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### Albania: An Overview

Albania is facing a difficult transition to democracy and a market economy after nearly five decades of rigid Stalinist rule following World War II.

- Former President Alia, the hand-picked successor of former dictator Enver Hoxha, grudgingly introduced limited political and economic reforms in 1990.
- The Democratic Party--under its charismatic leader, Sali Berisha--won control of parliament in elections in March 1992 and subsequently elected Berisha as Albania's first democratic President in more than 50 years. [Redacted]

Prime Minister Meksi's cabinet is dominated by Democrats. Most members are relatively young. Many have little practical experience in politics but were chosen because they have no ties to the old Communist regime. After two years in office, [Redacted] have led to two cabinet shuffles. [Redacted]

### Focus on Reform

The government is concentrating on economic reforms and privatization of businesses. It is also focusing on depoliticizing the inefficient judicial system.

- It has completed some 90 percent of the privatization of agricultural land and has made significant progress in privatizing housing and small businesses. Parliament passed legislation last fall that eases restrictions on foreign investments and allows repatriation of profits.
- The government's anti-corruption campaign has resulted in the arrests of several ex-Communist leaders, former bank officials, and enterprise managers on charges of embezzlement. Ex-Communist Premier and Socialist Party Chairman Fatos Nano was convicted of corruption in March, and former Communist dictator Alia was convicted of misuse of power in June.
- Efforts by the Democrats to purge corruption from their own ranks--as well as personality conflicts--last fall led the Finance Minister to resign after being indirectly accused of misuse of funds. [Redacted]

This memorandum was prepared by the Office of European Analysis. Questions and comments may be directed to the Chief, [Redacted]

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## Economy Still Fragile

The government's reform program is beginning to pay off. GDP increased more than 10 percent during 1993 after falling 35 percent over the previous two years, and inflation declined sharply from 230 percent in 1992 to 31 percent last year.

- Remittances from Albanians working abroad--as much as 15 percent of the labor force--are providing a safety net during the transition.
- Last year the Democrats slashed social assistance payments and cut back the state sector work force to ward off hyperinflation.
- Local officials sold or leased most state stores and services to former employees, and 90 percent of agricultural land was turned over to private owners. [redacted]

The economy, nevertheless, remains highly vulnerable to outside forces.

- The situation for most Albanians remains dismal, and living standards are unlikely to approach West European levels for decades.
- Albania is dependent on foreign aid and investment, as well as remittances from abroad, due to inadequate domestic supplies and the virtual collapse of domestic industry, which has led to an estimated 20-percent unemployment rate. [redacted]

## Foreign Policy

Most Albanians want integration into Europe after decades of isolation, and Tirana has concentrated on joining European organizations such as the European Council and the NACC. At the same time, anxieties over the country's economic situation and the potential for spillover from the Yugoslav conflict have caused Tirana also to look to Turkey and other Islamic countries for support. [redacted]

Tirana is concerned that ethnic tensions in Serbia's Kosovo province will result in widespread Serbian violence against the 90-percent ethnic Albanian population. Albania has tried to focus international attention on Kosovo's plight and has so far followed a careful and moderate policy on Kosovo. Tirana appears to be losing hope for a peaceful settlement, however, and increasingly favors Albania's active involvement if hostilities break out in Kosovo.

- Although there currently is little enthusiasm in Albania for unification with Kosovo, most Albanians probably would support military intervention to help Albanian Kosovars against a violent Serb crackdown.
- If Kosovo blows up, Albania is likely to allow Kosovar guerillas to use Albanian territory as a sanctuary and as a conduit for weapons provided by a third country. [redacted]

Tirana is also concerned that violence in Kosovo would spill over into Macedonia. In the event of major violence in Kosovo, 150,000 or more ethnic-Albanian refugees would be likely to flee into Macedonia. Such an influx would raise ethnic tensions, strain Macedonia's struggling economy, and possibly spark an anti-Albanian reaction from Macedonian nationalists. [redacted]

Despite its desire to advance ethnic rights for Albanians in Macedonia, Tirana has tried to maintain good relations with Skopje. Berisha has counseled ethnic Albanian leaders there to work within the Macedonian government, which relies on the cooperation of the main ethnic Albanian political party to sustain its coalition. Albanian leaders fear that instability in Macedonia would feed ethnic tension in the region and threaten Tirana's own stability by drawing Albania into a conflict.

- Fallout from an ethnic-Albanian paramilitary scandal in Macedonia and a split in the main ethnic Albanian political party there, however, strained Albania's relations with Macedonia this winter. Skopje accused Tirana of supplying arms to the paramilitary organization and accused Tirana of fomenting the split in the ethnic-Albanian party by supporting an activist faction that favors a more confrontational approach to force government concessions on ethnic issues. [REDACTED]

Albania's relations with Greece have deteriorated since a border incident on 10 April in which two Albanian officers were killed. Greek allegations that Albania is mistreating its ethnic Greek minority have increased since Tirana arrested six ethnic Greeks in connection with the attack and charged them with irredentist activities and ties to the Greek intelligence service. Although Tirana is now calling for a renewed dialogue with Athens, tensions over the treatment of Albania's Greek minority are likely to persist.

- Tirana has little capability to stem the flow of illegal refugees to Greece, and its repeated denials of human rights abuses against its Greek minority suggest it will make only minor adjustments--such as allowing increased Greek language education--to appease Athens' concerns. [REDACTED]