European Integration, Opportunities and Risks of Business and Agriculture in Albania

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Abstract
The Integration Process of Albania in the European Union started in 1993 and is considered a long road with many challenges. The signing of the Stabilization-Association Agreement in 2006 is the most important moment of this process, including the harmonization of legislation, to prepare the final EU membership process. This article analyses business opportunities and risks, mainly those of the agri-food sector on its way to the EU. In this framework, trade agreements with the EU and Free Trade Agreements (CEFTA) have influenced the liberalization of trade for agri-food products, intensifying and increasing the level of trade with Europe and the countries of the region. This article also deals with the identification of comparative advantages for the agri-industry sector, where facing the regulated European market, not only challenges are analyzed, but also serious limitations, increasing the need for a structural change in trade relations. In the focus of this paper, are the economic and regional strategies, as well as the progress of the business and agri-food processes, also addressing the trade flows of Albania with the countries of the region and the EU. The analysis of this paper consists of three main premises: 1) in the framework of European integration, costs and benefits in terms of economy and business are more visible in the medium and long term; 2) the integration in the medium term brings a higher economic growth for the countries that aspire to join the EU; and 3) the European integration makes the economy more efficient, bringing about an increase in the ratio of investments, in relation to income, through the reduction of risk with a tendency to increase capital and income per capita (European Commission Report, 2023). The analysis of empirical data shows that the results are not as convincing as expected, thus confirming other previous studies by experts in the field. The main conclusion of this paper is that the integration process has influenced reforms and economic policies in terms of formal and content, both in terms of costs and benefits. In substantive terms, the data analysis shows that the process of European integration has served as a strong impetus for the development of institutions in the country, inter-institutional coordination, the establishment of new institutions, the improvement of human resources, local markets, and the increase of absorptive capacities of funds from the EU. On the other hand, it is concluded that in specific areas of domestic business, such as agri-industry, the effects of EU integration are either not felt yet or are minimal.

Keywords: Business Risk, European Integration, Production Capacity, Structural Change

INTRODUCTION

The process of European integration is a challenge that must involve the entire Albanian society, which wants to be Europeanized. Albanians are an enthusiastic nation regarding full EU membership, which they actually perceive as a done deal. The recruitment process started with the signing of the Stabilisation Association Agreement (SAA), which marks the beginning of a new era for the development of Albania’s institutional, legal, economic, and social policies, with the aim of harmonising them with European standards. However, despite the positive spirit and the right perception that this process carries and transmits in itself, a real analysis of the costs and benefits of the integration process in the Albanian economy, for business, and especially for the agriculture and food agri-industry sectors has been and continues to be lacking.

Several studies have examined the practices of countries that have undergone these processes, revealing that they encounter two primary cost categories during the candidate country’s status stage and the commencement of negotiations. First, the costs related to the adoption and implementation of economic reforms and European policies, mainly related to the building of institutions and the adaptation of human resources. Secondly, the costs associated with implementing the standards set by European policies and rules primarily pertain to modernising infrastructure, labour standards, businesses, consumer protection, and the environment. Referring to Albanian, there has been a confrontation between the impossibility of meeting the needs of this

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necessary process and the requirements to adapt European economic policies. This reality was also accompanied by a lack of financial and institutional capacities to guarantee their implementation, deepening the phenomenon, especially when there was a lack of not only information but also real analyses.

The aim of this article is to analyse the opportunities and risks of integration from an economic and business perspective in particular, while also treating some elements that have reflected consequences and deformations during the integration process. In our judgement, in general terms, and referring to opinions and figures from official quantitative and qualitative sources, we can say that the processes of European integration in Albania have accelerated the reforms, creating greater opportunities, compared to the costs and risks. From this perspective, the article primarily aims to analyse the following:

- Trade flows,
- Direct Foreign investments,
- Movement of capital and services,
- Business,
- Farmer, etc.

An essential question that has been posed in this article and that we have tried to give an answer to, in consultation with the official and auxiliary literature, is: "What are the opportunities and risks of the EU integration process, in the period 2019-2023, for business, trade flows, and FDI?" During the treatment, we also raised several "hypotheses", related to the economic and institutional effects of the Albania-EU integration process, evaluating them as closely related to the degree of advancement of the process, as well as treating it as the last stage of the integration process, with effects mainly on trade and investments.

This article conducts a quantitative and research analysis using statistical and processed data from selected fields, primarily focusing on integration issues within specific fields like business and agri-food. We conduct a comparative analysis with the experiences of several other countries.

In this paper, the levels of perceptions and explanations of the representatives of the private sector as far as the costs and benefits of the integration process are concerned, through in-depth interviews and surveys with the representatives of the private sector in Albania, it was concluded with arguments that the benefits of the process of European integration so far have mainly been in these main directions:

- improving the legal and regulatory framework,
- goods and services,
- labour and capital,
- efficiency of companies,
- research and innovation.

From what has been discussed thus far, it can be stated that the process of European integration and the perspective of membership in the European Union is considered the only development alternative for Albania, from the point of view of the private sector, mainly for agriculture, and as such, it is necessary to accept the benefits as well as the risks that come from it. However, the priorities and prospects for the business sector turn out to be: Firstly, the improvement of the legal and regulatory framework in the country through the approximation of legislation and the establishment of the same standards as in the EU. Secondly, common standards, which not only provide benefits for business operations and the efficiency of companies but also mean high risks to be faced. Thirdly, another benefit element is the regulation of market functioning, liberalisation, and determination of free competition policy, as well as its protection through EU laws and standards.
RESEARCH METHODOLOGY

The methodology used is an econometric and statistical modelling, mainly uses regression models with two or more variables. The main source of data is the Bank of Albania and INSTAT, referring to a 4-year time period, 2019-2023. Data sources are combinations of primary and secondary data. The data used were collected mainly through meetings with business representatives in the export sector, while the secondary data are the result of information received through official channels and literature. Data processing is based on the use of various statistical methods, such as SPSS, Excel.

Since the methodology used in dealing with this topic has a combination of quantitative and qualitative data, the analysis of the opportunities and risks of the integration process was carried out through an analytical model, based on the processing of quantitative data published by official institutions such as: Bank of Albania Reports, the Institute of Statistics of Albania (INSTAT), Reports and articles of international financial institutions, the IMF and the World Bank, etc. While, in the qualitative aspect, the article addresses other dimensions of the integration process from an institutional point of view, serving to collect and analyse thoughts, perceptions, and explanations of the key actors of the integration process, such as business associations.

During the conduct of this topic, we also utilised and used the data from the Progress Reports of the European Commission, reports of governmental institutions, publications of civil society organisations in the field of the integration process, scientific publications, and articles of higher education institutions and/or research centres. It is a fact that there has been an extended period of alignment with the EU standards to give time to businesses and public administration to adapt and correctly apply the legislation before and during the process of opening negotiations, contributing directly to improving the business climate as well as strengthening the confidence of foreign investors. This period shows positive progress in terms of the free movement of goods and capital, these areas are regulated through the Stabilisation and Association Agreement (SAA).

Formulas used:

a. Calculation of weights $W_i$:

$$W_i = \frac{(X_i+M_i)}{\sum_{i=1}^{n}(X_i+M_i)}$$

Where:

$X_i$ and $M_i$ = the level of exports and imports with the partner country $i$;  
$i = \sum_{i} (X_i+M_i)$ = the total level of exports and imports of Albania.

b. Trade opening

$$OPEN = EXP + IMP \times GDP$$

Where:

$OPEN$ = Market opening  
$EXP$ = Exports  
$IMP$ = Imports  
$GDP$ = Gross Domestic Product

LITERATURE REVIEW

Albania is a small country with an enviable geographical position in the Western Balkans. Regarding the integration processes, there is a wealth of economic literature, and experts in the field of economics have debated the benefits and costs of joining the EU.

Economic theory tells us that there is a systematic relationship between the trade balance (exports and imports), FDI, and the exchange rate of the local currency (Lek). The opening of trade through the integration process has brought an increase in the presence of imported goods in the domestic market, while exported goods have
become less competitive in the foreign market, discouraging the promotion of exports with a negative impact on the trade balance. This is also a result of the appreciation of the local currency, Lek (ALL).

This impact is emphasised even more, given the still low weight of Albanian exports and their weak competition in the international market. But it has been established that the fluctuation of the exchange rate between the local currency (lek) and the euro has had an impact, not with the same intensity, in the fluctuation of consumer prices and the country’s trade balance.

Additionally, as the trade balance shifts in favour of imports, particularly for consumer goods, we anticipate an increase in the Consumer Price Index (CPI), leading to inflation. In this instance, we observe a form of "import" inflation, primarily stemming from the rise in imports and their elevated value due to high import prices.

This treatment is also related to many theoretical debates about integration processes, as well as the use of the euro currency, the creation of the Eurozone, and the establishment of the European Monetary Union, where the authors Mundell and Friedman dealt with the benefits and risks of the flexible exchange rate, referring to a geographical area with a common monetary policy (Rajković et al, 2020).

Herrmann and Jochem (2005), studied the determinants of foreign account deficits in those CEE countries that became EU member states in 2004. Their estimates suggest that most countries avoided higher foreign account deficits by devaluation of the currency.

In addition, Edwards, found that countries with a more flexible exchange rate are better able to withstand economic shocks. Through their studies, these authors analysed the trend of the exchange rate and identified its modest role in the process of balancing the current account balance (Rajković et al, 2020). Furthermore, some recent studies have examined the impact of exchange rates on trade imbalances in light of the most recent global economic crisis of 2008.

Krugman, Obstfeld, and Melitz (2012), analysed the costs and benefits of monetary integration. While, Cesaratto (2015) asserts that the differences in the costs incurred are the main cause of the imbalance in the Eurozone and that this is due to the exchange rate adjustment restrictions imposed by the currency union.

Countries outside the Eurozone, which have more freedom in their price competition, may allow higher mismatches in line with their trade or exchange rate policies (Gnimassoun & Mignon, 2013).

The Albanian monetary economy is closely linked to two main currencies, the official currency, the Lek (ALL), and the Euro (EUR). One is official but lacks the necessary authority, while the other has authority and territory but is not official. Monetary pressure exerted by surrounding geographic economies, such as the Eurozone economy and the European economy, is strong from a trade perspective.

In the analysis made and, in the results, achieved, it is clear that the Albanian economy is naturally moving towards a process not only of integration into the EU, but it is also a step forward with the process of Euroization of the economy (Jam et al., 2013). It is the duty of the financial institutions in the country, primarily the Bank of Albania, to properly manage this phenomenon, as it reflects consequences not only with significant losses in exports, but also has a significant impact on other economic factors in Albania (Bank of Albania, 2023).

The main concern today is commercial risk, which relates to the exposure of businesses to a variety of risks during their commercial activities, related to competition, technology, suppliers, customers, banks, taxes, and other factors.

Managing this risk is not only a managerial problem but also a responsibility of the state. According to the official data of INSTAT and the Bank of Albania (2023), as well as other press sources, it appears that the euro currency entering the market through exports, remittances, foreign direct investments, and tourism expenditures amounts to 7.147 billion euros. These flows have come mainly from exports to the countries of the European Union and Kosovo, in total 3.01 billion euros; from tourists from European countries, Kosovo and the Balkan countries, in total 2.463 billion euros, from remittances of immigrants in the amount of 834 million euros; from foreign investments from European Union countries and Kosovo in the amount of 698 million euros; and from operations in the domestic market from the Central Bank, in total 142 million euros.
Confirmed data highlight a difference between the amount of euros entering from documented sources (7.147 billion euros) and euros converted into lek (7.9 billion euros). This difference amounts to about 753 million euros, which come from different sources, mainly through informal channels (Hoxha, 2023).

According to the field expert, Selami Xhepa (2023), the increase in flows in euros has been accompanied by an overvaluation of the national currency during these years. The dynamics of the euro exchange rate have resulted in pronounced fluctuations. During a 10-year period, an overvaluation of about 26% of the euro is observed, creating disruption in the foreign exchange market and negatively affecting especially export-oriented businesses.

**Analysis and Assessment of the Effects of Integration for Albania, 2019-2023**

a) Effects on Albania's trade flows

In order to evaluate the preferential effects of the EU integration, it is important to analyse the exports and imports of Albanian goods in value and in percentage to the total, for the period 2019–2023. In order to analyse this period, processes and events that occurred simultaneously with Albania's European integration and that influenced Albania's trade flows were also considered.

The results are given more clearly in Table 1 below, as well as illustrated in Figures 1 and 2.

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>Q3-2023</th>
</tr>
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<tbody>
<tr>
<td>Export (FOB)</td>
<td>298 792</td>
<td>271 955</td>
<td>368 769</td>
<td>486 784</td>
<td>371 123</td>
</tr>
<tr>
<td>Import (CIF)</td>
<td>649 118</td>
<td>605 262</td>
<td>800 718</td>
<td>950 381</td>
<td>723 356</td>
</tr>
<tr>
<td>Trade Volume</td>
<td>947 910</td>
<td>877 217</td>
<td>1 169 487</td>
<td>1 437 165</td>
<td>1 094 479</td>
</tr>
<tr>
<td>The Percentage of Coverage</td>
<td>46,0</td>
<td>44,9</td>
<td>46,1</td>
<td>51,2</td>
<td>49,0</td>
</tr>
<tr>
<td>Consumer Price Index -CPI</td>
<td>1.408</td>
<td>1.625</td>
<td>2.050</td>
<td>6.725</td>
<td>4.854</td>
</tr>
</tbody>
</table>

Source: (INSTAT, Bank of Albania; processed by authors)

Data from the Institute of Statistics show that in November 2023, the total value of exported products fell to less than 27.5 billion ALL from over 35 billion in August of the previous year. The loss in this case is estimated at around 72 million euros (INSTAT, 2023). This negative phenomenon was mainly influenced by the exchange rate, but other markets also offered cheaper prices than the Albanian exporters, reducing the demand for local products.

![Figure 1. Dynamics of Euro/ALL exchange rate](source: Bank of Albania; processed by authors)
The Trends of the Indicators: From the data, it proves that the exchange rate (in EUR) has a generally negative dynamic, as the chart above shows. The falling trend of the euro in relation to the lek has been on a downward trajectory for a long time. On the other hand, these exchange rate developments have a negative effect on the tourism sector itself because, for all the operators who have previous contracts linked to the euro, the purchasing power of this currency is low. Meanwhile, an increase in the coming years of tourist packages to compensate for the effect of currency devaluation will be accompanied by a loss of tourism. In this sense, we have long raised the concern that the monetary authorities should pay more attention to the exchange rate (Xhepa, 2023).

The impact of the euro's devaluation on the export sector will continue to be concerning. The impact goes beyond exports because the entire domestic manufacturing industry that competes with the import sector is under tremendous competitive pressure, because imports can come to the domestic market at a price many times more competitive than domestic production. What this means is that the effects of the exchange rate will be felt much more in the coming years.

Figure 2. Dynamics of Albanian exports 2018-Q3 2023
Source: (INSAT and processed by authors)

The Trends of the Indicators: From the data, it appears that the dynamics of exports are presented with constant fluctuations but remain in negative terms, as we can see in the graph above.

Together with foreign direct investments, tourism and remittances, the revitalization of exports is considered vital for the Albanian economy. The trade balance represents one of the most dominant items in the current account, and its importance lies in the fact that it gives us information about the trade exchange with other countries and, as such, enables us to identify the productive and consuming power, the internal demand and the demand of foreign countries, trends, as well as gives us information with which countries we are closely connected economically and which sectors require careful reforms.

Exporting and importing goods is not only the essence of a large and successful business, but also helps national economies grow and expand. Therefore, under these conditions, enterprises in this sector and economists come together in a call: "Save exports!" (World Bank, 2023).

According to official data from the INSTST (2023), 2023 marked a decrease in exports to the extent of minus 8.6 percent compared to the same period of the previous year. The main losers from the overvaluation of the national currency are exporters, since when the national currency is overvalued, exports become more expensive for foreign buyers, making them less competitive in the global market. This also leads to reduced market share, reduced profits, and job losses in export-oriented industries and produces not only economic difficulties but also social consequences.
Beyond the economic impact, the most frightening thing is that we are heading towards a social impact with people who will leave the work system, which makes it difficult to integrate them into other sectors. The decline of the euro currency is a serious concern, as the effects will be felt for years to come.

b) Analysis and evaluation of the effects on foreign direct investments (FDI) 2020-2023

Theoretically and as perceived, economic integration presupposes the fact that foreign direct investments in Albania (FDI) should experience a relatively higher medium-term growth because the integration process has been argued to bring about an increase in investment efficiency. In this context, Albania's overturing to the EU should coincide with higher growth rates of both foreign and domestic investments. In order to have a more accurate analysis, we must also take into account the processes and events that have taken place in the economic life of the country, in parallel with the integration processes. Also, political stability, national security, and projects supported by the EU are other very important factors that have influenced economic life, with effects on (FDI).

Considering these factors to be very important, we are analysing the flow of foreign direct investments in Albania for the periods 2020–2023. Referring to official data, there was an upward trend in 2023, but the growth rates were slower compared to previous years. In 2023, foreign direct investments reached 1.5 billion Euros, but compared to the previous year, the growth rate slowed down by 8.7%. In 2022, in addition to the growth that marks a comparable record, there was a contraction, as the country faced a decrease in the number of foreign enterprises. According to the official data of INSTAT (2023), in 2022, there are about 4,900 companies with 100% foreign capital, marking a decrease of 6.1%, or translated differently, we have about 310 closed enterprises that have left the country. Every year, we are faced with a decrease in the number of foreign companies, in the range of 2% to 3%.

Italy is the country that continues to lead in terms of the number of companies, with about 2,170 entities, or about 40% of the total, that operate successfully in Albania. It is a fact that Italy is dominant in several sectors, such as: manufacturing industry (32.8%), construction (27.5%), trade (21.9%) and other services (36.5%). In 2022, there were a total of 6,950 joint foreign companies, where about 75% of them are 100% with foreign capital, but in this period, Albania faced an increase in the number of companies with joint capital in the range of 19%.

The main weight of foreign direct investments in 2021 was the large companies, such as the TAP gas pipeline and the 2 hydropower plants, Devoll and Ashta, which also attracted other companies that were subcontractors. In 2022-2023, these companies were "replaced" by a high flow of the real estate market, which would be accompanied by job openings and increased value added in the country.

Regarding employment, companies from the EU countries occupy the largest part of the level of employment in foreign companies with over 73% in 2022, dominating the processing industry sector with about 35.5%.

<table>
<thead>
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<th>Table 2. Number of foreign and Joint Companies 2020-2023 in Albania</th>
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<tbody>
<tr>
<td>Ownership</td>
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<tr>
<td>---------------------------------</td>
</tr>
<tr>
<td>Total</td>
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<tr>
<td>Albanian 100%</td>
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<tr>
<td>Foreign and Joint companies</td>
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<td>From these</td>
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<tr>
<td>Foreign companies 100%</td>
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<td>Joint companies (Foreing+Joint)</td>
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Source: INSTAT, Business Register, 2023
Referring to the graph above, foreign direct investments have increased, both in 2022 and in 2023. From the data obtained from the Bank of Albania, it results that in 2022, the flow of foreign investments was 1.37 billion euros, with an increase a record of 33% compared to the previous year. This trend will continue in 2023, but at a slightly slower pace, achieving the highest historical figure of 1.5 billion euros.

c) Agriculture and food security in the EU integration process

In our opinion, but also according to experts, agriculture and food security are two important areas that will be affected by the necessity of meeting the standards and that require a lot of work and measures in the following period. But it is also a fact that agriculture and food safety are two of the areas most regulated by European Union legislation, with strict rules that apply throughout the food chain, both human and animal.

But it is clearly verifiable that, just like in many other fields, even in agriculture, producers will feel the increased pressure for further implementation of these standards for a long time. In this framework, monitoring and support with funds from line ministers of businesses for the implementation of standards is a priority.

The Albanian agricultural sector continues to face a number of challenges: mainly related to the fragmentation of agricultural lands, with the dominance of small farms with an average of 1.2 hectares, compared to 23 hectares in the EU.

The sector of agriculture, agri-industry, and food security continues to face a number of challenges today, mainly related to:

- competitiveness and diversification of agricultural production,
- increasing the use of mechanised agricultural techniques,
- improving quality standards,
- improving product marketing,
- infrastructure development.

On the path of the EU integration process, the main objective of Albanian agricultural policies is to increase the productivity of the sector, focusing on the priority areas related to the "EU acquis", in the field of...
agriculture. It is a non-negotiable condition in the framework of the SAA, the cooperation between Albania and the EU, and the modernization and restructuring of Albanian agriculture and the agri-industry sector, relying on the gradual alignment of Albanian legislation with that of the practices, rules and standards of EU.

**Agricultural Trade between Albania and the EU**

The EU remains Albania's main trading partner, representing 65.8% of Albania's imports and about 80% of the country's total exports in 2022, while Albania remains a significant importer of food. Exports to the EU continue to show positive growth rates, albeit at low growth rates compared to expectations. Regarding exports to EU member countries, Italy is the main destination for most of Albania's exports. Trade relations between Albania and CEFTA member countries constitute about 10.0% of the total exchanges. About 75% of trade exchanges in the field of agriculture and food are with the EU, and the trade volume has increased from year to year, especially in recent years, imports have decreased and exports have increased, this is the main trend (INSTAT, 2023).

The increase in the volume of trade between Albania and the European Union, especially Albanian exports, shows that the Agreement is working and the increase in trade certainly translates into increased investment, employment and income for the Albanian economy. There is a trend of positive implementation of the SAA in terms of the approximation of legislation, standards, and the development of trade between Albania and the European Union. Several achievements related to the implementation of these standards have been highlighted: Firstly, for food standards, with the support of the European Union, the National Food Authority has been established and is functioning. Secondly, the establishment of the Market Surveillance Inspectorate has been approved, and work is underway to put it into operation. This Inspectorate is expected to significantly strengthen supervision in the quality of industrial goods, in the implementation of intellectual property rights, etc. Thirdly, Albania has almost completely aligned its legislation with the legislation of the European Union, in the field of safety and health at work.

**EU Financial Assistance for Agriculture in Albania**

Pre-accession financial assistance includes EU support to Albania through the Instrument for Pre-Accession Assistance (IPA). In accordance with this assistance, under the IPA 2013 with the allocation of funding of 95 million Euro, the commission foresees an intervention to further increase the capacities of the national structures in order to implement a future IPARD program, as well as to continue the implementation of the measures PARD.

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<tbody>
<tr>
<td>1</td>
<td>IPARD of the EU</td>
<td>15.50</td>
<td>15.81</td>
<td>16.12</td>
<td>16.43</td>
<td>16.74</td>
<td>17.05</td>
<td>17.36</td>
</tr>
<tr>
<td>2</td>
<td>National Co-financing for IPARD</td>
<td>5.17</td>
<td>5.27</td>
<td>5.37</td>
<td>5.58</td>
<td>5.68</td>
<td>5.79</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Total Budget</td>
<td>20.67</td>
<td>21.08</td>
<td>21.49</td>
<td>21.91</td>
<td>22.32</td>
<td>22.73</td>
<td>23.15</td>
</tr>
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Source: INSTAT

d) Data on Albanian business and participation in international markets

The process of Albania's integration into the European Union, as is known, is built on the basis of a contractual relationship between the parties and the progress of this process is measured by the correct implementation of this agreement. From this integration and from this opening of the market towards EU countries, of course the EU, as Albania’s main partner, has gained more than Albania. A main indicator that verifies this fact is Albania's trade deficit with the EU. In many of its reports, the EU also admits that Albania and its businesses have not benefited at the level of expectations from the opening of markets, although in the final analysis, the responsibility remains with Albania and its businesses. This is also related to the fact that many standards
established by the EU are still elusive from the business side, mainly those that produce for export. Practically, what has happened is that the Albanian market has been targeted by European businesses, which has also made competition in the domestic market difficult (European Commission, 2023).

Under these conditions, it would be more reasonable for the Albanian business to compete with the European one, after showing the ability to compete and master the domestic market. Practically, before the integration into the common European market will have to be synonymous with a common Albanian market. The efforts of Chambers of Commerce and business associations are laudable as long as they do not conflict with the philosophy of integration and the dogma of free trade. In Albania today, there are about 123,378 active businesses, and more than 60% of them operate in the two metropolises of Tirana and Durres. The fact that the SAA has been amended twice is also positive. First, in connection with the membership of Romania and Bulgaria in the European Union, it was changed from bilateral to diagonal cumulation, between Albania and the European Union. Second, the agreement was amended again in November 2015 to ensure its compatibility with the Pan-Euro-Med Convention, on the definition of the concept of "originating products" and methods of administrative cooperation. (European Commission, 2021). These measures will certainly affect the further expansion of trade between Albania and the European Union or even other countries, such as the EFTA countries. In economic terms, the integration of Albania into the EU means, first of all, free trade, or the integration of the Albanian market into the EU market. From this integration and from this opening of the market towards the EU, of course, the EU as Albania’s main trading partner has gained much more than Albania. A main indicator in this direction is the trade deficit of Albania with the EU.

From the INSTAT statistics (2023), it is clear that the more Albania’s foreign trade has increased, and mainly with the EU as our main partner, the more Albania’s trade deficit has increased. According to the same dogma of economic openness, in the framework of the integration process, foreign investments during the years 2019–2023 received absolute priority over domestic ones. In these circumstances, the focus of government programmes should be on the need for diversification and the design of strategies that attract other forms of FDI.

Economic freedom, as a complex element of the business and investment environment, is a determining factor in FDI inflows in Albania. Within this indicator, among the most important factors are: freedom to do business, lack of corruption, freedom over property rights, and freedom for investments.

Also, in recent years, the economy and business in Albania have been faced with a decrease in the level of loans from banks, as well as a narrowing of the spaces for fiscal incentives. To get out of this situation, a more reliable fiscal regulation that is consulted with business is important and necessary. This would also help to promote credibility for private investment and FDI.

Referring to progress reports and the economic situation that the country is facing, the main task emerges: deepening economic reforms, improving the business climate, through an efficient monetary policy, and keeping inflation under control. In order to achieve the objectives "Albania as a developed country and as an integrated country in Europe" in the framework of a strategic economic programme for the period 2019–2023, it is important that economic policies in the future also focus on the main directions such as: energy, technology, agriculture and tourism.

The costs of the integration process, but also the phenomenon of the global economic crisis that Albania has gone through, should be considered "a point of reflection", not waiting for things to change if it continues to do the same things in the future. However, it should be emphasised that Albania has a competitive economy, with an easy growth rate of exports. It is positive that Albania has commercial relations with many countries of the euro zone, with an investment portfolio dominated by the euro zone, but it must be careful to avoid all the risks of the euro zone.

However, referring to the published official figures, we can say with full conviction that Albania has entered an important phase of development and Europeanization like never before. But it is also essential to say that this development is related not only to the EU integration process, but also to Albania’s geographical position and proximity to Europe and the endless immigration that Europe has stimulated.
In simpler terms, the development of Albania should also be traced to the "one million" or more Albanians who emigrated, worked, lived, brought money, energy, and knowledge from Europe, and implemented them in Albania. This is a phenomenon that has little to do with the integration process being promoted by the EU today. On the contrary, we can say that the integration process, only after the liberalisation of visas, has facilitated the free movement of Albanian immigrants and citizens, creating ease in terms of business as well. There are three different perspectives on the European Integration of Albania. Based on these three perspectives, researchers, Albanian citizens, and the European Union have to take responsibility for its integration into the European Union.

It is particularly important to fulfil the economic criteria by developing a functional market economy with the capacity to manage the market pressure and competition of the European Union market.

In the framework of EU integration, the ability to assume the obligations of membership must be cultivated, including the acceptance of the goals of political, fiscal and monetary union.

The accession process will be a great challenge for the Albanian government and for business, as well as a responsibility to design and develop an economy that is suitable with the standards of the European Union.

CONCLUSIONS AND RECOMMENDATIONS

In this article, research efforts have been made for an analysis of the risks and opportunities of Albanian business, of the costs and economic benefits closely related to the process of Albania's integration into the European Union, focusing mainly on specific areas of business such as free trade, competition, agriculture and agri-industry, as well as at the political and institutional level. The article is based on a systematic analysis with a modest quantitative and qualitative methodological approach in the areas selected to be addressed, contributing to and helping to increase local information and expertise on integration issues and specific areas. The article deals with economic reforms, in addition to the symbolism related to certain moments and dates of the integration process. In our treatment, we have come to the conclusion that the process of integration into the EU has influenced the democratisation of the country, the economic reforms, as well as the policy-making in Albania, both in the formal and substantive aspects, in terms of opportunities and risks, specifically related to business development.

In formal and theoretical terms, we have addressed the improvement of the legislative framework, the establishment of common standards, financial assistance, as well as the building of capacities for internal and security issues, highlighting the fact that the approximation of legislation is the most measurable achievement in quantitative terms. The integration process, while adaptation to the local context and its applicability, constitutes the most problematic dimension of the process.

While in substantive terms, the analysis of the studied data shows that the process of European integration has served as a strong impetus for the development and establishment of new institutions in the country, the improvement of human resources, and the increase in the absorption capacity of funds.

Regarding democratisation, we have highlighted the fact that European integration offers a model of political, economic, institutional, and social development, considering European integration as a long and continuous process of conditioning, negotiation, and approximation. During the treatment, we came to the conclusion that the integration has influenced the increase in trade volumes with the EU countries, the increase in foreign and domestic investments, and the increase in the efficiency and competitiveness of the Albanian economy.

But on the other hand, the Albanian economy has been faced with costly reforms for the restructuring of inefficient industries, with unemployment in the sectors being restructured, with high budget expenditures for unemployment payments and retraining, with increased trade volumes in some cases with countries that produce at cost higher, with increased competition in the market, with the opening of the service market, exposing unprepared Albanian companies to foreign competitors and many other risks of the integration process. This is due to the fact that in the short term, a large market opens in which Albanian producers can export their products. But, on the other hand, Albanian producers will also be exposed to the risk of high
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competitiveness from European goods. However, this risk is expected to be counterbalanced by the growth of Albanian exports as well as the opening of new businesses with Albanian or foreign capital that take advantage of export opportunities to the European Union market and other positive factors that Albania offers.

Also, the Albanian economy, based on European financial expertise, today has a safer and more stable financial market, a more favourable financial environment for business, and the entry of real estate into the market has been liberalised, which has brought about an increasing revaluation of prices. But more important is the fact that the Albanian economy is facing equal competition for everyone, translating into more quality products for consumers. This has had a positive impact in terms of improving standards, product quality, and food safety, but it has brought a significant cost to businesses and local producers.

It is a fact that the advantages of the integration process will certainly increase even further, with the continuous progress in this process. This progress is logically expected to increase the interest for investments in Albania. Completing European standards will also increase the opportunities of Albanian companies to export to the European Union. On the whole, we see no other possibility for rapid economic and social development, outside of membership in the European Union. But this should be accompanied by the preparation by experts in the field of a complete pre-accession strategy which is missing and which is a necessity.

The most expensive reform and challenge in the process of harmonisation with European standards will be in the fields of agriculture, environment, and adaptation to climate change. This is a challenge for all countries, but even greater for Albania, given the problems accumulated both during the period of communism and during the transition.

Governmental authorities should start dealing with this problem because, at the moment, it is difficult to quantify the value of this reform and the achievement of European standards. This may be the only area in which, during the membership negotiations, all the countries of the Western Balkans, including Albania, require long transitional periods for the implementation of European legislation even after joining the European Union. This is also based on the experience of Croatia as a regional country.

In this article, referring to the above conclusions, we recommend that the analysis of the risks and opportunities of the integration process in Albania should include, first of all, the control of the role of state and non-state actors, the control of EU mechanisms and instruments in the economic, political, and social context.

Another important element are the costs of the approximation of legislation and the impact of market liberalisation in the framework of agreements with the WTO, and keeping the effects of globalisation under control, in order to mitigate as much as possible, the costs of adaptation and the risks of integration for the local business community. Moreover, as the conclusions of this paper show, it is necessary to analyse the internal limitations of the political and economic environment, since not all costs are necessarily attributed to the integration process.

In the economic and business fields, the topic deals with and suggests further studies related to the analysis of trade flows, which would be even more enriching if it were also treated at micro-levels, i.e., applying the same methodology for each category of imports and exports.

The potential effects of European integration on economic growth and in the field of financial integration will further materialise as Albania approaches full EU membership. In this context, it is valuable to focus further treatments and studies in these directions in the future.

An in-depth study of the process of integration and the industrial restructuring of Albania, as well as the effects of this process on the competitiveness of the sectors of the Albanian economy, in particular the sector of agriculture and agri-industry, would be more appropriate. On the other hand, the problem of sectors, industries, and businesses that are closed due to competition in the market deserves further treatment.

REFERENCES


