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# Albania and Trade Liberalization
# Using our trade advantages in the Free Trade Agreement with EU

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# Albania and Trade Liberalization
# Using our trade advantages in the Free Trade Agreement with EU

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**Abstract**: According to the World Trade Organization agreements frameworks, individual countries can agree to lower customs tariffs and other trade barriers, in order to open and keep service markets open. In this context, Albania has already concluded free trade agreements with nine countries of the region: Macedonia, Croatia, Bosnia & Herzegovina, Yugoslavia, Moldova, Turkey, Kosovo, Romania, Bulgaria (the last two are EU members now) and by January 2009 the ratification process from the European members' countries finished. What this means is free exchange of goods and services between these countries by better exploiting their competitive advantages.

To better exploit the advantages from free trade at first we need to find out which the Albanian sectors that have competitive advantages are and then compare them with other countries. In order to do this we will use Trade Performance Index (TPI) which measures the competitiveness and diversification level of each sector taken in consideration using the comparison with other countries. Before starting the negotiation process with each EU country we need to know the level of competitiveness and diversification of our sectors. Only in this way we will have an idea in which sector and with which country the trade we bee profitable. Using TPI we can draw up the list of sensitive products to be negotiated, find out the sectors with best initial product or geographic specialization, etc.

**Keywords:** Trade Policy, Free Trade Agreement, Competitive Advantage, Trade Performance.

## 1. Introduction

Main Balkan countries are going through a transitory phase to achieve Free Trade. Their one and only alternative is integration at the world trade and international competitiveness. Under these circumstances, after its association in WTO, Albania started the long and gradual integration process of its trade and economy towards international competitiveness.

Liberalization and facilitation of international trade is one of the challenges of global economy policy. The most important issue in economic development strategies of countries is the tendency to profit from trade advantages through the international trade system. In this framework, the last economic development of the global economy has highlighted the necessity for a major expansion of the markets. Since December 2002, Albania has signed free trade agreements with all member countries of Stability Pact. This process becomes even more important now in the eve of Stabilization Association Agreement with EU and free trade negotiations with other countries in the region in the framework of WTO.

Taking into account these factors and the economic situation in Albania we thought it would be very interesting to analyze Albanian trade policies and their effects in agro food sector, particularly in fresh food and processed food. This will be done through analyzing the effects of Albanian agreements with other countries. The objective of this study is to analyze the relation between Albanian trade performance and liberalization. The methodology used will be the cross analysis of different data about trade with the countries of the region and beyond, since the beginning of these agreements. This will make it possible that, first, we have an idea about the progress of the trade with these countries, evidencing general effects of these agreements. Also, we will analyze the Trade Performance Index. Through this we will identify the effect of the trade liberalization in the competitiveness of Albanian products, effect that will be reflected in the ranking

of the Albanian economic sectors among 184 other countries (first, we will rank the sector of that country which is best performing among 184 countries).

We will also analyse the progress of trade performance since the beginning of the liberalization till today evidencing the competitiveness of the 14 sectors in general and of Fresh and Processed food in particular.

## 2. The competitiveness of Albanian products.

From a recent analysis of Free Trade Agreements it results that Albania has not exploited the quotas negotiated for the agricultural products. However, exports have increased in the last years with countries with which Albania has bilateral trade agreements even though imports have increased more than exports. The coverage rate of exports and exports level/GDP in % are increased. Thus, "CEFTA is transformed in the best way possible from an agreement for free movement of goods, also in an agreement for free movement of services and investments" – Kodra.I, Regional Cooperation, Free Trade Cooperation, New Economy, www.unmikonline.org.

*And now a question arises naturally: Why is Albania not exploiting negotiated quotas in those agreements from which expectations were so high? Why Albanians products do not have comparative advantages? Maybe, while focusing the negotiations Albania neglected the creation of competitive advantages?*

According to Ministry of Agriculture, Food and Consumer Protection of Albania, agriculture has low developing rate of trade and land consolidation. The farms are very small and fragmented (57.1% of all farms have a surface up to 1 Ha, 32.7% up to 1-2 Ha and 10.2% over 2 Ha). Furthermore, moorland is still vast, the technological, agro processed and marketing level are low. These have led to a high level of agro food imports.

Albania has approximately 400 thousand farms which generate up to 21 percent of the GDP and employ 750 thousand persons. We should remember that Albania has agricultural land les that 0.2 Ha per person and that 20 percent of poor people are farmers. The majority of farmers (93 percent) sell up to 30 – 40 percent of their products. Private investments are only 42.5 € per farm. Currently 73 percent of the land is still tilled by hand. Public investments are only 14 € per person. Meanwhile there is undistributed land; as a matter of fact, only 98.5 percent of the land was returned to the farmers, but only 85.5 percent of it has been registered (Osmani, M., Strategies of rural and agricultural competitive and sustainable development, 10/10/2007).

As it regards agro processing firms, they are around 2053. They have an average of 5 workers. Private investments count for 16 million EUR. Each year approximately 300 thousand new trees are planted, 50 ha of new greenhouses are built, processed products are increased by 3 percent, and dairy products are increased by 3.9 percent. Nevertheless, 11 percent more products are imported and 17 percent more products are exported.

Other problematic issues that relate to the Albanian agriculture products are:

- Limited quantity and low quality of inputs
- Restricted knowledge
- Inadequate market information
- Insufficient and seasonal production
- Low competitive products
- Absence of land market

Another problematic issue is the bad land administration. Agriculture is not a priority sector which translates into the lack of direct financial support. Agriculture market, in general, is not competitive, there is no focus in demand policy, and, moreover, there are continuous conflicts among land owners.

A factor that contributes in the competitive advantages of Albanian Economy is the good reputation of Albania as a partner country in several sectors and products (labor, clothing, medicinal plants and tobacco), as well as favorite climate conditions, or proximity to European markets. Also, Albanian agricultural products, like olive oil for example, are considered BIO products. This might be considered a competitive advantage in a time when the risk from genetically modified products is considered high. Other factors are qualified labor

in some sectors like fason, easy storage and/or processing in some market lines (medicinal plants, fresh and processed fish), port infrastructures from which products may be transported towards Italy and from there to all other EU countries.

Inner consumption is not intensive for qualitative and sophisticated products. However, there exists positive pressure for inner products. Consumers are very sensitive towards prices. This reduces pressure to businesses to apply high quality standards to their products. On the other hand, insufficient market control has encouraged the import of low quality products.

# 3. Competitive advantage analysis of Albanian economy

In literature we can find many indicators of competitiveness (Turner& Golub (1997), Clark, et al, (1994), Marsh & Tokrick (1994). We will use Trade Performance Index to find complementarities between countries involved in bilateral agreement with Albania and those expected to be in the future as long as competitive advantages are basic concepts of free trade and globalization.

International Trade Centre developed the Trade Performance Index (TPI) with the aim of assessing and monitoring the multi-faceted dimensions of export performance and competitiveness by sector and by county. At present, the TPI covers 184 countries and 14 different export sectors. The index calculates the level of competitiveness and diversification of a particular export sector using comparisons with other countries. In particular, it brings out gains and losses in world market shares and sheds light on the factors causing these changes. Moreover, it monitors the evolution of export diversification for products and markets.

The Trade Performance Index (TPI thereafter) designed by ITC aims to tackle the complex and multidimensional nature of trade patterns. This index is computed using the world's largest trade database, COMTRADE (of the United Nations Statistics Division), covering 184 countries1, where more than 95% of world trade in 5,000 products is reported at the 6-digit level of the Harmonized System (HS). Since COMTRADE captures around 95 % of world trade, the TPI is calculated not only for countries that report their own trade data, but also for over one hundred primarily low-income countries that do not report national trade statistics.

The export performance of these countries is reconstructed in accordance with the data of partner countries or indirect statistics. Even though this approach has its deficiencies, it makes possible inferring information that would be impossible to have in other ways. For each country and each sector, the TPI provides three types of indicators: a general profile, a country position for the latest available year and changes in export performance in recent years. Given that such an amount of information would be overwhelming to the final user, products are grouped into 14 sectors. Calculations are made at the product level and results are presented at the sectoral level and for the economy as a whole. Altogether, the TPI consists of 22 quantitative indicators of trade performance. Data used in calculations are of five digit level of SITC nomenclature, which correspond to 3500 products.

## 3.1. Albanian trade performance compared to other regional and EB countries.

Table 1 shows Absolute Change in world market share (%) (NA), Current Index, (TA) and Change Index for each south eastern European country and for the EU countries for the year 2006. The data in brackets for Albania are the data for the year 2005. Trade indicators are grouped in General Profile indicators, indicators of position in 2006 for Current Index and Change indicators for the time period 2002 - 2006 for Change Index (www.intracen.org). Trade Performance Indexes can be given graphically or in tables.

Figure 1 and Figure 2 shows the Trade Performance Index for Albania for the years 2005 and 2006. Graphs show the composite ranking. They show how different sectors are ranked in global range and which export

sector is most competitive in terms of actual ranking in 2006 (2005) or the evolution from 2002 to 2006 (2001 – 2005).

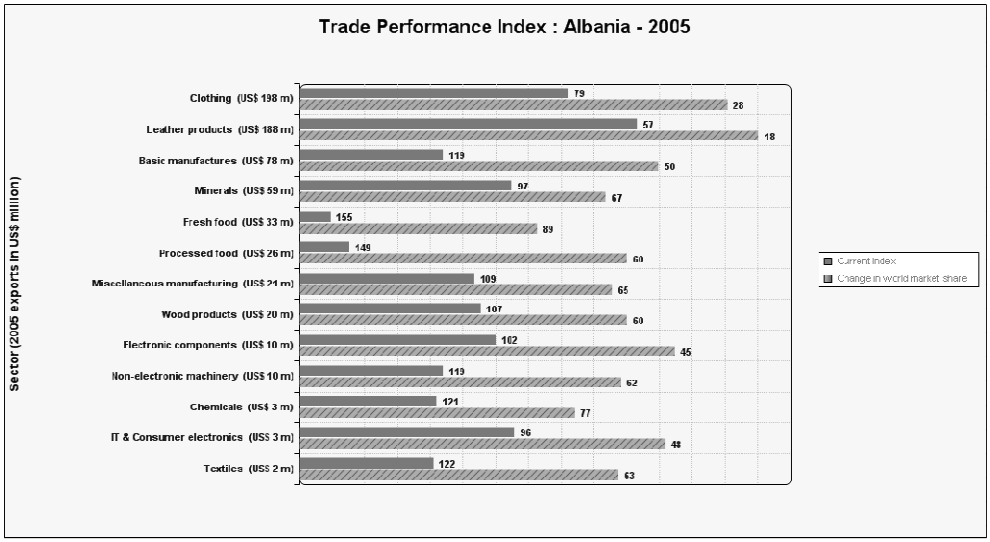


**Figure 1**: Trade Performance Index, Albania 2005 (Source: www.intracen.org)

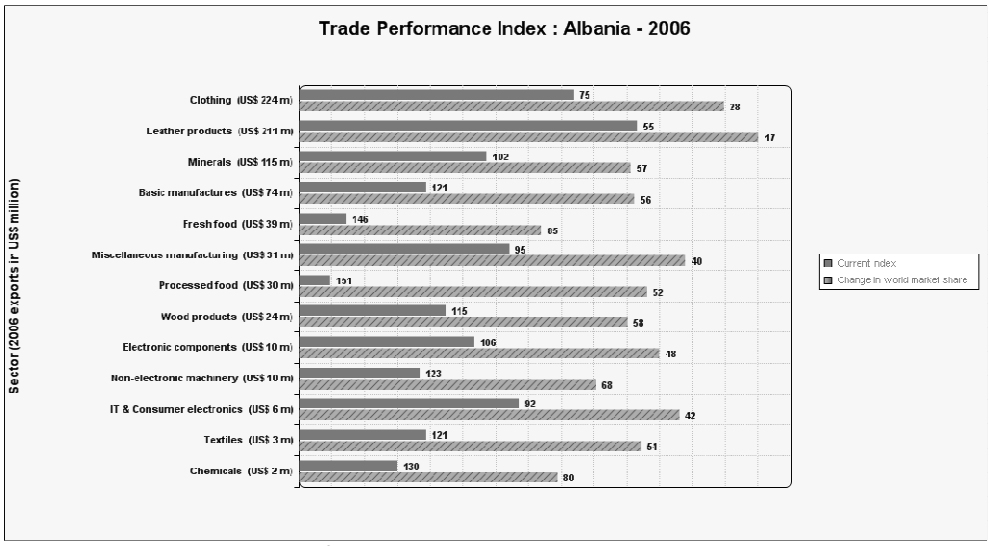


**Figure 2**: Trade Performance Index, Albania 2006 (Source: www.intracen.org)

Looking at the net exports data (www.acit.org) it can be noticed that, except Lather Products and Clothing which have increasing positive value resulting from increasing exports, all other sectors not only have negative net exports value but these negative balance is increasing from 2005 to 2006. If we see exports per capita, almost all sectors show an increasing value. This indicates an outward looking of the Albanian trade. According to the percentage share of world exports (part in world trade) for all the sectors it has remained constant in 2005 and 2006.

Diversification is a very good index of production structures and development industry level. An increase in range will show an increase in equivalent diversification. The larger the index values the higher export diversification, and, the better the ranking. For Albania this index shows increasing tendencies for Fresh

Food, Chemicals, Leather Products and Basic Manufacture sectors. The sector with highest export diversification is the Chemicals sector. Fresh Food sector is the less diversified sector ranked the 145-th among 159 compared countries. Compared to the year 2005 it has lost 4 places in ranking. The Fresh Food sector even though it shows an increase in ranking compared to the year 2005, it is still ranked the 88-th among 181 countries. The sector with the greatest exports spread compared to the average is the Minerals sector which is ranked the 54-th among 156 countries. Comparing it to the ranking in 2005 it can be seen that it has lost 11 positions. Nevertheless it remains the sector with the highest exports distribution for the two analyzed years.

Let's see the market diversification where the increase in ranking is the function of the market diversification growth. The larger the index value, the higher the market diversification and, therefore, the better the ranking. Sectors that show an increase in market diversification values, i.e. an improve in their ranking, are Fresh Food, Wood Products, Textile and Miscellaneous Products_sectors. The sector with the highest trade diversification is the Fresh Food one that is ranked the first among Albanian sectors but 72nd among 181 countries analyzed. If we analyze country trade concentration, the greater the dispersion comparing to the average, the higher the index value. The best placed sector, 96$^{th}$ among 107 compared countries, is the IT & Consumer Electronics sector.

Very interesting is the relative change in world market share (C1 indicator). This indicator shows not only aggregate change in world market share but even the origin of this change. Is the relative change in world market share related to the increase in competitiveness, adaptation with the changes in world demand or is it just the result of initial specialization of the most dynamic product inside the most dynamic sector or market? These sources of relative change of world market share are added up; their summation gives the total change in relative change of the market. For Albania, Processed Food sector, followed by Electronic Components sector, have had an increase in the market share more than any other sector by almost 0.9% mainly because of increase in the competitiveness. Referring to the adaptation with the dynamic of world market demand, Non – Electronic Machinery sector is ranked better than all other sectors, 9$^{th}$ among 140 countries taken in consideration. Fresh Food sector is ranked 4$^{th}$ among 13 Albanian sectors analyzed, whereas Processed Food sector it is ranked penultimate, at the 12$^{th}$ place.

According to current index the Albanian sectors are ranked between 57$^{th}$ and 155$^{th}$ for the year 2005 and between 55$^{th}$ and 151$^{st}$ for the year 2006. According to this index the Leather Products sector is ranked first for both years (57$^{th}$ and 55$^{th}$ among 184 countries). Referring to the absolute change in world market share, it is ranked between 17$^{th}$ (18$^{th}$ for the year 2005) and 80$^{th}$ (89$^{th}$ for the year 2005) for the year 2006. Again, the Leather Products sector is best ranked among analyzed sectors showing that this sector is the most competitive one among all Albanian sectors analyzed. According to the change index, Albanian sectors are ranked between 3$^{rd}$ and 107$^{th}$. Comparing to the year 2005, the Clothing sector has had a better ranking, from 43$^{rd}$ in 3$^{rd}$ place, whereas Electronic Component sector has had a decrease in ranking, from the first place in the year 2005 to the sixth place in the year 2006. According to this index which shows the progress in years, Clothing is the best ranked sector.

During the negotiations of the FTA the goal should be the increase of the trade flow among parties and an economic increase for both countries. This happens when negotiated FTA`s reflect the existence of complementary elements among economies of both countries. To find which exporting sector has competitive advantage among countries it is sufficient to see the general ranking in the Trade Performance. The higher classified the product in the ranking comparing to other countries the greater the advantages of this product.

Using Trade Performance Index we can detect complementary sectors among countries. This means that by evidencing the most competitive sector for each country we have already built up a scheme of the sectors among which countries might have exchanges using their competitive advantages. Talking about Albania, seeing that the sector with the greatest competitive advantages is that of leather products, we can say that with all countries, except those that have the greatest advantage in the same sector, Albania can conduct profitable exchanges for the Leather Products sector. For example, in the Leather Product sector, Bosnia & Herzegovina is better positioned in the ranking than Albania. This means that, even though we have an advantage in this sector, we can not exchange with this country because it is more specialized in this sector than we are**.** The same can be said about the exchanges in this sector between Albania and Belgium, Czech, Denmark,

Germany, Slovakia or France (if we refer to Absolute Change). While with respect to other countries Albania has greater competitive advantage in the sector. About Moldova we can say that it is more specialized than Albania, even though both countries have the same sector with the largest competitive advantages compared to other respective sectors.

Currently, the drafting of lists of quotas for sensitive products in the bilateral agreements is not done on these bases. These lists are compiled by the relevant ministries (the list of Albanian agricultural products is completed by the Albanian Ministry of Agriculture and Consumer Protection) through consultations with directly interested stakeholders (businesses). For a better understanding of the value of products and most competitive or more sensitive sectors we must keep in mind the analysis of trade performance, which provides us with a lot of information mentioned above. Only in this way we can sit and negotiate fair deals with more benefits to Albanian producers and consumers for products in which we have advantages. Such an analysis would also be very useful in determining the primary sectors that can benefit direct or indirect support of state policies. To determine where it would be useful to intervene with policies that promote competition one should analyze change in the relative world market for each sector to find out in which sector changes have been positive due to increased competition (in the case of Processed Food sector). It is through changes in the relative world market that we can evidence sectors that can be encouraged by policies because of good initial product specialization, good initial geographic specialization or even because of good product adjustment.

**Table 1**: Trade Performance Index (TPI) for region countries and the European Union for 2006

| Sectors / Countries | | Fresh food | Processed food | Wood products | Textiles | Chemicals | Leather products | Basic manufactures | Non-electronic machinery | IT & Consumer electronics | Electronic components | Transport equipment | Clothing | Miscellaneous manufacturing | Minerals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **South Eastern European Countries** | | | | | | | | | | | | | | | |
| **Albania** | **A.C** | 85(89)* | 52 (60) | 58 (60) | 54 (63) | 80 (77) | 17 (18) | 56 (50) | 68 (62) | 42 (48) | 48(45) | - | 28 (28) | 40 (65) | 57 (67) |
| | **A.I** | 146(155) | 151 (149) | 115 (107) | 121 (122) | 130 (121) | 55 (57) | 121 (119) | 123 (119) | 92 (96) | 106(102) | - | 75 (79) | 95 (109) | 102 (97) |
| | **C.I** | 27(77) | 102 (115) | 65 (11) | 103 (91) | 107 (10) | 70 (82) | 49 (55) | 16 (20) | 56 (91) | 6(1) | - | 3 (43) | 138 (101) | 46 (110) |
| **Bosnia & Herzegovina** | **A.C** | 117 | 71 | 65 | 62 | 61 | 12 | 104 | 101 | 60 | 80 | 97 | 31 | 30 | 113 |
| | **A.I** | 140 | 97 | 37 | 86 | 83 | 48 | 56 | 62 | 80 | 67 | 62 | 70 | 54 | 57 |
| | **C.I** | 120 | 157 | 136 | 122 | 141 | 15 | 95 | 76 | 105 | 68 | 79 | 11 | 78 | 42 |
| **F.Y.R.O.M** | **A.C** | 60 | 54 | 71 | 66 | 110 | 50 | 33 | 58 | 54 | 85 | 77 | 53 | 50 | 50 |
| | **A.I** | 84 | 66 | 89 | 61 | 91 | 70 | 37 | 68 | 78 | 57 | 74 | 40 | 78 | 106 |
| | **C.I** | 72 | 118 | 68 | 32 | 106 | 23 | 134 | 119 | 39 | 116 | 90 | 33 | 75 | 108 |
| **Moldavia** | **A.C** | 141 | 130 | 56 | 32 | 68 | 24 | 47 | 79 | 57 | 46 | 89 | 25 | 33 | 67 |
| | **A.I** | 63 | 57 | 111 | 93 | 108 | 54 | 89 | 78 | 85 | 73 | 75 | 55 | 73 | 138 |
| | **C.I** | 141 | 77 | 15 | 26 | 8 | 78 | 23 | 11 | 48 | 101 | 101 | 84 | 52 | 92 |
| **Croatia** | **A.C** | 68 | 23 | 29 | 53 | 69 | 27 | 79 | 22 | 72 | 24 | 34 | 95 | 18 | 42 |
| | **A.I** | 94 | 45 | 40 | 59 | 54 | 37 | 51 | 29 | 38 | 38 | 48 | 44 | 49 | 60 |
| | **C.I** | 132 | 100 | 62 | 85 | 41 | 88 | 28 | 45 | 50 | 62 | 110 | 89 | 91 | 60 |
| **Serbia and Montenegro** | **A.C** | - | - | 127 | - | - | - | 127 | - | - | - | - | - | - | - |
| | **A.I** | - | - | 140 | - | - | - | 136 | - | - | - | - | - | - | - |
| | **C.I** | - | - | 109 | - | - | - | 123 | - | - | - | - | - | - | - |
| **Turkey** | **A.C** | 30 | 143 | 129 | 117 | 139 | 99 | 134 | 130 | 90 | 108 | 119 | 116 | 15 | 136 |
| | **A.I** | 19 | 26 | 68 | 12 | 62 | 47 | 53 | 41 | 67 | 52 | 44 | 4 | 50 | 99 |
| | **C.I** | 156 | 147 | 97 | 45 | 79 | 64 | 18 | 56 | 103 | 117 | 99 | 102 | 119 | 61 |
| **European Union Countries** | | | | | | | | | | | | | | | |
| **Austria** | **A.C** | 22 | 7 | 27 | 106 | 14 | 104 | 40 | 12 | 84 | 101 | 8 | 12 | 129 | 23 |
| | **A.I** | 45 | 15 | 4 | 9 | 21 | 29 | 7 | 8 | 26 | 5 | 6 | 28 | 9 | 71 |
| | **C.I** | 143 | 126 | 117 | 58 | 60 | 55 | 58 | 108 | 69 | 90 | 39 | 83 | 112 | 48 |
| **Belgium** | **A.C** | 24 | 150 | 11 | 118 | 35 | 5 | 124 | 131 | 97 | 105 | 120 | 18 | 135 | 155 |
| | **A.I** | 22 | 5 | 7 | 4 | 8 | 4 | 5 | 13 | 16 | 13 | 10 | 21 | 19 | 12 |
| | **C.I** | 166 | 145 | 115 | 73 | 139 | 101 | 115 | 128 | 101 | 102 | 122 | 81 | 53 | 7 |

AC: Absolute Change of world market share (%) **A.I**: Actual Index C.I: Change Index *Values in brackets are 2005 values

| Sectors / Countries | | Fresh food | Processed food | Wood products | Textiles | Chemicals | Leather products | Basic manufactures | Non-electronic machinery | IT & Consumer electronics | Electronic components | Transport equipment | Clothing | Miscellaneous manufacturing | Minerals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cyprus** | **A.C** | 63 | 132 | 81 | 90 | 89 | 65 | 92 | 64 | 19 | 33 | 103 | 67 | 48 | 56 |
| | **A.I** | 69 | 72 | 91 | 75 | 58 | 80 | 99 | 64 | 60 | 90 | 65 | 84 | 75 | 118 |
| | **C.I** | 97 | 150 | 125 | 98 | 17 | 66 | 131 | 43 | 55 | 26 | 97 | 82 | 66 | 133 |
| **Czech Republic** | **A.C** | 15 | 12 | 6 | 7 | 15 | 13 | 27 | 6 | 4 | 7 | 4 | 14 | 8 | 112 |
| | **A.I** | 49 | 37 | 6 | 13 | 28 | 23 | 19 | 12 | 7 | 17 | 5 | 45 | 14 | 50 |
| | **C.I** | 77 | 101 | 74 | 25 | 80 | 28 | 37 | 24 | 97 | 21 | 76 | 50 | 110 | 70 |
| **Denmark** | **A.C** | 168 | 151 | 126 | 105 | 138 | 10 | 129 | 128 | 94 | 84 | 102 | 9 | 133 | 120 |
| | **A.I** | 2 | 4 | 35 | 18 | 12 | 25 | 38 | 11 | 23 | 21 | 21 | 19 | 6 | 11 |
| | **C.I** | 145 | 141 | 114 | 114 | 35 | 43 | 10 | 113 | 67 | 75 | 92 | 96 | 126 | 138 |
| **Estonia** | **A.C** | 158 | 48 | 53 | 98 | 108 | 79 | 107 | 26 | 13 | 22 | 37 | 79 | 23 | 35 |
| | **A.I** | 59 | 38 | 11 | 29 | 46 | 41 | 48 | 37 | 30 | 46 | 36 | 36 | 21 | 51 |
| | **C.I** | 106 | 116 | 105 | 107 | 123 | 75 | 67 | 57 | 63 | 87 | 56 | 38 | 115 | 74 |
| **Finland** | **A.C** | 59 | 75 | 141 | 97 | 119 | 84 | 10 | 18 | 92 | 99 | 24 | 68 | 125 | 115 |
| | **A.I** | 72 | 43 | 2 | 37 | 20 | 38 | 9 | 6 | 13 | 23 | 27 | 53 | 25 | 79 |
| | **C.I** | 126 | 124 | 107 | 97 | 122 | 72 | 126 | 124 | 94 | 110 | 87 | 55 | 102 | 111 |
| **France** | **A.C** | 179 | 157 | 139 | 122 | 145 | 3 | 143 | 135 | 100 | 112 | 123 | 83 | 138 | 107 |
| | **A.I** | 20 | 3 | 25 | 17 | 3 | 11 | 23 | 7 | 22 | 3 | 2 | 17 | 20 | 30 |
| | **C.I** | 138 | 83 | 69 | 30 | 24 | 99 | 40 | 80 | 65 | 82 | 23 | 46 | 26 | 84 |
| **Germany** | **A.C** | 5 | 4 | 2 | 119 | 3 | 16 | 141 | 2 | 8 | 13 | 112 | 3 | 7 | 20 |
| | **A.I** | 23 | 2 | 1 | 2 | 1 | 14 | 1 | 1 | 17 | 1 | 1 | 20 | 1 | 24 |
| | **C.I** | 129 | 128 | 63 | 8 | 84 | 65 | 80 | 60 | 87 | 110 | 94 | 66 | 118 | 32 |
| **Hungary** | **A.C** | 144 | 22 | 24 | 33 | 13 | 102 | 112 | 9 | 6 | 9 | 12 | 111 | 121 | 41 |
| | **A.I** | 11 | 20 | 31 | 36 | 25 | 40 | 47 | 24 | 6 | 25 | 14 | 23 | 26 | 66 |
| | **C.I** | 125 | 115 | 111 | 89 | 86 | 31 | 25 | 102 | 89 | 115 | 107 | 93 | 95 | 115 |
| **Ireland** | **A.C** | 21 | 5 | 40 | 109 | 147 | 92 | 125 | 127 | 104 | 116 | 111 | 90 | 136 | 97 |
| | **A.I** | 17 | 16 | 57 | 44 | 14 | 62 | 61 | 26 | 10 | 15 | 50 | 66 | 12 | 53 |
| | **C.I** | 149 | 123 | 85 | 123 | 29 | 77 | 31 | 101 | 107 | 95 | 81 | 75 | 123 | 85 |
| **Italy** | **A.C** | 170 | 152 | 134 | 121 | 142 | 115 | 140 | 134 | 95 | 111 | 118 | 121 | 144 | 31 |
| | **A.I** | 35 | 6 | 26 | 1 | 21 | 1 | 2 | 2 | 25 | 2 | 18 | 1 | 2 | 46 |
| | **C.I** | 148 | 119 | 34 | 9 | 32 | 27 | 48 | 19 | 62 | 71 | 40 | 14 | 70 | 3 |
| **Lithuania** | **A.C** | 16 | 14 | 18 | 12 | 26 | 78 | 42 | 19 | 9 | 27 | 82 | 89 | 10 | 40 |
| | **A.I** | 46 | 19 | 18 | 22 | 36 | 45 | 52 | 35 | 32 | 34 | 30 | 8 | 18 | 49 |
| | **C.I** | 87 | 111 | 105 | 40 | 62 | 68 | 9 | 22 | 2 | 50 | 62 | 27 | 73 | 82 |
| **Leetonia** | **A.C** | 40 | 24 | 22 | 21 | 33 | 34 | 38 | 29 | 24 | 26 | 30 | 60 | 28 | 47 |
| | **A.I** | 67 | 44 | 21 | 28 | 68 | 65 | 55 | 39 | 35 | 35 | 38 | 35 | 40 | 68 |
| | **C.I** | 112 | 77 | 100 | 54 | 53 | 57 | 81 | 84 | 7 | 90 | 70 | 8 | 16 | 141 |

| Sectors / Countries | | Fresh food | Processed food | Wood products | Textiles | Chemicals | Leather products | Basic manufactures | Non-electronic machinery | IT & Consumer electronics | Electronic components | Transport equipment | Clothing | Miscellaneous manufacturing | Minerals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Luxemburg** | **A.C** | 58 | 129 | 21 | 18 | 121 | 36 | 126 | 108 | 85 | 83 | 28 | 29 | 128 | 90 |
| | **A.I** | 81 | 63 | 33 | 30 | 42 | 61 | 15 | 14 | 33 | 22 | 28 | 64 | 34 | 85 |
| | **C.I** | 160 | 116 | 123 | 115 | 129 | 25 | 102 | 115 | 47 | 42 | 42 | 24 | 95 | 136 |
| **Malta** | **A.C** | 71 | 120 | 91 | 38 | 45 | 88 | 95 | 51 | 76 | 103 | 63 | 87 | 103 | 108 |
| | **A.I** | 139 | 81 | 129 | 64 | 61 | 75 | 99 | 44 | 44 | 31 | 67 | 73 | 33 | 135 |
| | **C.I** | 111 | 153 | 116 | 16 | 69 | 114 | 128 | 20 | 59 | 54 | 34 | 63 | 57 | 152 |
| **Norwegian** | **A.C** | 29 | 144 | 130 | 81 | 133 | 67 | 26 | 122 | 81 | 86 | 116 | 64 | 123 | 154 |
| | **A.I** | 13 | 48 | 36 | 39 | 40 | 59 | 15 | 22 | 28 | 28 | 26 | 73 | 31 | 3 |
| | **C.I** | 88 | 39 | 121 | 100 | 102 | 21 | 114 | 121 | 94 | 114 | 48 | 69 | 88 | 131 |
| **Poland** | **A.C** | 4 | 1 | 4 | 5 | 6 | 97 | 7 | 5 | 7 | 6 | 3 | 109 | 5 | 127 |
| | **A.I** | 32 | 8 | 5 | 38 | 30 | 35 | 18 | 39 | 45 | 10 | 8 | 16 | 13 | 43 |
| | **C.I** | 20 | 109 | 108 | 44 | 94 | 38 | 59 | 97 | 75 | 82 | 108 | 19 | 94 | 123 |
| **Portugal** | **A.C** | 55 | 25 | 140 | 116 | 34 | 111 | 121 | 116 | 23 | 106 | 110 | 118 | 25 | 34 |
| | **A.I** | 76 | 42 | 19 | 19 | 49 | 9 | 49 | 36 | 43 | 37 | 32 | 7 | 48 | 75 |
| | **C.I** | 64 | 55 | 86 | 51 | 58 | 60 | 5 | 75 | 40 | 43 | 53 | 100 | 38 | 118 |
| **Slovakia** | **A.C** | 17 | 16 | 8 | 10 | 25 | 14 | 16 | 13 | 5 | 10 | 7 | 88 | 11 | 100 |
| | **A.I** | 56 | 48 | 12 | 34 | 38 | 16 | 12 | 25 | 21 | 36 | 15 | 29 | 35 | 87 |
| | **C.I** | 117 | 94 | 129 | 63 | 88 | 34 | 75 | 67 | 41 | 98 | 104 | 21 | 74 | 104 |
| **Slovenia** | **A.C** | 44 | 113 | 55 | 24 | 24 | 22 | 34 | 17 | 80 | 29 | 21 | 86 | 86 | 38 |
| | **A.I** | 86 | 51 | 8 | 25 | 13 | 22 | 30 | 15 | 29 | 11 | 16 | 49 | 17 | 83 |
| | **C.I** | 146 | 125 | 135 | 17 | 36 | 4 | 39 | 69 | 52 | 31 | 114 | 52 | 93 | 66 |
| **Spain** | **A.C** | 173 | 138 | 12 | 112 | 128 | 113 | 133 | 16 | 88 | 102 | 18 | 5 | 139 | 124 |
| | **A.I** | 5 | 24 | 28 | 21 | 26 | 12 | 25 | 21 | 37 | 20 | 19 | 30 | 29 | 44 |
| | **C.I** | 174 | 74 | 80 | 20 | 37 | 40 | 56 | 31 | 60 | 85 | 27 | 44 | 40 | 45 |
| **Sweden** | **A.C** | 10 | 29 | 137 | 99 | 134 | 18 | 132 | 129 | 89 | 107 | 9 | 19 | 134 | 27 |
| | **A.I** | 52 | 32 | 3 | 26 | 11 | 33 | 3 | 3 | 1 | 14 | 4 | 39 | 8 | 29 |
| | **T.C** | 82 | 132 | 36 | 103 | 90 | 104 | 104 | 132 | 82 | 108 | 30 | 79 | 133 | 82 |
| **United Kingdom** | **A.C** | 157 | 158 | 136 | 114 | 144 | 109 | 139 | 139 | 2 | 117 | 125 | 100 | 143 | 156 |
| | **A.I** | 36 | 30 | 29 | 23 | 6 | 19 | 24 | 10 | 11 | 19 | 25 | 25 | 23 | 20 |
| | **C.I** | 98 | 81 | 82 | 76 | 49 | 19 | 41 | 92 | 20 | 34 | 116 | 49 | 65 | 55 |
| **Bulgaria** | **A.C** | 37 | 35 | 34 | 14 | 37 | 32 | 11 | 23 | 30 | 20 | 32 | 17 | 14 | 33 |
| | **A.I** | 25 | 27 | 42 | 50 | 37 | 34 | 29 | 31 | 34 | 33 | 51 | 5 | 32 | 34 |
| | **C.I** | 23 | 69 | 40 | 4 | 95 | 41 | 79 | 60 | 25 | 24 | 99 | 30 | 101 | 40 |
| **Greece** | **A.C** | 116 | 27 | 52 | 83 | 23 | 20 | 114 | 119 | 35 | 21 | 56 | 105 | 29 | 46 |
| | **A.I** | 39 | 41 | 47 | 33 | 45 | 42 | 41 | 38 | 41 | 45 | 42 | 48 | 37 | 59 |
| | **C.I** | 133 | 91 | 56 | 23 | 17 | 9 | 32 | 38 | 38 | 82 | 31 | 97 | 68 | 90 |

| Sectors / Countries | | Fresh food | Processed food | Wood products | Textiles | Chemicals | Leather products | Basic manufactures | Non-electronic machinery | IT & Consumer electronics | Electronic components | Transport equipment | Clothing | Miscellaneous manufacturing | Minerals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rumania** | **A.C** | 27 | 37 | 19 | 6 | 19 | 80 | 28 | 14 | 82 | 8 | 13 | 104 | 12 | 45 |
| | **A.I** | 75 | 70 | 22 | 43 | 50 | 13 | 45 | 32 | 48 | 44 | 31 | 3 | 54 | 58 |
| | **C.I** | 62 | 112 | 46 | 12 | 110 | 26 | 82 | 9 | 46 | 86 | 46 | 5 | 41 | 88 |

Source: Processed table according to data from International Trade Centre, http://www.intracen.org/

AC: Absolute Change of world market share (%)
A.I: Actual Index
C.I: Change Index

## Conclusions

If one looks at the trade performance in the year 2006 it seems that the sector of Leather Products is the best performing Albanian sector. This sector ranks 17 among 115 countries surveyed for this sector regarding the Absolute Change of the world market share (%). In 2005 it was ranked the 18th. Even according to Current Index, Leather Products sector is the best performing sector. In this indicator this sector ranks 55 among 115 countries taken in consideration. If we refer to the ranking among countries this sector also has an improvement in the year 2005, in which it ranked the 57th.

Albania is not the only country that has an advantage in this sector. For the year 2006 there are other countries that have the Leather Products sector as the best performing sector. We can say that Albania can reach profitable exchanges for Leather Products sector with all countries except those that have the greatest advantage (better ranking) in the same sector. For instance Bosnia & Herzegovina is better positioned in the ranking than we are, this means that even though we have an advantage in this sector we can not have exchanges with this country because it is more specialized in the sector of Leather Products. The same thing we can say for exchanges in this sector between Albania and Belgium, Czech, Denmark, Germany, Slovakia or France (if we refer to Absolute Change). While in relation to exchanges in this sector with other countries we can say that Albania has a greater competitive advantage than those in the Leather Products sector. Looking at possible exchanges with Moldova, Albania is more specialized, even though both countries have the same sector with the largest competitive advantages compared to other sectors.

Trade Performance Index is a very good indicator to evidence the sources of a good or bad trade performance for one country but not only that; using it we can show how this country can use his trade performance in structuring an export – import strategy. We can also compare specific indicators for different sectors of a country or different countries i.e. relative change of world market share, and see which components contribute in improving this indicator. Doing so we might build up a strategy to improve our sectorial indexes and consequently improve our trade performance.

For Albania, as mentioned before, the relative change of world market share is of a special interest. (Indicator C1). It not only shows the overall change in the market share but also the source of this change. Does the relative change of world market share show mainly the increase in competitiveness or adaptation to changes in international demand, or is it simply the result of initial specialization in the most dynamic product within the most dynamic sector or market? These sources of market change are summed up; this amount gives the total change in relative market share. In Albania, Processed Food, followed by Electronic Components sector, have increased the market share more than any other sector, with almost 0.9% and this mainly because of increasing competition.

In a very dynamic market like world market, it will be very interesting to know in advance with which county and in which sectors we might have profitable exchanges. We can try to do it by using TPI index. In this way we do not only distinguish the best performing sector of a country but we can also find out in which country we can export the products of this sector so that we can make greater profits. We can do the same analysis even for the other sectors. Comparing trade performance of different countries for a sector we can see that we will have profitable exchanges with that country which is less competitive than us in that sector.

Analyzing and comparing TPI of Albania with all regional and EU countries for each sector, keeping in mind that the country ranked first among analyzed countries has the biggest advantages in the sector, we can find in which sectors and with which countries Albania has competitive advantages.

From the data analyzed, it appears that Albania might have higher benefits with following countries in following sectors (This is because these countries ranked last among analyzed countries):

**France**
a) Fresh Food
b) Textile
c) Basic Manufacture

**United Kingdom**
a) Processed food
b) Non-electronic machinery
c) Electronic components
d) Minerals

**Finland**
a) Wood products

**Ireland**
a) Chemicals
b) IT & Consumer electronics

**Italy**
a) Leather products
b) Clothing
c) Miscellaneous manufacturing

In the same way, using the same logic, we can find in which sectors and with which countries Albania has less competitive advantages, which means that in the trade with these countries in these sectors we do not have profits (This is because these countries ranked first among analyzed countries):

**Poland**
a) Fresh Food
b) Processed food
c) Textile
d) Basic Manufacture
e) Miscellaneous manufacturing
f) Electronic components

**Germany**
a) Wood products
b) Chemicals
c) Non-electronic machinery
d) Clothing
e) Minerals

**United Kingdom**
a) IT & Consumer electronics

**Bosnia & Herzegovina**
a) Leather products

If we analyze *ten biggest Albanian trade partners*, we can find in which sectors we can have most profitable exchanges with them. For each sector these countries, analyzed one by one, comparing with Albania are worst positioned. Below I list only three worst positioned sectors for each country:

**Italy**
a) Fresh Food
b) Miscellaneous manufacturing
c) Processed food

**Greece**
a) Fresh Food
b) Basic Manufacture
c) Non-electronic machinery

**Turkey**
a) Processed food
b) Chemicals
c) Basic Manufacture

**China**
a) Fresh Food
b) Minerals

**Germany**
a) Textile
b) Basic Manufacture

**Swaziland**
a) Fresh Food
b) Processed food
c) Miscellaneous manufacturing

**Russia**
d) Miscellaneous manufacturing
e) Non-electronic machinery

**F.Y.R.O.M**
a) Electronic components

**Serbia**
a) Wood products
b) Basic Manufacture

**Bulgaria**
a) Leather products

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