and panties, of cotton, knitted	20,270	2.8%	122.3%
640359	Footwear, outer soles and uppers of leather, nes	19,323	2.7%	28.0%

The top three exported products are: uppers for footwear and its products, with a value of 112.7 mln USD (15.8 percent of share on total exports of inward processing sector) showing an increase of 3.2 percent as compared to 2006; men's trousers reaching at 75.1 mln USD (a share of 10.5 percent), having increased by 26.6 percent as compared to 2006; locks, with 39 mln USD (5.5 percent of share), having increased by 63.2 percent as compared to 2006. These three products together have a share 31.8 percent on the total inward processing exports. According to table 3.1, the growth rate uppers and parts thereof is among the lowest in the group although ranks 1<sup>st</sup> by their share to the total IP exports. Meanwhile the highest growth

rates are registered by bars and rods, 270.6 percent, although the share is quite modest, only 4 percent.

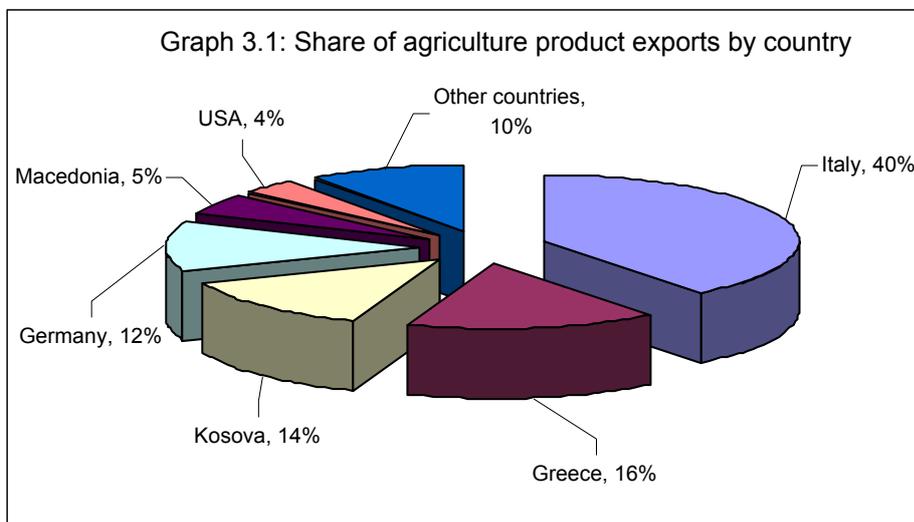
The main trade partner for this sector is Italy. Exports from this sector destined to Italy were valued 603.7 mln USD in 2007, showing an increase of 26.7 percent as compared to 2006 and accounting for 84.5 percent of the total inward processing exports. Exports to Greece reached 56 mln USD, having increased by 17 percent and accounting for 7.8 percent of the total exports from the sector. Exports to Kosova amounted to 23.3 mln USD, having expanded by 163.9 percent as compared to 2006 and accounting for 3.3 of the total exports from the sector. The share of these three countries together, is 95.6 percent of total inward processing exports.

### 3.2 Trade in agriculture products

#### 3.2.1. Exports

Exports of agriculture products reached 78.8 mln USD in 2007, having increased by 25.1 percent as compared to the previous year. Despite such increase, the share of the agriculture products on the total has decreased from 8 percent in 2006, to 7.3 percent in 2007 due to a higher growth rate of total exports.

The three most exported products, anchovies, medicinal herbs, and waters, together occupy 64 percent of the agriculture total exports. Products that have shown the highest growth rates were cereals, flour and animal food, although their share to total exports is very small and they entered the list of exported goods only in 2007.



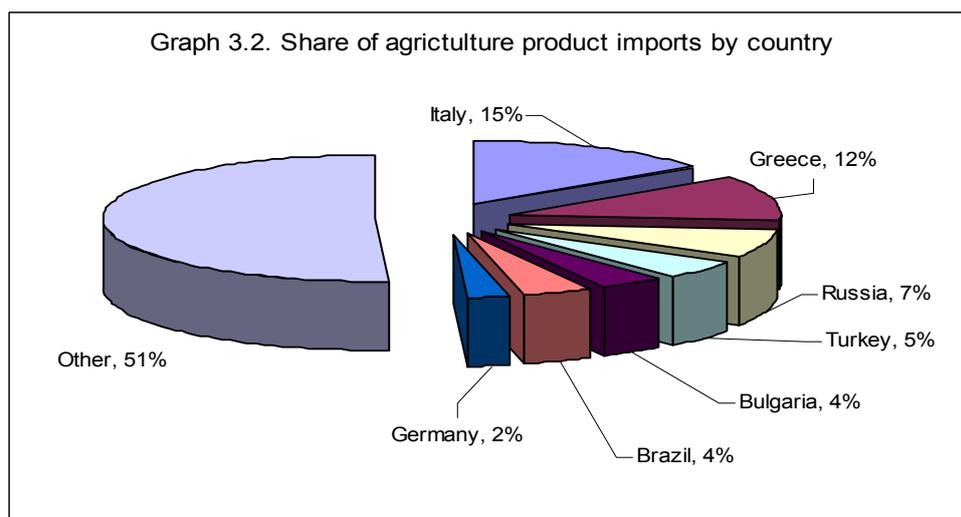
The main destinations of Albanian agriculture exports are the neighbor countries. Exports to Italy reached 31 mln USD, showing an increase of 18 percent as compared to 2006. The value of exports to Greece was 12.9 mln USD, which is 46.8 percent higher than in 2006. Exports to Kosova were 10.7 mln USD (53.3 percent higher than in 2006), and exports to Germany were 9.7 mln USD, or 17.7 percent higher as compared to the previous year. Exports to Macedonia amounted to 3.8 mln USD, having grown by 220 percent as compared to 2006, which is the highest growth rate for this category of exports. Italy, Greece and Kosova cover almost 70 percent of the total exports from the agriculture sector.

### 3.2.2. Imports

Imports of agriculture products valued at 699.8 mln USD in 2007, having increased by 28.2 percent as compared to 2006, or by 153.7 mln USD. Growth rate of agriculture products imports has been lower than the total imports growth rate (37.8 percent), thereby the share it holds has decreased to 16.6 percent, from almost 18 percent in 2006.

Imports structure in this category is much more diversified than exports. The three most imported products account for only 16 percent of the total agriculture imports. The top imported products are wheat with 53 mln USD (or 73.2 percent more than in 2006); cigarettes with 41 mln USD (or 1.4 percent less than in 2006); anchovies with 18 mln USD, showing an increase of 218 percent as compared to 2006.

Concerning the geography of trade, Italy is the main origin partner for Albania's imports, as shown in graph 3.2. Agriculture products from Italy reached 104.8 mln USD, having increased by 40.8 percent as compared to 2006. Imports from Greece were 82.4 mln USD, which is 3.1 percent more than in 2006. Imports from Russia amounted to 48.6 mln USD, with an increase of 71.7 percent. These three countries have a share of 34 percent of the total imports.



Exports of agriculture products in 2007 covered only 11.3 percent of imports, as compared to 11.5 percent in 2006. This coverage ratio is lower than the one of total trade which is 25.6 percent in 2007 and 25.9 percent in 2006. However, some sections of this category such as oil seeds and prepared food from meat have higher import coverage ratios.

#### **Box 6: Cereals and flour**

*Imports of cereal have reached 109.4 mln USD in 2007, an amount which is 51.5 percent higher as compared to 2006. This value increase is mainly explained with the price increase, because imports volume has slightly decreased as compared to 2006; 0.3 percent lower. In the case of wheat, this fact is even more visible. Its imports value has increased by 90 percent, reaching 73.8 mln USD in 2007 out of 38.7 mln USD in 2006. Meanwhile, its imports volume has experienced an increase of only 16 percent - 282,293 tons in 2007 as compared to 244,092 tons in 2006.*

*Important changes were also observed regarding the geographical distribution. In 2007 almost 55 percent of the total cereals imports, with a value of 60 mln USD, came from Russia. The other countries of cereal import origin are Egypt, Serbia and Montenegro, and Ukraine. Cereal imports from Russia have experienced an increase of 94 percent as compared to 2006.*

*Imports of flour have experienced an increase of 58.8 percent of its value which amounted to 11 mln USD. However, the growth rate in real terms (physical volume) is only 5.5 percent (to 36.474 tons). Most of flour imports comes from Turkey (40 percent), Italy (15 percent), and Kosova (15 percent).*

*Exports of cereals and flour have increased quite slightly as compared to imports increase. Cereal exports reached 0.24 mln USD in 2007, while it was 0.01 mln USD in 2006. The same happened with flour. Its exports were valued 0.43 mln USD in 2007, while being 0.02 mln USD in 2006. Kosova was the main destination country for both cereals and flour, reaching at 0.23 mln USD and 0.43 mln USD, respectively*

### **3.3. Trade in energy, minerals, and base metals sector**

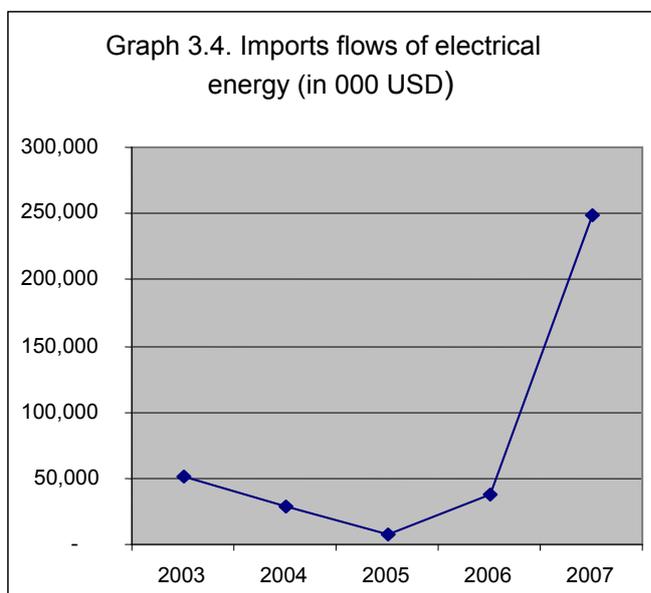
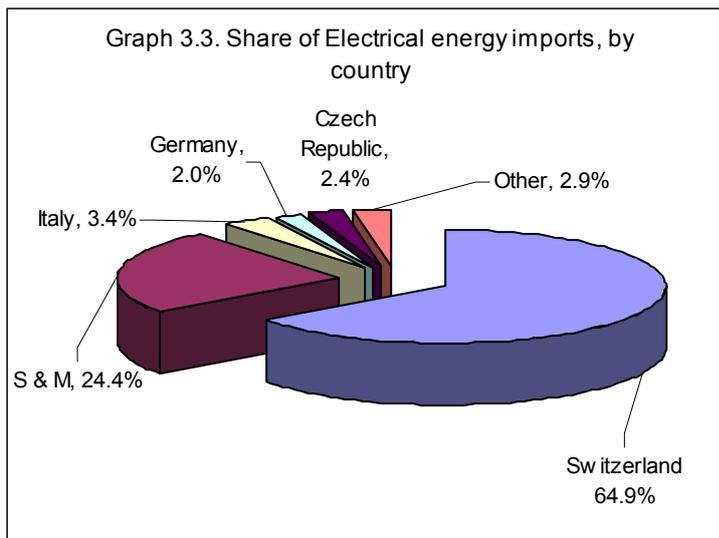
#### ***3.3.1 Trade in electrical energy***

The energy sector represented one of the most sensitive sectors concerning trade flows in 2007. Both, oil products and electrical energy, experienced very high growth rates as compared to 2006.

Imports of electrical energy in 2007 were 547 percent higher than the previous year, having amounted to 248 mln USD. The share of electrical energy imports to the total imports was 5.9 percent in 2007, while in 2006 it was 1.3 percent.

September and November were the months in which the biggest amounts of import were registered, respectively 40 mln USD and 54 mln USD (which is 16 and 22 percent of the total imports respectively).

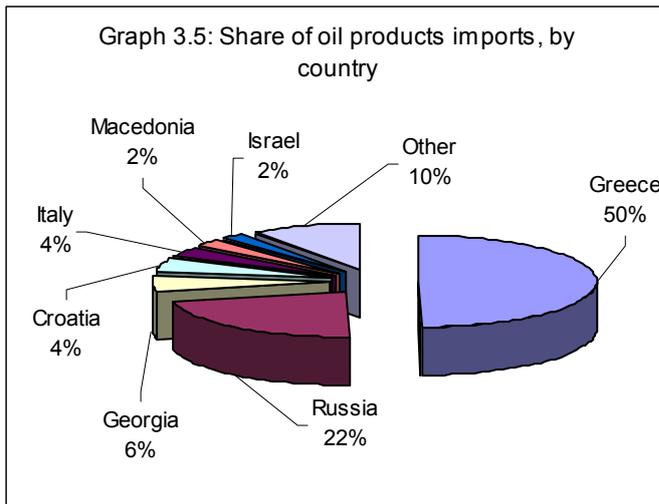
Switzerland was the main trade partner in this sector during 2007, by covering 64.9 percent of total imports. Graph 3.3 represents overview of the imports share by country in the electrical energy trade.



### 3.3.2 Trade in oil products

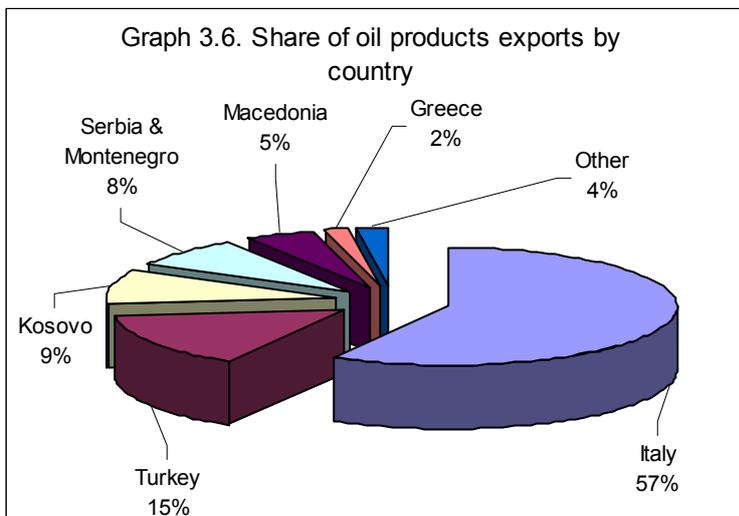
In 2007 oil products imports were valued 356 mln USD, showing an increase of 29.2 percent as compared to the previous year. Imports volume has also increased by 15 percent, going from 445.912 tons in 2006 to 513.039 tons in 2007. Price increase of these products can explain the percentage change between value and volume. The most imported product is light petroleum distillates with 251 mln USD, which is 70.6 percent of the total oil imports.

Albania imports oil products from Greece (176 mln USD, which is 49.5 percent of the total oil products imports), Russia (77 mln USD, which is 21.7 percent of the total oil products imports), and Georgia (21 mln USD which is 6 percent of the total oil products imports). These three countries account for 77 percent of the total imports of oil. It is interesting to note that imports from Greece have increased by 55.5 percent as compared to 2006 and by 283.8 percent as compared to 2003 (see graph 3.5).

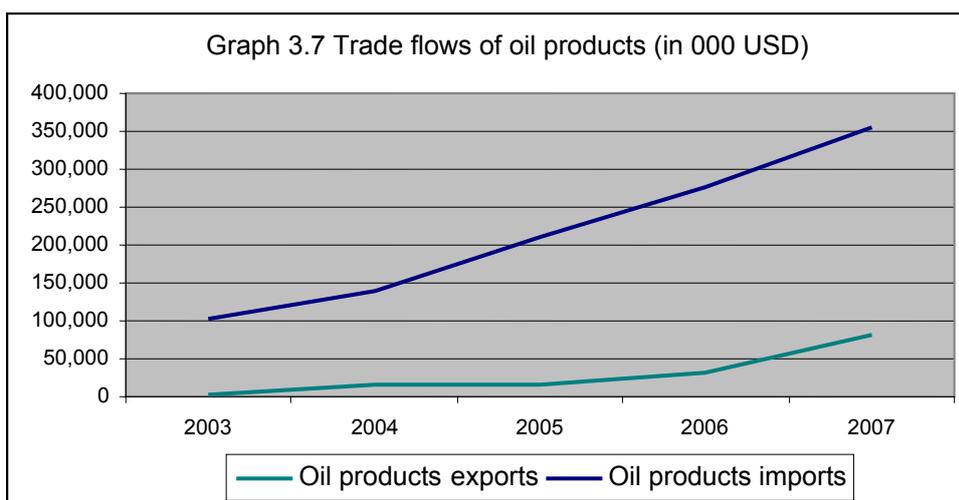


Oil products exports have reached at 82 mln USD in 2007, showing an important increase of 144.6 percent as compared to 2006. Exports volume was valued at 257,017 tons, which was 91 percent higher than in 2006.

The main product that Albania exports, is petroleum oils and oils obtained from bituminous minerals with a value of 59.5 mln USD, which accounts for 72.6 percent of the total exports of oil.



Main destinations of the Albania's oil exports were Italy (47 mln USD, a share to total of 57.4 percent), Turkey (12 mln USD, a share of 14.8 percent to total), Kosova (7.6 mln USD, a share of 9.3 percent). These three countries account for 81.5 percent of the total imports of oil products. Exports to Italy have increased by 164 percent as compared to 2006 and 2772.5 percent as compared to 2003.



### 3.3.3 Trade in mineral products

*Mineral products imports* reached a value of 97 mln USD in 2007, having decreased by 11.2 percent as compared to 2006<sup>16</sup>. As table 3.2 shows, the most imported products in 2007 were: Portland cement with a value of 46 mln USD (a share of 47.7 percent to the total imports for this section); hydraulic cements with a value of 26 mln USD (a share of 26.9 percent to the total imports for this section); and bituminous coal with a value of 9.9 mln USD (a share of 10.2 percent to the total imports for this section). These three products account for 84.8 percent of the total imports in this category. Only portland cement has experienced a decrease of 26.8 percent as compared to 2006.

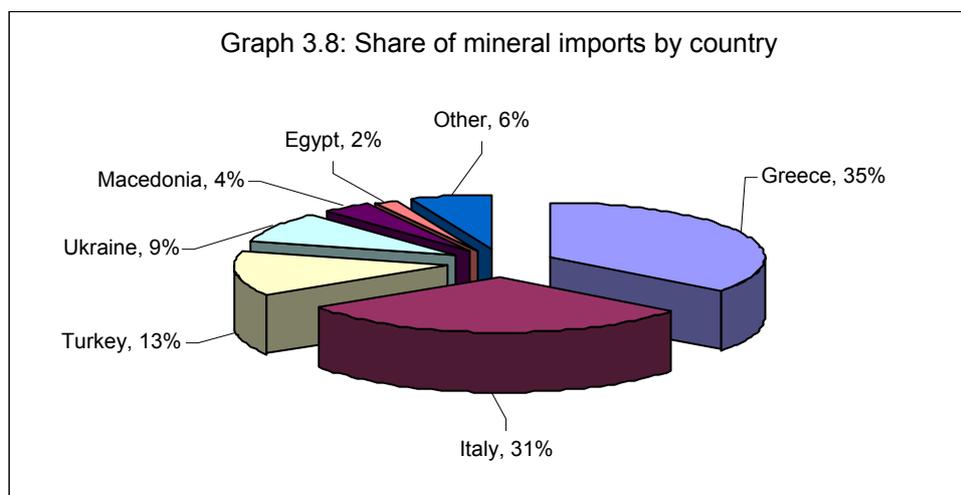
*Table 3.2: Mineral products imports*

HS Code	Description	Imports	Share on total	Growth rate
252329	Portland cement nes	46,435	47.8%	-26.8%
252390	Hydraulic cements nes	26,178	26.9%	69.8%
270112	Bituminous coal, whether or not pulverised but not agglomerated	9,904	10.2%	170.3%
251511	Marble and travertine, crude or roughly trimmed	5,720	5.9%	-17.6%
250100	Salt (includg table salt&denaturd salt) pure sodium chloride&sea water	2,133	2.2%	19.0%
252321	Portland cement, white, whether or not artificially coloured	1,122	1.2%	10.6%
260300	Copper ores and concentrates	1,046	1.1%	838885.2%
270111	Anthracite, whether or not pulverised but not agglomerated	717	0.7%	-10.9%
251730	Tarred macadam	522	0.5%	
250510	Silica sands and quartz sands	438	0.5%	279.1%

Albania's main trade partners in mineral imports, as shown in graph 3.8, are Greece with a value of 34 mln USD (a share of 35.3 percent to the total mineral imports); Italy with a value of 30 mln USD (a share of 31.1 percent to the total mineral imports); Turkey with a value of 13 mln USD (a share of 13.4 percent to the total mineral imports). These three countries account for almost 80 percent of the total mineral imports. Imports from Greece have increased by 35.4 percent as compared to 2006. It is important to note a high growth of

<sup>16</sup> In this sector analysis the mineral category has been considered without including oil products and electrical energy (there is a separate analysis for these two categories).

imports from Ukraine, with a rate of 550 percent (8.6 mln USD in 2007 and 1.3 mln USD in 2006).



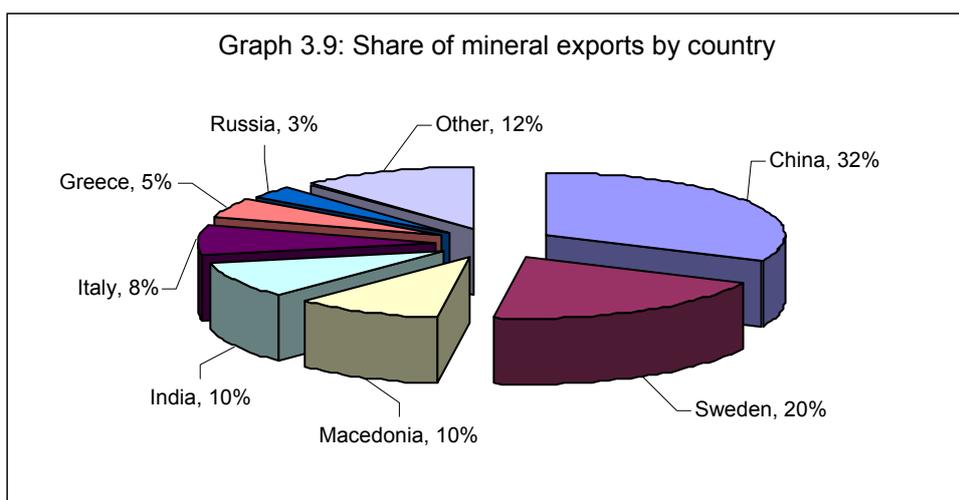
**Mineral products exports** in 2007 amounted to 84.7 mln USD, experiencing an increase of 226 percent as compared to 2006. It represents one of the most important components of the Albanian exports both from its share on the total exports and from its growth rate.

Most exported mineral products are chromium ores with a value of 49.7 mln USD (a share of 58.7 percent of the total exports of the category); Copper ores with a value of 10.5 mln USD (a share of 12.4 percent of the total exports of the category); iron ores which amounted to 7.6 mln USD (a share of 5.87 percent of the total). These three products exports account for 80 percent of total exports in this section. Chromium ores experienced an increase of 188.5 percent as compared to 2006 and an overall increase of 818.8 percent as compared to 2003.

*Table 3.3: Mineral products exports (in 000 USD)*

HS Code	Description	Exports	Share on total	Growth rate
261000	Chromium ores and concentrates	49,678	58.7%	188.5%
260300	Copper ores and concentrates	10,492	12.4%	1418.2%
260111	Iron ores & concentrates, oth than roasted iron pyrites, non-agglomerated	7,642	9.0%	79.5%
252310	Cement clinkers	7,633	9.0%	
252329	Portland cement nes	4,590	5.4%	478.3%
251690	Monumental or building stone nes	1,875	2.2%	32.8%
251622	Sandstone, merely cut, by sawing or otherwise, into blocks etc	557	0.7%	164.6%
251611	Granite, crude or roughly trimmed	420	0.5%	65.7%
260400	Nickel ores and concentrates	337	0.4%	1118274.8%
251512	Marble & travertine, merely cut, by sawing or otherwise into blocks etc	169	0.2%	1513.2%

The main destinations of the Albanian mineral exports in 2007, as shown in graph 3.9, are: China with a value of 27 mln USD (32.1 percent of the total mineral exports), Sweden with a value of 17 mln USD (20.2 percent of the total mineral exports), and Macedonia with a value of 8.5 mln USD (10.1 percent of the total mineral exports). Exports to China have increased by 197.2 percent as compared to 2006 and by 1481.3 percent as compared to 2003.



### 3.3.4 Trade in base metals and their products

Imports of base metals reached a value of 516.8 mln USD in 2007, having increased by 36.7 percent as compared to 2006. Iron and steel and their products account for 66.1 percent on total imports in this category. It is important to notice that, due to the depreciation of the USD, although value increased by 36.7 percent volume change was 18.6 percent.

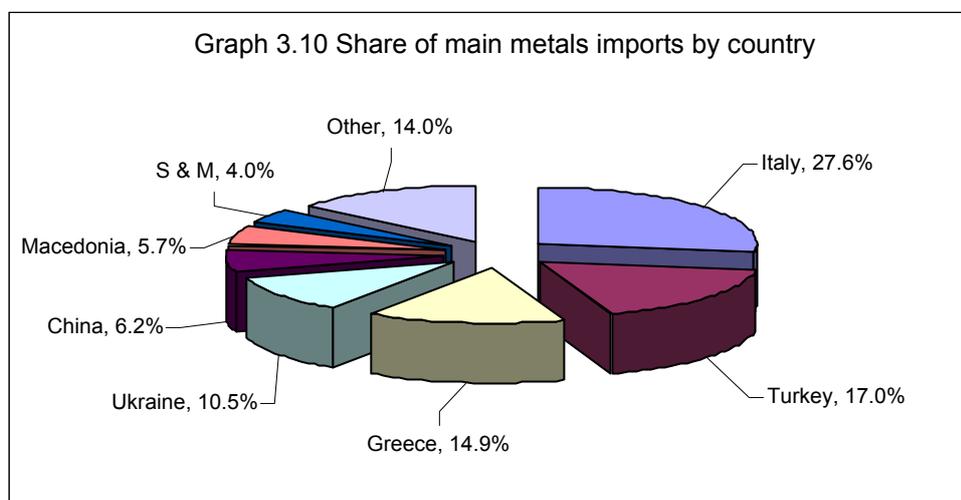
The three main products imported from the category of base metals and their products were: bars and rods with a value of 83.4 mln USD (16.1 percent of base metals total imports) and with an increase of 32.8 percent as compared to 2006; ferrous waste with a value of 40.8 mln USD (a share of 7.9 percent) and with an increase of 355 percent as compared to the previous year; and, lock parts with a value of 37.8 mln USD (a share of 7.3 percent) and with an increase of 80.4 percent in comparison with 2006. Altogether these three products account for a share of 31.3 percent on total imports of base metals (see table 3.4).

**Table 3.4: Main metal imports (in 000 USD)**

HS Code	Description	Imports	Share total	Growth rate
721420	Bars & rods,i/nas,hr,hd or he,cntg indent,ribs,etc,prod dur rp/tar,nes	83,408	16.1%	32.8%
720449	Ferrous waste and scrap, iron or steel, nes	40,819	7.9%	355.2%
830160	Lock parts,includg parts of clasps o frames w clasps,of base metal,nes	37,761	7.3%	80.4%
720711	Semi-fin prod,i/nas,rect/sq cross-sect cntg by wgt<.25% c,width<2X thk	27,410	5.3%	-11.5%
730890	Structures&parts of structures,i/s (ex prefab bldgs of headg no.9406)	21,014	4%	72.0%
760410	Bars, rods and profiles, aluminium, not alloyed	20,379	3.9%	37.6%
721391		18,755	3.6%	30.1%
760120	Aluminium unwrought, alloyed	16,940	3.3%	14.0%
830890	Beads,spangles&other made up art nes,for clothing/footwear,awnings etc	16,563	3.2%	13.9%

Graph 3.10 is a presentation of the geography of base metals imported in Albania. The main trade partners are: Italy with a value of 142 mln USD (a share of 27.5 percent) and with an increase of 51 percent as compared to 2006; Turkey with a value of 87 mln USD (a share of 17 percent) and with an increase of 40 percent; and Greece with a value of 76 mln USD (a

share of 14.8 to total base metals imports) and an increase of 20 percent as compared to 2006. Imports from these three countries account for 59.3 percent of the total imports of base metals.

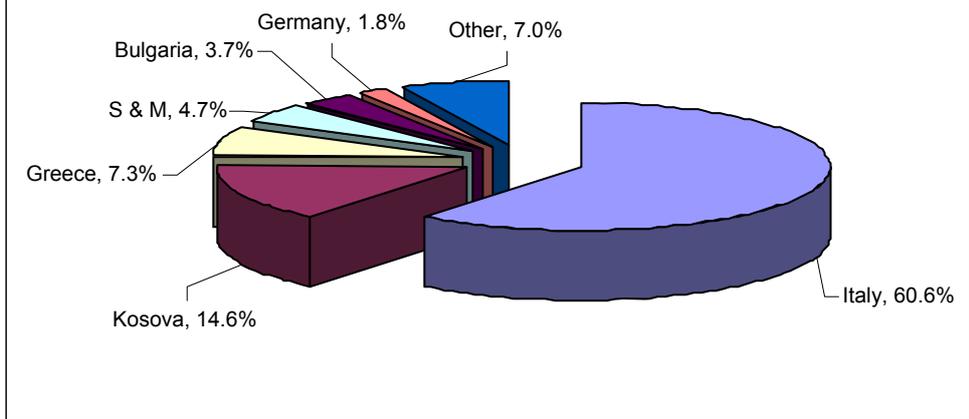


Main metal exports reached 159.7 mln USD in 2007, having experienced an increase of 25.1 percent as compared to 2006. Main exported products in these sector are: locks of base metal with a value of 39 mln USD (a share of 24.5 percent of the total exports for this category) and with an increase of 63.2 percent as compared to 2006; bars and rods with a value of 29 mln USD (a share of 18.1 percent) and an increase of 148.6 percent; waste and scrap, copper with a value of 27 mln USD (a share of 17%), having experienced a decrease of 4 percent as compared to 2006. The share of these three products put together is 59.6 percent of the total base metals exports.

HS Code	Description	Exports	Share on total	Growth rate
830140	Locks of base metal, nes	39,040	24.6%	63.2%
721420	Bars & rods,i/nas,hr,hd or he,cntg indent,ribs,etc,produr rp/tar,nes	28,940	18.2%	148.6%
740400	Waste and scrap, copper or copper alloy	27,201	17.2%	-4.0%
760200	Waste and scrap, aluminium	10,395	6.6%	-2.7%
720449	Ferrous waste and scrap, iron or steel, nes	9,039	5.7%	-40.8%
760120	Aluminium unwrought, alloyed	5,644	3.6%	22.6%
760410	Bars, rods and profiles, aluminium, not alloyed	4,997	3.2%	35.4%
830241	Mountings, fittings & similar articles of base metal for buildings, nes	3,392	2.1%	1304515.5%
830249	Mountings, fittings and similar articles of base metal, nes	3,255	2.1%	37.5%
732690	Articles, iron or steel, nes	2,902	1.8%	956.4%

Exports of base metals and their products, as shown in graph 3. 11, are mainly directed to Italy with a value of 96 mln USD (a share of 60.6 percent to total base metals exports) and with an increase of 10.1 percent as compared to 2006; Kosova with a value of 23 mln USD (a share of 14.6 percent ) and with an increase of 112 percent; and Greece with a value of 11 mln USD, having experienced a decline by 6.2 percent as compared to 2006. Base metals exports are concentrated in these three countries with a share of 82.6 percent of total exports.

Graph 3.11: Share of base metals exports by country



## IV. Albania's Trade Geography

### 4.1 Main characteristics of trade geography

During 2007, shifts in shares of trade flows with the main trade partners of Albania, EU-27, regional countries, other selected countries, and the rest of the world, are observed. So, the share of exports to the EU-27 has decreased while the share of imports from the EU-27 has remained the same despite its enlargement by two countries, Bulgaria and Romania. Regarding the region, the increase of exports share has compensated the decrease of imports share to the respective totals. Exports and imports shares have increased with respect to other selected countries such as China, Turkey and US, and in the rest of the world, as shown in table 4.1.

In 2007, most of the commodity exchange happened with EU-27 countries. The bulk of Albania's exports flew towards Italy and Greece, having amounted for both countries at 76 percent of the total country's exports which is anyway 3 percentage points lower than in 2006

Exports flows toward the regional countries represented a share of 10 percent of the total exports; in a ranking list of ten main export destination partners, three were from the region. As compared to 2006, exports toward regional trading partners have been changing faster than the overall growth of exports and also faster than exports to the traditional partners, revealing a growing trade and economic co-operation among the countries of the region in the frame of the bilateral FTA's and, starting from end-year 2006, the CEFTA 2006. The geography of exports and imports is shown in details in table 4.1 and in graphs 4.1 and 4.2

Table 4.1: The geography of Albania's trade flows, 2007

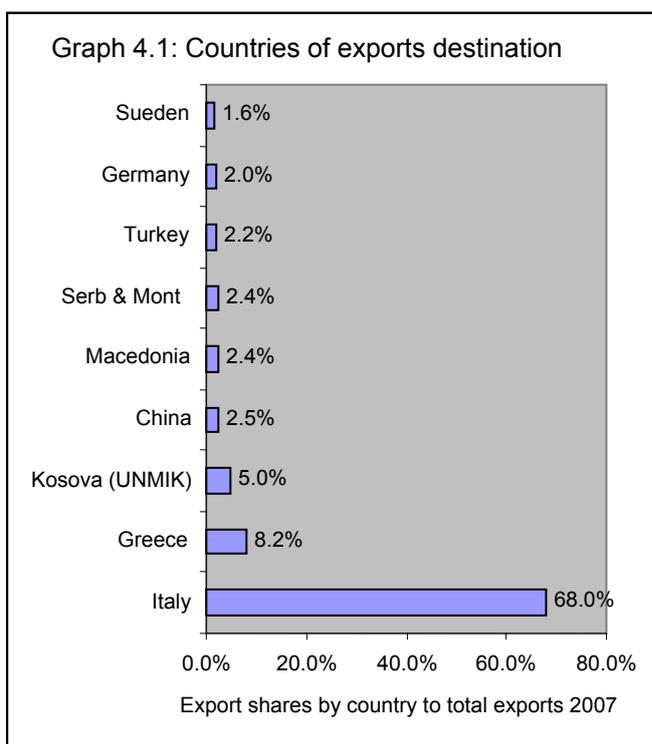
	Exports			Imports		
	Value	Share to total	Growth rate 2007/2006	Import value	Share to total	Growth rate 2007/2006
	(Million USD)	(%)	(%)	(Million USD)	(%)	(%)
<b>EU-27 (EU 25)</b>	<b>894.8</b>	<b>83% (88%)<sup>1</sup></b>	<b>28%</b>	<b>2642.02</b>	<b>62.8% (62.7%)<sup>1</sup></b>	<b>38.0%</b>
Italy	733.4	68.0% (73%)	28.0%	1225.9	29.0% (29%)	39.0%
Greece	88.7	8.0% (10%)	18.0%	652.9	15.0% (17%)	28.0%
Germany	26.3	2.0% (3%)	5.0%	191.3	5.0% (5%)	35.0%
Sweden	17.1	2.0% (1%)	154.0%	10.1	0.0% (0%)	-22.0%
France	6.7	1.0% (1%)	22.0%	36.2	1.0% (1%)	34.0%
Bulgaria	7.6	1.0% (0%)	131.0%	87.1	2.0% (3%)	-13.0%
Other EU countries	15	1.0% (1%)	52.0%	438.2	11.0% (9%)	30.0%
<b>Countries of the region**</b>	<b>107.8</b>	<b>10.0% (8%)</b>	<b>68.4%</b>	<b>333.1</b>	<b>8.0% (10.3%)</b>	<b>5.2%</b>
Kosova (UNMIK)	51.5	5.0% (4%)	71.0%	30.8	1.0% (1%)	72.0%
Macedonia	25.3	2.5% (2%)	101.0%	99.9	2.0% (2%)	59.0%
Serbia, and Montenegro*	25.7	2.5% (1%)	138.0%	143.8	3.0% (1%)	332.0%
Bosnia and Herzegovina	4.2	0.0% (1%)	-2.0%	13.4	0.0% (0%)	46.0%
Croatia	1.1	0.0% (0%)	-55.0%	42	2.0% (1%)	18.0%
Moldova	0	0.0% (0%)	-	3.1	0.0% (0%)	-39.0%

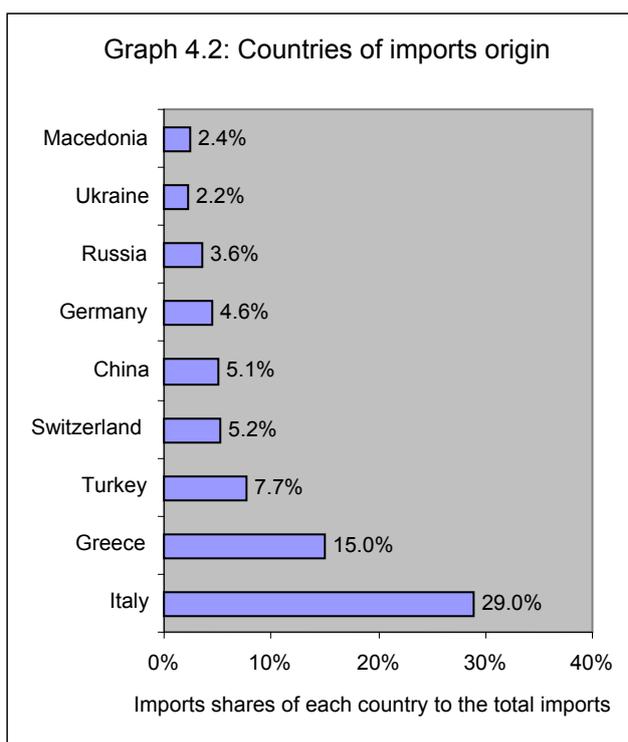
<b>Other countries</b>						
Turkey	23.6	2.2% (1%)	137.0%	323	8.0% (8%)	33.0%
China	27.3	3.0% (1%)	199.0%	216	5.0% (5%)	53.0%
US	7.1	1.0% (0%)	108.0%	33.2	1.0% (2%)	29.0%
RoW	16.4	1.0% (1%)	118.0%	655.8	15.0% (13%)	21.0%
<b>Total Flows</b>	1077.4		36.0%	4203.4		37.8%

<sup>1</sup>Figures in brackets refer to the year 2006

\*For comparison purposes, the data from these two countries are consolidated for the whole year 2007. Separate statistics are delivered only starting from 1.10.2007.

\*\*Figures in the table consider Bulgaria and Romania as part of the region in 2006 but not in 2007 when these two countries joined the EU. If these countries would be considered as part of the region even in 2007, the growth rates for exports and imports would be respectively 85 percent and 42 percent.





The 2007 developments have, although slightly, contributed in smoothing the geographic concentration of exports flows, which is still very high as a result of the high concentration of the trade mass around EU-27 trading block.

The imports geographic concentration is much lower than that of exports, continuing to show a downward trend. The main import partners are again Italy and Greece but these two countries' share on the total imports amounts at 44 percent, which is two percentage points lower as compared to 2006. The imports from the trade partners in the region account for only 8 percent, which is two percentage points lower as compared to 2006. Also the growth rates are quite modest, only 5.2 percent, as compared to 54 percent in 2006, and 37.8 percent for the overall imports in 2007. Such a decrease can partly be explained by the "departure" of Bulgaria and Romania from the region. In 2006 Bulgaria and Romania together accounted for 5 percent of the total countries imports. However it must be noted that the share of Bulgaria in total imports for 2007 is 1 percentage points lower than in 2006; for Rumania the decline is by 1.3 percentage points. The only regional partner listed on the ten most important importing countries, is Macedonia (providing 2.4 percent of total imports). Other countries ranked in the top-ten list are Turkey, Switzerland, China, Germany, Russia, etc.

## 4.2 Albania's trade with the EU-27

### 4.2.1 Trade flows with the EU-27

Trade flows between Albania and the EU-27 amounted to 3,536.9 mln USD (2,573.7 mln EUR) in 2007, being increased by 35.5 percent as compared to 2006. The dollar depreciation accounts for 11.48 percentage points in this increase – the growth of trade flows with the EU as expressed in euro is only 24.02 percent. The share of trade flows with the EU-27 to the Albania's total trade flows declined again in 2007 to 67 percent from 68 percent in 2006. This declining tendency is observed only in exports to the EU-27 which accounted for 83 percent of total exports as compared with 88 percent in 2006. With regard

to imports, their share has increased only slightly, from 62.7 percent to 62.8 percent. Table 4.2 summarizes the main trade developments between Albania and the EU for the period 2003-2007. The last column shows that all values would have declined further without the inclusion of the two new EU members, Bulgaria and Rumania.

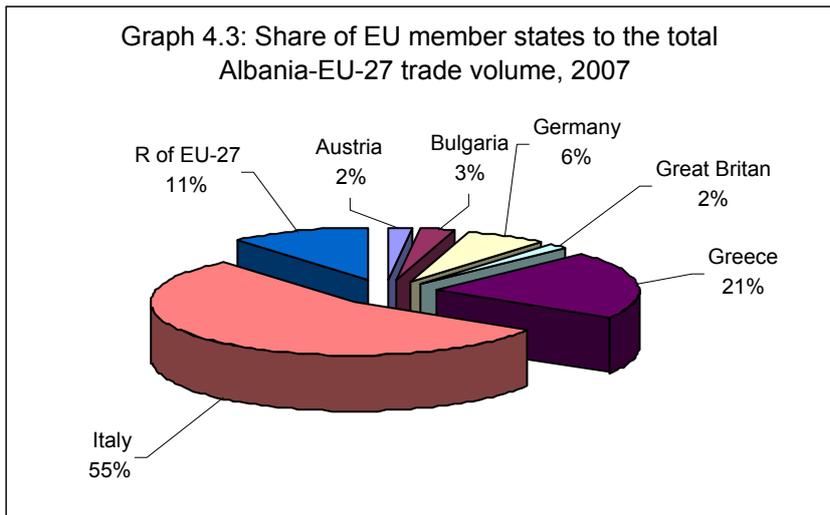
*Table 4.2: Summary of key trade indicators between Albania and the EU-27, in million USD, or in %*

Trade Indicators	2003	2004	2005	2006	2007	2007 <sup>17</sup>
Albania-EU trade volume	1,800.49	2,143.18	2,275.53	2,610.55	3,536.80	3,410.60
Share to total Albania's trade volume	78%	74%	70%	68%	67%	66%
Imports from the EU-27	1,380.75	1,597.41	1,691.37	1,913.93	2,642.02	2,526.74
Share to total Albania's imports	74%	70%	65%	62.7%	62.8%	61.8%
Exports to the EU-27	419.74	545.78	584.16	696.45	894.83	883.90
Share to total Albania's exports	94%	90%	89%	88%	83%	82.9%
Trade balance of the EU (trade deficit)	-961.016	-1,051.64	-1,107.21	-1,217.51	-1,747.19	-1,642.80
Share to total Albania's trade balance	68%	62%	57%	54%	56%	54%
Export to the EU/Import from the EU, Coverage Ratio	30%	34%	35%	36%	34%	35%
Total Export/Total Import, Coverage Ratio	24%	26%	25%	26%	26%	26%

<sup>17</sup>Without taking into account Bulgaria and Romania

Trade flows continue to get oriented mainly to Italy and Greece, Albania's main trade partners. Their share to the total EU-27 trade volume has been rather stable during the years. Germany ranks 3<sup>rd</sup> followed by Bulgaria, Austria, and Great Britain. All the rest of the EU 27 counts for only 11 percent of the total trade between Albania and the EU-27, as shown in graph 4.3. In a dynamic perspective, almost all countries of the EU-27, except Belgium and Cyprus, have contributed to the increase of the EU trade flows with Albania. The trade flows' shares of the two main partners, Italy and Greece have slightly decreased, by 1 and 2 percentage points respectively. Countries that have experienced a sharp and significant increase in trade flows in 2007 are Great Britain (58 percent increase; 2 percent share), Poland (158.6 percent increase, 1 percent share) and also Italy (34.4 percent increase; 55 percent share) and Greece (26.3 percent increase; 21 percent share).

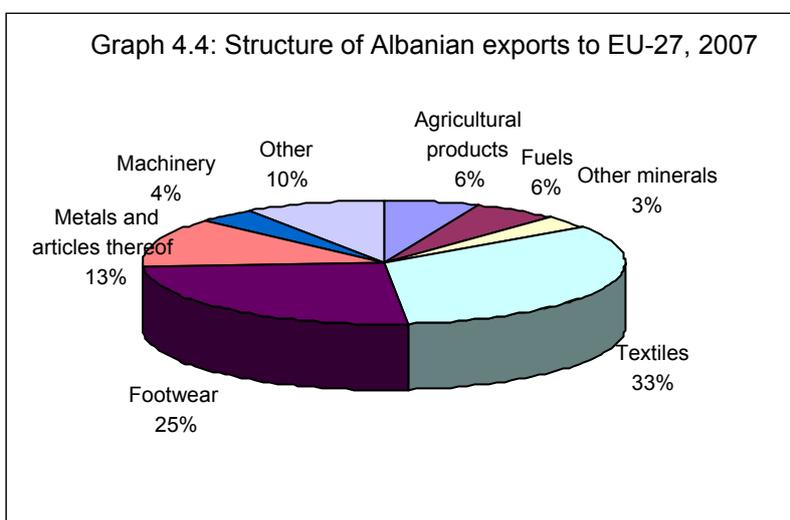
<sup>17</sup>These calculations do not take into account the enlargement of EU-25 by the two new members.



#### 4.2.2 Structure of exports to the EU

Exports to the EU-27 reached 894.8 mln USD, having increased by 28.4 percent in 2007. Exports are mainly represented by exports to Italy which account for 82.0 percent and have increased by 28.0 percent in 2007, and Greece which account for 10.0 percent and have increased by 18 percent. Exports to Germany account for 3 percent while the rest of the members account for only 5 percent of the total of exports to the EU-27.

Exports' structure in 2007 shows the same pattern as in the previous years: it is concentrated on articles of footwear and textile group of products, which represent 58 percent of the Albanian total exports towards the EU-27. These exports are mainly inward processing products and they flow mainly towards Italy and Greece. Other important exports, as shown in Graph 4.4, are metal products (iron and steel products, cooper and aluminum). Base metals exports represent about 13 percent of the total exports, a figure which has increased by 2 percentage points as compared to the previous year. Agricultural products represent 6 percent of the total exports, while only 3 percent are agro-industrial products, represented from processed meat, fish, crustaceans, mollusks and other aquatic invertebrate products accounting for the highest share with a value of 21.2 mln USD.



The 10 most exported products in 2007 account for 47 percent (420.8 mln USD) of total exports to the EU-27. Only 3, out of 10 most exported products in 2007 are from the group of footwear products (HS-2 digits 64). Footwear uppers and parts (HS: 640610) is again the most exported product valued at 112.6 mln USD, as shown in table 4.3. In this group of products, exports of footwear with uppers of leather show a quite strong growth tendency during the period 2003-2007, having increased by 2,778 percent (from 0.8 mln USD in 2003 to 23.2 mln USD in 2007).

Exports of textile products are represented by three group products whose exports amount to 130.7 mln USD for 2007. The women panties have experienced the highest growth among these group of products in 2007 (122.3 percent) while men' and boys' shirts have experienced the highest growth for all the period 2003-2007 (131 percent).

Exports of metal products, being represented by cooper waste and scrap, are valued at 26.9 mln USD for 2007. Even though cooper waste and scrap exports have decreased by 4.8 percent when compared to 2006 their increase for the period 2003-2007 remains high (653 percent). Other important exports are locks of iron and steel with an increase of 1,896 percent as well as petroleum oils which have increased by 375 percent since 2005.

With regard to agriculture sector, anchovies, prepared and preserved, whole or in pieces (HS: 160416), valued at 20.9 mln USD, are listed in the top-10 most exported products of 2007. Exports of this product show a constant positive development, experiencing a 66 percent increase during the period 2003-2007.

Table 4.3: Ten most exported products to the EU, 2007 (in thousand USD)

HS Code	Description	2003	2004	2005	2006	2007	Growth % 2007-2003	Growth Rate 2007/2006
640610	Uppers and parts thereof, other than stiffeners	115,457	129,357	123,748	110,259	112,613	-2%	2.1%
620342	Men's/boys trousers and shorts, of cotton, not knitted	38,569	53,266	50,074	59,468	75,062	95%	26.2%
270900	Petroleum oils and oils obtained from bituminous minerals, crude			9,892	17,731	46,971	375%	164.9%
830140	Locks of base metal, nes	1,956	9,092	17,404	23,915	39,038	1896%	63.2%
620520	Men's/boys shirts, of cotton, not knitted	15,308	21,133	25,797	28,900	35,415	131%	22.5%
740400	Waste and scrap, copper or copper alloy	3,580	7,568	9,220	28,343	26,965	653%	-4.9%
640510	Footwear with uppers of leather or composition leather, nes	809	4,820	14,890	20,438	23,290	2778%	14.0%
160416	Anchovies, prepared or preserved, whole or in pieces, but not minced	12,553	16,074	16,112	19,641	20,782	66%	5.8%
640590	Footwear with rubber or plastic soles	8	38	3,392	11,824	20,396	254850%	72.5%
610821	Womens/girls briefs and panties, of cotton, knitted	10,276	10,297	9,088	9,119	20,270	97%	122.3%

Agriculture exports, with a value of about 78.8 million USD, represent 7.3% of the total exports for 2007. The EU-27 area is getting 73.3 percent, or 57.8 million USD of the total agriculture exports of Albania. Exports of agricultural products to EU-27 have increased by 21.5 percent in comparison with 2006.

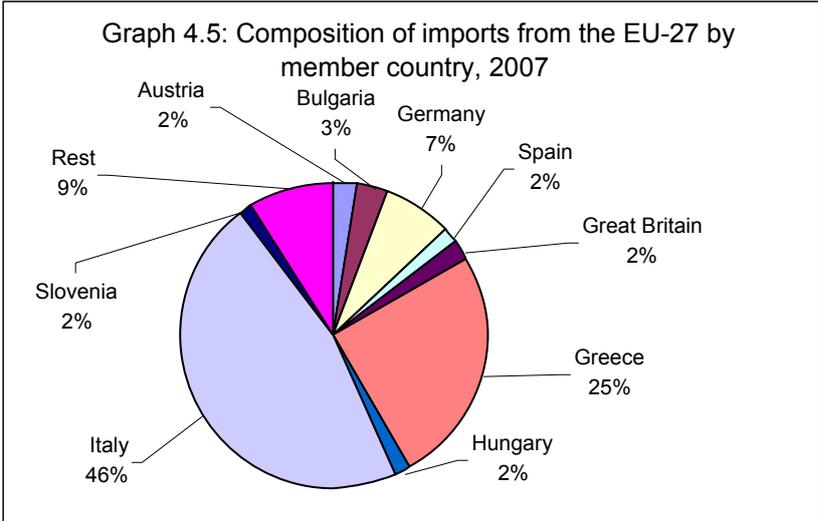
**4.2.3 Structure of imports from the EU**

Imports from the EU-27 countries amounted to 2,642 million USD in 2007, experiencing a 38.0 percent increase as compared to 2006. This increase, in relative terms, was equal to the increase of Albania’s total imports. In 2007 the share of Albania’s imports from the EU-27 to the total imports of the country remained at nearly 63 percent, the lowest rate for the period 2003-2006, although the EU was enlarged by two countries.

Imports from these countries, the same as exports, have been dominated by imports from Italy and Greece. Graph 4.5 shows the share of the EU-27 member countries to the total imports of Albania from the EU-27 in 2007 while the sectorial content is shown in Graph 4.6.

Imports from the EU-27 are spread more evenly between the sectors than exports, where machinery including transportation and mechanical machineries account for the highest share (25 percent), followed by agricultural products (16 percent), metals, minerals and chemicals.

Most of the sectors have experienced imports increase. Agricultural products imports have increased by 24.2 percent on average in 2007. The sub-sector with the strongest increase (58.3 percent) within the agriculture sector was live animals and products. Transport machinery imports experienced also a high increase rate, 58 percent. Strong increase also experienced other machineries (33 percent), textiles (30 percent), and metals (32 percent). The sector with the highest increase was natural pearls and jewelry which increased by 351 percent despite its low share to total imports. On the other hand, a decrease of imports was registered in the footwear sector whose imports declined by 18 percent.



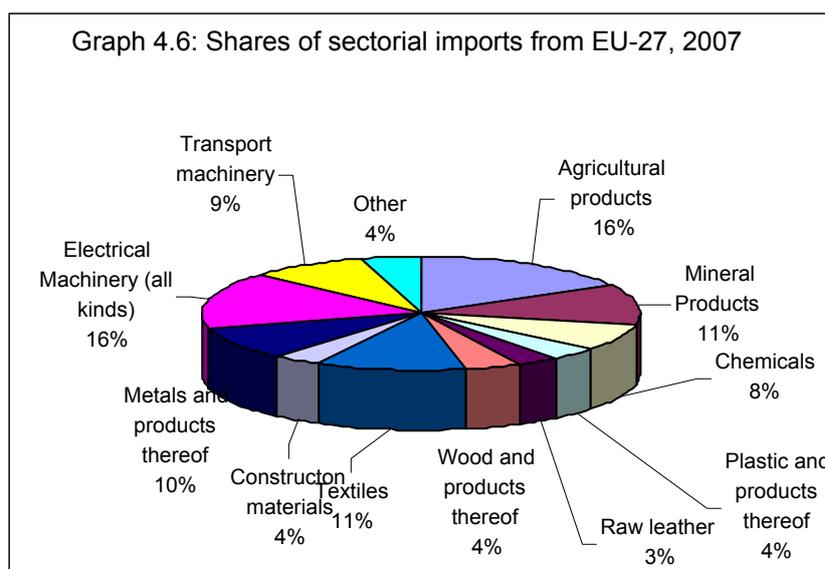


Table 4.4 provides information about the most imported products, differentiated at the 6-digit level. The 10 most imported products during 2007 accounted for only 20 percent of total imports from the EU-27, showing a lower degree of concentration than exports. Almost all of them have experienced vigorous growth since 2003 and also in comparison with the previous year except from Portland cement and cigarettes. All top most imported products are industrial products apart from cigarettes.

Some of the products, not only show a continuous presence in the top-ten list of imported commodities, but also have kept their ranking like medium oils and vehicles (1<sup>st</sup> and 2<sup>nd</sup>).

*Table 4.4: Most imported products from the EU-27, 2007 (in thousand USD)*

HS Code	Description	2003	2004	2005	2006	2007	Growth % 2007-2003	Growth Rate 2007-2006
271019	Light petroleum distillates nes	39,493.35	49,211.37	60,789.55	111,539.18	135,593.46	243%	21.6%
870332	Automobiles with diesel engine displacing more than 1500 cc to 2500 cc	36,212.84	55,981.07	37,238.53	40,621.95	64,153.41	77%	57.9%
410719	Bovine/horse whole skin, processed after tanning, no hair	22,470.66	26,483.13	20,579.07	30,399.65	60,801.22	171%	100.0%
300490	Other Medicaments (Put up in Packings for Retail Sale)	17,214.31	22,201.39	26,752.48	34,648.18	57,059.93	231%	64.7%
271011	Light Oil and preparations from petrol & bitumen mineral,	9,473.41	14,525.76	24,091.27	35,281.56	46,961.19	396%	33.1%
870333	Automobiles with diesel engine displacing more than 2500 cc	4,251.54	8,399.97	11,810.40	20,086.56	43,808.21	930%	118.1%
830160	Lock parts, including parts of clasps or frames w clasps, of base metal, nes	12,664.27	12,099.96	15,715.53	20,869.34	37,735.22	198%	80.8%
240220	Cigarettes containing tobacco	39,514.60	37,637.53	36,927.84	30,471.10	37,057.16	-6%	21.6%
340220	Surface-active prep, washing & cleaning prep put up for retail sale	10,987.46	17,506.52	20,799.32	25,401.83	31,186.68	184%	22.8%
252329	Portland cement nes	30,907.00	34,284.15	46,935.73	35,652.65	30,741.38	-1%	-13.8%

Many of the abovementioned products (except for automobiles and medicaments, cigarettes and chemical preparations) represent raw materials and supplies for production industries in Albania, namely those in leather processing, construction and other industries.

### 4.3 Albania's trade with the countries of the region

#### 4.3.1 Trade in the region - overview

Trade flows of the region experienced a considerable decline in 2007 because of the “departure” of Bulgaria and Romania from the “region”. Export flows declined by 60.4 percent while imports declined by 46.9 percent. Having Bulgaria and Romania ‘out’ of the region even in 2006, the picture would be quite different: exports would have increased by 14.5 percent while imports by 17.5 percent (UN ComTrade database). Shifts in the relative importance of the countries of the region have changed since the entry into the EU of the two countries. So Croatia accounts for the highest trade volume within the region, 40.4 percent, as shown in table 4.6 while in 2006 it was Romania ranked 1<sup>st</sup> in the first place, accounting for 44.4 of the overall regional trade flows.

Intra-regional trade is at satisfactory levels for some countries such as Kosova (45.9 percent), Bosnia and Herzegovina (34.4 percent), and Macedonia (33.1 percent). For some other countries, like Albania and Croatia, the intra-regional trade is at low levels (10.7 and 11.6 respectively), as shown in table 4.5. An increase of the intra-regional trade is to be observed within the recent years due to the expected positive effects of the CEFTA 2006 initiative, which introduces a higher degree of trade liberalization, both tariff and non-tariff, and a more harmonized policy framework.

All regional countries, except for Kosova, have recorded higher trade levels with the EU than with the region, having Croatia and Albania ranked at the top, as shown in table 4.5. Meanwhile trade flows from each country of the region and their weight to the total regional trade flows are shown in table 4.6.

	Albania	B&H	Croatia	Rep of Moldova	Serbia	Montenegro	Kosova	Macedonia	Bulgaria	Romania
Trade to the region in %	10.7%	34.4%	11.6%	35.5%	20.5%	38.1%	45.9%	33.1%	9%	4%
Trade to EU 25 in %	62.7%	48.8%	66.4%	42.2%	52.3%	38.4%	21.7%	54.4%	50%	67%
Trade Flows to GDP	42.3%	97.2%	74.7%	113.5%	61.6%	114.7%	56.0%	99.4%	122%	69%

Source: United Nations Statistics-ComTrade Database, Online, World Bank Country Database, [www.worldbank.org](http://www.worldbank.org)

*Table 4.6: Western Balkan Countries trade flows in 000 USD unless otherwise indicated*

Export Flows									
	2000	2001	2002	2003	2004	2005	2006*	2007**	Share to total regional flows, 2007
Albania	255	305	330	447	603	670.8	792.9	900	3%
Bosnia and Herzegovina	832	870	952	1,296	1,664	2,600.00	3,358.00	4,191.00	15%
Bulgaria	4,825	5,113	5,692	7541	9848	11,740	15,262	NA	NA
Croatia	4,567	4,759	5,004	6,308	8,210	8,955.20	10,606.20	11,981.60	41%
Macedonia	1,321	1,155	1,112	1,363	1,672	2,039.60	2,396.30	2,900.00	10%
Montenegro	161	211	305	306	561	548.9	602.9	709.3	3%
Romania	10,366	11,385	13,869	17,627	23,518	28,149	35,468	NA	NA
Serbia	1,923	2,003	2,075	2,477	3,726	4,647.00	6,500.00	7,000.00	24%
Moldova	476.8	567.3	659.8	805.2	994.1	1,104.60	1,053.50	1,263.00	4%
Total exports	24,250	25,801	29,339	37,365	49,803	58,859	73,118	28,945	100%
Import flows									
	2000	2001	2002	2003	2004	2005	2006*	2007**	Share to total regional flows, 2007
Albania	1,076	1,332	1,485	1,783	2,189	2,539.30	2,915.60	3,400.00	6%
Bosnia and Herzegovina	2,547	2,701	3,211	3,816	4,496	7,590.00	7,651.00	9,034.00	15%
Bulgaria	6,000	6,693	7,287	10,059	13,491	17,139	21,766		
Croatia	7,770	8,860	10,652	14,216	16,560	18,301.30	21,117.20	24,648.60	40%
Macedonia	2,011	1,682	1,916	2,211	2,785	3,097.10	3,681.50	4,230.00	7%
Montenegro	354	647	707	711	1,079	1,188.90	1,800.00	2,000.00	3%
Romania	12,050	14,354	16,482	22,092	30,130	38,022	48,592		
Serbia	3,711	4,837	6,186	8,042	10,369	10,210.00	12,700.00	15,000.00	24%
Moldova	770.3	880.1	1,038.00	1,428.50	1,748.20	2,296.10	2,644.40	3,400.00	6%
Total imports	35,520	41,106	47,927	62,930	81,099	95,674	116,264	61,713	100%

Source: EBRD, 2007 Transition Report, data set 2006 and 2007

\*Estimates

\*\*Projections

#### ***4.3.2 Albania's trade in the region – dynamics and structure***

Albania's trade flows with the countries of the region show a growth tendency. The volume of trade with the region amounted to 441.1 million USD (320.8 million EUR), representing 8.4 percent of the Albania's overall trade volume as compared with 9.9 percent in 2006. The slight decrease is only because Bulgaria and Romania, being now members of the EU, are not any more considered as part of the "region". It is important to note that considering only trade flows in the region, the export/import coverage ratio is 32.4 percent, which is 12.4 percentage points higher than in 2006 and 6.7 percentage points higher than the overall coverage ratio the country.

Exports from Albania to the region were valued 107.9 million USD (78.6 million EUR), having increased by 43.9 million USD or 68.2 percent. The share to total exports has increased by 2 percentage points, reaching at 10 percent in 2007 (see table 4.7). Imports from the region amounted to 333.1 million USD (242.1 million EUR), being 5.2 percent higher than in 2006, with a share to the overall imports having decreased from 10 percent in 2006 to 8 percent. The region still accounts for a small share of imports and exports as compared to the EU, and has slightly moved from its exports/imports share in 2006, being 7.9 percent (as

compared with 8.1 percent in 2006) and 10.0 percent (as compared with 10.4 percent in 2006) respectively.

*Table 4.7: Albania's exports to, and imports from, each country of the region, in % (2000-2007)*

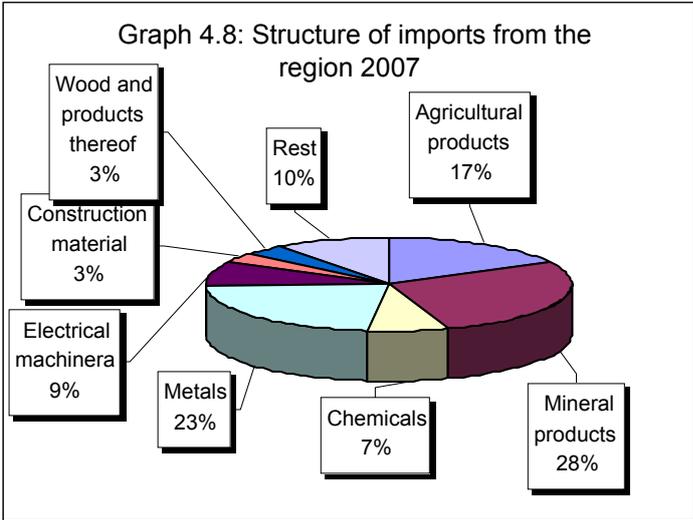
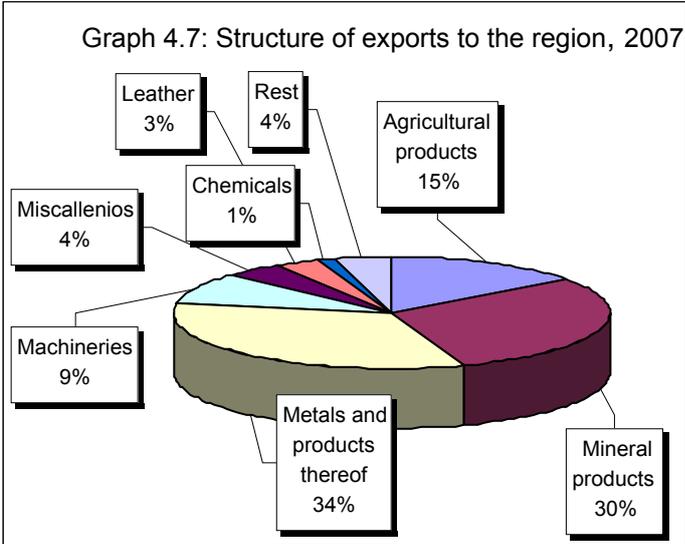
<b>Exports to</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Growth rate, % 2007/2006</b>
Bosnia and Herzegovina	0.0%	0.0%	0.6%	0.3%	0.9%	2.2%	7.0%	4.0%	-2.1%
Bulgaria	0.8%	0.7%	0.8%	1.4%	3.9%	7.3%	5.0%		
Croatia	14.3%	0.3%	0.9%	2.2%	1.0%	0.4%	3.0%	0.9%	-55.2%
Kosova	0.0%	0.0%	0.0%	53.7%	68.7%	54.8%	47.0%	47.8%	71.0%
Moldova	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Macedonia	17.2%	34.6%	52.9%	21.5%	19.1%	21.0%	20.0%	23.5%	100.6%
Romania	0.0%	0.2%	0.5%	0.6%	0.6%	3.2%	1.0%		
Serbia and Montenegro	67.7%	64.1%	44.3%	20.3%	5.9%	11.1%	17.0%	23.9%	138.0%
Subtotal, %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
US\$000	8094.2	10941.5	14757.0	14425.8	40506.6	49290.4	64182.5	107980.8	68.2%
Regional exports as % of total exports	4.00%	4.70%	3.90%	3.20%	6.70%	7.50%	8.20%	10.0%	
<b>Imports from</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Growth rate, % 2007/2006</b>
Bosnia and Herzegovina	0.1%	0.1%	0.7%	1.0%	0.9%	1.6%	3.0%	4.0%	46.2%
Bulgaria	34.0%	34.0%	26.9%	44.0%	33.6%	39.5%	32.0%		
Croatia	15.9%	21.1%	30.1%	20.7%	21.6%	12.8%	11.0%	12.6%	18.3%
Kosova	0.0%	0.0%	0.0%	2.9%	3.5%	5.5%	6.0%	9.3%	71.8%
Moldova	0.1%	0.6%	0.2%	0.4%	1.9%	0.4%	2.0%	0.9%	-38.5%
Macedonia	30.7%	20.1%	16.9%	13.6%	19.5%	19.3%	20.0%	30.0%	59.3%
Romania	7.9%	15.5%	12.4%	11.2%	7.3%	10.2%	17.0%		
Serbia, and Montenegro	11.3%	8.6%	12.9%	6.3%	11.6%	10.8%	11.0%	43.2%	332.3%
Subtotal, %	100%	100%	100%	100%	100%	100%	100%	100%	100%
US\$000	78640.3	84255.3	113574.8	123197.8	150827.1	205027.0	316711.4	333188.2	5.2%
Regional imports as % of total imports	7.3%	6.3%	7.6%	7.2%	6.6%	7.9%	10.2%	7.9%	
Regional Trade volume (RTV)	86,734.5	95,196.8	128,331.8	137,623.7	191,333.7	254,317.4	380,893.8	441,169.0	15.8%*
RTV as % of the total	6.5%	5.8%	7.1%	6.0%	6.6%	7.8%	10.3%	8.0%	

\*Figures in the table consider Bulgaria and Romania as part of the region in 2006 but not in 2007 when these two countries joined the EU. If these countries would be considered as part of the region even in 2007, the growth rate of regional trade volume would be 96.9 percent.

Regional trade of Albania has its geographical characteristics. Kosova accounts for almost half of the exports to the region, to be followed by Macedonia (23.5 percent) and Serbia and Montenegro (23.8 percent), while shares of exports to the other countries of the region have dropped. Imports' shares remain more evenly distributed, with Macedonia, and Serbia & Montenegro accounting for the highest shares (43.2 and 30 percent, respectively) and also

most intensive growth. Table 4.7 gives more detailed information about trade flows by each country.

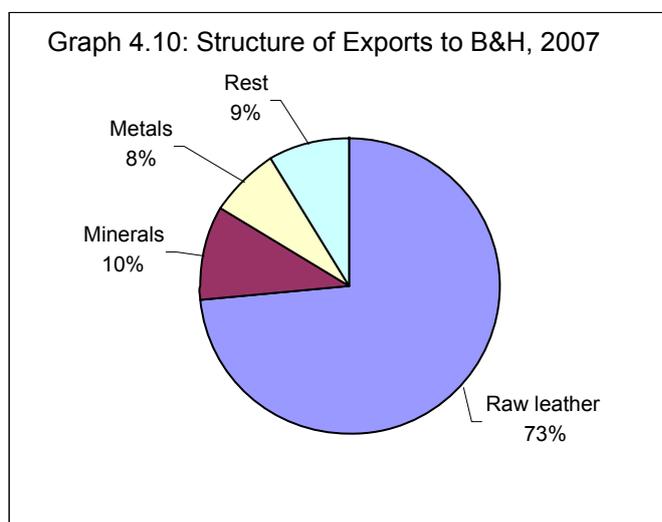
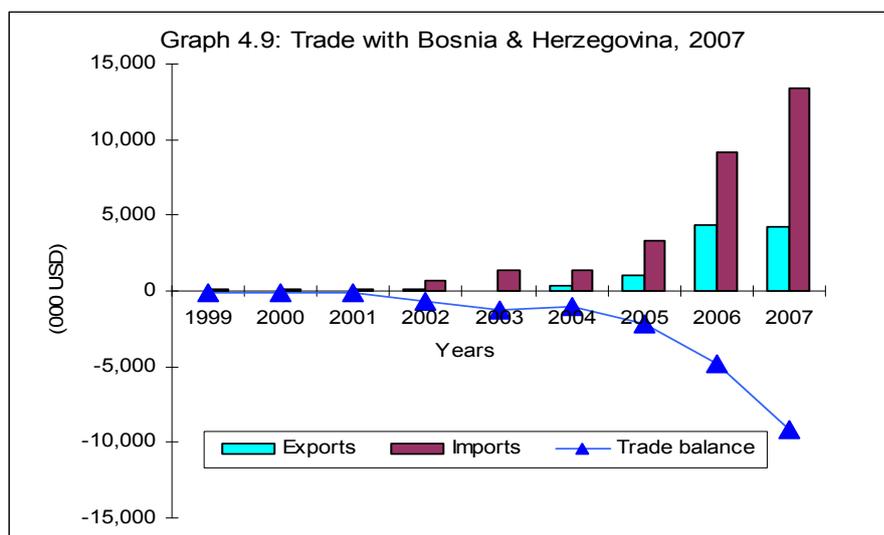
Agricultural products share to the total exports to the region decreased by 3 percentage points, reaching 15 percent in 2007 (graph 4.7). However, exports of agricultural products to the region have increased by 39.8 percent and account for 20.1 percent of the total agricultural exports. Mineral products exports account for 30 percent of the total exports to the region, and 19.4 percent of the total mineral exports from the country. They have experienced an increase of 63.6 percent, from 19.8 million USD in 2006 to 32.3 million USD in 2007. Metals and their products reached 35.4 million USD in 2007, experiencing an increase in absolute value by 18.9 million USD and in relative terms by 114.8 percent. Their share to total metal exports is 22.1 percent.



Imports of agricultural products to the region reached 57.4 million USD in 2007, having decreased by 23.7 percent. They account for 8.2 percent of the total agricultural imports. Mineral products imports from the region, having increased by 29.5 percent, are another important component of the import structure, representing 28 percent of total imports from the region and 13 percent of the overall mineral imports. Metal products imports have increased by 106.5 percent, reaching 74.9 million USD. They represent 14.5 percent of the total imports of metals to the country.

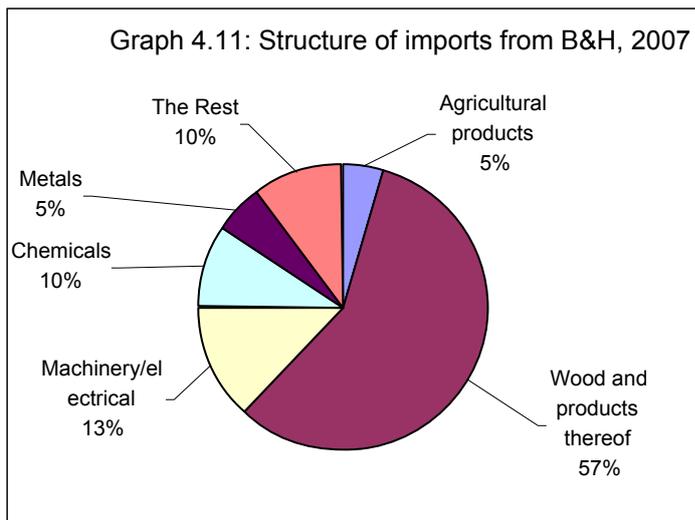
### 4.3.3 Trade with Bosnia & Herzegovina

Trade volume with Bosnia & Herzegovina reached 17.6 million USD (12.9 million EUR) in 2007, having increased by 30.6 percent in comparison with 2006. Exports, as shown in graph 4.9, remained constant at around 4 million USD, while imports increased by 46.1 percent in 2007. Trade deficit reached 9.1 million USD. Imports coverage has therefore decreased by 16 percentage points to 31.8 percent.



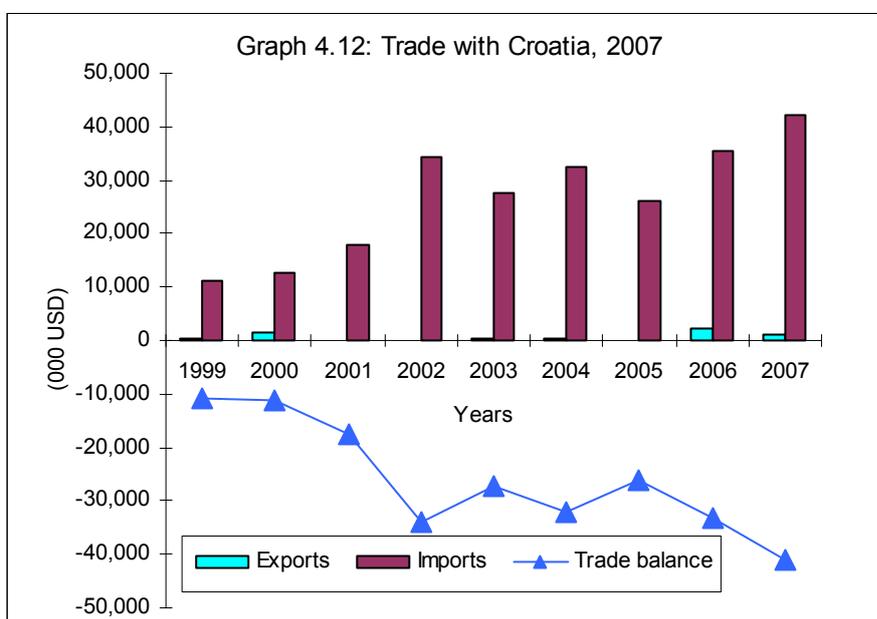
Exports to Bosnia & Herzegovina are mainly represented by agricultural products with raw leather being the only exported product within the category, as shown in graph 4.10. Other products are exported at modest values. Exports variety to Bosnia & Herzegovina is small, represented from 13 group products in total. For more detailed data see Annex IV.

Imports from Bosnia & Herzegovina (graph 4.11) reached 13.4 million USD (9.7 million EUR). They are mainly represented by wood and products thereof which account for 57 percent of the total imports. This category is represented by a sole product: lumber coniferous which amounted to 7.4 million USD of imports. The other categories represent small shares and values, given the small absolute value of imports from Bosnia & Herzegovina. The top ten imported products accounted for 81.5 percent of the total imports.

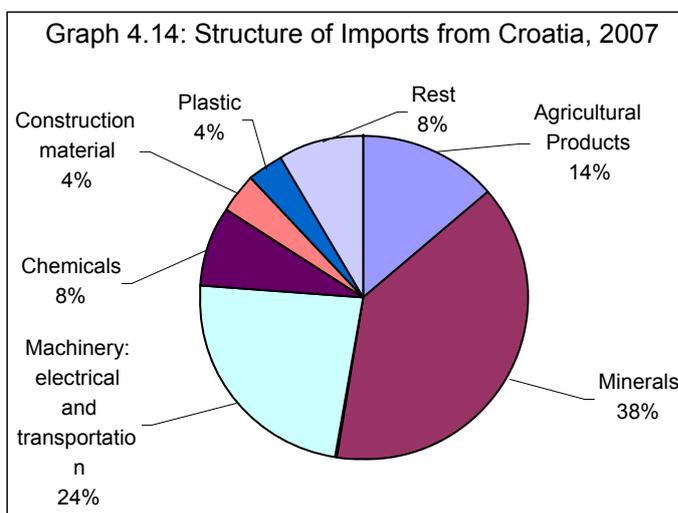
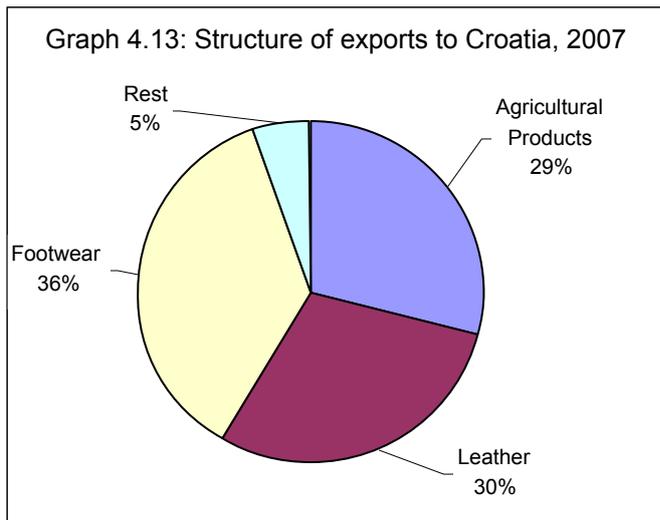


#### 4.3.4 Trade with Croatia

Trade flows between Albania and Croatia, as shown in graph 4.12, reached 43.0 million USD (31.1 million EUR) in 2007, having increased by 13.9 percent. Exports to Croatia (1.0 million USD) represent only 0.9 percent of the total exports to the region and have decrease by 55.2 percent. Imports to Croatia, having increased by 18.3 percent, account for 12.6 percent of total imports from the region. Imports coverage is only 2.4 percent, while trade deficit was valued at 40.9 million USD.



Graph 4.13 and graph 4.14 show the structure of imports from, and exports to, Croatia, respectively. Exports to Croatia are not consolidated. The structure of exports has changed again in 2007, along with the decrease in value. New products such as footwear and leather have found their way to the Croatian market even though in small quantities. The entry into the market of conserved anchovies in 2006 has shown to be not consistent. All top 10 exported products in Croatia are again new in the market, representing 99.8 percent of the exports to the country.



Imports from Croatia offer a wider range than exports. The top ten imported products account for only 58.1 percent of total imports from the country. The concentration ratio<sup>18</sup> has further decreased by 10.4 percentage points in 2007. Industrial products account for 86 percent of imports from Croatia. Butane, whose import has increased by 3.4 times, is the most imported product representing 34.1 percent of total imports from the country.

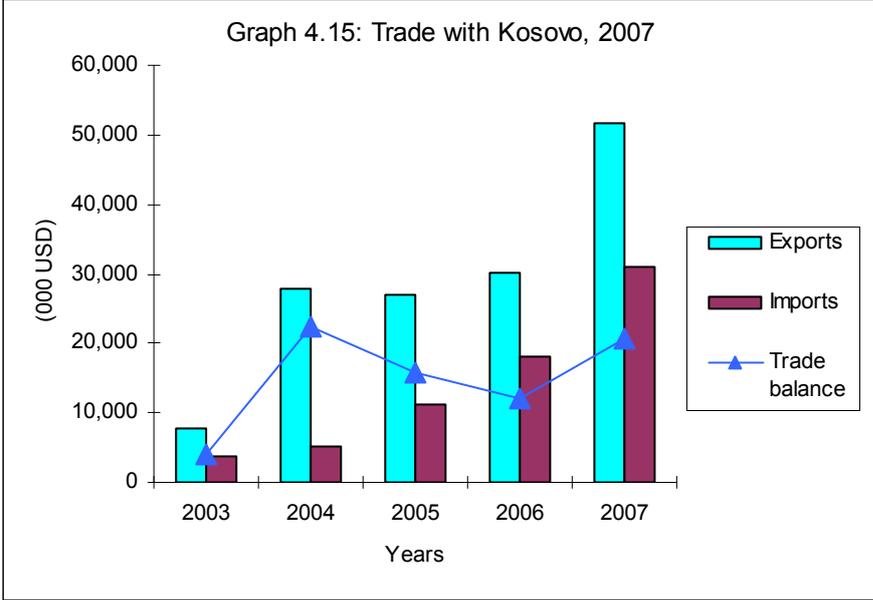
#### **4.3.5 Trade with Kosova**

Trade balance with Kosova/UNMIK continues to be positive again in 2007, as shown in graph 4.13, reaching 20.7 million USD, as compared with 12.2 mln USD in 2006. Trade volume reached 82.4 million USD (60.2 million EUR) in 2007, having increased by 71.3 percent.

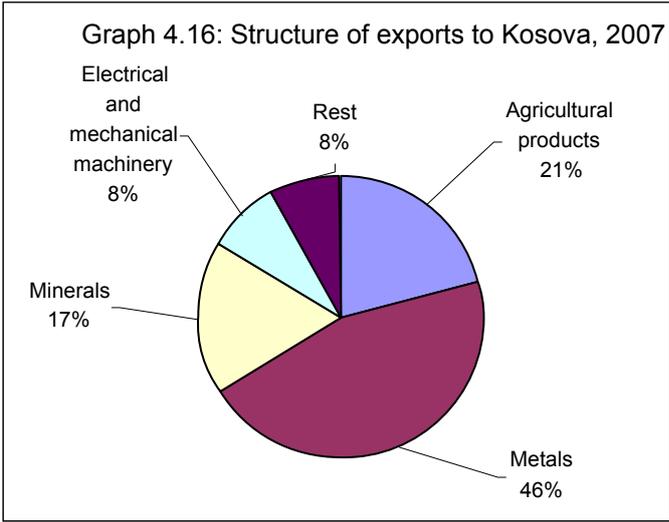
Exports to Kosova, having increased by 71 percent, reached 51.5 million USD (37.6 million EUR) in 2007. They represent 47.7 percent of the total exports to the region and 4.7 percent

<sup>18</sup> Calculated as the share of top ten most imported products (at 6 digits) to the total imports.

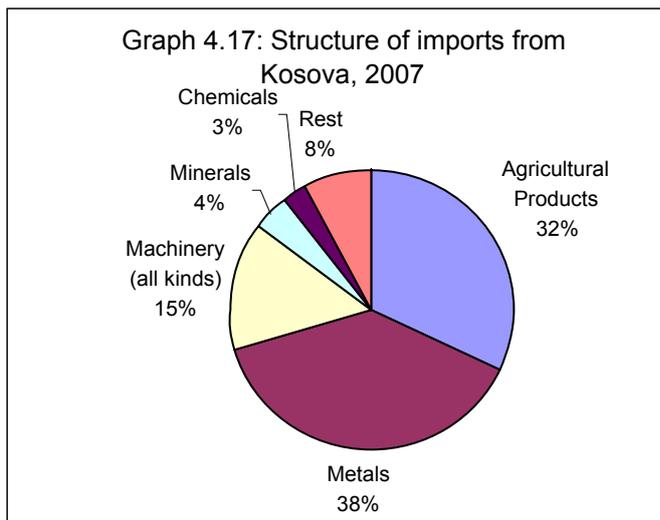
of the overall exports of the country. Imports from Kosova reached 30.8 million USD (22.5 million EUR), having increased with the same pace as exports (71 percent).



The structure of Albania’s exports to the Kosova market shows a wider range relative to exports to other countries in the region, being 21 percent agricultural products and 79 percent industrial ones. Metals represented from by bars and rods account for 46 percent of exports to Kosova in 2007, as shown in graph 4.16. Minerals, accounting for 17 percent are represented by petroleum bitumen, medium oil and iron ores. Among the agricultural products sold in Kosova; to be mentioned are mineral waters that account for 10.7 percent of total exports and watermelons (1 percent). The top ten exported products to Kosova account for 81.8 percent of total exports to Kosova.



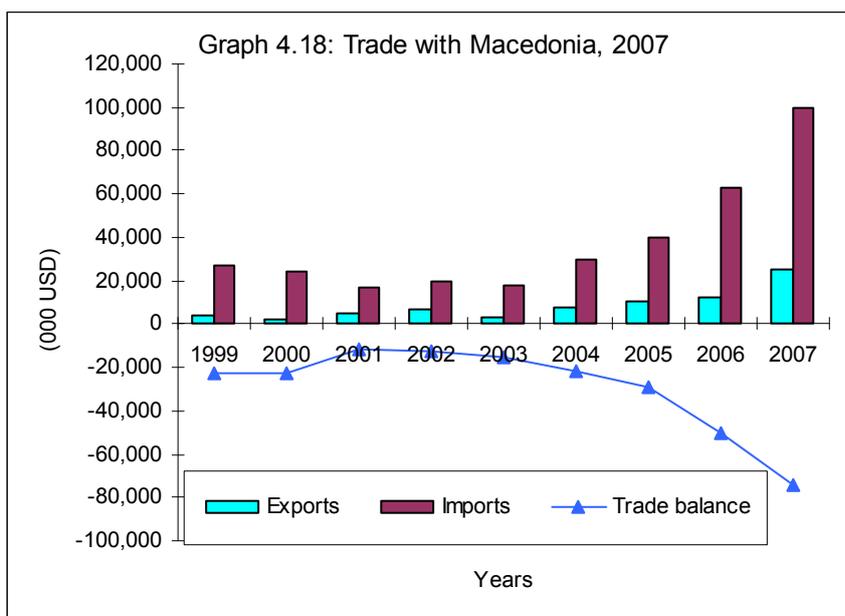
Agricultural products, accounting 32 percent of imports from Kosova (graph 4.17), are strongly represented by potatoes (11 percent), flour (5 percent), and fruit juice accounting for 4 percent of total imports from Kosova. Industrial products are strongly represented by scrap (iron and aluminum), which represents 32 percent of total imports from Kosova. The top ten imported product as shown in Annex IV account for 63 percent of total imports; six new products were introduced in the list because of immediate import increases in 2007.



#### 4.3.6 Trade with Macedonia

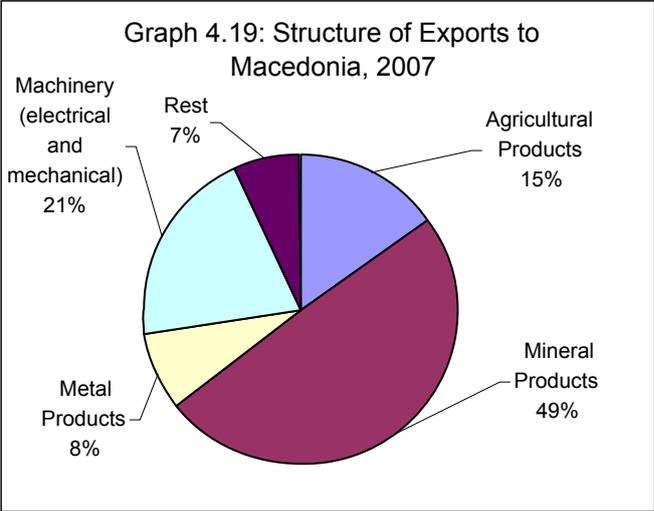
Trade with Macedonia represents the largest trade flows volume in the region, reaching 125.3 million USD (91.1 million EUR) in 2007. Trade flows increased by 66 percent while imports coverage ratio increased by 5.2 percentage points as compared to 2006, reaching 25.3 percent. Exports to Macedonia, having increased by 100.6 percent, amounted to 25.3 million USD (18.3 million EUR). They account for 23.5 percent of the total exports to the region. Imports from Macedonia, accounting for 30 percent of imports from the region, have experienced an increase of 59.3 percent in 2007, reaching 100 million USD (72.8 million EUR).

The trade deficit has increased further to 74.6 million USD despite the faster growth of exports than imports.

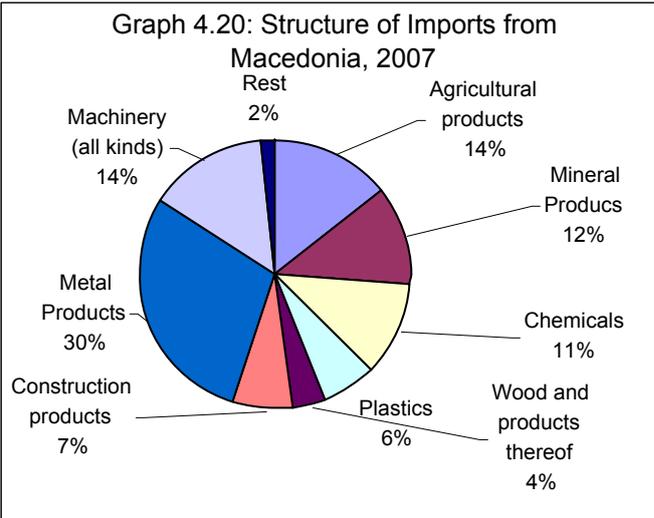


Exports to Macedonia (graph 4.19) are to a large extent represented by mineral products (49%), followed by electrical and mechanical machinery (21 percent) and agricultural products (15 percent). The top ten exported products represent 81.2 percent of total exports to

Macedonia. Most of the main exported products, being industrial products, represent products of raw material/basic materials of Albanian origin such as iron ore accounting for 26.3 percent of total exports to the country, and petroleum bitumen, 13.2 percent. The only agricultural product, mineral waters, being valued at 2.1 million USD, represents a processed good and accounts for 8.6 percent of total exports to the country.

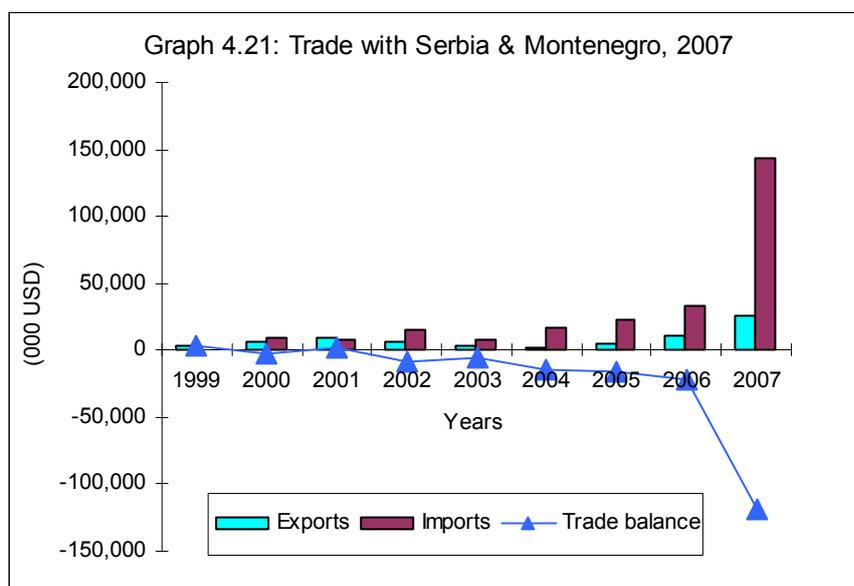


Imports from Macedonia (graph 4.20) are represented by raw materials for industry with some level of processing as well as basic materials, but also consumer goods. The most imported product in 2007 is iron bars and rods, frequently used in construction, representing 13.9 percent of total imports from the country. Other products which enter in the list of “most imported”, are medium oils (8.1 percent), and medicaments (5 percent). Apples, yeast, and cigarettes are three agricultural products in the top imported list, accounting for 1.7 percent, 1.5 percent and 1.5 percent respectively. There is no significant change between the list of top imported products in 2006 and 2007 unless the shifts in ranking are considered.



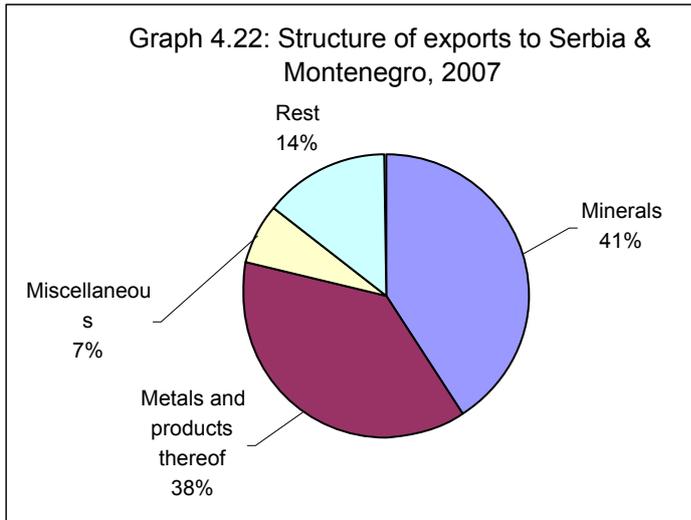
### 4.3.7 Trade with Serbia and Montenegro<sup>19</sup>

Trade volume with Serbia & Montenegro reached 169.5 mln USD (123.0 million EUR) in 2007, having increased by an exceptional rate, 285 percent, as it is evident from the graph 4.19. This is to a large extent due to the increase of imports which overrun the increase of exports to the country. So imports in 2007 reached 143.8 million USD (104.2 million EUR), having increased by 332 percent. Exports were valued at 25.7 million USD (18.7 million EUR), having increased by 138 percent. Serbia & Montenegro receives 23.9 percent of the Albanian exports to the region and also has become the main importing partner in the region in 2007, increasing its imports' share relative to regional imports by 32.2 percentage points, up to 43.2 percent. The trade deficit increased further being valued at 118.0 million USD. Imports coverage ratio was only 18 percent in 2007.

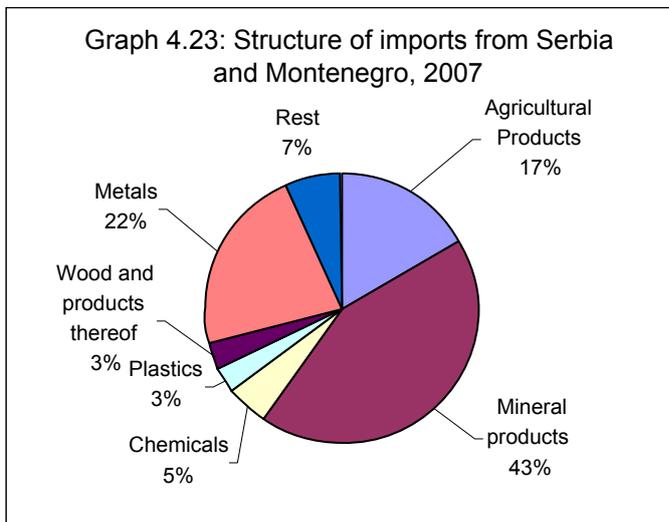


Exports to Serbia and Montenegro are mostly represented by metals and minerals, which accounted for 38 percent and 41 percent of the total exports to the country respectively, as shown in graph 4.22. The most exported products, namely iron bars and rods (25.9 percent), and oil (32.7 percent) fall under these two categories, metals and minerals. Portland cement, being a brand new exported product, is at once positioned 4<sup>th</sup>, accounting for 10 percent of total exports to the country. All the ten most exported products account for 84.5 percent of the total exports to Serbia and Montenegro.

<sup>19</sup> For statistical purposes, Serbia and Montenegro are considered as “one country” because the trade data started to be delivered separately by Customs Authority only in October 2007. A short description of trade flows in the 4<sup>th</sup> quarter 2007 is given in box 3.



Electrical energy (included in the mineral products group in the graph 4.21) is the most imported product from Serbia & Montenegro, accounting for 42.1 percent of the total imports and amounting to 60.4 million USD in 2007. Iron scrap imports being ranked 2<sup>nd</sup>, amounted at 28.4 million USD, accounts for 19.8 percent of the total imports. Four, out of ten most imported products are agricultural products. Corn is the most imported agricultural product, valued at 7.0 million USD and accounting for 5 percent of the total imports from the country. Top ten imported products account for 76.6 percent of the total imports from Serbia and Montenegro.



**Box 3.1: Trade of Serbia and Montenegro during the last quarter of 2007\***

**Trade with Serbia**

Trade volume with Serbia in the 4<sup>th</sup> quarter 2007 reached 35.4 million USD, where imports account for 95.4% or 33.8 million USD while exports account for 5% or 1.6 million USD. The most imported products from Serbia are electrical energy, iron scrap, medicaments and flour (products that appear also on the top-ten imported products from both countries).

Main exported products to Serbia are iron bars and rods, and furniture. The imports coverage ratio is very low.

**Trade with Montenegro**

Trade flows with Montenegro in the 4<sup>th</sup> quarter 2007 were valued at 7.7 million USD.

Exports were valued at 2.9 million USD while imports 4.8 million USD.

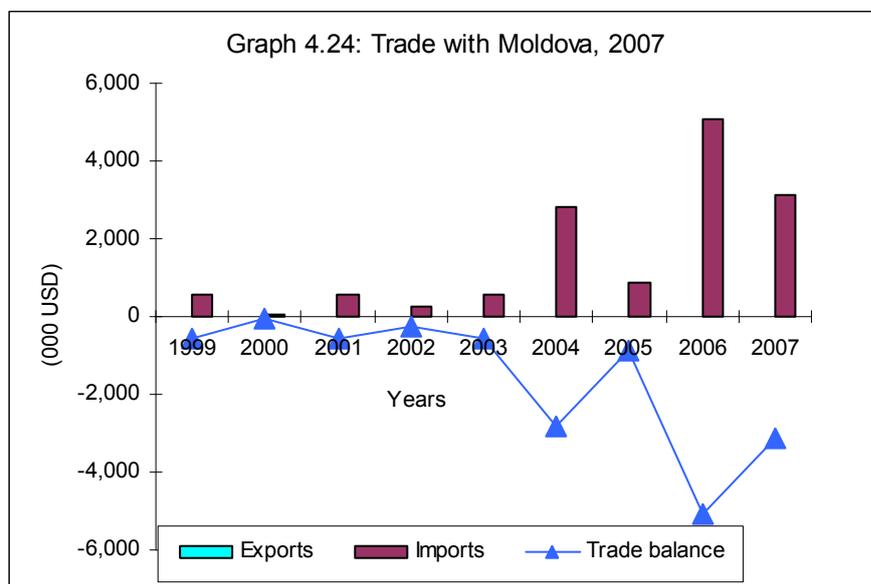
The most imported products during this time frame were iron scrap, bananas, pine, wood (which appear in the top-ten list of imported products from both countries), and sugar.

The imports' coverage ratio is 59%.

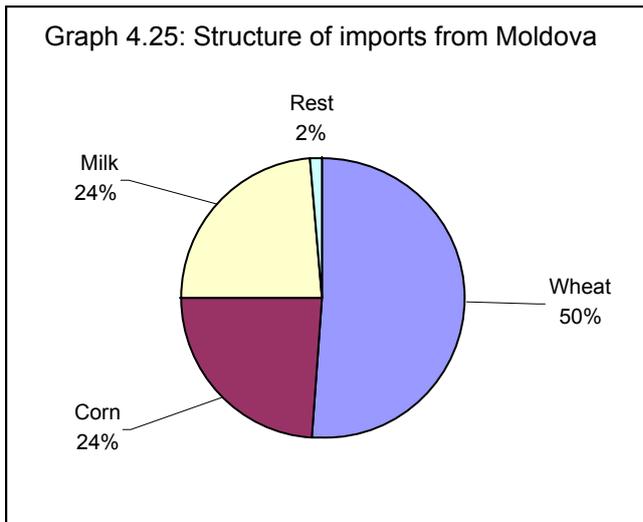
\*Starting from October 2007 there is a visible division in terms of product by country of origin but still not very clear since some products have been imported from both destinations. Serbia accounts nevertheless for most of the imports in this quarter, apart from some products like pine wood for which Montenegro might have the exclusivity. Albanian products have found their way more easily in the Montenegrin market at least during the observed quarter.

**4.3.8 Trade with Moldova**

Trade flows with Moldova (graph 4.24) accounted for the lowest volume compared to the other countries in the region, having amounted to 3.1 million USD. Imports decreased by 38.5 percent in 2007 while exports to Moldova are non-existent.



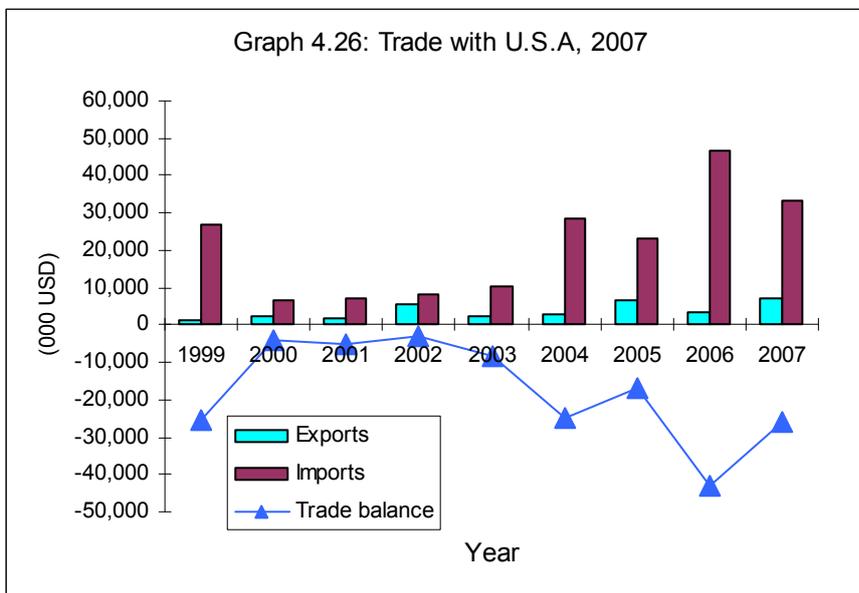
Graph 4.25 gives a more detailed view of the imports composition, where agricultural products are the only category within imports. Milk, corn and wheat, in modest quantities and values, have found their way to the Albanian market in 2007.



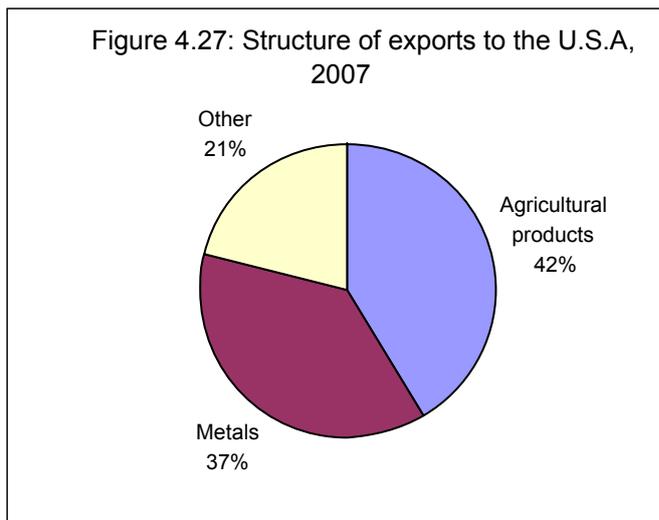
#### 4.4 Albania's trade with other selected countries

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

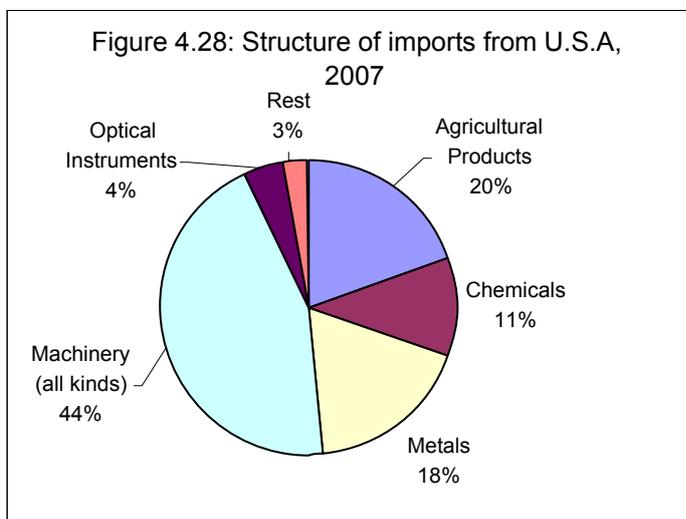
Trade volume with the U.S.A. amounted at 40.3 million USD (29.2 million EUR) in 2007, having decreased by 9.6 million USD, or 20.6 percent as compared to 2006 (graph 4.26). This movement in a downside direction is due to the decrease of imports by 28.7 percent. Exports on the other hand increased by 107 percent, reaching 7.1 million USD. Imports coverage ratio has increased to 21.4 percent, as compared with 7.4 percent in 2006.



Agricultural products and metal products are the main categories, representing exports structure to the U.S.A, as shown in graph 4.27. Exports are concentrated around the top ten exported products that account for 95.2 percent of the total. Articles of iron and steel are the main exported products, representing 36.8 percent of the total exports to the U.S.A. Another important product exported to the U.S. remains medicinal herbs that accounts for 33.3 percent of the total exports to the country. The other categories account for very small amounts.



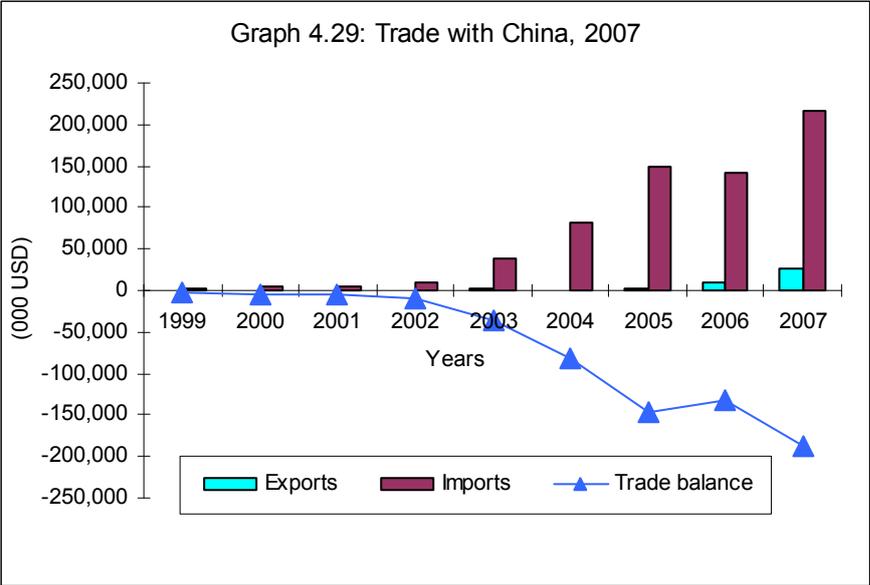
A big share of imports from the U.S.A is represented by machineries and other optical instruments which together account for 48 percent of the total, as shown in graph 4.28. The main products that were imported within this category were different transport means that accounted for 10 percent of the total, and disks and batteries (6.9 percent). The top ten imported products accounted for 50.2 percent of the total imports from the country, while the most imported product in 2007 was iron and steel scrap. The decrease in imports in 2007 is mainly due to the sharp decrease in imports of the semi-finished articles of iron and steel from 21.9 million USD in 2006 (being the most imported product in the year), to 1.6 mln USD in 2007.



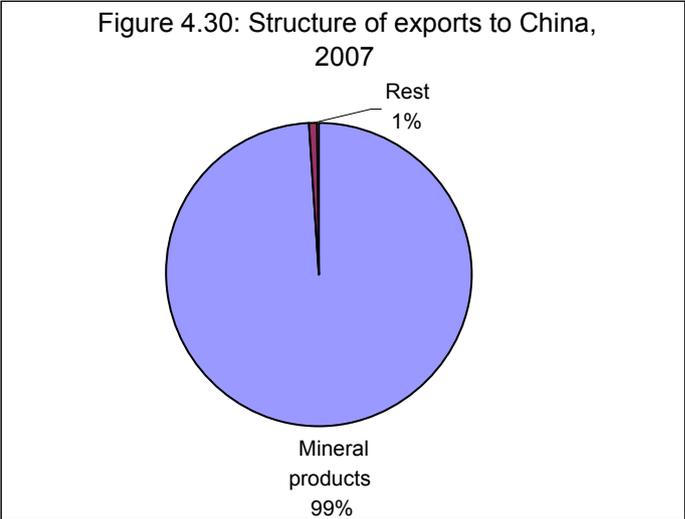
#### 4.4.2 Trade with China

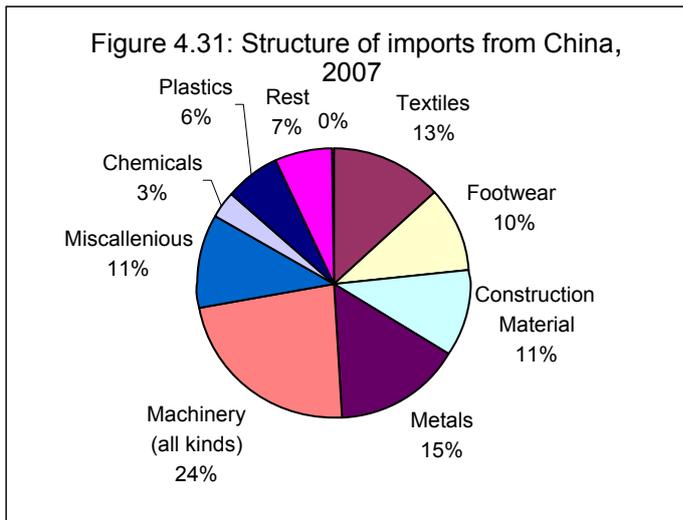
Trade volume with China reached 243.4 mln USD (177.4 mln EUR) in 2007, having increased by 61.4 percent and accounting for 4.6 percent of the total trade volume of Albania. Both exports and imports have experienced increase as compared to the previous year, as shown in graph 4.29, but the growth rate of exports is much higher. Exports amounted to 27.3 million USD (20.1 mln EUR), having expanded by 198.9 percent in 2007. Meanwhile imports were valued at 216.0 mln USD (157.2 mln EUR) in 2007, having increased by 52.5% in 2007. The imports coverage ratio increased by 6 percentage point, reaching 12.6 percent in 2007.

The trade deficit was valued at 188.6 million USD, or 77.5 percent relative to the total trade flows. Such a figure is quite high, although 10.4 percentage points lower than in the previous year.



Exports to China are mainly represented from mineral products (graph 4.30), where iron ore accounts for 99.2 percent of the total exports to the country. Most of the other products were exported in small quantity and appear for the first time in the list of the top ten most exported products.

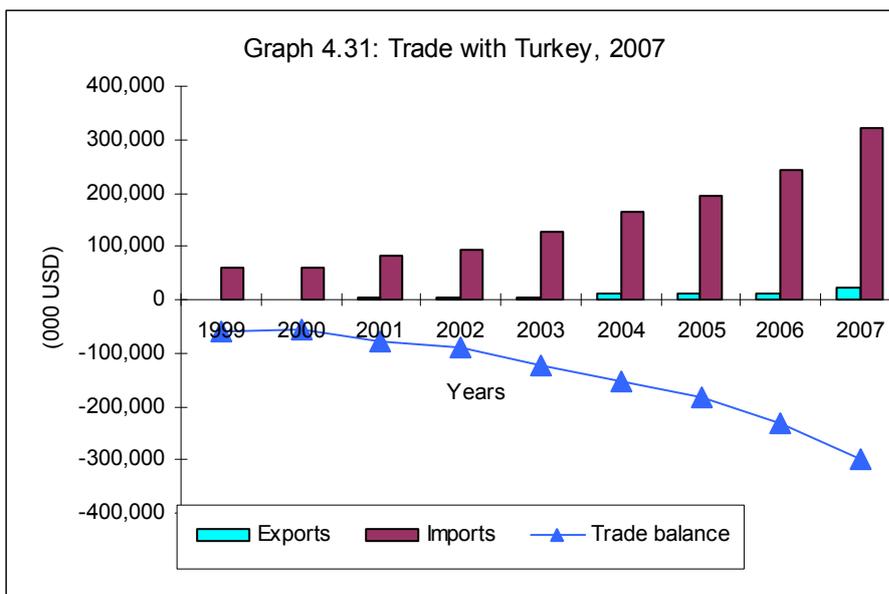




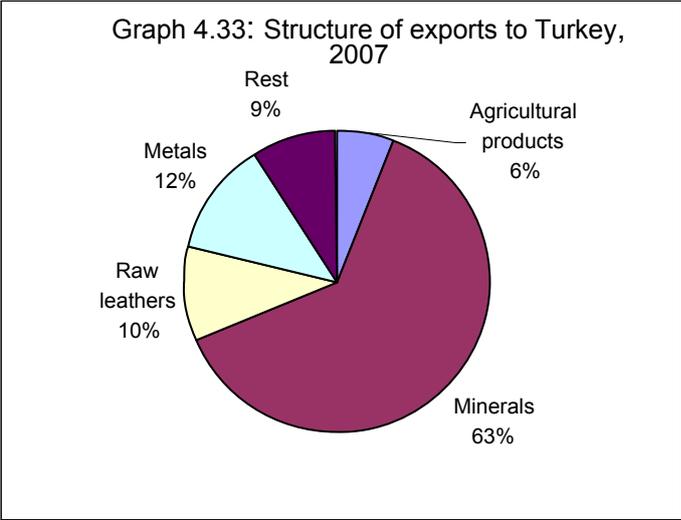
Imports from China are represented by a large variety of products (graph 4.31), showing a much higher diversification than exports. The top ten imported products account for only 21.1 percent of the total imports from the country. All imports are industrial products. Some of the most imported products in 2007 were footwear products, ranked 1<sup>st</sup> and 3<sup>rd</sup> respectively, and representing together 5.8 percent of the total imports from the country; tiles for construction purposes, accounting for 2.6% of the total imports, and containers, 2.1 percent.

#### 4.4.3 Trade with Turkey

Albania's trade volume with Turkey reached 346.6 million USD (252.6 mln EUR) in 2007, having increased by 36.8 percent. Trade volume with Turkey represents 6.5 percent of the total trade volume of Albania in 2007. Exports grew by 137.0 percent, being valued at 23.6 mln USD (17.2 mln EUR). Imports reached the value of 323.0 mln USD (235.3 mln EUR), having increased by 32.7 percent, as shown in graph 4.32. The imports coverage ratio was improved by 4.2 percentage points, up to 7.3 percent. Trade deficit was valued at 299.3 million USD, as compared with 233.3 million USD in the previous year.

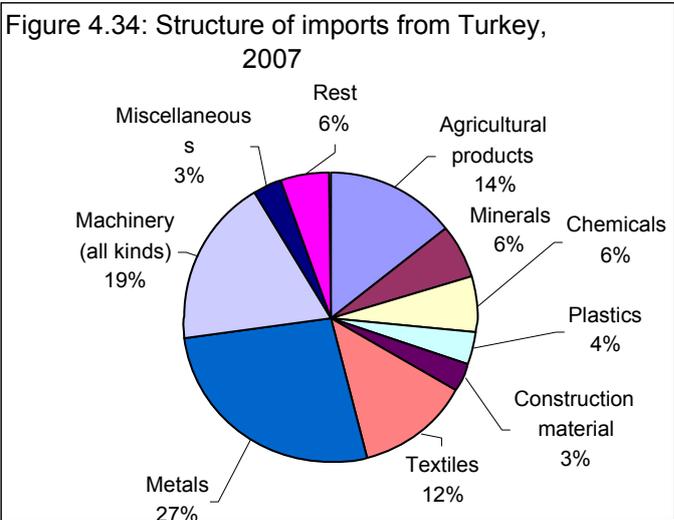


Exports to Turkey are composed by a small number of products that represent the respective categories, where mineral products are the most exported category among industrial products; the latter accounting for 94% of the total exports to the country, as shown in graph 4.33. The most exported product to Turkey is bitumen and petroleum oils, accounting for 51.4 percent of the total. It is a new product in the top ten exported list. Most of the other products in this list show consistency, having been listed there in the previous years; they also show a consistent growth. Here, iron and steel scrap, raw leather and medicinal herbs, are to be mentioned. The top ten exported products represent 92.6 percent of total exports to Turkey.



Imports structure (graph 4.34) shows that the composition has not changed a lot from last year. Metals account again for the highest share (27 percent), to be followed by machinery (19 percent) whose share increased by 9 percentage points in 2007, agricultural products (14 percent), and textiles (12 percent).

The ten most imported products from Turkey account for 29.1 percent of the total imports. Iron bars and rods, being at the top of the list, account for 7.2 percent of the total imports from the country. The list of the most imported products from Turkey seems to be consistent in the course of years, as shown in Annex VI.



## **V. Trade-Related Institutional Developments**

### **5.1 Multilateral and regional trade integration of Albania**

#### ***5.1.1 Doha after Hong-Kong***

The multilateral trading system became 60 years old in 2007. An in-depth look at the General Agreement on Tariffs and Trade and its successor, the WTO – the origin, the achievements, the challenges they faced, and what the future holds – represents the focus of the WTO ‘World Trade Report 2007’,<sup>20</sup>. The mission of the WTO, as stated in the Report, is deeply related to the enhancement of the welfare and efficiency gains derived from international trade, which make possible the positive relationship between trade and growth; between trade and development; between multilateral trade and regional integration processes; between multilateral trade and a need for an effective governance of the globalization.

Living in times of an intensive globalization, the WTO is playing a key role in enforcing the positive effects and also in harnessing ‘the sometimes harsh consequences of globalization’ such as the financial turbulences spread out in the global economy. As General Director of the WTO, P. Lamy put it, ‘the continuous expansion of multilateral trade is an insurance policy against market instabilities and financial turbulences’.

The Doha Round of negotiations aims at strengthening the role, and the abovementioned dimensions of the WTO. The negotiations after the Hong-Kong Ministerial Conference are going ahead although slowly, with off-again and on-again, and with modest results. Since the formal resumption of these negotiations in February 2007, there have been intense diplomatic activities but the position of the major negotiating parties remained largely unchanged. Negotiations picked up towards the end of 2007, being focused on agriculture and non-agriculture market access. Last year was also an intensive start of the Aid-for-Trade initiative under the auspices of the WTO. According to the World Economic Situation and Prospects 2008, the prospects for rapid conclusion of the Doha Round are gloomy<sup>21</sup>. Anyway, there exists a more positive view inside the WTO. P. Lamy stresses that ‘completing the Doha Round is not only technically possible it is also a political must. ...Concluding the negotiations is both necessary and doable’<sup>22</sup>.

Albania continues to fulfill the obligations deriving from the WTO membership. In 2007 ended up the Waiver approved by the WTO related to the suspension of the tariff reduction for a very limited number of products. The tariff reduction schedule is fully respected or even over fulfilled.

#### ***5.1.2 Developments under the Interim Agreement with the EU***

The Stabilization Association Agreement (SAA), signed by both parties, Albania and the European Community (EC) in June 2006, will come into force after being ratified by the parliaments of the all the member states of the EU. The Interim Agreement (IA), being an integral part of the SAA and dealing exclusively with trade issues and trade liberalization between the two parties, entered into force on 1<sup>st</sup> of December 2006 and since, has been in the process of implementation. The tariff liberalization from the Albanian part based on the

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<sup>20</sup> P. Lamy, Trade expansion is insurance against financial turbulences, 6.02.2008, [www.wto.org](http://www.wto.org)

<sup>21</sup> World Economic Situation and Prospects 2008, p. 9

<sup>22</sup> P. Lamy, Completing the Doha Round is a “political must”, 17.08.2007, [www.wto.org](http://www.wto.org)

agreed schedule, will be fully accomplished by end 2011. The nominal average tariff (weighted by tariff lines) for imports from the EU will become 0.9% by then, starting from 1.8 percent with the entry into force of the Interim Agreement in December 2007, and having a level of 1.7 percent in 2007.

The most drastic tariff reduction in the frame of the Interim Agreement took place with its entry into force in December 2006. According to the Agreement, for the Albania-originating products exported to the EU, almost all categories are duty free, except for a very limited number of agriculture products. In concrete terms,

- (i) Industrial products: all duty free upon entering into force of the Agreement (01.12.2006)
- (ii) Agricultural products: overall tariff liberalization, except for certain articles as shown in table 5.1.

CN code	Reference	Description	Status in the IA
0102, 0201 and 0202	Paragraph 1 of Article 27 of the IA	Baby-beef and bovine meat	MFN treatment
07 and 08	Paragraph 1 of Article 27 of the IA	Vegetables and fruits	Only ad valorem duty is waived, while specific duty remains in force
1701 and 1702	Paragraph 1 of Article 27 of the IA	Sugar	Tariff quota of 1,000 tons
220410 and 220421	Annex I of Protocol 3 of IA	Wine sector: Quality sparkling wine and Wine of fresh grapes	Exempted from duty within the quantity of 5,000 hl
220429	Annex I of Protocol 3 of the IA	Wine sector: Wine of fresh grapes	Exempted from duty within the quantity of 2,000 hl
CN codes of trout, carp, sea bream and sea bass from chapter 03 16041311 16041319 16042050 160416 16042040	Annex III of the IA	Fishery: trout, carp, sea bream, sea bass, sardines, anchovies	Duty free within 50 tons quota for trout Duty free within 20 tons quota for carp Duty free within 20 t quota for sea bream Duty free within 20 t quota for sea bass (reduction scale over quota for the above) 6% of MFN for 100 tons of quota for sardines (MFN over quota) Duty free 1,000 tons of quota for anchovies with an increased quota in the following year up to 1,600 tons
All other agricultural products			Duty free

On the other hand, for the EC-originating products exported to Albania, the reduction was substantial but also ‘sensitive’ product categories which were taken into consideration<sup>23</sup>. In more concrete terms:

1. *Industrial products*: all duty free, except some products such as salt, Portland cement, some fuel categories, some cosmetics and detergents, some plastics, some footwear, fuels, tiles, used tires, construction steel, and wooden furniture, which will be reduced through a schedule within a lifespan of 5 years. The schedule is: a reduction scale down to 80% of the MFN duty upon entry into force, 60% of the MFN duty in the first year, 40% of the MFN duty in the second year, 20% in the third year, 10% in the fourth year, and duty free in the fifth year
2. *Agriculture products*: again a substantial tariff liberalization, but more and wider groups of products considered as ‘highly sensitive’ or ‘mid-sensitive’. For such products a more gradual tariff reduction is scheduled; only a few will be treated under

<sup>23</sup> For a more detailed information, please refer to data provided in the Albania’s General Directorate of Customs website: [www.dogana.gov.al/doc/tarifa2007.htm](http://www.dogana.gov.al/doc/tarifa2007.htm)

the MFN regime. Table 5.2 provides more detailed information about the treatment of the agriculture products in terms of tariff reduction.

*Table 5.2: Tariff liberalization of agriculture products exported to the Albania*

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

For the European products entering the Albanian market, apart from most of the industrial products and also some agricultural products whose import tariffs have been reduced to zero, an important tariff reduction was due in January 1<sup>st</sup> 2007 based on the scheduled reduction for all the period 2006-2011. So the import tariff for industrial products of the EU origin which were not reduced to zero, were reduced down to 60% of the basic duty, while the tariff for agricultural goods under the schedule is for this year down to 80% of the basic duty.

Is there such substantial tariff liberalization positively influencing the trade flows between Albania and the EU? Without pretending to give a research based answer to that question by taking into consideration all the potential variables influencing the trade (import) volumes, in the following paragraphs we shortly compare the trade flows growth of product categories fully or highly liberalized in the frame of the IA, with those lesser liberalized.

Table 5.3 provides information on imports from the EU-27 of agricultural and industrial products. As the table shows, both agricultural and industrial products have experienced a much higher growth in 2007 as compared to the previous years. The overall growth of imports in 2007 was 26.3 percent with industrial and agriculture products having almost the same growth rate. The growth indexes are high even when the effect coming from the enlargement

of the EU by the two member states, Bulgaria and Romania, is 'excluded'. Thus, the growth rate of imports from the 'EU-25' in 2007 was 20.8 percent. The growth rates of imports in the previous years are much lower, namely 10.6 percent in 2006, 6.9 percent in 2005, 5.5 percent in 2004. Beyond that, the table 5.3 shows that the growth rates tend to be higher for industrial products which have been subject of a higher tariff reduction.

*Table 5.3: Growth rate of imports from the EU before and after the I.A (currency, EUR)*

	2004/2003	2005/2004	2006/2005	2007/2006 EU25/25	2007/2006 EU27/25	2007/2006 EU27/27
<b>Growth Rate total imports</b>	5.5%	6.9%	10.6%	20.8%	26.3%	16.9%
<b>Growth agricultural products</b>	-1.4%	-4.0%	9.6%	13.6%	26.4%	13.4%
<b>Growth industrial products</b>	7.1%	9.3%	10.8%	22.1%	26.3%	17.6%

Getting down to a 2-digit level of classification as in table 5.4 and 5.6, or even in a 6-digit level as in table 4.5, the trend of increasing rates of growth for imports in the year 2007, is obvious. However these tables enable as to more clearly compare rates of growth with tariff liberalization scale. Table 5.4 and 5.6 show in a two digit level which chapters of the HS that have experienced high increase of imports, have at the same time shown higher growth rates when compared to 2006

Table 5.4 and 5.5 provides information on agriculture products. Chapters included in the table show relatively high rate of growth of imports, but not all of them are undergoing the same tariff liberalization. It demonstrates the influences of other factors in the import flows increase in the last years, other than tariff liberalization. However it must be noted that chapter 2 whose imports are fully liberalized shows the highest growth rate.

*Table 5.4: Growth of imports of agricultural products at a 2 digit level (in mln EUR, and %)*

Hs Code	Description	2003	Growth 2004/2003	2004	Growth 2005/2004	2005	Growth 2006/2005	2006	Growth 2007/2006 EU27/25	2007 (EU-27)	Growth 2007/2006 EU25/EU25	2007 (EU 25)
02	Meat And Edible Meat Offal	24.7	-33%	16.6	-19%	13.4	-34%	8.9	14%	10.1	13%	10.1
03	Fish & Crustaceans	9.0	-47%	4.8	-18%	3.9	94%	7.7	176%	21.2	176%	21.2
10	Cereals	11.9	-8%	10.9	-62%	4.2	-18%	3.4	133%	7.9	98%	6.7
16	Meat, Fish And Seafood Food Preparations Nes	3.1	190%	8.9	19%	10.6	-26%	7.8	32%	10.3	32%	10.3
23	Residues From Food Industries, Animal Feed	3.4	-14%	2.9	44%	3.7	8%	4.3	60.5%	6.9	51%	6.5
11	Milling Industry Products	7.7	-16%	6.5	23%	5.0	-43%	2.8	32%	3.8	12%	3.2

The conclusion that tariff liberalization have affected positively import growth is reinforced when agriculture products of a 6-digit classification are considered, as in table 5.5, although again there are deviations and room for considering other factors

HS Code	Description	2003	2004	2005	Growth 2006/2005	2006 EU-27	Growth 2007-2006	2007 EU-27	Tariff MFN	Tariff under IA
160239	Dom fowl, duck, goose & guinea fowl meat & meat offal prep/presvd exc livers	569.29	824.13	379.21	-52%	180.23	476%	1,038.80	10%	8%
190410	Prep foods obtained by the swelling or roasting of cereal or cereal products	624.92	1,110.54	669.54	22%	818.50	74%	1,425.82	10%	8%
200410	Potatoes prepared or preserved other than by vinegar or acetic acid, frozen	94.40	172.47	279.95	65%	461.08	173%	1,259.48	20%	12%
220421	Grape wines nes, including fort & grape must, unfermented by add alc in ctrn <math>\leq 21</math>	806.50	829.62	1,357.82	19%	1,610.53	51%	2,431.15	TQ than MFN	
220870	Liqueurs and tonics	186.99	279.43	480.54	80%	865.29	32%	1,143.53	10%	0%
230990	Animal feed preparations nes	567.89	647.88	793.20	39%	1,099.34	76%	1,938.97	5%	0%
220300	Beer made from malt	10,622.79	10,391.7	9,098.71	24%	11,305.89	45%	16,434.48	10.00	0%
030563	Anchovies, salted and in brine, but not dried or smoked	7,894.80	3,432.53	2,313.15	115%	4,978.13	251%	17,464.45	0%	0%

Imports of the industrial products show the same tendency, as shown in table 5.6. Some chapters, such as transport machinery, jewelry, furniture products, etc have experienced a higher difference in growth than other chapters. At a product level, the difference in growth is observed particularly within the transport machinery chapter, where a considerable amount of products being also among the top-20 products imported from the EU-27, shows high growth rates differences as compared to growth in 2006. HS Code 870332 (automobiles category), is the second most imported product from the European Union in 2007. Its imports from the EU-25<sup>24</sup> in 2007 amounted to 46.7 million EUR, and from the EU-27 to 46.8 million EUR, out of 32.3 million EUR in 2006, with a difference in growth rate of 37 percentage points from growth registered in 2006. HS code 870333 (another automobiles category) is ranked 6<sup>th</sup> in the most imported list and its imports from the EU-27 in 2007 amounted to 31.8 million USD, experiencing a 101 percent increase in 2007 and 34 percentage point difference as compared to the 2006 growth.

<sup>24</sup> Not accounting for comparison purposes, Bulgaria and Romania.

*Table 5.6: Growth of imports of industrial products at a 2 digit level (million EUR and %)*

Hs Code	Description	2003	Growth 2004/2003	2004	Growth 2005/2004	2005	Growth 2006/2005	2006	Growth 2007/2006 EU27/25	2007 (EU 27)	Growth 2007/2006 EU25/EU25	2007 (EU-25)
54	Man Made Filaments	4.49	-25%	3.35	-48%	1.75	15%	2.02	91%	3.85	91%	3.84
71	Pearls, Precious Stones, Metals, Coins, Etc	0.47	28%	0.61	3%	0.63	11%	0.69	311%	2.85	302%	2.7
72	Iron And Steel	19.68	10%	21.65	51%	32.60	-10%	29.19	49%	43.61	46%	42.71
84	Nuclear Reactors, Boilers, Machinery, Etc	113.74	7%	122.10	16%	141.32	-5%	134.62	34%	180.77	30%	175.66
85	Electrical, Electronic Equipment	88.81	16%	103.12	3%	106.00	0%	105.73	19%	125.81	15%	121.87
87	Vehicles Other Than Railway, Tramway	88.61	26%	111.34	-4%	106.44	7%	113.91	44%	164.35	44%	164.08
90	Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical Or Surgical Instruments & Accessories	13.02	76%	22.96	-16%	19.17	-14%	16.45	37%	22.51	33%	21.93
94	Furniture, Bedding, Cushions, Lamps & Lighting Fittings Nesoi, Illuminated Signs, Nameplates & The Like, Prefabricated Buildings	18.03	7%	19.32	0%	19.26	-9%	17.60	49%	26.31	46%	25.69

### ***5.1.3 Regional bilateral agreements and CEFTA 2006***

CEFTA 2006 is a consolidation of the network of the 32 bilateral Free Trade Agreements in the South-Eastern Europe, aiming at creating a free trade area in the region, a process to be completed by year 2011. CEFTA 2006 was signed on 19 December 2006 in Bucharest after seven months of intensive negotiations facilitated through the Stability Pact by the European Commission, and other partners. The new single FTA in the region –CEFTA 2006 – is a

modern trade agreement that harmonizes trade rules across the region and incorporates new provisions such as trade in services, intellectual property rights, public procurement and investment promotion. The Agreement is completely in line with the rules and principles of the WTO and also with the parties' obligations toward the EU. The implementation of CEFTA 2006 is expected to give a significant boost to intra-regional trade and co-operation and also to improve the regional attractiveness for the foreign direct investments. Considering the complementarities of this regional initiative to the process of EU accession, the European Commission will provide support under the EU instrument for Pre-Accession to facilitate the implementation of CEFTA 2006.

CEFTA 2006 came into force on 26 July 2007 for five partners in South Eastern Europe which by that date had ratified the Agreement – Albania, the Former Yugoslav Republic of Macedonia, Moldova, Montenegro, and UNMIK/Kosova. CEFTA 2006 was ratified by the parliament of Albania on 21 March 2007. Afterwards CEFTA 2006 entered into force for Croatia (22 August 2007), for Serbia (24 September 2007), and for Bosnia and Herzegovina (22 November 2007). So CEFTA 2006 is in force for all signatory parties as of 22 November 2007.

CEFTA 2006 has now entered in the phase of implementation which needs much more intensive efforts, work, and coordination. Erhard Busek, addressing to the Working Tables of the Stability Pact, underlines that: “... *the Agreement will need to be carefully and fully implemented in order to display its real potential. Key issues for implementation concern, in particular, the establishment of effective dispute settlement mechanisms and other priority issues, such as agriculture, customs co-operation and non-tariff barriers*”.<sup>25</sup>

The tariff liberalization that the agreement introduces is:

- A complete liberalization of industrial products imports (imports of industrial products from all countries of the region to all the countries of the region)
- A country specific tariff liberalization for agricultural products according to which goods are divided in three tariff categories: goods treated with the MFN tariff of the respective country; goods treated with a scheduled reduction over the MFN tariff and in some cases with tariff-quota; and goods whose tariff is zeroed. Kosova is the only country of the region whose agricultural imports tariffs are zeroed starting from 2007.

Albania's agricultural goods that were considered sensitive and therefore protected from imports from the all countries of the region (except for Kosova) through MFN tariffs, are meat (poultry and cow), dairy products, almost all vegetables such as tomatoes, potatoes, onion, carrots, beans etc. Fruits, imports of which were exposed to tariffs without difference of regional origin, are figs, pineapple, mango, oranges, lemons, tangerines, grape, melons, pears, cherries, peaches and strawberries. Albanian nuts import tariffs are very depending on the regional country of origin. Herbs products imports that are also protected from all countries of the region are coffee, tea and some seeds.

Wheat imports from all countries of the region are also exposed to the MFN treatment. Almost all flour products, some seeds and medicinal herbs are protected from all countries imports, except for Croatia and Kosova.

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<sup>25</sup> Taken from the speech of the special coordinator Erhard Busek at the Working Tables meeting “The Road Ahead: Reinforcing the Regional Co-operation Agenda”, Working Tables final session, Tirana, 4 December 2007.

Among protected processed goods we would mention processed meat, protected from all countries imports, subject to quotas and scheduled reduction, except from Croatia and Kosova. Imports of sugar, processed vegetables, alcoholic drinks and raw leather, are also subject of MFN treatment but also some quotas and scheduled reduction.

Table 5.7 provides information on the tariff-quotas applied according to the bilateral FTAs.

Table 5.7: Quotas under the bilateral FTAs							
Country	HS-Code	Description	Quotas (in tons)	Country	HS code	Description	Quotas (in tons)
<b>Serbia</b>	0405	butter and other fats	200	<b>Macedonia</b>	040610	Fresh cheese	50
	04061080	Fresh cheese	200		0406902900	Other cheese: Cheddar cheese	50
	1001	wheat and meslin	2500		0702	tomatoes, fresh or chilled	150
	1101	wheat or meslin flour	2500		0707	cucumbers and gherkins	100
	110313	Groats and Meal of Maize	5000		080810	Apples	3000
	1601	sausages, of meat	100		1601	sausages, of meat	150
	1902	pasta, prepared or not,	250		1602	prepared or preserved meat	100
	190531	Sweet Biscuits	750		1704	sugar confection	200
	2007	jams, fruit jellies	250				
	2009	fruit juices	200				
	2104	soups, broths & preps	100	<b>Montenegro</b>	0204	meat of sheep or goats	100
	2105	ice cream and other edible ice	100		020900	Pig fat free of lean meat	600
	2201	waters, natural	200		0210	meat & ed offal salted	600
	2203	beer made from malt	200		0403	buttermilk, yogurt	100
	2204	wine of fresh grapes	200		0405	butter and other fats	50
	22082012	Spirits Obtained By Distilling Grape	500		0406	cheese and curd	100
	22082026	Obtained By Distilling Grape	200		0703	onions, shallots, garlic	100
	220870	Other Ethyl Alcohol	500		0708	leguminous vegetables	100
	230990	Preparations of Animal Feeding	400		160100	Sausages and Similar Products	300
<b>Croatia</b>	0403	buttermilk, yogurt	50		1602	prepared or preserved meat	300
	040630	Processed (process) cheese	100		2007	jams, fruit jellies	200
	040690	Other cheese: Cheddar cheese	100		2009	fruit juices	100
	2001	veg, fruit, nuts	100		210500	Ice Cream, Other Edible Ice	100
	2007	jams, fruit jellies	50		2201	waters, natural	1000
	2009	fruit juices	200		2202	waters, sweetened	1000
	2201	waters, natural	500		220300	Beer Made from Malt	1000
	2202	waters, sweetened	500		2208	ethyl alcohol, und 80% alc	200
	240220	Cigarettes (Containing Tobacco)	100				

#### **5.1.4 Other bilateral agreements**

Another important event affecting trade in 2007 was the ratification of the FTA between Albania and Turkey on 14<sup>th</sup> of May. This agreement is aimed to enhance trade liberalization and cooperation between the two countries. Tariff reduction, institutional cooperation and other related issues are covered in the agreement text. Industrial products imports are subject to tariffs liberalization and a trade regime equal to that offered to the EU, which means zero tariff level for most of the products apart from the products listed in Annex II of this agreement. Tariff cuts are less significant for agriculture products, specific terms of which are listed in Annex I of the Agreement.

### **5.2. Laws and other legal acts related to trade**

A considerable number of laws and other legal acts directly affecting trade or related to trade through their effects in the business environment, investment climate, and domestic market, came into force in 2007.

#### **Laws and other acts related directly to trade**

Many laws and other legislative acts directly affecting trade entered into force during 2007. They are related with multilateral, regional, and bilateral trade agreements Albania is adhering to, having in focus tariff and non-tariff liberalization, institutions related to implementation of such agreements. Such legal acts are in line particularly with the Stabilization Association Agreement of Albania with EU, the WTO principles, and membership-obligations, etc.

Based on the Law 9590, date 27.07.2006 “On ratification of Stabilization and Association Agreement between the Republic of Albania and the European Communities and their member countries”, tariffs of industrial products and agricultural products of imported goods from the EU in the framework of the Interim Agreement, were further reduced based on the approved schedule. Industrial products tariffs were reduced down to 60% of its basic duty while agricultural products tariffs were reduced down to 80% of its basic duty (as of 30<sup>th</sup> November 2006).

Another important measure was taken under Law No. 9683, date 06.02.2007 “For the approval of the levels of custom tariffs’ changed” introducing the reduction of the tariffs of products treated under the Waiver, which implied a negotiated suspension of the tariff reduction for certain sensible products for years 2005 and 2006. From the day of entry into force of this law, these products (namely alcoholic drinks, some perfumes, plastic products, some wooden products, some iron products, etc.) will obey the tariff reduction scheduled under the WTO obligations, deriving from the Albanian WTO membership.

The Albanian Parliament ratified the CEFTA 2006 Agreement by the Law Nr. 9696, date 21.03.2007 “For the ratification of the ‘Central Europe Free Trade Agreement’”. The ratification process from all the countries in the region was completed in 22 November, 2007 . This regional agreement introduces a full liberalization of the trade flows of industrial products within the CEFTA countries, by a zero tariff rate. The trade flows of agricultural products are liberalized to a certain extent also by tariffs reduction, as well as tariff quotas between the CEFTA 2006 countries.

Another bilateral agreement affecting trade was the ratification of the FTA between Albania and Turkey by Law No. 9733, date 14.05.2007.

Legislation implying non-tariff barriers to imports of products is strongly represented by legal acts on the conformity of specific products. They imply requirements and parameters in terms of quality, shape, substance etc. which the respective imported products must fulfill in order to be traded in the domestic market. In this context we can mention:

-CDM No. 888, date 19.12.2007 “For the technical approval of the regulations ‘For basic requirements and conformity evaluations of toys’”, which draws the conceptual lines and requirements that goods called toys must fulfill;

-Law No. 9779, date 27.07.2007 “For the security, basic requirements and conformity evaluations of non-food products”, which defines the rights and responsibilities of producers and distributors related to the products brought in the Albanian market.

-CMD No. 889 “For the approval of technical regulations ‘For basic requirements and conformity evaluations of simple containers exposed to pressure’”, which lists the basic technical requirements that these products category must fulfill.

Law No. 9777, date 16.07.2007 “For the ratification of the financial agreements between the Council of Ministers of the Republic of Albania and the Commission of the European Community for the Annual Regional Program Cards 2006, of the community assistance for the custom authorities of the Western Balkans”, lays the basis of cooperation between the Council of Ministers and the Commission of the European Community in the field of capacity building in trade related organizations.

Another legal act that supports trade through capacity building is Law No. 9814, date 1.11.2007 “For the accreditation of organizations for the conformity evaluation in the Republic of Albania” which defines the regulations for the creation and functioning of accreditation organizations for the conformity evaluation, the fields of this activity and procedures of authorization of these organizations. This is an important law related with the application of the ‘internal market’ principles, therefore encouraging the countries exports.

Two important laws that regulate countervailing, antidumping and imports restrictions measures entered into force in 2007, Law No. 9790 “For protection measures in imports”, and Law No. 9796 “For the antidumping and countervailing measures”. Law 9790 “For protection measures in imports” defines the conditions under which the government can request protection measures in imports. Law 9796 “For the antidumping and countervailing measures” defines the procedures and conditions that must be fulfilled for the antidumping and countervailing measures to take place.

### **Laws and other acts affecting the business climate**

A number of legal acts have a focus on the strategic developments of the country. Some of them are directly related with the business environment improvement, foreign investments and foreign trade, such as:

CMD No. 839, date 05.12.2007 approves the Strategy for Business and Investment Development 2007-2013.

CMD No. 774, date 14.11.2007 “For the approval of the Inter-Sectorial Strategy of Rural Development 2007-2013” which concentrates on strategies of rural development.

CMD No. 14.11.2007 “For the Approval of Consumer Protection and Market Surveillance Strategy 2007-2013”, which is directly related to the internal market principles, and defines

the means and procedures by which the market will be better regulated and the consumer better served.

Some other legal acts are related to the market regulation and the establishments of new institutions aimed at better assisting domestic businesses, such as CMD's No. 505 and 506 dated 01.08.2007, which define procedures of the creation and functioning regulations of the National Registration Centre. Parliament Decision Nr. 96, date 30.04.2007 "For the approval of the organization chart and structure of the Competition Regulatory Unit" defines the structure of this new institution.

In 2007, some incentives of direct support from state for the export-oriented businesses were taken:

The CMD No.112, date 21.02.2007 "For the creation of an Albanian Fund of Competitiveness and the Plan of State Assistance with the Fund of Export Credit Guarantee" approves the creation of a specific fund (25.000.000 Lekë,) for the Albanian SME-s, in order to assist them for investments and other activities that aim at improving their performance in the domestic, and international market.

The State Aid Commission Decision No. 38, date 18.07.2007 "For the plan of state assistance for the "Fund of Export Credit Guarantee" tends to help exporting by offering collateral so that they can get assisted by commercial banks. The 6% VAT reimbursement for farmers enforced by Law 9848 needs to be mentioned in this context also.

The Law No. 9856, date 12.12.2007 "For some changes in law No. 7928, date 27.04.1995 "For value added tax" changed", extended the period of payment of VAT to 1 year for all machineries bought for business investment purposes.

CMD No. 839, date 05.12.2007 "For the conditions and procedures of the reimbursement of paid excise and relief conditions for the energy producers with installed power over 5 MW" defines conditions of the reimbursement of the excise tax for energy producers in Albania.

Law No. 9765 date 09.07.2007 "For some changes in law No. 8976, date 12.12.2002 "For excises" changed", excludes the excise for fuels for the production activity of greenhouses.

Different taxes such as personal income tax, small business income tax and corporate tax were subject of change during 2007. Just to mention two of them: Law 9844, date 17.12.2007 "For income tax " changed", that provides frames of income under which a business is considered a small business as well as defines an income tax of 10% for these businesses. Law 9766, date 09.07.2007 "For some additions and changes in Law No. 8438, date 28.12.1998 "For profit tax (corporate tax)" changed", that reduces the profit corporate tax from 20% to 10%.

Some other laws that influence the business climate and thus trade are the laws that cover concessionary actions between the Albanian government and third parties as well as laws framing the creation and functionality of industrial parks in the country. Just to mention some of them: Law 9789, date 19.09.2007 "For the creation and functioning of economic zones" that lays the regulations and procedures of formation of industrial parks in Albania. Also CMD No. 547, date 22.08.2007 "For the authorization of the implementation of concessions in the agriculture and food sector" that signals the possibility of implementation of the concessionary law in the agriculture sector.

## ANNEXES

### Annex I: Methodological notes on foreign trade forecast

Trade flows forecast is based on a time series integrated autoregressive model – applied on the Albanian export and imports monthly flows starting from 1993. The time series models assume that trade flows behavior in time, reflect the adjustment of demand for imports or supply of exports to different economic factor – such as prices developments (world markets or domestically), the pace of economic growth and its competitiveness at general, exchange rates volatility, etc.

The first step undertaken in the analyses was to explore the statistical features of the series – such as their stationarity, lag structure or seasonal features. The stationary property is checked through Unit Root test (ADF statistic) with seasonal features. Both imports and exports are non-stationary and integration of order 1 is applied.

The lag structure is explored through Ackaike Information, Hannan-Quin Criterion and Schwarz Criterion. Test statistics suggest a lag structure of 3 for exports – reflecting more time dependency on exports trade flows and higher volatility. Imports are more stable, with a lag structure of 1. In both export and import flows, seasonality of flows is really strongly significant – for exports at third quarter of the year there is systematically a pick, while for imports end of year seasonality appears strong, even that this year behavior of imports is much strongly correlated with energy crises than with the usual seasonality observed. Exports are forecasted based on an ARIMA (3,1,0) process while imports are based on an ARIMA (1,1,0) process represented by equation 1 and 2 as follows:

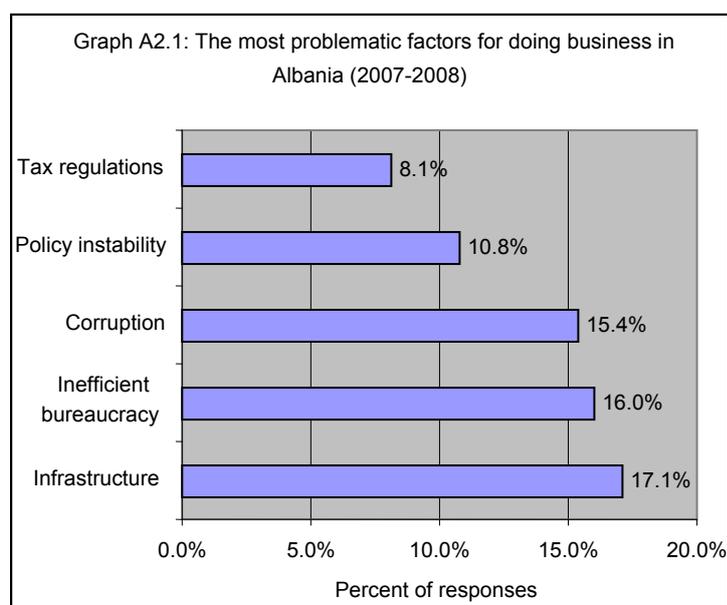
$$\Delta\text{Exports}_t = \text{constant} + \beta_1 * \Delta\text{Exports}_{t-1} + \beta_2 * \Delta\text{Exports}_{t-2} + \beta_3 * \Delta\text{Exports}_{t-3} + \delta_i * \text{seasonal dummy} + \varepsilon_t \quad (1)$$

$$\Delta\text{Imports}_t = \text{constant} + \beta_1 * \Delta\text{Imports}_{t-1} + \delta_i ** \text{seasonal dummy} + \varepsilon_t \quad (2)$$

## Annex II: Global Competitiveness Index

Index	Albania	Croatia	Romania	Bulgaria	Macedonia	Moldova	Serbia	B&H	Montenegro
<b>GCI 2007/08 (out of 131)</b>	<b>109</b>	<b>57</b>	<b>74</b>	<b>79</b>	<b>94</b>	<b>97</b>	<b>91</b>	<b>106</b>	<b>82</b>
<b>GCI 2006/07 (out of 125)</b>	<b>98</b>	<b>56</b>	<b>73</b>	<b>74</b>	<b>84</b>	<b>86</b>	<b>n/a</b>	<b>82</b>	<b>n/a</b>
<b>Basic Requirements</b>	<b>99</b>	<b>53</b>	<b>88</b>	<b>76</b>	<b>72</b>	<b>96</b>	<b>78</b>	<b>104</b>	<b>59</b>
1st pillar: Institutions	114	65	94	109	102	105	99	113	78
2nd pillar: Infrastructure	124	53	100	84	85	107	92	117	90
3rd pillar: Macroeconomic stability	79	73	84	47	53	92	88	90	33
4th pillar: Health and primary education	65	44	52	56	47	85	31	87	33
<b>Efficiency Enhancers</b>	<b>105</b>	<b>61</b>	<b>62</b>	<b>72</b>	<b>98</b>	<b>102</b>	<b>88</b>	<b>95</b>	<b>87</b>
5th pillar: Higher education	103	46	54	66	75	81	82	98	79
6th pillar: Market efficiency	117	71	74	90	98	107	114	113	91
7th pillar: Labor market efficiency	88	56	85	73	112	68	111	77	52
8th pillar: Financial market sophistication	103	68	78	74	83	101	98	71	43
9th pillar: Technological readiness	74	49	59	65	90	108	57	110	48
10th pillar: Market Size	107	64	43	61	106	114	75	80	130
<b>Innovation Factors</b>	<b>125</b>	<b>53</b>	<b>73</b>	<b>91</b>	<b>101</b>	<b>122</b>	<b>88</b>	<b>123</b>	<b>97</b>
11th pillar: Business sophistication	109	64	73	92	108	124	95	119	90
12th pillar: Innovation	131	50	76	88	92	112	78	121	104

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### Annex III: Most traded commodities to the EU-27

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
640610	Uppers and parts thereof, other than stiffeners	115,457	129,357	123,748	110,259	112,613	12.6%
620342	Men's/boys trousers and shorts, of cotton, not knitted	38,569	53,266	50,074	59,468	75,062	8.4%
270900	Petroleum oils and oils obtained from bituminous minerals, crude			9,892	17,731	46,971	5.2%
830140	Locks of base metal, nes	1,956	9,092	17,404	23,915	39,038	4.4%
620520	Men's/boys shirts, of cotton, not knitted	15,308	21,133	25,797	28,900	35,415	4.0%
740400	Waste and scrap, copper or copper alloy	3,580	7,568	9,220	28,343	26,965	3.0%
640510	Footwear with uppers of leather or composition leather, nes	809	4,820	14,890	20,438	23,290	2.6%
160416	Anchovies, prepared or preserved, whole or in pieces, but not minced	12,553	16,074	16,112	19,641	20,782	2.3%
640590	Footwear with rubber or plastic soles	8	38	3,392	11,824	20,396	2.3%
610821	Womens/girls briefs and panties, of cotton, knitted	10,276	10,297	9,088	9,119	20,270	2.3%
	Top ten exported					420,801	47.0%
	Total exports					894834.34	

HS Code	Description	2003	2004	2005	2006	2007	Share to total, in %
271019	Light petroleum distillates nes	39,493.3	49,211.4	60,789.6	111,539.2	135,593.5	5.1%
870332	Automobiles with diesel engine displacing more than 1500 cc to 2500 cc	36,212.8	55,981.1	37,238.5	40,622.0	64,153.4	2.4%
410719	Bovine/horse whole skin, processed after tanning, no hair	22,470.7	26,483.1	20,579.1	30,399.7	60,801.2	2.3%
300490	Other Medicaments (Put up in Packings for Retail Sale)	17,214.3	22,201.4	26,752.5	34,648.2	57,059.9	2.2%
271011	Light Oil preparations from petrol & bitumen mineral, of which >=90% vol distillates in 210C	9,473.4	14,525.8	24,091.3	35,281.6	46,961.2	1.8%
870333	Automobiles with diesel engine displacing more than 2500 cc	4,251.5	8,400.0	11,810.4	20,086.6	43,808.2	1.7%
830160	Lock parts, including parts of clasps or frames w clasps, of base metal, nes	12,664.3	12,100.0	15,715.5	20,869.3	37,735.2	1.4%
240220	Cigarettes containing tobacco	39,514.6	37,637.5	36,927.8	30,471.1	37,057.2	1.4%
340220	Surface-active prep, washing & cleaning prep put up for retail sale	10,987.5	17,506.5	20,799.3	25,401.8	31,186.7	1.2%
252329	Portland cement nes	30,907.0	34,284.1	46,935.7	35,652.7	30,741.4	1.2%
	Top Ten imported					545,097.9	20.6%
	Total imported					2,642,029.4	

## Annex IV: Most traded commodities with the countries of the region

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
721420	Bars & rods, i/nas, hr, hd or he, cntg indent, ribs, etc, prod dur rp/tar, nes		9,436.0	7,483.3	11,642.5	28,940.3	27%
271320	Petroleum Bitumen	1,890.9	4,739.3	6,119.0	10,685.6	12,177.4	11%
220210	Waters incl mineral&aeratd, containg sugar o sweeteng matter o flavourd	320.5	5,573.8	5,873.7	4,596.1	7,727.5	7%
260111	Iron ores&concentrates, oth than roasted iron pyrites, non-agglomerated		291.8	3,074.0	4,257.2	7,640.8	7%
252329	Portland cement nes	238.8	365.0	866.6	793.7	4,589.6	4%
847330	Parts&accessories of automatic data processg machines&units thereof	530.8	1,335.5	1,620.4	2,044.6	4,031.3	4%
271112	Propane liquefied	141.2	91.6	31.9	1,455.6	3,568.5	3%
760410	Bars, rods and profiles, aluminium, not alloyed	161.5	177.4	524.9	1,430.3	3,327.2	3%
940350	Bedroom furniture, wooden, nes	587.6	1,302.0	1,559.2	2,057.9	3,211.7	3%
410120	Whole bovine skin, weighting <=8kg when dried, <=10kg salted, <=16kg fresh	57.1	546.7	1,079.8	3,211.8	3,165.3	3%
	Top ten exported					78,379.5	73%
	Total exported					107,980.8	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
271600	Electrical energy		2,015.33			60,888.9	18.3%
720449	Ferrous waste and scrap, iron or steel, nes	196.5	32.7	4,752.7	6,072.6	36,136.7	10.8%
271113	Butanes, liquefied	657.1	537.8	2,525.2	4,224.3	14,835.0	4.5%
721420	Bars & rods, i/nas, hr, hd or he, cntg indent, ribs, etc, prod dur rp/tar, nes	38.4	171.5	1,022.2	6,957.0	13,734.7	4.1%
440710	Lumber, coniferous (softwood) 6 mm and thicker	1,157.2	2,870.8	4,931.7	7,625.8	8,907.5	2.7%
100590	Maize (corn) nes	460.4	621.1	1,196.0	6,095.1	8,767.1	2.6%
300490	Medicaments nes, in dosage	1,215.7	1,100.4	2,261.2	4,325.9	8,291.5	2.5%
271019	Light petroleum distillates nes	5,887.8	2,153.9	200.6	1,614.2	8,159.8	2.4%
252329	Portland cement nes	3,193.7	3,411.0	2,638.2	9,501.1	4,421.3	1.3%
110100	Wheat or meslin flour	80.4	208.7	441.1	448.1	3,962.1	1.2%
	Top Ten imported					168,104.7	50.5%
	Total imported					333,188.2	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
410120	Whole bovine skin, weghting<=8kg when dried,<=10kg when salted,<=16kg raw	13.42	335.24	817.32	2,774.93	2,775.13	65.0%
252310	Cement clinkers					433.47	10.2%
410190	Bovine/horse skin, incl tails, hair or not/raw <8por<16kg dried,>10<16kh salted			176.68	1,151.50	354.69	8.3%
760612	Plate,sheet or strip,aluminium alloy,rect or sq,exceeding 0.2mm thick				33.14	332.38	7.8%
640590	Footwear with rubber or plastic soles					122.45	2.9%
940350	Bedroom furniture, wooden, nes				61.79	76.89	1.8%
340220	Surface-active prep, washing & cleaning prep put up for retail sale					61.10	1.4%
080711	Watermelon, fresh	5.65	3.74	16.82	34.42	54.58	1.3%
640359	Footwear, outer soles and uppers of leather, nes					29.54	0.7%
630900	Worn clothing and other worn articles	6.95	9.65		0.13	21.67	0.5%
490199	Books, brochures, leaflets and similar printed matter, nes					3.78	0.1%
	Top ten exported					4,265.67	99.98%
	Total exports					4266.68	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
440710	Lumber, coniferous (softwood) 6 mm and thicker	113.46	168.16	1,732.64	5,748.65	7,492.43	55.9%
841821	Refrigerators, household type, compression-type					757.98	5.7%
300410	Penicillins or streptomycins and their derivatives, in dosage			100.53	99.53	473.92	3.5%
721420	Bars & rods,i/nas,hr,hd or he,cntg indent,ribs,etc.prod dur rp/tar,nes				503.42	440.45	3.3%
950430	Games, coin or disc-operated, other than bowling alley equipment					414.69	3.1%
040120	Milk not concentrated & unsweetened exceeding 1% not exceeding 6% fat			13.12	157.95	334.67	2.5%
340220	Surface-active prep, washing & cleaning prep put up for retail sale		97.60	127.13	246.78	308.04	2.3%
340600	Candles, tapers and the like				58.73	298.03	2.2%
270400	Coke&semi-coke of coal,lignite o peat,agglomeratd o not,retort carbon	23.48		8.38		217.18	1.6%
730840	Props&similar equipment for scaffolding,shutterg/pit-propping,i/s	305.62	205.40	478.18	250.62	184.38	1.4%
	Top ten imported					10,921.76	81.5%
	Total imports					13,401.23	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
640510	Footwear with uppers of leather or composition leather, nes					366.36	36.1%
410120	whole bovine skin, weighting<=8kg when dried,<=10kg salted,<=16kg fresh		109.90			301.09	29.7%
121190	Plants &pts of plants(incl sed&fruit) usd in pharm,perf,insect etc nes	65.08	104.02	100.70	255.16	285.86	28.2%
870540	Mobile concrete mixers					22.90	2.3%
630900	Worn clothing and other worn articles			0.00		14.30	1.4%
080711	Watermelon, fresh	17.94			14.92	7.47	0.7%
621143	Womens/girls garments nes, of man-made fibres, not knitted					6.77	0.7%
392310	Boxes, cases, crates & similar articles of plastic				5.04	5.43	0.5%
620332	Mens/boys jackets and blazers, of cotton, not knitted					2.18	0.2%
441520	Pallets, box pallets and other load boards, wooden			1.19		1.22	0.1%
	Top ten exported					1,013.58	99.9%
	Total exports					1,014.81	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
271113	Butanes, liquefied	281.12	535.56	2,525.15	4,223.75	14,339.99	34.1%
110710	Malt, not roasted	179.31			966.23	2,226.62	5.3%
850423	Liq dielectric transf havg a power handlg capacity exceedg 10,000 KVA	2,657.51			773.51	1,790.99	4.3%
701090	Other Containers of Glass; Preserving Jars of Glass; Closures of Glass		1,367.22	1,468.42	1,546.47	1,016.77	2.4%
853710	Boards,panels,includg numerical control panels,for a voltage </=1000 V		18.49	266.68		916.53	2.2%
271112	Propane, liquefied	2,380.69	2,230.26	758.57	256.69	910.93	2.2%
847330	Parts&accessories of automatic data processg machines&units thereof	3.04	269.20	113.06	127.27	821.09	2.0%
950430	Games, coin or disc-operated, other than bowling alley equipment			62.32	19.62	797.93	1.9%
340220	Surface-active prep, washing & cleaning prep put up for retail sale		0.47	0.56	200.29	794.53	1.9%
100590	Maize (corn) nes	266.14			87.51	791.38	1.9%
	Top 10 imported					24,407.22	58.1%
	Total imports					42,007.37	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
721420	Bars & rods, i/nas, hr, hd or he, cntg indent, ribs, etc, prod dur rp/tar, nes		9,310.33	7,087.28	10,663.01	22,302.38	43.2%
220210	Waters incl mineral&aeratd, containg sugar o sweeteng matter o flavourd	319.46	5,559.42	5,843.10	4,579.77	5,544.81	10.8%
271320	Petroleum bitumen	163.18	3,000.21	2,675.74	4,231.28	4,825.74	9.4%
847330	Parts&accessories of automatic data processg machines&units thereof	530.83	1,328.45	1,619.01	2,044.65	3,143.44	6.1%
271019	Light petroleum distillates nes	79.99	75.77	54.67	850.18	2,005.98	3.9%
260111	Iron ores&concentrates, oth than roasted iron pyrites, non-agglomerated					959.57	1.9%
080711	Watermelon, fresh	141.78	282.00	518.91	506.48	926.14	1.8%
090121	Coffee, roasted, not decaffeinated	255.57	456.49	667.51	639.26	888.64	1.7%
940350	Bedroom furniture, wooden, nes	297.43	609.60	636.82	696.78	841.69	1.6%
151219	Sunflower-sed/safflower oil&their fractions refind but nt chem modifid	101.72	252.87	239.07	88.24	787.58	1.5%
	Top ten exported					42,225.98	81.9%
	Total exports					51566.87	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
720449	Ferrous waste and scrap, iron or steel, nes		32.67	3,713.92	5,271.30	7,520.39	24.4%
071420	Sweet potatoes, fresh or dried, whether or not sliced or pelleted	10.34	309.37	256.36	1,599.42	3,424.49	11.1%
760200	Waste and scrap, aluminium	435.63	309.11	721.38	1,602.91	2,315.22	7.5%
110100	Wheat or meslin flour	0.90		1.76	4.19	1,682.80	5.5%
200980	Fruit&veg juice nes (exc mx) unferment unspirtd, whether/not sug/sweet	123.90	461.27	1,036.60	1,223.01	1,359.85	4.4%
721049	Flat rolled prod, i/nas, plated or coated with zinc, >/=600mm wide, nes					711.88	2.3%
252329	Portland cement nes				27.01	675.82	2.2%
870333	Automobiles with diesel engine displacing more than 2500 cc	12.29	36.57	27.90	59.37	651.44	2.1%
220290	Non-alcoholic beverages nes, excludg fruit/veg juices of headg No 20.09		1.25	12.75	244.07	550.25	1.8%
010290	Bovine, live except pure-bred breeding			284.31	294.29	533.74	1.7%
	Top ten imported					19,425.88	62.9%
	Total imports					30,862.35	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
260111	Iron ores&concentrates,oth than roasted iron pyrites,non-agglomerated		291.77	3,074.00	4,256.12	6,681.26	26.3%
271320	Petroleum bitumen	227.39	748.33	212.94	1,428.00	3,350.67	13.2%
854590	Articles of carbon/graphite,of a kind usd for electrical purposes,nes		2,487.39	1,432.83	1,207.16	2,192.54	8.6%
220210	Waters incl mineral&aeratd,containg sugar o sweeteng matter o flavourd	1.08	3.09	30.58	16.31	2,182.71	8.6%
252329	Portland cement nes	218.64	361.25	866.64	793.70	1,807.04	7.1%
721420	Bars & rods,i/nas,hr,hd or he,cntg indent,ribs,etc,prod dur rp/tar,nes		125.63	379.02	979.47	983.86	3.9%
121190	Plants &pts of plants(incl sed&fruit) usd in pharm,perf,insect etc nes	436.18	650.94	529.99	793.96	916.44	3.6%
847330	Parts&accessories of automatic data processg machines&units thereof		2.81			862.71	3.4%
854810	Electrical parts of machinery nesoi					862.55	3.4%
940350	Bedroom furniture, wooden, nes	169.42	358.06	490.25	518.61	766.26	3.0%
	Top ten exported					20,606.0	81.2%
	Total exports					25366.701	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
721420	Bars & rods,i/nas,hr,hd or he,cntg indent,ribs,etc,prod dur rp/tar,nes	38.39	171.54	138.79	4,090.45	13,287.41	13.3%
271019	Light petroleum distillates nes			125.78	1,550.80	8,147.69	8.1%
300490	Medicaments nes, in dosage	1,026.80	922.24	1,408.12	2,360.12	5,238.38	5.2%
252329	Portland cement nes	0.71	1.88	3.44	258.69	3,166.69	3.2%
680911	Plaster boards etc not ornamental facd o reinforcd w paper/paperboard	532.75	714.96	850.24	1,326.58	2,410.41	2.4%
730890	Structures&parts of structures,i/s (ex prefab bldgs of headg no.9406)	165.57	373.44	598.06	1,393.02	2,360.60	2.4%
720839	flat-roll iron & na steel n/un600mm wd hot-rl, not clad			33.61	402.58	1,799.17	1.8%
080810	Apples fresh	1,138.96	2,305.45	2,058.66	2,597.57	1,702.26	1.7%
210210	Active yeast	1,613.31	1,772.64	1,684.28	1,470.32	1,589.48	1.6%
240220	Cigarettes containing tobacco		1,211.37	454.41	1,400.59	1,504.78	1.5%
	Top ten imports					41,206.87	41.2%
	Total imports					99,980.22	

HS Code	Description	2003	2004	2005	2006	2007	Share to total, in %
721420	Bars & rods,i/nas,hr,hd or he,cntg indent,ribs,etc,prod dur rp/tar,nes			16.97		5,654.04	21.9%
271320	Petroleum bitumen	1,500.35	990.75	3,218.09	5,026.31	4,000.99	15.5%
271112	Propane liquefied	60.65			765.00	3,138.12	12.2%
252329	Portland cement nes	5.55				2,782.59	10.8%
760410	Bars, rods and profiles, aluminium, not alloyed	91.19	126.85	223.26	1,161.47	2,717.91	10.5%
940350	Bedroom furniture, wooden, nes	120.80	334.32	393.67	720.85	1,526.85	5.9%
640510	Footwear with uppers of leather or composition leather, nes				284.55	568.19	2.2%
760200	Waste and scrap, aluminium					477.48	1.9%
080711	Watermelon, fresh	14.66		32.30	302.16	393.29	1.5%
271113	Butanes, liquefied				23.65	283.29	1.1%
271111	Natural gas, liquefied	8.72			742.76	240.55	0.9%
	Top ten exported					21,783.29	84.5%
	Total exports					25765.72	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
271600	Electrical Energy					60,485.55	42.1%
720449	Ferrous waste and scrap, iron or steel, nes	196.51			568.94	28,406.08	19.8%
100590	Maize (corn) nes	159.45	620.82	1,128.84	5,385.25	7,081.94	4.9%
080300	Bananas including plantains, fresh or dried	349.20	96.05	171.40	1,368.89	3,449.14	2.4%
110100	Wheat or meslin flour	54.55	207.88	439.38	402.68	2,255.98	1.6%
300490	Medicaments nes, in dosage	2.38	112.25	439.26	1,502.15	2,251.93	1.6%
300420	Antibiotics nes, in dosage	6.13	75.13	158.69	475.10	1,830.66	1.3%
100190	Wheat nes and meslin		4,003.64	167.24	326.07	1,608.44	1.1%
761290	Container,alum,cap <300L,lined/heat insul/nt,n/ftd w/mech/thermo equip	10.92	14.05	2.40	451.24	1,503.00	1.0%
440710	Lumber, coniferous (softwood) 6 mm and thicker	995.79	2,691.19	3,183.92	1,861.84	1,322.78	0.9%
	Top ten imported					110,195.00	76.6%
	Total imports					143,812.32	

## Annex V: Quota fulfillment in the framework of the FTAs in the region

Table A5.1: Quotas fulfillment in the frame of the FTA with Croatia													
HS code	Description	2004			2005			2006			2007		
		Quo.	Fulfil.	%	Quo.	Fulfil.	%	Quo.	Fulfil.	%	Quo.	Fulfil.	%
<b>Quotas granted to Croatia, in tons</b>													
403	Buttermilk, curdled milk etc	50		0.0%	50		0.00%	50		0.00%	50	0	0.0%
1001	Wheat and meslin:	5000	28777.9	575.6%	5000	975.00	19.50%	5000		0.00%	5000	646	12.9%
1107	Malt	200		0.0%	200		0.00%	200	2561.45	1280.73%	200	4072	2036.0%
1602	Other prepared or preserved meat	100		0.0%	100		0.00%	100	2.00	2.00%	100	0	0.0%
1806	Chocolate	100		0.00%	100	8.02	8.02%	100	38.12	38.12%	100	9	9.0%
1901	Malt extract	250		0.0%	250	9.44	3.78%	250	5.4	2.16%	250	8	3.2%
1902	Pasta etc	150		0.0%	150		0.00%	150		0.00%	150	0	0.0%
1905	Bread and pastry cakes	200	1.85	0.9%	200	3.58	1.79%	200	8.071	4.04%	200	15	7.5%
2001	Prepared vegetables, fruit, nuts	100		0.00%	100		0.00%	100		0.00%	100	1	1.0%
2007	Jams	50		0.00%	50		0.00%	50		0.00%	50	1	2.0%
2009	Fruit juices	200	4.95	2.5%	200		0.00%	200		0.00%	200	0	0.0%
2102	Yeasts	50		0.00%	50	70.06	140.12%	50	424.47	848.93%	50	382	764.0%
2104	Soups etc	50		0.00%	50	3.24	6.47%	50	16.63	33.27%	20	0	0.0%
2105	Ice cream	50		0.00%	50	16.75	33.49%	50	32.69	65.37%	50	33	66.0%
2106	Food preparations	150		0.00%	150	1.05	0.70%	150	10.62	7.08%	150	18	12.0%
040630	Processed Cheese	100		0.00%	100		0.00%	100		0.00%	100	0	0.0%
040690	Other Cheese	100		0.00%	100		0.00%	100		0.00%	100	0	0.0%
170490	Cabbage	100		0.00%	100		0.00%	100		0.00%	100	1	1.0%
Total		7000	28784.7	411.21%	7000	1087.1	15.53%	7000	3099.5	44.28%	6970	5186	74.4%
<b>Quotas granted To Albania, in tones</b>													
	Description												
204	Meat of sheep or goats	150		0.00%	150		0.00%	150		0.00%	150	0	0.0%
409	Natural Honey	50		0.00%	50		0.00%	50		0.00%	50	0	0.0%
1211	Medicinal Herbs	50	37.10	74.21%	50	44.9	89.80%	50	127.09	254.17%	50	122	244.0%
2101	Yeasts	50		0.00%	50		0.00%	50		0.00%			
2201	Mineral Waters	150		0.00%	150		0.00%	150		0.00%	150	0	0.0%

2202	Other Waters	100		0.00%	100		0.00%	100		0.00%	100	0	0.0%
708200020	Beans	100		0.00%	100		0.00%	100		0.00%	100	0	0.0%
22082012	Cognac	75		0.00%	75	1.5	2.00%	75		0.00%	75	0	0.0%
23099097	Other Preparations of a kind used in animal feeding	100		0.00%	100		0.00%	100		0.00%	100	0	0.0%
4061080	Other cheese and crud	100		0.00%	100		0.00%	100		0.00%	100	0	0.0%
4069029	Cachawal	150		0.00%	150		0.00%	150		0.00%	150	0	0.0%
4070030	Other birds eggs	70		0.00%	70		0.00%	70		0.00%	70	0	0.0%
701905020		200		0.00%	200		0.00%	200		0.00%	200	0	0.0%
702000010				0.00%			0.00%			0.00%		0	0.0%
702000020		300		0.00%	300		0.00%	300		0.00%	300	0	0.0%
7039000	Leeks and other vegetables	150		0.00%	150		0.00%	150		0.00%	150	0	0.0%
7061000	Carrots and turnips	100		0.00%	100		0.00%	100		0.00%	100	0	0.0%
7070005	Cucumbers	150		0.00%	150		0.00%	150		0.00%	150	0	0.0%
8041000	Dates	200		0.00%	200		0.00%	200		0.00%	200	0	0.0%
15091090	Other Olive Oils	150		0.00%	150		0.00%	150		0.00%	150	0	0.0%
20019065	Prepared Olives	100		0.00%	100		0.00%	100		0.00%	100	0	0.0%
Total		2495	37.10	1.5%	2495	46.4	1.9%	2495	127.09	5.1%	2445	122	5.0%

HS code	Description	2007		
		Quota	Fulfillment	%
<b>Quotas granted to Kosova, in tons</b>				
2203	Beer made from malt	500	116	23.2%
Total		500	116	23.2%
in tons	Description	2007	2007	%
<b>Quotas granted to Albania, in tons</b>				
2203	Beer made from malt	500	408	81.6%
Total		500	408	81.6%

HS code	Description	2004			2005			2006			2007		
		Quota	Fulfil.	%	Quota	Fulfil.	%	Quota	Fulfil.	%	Quota	Fulfil.	%
<b>Quotas granted to Macedonia, in tons</b>													
702	Tomatoes	150	59.67	39.8%	150	512.13	341.4%	150	460.02	306.7%	150	384	256.0%

707	Cucumbers	100	3.65	3.7%	100	70.72	70.7%	100	37.69	37.7%	100	97	97.0%
1601	Sausages and similar products	150		0.0%	150	5.02	3.3%	150	0.14	0.1%	150	8	5.3%
1602	Other prepared and preserved meat	100	3.56	3.6%	100		0.0%	100		0.0%	100	5	5.0%
1704	Sweets from sugar	200	4.11	2.1%	200	6.23	3.1%	200	4.70	2.3%	200	9	4.5%
40610	Fresh Cheeses	50	3.28	6.6%	50		0.0%	50	0.025	0.1%	50	0	0.0%
080810	Apples	3000	5827.3	194.2%	3000	5192.02	173.1%	3000	6865.5	228.9%	3000	3552	118.4%
04069029	Cachawal	50	5.06	10.1%	50	0.13	0.3%	50		0.0%	50	0	0.0%
Total		3800	70.99	1.9%	3800	5786.11	152.3%	3800	7368.1	193.9%	3800	4055	106.7%

**Quota granted to Albania, in tons**

		2004			2005			2006			2007		
701	Fresh potatoes	300		0.0%	300		0.0%	300		0.0%	300	14	4.7%
702	Tomatos	150	76.26	50.8%	150	93.02	62.0%	150	100.75	67.2%	150	0	0.0%
706	Carrots etc	200		0.0%	200		0.0%	200	2.09	1.0%	200	0	0.0%
707	Cucumbers	100	51.23	51.2%	100	16.32	16.3%	100	14.58	14.6%	100	69	69.0%
807	Melons	2500	90.97	3.6%	2500	254.3	10.2%	2500	302.96	12.1%	2500	0	0.0%
1601	Sausages	150		0.0%	150		0.0%	150		0.0%	150	0	0.0%
1602	Other prepared meat	100		0.0%	100		0.0%	100		0.0%	100	0	0.0%
4069029	Cachawal	50	4.421	8.8%	50		0.0%	50		0.0%	50	0	0.0%
8071100	Watermelons	0	90.97		0	254.3		0	297.85		0	680	
22082012	Cognac	200		0.0%	200		0.0%	200		0.0%	200	0	0.0%
Total		3750	222.88	5.9%	3750	363.64	9.7%	3750	420.38	11.2%	3750	763	20.3%

**Table A5.4: Quotas fulfillment in the frame of the FTA with Serbia, and Montenegro**

HS code	Description	2004			2005			2006			2007		
		Quo.	Fulfil.	%	Quo.	Fulfil.	%	Quota	Fulfil.	%	Quota	Fulfil.	%
<b>Quotas granted to Serbia, and Montenegro, in tons</b>													
405	Butter	200			200		0.0%	200		0.0%	200	2	1.0%
1001	Wheat and mesin	2500	25622.3	1024.9%	2500	1812.11	72.5%	2500	2053.15	82.1%	2500	9612	384.5%
1101	Wheat or mesin flour	2500	884.281	35.4%	2500	2226.82	89.1%	2500		0.0%	2500	2893	115.7%
1517	Margarine;	1500		0.0%	1500	1.00	0.1%	1500	412.329	27.5%	1500	203	13.5%
1601	Sausage etc.	100		0.0%	100	13.50	13.5%	100	22.586	22.6%	100	7	7.0%
1902	Pasta etc	250		0.0%	250	0.02	0.0%	250	9.528	3.8%	250	32	12.8%
2007	Jams	250		0.0%	250		0.0%	250	4.71	1.9%	250	0	0.0%
2009	Fruit juices	200	160.833	80.4%	200	150.23	75.1%	200	122.401	61.2%	200	213	106.5%
2104	Soups etc	100		0.0%	100	1.02	1.0%	100	4.71	4.7%	100	22	22.0%
2105	Ice	100		0.0%	100	6.49	6.5%	100		0.0%	100	1	1.0%
2201	Waters	200		0.0%	200		0.0%	200	19.524	9.8%	200	0	0.0%
2203	Beer	200	739.977	370.0%	200	976.41	488.2%	200	796.71	398.4%	200	520	260.0%

2204	Vine from fresh grapes	200	30.662	15.3%	200	55.08	27.5%	200	98.107	49.1%	200	98	49.0%
110313	Cereals of maize	5000	28.8	0.6%	5000	242.00	4.8%	5000	1034.01	20.7%	5000	607	12.1%
190530	Sweet biscuits	750		0.0%	750		0.0%	750		0.0%	750	0	0.0%
220870	Liqueurs	500	0.032	0.0%	500		0.0%	500	0.888	0.2%	500	1	0.2%
230990	Other	400	1.04	0.3%	400		0.0%	400	62	15.5%	400	0	0.0%
04061080	Fresh Cheese	200	174.847	87.4%	200	12.00	6.0%	200	33.525	16.8%	200	0	0.0%
15121991	Sunflower Oil	500		0.0%	500		0.0%	500		0.0%	500	0	0.0%
22082012	Cognac	500		0.0%	500		0.0%	500	0.164	0.0%	500	1	0.2%
22082026	Grappa	200		0.0%	200	6.00	3.0%	200		0.0%	200	0	0.0%
Total		15700	27612.9	175.9%	15700	5502.68	35.0%	15700	4673.29	29.8%	16350	14212	86.9%

**Quotas granted to Albania, in tons**

HS code	Description	2004			2005			2006			2007		
204	Meat of ship or goats	100		0.0%	100		0.00	100		0.0%	100	0	0.0%
4061080	Other	200		0.0%	200		0.00	200		0.0%	200	0	0.0%
0702	Tomatoes	750		0.0%	750	19.44	2.6%	750	90.70	12.1%	750	103	13.7%
0704	Cabbage	100		0.0%	100		0.0%	100	391.92	391.9%	100	14	14.0%
2001	Preserved vegetables or fruits	100		0.0%	100		0.0%	100		0.0%	100	0	0.0%
2009	Fruits juice	200		0.0%	200		0.0%	200		0.0%	200	0	0.0%
2201	Waters	200		0.0%	200		0.0%	200		0.0%	200	2	1.0%
2203	Beer	200		0.0%	200		0.0%	200		0.0%	200	1	0.5%
2204	Vine form fresh grapes	200		0.0%	200		0.0%	200		0.0%	200	0	0.0%
70390	Leeks	200		0.0%	200		0.0%	200		0.0%	200	0	0.0%
070610	Carrots	200		0.0%	200		0.0%	200	7.32	3.7%	200	0	0.0%
080711	Melons	2000		0.0%	2000	204.6	10.2%	2000	2272.58	113.6%	2000	2378	118.9%
81210	Cherries	50		0.0%	50		0.0%	50		0.0%	50	0	0.0%
080719	Other	300		0.0%	300		0.0%	300	1.00	0.3%	300	4	1.3%
220870	Liqueurs	500		0.0%	500		0.0%	500		0.0%	500	0	0.0%
230990	Other	400		0.0%	400		0.0%	400		0.0%	400	0	0.0%
4069029	Cachawal	200		0.0%	200		0.0%	200		0.0%	200	0	0.0%
7070005	Cucumber	500		0.0%	500		0.0%	500		0.0%	500	10	2.0%
22082012	Cognac	500		0.0%	500		0.0%	500		0.0%	500	5	1.0%
22082026	Grappa	200		0.0%	200		0.0%	200	3.02	1.5%	200	0	0.0%
24012060	Tabacco	500		0.0%	500		0.0%	500		0.0%	500	0	0.0%
Total		7350	0	0.0%	7350	224.04	3.0%	7350	2766.54	37.6%	7600	2517	33.1%

## Annex VI: Most traded commodities with other selected countries

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
732690	Articles, iron or steel, nes					2,632.61	36.8%
121190	Plants &pts of plants(incl sed&fruit) usd in pharm,perf,insect etc nes	1,989.10	2,985.12	3,488.94	2,639.68	2,382.78	33.3%
121490	Swedes,mango,fodder root,hay, clover,sainfoin,forag kale,etc			98.10		364.17	5.1%
930630	Cartridges nes and parts thereof	95.38				335.57	4.7%
900830	Image projectors, nes					298.26	4.2%
902710	Gas or smoke analysis apparatus		16.90	0.83		283.21	4.0%
850134	DC motors, DC generators, of an output exceeding 375 KW					239.47	3.4%
940340	Kitchen furniture, wooden, nes				99.99	155.88	2.2%
220110	Mineral& aerated waters not cntg sugar or sweetening matter nor flavored				23.34	112.53	1.6%
	Top 10 exported					6,804.48	95.2%
	Total exports					7146.6225	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
720449	Ferrous waste and scrap, iron or steel, nes			2,702.31	773.41	2,756.98	8.3%
020714	Edible chicken parts and offals, frozen	4,400.81	5,686.60	3,526.21	2,223.11	2,330.87	7.0%
870210	Diesel powered buses with a seating capacity of > nine persons			15.37		2,079.75	6.3%
300490	Medicaments nes, in dosage	3.48	247.34	34.75	508.69	1,674.26	5.0%
720711	Semi-fin prod,i/nas,rect/sq cross-sect cntg by wgt<.25% c,width<2X thk				21,909.65	1,634.58	4.9%
842919	Bulldozers and angledozers, wheeled					1,447.54	4.4%
100590	Maize (corn) nes	668.76	447.91		22.65	1,420.55	4.3%
852439	Records, tapes for laser system reading, for sound and image/image only recording	10.26	29.90	13.47	38.39	1,202.31	3.6%
850650	Lithium cells and batteries (not used)	0.09				1,105.83	3.3%
730820	Towers and lattice masts, iron or steel					1,050.11	3.2%
	Top 10 imported products					16,702.78	50.2%
	Total imports					33247.37	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
261000	Chromium ores and concentrates	1,719.10	506.31	2,865.05	9,147.71	27,184.74	99.3%
740400	Waste and scrap, copper or copper alloy			388.34		97.37	0.4%
691110	Tableware and kitchenware of porcelain or china					39.16	0.1%
690810	Tiles, cubes and sim <7 cm rect or not etc, glazed ceramics					29.24	0.1%
690790	Tiles, cubes and sim nes, unglazed ceramics					20.78	0.1%
700991	Glass mirrors, unframed					7.83	0.0%
392690	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes				0.01	2.76	0.0%
691010	Ceramic sinks, wash basins etc&sim sanitary fixtures of porcelain/china		0.25		0.03	1.70	0.0%
940180	Seats nes, other than those of heading No 94.02					1.41	0.0%
	Top 10 exported					27,384.99	100.0%
	Total exports					27385.726	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
640299	Footwear, outer soles/uppers of rubber or plastics, nes	1,551.14	3,615.48	3,881.83	4,002.75	7,050.87	3.3%
690810	Tiles, cubes and sim <7 cm rect or not etc, glazed ceramics	79.57	829.06	2,565.04	4,176.32	5,718.29	2.6%
640219	Sports footwear, outer soles and uppers of rubber or plastics, nes	173.35	775.88	1,983.30	3,605.17	5,451.35	2.5%
731100	Containers for compressed or liquefied gas of iron or steel	10.91	13.78	22.53	108.98	4,660.13	2.2%
940360	Furniture, wooden, nes	100.12	637.65	2,277.01	2,920.33	4,552.47	2.1%
730610	Pipe, line, i or s, welded, riveted or sim closed, nes, for oil or gas pipeline			51.44	254.81	3,827.75	1.8%
950390	Toys nes	16.32	1,022.34	2,252.13	2,640.18	3,733.78	1.7%
390311	Polystyrene, expansible	113.19	237.27	437.38	691.09	3,593.22	1.7%
721420	Bars & rods, i/nas, hr, hd or he, cntg indent, ribs, etc, prod dur rp/tar, nes					3,468.86	1.6%
848180	Taps, cocks, valves and similar appliances, nes	234.26	1,050.72	1,976.52	2,168.58	3,459.17	1.6%
	Top 10 imported					45,515.88	21.1%
	Total imports					216075.62	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
270900	Petroleum oils and oils obtained from bituminous minerals, crude					12,165.40	51.4%
720449	Ferrous waste and scrap, iron or steel, nes		3,526.18	3,735.91	5,506.89	2,788.93	11.8%
261000	Chromium ores and concentrates	31.99				2,451.51	10.4%
410210	Sheep or lamb skins, raw, with wool on, nes	1,615.75	1,524.52	1,135.77	1,375.89	1,587.63	6.7%
121190	Plants &pts of plants(incl sed&fruit) usd in pharm,perf,insect etc nes	892.07	1,284.35	1,204.13	1,034.04	1,468.65	6.2%
853620	Automatic circuit breakers for a voltage not exceeding 1,000 volts					346.65	1.5%
391590	Plastics waste and scrap nes				131.74	342.80	1.4%
410419	Tanned bovine/horse leather, no hair, in parts or not		48.82			286.87	1.2%
940290	Medical, surgical, dental or veterinary furniture and parts nes					242.88	1.0%
410310	Goat or kid hides and skins, raw, nes	28.69	139.26	120.85	51.50	237.06	1.0%
	Top ten exported					21,918.39	92.6%
	Total exports					23678.78	

HS Code	Description	2003	2004	2005	2006	2007	Share to total in %
721420	Bars & rods,i/nas,hr,hd or he,cntg indent,ribs,etc,prod dur rp/tar,nes	5,353.73	5,465.69	6,199.43	17,433.89	23,249.37	7.2%
252329	Portland cement nes	4,186.67	6,793.65	13,123.08	15,145.05	10,913.26	3.4%
190590	Communion wafers,empty cachets f pharm use&sim prod&bakers' wares nes	7,402.80	7,649.96	7,139.05	8,561.43	10,080.15	3.1%
721499	Bars & rods, iron or non-alloy steel forged	523.06	4,374.27	10,715.99	4,288.80	9,891.63	3.1%
720711	Semi-fin prod,i/nas,rect/sq cross-sect cntg by wgt<.25% c,width<2X thk	5,272.13	6,057.00	2,506.30	2,589.35	9,332.53	2.9%
240220	Cigarettes containing tobacco	489.04	1,557.80	1,229.91	11,805.45	8,196.72	2.5%
760410	Bars, rods and profiles, aluminium, not alloyed	1,276.29	3,234.11	4,817.79	4,906.51	7,509.24	2.3%
610620	Womens/girls blouses and shirts, of man-made fibres, knitted	3.24	2,018.33	2,950.09	3,146.63	5,075.49	1.6%
620323	Mens/boys ensembles, of synthetic fibres, not knitted	0.47	4.90			4,829.78	1.5%
190531	Sweet biscuits	3,231.80	5,314.30	4,754.99	3,657.35	4,793.22	1.5%
	Top ten imported					93,871.38	29.1%
	Total imports					323023.59	

## Annex VII: List of trade-related acts enacted during 2007

Type of legal acts	No.	Date	Act
Law	9683	06.02.2007	On some amendments to the Law no 8981 date 12.12.2002 'For the approval of the levels of custom tariffs' changed"
CMD	85	17.02.2007	For the approval of the notification procedures for trade, economic and financial legal framework to the World Trade Organization
CMD	112	21.02.2007	For the creation of the Albanian Fund of Competitiveness
Directive	3	26.02.2007	On some amendments and changes to the directive of the Minister of Finances no 3, 30.01.2006 "For the Value Added Taxation"
CMD	152	07.03.2007	For the organization and functionality of the Commission of Medicament Prices".
CMD	162	07.03.2007	For the rent of the properties of the state enterprises, companies and institutions"
Law	9696	21.03.2007	For the ratification, amendment and adherence to the "Central Europe Free Trade Agreement
CMD	147	21.03.2007	For the quality of the fuels, gas and diesel
Parliament Decision	96	30.04.2007	For the approval of the organigram and structure of the Competition Regulatory Unit"
Law	9733	14.05.2007	For the ratification of the FTA between Albania and Turkey
Law	9737	17.05.2007	For some changes and adds on the Law no 8560 date 22.12.1999 "For the taxation system procedures
Directive	8	05.06.2007	For a change in the directive no. 3 date 30.01.2005 "For VAT" changed"
CMD	343	06.06.2007	For the approval of the tariffs and Services offered by the Albanian Office for the Author's Right
Law	9751	07.06.2007	For some changes and adds on the law no. 7638 date 19.11.1992 "For the trade organizations" changed
Law	9765	09.07.2007	For some changes in law no. 8976, date 12.12.2002 "For excise" changed
Law	9766	09.07.2007	For some additions and changes in Law no. 8438, date 28.12.1998 "For income tax (corporate tax)" changed
Law	9770	09.07.2007	For a change in Law no. 8981, date 12.12.2002 "For the approval of levels of custom tariffs" changed
CMD	795	11.07.2007	For the approval of the Strategy of Business and Investments development for the period 2007-2013
Law	9777	16.07.2007	For the ratification of the financial agreements between the Council of Ministers of the Republic of Albania and the
			Commission of the European Community for the annual regional program CARDS 2006, of the community assistance
			for the custom authorities of the Western Balkans
Decision of State	38	18.07.2007	For the plan of state assistance "The fund of export credit guarantee"
Aid Commission			
Law	9789	19.07.2007	For the creation and functioning of economic zones (industrial parks)"
Law	9787	19.07.2007	For an addition in Law no. 7638, date 19.11.1992 "For trade organizations" changed
Law	9790	19.07.2007	For protection measures in imports
Law	9796	23.07.2007	For the antidumping and countervailing measures
Law	9779	27.07.2007	For the security, basic requirements and conformity evaluation of non food products
CMD	503	01.08.2007	For the approval of tariffs for the functional services of the National Registrations Centre
CMD	505	01.08.2007	For the approval of the statute of the NRC
CMD	506	01.08.2007	For the procedures of registration and publication in the NRC"
CMD	547	22.08.2007	For the authorization of the implementation of concessions in the agriculture and food sector
Law	9804	13.09.2007	For a change in law 8438, date 28.12.1998 "for profit tax" changed

CMD	860	10.10.2007	For the approval of the regulation of the creation and functioning of economic zones (industrial parks)
Law	9824	01.11.2007	For the accreditation of organizations for the evaluation of conformity in the Republic of Albania
CMD	774	14.11.2007	For the approval of the inter-sectorial strategy of rural development 2007-2013
CMD	797	14.11.2007	For the approval of the Consumer Protection and Market Surveillance Strategy, for the period 2007-2013
CMD	839	05.12.2007	For the conditions and procedures of the reimbursement of paid excise and relief conditions for energy producers with installed power over 5 MW.
Law	9854	12.12.2007	For some changes in law no. 8976, date 12.12.2002 "For excise" changed
Law	9844	17.12.2007	For income tax" changed
Law	9848	17.12.2007	For some additions in law no. 7928, date 27.04.1995 "For value added tax" changed
CMD	888	19.12.2007	For the technical approval of regulations "For the basic requirements and evaluations of toys' conformity
CMD	889	19.12.2007	For the approval of technical regulations "For basic requirements and conformity assessment of simple under pressure containers
Law	9856	26.12.2007	For some changes in law no. 7928, date 27.04.1995 "For value added tax" changed

## ACIT – AT A GLANCE

ACIT – The Albanian Center for International Trade, as a joint program of the US Agency for International Development (USAID) and ISB (Institute for Contemporary Studies – an Albanian NGO), was launched in 2002.

The program's main goal is the improvement of trade policies in Albania, as an important instrument for the economic growth and development, as well as for increasing the benefits of the public and citizens from the opportunities created by the trade openness and integration processes.

To accomplish this mission, ACIT has developed an ambitious program based in five main pillars, serving as:

- Study and research center on international trade and trade policies.
- Dialogue forum among various stakeholders and interest groups, aiming at the improvement of trade policy formulation and an informed public debate.
- Resource center which provides direct access to information processed on the international trade of Albania and other countries.
- Capacity building center in international trade policies.
- Promotion center for the competitiveness of the Albanian economy and selected products.

Since more than five years, ACIT is providing an important service, particularly as a center of trade information and professional research in the area of

trade policy, thus supporting the decision-making and marketing processes by providing the interested parties with accurate information and knowledge on conditions, opportunities and risks involved in the international trade issues.

It also provides 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 the regional FTAs, recently consolidated under – CEFTA 2006, as well as related challenges.

Competitiveness of Albanian economy, products and firms, also remain under ACIT's scrutiny. Starting from the last three years, most of our services are also available on-line, through ACIT's main page [www.acit-al.org](http://www.acit-al.org), or the portals [www.ftdb.acit-al.info](http://www.ftdb.acit-al.info), [www.footwear.acit-al.info](http://www.footwear.acit-al.info). The page [www.albamis.com](http://www.albamis.com), temporarily under reconstruction, is expected to be re-launched soon, with the kind support of the line ministry.

The ultimate goal of ACIT work is the improvement of the competitiveness and performance of the Albanian economy, exports, investments, employment and welfare.

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