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FOREIGN TRADE

ANNUAL REPORT

2004

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April 2005

Dear reader,



Launching the ACIT's Foreign Trade Annual Report 2004 to the partners and the public at large, gives me a special satisfaction.

Advanced expertise and accumulated experience enabled us to offer this year an improved publication, considering not only the extent of the coverage but also the structure and the quality of the analysis.

Apart from being a valuable source of information on the flows and dynamics of the Albanian Foreign Trade, the present Report is a serious effort for exploring the trends, identifying problems and assessing the factors behind them.

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

As most comprehensive product of ACIT program this publication is the final outcome of a professional work, performed throughout the year, by ACIT's team and local consultants. 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.

Personally, and on behalf of ACIT staff, I would like to express my gratitude to all of them, especially to the General Directorate of Customs, the Ministry of Economy, the Ministry of European Integration, the Ministry of Agriculture and Food, the main private business associations operating in Albania, the Institute of Statistics, the Bank of Albania, the Open Society Foundation, SOROS, GTZ, Friedrich Ebert Foundation, etc.

Special thanks go to the US Agency for International Development (USAID), and its Tirana mission in particular, and to the heads of the Institute for Contemporary Studies (ISB) without whose support, this publication would not have been possible.

The Foreign Trade Annual Report 2004 is being published both in Albanian and English language. You may find it as a printed brochure or in electronic format on ACIT's web page (www.acit-al.org)

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

Truly yours,

Dr. Selim Belortaja

ACIT Executive Director

ACIT – an effective project of USAID and ISB

The Albanian Center for International Trade (ACIT) was established in 2002 with the main objective to improve the quality of the trade policies as important instruments for the growth and development, as well as for increasing the public benefit from trade opportunities created by the globalization trends and integration process. ACIT is funded by the United States Agency for International Development (USAID), under a Cooperation Agreement with the Institute for Contemporary Studies (ISB).

To accomplish this mission, ACIT has built its program on five dimensions. ACIT acts:

- (i) As a study and research center concerned with the improvement of the quality of trade policies and trade policy implementation;
- (ii) As a forum of dialogue between stakeholders, to promote the improvement of trade policy formulation and encourage an informed public debate
- (iii) As a resource center that provides easy access to quality and elaborate information and to the most up to date literature on international trade and economics;
- (iv) As a capacity-building center to increase professional capacities in international trade; and
- (v) As a promoter and supporter of economic competitiveness and of various sectors and firms operating in these sectors.

For almost three years now, ACIT has been playing an important role especially as a trade information and scientific research center concerned with trade policies.

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

As a research center, ACIT's activity has concentrated on impartial assessments and analyses of foreign trade trends and problems, implementation of WTO commitments and Free Trade Agreements with regional countries, EU integration challenges, competitiveness of the Albanian economy and Albanian business, etc.

As a forum of multiparty dialogue, ACIT has organized a series of successful events which have contributed substantially in increasing the awareness on the new challenges, and helping the various interest groups to meet the required standards and assume their own responsibilities.

Supporting the increase of competitiveness of the economy, after a series of research activities carried out during 2003, ACIT has been working for a year now, in order to support the industry and firms operating in the leather processing industry. The support provided by ACIT aims at improving both the environment of developments policies for the sector, and increasing the managerial, financial and marketing capabilities of firms and respective products.

The report has been prepared chiefly by the research department, complemented with comments and suggestions by the whole ACIT staff.

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I. World Trade Developments

I. 1 General Developments

After an interruption in 2001 of the significantly positive growth dynamics in world trade registered since the early 90's, it is expected that average growth levels during 2004 will exceed those registered during the 1995-2000 period. A higher growth rate of the global economy during the whole 2004 (3.7%) as compared to 2.5% registered in 2003, is expected to boost global trade as well, which is expected to grow by an estimated¹ 7.5%, namely twice as fast as the world output.

Given that data on world trade during 2004 are not yet available, we have analyzed the most important developments in global trade during 2003. As shown in table 1.1, trade of industrial products has been the leading component of global trade growth in real terms, during this year.

	1995-00	2001	2002	2003	2004*
World exports of goods	7.0	-0.5	3.0	4.5	7.5
Agricultural products	3.5	2.5	3.5	3.0	
Mineral Products	3.5	1.0	0.5	2.5	
Processed goods	8.0	-1.0	4.0	5.0	
World production of goods	4.0	-0.5	1.0	3.0	
Agriculture	2.5	1.5	1.5	2.0	
Minerals	2.0	-0.5	-0.5	3.5	
Processed goods	4.0	-1.0	1.0	3.0	
Global GDP	3.0	1.0	1.5	2.5	3.7

A more detailed analysis on the developments regarding the structure of world exports of commodities (Table 1.2, Chart 1.1), provides a more comprehensive view on the performances of top categories of goods in the structure of world trade and the most dynamic products, leading such developments².

	Value	Structure, %		Annual % of change			
	2003	1995	2003	1995-00	2001	2002	2003
All products	7,294	100.0	100.0	5	-4	5	16
Agricultural products	674	11.7	9.2	-1	0	6	15
Food	543	9.0	7.5	-1	3	6	16
Raw materials	130	2.7	1.8	-3	-9	4	15
Minerals	960	10.9	13.2	10	-8	-1	21
Ores and other minerals	79	1.2	1.1	1	-4	3	24

¹ All the data on international trade quoted in this report have been extracted from the Annual Trade Report, a WTO publication which can be downloaded from the following address:

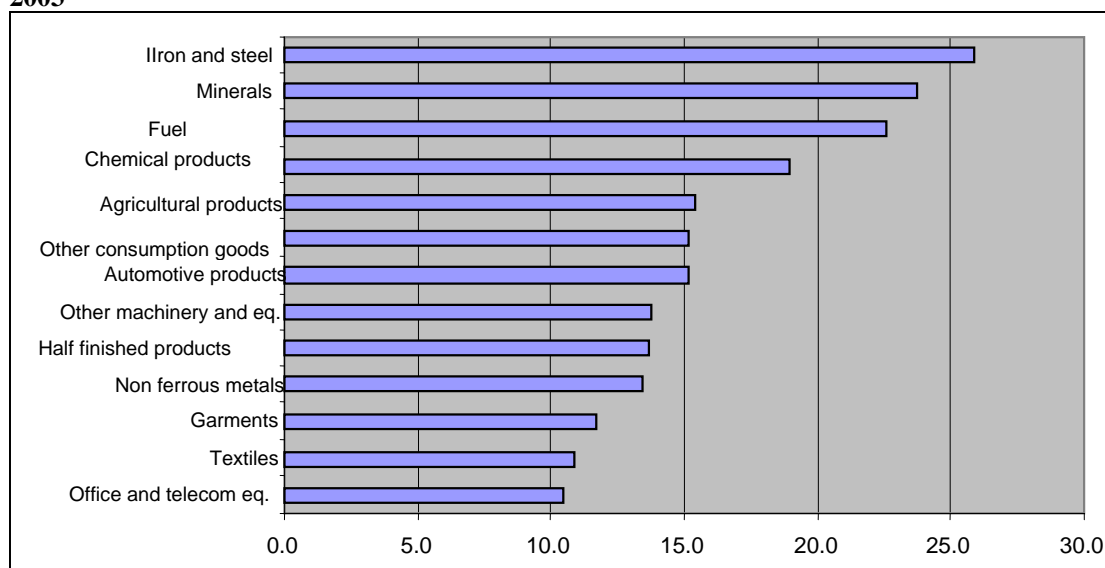
http://www.wto.org/english/res_e/booksp_e/anrep_e/wtr04_forwrd_toc_exec_sum_e.pdf

² The data in this part of analysis have been provided in terms of US dollars and not in real terms. For instance, in the case of trade of commodities, the WTO report estimates that almost two thirds of differences in the volume of international exchanges are due to fluctuations of the dollar price.

Fuel	754	7.5	10.3	12	-8	0	23
Non-ferrous metals	127	2.1	1.7	3	-9	-3	13
Processed goods	5,437	74.1	74.5	5	-4	5	14
Iron and steel	181	3.1	2.5	-2	-7	9	26
Chemical products	794	9.7	10.9	4	3	11	19
Other half processed products	529	7.9	7.2	3	-3	6	14
Machinery and transport equipment	2,894	38.7	39.7	6	-6	3	13
Automotive products	724	9.2	9.9	5	-1	10	15
					0		
Office and telecommunications equipment	933	12.1	12.8	10	-13	1	10
Other machinery and transportation equipment	1,237	17.5	17.0	4	-2	2	14
Textile	169	3.0	2.3	0	-5	4	11
Garments	226	3.2	3.1	5	-2	4	12
Other consumption goods	644	8.6	8.8	5	-2	5	15

a Includes products that have not been specified. They occupied 3 percent of global exports of goods during 2003.

Chart 1.1: Annual percentage of change for exports of some of the main commodities, 2003



The data presented above suggest that iron and steel products, minerals and fuel as well as the chemical industry, which grew with a higher average growth rate as compared to the average level of total exports growth (estimated at 15.8%), were the most dynamic categories of world exports. Whereas, lower growth rates have been registered in the textile and garments industry as well as in the office and telecommunications equipments industry.

Geographically (Table 1.3), world trade growth has been mainly stimulated by an increase in the demand for imports in North America and Western Europe which occupy a high share in world trade (about 58% of world exports).

Table 1.3: World trade of goods by regions, 2003; % of change		
Countries	Imports	Exports
Latin America	3	9

North America	8	5
Middle East	9	19
Asia	19	17
Western Europe	19	18
Africa	21	22
Transition economies	27	28

An analysis of foreign trade dynamics in transition economies during a broader period of time, shows that exports and imports have increased by higher paces in the Central and East European region, stimulated by a higher growth rate registered during 2003 as compared to 2002 (Table 1.4).

	Transition economies					Central and East Europe				
	1995- 00	2000	2001	2002	2003	1995- 00	2000	2001	2002	2003
GDP	2.3	7.0	4.5	3.7	5.8	3.2	3.8	2.7	2.5	3.8
Goods										
Exports (value)	7	26	5	10	28	8	14	12	15	30
Imports (value)	4	14	11	11	27	9	13	9	11	28
Exports (volume)	7	17	8	8	12
Imports (volume)	7	15	15	7	11

The annual trade report, published by the World Trade Organization, identifies the two most important developments in world trade since 1985. Different performances for different categories of goods and services constitute the first feature. Trade of processed goods and trade on services have grown by a higher average rate as compared to the general trade growth rate. In contrast to this development, the performance of growth rates regarding trade of agricultural products, mineral products and transportation services has caused a drop in their share in total trade. The second most important development is a structural change in the composition of agricultural goods trade, where the volume of processed agricultural products has increased. This increasing trend regarding exchanges of processed agricultural products is obvious in almost all countries and involves almost all of the products belonging to this category.

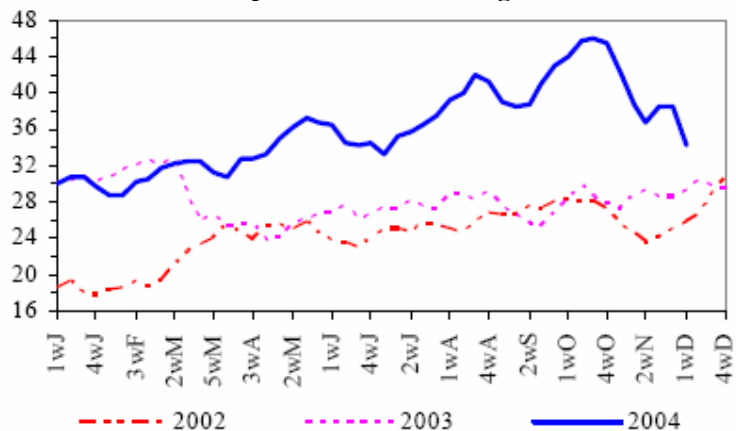
The performance of oil prices and continuous depreciation of the US dollar in relation to the main international currencies, especially the European currency, Euro, were the two most important and intense developments registered in world trade during 2004.

I.2 Oil prices developments

Increasing trends of oil prices (Chart 1.2) almost caused an alarming situation in global markets, when the price hit over 50 dollars/barrel, registering an increase of more than 70 percent as compared to the average price during 2003 (28.91 USD/barrel). This is 5 percent higher than the peak price registered in thirty years.

Nevertheless, pressure on oil prices was significantly eased, causing a drop in these prices, especially during the second part of the year. According to the December OPEC report, the reference price established by this organization dropped to 34.21 USD/barrel.

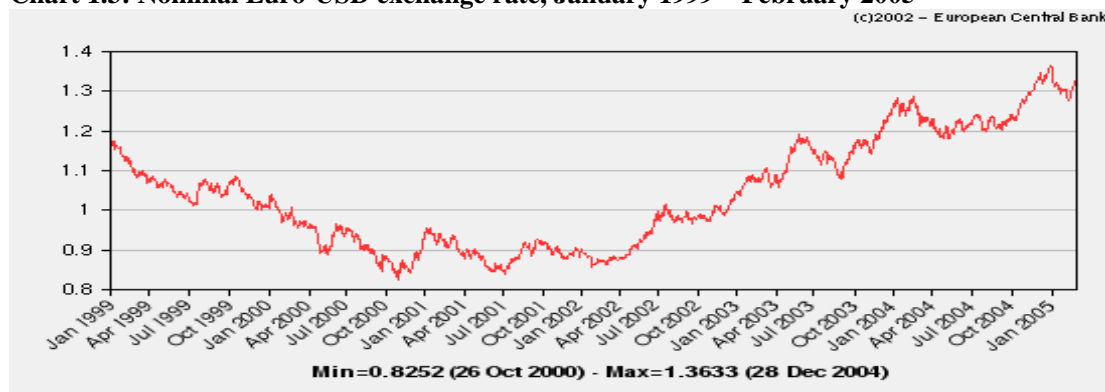
Chart 1.2: Reference prices of oil according to OPEC - \$/barrel



By the end of 2004, the growth of world demand for oil was estimated 3.17%, implying an increase of 2.51 million barrels of daily production, in terms of volume. Responding to this increase in the demand of global economy for oil resources, OPEC countries increased their production, establishing an estimated daily production rate of 29.76 million barrels. Market supply provided by other non OPEC member, oil producing countries was estimated at about 49.76 million barrels/day. On the other hand, global economy demand for oil during 2005 is expected to grow by 1.8% as compared to the previous year, implying a consumption rate of 83.28 million barrels/day, as compared to the estimated 81.77 million barrels/day during 2004.

I.3 Depreciation of the US dollar in international markets

During the whole year, the American currency continued its depreciating trend in international exchange markets in relation to all main international currencies. US dollar exchange rate developments were especially sensitive in relation to the European currency, Euro (Chart 1.3). Since its first debut in international markets, the European currency, Euro experienced a permanent period of depreciation in international markets, registering its historical records on October, 2000. This period of depreciation in relation to the US Dollar, prevailed until mid 2003, when it exceeded the nominal debut price (1.0658 Euro/USD), which was the average exchange rate during 1999.

Chart 1.3: Nominal Euro-USD exchange rate, January 1999 – February 2005

Source: <http://www.ecb.int/stats/exchange/eurofxref/html/eurofxref-graph-usd.en.html>

By the end of 2004, the Euro had registered an average increase of 16.7% (in nominal terms), in relation to the US dollar as compared to the average exchange rate during 1999, and an increase of 38.9% as compared to 2001, when the minimum average exchange rate was recorded (0.8956 Euro/USD). The Euro was appreciated by about 10% in relation to the US Dollar by the end of 2004, as compared to the average exchange rate registered during 2003.

Developments regarding Euro – USD exchange rates were in the limelight of economic news in the world economy arena during the last year. On the other hand, these developments have been reflected by the same intensity in the domestic exchange market as well. A detailed discussion on this point follows in the report.

I.4 Developments in the world trade system

Trade developments over the recent years have been accompanied by dilemmas and concerns on the future direction of the multilateral trade system. The discouraging outcome of the Cancun WTO meeting on September 2003, where trade ministers failed to conclude the agreement on modalities of negotiations (which were to be completed by end 2004), was the most obvious, major barrier. After failure of the second ministerial WTO meeting (and after the 1999 failure in Seattle), observers concluded that the multilateral trade system was undergoing a shaky period. Individualization of bilateral and regional trade agreements and a considerable number of trade conflicts were threatening the architecture of the world trade system. Instability and the risks involved in the trade system might have been exaggerated, but the costs of discontinuing ambitious plans, designed to facilitate multilateral trade liberalization are tangible, especially in the case of developing countries. Nevertheless, negative forecasts on the world trade system would be premature. Despite several concerns regarding WTO deficits, there are no grounds to believe that members are going to defect. After debates in Cancun, support and suggestions for restarting the Round were provided. Anyway, concerns on the perspective of the Doha Round are not completely unfounded, and thus a more serious political involvement is required in this context.

In spite of these considerations, several important achievements and developments in the multilateral trade system lead by the WTO, were recorded during 2004. Along with such developments as membership extension (148 members) by two new members (Nepal and Cambodia) and recent progress in negotiations with important trade partners such as Russia and Vietnam, a special attention focused on the advancement of reforms in the context of the Doha Agenda, reflected in the July, 31, Decision of the General WTO Council. Expiration of the Peace Clause in the context of the Agreement on Agriculture and the Agreement on Textiles and Garments were also important developments in the multilateral context.

The July, 31 Decision of the General Council was a result of ongoing efforts by WTO members to agree on the negotiation modalities suspended in Cancun, and a step toward the advancement of reforms promised by the Doha Agenda.

The July, 31 decision, or the Framework Agreement, as it is also referred to, focuses particularly on negotiation modalities regarding agriculture and industrial products, market access, deadlines for advancement in the context of services liberalization, and also precedes future negotiations on trade facilitation.

In addition, during this session of the General Council, the next Ministerial Conference was scheduled on December 2005 in Hong Kong. A successful conclusion of the Hong-Kong Meeting will allow for the Doha Round to conclude as well, which is expected to happen by 2006 according to optimistic forecasts on this Round.

In the context of modalities regarding agriculture, the decision also forecasts a further reduction on subventions measured according to the AMS mandatory value plus the allowed *de minimis* value and the allowed value in the blue box, proposing a blended formula which suggests a higher reduction for higher tariffs. In the meantime, proposals have been made suggesting that reduction should address the applied tariff as opposed to the tariff assigned in the context of WTO, as only such a reduction would cause tangible effects in the context of subventions reduction. Such a proposal has been supported by the European Union. Application of the blended formula of reduction was proposed to extend further to non-agricultural products, aiming at a better market access, emphasized in the context of the Doha Agenda.

Measures on trade facilitation occupy an important position in the context of negotiations, as the need to clarify some of the GATT articles (articles V, VIII, X) which relate to customs procedures, was emphasized at this time. Commitments were made on providing technical and financial assistance in order to effectively implement these procedures in developing countries.

The decision emphasized once again the importance of trade liberalization regarding services, mainly in the context of Module 4 which is related to cross-border movement of people and service supply. May 2005 is the scheduled deadline for achieving an agreement on this area.

The aforementioned agreement signed by WTO members was preceded by an important development for multilateral trade such as the expiration of the Peace Clause on 31 December 2003.

Article 13 of the WTO Agreement on Agriculture (also referred to as the Peace Clause) suggested that WTO members would be protected from counterbalancing measures based on the agreement on subventions (SCM), provided that they meet subvention reduction standards assigned in the context of the Agreement on Agriculture and do not increase subventions on several food products beyond the level established in 1992. Now, after expiration of this provision, counterbalancing against subventions on agricultural products applied by a WTO member, is possible based on SCM articles 3, 5 and 6. Countries such as the United States or European Union members face higher penalty risks as prescribed in the SCM. Almost all EU export programs, with a few exceptions in the case of exports in the green box, might receive such penalties. The United States have been long accused by Brazil on illegal application of subventions on cotton exports, and another potential charge regarding sugar exports is expected to be deposited. Despite expiration of this objectionable clause (mainly for developing countries), future developments are not expected to bring any essential changes, for the following reasons:

First, according to the literal interpretation of article 13 of the Agreement on Agriculture, many of the subvention programs have different conclusion deadlines, thus different from January 1, 2004.

Second, the potential decision of the Panel in the SCM context, in the cases of illegal subvention detection is still ambiguous.

Third, postponement of the clause expiration deadline has been a controversial issue and will remain as such on the EU part till the Doha Round conclusion, as long as developing countries affected by these subventions are not interested in taking counterbalancing or conflict-solving measures in the WTO context, which might cost them more than the option of simply waiting for a new agreement.

Expiration of the Multifiber Textile Agreement by end 2004 (December 31, 2004) is another achievement for developing countries. Expiration of this agreement implies that textiles will now be subject to the GATT regime, which prescribes the establishment of MFN tariffs and bans trade limitation by means of quotas. Expiration of this agreement comprises an achievement in three main dimensions: first, the WTO and the very multilateral system will acquire political credibility; second, a fair allocation of textile and garments production can be achieved, thus eliminating the forced allocation caused by quotas; third, consumers will greatly benefit from the improved structure of the sector.

Studies suggest that benefits from the Uruguay Round will increase from 20% to 50% along with the liberalization of industrial products and this will result from the liberalization of textile and garments, which represent an important volume in the global economy. India and China will be the top exporters of these products and multilateral trade access for these countries is likely to increase to 50%. Mexico, the Caribbean Islands and East European countries, which are the main exporters to American and European markets are expected to lose access after these developments. They will also need to make efforts to rearrange their relevant industries.

1.5 Albania's commitments in the context of WTO membership

The task of complying with commitments on further tariff liberalization in the context of membership in the WTO was reflected in the 2004 fiscal package. Several products have been liberalized according to, or even exceeding the commitments (about 661 liberalized tariff lines) but this does not hold true for another part of products, implying a failure to meet the obligations according to the GATT schedule. For this reason, the Albanian Government has notified the WTO on the list of products that will not be liberalized according to the schedule and also its proposal regarding gradual liberalization of these products. Declaration of failure to meet the obligations is made possible by article IX of the WTO foundation agreement, which allows for a temporary suspension (waiver) in completing an obligation without forcing the WTO member country to offer a compensation. After consultations held in WTO Secretariat with trade partners, a waiver was granted for the products of table 1.5.

Table 1.5: Notification on the products requiring liberalization deadline postponement

<i>Product description</i>	<i>WTO tariff (2005)</i>	<i>Tariff applied during 2005</i>
Malt beer	0	10
Perfumes and toilet waters	6.5	10
Candles	6.5	10
Tubes, pipes etc.	5	10
Plates, sheets, strip, etc	6.5	10
Wood	0	10
Wooden mosaics, etc	0	10
Uncoated paper and paperboard, etc	0	2
Wallpaper, etc	0	10
Paper and paperboard, etc	0	10
Wheels, spokes, etc	0	10
Paper, paperboard, cellulose wadding, etc	0	2
Paper, paperboard, etc	0	10
Other printed materials, etc	0	10

Source: Ministry of the Economy, Secretariat of WTO issues

Box : The role of trade policies

The results of negotiations in the context of the global trade system have caused a significant reduction in tariff protection. By the late 60's, custom duties (the first dimension of trade policies) were only a fraction of those applied before GATT was established. Current levels of custom duties applied in developed countries vary (from country to country) from 3 to 5 percent, with a few exceptions for specific sensitive sectors (several agricultural products and textile industry products) with tariffs varying up to 15%. On the other hand tariff protection is still high in developing countries, where the average level of applied tariffs exceeds 13 percent, as illustrated in table 1.6.

Table 1.6: Applied and assigned duty tariffs, after the Uruguay Round; %

Product groups	Industrialized countries		Developing countries	
	Applied tariffs	Assigned tariffs	Applied tariffs	Assigned tariffs

1	Agricultural products, except fish	5.2	7.2	18.6	19.9
2	Fish and its by-products	4.2	4.9	8.6	25.9
3	Oil	0.7	0.9	7.9	8.4
4	Wood, paper and furniture	0.5	0.9	8.9	10.3
5	Textile and garments	8.4	11.0	21.2	25.5
6	Leather, plastics and footwear	5.5	6.5	14.9	15.4
7	Metals	0.9	1.6	10.8	10.4
8	Chemical and photographic equipment	2.2	3.6	12.4	16.8
9	Transportation equipment	4.2	5.6	19.9	13.2
10	Non electrical machinery	1.1	1.9	13.5	14.5
11	Electrical machinery	2.3	3.7	14.6	17.2
12	Mineral products, valuable metals	0.7	1.0	7.8	8.1
13	Other industrial products, not specified in any other category	1.4	2.0	12.1	9.2
	Industrial goods	2.5	3.5	13.3	13.3
	All products	2.6	3.7	13.3	13.0

Note: Tariffs in the table are those applied on trade volume, trade within free trade areas has been disregarded

Applied tariffs belong to the base year; assigned tariffs will be applied once the agreement has entered into force, thus in some cases applied tariffs might be higher than those assigned. **Source:** B. Hoekman, A. Mattoo and P. English edit., "Development, Trade and the WTO – A Handbook", The World Bank, 1998.)

Increasing non-tariff barriers, as protective instruments for the industry, constitute the second dimension of trade policies. The diminishing role of custom duties as instruments of trade policy has been accompanied by a proportional increase in the relative importance of non-tariff measures. For these reasons, while the Uruguay Round of the World Trade Organization focused on the reduction of tariff barriers to trade, the Doha Round of the WTO, and especially developed countries focused particularly on trade facilitation apart from such issues as reduction of custom duties and other tariff protection measures in the agriculture sector and the textile industry. Trade facilitation measures have an important effect on trade growth. They also have a positive impact on the citizens' income, as a result of reduced transaction costs. Increasing regionalization and creation of trade blocks between regions or preferential trade agreements on a bilateral basis constitute the third dimension. More than 230 such agreements between different countries have been already signed³, as compared to only 50 ones in 1990. This change in the global trade system has been mainly inspired by the undisputable success of the European Union, by the changing stance of the United States toward creation of regional trade blocks, mainly⁴ as a counteraction to the EU success and the global scope of liberalization trends following collapse of the communist system. The economic liberalization trend extended virtually throughout the globe, with a few exceptions (such as Cuba, North Korea, etc.). Globalization as opposed to regionalization (or often referred to as "competitive liberalization") is nowadays a favorite subject in current discussions between political economics, international trade and international relations academicians. **Source:** Selami Xhepa, "European integration challenges for Albania: An inquiry on the costs and benefits"; prepared for the conference "Albania and the European Union – the New Free Trade Area"; organized by ACIT through the financial support of USAID and the German Friedrich Ebert Foundation, November, 2004.

³ World Bank, 2004 "Global Economic Prospects, 2005".

⁴ Jeffrey A. Frankel, 1997 "Regional Trading blocs in the new world economic system", a publication of Institute for International Economics, Washington D.C., October 1997; page 5.

II. Main macroeconomic developments in Albania during 2004

According to preliminary assessments provided by the Bank of Albania, the Albanian economy has further intensified and consolidated the macroeconomic stability achieved during the previous years (Table 2.1).

As a result of a higher growth of industrial and agricultural production, in spite of the slight drop in the construction and transportation sectors' growth rate, the Albanian economy has registered a real annual growth rate of 6%.

Table 2.1: Sectorial economic growth, in real terms, %

	2002	2003	2004*
Economy	4.7	6.0	5.9
Industry	1.8	2.7	3.1
Agriculture	2.1	3.0	3.8
Construction	8.7	11.3	10.6
Transportation	9.7	10.8	10.1
Services	5.1	6.4	6.4

(Note: the data has been provided by the preliminary report of the Bank of Albania in the context of the annual analysis. Data on the agricultural sector growth have been revised: 3.8% as compared to the forecasted rate of 3.0%)

Other important macroeconomic indicators such as inflation and the fiscal deficit have also been improved. The average inflation rate during 2004 was 2.9%, in compliance with the objective established by the Bank of Albania. This objective has been sustained in the conditions of increasing the amount of credit for the economy (the private sector). According to data from the Bank of Albania, outstanding loans for the economy has grown by about 30 percent during the first eleven months of the year, extending the credit to longer maturity periods. "This development gives evidence of a higher support in promoting growth of the production capacity by the banking system" as noticed by the monetary authority.

Fiscal deficit by the end of the year is expected to register 5.1% of GDP. This fiscal consolidation is mainly due to expenditure cuts rather than increasing budgetary revenues.

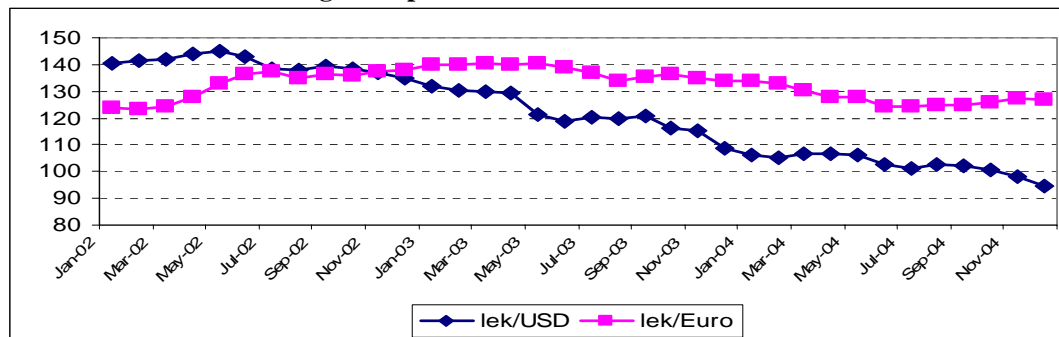
Developments regarding the national currency exchange rate during 2004 have registered a further appreciation of the Lek in relation to the main international currencies, the US dollar and the Euro (Chart 2.1). In particular, appreciation relative to the American currency was higher as compared to the previous year. Thus, while the Lek was appreciated by 13.1% (during 2003), relative to the US dollar as compared to 2002, the appreciation rate⁵ reached 15.6% by the end of 2004. Cumulative US Dollar depreciation relative to the Albanian Lek stands at 26.7%. On the other hand, the Lek-Euro exchange rate performance has been relatively more stable. After a 3.9% depreciation during 2003, the Lek was appreciated in relation to the Euro during the whole 2004, by 7.2%.

Though influence of exchange rates on the competitiveness level of the economy remains a heavily disputed issue, and acknowledging that competitiveness of the

⁵ The appreciation rate relative to the US dollar based on maximum and minimum values of the nominal exchange rate for the 2002-2004 period was 34.7%; while in relation to the Euro it registered only 11.4%.

private sector relies on other more important structural factors, exchange rate stability is not to be neglected as well. This influence is especially pronounced in the case of industries featuring a high local composition and where transactions are carried out in US Dollars.

Chart 2.1: Nominal exchange rate performance of the Lek relative to the Euro and USD



Box: The influence of exchange rates on the Albanian economy

While strong appreciation of the national currency is considered to be an important development, positively affecting inflation and poverty, it can also negatively affect the competitiveness level of the economy. Business competitiveness relies on macroeconomic factors, shaping the general environment of their economic activity and their product's value in terms of foreign currencies, as well as on microeconomic factors in the context of their micro-environment and individual characteristics. Microeconomic factors play an especially important role, and economic restructuring processes are further emphasizing their role. Improvement of economic competitiveness is mainly affected by investment activities and intensification of structural reforms encouraging domestic and foreign investment. The exchange rate influence is one of the most disputed macroeconomic factors, especially as a result of the very high appreciation of the domestic currency relative to the US Dollar over the two last years. Depreciation of the effective exchange rate brings about higher prices of domestic goods in terms of foreign currency, thus decreasing economic competitiveness and hindering exports. Imports would be affected in the opposite way. Empirical studies and analyses carried out by several authors (for a more detailed discussion on this topic see: Hollar, 2003; Mançellari, Xhepa, 2003), indicate that the influence of effective exchange rates on the competitiveness level, especially in the short term, is weak or even irrelevant. Regression analyses prove that imports are more sensitive than exports to fluctuations of the real effective exchange rate in the long term, though in both cases *t-statistics* indicators are insignificant.

However, a high real appreciation of the currency, in the conditions of a Current Account Deficit of over 7% of the GDP, puts pressure and allows for expectations on a potential depreciation of the exchange rate. This insecurity on future developments, might bring consequences in the investments performance and the whole private sector, including the banking system. On the other hand, the impact of currency appreciation on the competitiveness level of individual firms might be significant. In particular, the influence of exchange rates on prices and the financial status of firms might be significant in the case of industries where local content of products is high, such as agricultural and agro-industrial products, metal processing etc. Thus, exchange market developments must be carefully monitored by the country's authorities.

Source: Ahmet Mançellari; Selami Xhepa, 2003 - "Sustainability of the Current Account Deficit", Bank of Albania Conference, 2003; Country Economic Memorandum, 2004 "Albania: Sustaining Growth Beyond the Transition", World Bank Report 2004.

Developments regarding other components of the balance of payments⁶ also witness a strong growth rate during 2004.

Trade of services increased by 30.7% as compared to 2003. Revenues from trade of services in the balance of payments registered 941 millions of USD, mainly due to a significant increase in revenues from tourism. Registering 672.6 millions of USD, tourism revenues increased by 28.7% as compared to the previous year.

Remittances have registered a continuous growth of 25% as compared to 2003. Total remittances amounted to 972.3 million USD, 194 million USD more than the 2003 level. Consequently, remittances have been financing about 44% of imports in the economy during 2004.

Foreign direct investment almost doubled during 2004, registering 341.3 million USD due to progress in the context of privatization programs, especially the privatization of the Savings Bank.

In a final analysis, the current account balance registered a deficit of 404 million USD, estimated at about 5.3% of the GDP, thus decreasing as compared to the 7.3% level registered during 2003.

Increasing exchange volumes with the world, in terms of both imports and exports, caused the country's trade deficit to grow from 1.4 billion Dollars to 1.7 billion Dollars. A more comprehensive analysis on developments regarding the trade balance follows in the Report.

⁶ The analyzed data regarding components of the Balance of Payments have been provided by the Economic Bulletin of the Bank of Albania.

III Developments in Albania's foreign trade

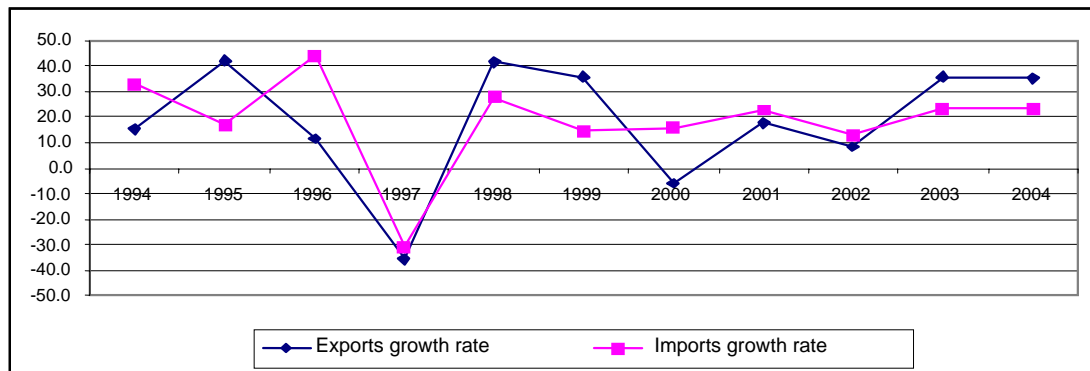
III. 1 General developments

The data in table 3.1 outline the most important developments regarding the external sector of the Albanian economy during the whole transition period. As illustrated by the data, increasing trade deficit has been a constant feature of foreign trade developments, imposing a high level of Current Account deficit. In particular, low export volumes constitute a prominent feature in the context of the external economy. Despite positive developments regarding exports, the latter amount to only 7.3% of GDP on average, providing for about 25% of the financial resources required to cover imports. Low absolute levels of exports have also caused the economic openness degree, measured by the ratio of exports and imports of goods to the Gross Domestic Product, to remain rather low (about 38%) as compared to other markets in the region. This low level of economic openness has hindered full-scale activation of trade as a source of economic growth. In this context, the increase of economic openness is one of the major challenges for our economy in the future. World Bank assessments also give supporting evidence to this conclusion (CEM, 2004).

<i>In millions of USD</i>	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Current Account	18.8	31.4	36.6	-62.3	-	-65.0	-	-163.1	-217.9	-420.8	-406.7	na
					253.7		132.9					
Exports	123.1	141.8	201.4	224.4	143.6	202.7	275.7	258.9	304.9	330.4	448.1	605.4
Imports	418.4	554.8	648.4	933.1	644.4	823.5	943.0	1,089.4	1,337.5	1,505.8	1,859.6	2,296.1
Exports/GDP, %	10.0	7.3	8.1	7.4	6.6	7.4	8.0	7.0	7.4	7.4	7.3	7.4
Imports/GDP, %	34.1	28.5	26.2	31.0	29.8	30.1	27.4	29.5	32.6	33.5	30.4	28.2
Exports/Imports, %	29.4	25.6	31.1	24.0	22.3	24.6	29.2	23.8	22.8	21.9	24.1	26.4
Trade deficit, % of GDP	-24.0	-21.2	-18.0	-23.5	-23.1	-22.7	-19.4	-22.5	-25.2	-26.2	-23.1	20.8
Trade deficit (in millions of USD)	-	-	-	-	-	-	-	-	-	-	-	-
Economic opening degree	295.3	413.0	447.0	708.7	500.8	620.8	667.3	830.5	1,032.6	1,175.4	1,411.5	1,690.6
	44.1	35.8	34.3	38.4	36.4	37.5	35.4	36.5	40.0	40.9	37.8	35.7

(Source: The General Directorate of Customs, ACIT database, the Bank of Albania)

Imports have grown by an average annual rate of 18.4%, while exports have grown by 18.2% during the 1994-2004 period (Chart 3.1). On the other hand, starting from 2001, higher growth trends have characterized the performance of both exports and imports: exports have grown by an average annual rate of 24.2% during this period, whereas imports have grown by 20.6%. Thus, although it is very early to have any conclusion, the globalization and regionalization processes seem to be positively affecting the Albanian economy in general.

Chart 3.1: Imports and exports growth rate

Source: GDC, ACIT database

The deepening of economic openness through increasing foreign trade, and especially through increasing exports, as mentioned above must be an essential component of development policies. The role of trade policies in this context becomes instrumental for the development process. On the other hand, the very conception of trade policies is already subject to a comprehensive academic discussion, emphasizing a shifting attention to non-tariff barriers and various technical trade barriers as opposed to custom duties.

Considering the importance of non-tariff measures to foreign trade, this area was an important area for ACIT research activities during 2004. In this context, ACIT was supported by the Open Society Foundation, resulting in a study on the “Facilitation of Customs Procedures and Business Relations with the Customs Administration”. The study focused on assessing the efficiency of the customs procedures and administration in the context of relations with the business and also on analyzing the Albanian legislation on customs as compared to the European legislation and best international practices.

Box: Facilitation of Customs’ Procedures and Business Relations with the Customs’ Administration

Some of the main conclusions of the research paper follow:

- According to estimations in the paper, as a result of the application of trade facilitation measures, the Albanian economy might be able to realize great potential benefits, amounting up to 200 millions of USD. As a result, investments on the physical and human infrastructure network of institutions involved with trade policy implementation and especially the customs administration, are very efficient considering their potential return.
- According to results from questionnaires realized with 250 companies involved in import-export activities, customs and transportation agencies, custom clearance time during the last year has been reduced to 1.9 days from the high 5.3 days registered the previous year. This is one of the most positive developments following the introduction of new information processing technologies such as the ASYCUDA system. However, the analysis argues there is plenty space for further reduction of the amount of time this process requires, through simplification of documentation requirements, improvement of information systems and adoption of the best international practices in this context.
- Nevertheless, the paper states that corruption in the customs administration has been continuously causing higher business operation costs (by approximately

5 percent). High discretion in the execution process of customs legislation, especially during the often abusive application of reference prices have been major causes leading to such practices. According to our estimations, about 70 percent of imports volume is cleared through application of prices of reference, which is against the GATT Article VII. Poor communication ethics, poor transparency regarding information, etc are also important concerns from the business point of view.

- The research provides a detailed analysis regarding the customs warehouses regime, the transit regime, the evaluation and apellation system, and sanctions. The Albanian customs legislation has been adapted to the EU legislation and the best suggestions and practices. Several recommendations have been provided, be it in the context of the legal framework, or in the operational level of the customs administration activity.

Source: Group of authors, 2004: "Facilitation of Customs' Procedures and Business Relations with the Customs' Administration", ACIT research paper. The full paper is accessible online: www.acit-al.org

In order to further intensify research efforts regarding non-tariff barriers, during the current fiscal year ACIT has planned four comprehensive studies in this area. More specifically, the studies will provide a better insight in the role of non-tariff barriers in the context of economic development, technical trade barriers such as conformity standards and regulations, sanitary and phytosanitary measures and the role of rules of origin.

III.2 Foreign trade during 2004

Basically the same performance of foreign trade prevailed during 2004, as compared to the previous year. Exports increased by a much higher rate as compared to imports.

Exports amounted to 605.4 millions of USD by the end of 2004 (Table 3.2), registering an annual growth rate of 35% (in terms of USD). Seasonally, as illustrated by the table, a higher average growth rate as compared to the annual rate has been registered during more than half of the year. Exports during 2004 financed 26% of imports and occupied 7.4% of the GDP.

Month	Exports		Imports		Trade deficit
	Value	% of change as same period -2003	Value	% of change as same period - 2003	
January	42.56	10%	143.00	8%	100.44
February	47.42	29%	160.96	20%	113.54
March	46.48	39%	171.17	20%	124.69
April	51.90	48%	176.91	32%	125.01
May	51.16	26%	176.29	3%	125.13
June	53.47	40%	185.16	10%	131.68
July	61.98	45%	199.85	30%	137.86

August	36.32	77%	180.56	29%	144.25
September	52.46	33%	199.28	26%	146.82
October	54.75	28%	231.95	29%	177.20
November	53.78	31%	202.69	23%	148.91
December	53.15	35%	268.25	49%	215.10
TOTAL 2004	605.44	35%	2,296.06	23%	1,690.62

Source: GDC, ACIT

Imports also increased by 23% as compared to 2003, amounting to approximately 2.3 billions of USD. Imports increased significantly during the second half of the year, reaching their peak in December, registering a growth rate of 49% as compared to the same period during the previous year.

Trade deficit by the end of 2004 registered 1,690 million USD, growing by 279 million USD (19.7%) as compared to the previous year.

ACIT forecasts⁷ an increase of trade activity during 2005. Exports are expected to increase by approximately 115 million USD amounting to about 720 million USD, while imports are expected to increase by approximately 468 million USD amounting to 2,750 million USD. As a result, trade deficit is expected to increase and exceed 2 billion USD.

Box: Exchange rate performance in relation to the Euro and US Dollar and trade statistics

The differences in the behavior of the national currency, Lek, relative to the Euro and US Dollar is also reflected in the performance of foreign trade indicators, depending on the currency in which transactions are denominated. Data in the following table (Table 3.3), demonstrate that growth rates of exports and imports are significantly higher when denominated in US Dollars as compared to growth rates converted into the European currency. Statistically, relatively high growth rates of foreign trade since 2003, are related to some extent to the significantly high depreciation of the Dollar.

In millions of Euro					
Month	Exports		Imports		Trade deficit
	Value	% of change as same period -2003	Value	% of change as same period -2003	
January	33.75	-7%	113.39	-9%	79.64
February	37.45	10%	127.12	2%	89.67
March	37.89	23%	139.54	6%	101.65
April	43.27	34%	147.49	20%	104.23
May	42.57	22%	146.70	-1%	104.13
June	44.06	35%	152.54	5%	108.49
July	50.53	35%	162.93	21%	112.40

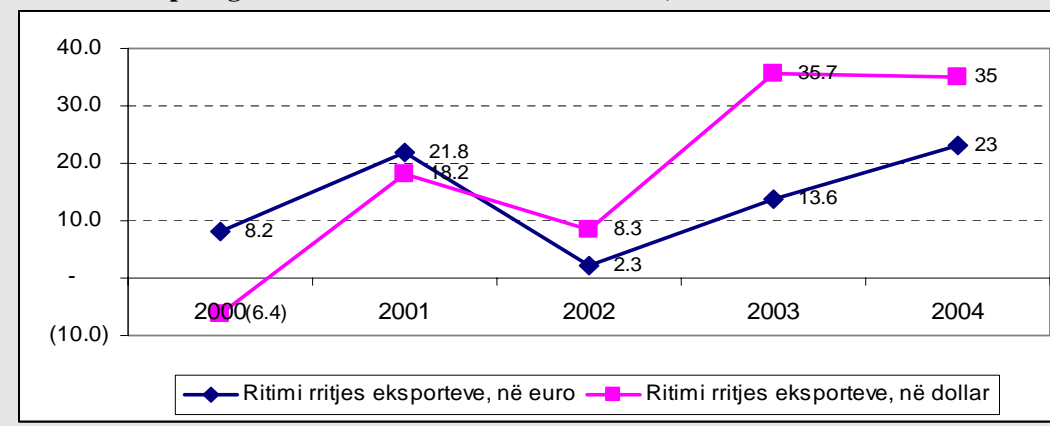
⁷ ACIT forecasts on trade activity during 2004 (the 2003 Annual Report) revealed a satisfactory accuracy rate: exports were underestimated by 12%, while imports were underestimated by 4%.

August	29.82	62%	148.24	18%	118.42
September	42.95	22%	163.17	15%	120.22
October	43.84	20%	185.72	21%	141.88
November	41.51	19%	156.45	11%	114.94
December	39.69	24%	200.34	37%	160.64
TOTAL 2004	487.34	23%	1,843.65	12%	1,356.31

The impact of exchange rates in foreign trade growth rates, as a function of the currency in which transactions are denominated, is illustrated by the following chart of export growth rates. As shown in chart 3.2, the difference of exports growth rates during 2004 is approximately 12 percent (22.8 percent during 2003) according to the currency in which indicators have been denominated.

In order to be consistent with the reporting of other national statistics and the Balance of Payments, reporting and analyses throughout the paper have been converted into US dollars. Nevertheless, it is important to emphasize that increasing differences of exchange rates with the two main international currencies, call for analyses to be performed on a volume indicator basis. Calculation of the series of imports and exports in terms of volume is nowadays a requisite for providing more realistic analyses on foreign trade developments.

Chart 3.2: Export growth rates in Euros and US dollars, %



III. 3 Developments in the foreign trade structure of goods

Data from the table (Table 3.4) suggest that exports have registered growth in all categories of goods, except four categories, which in all represent only 2% of total exports. The exports' growth rate in the processed food, mineral products, metals, machinery and equipment, and various products categories was higher than the average level of growth for total exports. Nevertheless, growth was prominent in textile and footwear exports as well, which grew respectively by 29% and 25.8%.

Table 3.4: Trade imports and exports during 2004

In millions of USD

	Section Description	Exports (F.O.B)			Imports (C.I.F)		
		Value	Share to the total	% increase as same period - 2003	Value	Share to the total	% increase as same period 2003
1	Live animals: animal origin products	2.65	0.44	-3.73	66.28	2.89	5.08
2	Vegetable products	19.03	3.14	26.01	167.01	7.27	40.00
3	Animal grease and oils or vegetal and its products...	0.34	0.06	-24.81	33.28	1.45	14.78
4	Prepared food; drinks, alcoholic beverages and vinegars; tobacco and manufactured tobacco substitutes	27.69	4.57	44.35	180.29	7.85	14.51
5	Mineral products	24.66	4.07	106.43	244.82	10.66	11.40
6	Chemical industrial products or alloys	2.25	0.37	-9.46	151.99	6.62	32.91
7	Plastic and its products; tire and its products	1.95	0.32	198.93	69.27	3.02	20.97
8	Unprocessed and processed leather, coats and their products ...	13.35	2.20	18.88	59.80	2.60	7.70
9	Wood and its products; charcoal; cork and its products ...	9.55	1.58	9.21	32.86	1.43	44.04
10	Wood or other fiber, cellulose, paper or cartoon materials' dough...	7.12	1.18	-23.51	42.60	1.86	16.39
11	Textile and its products	200.41	33.10	29.11	238.39	10.38	17.41
12	Footwear and hats, umbrellas and parasols, walking sticks....	168.32	27.80	25.85	70.68	3.08	8.75
13	Stone, gypsum, cement products...	2.71	0.45	28.91	83.63	3.64	22.60
14	Natural or cultivated pearls, jewelry...	0.78	0.13	89.29	1.03	0.04	49.84
15	Main metals and their products	85.83	14.18	72.88	215.49	9.39	21.64
16	Mechanic, electric machinery and equipment ...	21.76	3.59	48.41	385.84	16.80	35.90
17	Vehicles	2.19	0.36	84.12	157.58	6.86	30.94
18	Optic, photographic, cinematographic, etc. instruments and equipment	2.10	0.35	722.00	42.52	1.85	95.34

19	Weapons and munitions and their equipment	0.61	0.10	92.43	0.55	0.02	-30.01
20	Different manufactured products	11.96	1.98	38.64	51.95	2.26	21.25
21	Works of art, collection and antics pieces	0.19	0.03	521.96	0.22	0.01	-67.35
TOTAL:		605.44	100.00		2296.06	100	
Source: General Directorate of Customs, ACIT							

As mentioned in other periodical foreign trade reports published by ACIT, exports of important domestic products to foreign markets have started to increase by satisfactory paces.

On the other hand, imports have also increased in all categories of goods. Growth was especially strong (registering a growth rate higher than the average growth rate of total imports) in such categories as vegetable products, chemical industry products, wooden products, electrical machinery and equipment, etc.

In a more detailed analysis on the performance of exports and imports of agricultural and food products, data in table 3.5 show that exports of this category of products increased by 46% as compared to the previous year. Total exports of agricultural and food products amounted to 49.7 million USD, occupying 8.2% of total exports.

Exports of fish and molusc products and their preparations (16.2 million USD) occupy 32.6% of total exports of agricultural and food products, while exports of medicinal herbs (14 million USD) occupy 28% of the total. Exports of mineral water and beer have also increased significantly. Approximately 5.8 million USD of mineral water were exported during 2004, mainly to regional countries (Kosovo, Macedonia, Serbia and Montenegro, and in moderate amounts to Greece and Italy).

Table 3.5: Trade imports and exports of agricultural products during 2004

		<i>In thousand of USD</i>					
	Chapter description	Exports			Imports		
		Value	Share to the total	% increase as -2003	Value	Share to the total	% increase as -2003
1	Live animals	0.88	0.15	2341.55	5.20	0.23	30.42
2	Meat and edible meat offal	0.00	0.00	-99.96	43.19	1.88	9.16
3	Fish and crustaceans, mollusks and other aquatic invertebrates	1.08	0.18	25.31	6.08	0.26	-40.87
4	Dairy products, birds' eggs, natural honey ...	0.56	0.09	-9.87	11.60	0.51	28.02
5	Animal origin animals not elsewhere specified or included	0.13	0.02	134.17	0.21	0.01	17.05
6	Live trees and other plants; bulbs, roots and the like; cut flowers and	0.45	0.07	105.80	1.67	0.07	23.83

	ornamental foliage						
7	Edible vegetables and respective roots and tubers	2.49	0.41	88.16	19.66	0.86	38.96
8	Edible fruit and nuts; peel of citrus fruit or melons	0.37	0.06	-21.06	48.98	2.13	34.00
9	Coffee, tea, mate and spices	0.83	0.14	96.15	7.31	0.32	13.52
10	Cereals	0.00	0.00	-78.52	70.93	3.09	53.04
11	Products of the milling industry; malt; starches; insulin; wheat gluten	0.37	0.06	-36.47	15.93	0.69	20.70
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	14.01	2.31	16.77	2.30	0.10	88.20
13	Lac; gums, resins and other vegetable saps and extracts	0.50	0.08	715.02	0.14	0.01	281.96
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	0.00	0.00		0.09	0.00	5720.11
15	Animal or vegetable fats and oils ...	0.34	0.06	-24.81	33.28	1.45	14.78
16	Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates	16.19	2.67	27.76	11.46	0.50	218.94
17	Sugars and sugar confectionery	0.02	0.00	-29.59	18.79	0.82	2.73
18	Cocoa and cocoa preparations	0.05	0.01		5.75	0.25	18.61
19	Preparations of cereals, flour, starch or milk; bakers' wares	0.11	0.02	247.88	34.68	1.51	15.97
20	Preparations of vegetables, fruit, nuts or other parts of plants	1.52	0.25	245.23	15.86	0.69	-2.08
21	Miscellaneous edible preparations	0.09	0.02	65.45	13.64	0.59	17.75
22	Beverages, alcoholic beverages and vinegar	6.11	1.01	734.57	31.31	1.36	13.98
23	Residues and waste from the food industries; prepared animal feed	0.34	0.06	165.62	3.90	0.17	-7.30
24	Tobacco and manufactured tobacco substitutes	3.24	0.54	-36.19	44.87	1.95	8.56
TOTAL		49.71	8.21	46.21	447	19.46	17.17

Source: General Directorate of Customs, ACIT

III. 4 Increasing business competitiveness – an essential factor for exports growth

Promotion of the program of clustering initiatives for the industries, aiming at increasing economic competitiveness, especially for sectors having significant potential regarding exports, has started through the support provided by two projects funded by USAID: Albanian Enterprise Development and Export Market Services (EDEM) and the Albanian Center for International Trade (ACIT). While EDEM is supporting clustering initiatives for the meat processing industry, medicinal and aromatic herbs, and tourism, ACIT is working closely with the footwear production industry.

Referring specifically to developments in the exports sector of this industry, statistics show that trade volume in the footwear industry⁸ during 2004, has experienced a 20% increase as compared to the previous year. Imports amounted to 68.2 million USD, experiencing a growth rate of 8% as compared to 2003, while exports amounted to 167.8 million USD, registering a growth rate of 25% toward the 2003 level. Growth rates (converted into Euro, which is the nominal currency for most transactions in this sector), as compared to the previous year, are lower: imports have decreased by 1% as compared to the previous year, while exports have increased by 14%. Balance of the sector is positive as a result of value added by the labor employed in the outward processing regime.

99.7% of exports from this sector during 2004, were directed to Italy, with EU and US markets as final destinations. On the other hand, only 79% of imports originate from Italy, which is followed by China (14%), and Turkey (4%).

Promotion of exports of this sector to the EU was one of the important dimensions of ACIT's work during 2004, as a result of the geographic advantage and cheap labor, but promotion of exports to regional markets was also important, aiming at exploiting opportunities stemming from free trade agreements with countries in the region. ACIT efforts have focused on the business dimension, but also in trade policy issues regarding this sector, paying proper attention to efforts focused on gaining access to foreign markets, as well as issues regarding development and better business practices to be adopted by companies.

III. 5 Imports substitution – a process that has been already launched

Appart from positively affecting exports (as discussed in the analysis performed above), development of the private sector during this period has also contributed in developing competitive products as compared to imported ones. Thus, contribution in improving the trade deficit has been materialized through reduction of imports.

Efforts to produce domestically products that are currently imported, is a feature that can be formally or informally observed in the current reality of the Albanian market. The practice of trading domestically produced, but labelled as imported products, has been frequently encountered. Such products involve a wide range starting from

⁸ Figures refer exclusively to footwear products (HS 64), excluding leather.

garments, shoes, furniture, to more sophisticated assembled products such as refrigerators, computers, etc. A similar process of imports substitution has started in the sectors of agricultural and food products.

Though statistics have their deficiencies, especially those related to domestic production (which are often inexistent), data on imports provide some evidence regarding these processes. The following table (Table 3.6) illustrates data on the imports of several products from this sector. As shown in the table, imports of many of the products that were extensively imported before, such as eggs, milk products, processed meat products, several categories of vegetables, etc., have either ceased or decreased by substantial amounts, with most of supply of the market by domestic products.

Table 3.6: Import data for several agricultural and food products

Code	Description	Imports, 2004		Average annual change, %: 1999-2004		Cumulative change, % 1999-2004	
		In thousands of USD	quantity	value	quantity	value	quantity
401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	2,638	4,439,562	-0.2	8.0	20.1	53.4
402	Milk and cream, concentrated or containing added sugar or other sweetening matter	1,409	5,334,162	-3.1	1.6	-41.7	7.6
403	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa	1,442	7,819,269	67.2	9.9	514.5	48.8
404	Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included	138	7,976,462	10.0	8.7	327.9	50.1
405	Butter and other fats and oils derived from milk; dairy spreads	2,240	9,326,166	26.8	10.0	143.7	55.2
406	Cheese and curd	3,669	10,693,508	15.7	9.9	140.4	59.2
408	Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, moulded, frozen or otherwise preserved, whether or not containing added sugar or other sweetening matter	0.2	56,031	-60.5	9.7	-99.9	57.8
701	Potatoes, fresh or chilled	7,626	37,360,305	137.1	37.8	1,121.7	224.5
703	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	2,063	44,184,771	100.7	43.4	579.2	238.4
704	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled	12	44,221,903	5.2	41.2	-91.9	221.8
705	Lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium</i> spp.), fresh or chilled:	26	44,245,202	651.1	40.8	196.7	219.9
708	Leguminous vegetables, shelled or unshelled, fresh or chilled	117	44,436,676	-15.6	33.5	-87.6	179.6
802	Other nuts, fresh or dried, whether or not shelled or peeled	1,234	45,644,970	17.2	30.3	83.5	164.1
806	Grapes, fresh or dried	5,813	60,310,258	30.0	16.0	248.6	79.7
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified	1.4	60,310,948	61.2	-10.9	-97.5	79.1
1509	Olive oil and its fractions, whether or not refined, but not chemically modified	2,732	60,392,996	30.9	15.4	73.5	75.8

1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified	24,903	92,872,274	14.6	345.7	62.2	62.0
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	8,609	110,636,009	13.7	294.5	65.1	59.0
2201	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured; ice and snow	2,838	131,626,796	11.8	238.3	75.2	64.1
2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading No 2009	8,002	143,666,025	39.0	217.6	294.8	68.8
2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading No 2009	1,792	144,809,330	35.2	216.6	485.5	69.3
1601	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products	494,200	266,700			-27.7	-42.7

Imports of dairy products, water and fruit juices, alimentary oil, detergents, construction materials, etc currently represent only a small portion of domestic consumption. As the data mentioned above show, import volumes in almost all of the aforementioned categories stand at rather low levels as compared to the domestic demand.

A more detailed study on the imports substitution trends would require more accurate information on domestic production, on the basis of which, domestic demand indicators for important categories of products, and even for the required quality levels according to varieties, could be estimated. This way, investments in the private sector could be better allocated in specific branches and products of the economy. This would be a process of the same importance as exports growth, regarding the issue of trade deficit reduction.

III.6 Foreign trade geography during 2004

Trade with European Union countries remains central in terms of both imports and exports. Exports to EU countries during 2004 amounted to 543.86 million USD, registering an increase of 30.2% and occupying 89.8% of total market sales. The EU also supplies 66% of the Albanian market demand for imports. EU sales in Albania amount to 1.5 billion USD. They increased by 15% during 2004. Italy is the top trade partner occupying 73% of exports. Exports to Italy increased by 31.8%, amounting to 442 million USD. Greece is the second most important market for our exports, accounting for 12% of total sales, followed by Germany, as the third partner in the context of EU countries, occupying 3.1% of total exports.

The EU is the most important trade partner in terms of imports as well (Table 3.7). Albania bought an estimated 1.5 billion USD of goods, or 15% more as compared to the previous year, from EU markets during 2004. The structure of partner countries is still focused on Italy (33% of total imports) and Greece (20% of total imports).

Trade deficit with EU countries amounted to 976 million USD, with the highest level registered in trade with Greece (390 million USD), followed by trade deficit with Italy (318 million USD) and Germany (102 million USD).

Table 3.7: Imports and exports by trade partner countries during 2004							
<i>In millions of USD</i>							
Partner countries	Exports			Imports			Trade deficit
	In absolute terms	% of total	Change toward 2003	In absolute terms	% of total	Change toward 2003	
EU countries	543.86	89.83	30.18	1520.13	66.21	15.21	976.27
Germany	18.73	3.09	23.16	120.57	5.25	28.36	101.84
Greece	72.53	11.98	25.95	462.46	20.14	4.88	389.94
Italy	442.04	73.01	31.78	760.70	33.13	20.90	318.65
Austria	2.03	0.33	-61.25	34.53	1.50	0.11	32.50
Great Britain	0.20	0.03	-57.36	10.51	0.46	-70.52	10.32
Other EU countries	8.34	1.38		131.36	5.72		123.02
SEE countries	42.91	7.09	206.89	165.57	7.21	28.17	122.67
Kosovo	27.81	4.59	258.87	5.27	0.23	37.17	-22.53
Macedonia	7.72	1.28	149.44	29.39	1.28	62.67	21.67
Serbia & Montenegro	4.80	0.79	92.96	35.10	1.53	135.49	30.30
Croatia	0.39	0.07	22.28	32.64	1.42	18.43	32.24
Bulgaria	1.57	0.26	697.04	50.73	2.21	4.44	49.16
Romania	0.23	0.04	177.06	11.05	0.48	-25.69	10.83
Bosnia & Herzegovina	0.38	0.06	739.30	1.39	0.06	1.99	1.01
USA	3.12	0.52	38.04	28.29	1.23	168.42	25.17
Turkey	11.39	1.88	204.15	164.63	7.17	30.47	153.24
Other countries	4.16	0.69		417.44	18.18		413.28
TOTAL	605.44	100		2,296.06	100		1,690.62

Source: General Directorate of Customs, ACIT

During 2004, positive developments have been registered in **trade with regional countries** that have signed Free Trade Agreements with Albania.

As compared to 2003, Albanian exports toward these countries doubled by reaching 7% of our total exports. A positive trend has been registered on exports to regional countries as well, with a higher growth rate as regards trade with Bulgaria (six times higher), with Kosovo (2.6 times higher) and with Macedonia (1.5 times higher). In terms of exports, Kosovo was the main market for Albanian products, amounting to 27.8 millions of USD. As for imports, it should be underlined that our country has imported about 166 millions of USD in goods, registering a growth of 28% as compared to 2003. Our main import partners during 2004 were Bulgaria, Serbia and Montenegro, Macedonia and Croatia. In the following section, a more detailed analysis of regional trade and trade with each country will be presented.

III.7 Regional trade in Western Balkans

According to their stage of development, countries of our region display diverse foreign trade performances. Altogether, regional countries (Albania excluded) contributed with 0.5% of world total exports during 2003, from 0.47 in 2002.

Table 3.8: Regional trade 2000 – 2004

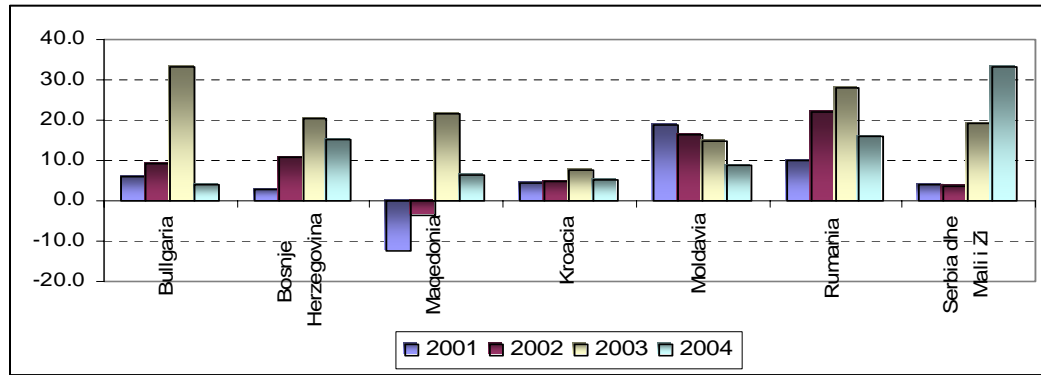
	Exports, in millions USD					% of total exports
	2000	2001	2002	2003	2004	
Bulgaria	4,812	5,099	5,578	7,439	7,736	18.9
Bosnia&Herzegovina	932	957	1,059	1,273	1,467	3.6
Macedonia	1,321	1,155	1,113	1,354	1,443	3.5
Kroatia	4,567	4,759	4,995	5,369	5,638	13.7
Moldova	477	567	660	757	825	2.0
Romania	10,366	11,385	13,869	17,743	20,615	50.3
Serbia and Montenegro	1,923	2,003	2,075	2,477	3,300	8.0
Total Exports	24,398	25,925	29,349	36,412	41,024	100.0
	Imports, in millions USD					% of total imports, 2004
	2000	2001	2002	2003	2004	
Bulgaria	5,988	6,665	7,197	9,912	10,011	16.2
Bosnia&Herzegovina	2,610	2,750	3,148	3,700	3,800	6.2
Macedonia	2,011	1,677	1,877	2,123	2,202	3.6
Kroatia	7,771	8,860	10,274	11,610	11,958	19.4
Moldova	783	880	1,038	1,279	1,420	2.3
Romania	12,050	14,354	16,482	22,238	24,700	40.0
Serbia and Montenegro	3,711	4,837	5,614	7,324	7,600	12.3
Total Imports	34,924	40,023	45,630	58,186	61,691	100.0

Source: EBRD, 2004 “Transition Report update” April 2004; data for 2003 are provisional while data for 2004 are forecasts of the report

As shown in table 3.8, Romania, Bulgaria and Croatia occupied about 83% of total regional exports and 45.6% of region total imports. These figures communicate changes in terms of the countries’ size, as well as diverse levels of their economic development.

Compared to developments throughout 2003, except for Serbia and Montenegro, a slow down of exports growth rate with regional countries is expected during 2004. A drop of exports growth rate is particularly being expected to be registered in Bulgaria’s and Romania’s exports, which carry an important share in total regional exports. (Chart 3.3)

Chart 3.3: Exports growth rate in regional economies, %



A small amount of exchanges between countries of the region is another characteristic of their foreign trade. The European Commission report issued the same finding stressing out that “Intraregional trade remains at low levels, occupying about 6% of total trade”. (European Commission Report, 2003, Page 11). As shown in table 3.9, despite the entering into force of the regional Free Trade Agreements, trade between these countries is still modest. Data from the table indicate that entering into force of the FTA-s has modestly affected the enhancing of intraregional trade.

Table 3.9: Structure of intraregional trade geography, %

	Exports		Imports	
	2000	2003	2000	2003
Croatia				
Bosnia& Herzegovine	11.2	14.5	1.0	1.6
Macedonia	1.3	1.1	0.7	0.5
Serbia & Montenegro	2.4	3.1	0.4	0.5
Total	14.9	18.7	2.1	2.7
Macedonia				
Bosnia& Herzegovine	1.8	1.7	0.3	0.5
Croatia	3.6	4.8	2.8	2.8
Romania	0.1	0.1	0.7	0.6
Bulgaria	2.0	1.9	4.7	6.5
Serbia & Montenegro	25.3	20.1	9.1	9.2
Total	32.8	28.7	17.4	19.6
Romania				
Macedonia	0.1	0.1	na	na
Bulgaria	2.8	1.6	0.7	1
Serbia & Montenegro	1.3	0.9	0.5	0.1
Total	4.2	2.6	2.6	1.1
Bulgaria				
Macedonia	2.3	2.1	0.4	0.2
Romania	1.8	3	3.6	2.4
Serbia & Montenegro	7.8	3.3	0.3	0.3
Totali	11.9	8.4	4.3	2.9

Source: Data collected from national authorities of respective countries (from internet sources)

Nevertheless, in the case of specific countries, in particular for ex-Yugoslavia, regional trade is very important, while it is quite the opposite for countries such as Romania, Bulgaria and Albania (Uvalić, 2003). Data on the above table indicate that intraregional trade dynamics have been positive for Croatia, Macedonia and Serbia & Montenegro, whereas Romania’s and Bulgaria’s share within the region has been dropping.

IV. Albanian trade with countries of the region in the context of the Free Trade Agreements

As emphasized above, Albania has limited trade exchanges with regional countries. Total exports toward the region have been mainly dominated by performances in a limited number of countries such as Kosovo and Macedonia. Apparently, with entering into force of the FTA-s in the region trade growth between regional countries might have positively affected bilateral trade between these two countries, while a minor impact on trade with other countries of the region has been observed. This behavior of the trade flows is observed in the imports' behavior as well (Table 4.1). Imports from Macedonia, Bulgaria and Croatia represent the most significant share in trade with the region. Increasing of exchanges throughout 2004 has been modest for both exports and imports, with the exception of significant boost of exports toward Kosovo.

Table 4.1: Trade with countries of the region: percentage toward total						
Code	Exports	2000	2001	2002	2003	2004
BA	Bosnia-Herzegovina		0.00%	0.02%	0.01%	0.06%
BG	Bulgaria	0.03%	0.03%	0.03%	0.04%	0.26%
HR	Croatia	0.57%	0.02%	0.04%	0.07%	0.07%
KS	Kosovo				1.71%	4.58%
MD	Moldova					0.00%
Mk	Macedonia	1.35%	3.10%	3.01%	1.36%	2.53%
RO	Romania	0.00%	0.01%	0.02%	0.02%	0.04%
YU	Serbia and Montenegro	2.73%	3.09%	2.27%	0.65%	0.40%
	Total:	4.68%	6.24%	5.38%	3.86%	7.94%
Imports						
BA	Bosnia-Herzegovina	0.01%	0.01%	0.05%	0.07%	0.06%
BG	Bulgaria	2.50%	2.14%	2.05%	2.69%	2.21%
HR	Croatia	1.18%	1.32%	2.30%	1.49%	1.44%
KS	Kosovo				0.21%	0.23%
MD	Moldova	0.00%	0.05%	0.02%	0.04%	0.19%
Mk	Macedonia	4.54%	3.14%	3.49%	2.82%	3.89%
RO	Romania	0.58%	1.22%	1.27%	1.20%	0.73%
YU	Serbia and Montenegro	0.84%	0.54%	0.99%	0.45%	0.76%
	Total:	9.65%	8.43%	10.17%	8.98%	9.50%

New Free Trade Agreements entered into force during 2004. Current status of all Trade Agreements with regional countries is as follow:

- Agreement with Macedonia has entered into force on July 1, 2002
- Agreement with Croatia entered into force on June 1, 2003
- Agreement with Bulgaria entered into force on September 1, 2003
- Agreement with Kosovo entered into force on October 1, 2003
- Agreement with Romania entered into force on January 1, 2004
- Agreement with Serbia-Montenegro entered into force on August 1, 2004
- Agreement with Moldavia entered into force on November 1, 2004
- Agreement with Bosnia-Herzegovina entered into force on December 1, 2004

IV.1 Trade with Bosnia-Herzegovina

Trade with Bosnia-Herzegovina has been at minimal levels during the years (Chart 4.1). Even in 2004 it represented 1% of Albania's regional trade volume. Increasingly goods' inflows appear after 2001, when imports of steel items for construction industry, transportation means, processed wood and other items reached their maximum value in 2004 of about 1.38 million of USD, representing a total amount almost equal to 2003.

Exports have been very limited as compared to imports (0.37 million USD), while an increase of them is shown during 2004. Still a trade deficit with Bosnia-Herzegovina of around 1 million of USD is recorded during 2004, which is 23% lower than 2003.

Graph 4.1: Foreign Trade with Bosnia-Herzegovina during the years (in thousands USD)



Source: General Customs Directorate, ACIT

Free trade agreement with Bosnia-Herzegovina entered into force only on December 1, 2004. The agreement foresees, amid others, the following import duties:

Type of products	Imports of Albania from Bosnia-Herzegovina	Imports of Bosnia-Herzegovina from Albania
Industrial products	Customs duties reduced according to a scale for all originating products, to be fully abolished in 2007	Customs duties reduced according to a scale for all originating products, to be fully abolished in 2007
Agricultural products	Customs duties abolished upon entry into force of the agreement for originating products listed in Annex 2* of the agreement. Customs duties reduced according to a scale for originating products listed in Annex 3** of the agreement, to be fully abolished in 2008. MFN treatment for products not mentioned in Annexes 2 and 3 of the agreement.	Customs duties abolished upon entry into force of the agreement for originating products listed in Annex 2* of the agreement. Customs duties reduced according to a scale for originating products listed in Annex 3** of the agreement, to be fully abolished in 2008. MFN treatment for products not mentioned in Annexes 2 and 3 of the agreement.

Source: Free Trade Agreement between the Republic of Albania and Bosnia-Herzegovina

* - geese, ducks, cut plants and flowers, vegetables, nuts, grapes, pepper, vanilla, cinnamon, ginger, barley, wheat flour, vegetal juices and extracts, fats)

** - meat of sheep and goats, fresh fish, mollusk, potatoes, tomatoes, figs, corn flour, olive oil, vegetables, fruit, sausage, meat offal, yeasts).

Top imported products during 2004 appear also in previous years. Those represent mostly industrial products, such as parts of machineries, machineries and goods for construction sector (55% of total imports from Bosnia-Herzegovina), detergents, wood products and pharmaceuticals (for more refer to Annex III of this report). While wood products and two types of construction machineries appear also in the list of imports during the previous two years, the other products are fairly new in the trade between Albania and Bosnia-Herzegovina, testifying for a trend of this relation in discovering new markets and building trade channels. In this respect, liberalized trade as foreseen in the agreement between Albania and Bosnia-Herzegovina for reduced import duties of industrial products will certainly support and enhance more trade opportunities between two countries.

It is important to stress out that a few agricultural products are imported from Bosnia-Herzegovina (extracts and concentrates of coffee & mate enjoying MFN treatment in the agreement, potatoes used for production of starch and sunflower seeds under the scale of duty reduction in the agreement, amounting all about 57 thousands of USD). They are not part of the top ten imported products in Albania from Bosnia-Herzegovina.

On the other side, Albanian exports to Bosnia-Herzegovina, have been only six as listed in Annex III of this report. Five of them are industrial products, which fall under the Reduced Scaled formula of Free Trade Agreement. Watermelons are the only agricultural product, which is regularly exported to Bosnia-Herzegovina during the recent years. This product is not included in the lists of liberalized agricultural products of FTA with this country, but treated with MFN duties.

Though it is early to note about comparative advantages of both countries in mutual trade and potentials of this trade in accessing EU markets, we can certainly confirm that products originating from Bosnia-Herzegovina are mostly finished products, or semi-finished ones used in the construction or furniture industries in Albania. While exported products in Albania are either wholly obtained products (watermelons, hides & skins) or finished products either imported or produced in Albania.

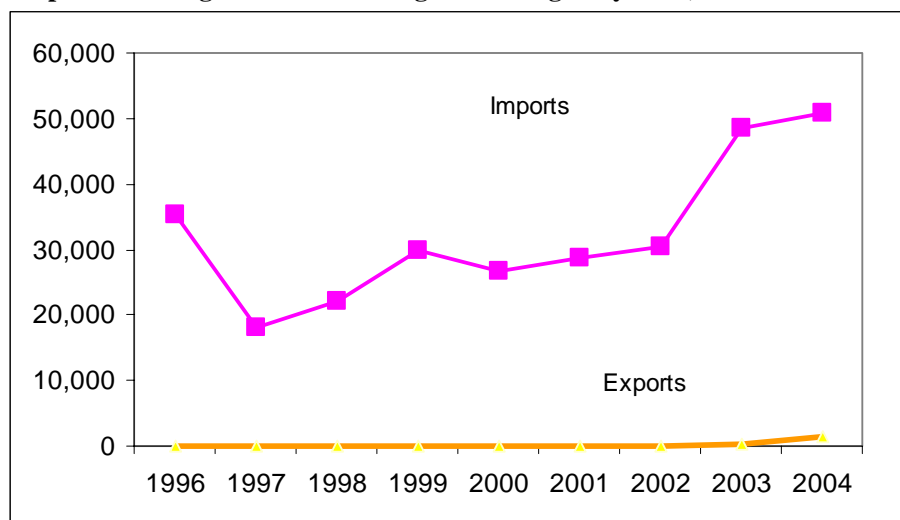
IV.2 Trade with Bulgaria

27% of Albania's regional trade volume is directed to Bulgaria. Trade with Bulgaria has been always accompanied by a deep trade deficit for Albania (Chart 4.2). Imports from Bulgaria have been increasingly grown. About 1,200 types of products have been imported during 2004 from Bulgaria, representing a diversified portfolio of imported goods. Import growth rate in 2004 was positive (4.4%), but less than the previous year.

Bulgaria ranks the first in the list of regional countries exporting to Albania in respect of value (imports from Bulgaria reached 50.7 millions of USD in 2004) and range of exported products in the Albanian market.

Albanian exports in Bulgaria have been minimal (1.57 millions of USD), showing some positive growth from previous year (7 times) after the entrance into force of Free Trade Agreement between Albania and Bulgaria on September 1, 2003.

Graph 4.2: Foreign Trade with Bulgaria during the years (in thousands USD)



Source: General Customs Directorate, ACIT

The Free Trade Agreement foresees, amid others, the following import duties:

Type of product	Imports of Albania from Bulgaria	Imports of Bulgaria from Albania
Industrial products	Customs duties reduced according to a scale for all originating products listed in Annex II of the agreement, to be fully abolished in 2007 Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex II of the agreement.	Customs duties reduced according to a scale for all originating products listed in Annex III of the agreement, to be fully abolished in 2007. Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex III of the agreement.
Agricultural products	Customs duties 0 within quota limits as foreseen in Annex I of Protocol A of the agreement. MFN treatment for products not mentioned in Annex I of Protocol A of the agreement.	Customs duties 0 within quota limits as foreseen in Annex II of Protocol A of the agreement. MFN treatment for products not mentioned in Annex II of Protocol A of the agreement.

Source: Free Trade Agreement between the Republic of Albania and Bulgaria

Main imported products during 2004 are electrical transmitters, unprocessed sunflower oil and sunflower seeds' oil for technical usage, bottles, cement, wheat, special cartoon packages, etc (see Annex III of this report). These top ten imported products represent 30.5% of total imports from Bulgaria in 2004. It is important to stress out that these products, though partly present in the list of imported products

during the previous years, have fairly increased values in 2004 (except for wheat which is reduced). Import demand for them has been substantially increased due to growth rates in domestic production industries that use these finished and/or semi-finished products, such as the oil processing industry, construction industry and lack of package & bottling production in Albania that is highly demanded by several agro-processing and other industrial units. Also, the Free Trade Agreement between Albania and Bulgaria foresees for abolishment of import duties for industrial products, while agricultural products that are listed in top imported products from Bulgaria are still under the Most-Favored-Nation Treatment, hence no preferential treatment. This has not impeded the consolidation of several Bulgarian products in the Albanian market.

In the meantime Albanian exported products are not more than 40 types, of which the top tens are listed in Annex III of this report. The list of top ten products is different from the previous year, which again testifies for a trend in identifying new markets and channels, while some products (such as decaffeinated coffee) have already consolidated their small market share in Bulgaria. It is important to stress out that almost all top products exported to Bulgaria in 2004 are negotiated under the zero customs duty's regime.

As regard to export quotas that Albania has been granted by Bulgaria (61 product lines), no product from the quota list is exported during 2004, on the contrary most of them are imported from Bulgaria. On the other side, Bulgaria has used most of the quotas. From a list of 20 tariff lines granted with quota, 7 of them are already exported from Bulgaria to Albania (Table 4.1).

Table 4.1: Export quotas granted to Bulgaria

HS Code	Description	Percentage of quota filled in 2004
0406	<i>Cheese and cottage cheese :</i>	7%
0409	<i>Natural honey</i>	7%
07082000	<i>Beans</i>	85%
071331	<i>- - Beans of type Vigna mungo (L.) Hepper or Vigna radiata</i>	
12119075	<i>Sage (leafs and flowers)</i>	0%
2009	<i>Fruit juices (including grape must) and vegetables juices not fortified with vitamins or minerals, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter</i>	16%
2201	<i>Waters including natural or artificial waters and aerated waters, not containing added sugar or other sweetening matter nor flavored; ice and snow</i>	1%

Source: General Customs Directorate, ACIT, Free Trade Agreement between Albania and Bulgaria

IV.3 Trade with Kosovo

Trade with Kosovo has substantially increased during 2004, reaching 17% of Albania's regional trade volume with a value of almost 5.3 millions of USD in imports

(37% increase towards 2003) and 27.8 millions of USD in exports (more than three times higher than in 2003). Kosovo represents the only trade partner with which Albania has a positive trade balance.

Free Trade Agreement with Kosovo that entered into force on October 1, 2003, has significantly enhanced trade in a wide range of products.

Type of product	Imports of Albania from Kosovo	Imports of Kosovo from Albania
Industrial products	<p>Customs duties reduced according to a scale for all originating products listed in Annex II of the agreement, to be fully abolished in 2007.</p> <p>Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex II of the agreement.</p>	<p>Customs duties reduced according to a scale for all originating products listed in Annex III of the agreement, to be fully abolished in 2007.</p> <p>Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex III of the agreement.</p>
Agricultural products	<p>Customs duties abolished upon entry into force of the agreement for all originating products listed in Annexes 1 and 2 of Protocol A of the agreement.</p> <p>Customs duties 0 within quota limits as foreseen in Annex 4 of Protocol A of the agreement.</p> <p>MFN treatment for products not mentioned above.</p>	<p>Customs duties abolished upon entry into force of the agreement for all originating products listed in Annexes 1 and 3 of Protocol A of the agreement.</p> <p>Customs duties 0 within quota limits as foreseen in Annex 4 of Protocol A of the agreement.</p> <p>MFN treatment for products not mentioned above.</p>

Source: Free Trade Agreement between the Republic of Albania and Kosovo

Most important imported products (see Annex III attached to this report) have been some industrial products (transportation vehicles, iron and steel bars, aluminum waste and scrap which are completely liberalized under the Free Trade Agreement and some agricultural products (fresh potatoes and fruit juices), which are also liberalized under the agreement. Top ten imported products represent 36% of total imports from Kosovo.

On the other side, most exported products have been some industrial products (concrete reinforcing bars and rods, bitumen oil, spare parts for printers, wood furniture, detergents), which are almost all liberalized, while most exported agricultural products (representing 78% of total exports to Kosovo), such as decaffeinated coffee, eggs, tobacco, flour, are still out of liberalized lists of products in the Free Trade Agreement. The list of top exports varies slightly from the list of top exports 2003, with a couple products (footwear and clothing) which are almost inexistent exports in 2004. New products such as iron bars and washing preparations have been added to the list of top exports in 2004.

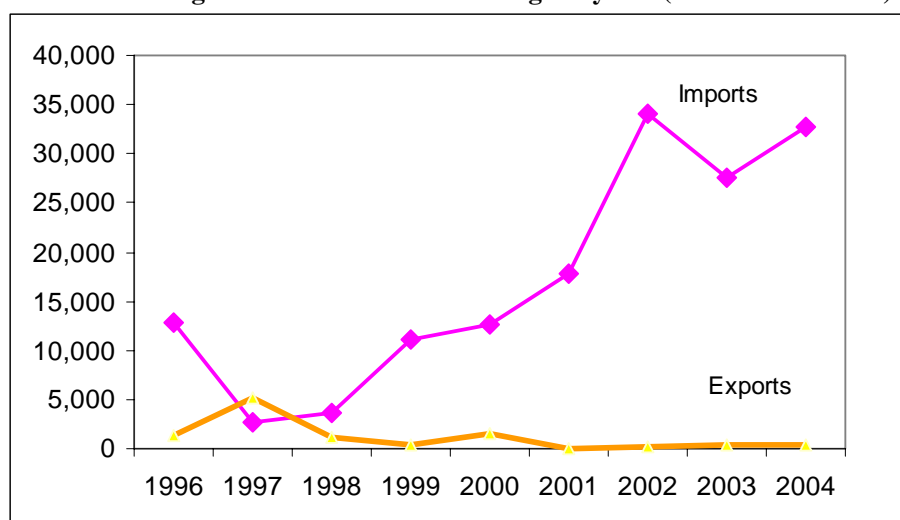
Quotas have been exchanged for beer only, of which Kosovo has used only 7% of it (actual imports of beer for 2004 have been 35.4 tons), while Albania has used 50% of the quota (actual exports of beer for 2004 to Kosovo were 252 tons).

IV. 4 Trade with Croatia

During 2004 trade with Croatia represented 17% of trade volume with regional countries. It is also characterized by a high deficit during the years. Imports from Croatia in 2004 reached 32.6 millions of USD (increased with 18% towards previous year), while exports only 0.4 millions of USD (increased with 22% towards previous year) going through a situation that has been aggravated since 1997 and reaching 18% increase of trade deficit in 2004 (see Chart 4.3 below).

Imports are mainly energy products and wheat, while exports are some vegetal products, medicinal herbs, hides, skins & wool.

Chart 4.3: Foreign Trade with Croatia during the years (in thousands USD)



Source: General Customs Directorate, ACIT

The Free Trade Agreement, which entered into force on June 1, 2003, amid others, foresees the following import duties:

Type of product	Imports of Albania from Croatia	Imports of Croatia from Albania
Industrial products	Customs duties reduced according to a scale for all originating products listed in Annex II of the agreement, to be fully abolished in 2008 Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex II of the agreement.	Customs duties reduced according to a scale for all originating products listed in Annex III of the agreement, to be fully abolished in 2008. Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex III of the agreement.
Agricultural products	Customs duties 0 within quota limits as foreseen in Annex A of Protocol 1 of the agreement. MFN treatment for products not mentioned in Annex I of Protocol A of the agreement.	Customs duties 0 within quota limits as foreseen in Annex B of Protocol 1 of the agreement. MFN treatment for products not mentioned in Annex B of Protocol 1 of the agreement.

Source: Free Trade Agreement between the Republic of Albania and Croatia

More than 200 types of products are imported from Croatia. From the list of top imported ones (see Annex III attached to this report), most of them fall under the 0 customs duty regime as foreseen in the Free Trade Agreement between Albania and Croatia. While wheat products are under the MFN treatment. Top ten imported products from Croatia represent 69% of total imports from Croatia in 2004. Almost all of them have positive growth rates in the Albanian market, when compared with import values of previous years.

Only six types of products are exported to Croatia. Five of them are agricultural products (vegetal products, medicinal herbs, hides, skins & wool) and one industrial product (raw stone and marble) all under the MFN treatment, hence no preferential treatment is granted in the Free Trade Agreement between Albania and Croatia. When compared with previous years, except for wool which has a consolidated share in the Croatian market, all other products are testing Croatian market for the first time in 2004.

Table 4.2 shows a summary of what has happened with concessions exchanged with Croatia. It is important to stress that from a list of 14 product lines foreseen in the agreement as quotas granted to Albania, only one of them has been currently exported (medicinal herbs), while from the list of 19 product lines that Albania has granted to Croatia, three of them has been currently exported from Croatia to Albania.

Table 4.2: Export quotas granted to each-other

HS code	Description	Quota fulfilled for Albanian exports to Croatia	Quota fulfilled for Croatian exports to Albania
1211	<i>Plants and parts of plants (including seeds and fruits), of a kind mainly used in perfumerie, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered</i>	74%	
1001	<i>Wheat and meslin :</i>		1%
1905	<i>Bread, pastry, cakes, biscuits and other baker's wares whether or not containing cocoa: communion wafers, empty capsules of a kind suitable for pharmaceutical use</i>		1%
2009	<i>Fruit juices (including grape must) and vegetables juices not fortified with vitamins or minerals, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter</i>		2%

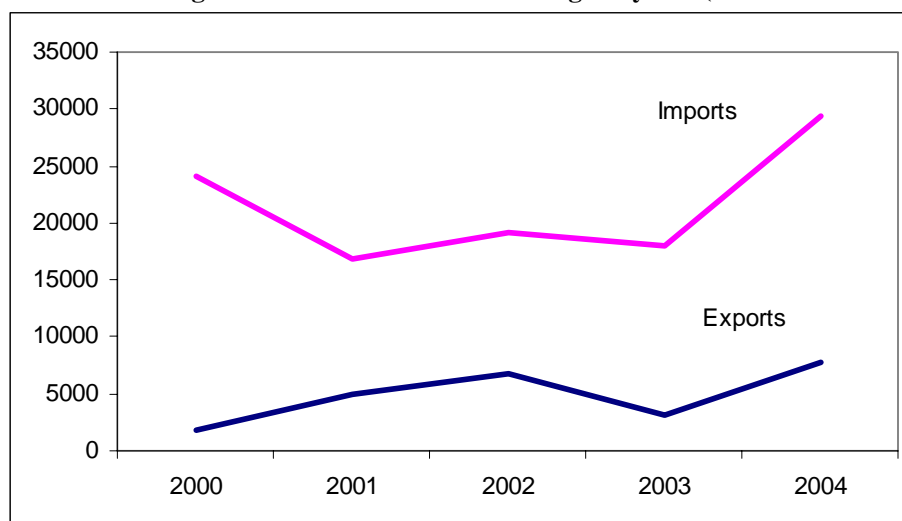
Source: General Customs Directorate, ACIT, Free Trade Agreement between Albania and Croatia

IV.5 Trade with Macedonia

Macedonia represents the second trade partner in the region for Albania in terms of trade volume shifting from 15% of total trade volume of Albania with regional countries in 2003, into 19% in 2004 (Chart 4.6). For 2004, trade volume reached 37.1

millions of USD, recording a 75% increase towards 2003. This increase is dedicated to a significant increase in both imports (63%) and exports (149%).

Chart 4.6: Foreign Trade with Macedonia during the years (in thousands USD)



Source: General Customs Directorate, ACIT

Free Trade Agreement with Macedonia has already generated results for both countries in terms of trade volume. Export and import growth rate have been positive, with Albania having a higher export growth rate as mentioned above.

Free Trade with Macedonia, foresees amid others, the following customs duties:

Type of product	Imports of Albania from Macedonia	Imports of Macedonia from Albania
Industrial products	<p>Customs duties reduced according to a scale for all originating products listed in Annex II of the agreement.</p> <p>Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex II of the agreement.</p>	<p>Customs duties reduced according to a scale for all originating products listed in Annex III of the agreement.</p> <p>Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex III of the agreement.</p>
Agricultural products	<p>Customs duties abolished upon entry into force of the agreement for all originating products listed in Annexes 2.1 and 2.2 of Protocol A of the agreement.</p> <p>Customs duties 0 within quota limits as foreseen in Annex 2.3 of Protocol A of the agreement.</p> <p>MFN treatment for products not mentioned in the annexes above.</p>	<p>Customs duties abolished upon entry into force of the agreement for all originating products listed in Annexes 1.1 and 1.2 of Protocol A of the agreement.</p> <p>Customs duties 0 within quota limits as foreseen in Annex 1.3 of Protocol A of the agreement.</p> <p>MFN treatment for products not mentioned in the annexes above.</p>

Source: Free Trade Agreement between the Republic of Albania and Macedonia

From a list of about 1,040 product types, top ten imported ones represent 41% of total imports from Macedonia during 2004. The top ten list of imported products is almost the same as the previous years, except for one new product (special cigarettes) that is ranking every year higher and higher. It is interesting to note that industrial products that are mostly imported are almost all completely liberalized, while most imported agricultural products are either with MFN treatment (grape, cigarettes), under quota

regime (apples) or liberalized (yeast). As we note import values of these top imported products during previous years, they confirm that these products have consolidated and increasing their position in the Albanian market. Most of them are for the consuming market. Range of product types has increased from 766 types in 2003 into 1040 types in 2004.

About 130 types of products have been exported to Macedonia in 2004, as compared to 100 types during 2003. Top ten exported ones represent 75% of total exports to Macedonia during 2004. They are mostly industrial products which are completely liberalized. Considerable part of them is machineries which do not have Albanian origin. Increasing exports are recorded for wooden furniture, bitumen fuel and white cement which are consolidating their position in the Macedonian market. While the only agricultural product, which is a type of plant used as raw material for pharmaceutical purposes is still exported under the MFN regime.

From a list of 10 product lines, only three of them have been actually exported to Macedonia. While, from a list of 8 product lines, seven of them have been actually imported (Table 4.4).

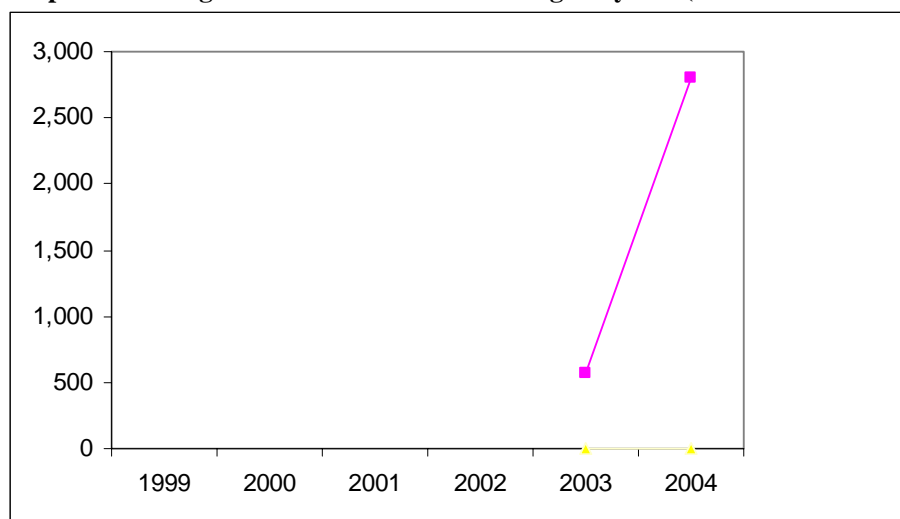
Table 4.4: Quotas granted to each - other

HS Code	Description	Import quota filled	Export quota filled
04069029	<i>Hard cheese</i>	10%	9%
0702		40%	51%
0707	<i>Cucumbers including gherkins, fresh or chilled :</i>	4%	51%
0807	<i>Fresh melons (watermelons included), and papaya :</i>		4%
<i>ex</i> 08071100	<i>Watermelons</i>		
040610	<i>- Fresh (unripen or uncured) cheese including:</i>	6%	
080810	<i>- Apples :</i>	194%	
1602	<i>Meat, meat or blood offal cooked or conserved in other ways :</i>	4%	
1704	<i>Sugar sweets (including white chocolate), that do not contain cocoa :</i>	2%	

Source: General Directorate of Customs, ACIT, Free Trade Agreement between Albania and Macedonia

IV.6 Trade with Moldova

Trade with Moldova has been at minimal levels (Chart 4.7), with low imports from Moldova and no exports from Albania. Total imports from Moldavia in 2004 reached 2,802 thousands USD, five times higher than 2003, while exports remained at 0 level.

Graph 4.7: Foreign Trade with Moldova during the years (in thousands USD)

Source: General Directorate of Customs, ACIT

Free Trade Agreement with Moldova foresees a reduced scale of customs duties for industrial products and partial liberalization of agricultural products.

Type of product	Imports of Albania from Moldova	Imports of Macedonia from Albania
Industrial products	Customs duties reduced according to a scale for all originating products to be abolished in 2007.	Customs duties reduced according to a scale for all originating products to be abolished in 2007.
Agricultural products	Customs duties abolished upon entry into force of the agreement for all originating products listed in Annex 2* of the agreement. Customs duties reduced according to a scale for all originating products listed in Annex 3** of the agreement. MFN treatment for products not mentioned in the annexes above.	Customs duties abolished upon entry into force of the agreement for all originating products listed in Annex 2* of the agreement. Customs duties reduced according to a scale for all originating products listed in Annex 3** of the agreement. MFN treatment for products not mentioned in the annexes above.

Source: Free Trade Agreement between the Republic of Albania and Moldova

* - ducks, geese, ivory, ambergris, some vegetal products, mushrooms, peas, lentils, dried grape, fruit peels, some herbs, some grains, fats, cocoa and chocolates, food preparations of flour, some prepared foods.

** - meat of sheep and goat, trout, fish, mollusk, potatoes, tomatoes, dried figs, olive oil, maize flour, sausages, canned fish, biscuits, mushrooms, fruits juices, yeast, waters, cognac.

Current products imported from Moldova are 12 types of which 10 types represent 99% of total imports. They are all agricultural products which are not included in the liberalized lists of agricultural products in the Free Trade Agreement with Moldova.

IV.7 Trade with Romania

Trade with Romania during 2004 represents 6% of Albania's trade with regional countries, from 11% recorded in 2003. Imports in 2004 reached 11 millions of USD, presenting a reduction of 26% towards previous year, while exports were at minimal level of 228 thousands of USD, though presenting a small increase towards the previous year. Reduction in imports brought about a reduction in trade deficit and trade volume with Romania for the first time since 1997 (Chart 4.4), though year 2004 was the first year of implementation of Free Trade Agreement between two countries (entering into force on January 1, 2004).

Chart 4.4: Foreign Trade with Romania during the years (in thousands USD)



Source: General Customs Directorate, ACIT

The Free Trade Agreement with Romania, amid others, foresees the following import duties between the parties:

Type of product	Imports of Albania from Romania	Imports of Romania from Albania
Industrial products	Customs duties reduced according to a scale for all originating products listed in Annexes B & C* of Protocol 1 of the agreement, to be fully abolished respectively in 2007 and 2005. Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annexes B & C of Protocol 1 of the agreement.	Customs duties reduced according to a scale for all originating products listed in Annex A** of Protocol 1 of the agreement, to be fully abolished in 2007. Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex A of Protocol 1 of the agreement.
Agricultural products	Customs duties 0 within quota limits as foreseen in Article 3 of Protocol 2 of the agreement. MFN treatment for products not mentioned above.	Customs duties 0 within quota limits as foreseen in Article 2 of Protocol 2 of the agreement. MFN treatment for products not mentioned above.

Source: Free Trade Agreement between the Republic of Albania and Romania

* - hydrocarbons, cosmetics products, washing preparations, raw hides, articles of wood used for construction, footwear, articles of basic metals, iron and steel, electric conductors, wooden furniture

** - chemicals, organic chemicals, pharmaceutical chemicals, fertilizers, colorants, cosmetic chemicals, hydro sanitary products and articles of rubber

About 100 types of products are imported from Romania, of which top ten ones represent 64% of total imports from Romania. They are mostly industrial products (detergents, hydro sanitary equipments, shampoos, energy products, glass made products, carbon electrodes, machinery for bank operations) under the customs duty abolishment regime and a few agricultural products (live animals and wastes of sunflower seeds) under the MFN treatment. Almost all these products have been present in Albanian market and increased their presence in 2004.

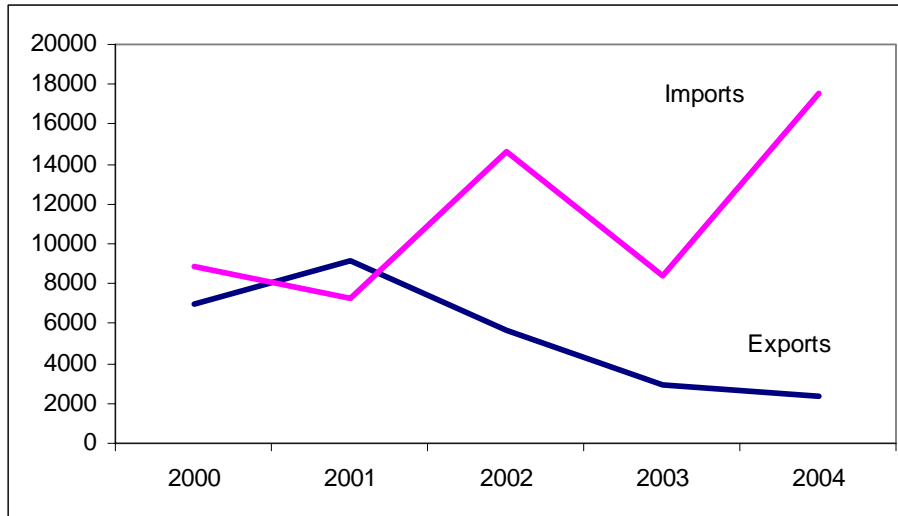
Exports of Albania to Romania are concentrated in 10 products which represent 96.5% of total imports from Albania. The most important exported products are machineries for agro-industry, ferroalloys (72024199), advertising materials, used clothes, wooden furniture and construction materials. All these products have been exported for the first time during 2004. They are almost all under the zero customs duty regime.

From a list of 15 product lines that Albania has been granted from Romania to export under quota, no product has been exported, while Romania has exported only two products from the quota list of 17 product lines that Albania has granted to Romania under the Free Trade Agreement. This product is nuts, which is imported in Albania in a big quantity (over 700 tons), hence fulfilling the quota.

IV.8 Trade with Serbia and Montenegro

Trade with Serbia and Montenegro has fluctuated during the years (Chart 4.5). Its share of 8% in Albania's regional trade volume in 2003 reached 10% in 2004 as a result of a significant increase of imports in 2004. Imports and exports have varied according to market demand. Imports reached 17.5 millions of USD in 2004 (110% increase from 2003), while exports were only 2.4 millions of USD (18% decrease from 2003).

Chart 4.5: Foreign Trade with Serbia & Montenegro during the years (in thousands USD)



Source: General Customs Directorate, ACIT

Free Trade with Serbia and Montenegro entered into force on August 1, 2004. 60% of total annual imports took place after August. More specifically, wheat is one of the products, whose 81% of annual imports took place during the last five months of the year as well as sugar which was imported during the last five months after a long time of non-importation. Amid others, the agreement foresees the follow:

Type of product	Imports of Albania from Serbia and Montenegro	Imports of Serbia and Montenegro from Albania
Industrial products	<p>Customs duties reduced according to a scale for all originating products listed in Annex II* of the agreement, to be fully abolished in 2007.</p> <p>Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex II of the agreement.</p>	<p>Customs duties reduced according to a scale for all originating products listed in Annex III** of the agreement, to be fully abolished in 2007.</p> <p>Customs duties abolished upon entry into force of the agreement for all products that are not listed in Annex III of the agreement.</p>
Agricultural products	<p>Customs duties abolished upon entry into force of the agreement for all originating products listed in Annex A of Protocol A of the agreement.</p> <p>Customs duties 0 within quota limits as foreseen in Annex B1 of Protocol A of the agreement.</p> <p>MFN treatment for products not mentioned above.</p>	<p>Customs duties abolished upon entry into force of the agreement for all originating products listed in Annex A of Protocol A of the agreement.</p> <p>Customs duties 0 within quota limits as foreseen in Annex B2 of Protocol A of the agreement.</p> <p>MFN treatment for products not mentioned above.</p>

Source: Free Trade Agreement between the Republic of Albania and Serbia & Montenegro

* - salt, cement, petroleum and bituminous mineral oils, petroleum gases, bitumen, oxygen, mineral or chemical fertilizers, cosmetics products and washing preparations, raw hides, cut and sawn wood, boxes and articles of carpentry, footwear and parts of footwear, iron and steel bars, furniture, etc.

** - special purpose fuels, propane, butane and tires

While about 200 kinds of products were imported from Serbia and Montenegro during 2004, top ten important ones (see Annex III attached to this report) have been wheat, mice, sugar, wood, polyetilen, iron stakes representing 58% of total imports from Serbia and Montenegro. These products have been casually present in Albanian market during the previous years, while their presence has been considerably

increased during 2004. Most imported industrial products are under the Reduced Scale customs' duty regime, while most imported agricultural products, except for some wheat categories, are under the MFN treatment.

On the other side, Albanian exports to Serbia and Montenegro are limited in a few products, where the most important ones are bitumen oil, wooden furniture, fish, etc. These products have been traditionally exported to Serbia and Montenegro and have been slightly increased during 2004. Except for fish and decaffeinated coffee that are under the MFN treatment, the other originating products are completely liberalized.

No exports have taken place from the list of 21 product lines for which Serbia and Montenegro has granted concessions to Albania, while the table below (Table 4.3) shows export quotas that have been granted to Serbia and Montenegro as well as import values in Albania.

Table 4.3: Quotas that Albania granted to Serbia-Montenegro

HS Code	Description	Quota fulfilled for Serbia-Montenegro exports to Albania
1001	<i>Wheat and meslin</i>	1025%
1101	<i>Wheat or meslin flour</i>	35%
110313	<i>Of corn (maize)</i>	1%
15121991	<i>Other: sunflower seed oil, sunflower oil</i>	35%
190530	<i>Sweet biscuits</i>	0%
2009	<i>Fruit juices (including grape must) and vegetables juices not fortified with vitamins or minerals, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter</i>	80%
2201	<i>Waters including natural or artificial waters and aerated waters, not containing added sugar or other sweetening matter nor flavored; ice and snow</i>	0%
2203	<i>Beer made from malt</i>	370%
2204	<i>Wine of fresh grapes; including fortified wines; grape must other than that of heading 2009</i>	15%
220870	<i>Liqueurs and cordials</i>	0%
230990	<i>Other (con): Other: Animal feeds containing milk or milk derivatives Containing over 10% of by weight of milk solids</i>	0%

Source: General Customs Directorate, ACIT, Free Trade Agreement between Albania and Serbia-Montenegro

V. Evolution of trade regime between Albania and the European Union

Negotiations on the Stabilization and Association Agreement between Albania, and the European Community and Member Countries, officially started on January 2003. Negotiations consist in 1) joint consultative meetings of negotiation groups from Albania and the European Union every six weeks, during which, the group reviews progress in all areas involved in the SAA; such as the political election reform, institutional consolidation, fight against organized crime, establishment of a market economy, etc, and 2) negotiation of SAA articles and relevant annexes, or the technical rounds.

Albania has benefitted from a preferential trade regime with the EU since the beginning of transition. An agreement on economic and trade cooperation was signed in 1992 for the first time, according to which Albania benefited from the GSP regime (the General System of Preferences), a facilitating trade regime for developing countries which is also applied in transition countries. This regime has become progressively facilitating, increasing access to European markets for sensitive products such as the textile, agricultural and fishing sectors. Starting from September 2000, the European Commission adopted a preferential trade system for West Balkan countries, Albania included. This regime prescribes significant market access for sensitive products aiming at promoting economic development for the region. This trade regime will be substituted by the new trade regime negotiated in the SAA context, which is expected to establish a symmetrical pattern of trade liberalization between Albania and the EU, aiming at creation of a free trade area within a maximum time span of 10 years.

Nine technical negotiation rounds, outlined as follows, have been held since the negotiations started:

- **The first technical round** took place on March 25, 2003 and included negotiation of the following chapters:
 1. Title V, "Freedom of movement for the workforce, services and capital", articles 46-56;
 2. Chapter I "Freedom of movement for the workforce", articles 46-48;
 3. Chapter II "Establishment rights", articles 49-56;
 4. Annex V "On financial exchanges".

The articles mentioned above focus on guaranteeing equal treatment for Albanian and communitarian employees, in order to avoid any pattern of discrimination. The establishment right on the other hand, consists in a number of regulations providing facilitating conditions for Albanian and communitarian companies willing to operate in the reciprocal countries.

- **The second technical round** was held on May 14-16, 2003 and the following articles were discussed:
 1. Chapter III "Freedom of service supply", articles 57-69;
 2. Chapter IV "Current Account Payments and capital flows" articles 60-62;
 3. Chapter V "General Principles" articles 63-69;
 4. Annex VI "Real estate benefits for Union citizens";
 5. Protocol on Land Transportation

These articles prescribe obligations for the involved parties in supplying service to cross-border areas, ensuring free capital flows aiming at liberalization of direct investments, general principles on the four rights limitation, supplying transportation services and ratification of specific protocols regarding this sector.

- **The third technical round** was held on July 15, 2003. The following elements were negotiated:
 1. Title IV “Free Movement of Goods”;
 2. The Chapter on “Industrial Products” articles 16-23 of the SAA.

These articles are of special importance and define regulations leading to creation of a free trade area between the EU and Albania, as well as steps required for market opening between the parties. Commitment of both parties on tariff reduction for industrial products, as prescribed by Annex I of the SAA, was a development of special importance in the context of negotiations. Custom duties on industrial products will be reduced progressively using this reduction pattern:

1. upon entry into force of the Interim⁹ Agreement the import duty will be reduced by 80% of the base tariff;
2. starting from January 1 of the first year after entry into force of the Interim Agreement, the tariff will be reduced by 60% of the base tariff;
3. starting from January 1 of the second year after entry into force of the Interim Agreement, the tariff will be reduced by 40% of the base tariff;
4. starting from January 1 of the third year after entry into force of the Interim Agreement, tariffs will be reduced by 10% of the base tariff;
5. starting from January 1 of the fifth year after entry into force of the Interim Agreement, all remaining tariffs will be eliminated.

The fourth technical round was held on September 18, 2003. Negotiations focused on the following elements:

1. Title IV “Free movement of goods”;
2. The Chapter on General Dispositions, articles 32-42 and 45.

Regulations on antidumping, subsidies, state monopolies on the trade of goods and clauses on general protection, are prescribed in this part of the agreement.

The fifth technical round was held on January 22, 2004. Negotiations focused on:

1. Title VI “Approximation of Legislation, Implementation of Legislation and Rules of Competition” articles 70-74

Articles related to one of the key SAA topics such as approximation of legislation on prior areas and implementation of the relevant stages, were negotiated during this round. Initially, the Albanian legislation on internal market will be approximated.

⁹ Article 135 of the draft SAA prescribes that the section of the agreement dealing with the trade of goods, protocols related to this part, and several articles regarding transportation will enter into force through an Interim Agreement, which must be signed by the parties involved. Based on other countries' experience, the Interim Agreement has been signed in the moment of SAA approval, without waiting for the SAA to enter into force.

- **The sixth technical round** was held on March 15-16, 2004 and concentrated on:

1. Title VIII “Cooperation policies” articles 85-110

Based on these articles, the parties will cooperate on economic and trade policies, the banking sector, the industry, the customs, taxation, administration etc.

- **The seventh technical round** was held on June 28-30, 2004 and the following elements were revised:

1. Protocol on the “Origin of goods”;
2. Protocol on “Administrative cooperation methods and mutual administrative assistance on customs issues”.

These protocols were previously negotiated during the fourth technical round, on September 2003. Another key article (article 43 “Against fraud”) which aims at operational coordination against fraud in the customs system through a clear definition of procedures providing administrative cooperation between the EU and Albania in this area, was also negotiated during this round.

- **The eighth technical round** was held on October 21, 2004 including negotiations on:

1. Fish Products, article 28;
2. Annex III “Concessions on Fish Products”;
3. Protocol no. 2 “On the Trade of Processed Agricultural Products”;
4. Common declaration on articles no. 22, 29, 41, 47, 59, 61, 73, 125;
5. Protocol of Origin

Negotiation of these articles followed previously undertaken measures on trade liberalization and creation of a free trade area between the parties. Issues regarding agriculture and fisheries are very important for both sides and another negotiation round on these issues will follow.

- **The ninth technical round**

The ninth technical round, held on February 2005, focused on the discussion of several important issues inherited from the eighth round of negotiations, regarding agriculture and trade of other goods such as wine and fish, and transit dispositions in the context of SAA/FTA with the European Union. The following topics were discussed and approved during this round:

Agricultural products (article 27 and Annex II on Agricultural Products). The Albanian offer was considered as an effective and structured one. The offer involved a gradual tariff reduction on these products, dividing them into three annexes:

Annex II A (Non sensitive products) which have been completely liberalized as the MFN tariff is 0%.

Annex II B Tariffs on (Somewhat sensitive products) will be gradually reduced according to this pattern:

1. upon entry into force of the Interim Agreement, tariffs will be reduced by 90% of the base tariff;
2. starting from the first year after entry into force of the Interim Agreement, tariffs will be reduced by 80% of the base tariff;
3. starting from the second year after entry into force of the Interim Agreement, tariffs will be reduced by 60% of the base tariff;
4. starting from the third year after entry into force of the Interim Agreement, tariffs will be reduced by 40% of the base tariff;
5. starting from the fourth year after entry into force of the Interim Agreement, tariffs will be completely abolished.

Annex II C (Highly sensitive products) on which the Albanian party will continue to apply the MFN tariff.

Annex II D (Products that will be subjected to trade by quotas) includes only cereals and the quantity agreed upon is 20,000 tons.

The Protocol on “Wine and other Alcoholic beverages” – Trade of these products will be subjected to tariff concession. It was also agreed upon recognition and mutual protection of brand names of wine and other alcoholic beverages. The agreed quotas are: 7 000 hl for wine originating from Albania and 10 000 hl for wine originating from member states.

Fish products (article 28 and Annex IV – Concessions on Fish Products). Treatment of fish products as sensitive products for both parties will involve a three year period of gradual liberalization on these categories of fish:

Carp – 20 tons
Bass – 20 tons
Trout -50 tons
Sardines – 100 tons

The issue of anchovies was not concluded in this round, because the community is not yet convinced whether Albania is capable to produce anchovies of Albanian origin in the required amount, as the quotas granted so far have not been completely exploited by Albanian exporters.

VI. Changes in the Albanian Foreign Trade legal framework during 2004

Albanian reforms during 2004, in the context of liberalization and market operation, have generally followed Albania's commitments in the context of the Stabilization and Association Process. During this period, the Albanian Government has drafted an Action Plan for the fulfillment of priorities in the context of European Partnership (the European Council, June 18, 2004), in which institutionalization and market consolidation reforms play an important role. Another initiative, the National Plan of Legislation Approximation which is expected to extend over a long-term period, focusing on the required measures to be taken by the Albanian part in order to adopt the *acquis communautaire*, will complement the first Plan.

In the standardization context, translation into Albanian and adoption of 1450 European standards, namely 52 % of European standards (EN) as Albanian standards (SSH), as well as completion of the law no. 9204/2003 "On Standardization" by the law no. 9253, 8.7.2004 "On a number of amendments to the law no. 8464, 11.3. 1999 "On standardization", modified by the law no. 9204 6.3.2003, were some of the most important developments. Simultaneously, the General Directorate of Standardization is focusing on several main dimensions, such as consolidating its role in the standardization and certification area, adopting the New Approach European Directives and also adapting translation of European standards into Albanian.

Consolidation of monitoring structures for the Albanian market is another priority imposed by the European Integration process and SAA negotiations (article 76). The Market Surveillance project (funded by CARDS 2003, in the context of the Regional Program) has started its operation in Albania since August 2004, in order to achieve this goal. The project aims at establishment of a market surveillance system in Albania by identifying legal and institutional gaps regarding market surveillance and also coordinating these institutions' activity and legal initiatives.

The law no. 9135 11.09.2003 "On Consumer Protection" (article 48), has charged the Directorate of Consumer Protection in the Ministry of the Economy with the responsibility of serving as a coordinating structure for activities related to consumer protection and market surveillance. The Directorate on its part, is designing the necessary clauses for achieving institutional coordination and selection of a proper market surveillance model for Albania, based on the European experience.

The Directorate of Metrology and Calibration is one of the structures dealing with functioning of the Albanian market. The Directorate has undergone several changes in order to adapt to commitments in the context of the aforementioned plans and documentation. Reorganization of the Directorate of Metrology and Calibration, aiming at a better performance in responding to current requirements, was instituted by the Prime Minister (Order no. 157, 05.10.2004 "On approval of the structure and organization of the General Directorate of Metrology and Calibration). The Directorate plays an important role in adopting international (ISO) and European (EN) standards for industrial products and their free movement based on the EU New Approach Directives.

Increasing quality and standards of agricultural products in order to increase trade of such products not only in the domestic market, but also to foreign markets, is one of the most important challenges for Albanian producers and relevant institutions.

Following initiatives undertaken during 2003, the legal framework during 2004 was further completed by another important law on the “Veterinary and Inspecting Service” (Law no. 9308, 4.11.2004). The law prescribes an outline of responsibilities for the veterinary administration, the Inspector General and people dealing with animal husbandry or trade.

The law assigns the Inspector General a very important role, as it is the institution in charge of certification. This institution will certify on whether animals and their relative products meet the required standards for market access and consumption. The Inspector General will also operate in customs checkpoints in order to monitor imported animal products. The law also prescribes relevant procedures regarding processes from slaughtering to marketing of these products as well as coordination between the veterinary administration and business owners.

The Ministry of Agriculture and Food has been working on completing the legal framework as regards BIO products in accordance with the European legislation. In this context, the law on “Production, certification and treatment of organic products” (law no. 9199, 26.02.2004) was ratified by the Parliament during the early 2004. The law has been designed according to analogous communitarian legislation. It institutes the establishment of an authority charged with supervising these products and the production and marketing conditions of these products. The authority will operate in the context of the Ministry of Agriculture and Food.

Another law, on the trade of medicaments and pharmaceutical services (law no. 9323, 25.11.2004) was also ratified during this year. This new law abrogated the 1994 law and entails several modifications as compared to the previous one. It gives a detailed description of the criteria that must be met in order to be able to produce and market medicinal products. Classification of registered and unregistered medicines is made in the context of this law. Medicines produced domestically and other registered medicines, currently in circulation in European Union countries, in countries with which FTA-s have been signed, in Canada, the US and Japan, belong to the first category. Import licences for unregistered medicines are issued by the Ministry of Health.

- **Free trade agreements with regional countries**

Entry into force of the Free Trade Agreement with Moldova on November 1, 2004, and the Free Trade Agreement with Bosnia-Herzegovina on December 1, 2004 marked the successful realization of commitments in the context of the Goodwill Memorandum on Trade Liberalization (June, 2002) in the general context of the Stability Pact. The first steps toward creation of a Joint Committee on FTA issues with Kosovo were taken on October, 2004.

The Albanian Parliament has ratified Albania’s membership in the International Convention of Mutual Assistance on Customs. In this context, signing of bilateral agreements with regional and other countries regarding mutual assistance on customs issues has continued throughout the 2004. Such agreements involve: the agreement with Romania (DCM no. 9. 11.1.2004), the agreement with Poland (DCM no.10, 14.1.2004), Ukraine (DCM no.76, 2.2.2004), Cyprus (DCM no.137, 11.3.2004), Austria (DCM no.358, 11.06.2004), Moldova (DCM no. 497, 23.7.2004).

Annex I

Some of the Laws and Decisions of the Council of Ministers issued during 2004

- The law no. 9253, 8.7.2004 “On several ammdements to the law no. 8464 11.3. 1999 “On standardization’ modified by the law no. 9204 datë.6.3.2003
- The law no. 9308, 4.11.2004 on the “Veterinary and Inspector Services”
- The law no. 9199, 26.02.2004 “On the production, certification and treatment of organic products”
- The law no. 9323 25.11.2004 “On the trade of medicinal products and pharmaceutical services in Albania”
- The law no. 9316, 18.11.2004 “On adhesion of the Republic of Albania to the International Convention Of Mutual Administrative Assistance in Customs Issues”
- DCM no. 9, 11.1.2004 “On ratification of the agreement between the Council of Ministers of the Republic of Albania and the Romanian Government on mutual administrative cooperation and assistance on customs issues”
- DCM no. 10, 14.1.2004 “On ratification of the agreement between the Council of Ministers of the Republic of Albania and the Government of the Republic of Poland on mutual administrative cooperation and assistance on customs issues”
- DCM no. 76, 12.2.2004 “On ratification of the agreement between the Council of Ministers of the Republic of Albania and the Ukrainian Government on mutual administrative cooperation and assistance on customs issues”
- DCM no.137, 11.3.2004 “On ratification of the agreement between the Council of Ministers of the Republic of Albania and the Cypriot Government on mutual administrative cooperation and assistance on customs issues”
- DCM no. 358, 11.06.2004 “On ratification of the agreement between the Council of Ministers of the Republic of Albania and the Austrian Government on mutual administrative cooperation and assistance on customs issues”
- DCM no. 497, 23.7.2004 “On ratification of the agreement between the Council of Ministers of the Republic of Albania and the Moldovan Government on mutual administrative cooperation and assistance on customs issues”
- DCM no. 723, 5.11.2004 “On the basic procedures and regulations on the authority in charge of conformity assessment, according to the law 9097 3.7.2003 “On the assessment of conformity”

Annex II

The list of top exported products during 2004, classified by sections according to the Harmonized System; in millions of Lek.

SECTION 1

HS10	TAR_DSC	Exports
0106110000	Primates	9.06
0302699900	Fish, fresh or chilled, excluding fish fillets	4.63
0407003000	Birds' eggs, in shell, fresh, preserved or cooked	3.95
0407001900	For hatching	1.51
0302509000	Cod (<i>Gadus morhua</i> , <i>Gadus ogac</i> , <i>Gadus macrocephalus</i>), excluding livers and roes	1.36
0508000000	Coral and similar materials, unworked or simply prepared but not otherwise worked; shells of molluscs, crustaceans or echinoderms and cuttlebone, etc	1.30
0307299000	Scallops, including queen scallops, of the genera <i>Pecten</i> , <i>Chlamys</i> or <i>Placopecten</i>	1.23
0302660000	Eels (<i>Anguilla</i> spp.)...	0.80
0302692500	Tunas (of genus <i>Thunnus</i>), skipjack or stripe-bellied bonito (<i>Euthynnus Katsuwonus</i>) pelamis), excluding livers and roes	0.78
0303799800	Fish, frozen, excluding fish fillets and other fish meat	0.42

SECTION 2

HS10	TAR_DSC	Exports
1211909800	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or...	103.69
1211907500	Sage (<i>Salvia officinalis</i>) (leaves and flowers)	27.50
0713310000	Beans of the species <i>Vigna mungo</i> (L.) Hepper or <i>Vigna radiata</i> (L.) Wilczek	17.17
0901210000	Coffee, Not decaffeinated	7.81
1101001100	Wheat or meslin flour	3.81
1210209000	Hop cones, fresh or dried, whether or not ground, powdered or in the form of pellets; lupulin	3.33
0708200010	Leguminous vegetables, shelled or unshelled, fresh or chilled	3.20
0807110000	Melons (including watermelons) and papaws (papayas), fresh	3.13
1211903000	Tonquin beans	3.06
0602909900	Other live plants (including their roots), cuttings and slips; mushroom spawn...	2.77

SECTION 3

HS10	TAR_DSC	Exports
1512199110	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined	2.61
1515901500	Jojoba and oiticica oils; myrtle wax and Japan wax; their fractions	0.47
1509109030	Olive oil and its fractions, whether or not refined, but not chemically modified	0.27
1513291900	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified	0.09
1513191100	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified, In immediate packings of a net content of 1 kg or less	0.03
1515299010	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified	0.01
1517101000	Margarine; Containing more than 10 % but not more than 15 % by weight of milk fats	0.00
1512191000	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified for technical or industrial uses	0.00

SECTION 4

HS10	TAR_DSC	Exports
1604160000	Anchovies	163.49
2202100040	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	54.13
2401206000	Sun-cured Oriental type tobacco.....	15.44
2401106000	Sun-cured Oriental type tobacco	11.84
2004909800	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen	7.03

2402209012	MARLBORO LiGHTS Cigarettes	3.66
2402209012	MARLBORO KS F1 BOX Cigarettes	3.66
2402209012	MARLBORO FiLTER Cigarettes	3.66
2402209012	MARLBOR LiGHTS 100 MM FiLTER Cigarettes	3.66
2402209012	MARBORO 100'S Cigarettes	3.66

SECTION 5

HS10	TAR_DSC	Exports
2710111500	Light oils and preparations	111.23
2713200000	Petroleum bitumen	48.53
2610000000	Chromium ores and concentrates	46.90
2601110000	Non-agglomerated (ECSC)	9.98
2523290000	Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements, whether	4.72
2714900000	Bitumen and asphalt, natural; bituminous or oil shale and tar sands; asphaltites and asphaltic rocks	4.72
2516900000	Granite, porphyry, basalt, sandstone and other monumental or building stone,	4.11
2711139100	Butanes of a purity exceeding 90 % but less than 95 %	3.13
2604000000	Xeheror nikeli dhe konzentrate	2.09
2516220000	Granite, porphyry, basalt, sandstone and other monumental or building stone, whether or not roughly trimmed or merely cut	1.97

SECTION 6

HS10	TAR_DSC	Exports
3402209030	Washing preparations and cleaning preparations	4.16
3004901900	Medicaments (excluding goods of heading 3002, 3005 or 3006) consisting of mixed or unmixed products....	3.12
2811230000	Sulphur dioxide	2.39
3004109000	Medicaments (excluding goods of heading 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in....	1.52
2819909000	Chromium oxides and hydroxides	1.22
3209900000	Paints and varnishes (including enamels and lacquers) based on synthetic polymers or chemically modified natural polymers, dispersed or dissolved in an aqueous medium	1.12
3824400000	Prepared additives for cements, mortars or concretes.	1.05
3301199000	Essential oils (terpeneless or not), including concretes and absolutes; resinoids; extracted oleoresins; deterpenated	0.77
3004209000	Medicaments containing penicillins or derivatives thereof, with a penicillanic acid structure, or streptomycins or their derivatives	0.74
3822000000	Diagnostic or laboratory reagents on a backing, prepared diagnostic...	0.70

SECTION 7

HS10	TAR_DSC	Exports
4002190000	Synthetic rubber, latex...	3.28
3923299000	Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics	2.77
3923100000	- Boxes, cases, crates and similar articles	1.92
3923210000	Articles for the conveyance or packing of goods, of plastics, of polymers of ethylene	1.74
3925100000	Reservoirs, tanks, vats and similar containers, of a capacity exceeding 300 litres	1.13
4017001000	Hard rubber (for example, ebonite) in all forms, including waste and scrap; articles of hard rubber	1.09
3923301000	Carboys, bottles, flasks and similar articles Of a capacity not exceeding two litres	0.93
4016939000	Gaskets, washers and other seals, for technical uses, for use in civil aircraft	0.92
3924100000	Tableware, kitchenware, of plastics	0.80
3924909000	Other household articles and toilet articles, of plastics other than regenerated cellulose	0.56

SECTION 8

HS10	TAR_DSC	Exports
4104119000	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or...	30.66
4101203000	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further	20.04

	prepared), whether or not dehaired or split, wet-salted	
4102109000	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise....	9.99
4113100000	Leather further prepared after tanning or crusting, including parchment-dressed leather, of other animals	7.86
4106211000	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared, of goats or kids, not split	7.06
4102101000	Raw skins of sheep or lambs (fresh, or salted, dried, limed...	6.52
4101205000	Whole hides and skins, of a weight per skin not exceeding 8 kg when simply dried, 10 kg when dry-salted	6.14
4101201000	Whole hides and skins, of a weight per skin not exceeding 8 kg when simply dried, 10 kg when dry-salted, or 16 kg when fresh, wet-salted or otherwise preserved, fresh	5.69
4101209000	Whole hides and skins, of a weight per skin not exceeding...	4.85
4107119000	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 4114, unsplit	2.99

SECTION 9

HS10	TAR_DSC	Exports
4407920000	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of beech	22.06
4407103800	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm, coniferous, sanded; end-jointed, whether or not planed or sanded	12.55
4421909800	Other articles of wood	11.63
4414009000	Wooden frames for paintings, photographs, mirrors or similar objects	11.18
4402000000	Wood charcoal (including shell or nut charcoal), whether or not agglomerated	8.93
4419009000	Wood charcoal (including shell or nut charcoal), whether or not agglomerated	4.66
4415101000	Cases, boxes, crates, drums and similar packings	3.59
4407101500	Coniferous wood undressed; end-jointed, whether or not planed or sanded	2.95
4417000000	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood	2.19
4415202000	Pallets, box pallets and other load boards; pallet collars	1.86

SECTION 10

HS10	TAR_DSC	Exports
4819400000	Cartons, boxes, cases, bags and other packing containers, of paper, paperboard, cellulose wadding or webs of cellulose...	38.04
4819300000	Sacks and bags, having a base of a width of 40 cm or more	21.25
4814901000	Wallpaper and similar wall coverings, consisting of grained, embossed, surface-coloured, design-printed	3.11
4907003000	Banknotes	2.65
4907001000	Postage, revenue and similar stamps	0.96
4901990000	Printed books in single sheets, whether or not folded, dictionaries and encyclopaedias, and serial instalments thereof	0.96
4819100000	Cartons, boxes and cases, of corrugated paper or paperboard	0.92
4817300000	Boxes, pouches, wallets and writing compendiums, of paper or paperboard, containing an assortment of paper stationery	0.54
4818909000	Toilet paper and similar paper, cellulose wadding or webs of cellulose fibres, of a kind used for household or sanitary purposes, in rolls of a width not...	0.51
4820900000	Registers, account books, note books, order books, receipt books, letter pads, memorandum pads, diaries and similar articles, exercise...	0.45

SECTION 11

HS10	TAR_DSC	Exports
6203423500	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear) of cotton.	364.77
6205200000	Men's or boys' shirts, of cotton	216.01
6109100000	T-shirts, singlets and other vests, knitted or crocheted	165.48
6203423100	Trousers, bib and brace overalls, breeches and shorts, denim	158.72
6108210000	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, of cotton	105.26
6106100000	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted, of cotton	91.42
6206909000	Women's or girls' blouses, shirts and shirt-blouses, of other textile materials	83.67

6107110000	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted, of cotton	70.31
6112419000	Track suits, ski suits and swimwear, knitted or crocheted of synthetic fibres	58.74
6217100000	Other made-up clothing accessories of textile	45.10

SECTION 12

HS10	TAR_DSC	Exports
6406109000	Parts of footwear (including uppers whether or not attached to soles other than outer soles); removable insoles...	636.34
6406101100	Parts of footwear (including uppers whether or not attached to soles other than outer soles); removable insoles	584.45
6406101900	Parts of uppers	107.41
6403591100	Footwear, with sole and heel combined having a height of more than 3 cm	93.16
6403519500	Footwear covering the ankle but no part of the calf, with insoles of a length for men	61.45
6405109000	Footwear with outer soles of leather or composition leather	46.13
6403593500	Footwear with sole and heel combined having a height of more than 3 cm for men	34.39
6403511500	Footwear covering the ankle but no part of the calf, with insoles of a length \geq 24 cm, for men	26.91
6403300000	Footwear made on a base or platform of wood, not having an inner sole or a protective metal toecap	23.55
6403200000	Footwear with outer soles of leather, and uppers which consist of leather straps across the instep and around the big toe	21.15

SECTION 13

HS10	TAR_DSC	Exports
7018101900	Glass beads, other	4.54
6907909300	Unglazed ceramic flags and paving, hearth or wall tiles; unglazed ceramic...	3.83
6912001000	Ceramic tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china of common pottery	3.37
6801000000	Setts, curbstones and flagstones, of natural stone (except slate)	2.88
6812500000	Clothing, clothing accessories, footwear and headgear of asbestos	1.53
6909900000	Ceramic wares for laboratory, chemical or other technical uses; ceramic troughs, tubs and similar receptacles...	1.13
6907909900	Unglazed ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, other than ...	1.13
6908909900	Unglazed ceramic flags and paving, with a face of not more than 90 cm ²	0.92
6904100000	Ceramic building bricks, flooring blocks, support or filler tiles and the like	0.70
6802919000	Marble, travertine and alabaster, decorated or otherwise worked, but not carved	0.69

SECTION 14

HS10	TAR_DSC	Exports
7117199900	Imitation jewellery of base metal other than...	3.83
7117191000	Imitation jewellery of base metal, with parts of glass	2.70
7117900000	Imitation jewellery of base metal, whether or not plated with precious metal	0.67
7114110000	Articles of silver, whether or not plated or clad with other precious metal	0.41
7117199100	Imitation jewellery, gilt, silvered or platinum plated without parts of glass	0.32
7106919000	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form of a fineness of not less than 999 parts per 1 000	0.08
7113110000	Articles of jewellery of silver, whether or not plated or clad with other precious metal	0.04

SECTION 15

HS10	TAR_DSC	Exports
7202411000	Ferro-chromium containing by weight more than 4 % but not more than 6 % of carbon	176.03
7214200000	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled	96.64
8301100000	Padlocks	92.71
8301401100	Locks of a kind used for doors of buildings, cylinder	84.59
7602009000	Aluminium waste and scrap	37.40
7404009900	Copper waste and scrap	35.34
7404009100	Copper waste and scrap, of copper-zinc base alloys (brass)	26.62
7206900000	Iron and non-alloy steel in ingots or other primary forms (excluding iron of heading	25.03

	No 7203)	
7204499900	Ferrous waste and scrap; remelting scrap ingots of iron or steel, sorted	22.90
7204290000	Waste and scrap of cast iron (ECSC)	19.33

SECTION 16

HS10	TAR_DSC	Exports
8503009900	Parts suitable for use solely or principally with the machines of heading No 8501 or 8502	30.01
8545909000	Carbon electrodes, carbon brushes, lamp carbons, battery carbons and...	25.58
8426190000	Ships' derricks; cranes, including cable cranes; mobile lifting frames...	17.67
8473309000	Parts and accessories (other than covers, carrying cases and the like)	15.12
8544591000	Wire and cables, with individual conductor wires of a diameter exceeding 0,51 mm	9.00
8536619000	Lamp-holders, plugs and sockets...	8.25
8504909900	Parts...	7.71
8431430000	Parts for boring or sinking machinery of subheading No 8430 41 or 8430 49	6.46
8501109100	Universal AC/DC motors	5.44
8536611000	Edison lamp-holders	4.95

SECTION 17

HS10	TAR_DSC	Exports
8802111000	Helicopters of an unladen weight not exceeding 2 000 kg	6.51
8708109000	Bumpers and parts thereof...	4.70
8708999800	Parts and accessories of the motor vehicles...	2.34
8703249010	Passenger motor cars, used, 5 seats, year of production 01	1.52
8703249010	Passenger motor cars, used, 5 seats, year of production 02	1.52
8703249010	Passenger motor cars, used, 5 seats, year of production 03	1.52
8703249010	Passenger motor cars, used, 5 seats, year of production 04	1.52
8701309000	Tractors (other than tractors of heading 8709)	1.44
8713100000	Carriages for disabled persons not mechanically propelled	0.87
8705100000	Crane lorries	0.82

SECTION 18

HS10	TAR_DSC	Exports
9007190000	Cinematographic cameras and projectors, for film of less than 16 mm width or for double-8 mm film	11.78
9030409000	Other instruments and apparatus, specially designed for telecommunications (for example, cross-talk meters, gain measuring instruments)	2.78
9030401000	Other instruments and apparatus, specially designed for telecommunications for use in civil aircraft	1.27
9018390000	Syringes, needles, catheters, cannulae and the like	1.10
9031100000	Machines for balancing mechanical parts	0.79
9018321000	Tubular metal needles	0.67
9018311000	Syringes, with or without needles of plastics	0.44
9018319000	Syringes, with or without needles other...	0.41
9020009000	Breathing appliances and gas masks, excluding protective masks having neither mechanical parts nor replaceable filters	0.31
9027109000	Instruments and apparatus for physical or chemical analysis (for example, polarimeters, refractometers non electronic)	0.18

SECTION 19

HS10	TAR_DSC	Exports
9306901000	Bombs, grenades, torpedoes, mines, missiles and similar munitions of war and parts thereof	3.97
9306303000	Cartridges and parts thereof	1.42
9301900000	Military weapons, other than revolvers, pistols and the arms of heading 9307	0.53
9306909000	Ammunition and projectiles not specified elsewhere...	0.08

SECTION 20

HS10	TAR_DSC	Exports
9401903000	Seats (other than those of heading 9402), whether or not convertible into beds, and parts	25.64

	thereof, of wood	
9503903200	Plastic toys not mechanically operated	22.55
9403500000	Wooden furniture of a kind used in the bedroom	20.08
9403609000	Other wooden furniture	8.11
9401690000	Seats (other than those of heading 9402), whether or not convertible into beds...	8.09
9403903000	Furniture and parts thereof, of wood	7.18
9403709000	Furniture of plastics	5.86
9614202000	Roughly shaped blocks of wood or root, for the manufacture of pipes	4.80
9404291000	Mattresses, spring interior	2.73
9608109900	Ballpoint pens; felt-tipped and other porous-tipped pens and markers; fountain pens, stylograph pens...	2.26

SECTION 21

HS10	TAR_DSC	Exports
9701100000	Paintings, drawings and pastels, executed entirely by hand	1.09
9703000000	Original sculptures and statuary, in any material	0.50
9701900000	Collages and similar decorative plaques	0.21
9704000000	Postage or revenue stamps, stamp-postmarks, first-day covers etc...	0.10
9702000000	Original engravings, prints and lithographs	0.05

Annex III

Top imported products from Bosnia-Herzegovina

Rank	HS Code*	Products Description	Status in Free Trade Agreement	Value in thousands of USD, 2004	Percentage to total imports from Bosnia-Herzegovina in 2004	Imports during previous years				
						03	02	01	00	99
1	84749090	Other machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading earth, stone, ores or other mineral substances...	*	338	24.4	3	0	0	0	0
2	73084090	Other structures (excluding prefabricated buildings of heading 9406) and parts of structures...	*	205	14.8	306	181	0	0	0
3	87033319	Others of a cylinder capacity exceeding 2 500 cm ³	*	136	9.8	38	82	0	0	0
4	44185000	Shingles and shakes	*	88	6.3	0	0	0	0	0
5	34022090	Washing preparations and cleaning preparations	*	81	5.8	0	0	0	0	0
6	44071038	Other planed pine of ...	*	62	4.5	40	8	0	0	0
7	94018000	Other seats	*	53	3.8	0	0	0	0	0
8	36030010	Safety fuses; detonating fuses	*	52	3.7	0	0	0	0	0
9	44071091	Spruce of the kind 'Picea abies Karst.' or silver fir (Abies alba Mill.)	*	39	2.8	24	5	0	0	0
10	30049019	Other put up in forms or in packings of a kind...	*	33	2.4	0	0	0	0	
		TOTAL		1087	78.3					

* - all these industrial products fall under the Reduced Scaled formula of Free Trade Agreement between Albania and Bosnia-Herzegovina

Top exported products to Bosnia-Herzegovina

Rank	HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total exports to Bosnia-Herzegovina in 2004	Exports during previous years				
						03	02	01	00	99
1	41012030	Wet-salted hides and skins	*	335	88.9	45	0	0	0	0

2	94019030	Seats of wood	*	19	5.0	0	10	0	0	0
3	63090000	Worn clothing and other worn articles	*	10	2.7	7	0	0	0	0
4	41021010	Raw skins... with wool on, of lambs	*	7	1.9	0	0	0	0	0
5	08071100	Melons	**	4	1.1	6	6	7	0	0
6	73209010	Flat spiral springs	*	3	0.8	0	0	0	0	0
TOTAL				376	99.9					

* - all these industrial products fall under the Reduced Scaled formula of Free Trade Agreement between Albania and Bosnia-Herzegovina

** - these agricultural products are charged by MFN duties and not included in liberalized trade as foreseen in Free Trade Agreement between Albania and Bosnia-Herzegovina

Top imported products from Bulgaria

Rank	HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total imports from Bulgaria in 2004	Imports during previous years				
						03	02	01	00	99
1	85446090	Other electric conductors, for a voltage exceeding 1 000 V	Reduced Scale	3,859	7.6	841	355	338	220	2
2	15121191	Sunflower-seed oil (ATR)	MFN treatment	1,612	3.2	334	410	255	52	63
3	39233010	Carboys, bottles, flasks of a capacity not exceeding two litres	0 custom duty	1,599	3.2	1034	606	355	54	82
4	25232900	Other cements	0 custom duty	1,558	3.1	0	0	0	0	0
5	10019099	Other wheat...	MFN treatment	1,312	2.6	354	1,929	3,411	3,452	1,520
6	15121910	Sunflower-seed or safflower oil for technical or industrial uses	MFN treatment	1,204	2.4	0	0	0	11	7
7	85445920	Other insulators for a voltage of 1 000 V	Reduced Scale	1,192	2.3	177	26	0	0	47
8	48193000	Sacks and bags, having a base of a width of 40 cm or more	0 custom duty	1,097	2.2	611	2	0	1	0

9	85445980	Insulators... for a voltage exceeding 80 V but less than 1 000 V...	Reduced Scale	1,038	2.0	0	3	0	0	0
10	85445910	Wire and cables, with individual conductor wires of a diameter exceeding 0,51 mm	Reduced Scale	988	1.9	0	0	0	0	34
		TOTAL		15,459	30.5					

Top exported products to Bulgaria

Rank	HS Code	Products Description	Status in Free Trade Agreement	Value thousands USD	in of	Percentage to total exports in Bulgaria in 2004	Exports during previous years				
							03	02	01	00	99
1	74040099	Copper waste and scrap	0 custom duty	546		34.7	45	0	0	0	0
2	74040010	Of refined copper	0 custom duty	356		22.6	0	0	0	0	0
3	84742090	Other machinery for sorting, screening, separating, washing, crushing, grinding	0 custom duty	195		12.4	0	0	0	0	0
4	90304010	For use in civil aircraft ⁽¹⁾	0 custom duty	124		7.9	0	0	0	0	0
5	09012100	Not decaffeinated	MFN treatment	55		3.5	18	5	21	0	0
6	74011000	Copper mattes	0 custom duty	52		3.3	0	0	0	0	0
7	94035000	Wooden furniture of a kind used in the bedroom	0 custom duty	36		2.3	7	0	0	0	0
8	84283390	Other, belt type	0 custom duty	31		2.0	0	0	0	0	0
9	73089099	Other structures...	Reduced Scale	21		1.3	0	0	0	0	0
10	48239090	Other paper	0 custom duty	15		1.0	0	0	0	0	0
		TOTAL		1431		90.9					

Top imported products from Croatia

Rank	HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total imports from Croatia in 2004	Imports during previous years				
						03	02	01	00	99
1	27111100	Natural gas	0 custom duty	7,932	24.3	2,715	200	0	0	0
2	10019099	Other wheat	MFN treatment	3,537	10.8	683	1,004	3,487	4,701	0
3	25232900	Other cement	0 custom duty	3,409	10.4	3,193	5,338	4,077	3,003	4,070
4	27160000	Electrical energy	0 custom duty	2,015	6.2	0	13,587	3,543	0	0
5	27111297	Other propane	0 custom duty	1,568	4.8	2,205	0	0	0	0
6	10019091	Common wheat and meslin seed	MFN treatment	1,208	3.7	0	311	656	0	0
7	70109055	...0,15 l or more but not more than 0,33 l	0 custom duty	1,016	3.1	0	0	0	0	0
8	27101945	With a sulphur content exceeding 0,05 % by weight but not...	0 custom duty	742	2.3	1,499	0	0	0	0
9	27111211	Propane for use as a power or heating fuel	0 custom duty	662	2.0	175	0	0	0	0
10	10030090	Other barley	MFN treatment	541	1.7	69	0	0	0	0
		TOTAL		22,630	69					

Top exported products to Croatia

Rank	HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total exports to Croatia in 2004	Exports during previous years				
						03	02	01	00	99
1	13023900	Other...	MFN treatment	163	41.3	0	0	0	0	0
2	12119098	Other sage (<i>Salvia officinalis</i>) (leaves and	MFN treatment	104	26.3	65	0	0	0	0

		flowers)								
3	41012090	Other hides and skins	MFN treatment	56	14.2	0	0	0	0	0
4	41012030	Wet-salted...	MFN treatment	54	13.7	0	0	0	0	0
5	51011900	Other wool	MFN treatment	15	3.8	17	10	4	5	8
6	25151100	Crude or roughly trimmed		3	0.8	0	0	0	0	0
		TOTAL		395	100.0					

Top imported products from Romania

Rank	HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total imports from Romania in 2004	Imports during previous years				
						03	02	01	00	99
1	34022020	Surface-active preparations	0 custom duty	1,879	17.0	200	0	0	0	0
2	69101000	Of porcelain or china	0 custom duty	1,131	10.2	1,200	777	350	520	315
3	33051000	Shampoos	0 custom duty	661	6.0	277	30	41	0	0
4	01029021	Other bovines... for slaughter	MFN treatment	655	5.9	11	0	0	0	0
5	27101949	With a sulphur content exceeding 0,2 % by weight	0 custom duty	570	5.2	0	0	0	0	0
6	70052935	Of a thickness exceeding 3,5 mm but not exceeding 4,5 mm	0 custom duty	541	4.9	57	190	94	2	0
7	27131200	Calcined	0 custom duty	491	4.4	0	0	0	0	0
8	85451100	Of a kind used for furnaces	0 custom duty	433	3.9	408	0	0	0	285
9	23063000	Of sunflower seeds	MFN treatment	349	3.2	418	263	403	0	0
10	84729010	Coin-sorting, coin-counting or coin-wrapping machines	0 custom duty	306	2.8	0	0	0	0	0
		TOTAL		7,016	64					

Top imported products from Kosovo

Rank	HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total imports from Kosovo in 2004
1	07142010	<i>Fresh, whole, intended for human consumption</i>	<i>0 custom duty</i>	304	20.6
2	87033290	<i>Used of a cylinder capacity exceeding 1 500 cm3 but not exceeding 2 500 cm3</i>	<i>0 custom duty</i>	235	15.9
3	07019090	<i>Other for the manufacture of starch</i>	<i>0 custom duty</i>	202	13.7
4	73061090	<i>Spirally welded</i>	<i>0 custom duty</i>	161	10.9
5	87033211	<i>Motor caravans</i>	<i>0 custom duty</i>	161	10.9
6	73041030	<i>Of an external diameter exceeding 168,3 mm, but not exceeding 406,4 mm</i>	<i>0 custom duty</i>	124	8.4
7	20098011	<i>Of a value not exceeding € 22 per 100 kg net weight</i>	<i>0 custom duty</i>	115	7.8
8	20098019	<i>Other juice of any other single fruit or vegetable</i>	<i>0 custom duty</i>	110	7.5
9	76020090	<i>Scrap</i>	<i>0 custom duty</i>	106	7.2
10		<i>TOTAL</i>		1900	36

Top exports to Kosovo

Rank	HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total imports from Kosovo in 2004
1	72142000	<i>Containing indentations, ribs, grooves or other deformations produced during the rolling process</i>	<i>0 custom duty</i>	9,310	99.7
2	22021000	<i>Waters, including mineral waters and aerated waters, containing added sugar or other sweetening</i>	<i>0 custom duty</i>	5,559	59.5
3	27132000	<i>Petroleum Bitumen</i>	<i>0 custom duty</i>	3,000	32.1
4	84733090	<i>Other parts and accessories of the machines of</i>	<i>0 custom duty</i>	1,327	14.2

heading No 8471					
5	94035000	Wooden furniture of a kind used in the bedroom	Reduced Scale	610	6.5
6	09012100	Not decaffeinated	MFN treatment	456	4.9
7	04070030	Other birds' eggs, in shell, fresh, preserved or cooked	0 custom duty	384	4.1
8	24022090	Other cigarettes containing tobacco	MFN treatment	367	3.9
9	34022090	Washing preparations and cleaning preparations	0 custom duty	366	3.9
10	11010011	Of durum wheat	MFN treatment	360	3.9
TOTAL				21,739	78.2

Top imported products from Macedonia

HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total imports from Macedonia in 2004	Imports during previous years				
					03	02	01	00	99
08081090	Other apples	Quota	2,226	8	1065	868	781	268	202
08061090	Other grapes	MFN treatment	1,849	6	874	0	0	0	0
30041090	Other containing penicillins or derivatives thereof, with a penicillanic acid structure, or streptomycins or their derivatives	0 custom duty	1,729	6	725	138	66	51	18
21021031	Dried	0 custom duty	1,513	5	1406	486	3	25	10
24022090	Other cigarettes containing tobacco	MFN treatment	1,211	4	0	11	0	0	215
30049019	Other medicaments put up in forms or in packings of a kind sold by retail	0 custom duty	918	3	757	563	184	6	34
73211300	For solid fuel	0 custom duty	842	3	872	983	996	536	237
68091100	Faced or reinforced with paper or paperboard only	0 custom duty	715	2	553	489	258	169	71
28044000	Oxygen	Reduced Scale	657	2	834	313	135	7	22
28112100	Carbon dioxide	0 custom duty	511	2	389	108	96	170	124
TOTAL			12,171	41					

Top exported products to Macedonia

HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total imports from Macedonia in 2004	Imports during previous years				
					03	02	01	00	99
85459090	Other carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite or other carbon, with or without	0 custom duty	2,487	32	0	0	0	0	0
27132000	Petroleum bitumen	0 custom duty	748	10	227	227	36	530	0
12119098	Other plants and parts of plants...	MFN treatment	651	08	388	0	0	0	0
25232900	Other...	0 custom duty	361	5	219	0	0	2	0
94035000	Wooden furniture of a kind used in the bedroom	0 custom duty	358	5	169	4	7	8	0
84295210	Track-laying excavators	0 custom duty	303	4	0	0	0	0	0
26011100	Non-agglomerated (ECSC)	0 custom duty	292	4	0	0	0	0	0
84743200	Machines for mixing mineral substances with bitumen	0 custom duty	256	3	0	0	0	0	0
84305000	Other self-propelled machines	0 custom duty	198	3	0	0	0	0	0
84294030	Other tamping machines and road rollers	0 custom duty	163	2	41	109	37	0	0
	TOTAL		5.817	75					

Top imported products from Moldova

Rank	HS Code*	Products Description		Value in thousands of USD, 2004	Percentage to total imports from Moldova in 2004	03	02
1	15121191	Sunflower-seed oil (ATR)	MFN	2,013	71.8	0	0
2	04021019	In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1,5 %	MFN	430	15.3	234	151
3	08023100	In shell	MFN	75	2.7	70	31
4	04051019	Of a fat content, by weight, not exceeding 85 %	MFN	64	2.3	0	0
5	04039011	Not exceeding 1,5 %	MFN	63	2.2	0	0

6	04051090	Other of a fat content, by weight, not exceeding 85 %	MFN	47	1.7	0	0
7	04021011	In immediate packings of a net content not exceeding 2,5 kg (ATR)	MFN	32	1.1	0	0
8	04021091	In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1,5 %	MFN	31	1.1	0	0
9	08023200	Shelled	MFN	29	1.0	0	0
10	04090000	Natural honey	MFN	17	0.6	0	0
		TOTAL		2,801	99.9		

Top exported products to Romania

Rank	HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total exports to Romania in 2004	Exports during previous years				
						03	02	01	00	99
1	84388099	Other machinery...	0 custom duty	64	28.1	0	0	0	0	0
2	72024199	Containing by weight more than 60 % of chromium	0 custom duty	57	25.0	0	0	0	0	0
3	49111090	Other advertising material	0 custom duty	19	8.3	0	0	0	0	0
4	72024110	Containing by weight more than 4 % but not more than 6 % of carbon	0 custom duty	17	7.5	0	0	0	0	0
5	63090000	Worn clothing and other worn articles	0 custom duty	16	7.0	2	0	0	0	0
6	94035000	Wooden furniture of a kind used in the bedroom	0 custom duty	16	7.0	0	0	0	0	0
7	94039030	Of wood	0 custom duty	10	4.4	0	0	0	0	0
8	39259010	Fittings and mountings intended for permanent installation...	Reduced Scale	8	3.5	0	0	0	0	0
9	94036030	Wooden furniture of a kind used in shops	0 custom duty	7	3.1	0	0	0	0	0
10	39251000	Reservoirs, tanks, vats and similar containers, of a capacity exceeding 300 litres	0 custom duty	6	2.6	0	0	0	0	0
		TOTAL		220	96.5					

Top imported products from Serbia and Montenegro

Rank	HS Code	Products Description	Status in Free Trade Agreement	Value in thousands of USD	Percentage to total imports from S&M in 2004	Imports during previous years				
						03	02	01	00	99
1	10019091	Common wheat and meslin seed	Quota	3,315	18.9	0	0	0	0	
2	44071031	Spruce of the kind 'Picea abies Karst.' or silver fir (Abies alba Mill.)	Reduced Scale	1,856	10.6	18	0	0	0	
3	10051090	Other maize	MFN treatment	1,263	7.2	26	254	74	0	
4	17019990	Other sugar	MFN treatment	663	3.8	0	0	0	0	
5	10019099	Other wheat	Quota	641	3.7	0	1,348	2	0	
6	27101945	With a sulphur content exceeding 0,05 % by weight but not exceeding 0,2 % by weight	Reduced Scale	641	3.7	0	0	0	0	
7	10059000	Other...	MFN treatment	621	3.5	2	478	106	0	
8	39011090	Other polyethylene having a specific gravity of less than 0,94	0 custom duty	479	2.7	91	69	0	0	
9	44071015	Sanded; end-jointed, whether or not planed or sanded	Reduced Scale	371	2.1	0	0	0	0	
10	72149910	Of a type used for concrete reinforcement (ECSC)	Reduced Scale	350	2.0	0	0	0	0	
		TOTAL		10,200	58					

Top exported products to Serbia and Montenegro

Rank	HS Code	Products Description	Status in	Value in	Percentage to	Imports during previous years
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			Free Trade Agreement	thousands of USD	total imports from S&M in 2004	03	02	01	00	99
1	27132000	Petroleum bitumen	0	991	41.3	0	1	748	25	9
2	94035000	Wooden furniture of a kind used in the bedroom	0	334	13.9	106	53	43	0	
3	03026999	Other fish	MFN	183	7.6	0	0	3	3	
4	76041090	Profiles	0	124	5.2	0	51	5	84	
5	09012100	Not decaffeinated	MFN	120	5.0	3	341	48	83	
6	72042900	Others	0	53	2.2	0	1	48	45	
7	41012030	Wet-salted...	0	51	2.1	44	0	0	0	
8	30049019	Other put up in forms or in packings of a kind sold by retail	0	48	2.0	0	16	0	0	
9	03037998	Other...	MFN	37	1.5	5	0	0	0	
10	41012090	Other raw hides and skins	0	35	1.5	0	0	0	0	
		TOTAL		1,976	82.3					