

ALBANIA AND INTEGRATION

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A decade ago Albania and the Albanian people decided to challenge their century-long history of separation and seclusion from Europe, to which, until then the country had belonged only geographically. Ten years ago the political compass of Albania shifted its course at 180 degrees. On one hand the slogan “we want a European Albania” became the motto of the Albanian

policymakers and it embodied the aspiration and the will of the majority of people. On the other, a fraction of the Albanian people, unaccustomed to 'the forbidden freedom', under the influence of the 'therapeutic' euphoria of changes, yielded in to destruction, hoping that their followers would build a better place.

Albanian reality had never been more pivotal and more vulnerable than at that period, when all it possessed was the hope and vitality of a tormented people, trained to survive. I remember a TV chronicle on a summer night of 1991. The Scanderbeg square in Tirana was remarkably packed with people who warmly welcomed the American State Secretary James Baker. The successive report presented the unloading of EU humanitarian aid packages to the Durrësi Port.

Representatives of the Italian Government were in Tirana, on the occasion of the beginning of the "Pelican" – a humanitarian assistance operation, whereas a mountainous school was receiving the first packs of assistance in foodstuff for the children.

Ten years ago we knew where we aspired to go, but we were not aware of the time and the costs that this journey would take. Today, we have notably detached ourselves from the qualitative and quantitative reality of the 90's, we have learned a lot, we have raised our level of awareness on the dimensions and potential of our country, we have refined our objectives, but we still remain with the dilemma "how much time will it take us to convert Albania into a European state?"

**In the form of a summary I would like to go over the spectrum of the relationships of Albania with the European Union during the past ten years.**

Since 1991, Albania has benefited from EU an assistance of about 1.5 billion euro, from which 85 million in the form of a loan from The European Investment Bank and the rest in the form of grants.

Between 1991-1993 Albania was offered some 318 million euro as emergency aid and food. Between 1994 and 1996 the PHARE program has offered 190 million eur to support economic reforms in Albania. After the crisis of 1997 the priorities of community assistance were reduced and focused mainly on the measures taken toward the establishment of a legal state, on the support of fields such as public administration, police, customs, judicial

system and to a reduced extent support for aspects such as transport, water supply etc.. The CARDS 2001 program, that offered 37.5 million euro will focus on the problems of Association and Stability. Currently the contractual relationships between Albania and the EU are based on the non-preferential Trade and Economic Co-operation Agreement signed in December, 1992. Since October 1999, the European Community offered to Albania, on autonomous basis, other trade concessions, waiving taxes on most Albanian exports. Trade concessions ameliorated further by another package of trade preferences offered to Albania by the EU in September 2000.

From the political aspect, in the beginning of 1995, Albania required official initiation of negotiations for an association agreement with the EU. An assessment undertaken by the EU Commission on the possibility of free trade of goods, services and capital in Albania, concluded that a 'classical' European Agreement like the ones acquired by states that have already started negotiations for accession in EU, would be a premature step for Albania. The EU Council of Ministers of January 1996 asked the EC to prepare a proposal for an agreement that would strengthen the ties between Albania and the European Union while being at the same time, inferior to the European Agreement. However, the parliamentary elections of May, 1996 put a question mark of the future of democracy in Albania. A year later the events and the crisis of 1997 established the 'status quo' in the contractual relationships between Albania and the EU.

In November 1999 the European Commission presented the Council with a report on the feasibility of the opening of negotiations for Stability and Association with Albania, which concluded that the preconditions for the opening of these discussions were not met yet. The Zagreb summit, in November 2000, established the formation of a High Level Group between Albania and EU, that would assess the progress of the country in the process of reforms. Based on the recommendations of this group, in June 2001, the European Commission proposed to the Council to open the negotiations with Albania on the Association and Stabilization Agreement. Within the month the Council accepted the proposal of the Commission.

**WHAT ARE OUR OBJECTIVES AND WHAT DO WE WANT TO CONCLUDE UNDER THE FRAMEWORK OF THE STABILITY AND ASSOCIATION?**

I think that there is a simple way to put this: our objective is to transform Albania. Our objective is to establish a stable democracy based on solid institutions and the power of law, supported by stable economic performance based on free competition and the principles of market economy.

Our hope and goal is to make for our young children a country that will have radically changed for the better, a country in economical and social prosperity, a country in peace with itself and its neighbors, a country in or close to being a member of the EU, a stable European democracy.

This is a sublime vision that will require a lot of efforts and time to become reality. The current members of the EU took about half a century to reach the integrity level that they enjoy today under the shield of the EU. Eastern European countries like Hungary, Poland or the Czech Republic will need 15 years from the fall of the Berlin wall to acquire a membership in the EU. However the chance of Albania to become a member or be offered such a place should not be very far from this point.

European leaders have declared that, from the political point of view, all the Central and Eastern European countries including the Balkans are offered the prospect of entrance into the big European family, despite their actual level of development. The differences among these countries remain with the question: how much time will each of them need to truly deserve EU membership?

#### **HOW FAR HAVE WE GONE UNTIL NOW?**

Albania has reached a point of no return. The transition process from a centralized economy to a market economy displayed two main features: longevity and graduality.

The reform process in Albania started in a background of institutional vacuum. The reforms undertaken at the beginning of the 90s', focused on liberalization and privatization. The steps that were taken towards these reforms were too drastic and the country lacked institutions and the necessary market culture.

The end result of these reforms was quite the opposite of the objective: confusion and economic recession. However, based on the macroeconomic situation of year 2001 as well as taking into account the positive tendency of all macroeconomic indicators after the crisis of 1997, we can say that Albania has taken significant steps, thus marking a stable yearly economic growth of 7 per cent.

This growth has been realized through consistency and stability in all the macroeconomic indicators.

A decade is a relatively short period to transform and construct everything. All of us have witnessed the evolution of the Albanian society during the past ten years. Most of the governments have not had the 'luxury' of implementing long-term development policies. This was due to two main factors: first the cycle of political and social crises in the country and, second, the need for reemergence before the beginning of a stable growth process.

The experience of year 1997 showed that for a country like Albania, the threshold between economic and social soundness, and chaos was very narrow. This experience proved that the results of a year long work could go wasted when short-term interests of certain political groups become dominant at the expense of the national benefit. I sincerely hope that the Albanian policymakers will not repeat mistakes at such large a cost.

However, the physiognomy of the Albanian economy and society is changing in the right direction. Luckily, Albania, like a number of countries in the region is emerging from a true transition phase. The future of Albania depends on its membership in international political and economical organizations. The membership in the World Trade Organization, besides confirming the fact that Albania is diligently aspiring to integrate itself in all European and Euro-Atlantic structures, offered a valuable experience in the context of international negotiations.

This process was considered a success because it served as a support to the National Strategy of Negotiations with the WTO member states. Efficient co-ordination was reached in:

- Combining internal interests through the compilation of sectorial policies of different economic sector.
- Budgetary interests, and
- All the obligations of Albania stemming from its membership in international organizations or agreements.

The implementation of this strategy, as a serious step in the compilation of internal medium-term policies had a direct impact in the cultivation of trade relations. At the same time it helped consolidate a more attractive country environment in the eyes of foreign investors.

In this context, during the negotiations, Albania has presented a Schedule in the field of Services, an Agricultural Schedule, a package of actual legislation, a number of amendments of laws or new legal acts and articles that represent visible improvements in the aspect of reforms; we have also presented a number of memorandums such as : the Memorandum in the field of Intellectual Property Rights related to Trade; the Memorandum of Public Procurement; the Memorandum of Export and Import licensing; the Memorandum of Sanitary and Phytosanitary measures; the Memorandum of Technical Barriers in Trade; the Memorandum of measures for investments in Trade, etc.. The compilation of the last ones required a radical reform of the legal framework and the revision of this framework until it was brought up to international standards complying with the WTO rules, thus detaching itself from the chaotic shape. Most of these changes have been made during the period March- November 1999.

The hard work that was carried out, showed that in Albania it was possible to undertake successful economic reforms with visible impact within a short time period.

- The compilation of the final new offer of the obligatory tariffs imposed on goods entering the Albanian goods market according to the WTO model;
- The preparation of the Services Schedule;
- The reconsideration of liberalization deadlines of the tariffs on commodity groups that are part of the sectorial agreements with WTO, aiming at their reduction;
- The compilation and progress in the process of passing a considerably ambitious package of 66 legal acts and articles related to improvements in the laws: "On Excises" , "Antidumping", "On the protection of the Integrated Circuits Topography", in the Decision of the Council of Ministers on "The Implementation Dispositions of the Customs Code", the notional approval of the agreement with WTO on "Rules of Origin", "Licensing on Imports", "Sanitary and Phytosanitary Measures", in the law "On some amendments and changes in the Law of Intellectual Property", in the Law "on Insurance and Reinsurance Companies", in the Law "On Standardization". In support of the last one the Council of Ministers has approved four decisions and the Prime Minister one Order.
- The realization of the improvements in the services of auditing and accounting aiming at their liberalization;

- The approval by the Council of Ministers of the Document on the Policies for the Privatization and Liberalization of the Telekom service, etc..

We must understand – and at the same time make clear to the citizens of this country- that the transition process will require time and that the progress, however slow, does not stand for stagnation. What we have achieved so far is but a part of what we aim to achieve in the future.

#### **WHAT DOES THE PROCESS OF STABILIZATION AND ASSOCIATION OFFER?**

If we asked ordinary citizens on the notion of the words “European Union and European Institutions” I am positive that their answers would consist of words such as “stability, order, low unemployment, satisfactory level of living, full functioning of an open democracy laws, trustworthy corruption-free public institutions, law-guaranteed human rights and equal opportunities for everybody. Even if this image overstates reality, we would all aspire a place for Albania in this community. But what exactly does the Stability and Association Agreement stand for? If we take as an example the only Association Agreement applicable so far, the one between the EU and Macedonia, we might deem this agreement as a simple document symbolizing a contractual model between a developed entity such as EU and a country in transition. The agreement in itself does not contain “magical formulas”. In reality the whole preparatory, negotiation and implementation process is a powerful mechanism for changes and development.

The Stabilization and Association Agreement and the EU assistance for Balkan countries aims, in addition, to create an attractive region for foreign investments, to promote trade relationships between EU and the region, to build stable structures from civil service to police, from central banks to services on the management of migration boundaries, to create a civilized and independent media that reaches and protects the feelings and the trust of every plain citizen, and not only those of the supporters of political or ethnical majorities. Like every other contract, this one is bound to have two parties involved. On one hand we have the EU, which offers the model, the way, the assistance and the mechanism to be pursued, and on the other hand we have the partner country. The country should equivocally demonstrate that it is comparable to the EU in terms of the parameters met in political values and principles, economic standard, and the level of the

application of the individual and society rights. Both political and socio-economical compatibility require time and commitment.

As I mentioned above, the core and the main objective of the Stabilization and Association Process is the strengthening of the institutions. The institutional weakness does not seem to be located on a couple of institutions in Albania. Rather it is a common feature of all the countries in the region where history has not allowed democracy and legal state to set roots and proliferate . Many physical and ideological occupiers of the region have come and gone; many governments have come to power and then have lost it; but democracy parameters –and above all the power of law– have remained vulnerable.

In this aspect the Stability and Association Agreement is a practical agenda of the objectives and parameters that must be changed. The agreement is the guide to the process of changes, but it is not what will bring the changes. Whatever the quantity and quality of the assistance offered to the country, it can not become the “magical wand” of changes. The results and the success or failure will depend on the will of the country to change and on the unconditional dedication of the country’s politicians and government. Political declarations and written strategies are unquestionably important in the definition of the vision of where the country wants to go, and how to get there. However they are not enough. What EU expects and sets forth as a condition in this joint venture is realistic involvement in the implementation of these strategies and objectives. “Conditionality” is one of the basic elements of the Stability and Association Agreement and corresponding agreement. The message of EU is clear: for as long as the partner country is not realistically prepared to meet the ‘conditionality’ of the pact, rapidity would be harmful to the process. If reform stands for a lot of efforts and, maybe even sacrifice, then this is the only road we should take. A country can move forward only if its citizens and leaders move forward. Perhaps the experience and the political arguments that brought about the conclusion of the agreement with Macedonia could be used as a case study for our country.

The need for strong and efficient institutions and developed capacities of forward-looking mentality are crucial to the process. A country like Albania does not lack human capacities and skills. However, traditionally, intelligence in Albania has resembled the hyperactive brain of a dinosaur that struggles to move the body of an immovable bureaucracy. For this reason, institutions are the

main focus and the core of the Stabilization and process. The adaptation of European legislation is a primary goal in the process. The first step that Albania has to take is the establishment of institutions and that of an administration capable of harmonizing the legislation of the country with that of the Community. The compilation and implementation of such a legislation constitute the primary condition of European integration. However goodwill and the blueprint of European legislation are far from what it takes to reach the goal. Laws must be understood, accepted and enforced.

The economical conformity of development needs time of its own as well. Balkan countries, maybe Albania more than the rest, will need to work hard in order to establish a solid market economy capable of competing openly with EU member-countries.

The EU assistance in the process of Stabilization and Association Agreement in the economical aspect will focus on the measures that will enable the transformation of the Albanian economy from a public sector-dominated system to a private sector- driven economy. The key aspects that might aid or hinder the private sector development in Albania can be grouped in: (i) the still-developing culture of the private business, (ii) lack of an efficient business structure (iii) uneven functioning of the free market mechanisms such as competition, licensing etc., (iv) lack of public/private joint-ventures for investment promotion (v) lack of a developed active banking system capable of crediting business entrepreneurs, (vi) lack of long-term stability in the country and region.

Until the private sector begins to fill in its role in this direction, Albanian economy, especially in light of capital investments-mainly infrastructural, will continue to be dependent on foreign finance.

On this account I would like to bring to the attention of the audience and especially to that of my Council of Ministers colleagues, a 'virtual' contradiction between global requirements of the Stability and Association Agreement process and the global development of Albania – and the EU assistance through the CARDS program, projected for the coming period. As is widely known, EU has been the main donator for Albania. Unlike in the last ten years, the EU assistance for the period between 2002 and 2006 will concentrate mainly in the "soft" sectors of development, with the focus on the reformation and institutional development, legislation harmonization, support for the reforms aiming to

develop the police system, border management, customs, duties, competition, consumer protection and other similar sectors.

As was made clear above, there is not much we can expect from the EU that will dramatically contribute to the big sectors of the real economy, and consequently to overall economic growth. If the EU assistance aimed for institutional development will not be coordinated with other sources of donations or state funded sources, the success of our efforts in achieving and maintaining economic growth would be incomplete. At the present stage, Albania, needs investments especially those financing infrastructure. Economic growth is viewed as the basis of development and potential of a country. If we consider the GDP per capita indicator of the candidate countries for EU such as Slovenia (10,700 \$), the Czech Republic (4,924 \$), Hungary (4,740\$) and Poland (4,200\$) we can see that Albania has a long road ahead of her.

#### **REGIONAL DIMENSION OF INTEGRATION**

When we speak about Stabilization and Association we can not leave out the Stability and Integration Pact, which is a complementary process to European integration.

Unlike the chances that history may have offered to the Balkan countries in the past centuries, this time their common fate is settled and it is called "European Integration". These countries have embarked on the same train even though they might have paid different prices for their tickets. In its strategy the EU, in a growing fashion is promoting a global treatment of the region. The action for integration of the region countries with one-another as a first step toward European integration, has taken enormous dimensions, under the auspices of the Stability Pact initiatives.

The Stability Pact is unquestionably the most important enterprise of the region. It entails the historical chance given to this region to structure its economical and political partnership , thus giving a regional focus to the policies and strategies of development of the countries in the region. It is a chance that the Balkans was given in order to transform its historical diversity, while being challenged with common goals toward a better future. For the first time in history the representatives of these countries are systematically and without prejudices gathering around political tables. For the first time, the Balkan countries are discussing policies, strategies,

joint programs and projects on democracy enhancement, safety growth and economical development.

An indisputable effect of the Stability Pact is the fact that it has raised the level of awareness of the international community toward the Balkans region and at the same time has raised the level of the incentives of the countries of the region to meet their demands and to intensify the reforms process.

A network of joint regional incentives has been set up envisioned to aid the process of regional integration. The most significant product of the two years since the Pact was established is the Memorandum on Liberalization among the countries of the region, signed in June 27, 2001, in Brussels, by the Trade Ministers of the region. Along the same lines, Albania, has been negotiating the Free Trade Agreements with the countries of the region. We are close to signing a Free Trade Agreement with Macedonia and will soon start negotiations with Croatia, the Federal Republic of Yugoslavia, Bosnia-Herzegovina and the other countries that have signed the Memorandum.

The Memorandum ratifies the priority measures that will constitute the basis for a free trade area in the region. A historical change – that was doubted by many people until a while ago and especially during the Kosova crisis- has now become reality. In a very short time the region will transform into a free trade area.

The intensification of trade relations with the neighboring countries and the easing and further liberalization of trade in the region, will be realized parallel to the steps taken toward the Stability and Association process. This fact enables us to face other challenges in the future, our tasks in the Stability Pact and finally, the negotiations on Free Trade Agreements with the EU and the countries in the region. In this context, short term and long-term policies will focus on:

- Several measures that will be taken to advance the process of Trade Liberalization and Facilitation in the context of Stability Pact for Southeastern Europe;
- Rapid growth of international trade volume;
- Improvement of trade relations with the region through reduction of custom tariffs;
- Elimination of trade barriers;

The measures mentioned above will drastically improve the absorbing capacity of the country in terms of attracting capital and

foreign direct investments. All these measures constitute evidence of a successful beginning of negotiations among us, in order to turn the Free Trade Agreement into an efficient system for the actors of Southeastern Europe.

At the same time the region is working on joining its infrastructure arteries on the basis of regional infrastructure Strategies that determine the main networks of regional infrastructure development and their integration with European infrastructure networks. It is certain that the Durrësi Port, being one of the main entrance gates to the region, has continuously attracted attention and sources from the international community. A few weeks ago, EU confirmed another package of 45 million euro for the port's reconstruction.

The Donator's conference held in Brussels in March 30, 2000 approved the financial package "Quick Start" that would finance the projects of the Stability Pact for a one-year period. The package included 244 projects with a value of more than 2.4 billion euro. This was probably the biggest package ever implemented by the donators' community. The time parameters and its implementation, relative to the number and complexity of the projects, were at very high levels. From "Quick Start" Albania benefits from individual or regional projects, (from the three tables), with a value of 170 million euro, from which 136 million will go to infrastructure projects.

The second Regional Conference of the Pact held in Bucharest at the end of October, confirmed the involvement of the Donators' Community in regional projects amounting to a total of 2.3 billion euro. Albanian projects make up 304 million euro and they support mostly the infrastructure sector with the main focus on the energy sector.

## **CONCLUSIONS**

As a conclusion I would like to emphasize that Albania has detached itself from its starting point toward Europe ten years ago. The Stabilization and Association Process has begun for Albania and Albanians also. The Balkans region is gradually turning into a region where stability no longer comes in a virtual shape. It is rather a desirable as well as an attainable goal.

The factor that determines the speed and the distance that will be covered by the Stability and Association Process remains with us. It is all encompassed in our devotion, awareness and vision. In our efforts we are encouraged by a vital people that has trusted us with the process engine, and by potential partners who offer co-operation and necessary support.

I can not claim that in the past ten years we have done everything right. Much the less can I claim that what we will do from now on, will be perfect. But what I can say with firm conviction is that we are on the right track and we must continue what we have started, in the service of a people who deserves more and who has lost plenty of time. The point is not whether we have got a good strategy, or a detailed course of action. The point is whether we possess the necessary political will and the determination to join the part of the continent to which we belong. We have all been given the historical chance to bring this country a remarkable change – European parameters of living standards. The beginning of Stabilization and Association negotiations is not the achievement of our objective, on the contrary we are very far from it. However now we are aware that the European future of Albania and Albanians is not an impossible goal.

I would like for a second to go back to the TV chronicle of ten years ago, at the mountainous school where food from humanitarian assistance was being distributed to the kids. We can all bring a future where the kids of the children who lived on foreign aid, will live a European life – quite different from that of their parents.