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The Impacts of Albania Imports on Innovation, IT, Productivity

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Abstract

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The imports in Albania compared to exports, are in higher levels. Still, the levels of imports compared to the border of Albania aren't high, meanwhile the level of exports is increasing day by day. To measure the real levels and to compare the reports they have with each other, we study their effect in the innovation, technology, productivity and other factors related to the total economic situation in Albania. This paper aims to examine and study the impact that imports of Albania have towards productivity, innovation and technology (IT) of the country, using descriptive method of showing data and conclusions, by the research work made in different sources of information from the author herself. How the import from other Balkan countries affects the up-mentioned factors (Macedonia is taken as example to be based on for this group of countries) and how the import from Western Europe countries effects these factors (Germany is taken as example to be focused on for this group of countries). By studying these two cases of how importing from different groups of countries, effects the innovation, IT and productivity of Albania, we will reach the conclusion that our country benefits more from importing from different countries. This happens because the products that enter our country from Germany let us say, have better quality-price report compared to Macedonian products. We will see how these products impact positively by improving all 3 up-mentioned factors (productivity, innovation and technology) more in details in the following pages of this paper.

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1. Introduction

Imports are the goods or services exchanged between two countries, where one of the countries (this country is called domestic country) purchases them with the purpose to use and trade them inside the country. The country that takes these products inside, either lacks their production, or there is insufficient supply to fulfil the domestic demand. This comes for these main reasons:

1. It does not exist

The domestic country either does not have the proper factors of production to supply the good or service, or does not have the right technology to supply what the market demands.

2. It does not exist at a specific level of quality

The domestic country does produce the good/service, but it is not as good in quality as the one produced in the foreign countries. So, domestic country has to import this product from abroad.

3. It represents a product variety that is appreciated domestically but not produced exactly in this horizontal or mixed differentiation

There is a lot of demand in the domestic market for this product, and the customers recognize it, so the product produced inside the country is just an imitation of the original one.

4. It's cheaper abroad

The domestic country can produce the good/ service but the cost of production inside the country is higher than the price that the product has if you import it from abroad.

5. At the current domestic price, producers do not supply enough good or service as the demand requires, also because of the out-dated technology

This case is mostly for developing and undeveloped countries. The domestic country has all the factors of production (land, labour and capital), but it does not have the proper technology or information to produce this good/service.

Imports on the domestic country do affect many aspects of its economy. The main aspects that it affects are: GDP, unemployment, consumption, investments, exports, exchange rates, trade level, productivity, technology, innovation, etc. In this paper we will be focused on three of these factors:

1. Productivity

How do the imported goods/services impact the productivity of the same product in the domestic country? Does it help the productivity increase or decrease?

2. IT (Technology)

How do the imported goods/services impact the technology of the domestic country? Does the domestic labour force and technology get affected from the imported products? Do the domestic suppliers learn from the abroad technology that enters the country or it doesn't affect them?

3. Innovation

How do the imported goods/services help the domestic country do better in new innovations in different fields of production? Does it help for good or bad? Do the suppliers use in their benefit or by importing it makes the domestic producers lazier?

2. Literature Review

A lot of researchers have been interested in what effects have had the innovative activities on productivity, IT, and innovation of a country. Different researchers like Hall et al., (2009), Mairesse et al. (2005), Janz et al., and Loof and Heshmati (2002) focused on the positive effects that innovation has on productivity.

Loof and Heshmati, with their study on Sweden on 2002, Janz et al., with their study on Germany on 2004, and Mairesse et al. (2005), with their study on France on 2005 found out that in firm levels, the effect of R&D on productivity is positive. Some years later, on 2009, with his study on Italy, Hall et al. (2009), focused on SMEs, especially the Italian ones. In this research, they reached the conclusion that information about innovation and productivity affected positively innovation shows on SMEs.

Most of these researches focus on production-function approach, and R&D is considered to be as one of these inputs of the process of production. SMEs are considered to be the main national income source, one of the most important factors that help the economic development of the country and the main market for employment.

Speaking about Albania, according to the research made from Mucollari et al. on 2012, SMEs played an important role in maintaining a stable economy, developing it and bringing innovations on new production techniques in the country.

If we refer to Keskin and Senturk and their study made on 201, we will see how they analysed SMEs in Albania using SWOT analysis and compared the results with their own country, Turkey. By using this method, they reached the conclusion that SMEs are the main trigger that brings innovation and development in a country. Since the SMEs are equalized with the backbone of the economy, underlined the fact that one needs to be done by our government towards infrastructure and technology policies of innovation.

After studying all these cases, we reach the conclusion that Albania still has a lot to do for its economic development. There are concrete regulations needed to be worked on, in order to reach the desired economy levels. Our country suffers from limited sources, poor infrastructure, lack of well-established national strategy, economic crisis, etc. in order to eliminate these problems, and not only, importance should be given to R&D, requirement of foreign funds, and quality of services.

3. Methodology and Data

This section includes the information and data that I have collected regarding the import levels in Albania in different periods of time and different specific months and years. The aim of this descriptive research paper is to show how these imports have affected Albanian productivity, innovation and technology in different points in time. The method used to work on this paper is completely research work and the conclusions are shown descriptively.

4. Albanian Imports

During the communism era, Albanian economy was a commanded economy; or differently said, centralized economy. Every financial movement was commanded by the government, by the state.

There was a huge difference between our country and other countries all over the world. While other countries exchanged goods and services between them through international trade, Albania was an isolated country that didn't undergo any of these international trade actions. The Albanian economic policy of that time was to supply the needs of the country only on its own forces. Indicators such as profit or profitability were not considered as important at all, because there was no private property or financial activity allowed. Prices of the goods and the quantity that would be supplied were decided by the state. Since the prices were determined by the government, they usually were either higher than their real value, or lower. This economic situation kept going on for around fifty years, since 1946 until 1992.

On March 22, 1992, there were the first parliamentary elections. This means that Albania changed from a communist country, to a democratic one. With the democracy, opening of the borders came. So what Albanian market couldn't supply itself, decided to import it from other countries. This means import started to bloom in our country.

From the research work made in different sources, talking about Albanian import levels, it was stated that Albanian imports rise up 1.7 % from year to year up to 48879.30 ALL million in November of 2015.

In imports we have the purchases of machinery equipment spare parts (+4.5, percentage point), textile and footwear (+2.4 percentage point), leather and leather manufacture (+0.5 percentage point) that have a positive impact but we also have negative impact which came construction materials and metals (-2.9 percentage point), minerals, fuels, electricity (-2.9 percentage point) and chemical and plastic products (-0.4 percentage point).

From 1993 until 2015 in Albania imports averaged 23984.67 ALL Million. With the highest level of 59045.20 ALL Million in December of 2013 and the lowest level of 1601.39 ALL Million in March of 1997. Reported by INSTAT.



Fig. 1 Albanian imports for 2015 in ALL Million

As shown also in Figure 1, we can see that on January, 2015 we have the lowest level of imports in Albania, and also from financial reports, we know that January is the month where we have the lowest level of exchange between countries or said differently, lowest level of trade. We can also state that the

peak of trade is made during December, which is known as the month of the peak of trade between countries.

Table 1. More detailed overview on Albanian imports

Actual	Previous	Highest	Lowest	Dates	Unit	Frequency
48879.30	50249.00	59045.20	1601.39	1993 - 2015	ALL Million	Monthly

From Table 1, we can see that during a period of 22 years (1993-2015) the highest amount of imports measured in Albanian Lek is 59045.20 million ALL and the lowest amount is 1601.39 million ALL.

Imports of Albania are machinery and equipment, chemicals beverages, tobacco, manufactured product, food, fuels and lubricants. Main import partners are France, Germany, Spain, Italy, Greece, China, Serbia, Turkey (Trading Economics).

The relationship between export, imports (international trade) are subject of policy makers and academics, for the simple reason of increasing GDP and improving the life of their citizens. In a developing county such as Albania international trade is important because effect the GDP or economic growth. By looking the trade performance of the last decade we can highlight two specific contributions of trade. One, peoples in Albania fulfilled their basic needs. Two, trade played and is playing an important role in the re-allocation of productive resources. Increasing construction, transport and the introduction of the new technologies in some sectors of the economy.

Productivity means to work smarter and not harder. In other words, it is to produce more by using the inputs more efficiently, where the most important role is played by imports and technological innovation. The OECDs work on the future productivity.

Slower innovation is not the cause of the current productivity slowdown. The real obstacle is the pace through which innovation is getting spread in our country. It is called the breakdown of the diffusion machine.

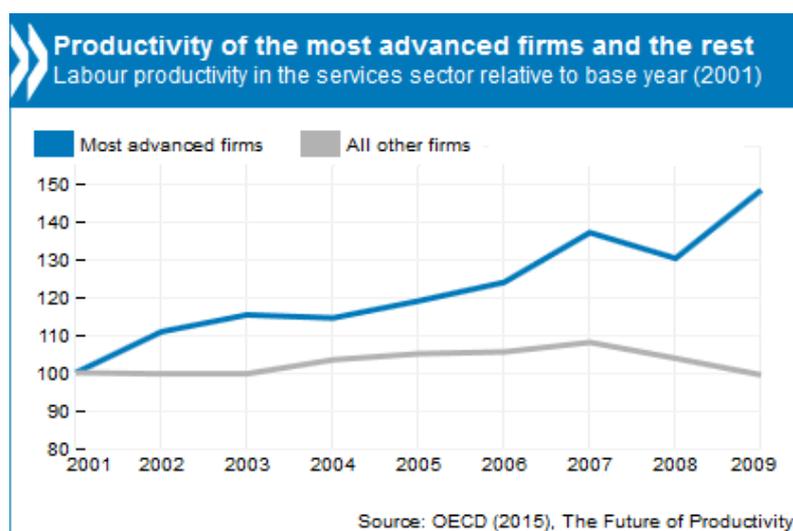


Fig 2. Comparison between Advanced firms and other firms with base year 2001, in labour productivity

According to the new study from the OECD, the difference between most advanced firms and the rest of them is getting bigger every year. This means that there are obstacles to the spread of the new innovation.

Let's start analysing the figure above (Fig.2. Comparison between advanced firms and other firms with base year 2001, in labour productivity). In this figure we are comparing the labour productivity in the services sector, relative to base year 2001, between most advanced firms and all other firms in Albania. In our graph, most advanced firms are shown by the blue line and other firms by the grey line. In x-axis of the graph we have the period of time that we are studying, and on y-axis we have output level (labour productivity level) in services sector. The interval that we are studying lays between 2001-2009.

On 2001 both types of firms had the same labour productivity levels. After this year, the gap between the productivity levels kept on growing gradually, until on 2007, it reached its peak. The highest difference between our types of firms is connected with the economic crisis that started at the same year. For one year, 2007-2008, both types of firms output levels dropped by the same level, but still the difference between them was big. Then, after 2008, the output levels kept on growing in opposite directions, bringing the highest difference between the two types of firms for the period.

Based on the OECDs' studies, we reach the conclusion that labour productivity of the most advanced firms rose by 3.5% over 2000s, compared to 0.5% of all other firms in manufacturing sector. The gap in services sector is even bigger. This happens since logistics, finance and communication are very important for a firm and its role in the global market.

Anyways, during 2009, the government planned and approved some strategies that would take place during 2009-2015. This period was supposed to be the covering period and the plan was named "National Strategy for Science, Technology, and Innovation in Albania". It was focused mainly on five strategic goals:

- The public spending on research and development (R&D) should triple and reach 0.6% of GDP
- The share of gross domestic expenditure on R&D from foreign sources should be augmented, so that 40% of research spending should be covered by EU's Framework Programs for Research.
- Four or five Albanian excellence centres in science should be created. All of them should be equipped with specific laboratory equipment and work spaces needed for pre-incubation, testing, and certification of the firms that base their activity on the latest technology.
- Number of researches should be doubled through "brain gain" process. It means taking back to Albania professional researchers and training new ones. There are expected to be around 500 PhD researchers. This would be achieved by opening three new doctoral programs in Albanian universities.
- 100 companies should be stimulated in innovation. It would be reached through two ways:
 - Investment in local R&D.
 - Consortia with academic research institutes or foreign partners.

This strategy is about to be used with other sectorial strategies. We have to mention here that Albania started Higher Education Strategy on 2008 and the National Strategy for Development and

Integration during 2007-2013. The main goal is to modernize some specific sectors such as agro-food industry and tourism. At the same time it doesn't emphasise the importance of energy, environmental and water resource management. It was proposed to work more and to prioritize sectors such as agriculture, food, ICTs, public health, linguistics and humanities, nature defence and security. E-learning is a feature of IT and a lot of importance is given to it lately.

5 Conclusions

After I have made my researches reading a lot of papers published regarding Albanian imports and after gathering a lot of data and statistical data in the official websites of Albanian economy like Ministry of Affairs, Ministry of Economy and Institute of Statistics of Albania, I worked on the information and reached the following conclusion. As a developing country, Albania is being helped a lot by the imports from foreign countries. They are helping to increase the levels of productivity, technology and innovation in our country. Our country is using the products taken from abroad to fulfil the requests and demands of the market, but at the same time to start using itself the technology and innovation that these imported goods/services are bringing us.

Innovation seems to be closer to the one that our partners in import have. Technology is also very similar to the one that countries with whom we Exchange goods/services own. Productivity has been increasing all the time, even though there have been slight ups and downs during hard times for the world economy that as of course, effected Albania too.

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