
SUMMARY

1. During the period under review (2010-15), Albania's economic growth weakened up until 2013; since 2014, however, economic recovery appears to be under way. Per capita GDP reached around US\$4,562 in 2014, up from US\$4,086 in 2010. Inflation has been declining since 2010, reaching 1.6% in 2014 (down from 3.6% in 2010). The unemployment rate increased to 17.5% in 2014, up from 14.0% in 2010. The current account deficit increased to 12.9% of GDP in 2014, compared with 11.3% in 2010.

2. The Albanian economy is mainly driven by a growing services sector, which accounted for around 52.3% of GDP in 2014, up from 50.7% in 2010. On the other hand, the manufacturing sector remains small, contributing 5.6% to GDP in 2014. Agriculture accounted for around 47.9% of total employment in 2014, while its share of GDP was just around 14%. Thus, labour productivity in agriculture is lower than in other sectors.

3. Fiscal policy in 2014 was expansionary, with a growth of expenditure and a resulting increase in the budget deficit. Albania's monetary policy has been accommodative in recent years. The main objective of Albania's monetary policy is to achieve and maintain price stability. The Bank of Albania (BOA) aims at achieving this objective through targeting an inflation rate at 3% over the medium term. Albania has been operating under a floating exchange rate regime since 1992.

4. There have been no substantial changes to the Albanian institutional framework since its last review in 2010. Judicial reform remains one of the Government's key objectives, notably with a view to Albania's candidacy to the European Union, as this is one of the criteria closely monitored in that respect and several reforms have been adopted during the period under review.

5. The Ministry of Economic Development, Tourism, Trade and Entrepreneurship has overall responsibility for the formulation of trade policy. A number of other ministries and agencies have policy-making responsibilities in trade-related areas. The institutional framework of trade policy coordination is being revamped with the recent or ongoing establishment of three new bodies: the National Committee for Trade Policy Coordination and Facilitation, the National Economic Council, and the Investment Council.

6. A business and investment strategy has recently been adopted and is itself part of the wider national development and integration strategy, whose main aim is the integration in the medium term of Albania within the European Union. The business and investment strategy is therefore aligned with the EU industrial policy as reflected by the "Europe 2020" document and the South East Europe 2020 strategy. This strategy indicates that Albania's trade policy objectives are guided by WTO principles thereby guaranteeing the absence of quantitative restrictions on imports and exports (except in cases of environmental protection or assistance to fragile industries, cultural heritage, forestry and arms and ammunitions), export subsidies, any kind of tax on exports, and export bans.

7. Albania became a Member of the WTO on 8 September 2000. Its trade policies were reviewed for the first time in 2010. Albania grants at least MFN treatment to all its trading partners. Its process of ratification of the Trade Facilitation Agreement is under way. It has co-sponsored the EU proposal on the Information Technology Agreement. Albania has not been involved in any WTO dispute settlement proceedings as a complainant, defendant or third party. Since its accession, Albania has submitted numerous notifications covering various WTO topics.

8. Albania has not extended its network of free trade agreements since its last review; this network is composed of: the 2006 Central European Free Trade Agreement, a 2006 agreement with Turkey, and a 2009 agreement with the European Free Trade Association. During this period, it has also signed 12 economic and technical cooperation agreements. Albania is entitled to benefit from the GSP schemes of Canada, Japan, Norway, Switzerland, and the United States. In addition, since 2000, Albania (together with other Western Balkan countries) is eligible for preferential treatment in the EU market.

9. Albania's relationship with the EU remains governed by the 2009 Stabilisation and Association Agreement (SAA). Albania obtained the status of EU candidate country in June 2014.

In addition to the institutional structure of the SAA, joint working groups to prepare the accession process were established in September 2014. The accession negotiation monitors the approximation process in numerous trade-related areas notably: free movement of goods, free movement of workers, coordination of social security systems, right of establishment and freedom to provide services, free movement of capital, public procurement, company law, intellectual property law, competition policy, state aids, information society and media policy, agricultural policy, food safety and veterinary and phyto-sanitary policy, fisheries, transport policy, energy, taxation, statistics, social policy and employment, enterprise and industrial policy principles, trans-European networks, environment, consumer and health protection and customs union.

10. Many issues related to investment have been integrated into the business and investment development strategy for 2014-2020. The aims of this strategy are to achieve long-term sustainability of investment by promoting re-investment and expansion of existing investments, increasing the share of green-field and export-oriented investments and increasing the share of value-added and high-tech investment.

11. The investment regime has been revamped in 2015 by a new law on strategic investment, which foresees new and reinforced fiscal, administrative, and procedural incentives for both national and foreign investors. This law defines as strategic the following sectors: energy and mining, transport, infrastructure, electronic communications and urban waste, tourism, agriculture and fisheries. Investments in the "areas of technology and economic development" are also defined as strategic investments under the law.

12. In terms of licensing for both national and foreign investors, Albania adopted a single-window system in 2009. A reform to eliminate or alleviate many licensing requirements is under way. Albania has adopted an e-registration system for businesses operational since February 2015. Public-private partnerships are allowed in many sectors, essentially infrastructural sectors, and their legal framework was revised in 2013 so as to reinforce the administrative capacities of the Albanian authorities to manage such partnerships.

13. In Albania, international arbitration decisions related to foreign investments are final and irrevocable for the parties in dispute. Albania has 42 bilateral investment treaties in force and signed 7 such agreements during the period under review. Albania is also linked by double taxation agreements with 84 States.

14. A new customs code was adopted on 31 July 2014; certain sections of the code containing provisions on, *inter alia*, authorized economic operators, simplified procedures, and exemption from import duties have entered into force. The law was amended in 2015 to allow duty-free shops to be opened at land and maritime borders that are under the supervision and control of Customs. The authorities consider that the new customs code is in full compliance with EU legislation. Albania submitted its Category A notification under the Agreement on Trade Facilitation (TFA) on 10 September 2014.

15. The customs code specifies that the transaction value of imported goods should be the primary basis to determine customs value. Nonetheless, when a shipment consists of goods with different tariff classifications and treatment and this creates a considerable amount of work and expense, the customs authorities may decide to apply the same customs duties to all cargo based on the tariff subheading with the highest level of customs duty on import.

16. Albania has a relatively open trade regime underpinned by its extensive WTO commitments, and is not reliant on customs duties for government revenue. Albania's overall simple average MFN tariff declined to 4.2% in 2015 (compared with 5.2% in 2009), with the highest applied rate of 15%. The average applied tariff on agricultural products (WTO definition), at 8.7%, is higher than on non-agricultural products (3.0%). Its average bound tariff is 6.7%. All tariffs are *ad valorem*. Tariff quotas are applied to some imports from Turkey and the EU under preferential tariffs. Albania is a signatory to the Information Technology Agreement. Albania has taken no anti-dumping, countervailing, or safeguard measures since its accession to the WTO in September 2000.

17. Albania applies few non-tariff measures. Import prohibitions are imposed on products that are considered to be hazardous to public health. Import licensing is used mainly for SPS purposes,

security, protection of the environment, and compliance with obligations under international conventions. The Albanian SPS and TBT regimes essentially follow those of the EU. In September 2010, the National Food Authority was established; it is responsible for the control and enforcement of the legislation concerning food safety and consumer protection.

18. No export taxes are applied and licences must be obtained for only a few sensitive products. In 2015, a new law concerning technology and economic development areas was adopted.

19. Since Albania's previous review, there have been no major changes to legislation concerning the provision of incentives. The law forbids aid directly linked to export quantities or current expenditure linked to export activities, as well as aid contingent upon the use of domestic over imported goods. Special provisions apply for small and medium-sized enterprises. Competition policy is regulated by the law on competition protection, as amended in September 2010. The authorities state that the amendment is in line with EU legislation, although certain differences remain.

20. Albania is currently an observer to the WTO Agreement on Government Procurement. The law on public procurement was amended in 2012 and 2014 to further harmonize it with the EU directives in this area.

21. In 2014, Albania notified to the WTO that it does not maintain any state trading enterprises. Some state-owned companies were privatized during the period under review.

22. Some of Albania's intellectual property laws were amended during the review period to conform to EU directives: the law on industrial property was amended in 2013, the law on protection of the topography of integrated circuits in 2014, and the law on copyright and related rights in 2013.

23. Agriculture remains the main source of employment and accounted for an increasing share of GDP in recent years. The sector continues to be characterized by small and fragmented farms. Government policies to date have been focused mainly on rehabilitating infrastructure and assisting farmers through education, training, extension services, the transfer of knowledge, new practices, and technologies, and moving towards integration into the agricultural policies of the EU. In 2014, a new strategy for agricultural and rural development was adopted.

24. The exploration, exploitation and processing of minerals constitutes an important activity for the Albanian economy. Mining production is entirely in private hands. The regime is based on ten-year licences renewable once and granted after a tendering procedure. Of the 615 active licences, 33 were granted to foreign investors, notably for the production of chromium, copper, iron, nickel and limestone.

25. Albania is a producer and exporter of crude oil. The Government is planning to privatize Albpetrol, the state-owned company engaging in the development, production and trade of crude oil in 2016. Exploration and production permits are granted to private and *de facto* foreign companies in the form of "petroleum agreements" approved by the Council of Ministers for 5 years, extendable to 7 years for exploration and to 25 years for exploitation in the case of a discovery.

26. The production of gas in Albania was in decline until a recent discovery, which is still under evaluation. There is no importation of gas since Albania is not linked to the European network of pipelines. A new law, transposing the EU third energy package was adopted in September 2015.

27. Electricity production in Albania is essentially of hydro-electric origin. While Albania does not export electricity, it imports about one-third of its consumption from neighbouring countries. In practice, Albania's electricity sector operates mainly under regulated conditions. A new law adopted in April 2015 is aligned with the provisions of Directive 2009/72/EC (the so-called "third energy package") and addresses the liberalization of the electricity market, public service obligations, the unbundling of the transmission system, the powers of the national regulatory authority, the supply of electricity and customer protection.

28. Manufacturing *sensu stricto* represented 5.6% of Albania's 2014 GDP. The textile and leather/footwear sector accounts for the largest part (29.5%) followed by metal products, rubber and plastic products, and food processing. Albania's main manufactured imports are chemical products, fabricated metal products, and food beverages and tobacco.

29. Regarding telecommunications services, mobile phone subscribers represent around 93% of the total subscribers (including fixed telecommunications). The main mobile and broadband providers have a majority foreign ownership. The incumbent operator Albtelecom has a remaining state ownership share of 24%. Albania has undertaken extensive GATS commitments in telecommunications, reflecting its internal policy of complete liberalization. The adoption of a general authorization licensing regime in 2008 and the abolition of all remaining restrictions in 2013 are in line with the policy. Albania has an independent regulator and amended its basic law in 2013 so as to transpose the EU *acquis*. It has also adopted new regulations regarding facility sharing, local loop unbundling, and number portability. There is no universal service requirement; co-investment procedures and programmes with the mobile operator exist.

30. Financial services represented around 2.5% of GDP in 2014. During the period under review, the number of banks (16, of which 14 foreign controlled) remained stable. Around half of the assets of the insurance sector is under foreign control. Pension funds remain a marginal activity with six operators; there are no companies listed on the Tirana stock exchange. The activities of the securities market are concentrated on bonds. Albania has undertaken extensive GATS commitments regarding financial services. During the period under review, Albania reinforced its legislation in order to incorporate the Basel Committee's prudential principles, the Financial Action Task Force on Money Laundering's anti-money laundering recommendations and the EU *acquis*.

31. Maritime traffic in Albania remains relatively modest, although passenger traffic to Italy is quite sizable. Foreign interests have acquired a concession to operate the main port terminals for containers, bulk or passengers. There are no nationality or ownership conditions attached to the Albanian flag and foreign seafarers can be employed provided that their State of origin recognizes the Albanian seafarers' certificates. There is no cargo sharing, cargo reservation or support policy of any kind. National treatment applies for access to ports except for a rebate for the national flag in three minor ports. There are no restrictions on onshore activities and maritime auxiliary services.

32. Currently, there is no national air transport carrier; two start-ups have applied to establish one. Tirana airport, the only international airport, handled 1.8 million passengers in 2014. Foreign interests have acquired a concession for 20 years regarding its management. Albania has incorporated the EU ground handling directive into its laws. There are no restrictions on auxiliary air transport services covered by the GATS (selling and marketing, computer reservation services and aircraft repair and maintenance). There are no specific air cargo and air charter policies.

33. There are no restrictions on the establishment of foreign trucking companies. The licensing regulation is qualitative and there is no capacity or pricing regulation for freight. Albania has bilateral road transport agreements with about twenty countries; it benefits from the European Conference of Ministers of Transport's multilateral quotas. Albania has transposed the EU *acquis* on road transport.