

# CRS Report for Congress

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## Albania: Current Issues and U.S. Policy

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### Summary

Some two months after Albania held parliamentary elections, a new government was sworn in on September 11, 2005. Democratic Party leader Sali Berisha, whose controversial term as President of Albania ended in 1997 amidst violent civil unrest, returned to power as the new Prime Minister and leads a center-right coalition government. Along with other states in the western Balkan region, Albania seeks membership in NATO and the European Union, but its accession prospects are not certain. This report may be updated as events warrant. A related CRS report is RL33012, *Islamic Terrorism and the Balkans*.

### Current Political Situation

During the Cold War, Albania was ruled by a brutally repressive communist regime that kept the country in near-total isolation and underdevelopment. The legacy of this experience - in addition to political instability, weak institutions, economic problems, and wars in neighboring states over the last decade - has hindered Albania's democratic and economic transition from communism. In early 1997, a series of destabilizing events brought Albania to the brink of civil war. The collapse of several popular but unregulated investment schemes prompted thousands of citizens to demonstrate and eventually take up arms against the Democratic Party-led government and President Sali Berisha. A brief international intervention and new elections restored order and a semblance of political normalcy.

Albania's July 3, 2005 parliamentary elections were considered by the international community to be a crucial test of the country's democratic development as it prepares for eventual membership in NATO and the European Union (EU). The incumbent government led by the leftist Socialist Party and Prime Minister Fatos Nano came to power after the 1997 period of unrest and also won the last parliamentary vote in 2001. Since the fall of communism in 1991, Albania's political scene has been largely shaped by a bitter feud between the Socialist Party and the Democratic Party — and especially between their longstanding respective leaders, Nano and Berisha — as well as by intermittent power struggles within each party bloc.

Albania has had a relatively poor track record of conducting elections that meet democratic standards. In municipal elections held in October 2003, international observers reported numerous irregularities and assessed that the vote did not meet international standards on free and fair elections. Prior to the 2005 parliamentary vote, some electoral reforms were passed (including a code of conduct agreed to by all political parties) but shortcomings persisted, according to international assessments.

The July vote produced a complex result. As expected, both the Socialist Party and Democratic Party dominated the direct ballot portion of the vote (100 seats were directly elected under a majority system, and 40 by party list under a proportional system), and the Democratic Party appeared to capitalize on its anti-corruption platform. The initial international response to the July vote was warily positive, if also critical of problems with voter registration and other processes.<sup>1</sup> However, as in previous elections, disputes over procedures and charges of fraud ensued, leading to protracted delays in certifying final results. Albania's Central Election Commission reviewed over 100 complaints of irregularities, but called for a repeat vote in only 3 districts. The rerun in these districts took place on August 21.

### Basic Facts on Albania

**Area:** 28,748 sq km, slightly smaller than Maryland  
**Capital:** Tirana  
**GDP:** \$16-\$17 billion (purchasing power parity, 2004 est.)  
**GDP/capita:** \$4,400-\$4,900 (ppp, 2004 est.)  
**Population:** 3.56 million (2005 est.)  
**Ethnic groups:** Albanian (95%), Greek (3%), other (2%, incl. Vlach, Roma, Serb, Macedonian, Bulgarian) (note: 1989 last official census; estimates of Greek population vary)  
**Religions:** Muslim (70%), Orthodox (20%), Roman Catholic (20%)  
**President:** Alfred Moisiu (since July 2002)  
**Prime Minister:** Sali Berisha (since September 2005)

Sources: CIA World Factbook, SEED Act Implementation Report (FY2004).

In the final results, the Democratic Party won 56 seats. In conjunction with four much smaller parties, it claimed a total of 81 seats, a solid majority in the 140-seat parliament. The Socialist Party won 42 seats alone and 59 seats with four allied parties. It was hurt by popular discontent with the Nano government as well as by the emergence of splinter parties that divided the left. Still disputing the conduct and outcome of the vote, Nano resigned as Socialist Party chairman and was succeeded by party official Gramoz Ruci. Many analysts believe that the Socialist Party is in need of a major overhaul in the post-Nano period. One potential leftist leader frequently named is Edi Rama, the popular mayor of Tirana.

Berisha was sworn in as Prime Minister on September 11. He pledged to carry out the party's 23-point, 100-day program on political and economic reform that is largely

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<sup>1</sup> The preliminary election report by the Organization for Security and Cooperation in Europe (OSCE) assessed that the conduct of the July 3 election day only partially complied with international standards for democratic elections. The report, which also details Albania's electoral system, is available at [[http://www.osce.org/documents/odihr/2005/07/15541\\_en.pdf](http://www.osce.org/documents/odihr/2005/07/15541_en.pdf)].

focused on the fight against corruption and organized crime. The program seeks to “dismantle” corruption, cut taxes, increase employment, and fight poverty, among other priorities. Pervasive corruption has registered as a primary concern of the population. While welcoming the peaceful (if delayed) succession of power, some observers view Berisha’s return with some trepidation. Prior to his ouster in 1997, then-President Berisha had come under growing international criticism for anti-democratic practices and authoritarian tendencies. Some analysts believe that the 2005 election results reflected more a desire for change from the perceived corruption and incompetence of the Nano government than explicit support for Berisha and the Democratic Party.<sup>2</sup> At the same time, Berisha has filled his cabinet with young, western-educated ministers, perhaps signaling a new start and new priorities.

### **Economic Situation<sup>3</sup>**

One of Europe’s poorest countries, Albania continues to face daunting economic problems as it pursues ongoing reforms. Albania began its transition process from a very unfavorable starting position at the end of communism. The economy faced a significant setback from the economic implosion in 1997 that resulted from the investment collapse and civil unrest, but stabilized quickly afterward. GDP growth has been strong in recent years, reaching 5.6% in 2004. A significant portion of the nation’s income and employment derives from agriculture. Albania continues to rely (although increasingly less so) on remittances from abroad, often coming from temporary and/or illegal Albanian laborers in European countries, especially Greece and Italy. Unemployment remains high, officially at about 15% of the workforce. The poverty rate is also high (estimates range from one-quarter to one-half of the population). Under terms of IMF and World Bank agreements, Albania has kept to tight spending constraints, limiting inflation and achieving macroeconomic stability. Most of Albania’s trade is with European Union countries, especially Italy, Greece, and Germany.

Albania’s underground economy is very large, comprising possibly as much as one-third to one-half of the country’s gross domestic product. Despite numerous anti-corruption initiatives, Albania continues to rank poorly in international surveys of corruption levels.<sup>4</sup> Weak financial institutions, poor judicial controls, as well as corruption have also attracted transnational organized crime. Organized criminal groups reportedly use Albania for transit in trafficking of narcotics, especially heroin, and as a base of operations for money laundering and other criminal activities. Other key economic challenges include developing large-scale infrastructure (such as transportation and energy), continuing privatization, and attracting foreign investment.

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<sup>2</sup> “Berisha beacon, Albania’s election,” *The Economist*, July 9, 2005.

<sup>3</sup> Further detailed economic information can be found in *Albania, Sustaining Growth Beyond the Transition*, World Bank Country Economic Memorandum, Report 29257, December 27, 2004.

<sup>4</sup> “Albania facing challenges over economic reforms,” Dow Jones Newswires, March 14, 2005.

## Foreign Policy

Albania's long-term strategic goal is to achieve full integration into Euro-Atlantic structures, including NATO and the European Union. After the end of the Cold War, Albania was among the first countries to apply for NATO membership. Albania participates in NATO's Membership Action Plan (MAP) and Partnership for Peace (PFP) program. It contributed forces to NATO's Stabilization Force (SFOR) in Bosnia, which was turned over to the EU at the end of 2004, and provides logistical support to NATO's Kosovo Force (KFOR). It also has a small unit with NATO's force in Afghanistan. Along with Croatia and Macedonia, Albania is part of the U.S.- Adriatic Charter initiative that seeks to accelerate integration into NATO and increase security cooperation. At the 2004 Istanbul summit, NATO members welcomed seven additional members into the alliance. They reaffirmed that NATO's door remained open to new members, and encouraged Albania, Croatia, and Macedonia to continue reforms necessary to progress toward membership in the alliance.<sup>5</sup> NATO has not yet established any timetable for further enlargement. After Istanbul, many observers expected that NATO would address enlargement at its next summit in 2006 or 2007. However, U.S. officials have recently called for further enlargement of the alliance to be postponed until at least 2008. Nevertheless, new Prime Minister Berisha has pledged to bring Albania into the alliance before the end of his term.

Albania also seeks membership in the European Union. In mid-2003, the EU declared its intention eventually to integrate all of the western Balkan nations into the Union, and launched a Stabilization and Association process (SAp) to guide this effort. Since then, the European Commission has been in negotiations with the government of Albania on a Stabilization and Association Agreement (SAA), the first step toward EU membership. Progress on concluding the SAA, however, has stalled because of Albania's poor record of implementing reforms, continued political instability, and limited improvements in the development of the rule of law. The EU is expected to assess the status of the stabilization and association process with Albania in the next few months, but has postponed plans to complete the SAA in the fall of 2005 in order to give the new Albanian government additional time. Even after an SAA is concluded, likely now in 2006, Albania will still face a long road to actual EU membership. Moreover, the EU's own internal struggles, as reflected in difficulties in ratifying the EU's constitutional treaty, have called into question the pace of and support for further EU enlargement.<sup>6</sup>

The Albanian government has supported regional cooperation as a means to promote its interests. During the last decade of recurrent conflict in the states of the former Yugoslavia, a key foreign policy goal for the Albanian government was to avoid becoming a direct party to these conflicts, some of which involved ethnic Albanian armed groups and civilian populations. During the Kosovo conflict, Albania accepted over 300,000 ethnic Albanian Kosovar refugees, most of whom swiftly returned to Kosovo after the NATO air operation in 1999. Albanians generally support the Kosovar Albanians' aspirations for independence, but only on the basis of a peaceful, negotiated settlement. The international community is expected to begin to address the difficult

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<sup>5</sup> Istanbul summit communiqué, June 28, 2004.

<sup>6</sup> For additional information see CRS Report RS21344, European Union Enlargement, by Kristin Archick.

issue of Kosovo's disputed status as early as fall 2005. While not directly involved in the international process that will determine Kosovo's status, Albania will be a highly interested and affected party. Kosovo is therefore likely to become an even more prominent foreign policy topic for the incoming Berisha government. Berisha's Democratic Party is considered to be somewhat more nationalist than the leftist parties, although Berisha has expressed support for the current international policy on Kosovo.

## U.S. Policy

Successive U.S. Administrations have expressed strong support for Albania's political and economic transition and its Euro-Atlantic integration aspirations, including membership in NATO. The Bush Administration has lauded Albania's cooperation in the war on terrorism (including taking action against suspected terrorist financiers and supporters) and its contributions to U.S.-led operations in Iraq and Afghanistan. Albania is also considered to be a constructive partner in promoting regional stability in the Balkans, a key U.S. objective in Europe that has regained prominence as the international community prepares to address the issue of Kosovo's future political status in 2005-2006.

Since 1990, the United States has provided almost \$380 million in bilateral Support for East European Democracy (SEED) Act assistance to Albania through Fiscal Year 2004. An estimated \$28 million in SEED funds have been allocated for FY2005, and the same amount has been requested for FY2006. Current SEED programs in Albania focus on promoting economic reform, strengthening democratic institutions and good governance, and combating organized crime and corruption. In addition, the United States has provided security assistance to Albania in support of its aspirations to join NATO, its participation in PFP activities, and its contributions to the war on terrorism. Some U.S. assistance supports improving export controls, weapons destruction, and other non-proliferation measures. For example, U.S. funds from the Nunn-Lugar Cooperative Threat Reduction program are assisting Albania in destroying stockpiles of Chinese-origin chemical weapons leftover from the Cold War.<sup>7</sup> The United States also has a Peace Corps program in Albania.

Albania has contributed small units of military forces to U.S.-led operations in Iraq and to the International Security Assistance Force (ISAF) peacekeeping operation in Afghanistan. It also offered to the United States access to Albanian airspace, land routes, and territorial waters in support of these operations. Albania has concluded a bilateral agreement with the United States on exempting U.S. personnel from possible extradition to the International Criminal Court (ICC, a so-called "Article 98" agreement), and another agreement on the Prevention of Proliferation of Weapons of Mass Destruction. In recent reports, the State Department has noted Albania's considerable support to U.S. and international counter-terrorism initiatives, including actions to curb terrorist financing and enhance information-sharing with the United States and other governments.<sup>8</sup> Albania has also cooperated with efforts to curb trafficking in narcotics and in women and children;

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<sup>7</sup> See "Albania's chemical cache raises fears about others," *The Washington Post*, January 10, 2005.

<sup>8</sup> Reports include *Country Reports on Terrorism* (released April 27, 2005), *International Narcotics Control Strategy Report* (March 2005), and *Trafficking in Persons Report* (June 3, 2005).

however, Albania remains a country of concern on both transnational issues. Corruption and lack of resources are cited as obstacles to greater effectiveness in tackling these problems.

On June 27, 2005, the House of Representatives passed H.Con.Res. 155, a resolution urging Albania to adhere to democratic standards in the July parliamentary elections and expressing U.S. support for Albania's transition and Euro-Atlantic integration. The Senate introduced a similar resolution, S.Con.Res. 34, on May 17.

Following Berisha's swearing-in on September 11, President Bush and the EU leadership sent letters to the new Albanian government reportedly urging it to achieve greater progress in reforms and move closer to full Euro-Atlantic integration.



Source: Map Resources. Adapted by CRS. (K.Yancey 9/8/05).