



Investing in Albania

The New Albania

An Interview with His Excellency Fatos Nano, Prime Minister

EDITORS' NOTE "At first glance, Albania is a small country with a small market," Prime Minister Fatos Nano concedes, "but it is also the gateway to a regional market of 15 million inhabitants, and an important bridge between Western Europe and the Middle East." Accordingly, the country is an attractive destination for foreign investment, Nano believes, offering a range of benefits to investors. One of these is Albania's "free labor force, capable of adapting quickly and efficiently" to whatever task is required; another is the country's pristine coastline, stretching 500 kilometers "alongside the Adriatic and Ionian Seas" and representing significant prospects for tourism development. With visible additional opportunities in the underexploited energy sector, and elsewhere in Albania's burgeoning economy, "the list of foreign companies operating in Albania is growing every day," the prime minister reports, assisted by a brand-new legislative environment that is "moving ever closer to EU standards."



H.E. Fatos Nano

After 10 years as a university professor, Nano entered politics in March 1991, and was elected prime minister by parliament later that year. Since then, he has been reelected prime minister twice, and has occupied a number of other prominent political positions, including leader of the opposition and chairman of the Socialist Party of Albania. In 1993 Nano was imprisoned on false corruption charges, and was released during the riots of 1997. He holds a bachelor's degree in political economy and a Ph.D. in economics from the University of Tirana.

Albania has witnessed great progress since 1997. What are the principal opportunities and challenges facing your country over the short term?

Summarized in a single sentence, Albania's greatest challenge remains Euro-Atlantic integration, while the nation's biggest opportunity is its commitment to

meet this challenge. Albania has entered a new phase, in which integration is no longer just a dream. We are fully aware that integration implies continuous, difficult, and costly reforms, so we can bring modern standards to our country, our economy, and our society. I would like to emphasize the enormous progress Albania has achieved during the last 14 years, after 50 years of dictatorship and isolation from the rest of the world. In my opinion, Albania has both an advantage and a challenge in being, at the same time, a Balkan, Mediterranean, and European country.

The reality of today's world confirms the fact that opportunities have no connection to the classification of states and nations. More specifically, those states and nations that possess raw materials and keep the global economy alive are considered "developing countries," while others are considered "developed countries." Personally, I am among those politicians and stakeholders who believe that countries' opportunities are created and bolstered by the reformist resolve of the political ruling class: the determination to build a modern state based on the rule of law and an open market economy. The high pace of development witnessed in Albania over the last seven years is proof that my country's progress is guaranteed.

What are the main challenges presented by the process of Euro-Atlantic integration?

Albania is currently negotiating its Stabilization and Association Agreement with the European Commission, a process that began in January 2003. The negotiation rounds with the EU have proceeded normally, and we hope that they will end successfully within this year, in which case, we would sign the agreement early next year. Our objective is for Albania and other countries of the region to become an integral part of the larger European family on the 25th anniversary of the fall of the Berlin Wall. That would be a dream

come true for my people and me.

What can Albania offer foreign investors?

First, the development of our Euro-Atlantic connections, and the related benefits of political stability and sustainable development. It's true that, at first glance, Albania is a small country with a small market, but it is also the gateway to a regional market of 15 million inhabitants, and an important bridge between Western Europe and the Middle East. Regarding the internal market, it's important to emphasize that our entire legislation is new and contemporary, adopted in consultation with the European Union and with the assistance of our partners, the World Bank and the IMF. So we can offer investors a new, welcoming, and reassuring business environment, moving ever closer to EU standards. WTO [World Trade Organization] membership and free-trade agreements with all our neighbors are proof of the reliability of these opportunities.

Which are the most attractive sectors for investment?

Albania has made outstanding progress in consolidating its entrepreneurial class. Yet, being a relatively a small country, it still needs foreign direct investment. Accordingly, my message to foreign investors is "Welcome to Albania." We are the most hospitable country for capital and entrepreneurship. Albania now has a free labor force, capable of adapting quickly and efficiently to producing handicrafts, construction, assembly lines, or whatever else is needed.

Albania satisfies 98 percent of its electrical-energy needs through its own hydroelectric sources. Nevertheless, the country currently harnesses only 30 percent of its hydroelectric potential. Additionally, Albania has more than 500 kilometers of coastline alongside the Adriatic and Ionian Seas, still untapped and steadily becoming part of the tourist routes of the Mediterranean. Furthermore, Albania ensures free and honest competition, and the protection of investments through an institutional and legal infrastructure that meets European standards. For these reasons and others, the

list of foreign companies operating in Albania is growing every day.

The Albanian economy is making a difficult transition to a free-market model. What is your view of Albania's current economic situation, and how will it change in the future?

I would like to share not only my assessment of the economic performance, but also that of international institutions. They believe that Albania's economic progress has been extraordinary. Only 12 years ago, the Albanian economy was entirely state controlled. Today, more than 70 percent of the GDP comes from the private sector. Our GDP has grown at an average annual rate of 7 percent over the last 12 years, which is one of the highest growth rates in Europe, while inflation has been kept under control and has never gone above 3.5 percent in the last seven years. In addition, GDP per capita has increased three times since 1996. Individual savings in banks has also grown three times over that period, as has the number of new flats and houses and the salaries and pensions of public servants. Salaries and pensions in the private sector have increased 10 times over the same period.

However, the best indicator for the sustainable growth of the Albanian economy is the increasing presence of foreign direct investment. Leading global companies such as Lockheed Martin, Siemens, Vodafone, and others are already operating in Albania. Only a few months ago, Raiffeisen Bank bought the entire portfolio of the Savings Bank of Albania, which was the last state-owned bank. General Electric and Club Med have initiated procedures to invest in the railway infrastructure and in the tourism industry. The future of the Albanian economy looks stable and safe, thanks, in part, to the presence of such large global players.

What role have international financial institutions played in Albania's transition to a market economy?

International financial institutions have played a remarkable role in the progress of the Albanian economy. Fourteen years ago, there was no private property and no private businesses in Albania, and, consequently, there was no legal, institutional, or market framework that conformed to modern world standards. International financial institutions have helped Albania to set in motion and consolidate the application of those standards. These institutions were never commanding or overbearing; rather, they have been useful and effective partners. However, I can't deny that I would like to see their role and purpose in Albania under a different light. I am sure this will happen when the Albanian economy has fully conformed to the modern standards of the market. So, we are working closely with international institutions in order to bid them a metaphorical farewell. That day

would put the seal of quality assurance on Albania's overall performance.

Your government has shown a strong commitment to fighting corruption, unnecessary bureaucracy, and unemployment. What concrete steps have you taken against corruption?

Many NGOs [nongovernmental organizations] specializing in corruption issues have emphasized that this phenomenon hinders Albania's growth. Naturally, this is a correct conclusion, but I find it rather exaggerated, because Albania's growth indexes have reached higher levels than those in any other Eastern European country. I am not trying to deny the existence of corruption, but its extent and effects in Albania are smaller than has been reported by some NGOs.

We have initiated a number of legal and institutional steps to create a framework to pin down and penalize corruption. A complete set of new laws, including laws against the mafia and money laundering, is being implemented. We also have a law on assets declaration, which means that every Albanian citizen can be informed what's in my bank account, and this goes for more than 4,500 other high officials as well. This law has created a unique global model for a transparent anticorruption strategy.

What has your government done to combat trafficking, an issue that has given Albania a negative image in the EU?

Trafficking is related to our integration processes, and it is an internal issue that could negatively impact the healthy future of our country. This is because considerable and rapid profits from trafficking represent the worst model of getting rich for the people of our country, who need to work hard to recover from 50 years of communism. Also, trafficking provides financing to crime and terrorism, so the commitment of the Albanian government to fight this phenomenon is indisputable.

I would like to emphasize that my government has finally eradicated human trafficking, a threatening industry that generated more than \$100 million per year in illegal income. It was practiced using boats in the Otranto Canal between Albania and Italy. The definitive closing of this criminal route brought into light the true identity of the perpetrators. The motto of the government I lead in the battle against crime is: "Organized justice against organized crime!" Our international partners have appreciated the progress we have achieved, and, last year, Albania was removed from the list of countries that threaten Europe through trafficking.

In general, how does Albania contribute to stability in the Balkans?

I will answer this question from an external perspective, because I find it more credible. Important policy-making institutions, in Brussels and Washington, DC, which represent the cadre of our

geopolitical orientation, very much appreciate Albania's regional policy. I emphasize that Albania is surrounded completely by Albanians, who have been part of other state infrastructures for a long time. Over the last few years, these Albanians have been protagonists in various conflicts. However, we have never misused our ethnic potential. Let us analyze the last two crises in the region, in Macedonia and Kosovo last March. In both cases, our foreign policy was clearly deployed for the good of peace and stability in the region, leaving behind the small-minded interests of this or that nationalism. I have said many times, and I am repeating here, our vision is clear: The final goal for all the countries in the region, without exception, is to be part of the EU – not Great Albania, Great Serbia, Great Macedonia, or any other old wives' tale prepared in the nationalistic kitchens of the Balkans. Only this perspective will bring an end to the paradox of seven capitals in five states.

The process of globalization brings with it extraordinary possibilities, but also threats for small countries such as Albania. How is Albania reacting to globalization?

In my opinion, global realities can be faced only if you engage in those realities. In this process, of course, a lot of problems can arise. We are prepared to face the challenges of globalization because we recognize the advantages and the disadvantages for our country and our partners. For example, Albania has signed – and is implementing – seven bilateral free-trade agreements with neighboring countries. As a result of this commitment to opening up to competition, Albanian agricultural exports to these countries have grown 20 times. Personally, I think that globalization doesn't minimize the local advantages of a country, as long as development policies take into account the necessity to open up the economy and integrate into global trends.

Your political history is particularly colorful. You have been prime minister three times, and have also spent four years in prison.

That is true. When others were rushing to form anticommunist parties – which I could also have done very easily, as I was well-known for my liberalism – I decided to give myself a different mission: to reform the former Communist Party. I had always been convinced that there were a large number of honest, patriotic, and progressive people in this Stalinist party, which has been deeply reformed and renamed the Socialist Party of Albania. They had chosen that affiliation because of their engagement in the antifascism movement during World War II, and were therefore substantially progressive and antitotalitarian. So, a transformation took place within the party, and I am proud that, after seven years in power, we remain the most progressive and the most popular political force in the country. ●