

Ardian Fullani: Albania's cooperation and coordination with the Republic of Italy

Speech by Mr Ardian Fullani, Governor of the Bank of Albania, on the occasion of the First Edition of the Italian Week in Albania, Tirana, 5 May 2014.

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Honourable President of the Senate,

Honourable Prime Minister,

Your Excellencies Ministers and Ambassadors,

It is a special pleasure for me to address this important activity on Albania's cooperation and coordination with the Republic of Italy, our main economic partner. Years ago, two Italian missions, dubbed "Arcobaleno" and "Pelikan", provided food and order for Albania. Nowadays, Albania is about to being granted EU candidate country status. In this long journey, amid achievements and challenges, Italy's support has always been there for us, and for that, we are most sincerely grateful. Albania and Italy are natural partners.

Besides and beyond the geographic proximity, all the dimensions of economic and social development, such as the level of technological, financial and human capital development, demographic and labour market characteristics, exploitation and processing rate of natural resources, and strategic development plans render our two countries natural partners.

This close partnership and cooperation between our countries has its roots in antiquity. Despite the mutual benefit from economic and financial exchange on a voluntary basis, technology and capital have flowed mainly in one direction, from Italy to Albania. Technology and financial capital inflows have fostered trade exchange, exploitation of natural resources, and promotion of processing industry, consequently the country's economic development. Given the factors and stage of economic development, this cooperation is expected to continue in the period ahead, with Italy remaining one of the main partners for the Albanian economy, in spite of dynamics in the composition of our trading partners.

At a glance, Italian direct investments in Albania have doubled from the pre-crisis level. However, the share of Italy in total foreign direct investments has averaged only 14% during 2007–2012, showing that financial and capital integration is not commensurate with trade integration between the two countries.

Trade exchanges between Italy and Albania have expanded from 35% in 2007 to 37.5% in the last two years, hence strengthening the position of Italy as our main trading partner.

Demand from the Italian economy continues to play a key role in Albanian exports and industry expansion, but it remains limited to certain branches. It is a fact that the presence of the Italian economy is not homogeneous across all the sectors of the economy. The high share of trade and investments in such sectors as textiles and clothing, metals and construction, machinery and equipment, is not reflected in a comparable share with investments in energy, tourism, agribusiness, information technology or financial sector. Trade interests, penetration of capital and new technology in vital and lucrative sectors of the Albanian economy need both a higher presence and stronger and more direct support from the Italian financial sector.

Bilateral trade exchanges will continue to be determined by differences in productivity and the degree of exploitation of natural resources. These differences should be tackled until they are eliminated altogether, especially in some important sectors such as agriculture, tourism, financial services, and exploitation of natural resources. This would pave the way for further development of trade and investments, leading eventually to trade relations being no longer driven by differences but by similarities in development stage.

Obstacles have the same nature and characteristics that I have often mentioned in discussions on the economic growth model. They have been and remain one of the main reasons for the banking system and capital market's lack of attention with regard to expanding foreign investments or further integrating trade and financial activities with our partners. The recent policies pursued by Albanian authorities, also supported by the arrangement with the IMF and WB, pay special attention to these sectors and reforms. This approach would significantly boost the potential for cooperation. Development of agriculture, agribusiness and processing of Mediterranean products, development of tourism and their successful combination in the agri-tourism sector have turned Italy into a world leader in these sectors.

The same holds true for the financial, energy and technology sectors. In these fields, cooperation could be stronger, and trade and financial relations between the two countries more frequent.

Lastly, I would like to focus on the regional dimension. Albania provides the Italian businesses access not only to the Albanian economic space, but also to the entire Western Balkan region. From this perspective, I would like to draw your attention on the fact that investing in Albania is a prerogative for using the advantages that South East Europe offers.

Therefore, adapting regional development philosophy for infrastructure, labour market, human capital development, technology advancement, economies of scale, and above all, coordination of structural reforms and development policies in the region, are a great opportunity for Albania and Italy.

Optimising trade with financial relations, advancing the structural reforms, setting strategic priorities, formalising and introducing important and strategic sectors to the market (based on ownership and use of land and other important natural resources of the Albanian economy), and utilisation of opportunities and potential offered under regional cooperation, would rapidly increase the possibilities for doing business and investing, yielding direct benefits for both countries.

Dear guests,

In the post-crisis period, our two countries underwent a process of deep structural reforms to revitalise the economy and establish solid foundations for sustainable growth. Considering it as a historic moment, I think that better coordination of economic and financial policies would be of mutual benefit, especially with regard to Albania's fast convergence.

I would like to assure you that the Bank of Albania remains deeply committed to providing a stable macroeconomic and financial environment, and guaranteeing a financially safe environment with low inflation rates. The Albanian banking system is willing to support initiatives that contribute to development.

Finally, I would like to thank Banca d'Italia for its assistance in renovating the central corpus of the Bank of Albania and the former Dajti Hotel, two landmark buildings standing out in the city of Tirana.

Thank you.