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Trade policy

Effective trade policy is vital for regional integration and alignment with the European Union. This chapter examines how Western Balkan governments use trade policy to ease market access and harness digitalisation for enhanced trade facilitation. The first sub-dimension, trade policy framework, assesses the government's ability to formulate, implement and evaluate trade policy, examining the institutional formulation and co-ordination of trade policy, public-private consultations and the network of free trade agreements. The second sub-dimension, digital trade, focuses on the legal framework for digital trade policy and digital trade facilitation and logistics. The third sub-dimension, export promotion, explores the effectiveness of export promotion agencies and programmes, especially in the context of deepening regional integration.

Key findings

Albania's performance considerably improved in the trade policy dimension, remaining among the best-performing economies in the Western Balkan region. The economy's score increased from 3.3 in 2021 to 4.0 in the 2024 *Competitiveness Outlook* (CO) assessment. The progress was most notable in the areas of trade policy framework and digital trade. While export promotion was not covered under the 2021 assessment cycle, Albania has seen moderate progress in that area (Table 3.1).

Table 3.1. Albania's scores for trade policy

Dimension	Sub-dimension	2018 score	2021 score	2024 score	2024 WB6 average
Trade	2.1: Trade policy framework			4.8	4.4
	2.2: Digital trade			4.3	3.8
	2.3: Export promotion			3.0	3.6
Albania's overall score		2.8	3.3	4.0	3.9

The **key findings** are:

- Albania has improved its customs clearance times, with over 50% of importers completing the process in just two days. Similarly, the economy has relatively quick export clearance compared to others in the Western Balkans.
- Albania was one of the only Western Balkan economies to integrate new environmental measures in trade policy in 2022. While commendable progress has been made, there is a need for better monitoring and evaluation of environmental trade aspects, especially regarding the collection of trade-related environmental data.
- With the introduction of updated guidelines for conducting public-private consultations in 2021, Albania made considerable progress in improving stakeholder engagement and streamlining the process, while making it more participatory and inclusive.
- Albania has modernised customs and trade procedures by implementing electronic signatures, authentication and payment systems. These advances have streamlined processes, reduced administrative complexities, enhanced security, and increased the efficiency and reliability of cross-border transactions.
- Albania has significantly advanced in bolstering customer protection and safety in e-commerce, fortifying consumer interests through pertinent legislation.

State of play and key developments

Albania's overall trade performance has improved since 2021, with the economy exceeding pre-pandemic trade volumes. Albania's trade-to-GDP ratio¹ increased from 35.1% in 2018-20 to 36.9% in 2020-22. Albania's goods exports reached EUR 4.4 billion in 2023 (ALL 440.3 billion), while imports amounted to EUR 8.6 billion (ALL 872.6 billion) (INSTAT, 2024^[1]). Fifty-four per cent of Albania's overall exports are categorised as re-exports after processing, indicating active engagement of Albanian companies in global value chains (WTO, 2023^[2]). Since the last assessment cycle, there has been a notable increase in trade in services. In 2022, Albania saw a 30% surge in services trade surplus, which amounted to 13% of GDP (European Commission, 2023^[3]). Boosted by the tourism sector, Albania's services' export amounted to EUR 4.6 billion (USD 5 billion) in 2022, compared to EUR 2.3 billion (USD 2.5 billion) in imports in 2020 (WTO, 2023^[4]; 2021^[5]).

While the European Union remains the primary trading partner, accounting for 72.6% of Albania's total trade in 2022 (slightly down from 74.7% in 2020), the economy has further diversified its merchandise export partners since 2020 – most notably, Albania has forged stronger trade ties with other Western Balkan economies. The share of the country's exports to Montenegro and North Macedonia rose during the same period to 7.9% and 5.5%, respectively, in 2022 (WTO, 2023^[4]).

Albania's diversified trade linkages helped the economy in navigating the trade disruptions resulting from the Russian war of aggression against Ukraine. In contrast to other Western Balkan economies, Albania has had limited trade exposure to Russia, with merchandise exports to Russia at less than 0.001% of its trade in 2021, and imports at 1.88% (World Bank, 2023^[6]). Although Ukraine and Russia serve as crucial suppliers of seed oil and cereal as well as fertilisers, Albania has managed to maintain a consistent supply, albeit at increased costs.

Sub-dimension 2.1: Trade policy formulation

Since 2021, Albania has bolstered its trade **policy formulation framework**, having adopted an overarching strategy and clarifying government unit responsibilities. The National Strategy for Development and European Integration 2021-30 was approved in February 2023. The Ministry of Finance and Economy, in collaboration with the National Trade Facilitation Committee (NTFC), co-ordinates trade policy. Notably, the ministry underwent restructuring in August 2022, leading to the establishment of the new Directorate of Foreign Trade Affairs.²

Albania continued to successfully implement its commitments as per the WTO Trade Facilitation Agreement as well as regional-level trade integration measures. The Central European Free Trade Agreement's (CEFTA) Action Plan for the Common Regional Market (CRM) 2020-24 approved by the leaders of six Western Balkan economies in November 2020 is designed to bolster trade collaboration among Western Balkan economies by diminishing trade barriers. Similarly, the National Trade Facilitation Committee's Action Plans for 2017-20 and 2021-23 have seen the successful implementation of measures with most objectives accomplished, particularly concerning the execution of the CEFTA's Additional Protocol 5 on Trade Facilitation and the implementation of the WTO Trade Facilitation Agreement, for which 98% of commitments are reported as implemented at the beginning of 2023 (WTO, 2023^[2]). In addition, in December 2021, Albania, together with 69 other WTO Members, concluded negotiations on the Joint Initiative on Services Domestic Regulation³ and subsequently submitted the improved schedules of services commitments⁴ under the WTO General Agreement on Trade in Services in December 2022. The new disciplines on services domestic regulations entered into force in February 2024 during the 13th WTO Ministerial Conference. The new disciplines will ease regulatory measures related to licensing and authorisation requirements, qualifications requirements and technical standards while boosting regulatory transparency and predictability. The disciplines also include a first-ever provision ensuring that authorisation measures do not discriminate based on gender. These new disciplines on services domestic

regulation are estimated to lower trade costs by up to EUR 137.1 billion (USD 150 billion) annually (OECD, WTO, 2021^[7]). When adopted, the implementation of these rules is poised to yield broader trade advantages for the Albanian economy, fostering an increase in services trade and enhancing the economy's integration into global value chains (OECD, WTO, 2021^[7]).

Furthermore, as the only economy in the Western Balkan region to do so, Albania has been integrating sustainability objectives in trade policy formulation. In June 2022, the Ministry of Finance and Economy, in collaboration with the Ministry of Tourism and Environment, implemented new trade-related environmental measures, effectively banning imports and production of plastic bags.⁵ Furthermore, Albania formally submitted its acceptance of the WTO Agreement on Fisheries Subsidies. Albania's acceptance brings the agreement closer to entry into force, once ratified by two-thirds of WTO membership. By accepting the Agreement on Fisheries Subsidies,⁶ upon entry into force, Albania will effectively ban subsidies associated with illegal, unreported and unregulated fishing, the exploitation of overfished stocks, or fishing activities in unregulated high seas, which already aligns with Albania's established policy for fishing within its exclusive economic zones.

Despite the economy's progress on integrating environmental sustainability into its trade policy formulation mechanisms, room for improvement remains in adequate monitoring and evaluation. This is especially so with regard to collecting data on environmental aspects of trade, such as emissions generated by trade activities, trade involving environmentally relevant goods, and assistance provided to both fossil fuels and renewable energy. Currently, Albania is unable to assess the impact of trade activities on the environment.

Driven by the government's new guidelines, Albania has seen some advances in the **public-private consultation** process, prioritising interministerial co-ordination and inclusive stakeholder consultations. The new guidelines – implemented in 2021 – offer instructions on the tools and methodologies for effective public-private consultations but also broaden the scope of public engagement to encompass Decisions of the Council of Ministers. This concerted effort aligns different layers of governance, promoting a cohesive and integrated approach to decision making and trade policy formulation that actively involves diverse stakeholders. Effective implementation of these guidelines will be crucial to further Albania's public-private consultations process.

Since the last assessment cycle, the scope of the public-private consultations was also broadened to include policies pertaining to trade in services, namely the implementation of CEFTA's Additional Protocol 6.⁷ This broader scope showcases a more inclusive and integrated approach to trade policy formulation, in line with Albania's CEFTA commitments on harmonising and liberalising trade in services.

The monitoring and evaluation of public-private consultations have also improved. Previously conducted on an ad hoc basis, the monitoring process for public consultations now follows a more structured approach. The centre of government issues regular reports on the public consultation process, publishing them semi-annually and annually. In parallel, individual institutions promptly generate and release their semi-annual and annual performance reports on the same e-consultation platform. All the reports are openly accessible to the public and also downloadable, facilitating dissemination.

Sub-dimension 2.2: Digital trade

Albania has a comprehensive **policy framework for digital trade**. Oversight of e-commerce regulations is within the purview of the Commissioner for Consumer Protection, situated under the Ministry of Finance and Economy (MOFE). To promote the growth of e-commerce, in 2022 MOFE established a cross-functional task force that includes representatives from various ministries and government bodies. This task force works in close partnership with the newly formed Albanian E-Commerce Association (AECA) and the German Development Cooperation (GIZ), enhancing co-operation between agencies and drawing upon global best practices and expertise. The main goal of the task force is to draft the 2024-26 Action

Plan “For the facilitation and development of Electronic Commerce in the Republic of Albania”, which was in the final stage of revision at time of writing.

Albania continued to align with relevant EU regulations on e-commerce. In June 2021, the economy has transposed the EU Regulation 2018/644⁸ on cross-border parcel delivery services and incorporated it into Albanian legislation.⁹ The Law tasks the Electronic and Postal Communications Authority with regulating parcel delivery services, covering tariff transparency, cross-border service assessment and identification of prohibitive tariffs, and specifying information for consumers on cross-border parcel delivery services. Transposing this legislation makes the cross-border parcel delivery process more transparent and streamlined, thereby facilitating cross-border e-commerce and deepening Albania’s regional integration.

Albania has made considerable progress in strengthening customer protection and safety in e-commerce and safeguarding consumer interests in relevant legislation. The government has defined the specific information that online retailers are obligated to provide to their customers. Moreover, to further encourage companies to use e-commerce sales channels, the gradual implementation of essential legislation streamlines electronic payment processes. The government has also mandated that all logistics providers regularly and transparently publish their tariffs, aiming to enhance competition and reduce the costs associated with cross-border parcel delivery.

On top of improving the legal framework for digital trade, the economy also intensified its efforts to engage more companies, especially small and medium-sized enterprises (SMEs), in e-commerce. The Albanian Investment Development Agency (AIDA), whose mandate includes development of and assistance for SMEs, recently released an e-commerce guide in Albanian, offering a readily available resource for local businesses. This guide assists entrepreneurs in assessing the advantages and drawbacks of setting up an online sales platform. It showcases real success stories from businesses and offers hands-on recommendations on initiating e-commerce endeavours.

Albania continued to implement **digital trade facilitation measures**, with some still in the planning stage. Coupled with Albania’s continued implementation of CEFTA’s Additional Protocol 5 on trade facilitation and Additional Protocol 6 on services, applying and extending the scope of digital trade facilitation measures contributed to improvement in the OECD Trade Facilitation Indicators (TFI) 2022 (Figure 3.1). Since the last TFI assessment in 2019, Albania has implemented an electronic signatures and authentication system, electronic payment of customs duties, and specific trade facilitation measures for authorised operators. Through the integration of these electronic systems and technologies, Albania has modernised its customs and trade procedures, alleviated administrative complexities, bolstered security measures, and expedited cross-border transactions with greater efficiency and reliability (Box 3.1).

Albania aims to introduce the New Computerised Transit System (NCTS) to further streamline customs procedures and align them with EU standards. The system is expected to be introduced between 2025 and 2026. While Albania’s customs regulations closely adhere to the EU *acquis*, the imposition of scanning fees for every customs declaration remains in contradiction to the Stabilisation and Association Agreement, which explicitly prohibits customs duties or any charges that could have a similar impact on trade between the EU and Albania (European Commission, 2023_[3]). Furthermore, the preparatory groundwork for establishing a National Single Window (NSW) advanced through collaborative efforts with international experts and public consultation processes. Legal analysis has been conducted, and procurement procedures have been concluded as part of this ongoing process.¹⁰ The NSW is foreseen to be operational by the end of 2025. Implementing an NSW in Albania would contribute to a more efficient, transparent, and business-friendly trade environment, benefiting both government agencies and the business community involved in cross-border trade (World Customs Organisation, 2017_[8]).

Albania uses an electronic customs declaration system, electronic signatures and authentication, electronic payment of customs duties and electronic exchange of sanitary and phytosanitary (SPS) certificates. By integrating these electronic systems and technologies, Albania modernised its customs and

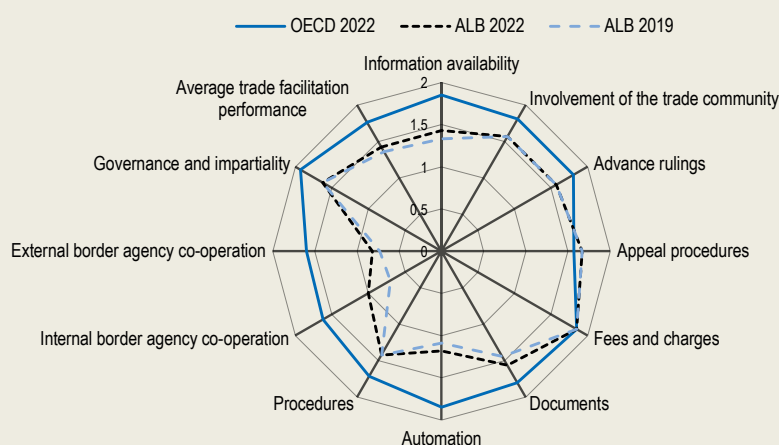
trade processes, reduced administrative burdens, enhanced security, and facilitated faster and more reliable cross-border transactions. Albania now boasts the fastest customs clearance for imports in the region; over 50% of importers can complete the clearance process in as little as two days. Similarly, Albania has the quickest export clearance in the Western Balkans, with the procedures taking less than two days on average (Balkan Barometer, 2022^[9]).

The Customs Administration has streamlined import-export procedures, significantly cutting processing times for customs declarations. Currently, the administration provides 34 online services, modernising and digitalising customs processes (Albanian Customs Administration, 2022^[10]). The Customs Authority actively collaborates with UNCTAD and receives support from CEFTA and GIZ to implement pre-arrival processing at border points. This co-operative effort aims to enhance efficiency and effectiveness in customs operations. Additionally, the economy has established transit facilitation agreements, notably a recent one with the Albanian Post.¹¹

Box 3.1. Albania's performance under the OECD Trade Facilitation Indicators 2022

To assist governments in streamlining their border procedures, reducing trade costs, increasing trade volume, and deriving greater advantages from international trade, the OECD has formulated a set of **Trade Facilitation Indicators (TFIs)**. The TFIs also serve as a tool for economies to visualise the status of policy implementation across different areas and measures outlined in the WTO Trade Facilitation Agreement (OECD, 2022^[11]). The agreement, which came into effect on 22 February 2017 following ratification by two-thirds of WTO members, includes provisions aimed at accelerating the movement, release, and clearance of goods, including those in transit. Additionally, the Trade Facilitation Agreement (TFA) outlines measures for fostering effective co-operation between customs and other relevant authorities on matters related to trade facilitation and customs compliance. The agreement also incorporates provisions for technical assistance and capacity building in this domain.

Figure 3.1. OECD Trade Facilitation Indicators



Notes: These indicators pinpoint areas for improvement and enable the assessment of potential reforms' impact. Covering a comprehensive range of border procedures, the OECD indicators apply to over 160 countries, spanning various income levels, geographical regions, and developmental stages. Utilising estimates derived from these indicators allows governments to prioritise trade facilitation initiatives and strategically channel technical assistance and capacity-building efforts for developing nations.

Source: OECD (2022^[11]).

Since 2019, Albania improved in the areas of: information availability, involvement of the trade community, appeal procedures, fees and charges, simplification and harmonisation of documents, automation, streamlining of procedures, and internal and external border agency co-operation. Albania exceeded the OECD area average in appeal procedures and reached the OECD level in fees and charges. In 2022, Albania also outperformed the other assessed Western Balkan economies in three of eleven areas covered by the TFIs: information availability, appeal procedures, and fees and charges. While none of the scores has deteriorated since the last TFI assessment, some remained stagnant: involvement of the trade community, advance rulings, appeal procedures, fees and charges, procedures and governance and impartiality.

In the area of adherence to international standards and WTO agreements on digital trade facilitation, compared to other Western Balkan economies Albania positioned itself as a leader, second only to Montenegro, having ratified or adhered to eight international instruments for digital trade. Albania participates in the WTO Joint Statement Initiative (JSI) on E-Commerce, and is also one of the only economies (together with Montenegro) that adhered to the WTO Information Technology Agreement. On a most-favoured-nation basis, the Agreement removes tariffs for a broad range of IT products, including computers and telecommunications equipment. However, looking beyond the Western Balkans, Albania still has not adopted or adhered to many of the instruments relevant to the policy areas covered by the JSI. For instance, Albania has yet to ratify the leading instruments on electronic transaction frameworks, such as the legally binding UN Electronic Communications Convention and non-binding United Nations Commission on International Trade Law (UNCITRAL) Model Law on Electronic Commerce. These tools encourage standardisation of national laws and regulations governing e-commerce transactions. The Convention and the Model Law establish three essential principles for e-commerce legislation: non-discrimination, technological neutrality, and functional equivalence between electronic communications and traditional paper documents (OECD, 2021^[12]). Despite existing legislation in place for consumer protection in e-commerce, Albania has not adhered to the OECD Council Recommendation on Consumer Protection in E-commerce to safeguard consumers involved in digital trade. Adherence would help to ensure conformity with the highest standards of consumer protection.

However, despite progress on facilitating digital trade, there is no recognised certification authority issuing digital certificates to traders to conduct electronic transactions. The presence of a reputable certification authority would help to build trust among traders and other stakeholders. Digital certificates serve as a trusted credential, instilling confidence in the integrity and authenticity of electronic transactions. Similarly, Albania has not implemented the electronic application and issuance of import and export permits. Electronic exchange of customs declarations is still in the planning stage, while electronic exchange of certificates of origin has not been introduced (United Nations Regional Commissions, 2023^[13]).

Table 3.2. OECD Digital Trade Inventory

	Albania	Description	Albania's adherence
E-transactions framework	JSI Participant	WTO Joint Statement Initiative comprises discussion on trade-related aspects of e-commerce, including cybersecurity, privacy, business trust, transparency, and consumer protection.	✓
	UN Electronic Communication Convention	Convention encourages standardisation of national laws and regulations governing e-commerce transactions.	✗
Consumer protection	The OECD Recommendation on Consumer Protection in E-commerce	The OECD Recommendation on Consumer Protection in E-commerce provides guidelines and recommendations for member countries to enhance consumer protection in the context of electronic commerce. The recommendations typically cover various aspects of online transactions to ensure that consumers can engage in e-commerce with confidence and trust.	✗
Paperless trading	WTO Trade Facilitation Agreement	The Trade Facilitation Agreement (TFA) includes clauses aimed at accelerating the transit, release, and clearance processes for goods, encompassing those in transit, and outlines measures for fostering efficient collaboration between customs and relevant authorities concerning trade facilitation and customs compliance matters.	✓
Cross-border data transfer/privacy	Convention 108	Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data is the first legally binding international treaty dealing with privacy and data protection.	✓
	2001 Additional Protocol to the Convention	The Additional Protocol reinforces the protection of individuals' rights in the context of automated processing of personal data and encourages international co-operation on privacy and data protection matters.	✓
	Convention 108+	2018 Amending Protocol to Convention 108 updates the provisions on the flow of personal data between signatories.	✓
Cybersecurity	The Convention on Cybercrime of the Council of Europe (Budapest Convention)	An international treaty aimed at addressing crimes committed via the Internet and other computer networks. It serves as a framework for international co-operation in combating cyber threats and promoting a harmonised approach to cybercrime legislation.	✓
Telecommunications	WTO Telecommunications Reference Paper	The WTO Telecommunications Reference Paper serves as a framework that encourages fair competition and promotes the liberalisation of the telecommunications sector, providing guidelines to facilitate open markets and promote efficient global communication services.	✓
Goods market access	The Information Technology Agreement	The Information Technology Agreement, on a most-favoured-nation basis, removes tariffs for a broad range of IT products, including computers and telecommunication equipment.	✓
	Updated ITA concluded in 2015	Covers the expansion of products included in the Information Technology Agreement by eliminating tariffs on an additional list of 201 products.	✓

Source: OECD (2021_[12]).

Sub-dimension 2.3: Export promotion

Albania has a well-developed institutional framework for export promotion, with the Albanian Investment Development Agency as the **export promotion agency** responsible for its implementation. Like many Western Balkan export promotion agencies, AIDA operates with a comprehensive mandate that extends beyond export promotion to encompass various facets of economic development. This includes the

facilitation of both inward and outward foreign investments, the promotion of domestic investments, the development of SMEs, and the advancement of regional development initiatives.

Within the realm of export promotion, AIDA's primary objective is to foster the expansion of Albania's presence in international markets. This involves strategic efforts to penetrate new export markets and showcase the capabilities of domestic brands.

The government created an interministerial and inter-agency working group to draft the Programme "For Promoting Exports and Internationalization 2024-27",¹² demonstrating a strong co-ordination mechanism and broad inter-institutional co-operation in formulating export policies. The group is chaired by the Deputy Minister of Finance and Economy and involves 21 members, including three from AIDA.

AIDA actively facilitates and co-ordinates the involvement of companies in both domestic and international trade fairs, thereby providing a platform for businesses to showcase their products on a global scale. In its efforts to boost exports, the agency strategically focuses on key sectors, including the agro-processing industry, leather and textile sectors, and tourism. This constitutes progress since 2018, when AIDA lacked a strategic sectoral orientation (OECD, 2018^[14]).

More efforts are needed to diversify the economy's export base. Albania's export sector is predominantly dependent on products characterised by modest technological content and lower added value. This includes items such as garments and leather products, where the economy possesses a competitive advantage, alongside minerals, metals, and agro-food products (OECD, 2019^[15]). While the Business Development and Investment Strategy (2021-27) seeks to pinpoint the primary factors contributing to a competitive advantage through in-depth sectoral assessments to identify higher value-added exports, little progress has been made in assisting companies to shift to more sophisticated exports. Placing more emphasis on digitalisation of export promotion services could help to diversify Albania exports and deepen the economy's integration into global value chains. While the e-Albania¹³ initiative has successfully digitalised numerous government services and streamlined access to support programmes, AIDA itself is lacking in terms of creating digital solutions and tools to overcome information barriers and build capacity to switch to higher value added exports (OECD, 2022^[16]).

Despite its commitment to export promotion, AIDA's support services for exporters are primarily centred on capacity building, with limited targeted assistance for SMEs. Given that SMEs constitute 99.8% of active enterprises in Albania, tailoring assistance specifically to SMEs that have not yet started exporting could facilitate their international market entry (INSTAT, 2021^[17]).

While Albania advanced its legal framework for export promotion, little progress was made in improving AIDA's implementation capacity. The number of staff allocated to export promotion activities went from 3 in 2018 to 4 in 2022. Similarly, the ratio of AIDA's budget to the total value of exports in the economy went from 0.0113% to 0.0005% in that same period. Allocating more resources to AIDA to effectively execute its export promotion mandate would positively contribute to the economy's export volumes. A recent study indicates that a 1% increase in the budget allocated to export promotion translates to a 0.074% exports volume growth and a 0.065% GDP increase (International Trade Center, 2016^[18]).

Export promotion programmes primarily rely on funding from international donors, who contribute financial support and offer technical assistance to exporters. However, the implementation capacity of AIDA in export promotion programmes is constrained by its broad mandate. Despite these challenges, potential programme beneficiaries stay well informed about AIDA's activities through its dedicated website, email communications, and social media channels. Notably, prospective beneficiaries must adhere to specific environmental criteria to participate in these programmes. To ensure efficacy, export promotion initiatives undergo thorough monitoring and evaluation, with adjustments made based on the results outlined in annual reports. This reflects a commitment to policy evaluation and performance assessment.

Apart from a potentially limited reach of Albania's export promotion efforts that fail to specifically target exporters, 55% of companies are not generating any revenue from exports in 2022, which may also be attributed to other factors influencing low export performance. These factors could include challenges related to market access, trade barriers, insufficient diversification of products, or inadequate competitiveness on the international stage. The statistics indicate a decrease from 2019, when 60% of companies reported generating none of their revenues through exports, suggesting a need for a comprehensive assessment of the various impediments hindering export growth in the economy (AmCham Albania, 2019_[19]).

Overview of implementation of Competitiveness Outlook 2021 recommendations

Albania made considerable strides in implementing CO 2021 Recommendations (Table 3.3). Strong progress was achieved in strengthening trade policy formulation framework and its co-ordination mechanisms, establishing monitoring and evaluation guidelines for public-private consultations, and improving stakeholder participation and inclusivity in the trade policy-making process. Nevertheless, room for improvement remains in establishing a robust strategy for digital trade.

Table 3.3. Albania's progress on past recommendations for trade policy

Competitiveness Outlook 2021 recommendations	Progress status	Level of progress
Monitor and evaluate trade policy-making co-ordination mechanisms to guide policy makers in improving co-ordination and boosting consultation with an increased number of stakeholders. Also ensure that the mechanisms can be adjusted based on evaluation results	Albania further strengthened its policy formulation framework, which includes a dedicated ministry and a specialised department within the ministry - Directorate of Foreign Trade Affairs, which has been established in August 2022. It holds the mandate of formulating, overseeing, and facilitating policies aimed at enhancing the business and investment environment. Furthermore, it is entrusted with the development of trade policies within the context of the economy's integration into the European Union. The Directorate collaborates closely with a wide array of stakeholders to ensure a participatory approach in trade policy formulation. The institutional co-ordination mechanism remains unchanged, with the Ministry of Finance retaining its role as the main co-ordinating body. Adjustments to the co-ordination mechanism for trade policy formulation are being driven by the results of previous evaluations.	Strong
Establish mechanisms for evaluating and monitoring public-private consultations to regularly assess their degree of openness and transparency	Starting in 2021, notable enhancements have been observed in the process of public-private consultations. The government has introduced updated guidelines that not only offer practical instructions regarding consultation tools, methodologies, stakeholder mapping and focused consultations, but also extend the range of public consultations to encompass Decisions of the Council of Ministers. Furthermore, these guidelines establish a framework for ensuring the seamless co-ordination of the consultation process with other mechanisms, including advisory bodies, consultative councils, integrated planning management groups, and sectoral steering committees.	Strong
Implement a policy to increase stakeholder participation: invite stakeholders who may be reluctant or unaware to become more involved in the legislative and regulatory process for trade, and build their capacity to participate	By publishing the updated guidelines for conducting public-private consultations, Albania made considerable progress in increasing stakeholder participation. At the time of writing there are 883 stakeholders registered on the e-consultation platform, up from 870 in August 2022. The new guidelines mostly follow the approach of the 2023 EU Better Regulation Guidelines on stakeholder consultations.	Strong
Finalise the e-commerce action plan	In 2022, the Ministry of Finance and Economy took steps to foster the expansion of e-commerce by forming an interdisciplinary working group, comprising diverse ministries and government entities. Collaborating closely with the Albanian Electronic Commerce Association and GIZ, they aim to bolster co-operation among governmental agencies and draw from international best practices and knowledge. The primary objective of this team is to draft the "2022-23 Action Plan for the Promotion and Advancement of Electronic Commerce in the Republic of Albania". While Albania does have a dedicated e-commerce law, it still lacks a solid strategy to lead the digitalisation of commerce.	Moderate

The way forward for trade policy

Despite Albania's notable progress, there is still room for improvement in trade policy. Aligning with international best practice requires focused efforts to refine policies, ensure regulatory compliance and strengthen institutional capacity. Ensuring close convergence with international and EU standards will require efforts in the following areas:

- **Start collecting data on environmental aspects of trade, such as data on the sustainability impacts of trade policies.** Doing so, governments can better understand the environmental consequences of their trade policies and practices. This can include the carbon emissions from trade activity, trade in environmentally related goods, and support to fossil fuels and renewable energy, as well as other negative environmental effects resulting from trade. It allows policy makers to assess the true environmental cost of trade. Promoting transparency, incorporating environmental trade data into policy making, and periodic assessments are key steps. Additionally, capacity building, public awareness campaigns, and support for sustainable trade practices should be integrated into the strategic policy framework. Collecting and utilising this data is pivotal to achieving a balance between economic growth and environmental sustainability, which would demonstrate Albania's commitment to responsible and sustainable growth. The OECD has developed trade and environment indicators (Box 3.2), which aim to provide insights into the correlation between domestic environmental regulations and international trade policies (OECD, 2019^[20]). By collecting and analysing such data, Albania could better understand the nexus and the complementarity between its environmental policies and trade. This would enable the formulation of more targeted national and regional policies geared towards mitigating the environmental impact of trade.

Box 3.2. OECD trade and environment indicators

Trade and environment are becoming increasingly interlinked, as greening efforts continue to extend to trade policies and policies directly or indirectly affecting trade. The indicators developed by the OECD aim to translate the interaction between trade and the environment into a basis for empirical assessment. The main goals of the indicators are to assist policy makers in monitoring advances in the alignment of trade and environmental policies and to identify potential conflicts of interest.

The indicators cover the following data:

- *carbon emissions embodied in trade* – the amount of carbon emissions from fossil fuel combustion embodied in imports and exports in megatonnes of CO₂
- *raw materials embodied in trade* – total raw materials embodied in final consumption for each economy
- *trade in environmentally related goods* – the amount of exports and imports of environmentally related goods as defined in the Combined List of Environmental Goods
- *support to fossil fuels and renewable energy* – support to fossil fuels reports the amount provided by governments to fossil fuel producers and consumers
- *trade in waste and scrap* – amount of exports and imports of waste and scrap, in current USD and in kilogrammes
- *nutrient balances of exported grains* – the difference between the quantity of nutrient of nitrogen and phosphorus inputs entering an agricultural system and the quantity of nutrient outputs leaving this system – for exports of nine cereals and oilseed as a share of the total nutrient balance.

Examining the connection between domestic environmental regulations and international trade policies is crucial for gaining a deeper comprehension of the necessity for mutual complementarity. The OECD compilation of trade and environment indicators seeks to offer valuable perspectives on this association, contributing to ongoing discussions about the interplay between trade and environmental policies.

- **Further modernise the IT system for customs with online services and new applications in order to facilitate customs procedures.** Finalising the drafting of the legal and regulatory framework; the governance and operational model; the revenue model and the structure of payments for the functioning of the National Single Window; designing of the architecture and technical and functional specifications for the NSW system; and agreements on the inclusion of relevant institutions in the NSW will all be crucial not only for modernising the customs administration, but also to improve trade performance. Moreover, completing the implementation of the New Computerised Transit System (NCTS) would further contribute to streamlining customs procedures, reducing transit times, enhancing trade efficiency, and minimising the risk of fraud or errors in cross-border trade, ultimately promoting economic growth and facilitating international trade in Albania.
- **Reinforce AIDA's implementation capacity.** The majority of export promotion initiatives relies on financial support from international donors, who also offer exporters technical assistance and training. However, due to the expansive scope of AIDA's responsibilities, its ability to effectively execute export promotion efforts is constrained by a low budget and low number of staff.
- **Broaden the reach of export promotion programmes and target non-exporting companies, with a focus on SMEs.** Considering the crucial role SMEs play in driving Albania's economic growth, export promotion efforts should be amplified. Customising these initiatives to specifically tackle the unique challenges encountered by SMEs in exporting their goods and services would not only enhance inclusivity but also contribute to the development of a more resilient and dynamic economic environment. Given the small percentage of exporting SMEs in Albania, introducing SME-targeted assistance would help to close the gap between large companies and SMEs, and could potentially lead to improved linkages between SMEs and multinational companies present in the economy. Broadening the reach of export promotion programmes to include non-exporting companies and SMEs can lead to a more diversified and robust export ecosystem. It not only helps individual businesses expand their market reach but also can contribute to overall economic growth by increasing the number of companies participating in international trade. Expanding the scope of initiatives beyond the traditional beneficiaries who are already engaged in exporting activities would boost the exports' participation in GDP. Albanian non-exporting companies, often referred to as potential exporters, may lack awareness, resources, or the knowledge necessary to enter international markets. Therefore, by extending the reach of export promotion programmes to this group, the aim is to provide them with the support, training, and resources needed to explore and enter global markets.

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Notes

¹ Trade-to-GDP ratio is estimated as an economy's trade of goods and services (average of exports and imports, balance of payments) divided by GDP, on the basis of data for the three latest years available (WTO, 2023^[21]).

² The Department comprises three distinct units: the unit tasked with managing Free Trade Agreements (FTAs) and trade policy; the unit responsible for matters related to the World Trade Organization (WTO); and the unit responsible for conducting trade policy analysis.

³ The regulations outlined in the Reference Paper on Services Domestic Regulation pertain to measures concerning licensing requirements and procedures and qualification requirements and procedures, as well as technical standards that impact trade in services.

⁴ Albania has submitted to the WTO Secretariat the acceptance document for the Joint Initiative on Services Domestic Regulation.

⁵ The measure dictates the prohibition of the use, market placement, production, importation, or introduction of plastic bags and oxo-degradable and oxo-biodegradable plastic bags.

⁶ The WTO Agreement on Fisheries Subsidies, adopted at the 12th Ministerial Conference (MC12) on 17 June 2022, marks a major step forward for ocean sustainability by prohibiting harmful fisheries subsidies, which are a key factor in the widespread depletion of the world's fish stocks.

⁷ CEFTA Additional Protocol 6 (AP6) on Trade in Services was adopted in 2019 and entered into force on 11 January 2021. This document extended the principle of free trade within CEFTA to the service sector. AP6 provides a framework for the removal of restrictions on trade in services, in addition to the previously abolished restrictions on trade in industrial and agricultural products.

⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018R0644>.

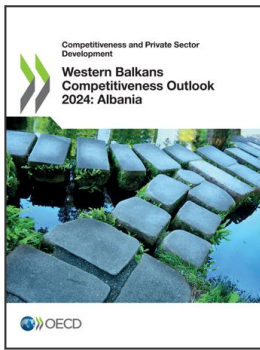
⁹ It was incorporated into Albanian legislation through the Instruction of Minister of Infrastructure and Energy No. 5 of 25.6.2021, titled "On the approval of the regulation on cross-border parcel delivery services".

¹⁰ In February 2023, a public consultation meeting with business associations introduced the NSW technical system and draft legal changes proposed to the Albanian Customs.

¹¹ "Co-operation agreement for the summary declaration of entry/exit at customs" No. 7927/10 has been implemented in December 2023. The Albanian Post module necessitates the creation and execution of the postal declaration, along with its integration into the systems of the Universal Postal Union.

¹² To complement drafting, the working group prepared an Export Questionnaire. The survey, distributed widely through various channels, assessed the export capacity of 325 companies, leading to the identification of measures and services to support SMEs in their export efforts. The results were analysed by AIDA and submitted to the Ministry of Finance and Economy for consideration in the programme's drafting.

¹³ The E-Albania portal functions as a centralised hub for government services, enhancing the overall accessibility of information to the public.



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