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Analysis of Export Industries – Albania

Centre for Competitiveness Promotion – Tirana, Albania

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The Centre for

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REPORT
ON
EXPORT DEVELOPMENT
IN
ALBANIA

May 2019

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Table of Content

List of Abbreviations

CEFTA	Central European Free Trade Agreement
CMT	Cut-Make-Trim
GDP	Gross Domestic Product
INSTAT	Institute of Statistics of Albania
ITC	International Trade Centre
NACE	Statistical classification of economic activities
NTM	Non-tariff Measures
SAA	Stabilisation and Association Agreement
SME	Small and Medium Size Enterprises
V.A.T	Value Added Tax

1. Background information on economic development of Albania

The Annual Report of Bank of Albania of 2018[1], lists, in brief, some figures on the development of the economic activity in Albania. It is considered that Albanian economy is continuing to improve with GDP growth from 3.8% (2017) to by 4.3% during the first nine months of 2018, with improving the figures from the previous year.

Economic growth was related to the expansion in consumption, investments and exports.
All components of domestic demand provided a positive contribution to output expansion. Private consumption growth was solid, based on rising employment and wages and improving consumer confidence as the domestic political situation stabilised.
The contribution on investment was from two large foreign direct investments in the energy sector. So, growth in electricity production also bolstered economic growth.

Albania continuous to perform well on Exports of services. It continues to increase at a double-digit rate, which reflects the increase of the tourism sector. Whereas the export of commodities is advanced for the first time in four years.

The annual inflation is in the range of 2 %, unchanged from 2017. Domestic factors, such as the expansion demand, decrease of unemployment and increased production capacities contributed to the rise of inflation. On the other hand, the exchange rate appreciation and fluctuations in international prices contributed to the decrease of imported inflation.
The rapid appreciation of the exchange rate, beyond the pace suggested by macroeconomic factors, characterised the first half of 2018.

2. Description of the current situation and trends for development

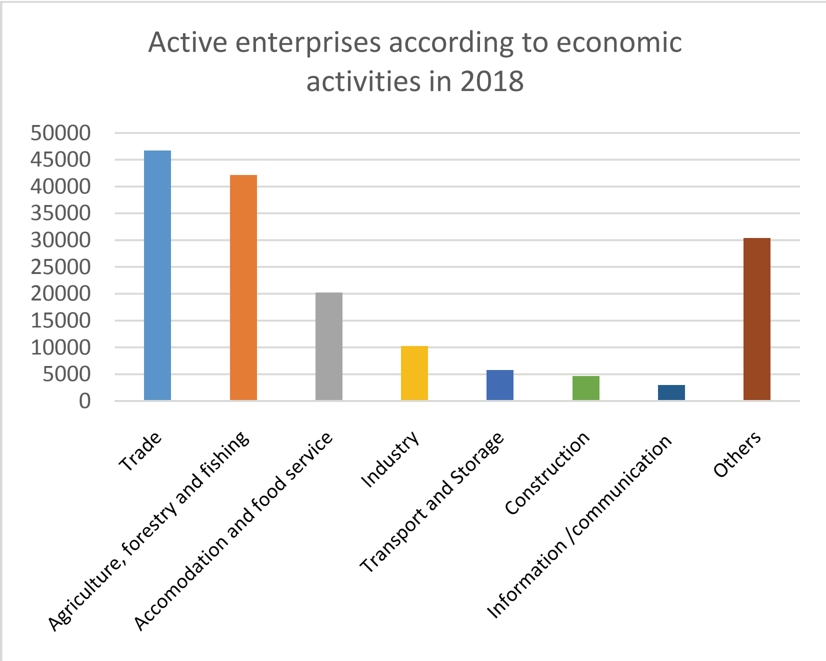
2.1 The position of SMEs and the sectors in Albanian economy

The enterprise register at the end of 2018 numbered 162,835 active enterprise and 99.8% of them are SMEs and 40,935 farmers.

- ✓ The Albanian economy is mainly focused on commercial activity, a phenomenon which is also noticed in enterprises registered during 2018. Business enterprises account for 23.2% of enterprises recorded during 2018, compared to 25.0% recorded during 2017.
- ✓ 80.3% of employees were employed by SMEs, whereas large enterprises with more than 50 employees account for 1.2% of total active and their contribution to employment is estimated at 48.1% in 2018, from 47.8% in 2017. Most of them are concentrated in the Tirana area.
- ✓ There is a decrease of women-led companies to 25,7%, compared to 29.7% in 2017 of total active enterprises. This percentage is higher for the municipality of Tirana, 33.2% of them.
- ✓ Enterprises with foreign owners or co-owners occupy 3.8% of active enterprises, compared to 3.9% in 2017 and employ 9.6% of total employees.

[1] Annual Report, Bank of Albania 2018, page 11

- ✓ Enterprises from the European Union countries account for 64.8% of foreign companies common. Enterprises with owners or co-owners of Italian and Greek origin represent
  52.8% of total foreign joint ventures are mainly concentrated in Tirana and Durrës districts.



Source: INSTAT

Based on results of Structural Statistics Survey for 2017, proceed by the Institute of Statistics of Albania (INSTAT) for Small and Medium Enterprises (SMEs) an overview of the weight of SMEs in the economy and the importance of specific sectors in employment and investment, is given below.

- ✓ The trade sector has the higher weight by 41.4%, followed by the other services sector by 20.8%. The lowest percentage has the extractive industry by 0.4% and the electricity, water and waste management sector with 0.6%.

- ✓ The trade sector employs 29.2% of SMEs, followed by the other services sector with 19.6% and the sector of processing industry with 18.7%. The sectors with the smallest number of employees is the extractive industry by 1.7% and the electricity, water and waste management sector by 2.4%.
- ✓ 77.2% of net sales are realized by SMEs from 77.8% realized last year. The trade sector has
  the largest share with 52.6% of net sales, followed by the processing industry by 11.4%
  and by the construction sector by 11.2%. The sector with the lowest percentage of sales realized by SMEs are the extractive industry with 2.1%.

- ✓ 60.1% of investments in the country are carried out by SMEs from 74.9% carried out last year. The sectors with the highest percentage level of investments made in SMEs are the production of energy, water and waste management sector by 24.1%. On the other hand, the extractive industry has the lowest percentage of investments of 1.3%.

- ✓ Enterprises with 250+ employees, although cover only 0.2% of total enterprises in the country, employ 19.7% of employees, cover 39.9% of investments and fulfil 22.8% of net sales.

2.2 An overview on the current results on the foreign Trade of Albania

The Institute of Statistics of Albania publishes each year a report on Foreign Trade in Goods and Enterprises. Some of the main key findings on the figures of export are extracted from this Report for 2017. The report of 2018 will be published in June 2019, but many of the figures and data are published as separate tables. The report gives the information through graphs, prepared based on the tables published by the INSTAT

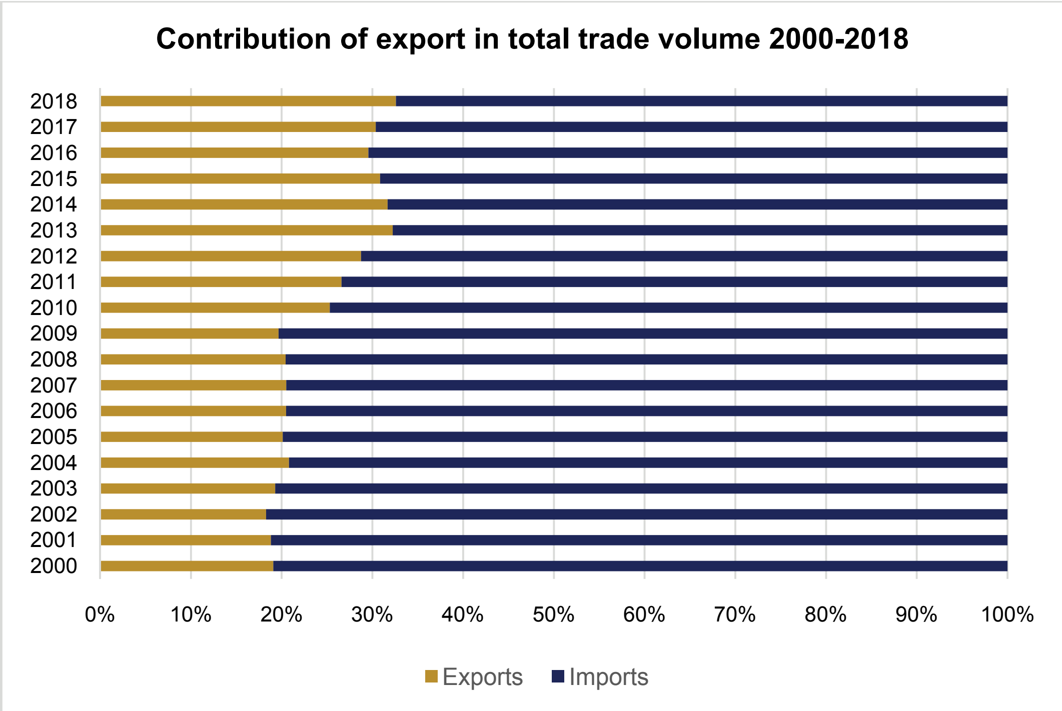
Some of the results of the Report of Foreign Trade (2017) of the Institute of Statistics are that in 2017, the:

- ✓ **Exports of goods** were ALL 273 billion, up 12.1% compared to 2016. While imports of goods reached 626 billion ALL, increasing by 8.1% compared to 2016.
- ✓ The **share of exports to EU countriesis 77%** of exports of goods, reaching 211 billion ALL. Exports to EU countries increased by 11.0% compared to 2016.
- ✓ The **share of imports from EU countries is 62%** of imports of goods, reaching 386 billion ALL. Imports from these countries grew by 5.4% compared to 2016.
- ✓ In 2017, the Albanian main partner for exports and imports continues to be **Italy.** The value of exports to Italy is 146 billion ALL, increasing 9.9% compared to 2016. While the value of imports from Italy was 179 billion ALL, increasing by 5.7% compared to 2016.
- ✓ **The number of exporting enterprises in 2017 is 2,961, increasing by 8,1% compared to 2016.**
- ✓ The number of **importing enterprises is 10,709 enterprises**, increasing by 6,7% compared to 2016.
- ✓ There is a correlation of the number of enterprises and the specific sectors. Hence, the **industry is dominated by exporting enterprises.** These enterprises cover 82% of the value of exports, increasing by 11.2% compared to 2016.
- ✓ The **trade sector is dominated by the importing enterprises** that cover 55% of the value of imports, increasing by 6.4% compared to 2016.
- ✓ More than 50% of the exports is created by the 50 largest enterprises (55%), while more than half of the imports are carried out by the largest 200 enterprises (52%).
- ✓ 36% of the value of exports is carried out by enterprises that export to one partner country, followed by companies that export to 3-5 partner countries (18%).
- ✓ In the contrary, the enterprises that import from 10 or more partner countries dominate and reach 50% of the value of imports, followed by companies importing from 3-5 partner countries (17%).

3. The Albanian Foreign Trade Balance

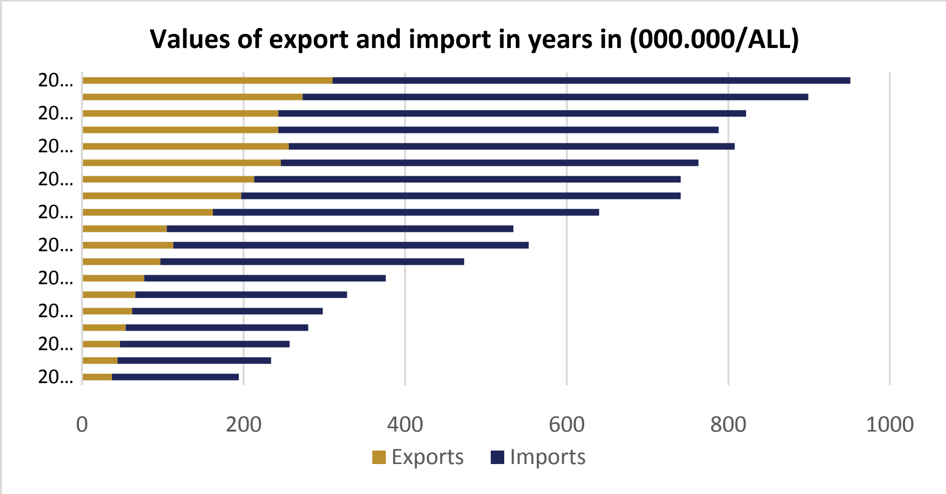
3.1 The Ratio between export and import

The Albanian foreign trade in goods for a period from (2000-2018) has shown increase in both, exports and imports. Only in the year 2018, the shares between exports and imports are respectively 32,5% and 67,5%.
The graph below shows that the narrowest gap between export and import is achieved only in 2018, compare to previous years. This positive trend development in export has quite positive impact on the trade balance, but still Albania continue to have a negative trade balance.



Source: INSTAT data, prepared by author

The trade volume of Albania has been increased, in years, which is an indicator that clearly reflects the growth trend of economic development of Albania and the readiness of the Albanian companies to enter in the foreign market.

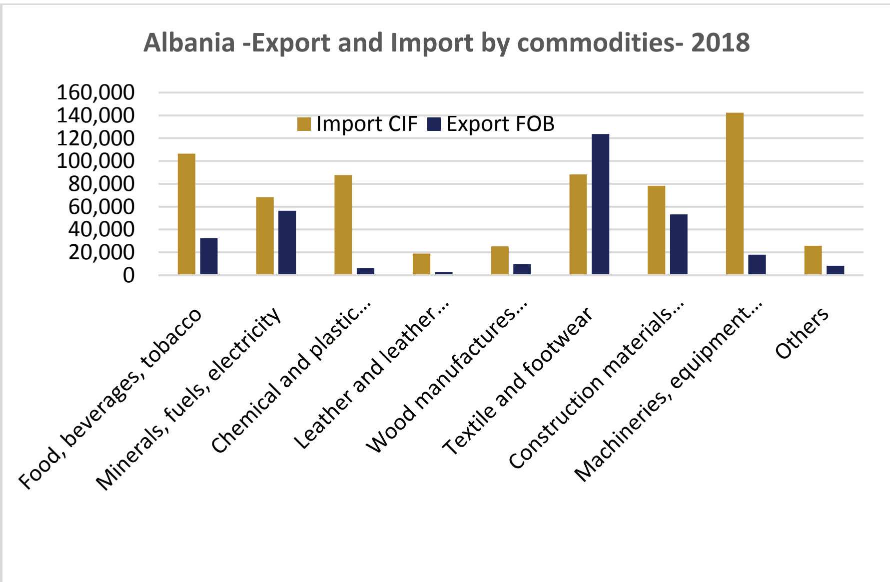


Source: INSTAT data, prepared by author

3.2 Main export and import products of Albania

The positive impact of export and gaining higher percentage on the trade volume compare to the 2017, results due to the lower percentage of the group of goods and commodities in import figures. Below there is a table that shows respectively the increase/decrease from the previous year in percentage. Even the graphic shows that in specific groups of commodities the % in import is lower than the respective percentage in export. This is the reasons that the export during 2018 has reached the higher figures than before in the volume of trade balance of Albania.

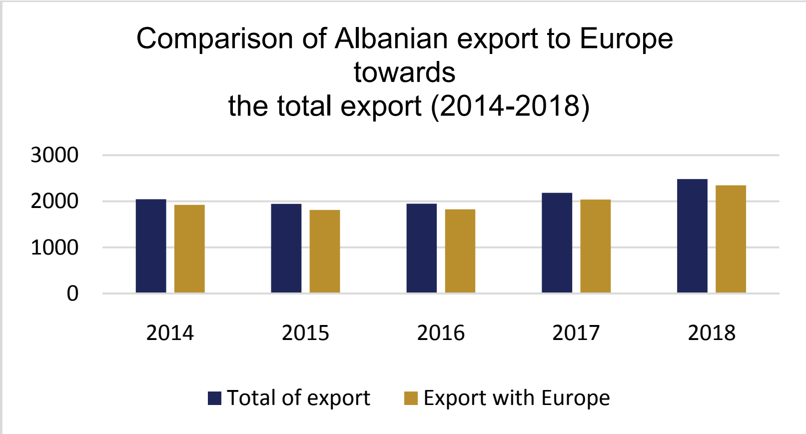
The main import products are the group of "Machinery, equipment and spare parts" that is ranked the first group, followed by the "Food and beverage and tobacco" and "Chemical and Footwear" and "Textile and Footwear". Whereas, the main export products are mainly "Textile and Footwear" and "Mineral, Fuel and Electricity" and "Construction materials and metals".



Source: INSTAT data, prepared by author

3.3 The main destinations of Foreign Trade activities of Albania

The exchange of goods of Albania with European countries in 2018 (EU-28, Western Balkan and wider) covers 94 % of the overall trade volume and less with America and Asian Countries. The graph shows the constant stability in the orientation of companies towards European countries and still existing the potentialities to enter and expand in this market.

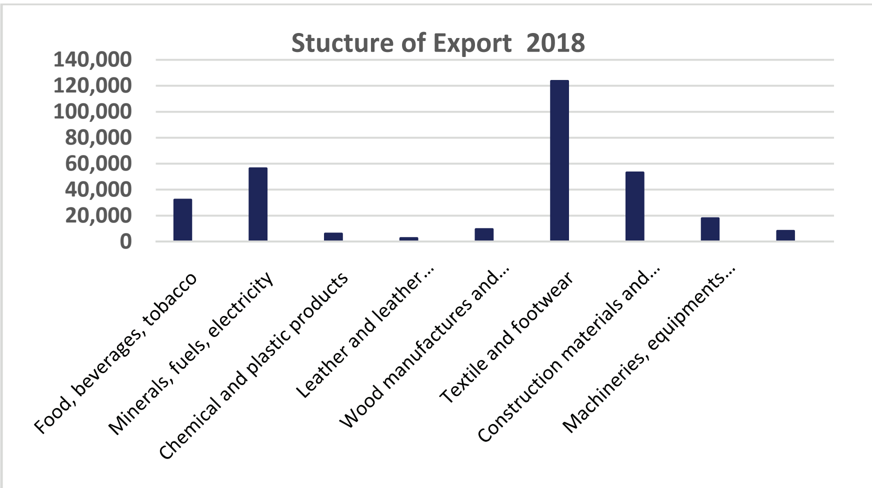


Source: INSTAT data, prepared by author

3.4 Structure of exports

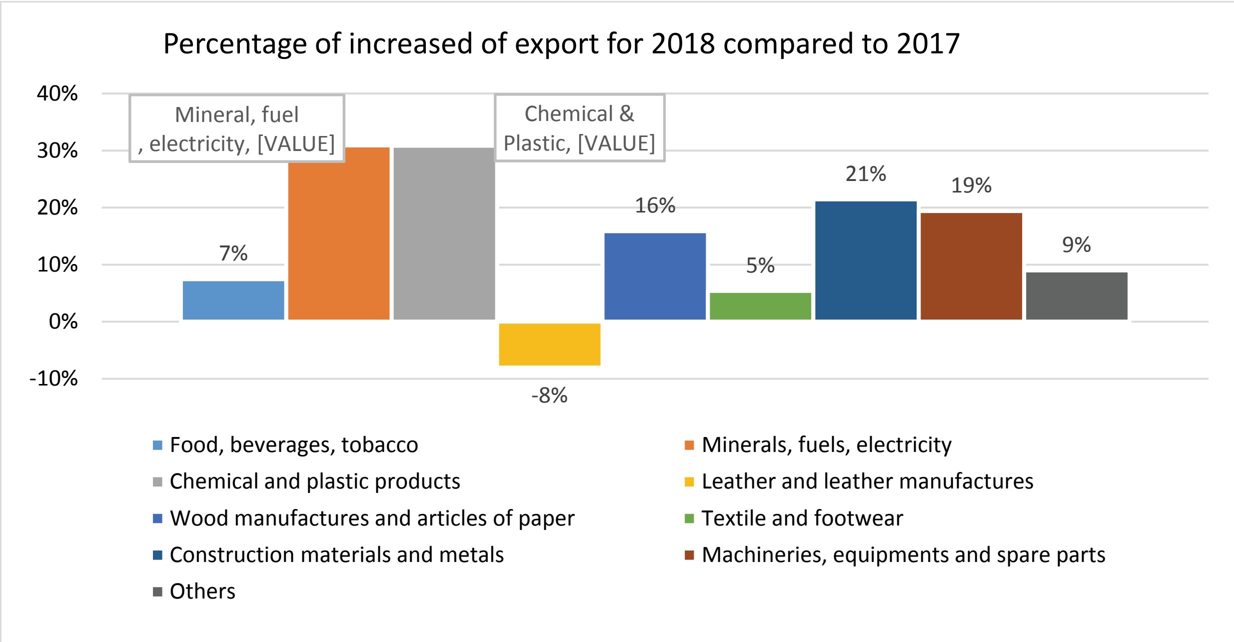
a) Main export products of Albania

Based on the figures of export, published by INSTAT, the exports are increased by 14% in 2018, compared to the previous year 2017. The graph below gives a picture of the distribution of product and sectors that highly contribute in the export of the Albanian goods into Europe and globally in other countries. Still the dominant sector in export are textile and footwear, an industry that has a high contribution also in employment. Another sector are export of metal and minerals, like chrome and the electricity.



Source: INSTAT data, prepared by author

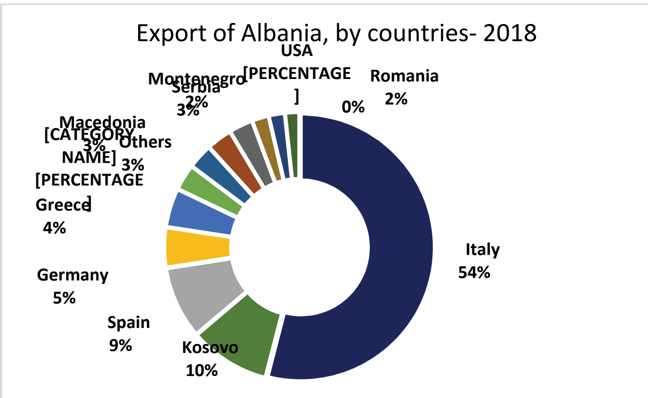
As mentioned above, the positive influence in increasing the export volume has all the groups of goods. But the higher increase is figured for the groups of "Minerals, fuels, electricity" and the "Chemical and plastic products" with +31% each, followed by "Construction material and metals" and Machinery. Only the export of "leather and leather manufactures" has been decreased to -8% compared to the previous year.



Source: INSTAT data, prepared by author

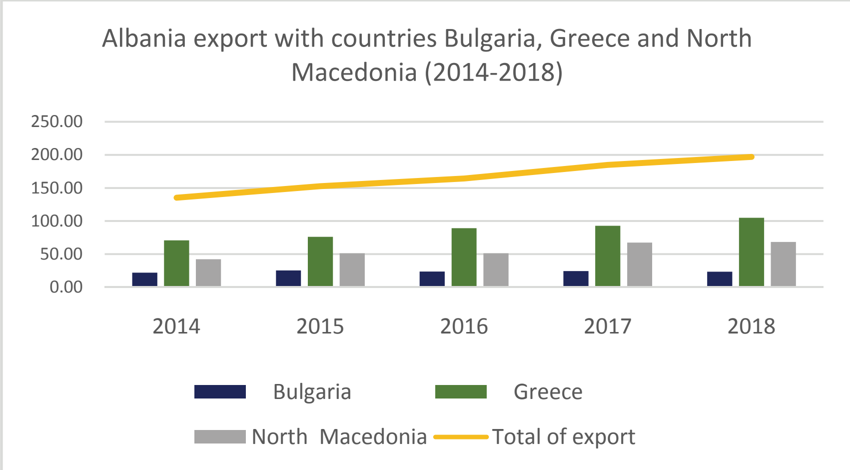
b) *The main destinations of Albanian Export*

The EU countries are, as always, the main partners for the Albanian export. The main export partner of Albania for 2018 is Italy (54%), Kosovo 10%, Spain 9%, Germany 5% and Greece 4%. There is an increase from 5% to 9% with Spain.



Source: INSTAT data, prepared by author

The Albania trade relationship with the countries eligible to the Balkan Mediterranean Programme Area (Greece, Bulgaria, Cyprus, North Macedonia and Albania), is quite important with Greece, as the main partner of Albania, followed by North Macedonia and Bulgaria. Whereas with Cyprus, the exchange volume is not considerable.

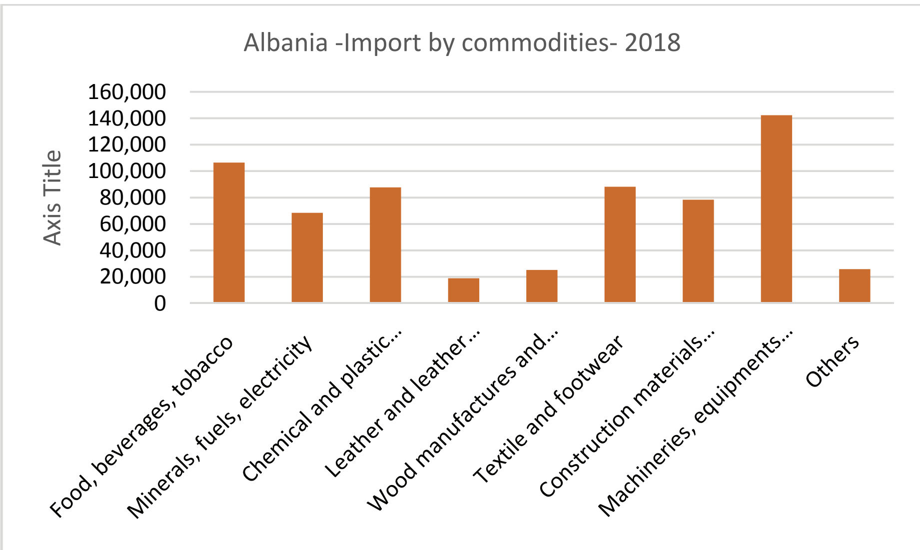


Source: INSTAT data, prepared by author

3.5 Structure of imports

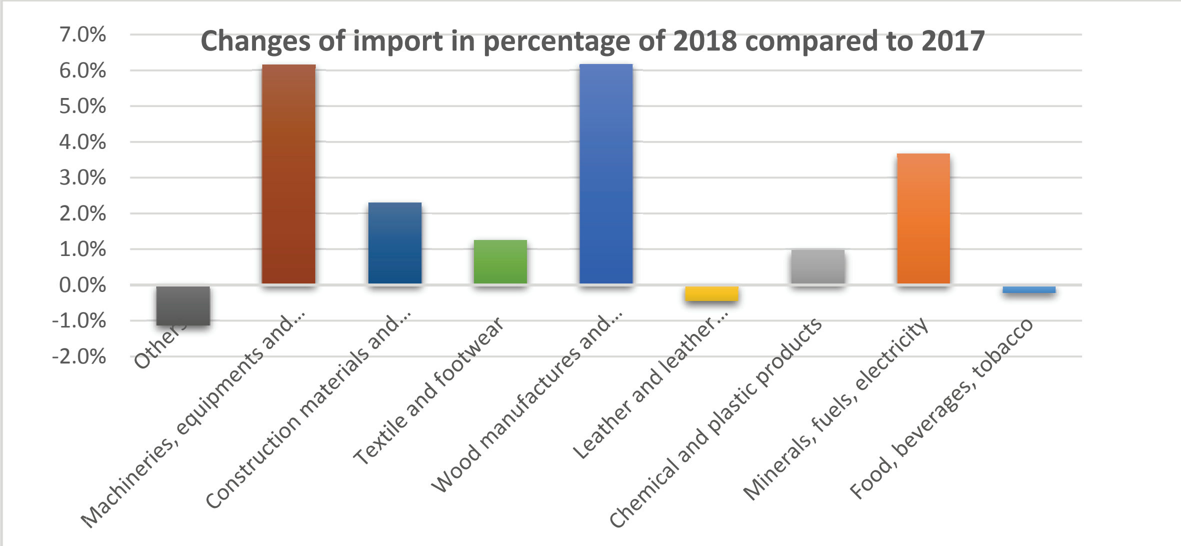
a) The main import products of Albania

As described above, the values of import of machineiries, equipment and spare part are in the first place of the group of commodities imported by Albania. Due to the low level of technology production and machinieryin the country results that most of thr technology is imported by the EU countries, but also from China.



Source: INSTAT data, prepared by author

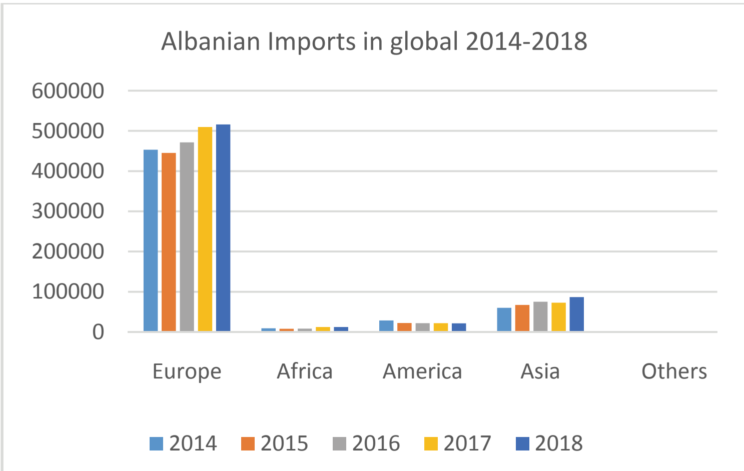
There are some group of goods that Albania continue to find in the foreign market. Hence, the imports of machinery, equipment, wood and fuel are increased in value from the previous year 2017.



Source: INSTAT data, prepared by author

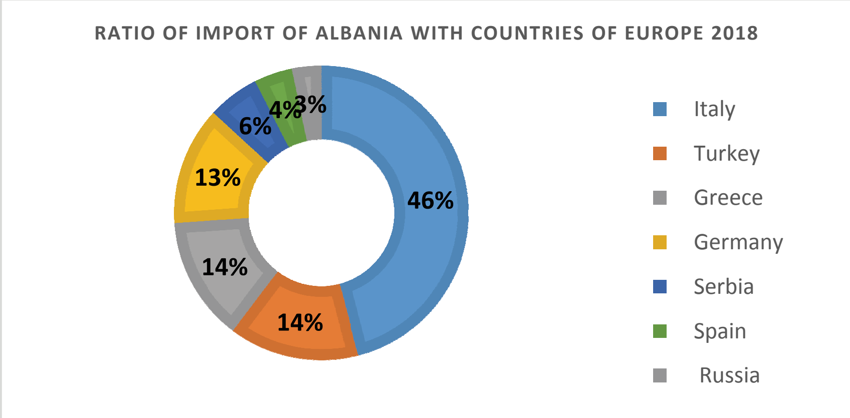
b) Main destination of Albanian import

As it shows in the graph the imports of Albania are dominated by the countries of Europe and Asia. The volume of import by value demonstratesa growth trend.

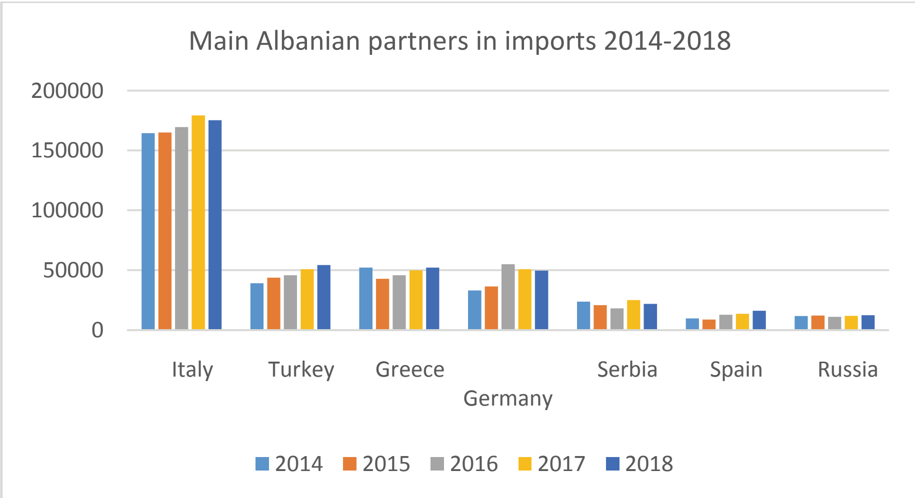


Source: INSTAT data, prepared by author

From the EU partners, Italy is the main partner for Albania, in export, but also in imports, followed by Turkey, Greece, Germany and Serbia.



The report analysis the tendence of the trade relationship between the main partner countries in import. It results that the import from Italy and Germany have been increased, in years, but in 2018 there is a slight decrease. A growth trend is with Turkey and Spain.



Source: INSTAT data, prepared by author

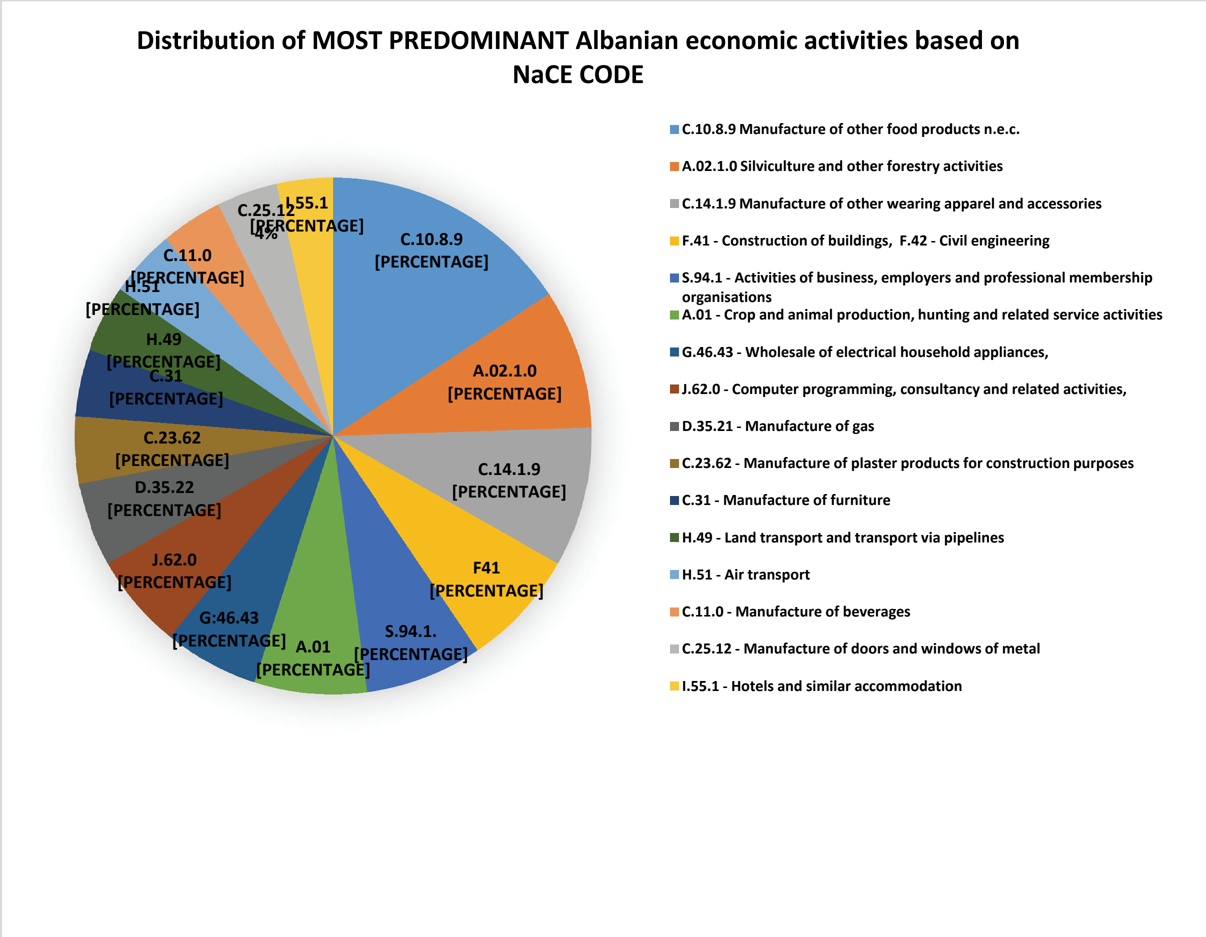
4. Some considerations on export sectors of Albania

4.1 Main export industries

Based on the database www.bmbpages.biz, prepared under the Project "BalkanMed e-Business Pages" which compiles the data from the Albanian businesses, an analysis on the main export areas and main commodities exported from Albania is undertaken. The number of Albanian companies is 280 sufficient to be considered as a sample to understand the distribution of the sectors in % with regards to the NACE Codes of Activities.

Some companies are operating in more than one activity and as such the study is based on the number of 280 companies that are operating in 383 different NACE Code activities.
This distribution is based on random selection of companies and it can serve as the reference for understanding the distribution of the different activities in Albania.
About 16% from the sample are companies operating in the
production of food, processing and preserving of meat and production of meat products, fish, fruit and vegetables and oils. Also other companies belong to the **sector of dairies and cheese making** and manufacturing of **bakery and farinaceous** products.
Important sector in Albania is Agriculture, 9% of the companies are operating in the agriculture sector, including in s**ilviculture and forest product**, mostly the forest products, **medicinal plants**, herbs, etc., from the growing of crop, fruits and vegetables, growing of spices, aromatic, drug and pharmaceutical crops, Seed processing for propagation and essential oils, Plant propagation, Raising of poultry

Another important **textile sector** in Albania is the production of clothes, workwear and other manufacturing of other wearing apparel and accessories, which most of them are dedicated to export.
An important sector in Albania, which recently is quite regenerated is the **construction activities**, civil engineering, contribution of residential industrial and especially road construction. This sector covers a considerable weight in the Albanian economy.



5. An analysis of the predominant export sectors of Albania

5.1.1 Agriculture

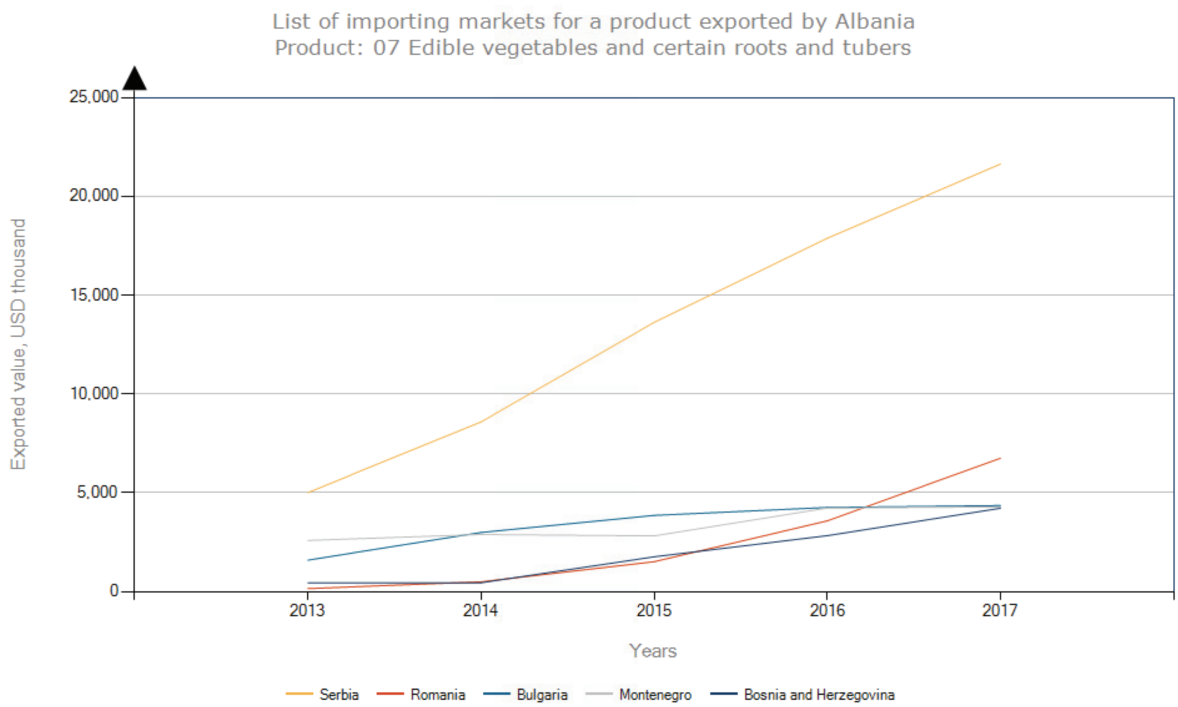
The trade of Agricultural Products is the generator of income and welfare for hundreds of people who are directly or indirectly associated with it. Exports of agricultural products to the country accounted for 183.4 million Euros, according to INSTAT. Imports in 2017 were EUR 550 million, while the trade deficit was EUR 367.3 million.

The category with the highest percentage of exports to total exports of agricultural products are vegetable and fruits, with 40% of the total or 9.9 billion ALL
Based on the figures of the ITC, in the group of commodities in agriculture, the export of Albania in vegetables has a positive balance with 35 Million euro (2017), whereas fruits have a negative balance.

Products	Balance in value in 2017	Exported value in 2017	Imported value in 2017
Product: 07 Edible vegetables and certain roots and tubers	35,480	52,135	16,655
Product: 08 Edible fruit and nuts; peel of citrus fruit or melons	-26,351	19,687	46,038
Product: 12 Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	19,876	26,321	6,445

Unlike exports, the highest share of imports is food products. Their share of total agricultural products is 38 percent. Vegetables and fruits are the second with 33%, while the third category, animal products, has a weight of 29%. Compared to exports, imports of agricultural products were three times higher in 2017.

As shown in the table below, the export market of vegetables is expanded in the Serbia, Romania, Bulgaria, Montenegro and Bosnia Herzegovina. This reflects that Albania export only on the nearest countries in Western Balkan and the EU countries Romania and Bulgaria. Being present in the other EU market still is difficult for the Albania products.



5.1.2 Difficulties and barriers to the export activity

The difficulties and barriers to export are depending by some factors:
Firstly: The barriers and difficulties are related closely to the fact that how well companies are prepared to be ready for export. This means it is related to what is the technology level of production, the level of expertise of the human capacities to be able to produce according to the standards, how the companies are producing in compliance with EU standards. AS, well, do the companies/exporters have experience in playing in the international market?

Secondly: Is the government considering the sector, strategically important for export? And what are the measures, subsidize, grants, promotion, capacity building activities, tax policy, exemptions are undertaken by the government to give support to the sector.

Thirdly: what are the international cooperation agreement that facilitate the process of exchanging of goods and service between borders? How well are implemented the agreements by the respective countries on tariffs, quotas and non-tariff barriers to trade, NTMs, etc?

- ✓ The main barrier to export in agricultural products is the low level of technology in order to support the high productivity of the products and to reduce the costs of production, in order to compete in the market.
- ✓ The low control on the usage of the pesticides can be another reason that can penalised many of the producers.
- ✓ Although there are existing some of the collecting warehouses of the agricultural products, still other depositing capacities are needed.
- ✓ The lack of training to the farmers to produce and collect the products based on the standardised size or quality, again is an obstacle that do not support the traders/exporters.
- ✓ Some of the barriers are related to the internal regulations of the market by the government and the necessary measures to facilitate and support the sector.

5.2.1 Medicinal Plants

The export of aromatic and medicinal plants is increased in the last 10 years. This sector is growing year by year and has reached to 45 mil USD in 2018, employing 12500 persons as employed or self-employed.
The Albanian products are exported in the EU countries, in Australia and USA, Canada, India and China. 70% of the sage is exported in USA and in this sector, excepting Albanian investors are also some investors from US, Turkey, German and Italian. Albania exports a total of 80 aromatic medicinal plants.
The revenues of the sector are mostly divided among the top 10 exporters. Exports have grown overall last year by 11%, despite some difficulties that the recognised also in the international market on the price of the **sage**, on which majority of the export is dominated by this plant.

5.2.2 Difficulties and barriers to the export activity

- ✓ The barriers to the sector are linked to the **internal regulation** and support by the government and the **difficulties faced in the export** market. It is one of the sector that employs persons from the rural areas and from the most disadvantages persons and from the remote zones. The increase of 150% of the export on these products are related to the support also from some sub-grant scheme of the government.

- ✓ The main barriers that the sector is facing is due to the **missing of the subsidize scheme** for the farmers and cultivators, **the decrease of the V.A.T tax of the farmers from 20% to 6** %, which is not convenient for the traders that export the products.

- ✓ Also, the **devaluation of Euro towards the ALL** to around 20% has higher effect on the industry. Also the situation with permission for collection of the wild plants is another barrier to expand the export of Albanian companies

- ✓ The further expansion of the market is at the pressure of impossibility to market wild products and high costs that make the crop unprofessional. Albania is faced with some structural deficiencies that are preventing it from increasing profits that bring some unusual plants that are growing wild in our country.

- ✓ The aging of the population is making it increasingly impossible to gather plants growing on difficult terrain. Also, burning mountains to turn them into pastures has reduced natural areas where they grow.

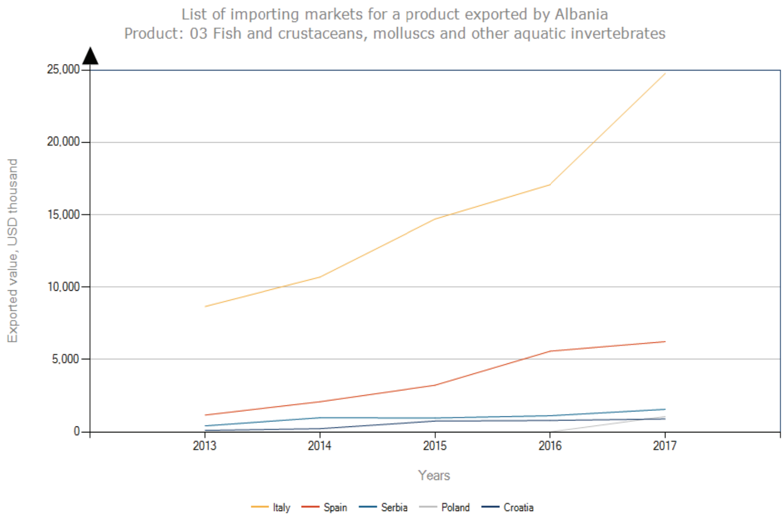
- ✓ Apart from the internal barriers, the external demand for Albanian herbs is not sustainable to expand in the big markets, because Albanian collectors and export companies do not have capacities to fulfil the large quantities required by the contractors

5.3.1 Aquaculture and Fishery

Albania has potentialities in the sector of natural aquatic, which is suitable for fish farming. Fishing is an important sector and prosperous sector for the local economy.

According to the Ministry of Agriculture, the value of exports to the fishing industry in 2017 were 83 million euros, with an expansion of 20% compared to the previous year. Italy covers the higher percentage of the market.
Domestic production is carried out by more than 12 processing lines located in the coastal areas, which process fish mainly for export destination.
This is related to the processing of quantities of fish destined for export, which do not enter the domestic market. According to official data, the industry exports about 6000 tons of processed product, with almost half of them (2500 tons) being achovy fish. The entire processing sector has 2800 workers and in total with the fishing marine about 4000 personsThe investment in the sector has reached 39 million Euro. Actually, the industry operates in two categories of the products: the ready made products and the semi-finished, which is used as raw materials for the European producers.

The graph below shows the main destinations export countries of Albania. The main export market are: Italy, Spain, Serbia, Poland, Croatia.



Source: ITC

5.3.2 Difficulties and barriers to the export activity

Although the fish processing sector is exporting the most percentage of the products, still there are some barriers depending on:

- ✓ The annual quota for the export of canned fish will also be in 2019 the main challenge of the fish processing industry in the country. The government has to negotiate the quota of anchory fixed on Interring Agrement. Only 1,600 tons is the allowed quota of export to EU countries without tax, that is exported as ready-made product with the label "Made in Albania". While their processing capacities are much higher. The tax of 25% for the exports over the quotas, is an obstacle that force the companies to export semi-fiished products. The other part, the Albanian companies lead it as semi-finished product, as if it would go as a ready product would pay a tax.

- ✓ The devaluation of Euro towards Albanian lek was another reasons that caused difficulties to the sector. The monetary values lost by the exchange rate could not be covered by the proìice increased and the sector continue to suffer the lost from this factor.

- ✓ The low technology implemented by marine fishing fleet and the old and small fishing boat do not support the sector to ensure the raw materials for the processing industry.

5.4.1 Textile Industry

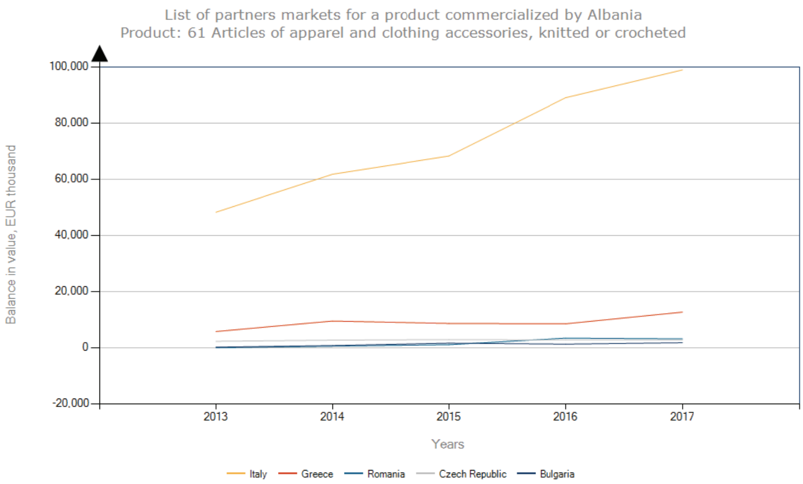
Albania the textile industry has a posive trade balance in the production of clothes. The industry has seen a considerable expansion by shifting some of the investment in this sector from other countries in Albania. It covers a highr percentage in the Albanian export and it is the higher contributor in employment of the persons that comes from the rural and disadvantages areas.

The main partner are Italy and Greece and there are increases in orders from these countries, mainly for qualitative goods. Also, still there are posibilities for further expansion this industry, which employed 100,000 workers.

Cited the report of Tirana Times, the majority of garment and footwear factories are producing for Italian quality brands. Add the short distance to the EU, and the ability to source small quantities and you have a sourcing country that offers good options –
The 500 companies operating in the country are mostly involved in CM and CMT production (cut-make-trim) although leading companies in the Albanian garment sector are striving to create their own in-house brands. This means that raw materials, designs and patterns are imported. The semi-products are finished in Italy and will be sold as 'Made in Italy'. These rules state that the country in which the last substantial transformation of a product took place, is relevant for providing the country of origin.
However, some of the Albanian companies are upgraded their production processes to full cycle production. The biggest shoe producing company in Albania, DoniAnna, , has its own brand "Mici's" that is running alone a total turnover of €40 million.
Albania's apparel and footwear labour force is dominated by female employees accounting for 90 percent of total workforce,

Products	Balance in value in 2017 in 000/Eur	Exported value in 2017	Imported value in 2017
Product: 61 Articles of apparel and clothing accessories, knitted or crocheted	44,770	173,278	128,508

The main partners of Albania in textile industry, excepting Italy and Greece, is Romania, Czech Republic and Bulgaria.



Source: ITC

5.4.2 Difficulties and barriers to the export activity

The low production capacities of the factories are not sufficient to absorb the contracts for the big markets. Moreover, even when the cooperation between different manufactories is functioning, the technology and the quality production should be the same, between them, in order to be able to absorp contacts with big volume.

The lack of marketing or representative offices, in country level, to be located in the countries with big markets it is one of the barriers to be penetrated in the foreign market.

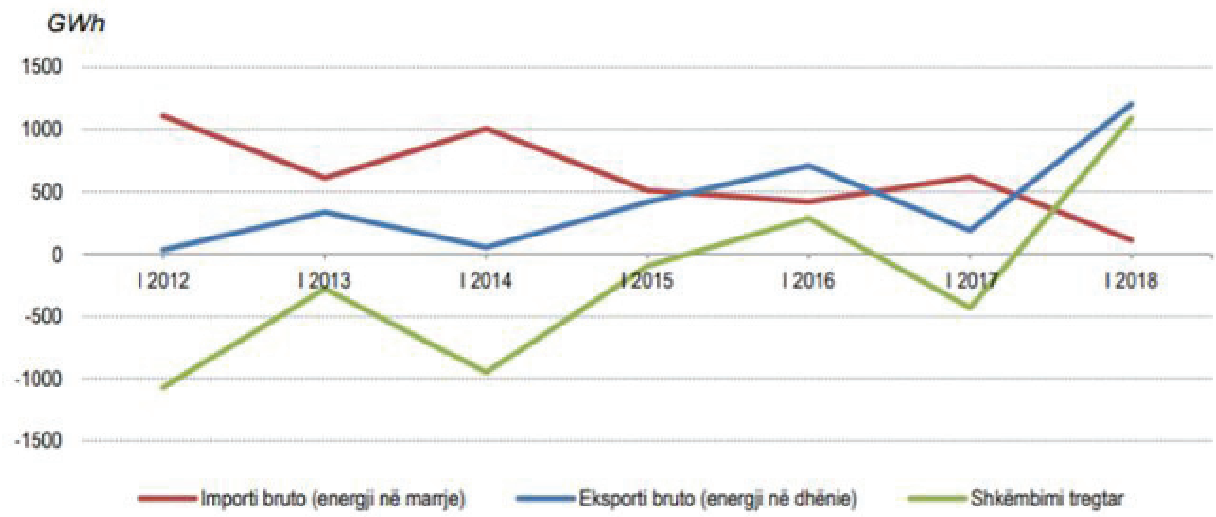
Difficulties is related to the low level of qualification of workers in the condition when customers from EU countries in particular, demand quality goods, mainly brand clothes.

5.5 Mineral, Fuel and Electricity

Albania is the producer of clean energy and the production is dependent from the hydrological situation. The Energy Balance according to the INSTAT published shows a significant increase in production by 89.0%. INSTAT points out that this positive balance in production has also affected the share of imports, which decreased by a year earlier at least 1.9 times, while exports increased by 5.5 times compared to 2017

The gross electricity imports (energy intake) in 2018 resulted in a decrease of 1,772 GWh from 3,403 GWh in 2017. The gross electricity export (supply energy) in 2018 resulted in an increase of 2.685 GWh from 488 GWh in 2017
As it is shown in the graph, the year 2018 was quite positive in exporting of electrical energy.

Fig. 2 Shkëmbimi i energjisë elektrike



5.6 Export of local fuel

According to foreign trade data reported by INSTAT, for 11 months 2018 the export of fuels mainly represented by oil produced in the country increased by 80 percent. The value of exports in January-November reached ALL 39 billion from ALL 21.7 billion in the same period of the previous year. Market sources claimed that there are two reasons related to this growth.

First, the oil price in international markets this year has been higher, causing companies that export oil abroad to receive higher value. According to data from the international market, the average oil price in international markets in 2018 was $ 71.4 a barrel, while in 2017 a barrel of oil was sold at about $ 54.1. A barrel of oil in international markets has costed 32% more than last year, thus becoming a key factor for increasing the value of exported oil.

Oil exports also grew as a consequence of the involvement in the production of the ARMO oil refinery, which last year worked with disconnected periods. Oil exports were recently boosted by the highest demand in Kosovo's markets. As a consequence of the increase of 100% customs tariffs with Serbia, a part of the oil that was previously imported from Serbian markets has started to be imported from Albania. Export of oil and its by-products to Kosovo increased by 29% this year. This is the second group, with the largest export value in Kosovo and dominated mainly by oil sales.

5.7 Building materials and metals

Again, based on the data published by INSTAT, in the first 6 months of 2018, exports of the 'building materials and metals' group showed an annual growth of about 4.5% compared to the same period of 2017. In absolute terms, for the period January-June (2018), exports of the 'building materials and metals' group accounted for ALL 27 billion, from ALL 21 billion for the same period of 2017, with an ALL 6 billion expansion. The highest exports, according to INSTAT, are towards Italy. According to data, over 9.6 billion ALL of construction materials and metals have gone to the neighbouring country. Exports of metals and building materials to Italy increased over the 6 months of 2018 by about ALL 1.3 billion, compared to the six-month period of 2017. Almost 6 billion ALL of construction materials and metals were exported to Kosovo, or 2 billion ALL more than in the 6-month period of 2017

5.8 Export of Service- Tourism

Albania has a positive trade balance in Trade in Service, where the high contributors is the Tourism Sector. Due to the diversification of the tourist offers and the prolongation of the tourist seasons, the improvement of the infrastructure, the touristic resources, the increased of the accessibility even in the mountain area reflect for the high potential of tourism that still need further development and has high potential to contribute to close the gap in trade balance between export and import.

6. Free Trade Agreements of Albania

6.1 Central European Free Trade Agreement (CEFTA)

Albania is part of Central European Free Trade Agreement (CEFTA 2006) CEFTA Agreement This Agreement substituted all the bilateral agreements previously applied in the region. The agreement entered into force on 26 July 2007 for five Parties - Albania, Macedonia, Moldova, Montenegro and UNMIK/Kosovo, while for Croatia it entered into force on 22 August 2007, for Serbia on 24 October 2007 and for Bosnia and Herzegovina on 22 November 2007. Thus, full implementation of CEFTA 2006 started at the end of 2007.

CEFTA has created the Web Portal as a hub of information on the most important trade regulations concerning trade with the signatories of the CEFTA 2006. It provides orientation and information to all businesses that aim to trade with the CEFTA Parties.
The goal of the portal is to make the search for concrete and practical information on trade with CEFTA Parties more transparent and time efficient, and thus to support the practical implementation of the Agreement.
The main categories of information presented on the portal are customs regulations, licensing procedures, technical requirements, SPS and veterinary controls, trade regimes as well as the regulations for border controls applied in all CEFTA signatories.

6.2 Interim Agreement on Trade and Trade-related matters with EU countries

Also, Albania has signed the SAA (Stabilisation and Association Agreement) with EU and an Interim Agreement ON TRADE AND TRADE-RELATED MATTERS with EU on 1st of December 2006, Law No. 9591, dated 27.07.2006, for preferential treatment without import taxes of the certain lists of Albanian products into the EU. Industrial products of Albanian origin exported to EU countries benefit from 0% preferential customs tariff. While agricultural products, the parties have mutually agreed to each other preferential tariffs and tariff quotas. See Chapter II "Agriculture and Fisheries", Article 27 "Agricultural Products", Article 28 "Fishery Products" and Protocol 2 "On trade between Albania and the Community in the processed agricultural sector" of the Stabilization and Association Agreement.

6.3 Free Trade Agreement with Turkey

The Free Trade Agreement between the Republic of Albania and the Republic of Turkey entered into force in May 2008. Exports of industrial products of Albanian and Turkish origin are liberalized.Concerning agricultural products, the parties have mutually agreed to grant to each other the preferential tariff and the tariff quota. The list of products is contained in Protocol I to this Agreement. Annex I to this Protocol contains the list of agriculture products originating in Turkey and Annex II contains the list of agriculture products originating in Albania.All other agricultural products which are not in these Annexes will be exported and imported subject to the relevant customs duties.

Albania still have capacities to develop export. The successful sectors analysed above in this report still remain as the main sectors where the investment of the local investor to be considered. Tourism, as part of the export on service will still remain the higher contributors.

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