



U.S. Department of State FY 2001 Country Commercial Guide: Albania

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CHAPTER I EXECUTIVE SUMMARY

2. ALBANIA (POP. 3.4 MILLION) HAS A SMALL BUT GROWING ECONOMY THAT IS SIMULTANEOUSLY MAKING THE TRANSITION TO A FREE MARKET WHILE RECOVERING FROM CIVIL INSURRECTION THAT FOLLOWED THE COLLAPSE OF PYRAMID SCHEMES IN 1997. ALBANIA'S 50 YEAR PERIOD OF ISOLATION AND ITS HISTORY OF CENTRALIZED PLANNING LEFT THE COUNTRY POOR, UNDER-DEVELOPED AND IN DIRE NEED OF INVESTMENT. THE GENERALLY LOW LEVEL OF DEVELOPMENT AND LIMITED OBSTACLES TO MARKET ENTRY, HOWEVER, MEAN THAT THERE ARE SIGNIFICANT OPPORTUNITIES FOR SAVVY INVESTORS.

3. THE COUNTRY IS REVIVING ITS INFRASTRUCTURE, PRIVATIZING POTENTIALLY LUCRATIVE TELEPHONY, ENERGY, BANKING, AND MINING COMPANIES, HAS A WELL-EDUCATED AND INEXPENSIVE WORK FORCE, AN ENTREPRENEURIAL POPULACE, AND FEATURES PROXIMITY TO LUCRATIVE WESTERN EUROPEAN MARKETS. U.S. PRODUCTS AND COMPANIES ARE HIGHLY REGARDED BY ALBANIAN CONSUMERS AND THE NATIONAL GOVERNMENT IS EAGER TO ATTRACT U.S. INVESTMENT.

4. THERE ARE, HOWEVER, SERIOUS CHALLENGES TO DOING BUSINESS IN ALBANIA. CRIME AND THE GENERAL LACK OF PUBLIC ORDER AND

SECURITY REMAIN CONCERNS, ALTHOUGH THE GOVERNMENT HAS RECENTLY MADE PROGRESS TOWARD BRINGING ALL AREAS OF THE COUNTRY UNDER ITS CONTROL. CORRUPTION IS WIDESPREAD IN BOTH BUSINESS AND GOVERNMENT CIRCLES AND THE GOVERNMENT CAN TIE PROJECTS UP IN RED TAPE OR WITHHOLD NECESSARY LICENSES AND SUPPORT SO THAT THEY NEVER GET OFF THE GROUND.

CHAPTER II ECONOMIC TRENDS AND OUTLOOK

5. ALBANIA'S ECONOMY IS RECOVERING FROM NEAR TOTAL COLLAPSE IN 1997. IN THE LAST TWO YEARS THE COUNTRY HAS ENJOYED SIGNIFICANT GROWTH AND MACROECONOMIC STABILITY. IN 1999, GDP GREW BY 7.3 PERCENT, PER CAPITA INCOME INCREASED TO USD 1122, AND THERE WAS MILD DEFLATION OF 1.0 PERCENT. IN 2000, GDP IS PREDICTED ONCE AGAIN TO GROW BY SEVEN PERCENT AND INFLATION WILL REMAIN UNDER CONTROL. UNEMPLOYMENT, HOWEVER, REMAINS HIGH (18.2 PERCENT IN 1999) AND FOREIGN DIRECT INVESTMENT (USD 41 MILLION IN 1999), NEGLIGIBLE. ALBANIA'S ECONOMY REMAINS LARGELY AGRICULTURAL WITH AGRICULTURE ACCOUNTING FOR 52.9 PERCENT OF GDP AND INDUSTRY AND SERVICES CONTRIBUTING 25.2 AND 21.9 PERCENT, RESPECTIVELY.

GOA'S ROLE IN THE ECONOMY

6. ALBANIA IS COMPLETING THE PROCESS OF TRANSITION FROM A CENTRALIZED PLANNED ECONOMY TO A FREE-MARKET. THE STATE'S ROLE IN THE ECONOMY IS SHRINKING AS THIS PROCESS CONTINUES. THE GOA HAS PRIVATIZED NEARLY ALL ITS SMALL AND MEDIUM-SIZED ENTERPRISES. FOUR REMAINING SMALL AND MEDIUM-SIZED ENTERPRISES, A BREWERY, DISTILLERY, DAIRY, AND PHARMACEUTICAL COMPANY ARE SCHEDULED TO BE SOLD IN THE SECOND HALF OF 2000. THE GOVERNMENT RECENTLY PRIVATIZED ITS CELLULAR PHONE COMPANY AND PLANS TO SELL OFF OTHER STRATEGIC ASSETS IN 2000 - 2002. NEARLY ALL LAND IN ALBANIA IS PRIVATELY OWNED.

BALANCE OF PAYMENTS

7. ALBANIA RAN A NEGATIVE BALANCE OF PAYMENTS OF USD 47.9 MILLION IN 1998, DOWN SIGNIFICANTLY FROM USD 268.6 MILLION IN 1997. THE IMPROVEMENT IN THE BALANCE OF PAYMENTS REFLECTS RENEWED ALBANIAN ECONOMIC RECOVERY SINCE THE COLLAPSE OF THE PYRAMID SCHEMES IN 1997. ALBANIA HAS A TRADE DEFICIT WITH ITS THREE MAJOR TRADING PARTNERS: ITALY, GREECE AND GERMANY. THE LARGEST POSITIVE CONTRIBUTOR TO ITS BALANCE OF PAYMENTS IS REMITTANCES FROM ABROAD WHICH ARE ESTIMATED TO HAVE REACHED USD 517 MILLION IN 1998.

ADEQUACY OF THE INFRASTRUCTURE

8. ALBANIA'S INFRASTRUCTURE IS ANTIQUATED, DILAPIDATED AND UNDER-FUNDED. THE ROAD SYSTEM IS LIMITED AND EVEN MAJOR ROADS ARE OFTEN NARROW, POT HOLE FILLED, UNLIGHTED, AND DANGEROUS. THE GOVERNMENT HAS MADE ROAD-BUILDING A PRIORITY BUT THE TIMELY DEVELOPMENT OF PROJECT FEASIBILITY STUDIES, FUNDING ACQUISITION, TENDER ISSUANCE, AND CONTRACTING NEGOTIATION AND OVERSIGHT REMAIN PROBLEMATIC.

9. ALBANIA IS PRIVATIZING OPERATIONS AT ITS TWO MAJOR PORTS-- DURRES AND VLORA. DURRES HANDLES 90 PERCENT OF ALBANIA'S MARITIME CARGO AND THE WORLD BANK AND EBRD ARE FUNDING REHABILITATION OF DURRES QUAYS, PIERS AND WHARVES. IF RAIL AND ROAD CONNECTIONS CAN BE IMPROVED AND PORT EFFICIENCY IMPROVED, DURRES MAY BE ABLE TO DEVELOP AS A GATEWAY TO KOSOVO AS WELL AS ALBANIA.

10. ALBANIA'S ONE MAJOR AIRPORT, RINAS IS LOCATED IN TIRANA. THE AIRPORT HAS OUTGROWN ITS TERMINAL AND THE GOA PLANS TO ISSUE A TENDER FOR THE CONSTRUCTION AND OPERATION OF A NEW TERMINAL IN 2000 AND PURCHASE AIR TRAFFIC CONTROL EQUIPMENT INCLUDING A PRIMARY RADAR SYSTEM.

11. ALBANIA'S STATE-RUN RAILROAD HAS APPROXIMATELY 240 MILES OF TRACK. RAILS, STATIONS, AND ROLLING STOCK ARE DILAPIDATED AND IN

DIRE NEED OF INVESTMENT. THE SYSTEM IS NOT CONNECTED TO THE RAILROAD OF ANY NEIGHBORING COUNTRY (THE ONE INTERNATIONAL CONNECTION -- AN 8 MILE LINK TO MONTENEGRO -- WAS DESTROYED A FEW YEARS AGO). THERE ARE PLANS TO LINK ALBANIA'S AND MACEDONIA'S RAILROADS BUT NO FUNDS HAVE BEEN IDENTIFIED FOR THE PROJECT. DESPITE ITS LIMITED NETWORK AND POOR EQUIPMENT, THE ALBANIAN RAILROAD MOVED 361,000 TONS OF CARGO AND 2.3 MILLION PASSENGERS IN 1999.

12. ALBANIA'S ENERGY INFRASTRUCTURE HAS BEEN UNABLE TO KEEP PACE WITH SURGING DEMAND. ACCORDING TO SOME ESTIMATES, CONSUMPTION OUTSTRIPS PRODUCTIVE CAPACITY BY 1.5 BILLION KILOWATT HOURS PER YEAR. NINETY PERCENT OF COUNTRY'S ELECTRICITY IS GENERATED BY HYDROPOWER AND 25 PERCENT OF THE TOTAL ENERGY GENERATED IS LOST DUE TO TECHNICAL DEFICIENCIES IN THE TRANSMISSION AND DISTRIBUTION SYSTEMS. MOREOVER: ELECTRICITY THAT REACHES CONSUMERS OFTEN IS NOT PAID FOR: SEVENTY PERCENT OF THE STATE-OWNED ELECTRICITY COMPANY'S CLIENTS REFUSE TO PAY THEIR BILLS.

REGIONAL ECONOMIC INTEGRATION

13. ALBANIA HAS SIGNALLED ITS INTEREST IN REGIONAL ECONOMIC INTEGRATION BY SIGNING BILATERAL AGREEMENTS WITH MACEDONIA, GREECE, ITALY, AND CROATIA, AS WELL AS WITH MONTENEGRO.

PRINCIPAL GROWTH SECTORS

14. ALBANIA'S ROBUST CURRENT GROWTH IS FUELED PRIMARILY BY THE TRANSPORTATION, SERVICE AND CONSTRUCTION SECTORS. ALBANIA'S HOUSING STOCK IS OLD AND IN POOR CONDITION AND THE COUNTRY HAS A HOUSING DEFICIT OF APPROXIMATELY 45,000 UNITS. A RESIDENTIAL BUILDING BOOM IS TRANSFORMING THE FACE OF TIRANA, DURRES AND OTHER LARGE CITIES AND OFFERS OPPORTUNITIES FOR CONSTRUCTION AND RELATED COMPANIES. THE TOURISM SECTOR ALSO APPEARS ON THE VERGE OF SIGNIFICANT GROWTH WITH ALBANIANS RETURNING TO

SEASIDE RESORTS IN LARGE NUMBERS IN SUMMER 2000 FOR THE FIRST TIME SINCE CIVIL INSURRECTION OF 1997 - 1998. THE AGRICULTURAL SECTOR IS ALSO EXPANDING WITH INCREASED FRUIT, VEGETABLE AND GRAIN PRODUCTION IN 2000.

CHAPTER III POLITICAL ENVIRONMENT

15. THE U.S. AND ALBANIA ENJOY A STRONG AND GROWING BILATERAL RELATIONSHIP. THE UNITED STATES PROVIDES TECHNICAL AND FINANCIAL ASSISTANCE TO THE GOVERNMENT OF ALBANIA IN NUMEROUS AREAS INCLUDING MILITARY, POLICE AND JUDICIAL REFORM, BANK PRIVATIZATION, AND STRENGTHENING OF CIVIL SOCIETY. ALBANIANS HAVE TRADITIONALLY HELD THE UNITED STATES IN HIGH REGARD. PRO-U.S. SENTIMENT, HOWEVER, REACHED NEW HEIGHTS IN THE AFTERMATH OF THE SUCCESSFUL NATO INTERVENTION IN KOSOVO.

MAJOR ISSUES AFFECTING THE BUSINESS CLIMATE

16. THE CRITICAL ISSUE AFFECTING THE BUSINESS CLIMATE IS PUBLIC ORDER AND STABILITY. AFTER THE COLLAPSE OF THE PYRAMID SCHEMES IN 1997, ALBANIA DESCENDED INTO ANARCHY WITH CITIZENS LOOTING WEAPON DEPOTS AND DESTROYING FACTORIES AND BUSINESSES THROUGHOUT THE COUNTRY. THE COUNTRY WAS AGAIN THROWN INTO TURMOIL IN SEPTEMBER 1998, WHEN POLITICAL VIOLENCE FORCED THE PRIME MINISTER TO FLEE THE COUNTRY.

17. RECENTLY, HOWEVER, THE GOVERNMENT OF ALBANIA HAS MADE SIGNIFICANT PROGRESS IN RESTORING PUBLIC ORDER THROUGHOUT THE COUNTRY. ON-GOING REFORM IN THE MINISTRY OF PUBLIC ORDER, STRONGLY SUPPORTED AND ASSISTED BY THE INTERNATIONAL COMMUNITY, HAS BOLSTERED POLICE EFFECTIVENESS AND INCREASED POLICE MORALE AND VISIBILITY. CRIMINAL ACTIVITY HAS DECREASED IN MOST PARTS OF THE COUNTRY. IN OCTOBER 1999, THE COUNTRY EXPERIENCED A PEACEFUL TRANSITION OF POWER, WHEN PM MAJKO WAS REPLACED BY HIS DEPUTY, ILIR META.

18. OTHER CRITICAL ISSUES AFFECTING BUSINESS INCLUDE ENDEMIC CORRUPTION IN BOTH GOVERNMENT AND BUSINESS CIRCLES, THE LACK OF BANK FINANCING AND CREDIT FOR BUSINESSES, AND THE INADEQUATE TRANSPORTATION AND ENERGY INFRASTRUCTURES THAT INFLATE PRODUCTION AND DISTRIBUTION COSTS.

CIVIL SOCIETY

19. ALBANIA'S NGO COMMUNITY IS SMALL BUT GROWING IN INFLUENCE AND EXPERTISE. INTERNATIONAL NGOS AND THE USG ARE WORKING TO BUILD LOCAL NGO CAPACITY. ALBANIA'S NGOS ARE INVOLVED IN PROVIDING SOCIAL SERVICES, DRAFTING LEGISLATION, TRAINING ELECTION MONITORS, AND LOBBYING FOR REFORM.

GOVERNMENT - BUSINESS DIALOGUE

20. RECENTLY, THE GOA TOOK INITIAL STEPS TO SOLICIT THE IDEAS AND VIEWS OF BUSINESS LEADERS. EARLIER THIS YEAR, THE MINISTRY OF ECONOMIC COOPERATION AND TRADE FORMED A BUSINESS ADVISORY COUNCIL COMPRISED OF BUSINESS REPRESENTATIVES TO ADVISE THE GOA ON KEY LEGISLATIVE INITIATIVES INCLUDING THE GOVERNMENT'S STRATEGY FOR SMALL AND MEDIUM-SIZED ENTERPRISES.

21. THE BUSINESS COMMUNITY IS ALSO DEVELOPING INSTITUTIONS TO INCREASE ITS INTERACTION WITH THE GOVERNMENT. BUSINESSES RECENTLY CREATED A FOREIGN INVESTORS ASSOCIATION AND EMBASSY TIRANA HAS STARTED AN AMERICAN CHAMBER OF COMMERCE IN TIRANA. THE CHAMBER HOPES TO FUNCTION AS A VOICE OF THE BUSINESS COMMUNITY IN THE ALBANIAN POLITICAL ARENA.

NATIONAL - LOCAL RELATIONS

22. ALBANIA'S GOVERNMENT IS HIGHLY CENTRALIZED WITH FINANCIAL RESOURCES AND POWERS CONCENTRATED AT THE NATIONAL LEVEL. ONLY SIX PERCENT OF THE NATIONAL BUDGET FINDS ITS WAY TO LOCAL

GOVERNMENTS. MAYORS AND OTHER LOCAL LEADERS COMPLAIN THAT THEY LACK THE FUNDS AND LEGISLATIVE AUTHORITY TO TACKLE CRITICAL LOCAL ISSUES SUCH AS ECONOMIC DEVELOPMENT AND INFRASTRUCTURE IMPROVEMENT. THE GOVERNMENT, HOWEVER, HAS BEGUN THE PROCESS OF DEVOLVING POWERS TO LOCAL GOVERNMENTS. DESPITE LOCAL GOVERNMENT FRUSTRATIONS WITH LIMITS ON LOCAL POWER, RELATIONS BETWEEN THE CENTRAL AND LOCAL GOVERNMENTS TEND TO BE GOOD.

POLITICAL SYSTEM

23. ALBANIA IS A PARLIAMENTARY DEMOCRACY. THE HEAD OF STATE IS THE PRESIDENT WHO IS ELECTED BY THE PARLIAMENT. THE HEAD OF THE GOVERNMENT IS THE PRIME MINISTER WHO IS ALSO CHOSEN BY THE 155-MEMBER PARLIAMENT WHICH IS ELECTED EVERY FOUR YEARS.

24. THERE ARE TWO MAJOR POLITICAL PARTIES IN ALBANIA, THE SOCIALIST PARTY AND THE DEMOCRATIC PARTY. THE SOCIALISTS CURRENTLY HOLD 101 SEATS IN PARLIAMENT AND GOVERN IN COALITION WITH THE SOCIAL-DEMOCRATIC PARTY, THE HUMAN RIGHTS PARTY, THE DEMOCRATIC ALLIANCE, AND THE AGRARIAN PARTY. THE DEMOCRATIC PARTY IS THE LEADING OPPOSITION PARTY WITH 23 SEATS IN PARLIAMENT. OTHER MEMBERS OF THE OPPOSITION INCLUDE THE REPUBLICAN PARTY, THE LEGALITY PARTY (FAVORING THE RESTORATION OF ALBANIA'S MONARCHY), THE DEMOCRATIC CHRISTIAN PARTY AND THE NATIONAL FRONT PARTY.

25. NEITHER THE SOCIALIST NOR DEMOCRATIC PARTY POSSESS COHERENT POLITICAL PHILOSOPHIES. RATHER, THEIR POSITIONS AND POLICIES ARE OF SECONDARY IMPORTANCE TO THE PERSONALITIES OF THEIR RESPECTIVE LEADERS. HOWEVER, THE SOCIALIST PARTY'S ORIENTATION IS LEFT OF CENTER AND THE DEMOCRATIC PARTY'S IS RIGHT OF CENTER. DESPITE ITS NAME, THE SOCIALIST PARTY HAS RECENTLY SPEARHEADED THE DRIVE TO PRIVATIZE STATE-OWNED INDUSTRIES. THE SOCIALIST-LED COALITION HAS ALSO BROUGHT ALBANIA INTO THE WORLD TRADE ORGANIZATION.

CHAPTER IV MARKETING OF U.S. PRODUCTS AND SERVICES

26. AN AMERICAN BUSINESS IN ALBANIA MAY ORGANIZE ITS LOCAL OPERATIONS IN A VARIETY OF WAYS. THE FOUR MOST COMMON FORMS OF ALBANIAN BUSINESSES ARE SOLE PROPRIETORSHIPS, PARTNERSHIPS, LIMITED LIABILITY COMPANIES (SH.P.K), AND JOINT STOCK COMPANIES (SH.A.). LAW 7638 ON COMMERCIAL COMPANIES IS THE KEY PIECE OF LEGISLATION GOVERNING THE REGISTRATION OF COMPANIES AND BUSINESSES IN ALBANIA.

27. SOLE PROPRIETORSHIPS ARE CONSIDERED THE SIMPLEST FORM OF BUSINESS ORGANIZATION. THE OWNER OF SOLE PROPRIETORSHIP HAS UNLIMITED LIABILITY FOR THE COMPANY'S DEBTS. TO ESTABLISH A SOLE PROPRIETORSHIP, AN INVESTOR MUST REGISTER WITH TAX AUTHORITIES AND PROVIDE THE DISTRICT COURT WITH HIS/HER NAME, ADDRESS IN ALBANIA AND BUSINESS PURPOSE.

28. BOTH GENERAL AND LIMITED PARTNERSHIPS EXIST IN ALBANIA. UNDER A GENERAL PARTNERSHIP, "ALL PARTNERS ARE JOINTLY AND SEVERALLY LIABLE." IN A LIMITED PARTNERSHIP THERE ARE BOTH LIMITED AND GENERAL PARTNERS, THE FORMER ARE LIABLE FOR PARTNERSHIP OBLIGATIONS ONLY UP TO THE VALUE OF THEIR INVESTMENT IN THE PARTNERSHIP. NO MINIMUM CAPITAL IS REQUIRED TO ESTABLISH A LIMITED PARTNERSHIP.

29. THE CLOSEST ALBANIAN EQUIVALENT TO A U.S.-STYLE CORPORATION IS THE SH.P.K. OR LIMITED LIABILITY COMPANY. SH.P.K.'S ARE THE MOST COMMON ALBANIAN CORPORATE FORM AND PARTNERS ARE ONLY LIABLE UP TO THE VALUE OF THEIR CONTRIBUTION TO THE COMPANY. ALBANIAN LAW REQUIRES A MINIMUM CAPITAL INVESTMENT OF 100,000 LEK (USD 700) FOR THE ESTABLISHMENT OF A SH.P.K. AN ALBANIAN LIMITED LIABILITY COMPANY MAY NOT ISSUE SHARES.

30. AN ALBANIAN JOINT STOCK COMPANY (SH.A.) MAY OFFER SHARES TO THE PUBLIC. THE MINIMUM CAPITAL INVESTMENT REQUIRED TO ESTABLISH A SH.A. DEPENDS ON WHETHER SHARES WILL BE PUBLICLY

OFFERED. A S.H.A. OFFERING SHARES REQUIRES A MINIMUM CAPITAL INVESTMENT OF 10 MILLION LEK (USD 70,000), WHEREAS A S.H.A. THAT WILL NOT OFFER SHARES REQUIRES AN INVESTMENT OF ONLY TWO MILLION LEK (USD 14,000).

31. ESTABLISHMENT OF LOCAL AND BRANCH OFFICES ARE PERMITTED UNDER ALBANIA'S COMMERCIAL LAW AND COMMERCIAL REGISTER BUT PROCEDURES FOR REGISTRATION ARE NOT ENTIRELY CLEAR. CONSULTANTS RECOMMEND THAT PARTIES INTERESTED IN FORMING JOINT VENTURES HIRE LOCAL ATTORNEYS TO GUIDE THEM THROUGH THE REGISTRATION PROCESS. IF A U.S. INVESTOR SEEKS TO ESTABLISH A JOINT VENTURE WITH AN AGENCY OF THE GOVERNMENT OF ALBANIA, THE APPROVAL OF THE NATIONAL AGENCY FOR PRIVATIZATION AND THE MINISTRY OF PUBLIC ECONOMY AND PRIVATIZATION MAY ALSO BE REQUIRED.

FINDING A LOCAL PARTNER AND ATTORNEY

32. A U.S. BUSINESS MAY FIND A LOCAL PARTNER AS WELL AS LOCAL COUNSEL BY CONTACTING THE AMERICAN CHAMBER OF COMMERCE IN TIRANA OR THE TIRANA CHAMBER OF COMMERCE.

CHECKING BONA FIDES OF BANKS, AGENTS, AND BUSINESSES

33. THE CENTRAL BANK (BANK OF ALBANIA) LICENSES, INSPECTS AND REGULATES ALL BANKS IN ALBANIA. BUSINESSES SHOULD CONTACT THE CENTRAL BANK (SEE CONTACT INFORMATION IN CHAPTER VIII) IF THEY HAVE QUESTIONS REGARDING THE BONA FIDES OF ANY LOCAL BANK. AMERICAN BUSINESSES SEEKING TO DO BUSINESS WITH ALBANIAN COMPANIES ARE ENCOURAGED TO ENGAGE IN DUE DILIGENCE INCLUDING REVIEWING THE ALBANIAN COMPANY'S TAX CERTIFICATE AND VAT REGISTRATION DOCUMENTS. VISITING THE OPERATIONS OF THE ALBANIAN COMPANY IS ALSO RECOMMENDED.

DISTRIBUTION AND SALES CHANNELS

34. BUSINESSES IN ALBANIA CAN SELL OR DISTRIBUTE PRODUCTS THROUGH WHOLESALERS, RETAILERS, AND/OR INDIVIDUALS. IMPORTERS CAN ALSO SELL PRODUCTS DIRECTLY TO WHOLESALERS AT THE PORT OF ENTRY, WHO THEN DISTRIBUTE THE GOODS TO THE OTHER BUYERS.

SELLING TECHNIQUES

35. ALBANIAN CONSUMERS ARE PRICE SENSITIVE AND HAVE LIMITED BRAND LOYALTY. BECAUSE OF LOW HOUSEHOLD INCOME, CONSUMERS TEND TO BUY THE LOWEST COST GOODS. THIS WILL LIKELY CHANGE AS INCOMES RISE AND THE PURCHASING POWER OF YOUNG ALBANIANS, WHO ARE MORE FAMILIAR WITH WESTERN PRODUCTS, INCREASES. AMERICAN BUSINESSES LOOKING TO ENTER THE ALBANIAN MARKET, CONSEQUENTLY, NEED TO CAREFULLY CALIBRATE THEIR PRICES DESPITE THE FACT THAT U.S. PRODUCTS ARE VERY HIGHLY REGARDED BY ALBANIAN CONSUMERS.

36. ALBANIA'S ADVERTISING SECTOR IS SMALL BUT GROWING. AN AFFILIATE OF DDB WORLDWIDE PLANS TO OPEN AN OFFICE IN TIRANA IN THE SECOND HALF OF 2000. TRADITIONALLY, ALBANIANS HAVE VIEWED ADVERTISING WITH SUSPICION, REASONING THAT A COMPANY THAT ADVERTISES HAS PROBLEMS SELLING ITS PRODUCTS AND THEREFORE MUST HAVE INFERIOR GOODS. THIS VIEW APPEARS TO BE RECEDING AS THE NUMBER OF ADVERTISEMENTS ON TV, RADIO AND BILLBOARDS INCREASES. ALBANIA, HOWEVER, REMAINS A CULTURE WITH A STRONG ORAL TRADITION AND IN THIS SMALL MARKET, WORD OF MOUTH RECOMMENDATIONS ARE VERY IMPORTANT.

MEDIA

37. ALBANIA'S MAJOR NEWSPAPERS INCLUDE:

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ALBANIA HAS ONE STATE-OWNED TELEVISION STATION WITH COUNTRY-WIDE COVERAGE, RADIO-TELEVISIONI SHQIPTAR (TVSH). NUMEROUS UNLICENSED TELEVISION STATIONS OPERATE THROUGHOUT THE COUNTRY. MAJOR TELEVISION AND RADIO STATIONS INCLUDE:

RADIO - TELEVISIONI SHQIPTAR (TVSH), ILIR RESNJA, DIRECTOR (+355 (38) 202-0553); NEWS DEPARTMENT (+355 (4) 356056; FAX: +355 (4) 356058); OFFICE OF THE DIRECTOR (+355 (4) 227512);

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CHAPTER V LEADING SECTORS FOR US EXPORTS AND INVESTMENT

38. (NOTE: DATA ARE NOT AVAILABLE IN THE FORMAT REQUESTED REFTEL. END NOTE.)

39. THE FOLLOWING ARE TEN THE LARGEST U.S. INDUSTRIAL EXPORTS TO ALBANIA FOR THE PERIOD JANUARY THROUGH JUNE 2000:

| PRODUCT | VALUE (MILLION USD) |
|------------------------------|---------------------|
| LIQUID MEASURING EQUIPMENT | 0.21 |
| ULTRASONIC SCANNERS | 0.20 |
| MOBILE MAINTENANCE EQUIPMENT | 0.14 |
| MEDICAL EQUIPMENT | 0.11 |
| CRANES | 0.08 |
| BULLDOZERS | 0.07 |
| ELECTRIC GENERATORS | 0.06 |
| KIDNEY DIALYSIS EQUIPMENT | 0.05 |
| USED TRANSPORTATION MEANS | 0.04 |
| ANTENNAE AND RELATED PARTS | 0.04 |

INVESTMENT OPPORTUNITIES

40. THE GOA'S PRIVATIZATION PROGRAM OFFERS SIGNIFICANT INVESTMENT OPPORTUNITIES FOR U.S. COMPANIES. THE GOVERNMENT PLANS TO SELL THE RIGHTS TO A CELLULAR TELEPHONE LICENSE IN THE SECOND HALF OF 2000. THE GOVERNMENT WILL ALSO ISSUE A TENDER FOR THE CONSTRUCTION AND OPERATION OF A NEW PASSENGER TERMINAL AT RINAS AIRPORT DURING FALL 2000. IN 2001, THE GOA PLANS TO SELL INSIG, THE STATE-OWNED INSURANCE COMPANY WITH 120,000 CLIENTS, USD 50 MILLION IN ACTIVE ASSETS AND OPERATIONS IN KOSOVO IN ADDITION TO ALBANIA. THE GOA HAS ALSO BEGUN THE PROCESS OF PRIVATIZING THE STATE SAVINGS BANK, ALBANIA'S LARGEST, WITH THE EQUIVALENT OF NEARLY USD 1 BILLION IN DEPOSITS.

41. THE GOA ALSO PLANS TO SELL ITS FIXED NETWORK TELEPHONE COMPANY (TELEKOMI SHQIPTAR), THE STATE OIL COMPANY (ALBPETROL), THE STATE CHROME AND COPPER COMPANIES (ALKROMI AND ALABKRI, RESPECTIVELY), AND OIL COMPANY, ALBPETROL BY 2001. THE GOVERNMENT IS ALSO COMMITTED TO AN EXTENSIVE PROGRAM OF ROAD BUILDING AND WILL BE SEEKING CONSTRUCTION COMPANIES AND CONSTRUCTION SUPERVISORS FOR THESE PROJECTS IN 2000 AND 2001.

42. IN ADDITION, THE FOOD PROCESSING, COMPUTER, TEXTILE AND TRANSPORTATION SECTORS OFFER SIGNIFICANT GROWTH POTENTIAL AND INVESTMENT OPPORTUNITIES FOR U.S. BUSINESSES.

AGRICULTURAL SECTOR

43. THE LARGEST U.S. AGRICULTURAL EXPORTS IN USD MILLIONS TO ALBANIA ARE:

| PRODUCT | 1998 | 1999 | 2000 (JAN-MAY) |
|--------------------|------|------|-------------------|
| SOYBEAN OIL | 0 | 0 | 2.28 |
| FLOUR (CORN/WHEAT) | 0 | 0 | 1.28 |

| | | | |
|------------------|---|------|------|
| CHICKEN QUARTERS | 0 | 0.23 | 0.40 |
| BEANS | 0 | 0 | 0.24 |
| SUNFLOWER OIL | 0 | 0 | 0.11 |
| RICE | 0 | 0.1 | 0.05 |

44. IN ADDITION TO THE ABOVE LISTED PRODUCTS, OTHER AGRICULTURAL SECTOR PRODUCTS THAT PRESENT OPPORTUNITIES FOR U.S. COMPANIES INCLUDE FOOD PACKAGING, FROZEN GOODS, SEEDS AND FERTILIZERS, AND FARM EQUIPMENT AND MACHINERY.

CHAPTER VI TRADE REGULATIONS, CUSTOMS AND STANDARDS

45. ALBANIA RECENTLY JOINED THE WORLD TRADE ORGANIZATION AND IS COMMITTED TO REDUCING TARIFFS ON IMPORTS. CURRENTLY, THERE ARE THREE BASIC CUSTOM RATES FOR IMPORTS DEPENDING ON PRODUCT TYPE: 5 PERCENT, 10 PERCENT AND 18 PERCENT. THERE IS TALK OF ESTABLISHING A REGIONAL FREE TRADE ZONE IN SOUTHEASTERN EUROPE BUT NO SUCH ZONE CURRENTLY EXISTS.

46. IMPORT - EXPORT COMPANIES MUST HAVE A LICENSE TO OPERATE BUT DO NOT NEED TO SPECIFY THE TYPE OF PRODUCTS THEY WILL IMPORT/EXPORT IN THEIR LICENSE APPLICATION. MOST IMPORT - EXPORT COMPANIES ARE FORMED AS SOLE PROPRIETORSHIPS. THERE ARE NO PROHIBITED IMPORTS.

47. ALBANIA HAS IMPORTANT SHOE AND CLOTHING ASSEMBLY INDUSTRIES. RAW MATERIALS ARE IMPORTED PRIMARILY FROM GREECE AND ITALY AND FASHIONED INTO FINAL OR NEAR-FINAL PRODUCTS IN ALBANIAN FACTORIES. SUCH COMPANIES PAY A 1 PERCENT CUSTOMS FEE ON THE IMPORTED RAW MATERIALS AND ARE EXEMPT FROM THE V.A.T. TAX.

48. THERE IS A 1 PERCENT CUSTOMS FEE FOR PRODUCTS BROUGHT IN TO

ALBANIA TEMPORARILY FOR REPAIR AND THEN RE-EXPORTED. SIMILARLY, TEMPORARY MACHINERY ENTERING THE COUNTRY IS SUBJECT TO A 1 PERCENT CUSTOMS FEE AND MAY REMAIN IN THE COUNTRY FOR UP TO ONE YEAR.

CHAPTER VII INVESTMENT CLIMATE STATEMENT

49. ALBANIA PRESENTS A CHALLENGING INVESTMENT CLIMATE, DESPITE GOVERNMENT ENCOURAGEMENT OF FOREIGN DIRECT INVESTMENT. ALBANIA'S DEVELOPING MARKET ECONOMY, HOWEVER, OFFERS AMPLE OPPORTUNITIES FOR INVESTORS WILLING TO FACE SIGNIFICANT DIFFICULTIES AND RISKS.

50. ALBANIA WAS AMONG THE LAST STATES TO OVERCOME COMMUNISM; DECADES OF STALINISM, CENTRAL PLANNING, AND ISOLATIONISM RUINED THE ECONOMY. THE COUNTRY EXPERIENCED VIOLENT UNREST AND DESTRUCTION OF PROPERTY BOTH WITH THE FALL OF COMMUNISM IN 1991 AND AFTER THE COLLAPSE OF PYRAMID INVESTMENT SCHEMES IN 1997. ALBANIA REMAINS AMONG THE POOREST COUNTRIES IN EUROPE. BOTH PHYSICAL AND FINANCIAL INFRASTRUCTURE REMAIN UNDEVELOPED. CRIME AND CORRUPTION REMAIN WIDESPREAD ALTHOUGH EFFORTS TO IMPROVE PUBLIC ORDER HAVE YIELDED SIGNIFICANT RESULTS.

51. ALBANIA DOES OFFER CONSIDERABLE NATURAL RESOURCES, INCLUDING OIL, GAS, AND COAL, IRON, COPPER AND CHROME ORES, AND WATER AND HYDROELECTRIC POTENTIAL. PROPERTY AND LABOR COSTS ARE LOW, AND THE LARGE, YOUNG POPULACE IS READY TO WORK. AN ON-GOING PRIVATIZATION PROCESS PRESENTS OPPORTUNITIES IN STRATEGIC SECTORS. MOREOVER, ALBANIA SHARES A BORDER WITH GREECE AND IS JUST ACROSS THE ADRIATIC FROM ITALY, OFFERING PROXIMITY TO WESTERN EUROPEAN MARKETS.

TRAVEL WARNING

52. THE DEPARTMENT OF STATE WARNS U.S. CITIZENS OF THE POTENTIAL

DANGER OF TRAVEL TO ALBANIA. THE SECURITY SITUATION THROUGHOUT THE COUNTRY REMAINS UNSTABLE. BUSINESS PEOPLE CONSIDERING VISITING ALBANIA SHOULD CONTACT THE STATE DEPARTMENT OR U.S. EMBASSY FOR THE LATEST TRAVEL ADVISORY INFORMATION.

OPENNESS TO FOREIGN INVESTMENT

53. THE GOVERNMENT OF ALBANIA ENCOURAGES FOREIGN DIRECT INVESTMENT TO AID THE COUNTRY'S ECONOMIC DEVELOPMENT BUT PROVIDES LITTLE IN THE WAY OF TAX, FINANCIAL OR OTHER INCENTIVES. THE GOVERNMENT IS CURRENTLY CONTEMPLATING THE CREATION OF A ONE-STOP SHOP TO ASSIST FOREIGN INVESTORS. THE ALBANIAN BUSINESS COMMUNITY AND PUBLIC ALSO GENERALLY WELCOME AMERICAN FIRMS AND THEIR PRODUCTS.

54. THE ALBANIAN GOVERNMENT DOES NOT SCREEN FOREIGN INVESTMENTS. THE PRINCIPLE OF NATIONAL TREATMENT FOR FOREIGN INVESTORS IS ESTABLISHED IN ALBANIAN LAW. THE PRIVATIZATION STRATEGY FOR SECTORS OF PRIMARY IMPORTANCE EXPLICITLY SEEKS QUALIFIED FOREIGN FIRMS AS STRATEGIC INVESTORS IN TELECOMMUNICATIONS, ENERGY, OIL AND GAS, MINING, BANKING, AND OTHER SECTORS. THE ALBANIAN GOVERNMENT RECENTLY ACCEDED TO THE WORLD TRADE ORGANIZATION.

55. AGRICULTURAL LAND IS AN IMPORTANT EXCEPTION TO THE OPENNESS TO FOREIGN INVESTMENT. FOREIGN PERSONS MAY NOT PURCHASE AGRICULTURAL LAND IN ALBANIA.

CONVERSION AND TRANSFER POLICIES

56. THE ALBANIAN LEK FLOATS FREELY AND HAS BEEN RELATIVELY STABLE WITH SOME SEASONAL VARIATIONS OVER THE PAST YEAR. THE LEK IS CONVERTIBLE WITHOUT LIMITS AT BANKS AND EXCHANGE BUREAUS AND WITH LEGAL STREET TRADERS. MOST TRANSACTIONS ARE CARRIED OUT IN CASH. U.S. DOLLARS AND OTHER FOREIGN CURRENCIES

ARE LEGALLY AND COMMONLY USED.

57. TRANSFERS ABROAD OF FUNDS AND OTHER FINANCIAL ASSETS ARE UNRESTRICTED SO LONG AS TAX OBLIGATIONS AND DEBTS HAVE BEEN MET. HOWEVER, THIS LEGAL FREEDOM IS NOT ALWAYS RESPECTED IN PRACTICE. IN AT LEAST ONE INSTANCE, REGULATIONS INTENDED TO IMPEDE MONEY LAUNDERING RESULTED IN EXTENSIVE DELAYS ON TRANSFERS.

EXPROPRIATION AND COMPENSATION

58. IN THE POST-COMMUNIST PERIOD, EXPROPRIATION HAS BEEN LIMITED TO LAND NEEDED FOR INFRASTRUCTURE PROJECTS, SUCH AS ROADS AND THE AIRPORT. COMPENSATION HAS GENERALLY BEEN ABOVE MARKET VALUE, THOUGH SOME OWNERS HAVE COMPLAINED AT THE LOW REAL AMOUNT OF PAYMENTS. THE ALBANIAN GOVERNMENT HAS NOT YET FULLY RESOLVED COMPETING LAND OWNERSHIP CLAIMS RESULTING FROM COMMUNIST-ERA EXPROPRIATION OF ALL AGRICULTURAL LAND AND INDUSTRIES AND SUBSEQUENT PROPERTY DISTRIBUTION SCHEMES.

DISPUTE SETTLEMENT

59. ALBANIA HAS A CIVIL LAW SYSTEM SIMILAR TO THAT OF MOST OTHER EUROPEAN COUNTRIES. HOWEVER, THE JUDICIAL SYSTEM IS WIDELY VIEWED AS CORRUPT AND UNRELIABLE. INVESTORS CANNOT RELY ON THE ENFORCEABILITY OF CONTRACTS. FOREIGN FIRMS AND INSTITUTIONS HAVE ALSO BEEN SUBJECT TO NUISANCE LAWSUITS AIMED AT RECEIVING A CASH SETTLEMENT.

60. MOST RECENT INVESTMENT DISPUTES HAVE BEEN CLAIMS AGAINST THE ALBANIAN GOVERNMENT FOR DAMAGES RESULTING FROM PROPERTY DESTRUCTION AND LOOTING DURING VIOLENT DISORDER IN 1997. ALBANIA IS A MEMBER OF THE INTERNATIONAL COURT FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID).

PERFORMANCE REQUIREMENTS/INCENTIVES

61. ALBANIAN LAW GENERALLY DOES NOT ESTABLISH PERFORMANCE REQUIREMENTS OR INCENTIVES FOR FOREIGN INVESTORS. ONE IMPORTANT EXCEPTION IS THE INVESTMENT REQUIREMENT RELATING TO FOREIGN PERSONS' PURCHASES OF CITY OR INDUSTRIAL LAND. THE GOVERNMENT, HOWEVER, RECENTLY REQUIRED PURCHASERS OF ITS MOBILE PHONE COMPANY TO MAKE SPECIFIC INVESTMENTS BY A CERTAIN DATE OR PAY A PENALTY OF USD 1.5 MILLION. IN ADDITION, FOREIGN FIRMS OPERATING IN ALBANIA COMPLAIN THAT CAPITAL GOODS AND RAW MATERIALS ARE SUBJECT TO THE SAME TAXES AS CONSUMER GOODS.

RIGHT TO PRIVATE OWNERSHIP

62. ALBANIAN LAW PERMITS PRIVATE OWNERSHIP AND ESTABLISHMENT OF ENTERPRISES AND PROPERTY. NEARLY 98 PERCENT OF LAND IS NOW PRIVATELY OWNED.

63. BUSINESSES HAVE COMPLAINED THAT IN SOME INSTANCES BUREAUCRACY AND CORRUPTION MADE OBTAINING A BUSINESS LICENSE A LENGTHY AND/OR COSTLY PROCESS. MUCH ECONOMIC ACTIVITY REMAINS OUTSIDE FORMAL LEGAL STRUCTURES.

PROTECTION OF PROPERTY RIGHTS

64. PROPERTY RIGHTS ESTABLISHED UNDER ALBANIAN LAW ARE NOT ADEQUATELY PROTECTED; ENFORCEMENT IS GENERALLY LEFT TO THE OWNER. THE ALBANIAN GOVERNMENT, WITH THE ASSISTANCE OF A USAID PROJECT AND OTHER DONORS, IS DEVELOPING AN IMMOVABLE PROPERTIES REGISTRATION SYSTEM TO RECORD DOCUMENTED LAND

OWNERSHIP AND CLAIMS.

65. INTELLECTUAL PROPERTY RIGHTS ARE ESTABLISHED IN ALBANIAN LAWS. HOWEVER, THOSE LAWS GENERALLY ARE NOT ENFORCED AND VIOLATIONS OF COPYRIGHT, TRADEMARK, AND OTHER INTELLECTUAL PROPERTY RIGHTS ARE WIDESPREAD AND BLATANT.

TRANSPARENCY OF THE REGULATORY SYSTEM

66. THE REGULATORY SYSTEM IS FAR FROM TRANSPARENT. BUSINESSES HAVE DIFFICULTY OBTAINING COPIES OF LAWS AND REGULATIONS. LAWS AND REGULATIONS ARE SOMETIMES INCONSISTENT, LEADING TO UNRELIABILITY OF INTERPRETATION. CORRUPTION ALSO MEANS THAT LAWS AND REGULATIONS ARE APPLIED INCONSISTENTLY.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

67. ALBANIA'S FINANCIAL SECTOR REMAINS RUDIMENTARY. THE GOVERNMENT IS CONCLUDING THE PRIVATIZATION OF THE NATIONAL COMMERCIAL BANK AND IS PROCEEDING WITH PLANS TO PRIVATIZE THE FAR LARGER SAVINGS BANK. THE SAVINGS BANK HAS APPROXIMATELY 80 PERCENT OF ALL DEPOSITS IN ALBANIA. IT HAS A NEGATIVE NET VALUE, HOWEVER, AND IS PROHIBITED FROM MAKING LOANS. TEN PRIVATE BANKS, ALL OF THEM EITHER FOREIGN-OWNED OR JOINT VENTURES, GENERALLY OFFER THEIR CLIENTS DEPOSIT ACCOUNTS, FOREIGN TRANSFERS, TRADE FINANCE AND, INCREASINGLY, MORTGAGES.

68. THERE IS NO FORMAL EQUITIES MARKET IN ALBANIA. THE TIRANA STOCK EXCHANGE FUNCTIONS ONLY AS A MONEY MARKET FOR TRADING IN ALBANIAN TREASURY BILLS, AND WILL BE LIMITED TO THE INTER-BANK SECONDARY MARKET. A FEW VENTURE CAPITAL FUNDS INVEST IN ALBANIA.

POLITICAL VIOLENCE

69. ALBANIA MOST RECENTLY EXPERIENCED VIOLENT UNREST AND WIDESPREAD DESTRUCTION OF PROPERTY IN SPRING 1997, FOLLOWING THE COLLAPSE OF PYRAMID INVESTMENT SCHEMES IN WHICH MANY ALBANIANS HAD DEPOSITED THEIR SAVINGS AND AGAIN IN 1998 WHEN POLITICAL VIOLENCE FORCED THE PRIME MINISTER FROM OFFICE.

70. SINCE LATE 1998, HOWEVER, THE GOVERNMENT HAS MADE SIGNIFICANT PROGRESS IN EXTENDING THE RULE OF LAW TO ALL PARTS OF ALBANIA. CRIME, HOWEVER, REMAINS A SERIOUS CONCERN TO CITIZENS AND BUSINESS PEOPLE ALIKE. BUSINESSES ARE OFTEN TARGETS OF EXTORTION, THEFT, AND ROBBERY.

71. THE MOST RECENT SERIOUS CHALLENGE TO GOVERNMENT AUTHORITY -- THE INFLUX OF INFLUX OF 500,000 KOSOVAR REFUGEES IN THE SUMMER OF 1999 -- WAS HANDLED WITH CONSIDERABLE SKILL AND RESULTED IN ONLY MINIMAL DISRUPTION OF THE LOCAL ECONOMY.

BILATERAL INVESTMENT AGREEMENTS

72. A BILATERAL INVESTMENT TREATY BETWEEN THE UNITED STATES AND ALBANIA WAS SIGNED IN 1995 AND ENTERED INTO FORCE ON JANUARY 3, 1998. THIS TREATY INTER ALIA ENSURES U.S. INVESTORS RECEIVE NATIONAL OR MOST-FAVORED-NATION TREATMENT AND PROVIDES FOR DISPUTE SETTLEMENT.

73. ALBANIA ALSO HAS CONCLUDED BILATERAL INVESTMENT PROTECTION AGREEMENTS WITH THE FOLLOWING COUNTRIES, IN CHRONOLOGICAL ORDER: GREECE, TURKEY, ROMANIA, BULGARIA, THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA, GERMANY, ITALY, FRANCE, AUSTRIA, SWITZERLAND, FINLAND, DENMARK, SWEDEN, THE NETHERLANDS, GREAT BRITAIN, SLOVENIA, CROATIA, HUNGARY, THE CZECH REPUBLIC, POLAND, RUSSIA, ISRAEL, TUNISIA, EGYPT, CHINA, AND MALAYSIA.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

74. THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) HAS NOT PROVIDED COVER FOR INVESTMENTS IN ALBANIA, BUT HAS EXPRESSED READINESS TO CONSIDER PROPOSALS. OPIC, IN COOPERATION WITH THE EXPORT - IMPORT BANK RECENTLY ANNOUNCED THE CREATION OF A USD 150 MILLION EQUITY FUND FOR SOUTHEAST EUROPE, INCLUDING ALBANIA. ALBANIA IS A MEMBER OF THE MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA).

75. THE ALBANIAN GOVERNMENT, WITH WORLD BANK FINANCING, HAS ESTABLISHED THE ALBANIAN GUARANTEE AGENCY (AGA) WHICH PROVIDES BROAD POLITICAL RISK INSURANCE FOR FOREIGN AND LOCAL INVESTORS IN ALBANIA.

LABOR

76. ALBANIA'S YOUNG, LITERATE POPULACE REPRESENTS A SURPLUS OF LABOR, REFLECTED IN AN OFFICIAL UNEMPLOYMENT RATE OF 18.2 PERCENT. MANY WORKERS HAVE EMIGRATED, OFTEN ILLEGALLY, PARTICULARLY TO GREECE AND ITALY. WHILE SOME MEMBERS OF THE LABOR FORCE ARE HIGHLY SKILLED, MANY WORK IN INEFFICIENT INDUSTRIES WITH OUTDATED TECHNOLOGY. ALBANIANS ARE RAPIDLY LEARNING MARKET ECONOMIC PRACTICES AND OFTEN DISPLAY IMPRESSIVE ENTREPRENEURSHIP.

77. ALBANIA ADHERES TO ALL BASIC INTERNATIONAL LABOR ORGANIZATION CONVENTIONS PROTECTING WORKER RIGHTS. HOWEVER, GIVEN THE DESPERATION OF MANY ALBANIANS FOR WORK AND THE WEAKNESS OF GOVERNMENT INSTITUTIONS, COMPLIANCE CANNOT BE ASSURED. MANY CHILDREN SELL CIGARETTES, CANDY, AND OTHER CONSUMER GOODS ON THE STREET OR WORK ON FARMS WITH THEIR FAMILIES.

FOREIGN TRADE ZONES / FREE PORTS

78. THE ISSUE OF FREE TRADE ZONES TO ATTRACT FOREIGN INVESTMENT HAS BEEN UNDER CONSIDERATION FOR SOME TIME. EXISTING LAW PROVIDES AUTHORITY TO ESTABLISH FREE TRADE ZONES AND A SPECIAL FREE TRADE ZONE COMMISSION HAS BEEN ESTABLISHED BY THE GOVERNMENT TO IDENTIFY POTENTIAL FREE ZONE SITES. HOWEVER, NO FREE TRADE ZONES OR FREE PORTS HAVE YET BEEN ESTABLISHED.

FOREIGN DIRECT INVESTMENT STATISTICS

79. INSTAT, THE NATIONAL STATISTICS AGENCY, REPORTS THE FOLLOWING FOREIGN DIRECT INVESTMENT IN ALBANIA, IN MILLIONS OF U.S. DOLLARS: 1998 (45); 1999 (41.2). THESE FIGURES, LIKE MOST ECONOMIC DATA FOR ALBANIA, CANNOT BE CONSIDERED RELIABLE SINCE MUCH OF THE ECONOMY REMAINS INFORMAL.

CHAPTER VIII TRADE AND PROJECT FINANCING

80. ALBANIA'S RUDIMENTARY BANKING SYSTEM IS OVERSEEN BY AN INDEPENDENT CENTRAL BANK, THE BANK OF ALBANIA. BANKS DO NOT PLAY A CENTRAL ROLE IN ALBANIAN BUSINESS. MOST LOCAL BUSINESSES DO NOT RELY ON BANK FINANCING TO FUND THEIR ENTERPRISES. BUSINESS START-UPS ARE FUNDED BY CASH (OFTEN FOREIGN REMITTANCES) SUPPLIED BY FAMILY, FRIENDS AND PARTNERS. ALBANIANS, GENERALLY UNFAMILIAR WITH BANKS AND DISTRUSTFUL OF FINANCIAL INSTITUTIONS AFTER THE 1996-97 COLLAPSE OF THE PYRAMID SCHEMES, ARE WARY OF DEPOSITING THEIR SAVINGS IN BANKS. AN ESTIMATED 33 PERCENT OF THE COUNTRY'S TOTAL MONEY SUPPLY IS OUTSIDE THE BANKING SYSTEM.

81. IN ADDITION TO THE CENTRAL BANK, THERE ARE 12 OTHER BANKS IN

ALBANIA. THE GOA IS PRIVATIZING TWO STATE-OWNED BANKS, THE NATIONAL COMMERCIAL BANK AND THE SAVINGS BANK. PARLIAMENT APPROVED THE SALE OF THE NATIONAL COMMERCIAL BANK TO A CONSORTIUM COMPRISED OF TURKEY'S KENT BANK, THE EBRD, AND THE IFC, THE PRIVATE INVESTMENT ARM OF THE WORLD BANK, IN JULY 2000. THE GOA IS NOW IN THE PROCESS OF TRANSFERRING OWNERSHIP OF THE BANK TO THE CONSORTIUM. THE GOVERNMENT IS ALSO CURRENTLY DEVELOPING A STRATEGY FOR THE SALE OF THE SAVINGS BANK WHICH IT HOPES TO PRIVATIZE BY 2001. THE SAVINGS BANK HAS THE EQUIVALENT OF APPROXIMATELY USD 1 BILLION IN DEPOSITS AND NEARLY 80 PERCENT OF ALL ALBANIAN BANK DEPOSITS.

82. THE REMAINING 10 BANKS ARE FOREIGN-OWNED OR JOINT VENTURES. THEY INCLUDE THE AMERICAN BANK OF ALBANIA WHOSE INITIAL CAPITAL WAS PROVIDED BY THE UNITED STATES GOVERNMENT THROUGH THE ALBANIAN - AMERICAN ENTERPRISE FOUNDATION, THE NATIONAL BANK OF GREECE, THE ARAB-ISLAMIC BANK OF ALBANIA, THE ITALIAN - ALBANIAN BANK, FEFAD BANK, FIRST INVESTMENT BANK (BULGARIA), ALPHA CREDIT BANK (GREECE), DARDANIA BANK (KOSOVO) AND INTERNATIONAL BANK OF COMMERCE (MALAYSIA).

83. IN ADDITION TO THESE BANKS, TWO EQUITY FUNDS MAINTAIN OFFICES IN ALBANIA AND LOOK TO TAKE AN EQUITY POSITIONS IN OR MAKE LOANS TO LOCAL ENTERPRISES. THESE FUNDS ARE THE AMERICAN - ALBANIAN ENTERPRISE FUND AND THE ALBANIA RECONSTRUCTION EQUITY FUND.

84. THERE ARE NO FOREIGN EXCHANGE CONTROLS AFFECTING TRADE.

PROJECT FINANCING BY THE IFIS

85. THE WORLD BANK MAINTAINS A DIVERSE, MULTI-MILLION DOLLAR PORTFOLIO IN ALBANIA. THE BANK'S THREE PRIORITIES ARE GOVERNANCE AND INSTITUTION BUILDING, PROMOTING SUSTAINABLE PRIVATE SECTOR GROWTH, AND PROMOTING HUMAN DEVELOPMENT AND

POVERTY ALLEVIATION.

86. THE INTERNATIONAL MONETARY FUND PROVIDES BUDGETARY SUPPORT TO THE GOVERNMENT OF ALBANIA. RECEIPT OF THIS AID IS CONDITIONED ON ON-GOING ECONOMIC REFORMS. STRONG COOPERATION BETWEEN THE GOA AND IMF HELPED ESTABLISH AND NOW IS CRITICAL TO THE MAINTENANCE OF THE COUNTRY'S MACROECONOMIC STABILITY. THE WORLD BANK AND IMF ARE CURRENTLY COOPERATING TO DEVELOP A POVERTY REDUCTION AND GROWTH STRATEGY FOR ALBANIA.

87. THE EBRD HAS A USD 93 MILLION DOLLAR PORTFOLIO IN ALBANIA WITH PROJECTS IN BOTH THE PUBLIC AND PRIVATE SECTORS. LEADING PUBLIC SECTOR PROJECTS INVOLVE ROAD BUILDING AND ENERGY SECTOR LOANS. IN THE PRIVATE SECTOR, THE EBRD HAS EQUITY POSITIONS IN A LEADING LOCAL HOTEL, THE NATIONAL COMMERCIAL BANK, THE ALBANIAN RECONSTRUCTION EQUITY FUND, AND THE ITALIAN - ALBANIAN BANK.

88. OPIC SERVES ALBANIA FROM A REGIONAL OFFICE BASED IN ZAGREB, CROATIA. OPIC CURRENTLY DOES NOT COVER ANY INVESTMENTS IN ALBANIA. HOWEVER, IN JULY 2000, OPIC LAUNCHED THE SOUTHEAST EUROPE EQUITY FUND, A USD 150 MILLION FUND TO STIMULATE NEW BUSINESS DEVELOPMENT, EXPANSION, RESTRUCTURING AND PRIVATIZATION IN THE REGION." IT IS HOPED THAT THE FUND WILL FINANCE PROJECTS IN ALBANIA. THE EXPORT-IMPORT BANK OF THE UNITED STATES CURRENTLY DOES NOT OFFERING FINANCING IN ALBANIA.

CONTACT INFORMATION

89. NAMES, ADDRESSES AND PHONE NUMBERS FOR COMMERCIAL BANKS AND OTHER FINANCIAL INSTITUTIONS OPERATING IN ALBANIA FOLLOW.

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OTHER FINANCIAL INSTITUTIONS

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CHAPTER IX BUSINESS TRAVEL

90. BUSINESS TRAVELERS TO ALBANIA SHOULD REMEMBER THAT THE COUNTRY'S TRANSPORTATION NETWORK IS LIMITED AND SHOULD TAKE PRECAUTIONS TO ENSURE THEIR PERSONAL SAFETY. TRAVELERS SHOULD VISIT THE STATE DEPARTMENT'S TRAVEL ADVISORY WEBSITE ([HTTP://TRAVEL.STATE.GOV](http://TRAVEL.STATE.GOV)) BEFORE DEPARTING FOR ALBANIA.

91. U.S. VISITORS NEED A VISA TO ENTER ALBANIA. VISAS (ENTRY CARDS)

MAY BE PURCHASED UPON ARRIVAL AT RINAS AIRPORT FOR USD 45 (U.S. CURRENCY ONLY). THE VISAS ARE GOOD FOR UP TO 30 DAYS AND AN EXTENSION OF UP TO 180 DAYS CAN BE OBTAINED BY APPLYING AT LOCAL POLICE STATION FOR AN ADDITIONAL USD 10. TRAVELERS LEAVING ALBANIA PAY A DEPARTURE FEE OF USD 10.

92. PUBLIC TRANSPORTATION IS VERY LIMITED IN ALBANIA AND MOST BUSINESS TRAVELERS WILL WANT TO TRAVEL BY TAXI OR HIRE A CAR AND DRIVER FOR THE DURATION OF THEIR VISIT. A TAXI FOR THE TRIP FROM RINAS AIRPORT TO CENTER CITY TIRANA COSTS APPROXIMATELY USD 25-30. A CAR AND DRIVER CAN BE RENTED FOR APPROXIMATELY USD 6 PER HOUR.

TRAVEL ADVISORY

93. THE U.S. DEPARTMENT OF STATE WARNS U.S. CITIZENS OF THE POTENTIAL DANGER OF TRAVEL TO ALBANIA. THE SECURITY SITUATION THROUGHOUT ALBANIA REMAINS UNSTABLE. DURING THE POLITICAL AND ECONOMIC UNREST IN 1997, MANY WEAPONS WERE LOOTED FROM GOVERNMENT ARMS DEPOTS AND REMAIN IN UNAUTHORIZED CIVILIAN HANDS. ALL GATHERINGS OR LARGE CROWDS SHOULD BE AVOIDED PARTICULARLY THOSE INVOLVING POLITICAL CAUSES OR STRIKING WORKERS.

94. THE CRIME RATE IS HIGH THROUGHOUT ALBANIA WITH INSTANCES OF ARMED ROBBERIES, ASSAULTS, BOMBINGS AND CARJACKINGS. ARMED CRIME IS RAMPANT IN SHKODER AND OTHER TOWNS IN NORTHERN ALBANIA. THROUGHOUT THE COUNTRY STREET CRIME IS FAIRLY COMMON AND OCCURS PARTICULARLY AT NIGHT.

BUSINESS HOURS AND OPERATIONS

95. MOST ALBANIAN BUSINESSES ARE OPEN MONDAY THROUGH FRIDAY FROM 8 A.M. TO 6 P.M. GOVERNMENT OFFICES GENERALLY OPERATE

MONDAY THROUGH FRIDAY FROM 8 P.M. TO 4 P.M. AND OCCASIONALLY OPEN ON SATURDAY MORNINGS. THERE IS NO LEGISLATION REGULATING SHOP HOURS AND MANY SHOPS ARE OPEN SEVEN DAYS A WEEK.

96. THERE ARE NO RESTRICTIONS (OR REQUIRED PAPERWORK) ON ENTERING ALBANIA WITH A LAP TOP COMPUTER FOR PERSONAL USE.

97. THE NATIONAL LANGUAGE OF ALBANIA IS ALBANIAN. ALBANIA HAS A LARGE POOL OF WELL-TRAINED AND TALENTED LINGUISTS WHO CAN SERVE AS TRANSLATORS/INTERPRETERS. TRANSLATORS GENERALLY CHARGE BETWEEN USD 50 PER AND USD 150 PER DAY. MANY ALBANIANS, HOWEVER, SPEAK ENGLISH, ITALIAN, AND/OR GREEK AND ARE ABLE TO DO BUSINESS IN THOSE LANGUAGES IN ADDITION TO ALBANIAN.

98. ALBANIA IS A RELATIONSHIP-ORIENTED SOCIETY WHICH PLACES A PREMIUM ON FRIENDSHIP, HOSPITALITY AND TRUST. BUSINESS DISCUSSIONS ARE USUALLY PRECEDED BY A SERIES OF QUESTIONS CONCERNING THE HEALTH, FAMILY AND GENERAL WELL-BEING OF THE PARTIES. BUSINESS MEETINGS GENERALLY INCLUDE COFFEE OR OTHER BEVERAGES. TIME SPENT DRINKING COFFEE IS CONSIDERED AN INTEGRAL PART OF THE MEETING AND SHOULD NOT BE DISMISSED AS A WASTE OF TIME. GENERALLY, THE PERSON WHO INVITES A PERSON FOR A MEAL OR DRINK ALSO PAYS. REFUSING TO ALLOW A PERSON TO PAY FOR YOU WHEN YOU HAVE BEEN INVITED IS CONSIDERED RUDE. IN ADDITION, SPLITTING BILLS IS NOT CONSIDERED POLITE OR PROPER. CREDIT CARDS ARE NOT WIDELY ACCEPTED IN ALBANIA AND MOST TRANSACTIONS ARE CONDUCTED IN CASH.

99. SCHOOLS, GOVERNMENT OFFICES, BANKS, SHOPS, MOST BUSINESS ARE CLOSED ON THE FOLLOWING ALBANIAN HOLIDAYS:

| | |
|---------------|-----------------|
| JANUARY 1 & 2 | NEW YEAR'S |
| JANUARY 8 | BIG RAMADAN |
| MARCH 16 | SMALL RAMADAN |
| MARCH 22 | NEVRUZ |
| APRIL 23 | CATHOLIC EASTER |
| APRIL 30 | ORTHODOX EASTER |
| MAY 1 | MAY DAY |

NOVEMBER 28 INDEPENDENCE DAY
 NOVEMBER 29 LIBERATION DAY
 DECEMBER 25 CHRISTMAS DAY

100. U.S. EMBASSY TIRANA ENCOURAGES ALL U.S. BUSINESS PEOPLE TO MEET WITH THE EMBASSY'S ECONOMIC/COMMERCIAL OFFICER WHEN IN TIRANA. TO SET AN APPOINTMENT, PLEASE CONTACT CHARLES LEVESQUE (355-38-202-9813, LEVESQUECW2@STATE.GOV) OR OMER DASHI (355-38-202-9946, DASHIOX@STATE.GOV).

CHAPTER X ECONOMIC AND TRADE STATISTICS

101. THE DOMESTIC ECONOMY

| | 1998 | 1999 | 2000 |
|--|-------|-------|------|
| GDP (CURRENT PRICES USD MILLIONS) | 3,058 | 3,801 | N/A |
| GDP GROWTH | 8.0 | 7.3 | 7.0 |
| GDP PER CAPITA (USD) | 911 | 1122 | N/A |
| GOVERNMENT SPENDING AS A PERCENT OF GDP | 30.7 | 32.7 | 31.5 |
| UNEMPLOYMENT (%) | 17.8 | 18.2 | N/A |

| | | | |
|---|-------|-------|-----|
| FOREIGN EXCHANGE RESERVES (USD MILLIONS) | 384 | 481 | 500 |
| AVERAGE EXCHANGE RATE (LEK/DOLLAR) | 150.6 | 137.7 | 140 |
| DEBT SERVICE RATIO (%) | 6.2 | 3.9 | 6.4 |
| US ECONOMIC ASSISTANCE (USD MILLIONS) | 40 | 59 | 32 |

(NOTE. 1998 U.S. ECONOMIC ASSISTANCE INCLUDES SEED FUNDS AND ESF COMMODITY ASSISTANCE. 1999 ECONOMIC ASSISTANCE INCLUDES SEED FUNDS, SEED SUPPLEMENTAL AND ESF BUDGETARY ASSISTANCE WHEREAS THE 2000 ECONOMIC ASSISTANCE INCLUDES ONLY SEED FUNDS. END NOTE.)

TRADE STATISTICS

(MILLIONS OF USD)

| | 1998 | 1999 | 2000 (JAN-MAY) |
|--------------------------|-------|--------|-------------------|
| TOTAL COUNTRY EXPORTS | 206.6 | 275.5 | 106.8 |
| TOTAL COUNTRY IMPORTS | 838.8 | 1155.2 | 401.6 |
| US EXPORTS | 3.1 | 26.2 | 5.7 |

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CHAPTER XII MARKET RESEARCH

103. POST RECENTLY COMPLETED TWO INTERNATIONAL MARKET INSIGHTS (IMI): ONE FOR A NEW 400 KV ZEMBLAK TO BITOLA INTERCONNECTION POWER LINE (JUNE 25, 2000) AND ANOTHER FOR THE REHABILITATION OF THE FIER - VLORE ROAD (MARCH 27, 2000).

CHAPTER XIII TRADE EVENT SCHEDULE

104. THE MAJOR TRADE SHOWS IN ALBANIA INCLUDE:

| | | |
|---|---------------------------------|----------|
| AGROEXHIBITION | AG & FOOD PRODUCTS | MARCH |
| EXPO-PRIMA | DIVERSIFIED PRODUCTS | APRIL |
| HUA TIAN | CHINESE PRODUCTS | APRIL |
| GREECE 2001 | GREEK PRODUCTS | MAY |
| KLIK EXPO KLIK | DIVERSIFIED PRODUCTS | MAY |
| FIERA DEL LEVANTE | ITALIAN-SPONSORED TRADE FAIR | JUNE |
| EXPO-PRIMA | AG TRADE FAIR | OCTOBER |
| TIRANA CHAMBER OF COMMERCE TRADE SHOW | DIVERSIFIED PRODUCTS | NOVEMBER |
| ELIDA CO 94 | INTERNATIONAL TRADE FAIR | NOVEMBER |
| KLIK EXPO KLIK | DIVERSIFIED PRODUCTS | DECEMBER |

LIMPRECHT##