

## **Comments on: “Constructing the future path for Exports”**

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Dear participants of the conference,

Exports' growth should be considered as a part of overall economic development and growth of Albania. Excluding some temporary distributions the exports cannot be increased in an isolated environment and independently from the overall development of Albanian economy and infrastructure, but still, the growth of exports needs to be considered as one of the Albanian development priorities.

Considering this, the paper of Mr. Ceku covered quite a wide area and issues. In the paper he reconfirmed the fact that Albanian exports are concentrated on sectors like tourism, agriculture, food processing and mining and listing a number of factors and possible measures for promoting and helping the Albanian export-growth.

In order to be more productive and focused on the recommended measures, the paper identifies some primary areas on which development should be oriented. The time and sectoral analysis presented in the paper aim to identify (reconfirm) existing competitive advantages as well as some primary sectors of economy. As mentioned in the paper, this identification is done more in support of advantageous sectors already discussed before – Agriculture and Tourism.

The conclusions of the paper point out that we need to maintain a “strategic approach to the growth of exports”, as well as try to engage all potential actors in this process. The main role belongs to the Albanian government. Following the principles of this “strategic approach” through an all-inclusive process, the government should build development strategies for various areas and at the same time it should ensure maximum coordination.

In my comments I would like to draw your attention on some issues, which I consider also important and trying to avoiding repeating what you already have in the Mr. Ceku paper.

### **Why is the export growth important?**

#### *Globalization and the need for economic integration*

Worldwide economic globalization and the aim of Albania to move towards European integration are factors, which lead to a more open market and less barriers. Latest “free trade” agreements signed with other countries in the region seems to be only the beginning of the integration process. In this context, the import/exports between countries are more and more less controlled by the

governments and are leading to a higher level of free competition among producers of goods and services.

In order to survive this coming reality, the Albanian producers should be efficient and make continuous use of the competitive advantages of their own country of origin.

*The level of export is an economic development & integration readiness indicator*

As mentioned above, the growth of export should be supported only by an economic growth. More exports will be mainly as a result of more internationally attractive products, higher quality and standard of internal products/services and more efficient production process.

Therefore, the level of export and its change over time can be used as an indicator of level of success of internal economical reforms and level of readiness of Albanian producers of goods and services to positively compete in an international market. In the European Union integration process, Albanian decision-makers should carefully consider the use this indicator.

Another important indicator of development of the Albanian economy can be the change in the structure of the export.

**Problems and reasons for the actual pure export level**

Some of the difficulties and problems faced by the Albanian exports are as follows. They are listed according to my personal importance/impact.

*Lack of management experience*

This lack of management experience and knowledge is present in both government and private entities. The change of Albanian economy from a planned to a free market economy will be always in a transitory phase until we are familiar with the free market economy, development mechanism.

Again, under the new globalization and integration area, the management, should be driven by a global thinking. This looks to be a very challenging change considering the last 40 years Albanian experience.

Over the last 10 years, a lot of changes have happen in this direction, but still more need to be done.

### *Capital Insufficiency and difficulties in planning.*

Business in Albania keeps developing based on relatively small investments with small production capacities. Those investments are of a spontaneous character and mostly arise from the joint capital of a small number of individuals.

For this reason, it is difficult to concentrate a considerable capital in one enterprise. The number of enterprises technology-oriented is very limited and in general the quantity and quality of products and the respective production efficiency is hardly comparable to those of the region.

On the other side, the businesses in Albania lack a clear planning. These investments are carried out gradually and in distinct steps. The main factor that has affected this absence of vision, apart from limited capital, is the difficulty in planning and coordination of business individual development with the general development of the Albanian society and economy.

### **Problem in the Exports structure**

#### *Lack of export diversity*

The most obvious problem of our exports, as mentioned in the publications of Bank of Albania, is the lack of diversification of the export basket. I believe that the continuing diversification of exports would have, among other things, direct advantages in the sustainability of exports and increase of employment rate.

Textile articles and foot wear account for 50 per cent of total exports, while re-exports account for 70 per cent. Such rate of concentration in exports will have the following negative impacts:

- Fluctuations in exports due to movements of international prices of these articles, which compared to prices of other articles are more volatile in general;
- Re-exports, with emphasize on the export of labor, are in inverse relationship with the economic development and welfare.

Forecasts from the Ministry of Economy are very optimistic as re-exports are expected to go down to 54 per cent of total exports by 2005. However, I believe that this figure should be considered more a result of reforms and changes in this area rather than a downward trend of weight of re-exports.

## **Improvements and initiatives**

At the end I would like also to mention some initiatives and potential improvements towards the promotion of Albanian exports.

The main initiatives in this direction should come from the Albanian government, as it should keep developing strategies on promoting exports. This not only would prove the commitment of the Albanian government but would also provide an overall sound strategy, which would ensure the coordination and transparency of the means to implement the strategy.

Last, I would like to point out that it is very important not only to formulate these strategies but more so to successfully implement those. Therefore, there is need to monitor them on ongoing bases, with transparency and open to all interested parties. Also, they should be reviewed on periodical bases assessing the progress made so far.

Thank you for your attention!!!!