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ACCESSION OF ALBANIA

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at the meeting of the Working Party on Albania's Accession to the WTO
held on 29-30 April 1996

It is a pleasure for me to be here today and to see work begin on this phase of Albania's efforts to join the World Trade Organization (WTO). For reasons which I will discuss in a few moments, membership in the WTO is one of Albania's most important economic policy objectives. I and the other members of the Albanian delegation look forward to working with all of you towards this goal.

Before we begin discussion of specific points in the materials submitted by Albania, I would like to make some remarks about three topics:

first, concerning the evolution and current status of Albania's programme to establish a market economy;

second, concerning the role of international trade policy in Albania's economic reform programme;

and third, I would like to say a few words about Albania's perspective on possible membership in the WTO - on the one side, how we see membership supporting our economic policy objectives, and on the other side, how we would expect to fulfil the requirements of membership, recognizing that membership involves obligations as well as rights.

Establishment of a Market Economy

Soon after the election of the Democratic Government in 1992, Albania began to build the legal and institutional framework for a market economy. If we compare Albania prior to 1992 with Albania today, we can see how much has been accomplished in only a few years.

From 1944 to 1992, Albania was the antithesis of a market economy. Private ownership was completely forbidden and all economic activity was controlled by the State, without exception. For much of this period, Albania's economic, political and cultural ties with the rest of the world were reduced to an absolute minimum. This is a familiar picture to many countries in transition, and yet Albania's case is perhaps unique in terms of the intensity of economic centralization and isolation from the rest of the world.

The picture of Albania today is strikingly different.

The Albanian Government has passed laws providing for private ownership, entrepreneurial activity, open competition, bankruptcy, foreign investment, protection of consumers, privatization of small, medium and large enterprises, and many other elements of a modern commercial legal régime. The steady growth of domestic and foreign investment over the past four years is a vote of confidence by the private sector in Albania's commercial law reforms.

The Albanian Government has dramatically reduced its role in almost all fields of economic activity. As a result, the private sector now accounts for about 80-85 per cent of GDP, 56 per cent of exports and 82 per cent of imports. Approximately 76 per cent of Albania's workforce is engaged in private business.

Price controls have been almost completely eliminated. Controls remain on only two basic food commodities - flour and bread - and a few public services, such as electricity, water and pharmaceuticals. Even in these areas, controls are only partial and further liberalization is foreseen.

Albania's national currency, the lek, is internally convertible and has been floating freely since 1992. The relative stability of the lek over the past four years is one sign, among others, that Albania's efforts to exercise fiscal and monetary control, and more generally to ensure macro-economic stability, have been successful.

Albania has turned its back on isolationism and pursued a programme to strengthen its ties with the rest of the world. We have concluded bilateral economic, trade and industrial agreements with 30 countries and another 15 agreements are under negotiation; we have also concluded bilateral agreements on promotion and protection of investment with 25 countries and another 15 agreements are under negotiation. We are a member of the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, the Black Sea Economic Initiative and the Organization of Islamic States. Looking to the future, Albania is working towards an Association Agreement with the European Union, and, as you see, membership in the WTO.

In short, over the past four years, Albania has vigorously pursued a programme to establish a market economy and to become a full participant in the international community. There is, of course, more work to be done. For example, in the area of tax reform, it is foreseen that the turnover tax will be replaced with a value added tax. Privatization in Albania is considered as the most important problem of economic reform. This process began in August 1991, by passing in the Parliament of the law "On Privatization". Until now, more than 75 per cent of National patrimony is privatized:

- 96 per cent of agricultural land;
- 100 per cent of the services;
- 100 per cent of agriculture mechanics;
- 100 per cent of road transport.

In March 1995, on the basis of the Presidential decree, started the mass privatization of large enterprises through vouchers, now we have the first Albanian shareholders, whom are 114,840 people, and this process continues. Privatization of some key public services, such as electricity and water supply, has also begun the process of privatization and will continue. And those of you who have had an opportunity to visit Albania know that there is a great deal of work to be done in developing modern communications, transportation and hydro-electric infrastructure. Nevertheless, it can truly be said that a great deal of progress has been made in a relatively short time, and that the most important elements of a market-based economy have been established.

The Role of International Trade Policy

It is important to consider the role of international trade policy in Albania's overall economic reform programme. Trade liberalization has been one of the main pillars of economic stabilization and reform along with price liberalization, exchange liberalization, fiscal control, monetary restraint and rapid privatization of agricultural land and small enterprises. The choice was made early in the reform process to pursue rapid trade liberalization rather than slow, progressive liberalization. This choice was partly dictated by the severity of Albania's economic and social crisis at the time. The

collapse of Albanian production meant that Albania had to open its trade régime in order to ensure supply of consumer goods and other commodities needed to rebuild the economy. The Government of Albania recognizes that an open trade régime has made and continues to make important contributions to Albania's economic and social well being.

Total trade and services has grown steadily over the past four years and in 1995 represented approximately 19.9 per cent of GDP. Imports accounted for 31.5 per cent of GDP and exports 9 per cent of GDP. Imports help to ensure competitive conditions in the Albanian market, and serve as a stimulus to structural adjustment and efficient allocation of resources. Imports also serve as an example to Albanian producers who are thinking about exporting. Export activity is slowly growing and becoming a more important source of foreign exchange. Although Albania still has a sizeable merchandise trade deficit - US\$475 million in 1995 - merchandise exports grew by 45 per cent last year. Exports of goods and services totalled US\$303 million in 1995, a 35 per cent increase over 1994.

The growth in total trade has been facilitated by a relatively open trade régime. The Memorandum and other materials that we have submitted go into detail about Albania's trade régime, but I would like to highlight its main characteristics:

- a simple import tariff structure comprised of only four ad valorem tariff levels: zero, seven, twenty-five and forty per cent;
- no tariff peaks;
- no import surcharges;
- no export subsidies;
- no restrictions on current transactions;
- no trade-related investment measures;
- no internal taxes or other charges higher for imported products than for the domestic ones.

In addition, I would like to emphasize that the role of State foreign trading enterprises has been reduced dramatically. Of the 7 State foreign trading enterprises that existed in the previous régime, one has been privatized, the rest are transformed into shareholders' companies by actions. Whereas these enterprises used to handle 100 per cent of Albania's international trade, they now handle only a small part of Albanian imports and exports.

In short, we believe that Albania's trade régime, while perhaps not the most liberal in the world, is comparatively open, transparent and non-discriminatory in its treatment of foreign goods, services and service providers.

Membership in WTO

How would membership in the WTO affect the economic reform process that I have described? More fundamentally, why is Albania seeking membership? For those of you who have a long experience in the GATT and, more recently, in the WTO, the answers to such questions may seem obvious for your countries. Nevertheless, since you are in the position of judging Albania's application for membership, perhaps it is useful for you to have an understanding of the considerations that motivate our accession efforts and our perspective on what membership entails.

First, we recognize that if Albania is to succeed in one of its main trade policy objectives - increasing exports - we need better access and more secure access to foreign markets. The most effective way to pursue this objective is through membership and active participation in the WTO. In this connection, we also recognize that trade is a two-way street. We realize that we will not obtain better and more secure access to foreign markets if we do not offer similar access to others.

A second consideration concerns the maintenance of an open trade régime. It is one thing to establish an open trade régime. It is another thing to maintain one. As time goes on and as Albania's domestic production begins to re-establish itself and grow, there will be increasing pressures to use trade policy instruments to protect domestic producers. As all of you know, the commitments that an acceding country must make regarding the openness of its trade régime can be useful in resisting the temptation to slide back into protectionism, a temptation that all countries face at one time or another.

We also recognize that such commitments serve as a stamp of credibility for the permanence of economic reforms. This credibility is essential for a country in transition that is trying to convince potential investors that today's reforms will not disappear tomorrow.

Finally, we know from experience that small countries are especially vulnerable to discriminatory or unfair trade practices. We hope that we would never need to use the WTO dispute settlement procedures, but it is reassuring to know that, as a WTO Member, we could use them if we needed to.

Closing Remarks

Before concluding, I would like to draw the Working Party's attention to several documents which we have brought with us and are making available for information.

The first document is a draft Law on Customs Valuation which was approved by the Albanian Council of Ministers on 25 March 1996. We believe this law conforms fully to WTO rules in the area of customs valuation. This draft law will be introduced into Parliament as soon as possible.

The second document is the Law No. 8072 on the Establishment of Free Trade Zones in Albania which was approved by Parliament on 15 February 1996. This law is an important step in our efforts to encourage foreign investment and export growth.

The third and fourth documents are, respectively, draft schedules for services and agriculture. We would welcome any comments on these draft schedules, perhaps towards the end of the Working Party session if time permits. In addition, we invite any interested Members of the Working Party to schedule informal bilateral meetings to exchange views on these documents or any other matters.

Finally, I would like to note that we have provided the Secretariat with a copy of Albania's complete customs nomenclature and tariff schedule.

Presentation on TRIMs, Services and TRIPS

As agreed, I would like to present some information on the situation in Albania concerning trade-related investment measures (TRIMs), services and trade-related intellectual property rights (TRIPS).

Let us first consider TRIMs. The situation here is very simple. Albania does not have any trade-related investment measures. Albania does not maintain or apply any investment measures which violate WTO rules on national treatment and quantitative restrictions, such as domestic content requirements or requirements which restrict the ability of an enterprise to import or export.

As we mentioned in our answer to a question about Albania's investment régime there is no across-the-board, case-by-case approval process for foreign investment. The absence of such an approval process eliminates the point at which TRIMs are usually imposed by countries that maintain them.

In some Albanian sectors, such as banking or tourism, there are conditions which investors must fulfil in order to obtain a licence to do business in that sector. But these conditions are not trade-related, they relate to normal prudential considerations, in the case of banking, or to a desire to protect the environment in the case of tourism.

The regime that I have just described is true for both the central government and local government. In short, I believe that Albania's investment régime fully conforms to WTO rules in this area.

Regarding services, the situation is a little more complex, reflecting the complexity of this field, but is nevertheless quite positive. As a general observation, one can say that access to Albania's services sectors is relatively liberal, and treatment of foreign service providers is generally non-discriminatory. This generally positive picture reflects several factors.

First, there are relatively few areas of the Albanian economy, which are closed to foreign or domestic services providers as a result of a State monopoly. There are a few, such as insurance, telecommunications, electricity and water supply, but there are not so many, and, as I mentioned yesterday, the opportunities in many of these areas are growing as privatization moves forward.

Second, the fact that Albania's investment régime is quite liberal, as we have already discussed, means that service providers who wish to do business through investment and the establishment of a commercial presence are generally quite free to do so. This fact is reflected in our draft services offer.

A third consideration, which I would not characterize as positive or negative, but simply as a reality, is that for many sectors and sub-sectors, regulations either do not exist at all or are in development. This is also true for certain modes of supply, particularly cross-border operations. This has been reflected in our draft services schedule in the sense that we have included sectors where basic laws and regulations exist, and have left out sectors where the legal régime is either changing or non-existent. We provided to the Secretariat the copies of the law on priority tourism development zones and administrative rules of the department of banking supervision.

Without going into details about our draft offer, which can be discussed further at the next meeting of the Working Party let me make two preliminary observations.

First, we have tried to respect the WTO guidelines for structuring the offer. If we have made any errors of a technical nature, we would appreciate any suggestions by the Working Party.

Second, we have tried, and we believe we have succeeded, in making a draft offer which is relatively interesting and forthcoming in terms of the number of sectors included, the kinds of sectors included and the relatively minor restrictions noted in the columns on market access and national treatment. At the risk of congratulating ourselves too much, we think such an offer would be a very serious one and indeed would compare favourably with the schedules of many WTO members.

Finally, the system of intellectual property rights in Albania is comprised in legislation. Industrial Property Law, which was adopted in 1994 protects the following types of industrial property: inventions, trademarks, industrial designs and appellation of origin. The law "On Copyright" adopted in 1992 gives protection to literary, artistic and professional works as well as other works that include every intellectual and original creativity. I would like to mention that this package of laws is compatible with modern legislation in the field. There are also some regulations, implementing the laws as patent regulations, industrial designs regulations, regulations on the board of appeal of the Patent Office, regulations on secret patents, etc.

Since the time of submission of the Memorandum, Albania has increased the integration in international organizations dealing with this issue. Since 1995 we are a member of the World Intellectual Property Organization, as well as the Paris Convention Treaty and the Madrid Agreement for the International Registration of Trademarks.

We will prepare and submit a memorandum on services as soon as possible, and will include more information, such as information regarding the size and economic trends in Albania's services sector.