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**POLITICAL AND ECONOMIC DEVELOPMENTS  
IN ALBANIA**

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## POLITICAL AND ECONOMIC DEVELOPMENTS IN ALBANIA

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When Albania's voters decided for or against the draft constitution in a referendum this weekend, they opened a new chapter in the country's post communist history. Regardless on how they voted, their decision is going to shape Albania's democratization and economic development process in the long run.

On one hand Albania's political climate remains dominated by the overriding conflict between the governing Socialists and the opposition Democratic Party and therefore Albanian politicians will interpret the verdict of the voters as a respective show of political support. The parliamentary boycott of the opposition and its call for a referendum boycott has strongly contributed to that perception. But on the other hand all parties which participated in the drafting of the constitution, including the center-right Republican Party, have repeatedly stressed that they did not prepare the constitution to support individual political interests, but that they reached a broad consensus, keeping the overriding general interests of the public in mind and making it a constitution for everybody.

Similarly international observers have expressed hope that the document will strengthen rule of law, increase the authority of local government and improve the efficiency of the administration by clearly defining the responsibilities of respective government bodies. Thus a popular vote for the constitution would give two signals: First, that voters appreciate the need for a clear constitutional framework that could then accelerate the process of democratic institution building and bring Albania out of its long standing political instability. Second, that they have at least some trust into the current administration of Pandeli Majko's government to pursue that aim.

But so far the political discourse, unfortunately, remained dominated by the old political power game. Only one week after parliament gave its blessing to the referendum opposition Democratic Party leader Sali Berisha made clear that his party would not recognize the document, and instead repeated earlier calls for new elections. He said that the Democrats would draft their own constitution which they intend to pass once having won the majority of parliament. Berisha argued that "the majority of Albanians [was excluded] from the constitution drafting process," stressing that the Socialists did not agree to a round table of all political parties to discuss the document. Also he criticized a law, according to which the simple majority of votes was sufficient to approve the constitution. The Democrats demand that the total majority of registered voters is needed for the draft.

The Socialists counter the opposition charges and stress that the Democrats boycotted parliament for most of this year and thus excluded themselves from the drafting process. Also they underline that they repeatedly urged the opposition to participate in the drafting, and that there was no willingness on the side of the Democrats to make their opinion heard.

But the conflict between the Socialists and the Democrats focuses on form more than on content. Some constitutional experts from the Democratic Party even told journalists in Tirana that the party did not have any substantial complaints about the draft. Furthermore, the Democrats have failed to come forward with concrete suggestions and complaints. But why then is there so little space left to find a compromise between the governing coalition and the Democrats?

On one hand, the Democrats remain unwilling to accept a regular parliamentary drafting process, because their participation in it would make it more difficult for them to put the legitimacy of the legislature into question. On the other hand the Socialists reject to hand over substantial legislative authority to a multi-party round table because acceptance of such a parallel institution to the parliament would imply that the legislature indeed lacks legitimacy which the round table would then get. They thus fear that accepting a round table, similar to that which mediated the creation of a multi-party interim government in spring 1997, would only be the first step towards new elections. Furthermore, the government knows that if it tries to base its policy on a too broad consensus and invites the Democrats, it would risk to become paralyzed and unable to tackle the country's urging problems.

A round table, nonetheless, took place on 25 October. But the content of the constitution was not up for debate and thus the Democrats declined to attend. Instead the coalition partners and representatives from the Republican Party, agreed that none of them would campaign for the constitution, in order to avoid political polarization of the document. The parties also said they hoped that the referendum will not develop into a political battle. Instead they agreed that the parliamentary drafting commission was supposed to explain the content of the draft to the electorate through the media and suggested that non-governmental organizations rather than political parties should get involved in organizing a voter education campaign for the referendum.

But these parties have already failed in keeping politicization out of the referendum. The Democrats have made clear that they will use the constitution drafting process to gain leverage against the government and to eventually force new elections. Indeed, the arguments against the document raised by the Democrats left strong doubts about the sincerity of that criticism among international observers. A main point of criticism, for example, was that Albanians, according to the draft will have the right to change their religion and nationality. Senior Democrats, therefore, have criticized the document as “anti-national” arguing that it will accelerate the process of migration. Berisha even compared that article to “ethnic cleansing” which many observers regarded as misleading criticism.

Berisha also criticized an article that allows the government to nationalize private property in case of higher public interest, such as building of highways or railroads. Berisha argued that the provision was violating another article explicitly protecting private property. Berisha further criticized that the constitution was obliging the government to pay “fair compensation” rather than “complete compensation.” The chairman of the parliament’s constitution drafting commission Sabri Godo , a Republican, dismissed the criticism as

“pointless” and warned that the lack of such provisions could “bring the economic progress of the country...to a halt.” Godo added that Council of Europe experts had recommended the term “fair compensation,” as meaning the market value. He suggested that Berisha “does not believe” his own criticism, implying that he simply aimed to discredit the draft before the referendum

Other criticism mainly focused on alleged procedural errors in the drafting process. Therefore the electorate at least partly got the impression that the referendum was a vote for or against the current government, since polemics dominated over the discussion of its content. This was a similar situation to 1994 when Berisha as President proposed a constitution, which the electorate defeated. In the eyes of the voter the constitution already is politicized and even if voters approve it the document will remain a playing ball in the hands of rival politicians. How much this will slow down the building of democratic institutions and the economic recovery of Albania, however, will depend on the electorate. If the voter turnout will be high and a clear majority in favor, it will be more difficult for subsequent governments to change the constitution whenever they please, creating a more stabile institutional framework and better security for investment.

The Majko government is the third cabinet since the Socialist Party won a solid two-thirds majority of seats in the legislature in general elections following unrest last year. The frequent government changes despite the Socialists' domination of parliament, however, show that the party leadership appreciates the need to keep a broad coalition alive for the sake of bringing Albania out of turmoil. Majko knows fully well that he will only be able to withstand calls for early elections, if he enjoys broad public support beyond the borders of his own party.

Also fresh unrest and rioting that broke out in Albania on 14 September following the murder of legislator Azem Hajdari from the Democrats rather proved the strength of the current administration than its weakness. Many observers feared that Albania may face a repetition of violence and anarchy which it saw the previous year, following the collapse of fraudulent pyramid investment schemes. The signals were similar, just as in March 1997 civilians again seized tanks and roamed on the streets firing into the air with Kalashnikov machine guns and plundering shops.

The clashes erupted during Hajdari's funeral who was killed two days before by unidentified gunmen outside the party headquarters in Tirana. The opposition charged then Prime Minister Fatos Nano with having organized the killing, an allegation Nano vehemently denied. Within few hours opposition protesters managed to violently seize the Prime Minister's offices, the state radio and television building and the parliament building. At least three people were killed in fights with police by the end of the day.

But in contrast to last year this time special police forces were able to restore order quickly. Most protesters and armed people dispersed when police moved in and only a small group of opposition supporters took shelter at the Democratic Party headquarters. They brought with them two tanks they had captured and faced a stand-off with police the next morning. Elsewhere, normality had returned to the city and shops opened again.

Also the riots did not spread throughout the country and observers noted that the northern city of Shkodra remained silent. Unconfirmed but persistent rumors from Shkodra had previously indicated armed opposition groups, were allegedly preparing there to bring the government down. Such allegations were underlined by two incidents this year, one on 20 January when a group of armed men attacked and seized the local police station there, opened the prison and established control over the city for one day, until police moved in, and a more recent one on 10 November when about 30 gunmen blocked the office of the prefecture and to the town hall of Shkodra, firing weapons into the air and capturing a police car, demanding the release from prison of three friends.

Albeit serious, these incidents have not developed into a larger uprising in either part of the country and in each of the cases police has quickly regained control. However, combined with a generally high crime rate these events also prove that for the years to come Albania's government will have difficulties maintaining rule of law in all corners of Albania. This is particularly valid for the northern region of Tropoja, which observers have compared to the American Wild West of the 19th century and which to date remains a highly insecure region.

Still, the comparably short time in which the government got the September revolt under control indicates on one hand that the government has managed to rebuild its police forces since last year's anarchy sufficiently to cope with major challenges to the state. Still they are not yet coordinated enough to react quickly enough and to prevent such riots in the first place. More important, however, the quick end to the revolt shows that there is no willingness in the broader population to support violent means of small groups to bring down a democratically elected government.

And even within the Democratic Party, many supporters of which still have an ambiguous relationship to violence, the tolerance for undemocratic political means seems to be declining. Party Leader Sali Berisha, using the state television after it was captured by his own supporters broadcast a call to all Albanians to refrain from using violence, a move that probably made it easier for police to restore order.

Berisha strongly rejected accusations from Socialist Party and government officials that he had planned to stage a coup d'état. Instead he said he remained committed to force the government to resign by continuing with peaceful protests. But prosecutors investigating the events, meanwhile, claim to have gathered evidence that Democratic Party members prepared the riots well in advance.

Thus the rioting backfired for the Democrats. Majko, however, will still have to promote reconciliation with the opposition while not giving in to their demand for new elections. He is in a good position to do so. As the youngest European Prime Minister with only 30 years Majko was never a member of the communist Party of Labor of Albania. He became a member of the Socialists after their internal reform of 1991 and has since developed a profile as a reformer promoting a Social Democratic profile of the party. Thus he commands more

respect from the opposition than his predecessor Fatos Nano, a former communist and personal rival of Berisha.

Besides finding a compromise with the opposition Majko's toughest challenge remains a thorough reform of the administration, the implementation of institutionalized anti-corruption measures, improving the living standards of the population, developing infrastructure and strengthening the rule of law. The media and the opposition have persistently and harshly accused the previous Socialist government of corruption and inefficiency. Majko has now formulated an ambitious reform program, pledged to create 85,000 new jobs by the end of 1999 in developing infrastructure and pursue the reform of the country's police and justice systems.

But pursuing Albania's economic recovery will not be an easy task. Much of the prosperity that Albania had seen since 1992 did not derive from its own economic strength. Albania imported large amounts of goods. But domestic production was diminishing, despite large scale privatization with the exception of heavy industries. Transfers from Albanians living abroad and smuggling of oil and arms to former Yugoslavia compensated for a huge trade deficit. During the time of the Yugoslav war the pyramid schemes served to launder money from these activities. With the collapse and closure of these schemes throughout 1998 Albania was once again at the beginning of an economic recovery. Still, today, many more small and medium sized businesses than in 1992 have been well established and are likely to become the back-bone of Albania's economy in the years to come. The traditional large industries, such as copper and chrome mining, as well as oil and Steel production have almost collapsed operating at only a fraction of their communist-era capacity. These industries may eventually become a considerable factor of economic development, but they will not be the sole motor. Also tourism remains underdeveloped largely due to the generally insecure atmosphere, lack of infrastructure and in particular the absence of garbage collection.

Thus the government has careful estimates about its economic successes. When taking over the government Majko said that inflation would be lower than 10 percent by the end of 1998, GDP growth would be seven to eight percent this year and the budget deficit 6.6 percent of GDP while the government was aiming to reach 3.2 percent of GDP in 2001. Central Bank governor Shkelqim Cani earlier said he expected a GDP growth of ten percent this year, but his estimated inflation figure was similar to that of Majko. Both growth and inflation targets are in line with those recommended by the International Monetary Fund. Cani, however warned that the Kosovo crisis could have a negative impact on foreign investment and also force the government to increase spending.

The government has shown that it understands its difficult position. Foreign Minister Paskal Milo said before an international donors conference in Tirana on 30 October that the previous government of Fatos Nano failed to fulfill all objectives of a previous conference one year ago. The main problem appears that the administration was unable to make use of all the offered funds after which some donors withdrew their offer, according to Prime Minister Pandeli Majko's economic advisor Gramoz Pashko. Another problem remained tax and customs evasion, which contributed to the state-deficit. Pashko also criticized that the

administration was engulfed by corruption and unable to restore security, and in a more basic criticism, that the Albanian society failed "to understand the principles of civil society." Also a World Bank research, questioning entrepreneurs throughout Albania, came to the conclusion that corruption is rampant and probably the highest in Europe.

International representatives at the donors shared the criticism. The conference participants issued a joint statement urging the Albanian government "to take concrete measures to restore law and order throughout the country, [ and protect] private investments and foreign personnel." They pledged continued support, but added that "the government should...assure an appropriate climate for private business activity," stressing in particular the need to fight corruption and smuggling and to reform public administration and the judiciary. World Bank deputy President Johannes Linn said in Tirana the following day that the World Bank plans to give Albania total assistance of \$150 million over the coming three years. It has already invested \$300 million since 1992. Part of the new projects include upgrading the Durres ferry terminal, which has already started. The project is implemented by an Italian company.

Around the time of the second donors conference Albania has signed several bilateral agreements for support in different fields. For example Denmark has released a grant to support the justice system. The European Union continues its assistance in agricultural and infrastructure projects while the Western European Union representatives said they were considering to expand the responsibilities of their multinational police contingent in Albania, which is training Albanian police since 1997.

The key to economic prosperity, however, will be the development of small and medium sized enterprises from below. A main hindrance to such development remains the slow development of the private banking sector. Besides the Albanian banks there are currently one Albanian-Italian, two Greek and one Malaysian banks working in Tirana. And in November a German Enterprise Fund for small and medium -sized businesses transformed itself into a tiny but full fledged bank.

Among the steps that government and parliament have taken recently are the work on a draft law against money laundering and the establishment of a special police force trying to stop smuggling and customs evasion. Within recent days that strategy had some effect. An anecdotal example shows that corruption is so deeply embedded in society that it will not be easy to eradicate. Following the sacking of two corrupt customs officials at the Qafe e Thanës border crossing with Macedonia in early November, trucks carrying valuable goods, mainly cigarettes and coffee, refused to cross the border and pay taxes. Instead they were waiting for up to two weeks, apparently hoping for other officials to return, who would accept bribes.

Finally we can conclude that Albania's economic development in the first place will depend on the ability of the government to implement thorough reforms. Therefore Albania will depend from international support in the long run. But only strong local participation of Albanian citizens taking responsibility in the process can bring the desired results. Therefore international support must seek to improve the know how of public administration in key areas.

Internal political stability also will depend on regional factors. The new government is under pressure from the international community to maintain its moderate Kosovo policy, promoting a peaceful solution within the existing border of the federal Yugoslavia. But in the same time the nationalist opposition tries to capitalize on the Kosovo conflict and demands Kosovo's recognition as an independent state. Also there are indicators that the opposition is directly supporting the Kosovo Liberation Army, especially in the Tropoja region. To defuse the danger of a possible spillover Majko will need to prove that his Kosovo policy bears fruit. The success or failure of the international community's to force Belgrade to stop military operations and come to an internationally mediated negotiating table thus will directly influence the credibility of Albania's government and will determine whether it can move ahead with its own internal reforms.