

Albania 2008 Trade Report



Albanian Centre for Competitiveness
and International Trade



This Report is a publication of the Albanian Centre for Competitiveness and International Trade (ACIT) supported by the United States Agency for International Development (USAID). The opinions expressed herein are those of the ACIT staff and do not necessarily reflect the views of the donor.

Foreword



It is with a particular joyfulness that we introduce the new Foreign Trade Report 2008, prepared by ACIT staff and its associate experts. This is the seventh edition in the series of such annual publishing, starting from 2002. But it is the first time we produce it, in our new status as an independent NGO, and this makes us especially proud. This is a good premise that we could maintain and also further develop in the future, this highly praised tradition of producing such a solid, informative and useful document.

We hope that the Report's content would be of substantial help, especially for the private businesses, in this troublesome situation imposed by the global economic recession. We all know that Albania seems to be better positioned against such global pressures. But we all are aware that the first signs of the crisis are there, and the decline in export growth rate, is one of the most significant among them. And we all know that the accurate trade information in such circumstances becomes a necessity for decision makers at each level.

The report, could also be very useful to the government bodies and various agencies dealing with economic and trade policies or responsible for their implementation. We wish that it could also be

referred as a valuable source by many researchers, media, civil society organizations, etc.

Certainly, the preparation of this Report could not be made possible without the generous support from the US Agency for International Development (USAID), and I'm sure that not only ACIT but also all the users, feel indebted to this financial and technical contribution.

The assistance and partnership of the Ministry of Economy, Trade and Energy, has also been critical for the success of this publication. Apart from providing to this project with the primary Trade Data, we were also very encouraged by their overall technical and moral support.

A special thank goes to all my colleagues at ACIT, who during an entire month worked hard in assessing the data, trying to watch behind the dry figures and explore some trends and characteristics, in order to articulate well grounded conclusions.

As further improvement of this product remains our constant concern, your remarks and suggestions will be highly appreciated.

Sincerely yours,

Dr. Selim BELORTAJA

ACIT's Executive Director

A handwritten signature in blue ink, appearing to read 'Belortaja', written over a horizontal line.



The Report has been prepared through a process of complementary work by the ACIT staff and associate experts, under the coordination and supervision of Mr. Selim Belortaja and consultancy provided by Prof. Ahmet Maçellari.

It is the outcome of a teamwork in which Selim Belortaja, Ahmet Maçellari, Alban Gjikondi, Denalda Kuzumi, Mimoza Agolli, Teuta Tavanxhiu and Edlira Shuli have kindly contributed.

All computation work, if not otherwise indicated is based on data collected from the Ministry of Economy, Trade and Energy, ACIT database, and ACIT's staff own calculations.

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Abbreviations

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

I Albania's Macro-Trade Developments in 2008

1.1 Global financial and economic crisis and trade-related developments

The estimate for economic growth in 2008 has been revised several times and different international institutions give different figures¹. According to the IMF², growth estimate for the world output in 2008 is at about 3.2 percent compared to 5.2 percent in 2007. In general the first half of 2008 registered a continuing growth, particularly for oil exporting countries which benefited from record high commodity prices. The second half was characterized by a faltering growth and then a severe downturn that started in the United States and other developed countries to spread out later at developing countries. The crisis intensified dramatically following the collapse of the Wall Street investment Bank Lehman Brothers in September

2008. Turmoil in the financial sector and acute credit shortage spread inescapably to the real sector and many countries. The second half of 2008 and especially the beginning of 2009 testified the truthfulness of what is underlined in the World Economic Outlook, October 2007 that *strong global growth is being confronted by turbulent financial conditions³, which would further reduce domestic demand in the advanced economies and create more significant spillovers into emerging markets and developing economies*. Global GDP is estimated to have fallen by 5 percent in the fourth quarter (annualized). In advanced economies the drop was 7 percent, in the United States and the Euro area around 6 percent; in Japan 13 percent⁴. The industrial production declined by 20 percent in the fourth quarter of 2008; high income and developing countries suffered a contraction of 23 and 15 percent, respectively⁵.

Table 1.1: World growth rates (annual percentage change)

	2004	2005	2006	2007	2008*	2009*
World output	5.3	4.4	5.0	5.2	3.2	-1.3
Advanced Economies	3.2	2.5	3.0	2.7	0.9	-3.8
United States	3.9	3.1	2.9	2.0	1.1	-2.8
Euro Area	2.1	1.5	2.8	2.6	0.9	-4.2
Emerging markets and developing economies	7.7	7.0	7.7	8.3	6.1	1.6
Central and Eastern Europe	6.5	5.6	6.3	5.4	2.9	-3.7
Commonwealth of Independent States	8.4	6.6	7.7	8.6	5.5	-5.1
Developing Asia	8.8	9.0	9.6	10.6	7.7	4.8
China	10.1	10.4	11.1	13.0	9.0	6.5
Middle East	5.5	5.4	5.6	6.4	5.9	2.5

*Estimate; **Projections;

Source: World Economic Outlook Update, IMF–January 2008; World Economic Outlook Update, IMF January 28, 2009; and World Economic Outlook: Crisis and Recovery, April 2009

¹ According to

'World Economic Outlook, October 2008 (IMF), the world output is estimated to grow by 3.9 percent; the revised figure in 'World Economic Outlook Update, January 2009' is 3.4 percent. According to 'Global Economic Prospects – Commodities at the Crossroads, 2009 (World Bank), world real GDP growth is estimated at 2.5 percent; the same figure is given by 'World Economic Situation and Prospects 2009, United Nations 2009. The predictions for 2009 differ even more, respectively 3.0%; 0.5%; 0.9%, and 1.0% (the last one as a baseline scenario, while pessimistic scenario is -0.4%).

² World Economic Outlook Update, IMF, October 2008, and World Economic Outlook Update, January 28, 2009

³ IMF, World Economic Outlook, Globalization and Inequality, October 2007, p. 1.

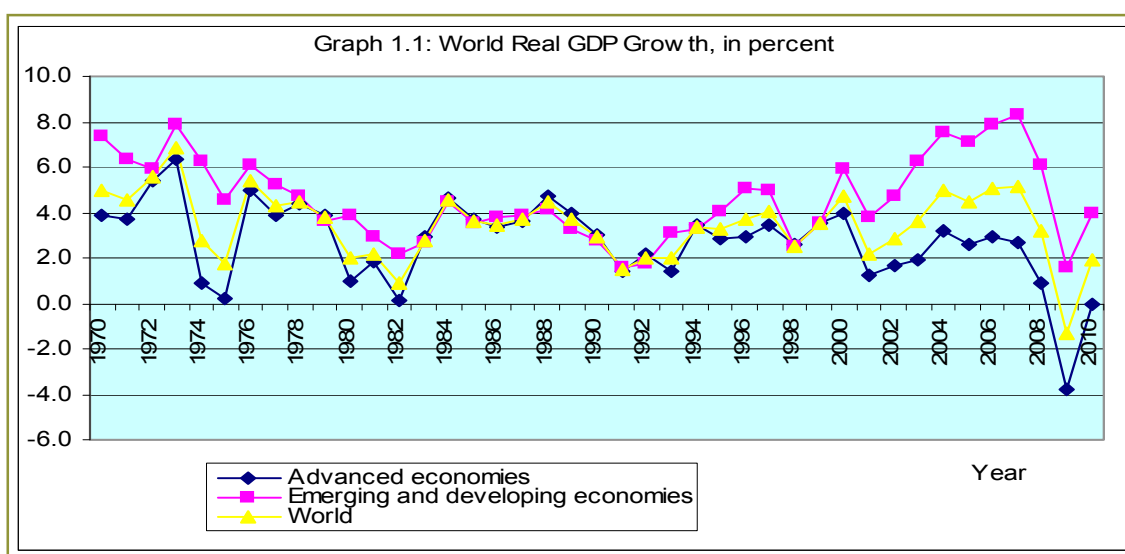
⁴ 'Global Economic Policies and Prospects', note by the staff of International Monetary Fund for the Meeting of the ministers and Central bank Governors, March 13-14, 2009, London, UK.

⁵ Swimming against the tide: How developing countries are coping with the global crisis, background paper prepared by World Bank staff for the G20 Finance ministers and Bank Governors meeting, UK, March 13-14, 2009.

As reported in table 1.1 and graph 1.1, growth in 2008 for *advanced economies* is estimated 0.9 percent, from 2.7 percent in 2007. Within this group of countries, the growth level for the United States and the Euro area⁶ is respectively 1.1 percent and 0.9 percent, while for countries such as Italy and Japan the figures are negative (-1.0% and -0.6%, respectively). Emerging and developing countries, according to the same table, grew by 6.1 percent (2.2 percentage points down the 2007), and central and eastern Europe by 2.9 percent (2.5 percentage points down the 2007). The highest growth among the major economies was registered in China, 9.0 percent.

2009), the projected decline for the world output is 1.3 percent and for the advanced economies 3.8 percent. The forecast for growth in emerging and developing economies has dropped to 1.6 percent and for central and eastern Europe, -3.7 percent (table 1.1 and graph 1.1). The latter and the Commonwealth and Independent States are being considered as the most adversely affected.

As shown in table 1.2, the world trade volume (goods and services) increased by 3.3 percent in 2008; the prediction for 2009 is a decrease by 11 percent. For advanced economies the increase of imports and exports in 2008 was 0.4 and 1.8 percent, respectively.



Source: World economic Outlook: Crisis and Recovery, April 2009

According to the WTO⁷, world economic growth, measured by gross domestic product (GDP), slowed abruptly in 2008 against the backdrop of the worst financial crisis since the 1930s. The falling asset prices and increased economic uncertainty brought about a weaker demand in developed economies which pulled the world output growth down to 1.7 percent, being the slowest since 2001 and well below the 10 year average rate of 2.9 percent.

Predictions for the year 2009 are becoming more and more pessimistic based on developments in the first months of the year and confirm that global economy has already entered a recession; the debate among economists has now shifted to how deep and how long it will be. According to the World Economic Outlook: Crisis and Recovery (IMF, April

According to the WTO, merchandise trade in volume terms (real terms, excluding the price and exchange rates influences⁸) increased only by 2 percent in 2008, down from 6 percent in 2007³. Trade growth was only slightly higher than the world GDP growth; in previous years the difference is quite larger. In 2009 the drop in merchandise trade is forecasted to be deeper than the GDP contraction, reaching roughly 9 percent in volume (real) terms; the biggest contraction since the Second World War. In general, when output growth is declining, trade growth tends to fall even faster; the same if output growth is increasing. Graph 1.2 demonstrates such a relationship when growth in industrial production and merchandise exports are considered.

⁶ The estimated growth in the European Union is 1.3 percent, from 3.1 percent in 2007.

⁷ WTO PRESS/554, 23 March 2009: World Trade 2008, Prospects for 2009.

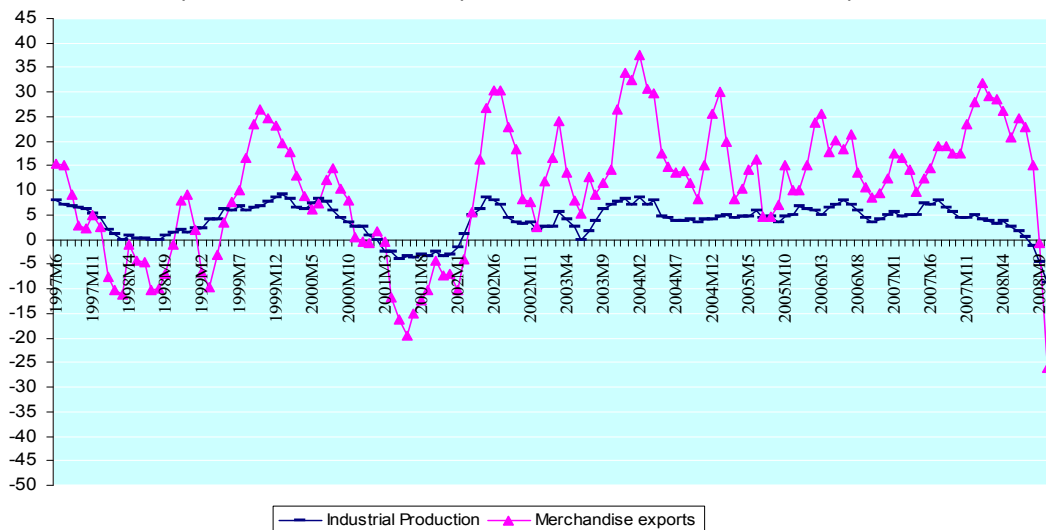
⁸ In dollar terms (which includes the influence of price change and exchange rate fluctuations) world merchandise exports increased in 2008 by 15 percent.

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

	2005	2006	2007	2008*	2009**
World trade volume (goods and services)	7.5	9.2	7.2	3.3	-11.0
Imports					
<i>Advanced Economies</i>	6.1	7.4	4.5	0.4	-12.1
<i>Emerging markets and developing economies</i>	12.1	14.9	14.5	10.9	-8.8
Exports					
<i>Advanced Economies</i>	5.8	8.2	5.9	1.8	-13.5
<i>Emerging markets and developing economies</i>	11.1	11.0	9.6	6.0	-6.4
Commodity prices					
<i>Oil***</i>	41.3	20.5	10.7	36.4	-46.4
<i>Non-fuel (average based on world commodity export weights)</i>	10.3	28.4	14.1	7.5	-27.9
Consumer prices					
<i>Advanced economies</i>	2.3	2.3	2.1	3.4	-0.2
<i>Other emerging market and developing countries²</i>	5.2	5.1	6.4	5.7	4.7

*Estimate; **Projections; ***Simple average of prices of U.K. Brent, Dubai, and West Texas intermediate crude oil. The average price of oil in US dollars a barrel was \$97.03 in 2008; the assumed prices based on future markets are \$50.00 in 2009 and \$60.00 in 2010.
 Source: World Economic Outlook Update, IMF –January 2008; World Economic Outlook Update, IMF January 28, 2009; and World Economic Outlook, Crisis and recovery, April 2009

Graph 1.2: Growth in industrial production and merchandise trade, in percent



Figures for trade in dollar (nominal) terms were strongly influenced by changes in commodity prices and currency exchange rates in 2008. The fuel prices suffered a drastic decline in the second half of 2008

and ended the year at a lower level than at any point in 2007; however average prices for 2008 were about 37 percent higher than 2007 (graph 1.3). Non-fuel prices also increased on average but at a lower level

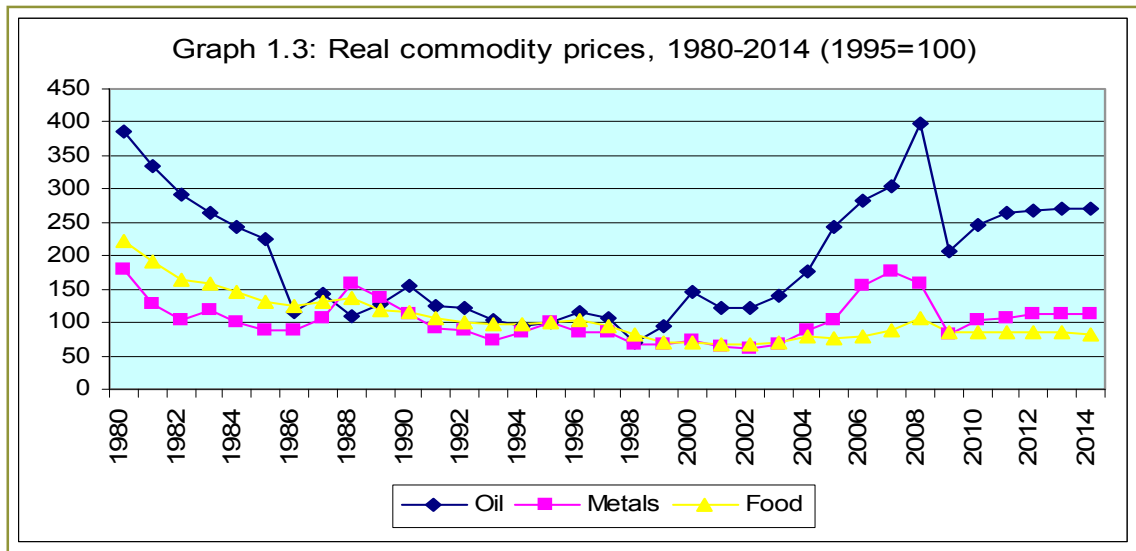
(7.4 percent). Food and beverage prices increased by 23 percent in 2008, while raw material prices fell by about 1 percent and metals by 8 percent (WTO, *World Trade 2008, Prospects for 2009*).

The appreciation of the US dollar against other currencies, especially against the euro in late 2008, also influenced trade developments estimated in nominal terms. Being expressed in dollars, the growth of trade in euro-zone countries might be understated. Similar trajectories with euro have followed the Canadian dollar, British pound and Korean won. The Chinese Yuan has risen gradually against US dollar since 2005, but remained fairly stable during the second half of 2008. The Japanese Yen appreciated sharply (graph 1.4).

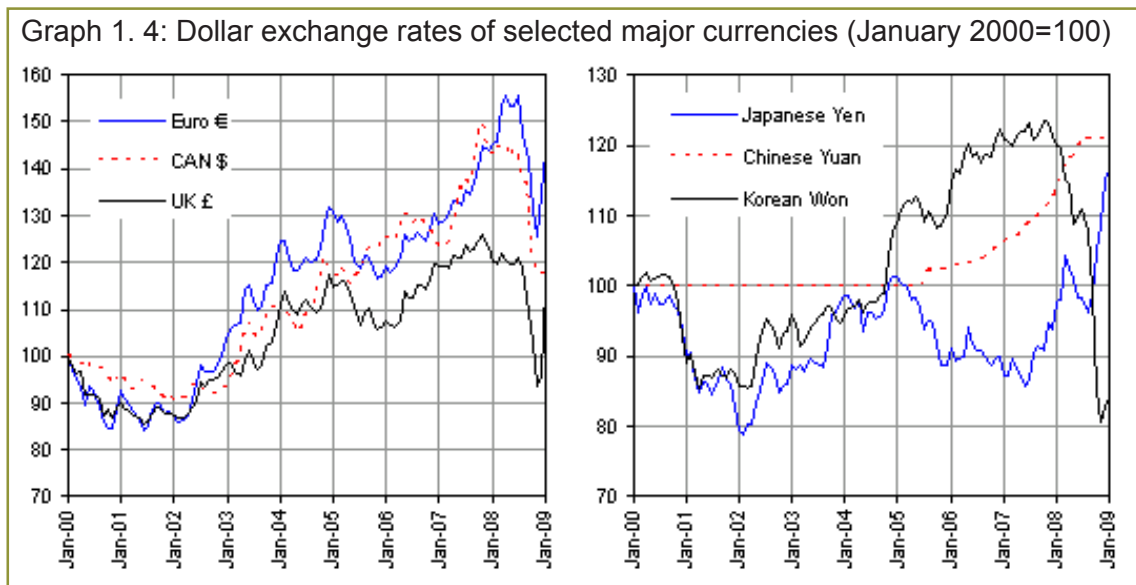
The developing countries' share in the world merchandise trade increased to new records in 2008, reaching for exports 38 percent, and for imports 34 percent. In 2008 Germany retained the position of the world's leading merchandise exporter, surpassing China by about \$40 billion.

The automobile industry has been one of the hardest hit sectors by the global recession. Japan's exports in total fell by 18 percent, while exports to the USA dropped by 30 percent in the fourth quarter of 2008. The hardest hit countries were the new EU member states of Eastern Europe, with a drop of 30 percent.

For the year 2008 as a whole, the commercial services exports grew more slowly than goods exports (by 11



Source: World Economic Outlook Update, January 2009.



Source: IMF, International Financial Statistics

percent, compared with 15 percent for goods). In the fourth quarter of 2008, commercial services fell by about 8 percent, compared with the drop of merchandise exports by 12 percent. The fall-off in international shipping, such as the decline of air cargo traffic by 23 percent in December 2008 compared to a year earlier, is an indicator of the severity of the global downturn in trade.

A number of factors may explain the decline of trade growth in 2008 and expected contraction of the world trade flows in 2009, such as the drop in demand and in GDP, the high scale of globalization of economy and trade, the shortage of trade finance, and the protectionist measures.

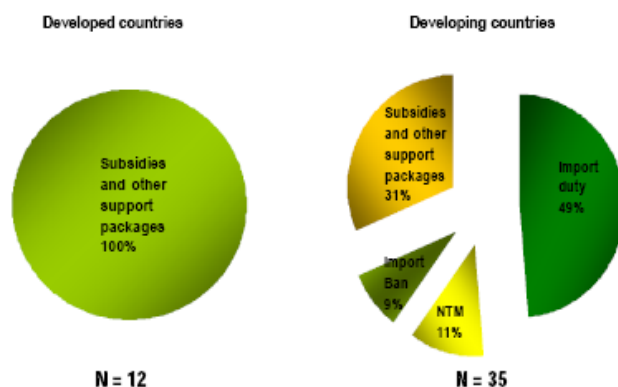
The fall-off in demand and in GDP, globally widespread, is an important factor which is expected to severely influence trade flows in 2009. The shortage of trade finance problem received a particular attention in the London G-20 meeting of April 2nd, 2008¹⁰.

The high scale of globalization of economy and trade which is revealed in the increasing presence of global supply chains in total trade is another factor to be carefully considered while analyzing the trends in trade flows. First of all, a contraction in any link is quickly transmitted in all the chain and, depending from the magnitude of the shock, can be reflected in the overall economic and trade situation. Secondly, in the presence of international supply chains, goods cross many frontiers to become components of the final product, so being counted every time they cross a frontier. This increases gross

trade flows in rates higher than production itself. It also explains the higher declining rates of trade compared to production, when the latter is declining. However, income and employment in a country are directly related with the net trade flows – a measure of trade transactions based on value-added at each stage of production process. Thus, it is important to measure trade also based on value added at the stages of production process. It is particularly important for countries like Albania, where inward processing sector counts for almost 60 percent¹¹ of total exports.

Falling demand and a withdrawal of trade credit are being complemented by protectionist pressures which are still incipient but showing worrisome trends¹². According to the World Bank's monitoring list of trade and trade-related measures, about 78 trade measures (excluding antidumping measures) have been proposed and/or implemented since November 2008. Tariff increases comprise about a third of these measures in general and a half for developing countries¹³. Particularly important are export subsidies which contravene the draft modalities of Doha. For example, EU announced new export subsidies on butter, cheese, and milk powder. Some countries are increasing financial support for exports. Subsidies for the auto industry have proliferated mostly in high-income countries. Developed countries have relied increasingly on subsidies rather than border barriers while developing countries have deployed all forms of protection, as shown in graph 1.5.

Graph 1.5: Types of protectionist measures in developed, and developing countries



Source: World Bank staff based on public information and published press reports. Excludes anti-dumping cases.

¹⁰ Global Plan for Recovery and Reform, the official communique issued at the close of the G20 London Summit, 02.04.2009.

¹¹ The exact figure is 59.9 percent, from 66.4 percent in 2007 (70.1 percent in 2006 and 77.5 percent in 2003).

¹² E. Gamberoni and R. Newfarmer, Trade Protection: Incipient but worrisome trends, The World bank, International Trade Department, Trade Notes, nr. 37, March 2009.

¹³ Ecuador, for example, raised tariffs on more than 600 items.

Antidumping measures, which are not included above, surged in 2009, especially in the second semester. Antidumping initiations grew by 15 percent in 2008 compared to 2007 and imposition of duties grew by 22 percent. The majority of initiations belong to developing countries (only India accounts for 29 percent of total initiations) while the developed countries (particularly the US and the EU) account for the greatest number of duty impositions.

Box 1: Global plan for recovery and reform¹

Resisting protectionism and promoting global trade and investment

... 22. World trade growth has underpinned rising prosperity for half a century. But it is now falling for the first time in 25 years. Falling demand is exacerbated by growing protectionist pressures and a withdrawal of trade credit. Reinvigorating world trade and investment is essential for restoring global growth. We will not repeat the historic mistakes of protectionism of previous eras. To this end:

- we reaffirm the commitment made in Washington: to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organisation (WTO) inconsistent measures to stimulate exports. In addition we will rectify promptly any such measures. We extend this pledge to the end of 2010;

- we will minimise any negative impact on trade and investment of our domestic policy actions including fiscal policy and action in support of the financial sector. We will not retreat into financial protectionism, particularly measures that constrain worldwide capital flows, especially to developing countries;

- we will notify promptly the WTO of any such measures and we call on the WTO, together with other international bodies, within their respective mandates, to monitor and report publicly on our adherence to these undertakings on a quarterly basis;

we will take, at the same time, whatever steps we can to promote and facilitate trade and investment; and

- we will ensure availability of at least \$250 billion over the next two years to support trade finance through our export credit and investment agencies and through the MDBs. We also ask our regulators to make use of available flexibility in capital requirements for trade finance.

23. We remain committed to reaching an ambitious and balanced conclusion to the Doha Development Round, which is urgently needed. This could boost the global economy by at least \$150 billion per annum. To achieve this we are committed to building on the progress already made, including with regard to modalities.

24. We will give renewed focus and political attention to this critical issue in the coming period and will use our continuing work and all international meetings that are relevant to drive progress.

¹Extract from "The official communique issued at the close of the G20 London Summit" 02/04/2009 <http://londonsummit.gov.uk>

Protection of agriculture is also not included in the measures mentioned above, because existing laws automatically provide increase in subsidies with declines in agriculture prices. Other protectionist developments can also be seen in financial sector, labor market, etc.

However, protectionist pressure has been mitigated because of such factors as trade integration, stronger international rules, flexible exchange rates in most countries, etc. Trade integration is related with the intensified economic interdependence of countries through supply chains, imported inputs, and services. Parts and components trade (an indicator of supply chains) has more than doubled as a proportion to total trade compared to 1970, while the openness index (trade volume to GDP) is on average 96 percent compared to 55 percent in 1970. Under such circumstances, not only exporters but also producers for the domestic market are more reliant on imported inputs.

Also, the widespread floating exchange rates around the world may have pre-empted a wave of competitive devaluations as it happened in the 1930s. On the other hand, successive GATT/WTO arrangements have provided much greater legal stability of trading relations. Taking into account the lessons from the experience of the 1930s that raising trade barriers merely compounds recessionary forces and make the contraction a prolonged one, the G-20 leaders signed a pledge in November 15, 2008 in Washington to avoid protectionist measures, including the WTO inconsistent measures to stimulate exports.

The G-20 representatives, in their last meeting of London in 2-4 April 2009, reconsidered the protectionism pressure, extended their pledge to end of 2010 and, in their 'global plan for recovery and reform' declared that 'We will not repeat the historic mistakes of protectionism of previous eras' (see box 1). All efforts are being done for finalizing the negotiations under the Doha Round in order to intensify the multinational integration processes and to strengthen the multinational relation rules. As Gamberoni and Newfarmer¹⁴ emphasize, although to date most countries have not raised tariffs to bound levels or taken full advantage of the space on agriculture subsidies, many of them may well do so as the recession deepens. This means that the cost of inaction on the Doha Agenda is rising and a rapid conclusion of the Doha Round must be pushed forward. 'The first response to the protectionist measures and isolationist tendencies,

P. Lamy underlines¹⁵, is to complete the WTO Doha Round negotiations as quickly as possible...The Doha Round is the most effective way to further constrain protectionist pressures by reducing the gap between bound commitments and applied policies¹⁶.

1.2 Albania's macro-trade developments and global crisis effects

According to the Bank of Albania¹⁷, the economic growth and macroeconomic balances during the year 2008 have been, in general, in line with the prediction in the beginning of the year until the fourth quarter when the effects of the crisis emerged mainly through the balance of payments channels.

As certified by official statistics¹⁸, economic activity expanded remarkably during the first 9-month period of 2008, being expressed in the increase of business activity by about 17 percent, and also the level of credits, budget revenue, trade volume, etc. Based on quarterly estimates, INSTAT¹⁹ declared an economic growth in real terms for the period October 2007-September 2008 of 9.9 percent. Construction and trade were the most dynamic industries while manufacture, transport and communication increased but slowly. However, the economic activity expansion revealed signs of deceleration in the fourth quarter being estimated by INSTAT at 2.2 percent in real terms, compared to the preceding one; the estimate for all four quarters of 2008, is 8 percent²⁰.

Different figures are being offered for GDP growth in 2008, based on different estimates. According to

IMF, growth in real terms is at 6 percent, being almost the same with the estimate of the European Bank for Reconstruction and Development (EBRD, 6.1 percent) and the Vienna Institute for International Economic Studies (6.1 percent)²¹. Based on the INSTAT published data and the "Macroeconomic and Fiscal Framework 2010-2012" of the Ministry of Finance, the increase of GDP measured in current prices in 2008 is about 11 percent, and in real terms about 7.2 percent²². The forecasts for 2009 also differ from one source to another²³. The prediction of the Ministry of Finance is 6 percent while the prediction of IMF has been revised several times moving from 6 percent down to 3.7 percent²⁴ and to a declaration that 'Central and Eastern Europe are among the countries mostly affected' by the contraction of the global economy, and growth performance of Albania 'will mark a sharp slowdown from the rapid expansion witnessed in recent years', although it could be 'still positive' if the required policies are adopted²⁵.

The high growth rates in 2008 have been backed up by a macroeconomic stability. Inflation during 2008 was moderate, reaching an end-year level of 2.2 percent and on average 3.4 percent, being within the objective limits of the Bank of Albania. The highest level of inflation, reflecting the pressure from high prices of imported goods and also high domestic demand, was marked in May, 4.6 percent, being the highest during the last five years. Global economic contraction and deceleration of economic growth in the country is expected to stipulate a low inflation rate although negative pressure could come from financial and foreign exchange markets. For the three first months of 2009 inflation rate in the country were 2.1, 1.9 and 1.6 percent, respectively in January, February, and March.

¹⁴ E. Camberoni and R. Newfarmer, Trade Protection: Incipient but worrisome trends, Trade Notes nr. 37, March 2009

¹⁵ P. Lamy's, the WTO Director-General, 23.02 2009, http://www.wto.org/english/news_e/sppl_e/sppl17_e.htm

¹⁶ It is calculated that tariffs applied on trade today could double if they were raised to existing bound ceilings. With what is currently on the table in the Doha Round, tariff ceilings in the WTO would be halved. The same is true for rich countries agriculture subsidies whose ceilings would be reduced between 70 per cent – 80 per cent with the current deal on the table (The WTO Director-General speech, 23 February 2009).

¹⁷ Statement of the Bank of Albania "On the stability of the financial system in Albania in the second semester of the year 2008", published by the Supervising Council, 31.03.2009.

¹⁸ Institute of Statistics (www.instat.gov.al), Bank of Albania (www.bankofalbania.org), Ministry of Finance (www.minfin.gov.al), etc.

¹⁹ www.instat.gov.al

²⁰ INSTAT declaration, April 16, 2009. However, the quarterly estimates are indirect ones; direct estimates for the yearly-base growth are expected to be done by INSTAT.

²¹ Press Release 05.03.2009: wiiw Forecast for Central, East and Southeast Europe, Kazakhstan and China: Differentiated Impact of the Global Crisis, www.wiiw.ac.at.

²² According to a recent declaration of the IMF representative office in Albania to the media (April 22, 2009), the estimated growth for 2008 is 6.8 percent.

²³ According to the Vienna Institute for International Economic Studies the forecast for 2009 is 3 percent.

Albania, according to the Vienna Institute, belongs to that group of countries in the region that will experience a significant slowdown in GDP growth but not a drop in GDP as is forecasted to happen in other countries such as Croatia, Macedonia, Bosnia and Herzegovina, Montenegro and Serbia.

²⁴ IMF Country Report No 09/73

²⁵ Statement by the IMF Mission to Albania, press release no. 09/119, April 9, 2009.

Crediting of economy marked an expansion during 2008, reaching a level of 37 percent of GDP, which is 7.3 percentage points higher than in 2007; the deposits indicator increased by 2 percentage points to 80 percent of GDP²⁶. For both, deposits and credits, the growth rate has been decreasing in the second part of the year. According to the results of a survey on crediting activity²⁷, a tightening of standards and criteria used by commercial banks in crediting businesses and individuals, measured at (-61) and (-56) percent respectively, was revealed in the second part of 2008. For businesses, the toughening was almost at the same level for both, large corporates and small and medium enterprises but more apparent on credits for long term investments. In case of individuals, consumption credits suffered tougher measures. In case of businesses, main contributing factors have been the expectations for economic situation, the specific problems in sectors where businesses operate, and the valuation of banks for the situation in credits with problems. In the case of individuals, the financial situation, the level of liquidity and the situation of credits with problems have been the most contributing factors. On the other hand, the demand for credits decelerated during this semester for both, businesses and individuals. In the case of businesses, it was mostly apparent for large corporates, being particularly affected by decline of the demand for financing fix investments (-25 percent). In case of individuals, the decline is evident in case of credits for buying apartments and also in case credits for consumption, (-29) percent and (-27) percent, respectively. In contrast with the previous surveys, banks expect the demand for credits to decline in the first semester of 2008 for corporates and also small and medium businesses. In its efforts to induce crediting of economy and investments, the bank of Albania decreased the base interest rate (REPO) by 0.75 percentage points in January 2009²⁸ to 5.75 percent.

Global and internal economic developments and pressures are reflected in the size of macroeconomic (im)balances, including internal (fiscal balances, etc) and external ones (trade and current account balances, etc). In 2008, the budget deficit increased to 5.7 percent of GDP and the public debt 55.6 percent of GDP. The current account in 2008 recorded a deficit of 1,291 million euro compared to 831 million euro in 2007. Relative to GDP, the current

account deficit increased to 14.9 percent in 2000, compared to 10.4 percent in 2007.

The increase of current account deficit is mainly fostered by the increase of trade deficit and decrease of private transfers (remittances). The latter declined by 18.3 percent down to 802.9 million euro in 2008, compared with 982.8 million in 2007. Relative to GDP, the remittances declined from 12 percent in 2007 to 9.2 percent in 2008. Meanwhile, foreign direct investments increased by 31.7 percent to 619.2 million euro from 470.1 million in 2007. Accounting also other financial inflows, foreign reserve assets increased by 192 million euro to 1,695 million euro, sufficient to cover 4.2 month-imports of goods and services²⁹. For 2009 a deterioration of external balances is predicted, because of the expected decline of remittances, exports, foreign direct investments, etc. Such factors and also internal ones are expected to negatively affect the budget deficit and public debt.

Trade deficit expressed in Lekë increased by 16.5 percent (17.1 percent when expressed in euro) to 326,524 million Lekë (2.7 billion euro). Trade deficit, relative to GDP, increased to 30.1 percent in 2008, from 28.5 percent in 2007 (table 1.3).

The decline of foreign demand for products of Albania in the main trade partners of the country was reflected in contracted export flows in the fourth quarter 2008. Graph 1.6 shows a high growth in the second quarter and then a sharp decrease in the third and fourth quarters of 2008.

It is interesting that each third quarter exports growth rates are negative compared with the preceding quarter but in 2008 the decline is much deeper and unlike the preceding years the contraction continues in the fourth quarter as well. Another characteristic is that decline in exports particularly in the fourth quarter is much higher when measured in USD than in Lekë or euro. It can be explained by a relatively stable exchange rate of Lekë against euro but a deep depreciation against USD in that period after a relatively long (about two years) remarkable appreciation, as shown in graph 1.7.

Table 1.3 and graphs 1.8 and 1.9 show that export and import growth rates have been increasing during the years 2005 to 2007, but declining in 2008 to 15.8 and 16.3 percent, respectively.

²⁶ Bank of Albania, Yearly Report 2008 represented in the Parliament, April 08, 2008.

²⁷ Bank of Albania, Department of Monetary Policy: Results of The Survey on Crediting Activity, February 2008 (www.bankofalbania.org)

²⁸ Bank of Albania, press statement, 28.01.2009.

²⁹ Bank of Albania, External Sector Developments in the Albanian Economy for 2008, March 2009.

<i>Table 1.3: Macro-Trade Indicators, in million Lekë unless otherwise indicated</i>									
	2000	2001	2002	2003	2004	2005	2006	2007	2008*
Real GDP growth rate	6.7%	7.9%	4.2%	5.8%	5.7%*	5.7%	5.5%	6.0%	7.2%
Nominal GDP	523,043	583,369	622,711	694,098	750,785	814,797	891,000	982,737	1,086,000
Trade flows**	191,351	234,811	254,689	279,867	296,892	326,023	375,720	474,602	551,622
- Imports	154,290	191,053	208,501	225,380	234,770	260,205	298,279	377,447	439,083
- Exports	37,061	43,758	46,188	54,487	62,121	65,818	77,441	97,155	112,539
Trade deficit	117,229	147,295	162,313	170,894	172,649	194,387	220,837	280,292	326,544
Exports growth	-2.4%	18.1%	5.6%	18.0%	14.0%	6.0%	17.7%	25.5%	15.8%
Imports growth	-7.1%	23.8%	9.1%	8.1%	4.2%	10.8%	14.6%	26.5%	16.3%
Openness index**	36.6%	40.2%	40.9%	40.3%	39.5%	40.0%	42.2%	48.3%	50.8%
Trade deficit/GDP	22.4%	25.2%	26.0%	24.6%	22.9%	23.8%	24.8%	28.5%	30.1%
Imports / GDP	29.5%	32.7%	33.5%	32.5%	31.3%	31.9%	33.5%	38.4%	40.4%
Exports / GDP	7.0%	7.5%	7.4%	7.9%	8.3%	8.0%	8.7%	9.9%	10.4%
Imp. Coverage (Ex/Imp)	24.0%	22.9%	22.2%	24.2%	26.5%	25.3%	26.0%	25.7%	25.6%

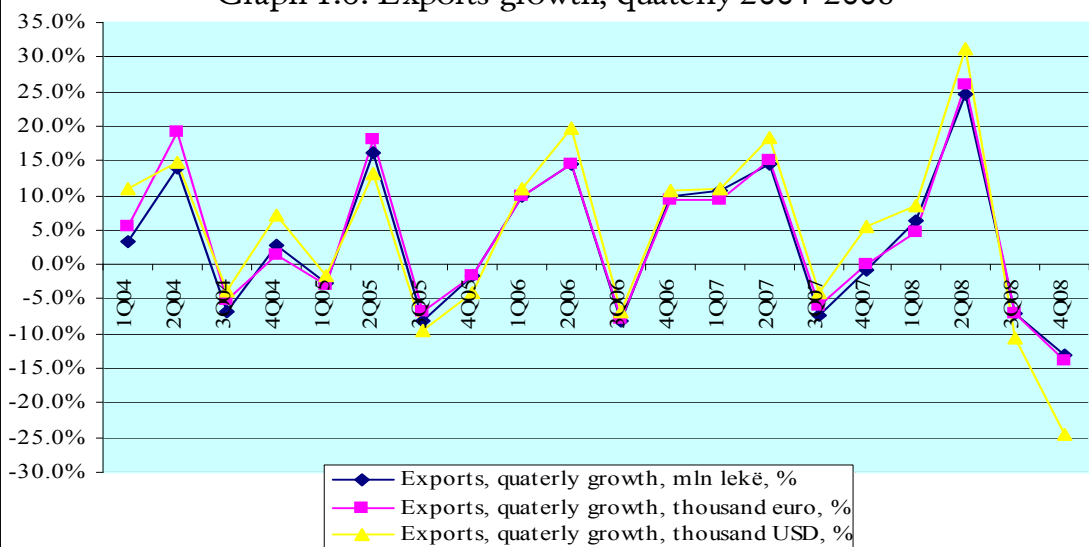
*Estimate, Ministry of Finance (Macroeconomic and Fiscal Framework 2010-2012, p. 13).
Only trade in goods; *measured as a ratio of trade flows to GDP.
Source: Albanian Ministry of Finance (Macroeconomic and Fiscal Framework 2010-2012), INSTAT, METE, Bank of Albania, IMF, and ACIT's own calculations.

The openness index has been increasing since the year 2004 to 50.8 percent in 2008 although at a lower rate in 2008 compared to 2007. Trade deficit, in absolute terms but also relative to GDP, have also been increasing since 2005 to reach 30.1 percent of GDP in 2008, compared to 28.5 percent in 2007 and 23.8 percent in 2005.

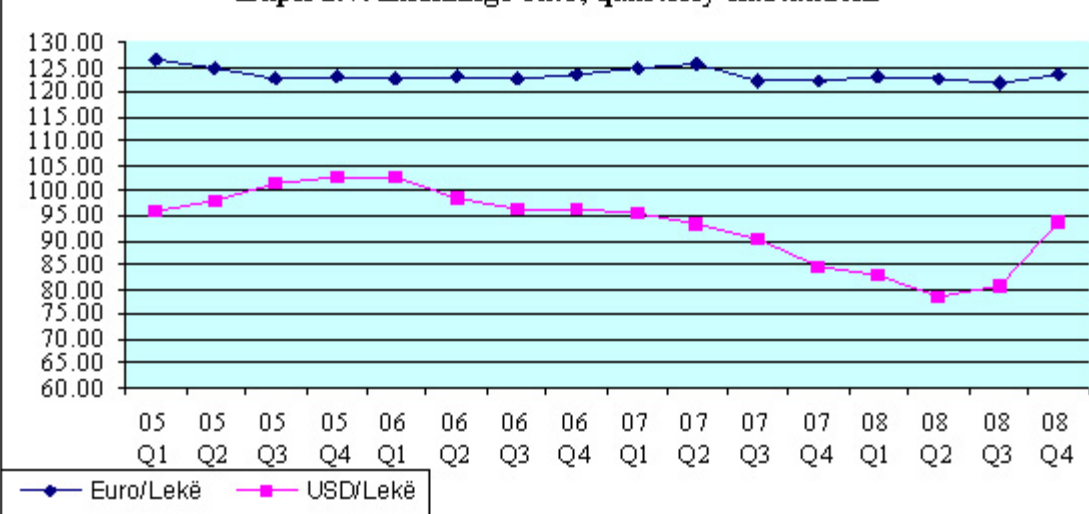
Import coverage index, measured as a ratio of exports over imports continues to slightly decrease to 25.6 percent in 2008 from 25.7 percent in 2006 and 26 percent in 2005.



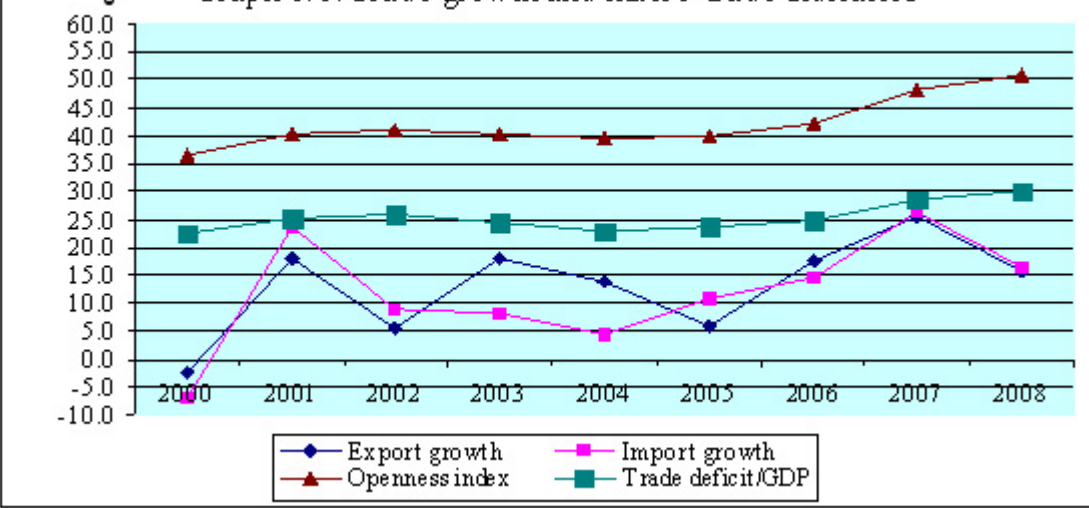
Graph 1.6: Exports growth, quarterly 2004-2008



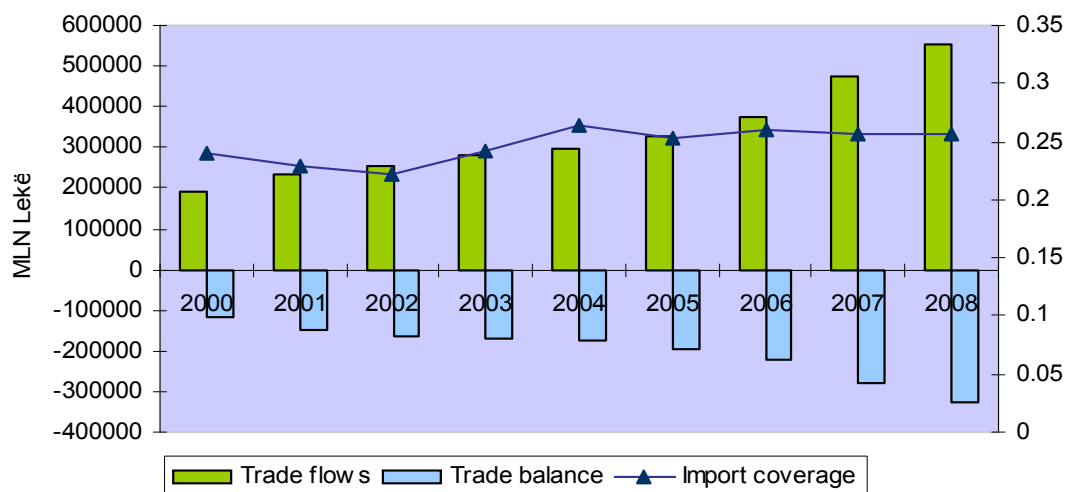
Graph 1.7: Exchange rate, quarterly fluctuations



Graph 1.8: Trade growth and macro-trade indicators



Graph 1.9: Trade flows, import coverage (%) and trade balance



Having a quite low level during all the period as seen in table 1.3 and graph 1.9, import coverage index reflects a low level of competitiveness of the country's economy. Information on Albanian economy's competitiveness position, based on indicators calculated by the World Economic Forum, the World Bank, and the Heritage Foundation and Wall Street Journal, is provided in box 2.

Increasing competitiveness remains one of the main challenges for the Albanian economy. The ongoing and expected impacts of global economic contraction increase the demand for effective policies in promoting competitiveness.

Box 2: The competitiveness position of the Albanian economy

The Global Competitiveness Report 2008-2009 of the World Economic Forum ranks Albania at the 108th position out of 134 countries/economies. In the previous year Report Albania was ranked at the 109th position out of 131 countries/economies. According to the Global Competitiveness Index 2008-2009, Albania scored 3.6 points (in a range 1-7), being slightly higher than in the previous year Report (3.5). The most problematic factors for Albania in the Report are considered corruption, inadequate supply of infrastructure, and inefficient government bureaucracy. Looking at the 6th pillar (goods market efficiency) in detail and considering the trade-related factors, Albania is ranked quite well in 'trade-weighted tariff rate' (the 65th position) but not so good in 'burden of customs procedures' (the 103rd position).

Regarding the "2009 Economic Freedom Index" (Heritage Foundation and Wall Street Journal Report), Albania's 'economic freedom score' was 63.7, being ranked at the 62nd position in the world and the 27th position in the region (out of 43 economies in the Europe region). Compared to the preceding year, the level of country's economic freedom increased by 1.3 points, although the position remains the same in the region and six places down in the world (56th in the previous year). 'Fiscal freedom' (92.8 points) remains the highest scored dimension, followed by 'monetary freedom' (79.6 points) and trade freedom (75.8 points). The lowest scored dimensions are 'freedom from corruption' (29 points) and 'property rights' (30 points).

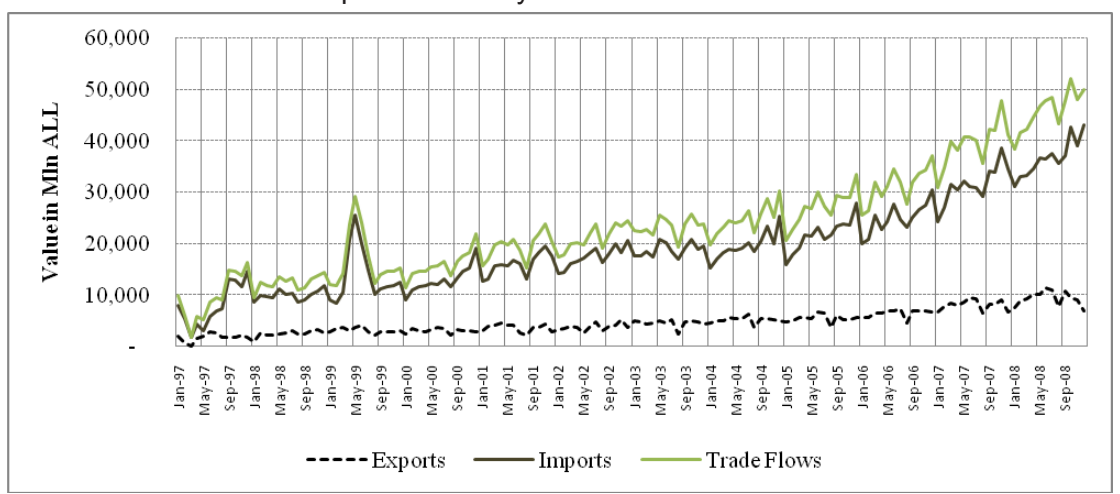
According to the World Bank Report "Doing Business 2009", Albania, considering the 'Ease of Doing Business,' has made a big positive change in ranking from the 135th position in the preceding year down to the 86th position in 2008. Albania is positioned better in such dimensions as 'getting credit' (12th place), 'protecting investors' (14th place), 'registering property' (62nd position), and 'starting a business' (63rd position). The biggest improvements are noted in 'protecting investors' (+154), 'starting a business' (+63) and 'getting credit' (+49). The lowest marked dimensions are 'closing a business' (the 181st position) and 'dealing with construction permits' (170th).

II Albania's export and import dynamics

Albania's foreign trade flows dynamics during 2008, as influenced by world demand contraction due to world financial and economic crisis, have been characterized by a slowdown after a period of "buoyant" development. This slowdown in trade flow development is mainly observed after September 2008 and is still present in trade data especially in export dynamics. Albania's total trade with world amounted to ALL 551.6⁹⁰ Bln and increased at a year on year (yoy) rate of 16.23%. Trade flows increment rate during 2008 is ten percentage points lower than increment rate of trade flows during 2007. Imports volume (expressed in ALL, as shown in graph 2.1) as being the largest part of the trade volume, is the element determining its dynamics; imports and trade flow are characterized by almost the same change rate in time (see graph 2.2).

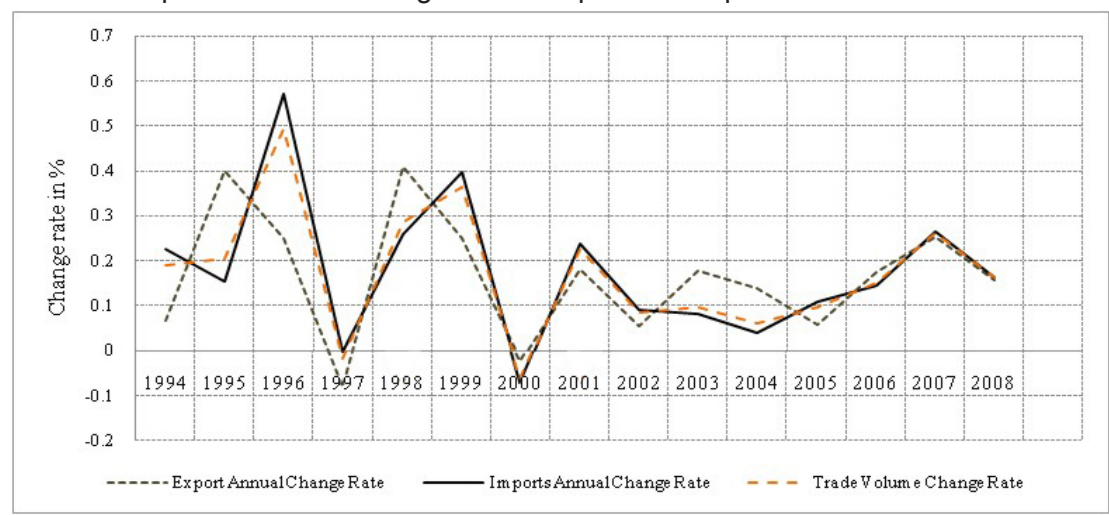
Exports volume (expressed in ALL) have, during the course of 2008, lost their expansive trend (see graph 2.1 and 2.2). Exports were characterized by a strong and steady positive trend from 2002, which as exports were highly concentrated in structure (product and geographic markets) appeared vulnerable. This high concentration around labor intensive, low value added inward processing products and raw materials have transmitted quickly the contracting world demand effect on Albanian export flows. European economies recessive situation (Italian and Greek economy mainly) has been another factor that has highly influenced exports deteriorating dynamics observed during the last quarter of 2008 and in continuation in 2009.

Graph 2.1 Monthly Trade Flow 1997-2008



Source: METE and ACIT own calculations

Graph 2.2 Annual Change rate in Export and Import Flows 1994-2008



Source: METE and ACIT own calculations

Total exports in 2008, amounted to 112.54³¹ billion ALL and increased as compared to 2007 by 15.83%, a rate that is 9.62 percentage points lower than exports increment rate of last year. During 2008, exports have twice switched dynamics direction, they increase steady from January to June 2008, after which a negative shock was observed in exports with declining exports during July and August 2008, mainly reflecting the oil price change. A slight recovery in September was observed followed by a steady decline in the last quarter of 2008 (see table 2.1 and graph 2.2).

Imports flow dynamics have shown some slowdown in comparison to previous years, a slowdown that reflects mainly world prices development and some slight contraction in domestic demand.

Consumers' demand behaved relatively stable throughout the year with some signs of contraction

appearing during the last quarter 2008 that were "cured" by high public spending (especially those in infrastructure projects). The usual seasonality in imports behavior was also present with decreasing imports at the beginning of the year and during summer season when agriculture domestic production goes into the market as well as boosting imports at year end due to consumers demand increase.

Total imports valued at 439.09³² billion ALL and increased year on year by a rate of 16.33%. Imports were experiencing the highest growth rates during the last quarter 2008 (October and December 08), picks of growth that are related to price stability recovery (see table 2.1 and graph 2.2).

Albania trade deficit at end of 2008, amounted to 326.5³³ billion ALL and increased year on year by 16.5%. The slowing down exports and imports' flows are reflected in a slowing down deficit expansion.

Table 2.1: Albania's Export/Imports Flows during 2008

	Export	Exports Change Rate	Exports Change Rate	Imports	Imports Change Rate	Imports Change Rate	Trade Balance
	(in Mln ALL)	(in %, yoy)	(in %, mom)		(in %, yoy)	(in %, mom)	(in Mln ALL)
Jan-08	7,513	12%		30,999	28%		(23,487)
Feb-08	8,819	14%	17%	32,900	22%	6%	(24,081)
Mar-08	9,207	10%	4%	33,124	5%	1%	(23,918)
1rst Quarter	25,538	12%		97,024	17%		(71,485)
Apr-08	10,214	29%	11%	34,488	14%	4%	(24,274)
May-08	10,178	17%	0%	36,663	14%	6%	(26,485)
Jun-08	11,407	20%	12%	36,360	17%	-1%	(24,953)
2nd Quarter	31,799	22%		107,512	15%		(75,713)
Jul-08	11,036	18%	-3%	37,451	21%	3%	(26,415)
Aug-08	7,779	18%	-30%	35,502	22%	-5%	(27,723)
Sep-08	10,711	29%	38%	37,028	9%	4%	(26,317)
3rd Quarter	29,526	22%		109,981	17%		(80,455)
Oct-08	9,557	16%	-11%	42,568	26%	15%	(33,012)
Nov-08	9,158	0%	-4%	38,937	1%	-9%	(29,779)
Dec-08	6,961	5%	-24%	43,061	25%	11%	(36,100)
4th Quarter	25,675	7%		124,567	16%		(98,891)
Total	112,539	16%		439,083	16%		(326,544)

Source: METE and ACIT own calculations

³⁰ Trade flows were 4,492 Mln Euro or USD 6,594 Mln equivalent

³¹ Exports in 2008 were EURO 916,6 Mln equivalent, USD 1,354 Mln equivalent

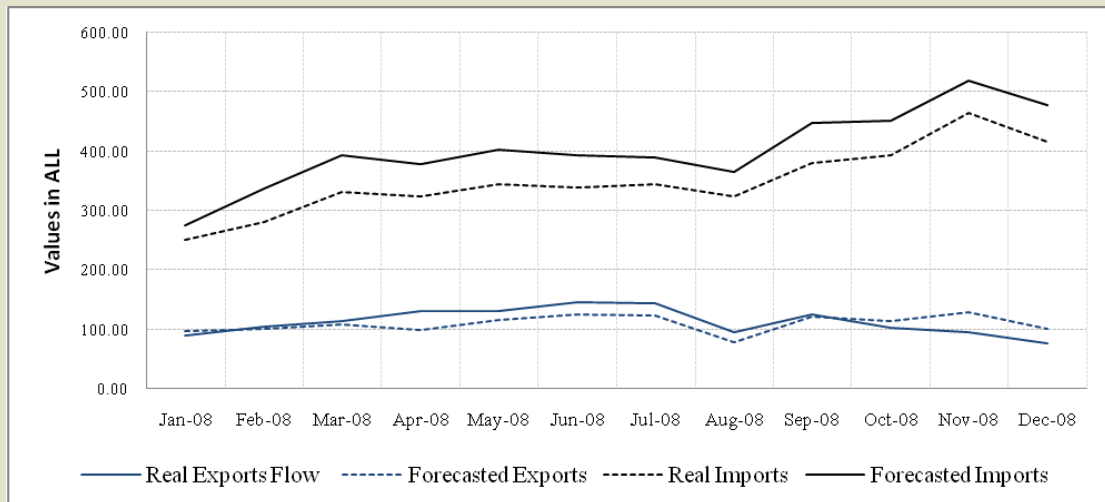
³² Imports equivalent in Euro 3,575.4 Mln and USD 5,240.1 Mln

³³ Trade deficit in Euro 2,659.1 Mln and USD 3,885.8 Mln

Box 2.1

Due to more predictable world market developments and due to the fact that exports do not include world price effect the margin of change between forecasted exports and observed exports flow seems to be lower than the change between forecasted and observed imports, which are highly influenced by volatile world prices and by not so predictable domestic demand.

Graph B II.1 Comparison between forecasted imports/exports and observed flows in 2008



Source: ACIT estimations

Forecasted exports were in aggregated 3% higher than real export flows, and reflecting the effect of the economic crisis on export demand and the shrinkage in export flows the distance between the forecast and true becomes larger in the last quarter 2008 with forecasted exports being higher than the real flows.

Imports were continuously lower than predicted imports, reflecting two phenomena that were not included in the forecast – devaluating Albanian Lek against USD, the flip in price tendency from inflating to deflating prices with a sharp decline in oil and food prices are factors that have kept a distance between forecasted imports and real import flows observed.

Box 2.2 Forecasted Trade

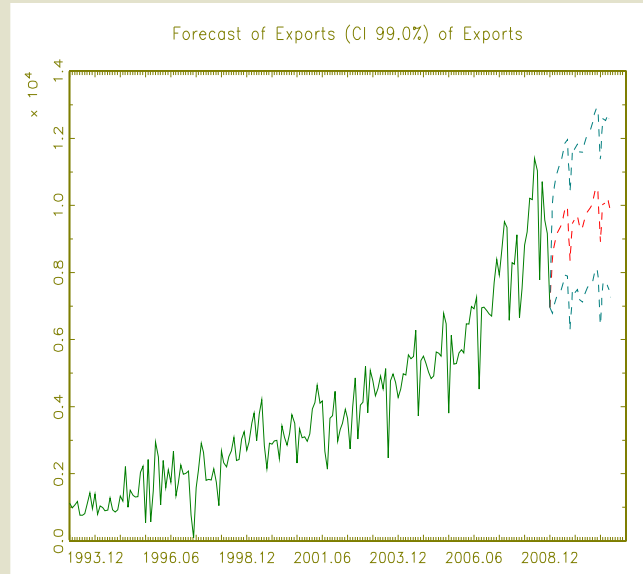
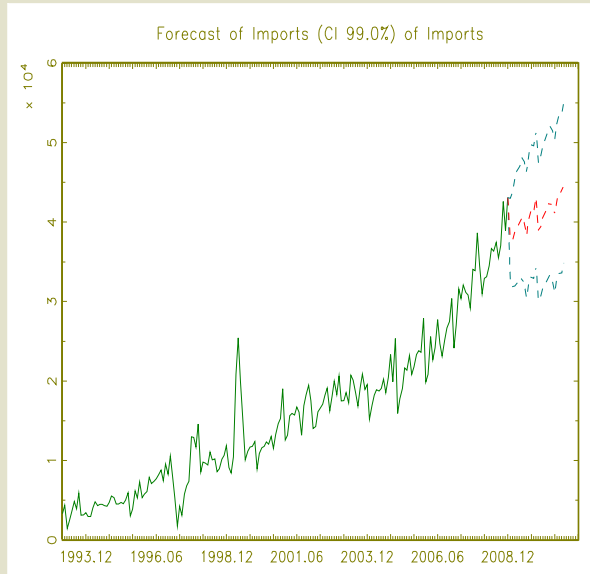
The new forecast on trade flows, influenced by the very gloomy economic prospect for the main exports market, the already contracted domestic demand reflecting decreasing remittances and nominal income, as well as constraint financing resources for businesses or public spending appear to lohas lost some of the high dynamics previous forecasts used to be characterized with.

Table 2.2: Forecasted Trade Flows

	Exports Forecast	Exports Change Rate	Imports Forecast	Imports Change Rate	Trade Flows forecast
	(in Mln ALL)	(in %)	(in Mln ALL)	(in %)	(in ALL)
Jan-09	8,444.14	12%	37,915.2	22%	(29,471.06)
Feb-09	8,933.55	1%	37,775.4	15%	(28,841.85)
Mar-09	9,200.75	0%	38,759.9	17%	(29,559.15)
Apr-09	9,319.92	-9%	39,523.1	15%	(30,203.18)
May-09	9,516.65	-6%	39,668.2	8%	(30,151.55)
Jun-09	9,947.39	-13%	40,656.3	12%	(30,708.91)
Jul-09	9,925.98	-10%	39,858.1	6%	(29,932.12)
Aug-09	8,344.79	7%	38,299.6	8%	(29,954.81)
Sep-09	9,620.1	-10%	40,712.3	10%	(31,092.20)
Oct-09	9,508.69	-1%	41,586.7	-2%	(32,078.01)
Nov-09	9,660.63	5%	41,259.6	6%	(31,598.97)
Dec-09	9,280.58	33%	43,065.6	0%	(33,785.02)
Total	111,703.17	-1%	479,080.0	9%	(367,376.83)

Source:
ACIT
estimations

Exports flows are expected to amount 111,7 bln ALL and decrease as compare to 2008 by 1%. Total imports are expected to amount 479 Bln ALL and experience the lowest increment rate observed in the latest years, just 9% yoy rate. Trade deficit forecast amounts to 367.4 Bln ALL and expands only by 13% at yoy rate by 13%



Trade flows forecast is based on a time series integrated autoregressive model – applied on the Albanian exports and imports monthly flows starting from 1993. The time series models assume that trade flows as they appear in time, reflect the adjustment of demand for imports or supply of exports to different economic factor – such as prices developments (world markets or domestically), the pace of economic growth and its competitiveness at general, exchange rates volatility etc. Exploring carefully past behavior and flows adjustments is a good tool to explaining their future path of developments, and this is the main idea behind using time series analyses.

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

The statistics suggest a lag structure of 1 and a moving average of order 3 and a seasonality dummy.

Imports are modeled through a lag structure of 3 and 6 moving average term, as well as a seasonal dummy. In both export and import flows, seasonality of flows is really strongly significant – for exports at third quarter of the year there is systematically a pick, while for imports end of year seasonality appears strong. Volatility and unpredictability of trade flows has increased, due to the complex factors of influence in both domestic and international economic environment

Exports are forecasted based on an ARIMA (1,1,4) process while imports are based on an ARIMA (3,1,6) process represented as follows:

$$\Delta Exports_t = constant + \sum_{i=1}^3 \beta_i * \Delta Exports_{t-i} + \sum_{i=1}^6 \theta_i * \varepsilon_{t-i} + \delta_i * seasonal\ dummy + e_t$$

$$\Delta Imports_t = constant + \sum_{i=1}^4 \beta_i * \Delta Imports_{t-i} + \sum_{i=1}^6 \theta_i * \varepsilon_{t-i} + \delta_i * seasonal\ dummy + e_t$$

III Albania's Trade Structure

3.1 Main Characteristics

Albania's trade structure has not changed as compared to 2007. Exports represent 20.4 percent of the total trade flows during 2008. This percentage remains exactly the same as in 2007. Total trade flows experienced an increase of 16.2 percent (24.9 percent in USD, 16.9 percent in EUR) as compared to 2007. This growth was supported by the increase of exports and imports' flows. Total exports reached 112,539 million ALL and experienced an increase of 15.8 percent as valued in ALL (but an increase of 25.7 percent as valued in USD and 16.6 percent as valued in EUR). Total imports reached 439,083 million ALL and experienced an increase of 16.3 percent (but an increase of 24.7 percent in USD and 17 percent in EUR) (please refer to table 3.1).

Some of the sections that have experienced highest exports' growth as compared to 2007 are live animals, construction materials, vehicle and vehicle parts and base metals and mineral products. Sections that account for a high decrease in export flows are animal grease oils, and weapons and munitions and prepared food drinks and beverages. Footwear products being a significant sector, accounting for 16.9 percent of total exports have also experienced a decrease by 7.3 percent of export flows.

Some of the sections that have experienced highest growth of imports as compared to 2007 are animal grease oils and mechanic, electric machinery and equipment. Sections that account for a high decrease in import flows are less in number.

Table 3.1 provides information on exports and imports values, share to total and growth rate based on the classification of goods by sections.

3.2 Export Structure

Textiles, mineral products, base metals and footwear remain important sections with high shares to overall exports. Textiles products account for 26.4

percent of total exports. Even though textile products export has increased by 12.3 percent their relative share to total export flows has decreased with 0.9 percentage points. Footwear products account for 16.9 percent of total exports. Although an important exports' product-group, its value has decreased by 7.3 percent and its share by 4.2 percentage points.

These two product groups, despite their importance, continue to show a downwards trend evidenced also last year, in terms of relative share.

Mineral products share to total exports reached 18.1 percent experiencing an increase of 2.6 percentage points in 2008. Mineral products growth rate was 35.7 percent during 2008.

Base metal products share to total exports reached 18.8 percent experiencing an increase of 4 percentage points. This increase in relative share was accompanied by a high growth rate of exports. Metal products exports increased by 46.4 percent.

Not all agricultural products' sections have kept their upward trend in export flows as during the previous year. Only live animal and animal origin products and vegetable products account for increases in value as compared to 2007, as you can see in table 3.1, while the other sections, representing mainly agro-industrial products have experienced a decrease in value and relative share.

The ten most exported products fall under the above mentioned product groups: textiles, footwear, mineral products and metals. They represent 42 percent of total exports. These products continue to be highly ranked among exported goods as most of them were among the most exported products last year as well. Some of them reflect the exports' decreasing tendency of the respective sectors: textiles and footwear as you can observe in the table 3.2. The most exported product (uppers and parts thereof) value has decreased with 18.1 percent as compared to 2007. The second most exported product value (men's or boys' trousers) value has decreased with 4.2 percent. The third most exported product, processed iron bars and rods for the construction industry has experienced a vigorous increase by 135.7 percent

Table 3.1: Structure of exports and imports flows

No	Description	Imports			Exports		
		Value of Imports (mln ALL)	Share on total (%)	Growth rate (%)	Value of exports (mln ALL)	Share on total (%)	Growth rate (%)
1	Live animals: animal origin products	12,550.4	2.9%	4.8%	1,643.3	1.5%	125.6%
2	Vegetable products	22,601.5	5.1%	9.7%	3,058.3	2.7%	15.5%
3	Animal grease and oils or vegetal and its products	6,343.9	1.4%	51.3%	26.2	0.0%	-70.9%
4	Prepared food; drinks, alcoholic beverages and tobacco	31,673.8	7.2%	22.1%	2,500.9	2.2%	-30.9%
5	Mineral products	78,658.6	17.9%	25.0%	20,339.4	18.1%	35.7%
6	Chemical industrial products or alloys	29,593.9	6.7%	9.9%	333.0	0.3%	17.7%
7	Plastic and its products; tire and its products	15,855.7	3.6%	26.2%	1,018.4	0.9%	43.4%
8	Unprocessed and processed leather, coats	6,939.2	1.6%	-11.5%	1,738.4	1.5%	-14.0%
9	Wood and its products; charcoal; cork and its products	6,472.0	1.5%	3.8%	1,218.3	1.1%	0.5%
10	Wood or other fiber	8,608.5	2.0%	21.9%	2,397.2	2.1%	31.6%
11	Textile and its products	33,302.3	7.6%	2.3%	29,748.0	26.4%	12.3%
12	Footwear and hats, umbrellas and parasols,	6,181.4	1.4%	-7.0%	19,063.9	16.9%	-7.3%
13	Stone, gypsum, cement products...	13,842.1	3.2%	8.4%	1,047.6	0.9%	75.1%
14	Natural or cultivated pearls, jewelers	817.1	0.2%	100.4%	341.6	0.3%	38.8%
15	Base metals and their products	53,927.8	12.3%	15.4%	21,152.1	18.8%	46.4%
16	Mechanic, electric machinery and equipment	69,590.8	15.8%	30.3%	4,310.9	3.8%	12.3%
17	Vehicles	26,859.9	6.1%	6.9%	341.7	0.3%	69.1%
18	Optic, photographic, cinematographic.	4,948.8	1.1%	18.9%	113.6	0.1%	-21.1%
19	Weapons and munitions and their equipment	145.0	0.0%	-3.1%	31.7	0.0%	-88.8%
20	Different manufactured products	10,139.9	2.3%	10.7%	2,108.3	1.9%	-4.4%
21	Works of art, collection and antics	30.5	0.0%	-33.6%	6.3	0.0%	-23.0%

*Figures in brackets represent growth rates in USD

Products that account for highest increase in value are ranked below in the table 3.3. They are representatives of the two other important exports sectors: metal and mineral products. The product with the highest decrease in value is also the most

exported product at the moment: uppers and parts thereof, falling in the footwear products category. Other products with high decrease in value are cooper waste and mineral waters.

Table 3.2: Top ten exported goods for 2008 (in mln ALL)

HS - Code	Description	2004	2005	2006	2007	2008
640610	Uppers and Parts Thereof	13,282.06	12,357.94	10,811.39	10,190.41	8,339.43
620342	Men's or Boys' Trousers	5,466.11	4,990.79	5,832.60	6,767.67	6,478.63
721420	Concrete reinforcing bars and rods	966.35	744.36	1,128.77	2,633.98	6,210.04
270900	Petroleum Oils and Bituminous Oils		987.82	1,753.88	5,325.28	6,238.25
261000	Chromium Ores and Concentrates	468.95	663.36	1,666.01	4,493.60	5,514.02
830140	Other locks of Base Metal	913.62	1,733.80	2,350.23	3,526.86	3,906.45
620520	Men's or Boys' Shirts, of Cotton	2,160.08	2,572.53	2,837.64	3,197.94	3,471.01
640590	Other footwear with sole of rubber, plastic or composition of leather	3.88	341.39	1,151.20	1,858.07	2,360.72
610910	T-shirts of cotton	1,654.84	1,654.90	1,600.19	1,724.86	2,327.22
640510	Other Footwear With Uppers of Leather	486.49	1,498.87	2,034.68	2,197.63	2,293.31
Total value of 10-most exported products		25,402.38	27,545.76	31,166.59	41,916.30	47,139.10
Value of overall exports		62,121.32	65,822.95	77,441.33	97,155.07	112,539.00
Share of 10-most exported products, in %		41%	42%	40%	43%	42%

Table 3.3: Exported products with the highest change in their value (in mln ALL)

HS- Code	Description	2007	2008	Change compared to 2007
Exported products with the highest value of increment				
721420	Concrete reinforcing bars and rods	2,633.98	6,210.04	3,576.07
720241	Ferro-alloys containing by weight more than 4% carbon but not more than 6%	115.96	2,619.34	2,503.38
252329	Portland Cement	401.83	1,478.29	1,076.46
261000	Chromium Ores and Concentrates	4,493.60	5,514.02	1,020.42
260300	Cooper Ore and concentrates	947.33	1,929.81	982.48
270900	Petroleum Oils and Bituminous Oils	5,325.28	6,238.25	912.97
Exported products with the largest decrease in their volume				
640610	Uppers and parts thereof, other than stiffeners:	10,190.41	8,339.43	-1,850.97
640359	Other footwear with outer soles of leather: other	1,759.73	699.07	-1,060.66
220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored	730.08	27.96	-702.11
740400	Copper waste and scrap:	2,470.81	1,802.90	-667.91
252310	Cement clinkers	693.46	259.41	-434.05

3.3 Import structure

Imports structure is more dispersed than the structure of exports, which is a characteristic of import structure observed also in previous years. Compared to 2007, more sections have experienced a decrease in the value of imports such as footwear, leather products, works of art and weapons (as shown in table 3.1). Two sections with the highest share to total import flows are mineral products and mechanic, electric machinery and equipment. They represent 17.9 and 15.8 percent of the total imports, respectively. Other important sections remain base metals and textiles.

Imports of mineral products reached 78,658.6 mln ALL having increased by 25 percent in 2008. Products falling under this category are also listed in the top ten imported products for 2008. The most imported products under this category remain oils from petrol and bitumen mineral and electrical energy (tab 3.1).

Imports of mechanical and electrical machineries, representing 15.8 percent of total imports grew 30.3 percent in value during this year. Important components under this category are parts of

machineries used for the maintenance of already existing machineries as well as telecommunications related products such as cables etc, but also home appliances such as air conditioners and refrigerators (tab 3.1).

Imports of metals represent 12.3 percent of total imports and have experienced an increase of 15.4 percent in 2008. Iron and steel and products thereof, mainly demanded as an input for the construction industry account for 69.6 percent of total imports of this category.

Textile imports as well as other sections such as agricultural products and chemicals products are also important components of the imports structure of Albania.

The ten most imported products in Albania account for 25 percent of total imports. Their concentration has increased with 2 percentage points as compared to 2007. The most imported products fall under different categories such as minerals, base metals, medicaments and agricultural products. They seem to serve the need of production sectors of economy for raw materials in the form of electrical energy, oils, structures for construction etc but also the need for commodities consumption in the form of

Table 3.4: Top ten imported goods for 2008 (in mln ALL)

HS - Code	Description	2004	2005	2006	2007	2008
271019	Oil (not crude) from petrol & bitumen mineral	10409.4	15164.0	19055.8	22443.0	30686.1
271600	Electrical Energy	2865.8	786.1	3811.0	22312.2	25888.7
300490	Other Medicaments	2948.1	3487.0	4711.8	7631.5	8434.7
721420	Concrete reinforcing bars and rods	2961.5	3386.1	6134.5	7588.5	8410.7
100190	Seed, White, Other	5186.3	3526.3	3778.9	6548.6	7979.4
240220	Cigarettes	4561.2	4735.4	5154.5	5102.9	6821.5
730890	Structures (excluding prefabricated buildings of heading No 9406) and parts of structures (for example bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors,	541.9	973.5	1196.5	1870.9	6571.8
870332	Other Vehicles, Compression-ignition Engine (diesel) not exceeding 2,500 cc	5990.1	4013.6	4242.7	6267.4	6194.9
271011	Light oils and prep, from petroleum or bituminous mineral, of which $\geq 90\%$ vol distillates in 210C	1543.2	2502.8	3524.8	4398.4	5094.9
271113	Butanes	623.4	1452.0	2453.8	2804.0	4593.0
Total value of 10-most imported commodities		37630.8	40026.8	54064.2	86967.5	110675.7
Value of overall imports		234770.2	260207.5	298279.3	377446.7	439083.2
Share of 10-most imported commodities, in %		16%	15%	18%	23%	25%

medicaments, cigarettes and personal vehicles.

Table 3.4 gives better insight on most imported products during 2008 while table 3.5 gives an insight on imported products with the highest increase in value and imported products with the highest decrease in value. Mineral products are often enlisted in both tables. Imported electrical energy is

one of the products whose value has increased the most in 2008. The presence of iron bars and rods in the list of products with the highest decrease in value leaves room for import substitution assumptions related to these group products, since the construction sector per se has not experienced decrease during 2008.

<i>Table 3.5: Imported products with the highest change in their value (in mln ALL)</i>				
HS - Code	Description	2007	2008	Change compare to 2007
Imported products with the highest value of increment				
271019	Medium oils for undergoing a specific process	22,443.0	30,686.1	8,243.1
730890	Structures (excluding prefabricated buildings of heading No 9406) and parts of structures (for example bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors,	1,870.89	6,571.77	4,700.88
271600	Electrical energy	22,312.21	25,888.74	3,576.53
843139	Parts suitable for use solely or principally with the machinery of headings Nos. 8425 to 8430:	78.9	1,913.2	1,834.4
271113	Butanes	2,804.0	4,593.0	1,789.0
Imported products with the largest decrease in their volume				
720711	Semi-finished products of iron or non-alloy steel: Of rectangular (including square) cross- section, the width measuring less than twice the thickness:	2,487.5	670.5	-1,817.0
030563	Anchovies (<i>Engraulis</i> spp.)	2,208.6	610.2	-1,598.4
410719	Leather in dry state processed	5,513.2	4,550.5	-962.7
721499	Other bars and rods of iron or non-alloy steel, forged	1,216.2	260.0	-956.2
690810	Tiles, cubes and similar articles, whether or not rectangular, the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm:	3,297.1	2,822.0	-475.2

IV Trade in Specific Sectors

4.1 Inward processing trade

Inward processing imports and exports during 2008 experienced a slower speed of expansion as compared to previous year trade volume. This slowdown is highly correlated to the slowdown in regional economies of Italy and Greece from which originates the most of the demand on Albanian exports in inward processing trade.

Inward processing exports in 2008 amounted to 67.4 Bln ALL and increased as compared to previous year by only 5%. Inward processing exports kept being important for the total export flows, while some decline in importance is observed. Share of inward processing exports on total exports was 60%, with a 6 percentage point decline as compared with the index value in 2007.

Inward processing imports amounted to 50.6 Bln ALL and declined by 6% as compared to 2007. This decline in imports, despite embodying some effect

of world price development might be a sign of further contraction of the sector during 2009, since input for the sector is declining fast.

Inward processing sector value added, approximated by the difference between export value and import value, has increased by 54% as compared to previous year. Value added amounted to 16.8 Bln ALL and represented 25% of the sector exports. This noticeable change in value added might reflect the development in world prices development – export prices are almost fixed while input prices have experienced a decline in 2008 in world markets creating a larger space between imports and exports value.

The structure of inward processing exports has remained rigid with no major changes, concentrated around textile and footwear sector trade with prepared food and metal products being slightly important, and with paper and electrical machinery assembling being added to the list of important element of the inward processing trade structure.

Table 4.1: Inward Processing trade

		2005	2006	2007	2008
Inward Processing Exports	(in Mln)	46,133	54,301	64,464	67,370
Share of Inward Processing Exports on total	(in %)	70%	70%	66%	60%
Change rate of IP Exports	(in %)	-3%	18%	19%	5%
Inward Processing Imports	(in Mln)	38,239	44,924	53,532	50,568
Change rate of IP Imports	(in %)	0%	17%	19%	-6%
Share of Inward Processing Imports on Total	(in %)	15%	15%	14%	12%
Inward Processing Value added	In Mln	7,893	9,377	10,931	16,802
Value Added share on IP Exports	(in %)	17%	17.27%	16.96%	24.94%
Value Added Change Rate	(in %)	-15%	19%	17%	54%

Source: METE and ACIT Calculations

Table 4.2: Exports of Inward Processing by sector

Section Description	2005	2006	2007	2008	Change Rate 2005-2006	Change Rate 2006-2007	Change Rate 2007- 2008
	(in Mln ALL)	(in Mln ALL)	(in Mln ALL)	(in Mln ALL)			
Textile and articles thereof	18,781	21,584	26,300	29,523	15%	22%	12%
Footwear	17,835	19,959	20,503	18,999	12%	3%	-7%
Base metals and articles thereof	2,762	4,660	7,961	7,070	69%	71%	-11%
Pulp of wood or other fibrous articles	949	1,292	1,711	2,250	36%	32%	31%
Edible preparations; beverages	1,733	2,222	2,096	2,042	28%	-6%	-3%
All remaining Sectors	4,068	4,581	5,890	7,483	13%	29%	27%

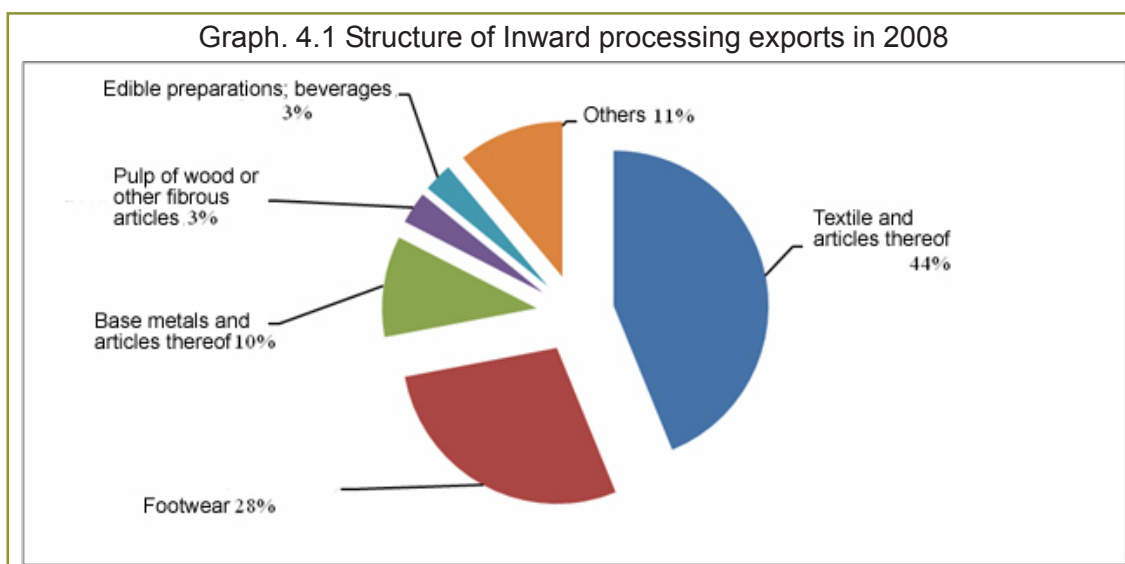
Source: METE and ACIT Calculations

Textile exports amounted to 29,5 Bln ALL and grabbed a share of 44% over the total inward processing export flow in 2008. Textiles' exports increased as compared to previous year by 12%, a growth rate that is ten percentage point lower than expanding rate of textile exports in 2007. Textile exported items are diversified with all items for men, women and kids clothing being part of these exported groups.

Footwear products were 28% of the inward processing exports during 2008 and valued 18.99 Bln ALL. This sector dynamics are experiencing a downturn due to the economic slowdown in destination markets (mainly European ones). Exports of this sector decreased by 7% as compared to 2007, mainly because of the decrease in exports of upper parts of shoes, which represents 44% of

the total exports. Other important elements of the footwear sector are footwear products completed and boots (see table below for details, product category of 640590, 640510, 640391) which altogether represent a share of 33% of footwear sector exports (tab 4.3).

Metal and products thereof are also an important part of the inward processing exports with a share of 10% over the total exports and a value of Bln 7.07 ALL. Exports of metals and their products declined during 2008 when compared with 2007 by 11% (see table 4.2). The declining trend was influenced by price decrease in world market of metal and their products in the last quarter of 2008. Main articles of this export group are locks and parts thereof assembled in Albania.



Source: METE and ACIT Calculations

Table 4: Most important products of footwear sector inward processing

HS Code	Product Description	2007 (in Mln ALL)	2008 (in Mln ALL)	Growth Rate (in %)	Share on Sector Exports (in %)
640610	Uppers and Parts Thereof, Other than Stiffeners	10,190	8,338	-18%	44%
640590	Other footwear	1,845	2,332	26%	12%
640510	Other footwear with uppers of leather or composition leather	2,177	2,293	5%	12%
640391	Footwear, covering the ankle, with uppers of leather	1,449	1,737	20%	9%
640699	Parts of footwear of other materials, other than wood	893	939	5%	5%
640320	Footwear with outer soles and uppers of leather	504	779	54%	4%

Source: METE and ACIT Calculations

Prepared food inward processing exports are also an important element of this export structure, they amounted to 2.04 Bln ALL and for the second consecutive year experienced a declining trend in value. Main elements of this sector export flows are anchovies, part of export structure are exports mainly compounded by the export of anchovies and processed fish.

The main destination countries of inward processing exports remain Italy, Greece and Germany. 84% of Albanian inward processing exports flowed to Italy in 2008, and they amounted to 56.4 Bln ALL, slightly increasing by 3% in comparison with 2007.

Inward exports were stable, exports to Greece expanded by 9% when compared to 2007 and valued

at 5,5 Bln ALL they represent 8% of the total inward processing exports. Inward processing trade with Germany is experiencing quite positive dynamics, at yoy comparison. During 2008 exports to Germany increased by 66% while their share on the total inward processing exports was 3%.

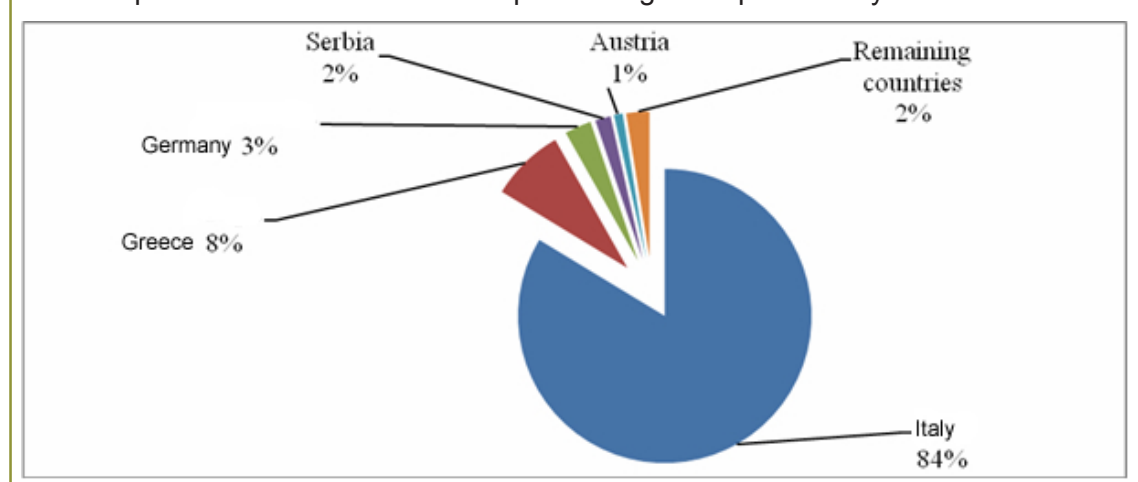
Regional market is showing up in the geographical structure of inward processing trade. This increasing importance of regional markets in inward processing trade might be a sign of rising value chain in the region, which remain of low importance for the moment. Regional countries represent a share of 3% in the total inward processing exports, Serbia is the main partner, Kosovo, Macedonia and Croatia are the other countries of the region where Albania exports.

Table 4.4: Main exported products of inward processing trade in prepared foods

HS Code	Product Description	2007 (in Mln ALL)	2008 (in Mln ALL)	Growth Rate (in %)	Share on Sector Exports (in %)
160416	Anchovies (Prepared or preserved)	1,873.74	1,752.42	-6%	86%
200570	Olives, Prepared or Preserved (Excluding By Acetic Acid; Not Frozen)	158.23	181.51	15%	9%
160420	Other Prepared or Preserved Fish (excluding whole or in pieces)		33.64	na	2%

Source: METE and ACIT Calculations

Graph. 4.2 Distribution of inward processing trade per country of destination



Source: METE and ACIT Calculations

4.2 Trade in agriculture products

4.2.1 Exports

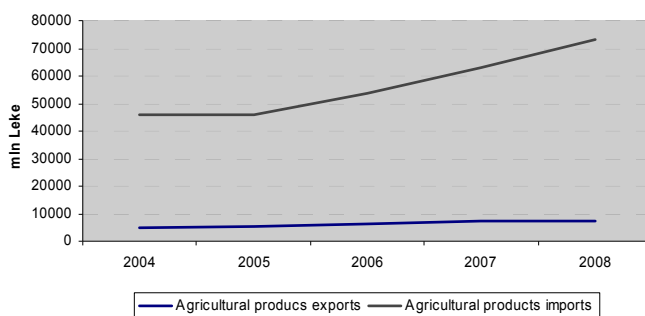
Agricultural products exports reached 7,228.6 mln ALL in 2008, having increased by only 2 percent this year (tab 4.5). This increase represents a difference of 13.2 percentage points, when compared to growth in 2007 (15.2 percent). They account for 6.4 of total exports this year and for a 0.9 percent decrease in relative share. The imports coverage ratio is only 9.8 percent while growth of exports of agricultural products seems to have stagnated this year. The coverage ratio is lower than last year's (11.3 percent) and lower than the total trade coverage ratio (25.6 percent). Italy remains the most important exports partner for agricultural products, followed by Germany and Greece. Exports to Italy reached 2,964.2 mln ALL having experienced an increase of 7 percent in 2008. Exports to EU-27 countries account for 75 percent of total exports in the graph 4.4. The relative share of agricultural exports to the countries of the region has decreased. So, the relative share of exports to Kosovo to the total agricultural products has decreased with 6.4 percentage points. The relative share of Macedonia to total exports of

agricultural products has also decreased by 2 percentage points. Exports of agricultural products to Kosovo decreased by 45.7 percent to 527.5 mln ALL. Albanian exports of agricultural products to Macedonia, decreased by 38.7 percent, to 212.6 mln ALL.

The most exported agricultural products are listed in table 4.6 and they account for 77.2 percent of total agriculture products exports. This shows again the high concentration of exports in a bundle of specific products. The top exported products oscillate in value and growth rate in both directions this year. Medicinal herbs account for the highest value and share to the total of this category accounting for 25.9 percent of total agriculture products exports and 10.9 percent increase. The second most exported agricultural product - anchovies has experienced a decrease in value by 6.5 percent as you can observe in the table 4.6. Table 4.5 shows an overall picture of imports and exports dynamics during the last year as compared with 2007. The medicinal herbs chapter accounts for 29.6 percent of total exports. Chapters with steady and continuous growth even though representing a low share to total exports during the last years appear to be fish products (3.2 percent increase in share), dairy products (1.4 percent share increase), animal origin products (7.9 percent increase in share). Among the products with the highest increase in value are listed guts, bladders and stomachs of animals accounting for 8.5 percent of agriculture exports and 1,147.9 percent increase, medicinal herbs with the values above mentioned and bird eggs, accounting for 4.5 percent of agricultural products exports and 47.6 percent increase.

Agriculture product chapters that have experienced decrease in share are beverages and alcohols (10 percent decrease in share), tobacco (5.5 percent decrease in share) and prepared food (3.7 percent decrease in value). Products with the highest decrease in value are a good representation of the chapters' developments. Among the products with the highest decrease in value are listed mineral waters with almost 100 percent decrease as compared to previous year, tobacco with 65.3 percent decrease and anchovies.

Graph 4.3: Trade flows of agricultural products



Graph 4.4: Share of agriculture products exports by country

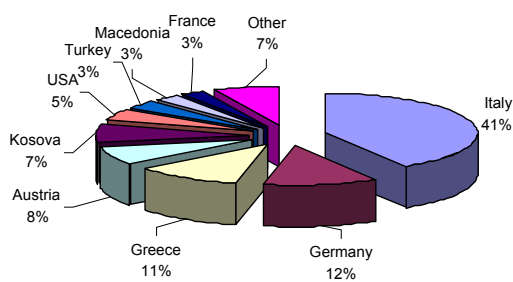


Table 4.5: Trade flows of agricultural goods, in mln ALL and percentage

HS Code	Description	Exports				Imports			
		2007	2008	Share to total, in %	Growth 07-08	2007	2008	Share to total, in %	Growth 07-08
01	Live Animals	74.1	63.8	0.9%	-13.9%	2,932.1	3,493.0	4.8%	19.1%
02	Meat and Edible Meat Offal	39.3	43.1	0.6%	9.6%	4,715.6	5,766.0	7.9%	22.3%
03	Fish & Crustaceans, Mollusks & Other Aquatic Invertebrates	344.3	582.9	8.1%	69.3%	2,680.1	1,321.5	1.8%	-50.7%
04	Dairy Produce: Birds' Eggs; Natural Honey; Edible Products of Animal Origin, Not Elsewhere Specified or Included.	217.9	326.6	4.5%	49.8%	1,581.8	1,851.8	2.5%	17.1%
05	Products of Animal Origin, Not Elsewhere Specified or Included	52.8	627.0	8.7%	1087.0 %	71.4	118.1	0.2%	65.3%
06	Live Trees and Other Plants; Bulbs, Roots and the Like; Cut Flowers and Ornamental Foliage.	136.0	138.6	1.9%	1.9%	240.1	314.8	0.4%	31.1%
07	Edible Vegetables and Certain Roots and Tubers	120.3	186.0	2.6%	54.7%	1,661.0	2,127.7	2.9%	28.1%
08	Edible Fruit and Nuts; Peel of Citrus Fruit or Melons	251.2	340.8	4.7%	35.6%	5,463.3	4,775.4	6.5%	-12.6%
09	Coffee, Tea, Mate and Spices	204.1	225.4	3.1%	10.5%	1,568.4	1,939.7	2.7%	23.7%
10	Cereals	20.7	5.5	0.1%	-73.5%	9,791.2	11,397.0	15.6%	16.4%
11	Products of the Milling Industry; Malt; Starches; Inulin; Wheat Gluten	37.1	1.0	0.0%	-97.2%	1,548.3	1,654.0	2.3%	6.8%
12	Oil Seeds and Oleaginous Fruits; Misc. Grains, Seeds & Fruit; Industrial or Medicinal Plants; Straw and Fodder	1,835.1	2,141.0	29.6%	16.7%	325.3	373.8	0.5%	14.9%
13	Lac; Gums Resins and Other Vegetable Saps and Extracts	42.4	15.7	0.2%	-63.0%	11.8	18.4	0.0%	56.0%
14	Vegetable Plaiting Materials; Vegetable Products not Elsewhere Specified or Included	1.2	4.3	0.1%	255.0%	1.7	0.6	0.0%	-63.3%
15	Animal or Vegetable Fats and Oils and their Cleavage Products; Prepared Edible Fats; Animal or Vegetable Waxes	90.0	26.2	0.4%	-70.9%	4,193.2	6,343.9	8.7%	51.3%
16	Preparations of Meat, of Fish Or of Crustaceans, Mollusks or Other Aquatic Invertebrates	1,920.2	1,851.7	25.6%	-3.6%	1,374.4	1,616.4	2.2%	17.6%
17	Sugars and Sugar Confectionery	9.2	4.8	0.1%	-48.5%	2,681.4	3,732.0	5.1%	39.2%
18	Cocoa and Cocoa Preparations	0.7	5.3	0.1%	609.1%	831.9	965.6	1.3%	16.1%
19	Preparations of Cereals, Flour, Starch or Milk; Pastry Cooks' Products	8.8	30.7	0.4%	250.1%	4,452.3	5,011.3	6.8%	12.6%
20	Preparations of Vegetables, Fruit, Nuts or Other Parts of Plants	177.7	223.5	3.1%	25.8%	2,213.3	2,088.7	2.9%	-5.6%
21	Misc. Edible Preparations	9.6	16.0	0.2%	67.7%	2,440.3	3,038.0	4.2%	24.5%
22	Beverages, Spirits and Vinegar	819.9	112.4	1.6%	-86.3%	5,881.9	6,944.9	9.5%	18.1%
23	Residues and Waste From the Food Industries; Prepared Animal Fodder	75.0	48.5	0.7%	-35.3%	960.6	1,437.3	2.0%	49.6%
24	Tobacco and Manufactured Tobacco Substitutes	596.1	208.0	2.9%	-65.1%	5,106.8	6,839.6	9.3%	33.9%

Table 4.6: Agricultural products exports in mln ALL, 2008

HS-Code	Description	2004	2005	2006	2007	2008	Share to total AP exports	Growth Rate
121190	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes,	1,351.47	1,461.33	1,519.61	1,686.72	1,870.75	25.9%	10.9%
160416	Anchovies	1,634.94	1,607.75	2,058.11	1,875.11	1,752.42	24.2%	-6.5%
050400	Guts, bladders and stomachs of animals (other than fish),			15.31	49.34	615.68	8.5%	1147.9%
040700	Birds' eggs, in shell, fresh, preserved or cooked:	54.64	56.91	10.84	217.93	321.72	4.5%	47.6%
240120	Tobacco	154.36	320.24	179.00	593.33	205.90	2.8%	-65.3%
030749	Squid (<i>Ommastrephes</i> spp., <i>Loligo</i> spp., <i>Nototodarus</i> spp., <i>Sepioteuthis</i> spp.):		0.58	27.22	115.50	202.65	2.8%	75.5%
200570	Olives:	29.76	51.86	121.28	158.34	181.69	2.5%	14.7%
090121	Coffee, not roasted: not decaffeinated	78.05	125.19	97.63	118.24	154.78	2.1%	30.9%
030269	Dogfish and other sharks:	57.81	73.39	69.95	130.62	139.19	1.9%	6.6%
121490	Swedes, mangolds, fodder roots, hay, lucerne and similar forage products, whether or not in the form of pellets:	2.87	26.56	14.43	74.36	138.45	1.9%	86.2%

4.2.2 Imports

Imports of agriculture products were valued at 73,169.6 mln ALL in 2008, having increased by 16.6 percent in 2008. The growth rate of agriculture products imports is higher than the growth rate of exports and at the same pace as the overall growth of import flows in the country. Agricultural products imports account for 16.7 percent of total imports. The import flows dynamics in the recent years is shown in graph 4.3.

Imports of agricultural products come from a large number of importing partners as you can observe in graph 4.5. Italy and Greece still hold the largest shares with 19 percent and 15 percent of total imports respectively. Imports from Italy are valued at 13,704.06 mln ALL, having increased by 6 percent as compared to 2007. Imports from Greece reached 10,639.3 mln ALL having increased by 4.5 percent as compared to 2007. EU-27 countries imports

represent 62 percent of total agricultural products imports.

Agriculture products imports' structure is less concentrated than exports structure. The top ten imported products are listed in table 4.7 accounting for 45.4 percent of total imports. The top imported products for 2008 are wheat which was the most imported agricultural product last year also, cigarettes and sugar. All the most imported agricultural products have experienced increase as compared to the previous year. They reflect the needs for commodities which are not totally met by domestic production of agricultural products.

Some agricultural products whose imports values are highly ranked yet not among the top ten imported products which have experienced a decrease in the value of imports are frozen pork meet, bananas and fresh apples.

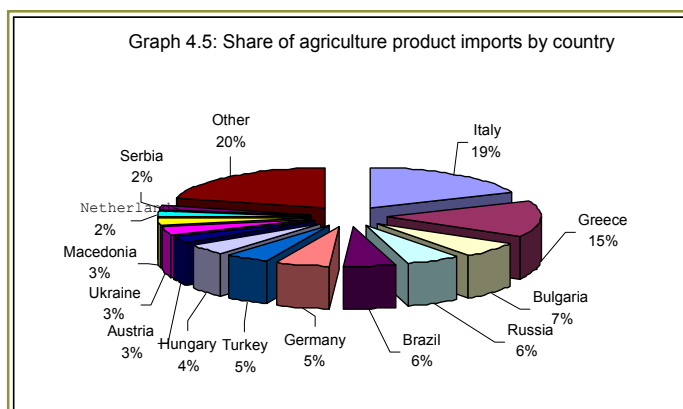


Table 4.7: Agricultural products imports in mln ALL, 2008

HS-Code	Description	2004	2005	2006	2007	2008	Share to total AP imports	Growth Rate
100190	Wheat and meslin	5,186.29	3,526.28	3,778.86	6,548.60	7,979.39	10.9%	21.8%
240220	Cigarettes containing tobacco:	4,561.22	4,735.43	5,154.53	5,102.89	6,821.53	9.3%	33.7%
170199	Raw sugar not containing added flavoring or coloring matter:	1,538.97	1,621.39	2,960.19	2,184.57	3,098.90	4.2%	41.9%
151219	Sunflower-seed or safflower oil and fractions thereof:	1,275.18	1,616.05	1,575.61	1,781.97	3,091.27	4.2%	73.5%
220300	Beer made from malt:	1,416.74	1,271.77	1,504.31	2,174.37	2,540.34	3.5%	16.8%
010290	Live bovine animals: Other	219.06	690.79	1,696.06	2,230.82	2,440.62	3.3%	9.4%
190590	Waffles and wafers: Other	1,430.17	1,409.90	1,637.73	1,901.74	1,984.27	2.7%	4.3%
100590	Maize: corn	538.43	517.90	792.11	1,395.82	1,847.57	2.5%	32.4%
151211	Crude oil:	1,231.19	932.89	1,368.17	1,406.19	1,788.42	2.4%	27.2%
210690	Food preparations not elsewhere specified or included:	681.02	891.20	1,023.99	1,365.41	1,632.49	2.2%	19.6%

4.3 Trade in energy, minerals and base metals sectors

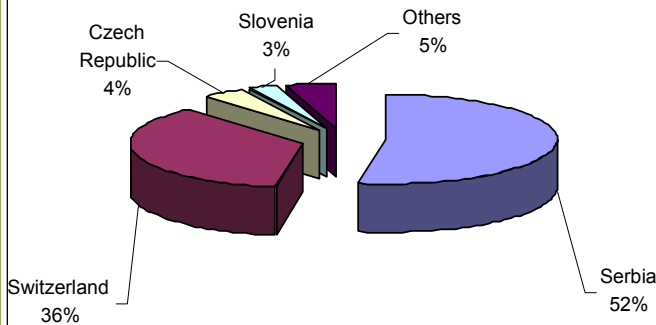
4.3.1 Trade in electrical energy

Imports of electrical energy have increased further in 2008 being valued at 25,888.7 mln ALL and having increased by only 16 percent in 2008. We can observe normalization in the growth of imports of electrical energy as compared to growth in 2007.

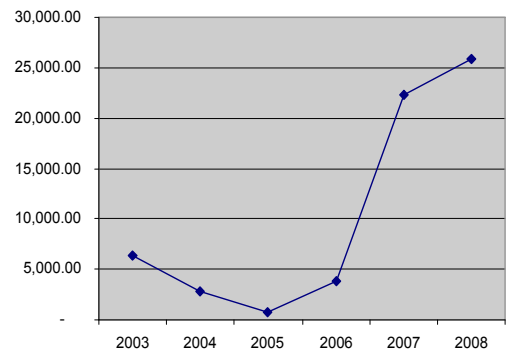
Exports were valued at 354.3 mln ALL and were all exported to Greece. Imports of electric energy are distributed evenly throughout the year.

Importing partner countries remain the same as last year, yet they have experienced shifts in importance of relative weight to total. The main importing partner for electrical energy this year is Serbia, whose share has increased by 26.6 percentage points. Other importing countries are listed in graph 4.6.

Graph 4.6 Share of electrical energy imports, by country



Graph 4.7. Import flows of electrical energy (in mln ALL)



4.3.2 Trade in oil products*

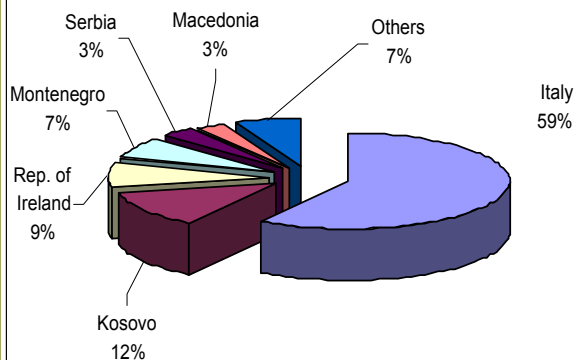
Trade flows of oil products were valued at 54,157.9 mln ALL, having increased by 35 percent in 2008 accounting for 9.8 percent of total trade flows. Both exports and imports of oil have experienced increases. Trade flows dynamics are shown in graph 4.10. Exports amounted at 9,683.4 mln ALL having increased by 32 percent as compared to the previous year. Imports amounted at 44,474.5 mln ALL having increased by 35 percent.

Oil products are mainly exported to Italy (5,739.8 mln ALL) accounting for 59.3 percent of total oil products exports and the region which accounts for 25 percent of oil exports as you can observe in the graph 4.8. The most exported oil products are

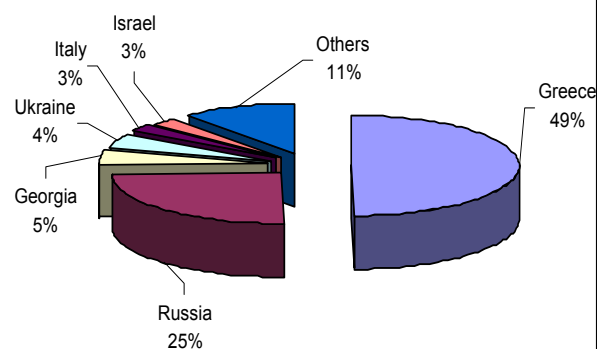
petroleum oils and oils obtained from bituminous minerals valued at 6,238.5 mln ALL and accounting for 65 percent of total oil exports. The second most exported product is bitumen diesel accounting for 20 percent of total oil products, being valued at 1,920.4 mln ALL.

Oil products imports come mainly from Greece (22,105.7 mln ALL) and Russia (11,170.2 mln ALL) which account for 49 percent and 25 percent of total oil imports respectively as you can observe in graph 4.9. The most imported oil product is medium oils from bituminous minerals accounting for 69 percent of total imports of oil and for 36.7 percent increase in value.

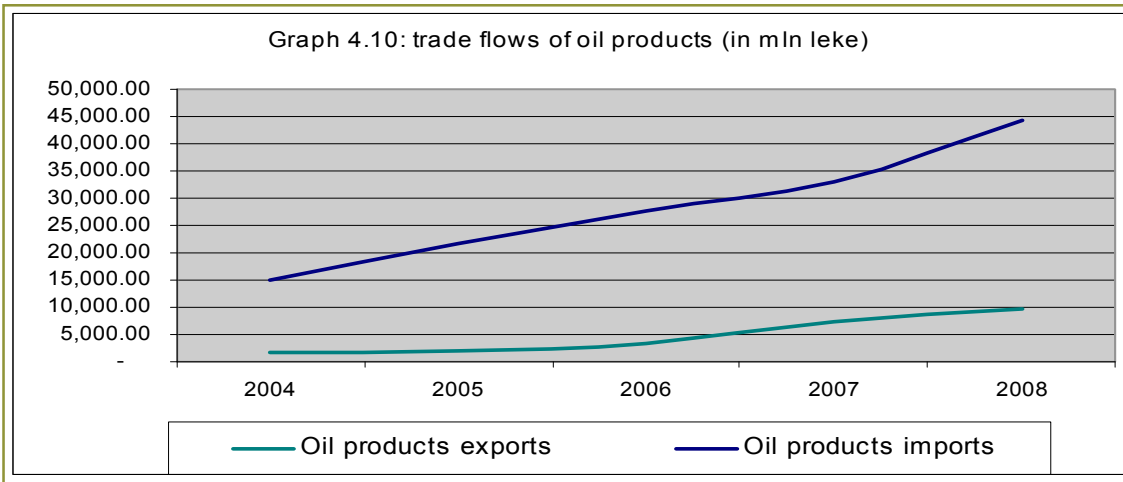
Graph 4.8: Share of oil products exports, by country



Graph 4.9: Share of oil products imports, by country



* Hereunder oil product refer to chapter 27 of HS excluding electrical energy HS Code 2716



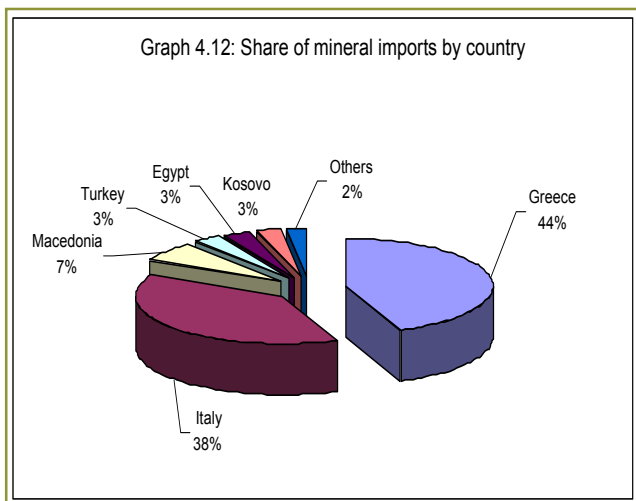
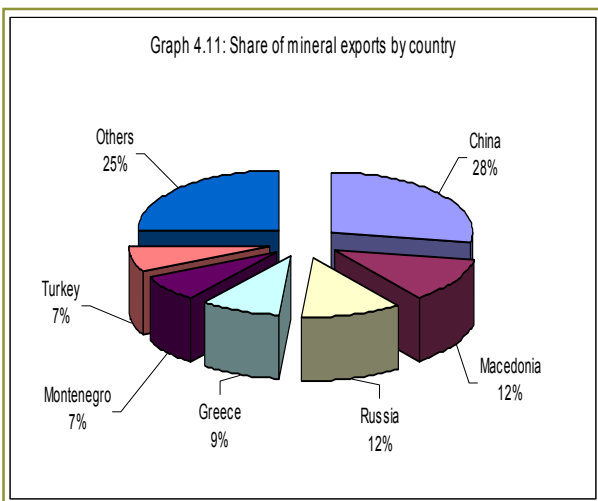
4.3.3 Trade in mineral products

Mineral products trade flows reached 18,596.9 mln ALL having increased by 21 percent as compared with the previous year and accounting for 3.4 percent of total trade flows. Exports of minerals were valued at 10,301.6 mln ALL having experienced an increase of 35 percent. Imports of minerals reached 8,295.3 mln ALL having increased only by 7 percent. Mineral products have a positive trade balance with a 2,006.3 mln ALL difference between exports and imports.

The most exported products are chromium ores and construction material such as different kinds of cements as you can observe in table 4.8. Chromium ores products account for 53.5 percent of total exports of minerals. Exports of mineral products are distributed to several trading partners as you can observe in the graph 4.11. The most important export partner is China with a value of 2,819.8 mln

ALL followed by other countries such as Russia and Macedonia. Imports of mineral products are mainly represented by all kind of raw materials for the construction industry as you can observe in the table 4.9. Portland cement is the most imported mineral product accounting for 49.3 percent of total imports but also for a 2.6 percent decrease in value. Salt is also among the most imported mineral products accounting for 2.16 percent of imports and for 6.8 percent decrease.

Importing partners of mineral products remain Italy and Greece. Their shares to total imports of mineral products have increased since last year. Imports from Italy amounted at 3,179.26 mln accounting for 38 percent of total exports while imports from Greece amounted at 3,631.3 mln ALL accounting for 44 percent of total mineral products imports.



* Under mineral products hereunder are understood chapters 25 and 26 of the HS

Table 4.8: Mineral products exports (in mln ALL)

HS Code	Description	Exports	Share to total, in %	Growth rate
261000	Chromium ores and concentrates	5,514	53.53%	22.71%
260300	Copper ores and concentrates	1,930	18.73%	103.71%
252329	Portland cement nes	1,478	14.35%	267.89%
260111	Iron Ores and Concentrates (Non-agglomerated)	586	5.68%	-0.1419076
252310	Cement Clinkers	259	2.52%	-62.59%
251690	Other Monumental or Building Stone	224	2.18%	33.01%
251622	Sandstone (Merely Cut By Sawing or Otherwise)	66.521153	0.65%	32.26%
252020	Plasters (consisting of calcined gypsum or calcium sulphate) etc	44.064211	0.43%	678.42%
251611	Granite, crude or roughly trimmed	30.576119	0.30%	-19.60%
260400	Nickel Ores and Concentrates	25.238109	0.24%	-14.48%

Table 4.9: Mineral products imports (in mln ALL)

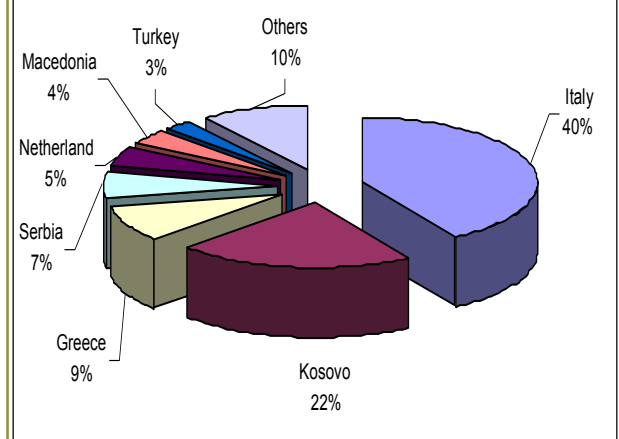
HS Code	Description	Imports	Share to total, in %	Growth rate
252329	Portland cement nes	4,092	49.33%	-2.64%
252390	Cement, colored or not (no aluminum and Portland cement)	2,670	32.18%	12.77%
251511	Marble, Travertine (Crude or Roughly Trimmed)	594	7.16%	15.24%
252321	White Cement (Portland Cement), artificially colored or not	203	2.44%	100.23%
250100	Salt, Pure Sodium Chloride, Sea Water	179	2.16%	-6.82%
251730	Tarred macadam	114	1.38%	139.66%
261000	Chromium Ores and Concentrates	76	0.92%	
252220	Slaked Lime	38.944481	0.47%	71.60%
252010	Gypsum, Anhydrite	27.223548	0.33%	0.5343356
251810	Dolomite (Not Calcined)	26.1995	0.32%	2.09%

4.3.4 Trade in base metal and other products

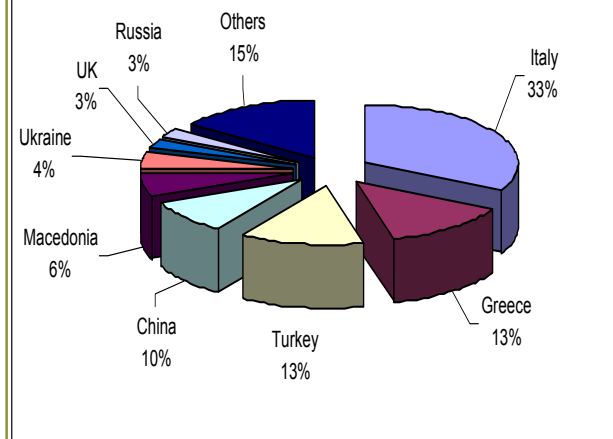
Trade flows of metal products reached 75,079.9 mln ALL, having increased by 22.7 percent in 2008. Trade flows of metals account for 13.6 percent of total trade flows. The growth of trade flows was due to both trade flow directions, whereat exports grew faster than imports. This is why the imports' coverage ratio increased by 8.3 percentage points to 39.2 percent, in comparison with the previous year.

Exports were valued at 21,152.1 mln ALL having increased by 46.4 percent and accounting for 18.8 percent of total exports. Main exporting partner remains Italy whose share has decreased by 19.7 percent as compared to 2007. Even though the value of exports to Italy has decreased only by 1 percent to 8,678.4 mln ALL the growth of exports to other destinations has resulted in a much higher decrease of its relative share. Exports to Kosovo reached

Graph 4.13: Share of base metals exports by country



Graph 4.14: Share of main metals imports by country



4,642.3 mln ALL having increased by 118 percent, accounting for 22 percent relative share. Exports to Greece increased also by 82 percent accounting for 9 percent of total metal exports. Most important metal exports are iron bars and rods accounting for 29.3 of total exports and for 135.7 percent increase in 2008 as you can observe in table 4.10. Products listed in the top ten exported list are products mainly used further in the construction industry as well as raw material in the metal processing industry.

Imports of metals were valued at 53,927.7 mln ALL having increased by 15.4 percent, accounting for 12.3 of total imports of Albania. Imports of metal

products are more evenly distributed in shares than exports. One of the most important partners is Italy, accounting for 33 percent of total imports or 17,595.6 mln ALL. Imports from Italy have increased by 37 percent. Greece (7,243.6 mln ALL) and Turkey (7,041.8 mln ALL) account for 13 percent of total imports of metals as you can see in the graph 4.14, while their shares and values have not experienced significant changes. Imports from Russia account for the highest increase of metal imports' with 279 percent increase, valued at 1,400.7 mln ALL. The most imported base metal products are listed in table 4.11.

Table 4.10: Main metal exports (in mln ALL)

HS Code	Description	Exports	Share on total	Growth rate
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded	6,210	29.36%	135.77%
830140	Other locks of Base Metal	3,906	18.47%	10.76%
720241	Ferrochromium Containing by weight more than 4 percent of carbon; chromium content	2,619	12.38%	2158.77%
740400	Copper waste and scrap:	1,803	8.52%	-27.03%
720449	Ferrous waste and scrap, iron or steel, nes	1,385	6.55%	66.62%
760200	Aluminum waste and scrap:	908	4.29%	-4.27%
830249	Mountings, fittings and similar articles of base metal, nes	566	2.68%	93.26%
760410	Bard, Rods and Profiles, Of aluminum, not alloyed:	462	2.19%	1.85%
721631	U sections , not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm (3.15 inches) or more	413	1.95%	349.35%
720441	Other waste and scrap: Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings, whether or not in bundles:	331	1.56%	158.55%

*Table 4.11: Main metal imports (in mln ALL)*

HS Code	Description	Imports	Share total	Growth rate
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded	8,411	15.60%	10.83%
730890	Other Structures and Parts of Structures, of Iron or Steel	6,572	12.19%	251.27%
720449	Ferrous waste and scrap, iron or steel, nes	3,759	6.97%	1.36%
830160	Parts of Padlocks and Locks of Base Metal	3,755	6.96%	9.96%
760410	Bard, Rods and Profiles, Of aluminum, not alloyed:	1,968	4%	7.82%
721391	Hot rolled bar/rod, irregular coils, <14mm diam	1,519	2.82%	-11.57%
830890	Other, including parts: Clasps, Buckles, Buckle Clasps, Beads, Spangles, of Base Metal	1,424	2.64%	-5.10%
760120	Aluminum alloys:	1,412	2.62%	-7.48%
732690	Other Articles of Iron or Steel	1,197	2.22%	37.49%
730820	Towers and lattice masts, of Iron or Steel	1,151	2.13%	575.67%

V Albania's Trade Geography

5.1 Main characteristics of trade geography

During 2008, the structure of geography of trade has not changed significantly, as compared to 2007 yet, further shifts in shares to total trade flows, following last year's tendencies are to be observed. The most important trade partner of Albania accounting for the highest share of exports to and imports from, remain the EU-27 countries.

Exports to the EU-27 countries account for 79.6 percent of total exports, having experienced a small decrease of 3.4 percentage points in relative share as compared to the previous year. Imports from EU-27 countries account for 63.6 percent of total imports. Their share has increased by 0.8 percentage points.

The second most important group of countries in terms of trade, the countries of the region have also experienced shifts in shares to total trade flows. Their relative share to total exports increased by 3.7 percentage points. The relative share of imports of the countries of the region to total imports has also increased by 1.5 percentage points.

Other countries imports and exports shares to the total trade flows have mainly decreased as compared with 2007. Thus, shares of exports to US, Turkey and China have decreased. This decrease is not always accompanied with a decrease in value as you can observe in the table 5.1. Imports from these countries observed as a group have maintained their relative share.

The geography of trade is shown in more detail in the table 5.1 and in the graphs 5.1 and 5.2. While the table gives an overview of the importance of each country as part of the group-country, the importance of each single country with respect to their role as an export or import partner, is enhanced in the graphs 5.1 and 5.2 respectively.

In 2008, the most of commodity exchange happened with the EU-27 countries where Italy and Greece accounted for the highest shares of trade flows including both exports to and imports from these

countries. Exports to these countries account for 70.5 percent of total countries exports. Exports to Italy are ranked first but show a share decrease tendency to total exports. Exports to Greece have increased slightly in relative share to total exports as compared to 2007. Imports to Italy and Greece have not experienced changes in terms of relative shares to the total imports. In terms of growth rates, countries like the Netherlands and Austria are noticeable for their high exports' growth rate in 2008. Import growth rates from most significant EU countries have been moderate.

Countries of the region with highest shares to total exports are Kosovo accounting for 6.6 percent of total exports, Macedonia accounting for 2.9 percent and Montenegro accounting for 2.1 percent of total exports shares. Countries of the region ranked among the top ten countries from where we import the most (graph 5.2) are Serbia accounting for 4.1 percent of total imports and Macedonia accounting for 2.6 percent of total imports. Countries of the region exports' growth rate is almost 4 times higher that total exports' growth rate, while imports growth rate 2 times higher than total imports growth rate.

Graph 5.1: Countries exports' shares to total exports

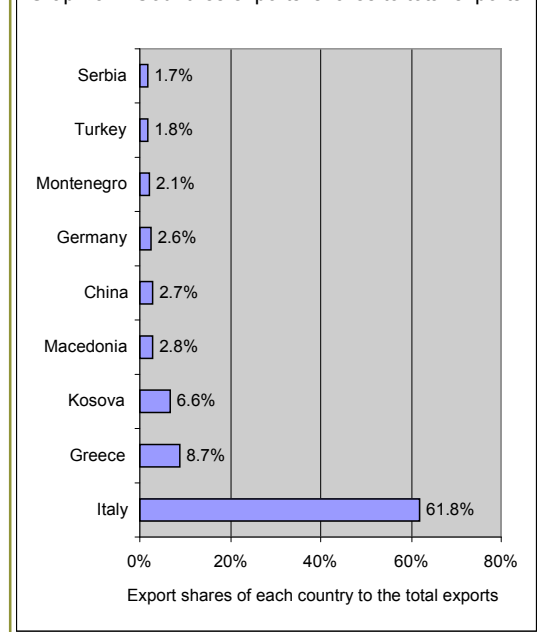


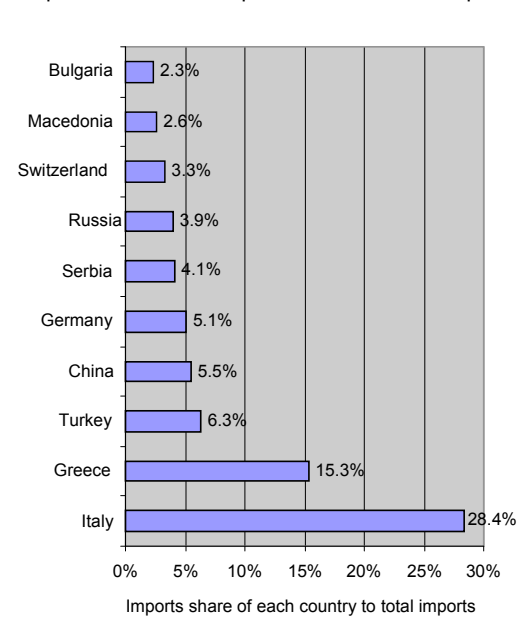
Table 5.1: The geography of Albania's trade flows, 2008

	Exports			Imports		
	Value	Share to total	Growth rate 2008/2007	Import value	Share to total	Growth rate 2008/2007
	(Million Lek)	(%)	(%)	(Million Lek)	(%)	(%)
EU-27	89,607.9	79.6%	11.0%	279,207.0	63.6%	17.7%
Italy	69,589.0	61.8%	5.2%	124,587.3	28.4%	13.2%
Greece	9,840.7	8.7%	22.4%	67,308.5	15.3%	14.8%
Germany	3,016.0	2.7%	27.0%	22,462.9	5.1%	30.6%
Bulgaria	791.5	0.7%	18.1%	10,234.9	2.3%	30.3%
Netherlands	1,626.4	1.4%	2904.4%	4,452.6	1.0%	36.0%
Austria	762.4	0.7%	228.0%	7,730.9	1.8%	35.7%
Other EU countries	3,981.9	3.5%	24.6%	42,429.9	9.7%	22.7%
Countries of the region**	15,460.1	13.7%	59.1%	41,131.8	9.4%	37.4%
Kosova	7,417.5	6.6%	59.2%	3,197.1	0.7%	14.7%
Macedonia	3,306.5	2.9%	46.2%	11,487.4	2.6%	27.7%
Montenegro	2,332.6	2.1%	444.7%	1,561.4	0.4%	136.1%
Moldova	0.0	0.0%	0.0%	72.1	0.0%	
Serbia	1,966.8	1.7%	1342.5%	18,156.3	4.1%	391.5%
Serbia & Montenegro	59.8	0.1%	-96.6%	117.4	0.0%	-98.6%
Bosnia and Herzegovina	187.9	0.2%	-52.0%	1,307.4	0.3%	8.5%
Croatia	188.9	0.2%	112.0%	5,232.7	1.2%	39.3%
Other countries						
Turkey	2,062.2	1.8%	-3.3%	27,835.3	6.3%	-4.3%
China	3,123.3	2.8%	25.2%	24,147.5	5.5%	24.4%
US	424.6	0.4%	-31.8%	4,286.5	1.0%	43.6%
RoW	1,861.0	1.7%	26.2%	62,475.0	14.2%	6.3%
Total Flows	112,539.0		15.8%	439,083.2		16.3%

Export growth for Serbia and Montenegro taken together for comparison reasons results 88.4 percent

Import growth for Serbia and Montenegro taken together for comparison reasons is 53.8 percent

Graph 5.2: Countries imports' shares to total imports



5.2 Albania's trade with the EU-27

5.2.1 Trade flows with the EU-27

Trade flows between Albania and the EU-27 amounted to 368,814.9 mln ALL (3,003.1 mln EUR, 4,408.4 mln USD), being increased by 16 percent as compared to 2007. The low exchange rate of dollar and its further depreciation during the year remains

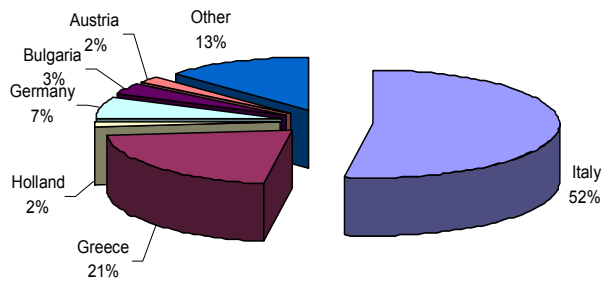
a main reason for 8.6 percentage points higher growth rate of trade flows in this currency. The share of EU -27 countries trade flows to the total remained 67 percent in 2008 as you can observe in table 5.2. The declining tendency of exports to the EU-27 has continued in 2008. Exports to EU-27 share to total exports decreased with 3 percentage points to 80 percent. This decrease was counterbalanced by the increase of imports share from EU -27 to total imports by 0.8 percentage points. This has contributed for a 2 percentage point lower exports coverage ratio than in 2007 and for a 2 percentage point higher share to Albania's total trade deficit.

Trade flows continued to be oriented mainly towards Italy and Greece as you can observe in the graph 5.3. Yet, the share of Italy's trade flows to total trade flows with EU-27 has decreased by 3 percentage points in 2008. Germany is ranked third with 7 percent share to total trade flows followed by Bulgaria, Netherlands and Austria accounting for lower percentage shares as you can observe in the graph 4.3. The other countries of the EU-27 account for 13 percent of total trade flows to EU-27. In a dynamic perspective almost all of the countries of the EU-27, except Cyprus, Luxemburg, Malta, and Sweden have experienced increase of trade flows with Albania. Countries that have experienced significant increase in trade flows in 2008 are Austria (43.2 percent increase, 2.3 percent share), Germany (30.2 percent increase, 7 percent share), Hungary (60 percent increase, 1.6 percent share), etc.

Table 5.2: Summary of key trade indicators between Albania and the EU-27, in million ALL, or in percent

Trade Indicators	2004	2005	2006	2007	2008	
Albania-EU trade volume	226,419.1	239,559.4	270,845.0	317,940.3	368,815.0	
Share to total Albania's trade volume	76.2%	73.4%	72%	67%	67%	
Imports from the EU-27	170,048.4	180,696.8	202,197.9	237,225.5	279,207.0	
Share to total Albania's imports	72.4%	69.4%	67.7%	62.80%	63.59%	
Exports to the EU-27	56,370.7	58,862.6	68,647.1	80,714.9	89,607.9	
Share to total Albania's exports	90%	89%	88%	83%	80%	
Trade deficit with the EU -27	-	-113,677.69	-121,834.25	-133,550.75	-156,510.60	-189,599.07
Share to total Albania's trade deficit	66%	62.7%	60.5%	56%	58%	
Export to the EU/Import from the EU, Coverage Ratio	34%	32.6%	34%	34%	32%	
Total Export/Total Import, Coverage Ratio	26%	25%	26%	26%	26%	

Graph 5.3: Share of EU member states to the total Albania EU-27 trade volume, 2008

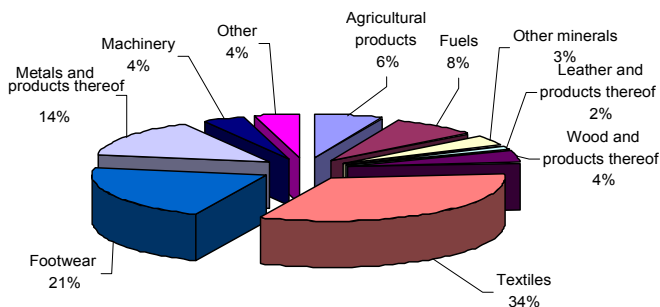


5.2.2 Structure of exports to the EU-27

Exports to the EU-27 reached 89,607.9 mln ALL (1,077.2 mln USD, 729.6 mln EUR) having increased by 11 percent in 2008. This figure is 17 percentage points lower than the one in 2007. Exports to EU are still strongly represented from exports to Italy which account for 77.6 percent in 2008 and only 5.2 percent increase and Greece which accounts for 11.1 percent share and 22.4 percent increase. Exports to Germany account for 3.3 percent share and 27 percent increase. Countries to which exports grew with higher pace during 2008 are Austria (228 percent increase), Czech Republic (189.9 percent increase), Netherlands (2904 percent increase), Slovenia (542.2 percent increase).

Exports' structure in 2008 accounts for no changes in 2008 as compared to the previous year. Textiles and footwear account for 55 percent of total exports to the EU-27. Their share has decreased with 3 percent and they are mainly inward processing products that flow towards Italy and Greece. Other

Graph 5.4: Structure of Albanian exports to EU-27, 2008



important categories within exports to EU-27 are metals and products thereof accounting for 14 percent of total exports, fuels which account for 8 percent of total exports to the EU-27 and have experienced a 2.5 percentage points shares' increase to the total, wooden products and agricultural products whose share has not changed.

The ten most exported products in 2008 account for 43.2 percent of total exports to the EU-27. Only two, out of the most exported products in 2008 are from the footwear category (HS2 64). Footwear uppers and parts (HS 640610) is again the most exported product valued at 8,339.4 mln ALL, as shown in table 5.3. Despite its importance to total exports this product could also not keep its important position in the future if we refer to the decrease tendency in years. Export of footwear uppers and parts, decreased by 18 percent as compared to 2007 and 37.2 percent as compared to 2004.

Exports of textile products are represented by three product groups, men and boys' trousers and men and boys' t-shirts and underpants. The first group product has experienced a slight decrease with 4.2 percent as compared to 2007 while the second a slight increase of 8.4 percent and the third an increase of 46.1 percent. These three products account for 13.1 percent of total exports to EU-27.

Exports of metal products are represented by more processed and sophisticated categories than in 2007. Locks of metal base and Ferro alloys are the two representative group-products while the second appears for the first time in the top ten exported list. Both products have experienced growth as we can observe in table 5.3. The growth of exports to EU-27 of Ferro alloys accounts for a four digit growth and a recuperation of the exports values and access to the European countries after a decrease trend in 2005-2007.

A new category in the top ten exported product list is fuels. Petroleum oils obtained from bituminous minerals have experienced a vigorous growth of 501.7 percent since 2005 and 41.7 percent increase from the previous year.

Another new product group category is package materials while agricultural products have disappeared from the list since the anchovies (which were among the top ten exported products in 2007) have experienced a slight decrease in exports to EU-27 value during 2008.

Table 5.3: Ten most exported products to the EU, 2008 (in mln ALL)

HS Code	Description	2004	2005	2006	2007	2008	Growth % 2008-2004	Growth Rate 2008/2007
640610	Uppers and parts thereof, other than stiffeners	13278.20	12356.86	10807.41	10175.43	8339.43	-37.2%	-18.0%
620342	Men's/boys trousers and shorts, of cotton, not knitted	5465.44	4988.75	5832.25	6764.13	6478.63	18.5%	-4.2%
270900	Petroleum oils and oils obtained from bituminous minerals, crude		987.82	1753.88	4196.13	5943.87	501.7%	41.7%
830140	Locks of base metal, nes	913.50	1733.80	2350.09	3526.70	3905.67	327.5%	10.7%
620520	Men's/boys shirts, of cotton, not knitted	2160.08	2572.53	2833.25	3197.94	3467.05	60.5%	8.4%
720241	Ferro-alloys containing by weight more than 4% carbon but not more than 6%	1726.33	2963.30	967.29	115.96	2345.64	35.9%	1922.7%
640590	Footwear with rubber or plastic soles	3.88	341.39	1151.20	1847.31	2336.88	60124.5%	26.5%
640510	Footwear with uppers of leather or composition leather, nes	1654.84	1654.90	1600.19	1697.53	2308.23	39.5%	36.0%
610711	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted: cotton	703.12	766.87	955.95	1233.64	1802.13	156.3%	46.1%
481940	Other sacks and bags, including cones	378.18	560.18	857.57	1211.14	1799.66	375.9%	48.6%

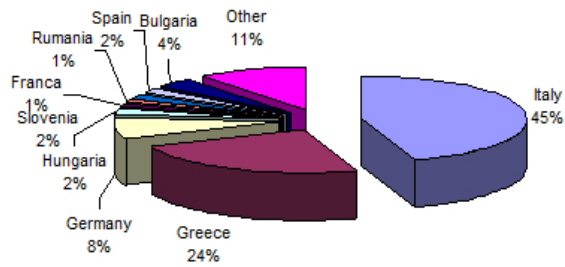
5.2.3 Structure of imports

Imports from the EU-27 countries amounted to 279,207.0 mln ALL (3,331.1 mln USD, 2,273.5 mln EUR), having increased by 17.6 percent as compared to 2007. This increase is almost the same with the increase of Albania's total imports. The share of EU-27 imports to total imports is very similar to last year's value, 63.6 percent.

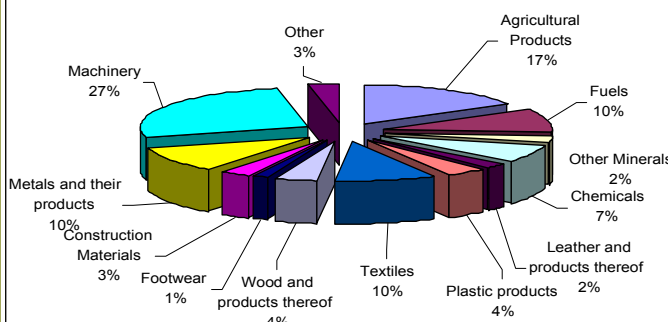
Like exports, imports from this group of countries, have been dominated by imports from Italy and

Greece which account for 69 percent of total imports from EU-27. The share of imports from Italy to total EU-27 imports has decreased by 1.8 percentage points, while the share of Greece has remained more or less the same (0.6 percentage points decrease). Other important import partners remain Germany and Bulgaria. The respective shares of imports from EU-27 by country are explicitly shown in the Graph 5-5

Graph 5.5: Composition of imports from EU-27 by member country



Graph 5.6: Sector shares of imports from EU-27, 2008



Imports from the EU-27 are spread more evenly between sectors than exports (graph 5.6). Machinery including transportation and mechanical machinery

account for 26.2 percent of total imports from EU-27. Another important imports' category are agricultural products which account for 16.2 percent of total imports from EU followed by metals, textiles and fuels.

Most of the sectors of trade have experienced an increase of imports. Agricultural products imports from EU-27 increased with 21.4 percent, mineral products imports increased with 31.2 percent, metal products imports increased with 23.3 percent, electrical machinery imports increased with 25.2 percent and paper products 22.4 percent. On the other hands some sectors that experienced a decrease of import flows from EU-27 are footwear sector which decreased with 4.9 percent, leather products that decreased with 11.4 percent and works of art products that decreased with 83.1 percent.

Table 5.4 provides information about the most imported products at a 6 digit level. The 10 most imported products in 2008 accounted for 21 percent of total imports, showing a lower degree of concentration than exports. Most of them have experienced growth when compared to the previous year and when compared to 2004.

Exemptions from this rule are imports of raw and processed leather which is another signal for the slow down of the outward processing industry in the sector of footwear and textiles. These products are since some years now on the list of top imported

Table 5.4: Most imported products from EU-27, 2008 (in man ALL)

HS Code	Description	2004	2005	2006	2007	2008	Growth % 2008-2004	Growth Rate 2008-2007
271019	Light petroleum distillates nes	5,024.00	6,121.24	10,919.26	12,079.68	17,226.96	242.9%	42.6%
240220	Cigarettes	3,862.21	3,700.94	2,978.42	3,285.56	6,012.71	55.7%	83.0%
870332	Automobiles with diesel engine displacing	5,717.37	3,724.05	3,988.18	5,784.82	5,729.78	0.2%	-1.0%
300490	Other Medicaments (Put up in Packings for Retail Sale)	2,276.20	2,683.93	3,384.09	5,098.86	5,579.59	145.1%	9.4%
271011	Light oils and prep, from petroleum or bituminous mineral, of which >=90%vol distillates in 210C	1,483.66	2,422.97	3,445.14	4,205.76	4,615.98	211.1%	9.8%
410719	Bovine/horse whole skin, processed after tanning, no hair	2,745.09	2,051.24	2,962.71	5,493.82	4,550.48	65.8%	-17.2%
870333	Automobiles with diesel engine displacing more than 2500 cc	854.69	1,183.07	1,956.20	3,934.51	3,849.97	350.5%	-2.1%
830160	Lock parts, including parts of clasps or frames w clasps, of base metal, nes	1,233.32	1,565.88	2,035.63	3,412.83	3,752.46	204.3%	10.0%
252329	Portland cement nes	3,519.10	4,699.62	3,508.70	2,766.54	3,440.46	-2.2%	24.4%
730890	Structures (excluding prefabricated buildings of heading No 9406) and parts of structures	449.56	461.13	760.95	1,198.92	3,340.22	643.0%	178.6%

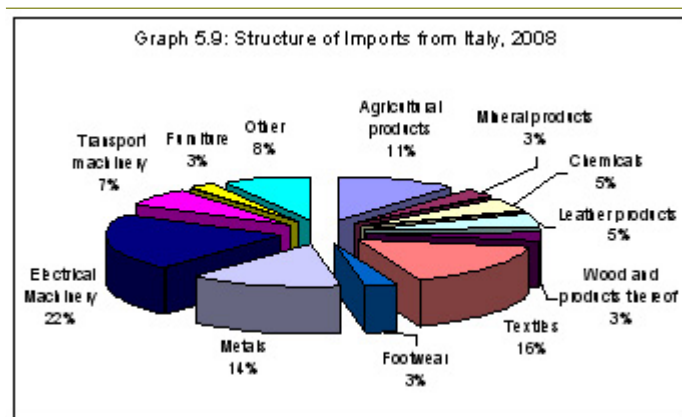
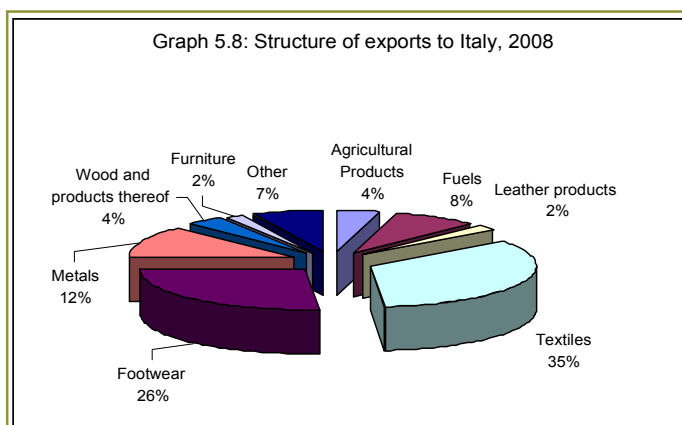
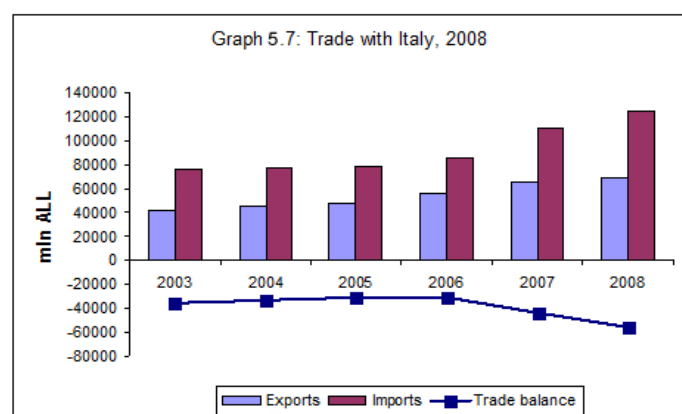
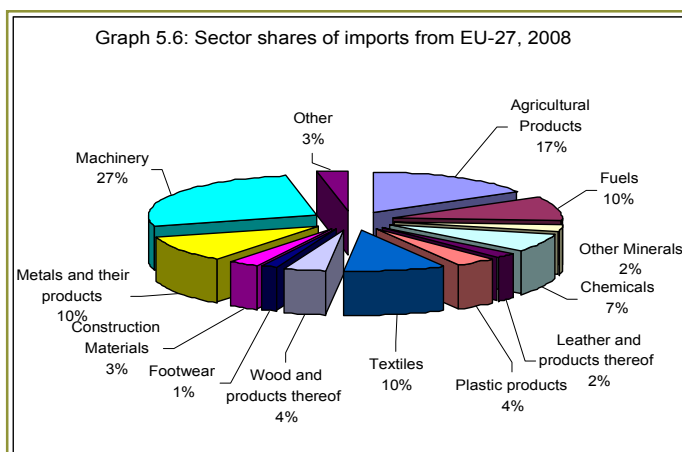
products. They represent raw materials for different industry sectors such as construction, outward processing or for the economy in overall, but also commodities dedicated for the end customer such as medicaments, cigarettes etc.

5.2.4 Trade with Italy

Trade volume with Italy reached 194,176.4 mln ALL (1,580.7 mln EUR) in 2008, having increased by 10.2 percent in comparison to 2007 (tab 5.1). Exports reached 69,589.0 mln ALL in 2008 having increased in total only by 5.2 percent. Imports reached 124,587.3 mln ALL, having increased by 13.2 percent. Trade deficit reached 54,998 mln ALL, while imports coverage ratio decreased to 55.8 percentage points from 60.1 percent in 2007.

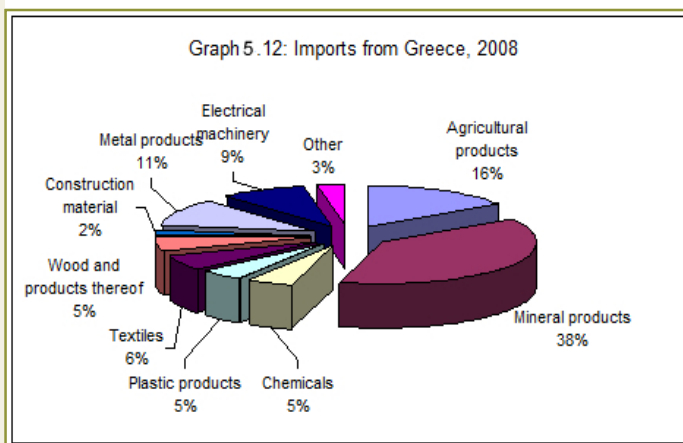
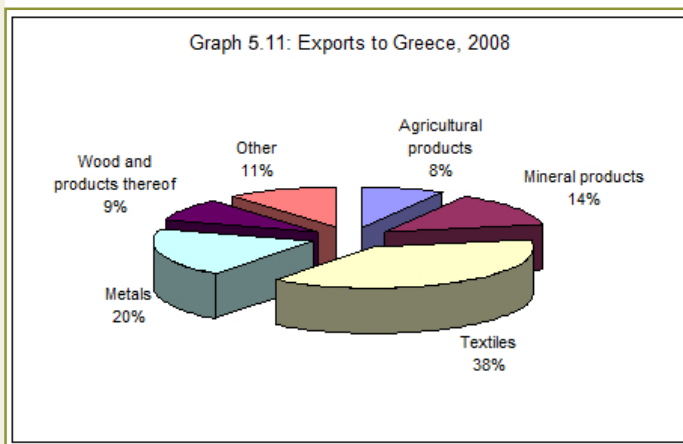
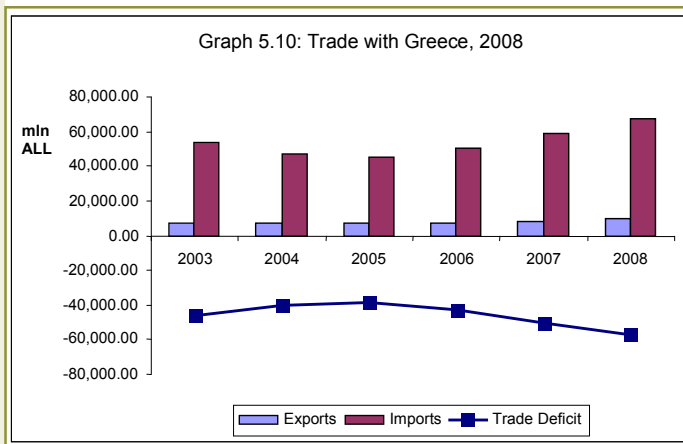
Exports to Italy are mainly represented from textile and footwear products which account for 61 percent of total exports. Textile products value of exports has experienced an increase of 11.9 percent as compared to 2007 while the value of exports of footwear products has decreased by 9.7 percent. Other important categories in terms of exports to Italy are metals accounting for 12 percent of total exports to this country who have remained stable as compared to 2007, and fuels accounting for 8 percent of total exports and 36.6 percent in increase of value. Among the most important agricultural products exported to Italy accounting for 4 percent of total exports, remain anchovies which account for 2.4 percent of total exports. The ten most exported products to Italy account for 52.3 percent of total exports and are mainly from the textiles, footwear category but also metals and fuels. Three of them have experienced decrease from which also the most exported product to Italy uppers and parts thereof with 19.1 percent decrease, men trousers accounting for 7.5 percent decrease in value and anchovies for 7 percent decrease. For more details refer to the table A4.1 in the Annex IV.

Imports from Italy are less concentrated as you can observe in graph 5.8. Electrical machinery accounts for the highest share, followed by metals, agricultural products and transport machinery. The most imported products are raw materials for the footwear and textiles and footwear industry but also fuels and metal products. Commodities such as personal cars are also in the top ten list. The top ten imported products account for 18.3 percent of total imports from Italy (table A4.2, Annex IV).



5.2.5 Trade with Greece

Trade volume with Greece reached 77,149.2 mln ALL (628.5 mln EUR) having increased by 15.7 percent as compared to 2007 (tab 5.1). Exports as shown in graph 4.10 reached 9,840.7 having increased by 22.4 percent as compared to 2007. Imports were valued at 67,308.5 mln ALL having increased by 14.8 percent in 2008. Trade deficit reached 57,467.8 mln ALL and increased by 13.6 percent as compared to 2007. The



exports coverage ratio is only 14.6 percent and has increased with 1 percentage points in 2008.

Exports to Greece are mainly represented by textile products which account for 38 percent of total exports and for 2.7 percent growth rate. The second most important export category is metals, which accounts for 20 percent of total exports and 82 percent growth rate. Mineral products account for 13.7 percent of total exports and 153.5 percent growth rate in 2008. This growth in the export value of minerals is mainly due to the export of energy to Greece. A more detailed view of the structure of exports to Greece is given in the graph 5.11. The top ten exported products to Greece account for 48.3 percent of total exports and represent sectors already mentioned as important in the exports structure to this country, such as textile products, electrical energy, metal products etc. For a more detailed view refer to the table A4.3 in the Annex IV.

Imports from Greece are mainly represented from mineral products which account for 38 percent of total imports from Greece, having experienced 38.7 percent increase in 2008. Other important sectors in the perspective of imports from Greece are agricultural products accounting for 16 percent of total imports and metal products accounting for 11 percent of total imports whose values have remained more or less constant. For a more explicit imports structure view refer to the graph 5.12. The most imported products from Greece fall mainly in the fuels, metals and construction materials category, but also in the agriculture products category. They represent 46.0 percent of total imports and are more explicitly shown in table A4.4 of Annex IV.

5.2.6 Trade with Germany

Trade with Germany was valued at 25,478.8 mln ALL (207.3 mln EUR) and experienced an increase of 30.1 percent as compared to 2007 (tab 5.1). Exports reached 3015.9 mln ALL, having increased with 27 percent in 2008. Imports reached 22,462.8 mln ALL, having increased by 30.6 percent. Trade deficit was valued at 19,446.9 and experienced also an increase by 31.2 percent. This country accounts for a low imports coverage ratio which was valued at 13.4 percent, or 0.4 percentage points lower than 2007.

For a better overview of trade flows developments refer to graph 5.13.

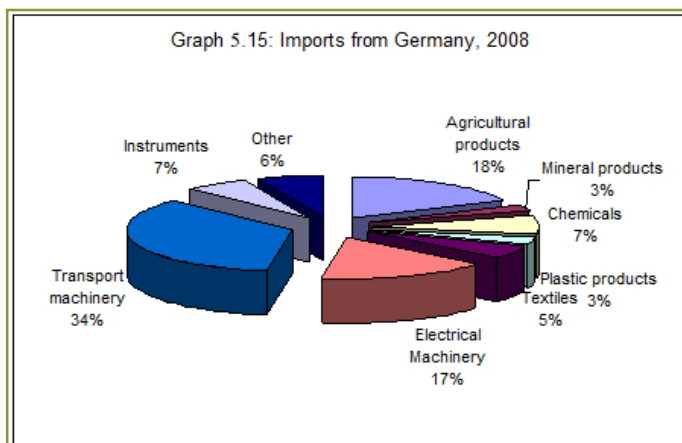
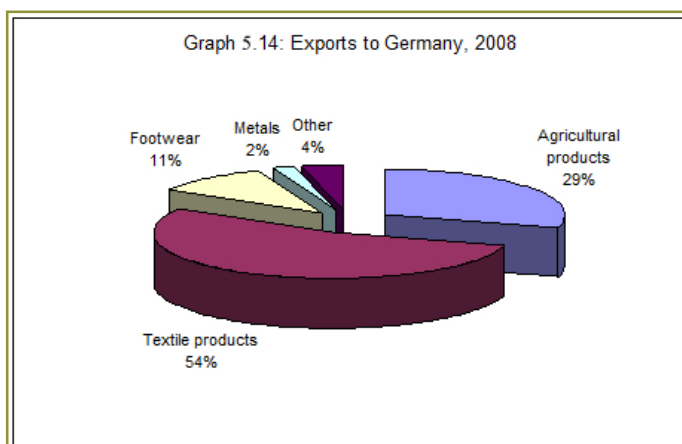
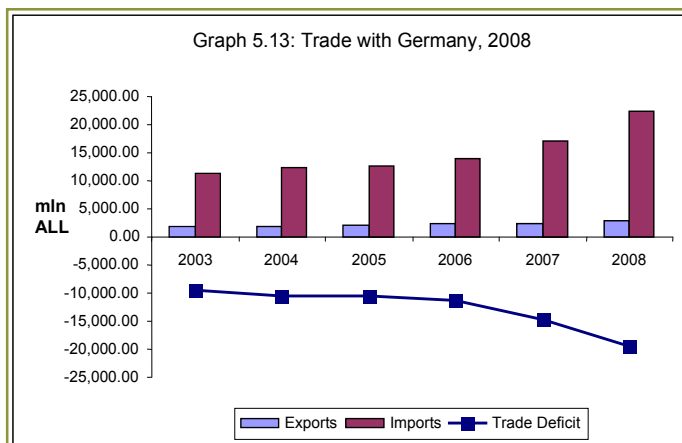
Exports to Germany are represented only by four categories as you can observe in graph 5.14. Textile exports account for 54 percent of total exports and have increased by 48.4 percent in 2008. Agricultural products account for 29 percent of total exports to Germany having increased by 1 percent in 2008. Agricultural products are mainly represented from vegetal products. Footwear products account for 11 percent of total exports and 523 percent increase in 2008. Exports of metals have decreased by 76.1 percent shrinking in a 2 percent share to the total exports.

The most exported products to Germany account for 83 percent of the total exports, whereat the export of medicinal herbs is ranked first accounting for 25 percent of total exports to this destination. The other most exported products fall in the footwear and textiles category, while another agricultural product, dried apples enters the top ten list and the exporting history to this destination for the first time.

Imports from Germany as the graph 5.15 shows are more evenly distributed among sectors. Transport machinery is the most imported section accounting for 34 percent of total imports, having increased by 4.4 percent in 2008. Electrical machinery account for 17 percent share to total imports having increased by 48.8 percent. Other less important categories appear to be agricultural products, chemicals, instruments etc. The top ten imported products from Germany account for 43.8 percent of total imports. Personal cars are ranked first with 10.7 percent share to the total followed by cigarettes, other transport machineries and by medicaments as you can observe in the table A4.6 of the Annex IV.

5.3 Albania's trade in the region-dynamics and structure

Albania's trade flows with the countries of the region have increased further and have kept the growth tendency observed during last year. The volume of trade with the region amounted to 56,591.8 mln ALL (677.7 mln USD, 461.2 mln EUR) representing 10.3 percent of the total Albania's trade volume (tab 5.1). This value has increased with 2 percentage points as compared to 2007 due to the rapid growth of both trade flow directions. Trade flows to the region grew with 42.7 percent (43.7 percent in EUR and



53.6 percent in USD) as compared to 2007. The export/imports coverage ratio has increased by 5.1 percentage points to 37.5 percent which shows that exports to the region have increased with a higher pace than imports from the region.

Exports to the region from Albania were valued 15,460 mln ALL (125.9 mln EUR, 185.7 mln USD) having increased by 5,743.1 mln ALL or 59.1 percent

(growth in USD 72 percent). The share of exports to total exports has increased by 3.7 percentage points to 13.7 percent in 2008 (see table 5.6).

Imports from the region reached 41,131.7 mln ALL (335.2 mln EUR, 491.9 mln USD). They have experienced 37.4 percent increase (38.4 percent in EUR and 47.6 percent in USD) as compared to 2007. Imports from the region share to the total imports have increased by 1.5 percentage point to 9.4 percent of total imports. Most exported and imported products with the region are shown in Annex III.

The regional trade of Albania has its geographical characteristics. Kosovo remains our main exporting partner in the region accounting for 48.0 percent of exports to the region and 59.2 percent increase in 2008. Macedonia is the second most important country in terms of exports accounting for 21.4 percent of exports to the region and 46.2 percent increase. Exports to Serbia and Montenegro have continued separately and have experienced considerable growth as compared to 2007 (if we compare the sum of exports' share to these countries to Serbia & Montenegro, the same geographical area even though now two separate

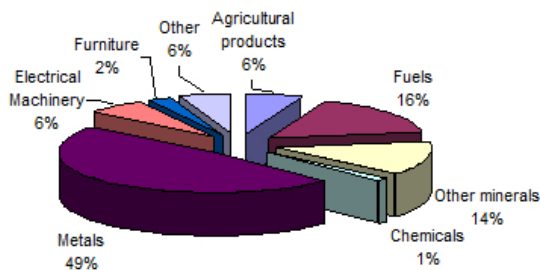
states, the share has increased by 5 percentage points). The only country exports to which have experienced a decrease is Bosnia & Herzegovina.

Imports from the region are mainly represented by Serbia which accounts for 44.1 percent of total regional imports and Macedonia which account for 27.9 percent of total imports of the region. More specific details on regional trade, country specific shares to the total and perspective growths are enlisted in the table 5.6.

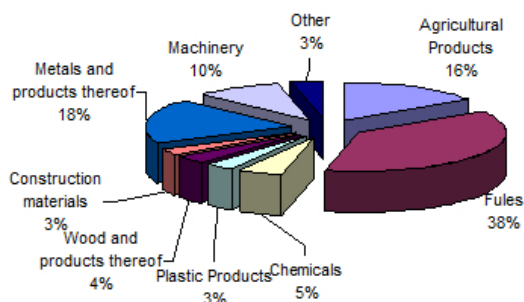
The following graphs 5.16 and 5.17 show the overall picture of the structure of exports to and imports from the region. Exports to the region are mainly represented by the export of metals which account for 49 percent of total exports. Their value reached 7,494.9 mln ALL having increased by 133 percent as compared to 2007. The second most representative category for exports to the region is fuels. Fuel exports reached 2,517.2 mln ALL in 2008 having experienced an increase of 45.4 percent. Exports of agricultural products were valued at 904.5 mln ALL having decreased in share and value in 2008. So their share total export to the region decreased by 9 percentage points, while their value by 36.6 percent. The most important factor of this decrease is the drop by almost 100 percent (almost totally) of the exports of beverages to the region.

Structure of imports from the region is mainly represented by the import of fuels which account for 37 percent of total imports as you can observe in the graph 5.8. Imports of fuels reached 15,538.4 mln ALL and experienced an increase of 104.9 percent in 2008. They represent 22.2 percent of total imports of fuels in Albania. Agricultural products imports were valued at 6,547.3 mln ALL accounting for 16 percent of total imports from the region. They have experienced a 26 percent increase in 2008 and account for 8.9 percent of total agricultural products' imports. Metal products imports reached 7,601.7 mln ALL having increased by 12 percent. They represent 14 percent of total imports of metals in the country.

Graph 5.16: Structure of exports to the region, 2008



Graph 5.17: Structure of imports to the region, 2008

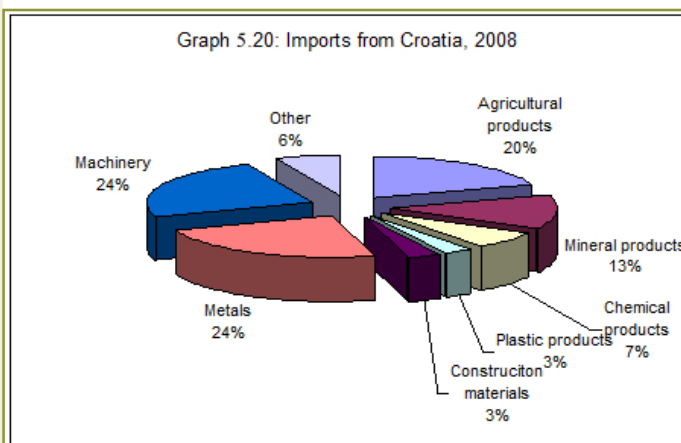
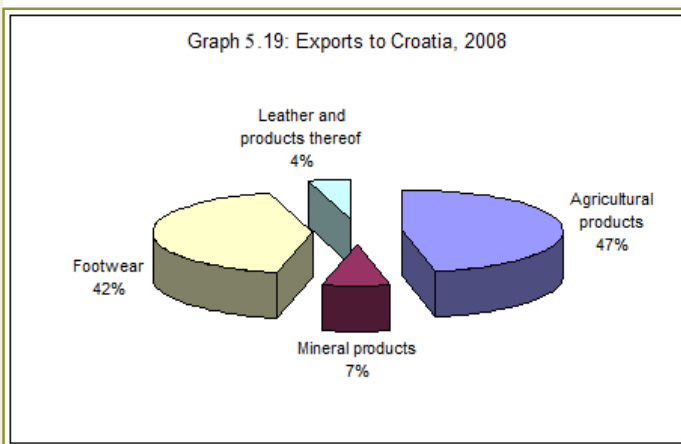
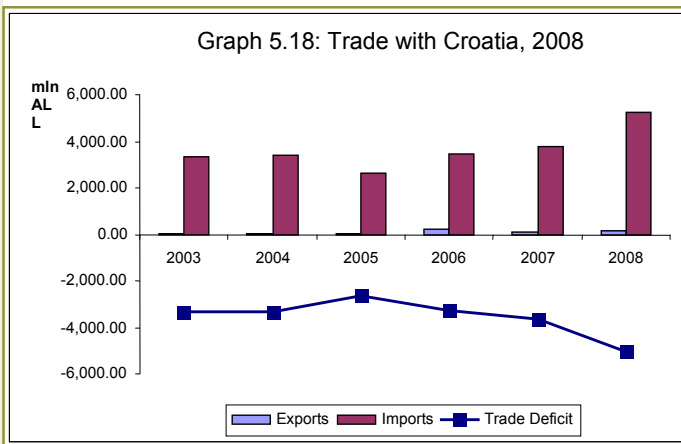


Exports to	2000	2001	2002	2003	2004	2005	2006	2007	2008	Growth rate, % 2008/2007
Bosnia and Herzegovina	0.0%	0.0%	0.6%	0.3%	0.9%	2.2%	7.0%	4.0%	1.2%	-52.0%
Bulgaria	0.8%	0.7%	0.8%	1.4%	3.9%	7.3%	5.0%			
Croatia	14.3%	0.3%	0.9%	2.2%	1.0%	0.4%	3.0%	0.9%	1.2%	112.0%
Kosova	0.0%	0.0%	0.0%	53.7%	68.7%	54.8%	47.0%	47.8%	48.0%	59.2%
Moldova	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Macedonia	17.2%	33.2%	39.2%	21.5%	19.1%	21.0%	20.0%	23.5%	21.4%	46.2%
Romania	0.0%	0.2%	0.5%	0.6%	0.6%	3.2%	1.0%			
Serbia								1.4%	12.7%	1342.5%
Montenegro								4.4%	15.1%	444.7%
Serbia and Montenegro	68.6%	64.1%	59.3%	20.3%	5.9%	11.1%	17.0%	18.0%	0.4%	-96.6%
Subtotal, %	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Mln ALL	1,486.0	2,105.5	1,792.0	1,733.0	4,145.7	4,942.0	6,240.5	9,716.9	15,460.1	59.1%
Regional exports as % of total exports	4.0%	4.7%	3.9%	3.2%	6.7%	7.5%	8.2%	10.0%	13.7%	
Imports from	2000	2001	2002	2003	2004	2005	2006	2007	2008	Growth rate, %, 2008/2007
Bosnia and Herzegovina	0.1%	0.1%	0.7%	1.0%	0.9%	1.6%	3.0%	4.0%	3.2%	8.5%
Bulgaria	34.0%	34.0%	26.9%	40.0%	33.6%	39.5%	32.0%			
Croatia	15.9%	21.1%	30.1%	22.1%	21.6%	12.8%	11.0%	12.6%	12.7%	39.3%
Kosova	0.0%	0.0%	0.0%	3.1%	3.5%	5.5%	6.0%	9.3%	7.8%	14.7%
Moldova	0.1%	0.6%	0.2%	0.4%	1.9%	0.4%	2.0%	0.9%	0.2%	-75.3%
Macedonia	30.7%	20.1%	16.9%	14.3%	19.5%	19.3%	20.0%	30.0%	27.9%	27.7%
Romania	7.9%	15.5%	12.4%	12.1%	7.3%	10.2%	17.0%			
Serbia								12.3%	44.1%	391.5%
Montenegro								2.2%	3.8%	136.1%
Serbia, and Montenegro	11.3%	8.6%	12.9%	6.3%	11.6%	10.8%	11.0%	28.5%	0.3%	-98.6%
Subtotal, %	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Mln ALL	11,397.0	12,052.0	15,920.0	15,169.0	15,437.0	20,588.0	30,970.0	29,932.2	41,131.8	37.4%
Regional imports as % of total imports	7.3%	6.3%	7.6%	6.7%	6.6%	7.9%	10.2%	7.9%	9.4%	
Regional Trade volume (RTV)	12,883.0	14,107.0	17,712.0	16,869.0	19,582.0	25,500.6	37,210.6	39,649.0	56,591.8	42.7%
RTV as % of the total	6.50%	5.8%	7.1%	6.0%	6.6%	7.8%	10.3%	8.0%	10.3%	

*Figures in the table consider Bulgaria and Romania as part of the region in 2006 but not in 2007 when these two countries joined the EU. Export growth for Serbia and Montenegro taken together for comparison reasons results 88.4 percent. Import growth for Serbia and Montenegro taken together for comparison reasons is 53.8 percent

5.3.1 Trade with Croatia

Trade flows with Croatia reached 5,421.6 mln ALL (44.1 mln EUR, 63.6 mln USD) having increased by 40.9 percent in 2008. The trade deficit amounted at 5,043.8 mln ALL, having increased by 37.4 percent. Trade flows to Croatia account for 1 percent of total trade flows of the country, while the imports coverage ratio is 3.6 percent. Graph 5.18 shows trade flows' dynamics in the recent years.



Exports to Croatia reached 188.8 mln ALL having increased with 112 percent in 2008. Exports to Croatia are represented by a couple of categories such as agricultural products accounting for 47 percent of exports, footwear products accounting for 42 percent, metals and leather products, as you can observe in the graph 5.19. The most exported products account for 96.5 percent of total exports. Some of the most exported products are from the footwear industry signaling outward processing trade with this country, but also medicinal products and fish products as subgroups of the agricultural products, as you can observe in table A4.7 of the annex IV. Other agricultural products exports listed on the top list are watermelons, and fuel.

Imports from Croatia reached 5,232.7 mln ALL, having increased by 39.2 percent in 2008. Imports from Croatia are represented by machinery and metals which account for 24 percent of total imports respectively, agricultural products accounting for 20 percent of total imports from Croatia and some other categories which account for lower shares as you can observe in the graph 5.20. The top ten imported products from Croatia account for 58.4 percent of total imports, representing the above mentioned categories as you can observe in table A4.8 of the annex IV. Butanes are the most imported products accounting for 11.7 percent.

5.3.2 Trade with Kosovo

Trade flows with Kosova were valued at 10,614.6 mln ALL (86.4 mln EUR, 127.3 mln USD), having increased by 42.5 percent in 2008. Kosova is one of the few countries with whom Albania has a positive trade balance which amounted at 4,220.4 mln ALL, having increased with 125 percent in 2008. This increase in the trade sufficit is mainly due to the higher growth of exports than imports. The imports coverage ratio is 232 percent. Trade flows to Kosova account for 1.9 percent of total trade flows of Albania.

Exports reached 7,417.5 mln ALL, experiencing an increase of 59.1 percent. Exports to Kosova are mainly represented by metal products accounting for a high share of 63 percent, followed by mineral products and agricultural products as you can observe in graph 5.22. The most exported products

to Kosova account for 82.8 percent of total exports to Kosova. Hereunder iron bars and rods are the most exported product accounting for 57.8 percent of total exports. Other products are also raw materials for different economy sectors but a couple of agricultural products such as watermelons are also on the list as you can observe in table A4.9 in annex IV.

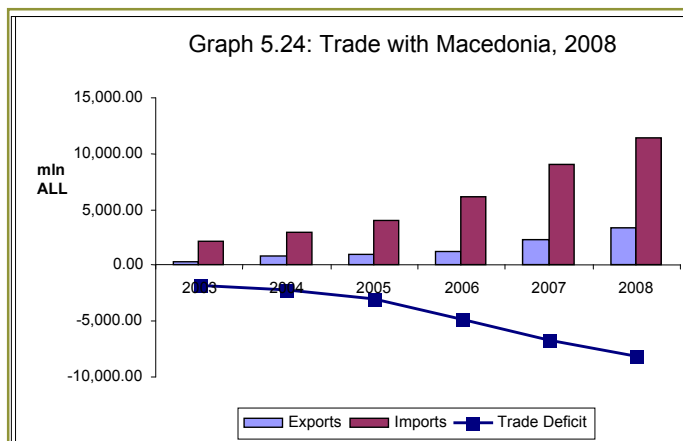
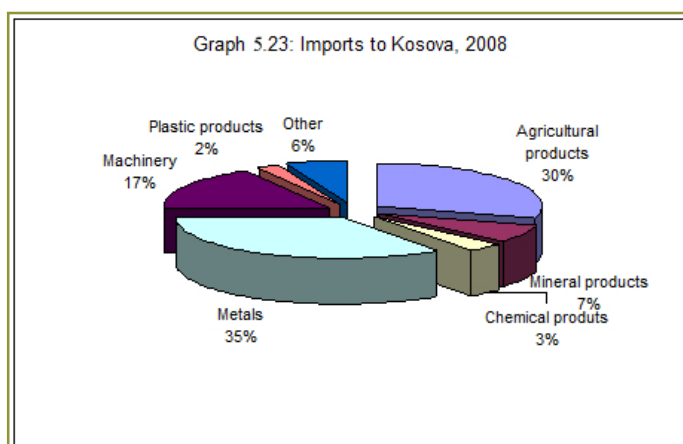
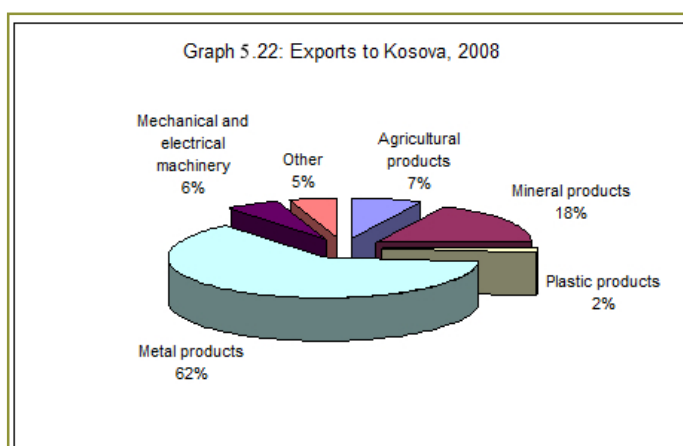
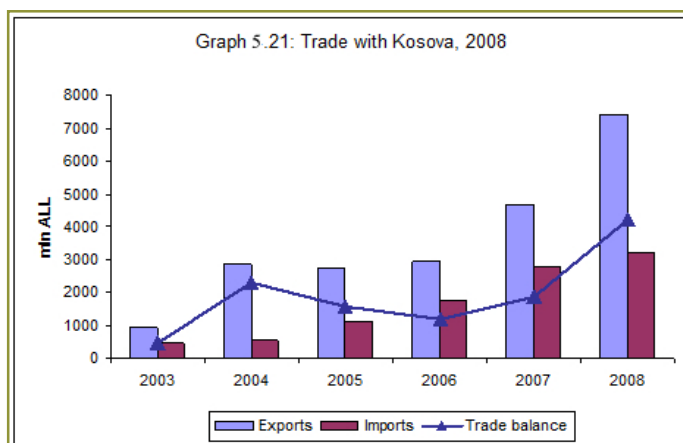
Imports from Kosovo reached 3,197 mln ALL, having increased by 14.7 percent in 2008. Imports from Kosova are represented by a small number of categories as you can observe in the graph 5.23, where metal products and agricultural products account for the highest shares. The most imported products account for 63.2 percent of total imports as you can observe in table A4.10 of annex IV. The most imported product is raw material for the metal processing industry, followed by potatoes and wheat. Other products are again raw materials for several industries especially construction industry.

5.3.3 Trade with Macedonia

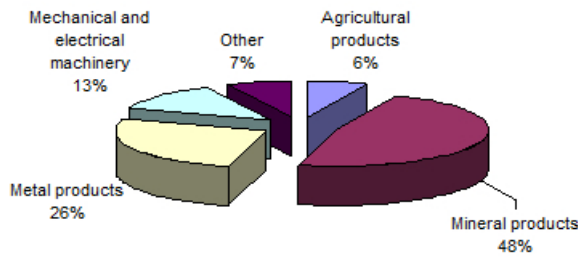
Trade flows with Macedonia amounted at 14,793.9 mln ALL (120.5 mln Eur. 177.2 mln USD) having increased by 31.4 percent. Both imports and exports growth' have contributed for this increase, whereat exports have increased with a higher growth rate than imports. The trade deficit amounted at 8180.9 mln ALL having increased by 21.5 percent. The imports coverage ratio reached 28.7 percent. Trade flows dynamics in years are shown in graph 5.24.

Exports to Macedonia were valued at 3,306.4 mln ALL having increased by 46.1 percent in 2008. Mineral products are the most exported category to Macedonia accounting for 48 percent of total exports, followed by metal products accounting for 26 percent of total exports. The other categories account for lower shares of exports to Macedonia as you can observe in graph 5.25. The top ten exported products account for 83.3 percent of total exports. Hereunder iron bars and rods and other construction materials such as cement are to be mentioned.

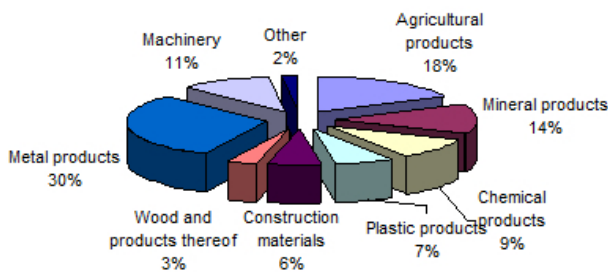
Imports from Macedonia reached 11,487.4 mln ALL having increased by 27.7 percent in 2008. Imports from Macedonia are represented by a wider variety of categories than imports. There is no dominant category accounting for very high shares of the import structure. The most important category is



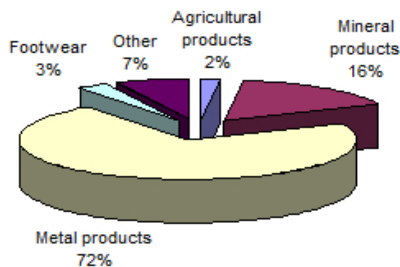
Graph 5.25: Exports to Macedonia, 2008



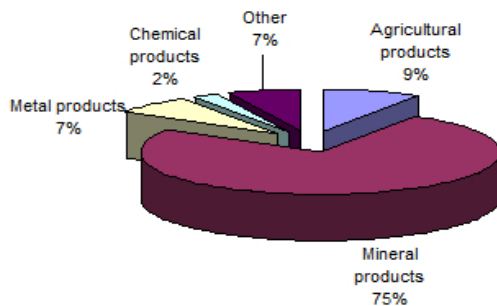
Graph 5.26: Imports from Macedonia, 2008



Graph 5.27: Exports to Serbia, 2008



Graph 5.28: Imports from Serbia, 2008



metals accounting for 30 percent of total imports followed by minerals, machinery and agricultural products as the graph 4.26 shows. The most imported products from Macedonia account for 48.9 percent of total imports. Hereunder construction materials in the form of bars and rods are ranked first accounting for 14.9 percent of total imports from Macedonia. Sunflower is the most significant agricultural product ranked among the top ten imported products.

5.3.4 Trade with Serbia

Trade with Serbia amounted at 20,123 mln ALL (164 mln EUR, 241 mln USD). It is difficult to track an exact growth rate since Serbia and Montenegro started to operate under separate custom offices in 2007, a process which was not closed totally since 2008. Yet the growth rate for both countries now separated in 2008 was valued at 59.1 percent.

The imports coverage ratio for Serbia is 10.8 percent while the trade deficit 16.189.44 mln ALL. Trade flows to Serbia account for 3.6 percent of total trade flows of Albania.

Exports to Serbia amounted at 1,966.8 mln ALL and are mainly represented by metal products as you can observe in the graph 5.27. The top ten exported products account for 96.3 percent of total exports. Hereunder irons bars and rods are listed first accounting for 53.9 percent of total exports. Other processed metals used for the industry are top exported products but also furniture and watermelon. For more details refer to table A4.13 of the annex IV.

Imports to Serbia were valued at 18,156.2 mln ALL and are mainly represented by mineral products which account for 75 percent of total products. Other imported categories are agricultural products and metals, accounting for much lower shares as you can observe at the graph 5.28. Top ten imported products from Serbia account for 88.7 percent of total imports. The import of electric energy accounts for 75 percent of total imports being the most imported product as you can observe in table A4.14 of annex IV. Electrical energy imported from Serbia accounts for 52.6 percent of total imports of electrical energy in 2008. Other top imported products are wheat and corn as well as medicaments and washing materials.

5.3.5 Trade with Montenegro

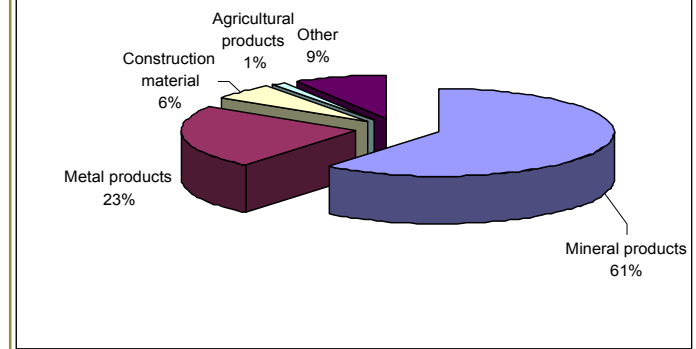
Trade with Montenegro was valued at 3,894.03 mln ALL (31.7 mln EUR 47.3 mln USD). It is difficult to track an exact growth rate since Serbia and Montenegro started to operate under separate custom offices in 2007, a process which was not closed totally since 2008. Yet the growth rate for both countries now separated in 2008 was valued at 59.1 percent.

Montenegro is another country with which Albania has a trade deficit of 771.2 mln ALL. The imports coverage ratio is 149 percent.

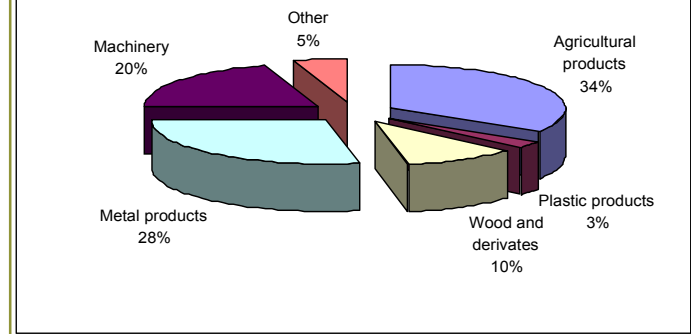
Exports to Montenegro were valued at 2,332.6 mln ALL. The most important exports category in the exports structure appears to be mineral products accounting for 61 percent of total exports as you can observe in graph 5.29. Other important categories for the composition of the exports structure are metal products and construction materials. The top ten exported products to Montenegro account for 85.3 percent of total exports. Among the most exported products are Portland cement accounting for 30.1 percent of total exports, bitumen accounting for 21.1 percent of total exports and other products from the fuels category or construction materials category.

Imports from Montenegro were valued at 1,561.4 mln ALL. The import structure is more or less evenly distributed among agricultural products accounting for 34 percent of total imports, metal products accounting for 28 percent of total imports and machinery accounting for 20 percent of total imports. The top ten imported products account for 65.1 percent of total imports. Iron and steel scrap is the most imported product accounting for 25.2 percent of total imports but also other products such as corn, wheat, sugar and pine wood are part of the top ten list of imported products from Montenegro, as you can observe in table A.4.16 of the annex IV.

Graph 5.29: Exports to Montenegro, 2008



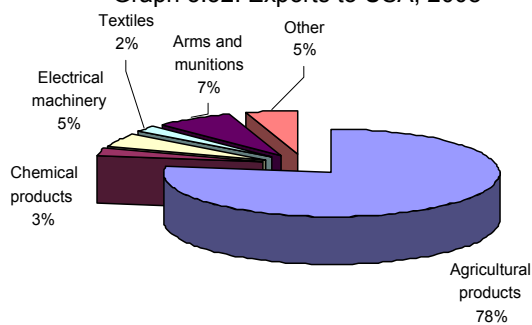
Graph 5.30: Imports from Montenegro, 2008



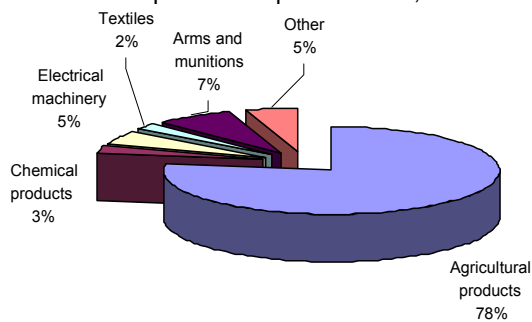
Graph 5.31: Trade with USA, 2008



Graph 5.32: Exports to USA, 2008



Graph 5.32: Exports to USA, 2008



5.4 Albania's trade with other selected countries

5.4.1 Trade with the U.S.A

Trade flows with the U.S.A amounted at 4,711.1 mln ALL (38.4 mln EUR, 55.9 mln USD) having increased by 1103.9 mln ALL or 30.6 percent as compared to 2007. This movement upwards is mainly due to the increase of imports. Imports reached 4,286.5 mln ALL, having increased by 43.6 percent. Exports on the other hand decreased by 31.8 percent being valued at 424.6 mln ALL. Imports coverage ratio decreased again to 9.9 percent.

Agricultural products account for the highest share of exports to the USA as you can observe in graph 5.32. Their share has grown by 36 percentage points as compared to 2007 and their value as well by 26.5 percent. The top ten exports to USA account for 93.6 percent of total exports. The export of the medicinal herbs to the U.S.A is the main characteristic of exports to this country. All together they account for 74 percent of exports as you can observe in table A5.1 of the annex V. Export of metals has decreased sharply causing them to lose the 37 percent share of last year. The other represented categories account for small amounts and could be sporadic and provisory in the export structure to this country.

Imports to the U.S.A are more evenly distributed among several categories. Agricultural products and metal products account for 25 percent of total imports respectively. Two other important categories are machineries which all together account for 40 percent of the imports structure, as you can observe in graph 5.33.

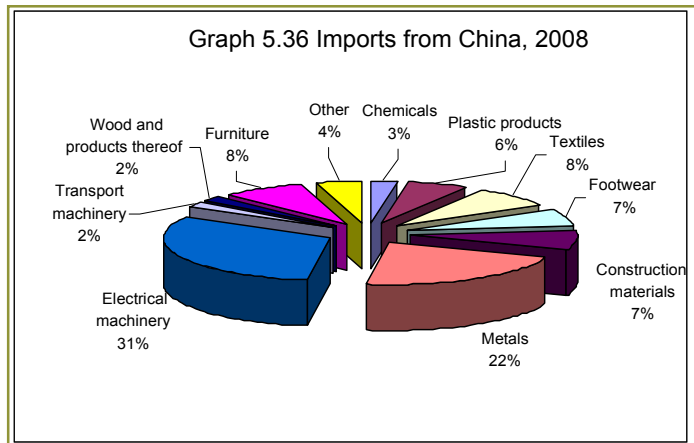
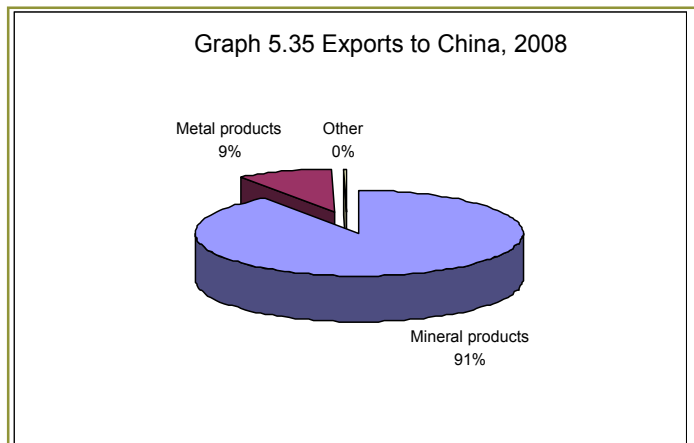
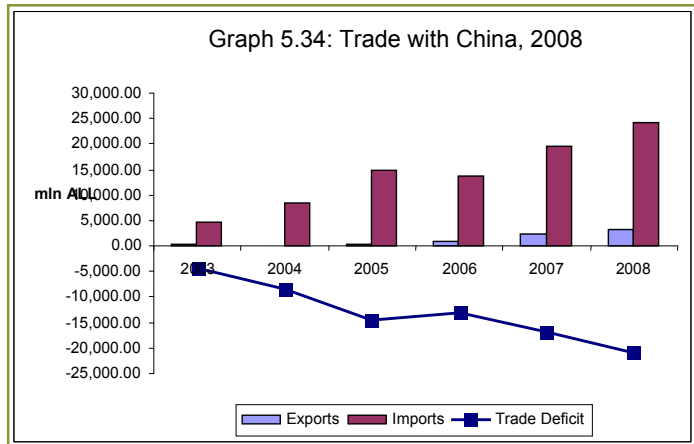
The most important imported product falls under the above mentioned categories and represents 64.5 percent of total imports. Hereunder raw material for the metal processing industry and personal cars are to be mentioned. For a more detailed view refer to table A5.2 in the annex V.

5.4.2 Trade with China

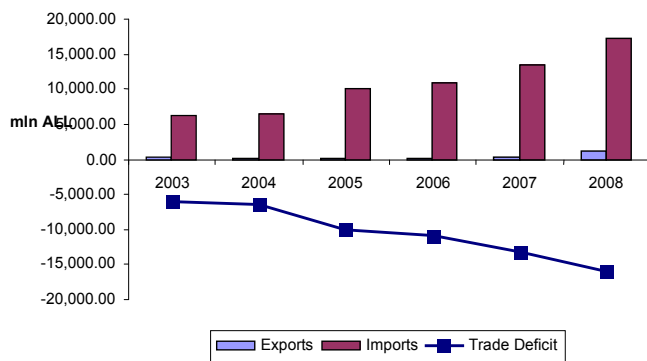
Trade flows with China reached 27,270.7 mln ALL (222.1 mln EUR, 321.4 mln USD), having increased by 24.5 percent in 2007. China accounts for 4.9 percent of the total trade flows of Albania. Both exports and imports have experienced increase as compared to the previous year, as shown in graph 5.34. Exports grew with 25.2 percent and amounted at 3,123.2 ALL and account for 2.8 percent of total exports. Imports increased by 24.3 percent as compared to the previous year, amounting at 24,147.5 mln ALL and accounting for 5.5 percent of total imports. The trade deficit reached 21,024.2 mln ALL having increased also by 24.2 percent. The imports coverage ratio is 12.9 percent.

Exports to China are mainly represented by mineral products accounting for 91 percent of total exports and metal products accounting for the other 9 percent as you can observe in graph 5.35. The top ten exported products account for almost 100 percent of total exports to this country testifying for the small numbered package of products that creates the exports structure. The most significant product is copper ore which accounts for 90.3 percent of total exports. Copper as a metal, accounts for another 8.4 percent of total exports, while the other products in the list are almost insignificant, as you can observe in the table A5.3 of the annex V.

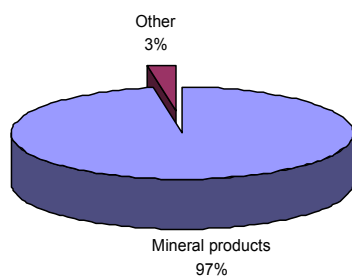
Imports from China are represented by a large variety of products (graph 5.36), showing a much higher diversification than exports. Electrical machinery and metals are the most imported categories while the other categories, such as textiles, construction material plastics etc are represented at more moderate values. The top ten imported products account for 33.4 percent of total imports. Metal products are imported at larger quantities and values as single products as you can observe in the table A5.4 of the annex V.



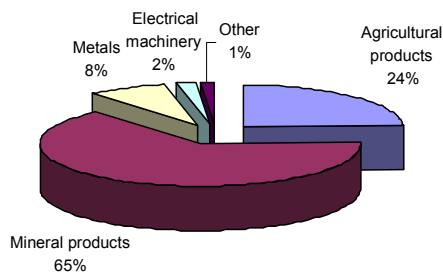
Graph 5.37 Trade with Russia, 2008



Graph 5.38: Exports to Russia, 2008



Graph 5.39: Imports from Russia, 2008



5.4.3 Trade with Russia

Trade flows with Russia amounted at 18,587.1 mln ALL (151.2 mln EUR, 221.6 mln USD) having increased by 35.7 percent as compared to 2007. Both import and export flows have experienced increases whereat the export growth rate is much higher than the growth rate of imports while the imports' value, much higher than export's value. Trade flows to Russia represent 3.3 percent of the total trade flows of Albania while exports to Russia 1.1 percent of total exports and imports 3.9 percent of total imports. The trade deficit was valued at 16,081.3 mln ALL having increased by 21.8 percent in 2008. The imports coverage ratio has increased with 5.4 percentage points to 7.2 percent.

Exports to Russia reached 1,252.8 mln ALL having increased by 399 percent or almost 4 times as compared to the previous year. Exports have been almost non-existing during the last years as you can observe in graph 5.37 while the structure of exports of this year is mainly represented from mineral products as you can observe from the graph 5.38. There are only 5 exported products to Russia this year which account for 100 percent of exports as you can observe in table A5.5 of annex V. The most exported product which accounts for 97.3 percent of exports is chromium ore whose export has increased steadily in the last years.

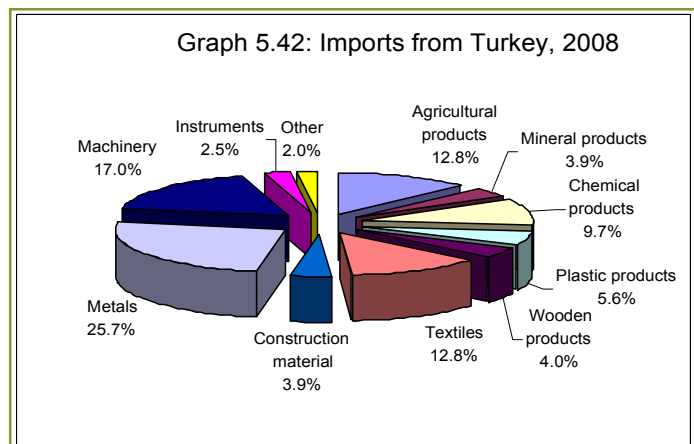
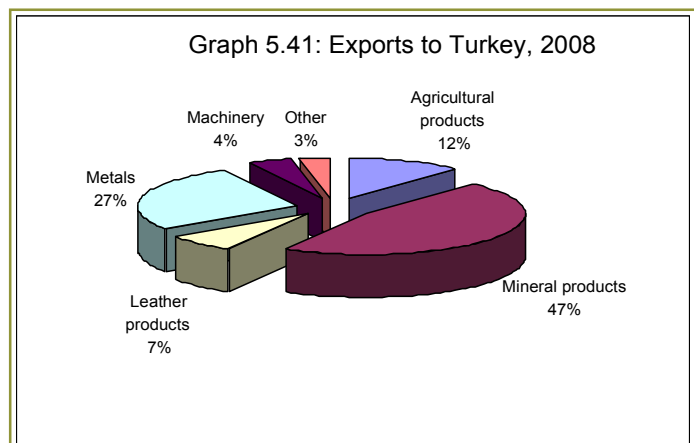
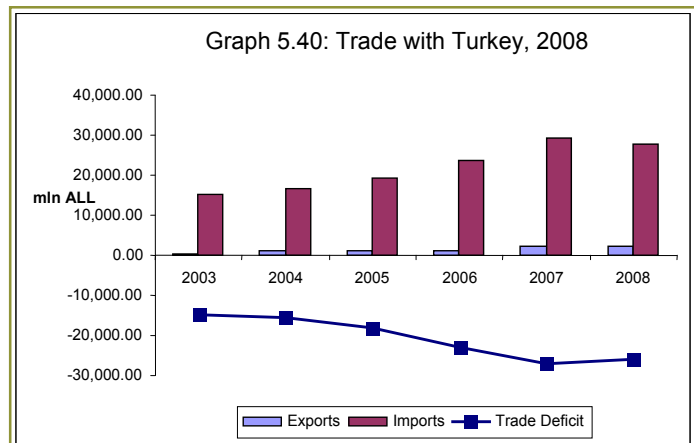
Imports from Russia reached 17,334.1 mln ALL, having increased by 28.9 percent in 2008. Imports are mainly represented by two categories; mineral products accounting for 65 percent of total imports and agricultural products accounting for 24 percent of total imports. Imports from Russia are as well rather concentrated. The top ten imports account for 97 percent of total imports. The most important imported product is medium oils from bitumen accounting for 62.3 percent of total imports followed by the import of wheat accounting for 20 percent of total imports from Russia. Wheat imported from Russia accounts for 43 percent of total wheat imports of Albania.

5.4.4 Trade with Turkey

Trade with Turkey amounted at 29,897.5 mln ALL (243.5 mln EUR, 358.5 mln USD) having experienced a decrease of 4.2 percent as compared to the previous year. Turkey accounts for 5.4 percent of total trade flows of Albania. For the decrease in trade flows have contributed both exports and imports which have decreased by 3.3 percent and 4.3 percent respectively. The trade deficit amounted at 25,773.1 mln ALL having decreased also by 4.4 percent. The imports' coverage ratio at the same level as the last year ratio was 7.4 percent during 2008. Graph 5.40 shows trade flows' dynamics with this partner during the last years.

Exports to Turkey reached 2,062.1 mln ALL accounting for 1.8 percent of total exports of Albania. Exports are represented by a couple of categories such as mineral products, accounting for 47 percent of total exports, metals accounting for 27 percent of total exports, agricultural products (12 percent) and leather products (7 percent). The top ten exported products account for 95.8 percent of total exports representing the above mentioned categories. Among them we would mention chromium ore (33.4 percent of total exports), iron and steel scrap (27 percent), medicinal herbs (10.6 percent), bitumen oils (10.6 percent). While most of the top ranked exports to Turkey have experienced increases in value as you can observe in the table A5.7 the decrease in the total value of exports is caused mainly by the sharp decrease of exports of bituminous oils to this country.

Imports from Turkey reached 27,835.4 mln ALL accounting for 6.3 percent of total imports of Albania. Imports from Turkey are represented from a large variety of sectors as you can observe in the graph 5.42. The most significant category, represented by metal products does not surpass 25.7 percent of total imports followed by machinery (17 percent of total imports) and agricultural products (13 percent of total imports). The most imported products account only for 28.5 percent of total imports from Turkey (table A5.8). Here under we would mention iron bars and rods accounting for 9.4 percent of total imports, waffles and wafers accounting for 3.1 percent of total imports and aluminum profiles accounting for 2.7 percent of total imports.



VI Integration Processes and Trade-Related Institutional Developments

The year 2008 marked an intensification of the economic and trade integration processes, multilateral, European and regional ones, in which Albania is involved. While fulfilling the obligations deriving from the WTO membership, trade liberalization of the country was deeply intensified because of the Interim Agreement with the European Union (EU) and the CEFTA agreement with the countries of the region also contributed positively. In May 1st 2008, a free trade agreement between Albania and Turkey entered into force.

6.1 Developments under WTO commitments

The already expanding global financial and economic crisis makes more clear the important role of the WTO, related to the enhancement of the welfare and efficiency gains derived from international trade, through giving a basic contribution 'in making possible the positive relationship between trade and growth; between trade and development; between multilateral trade and regional integration processes; between multilateral trade and a need for an effective governance of the globalization'³⁴. The Doha Round of negotiations aimed at strengthening this role of the WTO. After the formal resumption in February 2007, negotiations have been going ahead slowly, with modest results. However, a good progress was marked, starting from end of 2007 and during 2008, in agriculture and non-agriculture market access and also in the Aid-for-Trade initiative under the auspices of the WTO, etc.

Concluding the Doha Round negotiations is becoming a necessity (although 'it is a long and difficult journey') also because of the protectionism pressure coming from the global economic contraction. 'The Doha Round is the best insurance policy against protectionist moves.'³⁵ Stopping and mitigating the protectionism pressure has become

now an imperative. The Director General of the WTO, P. Lamy, appeals to the WTO Members and Observer governments to commit to ensuring that 'any trade measure taken is fully transparent, non-discriminatory and temporary in nature' and to 'consulting multilaterally in the WTO with trading partners to manage the risk and find the least trade-restricting or distorting way forward'³⁶.

In the Report³¹ it is underlined that 'there is no indication of any imminent descent into high intensity protectionism, involving widespread resort to trade restriction and retaliation'. However, there is a danger of incremental build-up of restrictions that could slowly 'strangle international trade and undercut the effectiveness of policies to boost aggregate demand and restore sustained growth globally'. It is also a risk that measures taken 'temporarily' under the pressure of the crisis, can create a 'legacy of uncompetitive industries and sectoral over-capacity that will continue to generate protectionism measures even after economic activity picks up again'. Referring to reality, 'there has been a marked increase in protectionist pressure globally since September 2008, driven by demand to protect domestic jobs and businesses', including increase in tariff and non-tariff barriers, and more resort to trade defense measures such as anti-dumping actions. Also some state aids and subsidies can favor domestic goods and services at the expense of imports.

During the year 2008 Albania continued to fulfill the obligations deriving from the WTO membership. The tariff reduction schedule has been fully respected even over-fulfilled under the effects of the integration processes with the EU and in the region. Also during 2008 Albania completed notification to the WTO of the country's existing legislation framework, a process which is now being normally updated. Albania continues to give its contribution in the Doha Round negotiations, being positioned in the group of Recently Acceding Countries and still having the status of SVE (Small

³⁴ P. Lamy, Trade expansion is insurance against financial turbulences, 6.02.2008, www.wto.org.

³⁵ P. Lamy, 23 february 2009, www.wto.org.

³⁶ Report to the TPRB from the Director-General on the financial and economic crisis and trade-related developments, 26 March 2009, www.wto.org.

Vulnerable Economies). With proposal of the department of Trade Policies, the Albanian Parliament approved the amendments in the TRIPS Agreement, resulted in the frame of Doha Negotiations. Albania is preparing to adhere in the Public procurement Agreement of the WTO.

6.2 Developments under the Interim Agreement with the EU

The Stabilization and Association Agreement (SAA) signed by European Community (EC) and Albania in June 2006 was ratified by all member states of the community and entered into force in April 2009. The Interim Agreement, which is the part of the

SAA covering trade relations between Albania and European community entered into force on December 2006. The agreement foresees the creation of an almost free trade area between Albania and EC countries.

The full tariff liberalization from the Albanian part will be completed by end of 2011, while European community has fully liberalized almost all tariff lines with the entry into force of the agreement in December 2006 with exception of some agriculture products which are under protective measures.

Albania schedule of tariff liberalization is compounded of the following items:

- a. Industrial products – most of the tariff lines are at duty free rates, while some protection

Table 6.1: Tariff liberalization of agriculture products originating from Albania and exported to the EU

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

Table 6.2: Tariff liberalization of agriculture products exported to the Albania

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

through scaled reduction in tariffs is included in the agreement for items as consumable salt, cement, some fuels category, tiles, used tires, construction steel and wooden furniture. For these items (included in Annex 1 of the agreement) in 2008 a 40% reduction of the MFN rate was scheduled to take place in 2008.

- b. Agriculture products – the set of sensitive agriculture products that are offered some protection through a gradual tariff reduction or a combination with quotas and tariff protection, under the assumption that increase competitiveness of the sector in through time would help domestic production to cope with the competitive pressure coming from European agriculture production. The agriculture trade policy negotiated under Interim Agreement is summarized in table below.

6.3 Developments under the CEFTA Agreement

Since 2001 the countries of the region negotiated and ratified a network of 32 bilateral FTAs, under the guidance of the Stability Pact. The idea and the first efforts to convert them into a single FTA dated immediately after the first bilateral FTAs entered into force and started to bear fruits. This however was feasible only after the new political conditions were created. The process was completed late in 2007. Indeed, an Enlarged and Amended Central European Free Trade Agreement (CEFTA 2006), establishing a free trade area among the participant parties, was signed on 19.12.2006 in Bucharest, but entered into force for all parties, on 21.11.2007*.

CEFTAs main goal is the establishment of free trade area in the Western Balkans thus contributing to attracting foreign direct investment, fostering intra-regional trade and integrating the region into the global trading environment. The CEFTA agreement complements trade integration between the countries and the EU under the Stabilization and Association Agreements (SAA) and Autonomous Trade Measures (ATM).

The Agreement fully conforms to the WTO rules and procedures and EU regulations. Effectively implemented, the Agreement provides an excellent framework for the Parties to prepare for EU

accession, in accordance with the Thessaloniki Agenda and Declaration of June 2003.

The Agreement envisages that a free trade area will be established among Parties at the latest on 31 December of 2010.

CEFTA Structures include:

Joint Committee: This is the governing body (Article 40 of the Agreement), composed of representatives of each party to the Agreement. Its main function is to supervise and administer the implementation of the Agreement. The Joint Committee meets regularly, at least once a year and make decisions by consensus. The Joint Committee is chaired by one of the parties and this function revolves on an annual basis. The Chair in Office for 2008 is Moldova which will be followed by Montenegro in 2009.

Sub-committees: These are established by the Joint Committee (in accordance with Article 41.5 to the Agreement) to support the implementation of the agreement. To this date three Subcommittees have been established: on Agriculture including Sanitary and Phyto-sanitary Issues, on Customs and Rules of Origin and on Technical Barriers to Trade and Non-Tariff Barriers.

CEFTA Secretariat is a professional body established according to Article 40.2 of CEFTA. The Secretariat became operational with the recruitment of the Director and its staff in September 2008, which followed the signing of a headquarters agreement with the Belgian authorities and the finalization of financing agreements/contracts with the CEFTA Parties, the European Commission and other donors. The Secretariat supports the rotating chairmanship in implementing the agreement. For the first three years, it will be hosted by the EFTA Secretariat in Brussels. CEFTA Parties will decide about its future location.

2008 (under the Moldovan chair-in-office) was a year of intensive work regarding the CEFTA's implementation. The main efforts were concentrating in the establishment of CEFTA's institutions and making them operational. Much has been achieved in this direction. Indeed The first CEFTA Joint Committee meeting was held on 28.10.2007 in Ohrid (the former Yugoslav Republic of Macedonia). It agreed on establishment of a CEFTA Secretariat in Brussels for three years. It also agreed on its own rules of procedure and

* The Agreement entered into force on 26.7.2007 for Albania, the Former Yugoslav Republic of Macedonia, Moldova, Montenegro and UNMIK/Kosovo. It entered into force for Croatia on 22.8.2007, for Serbia on 24.10.2007 and for Bosnia and Herzegovina on 22.11.2007.

established three subcommittees as above mentioned.

The second JC meeting was held in Chisinau Moldova on October 8th, 2008. It endorsed the Outline Strategic Work Programme 2008-2011, looking forward to a detailed 2009 Work Programme. It took critical decisions for implementation of the CEFTA's main purpose: the facilitation of Trade and Investments in the region. In particular, it committed itself to undertake appropriate and concrete measures to implement the following actions:

- discuss the abolition of all import duties on agricultural products, including tariff quotas, except for a list of very sensitive agricultural products to be agreed on a bilateral basis;
- identify and eliminate non-trade barriers and update quarterly the matrix on specific activities/measures affecting trade;
- undertake all necessary measures to facilitate the application of the diagonal cumulation of origin;
- promote cooperation among customs administrations;
- identify and take on further action on the possible conclusion of multilateral or bilateral agreements on harmonisation of technical regulations and standards and mutual recognition of conformity assessment procedures.

The three Sub-committees also held their first meetings and took important decisions in their respective sectors.

The Subcommittee on Agriculture, Sanitary and Phytosanitary Measures took place at Chisinau, 24-25 April 2008. its main decisions were:

- No CEFTA Party applies export subsidies for agricultural products;
- In spite of increase in trade of agricultural products, allocated quotas have only partially been utilised;
- Significant differences among Parties regarding the level of harmonisation of sanitary, veterinary and phytosanitary legislation with the EU requirements cause impediments in the agricultural trade;
- Parties agreed, where appropriate, to initiate consultations among sanitary and phytosanitary services in order to identify

feasible solutions for concluding mutual recognition agreement and to report on the outcome to the Chair in Office,

- Action Plan with timetable on further concessions and steps for further liberalisation among CEFTA Parties has been discussed.

The CEFTA Subcommittee on customs issues and rules of origin, met in Podgorica (Montenegro), in May 2008. Its main outcome includes:

- The Parties examined the cooperation among Customs administrations, with emphasis on statistics and harmonisation with the EU legislation;
- It has been decided to introduce a more selective approach to the request for post verification of the proofs of origin,
- Cases of application of diagonal cumulation with the EU were examined; approaches to strengthening of administrative capacities and improving communication with economic operators for implementation of the Agreement were explored.

The CEFTA Subcommittee concerning the non-tariff and tariff barriers in trade (TBT and NTB), Belgrade (Serbia), June 2008, concluding as follows:

- Negative impact of TBT and NTB on the regional trade has been assessed, including reports on specific problems identified in respective business communities;
- A methodology has been proposed to monitor situation in this field;
- Need for regular exchange of information with business community through CEFTA Forum of Chambers has been stressed and co-operation with relevant international project in the field;
- In compliance with the Article 13, communication between relevant ministries and bodies has been established in all Parties;
- Parties agreed to identify specific sectors/products of interest for export to other CEFTA Parties as a basis for identification and further action between interested CEFTA Parties on possible conclusion of plurilateral or bilateral agreements on harmonisation of technical regulations and standards and mutual recognition of conformity assessment procedures,

- Action Plan with timetable on further concessions and steps for further liberalisation among CEFTA Parties has been discussed.

This Subcommittee as well as the Secretariat is being currently supported by several backing projects such as the project of the German Ministry of Economic Cooperation implemented by GTZ: "CEFTA 2006: Improving Opportunities for Trade"

The priorities of the Montenegrin Chairmanship for 2009 include: further liberalisation in agriculture, co-operation in the field of sanitary and phytosanitary measures, elimination of technical barriers to trade, achieving the full benefits of implementing the diagonal cumulation implementation and improving the trade statistics of the Parties. The Deputy ministers' meeting of the CEFTA Parties is scheduled for June 2009, while the third Joint Committee meeting at the ministerial level could be held in October/November 2009.

The OECD Investment Compact project is expected to prepare a monitoring study of the investment-related clauses of the CEFTA in 2009.

6.4 Main legal acts related to trade

A significant number of laws and other legal acts influencing trade, international economic relations, business and investment climate as well as domestic market have been enacted during 2008. (Annex V)

Laws and legal acts affecting trade directly

Some new changes and approvals occurred to the customs code and customs duty levels. Law no. 9461, date 21.12.2005 "For the commodities' nomenclature and custom duties", changed approves the harmonized commodities' nomenclature 2008.

Changes to the custom duties are announced in law no 9982 date 08.09.2008 which relates to some changes and amendments to the law no 9461 date 21.12.2005 "For the commodities' nomenclature and custom duties", changed

Law no 9981, date 8.9.2008 "For the approval of custom duty levels" and, law no 10041, date 22.12.2008 "For a change in law no 9981, date

08.09.2008 "For the approval of the custom duty levels" are also relevant.

Laws and other legal acts influencing international economic relations

Several laws and legal acts cover the ratification of agreements between Albania and other countries or the adherence of Albania in international conventions. Such laws include ratification of agreements between the Republic of Albania and the Republic of Letonia (law no 9937, date 26.06.2008), and between the Republic of Albania and the Republic of Slovenia (law no 9938, date 29.09.2008) on the avoidance of the double taxation procedure and prevention of fiscal evasion related to income taxes and capital.

Law 9925 date 09.06.2009 "For the custom regime of pallets used in international transportation" concerns the adherence of the Republic of Albania in the European Convention in order to facilitate international trade

Competitiveness and innovation are two key orientations influencing directly the trade indicators. Due attention to those components has been reflected in the approval of a particular law (law no 9984, date 11.09.2008) which relates to the ratification of the Memorandum of Understanding between the Republic of Albania and the European Community regarding the Republic of Albania membership in the EU Community program "Special program for Enterprise and Innovation (EIP) of the Competitiveness and Innovation frame Program 2007 - 2013"

Law no 9867, date 31.01.2008 "For defining the regulation and procedures for trade of endangered wild flora and fauna species in international markets" defines the convention regulation and procedures in order to prevent maltreatment and putting at risk of their existence throughout the process of international trade. Annexes of this law provide a list of the species of the wild flora and fauna that are protected by this law during international trade.

While law no 9950, date 10.07.2008 "For the adherence of the Republic of Albania in the amendments of "The TRIPS agreement (trade aspects related to intellectual property) defines measures taken in the pharmaceutical sector for licensing, defined conditions for the quantity of production, the selected destinations for trade and

validity of the license as well as preventing the product re-export from its territory.

Intellectual property and author rights' protection is another area where government laws and decisions pertain. The Council of Ministers' Decision (CMD) no 547 date 01.05.2008 "For some changes and additions in CMD no 205, of 13.04.1999 "For the customs" code implementing provisions' changed" defines the category of illegally produced or falsified goods that harm property rights. Law 9947, date 07.07.2008 "For industrial property" defines the mechanism of inventions' protection through patents and user guides provided by entitled institutions.

Laws that influence the business climate

The focal point of the 2008 legal framework was the improvement of the local business climate, while offering facilitating conditions on the taxes and tariffs subject, or laws of non-tariff nature to regulate the market process and appointing of respective institutions dealing with market procedures and development.

As a follow up to previous incentives taken in favor of export oriented companies, the government has issued a number of laws and legal acts that support directly these companies thus create encouraging and facilitating conditions to their activity with the final aim of increasing the country's exports. To mention few of them:

State Aid Commission Decision no 25, date 02.05.2008 "For the plan that provides state aid for exemption from excise duty of fuels used in manufacturing of electric energy from thermal centrals with installed power over 5 MW" or "in the greenhouses with heating systems for the production of industrial and agro-industrial goods for the technological needs in the production chain" (State Aid Commission Decision no 25, date 02.05.2008);

The new scheme for the postponement of VAT payment up to 12 months in cases when the investment cycle or the production start-up phase exceeds the 12 months period (CMD no 434, date 08.04.2008);

CMD no 1023, date 09.07.2008 "For the approval of annual report "For state aid during 2007".

Some other laws support the state aid to the

agriculture and fishery sectors:

Law no. 9948, date 07.07.2008 "For the analysis of legal validity for creating ownership titles on the agriculture land";

The Ministry of Environment, Forestry and Water Administration Directive no.3, date 12.03.2008 "For service fees for fishery licensing";

CMD no. 10, date 04.01.2008 "For supporting the agriculture production";

Law no.10028, date 11.12.2008 "For the adhesion of the Republic of Albania in "The International Agreement for Olive and Olive Oil";

CMD no. 1/2, date 22.09.2008 "For some changes in directive no. 1/1, 13.02.2008 of the Ministry of Agriculture, Food and Consumer Protection and the Ministry of Finance "For the implementation of the CMD no 10, 04.01.2008 "For supporting the agricultural production";

Law no. 10001, date 06.10.2008 "For some changes and additions to the law no. 7908, of 05.04.1995 "For fishery and aquaculture" changed".

Establishment of institutions aimed at orienting and supporting the local business is reinforced with the approval of the following laws:

Law no. 9916, date 12.05.2008 "For an addition in law no 9723 of 03.05.2007 "For the National Registration Centre";

CMD no. 639, date 14.05.2008 "For the structure, operation and definition of admission criteria for the assessment of necessary documentation and obligations of certifying bodies";

CMD no.1716, date 03.10.2008 "For the organization and operation scheme of the General Directorate of Accreditation".

During 2008, the government of Albania issued a number of decisions supporting the law "For concessions" for the creation of industrial parks in main districts of the country such as CMD no 391, date 21.02.2008 "For declaring an "Economic zone" in Spitalle, Durres", CMD no 774, date 04.06.2008 "For declaring an "Economic zone" in Vlora", CMD no 775 date 04.06.2008 "For declaring an "Economic zone" in Shkodra", and CMD no 776 date 04.06.2008 "For declaring an "Economic zone" in Elbasan".



An important sphere remains the consumers' protection and safety. Law no 9902, date 17.04.08 "For consumers' protection" concerns the protection of consumers' interests in the market and the establishment of respective institutions for protecting their rights. As regards the consumers' safety, two CMD-s have been approved referring to the approval of the list with numbers and appellations of Albanian harmonized standards, with a reference, for presuming the conformity of non edible products such as toys, and simple under pressure containers, respectively CMD no 435, date 08.04.2008 and CMD no 434, date 08.04.2008.

A significant number of laws and decisions enacted had an impact on taxation matters with the aim to create regulation and procedures for the administration of tax obligations as well as to bring together and establish up to date standards that guarantee fair competition as well as equal and neutral treatment.

MF directive no 24 date 02.09.2008 "For taxation procedures in the Republic of Albania";

Law no. 9920 date 19.05.2008 "For taxation procedures in the Republic of Albania";

Law no. 9932 date 09.06.2008 "For some changes in law no 8977 date 12.12.2002 "For the tax system in the Republic of Albania", changed.

Different taxes, such as the value added tax (VAT) and income tax have been subject to change as reflected in the laws and decisions below:

MF directive no 14 date 02.04.2008 "For some additions and changes in the directive no 3, of 30.01.2006 "For value added tax", changed;

MF directive no 17 date 13.05.2008 "For value added tax".

Law no. 9943 date 26.06.2008 for some changes in law no 8438 date 28.12.1998 "For income tax", changed;

Law no. 9944 date 26.06.2008 for some changes in law no 7928 date 27.04.1995 "For value added tax", changed.

Annexes

Annex I

Most exported and imported products with the EU

Table A1.1: Top ten exported products to EU-27, mln ALL

HS Code	Description	2004	2005	2006	2007	2008	Share to total, in %
640610	Uppers and Parts Thereof, Other than Stiffeners	13,278.20	12,356.86	10,807.41	10,175.43	8,339.43	9.3%
620342	Men's or Boys' Trousers, Overalls, Breeches, of Cotton	5,465.44	4,988.75	5,832.25	6,764.13	6,478.63	7.2%
270900	Petroleum Oils and Oils Obtained from Bituminous Minerals (Crude)		987.82	1,753.88	4,196.13	5,943.87	6.6%
830140	Other locks of Base Metal	913.50	1,733.80	2,350.09	3,526.70	3,905.67	4.4%
620520	Men's or Boys' Shirts, of Cotton	2,160.08	2,572.53	2,833.25	3,197.94	3,467.05	3.9%
720241	Ferrosilicon Containing by weight more than 4 percent of carbon; chromium content	1,726.33	2,963.30	967.29	115.96	2,345.64	2.6%
640590	Other footwear with sole of rubber, plastic	3.88	341.39	1,151.20	1,847.31	2,336.88	2.6%
610910	T-shirts, Singlets, Other Vests, Knitted or Crocheted, of Cotton	1,654.84	1,654.90	1,600.19	1,697.53	2,308.23	2.6%
640510	Footwear With Uppers of Leather or Composition Leather	486.49	1,489.45	2,006.93	2,113.07	2,170.58	2.4%
610711	Men's or Boys' Underpants, Briefs, of Cotton, Knitted or Crocheted	703.12	766.87	955.95	1,233.64	1,802.13	2.0%
	Top ten exported					39,098.12	43.6%
	Total exports					89,607.95	

Table A1.2: Top ten imported products from EU-27, mln ALL

HS Code	Description	2004	2005	2006	2007	2008	Share tot total, in %
271019	Light petroleum distillates nes	5,024.00	6,121.24	10,919.26	12,079.68	17,226.96	6.2%
240220	Cigarettes (Containing Tobacco)	3,862.21	3,700.94	2,978.42	3,285.56	6,012.71	2.2%
870332	Other Vehicles, Compression-ignition Engine (diesel) Of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc	5,717.37	3,724.05	3,988.18	5,784.82	5,729.78	2.1%
300490	Other Medicaments (Put up in Packings for Retail Sale)	2,276.20	2,683.93	3,384.09	5,098.86	5,579.59	2.0%
271011	Light oils and prep, from petroleum or bituminous mineral, of which >=90%vol distillates in 210C	1,483.66	2,422.97	3,445.14	4,205.76	4,615.98	1.7%
410719	Bovine/horse leather whole, further processed after tanning or wet blue, no hair (not cut)	2,745.09	2,051.24	2,962.71	5,493.82	4,550.48	1.6%
870333	Other Vehicles, Compression-ignition Engine (diesel) Of a cylinder capacity exceeding 2,500 cc	854.69	1,183.07	1,956.20	3,934.51	3,849.97	1.4%
830160	Parts of Padlocks and Locks of Base Metal	1,233.32	1,565.88	2,035.63	3,412.83	3,752.46	1.3%
252329	Portland cement nes	3,519.10	4,699.62	3,508.70	2,766.54	3,440.46	1.2%
730890	Other Structures and Parts of Structures, of Iron or Steel	449.56	461.13	760.95	1,198.92	3,340.22	1.2%
	Top ten imported					58,098.61	20.8%
	Total imports					279,207.01	

Annex II

HS Code	HS6_DSC	2004	2005	2006	2007	2008	Share to total, in %
721420	Bars & rods, i/nas, hr, hd or he, cntg indent, ribs, etc, prod dur rp/tar, nes	966.35	744.36	1,128.77	2,633.98	6,210.04	40.2%
271320	Petroleum bitumen	483.10	617.22	1,034.38	1,102.89	1,862.11	12.0%
252329	Portland cement nes	36.89	87.37	77.43	401.83	1,402.99	9.1%
260111	Iron ores&concentrates, oth than roasted iron pyrites, non-agglomerated	30.49	307.34	420.55	682.20	585.42	3.8%
760410	Bars, rods and profiles, aluminium, not alloyed	18.35	52.91	139.42	300.07	351.71	2.3%
721631	Sections, U, i/nas, nfw than hot rolld, drawn or extrudd, hght 80mm or more				16.72	280.41	1.8%
847330	Parts&accessories of automatic data processg machines&units thereof	136.36	162.42	199.37	358.38	271.10	1.8%
940350	Bedroom furniture, wooden, nes	132.83	156.65	200.19	288.65	262.66	1.7%
271011	Aviation spirit					217.80	1.4%
854590	Articles of carbon/graphite, of a kind usd for electrical purposes, nes	254.83	142.49	118.13	195.07	191.10	1.2%
	Top ten exported					11,635.34	75.3%
	Total exports					15,460.05	

HS Code	Description	2004	2005	2006	2007	2008	Share to total, in %
271600	Electrical energy	215.32			5,430.28	13,625.65	33.1%
720449	Ferrous waste and scrap, iron or steel, nes	3.31	480.43	587.95	3,280.64	2,441.72	5.9%
721420	Bars & rods, i/nas, hr, hd or he, cntg indent, ribs, etc, prod dur rp/tar, nes	17.39	104.23	671.63	1,251.47	1,721.94	4.2%
100590	Maize (com) nes	63.41	121.97	589.37	811.96	1,013.12	2.5%
151219	Sunflower-seed/safflower oil&their fractions refined but nt chem modifd	35.97	16.39	24.63	103.81	979.95	2.4%
271019	Light petroleum distillates nes	227.81	19.42	154.04	730.62	976.67	2.4%
300490	Medicaments nes, in dosage	111.73	226.47	420.21	744.38	678.11	1.6%
440710	Lumber, coniferous (softwood) 6 mm and thicker	293.72	496.60	740.08	804.42	622.12	1.5%
252329	Portland cement nes	343.61	261.75	924.38	399.12	613.37	1.5%
271113	Butanes, liquefied	56.96	255.35	412.18	1,310.25	612.03	1.5%
	Top ten imported					23,294.68	56.6%
	Total imports						

Annex III

Most exported and imported products with the EU and regional countries

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total in %
640610	Uppers and Parts Thereof, Other than Stiffeners	14,018.19	13,268.24	12,341.31	10,800.81	10,161.13	8,219.03	11.8%
620342	Men's or Boys' Trousers, Overalls, Breeches, of Cotton	3,736.53	4,590.45	4,210.36	4,889.97	6,158.76	5,698.94	8.2%
270900	Petroleum Oils and Oils Obtained from Bituminous Minerals (Crude)			987.82	1,753.88	4,196.13	5,117.50	7.4%
830140	Other locks of Base Metal	234.44	913.11	1,733.80	2,349.76	3,526.62	3,904.98	5.6%
620520	Men's or Boys' Shirts, of Cotton	1,861.93	2,107.47	2,416.41	2,666.54	3,049.64	3,356.22	4.8%
640590	Other footwear with sole of rubber, plastic	0.87	2.84	341.39	1,151.20	1,845.05	2,325.39	3.3%
610910	T-shirts, Singlets, Other Vests, Knitted or Crocheted, of Cotton	577.61	1,067.86	1,235.56	1,525.05	1,685.09	2,229.72	3.2%
640510	Footwear With Uppers of Leather or Composition Leather	96.96	486.49	1,489.45	2,006.93	2,113.07	2,170.58	3.1%
640391	Footwear, Covering the Ankle, With Uppers of Leather	35.83	0.12	38.64	1,001.39	1,448.59	1,737.07	2.5%
160416	Anchovies prepared or preserved, whole or in pieces (excl. minced)	1,443.94	1,550.62	1,548.24	1,875.81	1,791.35	1,666.09	2.4%
	Top ten exported						36,425.52	52.3%
	Total exported						69,589.02	

Hs Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
410719	Bovine/horse leather whole, further processed after tanning or wet blue, no hair (not cut)	2,691.91	2,745.09	2,050.69	2,962.71	5,493.82	4,547.18	3.6%
830160	Lock parts, includg parts of clasps o frames w clasps, of base metal, nes	1,542.98	1,231.85	1,565.82	2,034.43	3,411.25	3,744.05	3.0%
730890	Structures&parts of structures,i/s (ex prefab bldgs of headg no.9406)	193.52	265.29	277.65	480.15	725.92	2,478.50	2.0%
620342	Men's or Boys' Trousers, Overalls, Breeches, of Cotton	1,815.16	1,863.79	1,638.58	1,668.49	1,911.42	2,033.32	1.6%
640610	Uppers and Parts Thereof, Other than Stiffeners	5,387.59	4,215.24	3,347.02	3,240.67	2,277.13	2,004.95	1.6%
870332	Other Vehicles, Compression-ignition Engine (diesel) Of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc	1,124.76	1,979.26	1,218.91	1,418.23	2,269.01	1,833.75	1.5%
252390	Cement, colored or not (no aluminum & Portland cement)	3.26	19.66	5.41	1,212.58	1,837.82	1,713.90	1.4%
610910	T-shirts, Singlets, Other Vests, Knitted or Crocheted, of Cotton	491.11	928.36	992.55	1,340.85	1,627.03	1,581.58	1.3%
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded	62.42	16.23	293.57	32.08	843.53	1,417.16	1.1%
830890	Other, including parts: Clasps, Buckles, Buckle Clasps, Beads, Spangles, of Base Metal	582.52	976.10	1,219.55	1,422.38	1,487.34	1,405.74	1.1%
	Top ten imported						22,760.13	18.3%
	Total imports						124,587.33	

Table A3.3: Top ten exported products to Greece, mln leke

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to the total, in %
610610	Women's or Girls' Blouses, Shirts, of Cotton, Knitted or Crocheted	740.68	647.58	874.57	1,074.39	1,004.43	911.10	9.3%
720449	Ferrous waste and scrap, iron or steel, nes	44.08	127.82	159.20	859.22	564.94	822.23	8.4%
620342	Men's or Boys' Trousers, Overalls, Breeches, of Cotton	924.33	824.44	721.54	853.18	494.79	596.04	6.1%
260300	Copper Ores and Concentrates					203.27	583.64	5.9%
271600	Electrical Energy						354.36	3.6%
610711	Men's or Boys' Underpants, Briefs, of Cotton, Knitted or Crocheted	98.92	150.37	142.95	300.59	323.58	331.96	3.4%
720441	Other waste and scrap: Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings, whether or not in bundles:	67.12	1.21		4.66	81.34	330.44	3.4%
620333	Men's or Boys' Jackets, Blazers, of Synthetic Fibres			9.80	41.31	66.33	295.68	3.0%
481930	Sacks and bags, of paper, having a base of a width of 40 cm or more	76.71	122.96	157.18	248.50	301.94	293.61	3.0%
481940	Other sacks and bags, including cones	143.36	152.53	127.70	125.66	172.65	238.37	2.4%
	Top ten exported						4,757.43	48.3%
	Total exports						9,840.72	

Table A3.4: Top ten imported products from Greece, mln ALL

Hs Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
271019	Light petroleum distillates nes	3,520.14	4,644.36	4,331.67	7,059.27	11,238.99	16,426.70	24.4%
271011	Light oils and prep, from petroleum or bituminous mineral, of which >=90%vol distillates in 210C	1,043.05	1,437.56	2,195.05	2,853.59	3,698.30	4,301.64	6.4%
252329	Portland cement nes	1,584.53	1,336.77	1,865.39	1,619.79	2,014.42	2,072.83	3.1%
240220	Cigarettes (Containing Tobacco)	3,517.06	2,009.32	1,771.89	1,505.48	1,128.16	1,863.02	2.8%
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded	1,004.12	868.66	765.91	1,464.06	1,361.20	1,562.72	2.3%
220300	Beer Made from Malt	1,060.52	975.22	834.48	986.45	1,271.80	1,229.84	1.8%
271113	Butanes Liquefied (not clear >=95% of butanes)	563.67	450.48	846.24	865.03	509.67	959.26	1.4%
252390	Colored or not cement (not aluminum cement)	46.00	28.71	57.09	193.54	511.07	944.78	1.4%
760120	Aluminum alloys; not processed		154.61	844.39	930.11	1,016.98	910.65	1.4%
760410	Bard, Rods and Profiles, Of aluminum, not alloyed:	350.74	465.25	528.95	624.45	648.06	684.50	1.0%
	Top ten imported						30,955.93	46.0%
	Total imports						67,308.51	

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
121190	Other Plants of a Kind Use for Perfumery, Pharmacy, Insecticidal Purpose (Fresh or Dried)	517.72	483.68	533.17	686.78	837.30	754.32	25%
620690	Women's or Girls' Blouses, Shirts, of Other Textile Materials	753.93	849.66	643.49	512.44	446.76	404.25	13%
621133	Other Garments, Men's or Boys', of Man-made Fibres		6.85			61.55	368.00	12%
620342	Men's or Boys' Trousers, Overalls, Breeches, of Cotton	37.40	28.04	36.63	89.10	110.58	177.81	6%
620329	Men's or Boys' Ensembles, of Other Textile Materials		13.26	269.57	123.80	39.78	177.63	6%
610610	Women's or Girls' Blouses, Shirts, of Cotton, Knitted or Crocheted	45.18	90.05	171.03	132.60	142.03	165.39	5%
640351	Footwear With Outer Soles and Uppers of Leather, Covering the Ankle						156.16	5%
621142	Other Garments, Women's or Girls', of Cotton						149.52	5%
640359	Footwear, outer soles and uppers of leather, nes					50.89	100.20	3%
081330	Dried apples						49.48	2%
	Top ten exported						2,502.76	83%
	Total exports						3,015.97	

Hs Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
870332	Other Vehicles, Compression-ignition Engine (diesel) Of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc	2,619.05	3,063.53	1,940.14	1,878.66	2,470.40	2,400.51	10.7%
240220	Cigarettes (Containing tobacco)	48.14	129.67	53.21	96.03	978.33	2,316.72	10.3%
870333	Other Vehicles, Compression-ignition Engine (diesel) Of a cylinder capacity exceeding 2,500 cc	297.92	490.97	576.80	974.85	1,754.32	1,721.85	7.7%
300490	Medicaments nes, in dosage	315.95	314.17	433.51	633.53	913.93	856.12	3.8%
870421	Motor vehicles for the transport of goods GVW not exceeding 5 metric tons	565.43	792.74	806.22	781.83	674.35	688.42	3.1%
842230	Machinery for Filling, Closing, Sealing, Capsuling or Labelling Bottles	0.58	153.68		43.81	33.31	489.10	2.2%
902214	X-ray apparatus for medical, chirurgical use	15.69	8.26	23.56	114.78	36.23	362.20	1.6%
901813	Magnetic resonance imaging equipment		1.20	4.38	6.02	6.66	358.49	1.6%
870422	Motor vehicles for the transport of goods GVW exceeding 5 metric tons but not exceeding 20 metric tons	235.03	205.46	264.37	173.20	211.84	322.38	1.4%
901890	Other Medical, Surgical or Veterinary Instruments and Appliances, and parts and accessories thereof:	40.07	65.33	103.95	94.97	168.69	318.34	1.4%
	Top ten imported						9,834.11	43.8%
	Total imports						22,462.88	

Table A3.7: Top ten exported products to the countries of the region, mln ALL

HS Code	HS6_DSC	2004	2005	2006	2007	2008	Share to total, in %
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded	966.35	744.36	1,128.77	2,633.98	6,210.04	40.2%
271320	Petroleum Bitumen	483.10	617.22	1,034.38	1,102.89	1,862.11	12.0%
252329	Portland cement nes	36.89	87.37	77.43	401.83	1,402.99	9.1%
260111	Iron Ores and Concentrates (Non-agglomerated)	30.49	307.34	420.55	682.20	585.42	3.8%
760410	Bars, Rods and Profiles, Of aluminum, not alloyed	18.35	52.91	139.42	300.07	351.71	2.3%
721631	U sections , not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm (3.15 inches) or more				16.72	280.41	1.8%
847330	Parts&accessories of automatic data processing machines&units thereof	136.36	162.42	199.37	358.38	271.10	1.8%
940350	Bedroom furniture, wooden, nes	132.83	156.65	200.19	288.65	262.66	1.7%
271011	Light oils and prep, from petroleum or bituminous mineral, of which >=90%vol distillates in 210C					217.80	1.4%
854590	Articles of carbon/graphite,of a kind used for electrical purposes,nes	254.83	142.49	118.13	195.07	191.10	1.2%
	Top ten exported					11,635.34	75.3%
	Total exports					15,460.05	

Table A3.8: Top ten imported products from the countries of the region, in mln ALL

HS Code	Description	2004	2005	2006	2007	2008	Share to total, in %
271600	Electrical energy	215.32			5,430.28	13,625.65	33.1%
720449	Ferrous waste and scrap, iron or steel, nes	3.31	480.43	587.95	3,280.64	2,441.72	5.9%
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded	17.39	104.23	671.63	1,251.47	1,721.94	4.2%
100590	Maize (corn) nes	63.41	121.97	589.37	811.96	1,013.12	2.5%
151219	Sunflower-seed/safflower oil&their fractions refined but not chem modified	35.97	16.39	24.63	103.81	979.95	2.4%
271019	Light petroleum distillates nes	227.81	19.42	154.04	730.62	976.67	2.4%
300490	Medicaments nes, in dosage	111.73	226.47	420.21	744.38	678.11	1.6%
440710	Lumber, coniferous (softwood) 6 mm and thicker	293.72	496.60	740.08	804.42	622.12	1.5%
252329	Portland cement nes	343.61	261.75	924.38	399.12	613.37	1.5%
271113	Butanes, liquefied	56.96	255.35	412.18	1,310.25	612.03	1.5%
	Top ten imported					23,284.68	56.6%
	Total imports						

Table A3.9: Top ten exported products to Croatia, mln ALL

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
640510	Footwear with uppers of leather or composition leather, nes					32.75	75.01	39.7%
121190	Plants &pts of plants(incl sed&fruit) usd in pharm,perf,insect etc nes	7.78	10.63	10.24	24.88	25.43	43.79	23.2%
160420	Fish prepared or preserved, except whole or in pieces						19.01	10.1%
160416	Anchovies, prepared or preserved, whole or in pieces, but not minced				137.15		13.80	7.3%
410120	Bovine leadher, whole, weighting <=8kg when dry,<=10kg when salted,<=16kg when unprocessed		11.52			25.53	8.15	4.3%
271490	Bitumen and asphalt; asphaltites and asphaltic rocks						7.65	4.0%
271019	Light petroleum distillates nes						5.24	2.8%
080711	Fresh watermelon	2.14			1.45	0.69	4.26	2.3%
950430	Games, coin or disc-operated, other than bowling alley equipment						2.88	1.5%
640590	Other footwear with sole of rubber, plastic						2.39	1.3%
	Top ten exported						182.16	96.5%
	Total exports						188.86	

Table A3.10: Top ten imported products from Croatia, mln ALL

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
271113	Butanes, liquefied	33.77	56.73	255.35	412.13	1,269.15	612.03	11.7%
761410	Stranded wire,cables,plaited bands,etc,alum,steel core,not elect insul						574.93	11.0%
730820	Towers and lattice masts, iron or steel				6.39		568.60	10.9%
100590	Maize: corn	34.51			8.77	67.12	370.93	7.1%
110710	Malt, not roasted	21.63			94.02	198.88	214.15	4.1%
847170	Memory units	0.28			2.51	0.18	176.79	3.4%
854610	Electrical insulators of glass						166.11	3.2%
030563	Anchovies, salted and in brine, but not dried or smoked	3.71	5.67	11.04	85.93	72.84	130.36	2.5%
100190	Wheat nes and meslin	89.37	495.25	18.78		12.59	124.02	2.4%
847330	Parts & accessories of automatic data processing machines & units thereof	0.37	28.54	11.62	12.33	71.28	116.65	2.2%
	Top ten imported						3,054.56	58.4%
	Total imports						5,232.75	

Table A3.11: Top ten exported products to Kosova, in mln ALL

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded		953.17	704.07	1,034.44	2,030.18	4,286.17	57.8%
271320	Petroleum Bitumen	18.78	305.23	269.77	408.98	435.46	1,017.81	13.7%
847330	Parts & accessories of automatic data processing machines&units thereof	62.61	135.64	162.29	199.37	281.76	200.67	2.7%
730120	Angles, shapes and sections, welded, iron or steel	0.20					116.65	1.6%
090121	Coffee, roasted, not decaffeinated	30.33	47.02	66.82	62.70	80.06	113.56	1.5%
040700	Eggs, bird, in shell, fresh, preserved or cooked	70.44	53.38	56.91	3.06	16.88	93.14	1.3%
760410	Bars, Rods and Profiles, Of aluminum, not alloyed	8.86	4.70	29.82	16.24	32.84	92.54	1.2%
940350	Bedroom furniture, wooden, nes	35.69	62.08	64.02	67.92	76.41	81.58	1.1%
271019	Light petroleum distillates nes	10.29	7.71	5.46	82.09	181.95	78.64	1.1%
080711	Fresh watermelon	16.88	28.61	52.49	49.09	84.51	59.20	0.8%
	Top ten exported						6,139.98	82.8%
	Total exports						7,417.54	

Table A3.12: Top ten imported products from Kosova, mln ALL

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
720449	Ferrous waste and scrap, iron or steel, nes.		3.31	375.51	511.65	688.27	831.32	26.0%
071420	Sweet potatoes, fresh or dried, whether or not sliced or pelleted	1.14	30.71	26.01	154.84	305.80	279.55	8.7%
110100	Wheat or meslin flour	0.12		0.18	0.40	150.41	186.37	5.8%
870423	Diesel powered trucks with a GVW exceeding twenty tonnes	6.52	3.86	3.47		5.60	182.87	5.7%
010290	Bovine, live except pure-bred breeding			28.71	28.89	46.23	116.67	3.6%
251730	Tarred macadam					47.75	114.27	3.6%
252329	Portland cement nes				2.57	60.16	91.70	2.9%
382450	Nonrefractory mortars and concretes				35.96	35.56	81.20	2.5%
200980	Fruit&veg juice nes (exc mx) unferment unspirited, whether/not sug/sweet	14.31	47.21	103.57	119.06	125.05	69.80	2.2%
760200	Waste and scrap, aluminium	52.70	31.72	71.88	155.96	213.77	65.65	2.1%
	Top ten imported						2,019.39	63.2%
	Total imports						3,197.09	

Table A3.13: Top ten exported products to Macedonia, in mln ALL

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded		13.19	38.57	94.32	89.05	701.41	21.2%
252329	Portland cement nes	26.12	36.50	87.37	77.43	158.65	677.72	20.5%
260111	Iron Ores and Concentrates (Non-agglomerated)		30.49	307.34	420.44	599.92	569.49	17.2%
271320	Petroleum Bitumen	26.99	77.01	21.53	138.00	303.45	226.63	6.9%
854590	Articles of carbon/graphite, of a kind used for electrical purposes, nes		254.83	142.49	118.13	195.07	191.10	5.8%
121190	Plants & parts of plants (incl seed & fruit) used in pharm, perf, insect etc nes	51.79	66.13	53.33	77.06	81.86	96.66	2.9%
270900	Petroleum oils and oils obtained from bituminous minerals, crude						76.62	2.3%
854810	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary cells, spent primary batteries					72.91	74.75	2.3%
761090	Structures & parts, alum, eg plate, rods etc, for struct, excl prefab bldgs					11.77	70.80	2.1%
847330	Parts & accessories for adp machines & units		0.28			74.27	70.42	2.1%
	Top ten exported						2,755.59	83.3%
	Total exports						3,306.49	

Table A3.14: Top ten imported products from Macedonia, mln ALL

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded	4.83	17.39	13.86	395.03	1,211.55	1,706.83	14.9%
271019	Light petroleum distillates nes			12.08	147.83	729.56	926.25	8.1%
151219	Sunflower seed/safflower oil & their fractions refined but not chem modified	7.73	11.31		0.01	41.24	749.04	6.5%
252329	Portland cement nes	0.09	0.18	0.34	24.45	283.44	521.68	4.5%
300490	Medicaments nes, in dosage	123.11	93.53	139.65	229.00	470.76	445.68	3.9%
730890	Structures & parts of structures, i/s (excl prefabricated buildings of heading no. 9406)	20.00	37.34	61.08	134.92	208.67	286.21	2.5%
680911	Plaster boards etc not ornamental faced or reinforced with paper/paperboard	64.17	73.08	84.99	129.28	216.04	267.46	2.3%
720449	Ferrous waste and scrap, iron or steel, nes.			104.92	23.01	19.66	247.71	2.2%
010290	Bovine, live except pure-bred breeding			1.73	10.54	29.31	246.07	2.1%
391732	Tubes, pipes and hoses nes, plastic, not reinforced etc, without fittings	3.46	8.39	113.78	44.63	109.61	219.24	1.9%
	Top ten imported						5,616.17	48.9%
	Total imports						11,487.41	

HS Code	HS6_DSC	2007	2008	Share to total, in %
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded	33.23	1,060.71	53.9%
721631	U sections , not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm (3.15 inches) or more	14.13	268.87	13.7%
271011	Light oils and prep, from petroleum or bituminous mineral, of which >=90%vol distillates in 210C		217.73	11.1%
271320	Petroleum Bitumen	8.22	105.50	5.4%
940350	Bedroom furniture, wooden, nes	28.40	95.21	4.8%
640510	Footwear with uppers of leather or composition leather, nes		47.71	2.4%
760200	Waste and scrap, aluminum	3.59	38.04	1.9%
721621	Sections, L,i/nas,nfw than hot rolld, drawn or extrudd,of a height <80mm		23.58	1.2%
080711	Fresh watermelon		22.53	1.1%
330510	Shampoo	7.71	13.35	0.7%
	Top ten exported		1,893.24	96.3%
	Total exported		1,966.82	

HS Code	Description	2007	2008	Share to total, in %
271600	Electrical energy	1,648.29	13,625.65	75.0%
720449	Ferrous waste and scrap, iron or steel, nes.	757.26	969.20	5.3%
100590	Maize: corn	1.88	530.59	2.9%
110100	Wheat or meslin flour	131.11	228.49	1.3%
340220	Surface-active prep, washing & cleaning prep put up for retail sale	48.16	148.11	0.8%
300490	Medicaments nes, in dosage	62.11	128.19	0.7%
761290	Container, alum,cap <300L,lined/heat insul/nt,n/ftd w/mech/thermo equip	18.10	125.35	0.7%
854460	Electric conductors, for a voltage exceeding 1,000 V, nes	43.69	120.19	0.7%
220290	Non-alcoholic beverages nes, excluding fruit/vegetable juices of heading No 20.09	1.42	114.32	0.6%
690510	Roofing tiles, ceramic	32.53	112.69	0.6%
	Top ten imported		16,102.80	88.7%
	Total imports		18,156.26	

HS Code	Description	2007	2008	Share to total, in %
252329	Portland cement nes	187.98	702.15	30.1%
271320	Petroleum Bitumen	59.41	492.50	21.1%
760410	Bard, Rods and Profiles, Of aluminum, not alloyed	69.91	232.06	9.9%
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded	35.27	161.76	6.9%
271113	Butanes, liquefied	9.42	89.04	3.8%
271112	Propane, liquefied	5.92	88.52	3.8%
760421	Profiles, hollow, aluminum, alloyed		75.48	3.2%
690410	Building bricks		63.93	2.7%
252020	Plasters (consisting of calcined gypsum or calcium sulphate) etc	1.42	43.74	1.9%
690100	Bricks, blocks etc & ceramic goods of siliceous fossil meals o sim earths	7.32	39.96	1.7%
	Top ten exported		1,989.14	85.3%
	Total exports		2,332.62	

HS Code	Description	2007	2008	Share to total, in %
720449	Ferrous waste and scrap, iron or steel, nes	174.65	393.49	25.2%
080300	Bananas including plantains, fresh or dried	141.32	137.06	8.8%
100590	Maize: corn	1.32	106.98	6.9%
170199	Refined sugar, in solid form, nes	66.70	102.56	6.6%
440710	Lumber, coniferous (softwood) 6 mm and thicker	63.21	87.70	5.6%
220300	Beer made from malt	12.88	51.64	3.3%
110100	Wheat or meslin flour	1.00	40.19	2.6%
481920	Cartons, boxes and cases, folding, of non-corrugated paper or paperboard	6.30	38.79	2.5%
841581	Air cond mach nes inc a ref unit&a valve f rev of the cool/heat cycle		32.64	2.1%
870333	Automobiles with diesel engine displacing more than 2500 cc	1.47	24.97	1.6%
	Top ten imported		1,016.03	65.1%
	Total imports		1,561.42	

Annex IV

Most exported and imported products with other countries

Table A4.1: Top ten exported products to U.S.A, in mln ALL

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
121190	Plants & pts of plants(incl sed&fruit) usd in pharm,perf,insect etc nes	242.06	303.37	346.99	259.37	219.09	288.25	67.9%
121490	Swedes,mangold,fodder root,hay,cllover,sainfoin,forag kale,etc			9.55		30.41	19.07	4.5%
847110	Analogue or hybrid automatic data processing machines			0.01			17.89	4.2%
930630	Cartridges nes and parts thereof	12.32				29.45	17.80	4.2%
930690	Munitions of war&pts thereof&other ammunitions&projectiles&pts thereof						13.88	3.3%
330129	Essential oils, nes	1.26					12.45	2.9%
630900	Worn clothing and other worn articles	1.05	0.74	7.01	8.86	5.89	9.48	2.2%
950590	Festive, carnival or other entertainment art incl conjurg tricks&nov jokes					0.29	7.30	1.7%
121130	Coca leaf, fresh or dried, cut or not, powder or minced						7.00	1.6%
220820	Spirits obtained by distilling grape wine or grape marc		2.42	3.07	3.32	4.43	4.30	1.0%
	Top ten exported						397.42	93.6%
	Total exports						424.65	

Table A4.2: Top ten imported products from U.S.A, in mln ALL

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total in %
720449	Ferrous waste and scrap, iron or steel, nes			278.71	78.93	248.20	731.57	17.1%
870324	Automobiles with reciprocating piston engine displacing > 3000 cc		9.40	78.46	56.82	85.77	430.31	10.0%
020714	Chicken edible parts and offals, frozen	533.53	585.55	352.51	218.43	202.28	382.21	8.9%
720711	Semi-fin prod,i/nas,rect/sq cross-sect cntg by wgt<.25% c,width<2X thk				2,165.04	151.54	208.03	4.9%
870323	Automobiles w reciprocating piston engine displac > 1500 cc to 3000 cc	5.37	17.55	11.36	18.68	50.04	206.32	4.8%
020329	Swine cuts, frozen nes	28.29	28.91	240.94	358.15	87.31	192.62	4.5%
852692	Radio remote control apparatus					1.00	182.52	4.3%
870333	Automobiles with diesel engine displacing more than 2500 cc		4.95		9.20	77.24	160.97	3.8%
020712	Chicken, not cut, frozen	4.31	23.37	45.97	101.21	2.02	159.14	3.7%
852520	Transmission apparatus, for radiotelephony incorporating reception apparatus	1.67	21.58	33.55	12.21	4.22	109.55	2.6%
	Top ten imported						2,763.23	64.5%
	Total imports						4,286.53	

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
261000	Chromium ores and concentrates	186.85	53.20	288.53	882.75	2,475.95	2,819.87	90.3%
720241	Ferro-chromium containing by weight more than 4% of carbon						263.85	8.4%
740400	Waste and scrap, copper or copper alloy			39.15		8.73	27.02	0.9%
940330	Office furniture, wooden, nes						3.10	0.1%
691010	Ceramic sinks, wash basins etc & similar sanitary fixtures of porcelain/china		0.03		0.00	0.16	2.35	0.1%
690810	Tiles, cubes and sim <7 cm rect or not etc, glazed ceramics					2.61	2.27	0.1%
842230	Mach f il/clos/seal/etc.btle/can/box/bag/ctnr nes,mach f aeratg bev						1.22	0.0%
843131	Parts of lifts, skip hoist or escalators						1.19	0.0%
690790	Tiles, cubes and sim nes, unglazed ceramics					1.97	1.16	0.0%
391510	Polyethylene waste and scrap						0.72	0.0%
	Top ten exported						3,122.74	
	Total exports						100.0%	

HS code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
730890	Structures & parts of structures/s (ex prefab buildings of heading no.9406)					0.23	2,089.88	8.7%
843139	Parts of lifting, handling, loading or unloading machinery nes	2.93					1,448.02	6.0%
846694	Parts & accessories nes for use on machines of headg No 84.62 or 84.63		2.53				1,315.62	5.4%
721391	Hot rolled bar/rod, irregular coils, <14mm diam						752.30	3.1%
640299	Footwear, outer soles/uppers of rubber or plastics, nes	0.23					736.35	3.0%
691010	Ceramic sinks,wash basins etc&sim sanitary fixtures of porcelain/china	5.65					393.13	1.6%
940360	Furniture wooden, nes	0.15					366.13	1.5%
841510	Air conditioning machines window or wall types, self-contained					0.02	339.57	1.4%
848180	Taps, cocks, valves and similar appliances, nes			0.21			337.58	1.4%
730429	Drill pipe	9.81	14.87	19.18	13.41	18.76	292.25	1.2%
	Top ten imported						8,070.83	33.4%
	Total imports						24,147.50	

**Table A4.5: Top five exported products to Russia, in mln ALL**

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to the total, in %
261000	Chromium ores and concentrates	287.96	23.41	30.52	16.95	243.89	1,219.32	97.3%
940350	Bedroom furniture, wooden, nes				25.51	6.40	16.78	1.3%
940340	Kitchen furniture, wooden, nes						12.12	1.0%
940360	Furniture, wooden, nes						3.48	0.3%
430230	Tanned or dressed whole fur skins and fur skins pieces, assembled, nes					0.61	1.09	0.1%
	Top five exported						1,252.79	100.0%
	Total exports						1,252.85	

Table A4.6: Top ten imported products from Russia, mln ALL

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
271019	Light petroleum distillates nes	2,417.27	3,562.48	6,127.13	6,943.18	6,912.01	10,795.71	62.3%
100190	Wheat nes and meslin	2,851.64	2,154.40	2,411.83	2,580.48	5,278.98	3,466.57	20.0%
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded						784.49	4.5%
151211	Sunflower-seed or safflower oil, crude	150.44	209.00	198.16	427.53	635.62	722.28	4.2%
760120	Aluminum unwrought, alloyed		4.45		67.98	159.95	285.50	1.6%
270112	Bituminous coal, whether or not pulverised but not agglomerated				66.36	66.08	212.76	1.2%
720839	Hot roll iron/steel nes, coil. >600mm x <3mm. 0.19.			32.27	50.13	185.66	168.55	1.0%
270400	Coke&semi-coke of coal,lignite o peat,agglomeratd o not,retort carbon	95.74		6.55			161.79	0.9%
310230	Ammonium nitrate, whether or not in aqueous sol in pack weighting > 10 kg	153.05	61.86	52.90			122.17	0.7%
851490	Parts of industrial or laboratory electric furnaces and ovens nes					2.81	91.13	0.5%
	Top ten imported						16,810.95	97.0%
	Total imports						17,334.11	

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
260300	Copper ores and concentrates			285.98	70.52		688.30	33.4%
720449	Ferrous waste and scrap, iron or steel, nes		369.16	374.29	542.32	258.49	556.16	27.0%
121190	Plants & parts of plants(including seeds & fruit) used in pharm,perf,insect etc nes	107.88	130.71	121.05	101.12	130.58	219.07	10.6%
270900	Petroleum oils and oils obtained from bituminous minerals, crude					1,093.87	217.77	10.6%
853620	Automatic circuit breakers for a voltage not exceeding 1,000 volts					30.92	77.78	3.8%
410210	Sheep or lamb skins, raw, with wool on, nes	195.65	158.54	113.19	135.10	147.66	75.62	3.7%
261000	Chromium ores and concentrates	3.68				214.49	58.52	2.8%
391590	Plastics waste and scrap nes				12.71	30.88	43.91	2.1%
121130	Coca leaf, fresh or dried, cut or not, powder or minced						21.10	1.0%
410621	Goat/kid tanned skins (including wet-blue), wet state, no wool on, whether or not split, not prep	3.01	5.67	2.76	4.68		17.49	0.8%
	Top ten exported						1,975.71	95.8%
	Total exports						2,062.16	

HS Code	Description	2003	2004	2005	2006	2007	2008	Share to total, in %
721420	Concrete reinforcing bars and rods, Hot-rolled, Hot-drawn, Hot-extruded	657.81	537.60	626.85	1,702.78	2,097.15	2,603.35	9.4%
190590	Communion wafers,empty cachets f pharm use&sim prod&bakers' wares nes	895.38	786.17	711.95	837.17	915.94	853.76	3.1%
760410	Bard, Rods and Profiles, Of aluminum, not alloyed	147.52	328.96	486.28	478.62	671.14	742.61	2.7%
730890	Structures&parts of structures,i/s (ex prefab bldgs of headg no.9406)	37.67	38.78	60.69	75.33	398.71	718.88	2.6%
271019	Light petroleum distillates nes	7.52	38.52	26.39	382.22	355.83	596.04	2.1%
620343	Mens/boys trousers and shorts, of synthetic fibres, not knitted	319.62	59.33	3.46	53.34	293.79	562.49	2.0%
610620	Womens/girls blouses and shirts, of man-made fibres, knitted	0.39	202.54	296.38	305.59	449.98	521.71	1.9%
760110	Aluminium unwrought, not alloyed	0.23	46.29	4.89	135.53	375.27	474.12	1.7%
190531	Sweet cookies	391.58	544.65	473.22	358.27	431.34	452.54	1.6%
382440	Prepared additives for cements, mortars or concretes	0.29		0.08	0.01	95.77	399.32	1.4%
	Top ten imported						7,924.82	28.5%
	Total imports						27,835.34	

Annex V**List of trade-related acts enacted during 2008**

Type of legal acts	No.	Date	Act
Directive of the Ministry of Finance (MF)	3	11.01.2008	For some additions and changes to the directive no 7, of 16.06.2003 "For excises", changed.
Council of Ministers' Decision (CMD)	10	04.01.2008	For supporting the agriculture production.
Law	9867	31.01.2008	For defining the regulation and procedures for trade of endangered wild flora and fauna species in international markets".
Joint Directive of MF and METE	8	14.02.2008	For procedures for reimbursement of excise duty for fuels used in the electrical energy manufacturing.
Law	9876	14.02.2008	For the manufacturing, transporting and trading of biofuels and other fuels, refurbished for transport use.
Ministry of Environment, Forestry and Water Administration Directive	3	12.03.2008	For service fees for fishery licensing.
MF Direction	14	02.04.2008	For some additions and changes in the directive no 3, of 30.01.2006 "On value added tax", changed.
CMD	391	21.02.2008	For declaring an Economic zone in Spitalle, Durres.
CMD	434	08.04.2008	For the approval of the list with numbers and appellations of Albanian harmonized standards, with a reference, for presuming of conformity of simple under pressure containers.
CMD	435	08.04.2008	For the approval of the list with numbers and appellations of Albanian harmonized standards, with a reference, for presuming of conformity of toys.
Law	9901	14.04.2008	For traders and trade organizations.
Law	9902	17.04.2008	For consumers' protection.
Law	9897	10.04.2008	For the change of law 9640, of 9.11.2006 "For the Chambers of Commerce and Industry.
MF Direction	17	13.05.2008	For value added tax.
State Aid Commission Decision	24	02.05.2008	For defining terms and procedures for reimbursement excise of fuels used in greenhouses with heating systems, for the production of industrial and agro industrial goods used for technological requirements of production.
State Aid Commission Decision	25	02.05.2008	For the plan that provides state aid for exemption from excise duty of fuels used in manufacturing of electric energy from thermal centrals with installed power over 5 MW.
CMD Decision	547	01.05.2008	For some changes and additions in CMD no 205, of 13.04.1999 "For customs code implementing provisions", changed.
Law	9916	12.05.2008	For an addition in law no 9723 of 03.05.2007 "For the National Registration Centre".

CMD	639	14.05.2008	For the structure, operation and definition of admission criteria for the assessment of necessary documentation and obligations of certifying bodies.
Law	9920	19.05.2008	For tax procedures in the Republic of Albania.
CMD	774	04.06.2008	For declaring an "Economic zone" in Vlora.
CMD	775	04.06.2008	For declaring an "Economic zone" in Shkodra.
CMD	776	04.06.2008	For declaring an "Economic zone" in Elbasan.
Law	9925	09.06.2008	For the adhesion of the Republic of Albania in the European Convention "For the custom regime of pallets used in international transportation".
Law	9932	09.06.2008	For some changes in law 8977 of 12.12.2002 "On tax system in the Republic of Albania", changed.
MF directive	18	18.06.2008	For some additions in directive no 17, of 13.05.2008 "On value added tax".
CMD	846	11.06.2008	For some additions in CMD no 306, of 24.05.2006 "On the approval of the materials and sport equipments" list to be exempted from custom duties, and exemption procedures.
Law	9937	26.06.2008	For the ratification of agreement between Republic of Albania Council of Ministers (CM) and Letonia government on the avoidance of the double taxation procedure and prevention of fiscal evasion related to income taxes and capital.
Law	9938	26.06.2008	For the ratification of agreement between the Republic of Albania CM and Slovenia government on the avoidance of the double taxation procedure and prevention of fiscal evasion related to income taxes and capital.
Law	9943	26.06.2008	For some changes in law no 8438 of 28.12.1998 "For income taxes", changed.
Law	9944	26.06.2008	For some changes in law no 7928 of 27.04.1995 "On the value added tax", changed.
CMD	1023	09.07.2008	For the approval of annual report "For state aids during 2007".
Law	9947	07.07.2008	For industrial property.
Law	9948	07.07.2008	For the analysis of legal validity for creating ownership titles on the agriculture land.
Law	9950	10.07.2008	For the adhesion of the Republic of Albania in the amendments of The TRIPS agreement (trade aspects related to intellectual property).
CMD	1130	05.08.2008	For the addition in CMD no 205 of 13.04.1999 "For the approval of implementing provisions of customs code", changed.



MF directive	24	02.09.2008	For tax procedures in the Republic of Albania.
MF directive	26	04.09.2008	For national taxes.
Law	9982	08.09.2008	For some changes and additions in law no 9461 of 21.12.2005 "For commodities" nomenclature and custom tariffs", changed.
Law	9984	11.09.2008	For the ratification of the Memorandum of Understanding between The Republic of Albania and the European Community concerning The Republic of Albania membership in the EU Community program "Special program for Enterprise and Innovation (EIP) of the Competitiveness and Innovation frame Program 2007 - 2013".
Law	9981	08.09.2008	For the approval of custom tariffs levels.
Law	10000	29.09.2008	For the approval of "The agreement between the Council of Ministers of the Republic of Albania and the Council of Ministers of the Republic of Bosnia and Herzegovina on the avoidance of the double taxation on income and taxes and fiscal evasion.
Law	10001	06.10.2008	For some changes and additions to the law no 7908, of 05.04.1995 "For fishery and aquaculture", changed.
Law	10003	06.10.2008	For some additions and changes to the law no 7928, of 27.04.1995 "For value added tax", changed.
CM directive	no 1 / 2	22.09.2008	For some changes in directive no 1/1, 13.02.2008 of the Ministry of Agriculture, Food and Consumer Protection and the Ministry of Finance "For the implementation of the CMD no 10, 04.01.2008 "For supporting the agricultural production".
Law	10028	11.12.2008	For the adhesion of the Republic of Albania in "The International Agreement for Olive and Olive Oil".
Law	10041	22.12.2008	For a change in law no 9981, of 08.09.2008 "On the approval of custom tariffs' levels".
MF directive	17 / 4	26.12.2008	For some additions and changes in directive no 17, of 13.05.2008 "On value added tax".
CMD	1716	03.10.2008	For the organization and operation scheme of the General Directorate of Accreditation.

