

ANALYSIS OF THE TRADE RELATIONS BETWEEN THE REPUBLIC OF MACEDONIA AND THE REPUBLIC OF ALBANIA

ISSN 1857-9973

339.56(497.7:496.5)

*Emilija Miteva-Kacarski*¹, *Olivera Gjorgieva-Trajkovska*², *Janka Dimitrova*³

¹*University Goce Delcev Stip, Faculty of Economics, emilija.miteva@ugd.edu.mk*

²*University Goce Delcev Stip, Faculty of Economics, olivera.trajkovska@ugd.edu.mk*

³*University Goce Delcev Stip, Faculty of Economics, janka.dimitrova@ugd.edu.mk*

Abstract

Albania is included in the Republic of Macedonia's group of trading partners. Although the statistical data does not show a big number in terms of the foreign trade, yet the same number has increased itself over the past few years as a result of the trade liberalization and abolition of customs duties in relation to both countries' goods. Taking this fact into consideration, this paper makes an analysis of the value, dynamics, and structure of the foreign trade between the Republic of Macedonia and the Republic of Albania for the time period of 2006-2015. It also analyzes the competitiveness of Macedonian products at the Albanian market so that the product categories with a comparative advantage can be determined by using the Balassa Index and the Standard International Trade Classification. The results of the analysis point to the fact that the Republic of Macedonia has a comparative advantage in the export of categories of food, animal and vegetable oils, fats and waxes, and also in the export of chemical products.

Key words: Republic of Macedonia, Republic of Albania, foreign trade exchange, comparative advantage, Balassa Index.

1. Introduction

Albania is a trading partner of the Republic of Macedonia. The analysis of the foreign trade between the Republic of Macedonia and the Republic of Albania shows a constant trade surplus on behalf of Macedonia. Even though the statistical data does not point to a big cipher in terms of the foreign trade, yet the same number has increased itself over the past few years as a result of the trade liberalization and abolition of customs duties in respect of both countries' goods. Poor passenger and railway connection, as well as the absence of a strategic programme of economic cooperation, are held up as major obstacles which prevent the intensification of foreign trade between both countries. The trade exchange between these two countries does not fit the high level in terms of the countries' diplomatic and political relations. The main precondition for a bigger trade exchange and economic cooperation between Macedonia and Albania presents the building of road infrastructure. Namely, different Macedonian companies have an interest in investing in the Albanian coastline. However, as a major problem, it was stated the infrastructural part that Albania has been trying to deal with to a great extent lately. Even the investments made in Albania cannot be materialized because the infrastructural network should develop itself compatibly along with them. Increased investments are needed for building Corridor 8 which relates both countries, taking into account the importance of the good infrastructural connection with Tirana and Durrës. What is also necessary is paying attention to improving the road infrastructure from Debar to Tirana, thus shortening the travelling for an hour. However, both countries are part of CEFTA 2006. By using additional protocols, the CEFTA Agreement binds the countries to work on the mutual following of customs procedures and opportunities of making the trade easier in terms of all forms of border crossing, highlighting the need for exchanging tariff and other data before the goods' arrival at the border crossing.

2. Trade exchange between the Republic of Macedonia and the Republic of Albania

The foreign trade between the Republic of Macedonia and the Republic of Albania is presented in table 1.

Table 1 Foreign trade between Macedonia and Albania (in thousands of dollars)

	2006	2007	2008	2009	2010
Export	40 708	73 110	107 042	83 972	72 384
Import	11 722	19 670	35 656	24 098	22 917
Total trade	52 430	92 780	142 698	108 070	95 301
Trade Surplus/Deficit	28 986	53 440	71 386	59 874	49 467
Import/Export ratio	347.27	371.68	300.20	348.46	315.85
	2011	2012	2013	2014	2015
Export	87 274	75 656	78 581	74 932	65 971
Import	39 460	35 028	38 302	47 766	45 068
Total trade	126 734	110 684	116 883	122 698	111 039

Trade Surplus/Deficit	47 814	40 628	43 553	27 166	20 903
Import/Export ratio	221.17	215.98	205.16	156.87	146.38

By analyzing the parameters presented in table 1, it can be stated that 2008 presents a peak indicator of the Macedonian-Albanian trade exchange dynamics. In 2008 the mutual trade exchange amounted to 142 million dollars. In 2008 it was registered the highest trade surplus in the amount of 71 million dollars on behalf of Macedonia. [4] This trade surplus was a result of the increased export of iron and steel constructions, portland cement, gypsum products, welded pipes, wine, tobacco and cigarettes from the Republic of Macedonia to the Republic of Albania. The lowest trade surplus in terms of the analyzed period of time was registered on behalf of Macedonia in 2015 in the amount of 20 million dollars. [13]

According to the Standard International Trade Classification – revision 4, the export from the Republic of Macedonia to the Republic of Albania is presented in absolute amounts in table 2:

Table 2 *Export from the Republic of Macedonia to the Republic of Albania (in thousands of dollars)*

Products	2006	2007	2008	2009	2010
Food products	5875	7001	10698	10611	9863
Beverages and tobacco	2713	3300	2757	2185	1694
Crude materials, except fuels	738	747	1691	1984	3321
Mineral fuels, lubricants and related materials	1650	8038	12366	4766	1574
Animal and vegetables oils and fats	3	508	8358	4240	8412
Chemicals and related products	4394	8329	12296	15366	17449
Manufactured goods classified mainly by material	19011	36134	48679	34008	23310
Machinery and transport equipment	3360	4004	5129	6385	3369
Miscellaneous manufactured articles	2959	5045	5003	4422	3365
Special transactions and commodities not classified according to kind	6	4	65	7	28
Total	40708	73110	107042	83972	72384
Products	2011	2012	2013	2014	2015
Food products	10351	8732	9018	13226	12212
Beverages and tobacco	5562	5367	6774	2412	1511
Crude materials, except fuels	9331	12301	15840	14085	5975
Mineral fuels, lubricants and related materials	870	56	106	139	752
Animal and vegetables oils and fats	12743	11099	6587	7291	9692
Chemicals and related products	19880	16802	15797	15385	11718
Manufactured goods classified mainly by material	18925	13470	16330	14851	17418
Machinery and transport equipment	5312	4364	4531	4400	4293
Miscellaneous manufactured articles	4299	3457	3593	3136	2398
Special transactions and commodities not classified according to kind	1	8	3	8	3

Total	87274	75656	78581	74932	65971
-------	-------	-------	-------	-------	-------

In terms of the products' trade coverage, the table's data points to the fact that the things the Republic of Macedonia mostly exported to the Republic of Albania in the course of the analyzed period are petroleum oils, oils obtained from bituminous minerals, flat-rolled products of iron and non-alloy steel, medicines, wine made of fresh grapes and also bakery products.

The different product categories' percentile coverage in relation to the structure of the total export from the Republic of Macedonia to the Republic of Albania is presented in table 3:

Table 3 *Export form the Republic of Macedonia to the Republic of Albania (in percentages)*

Products	2006	2007	2008	2009	2010
Food products	14.432	9.576	9.9942	12.636	13.626
Beverages and tobacco	6.6645	4.5137	2.5756	2.6021	2.3403
Crude materials, except fuels	1.8129	1.0217	1.5798	2.3627	4.588
Mineral fuels, lubricants and related materials	4.0533	10.994	11.552	5.6757	2.1745
Animal and vegetables oils and fats	0.0074	0.6948	7.8082	5.6757	2.1745
Chemicals and related products	10.794	11.392	11.487	18.299	24.106
Manufactured goods classified mainly by material	46.701	49.424	45.477	40.499	32.203
Machinery and transport equipment	8.2539	5.4767	4.7916	7.6037	4.6543
Miscellaneous manufactured articles	7.2688	6.9006	4.6739	5.266	4.6488
Special transactions and commodities not classified according to kind	0.0147	0.0055	0.0607	0.0083	0.0387
Total	100	100	100	100	100
Products	2011	2012	2013	2014	2015
Food products	11.86	11.542	11.476	17.651	18.511
Beverages and tobacco	6.373	7.094	8.6204	3.2189	2.2904
Crude materials, except fuels	10.692	16.259	20.158	18.797	9.057
Mineral fuels, lubricants and related materials	0.9969	0.074	0.1349	0.1855	1.1399
Animal and vegetables oils and fats	14.601	14.67	8.3824	9.7302	14.691
Chemicals and related products	22.779	22.208	20.103	20.532	17.762
Manufactured goods classified mainly by material	21.685	17.804	20.781	19.819	26.403
Machinery and transport equipment	6.0866	5.7682	5.766	5.872	6.5074
Miscellaneous manufactured articles	4.9259	4.5694	4.5724	4.1851	3.6349
Special transactions and commodities not classified according to kind	0.0011	0.0106	0.0038	0.0107	0.0045
Total	100	100	100	100	100

It can be seen from the table that the categories with a dominant share in the structure of the export from the Republic of Macedonia to the Republic of Albania are the products classified by material (having had a high percentile share in 2010. It is illustrated that in 2007 nearly half of the export from the Republic of Macedonia to the Republic of Albania belonged to this category

which was greatly a result of the export of iron and steel products) [5], [8], chemical and related products (having had a high percentile share after 2010 as a result of the export of medicines and the changed export structure because of the presence of the foreign investors “Johnson Matthey and Johnson Control”), as well as the category of crude materials (not being food), except fuels.

However, the import from the Republic of Albania to the Republic of Macedonia divided into categories of products with absolute amounts in the course of the period 2006-2015 is shown in table 4:

Table 4 *Import from the Republic of Albania to the Republic of Macedonia (in thousands of dollars)*

Products	2006	2007	2008	2009	2010
Food products	273	657	1 182	1 039	802
Beverages and tobacco	43	702	42	163	17
Crude materials, except fuels	4 433	7 139	8 044	1 938	5 038
Mineral fuels, lubricants and related materials	2 531	2 472	2 182	1 193	2 220
Animal and vegetables oils and fats	0	5	0	0	0
Chemicals and related products	1 307	2 376	2 676	333	1 018
Manufactured goods classified mainly by material	1 910	3 960	18 906	17 164	11 477
Machinery and transport equipment	205	1 339	1 278	1 277	1 432
Miscellaneous manufactured articles	1 020	1 020	1 347	992	913
Special transactions and commodities not classified according to kind	0	0	0	0	0
Total	11722	19 670	35 656	24 098	22 917
Products	2011	2012	2013	2014	2015
Food products	1 423	1 996	2 260	2 864	3 880
Beverages and tobacco	182	373	706	486	513
Crude materials, except fuels	11 477	2 723	5 128	7 824	3 777
Mineral fuels, lubricants and related materials	175	376	193	4 358	4 227
Animal and vegetables oils and fats	6	0	0	0	0
Chemicals and related products	1 698	1 431	2 180	2 442	2 383
Manufactured goods classified mainly by material	21 520	26 544	25 429	27 692	28 109
Machinery and transport equipment	1 593	408	878	655	798
Miscellaneous manufactured articles	1 385	1 178	1 528	1 445	1 381
Special transactions and commodities not classified according to kind	0	0	0	0	0
Total	39 460	35 028	38 302	47 766	45 068

According to the data of the State Statistical Office presented in this table, the things the Republic of Macedonia mostly imported from the Republic of Albania are nickel ores and concentrates, bars and rods of iron and non-alloy steel as well as petroleum and petroleum oils.

The different product categories' percentile coverage in relation to the structure of the total import from the Republic of Albania to the Republic of Macedonia is presented in table 5:

Table 5 *Import form the Republic of Albania to the Republic of Macedonia (in percentages)*

Products	2006	2007	2008	2009	2010
Food products	2.329	3.3401	3.315	4.3116	3.4996
Beverages and tobacco	0.3668	3.5689	0.1178	0.6764	0.0742
Crude materials, except fuels	37.818	36.294	22.56	8.0422	21.984
Mineral fuels, lubricants and related materials	21.592	12.567	6.1196	4.9506	9.6871
Animal and vegetables oils and fats	0	0.0254	0	0	0
Chemicals and related products	11.15	12.079	7.505	1.3819	4.4421
Manufactured goods classified mainly by material	16.294	20.132	53.023	48.138	50.081
Machinery and transport equipment	1.7488	6.8073	3.5842	5.2992	6.2486
Miscellaneous manufactured articles	8.7016	5.1856	3.7778	4.1165	3.9839
Special transactions and commodities not classified according to kind	0	0	0	0	0
Total	100	100	100	100	100
Products	2011	2012	2013	2014	2015
Food products	3.6062	5.6983	5.9005	5.9959	8.6092
Beverages and tobacco	0.4612	1.0649	1.8432	1.0175	1.1383
Crude materials, except fuels	29.085	7.7738	13.388	16.38	8.3807
Mineral fuels, lubricants and related materials	0.4435	1.0734	0.5039	9.1236	9.3792
Animal and vegetables oils and fats	0.0152	0	0	0	0
Chemicals and related products	4.3031	4.0853	5.6916	5.1124	5.2876
Manufactured goods classified mainly by material	54.536	75.779	66.391	57.974	62.37
Machinery and transport equipment	4.037	1.1648	2.2923	1.3713	1.7707
Miscellaneous manufactured articles	3.5099	3.363	3.9893	3.0252	3.0643
Special transactions and commodities not classified according to kind	0	0	0	0	0
Total	100	100	100	100	100

In terms of the products' trade coverage, the biggest percentile share in the import's structure is registered by the products from the category of goods classified by material (as a result of the import of bars and rods of iron and non-alloy steel. In 2007, 75% of the total import belonged to this category of products), and also by the products from the category of crude materials not being food, except fuels (which was greatly a result of the import of nickel ores and concentrates) [5].

3. Comparative advantage in the trade exchange between the Republic of Macedonia and the Republic of Albania

In order to determine the product categories with a comparative advantage in the trade between the Republic of Macedonia and the Republic of Albania, the Balassa formula is applied (1965) [1]. The Balassa Index is calculated as a ratio between a certain product's share in terms of one country's export to another country and the same product's share in the country's total export, and by using the Standard International Trade Classification i.e.:

$$BI = \frac{x_{ij}^k / X_{ij}}{x^k / X_j}$$

where

x_{ij}^k is an export of product k from the country i to the country j

X_{ij} - total export from the country i to the country j

x^k - total export of product k

X_i - total export from the country i

The results of the calculation obtained by applying the Balassa Index are shown in table 6:

Table 6 Comparative advantage in the trade exchange between the Republic of Macedonia and the Republic of Albania

	2006	2007	2008	2009	2010
Products					
Food products	1.808752	1.299778	1.292696	1.206688	1.389256
Beverages and tobacco	0.831316	0.731829	0.469708	0.35756	0.387235
Crude materials, except fuels	0.385426	0.20347	0.231754	0.368368	0.591416
Mineral fuels, lubricants and related materials	0.435024	2.260302	1.466696	0.757493	0.283156
Animal and vegetables oils and fats	0.082554	9.583052	25.06801	16.74951	34.45823
Chemicals and related products	2.589922	2.90894	2.531621	2.877426	2.115992
Manufactured goods classified mainly by material	1.321056	1.109944	1.132271	1.421871	1.089278
Machinery and transport equipment	1.680054	1.227904	1.02589	1.343497	0.784631
Miscellaneous manufactured articles	0.286853	0.293026	0.208904	0.191425	0.217079
	2011	2012	2013	2014	2015
Products					
Food products	1.422661	1.364611	1.350581	2.253341	2.471624
Beverages and tobacco	1.214528	1.198252	1.372009	0.715831	0.645467
Crude materials, except fuels	1.659748	2.462932	3.11446	3.481793	1.895014
Mineral fuels, lubricants and related materials	0.114432	0.011497	0.054483	0.105724	0.838703
Animal and vegetables oils and fats	36.65479	37.88986	37.08745	39.46868	32.78137
Chemicals and related products	1.365233	1.309209	1.031235	0.967171	1.003172

Manufactured goods classified mainly by material	0.787368	0.688427	0.866497	1.022293	1.491146
Machinery and transport equipment	0.770781	0.580505	0.433658	0.27913	0.263657
Miscellaneous manufactured articles	0.2637	0.235419	0.238203	0.225808	0.209053

In the period of 2006-2015, the Republic of Macedonia had a distinct comparative advantage in the trade with Albania in a larger number of sectors: the sector of food (a comparative advantage continuously present in the course of the analyzed period of time), animal and vegetable oils, fats and waxes (a relatively high comparative advantage constantly present in the course of the analyzed period of time), chemical and related products (a comparative advantage continuously present during the analyzed period of time), products classified by material (an expressed comparative advantage in the time period of 2006-2010 and the period of 2014-2015) as well as machines and transport equipment (a comparative advantage present in the time period of 2006-2009). The calculated comparative advantage is confirmed by the increased export of petroleum and petroleum oils, iron and steel products, portland cement, medicines, etc.

4. Conclusion

The trade exchange between the Republic of Macedonia and the Republic of Albania is not at the desired level and it has to be intensified through closer meetings and cooperation between businessmen. Empirical analyses point to a continuous trade surplus on behalf of Macedonia in terms of the trade exchange with the Republic of Albania. The main precondition for a bigger trade exchange and economic cooperation between Macedonia and Albania presents the building of road infrastructure that the governments of both countries need to put some bigger efforts into. In the analyzed period of time (2006-2015), the Republic of Macedonia had an expressed comparative advantage in the trade with the Republic of Albania in the next few sectors: the food sector, animal and vegetable oils, fats and waxes, products classified by material, as well as machines and transport equipment. The calculated comparative advantage is confirmed by the increased export of petroleum and petroleum oils, iron and steel products, portland cement, medicines, etc.

The key sectors which can set in motion the low trade exchange between Macedonia and Albania are agriculture, tourism, building industry, wood processing, and furniture manufacturing. The improvement of exchanging information in terms of both countries' economic and trade activities, intensification of activities needed for promoting the export of Macedonian products on the Albanian market, mutual touristic offer of the cross-border region, development of a uniformed methodology for classifying objects associated with the tourism between Macedonia and Albania, strengthening the quality and laboratory testing control, support for improving the exchange of information between the national statistic organizations, and also support for including innovations in the sector of small and medium-sized enterprises in Macedonia and Albania are activities which would enable to a certain extent the intensification of trade exchange between these two countries both in short and medium terms. What is also necessary is intensifying the communication between the business sector and the

local and central authorities in the direction of creating and improving the business leading conditions mutually.

References:

- 1 Balassa, B. Trade liberalization and revealed comparative advantage. The Manchester School of Economic and Social Studies, 1965, 33, 99-123.
- 2 Ballance, R. H., Forstner, H. & Murray, T. Consistency tests of alternative measures of comparative advantage. Review of Economics & Statistics, 1987, 69, 157-161.
- 3 Bowen, H. On the theoretical interpretation of indices of trade intensity and revealed comparative advantage. Review of World Economics, 1983, 119, 464-472.
- 4 State statistical office of the Republic of Macedonia. "Commodity international exchange of the Republic of Macedonia, 2006". Internet: <http://www.stat.gov.mk/Publikacii/7.4.8.01.pdf>
- 5 State statistical office of the Republic of Macedonia. "Commodity international exchange of the Republic of Macedonia, 2007". Internet: <http://www.stat.gov.mk/Publikacii/7.4.9.01.pdf>
- 6 State statistical office of the Republic of Macedonia. "Commodity international exchange of the Republic of Macedonia, 2008". Internet: <http://www.stat.gov.mk/Publikacii/7.4.10.01.pdf>
- 7 State statistical office of the Republic of Macedonia. "Commodity international exchange of the Republic of Macedonia, 2009". Internet: <http://www.stat.gov.mk/Publikacii/7.4.11.02.pdf>
- 8 State statistical office of the Republic of Macedonia. "Commodity international exchange of the Republic of Macedonia, 2010". Internet: <http://www.stat.gov.mk/Publikacii/7.4.12.02.pdf>
- 9 State statistical office of the Republic of Macedonia. "Commodity international exchange of the Republic of Macedonia, 2011". Internet: <http://www.stat.gov.mk/Publikacii/7.4.13.01.pdf>
- 10 State statistical office of the Republic of Macedonia. "Commodity international exchange of the Republic of Macedonia, 2012". Internet: <http://www.stat.gov.mk/Publikacii/7.4.14.01.pdf>
- 11 State statistical office of the Republic of Macedonia. "Commodity international exchange of the Republic of Macedonia, 2013". Internet: <http://www.stat.gov.mk/Publikacii/7.4.15.01.pdf>
- 12 State statistical office of the Republic of Macedonia. "Commodity international exchange of the Republic of Macedonia, 2014". Internet: <http://www.stat.gov.mk/Publikacii/7.4.16.01.pdf>
- 13 State statistical office of the Republic of Macedonia. "Commodity international exchange of the Republic of Macedonia, 2015". Internet: <http://www.stat.gov.mk/Publikacii/7.4.17.01.pdf>

- 14 Dalum, B., Laursen, K. & Villumsen, G. Structural change in OECD export specialisation patterns: de-specialisation and 'stickiness'. *International Review of Applied Economics*, 1998, 12, 423-443.