

## INTERNATIONAL TRADE POLICIES AND MARKETS

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***Abstract:** In this paper, is presented an overview of the evolution of international trade, emphasizing its role in enabling the international division of labor and a brief examination between Albania and Western Balkan countries foreign trade. The development of foreign trade is intrinsically linked to liberalization, which, in turn, fosters connectivity and mutual economic interdependence among nations. The performance exhibited in both exports and imports plays an important role in fostering sustainable development within the country's economy. Active engagement in these initiatives broadens Albania economy specialization possibilities but, simultaneously, necessitates a commitment to enhancing competitiveness. This development has been shaped by economic, social, political, and cultural factors, with significant advancements in recent decades due to industrialization, advanced transportation, globalization, and the emergence of multinational corporations. Trade indicators for each country serve as a reflection of economic development and mutual benefit. The international markets of foreign countries serve as platforms for both generating additional income through exports and fulfilling the domestic economy's requirements through imports.*

***Keywords:** International trade, exports, imports, etc.*

### INTRODUCTION

Society's development is significantly bolstered by the institution of the social division of labor, which initiates within the framework of the family unit and progressively extends into colonial and state structures, ultimately culminating in the contemporary globalized landscape. Central to this societal evolution is the practice of trade, serving as the primary conduit not only for interpersonal communication but also for the exchange of goods and commodities among individuals. This exchange, governed by the mechanisms commonly referred to as markets, plays a pivotal role in facilitating economic interactions.

As human communities expanded and states emerged, a compelling need arose for the exchange of products and services between these entities. Consequently, novel mechanisms for facilitating trade on an international scale came into existence.

The division of labor, marked by the specialization in the production of specific goods on an international scale, engenders connectivity and mutual economic interdependence among nations. The transition to international trade required gradual development over centuries, ultimately reaching an elevated state in recent decades. It has promoted greater interdependence between countries as well as integration and cooperation between various nationalities and

business organizations. Recognizing the importance of international trade for a country's development is essential. A nation that successfully promotes exports over imports tends to exhibit a higher economic standard and an improved per capita income. Conversely, countries with an import-heavy trade balance often face economic challenges and diminished living standards.

The research methodology integrated both the analytical method, focusing on a detailed examination of recent and prior literature relevant to the subject, and the comparative method, which enabled comparisons to be made as needed.

### **Policies and factors affecting international trade**

*Trade costs* are frequently regarded as a restraining factor in the advancement of global trade (Anderson & Eric van Wincoop, 2004). These costs encompass all the expenses involved in facilitating the movement of goods to their final destination, encompassing not only the marginal costs of producing the goods themselves. Within the view of this definition, trade costs has various components, which consist of distance-related costs, trade policies, transportation expenses, communication costs, procedural expenditures, and infrastructure outlays.

*Geographical distance* has been overlooked in traditional growth theories, focusing more on national characteristics and technological progress. However, proximity and neighboring countries significantly impact economic activities (Carrère & Schiff, 2003). Nations farther from economic hubs may face developmental challenges. Distance affects production, income (trade, investment, technology), directly raising transportation costs and creating trade barriers (Berthelon & Freund, 2004). Proximity to global markets enhances resource utilization and economic opportunities, emphasizing the importance of geographical location in shaping economic development.

*Trade policy* is a set of legal decisions that directly influence a country's imports and exports of goods and services (Motta & Onida, 1997). These policies come in various forms, with the most prevalent being customs duties or taxes levied on imported goods and import quotas that impose quantitative restrictions on specific products (Kim, 2010). Restrictive trade policies are prevalent globally, occasionally concealed or nuanced. One example of the intricate dynamics of international trade discussions is the ongoing pressure from the U.S. government on Japan to limit the import of Japanese automobiles into the country.

A *tariff* is essentially a tax, or duty, levied on a commodity as it crosses national borders (Balassa, 1965). Import tariffs, which are taxes imposed on imported goods, are the most common form of tariffs (Kostecki & Tymowski, 1985). Less frequently encountered are export tariffs, imposed on goods destined for foreign markets. Developing countries, such as Ghana for cocoa exports and OPEC13 for oil exports, sometimes employ export tariffs to bolster revenue or intentionally create global shortages, thereby raising the price of their exported products.

## **ALBANIA'S FOREIGN TRADE**

Foreign trade holds a significant position within the overall economic landscape, particularly in the foreign sector. This aspect is of vital importance for smaller economies, such as Albania. In recent years, Albania's foreign trade has undergone substantial changes, marked by a shift toward liberalization, leading to alterations in its principal indicators. Despite the global economic crisis, the Albanian economy managed to maintain stability in its macroeconomic indicators.

The performance exhibited in both exports and imports plays a vital role in fostering sustainable development within the country's economy. Additionally, it influences the trade balance, essential for addressing global competition. The growth rate of exports serves as a crucial data, indicating the stability and sustainability of the economy and its competence in international markets. However, this indicator is significantly influenced by the international economic environment. As a result, even though it is a useful indicator, its validity is strongly dependent on external factors.

Additionally, the countries strong trade relationships, remittances, and banking sector ties with Greece and Italy expose it to the consequences of debt crises and sluggish growth in the euro area. These external factors contribute to Albania's economic vulnerabilities and call for prudent management to navigate these complexities effectively.

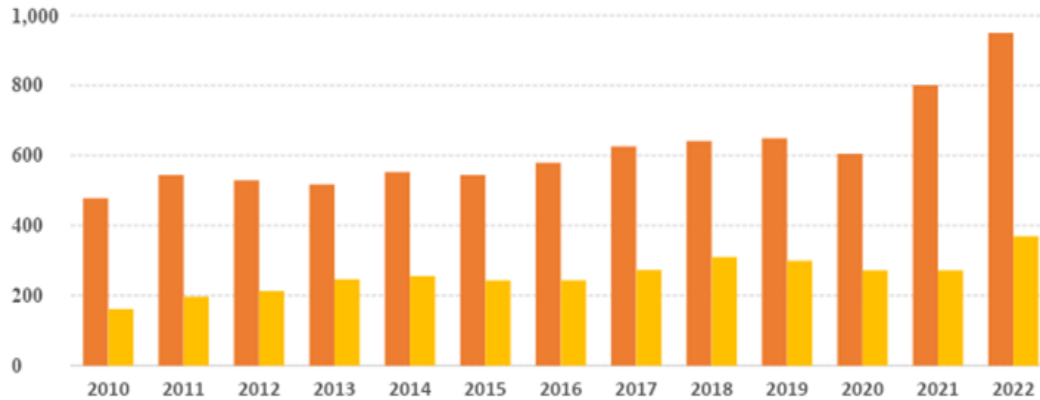
### **International trade in goods of Albania for the period 2010-2023**

Trade in goods within the Balkan region has shown significant improvement. In the 10th month of 2022, Albania's trade with the five neighboring countries accounted for 10% of its total trade, up from 6.5% in 2010 (Instat, 2022). Notably, Albania has transitioned to a trade surplus between 2018 and October 2022, except in the case of Serbia. Albanian exports have taken precedence over imports in Kosovo, North Macedonia, Montenegro, and Bosnia-Herzegovina. However, with Serbia, the second-largest trading partner, the trade deficit has continued to expand.

Challenges persist as businesses contend that trade procedures have not experienced substantial simplification. It's important to recognize that long-term competitiveness may be at risk if support for the agriculture sector is not prioritized.

Accurate foreign trade statistics is important for the Albanian economy, influencing economic policies and enabling in-depth analysis of market developments for various goods. This data provides valuable insights into trade dynamics and helps guide decision-making in the realm of international trade. As illustrated in Figure 1, which depicts the dynamics of trade among Western Balkan countries and Albania.

**Figure 1.** Trade among Western Balkan countries and Albania

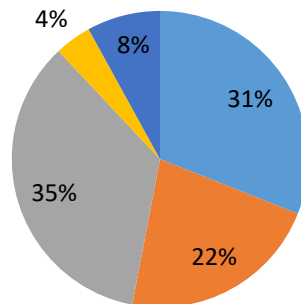


Source: Revista Monitor (2022).

From 2018 through the end of October 2022, Albania has consistently achieved a trade surplus with the five Western Balkan countries, except for Serbia. This trend underscores that Albania's exports have been expanding at a faster pace than its imports. As illustrated in Figure 2, which show the weight of Albania's total trade with each of the Western Balkan countries.

**Figure 2.** Weight of Albania's total trade with each of the Western Balkan countries

■ Serbia ■ North Macedonia ■ Kosovo ■ Bosnia&Hercegovina ■ Montenegro



Trade with Serbia and Kosovo experienced the most significant growth, while with the other neighboring countries, the increases were more moderate. A closer examination of the data reveals that trade with Serbia was notably bolstered by annual increases in imports of beverages, alcohol, dairy products, and live animals (Instat,2022). This insight sheds light on the specific drivers of trade dynamics between Albania and these Western Balkan nations.

**CONCLUSSIONS**

Initiatives aiming at liberalizing and facilitating trade on a regional and global scale have been effortlessly incorporated into Albania's economy. Participating actively in these projects increases Albania's economic specialization opportunities while also requiring a commitment to

improving competitiveness. Each nation's trade indicators show how economically developed and mutually beneficial each nation is. Today's market facilitates the exchange of products, ideas, concepts, and financial assets by embodying a complex web of relationships that have been established within certain temporal and physical frameworks. It's important to remember that the development of the market depends on imported goods and services providing clear benefits over those made in the country.

Government size is another variable positively related to trade, implying that the higher the performance in fiscal freedom and government spending, the more bilateral trade increases. Fiscal freedom is a direct measure of the extent to which the government allows individuals and businesses to keep and manage their income and wealth. A government can impose fiscal burdens on economic activity through taxation or by creating public debt which is then repaid through taxation. This means that the better the government performs in this index, the more bilateral trade increases. Also, excessive government spending carries a risk for commercial activity because an increase in public debt imposes high taxes on businesses. So the higher this variable is evaluated, the more inclined we are to evaluate commercial activity. Market openness is also a variable that positively helps bilateral trade. This means that the removal of tariff and non-tariff barriers would help intensify bilateral trade. In conclusion, international trade has been critical to the development of the world economy and civilization. Over time, a variety of political, social and economic factors have influenced its evolution; in the modern age, globalization has been the primary driver. Since trade balances have a significant impact on a nation's economic growth, they remain important metrics.

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