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Albania After Kosovo Independence and the Nato Decision - Some Perspectives

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Key Points

- * The Kosovo independence decision is likely to increase the general standing of Albania in the Balkans somewhat.
- * This trend will be augmented by the decision to progress Albanian full membership of NATO taken at the 2008 summit.
- * The Berisha government is facing many serious problems, and the economy is beginning to show signs of serious stress.
- * The reforms required to progress Albania towards the EU have slowed, and rapid progress in that direction is unlikely.
- * Parliamentary elections are to be held by July 2009, and some increase in social and political tension should be expected. It is possible the elections may be delayed by administrative problems.
- * Perversely, some protection from the effects of the international banking crisis may result from the size of the informal/black economy, and overall stability is likely to be maintained.

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Introduction

The government of Prime Minister Sali Berisha in Tirana is approaching the end of its term, with parliamentary elections due in mid-summer 2009. There are recent indications that the government may wish to delay the elections, as a result of problems with renewing the electoral register and identity proof requirements. This is likely to be opposed by the Opposition. The early period of this government was dominated by external pressures to advance reform programmes to prepare Albania for future EU and NATO membership. Admission to these international bodies was then generally envisaged as a simultaneous process, but ‘decoupling’ has now taken place, with the 2008 NATO summit in Bucharest advancing Albania onto the path for full membership, along with its near neighbour Croatia. Discussions with the EU are of course still in progress, and there is an agreed programme of reforms to be undertaken, but there is little or no prospect of early membership.

The government of Dr Berisha has closely allied itself with the main foreign policy initiatives of the United States, and a successful visit by US President George Bush on his European tour in 2007 consolidated this central relationship. In the Opposition, the main development since the last election has been the retirement of Fatos Nano as Socialist Party leader and his replacement by the well known ex-Mayor of Tirana, Edi Rama, who has a reputation as a pro-European moderniser. The Berisha government has avoided most of the confrontational political style of its 1992-7 predecessor, and has become an accepted factor on the regional and international political landscape, without the blatant attacks on civil liberties, the judiciary and the media of the previous period in government. Nonetheless, certain pressures on civil society remain, and corruption and organised crime remain major problems. The latter, as in Bulgaria, has avoided some of the most dramatic and open excesses of the past but arguably only as a result of becoming central and well integrated factors in the economy and the fabric of society.

It nevertheless remains a highly personal government, with most serious decision making concentrated around the office of the Prime Minister, and a substantial number of associates from the same northern political background as was in evidence in 1992-7. The development of post-communist state institutions has been slow in Albania, and remains so. Members of the Berisha extended family who have not been elected occupy influential posts, particularly his daughter, and cronyism is a serious problem. There is also growing evidence of coercive attempts to muzzle internal criticism as the pre-election period approaches, although this is now much more difficult for any Tirana government than it was in the past, given the wider diversity of the media and improved development of civil society institutions.

The Kosovo Decision - the Wider Issues for Tirana

The decision on Kosovo independence that was taken in the spring of 2008 was widely expected among the political elite in Tirana, but among the Albanian population as a whole it came as something of a surprise, given the many delays and disappointments over this issue (from the Albanian viewpoint) for many years. The dramas of the last few years in Tirana politics have given the average person an often cynical view of their political leaders, and many believed that the final objective of independence was still doubtful. The fact that it has taken place has been a source of deep satisfaction to most people, coupled with growing diplomatic recognition of the new state. It has removed from inter-party Tirana politics the 'Kosovo Factor', which so bedevilled internal relationships in the post-1997 period. During the run up to the decision, over the last two years, the Berisha government stuck to a clear pro-independence line and faith in the capacity of the United States to deliver on promises, and avoided the policy zigzags of the 1990s.

An obvious issue for the 2009 election is how far this can be translated into practical political support for a renewed term of office for Dr Berisha, or how far Albanians may see Kosovo independence as something that transcends party and belongs to the nation as a whole. This in turn is linked to the wider role of Kosovo in the region, and important regional changes within Albania itself. The latter are principally embodied in initiatives such as the great improvement in relations with Montenegro following Montenegrin independence, Montenegrin recognition of Kosovo in October 2008, and the ongoing construction of the new road linking the Adriatic port of Durres with northern Albania and Kosovo. The centre of gravity of Albanian politics has moved considerably to the north in the last five years, and the old paradigm of the economically and socially 'progressive' south against the backward, more or less uncontrolled and 'tribal' north has much less force than it used to have.

This is linked also to the wider question of a Pan-Albanian consciousness in trade and culture, where ethnic Albanians who for two generations were physically separated by communist borders and the isolationism of the Hoxha regime can now interact normally. The Albanian majority-populated part of the southern Balkans now constitutes a market of several million people, with the youngest age profile in the region, and in the eyes of multinational companies presents a much more positive market image than it used to do. This is also the case with indigenous Albanian finance capital, where banks and insurance companies are increasingly run on a trans-border basis. The growing middle class in Albania is buying into Western consumerist lifestyles, and offers a growing market for goods branded and promoted in the Albanian language. The boom in the media rests more on this factor than any other, with the growth of an advertising industry that often operates also in Kosovo and western Macedonia. Prosperity, or at least the end of the post-communist decline, is spreading outside the capital city. An example is the economic mini-boom in and around the previously semi-derelict northern city of Shkodra, with major new investment and construction and a housing boom based on repatriated foreign earnings, the reopening of border crossings with Montenegro that were closed for many years, and growing regional cross-border tourism. Local unemployment remains very high but after many years of regional stagnation there is at least some evidence of real economic progress.

In contrast, relations with Greece are still far from straightforward, although the small Greek-sponsored Human Rights party has a close relationship with Berisha's Democratic Party (DP) in many localities, and Greece continues as a major foreign investor. Italy is playing an influential role in Tirana, but is much less directly linked with the DP as a key foreign backer than in the 1992-7 government. Albanians see Greece as a close ally of Serbia in a regional context, and see the EU

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member states of Romania and Bulgaria as usually with Athens on most major foreign policy issues, of which Kosovo was only the most obvious (although Bulgaria has been supportive over recognition this year). Albanian migrant workers in Greece suffer many disabilities and human rights problems and the unending saga of legal tussles over residence rights and naturalisation policy with Greek government agencies. The revival of the Cham property compensation issue dating from the departure of the Albanophone Cham minority in north-west Greece in 1943-4 complicates relationships at an official level, with an active and well organised Cham party in Tirana and a growing influence in the powerful US Albanian diaspora. Greece was a strong opponent of Albanian NATO membership in the pre-decision period and the subject was covered in major speeches and interventions by Greek Foreign Minister Dora Bakoyannis. With Macedonia/FYROM, the main issue has been Albanian attempts to take advantage of the rapid decline in relations between Skopje and Athens in the last eighteen months, and the partial withdrawal of Macedonian/FYROM use of the port of Solun/Thessaloniki. Berisha has offered the Skopje government various privileges if its trade is routed through Durres in Albania instead.

The main immediate influence of the 'Kosovo Factor' is likely to be in this direction; while it has disappeared as an inter-party determinant, it has polarised some external relations with immediate neighbours. Russia and Serbia still have major opportunities to destabilise regional relationships if they wish to do so, something that may well have been a background factor in the NATO decision on Albanian membership at Bucharest (see below). The 'politics of energy' affect the whole region, with Greece enjoying a major triumph in 2006-7 in the Alexandroupolis pipeline decision, but against a background of rapid and increasing energy dependence on Russia. There have also been Russian energy investments in Macedonia/FYROM, and the well known issue of money from Moscow going into Montenegro. In Albania itself, Moscow has been rebuilding its influence from a low point, with increasing numbers of staff at the Embassy, the promotion of an Albanian-Russian Friendship Society and the reopening of old academic and intelligence contacts. The attempts of Gazprom to come to a deal with the Berisha government were rebuffed, after intense US pressure on the Berisha government in 2005-6. Within Russia, Albanian studies are being expanded at St Petersburg University.

It remains to be seen how Berisha will approach these issues in the US-Russian regional context or attempt to use them to gain political support in the pre-election period and in the election campaign itself. At one level, the Democratic Party is the most 'American' party on the Tirana political scene, with a particularly close relationship to the Republican party in the US, but some old allegiances have been modified under the pressure of events in the last few years. It was the Clinton Democratic administration that took the key military decisions over Kosovo, and ex-Kosovo Liberation Army leader Hashim Thaci has emerged as the undisputed leader of the new Kosovo after the death of Berisha's ally Ibrahim Rugova and the electoral decline of his Kosovo Democratic League party. Thaci is popular in Albania, and his first visit as Kosovo leader in April 2008 was very successful.

The Berisha government still has strong levers to pull in the US, as the Bush visit showed, and the outcome of the US Presidential poll in November will have an effect in Albania. This is not simply a matter of the internationally very minor issue of who runs Albania, but it has implications for wider regional stability which are keenly felt in the Balkans as a whole. There would have been little concern in Tirana or Prishtina had Hillary Clinton been the Democratic candidate with McCain as the Republican, but President Obama was seen in Tirana as an unknown quantity in foreign policy. He made few comments of substance about the Balkans

in his campaign (or about eastern Europe at all). He does not appear to have any detailed knowledge of NATO or its internal modus operandi, something that may be important given the change in climate in the aftermath of the 2008 Georgian crisis.

A McCain victory would have been a considerable asset for Berisha, as it would have enabled him to present himself in his 2009 campaign as the true heir of the American 'special' and protective relationship with Albania, and the guardian of stability. In the majority of US states with a significant Albanian diaspora population (e.g. Massachusetts or New Jersey) the state generally votes strongly Democrat in any presidential poll, but there are some vital swing states like Ohio where both the Albanian and Serbian diasporas are numerous. The majority of Albanian concerns are likely to have been put to rest in the immediate post-poll period in the last month, above all by the appointment of Hillary Clinton as Secretary of State. With her strong and proven commitment to Kosovo independence and development, the hopes that some in Belgrade may have entertained about a major modification of US Balkan policy under a future Obama administration are likely to be disappointed. The continuation of the current leadership at the Pentagon is also likely to aid stability and continuity.

The NATO Decision

The decision from the Bucharest summit to track Albania and Croatia for membership was a major victory for the governments of both countries, particularly now given the EU's difficulties with the ratification of the Lisbon Treaty and the question marks over future EU expansion. It is likely to be a substantial asset for Berisha in his re-election campaign, as it occurred very soon after the disastrous explosion of stored munitions at Gerdec near Tirana on 15th March 2008, which rocked the government to its foundations and gave the impression of general incompetence, especially in the military sphere. The pro-NATO and well thought of Defence Minister Fatmir Mediu was forced to resign. For a few days an atmosphere directly redolent of the chaotic days of 1997 gripped the country, and inevitably allegations have been made that the explosions were a result of deliberate action to destabilise the government.

Although these claims are quite unproven, and remain in essence only conspiracy theories, the timing of the event was very unfortunate, and the popular reaction to what happened illustrates the fragility of parts of the Albanian political fabric. In the event, the decision was a vote of confidence from NATO in the real progress in military reforms in the last five years, and the genuine achievements that have been made. Albania has contributed troops in increasing numbers to US-led campaigns and has been seen as a very loyal and effective minor troop provider. The decision illustrates the long-term priorities for NATO in the Adriatic, in the formation of a strong chain of members among the ex-communist countries along the coast who can keep the Russian navy away from western Europe and enable the US and its allies to have a reliable sea power-led platform to project power into eastern Europe. It also illustrates how a major factor in future NATO enlargement decisions is likely to be the degree to which new small country members are regarded in Washington as absolutely loyal and reliable strategic allies at a political level, even if they have limited military capacity to contribute to the alliance.

The Economy and Internal Issues

As elsewhere in eastern Europe, there has been widespread concern about the effects of the international banking crisis. This is natural in Albania as the run on the 'pyramid' banks in 1996-7 was not very long ago and precipitated the wider

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national crisis. So far there do not appear to be major grounds for immediate concern, as although quite a number of financial institutions have opened up in Albania in recent years, many are well run subsidiaries of major institutions based in the EU. They only operate at the level of basic retail banking for the most part, and the mortgage market is not well developed. Nevertheless, there has been a considerable tightening of credit in 2007-8, and the property boom that sustained much national economic growth is slowing.

It remains to be seen what the effects of the summer 2008 slowdown in the Euro zone will be, both in terms of reducing foreign investment and income remittances from émigré workers. Anecdotal reports suggest that income from Greek-based diaspora workers coming into Albania may have dropped in 2008 by about 30%, mainly due to the decline of the Greek construction industry. Albania is more vulnerable than Kosovo on this issue, as far more Kosovar Albanian migrants work in the relatively more prosperous German-speaking countries of central Europe. The Tirana Opposition is likely to claim that only it can secure a European future for Albania, and enable the country to release itself from dependence on these types of income, and this claim may find some support in the electorate. The risk is less of a 1997-type run on the banks but more of a slowing down of the already small savings rate that will strain the modest capital bases.

A factor that will reduce this latter risk - however unfortunate in international eyes - is the role of the 'grey' and criminal economies. This is substantial, with some law enforcement agencies claiming that as much as a third of the Albanian economy is made up of funds from criminal and semi-criminal economic activity. This data needs to be evaluated very critically. In rural Albania, in particular, there are still large regions where few banking institutions exist and it is essential for basic economic activity of an entirely legal nature to be conducted in cash, in defiance of government regulations. Similarly, most émigré remittances are still in cash. Accounting procedures in many legitimate businesses are often rudimentary. Foreign-owned bank subsidiaries may well be involved in dubious transactions, involving EU money, but this is a well known problem all over eastern Europe, and is not confined to pre-accession countries, as the example of Bulgaria shows.

It is nevertheless indisputable that smuggling and narcotics trading do exist on a major scale for a small economy, but these are businesses that are not much affected by international economic conditions and the large quantities of cash that are generated find their way into investment in legitimate business, particularly property, large cars, precious metals and luxury goods. Thus the grey and black economies may well be a recipe for stability, of a kind, as long as their existence does not lead to an overvalued exchange rate for the currency, something that was an important background factor in the 1997 banking crisis. There is some real danger of this, with substantial appreciation of the Albanian lek against both the dollar and sterling in the last two years, and some rise against the Euro. There are many and contrary views on this subject. It is possible to argue that the 'grey' money can be destabilising, if the impoverished majority see a small Mafia minority enriching themselves outside legal economic structures. This was certainly partly the case as a background factor in 1997. But by now, smuggling is so integrated into Albanian and Balkan society generally, and often well camouflaged in quite legitimate businesses that it is unlikely to have this effect, and the beneficial effects of the actual cash on bank stability will be a stronger influence. If criminal-origin money seems to be playing a positive role in the general economy, though, it is likely to act as a disincentive to follow EU reform proposals. The parallel with some Latin American and South American economies is obvious. It remains to be seen what effect, in practice, the initiatives discussed at the recent G-20 meeting will

have on issues of trans-border financial controls affecting both legitimate and illegal financial transfers.

Electoral Perspectives

The main problems that condition daily life for the average Albanian have not been affected much by the Berisha government. These are the shortages of water supply, electric power outages, housing and transport problems, and numerous problems with infrastructure. The public education and medical systems are in difficulty, resulting in the growth of many private institutions of very varying standards. Corruption is endemic and it is necessary to pay for many services that are technically supposed to be free. There is a high and growing inflation rate on basic foodstuffs and gasoline, as everywhere else in the world. Life for the poorer fifty per cent of the population is difficult, and for the bottom twenty per cent is a daily battle for economic survival.

Nevertheless the people do have a real sense of the country moving forward and gaining more respect, and the Kosovo and NATO decisions have been deeply appreciated at popular level throughout the country. It has been shown that 'good' behaviour, in the form of hard work in building up a market economy and closely following US foreign policy priorities does bring real and tangible rewards, and the European Union as a realisable short or medium term objective has become somewhat eclipsed as a result. The impressive new Tirana international airport (and increasing numbers of international flight connections) perhaps symbolises this more than any other building, along with the beginning of the construction of the Durres-Kukes road.

The Socialist Party leadership has traditionally seen 'Europe' as their best foreign policy issue, but it must be doubtful now whether there are as many votes in this perspective as there were. At a level of personality politics Edi Rama has many admirers, particularly as a result of his achievements in urban revitalisation as Mayor of Tirana, but the old unattractive and corrupt structures embodied by Fatos Nano remain in place in many areas in the Socialist Party, and within the Democratic Party Berisha and his clan have their hands on the levers of power and patronage. There is likely to be little direct strategic change as a result of the US election. As indicated above, a McCain victory would have been of considerable assistance to Berisha. With Obama, the Socialist Party will have to decide whether to campaign on a policy of greater distance from the United States and a more pro-EU foreign policy, with all the uncertainties of concrete rewards this involves after the Irish vote on the Lisbon Treaty. Given some luck and the avoidance of a major economic and/or banking crisis, the Democratic Party could be expected to hold onto power but the result is likely to be close. The stakes are high and international observation of the fairness of the poll will be an important issue. Particular international attention needs to be focussed on protecting the relatively free media from pressures, as a barrier against major electoral manipulation.

Disclaimer

The views expressed in this paper are entirely and solely those of the author and do not necessarily reflect official thinking and policy either of Her Majesty's Government or of the Ministry of Defence.

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