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U.S.-ALBANIA FORUM

Policy Brief 1

Albania's Progress Toward the European Union

At a time when Albania's political progress is closely scrutinized by international institutions, with Tirana seeking to fulfill all requirements for European Union (EU) accession, a renewed focus is needed to assist Albania in its efforts. Albania's domestic achievements during the past decade have been impressive, including NATO accession, extensive economic reform, and EU visa liberalization, but much still remains to be accomplished in order for Tirana to succeed in its bid for EU entry.

European Integration and Internal Politics: A Bumpy Road

EU membership, positively received by more than 90 percent of Albanians, remains one of the greatest promises for the country. It is a driving force for continued structural and economic reforms and the main if not the only unifying factor among the country's political elite.

Political tensions have persisted following the June 2009 general elections, when the opposition Socialist Party led by Edi Rama refused to recognize the electoral victory of the ruling Democratic Party of Prime Minister Sali Berisha and initiated a parliamentary boycott. Both political sides pledged to restore constructive dialogue only after the political logjam started blocking EU-related reforms. A settlement was reached in September 2011, two months before the release of a European Commission country progress report that did not recommend EU candidate status for Albania.

The Commission's decision did not come as a big surprise, but rather as a *déjà vu* of October 2010, when, due to insufficient progress in political dialogue and the reform process, Albania was declined EU candidate status for the first time. Later, to help Tirana concentrate its efforts on a second attempt, the Commission issued twelve key priorities that had to be addressed with substantive reforms. The Commission's list included adjusting the election legislation based on international standards, reforming the judiciary, combating organized crime and corruption, improving the protection of minorities, and guaranteeing property rights.¹

Given that none of the Commission's priorities were fully implemented due in part to the political turmoil, Albania continues to work towards meeting these goals this year. In order to succeed, serious efforts have to be made to stabilize Albania's political climate and maintain a consensus between the Democrat and Socialist parties.

The current composition of the parliament, with Democrats holding 68 out of 140 seats and Socialists having 65 seats, makes both parties equally influential and capable in determining the parliamentary agenda. At the same time, none of the vital decisions, such as adopting EU-related legislation, which requires a three-fifths majority, can be passed without cross-party cooperation. During the Socialist boycott of parliament, many important laws were stuck in the legislature, leaving the government without the authority to proceed with the reforms required by Brussels.

Tirana's inability to meet EU criteria not only signals Albania's unpreparedness to enter the Union, but also causes frustration and deepens division in Albanian society. During the past two years, several protests took place in Tirana with tens of thousands of people demanding that the government resign and hold early parliamentary elections. The protests were mostly organized by the Socialist Party, which accused the government of vote-rigging in the 2009 general election, similar to charges that were leveled against the Socialists when they won parliamentary elections in June 2001.

Most Albanians relate their future with the EU and are therefore intolerant regarding government failure to bring the country closer to the Union. According to some polls only 40 percent of Albanians have confidence in the national government, compared to 79 percent trusting EU institutions.² The high confidence in the European system can be attributed to the fact that Albanians who are aiming for a greater quality of life perceive EU accession as a panacea for many of their current problems. Around 49 percent of Albanians supporting EU membership believe that accession would improve Albania's economy, 33 percent think it would benefit the development of democracy, and 11 percent say that it would increase Albania's security.³

Albania's aspirations to join the EU are supported by the EU and the U.S. Since signing the Stabilization and Association Agreement (SAA) with Brussels in 2007, Tirana was provided with over EUR 400 million of pre-accession assistance aimed at bringing the country closer to EU standards. Some of the funding was spent on improving the performance of the Albanian police, supporting the management of Albania's maritime border, and giving impetus to small and medium enterprises.⁴ U.S. assistance came under the U.S. Government's Millennium Challenge. The Corporation threshold program with a budget of USD 30 million has focused on strengthening the rule of law, reducing corruption, and increasing public oversight.⁵

In addition to financial aid, the EU and the U.S. are advising Albania on its reforms and, along with the Organization for Security and Co-operation in Europe (OSCE), putting a significant amount of effort into easing tensions between the Democratic and Socialist parties, and helping to consolidate the legitimacy and respect for state institutions. The first results of these mediating efforts were visible in November 2011, when Prime Minister Berisha invited opposition leader Rama to consult on new

election legislation. Shortly thereafter, a parliamentary commission was established to discuss changes to the electoral code, and a bilateral agreement was attained to foster cooperation in passing key laws that require a three-fifths parliamentary majority.

Despite the progress achieved, Tirana's political dialogue and cross-party consensus remains fragile and requires further support from Brussels and Washington. The EU is capable of employing and exercising rewards and disincentives in an attempt to pressure Albanian parties to reach consensus on key legislation. The EU visa-free travel regime granted to Albania on November 2010 exemplified the success of such a reward system. At the same time, the U.S. should exert its leverage to strengthen Albania's political dialogue. Washington is in a good position to do this because of strong pro-American sentiment in the country.

Economic Rollercoaster

Over the past twenty years, Albania's economy underwent a profound structural transformation from a centrally planned to a free market economy. The economy grew by an annual average of 6 percent from 2000 to 2008, before growth slipped back to just over 3 percent in 2009.⁶ Despite the inescapable effects of the global economic crisis, Albania's economy has maintained the highest growth rate in Southeastern Europe for the last three years and is projected to grow by 3.5 percent in 2012.⁷

The composition of the Albanian economy includes remittances that make up 15 percent of the country's GDP; construction investments, such as those along the lucrative Mediterranean coast; the booming tourism industry; EU pre-accession programs; and the country's growing agricultural and natural resources industries.⁸

Nearly a quarter of Albania's population resides abroad, mostly in Italy and Greece, but also in Switzerland, the U.S. and Germany. The ongoing economic crisis in Greece and Italy has affected large number of Albanians living abroad, leading to a sizable number of them returning home, thereby reducing remittances and negatively impacting on Albania's economy. The returnees are also contributing to the country's rising unemployment, currently estimated at around 14 percent.

While unemployment is of great concern, Albania also struggles with a high level of official corruption, organized criminality, and a booming black market economy – a sector estimated at about 50 percent of the country's annual GDP.⁹ Reports indicate that 69 percent of Albanians believe that there is rampant corruption in government, while 65 percent are convinced of corruption in private business. Similarly, 16 percent of Albanians believe that organized crime has increased over the past five years.¹⁰

A lack of infrastructure is yet another major obstacle to Albania's economic well being. Poorly managed transportation networks and energy shortages have increasingly

jeopardized foreign investments. However, in close collaboration with several development and investments banks, Albania has secured several loans to revive its infrastructure, including the construction of new highways. Several initiatives have also been launched in an effort to expand the country's hydropower plants.¹¹

In its 2010 progress report, the European Commission recognized Albania's progress toward a functioning market economy, and applauded its advances in areas such as the free movement of goods, enterprise and industrial policy, financial control, and freedom and security. Still, more efforts need to be made in order to comply with EU standards in the areas of free movement of labor, public procurement, intellectual property law, and air transport.¹²

Regional Role: Conflict Free in an Unstable Zone

Situated in the Western Balkan region where memories of the recent post-Yugoslav wars still linger, Albania has been a factor for stability, especially in its policies toward Albanian minorities in neighboring states. Albania's government has been urging ethnic Albanians to cooperate and work with their respective governments in resolving pressing problems rather than looking to Tirana for solutions. The government has also established cooperative relations with all nearby states and does not have any outstanding disputes with its neighbors.

Albania is actively participating in regional cooperative initiatives, including the South East European Cooperation Process (SEECP), launched to promote trust, good neighborly relations and stability; the Regional Cooperation Council (RCC), focusing on supporting regional integration into the EU and NATO; and the Central European Free Trade Agreement (CEFTA), which opens the EU market to South East European states. In addition, Albania is taking part in regional projects such as the Trans Adriatic Pipeline, which is planned to connect Greece with Italy via Albania, and provide Europe with the new sources of natural gas from the Caspian and Middle East regions.

Conclusions: Which Way Forward?

Although Albania fully complies with EU criteria for good neighborly relations and regional cooperation, domestically it lags behind several other Balkan countries in its endeavor to access the EU. In light of this, Albania should follow the example of Croatia, which is set to join the EU on July 1, 2013, and Serbia, which obtained EU candidate status on March 1, 2012.

At this important juncture, when Albania is in a need of attention and assistance to help to secure its EU membership bid, a valuable opportunity arises for the U.S. to revitalize its relations with Tirana. In recent years, the U.S. administration has shifted its attention from Southeast Europe to security threats in South Asia and the Middle

East. Despite this, having a strong connection with the U.S. has remained an unchanged priority for Tirana, regardless of the government in office.

Shared security concerns including international terrorism, democratization, environmental threats, and regional instability are a logical focus for rejuvenating U.S.-Albania relations. Albania needs American support to strengthen its institutions, implement reforms, and continue to uphold democratic values and principles. This should include educational programs to teach civics, particularly targeting the upcoming generation, training for journalists, and advice on structuring funding for political parties. It is important to get young people engaged and to inculcate a desire to participate in civic and political life. There is also room for improvement in the development of economic relations as Albania seeks to attract FDI from the U.S. These recommendations will be developed in a subsequent Policy Brief.

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