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# BRICS POTENTIAL AND CHALLENGES: AN ANALYSIS OF THE EVOLVING WORLD ORDER

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## Abstract

This article explores the influence and role of the BRICS organization (Brazil, Russia, India, China, and South Africa) in shaping the emerging world order. With its recent expansion to include new members such as Egypt, Ethiopia, Saudi Arabia, Iran, and the United Arab Emirates in January 2024, BRICS is assuming greater prominence on the international stage.

The analysis begins with a brief overview of BRICS' formation and its initiatives to reshape the international financial system by offering alternatives to traditional institutions like the International Monetary Fund (IMF) and the World Bank. It delves into the current structure of BRICS and the organizational challenges it faces, highlighting that the group's economic policies remain partially sovereign and relatively unconditioned by the institutions established at Bretton Woods.

The article also evaluates the economic standing of BRICS members and examines how global crises—particularly the 2008 financial crisis and ongoing geopolitical tensions—have influenced their development. Additionally, it addresses the question of whether BRICS can spearhead a new world order, potentially altering the global balance of power.

In this context, the article considers possible strategies that U.S. President Donald Trump may adopt towards BRICS, including protecting American interests and strengthening alliances with traditional partners.

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Key Words: BRICS, Global economy, International monetary system, New world order, Reshaping the world economy, Bretton Woods, geopolitics.

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## **INTRODUCTION**

The international media is increasingly focused on the BRICS economic organization, which currently includes Brazil, Russia, India, China, and South Africa. As of January 1, 2024, the group will expand to include new members, the most notable being Egypt, Ethiopia, Saudi Arabia, Iran, and the United Arab Emirates. According to key voices within BRICS, particularly statements from South African President Cyril Ramaphosa, several African countries are also seriously considering joining this economic union.

Meanwhile, the political developments in Argentina, including last year's elections and the campaign rhetoric of its new president, Donald Trump, have cast doubt on Argentina's alignment with BRICS. President Trump's campaign emphasized Argentina's "love" and strong loyalty to the developed Western world, particularly its historical relationship with the International Monetary Fund (IMF).

Despite Argentina's wavering position, BRICS remains a significant global force, producing approximately one-third of the world's GDP and representing 40% of the planet's population. These factors contribute to the forum's growing international relevance and the heightened attention it receives.

During Mr. Trump's electoral campaign, he articulated a vision of re-dimensioning U.S. national economic policy while reaffirming ties with traditional allies, such as the EU, Japan, and Canada. At the same time, he issued sharp criticisms of international economic organizations, including BRICS and the World Trade Organization (WTO). Given these dynamics, the critical question arises: How will the global economy transform over the next four years?

### **BRIEF RETROSPECTIVE**

Jim O'Neill, an English economist and a prominent figure at Goldman Sachs, coined the term BRIC in 2002 to represent a union of developing countries that, in the not-so-distant future, could emerge as an alternative to the unipolar world dominated by the US dollar.

O'Neill's concept, which was initially focused solely on the economic potential of these developing nations, was far removed from the structured organization of the European Union, with its treaties, legislation, mechanisms,

and collegial decision-making processes. Yet, it quickly sparked discussions among economists, many of whom began viewing BRIC as a challenge to the existing world order and a potential attempt to reshape the global economic system. Some went as far as to describe it as “a forum that could threaten the existence of Western democracies.” Below, we will analyze why these notions are both untrue and overly utopian.

The idea of a union of developing countries originated during discussions between the Russian and Chinese Foreign Ministers in the early 2000s. Economic analyses of the performance of the global economy and the founding BRICS countries often start with the 2008 global financial crisis. This crisis posed significant challenges not only to the U.S. and Europe but also to the developing nations within BRICS. Understanding how countries with varying natural resources, levels of wealth, and development coped with the 2008 crisis is crucial to analyzing this union.

The dynamics within BRICS are shaped by the combination of economic giants like China and India and the contributions of more resource-dependent nations such as Russia and Brazil. Despite its origins as a loosely structured economic platform, far removed from organizations like the European Union, the IMF, or the World Bank, BRICS has increasingly become a topic of interest in economic literature for its potential to influence global order. This study will explore the latest trends within BRICS and examine the growing international interest in its evolution over recent years.

## **LITERATURE ANALYSIS**

In addition to economic circumstances, international political scientists examine the political impact of BRICS. According to Muller (2020), groups like BRICS offer a platform for developing countries to amplify their voices on the global stage, demonstrating how such coalitions can influence international decision-making and challenge Western policy practices. He argues that this new path of diplomacy within BRICS can foster a more multipolar and equitable world order.

A careful review of the literature on BRICS, from Jim O’Neill’s initial conception to his recent writings, reveals a comprehensive perspective on the transformations in international politics and the potential influence of this coalition on the global order. While some member nations have experienced rapid development, challenges persist, and BRICS’ growing role in the global

economy underscores its importance. However, unresolved tensions between member states and the lack of a unified policy could hinder BRICS from fully realizing its potential as a significant global actor.

Shivshankar Menon, a former Indian foreign minister and distinguished diplomat, in his book “Choices: Inside the Making of Indian Foreign Policy” (2016), describes BRICS as a response to the unipolar order dominated by the United States. He contends that the coalition seeks to establish a more balanced global system, enabling emerging powers to play a central role in shaping international policy. Menon emphasizes that BRICS represents a coalition of rising economies that are relatively new to the global arena, aiming to address the economic and political inequalities embedded in the current international system.

Sakiko Fukuda-Parr, in her book “The Right to Development: Law, Politics, and the Realization of Economic, Social and Cultural Rights” (2003), explores BRICS’ role in global development and the reform of international institutions. While not exclusively focused on BRICS, she discusses how such coalitions can advance sustainable development and promote the right to development, offering developing nations a platform to advocate for their interests on the global stage. In “Reforming Global Governance: BRICS and the Global Development Agenda” (2013), Fukuda-Parr analyzes the issue of global governance reform, asserting that BRICS can drive a global development agenda centered on greater equity and representation for developing countries. She argues that BRICS has the potential to challenge the dominance of developed nations and promote a more inclusive international order, empowering developing nations in global decision-making.

Vladimir Popov, in “US Dollar Is Losing Its Position as a Reserve Currency: How the New BRICS Development Bank Can Ensure a Soft Landing” (October 2024), contends that BRICS could contribute to establishing a new global economic order, offering developing economies increased opportunities to compete and shape international politics. While acknowledging the promise of cooperation among developing nations, Popov also highlights the challenges posed by economic and political disparities within the group. For example, the significant differences in development levels between China and smaller member states such as Brazil and South Africa may impede cohesive action.

In his earlier article “The Rise of the South: The BRICS and Global

Governance” (2013), Popov explores BRICS’ potential role in disseminating technology and innovation. He emphasizes the importance of leveraging technology to support sustainable development and address global challenges such as climate change and infrastructure development. According to Popov, cooperation in these areas could strengthen intra-BRICS relations and bolster the group’s influence on the global stage.

J. B. R. Janardhan is a renowned expert in international relations and global politics, specializing in the BRICS group and its relations with Asia. He has extensively analyzed the dynamics of BRICS and its role in the global system, as well as its impact on the international order and the global economy.

Janardhan has highlighted that BRICS has the potential to play a significant role in reforming international institutions, such as the International Monetary Fund (IMF) and the World Bank. He argues that these institutions, established in the aftermath of World War II, no longer reflect the current economic and political realities, where developing countries are gaining increasing prominence. BRICS, according to Janardhan, serves as a platform for developing nations to advocate for more equitable representation and to restore balance in international decision-making processes.

In his work “The BRICS and the Global Economy: A New World Order?” (2016), Janardhan asserts that one of BRICS’ primary objectives is to challenge the dominance of Western powers, particularly the United States and the European Union, in shaping global economic and political policies. He envisions BRICS as a crucial opportunity to advance a fairer international order, enabling developing countries to actively participate in and influence critical global decisions.

## **BRICS – AN ENTITY WITHOUT UNITY**

Is BRICS a well-organized organization in terms of economic and financial policies, key decision-making, and consolidated joint institutions? It must be admitted that BRICS, at present, lacks both the institutional and organizational structure, as well as the necessary commitment and political will, to enforce joint policymaking in specific sectors or to establish well-defined rules for all its members.

The economic and financial policies of each member state remain entirely under the sovereignty of the respective country, and participation in this organization imposes no conditional obligations. Unlike supra-governmental

organizations such as the European Union, which have clear membership criteria and binding obligations, BRICS is still at the beginning of its journey. A significant milestone in this journey was in 2014 with the establishment of the “New Development Bank” (N.D.Bank) – BRICS, as an alternative mechanism to the IMF and the World Bank.

The N.D.Bank, headquartered in Shanghai, with Dilma Rousseff (former President of Brazil) as its president, was designed to fund development projects of mutual interest to the member countries. It launched with an initial capital of \$100 billion (denominated in the currencies of BRICS countries, converted into U.S. dollars for accounting purposes). However, the ambition to rival the IMF and the World Bank, which together hold a capital of approximately \$77 trillion, quickly proved to be more of a utopia and was subsequently abandoned.

In contrast, the European Union—supported by a much longer and more substantial institutional history—has developed a well-defined policy framework for all its members, mobilizing common funds for development projects based on a unified philosophy and clear objectives. Such cohesive policies are not yet evident in the N.D.Bank – BRICS. While EU countries relinquish some of their sovereignty by transferring it to Brussels, BRICS countries (for now) continue to act independently and are not bound by their membership.

From a political perspective, BRICS lacks deep political convergence or a clear ratified document outlining the obligations, rights, and commitments of member states and the organization itself. This absence of a unified strategy places BRICS at a disadvantage when compared to other political-military alliances such as NATO. Without a well-defined alliance, paradoxical situations arise—for instance, India’s simultaneous membership in BRICS and the QUAD (Quadrilateral Security Dialogue), a strategic security dialogue involving Australia, India, Japan, and the United States, which directly conflicts with China’s interests, a key BRICS ally. Additionally, India is also a member of the “Shanghai Cooperation Organization” (SCO), a group that serves as a counterbalance to QUAD.

These contradictions highlight the challenges BRICS faces in establishing itself as a cohesive international organization with a clear profile. It is not a political organization with a specific objective, as evidenced by its silence on condemning Russia’s invasion of Ukraine. Nor is it a genuine economic

organization, as it lacks a founding charter and common rules for economic action. Furthermore, it is not a military organization, as it lacks a treaty akin to NATO's, with most relationships built on bilateral or multilateral agreements that are often fragile.

The question remains: What is BRICS, and what does its future hold? A closer examination of the economic and political performance of its member states may provide some answers.

## **WILL WE HAVE A NEW WORLD ORDER?**

The economic analysis of the BRICS countries should begin with the 2009 financial crisis. At that time, the BRICS nations were just beginning to organize within this forum, and the crisis posed significant challenges, similar to those faced by other countries around the world. The BRICS members can be divided into two groups: those relying heavily on raw materials, such as Russia, Brazil, and South Africa, and those with industrialization tendencies, like India and China.

The first group—Russia, Brazil, and South Africa—was hit harder by the 2009 crisis. However, as raw material prices declined, these countries managed to mitigate the economic downturn to 1%–2%. Through strategic adjustments in market supply, they were able to shorten the crisis's duration. Conversely, India and China, which relied on exports of affordable goods and services, were largely unaffected by the crisis. In times of economic difficulty, demand for cheaper products tends to rise, allowing both countries to boost exports. From 2009 to 2011, they achieved GDP growth rates of no less than 4%, with some years seeing 8% or 9%. While this was a relative decline from their double-digit growth rates, they successfully avoided recession between 2008 and 2012.

The crisis also prompted significant economic restructuring. Many companies from G7 countries shifted their investments to China and India, expanding these nations' production capacities. This trend did not extend to the other three BRICS countries, where the crisis had deeper effects, political corruption was more prevalent, and technological readiness lagged behind. Instead, Russian oligarchs began investing in the West, while Brazilians redirected their investments to other South American nations.

These economic shifts brought about notable social changes. Before the 2008 crisis, the middle class in India comprised only about 1% of the population,

while in China, it was 3%. By 2015, as the crisis subsided, the middle class had expanded to 15% in both countries. This growth was driven by an increased focus on innovation and technology, which created more well-paying jobs. However, after 2015, the raw materials market experienced another downturn, pushing Russia and Brazil into renewed crises, while South Africa struggled to maintain positive development.

India and China have remained relatively immune to such crises. Despite the U.S.-China trade war, China has continued to sustain high growth rates through exports and technological advancements. By the end of 2019, China and India accounted for 81.1% of the GDP of the BRICS countries, solidifying their roles as the economic powerhouses of the group. In 2010, China overtook Japan in GDP, becoming the world's second-largest economy after the United States. This growing economic influence has also enhanced China's dominance within BRICS.

Today, the economic bloc led by the United States and other Western nations is increasingly challenged by the BRICS union, with China as its undisputed leader. However, the Russia-Ukraine war has introduced additional complexities within BRICS. Official statements from China, India, and other BRICS leaders adopt a cautious tone regarding Russia's "special operation" and often attempt to mediate between Russia, the U.S., and Europe. Contradictory voting patterns in the United Nations and diplomatic decisions further highlight the lack of unified stances within BRICS.

This diplomatic approach comes at a significant cost for Russia, as it is reportedly offering substantial discounts on raw materials to BRICS members and candidate countries. While some nations, such as Iran and certain African countries, benefit from these preferential prices, their political weight on the global stage remains minimal.

Within BRICS, two groups with distinct development trajectories are emerging. The first group, led by India and China, is characterized by growth rates exceeding 4%. The second group, comprising countries in both short- and long-term crises, faces slower development. This "two-speed" dynamic, often observed within the European Union, is unfolding more rapidly within BRICS.

The ongoing Gaza crisis and Israeli policies toward Palestine seem to have somewhat bolstered BRICS politically, particularly in the realm of military exchanges and intelligence sharing. However, most experts agree that

the military unity of BRICS is far from matching NATO's structure. The grouping offers more political support than military or economic integration. In conclusion, while China is projected to become the world's leading GDP producer by 2050, it is premature to assert that BRICS can fundamentally reshape the global order.

## **QUESTIONS AND DISCUSSIONS**

1. Can BRICS change the new world order? To assess whether the BRICS countries can influence the existing global system, we should not rely solely on metrics such as GDP, growth rates, or population size. Other critical factors must also be considered, including:

-State and economic organization: All BRICS countries operate under autocratic or semi-autocratic systems. While autocracy, in certain social conditions and in combination with a market economy, can yield impressive economic results, such successes are often temporary. Historical examples from dictatorial regimes in Spain, Portugal, and Greece show that while initial phases of autocratic rule often fostered economic growth, these systems eventually succumbed to corruption and an inability to compete effectively in free markets. Ultimately, such regimes fell due to the resulting economic and political consequences.

-GDP vs. per capita income: Although the BRICS countries collectively account for one-third of global GDP, their per capita incomes are significantly lower than those of Western nations. For example, the per capita income in the United States is approximately ten times higher than that of China and other BRICS members. This disparity underscores that economic dominance is not solely about a nation's share in global production but also about the well-being and living standards of its population.

-Lack of political and doctrinal unity: The BRICS countries lack a cohesive political ideology or doctrinal unity. Cultural and territorial contradictions further exacerbate these divisions. For instance, China and India have unresolved territorial disputes, and their bilateral relations are often influenced by secretive maneuvers in disputed border regions.

-Demographic dynamics: China's aging population presents a looming challenge, as the rising costs associated with this demographic trend could hinder its development in the near future. India, by contrast, boasts a young and growing population, increasingly aligned with new technologies and

innovation. This demographic advantage positions India for faster growth rates compared to China, potentially intensifying competition between the two nations and triggering a new phase in the economic rivalry. Despite these challenges, the BRICS phenomenon remains a significant development warranting continuous and in-depth analysis. It has the potential to introduce new economic and military forces to the global stage. However, there is broad consensus that the US dollar will continue to serve as the dominant global currency for the foreseeable future.

2. What will Trumpism bring to the new world economic order? In the economic program of the Trump administration, particular emphasis is placed on relations with international financial entities and the countries participating in them. While the electoral campaign largely focused on domestic economic policies, post-election priorities began to highlight international economic policies, especially regarding the global monetary system and its associated institutions. Fundamentally, this policy aims to strengthen the role of the US dollar as the central instrument in the pursuit of making “America great again”. President Trump’s strategy to counter the BRICS alliance—particularly its efforts to establish a common currency to challenge the US dollar—relies on both economic and diplomatic measures:

- Reaffirming the US dollar’s dominance: A key pillar of Trump’s international economic policy is the revaluation and reinforcement of the dollar as the primary global reserve currency and means of international payment. A nation’s currency reflects its economic and political power, and Trump’s vision to “Make America Great Again” places significant weight on ensuring the continued dominance of the US dollar.
- Preserving the dollar’s global status: During his electoral campaign and subsequent economic policies, Trump emphasized the importance of maintaining the US dollar’s role as the world’s reserve currency. He views any erosion of this status as a significant threat to American power. As a result, he is expected to implement policies that reinforce the dollar’s position in global trade and finance. These could include diplomatic efforts and sanctions against countries or entities that promote de-dollarization.
- Strategies to achieve dollar dominance: Trump’s approach involves ensuring domestic economic stability while addressing international challenges. His policies aim to fortify the dollar’s role in international trade and the

global monetary system. By prioritizing the stability and strength of the US economy, he hopes to secure the dollar's preeminence in central bank reserves and international payment systems. In summary, the Trump administration's economic policies are designed to protect and enhance the global supremacy of the US dollar, as this is seen as a cornerstone of American economic and geopolitical strength.

-Deepening Some of the Economic and Political Elements

*a) Increasing Confidence in the American Economy*

Trump aims to create a stable and globally competitive economy through fiscal and monetary policies that increase confidence in the dollar. This includes reducing the federal debt and promoting domestic investment, aiming to make the US a preferred destination for foreign investors, especially European ones. If protectionist policies lead to the revival of American industry and economic growth, this could increase global confidence in the dollar. A strong American economy is often perceived as the basis for the dollar's stability. Trump has proposed intensifying bilateral trade agreements with countries that use the dollar, offering these countries priority access to American markets and technology.

*b) Avoiding De-dollarization*

Seeing the efforts of the BRICS countries to create a common currency and switch to alternatives such as trade in national currencies, Trump plans to strengthen trade alliances with countries that support the use of the dollar. This could include new trade initiatives and incentives for international partners that use the dollar in their transactions.

*c) Reforming the Monetary Mechanisms of the International Monetary System*

Trump is expected to support technologies that help maintain the dollar's advantages in monetary markets, as well as fight digital platforms promoted by the BRICS, such as Bridge. The counteraction of multipolar financial systems for the next president is to explore alternatives based on technological elements for digital money. The Trump administration may seek to promote US influence in blockchain technology to counter such similar innovations offered by China. It may also increase diplomatic pressure for all countries to use the SWIFT system and other systems linked to the dollar as their main payment system. This point is also closely related to the role of international

financial institutions and banks, for which the next president promises fiscal relief.

*d) Protection from Competition Coming from Outside the US Market for US Companies*

Another election promise of President Trump is the use of protective measures against countries that promote alternatives to the dollar, including sanctions or trade barriers, as well as strengthening exports of strategic resources such as energy and advanced technology to support the US economy.

*e) Improving Strategic Reserves and Technological Support of Allied Countries*

To compete with the BRICS gold reserves, Trump has proposed increasing the US strategic reserves, including gold and strategic raw materials. He also aims to promote US digital technologies, including digital banks, to ensure that the US leads innovation in global finance.

*f) Use of US-Backed Technology Platforms in the Financial and Trade Fields*

Trump has emphasized the importance of developing a US-backed international financial platform that can rival the BRICS digital platforms. One option is to support an advanced digital system for international transactions based on secure technology and supported by the US, with transactions closed and controlled by each subject of the system. It is not for nothing that all the major digital companies in the US have projects in the development stages for payment systems that are as fast, as safe, and as cheap as possible, but all these systems are based on the US dollar, regardless of whether the use will be international. These measures show that his economic policy aims to protect the position of the dollar as an international means of payment, but also as a global reserve currency by increasing the economic and technological influence of the US in the international arena.

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## **CONCLUSIONS**

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These strategies reflect a mix of direct economic measures, strategic diplomacy, and the possible use of geopolitical interventions to protect the dominance of the dollar in global trade. However, success depends on many unforeseen factors that the functioning of the market itself creates every day. One thing is for sure: Trumpist monetarist policies are evident in all of his economic programs. In this regard, his administration seems very attentive

to complex economic and geopolitical dynamics. We should not forget that one of President Trump's strengths in the past 4 years has been dialogue and diplomacy. The fact that there were no wars or economic-military upheavals during his presidency confirms such a fact. In this regard, President Trump has included several concrete measures in his economic program to address the threat posed by the BRICS. Politically, positive effects in this direction can be summarized in the following elements:

#### 1. Dialogue and diplomacy.

Trump has shown a willingness to negotiate with BRICS leaders, such as Vladimir Putin and Xi Jinping, to reduce tensions and ensure that their economies do not completely abandon the use of the dollar. At the same time, he could use economic incentives or lifting sanctions to ensure that countries under his influence cooperate in using the US dollar more widely in international trade. His administration could offer economic incentives or lift sanctions in exchange for stopping aggressive de-dollarization efforts. Such diplomacy could aim to reduce the unity of the BRICS bloc.

#### 2. Stirring up internal divisions within the BRICS.

Analysts suggest that Trump could exploit differences among BRICS members, such as those between China and India, or aligning Brazil with Western interests. This strategy could weaken the collective BRICS push for a new monetary framework. The fact that he intends to rebuild relations with India and Brazil in many areas indicates a careful policy of stimulating the personal interests of these countries in relation to the union.

#### 3. New strategic partnerships.

Another element of the Trump administration's international economic policy is the creation of strategic partnerships in Asia and Latin America. An important part of his plan is to counter China's influence in the markets of Asia and Latin America by creating economic and trade alliances that promote Western standards of finance and the use of the dollar in these regions.

#### 4. Strengthening Dollar-Euro cooperation.

The Trump administration has given a special place to cooperation between the euro and the dollar. Further cooperation between the ECB and the Fed may be influenced by the need to maintain global financial stability and counter the potential of the BRICS moves to weaken the dollar's position. Also, efforts to strengthen traditional reserves, such as government bonds

and gold, could be a key strategy for major monetary centers to protect their economic interests. Let's not forget that historically, the two institutions have cooperated through currency swap lines to guarantee global liquidity during financial crises, such as in 2008 and 2020. These measures aim to preserve the stability of international financial systems and the functioning of foreign exchange markets, especially for the dollar and the euro. Many experts believe that President Trump's protectionist policy could affect the role of the dollar as an international currency in several ways, producing various positive and negative effects. Potential Negative Effects Include:

1. Protectionist policies:

High trade tariffs or import restrictions could encourage other countries to move away from the dollar-based system. This could happen if trading partners view the dollar as less stable or the US as less committed to free global trade. Countries such as the BRICS could accelerate the development of alternative currencies or digital payment systems like Bridge to avoid the influence of US policies on sanctions and payment systems. These measures would further weaken the use of the dollar in international trade.

2. Escalation of trade conflicts:

Protectionism could escalate trade conflicts, including the use of tariffs and sanctions, even in countries where the US exports technology or capital to financial markets. These conflicts often lead countries to seek alternative ways of trading and financing that do not involve the dollar, such as using their own currencies for trade.

3. Impact on the Dollar's role as an international currency:

The effect of protectionist policies on the dollar's role as an international currency depends on the balance between domestic economic benefits and external geopolitical influences. While a stronger US economy may support the dollar, economic isolation and trade tensions could undermine international confidence and strengthen de-dollarization initiatives by actors such as the BRICS.

In conclusion, Donald Trump has not outlined specific proposals for reforming institutions such as the IMF, World Bank, and WTO in his 2024 campaign, but his actions and previous rhetoric suggest a focus on reshaping these organizations to better align with US interests. During his first term, his administration criticized multilateral institutions for inefficiency and alleged bias against the US. The previous Trump administration emphasized

“America First” policies, often clashing with global institutions over trade and lending practices. While specific 2024 proposals have not been detailed, reforms could include pressuring these institutions to limit lending to countries like China or overhauling their governing structures to give the US greater influence. Trump has criticized the WTO as unfair to the US and blocked judicial appointments to its appellate body, effectively paralyzing the dispute settlement mechanism. In a second term, Trump could continue to pressure the WTO to reform its rules, particularly with regard to China. The above analysis notwithstanding, highlighting the fact that the Trump administration’s economic policy is still in its crystallization stage. What we can say, based on the electoral discussions, the preliminary statements of his leadership team, and the profile of his collaborators, is that American economic policy will be based on stimulating domestic business, with priority given to technological development, using every necessary custom, tax, and monetary tool in function of the internal development of the American economy. It is precisely from this perspective that his relations with the BRICS should be seen.

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# ARTIFICIAL INTELLIGENCE IN EDUCATION: CHALLENGES IN AN INCREASINGLY DIGITAL WORLD

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## **ABSTRACT**

Artificial intelligence (AI) in education pertains to the integration of computer systems capable of executing tasks traditionally requiring human intelligence to augment learning experiences, administrative operations, and educator support. The challenge of AI lies in its ability to collaborate with human intelligence to uncover meaningful patterns and guiding principles within vast datasets, creating information architectures that foster novel perspectives for work and development.

AI technologies, including machine learning, natural language processing, and robotics, can individualize learning by adapting content and pace to the specific needs of students. This approach addresses various learning styles and paces, ensuring that each student receives tailored attention and resources to achieve success.

Beyond personalizing learning, AI can streamline administrative tasks for educators, thereby allowing them to focus on teaching and student engagement. AI-powered tools can generate insights into student performance and progression, facilitating early intervention for struggling students while identifying and recognizing high achievers.

Furthermore, AI has the potential to support innovative teaching methods and interactive learning environments. As AI continues to advance, its transformative potential for education—making it more accessible, efficient, and tailored to individual needs—becomes increasingly apparent. Equally significant is the awareness among teachers, educators, students, and other stakeholders regarding the ethical implications of AI. Embedding

ethical considerations into technology training is crucial to ensuring the responsible and moral application of AI in educational settings.

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**Key Words:** Artificial intelligence, Human & Digital Learning, Education and Learning, Digital Culture, Big Data in Education, Education Policy, Ethical Standards.

**JEL Code:** 030

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### **"IS DIGITAL TECHNOLOGY A BOON OR BANE FOR EDUCATION?"**

The answer is multifaceted. Technological evolution is unavoidable: six centuries ago, the printing press revolutionized knowledge dissemination. Radio, television, personal computers, the Internet, and social media have opened new educational frontiers while simultaneously raising concerns. Each technological breakthrough requires careful evaluation to ensure it benefits educators and learners alike. Digital technology holds real promise. It can connect marginalized learners, including those with disabilities and individuals from linguistic and cultural minorities. It enables more personalized learning experiences and offers greater flexibility within school systems. Additionally, it can transcend geographical and temporal limitations, creating immersive educational experiences. However, challenges persist. Digital poverty has exacerbated with each technological leap.

During the COVID-19 pandemic, 31% of students worldwide lacked access to online learning. The proliferation of misinformation and hate speech is increasing, and a staggering 95% of living languages remain unrepresented in online resources. Generative AI, with its capacity to replicate human abilities in producing text, images, videos, music, and software code, compels us to reconsider the very nature of human intelligence, with profound implications for what, how, and why we learn. As we consider current trends in these technologies, it is also essential to project their trajectory over the next few decades. How do we prepare youth for a human-machine society without eroding human cognitive functions as we delegate certain intellectual tasks to machines? We cannot afford to experiment with an entire generation. (Education in the Age of Artificial Intelligence; The UNESCO Courier, 4, 2023).

Artificial intelligence is the methodology that enables a computer, robot, or software to replicate human-like intelligent processes. AI emerges from

the study of human brain models and the analysis of cognitive processes. It operates on algorithms that enable machines to simulate forms of genuine intelligence. AI leverages advanced analytics and logical techniques to interpret events, support decision-making, and perform specific functions. This innovative technology reduces errors and improves user experience across various domains, including education. Academic and postgraduate programs focused on AI are rapidly expanding, with investment in this field growing exponentially. If software represents the digital nervous system, data serve as the cells that construct its structure. A defining feature of digital technology is its logical-linguistic framework, consisting of elemental binary values (1 and 0), which are aggregated and recombined through combinatory processes to create finite operations and systems. In contrast to earlier cultures, which relied on linear methods of text transmission—either oral or written—digital knowledge creation and dissemination are based on data organization, defined as “database logic.” This involves an ongoing process of disassembling and recombining structured data to form knowledge. In the digital age, every operational system—whether administrative, managerial, industrial, commercial, or cultural—has an underlying database system, invisible to the typical user yet equally crucial and effective. Algorithms complement databases: while the database acts as the storage system (paradigmatic system), algorithms function as the dynamic agents (syntagmatic processes), extracting data and constructing processes. This interaction gives rise to a new form of fluid textuality, which is continuously disassembled and reassembled. Moreover, vast datasets, or big data, often conceal interpretive pathways that, due to their sheer scale, elude human cognitive processing. Paradoxically, algorithms themselves can detect cultural patterns in big data that would otherwise go unnoticed. Metaphorically, data can be likened to new energy—vast quantities of informational elements that generate value, but only for those with the ability to manage, analyze, and interpret them. Indeed, data alone do not create value; much like oil, data must be extracted, refined, stored, and distributed. This necessitates technological expertise and strategic insight for effective utilization. The contemporary challenge of AI is to collaborate with human intelligence in identifying significant pathways within expansive datasets. Consequently, it is essential to foster a cultural approach that utilizes these existing “data reserves” to develop information architectures capable of

generating new insights, institutional frameworks, operational practices, and creative incentives.

## **THE ROLE AND IMPACT OF AI IN EDUCATION**

A central question today is: what is the role and impact of AI in education, particularly within universities? What challenges, efforts, and concerns arise from the rapid development of AI across all spheres of human activity, including education? AI in education pertains to the application of machine learning algorithms, natural language processing, and other AI technologies to optimize learning experiences, enhance administrative efficiency, and provide data-driven insights. The following are examples of AI's potential in educational contexts:

1. **Adaptive Learning Platforms:** AI-driven systems that personalize educational content by adjusting the complexity and learning pace according to students' performance and progress.
2. **Automated Grading Systems:** AI tools capable of grading assignments, tests, and quizzes, offering immediate feedback to students and lightening the grading load for educators.
3. **Virtual Teaching Assistants:** AI-based chatbots and virtual assistants that can address student inquiries, offer tutoring services, and support administrative tasks.
4. **Speech Recognition and Natural Language Processing:** Technologies enabling voice-to-text and text-to-speech conversion, benefiting students with disabilities and supporting language acquisition.
5. **Intelligent Tutoring Systems:** AI programs that deliver individualized tutoring aligned with the student's unique learning needs and styles.
6. **Behavioral Analytics:** AI systems that monitor student behavior and engagement in real-time, allowing educators to promptly identify and address challenges.

Numerous scholarly analyses, studies, and discussions highlight the increasing prevalence of publications, articles, scientific conferences, international debates, and specific research such as "Generative Artificial Intelligence in Education: Opportunities and Challenges," "Artificial Intelligence and the

Future of Teaching and Learning,” “AI in Education - The Other Education,” “Examples of Artificial Intelligence in Education,” “Smart Classrooms: What AI Means for the Future of Education,” “AI Paradigms in Education,” “The Potentials of AI in Education,” “The Risks and Issues of Using AI in Education,” and “Reinventing Education in a Digital World,” among others. The educational sector is currently grappling with the far-reaching implications of generative AI. Following innovations like calculators, computers, the web, and search engines, generative AI represents another disruptive technology reshaping traditional educational practices. Similar to mobile phones, laptops, and tablets—now commonly integrated into educational institutions—AI should be regarded as a tool to support teaching professionals, rather than a replacement. As experts assert: “They are all merely tools. We cannot halt AI; attempting to do so would be akin to trying to stop the internet: it is impossible.” “Collaboration and exchange will be essential to fully comprehend these tools and learn how to leverage them effectively.” UNESCO has already released the “Guide for Generative AI in Education and Research,” the first global document offering guidelines on the use of artificial intelligence (particularly generative AI) in educational and training contexts. This issue, which UNESCO has identified as urgent, is encapsulated by Audrey Azoulay, Director-General of UNESCO, who states: “Generative artificial intelligence can serve as a significant opportunity for human advancement, but it also holds the potential for harm and prejudice. It cannot be integrated into education without extensive public engagement and the requisite safeguards and regulations from governments.”

## **BENEFITS OF INTEGRATING AI IN EDUCATION**

The integration of artificial intelligence into the education system offers numerous advantages and benefits. AI facilitates the personalization of learning experiences by providing tailored responses to the individual needs of learners. Utilizing advanced AI algorithms, educators can adapt curricula and teaching strategies to address each student’s strengths, weaknesses, and unique learning preferences. AI-powered adaptive learning systems can automatically modify the difficulty level of tasks according to students’ performance, ensuring that learning is appropriately challenging and engaging.

Furthermore, AI-assisted learning tools and platforms play a pivotal role in

enhancing access to education. This increased accessibility fosters a more inclusive and equitable learning environment, accommodating students with diverse abilities and specific needs.

Additionally, the automation of administrative functions and the optimization of overall educational institution management present significant benefits. AI systems can streamline processes such as scheduling, resource allocation, and student data management, enabling educational staff to dedicate more time to high-priority tasks, including teaching, mentoring, and providing individualized student support. This not only enhances the operational efficiency of educational institutions but also leads to improved learning experiences and more effective utilization of human resources.

## **THE ROLE AND IMPACT OF AI IN EDUCATION**

A critical question today is: what role does AI play in education at large, and specifically within universities? What challenges, efforts, and concerns accompany the rapid development of AI across all areas of human activity, including education?

AI in education refers to the application of machine learning algorithms, natural language processing, and other AI technologies to enhance learning experiences, optimize administrative efficiency, and provide data-driven insights. Below are several ways AI can be integrated into educational settings:

- **Adaptive Learning Platforms:** AI-powered systems that customize educational content to meet individual students' needs, dynamically adjusting the difficulty and pace based on their performance and progress.
- **Automated Grading Systems:** AI tools capable of grading assignments, tests, and quizzes, delivering instant feedback to students and alleviating the grading workload for teachers.
- **Virtual Teaching Assistants:** AI-driven Chatbot's and virtual assistants that can respond to student inquiries, offer tutoring, and support administrative tasks.
- **Speech Recognition and Natural Language Processing:** Technologies that enable voice-to-text and text-to-speech conversion, assisting students with disabilities and enhancing language learning.

- **Intelligent Tutoring Systems:** AI programs providing personalized one-on-one tutoring tailored to a student's specific learning needs and style.

Behavioral Analytics: AI systems that track student behavior and engagement in real time, helping educators identify and address issues quickly. Numerous scholarly analyses, studies, and reflections underscore the rising frequency of publications, articles, scientific conferences, international debates, and targeted research such as “Generative Artificial Intelligence in Education: Opportunities and Challenges,” “Artificial Intelligence and the Future of Teaching and Learning,” “AI in Education - The Other Education,” “Examples of Artificial Intelligence in Education,” “Smart Classrooms: What AI Means for the Future of Education,” “AI Paradigms in Education,” “The Potentials of AI in Education,” “The Risks and Issues of Using AI in Education,” and “Reinventing Education in a Digital World,” among others.

The educational sector is actively contending with the profound implications of generative AI. Following the advent of calculators, computers, the web, and search engines, generative AI represents another transformative technology that disrupts traditional educational methods. Similar to the integration of mobile phones, laptops, and tablets across various educational institutions, AI should be viewed as a tool to enhance the effectiveness of teaching staff, rather than replace them. As experts assert: “These are merely tools. We cannot stop AI; attempting to do so would be akin to halting the internet: it’s an impossible task.” “We will need collaboration and dialogue to fully comprehend these tools and learn how to use them effectively.”

UNESCO has already released the “Guide for Generative AI in Education and Research,” the first global document providing guidelines for the use of artificial intelligence, particularly generative AI, in educational and training contexts. This issue, identified by the UN agency as urgent, is encapsulated by Audrey Azoulay, Director-General of UNESCO: “Generative artificial intelligence can serve as a significant opportunity for human progress, but it also carries the potential for harm and bias. It cannot be integrated into education without substantial public engagement and the necessary safeguards and regulations from governments.”

## 2. Applications of AI in Education

There are at least four key applications of AI in education: predictive tools,

adaptive learning platforms, conversational agents, and real-time analytics tools. The integration of AI into the educational landscape offers a wide range of applications, each addressing different aspects of the learning experience. AI is utilized to design curricula tailored to the distinct needs of students, factoring in their learning levels, interests, and abilities. For example, AI-powered adaptive learning systems can autonomously modify course content based on the individual progress of each student, thereby providing a more personalized and effective learning experience.

AI is also employed to analyze large datasets of student information, allowing educators to gain deeper insights into student performance patterns, recognize areas requiring additional support, and adjust teaching strategies accordingly. Moreover, AI holds significant potential in identifying instances of academic fraud, ensuring the integrity of assessments, and facilitating more personalized learning journeys. “Academic integrity systems” powered by AI can detect patterns in students’ responses, tests, and assignments to identify any forms of cheating or violations of academic honesty, thereby helping uphold ethical standards within educational institutions.

## **ETHICAL CHALLENGES OF AI IN EDUCATION**

As technologies continue to evolve, the ethical boundaries of artificial intelligence remain unclear and are often subject to debate. Addressing these ethical concerns requires careful consideration of three fundamental elements: autonomy, confidentiality, and the potential for user discrimination. Ethics in artificial intelligence pertains to the values and principles that should guide the design and deployment of technological systems to ensure they are used responsibly, fairly, transparently, and securely.

The incorporation of artificial intelligence in education raises additional critical ethical challenges. One such issue is the “fear of job displacement due to the automation of tasks within educational institutions,” with concerns that AI could replace roles traditionally held by teachers or educators, thereby raising questions about the future of employment within the education sector. Another area of concern is the potential for increased cheating, particularly the use of AI to facilitate plagiarism.

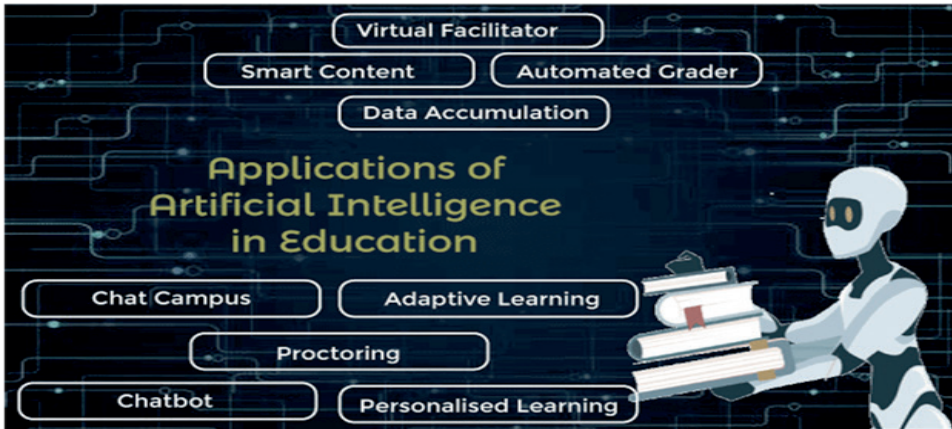
In this context, it is vital to strike a balance between the appropriate use of AI and safeguarding against its associated risks. This emphasizes the need for raising awareness among teachers, educators, learners, and students about the

ethical and critical issues related to AI. Additionally, incorporating an ethical framework into technology training is essential to ensure that AI is utilized responsibly and ethically within educational environments.

## **THE ROLE OF TEACHERS AND STUDENTS IN AI UTILIZATION**

The integration of artificial intelligence in education prompts essential questions regarding the roles of both teachers and students in utilizing this technology. Teachers play a pivotal role in understanding and incorporating AI into classrooms or lecture halls. They should receive training in the fundamental principles of AI, its educational applications, and the specific tools available to enhance teaching and learning experiences. Additionally, educators must be well-versed in the ethical considerations and potential challenges of employing AI in education to ensure its responsible and ethical implementation. As noted, “Artificial intelligence serves as a decision-making aid, not a replacement for professional judgment. The learner or student remains the focal point in educational settings, and thus should be central to the considerations of those developing technological tools.”

Furthermore, students must be adequately prepared to comprehend and effectively engage with AI. This includes understanding the technology, its advantages and limitations, and how it can be integrated into their educational process. Students should be encouraged to cultivate critical thinking and problem-solving skills related to AI, enabling them to become informed and responsible users of technology. They must be equipped to critically assess the results generated by AI-driven tools, recognize the ethical implications of AI, and use technology in a responsible and ethical manner. “Rather than attempting to prevent students from using ChatGPT, we must reform our teaching methods. The reform should not focus on creating assignments that students cannot use ChatGPT for. Instead, we need to ensure students understand how to use AI systems correctly,” asserts Claire Boine from the University of Ottawa, Canada. “Raising awareness and engaging students with AI tools in an educational context is beneficial. However, if these tools can also support teachers by assisting with repetitive tasks and improving efficiency, speed, or accuracy, this would be even more advantageous. Do tools replace teachers, as some fear? They should likely be viewed more as aids and decision-making assistants.”



## THE ROLE AND IMPACT OF AI IN EDUCATION

A pivotal question currently being raised is: what is the role and impact of AI in education at large, and specifically within universities? What are the challenges, efforts, and concerns linked to the rapid development of AI across various domains of life and human activity, including education?

AI in education pertains to the utilization of machine learning algorithms, natural language processing, and other AI technologies to enhance the learning experience, improve administrative efficiency, and provide data-driven insights. Some examples of how AI can be integrated into education include:

- **Adaptive Learning Platforms:** AI-powered systems that personalize educational content, adjusting difficulty levels and pacing according to individual student performance and progress.
- **Automated Grading Systems:** AI tools capable of grading assignments, tests, and quizzes, offering immediate feedback to students and reducing the grading workload for educators.
- **Virtual Teaching Assistants:** AI-driven chatbots and virtual assistants that address student inquiries, provide tutoring, and assist with administrative functions.
- **Speech Recognition and Natural Language Processing:** Technologies enabling voice-to-text and text-to-speech capabilities, aiding students with disabilities and supporting language learning.
- **Intelligent Tutoring Systems:** AI programs providing one-on-one tutoring, customized to the student's specific learning needs and styles.

- **Behavioral Analytics:** AI systems that monitor student behavior and engagement in real time, allowing educators to promptly identify and address challenges.

Numerous academic analyses, studies, and discussions highlight the increasing frequency of publications, articles, scientific conferences, and debates on topics such as “Generative Artificial Intelligence in Education: Opportunities and Challenges,” “Artificial Intelligence and the Future of Teaching and Learning,” “AI in Education - The Other Education,” “Examples of Artificial Intelligence in Education,” “Smart Classrooms: What AI Means for the Future of Education,” “AI Paradigms in Education,” “The Potentials of AI in Education,” “The Risks and Issues of Using AI in Education,” and “Reinventing Education in a Digital World,” among others.

The education sector is navigating the profound scope of generative AI. Following innovations like calculators, computers, the web, and search engines, generative AI represents yet another advancement that disrupts traditional methods. Like mobile phones, laptops, and tablets now integrated across educational institutions, AI should be seen as a supportive tool for teaching staff, rather than a replacement. As experts suggest: “These are simply tools. We cannot halt AI. It would be like trying to stop the internet: it is impossible.” “Collaboration and knowledge exchange will be essential to fully understand and leverage these tools effectively.”

UNESCO has already published the “Guide for Generative AI in Education and Research,” the first global document providing guidelines for the use of artificial intelligence, particularly generative AI, in educational settings. This critical issue is summarized by Audrey Azoulay, Director-General of UNESCO: “Generative artificial intelligence presents a substantial opportunity for human development, but it also holds the potential for harm and prejudice. It cannot be integrated into education without comprehensive public engagement and the necessary safeguards and regulations from governments.”

## **APPLICATIONS OF AI IN EDUCATION**

At least four key applications of AI in education have emerged: predictive tools, adaptive learning platforms, conversational agents, and real-time analytics tools. AI’s integration into education has diverse and expansive uses. AI is leveraged to design curricula that cater to the specific needs of students,

taking into account their learning levels, interests, and abilities. For instance, AI-driven adaptive learning systems automatically adjust course content based on individual student progress, fostering a more personalized and effective learning experience.

AI is also employed to analyze large datasets of student information, enabling educators to better understand performance patterns, identify areas requiring further support, and adjust teaching strategies accordingly. Additionally, AI offers the potential to detect various academic and practical learning-related frauds, thereby preserving the integrity of assessments and facilitating more individualized learning experiences. “Academic integrity systems” powered by AI can detect patterns in student responses, tests, and assignments, identifying instances of cheating or other violations, which helps maintain ethical standards within educational institutions.



## **ETHICAL CHALLENGES OF AI IN EDUCATION**

As technology evolves, the ethical boundaries surrounding artificial intelligence remain ambiguous and often contested. Addressing these ethical concerns necessitates considering three central elements: autonomy, confidentiality, and the risk of user discrimination. Ethics in AI refers to the principles and values that should guide the development and use of technological systems to ensure they are used responsibly, fairly, transparently, and securely.

The integration of AI in education introduces other critical ethical challenges. One such challenge is the “fear of job displacement due to the automation of tasks within educational institutions,” with concerns that AI might replace functions traditionally performed by teachers or educators, raising questions

about the future of employment in the education sector. Another pressing concern is the potential for AI-facilitated cheating, particularly in relation to plagiarism.

In this context, it is crucial to strike a balance between the appropriate use of AI and safeguarding against its risks. This highlights the importance of raising awareness among teachers, educators, learners, and students about the ethical and critical issues associated with AI. Moreover, integrating an ethical framework into technology training is essential to ensure that AI is employed responsibly and ethically in educational settings.

### **THE ROLE OF TEACHERS AND STUDENTS IN AI UTILIZATION**

The integration of artificial intelligence in education raises fundamental questions regarding the roles of teachers and students in utilizing this technology. Teachers hold a critical role in understanding and adopting AI in classrooms or lecture halls. They should receive training in AI's core concepts, its educational applications, and the specific tools available to enhance teaching and learning. Additionally, educators must be informed about the ethical considerations and potential challenges associated with AI in education to ensure its responsible and ethical use. As noted, "Artificial intelligence is an aid to decision-making, not a tool to replace professional judgment. The learner or student remains central in educational settings, and therefore should be central to the considerations of those developing technological tools."

Moreover, students must be prepared to comprehend and effectively engage with AI. This includes understanding the technology, its benefits and limitations, and how it can be integrated into their learning process. Students should be encouraged to develop critical thinking and problem-solving skills related to AI, allowing them to become informed and responsible users of technology, critically assess AI-generated results, understand the ethical implications, and use technology responsibly. As Claire Boine from the University of Ottawa, Canada, argues: "Rather than attempting to prevent students from using ChatGPT, we must reform our teaching methods. The reform should not focus on creating assignments students cannot use ChatGPT for. We need to ensure that students can use AI systems correctly." "Raising awareness among students and engaging them with AI tools in an educational context is beneficial. However, if these tools can also support the

completion of repetitive tasks and enhance efficiency, speed, or accuracy, that would be even better! Will tools replace teachers, as some fear? They should be seen more as aids and decision-making assistants.”

## **HOW WELL DO STUDENTS AND UNIVERSITIES KNOW AND USE AI?**

Artificial Intelligence, with its potential to revolutionize how students and educators approach learning, generates significant enthusiasm but also raises considerable concerns. Currently, a substantial debate surrounds this topic, with opinions split between two extremes: one advocating for widespread adoption of AI across all aspects of university and educational institution operations, and the other calling for its limitation or outright prohibition, viewing it as ineffective or even dangerous.

AI can encourage an overly standardized approach to teaching and assessment, reducing students’ abilities and performances to mere quantitative metrics. This might overshadow the diversity of individual talents, learning styles, and interests, potentially diminishing the richness and creativity of education. It could foster a learning environment focused on finding correct answers rather than nurturing a deep understanding of concepts.

“Numerous examples from the widespread use of ChatGPT show that some institutions banned it out of fear it would facilitate cheating and lower academic standards, while others welcomed it into their classrooms, finding it impossible to fight against these technologies – a losing battle. Should AI be banned from schools or universities?”

A qualitative response to this ongoing debate is provided by a survey conducted by the British Institute for Higher Education Policy, which offers valuable insights into British students’ attitudes and practices. The findings of this survey can serve as a guide for universities, students, and educators working with AI.

The study reveals that AI tools are widely used by students. More than half of the surveyed students (53%) use generative AI tools to prepare their assignments. Thirty-six percent view these tools as effective “private tutors” for explaining complex concepts.

As Joss Freeman writes, “So far, higher education institutions have maintained rigorous standards and deserve recognition. Students trust institutions to identify the use of AI tools and believe staff understand how AI functions. Therefore, instead of writing their essays with AI chatbots, students use

AI more selectively: to assist with studying but not to complete all their work.” “Few students ‘simply copied and pasted AI-generated texts without modification.’ However, the lack of awareness about the risks associated with these tools remains a significant concern.”

According to the study cited in Stanford University’s 2024 AI report, ChatGPT experiences hallucinations in 19.5% of cases, indicating that AI reliability remains a substantial concern. Twenty-three percent of students report being unable to distinguish when AI generates inaccurate facts, and 7% believe AI never makes mistakes. When asked about acceptable uses of AI, three key areas emerged: explaining concepts (66%), suggesting research ideas (54%), and summarizing articles (53%). When it comes to course assignments or essays, 17% consider using AI acceptable if the result is edited, while only 3% deem using unmodified AI-generated content appropriate.

Regarding teachers’ ability to detect AI usage, nearly two-thirds of students (65%) are confident that their institution can identify AI-generated work. However, educators are not seen as sufficiently equipped to help students effectively, with less than one-fifth of students (18%) believing that educators are adequately engaged with AI tools.

As Ilana Hamilton (Forbes Advisor, 06.06.2024) notes, “The Future of AI in Education? In response to the growing presence of AI in education, organizations such as the U.S. Department of Education (ED) and UNESCO have called for a transparent, human-centered approach to using these technologies. ED recommends prioritizing educators’ perspectives in developing AI solutions that enhance and support teachers’ traditional roles, rather than replacing them. Along with state entities such as the California Department of Education, UNESCO advocates for equity-focused AI in education policies to narrow technological gaps both locally and globally. Leading AI companies have acknowledged the education sector’s unique needs and concerns regarding the responsible use of AI and have started adapting their products to address these issues. For instance, in May 2024, OpenAI introduced ChatGPT Edu, a version designed for higher education institutions. This iteration includes enhanced security and privacy features, does not use conversations or data to train OpenAI models, and offers education-specific functionalities like document summarization and the ability for students and instructors to build and share customized GPT models. Although AI raises new concerns for the education sector, most teachers surveyed express a positive outlook. Teachers Want More Education To Understand AI and Use It Ethically. Ninety-eight percent of survey

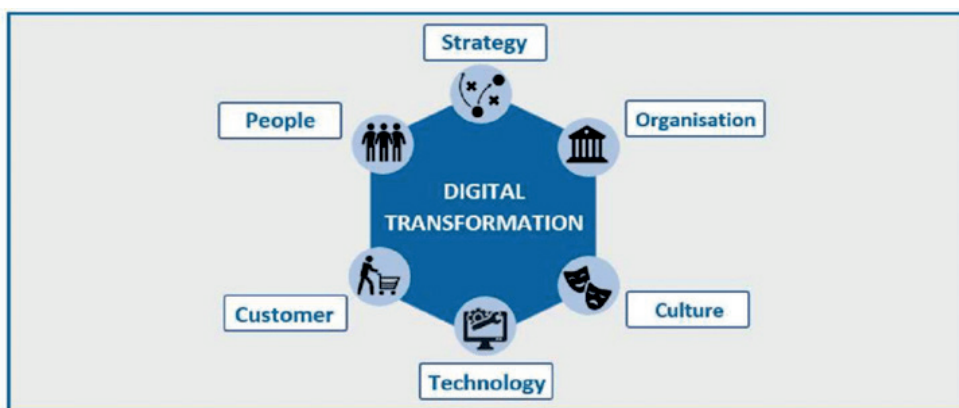
respondents identified a need for at least some education on ethical AI usage, with more than 60% advocating for comprehensive education.”

## AI AS A FUNDAMENTAL ELEMENT OF A DIGITAL CULTURE FOR LEARNING

The challenge of incorporating AI into education lies in preparing students for a future where AI plays a central role. To achieve this, students must cultivate a technical understanding of AI and the skills to use this technology ethically and responsibly. A key distinction must be made between digital skills and digital culture: digital skills represent knowledge sets that enable short-term evolution and adaptation to digital advancements – a tactical approach. Digital culture, on the other hand, denotes the ability to adopt a long-term, expansive perspective – a strategic approach.

Today’s digital skills, which encompass software, languages, systems, and platforms, are expected to evolve rapidly due to the fast pace of digital innovation. In contrast, digital culture forms the theoretical and conceptual foundation that will enable the transformation of digital systems with full awareness by shifting toward a broader vision and perspective.

What does digital culture encompass? “Culture” is often seen as an additional layer, somewhat optional, rooted in the past, typically associated with economically and/or socially privileged classes. However, the term “culture” can also be understood in a socio-anthropological sense, as the totality of behaviors, knowledge, norms, value systems, and control mechanisms that society employs to ensure survival and, ideally, improve quality of life.



In this context, a society’s culture is inherently embedded in its era, political and civil structure, production systems, and technologies. From a socio-

anthropological standpoint, no society can exist without culture. Thus, to discuss digital culture today requires adopting this second perspective, which offers a more suitable approach to understanding the digital era. Digital culture cannot be reduced to a set of technical notions, but rather signifies the capacity to comprehend the complexity, depth, and interconnectedness of systems that govern the contemporary world.

Simultaneously, it is fitting to view digital culture historically as the third major phase of social and cognitive organization resulting from evolving production systems:

In ancient times, human civilizations operated within an artisanal culture linked to the workshop production model, characterized by close interactions between social agents. Knowledge transmission occurred through oral communication and practical examples, with senior craftsmen demonstrating techniques to apprentices.

Starting in the late 18th century, industrial culture emerged, linked to factory production models. This culture emphasized highly hierarchical relationships and formalized knowledge transmission through written manuals, instructions, procedures, and structured chains within production systems.

Digital culture represents a paradigm shift: it concerns the production of information rather than physical goods (dematerialization: bits over atoms). This shift is characterized by decentralized relationships where knowledge is transmitted via networks. Digital culture transcends previous phases of production, as craftsmanship and industry must adapt through digitalization, rather than disappear.

Digital culture is inherently complex: the acronym ICT (Information and Communication Technologies) denotes the two intertwined levels at which it develops: Information, which refers to the ability to process data, and Communication, which pertains to moving and connecting data across networks. Consequently, digital culture is pervasive, all-encompassing, and simultaneously difficult to define. It constitutes a global ecosystem that governs productive activities, as well as information systems, interpersonal interactions, leisure, and entertainment, reformulating past knowledge while projecting into the future.

“The educational use of artificial intelligence is a topic that involves more than just students,” writes Chiara Panciroli, a professor in the Department of

Educational Sciences at the University of Bologna. “It also affects teachers, administrative staff, directors, and families: all participants in the educational system. One of the key issues is ‘explainability’—the need to understand and explain what artificial intelligence is and how it works.” This means: “Before using AI tools or hypothesizing their applications, we must first understand how they operate, what their potential is, and (most importantly) their limitations. We must also avoid viewing them as ‘black boxes’ that process input and return specific outputs.”

Explainability is essential: we must always be capable of understanding and interpreting the content and predictions generated by AI. To achieve this, we need a culture of AI, which remains underdeveloped among both students and teachers. “In the case of generative AI like ChatGPT, it is crucial to understand how prompts should be crafted. Poor prompts lead to poor results, diminishing the tool’s effectiveness.”

Indeed, technology is neither inherently good, bad, nor neutral; its impact depends on how it is employed. Here are some of the key skills essential in this context:

**Critical Thinking and Problem-Solving:** Generative AI can process and analyze data at unprecedented speed and scale, enabling users to ask the right questions and interpret valuable results. Students must learn to use AI as a tool to augment their judgment and creativity, rather than allowing AI to replace these human faculties.

**Ethics and Responsibility:** As AI becomes increasingly integrated into daily life, ethical dilemmas and moral complexities multiply. Students must be educated to consider the consequences of AI usage, particularly in terms of privacy, equity, inclusion, and sustainability. **Technological Skills:** Students must gain a foundational understanding of how AI systems function. This includes knowledge of basic programming, machine learning, programming languages, and data science, among other technical skills.

## **ACKNOWLEDGING AND EMBRACING COMPLEXITY: THE CHALLENGE OF DIGITAL CULTURE**

Digital culture entails the capacity to recognize and embrace complexity—not just understanding its elements, but also, crucially, the connections between them. Every sector is interconnected with others: online marketing through user profiling must also consider legal issues around privacy

protection; freedom of expression on social networks ties into challenges surrounding fake news and the emergence of new political movements; the ease of replicating editorial content conflicts with the redefinition of copyright in the digital age, among others.

In digital culture, the role of technology must be acknowledged. Previous cultures were characterized by low-tech activities: writing a book, painting a picture, or designing a television format were tasks that did not require advanced technological skills. These tasks were distinct from the work performed by “technicians” such as typesetters, sound engineers, and machinists.

In digital culture, ideation and technology are deeply intertwined: an architect, a video game designer, or an administrative system manager may delegate portions of their tasks to digital specialists, but technology and planning are fundamentally linked in their “cultural” vision.

Finally, the complexity of digital culture arises from its hybrid and transversal nature. Alvin Toffler (1980) coined the term “prosumer” to describe the emergence of a new hybrid figure, the producer-consumer, a typical inhabitant of the digital network. This concept, and its derivatives like “infotainment,” “videogame,” “wreader,” and “spectator,” reflect the cross-boundary nature of digital culture.

While industrial culture was hierarchical, with well-defined roles structured around production chains, the digital culture world has blurred these distinctions. Consider Amazon, which evolved from a book retailer to a global seller of all goods, innovating logistics and digital distribution, and eventually producing television and cinema. Similarly, Apple transitioned from hardware and software production to becoming a purveyor of images, aesthetic models, and lifestyle products.

Due to its transversal, inclusive nature, digital culture now represents a pervasive ecosystem that must be understood in all its complexity. This is the challenge posed by digital culture.

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# UNDERSTANDING FINANCIAL EVOLUTION: THEORETICAL FRAMEWORKS FROM COINS TO BLOCKCHAIN

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## ABSTRACT

This paper analyses the development and improvement of monetary value included in finance, which goes beyond the simple transfer of funds. Finance has changed over time, impacting both people's lives and the world economy. Bartering as a basic foundation of early financial systems, but inefficiencies prompted the development of currency and organized financial management systems.

Significant economic expansion was fueled by the emergence of banking institutions and contemporary monetary systems by the 17th century. The creation of sophisticated financial instruments in the 20th century increased both opportunities and threats. This article aims to identify some of the Financial Concepts Evolution through scientific data and information, by identifying an evolution in Finance concept.

The financial industry has seen important transformation due to technological innovations, especially in areas like Fintech, blockchain, automation, big data, and artificial intelligence. The results show that the effectiveness of financial services has increased, is more accessible, and transparent thanks to these developments, but there are threats as well, like cyber security, privacy, etc.

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**Key Words:** Finance Evolution, Technological Advancements, Fintech, Blockchain, Chatbot. **JEL Code:** G20; O33

## **INTRODUCTION**

**T**his research aims to identify the stages of Financial Evolution. Finance is a valuable field of study and practice that includes all aspects of life and business. The concept of finance has evolved during time and has influenced the global economy, directly impacting the life of every individual (Adams, R. 2022).

In the early period, transactions were conducted through goods served as currency for exchange. However, this method was insecure and inefficient for managing value and the exchange of wealth. This led to the creation of the first currency and the first systems of monetary maps. This was an important phase in the evolution of finance, as it made trade and investments easier. Financial institutions began to offer various services, including loans and deposits. The Industrial Revolution of 18th and 19th centuries marked a major turning point for finance, bringing substantial capital for investments and the creation of the stock market (Ilollari, O., Shehu, E., & Islami, F. (2024)). There was a rapid increase in large companies and the capital necessary to finance these large operations. This period represents the creation of the stock market and the state's intervention in regulating finance. Theoretical finding of Finance Evolution consists in complex with the development of various financial instruments, including bonds, derivatives, and options. This created more opportunities for investment and speculation but also increased the level of financial risks. Finance is essential for the functioning of the global economy and affects the life of every person. The technological evolution in the field of finance is a profound stream of transformations that has significantly influenced how financial capital operates and is distributed globally. These improvements have revealed important impacts on many aspects of the financial world as a field that continues to develop and change.

## **KEY TECHNOLOGICAL DEVELOPMENTS IN FINANCE**

### **2.1 Fintech (Financial Technology)**

There has been quick growth in Fintech companies offering financial services through technology. These include payment apps, money transfer services, investment tracking, and other tailored consumer services (AlSuwaidi, R. A., & Mertzanis, C., 2024). At its core, fintech is used to help businesses, business owners, and consumers manage operations, processes, and their financial lives through specialized software and algorithms. Fintech applies to innovations in how people do business, from the invention of digital money to double-entry bookkeeping, and from the internet revolution to mobile/smartphone banking (Ilollari, Meçe, et al., 2022).

*There are four broad categories of fintech users:*

- a) Banks
- b) Clients (Business and Individual)

- c) SMEs
- d) Consumers

The trends toward mobile banking and the increase in available information are creating opportunities for these four groups to interact rapidly. Banks use fintech for back-end processes, like monitoring account activities, and for customer-facing solutions. Individuals use fintech for a variety of needs, such as payments, transfers, and tax calculations, without requiring a banker's assistance (Ilollari, O., & Shehu, E., 2023).

## **1. BLOCKCHAIN AND CRYPTOCURRENCIES**

Blockchain technology has changed the way financial data is stored and verified. One of the most well-known applications of blockchain is cryptocurrencies, such as Bitcoin and Ethereum, which have brought significant changes to financial markets Adams, R. (2022). Cryptocurrencies are a digital form of money that relies on blockchain to verify transactions and manage the creation of currency without intermediaries like central banks or other financial institutions. Under the name "Satoshi Nakamoto" a team launched for the first time Bitcoin in 2009. Using blockchain technology to provide safe and decentralized transactions, it was the first coin to do so. Bitcoin is traded indecently from conventional monetary policies due to its lack of central authority, which has drawn users and investors who want to manage their portfolios outside of conventional markets. According to Jain et al. (2023), smart contracts are agreements that, when certain criteria are satisfied, are automatically carried out without the need for human participation. This has further extended blockchain's use across financial transactions. Also, Lee confirms that Blockchain technology and cryptocurrencies have the potential to revolutionize established financial systems and provide a more decentralized, open, and effective financial ecosystem (Lee, C. 2023).

### **1.1 ARTIFICIAL INTELLIGENCE**

Artificial Intelligence (AI) has brought: security growth and development, investment portfolio improvement, customer experience growth and financial process acceleration. Using AI to track millions of transactions in real time could help financial organizations uncover hidden patterns and improve their decision-making (Riani, R., 2023).

This aids in risk identification, particularly for credit forecasting and fraud prevention. Furthermore, Smith has noted that the general public now has easier access to investing because to AI developments like robot advisors. This progress has made the financial sector more efficient and transparent (Smith, A. 2022).

## **1.2 BIG DATA**

Nowadays financial institutions employ data to predict the demands of their clients and provide tailored investment advice, risk-profile-appropriate financial products, and savings plans (Wang, L. 2023). The Awtunde, in his research, finds that institutions can process data from various sources, including purchase histories, social media platforms, banking account information, and financial transactions, by using sophisticated analytical technology (Awotunde, J. B., 2021). Banks and businesses consider this information useful in developing customer offerings, focused strategies, and experience optimization. Algorithms that can evaluate past data are able to identify possible dangers that people might find difficult to perceive. This even includes market data and macroeconomic indicator analysis to forecast financial disasters.

## **1.3 ROBOTS AND JOB AUTOMATION**

Related with the concept of robots and job automation is indicated the need of reducing expenses, increasing productivity, and minimizing the possibility of mistakes in repetitive procedures. Robots and job automation have significantly changed the banking industry and Financial Concepts. Data and document processing is one of the main areas where automation and robotics have had an impact. These systems can scan, evaluate, and process documents including financial statements, loan application forms, and contracts in real time thanks to optical character recognition (Kumar, R., & Khanna, R., 2023). This accelerates processes that previously required manual involvement and reduces the likelihood of human error. Routine duties including fund transfers, payment processing, and market transaction processing have been handled by robots in the realm of basic financial transactions. These systems operate in the background to execute operations with high accuracy and speed. The use of robots and automation in finance has not only increased operational efficiency but also improved accuracy and reduced costs, enabling rapid transaction processing and enhancing the customer experience. With the further development of technologies like Robotic Process Automation (RPA) and AI, automation is expected to become an even more integral part of the financial sector.

## **1.4 PORTFOLIO MANAGEMENT**

Technology have transformed how investors manage their portfolios, offering a variety of benefits and new opportunities. Different platforms provide advanced functionalities that allow portfolio managers to track and analyze investment performance in real time. Software of Portfolio management also enables sensitivity analysis to market fluctuations and helps identify new investment opportunities. AI algorithms and machine learning has brought a significant change in data analysis.

These technologies allow for the creation of predictive models that analyze market trends, assisting investors in making more informed decisions about their portfolios. Software can identify patterns occurring in historical data and provide recommendations for new investments based on market analyses. Technology allows investors to create more balanced portfolios and reduce risk through asset diversification, maximizing potential returns (Byrum, J. (2022).

Investors can access detailed reports on portfolio performance, expenses, and risk allocation, allowing them to monitor and assess their investments at any moment. Portfolio management software enables the buying and selling of assets from various markets, giving investors the opportunity to diversify their portfolios on an international level.

Regarding risk assessment, portfolio management platforms provide in-depth analyses for risk evaluation, helping investors understand how changes in markets and the global economy may affect their portfolios. These tools can offer simulations and different scenarios to predict how a portfolio might perform under various market conditions.

This evolution has made investments more accessible for a broader range of investors, contributing to a more dynamic and developed financial environment.

Table 1 above, presents the level of essential data related to the growth of fintech, blockchain, AI, big data, automation, cybersecurity, and regulatory spending, showing how these technologies and concerns are shaping the financial sector based in different scientific research.

This table provides a significant trend in the financial sector influenced by technological advancements. It highlights the rapid growth of the fintech market, projecting a substantial increase in market size and investment trends. Additionally, it outlines the emergence of blockchain technology and cryptocurrencies, emphasizing their market capitalization and business adoption rates.

Table 1. “Key Data on Technological Developments in Finance”

Topic	Data/Information
<b>1. Growth of Fintech</b> (AlSuwaidi, R. A., & Mertzanis, C., 2024)	The fintech market size was <b>\$112 billion</b> in 2020 and is projected to reach <b>\$332 billion</b> by 2028. Global fintech investment reached around <b>\$210 billion</b> in 2021, with over 50% from venture capital.
<b>2. Blockchain and Cryptocurrencies</b> (Jain, S., et al., 2023)	The total market cap for cryptocurrencies exceeded <b>\$1 trillion</b> in 2023, with Bitcoin accounting for 45%. Additionally, <b>80% of businesses</b> planned to invest in blockchain technology.

Topic	Data/Information
<b>3. Impact of Artificial Intelligence (AI)</b> (Riani, R., 2023)	The projected market for AI in finance is <b>\$22.6 billion</b> by 2025. AI can reduce false positives by up to 50% in fraud detection, boosting operational efficiency. <b>75% of financial institutions</b> will be using AI for fraud detection, risk management, and customer service.
<b>4. Big Data Utilization</b> (Awotunde, J. B., 2021)	Financial services generate <b>2.5 quintillion bytes</b> of data daily, and <b>90% of the world's data</b> has been created in the last two years. Companies leveraging big data can achieve a <b>10-20% increase in revenue</b> .
<b>5. Automation and Robotics</b> (Kumar, R., & Khanna, R., 2023)	The market for automation and robotics in finance is expected to grow from <b>\$1.8 billion</b> in 2021 to <b>\$6.7 billion</b> by 2025. Institutions adopting this technology report <b>25% savings</b> in operational expenses.
<b>6. Cybersecurity</b> (Kuzior, A., et al., 2023)	Cybercrime costs in the financial sector were <b>\$32.4 billion</b> in 2022, with spending expected to reach <b>\$40 billion annually</b> by 2025. Institutions plan to increase cybersecurity budgets by <b>10% annually</b> over the next five years.
<b>7.Regulatory Landscape</b> (Adedokun, A., 2024)	Financial institutions spend an average of <b>\$5.47 million annually</b> on compliance, with costs expected to rise in coming years.

## 1. ADVANTAGES AND CHALLENGES IN THE FINANCIAL ENVIRONMENT: A NECESSARY BALANCE

These evolutions have also been accompanied by new challenges and risks that should be considered. As technology advances and its integration into financial systems increases, new opportunities arise, but various problems also emerge that require special attention. One of the biggest challenges is data security, as the increased use of digital platforms has led to a rise in the number of cyberattacks and fraud. Financial institutions must invest in security technology and protocols to protect sensitive customer information (Ilollari, O., & Kociaj, I. 2022).

There are identified risks related to the regulation and oversight of financial activities in such a rapidly changing environment. Many financial innovations, like Fintech, Blockchain, Big Data, are still not fully regulated, making it difficult for governments and financial authorities to establish the appropriate framework to manage these activities (Huang, J. 2023). This lack of regulation can lead to situations of uncertainty and abuses, jeopardizing the stability of the financial system as a whole.

While these technologies can provide significant benefits for better analysis and improved customer services, they also require careful oversight to ensure that their use is transparent and respects individuals' rights. Therefore, advancements in the field of finance, while important and necessary, also require a balanced approach that considers these challenges and risks in order to ensure sustainable and secure development.

Table 2. “Advantages and Disadvantages of Technology Development in Finance”

Advantages	Disadvantages
Improvement in efficiency and cost reduction	Increased risk of cybersecurity threats
Greater transparency and security	Risk of automation and job loss
Better data analysis and more accurate decision-making	Challenges in regulation and legal compliance
Enhanced customer service	High initial costs for implementing new technologies
Broader access to markets and financial services	High level of technological interdependence

Source: Own Elaboration

The technological evolution in the field of finance is transforming every aspect of financial operations, bringing with it a host of opportunities and challenges. This evolution relates not only to the latest technologies but also to changes in business culture, consumer behavior, and regulatory models (Ilollari, O., et al 2022).

Financial services are now offered in faster and simpler ways, including mobile applications and online platforms that allow users to manage their finances in real time. This has increased competition in the sector and forced financial institutions to adapt to maintain their positions in the market.

Technology has also helped increase access to financial services for individuals and businesses that previously lacked the means to benefit from them. However, it is important to note that as technology advances, the risk of cyberattacks and security issues also increases. Financial institutions and individuals must be aware of these risks and develop strategies to protect their personal and financial data. This includes investing in security technologies, such as encryption and multi-factor authentication, as well as training employees to identify and prevent cyberattacks.

This indicates the need for regulators to keep pace with changes. This includes creating policies and laws that protect consumers and ensure that new technologies are used ethically and transparently. Financial institutions must work closely with regulators to ensure that all new technologies comply with existing rules and contribute to a stable financial system (Dwivedi, Y. et al (2021).

Financial education remains a necessity amidst rapid technological changes. Financial education helps people understand how new technologies work, how to manage investments, and how to protect themselves from financial risks. Financial institutions, schools, and non-governmental organizations play an important role in promoting financial education to support this development.

Technology has also revolutionized customer service in the financial sector. Chatbots and customer relationship management (CRM) systems enable the provision of 24/7 services and allow for real-time assistance. This enhances the customer experience and helps financial institutions respond more quickly to clients' needs and concerns.

Also, evolution in finance is a reality that will continue to impact how financial institutions operate and their relationships with customers. It is essential for all actors in this field financial institutions, regulators, and individuals to be prepared for the challenges and advantages that this transformation brings (Gomber, P., et al (2018)). Only through a collaborative and innovative approach we can gain benefits of this evolution for all.

## **2. CONCLUSIONS AND RECOMMENDATION**

A notable change that reflects shifting consumer demands and economic perspectives may be seen in the development of finance from barter systems to sophisticated financial instruments. These days, technological developments that improve accessibility and efficiency power modern financial institutions. Financial services have also been transformed by technology like big data analytics, blockchain, fintech, and artificial intelligence. By making individualized services possible, enhance data accuracy, and enable real-time financial management. Even customers are empowered by these technologies, which give them the means to properly manage their finances.

There are many benefits to technology, such as increased productivity and wider access to markets, there are drawbacks as well, especially with regard to cybersecurity and regulatory compliance. Financial organizations must have strong security procedures in place to safeguard sensitive data since they are more vulnerable to hackers. Additionally, the rapid pace of technological change can outstrip regulatory frameworks, leading to potential market instability.

The integration of new technologies into finance calls for adaptive regulatory approaches that balance innovation with consumer protection.

Regulators must develop policies that support technological advancement while ensuring ethical practices and safeguarding the financial system's integrity.

The Financial Education is an important path for the technology reshapes and the financial landscape. Understanding new technologies, their benefits, and associated risks empowers individuals to make informed financial decisions. Collaborative efforts among financial institutions, educational organizations, and governments are essential to promote financial literacy.

Financial institutions should prioritize investment in advanced cybersecurity technologies and protocols to safeguard customer data and maintain trust. This includes implementing multi-factor authentication, encryption, and continuous monitoring systems to detect and respond to cyber threats in real

time. Additionally, regular training for employees on cybersecurity awareness and best practices is essential to create a security-conscious culture within the organization.

Establishing a dialogue between fintech companies, traditional banks, and regulators can facilitate the development of a comprehensive regulatory framework that balances innovation and oversight. Educational organizations, and governments could work together to enhance financial literacy programs that educate all actors about the implications of technological advancements in finance. These programs should cover topics such as digital currencies, data privacy, and the responsible use of fintech services.

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# TRADE EXCHANGES BETWEEN KOSOVO AND ALBANIA AND THE PERSPECTIVE OF ECONOMIC INTEGRATION IN THE WESTERN BALKANS

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## ABSTRACT

Trade exchanges between Kosovo and Albania have shown a steady upward trajectory, reaching significant levels in recent years. According to data from the Kosovo Business Alliance [2023], Albania ranks among Kosovo's top trading partners, with the trade primarily centered around agricultural and energy products. Albania exports a range of agricultural goods and energy resources to Kosovo, while Kosovo's exports include industrial and food products. Both countries have benefited from bilateral agreements aimed at reducing trade barriers and enhancing regional cooperation, which have contributed to the growth of trade volumes [Shahini, 2023; World Bank, 2022].

When compared to other Western Balkan countries, such as Serbia and North Macedonia, Kosovo and Albania's trade volumes remain relatively modest. These countries, with more developed infrastructure and deeper integration with the European Union, maintain much higher trade volumes with EU markets, providing them with greater access and enhanced trade opportunities [World Bank, 2022]. Despite these challenges, Kosovo and Albania possess considerable potential for further growth in trade, contingent upon continued investments in infrastructure, trade facilitation, and export diversification.

This study highlights the evolving trade dynamics between Kosovo and Albania, emphasizing the role of regional cooperation, economic integration,

and strategic policy interventions in fostering long-term trade expansion in the region.

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**Key Words:** Kosovo, Albania, Trade Exchanges, Imports, Exports, Balkans

**JEL Code:** F10

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## **INTRODUCTION**

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**T**his study provides an in-depth examination of trade exchanges between Kosovo and Albania during the period from 2018 to 2023, with a particular focus on the primary goods traded, the trends in imports and exports, and a comparative analysis of Kosovo's trade relations with other Western Balkan countries. The research analyzes key economic indicators to evaluate the dynamics of bilateral trade, identifying growth patterns, structural changes, and sectoral contributions. Additionally, the study investigates the role of regional initiatives, such as "Open Balkan," in facilitating trade flows and reducing barriers to economic cooperation.

By exploring the mutual benefits and strategic challenges faced by both countries, this report offers a comprehensive understanding of the factors influencing their trade relations. Furthermore, it situates the trade exchanges between Kosovo and Albania within the broader context of regional trade in the Western Balkans, shedding light on how their economic interactions compare with those of neighboring countries like Serbia, North Macedonia, and Bosnia and Herzegovina.

Through an evaluation of infrastructural and bureaucratic constraints, coupled with an analysis of trade diversification efforts, the study identifies key obstacles to further economic integration. It concludes by presenting evidence-based recommendations aimed at strengthening bilateral trade relations, enhancing competitiveness, and leveraging regional economic opportunities for sustainable growth. This analysis contributes to the ongoing discourse on regional economic integration and its potential to drive development in the Western Balkans.

## **DATA ANALYSIS KOSOVO-ALBANIA TRADE EXCHANGES (2018–2023)**

The data reveals a consistent increase in trade volume between the two

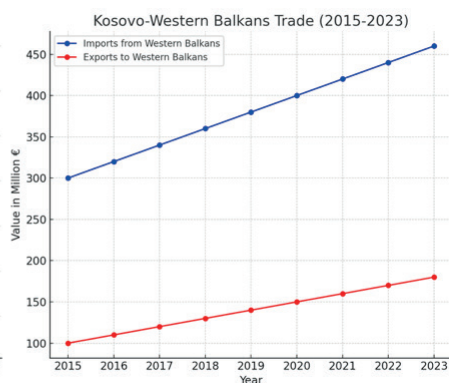
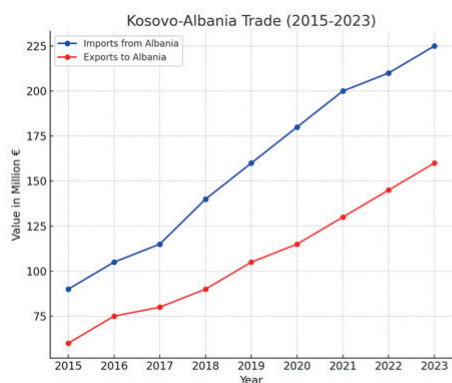
countries, reflecting the impact of improved infrastructure and collaborative trade policies.

Year	Imports from Albania (million €)	Exports to Albania (million €)	Total (€ million)	Key Traded Goods
2018	255	87	342	Food, agricultural products, textiles
2019	268	94	362	Energy, auxiliary materials, chemicals
2020	280	102	382	Auxiliary materials, industrial goods
2021	300	106	406	Automobiles, food products, plastics
2022	326	113	439	Metallurgy, textiles, agricultural goods
2023	326	113	439	Energy, food, textiles, machinery

This steady growth in trade is attributed to enhanced cooperation facilitated by the “Rruga e Kombit” highway and regional trade initiatives.

The above charts show the imports and exports between Kosovo and Albania, compared to Kosovo’s trade with other countries in the Western Balkans.

- The left chart illustrates trade exchanges between Kosovo and Albania from 2015 to 2023, showing a continuous increase in both imports and exports. This growth can be attributed to factors such as the Highway of the Nation (Rruga e Kombit) and shared trade policies.
- The right chart presents Kosovo’s trade with other countries in the Western Balkans (such as Serbia, North Macedonia, and Montenegro). These trade exchanges are at higher levels for imports, reflecting Kosovo’s reliance on these regional markets for specific products.



## Goods Traded and Contribution Percentages

- Albania's Contribution to Kosovo's Imports: 2.1%, primarily food, agricultural products, and energy.
- Kosovo's Contribution to Albania's Exports: 3.7%, mainly industrial and food products.



These data and charts reflect the positive impact of trade facilitation and infrastructure investments on exchanges between Kosovo and Albania.

## ADVANTAGES AND CHALLENGES IN TRADE RELATIONS

### ADVANTAGES

1. **Geographical Proximity:** The close physical location of Kosovo and Albania allows for faster and more cost-effective transportation of goods. This proximity is a significant advantage, as it reduces transit times and lowers transportation costs, which is crucial for the competitiveness of both countries in regional and international markets.
2. **Regional Collaboration:** Programs such as the “Open Balkan” initiative have been instrumental in reducing trade barriers and enhancing the free movement of goods between countries in the region. This collaboration fosters a more integrated market, enabling businesses to access a larger consumer base and improve trade flows.
3. **Product Diversification:** The exchange of a wide variety of goods, ranging from agricultural products to industrial items, helps strengthen economic relations between the two nations. This diversification

allows each country to access products they may lack domestically, boosting overall trade volume and providing opportunities for further economic growth.

### Challenges

1. **Infrastructure Limitations:** While there have been improvements in infrastructure, there is still a significant need for further investment in transportation and logistics. Inefficient road networks, outdated border crossing points, and limited access to modern logistical services can hamper trade efficiency and increase costs for businesses.
2. **Bureaucratic Barriers:** Despite ongoing efforts to streamline trade procedures, cumbersome customs processes and administrative obstacles continue to create challenges. These bureaucratic barriers can delay shipments, increase costs, and discourage businesses from engaging in cross-border trade.
3. **Reliance on Basic Goods:** The current trade between Kosovo and Albania is heavily focused on basic products, such as agricultural commodities. This reliance on simple goods limits opportunities for diversification and innovation, making the economies vulnerable to fluctuations in global commodity prices and hindering the development of higher-value industries. To overcome this, both countries need to invest in innovation, skill development, and diversification of traded products.

### COMPARISON WITH OTHER WESTERN BALKAN COUNTRIES

Kosovo and Albania's trade volumes, while steadily growing, remain smaller compared to other countries in the Western Balkans, such as Serbia and North Macedonia. This can be attributed to several factors, primarily the differing levels of integration into the European Union (EU) and the state of their infrastructure.

1. **EU Integration:** Serbia and North Macedonia have made more significant strides toward EU integration, which has opened up more opportunities for trade with EU member states. These countries have benefited from various EU trade agreements, such as the Stabilization and Association Agreements (SAAs), which facilitate smoother access to European markets and allow for preferential trade terms (European Commission, 2023). Kosovo, on the other hand, while having signed a Stabilization and Association Agreement with the EU, is still in the early stages of fully

aligning its trade policies and regulations with EU standards. This slower pace of integration limits Kosovo's access to larger markets and affects the overall volume of trade (European Commission, 2023).

2. **Infrastructure Development:** Serbia and North Macedonia have more advanced infrastructure, particularly in terms of transportation and logistics. Serbia, in particular, has modernized its road and rail networks, as well as its border crossing points, which allow for more efficient movement of goods across borders (World Bank, 2022). North Macedonia benefits from its strategic position as a key transit country for goods moving between Greece, Bulgaria, and other parts of Europe. Both countries have also made significant investments in their logistics sectors, which further boosts their trade volumes (European Bank for Reconstruction and Development, 2022). In contrast, Kosovo and Albania still face challenges related to infrastructure. Despite improvements, there are still limitations in terms of road networks, border facilities, and logistical services, which result in higher costs and delays in cross-border trade (World Bank, 2021).
3. **Economic Structure:** Serbia and North Macedonia have a more diversified economy, with strong manufacturing sectors and more advanced industrial bases, which contribute to higher export volumes (International Monetary Fund [IMF], 2023). Kosovo and Albania, while growing in industrial capacity, still rely heavily on agriculture and raw materials for their exports, limiting the value and scale of their trade (UNCTAD, 2022). The lack of diversification in their export sectors makes it harder for Kosovo and Albania to compete in a globalized market where the demand for higher-value goods, such as technology and specialized industrial products, is increasing (UNCTAD, 2022).

In summary, while Kosovo and Albania have made progress in improving trade relations within the region, they still lag behind countries like Serbia and North Macedonia in terms of trade volume. This is primarily due to differences in EU integration, infrastructure development, and the diversification of their economies. However, with continued investment in infrastructure, stronger regional cooperation, and increased focus on industrial diversification, Kosovo and Albania have the potential to further boost their trade and economic growth in the coming years.

Kosovo and Albania’s trade volumes are smaller compared to countries like Serbia and North Macedonia, which have deeper EU integration and more advanced infrastructure.

Country	Exports (€ million)	Imports (€ million)	Total (€ million)
Serbia	1,800	3,200	5,000
N o r t h Macedonia	900	1,500	2,400
Albania	1,000	1,200	2,200
Bosnia & Herzegovina	1,500	1,600	3,100

## RECOMMENDATIONS:

1. **Streamline Customs Procedures:** To enhance trade efficiency, Kosovo and Albania should focus on simplifying and harmonizing customs procedures through bilateral agreements. This approach has been recommended by several studies, as reducing customs barriers and bureaucratic delays can significantly improve trade fluidity (Kovacs & Tóth, 2019). Comparative analyses, such as those by the World Bank (2022), have demonstrated that countries that streamline customs processes tend to see an increase in cross-border trade volume and a reduction in transaction costs.
2. **Diversify Exports:** Kosovo and Albania should seek to diversify their exports by focusing on technology, value-added services, and higher-end agricultural products. This recommendation aligns with the views of the Organisation for Economic Co-operation and Development (OECD) (2020), which emphasizes that export diversification contributes to economic resilience. Studies comparing the export patterns of more developed economies in the region, like Serbia and North Macedonia, reveal that these countries’ broader export baskets help mitigate risks associated with over-reliance on raw materials and low-value exports (Pugh & Mertens, 2021).
3. **Enhance Regional Relations:** Strengthening bilateral ties with Serbia, North Macedonia, and other neighboring countries will help create a more integrated Western Balkans market. The European Commission (2023) has repeatedly highlighted the importance of regional cooperation in its

reports on EU enlargement, stressing that fostering stronger economic and political ties among neighboring countries is key to achieving greater regional stability and preparing for EU accession. A comparative approach from other regions, such as the economic integration seen in the European Union, has demonstrated that economic cooperation enhances market access, attracts investment, and facilitates smoother trade flows (Bache, George, & Bulmer, 2019).

4. **Encourage Joint Investments:** Encouraging collaboration in strategic sectors, including infrastructure, energy, and construction, will spur economic growth. Research conducted by the World Bank (2021) and the European Bank for Reconstruction and Development (2022) suggests that joint investments in these sectors not only improve regional infrastructure but also create a shared pool of resources and knowledge, which benefits all participating countries. Comparative studies show that cross-border public-private partnerships in similar economies have led to infrastructure improvements and have attracted substantial foreign investment (Tucker & Gattrell, 2018).
5. **Improve Infrastructure:** Significant investment in infrastructure, particularly transportation networks such as roads and railways, is essential for improving the movement of goods and reducing logistical costs. Both the World Bank (2022) and the European Bank for Reconstruction and Development (2022) emphasize that modernizing infrastructure is a critical factor in enhancing trade efficiency. Comparing the success of infrastructure investments in more developed economies, such as those in the EU and the Balkans, shows that improved infrastructure directly correlates with an increase in trade volume and economic performance (European Commission, 2023).

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## CONCLUSION

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Trade exchanges between Kosovo and Albania have made notable strides over the past five years, with a consistent increase in trade volumes and a broader range of exchanged goods. These improvements are largely attributed to strengthened regional collaboration, infrastructural developments, and the implementation of more open trade policies. However, despite these positive trends, several challenges persist, including infrastructural deficiencies, bureaucratic obstacles, and a continued reliance on basic commodities. These

factors hinder the full potential of trade and economic integration between the two nations.

When compared to other Western Balkan countries, particularly Serbia and North Macedonia, Kosovo and Albania's trade volumes remain modest. These countries, with their more advanced infrastructure and deeper EU integration, have enjoyed more robust trade growth. Nevertheless, Kosovo and Albania's trade relations exhibit significant potential for expansion. By addressing existing infrastructural gaps, streamlining customs procedures, and diversifying their export base, both nations can unlock the full scope of opportunities available in the regional and global markets.

In order to fully capitalize on this potential, it is crucial for Kosovo and Albania to continue fostering economic integration through enhanced regional cooperation and the adoption of more inclusive trade policies. By doing so, they can contribute not only to the advancement of their own economies but also to the broader economic development of the Western Balkans region. Strategic investments in infrastructure, targeted trade facilitation measures, and export diversification will play a pivotal role in achieving this.

## **LIMITATIONS OF THE STUDY**

While this analysis provides valuable insights into the trade dynamics between Kosovo and Albania, several limitations must be acknowledged. First, the study's scope is constrained by the availability of data, particularly regarding real-time trade figures and detailed economic impact assessments. Second, while the focus on Kosovo and Albania offers a specific regional perspective, a broader comparative analysis with additional countries in the Western Balkans would provide a more comprehensive understanding of trade patterns and challenges. Finally, the study primarily examines trade data and economic policies, which may not fully capture the social and political factors that also influence trade relations in the region. Further research could explore these dimensions to provide a more holistic view of the trade environment in the Western Balkan.

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# THE ROLE OF FAKE NEWS IN SHAPING CONTEMPORARY NATIONALISM

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## ABSTRACT

This paper explores the complex relationship between fake news and nationalism in the digital age, analyzing how fabricated and misleading information amplifies nationalist ideologies and exacerbates societal divisions. The rise of the internet, particularly social media platforms, has transformed the dissemination and consumption of information, allowing fake news to spread rapidly and reach vast audiences. Nationalism, as a political and cultural ideology, thrives on narratives that emphasize unity, pride, and loyalty while distinguishing between in-groups and out-groups. Fake news reinforces these dynamics by promoting historical myths, stoking fear of external and internal threats, and legitimizing exclusionary and xenophobic policies. Through mechanisms such as algorithmic amplification, echo chambers, and historical revisionism, fake news not only deepens polarization but also erodes trust in institutions and incites violence against marginalized groups. By examining real-world examples from Europe, the United States, Myanmar, and India, this paper highlights the far-reaching consequences of the intersection of fake news and nationalism, offering insights into its implications for democracy, social cohesion, and global stability.

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**KEYWORDS:** Fake news, Nationalism, Social media, Polarization, Misinformation, Historical revisionism, Exclusionary rhetoric, Media literacy, Digital platforms, Democracy, Trust erosion, Marginalized groups, Globalization.

**JEL Code : A30**

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## DEFINING NATIONALISM

Nationalism is a political and cultural ideology that emphasizes loyalty and devotion to a nation-state. It often involves the belief that the nation possesses unique qualities, historical significance, or a special destiny that distinguishes it from others. While nationalism can foster unity and cultural pride, it also has the potential to marginalize those considered “the other,” creating divisions and exclusionary practices to solidify national identity.

Nationalism emerged as a modern phenomenon, closely tied to the development of industrialization and the consolidation of state structures. The transition to industrial economies required standardized systems of communication, education, and governance, fostering the need for a cohesive cultural and national identity (Gellner, 1983). As societies moved away from localized and fragmented identities, nationalism provided a framework for unifying populations under shared symbols, traditions, and languages. These processes were often bolstered by the deliberate construction of national myths and traditions, which created a sense of historical continuity and cultural cohesion (Hobsbawm, 1990). This notion aligns with Kedourie’s (1960) argument that nationalism is an ideology born out of Enlightenment ideas about self-determination and human progress, though Kedourie critiques its destabilizing effects on societies.

The rise of print capitalism played a significant role in fostering national consciousness. The proliferation of print media, particularly newspapers, enabled the dissemination of vernacular languages and the creation of shared narratives among diverse populations. This process allowed individuals to imagine themselves as part of a larger community, despite never meeting most of their fellow citizens (Anderson, 1991). This sense of belonging to an imagined national community was a powerful force for uniting populations, but it also necessitated the demarcation of boundaries between those who belonged to the nation and those who did not. Breuilly (1982) emphasizes that nationalism often serves as a tool for political elites to consolidate power, using these narratives of community and distinction to legitimize their authority.

The everyday reinforcement of national identity through mundane practices further strengthened the sense of national loyalty. Flags, currency, anthems, and even seemingly minor details, such as the language used in weather reports, served to normalize and perpetuate nationalism in daily life (Billig,

1995). These banal expressions of nationalism maintained the visibility of the nation as a central aspect of individual and collective identity. However, they also subtly emphasized the distinctiveness of the nation, contributing to an “us versus them” mentality that could marginalize those who fell outside the constructed national boundaries. Chatterjee (1993) critiques this from a postcolonial perspective, arguing that such banal nationalism often replicates exclusionary practices even in newly independent nations, where dominant cultural identities are prioritized at the expense of internal diversity.

Nationalism often relies on the process of defining an “other” to create and reinforce a collective identity. This exclusionary aspect of nationalism is particularly evident in the marginalization of minority groups, immigrants, or those perceived as threats to the cultural or political unity of the nation. For example, in the 20th century, nationalist ideologies in Europe often cast ethnic minorities as scapegoats for economic or social challenges, leading to policies of exclusion and, in some cases, outright violence. The extreme nationalism of Nazi Germany, which framed Jews, Roma, and other groups as existential threats to the German nation, exemplifies how exclusionary narratives can escalate into systemic oppression and genocide (Connor, 1978).

In contemporary contexts, nationalism frequently manifests in the rhetoric of far-right movements and populist leaders. Immigration, cultural diversity, and globalization are often framed as challenges to national identity, leading to calls for policies that restrict immigration, protect national culture, or reclaim sovereignty from supranational organizations. For instance, nationalist movements in Europe have framed refugees and immigrants as threats to cultural cohesion and economic stability, fueling support for restrictive policies and anti-immigrant sentiments. The Brexit campaign, which emphasized the need to “take back control” from the European Union, relied heavily on nationalist rhetoric that framed sovereignty as inseparable from cultural and political autonomy (Clarke, Goodwin, & Whiteley, 2017).

Nationalism’s exclusionary tendencies can also extend to internal populations, particularly in postcolonial states. The process of nation-building in these contexts often involves privileging one cultural or linguistic identity over others, leading to tensions and conflicts. In India, for example, the project of constructing a unified national identity has often sidelined regional, linguistic, and religious diversity. Policies promoting Hindi as the national language or framing Hinduism as central to Indian identity have marginalized

non-Hindi-speaking populations and religious minorities, creating internal divisions within the nation. This reflects Gellner's (1983) observation that nationalism often prioritizes cultural homogenization to maintain cohesion, even at the expense of diversity.

Despite its exclusionary potential, nationalism has also played a unifying and empowering role in many historical contexts. In anti-colonial struggles, nationalism served as a powerful mobilizing force, enabling oppressed populations to resist imperial domination and assert their cultural and political sovereignty. The decolonization movements of the 20th century, from India to Algeria, were often driven by nationalist ideologies that emphasized the right to self-determination and the reclamation of cultural dignity. However, these movements also faced challenges in balancing the inclusive aspirations of liberation with the exclusivity of national identity, particularly in societies marked by deep ethnic, religious, or linguistic diversity (Chatterjee, 1993). Nationalism's emotional appeal lies at the heart of its resilience as an ideology. The sense of belonging and loyalty to the nation often transcends rational considerations, making nationalism a potent force in shaping political behavior and collective action. This emotional connection to the nation, often described as a "psychic bond," can inspire individuals to make significant sacrifices for the perceived good of the nation, from participating in wars to supporting policies that prioritize national interests over global concerns (Connor, 1978). However, Kedourie's (1960) critique of nationalism highlights the dangers of this emotional intensity, arguing that it can blind individuals to the negative consequences of nationalist ideologies, including conflict and oppression.

However, nationalism's emotional intensity also heightens its potential for divisiveness. The belief in the superiority or uniqueness of one's nation can lead to an exaggerated sense of vulnerability or fear of external threats, fostering hostility toward perceived outsiders. This dynamic is particularly evident in nationalist responses to globalization, which is often framed as a force eroding national identity and sovereignty. Economic inequality, cultural anxieties, and the rapid pace of global change have fueled nationalist backlashes in many regions, as seen in the rise of populist leaders and movements in the United States, Hungary, and India.

Nationalism's relationship with globalization is complex and often contradictory. While globalization fosters interdependence and cultural

exchange, it also provokes nationalist resistance, as individuals and communities seek to protect their distinct identities from perceived homogenization. This tension highlights the dual nature of nationalism as both a unifying and divisive force. It can foster solidarity and pride in shared cultural achievements, but it can also marginalize those who do not conform to the dominant national narrative, creating divisions and conflicts within and between societies.

#### Understanding Fake News: Definition and Purpose

Fake news is a term that has gained significant prominence in recent years, especially with the expansion of digital media and the internet. It refers to fabricated or misleading content that is intentionally designed to deceive audiences. Unlike satire or parody, which aim to entertain or critique societal issues through humor and exaggeration, fake news is explicitly crafted to manipulate public opinion, influence behavior, or deepen divisions within society (Allcott & Gentzkow, 2017).

A defining characteristic of fake news is its deliberate intent to mislead. Unlike misinformation, which can arise from errors or misunderstandings, fake news is created with full knowledge of its falsehood. This intentionality makes it particularly harmful, as it seeks to exploit the fears, biases, and emotional responses of its audience to achieve specific goals. For example, during the 2016 U.S. presidential election, numerous fake news stories targeted key demographic groups to sway their voting preferences, highlighting the calculated nature of this phenomenon (Vosoughi, Roy, & Aral, 2018).

Fake news often mimics the style and appearance of legitimate journalism to enhance its credibility. By adopting the visual and linguistic characteristics of trustworthy news sources, fake news articles, websites, or videos aim to deceive audiences into accepting falsehoods as fact. This veneer of legitimacy allows them to bypass initial skepticism and establish trust with their audience. For example, fabricated stories about political candidates or public policies often incorporate quotes, statistics, or images that appear authentic, further blurring the lines between factual reporting and deliberate deception (Tandoc, Lim, & Ling, 2018).

The digital age has amplified the prevalence of fake news. Social media platforms, in particular, have emerged as powerful tools for its dissemination. Platforms such as Facebook, Twitter, and Instagram enable fake news to spread rapidly, often reaching millions of users within hours. Algorithms

designed to prioritize engaging content inadvertently amplify fake news, as its sensational and emotionally charged nature tends to garner more clicks, shares, and comments than factual reporting. This phenomenon was evident during the COVID-19 pandemic, where fake news about the virus and vaccines proliferated online, influencing public health behaviors and policies (Cinelli et al., 2020).

The motivations behind creating and spreading fake news are varied. Politically, fake news is used to influence elections, shape public opinion on divisive issues, and undermine trust in democratic institutions. Economically, fake news creators often generate revenue through advertisements on high-traffic websites, incentivizing sensationalist content. Ideologically, fake news can be employed to propagate specific worldviews, often reinforcing nationalist, racist, or xenophobic narratives (Wardle & Derakhshan, 2017). For example, fake news stories targeting immigrants during Europe's refugee crisis were crafted to stoke fears of cultural erosion, fueling anti-immigrant sentiments and far-right political movements.

Fake news also thrives on its ability to manipulate human psychology. Research shows that individuals are more likely to believe and share information that aligns with their pre-existing beliefs or emotions, a phenomenon known as confirmation bias (Lazer et al., 2018). Fake news leverages this bias by presenting narratives that resonate emotionally, making individuals less likely to critically evaluate the information. During the 2017 French presidential election, fake news about Emmanuel Macron's alleged offshore bank accounts played on public distrust of political elites, despite being quickly debunked (Ferrara, 2017).

Another notable aspect of fake news is its role in deepening societal polarization. By framing issues in a divisive "us versus them" context, fake news fosters a climate of distrust and hostility. This polarization undermines social cohesion and democratic dialogue, creating an environment where extremist ideologies, including nationalism, thrive. For example, in India, fake news circulated on WhatsApp has been linked to mob violence against minority communities, often framed as protecting the majority culture or religion (Banaji et al., 2019).

In recent years, fake news has increasingly targeted vulnerable communities and exploited existing social tensions. In Myanmar, anti-Rohingya propaganda spread through Facebook included fabricated stories about

Muslim communities planning attacks on Buddhists, which fueled ethnic violence and justified military actions against the Rohingya people. This example illustrates how fake news can escalate conflicts and legitimize human rights abuses when left unchecked (Mozur, 2018).

Addressing the problem of fake news requires a comprehensive approach that includes media literacy, platform accountability, and robust fact-checking initiatives. Media literacy campaigns aim to equip individuals with the skills to critically evaluate information and recognize falsehoods. Fact-checking organizations play a crucial role in debunking fake news and providing audiences with accurate information. Social media platforms must also take greater responsibility by implementing measures to identify and reduce the spread of fake news, such as flagging suspicious content or modifying algorithms to prioritize credibility over engagement (Jones-Jang, Mortensen, & Liu, 2021).

In conclusion, fake news represents a significant challenge in the modern information ecosystem. Its deliberate intent to deceive, coupled with the reach and speed of digital platforms, makes it a powerful tool for political and ideological agendas. By understanding the mechanisms through which fake news operates and its broader societal implications, stakeholders can work collectively to mitigate its impact and safeguard public discourse.

## **INTERSECTION OF FAKE NEWS AND NATIONALISM**

Nationalism thrives on narratives that emphasize unity and collective identity, often defining and elevating the “in-group” (the nation) while distinguishing it from “out-groups” such as minorities, immigrants, or foreign powers. These narratives are integral to the construction and reinforcement of national identity, as they provide a framework through which members of the nation perceive themselves and others. Fake news plays a critical role in this process by providing fabricated or distorted content that bolsters nationalist narratives, fosters division, and amplifies ideological tensions.

One way in which fake news intersects with nationalism is by reinforcing myths about national history and identity. Nationalist ideologies often rely on glorified or idealized interpretations of the past, which are presented as evidence of the nation’s superiority, uniqueness, or destiny. These myths may include exaggerated accounts of historical achievements, the portrayal of the nation as a perennial victim of external aggression, or the erasure of uncomfortable truths. Fake news contributes to these myths by spreading

false or misleading information that aligns with nationalist goals. For example, in Poland, nationalist movements have disseminated fake news downplaying Polish complicity in the Holocaust while emphasizing narratives of Polish heroism and victimhood during World War II. Such stories not only distort historical realities but also serve to unify the nation by creating a sense of moral superiority and shared suffering (Grabowski, 2018).

Fake news also foments fear and hostility toward perceived external or internal threats, which are central to exclusionary nationalist rhetoric. Nationalism often frames outsiders, whether they are immigrants, minorities, or foreign powers, as threats to the cultural, economic, or political stability of the nation. Fake news amplifies these fears by fabricating stories about crimes committed by immigrants, conspiracies involving minority groups, or foreign interference in domestic affairs. During the European refugee crisis, fake news stories about refugees committing violent crimes circulated widely on social media, fueling anti-immigrant sentiment and bolstering far-right nationalist movements in countries like Hungary and Germany. These narratives exploit emotional vulnerabilities, framing outsiders as existential threats that justify restrictive policies and exclusionary ideologies (Wodak, 2015).

The role of fake news in amplifying divisive rhetoric through misinformation is particularly evident in the digital age, where social media platforms have become arenas for the rapid dissemination of nationalist content. Algorithms that prioritize engagement over accuracy ensure that emotionally charged and sensational content, including fake news, reaches a wide audience. This dynamic creates echo chambers in which nationalist narratives are repeated and reinforced, isolating users from opposing perspectives. During the Brexit campaign, for example, fake news stories about the European Union's supposed control over British laws and exaggerated claims about the financial benefits of leaving the EU contributed to a nationalist rhetoric of reclaiming sovereignty. These narratives, while often debunked, gained traction because they resonated with pre-existing nationalist sentiments and were amplified by digital platforms (Allcott & Gentzkow, 2017; Clarke, Goodwin, & Whiteley, 2017).

The intersection of fake news and nationalism also involves the weaponization of misinformation to delegitimize political opponents or alternative perspectives. Nationalist actors often frame dissenting voices as unpatriotic or aligned with external enemies, creating a binary narrative of loyalty versus betrayal. Fake news is used to discredit opponents by fabricating scandals, spreading conspiracy theories, or misrepresenting their positions. In India, for example, nationalist groups have used fake news to vilify political opponents as being sympathetic to Pakistan or as undermining India's sovereignty. This

tactic not only polarizes the political landscape but also suppresses dissent by framing it as a threat to the nation (Banaji et al., 2019).

Fake news also serves to normalize exclusionary policies by framing them as necessary responses to exaggerated or fabricated threats. In Myanmar, anti-Rohingya propaganda spread on Facebook included false stories about Rohingya Muslims planning attacks on Buddhist communities. These narratives legitimized the government's violent actions against the Rohingya, framing them as measures to protect national security and cultural identity. Such examples illustrate how fake news can escalate from rhetorical exclusion to tangible acts of discrimination and violence, as it provides a narrative framework that justifies nationalist agendas (Mozur, 2018).

The emotional resonance of fake news further enhances its impact on nationalist ideologies. Research suggests that individuals are more likely to believe and share information that aligns with their pre-existing beliefs and emotions, a phenomenon known as confirmation bias (Lazer et al., 2018). Nationalist rhetoric, which often appeals to pride, fear, or anger, creates fertile ground for the proliferation of fake news. Stories that highlight perceived threats to the nation's sovereignty, culture, or security are particularly effective in mobilizing support for nationalist movements, as they evoke strong emotional responses that overshadow rational evaluation (Gellner, 1983; Kedourie, 1960).

The interplay between fake news and nationalism highlights the dual nature of both phenomena. While nationalism can unite and empower populations, its exclusionary tendencies are exacerbated by fake news, which distorts realities and deepens divisions. The digital age has amplified these dynamics, as the speed and reach of online platforms make it easier for nationalist actors to weaponize fake news for political and ideological purposes. Addressing this intersection requires a nuanced understanding of how fake news influences nationalist narratives and a concerted effort to promote critical media literacy, regulate misinformation on digital platforms, and foster inclusive national identities that resist the polarizing effects of fake news.

## **MECHANISMS THROUGH WHICH FAKE NEWS FUELS NATIONALISM**

Fake news leverages emotionally charged language and imagery to provoke strong reactions, making it a powerful tool for amplifying nationalist ideologies. Nationalism, which often thrives on feelings of pride, fear, and anger, is particularly susceptible to manipulation through such tactics.

Emotional narratives are effective in creating an “us versus them” dynamic that reinforces nationalist beliefs. As mentioned above during the European refugee crisis, fake news stories about refugees committing violent crimes or threatening local cultures circulated widely on social media. These stories stoked fears of cultural invasion and strengthened far-right nationalist movements in countries like Germany and Hungary, where political parties used these narratives to justify exclusionary policies and anti-immigrant rhetoric (Wodak, 2015). Similarly, in India, fake news shared via platforms like WhatsApp claimed Muslim communities were plotting to undermine Hindu traditions, fueling communal tensions and bolstering Hindu nationalist agendas (Banaji et al., 2019).

Nationalist ideologies often present oversimplified explanations for societal challenges, offering scapegoats for economic, cultural, or political problems. Fake news amplifies this dynamic by fabricating or distorting evidence to support these claims. For example, in the United States, during the 2016 presidential campaign, false statistics about immigrants’ involvement in crime were widely shared. These fabricated figures supported nationalist rhetoric that framed immigration as a direct threat to public safety and economic stability, justifying calls for stricter immigration controls and border security measures (Vosoughi, Roy, & Aral, 2018). Similar patterns can be seen in Europe, where fake news stories claim that immigrants overburden welfare systems or refuse to integrate culturally, reinforcing exclusionary nationalist policies. These narratives not only oversimplify complex migration and economic issues but also marginalize immigrant communities, deepening societal divides (Hobsbawm, 1990; Gellner, 1983).

A significant mechanism through which fake news fuels nationalism is historical revisionism—the deliberate distortion or manipulation of historical facts to align with nationalist agendas. Nationalist movements often rely on constructed narratives of history to foster a sense of unity, moral superiority, and cultural distinctiveness. Fake news plays a critical role in this process by spreading false or exaggerated accounts that serve these goals. In Poland, for example, nationalist groups have promoted narratives that portray the country solely as a victim during World War II, while downplaying instances of collaboration with Nazi Germany. These narratives, often spread through social media and nationalist publications, aim to cultivate a sense of collective innocence and victimhood, reinforcing a unified national identity (Grabowski,

2018). Similarly, in Hungary, nationalist actors have sought to rewrite history by glorifying the Horthy regime, which collaborated with Nazi Germany, portraying it as a protector of national interests rather than acknowledging its role in the persecution of Hungarian Jews. These revisions serve to bolster nationalist pride and obscure uncomfortable truths (Wodak, 2015).

In Serbia, narratives that glorify Serbian leaders during the Yugoslav Wars while denying or minimizing atrocities committed by Serbian forces have been widely disseminated. These narratives perpetuate cycles of conflict by deepening ethnic divisions and preventing reconciliation (Breuille, 1982; Connor, 1978). Likewise, in Russia, state-sponsored media and online platforms frequently propagate revisionist histories of the Soviet Union's role in World War II, presenting it as solely a liberating force while ignoring its complicity in events like the Molotov-Ribbentrop Pact and the oppression of Eastern European nations. This historical manipulation is used to justify modern nationalist rhetoric and policies (Hobsbawm, 1990).

In the United States, revisionist narratives surrounding the Civil War and the Confederacy have also gained traction through fake news and social media campaigns. These narratives often romanticize the Confederacy and downplay its central role in defending slavery, presenting it instead as a noble struggle for states' rights. Such distortions serve to reinforce nationalist pride among certain groups and deepen racial divisions within the country (Ferrara, 2017).

In Japan, nationalist politicians and media have pushed narratives that minimize or deny the atrocities committed by Japanese forces during World War II, including the Nanjing Massacre and the use of "comfort women" in occupied territories. These efforts are aimed at cultivating a sense of historical pride and victimhood, often framing criticism of Japan's wartime actions as attacks on the nation's sovereignty and dignity (Gellner, 1983). The rise of digital platforms has further enabled the spread of fake news that fuels nationalism. Social media algorithms prioritize sensational content that garners high engagement, creating an environment where emotionally charged and polarizing fake news can spread rapidly. For example, during the Brexit referendum, fake news stories claiming that the United Kingdom sent excessive amounts of money to the European Union and received little in return were widely shared. These stories amplified nationalist calls to "take back control" and framed the EU as an external threat to British

sovereignty, even when the claims were debunked (Allcott & Gentzkow, 2017; Clarke, Goodwin, & Whiteley, 2017). The algorithmic amplification of such narratives not only influences individual perceptions but also shapes collective decision-making by framing issues through a nationalist lens.

Fake news contributes to the normalization of exclusionary rhetoric by repeatedly framing minority groups or perceived outsiders as threats to the nation. This process desensitizes the public to discriminatory language and policies, making them appear legitimate or necessary. In Myanmar, for example, fake news circulated on Facebook claimed that the Rohingya Muslim community was plotting against the Buddhist majority. These narratives provided justification for the military's violent campaigns against the Rohingya, framing them as actions necessary to protect national identity and security. The normalization of such rhetoric through fake news not only undermines human rights but also entrenches exclusionary nationalist ideologies (Mozur, 2018; Chatterjee, 1993).

The mechanisms through which fake news fuels nationalism illustrate the interplay between misinformation and ideological narratives. By exploiting emotional responses, simplifying complex issues, revising historical narratives, and amplifying exclusionary rhetoric, fake news serves as a powerful tool for reinforcing and spreading nationalist ideologies. The role of digital platforms in facilitating these dynamics highlights the urgent need for critical media literacy and regulation to address the impact of fake news on nationalism. Understanding these mechanisms is crucial for mitigating their effects and fostering more inclusive and fact-based public discourse.

## **THE ROLE OF THE INTERNET IN AMPLIFYING FAKE NEWS AND NATIONALISM**

The internet, particularly social media platforms, has revolutionized how information is shared, consumed, and interpreted. It has become the primary arena for the dissemination of fake news, offering unprecedented reach and speed that allow misinformation to flourish. This dynamic has profound implications for the relationship between fake news and nationalism, as the internet amplifies divisive narratives and fosters environments in which nationalist ideologies can thrive.

Social media algorithms are designed to prioritize content that generates engagement—measured by likes, shares, comments, and clicks—without assessing its accuracy. Fake news, often sensational and emotionally charged,

is more likely to go viral than factual reporting because of its ability to evoke strong reactions. This creates a feedback loop in which nationalist narratives, which are inherently emotive and polarizing, dominate online discourse. The amplification of such content normalizes exclusionary and divisive rhetoric, further entrenching nationalist ideologies. During the 2017 French presidential election, for example, bots and fake accounts disseminated false stories about Emmanuel Macron, including fabricated claims about offshore bank accounts. These efforts aimed to undermine Macron's credibility while bolstering Marine Le Pen's far-right nationalist platform, showing how algorithmic prioritization of provocative content can influence political outcomes (Ferrara, 2017).

The internet's architecture often creates "filter bubbles" or echo chambers, where users are exposed only to information that aligns with their existing beliefs. Social media platforms use algorithms to personalize content based on user preferences, reinforcing ideological divides and shielding users from opposing perspectives. In such environments, nationalist ideologies can flourish unchecked, as users are repeatedly exposed to content that validates their views. This insular dynamic is particularly evident among supporters of far-right movements like QAnon in the United States, where conspiracy theories infused with nationalist rhetoric spread unchecked within tightly knit online communities. The lack of exposure to alternative viewpoints exacerbates polarization and strengthens the appeal of nationalist ideologies, often framing them as the only legitimate representation of truth (Zuckerman, 2019; Billig, 1995).

The internet has diminished the role of traditional gatekeepers, such as journalists, editors, and academic institutions, who historically ensured the credibility of information. This "disintermediation" has allowed nationalist movements to bypass conventional checks and balances, directly disseminating alternative narratives to their audiences. These narratives are often constructed to challenge established facts or promote exclusionary ideologies.

The anonymity afforded by the internet facilitates the spread of fake news and nationalist rhetoric without fear of repercussions. Individuals and groups can create and share misinformation while remaining untraceable, allowing hate speech and divisive narratives to flourish. This anonymity has been exploited by nationalist actors, including state institutions, to promote propaganda

and incite violence. In Myanmar, for example, fake accounts linked to the military spread anti-Rohingya propaganda on Facebook. False claims about the Rohingya community planning attacks on Buddhists were widely shared, contributing to ethnic violence and the displacement of thousands. The anonymity of these accounts made it challenging to hold perpetrators accountable, illustrating how the internet can enable the unchecked dissemination of nationalist ideologies (Mozur, 2018; Chatterjee, 1993).

The internet's capacity for instantaneous communication has also played a significant role in amplifying fake news that supports nationalist agendas. Sensational and provocative content spreads rapidly, often outpacing efforts to fact-check or counter misinformation. This speed gives nationalist narratives an advantage, as they can shape public opinion before corrective information becomes available. During the Brexit referendum, for instance, fake news claiming that the United Kingdom contributed £350 million weekly to the European Union circulated widely. Although this claim was debunked, its rapid spread influenced public perception and bolstered nationalist calls to "take back control," highlighting how virality can amplify nationalist rhetoric (Clarke, Goodwin, & Whiteley, 2017; Allcott & Gentzkow, 2017).

The internet's global accessibility has allowed nationalist movements to transcend national borders, creating transnational networks that share strategies and narratives. Far-right nationalist groups in Europe and North America frequently collaborate online, spreading similar fake news stories about immigration, multiculturalism, and sovereignty. This global interconnectedness has strengthened nationalist ideologies, as movements borrow and adapt narratives that resonate across cultural and political contexts. The rise of coordinated campaigns to promote anti-immigrant rhetoric in the United States, Hungary, and Italy demonstrates how the internet facilitates the spread of shared nationalist narratives (Gellner, 1983; Wodak, 2015).

## **CONSEQUENCES OF FAKE NEWS AND NATIONALISM**

Fake news intensifies societal polarization by reinforcing an "us versus them" dynamic, which is central to nationalist ideologies. This polarization occurs as misinformation amplifies existing divisions, creating an environment where individuals are more likely to view those outside their national, ethnic, or ideological group as adversaries. The emotional and often sensational content of fake news heightens this divide, fostering hostility and alienation between groups. In the United States, the spread of fake news during the 2016 presidential election polarized voters, with false narratives

about immigration and economic decline targeting specific demographics and deepening partisan divides (Allcott & Gentzkow, 2017). Similarly, in Hungary, fake news about refugees and migrants has been used to frame them as threats to national security and culture, consolidating support for exclusionary nationalist policies (Wodak, 2015). This polarization weakens social cohesion, undermines democratic dialogue, and creates fertile ground for extremist ideologies to take root.

The pervasive spread of fake news undermines trust in key societal institutions, including the media, government, and judiciary. This erosion of trust is particularly advantageous to nationalist movements, which often portray these institutions as corrupt, biased, or aligned with foreign interests. Nationalist propaganda thrives in such an environment, as fake news fosters skepticism toward credible sources of information while amplifying alternative, often fabricated, narratives. For example, in Brazil, fake news campaigns during the 2018 presidential election targeted trust in the media by spreading conspiracy theories about journalistic bias and alleged collusion with leftist political groups. These narratives reinforced nationalist rhetoric that cast the media as an “enemy of the people,” a common tactic in nationalist discourse worldwide (Ferrara, 2017). When trust in traditional institutions is eroded, audiences are more likely to turn to nationalist leaders and movements, who present themselves as the sole defenders of national interests (Hobsbawm, 1990).

One of the most alarming consequences of the intersection of fake news and nationalism is its potential to incite violence and discrimination against marginalized groups. Misinformation often dehumanizes these groups, framing them as existential threats to national identity, security, or cultural purity. In Myanmar, fake news propagated on Facebook depicted the Rohingya Muslim community as violent insurgents, fueling ethnic tensions and justifying military-led atrocities against them. This campaign of misinformation played a critical role in what the United Nations described as a textbook example of ethnic cleansing (Mozur, 2018). Similarly, in India, fake news shared via WhatsApp about alleged “love jihad” conspiracies—claims that Muslim men were luring Hindu women into marriage to convert them—has led to mob violence and reinforced Hindu nationalist narratives (Banaji et al., 2019). In Ethiopia, misinformation about ethnic groups’ alleged conspiracies against the central government has exacerbated the conflict in the Tigray region, leading to violence, displacement, and humanitarian crises (Gebrekidan, 2021). These examples highlight how fake news can transform

exclusionary nationalist rhetoric into real-world acts of violence and systemic discrimination.

The spread of fake news tied to nationalist narratives also normalizes authoritarian measures, as governments exploit misinformation to justify crackdowns on dissent, restrict media freedoms, and impose surveillance. Nationalist leaders often claim that such actions are necessary to protect national unity or combat threats to sovereignty. In Russia, for instance, the state has used nationalist rhetoric to suppress opposition and curtail internet freedoms under the guise of combating “foreign influence” and fake news. This use of misinformation to legitimize authoritarian policies not only consolidates power but also stifles democratic norms and human rights (Breuille, 1982; Kedourie, 1960).

The consequences of fake news and nationalism are not confined to individual nations; they have global implications as well. The rise of nationalist movements fueled by fake news disrupts international cooperation on issues such as climate change, migration, and trade. Nationalist leaders often frame international agreements as threats to sovereignty, using misinformation to erode public support for multilateral efforts. For example, fake news about the costs and implications of climate agreements has been used to justify withdrawal from global initiatives, reinforcing nationalist calls for isolationism and protectionism (Gellner, 1983; Wodak, 2015).

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## **CONCLUSION**

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The intersection of fake news and nationalism presents a significant challenge in the contemporary information landscape. Fake news leverages the emotional and ideological underpinnings of nationalism to deepen societal divisions, foster distrust, and promote exclusionary narratives. By exploiting digital platforms and bypassing traditional gatekeepers, fake news amplifies nationalist rhetoric, creating echo chambers where misinformation thrives. The consequences are profound, ranging from the erosion of trust in institutions to the normalization of violence and discrimination against marginalized communities.

The rise of nationalism fueled by fake news has destabilized democratic institutions, intensified polarization, and weakened international cooperation on critical issues. Examples from the United States, Europe, and Myanmar underscore the destructive potential of this interplay, as fabricated narratives are weaponized to justify policies that marginalize and exclude. The global

reach of fake news, facilitated by the internet, has further enabled the spread of nationalist ideologies across borders, creating transnational networks of misinformation.

Addressing these challenges requires a multi-faceted approach. Policymakers must regulate digital platforms to curb the spread of misinformation, while educators and media organizations must prioritize media literacy to empower individuals to critically evaluate the information they consume. Efforts to promote inclusive national narratives that resist the divisive effects of fake news are also essential in fostering social cohesion and protecting democratic values. By understanding the mechanisms and consequences of the relationship between fake news and nationalism, societies can work toward mitigating its impact and building a more informed and inclusive global community.

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# FOREIGN POLICY, DIPLOMACY, AND INTERNATIONAL RELATIONS ALBANIA: FOREIGN POLICY GOALS AND PRIORITIES

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## ABSTRACT

Diplomacy, foreign policy and international relations are essential for navigating an increasingly complex and interdependent world. Whether managing crises, forging alliances, or addressing transnational challenges, these tools reflect the commitment of states and global actors to promote peace, stability, and progress. By integrating theoretical insights with practical applications, nations can enhance their ability to respond effectively to the evolving dynamics of global politics.

As a small state with limited resources, Albania must navigate a range of challenges while pursuing its goals. Central to its foreign policy is the aim for full European Union (EU) integration, a stable alliance with the United States, support for Kosovo's sovereignty, and a commitment to regional stability in the Western Balkans. The analysis also explores how Albania's foreign policy is guided by diplomatic efforts to enhance its security, economic development, and international standing. Through the lens of diplomacy, Albania's engagement with key global actors such as the EU, the U.S., NATO, and neighboring countries forms the core of its international strategy. The analysis draws on theoretical frameworks such as Realism, Liberalism, and Constructivism to understand how Albania balances national interests and regional aspirations.

This examination reveals the dynamic relationship between foreign policy, diplomacy, and international relations in shaping Albania's role in a globalized world.

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**KEY WORDS:** International relations; National interests; Albania, Euro-Atlantic Integration; Kosovo.

**JEL Code:** P0; P4

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## INTRODUCTION

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In the field of international relations, foreign policy and diplomacy stand as indispensable components for structuring and maintaining interactions among states. These concepts serve as the guiding framework for how nations engage with one another, influencing cooperation, conflict resolution, and the pursuit of shared goals.

A nuanced understanding of foreign policy and diplomacy is crucial for ensuring sustainable and constructive relations in a globalized world. While often used interchangeably, these terms carry distinct meanings and functions. Foreign policy refers to the strategic objectives and actions of a state in the international arena, while diplomacy is the practical tool through which these objectives are negotiated and realized.

No state can afford to remain passive or isolated in the contemporary international system. Active participation in global cooperation is essential for states to secure their position as credible and influential actors. In this interconnected world, collaboration between nations becomes imperative for achieving stability, survival, and development. The challenges and opportunities presented by globalization demand adaptive and cooperative approaches across political, economic, and social domains.

Fig. 1. The triangle: Foreign Policy, Diplomacy and International Relations:



Sources: Author (2025)

The interrelationship between foreign policy, diplomacy, and international relations forms a cohesive framework for understanding global affairs:

**1. International Relations:**

Provides the overarching global context in which interactions occur. It defines the environment for foreign policy and diplomacy.

**2. Foreign Policy:**

Represents the strategic approach states take to manage their international relations. It identifies national goals and priorities, guiding decisions in the global arena.

**3. Diplomacy:**

Acts as the tactical instrument of foreign policy, translating national strategies into actionable outcomes through negotiation, dialogue, and cooperation.

## **THE SIGNIFICANCE OF DISCUSSING FOREIGN POLICY**

Foreign policy constitutes the strategy and actions a state employs to interact with other nations and international organizations. Its primary objectives include securing support, safeguarding national interests, and promoting overarching goals such as peace, security, economic growth, and integration into global systems. Key Reasons for Understanding Foreign Policy:

**1. Maintaining International Stability and Security** (ec.europa)

Foreign policy plays a pivotal role in preventing conflicts and fostering mechanisms for international collaboration. By addressing global challenges through multilateral approaches, states contribute to a more stable and secure world.

**2. Facilitating International Cooperation and Integration** (Moravcsik, 1994).

Membership in global organizations like the United Nations (UN), NATO and the European Union (EU) requires robust foreign policy strategies. These strategies ensure effective participation in collective decision-making processes and enhance international credibility.

**3. Protecting National Interests and Rights** (Hartmann, 1978, p. 75-87)

A sound foreign policy enables states to defend their sovereignty, protect borders, and secure natural resources. It also reinforces a state's reputation and stability on the global stage.

**4. Expression of Sovereignty in the International Arena** (Lake, David A. 2003).

Through foreign policy, a state exercises its sovereign right to make decisions aligned with national interests. While integration into international organizations may require states to share aspects of sovereignty, this does not diminish their authority. Instead, it enhances their influence by participating in multilateral decision-making frameworks.

## **SOVEREIGNTY AND MULTILATERALISM (Cohen 2012 p.26-29)**

Membership in organizations like the UN, NATO, or the EU involves a balance between sovereignty and collective action. This process allows states to strengthen their global influence while contributing to shared goals.

Multilateralism is often viewed through the lens of liberal institutionalism, which argues that international institutions can help manage relations between states, mitigate anarchy, and promote cooperation in areas such as trade, environmental protection, and conflict resolution. Theoretically, multilateralism enables states to increase their influence by participating in broader decision-making processes that transcend individual interests. In this context, sovereignty is not diluted but transformed into a more collaborative and interdependent form, where states act as both independent entities and members of larger international networks.

A country's foreign policy may focus on ensuring that its interests are represented in global trade negotiations or in the fight against climate change. By participating in multilateral agreements, (Chayes, A. & Chayes, A. H. 2009). The states not only safeguard their interests but also contribute to a global order that benefits all.

## **DEFINITION OF FOREIGN POLICY**

What is Foreign Policy? "America has no permanent friends or enemies, only interests" Henry Kissinger. Foreign policy can be defined as the strategic framework of goals, principles, and actions that guide a state's interactions with other actors in the international system. It reflects the interests, values, and priorities of the state and informs its decision-making processes in the global arena. Key Aspects of Foreign Policy

1. National Security (Davis T. Robert. 2010).
  - Protecting citizens from external threats.
  - Strengthening defense systems and alliances to deter aggression.
2. Economic Interests (Kehr, E. 1977).
  - Establishing trade agreements to foster growth.

- Securing access to critical resources.
  - Encouraging foreign investment to promote economic development.
3. Humanitarian Goals (Napoli, R. 2022).
    - Advocating for human rights.
    - Providing international aid and disaster relief.
  4. Building International Alliances
    - Negotiating treaties and agreements to solidify partnerships.
    - Engaging in collective security and mutual development initiatives

## **HISTORICAL AND CONTEMPORARY EXAMPLES OF FOREIGN POLICY**

### Historical Context

1. The Monroe Doctrine (1823) (Bryne, A. 2020).
  - Declared by the United States to limit European influence in the Americas, emphasizing sovereignty and regional autonomy.
2. Containment Policy during the Cold War (1947–1989)
  - Championed by George F. Kennan, this policy aimed to curb the spread of communism by forming alliances (e.g., NATO) and implementing economic initiatives like the Marshall Plan (Steil, B. (2021).

### Contemporary Applications

1. The U.S. “Pivot to Asia” Policy (Steil, B. 2021).
  - Initiated during the Obama administration, this strategy emphasizes strengthening ties with Asian nations to counterbalance China’s growing influence in the region.
2. China’s “Belt and Road Initiative” (2013) (Rudolf, M. (2021).
  - A global infrastructure development strategy designed to expand China’s economic and political influence through investments and partnerships in Asia, Africa, and Europe.

## **WHY IS IT IMPORTANT TO DISCUSS DIPLOMACY? DIPLOMACY: DEFINITION (PETRIČ, E. (2013) AND ROLE**

Diplomacy is one of the most critical tools of foreign policy, serving as a means for states to engage constructively in the international arena. It refers to the strategies, practices (Satow, E. & Lord Gore Booth (London 1988), and interactions that states employ to manage their relationships with other actors, ensuring the promotion of national interests, conflict resolution, and global stability.

In today’s interconnected and dynamic global environment, diplomacy

operates as a bridge that facilitates cooperation, dialogue, and mutual understanding among states, international organizations, and other actors. It extends beyond formal agreements and protocols, encompassing the ability to build trust, prevent crises, and foster integration.

## **DIPLOMACY IN CONTEMPORARY CONTEXT: A FEW WORDS ABOUT DIPLOMACY TODAY!**

“Diplomacy seems to be constrained in many ways today. Power politics, nationalism, and the resurgence of authoritarian regimes often challenge diplomatic efforts. The influence of non-state actors, corporate interests, and social media very often overshadow or complicate traditional diplomatic channels. Moreover, trust in multilateralism has weakened in some regions, leading to a rise in unilateral or bilateral approaches.

The rises of global crises, like the war in Ukraine, in Gaza and Lebanon, tensions between Iran and Israel, and in the South China Sea, are testing the strength of diplomacy. But diplomatic channels are essential in crisis management, facilitating humanitarian aid, brokering ceasefires, or leading peace talks. While diplomacy’s role may face challenges, its ability to adapt to new realities and bring about peaceful solutions makes it as vital as ever in addressing global issues.

Diplomatic efforts are now likely to focus on more immediate concerns like reducing the risk of nuclear escalation, ensuring the flow of humanitarian aid, and addressing energy and food crises exacerbated by the war.

A comprehensive peace agreement may seem distant, very distant, also because the United Nations itself is outside this dangerous global game, but diplomacy remains the only sustainable path to a long-term solution of the conflict.

As the war drags on, there is increasing pressure on global powers to pursue diplomatic solutions that can bring the war to an end without further destabilizing Europe, the Middle East and the global order.

When diplomacy fails, the generals step in; but every battle fought is a reminder that diplomacy, not force, is the true measure of success” (Cici, Pandi A)

## **IN THE MODERN WORLD, DIPLOMACY FACES SIGNIFICANT CHALLENGES (LEGUEY-FEILLEUX, JEAN-ROBERT. 2017):**

1. Geopolitical Tensions (Muraille, E., Naccache, P., & Pilot, J. (2022). The resurgence of power politics, nationalism, and authoritarian regimes

often undermines multilateral diplomatic efforts. Conflicts such as the war in Ukraine, tensions in Gaza and Lebanon, disputes in the South China Sea, and the Iranian-Israeli rivalry test the capacity of diplomacy to maintain peace and stability.

2. Influence of Non-State Actors (Muraille, E., Naccache, P., & Pilot, J. (2022).

Corporations, social media, and other non-state actors increasingly shape the global narrative, complicating traditional diplomatic channels.

3. Erosion of Multilateralism:

A decline in trust in global institutions has led some nations to favor unilateral or bilateral approaches, weakening collective problem-solving mechanisms.

## **THE RESILIENCE AND RELEVANCE OF DIPLOMACY**

Despite these challenges, diplomacy remains indispensable in addressing contemporary global crises:

1. Crisis Management (Mai'a K., Cross, D., & La Porte, T. (2017).

It plays a central role in mediating ceasefires, coordinating humanitarian aid, and initiating peace talks.

2. Global Challenges:

Diplomacy is essential for mitigating risks such as nuclear escalation, addressing food and energy crises, and promoting climate action.

3. Long-term Stability:

While immediate peace agreements may seem distant, diplomacy is the only sustainable solution to achieve lasting resolutions in conflict zones.

As history has demonstrated, when diplomacy fails, wars emerge. However, every conflict reminds us that successful diplomacy—not military might—is the true measure of effective global leadership.

## **EXAMPLES OF DIPLOMATIC SUCCESS**

Historical Examples:

1. Treaty of Versailles (1919): Ended World War I through multilateral negotiations. However, it also highlights the potential pitfalls of diplomatic agreements, as the treaty's punitive measures against Germany contributed to the conditions that led to World War II.

2. Cuban Missile Crisis (1962): U.S.-Soviet diplomacy averted a nuclear conflict during a critical standoff. This event demonstrated that diplomacy,

particularly “backchannel” negotiations, can play a critical role in preventing catastrophic outcomes in times of crisis.

Contemporary Examples:

1. Iran Nuclear Deal (2015): A diplomatic agreement between Iran, the U.S., the EU, and other powers to limit Iran’s nuclear program in exchange for sanctions relief. Although the U.S. later withdrew from the agreement under the Trump administration, the deal’s initial success demonstrated diplomacy’s potential to address complex global challenges.

2. Tripartite Joint Comprehensive Plan of Action (2023): Brokered by China, this agreement between Saudi Arabia and Iran marked a significant step in easing tensions in the Middle East. The success of this diplomacy suggests that even in regions with high political volatility, well-crafted diplomatic efforts can yield significant positive results.

### **INTERNATIONAL RELATIONS: DEFINITION AND SCOPE (JACKSON, ROBERT H. & SØRENSEN, G. (2016))**

International Relations (IR) encompasses the interactions, policies, and strategies employed by states, international organizations, and non-state actors to manage global political, economic, military, and social relationships. It examines how entities navigate a complex, interconnected world while balancing national interests with global responsibilities.

The scope of IR is vast, encompassing both macro and micro levels of analysis, such as:

1. The Global System (Jackson, Robert H. & Sørensen, G. 2016): How states interact in the context of global institutions, norms, and intergovernmental organizations (IGOs).

2. State Sovereignty and Power: How power dynamics, strategic alliances, and diplomacy influence the behavior of states.

3. Global Governance: The role and impact of international law, treaties, and multilateral frameworks in regulating global conduct.

4. Non-State Actors: The influence of multinational corporations, non-governmental organizations, transnational movements, and individuals on global politics.

## **KEY ASPECTS OF INTERNATIONAL RELATIONS (CHATTERJEE, A. (2010))**

### **1. Cooperation and Conflict**

**Cooperation:** Includes treaties, trade agreements, and alliances that promote mutual benefits.

**Conflict:** Encompasses power struggles, wars, and sanctions that arise from competing interests.

### **2. Governance and Global Order**

The role of global institutions such as the United Nations, World Trade Organization, and regional blocs (e.g., EU, ASEAN).

Establishing international norms, laws, and mechanisms to regulate behavior and foster stability.

### **3. Addressing Global Issues**

Tackling challenges that transcend national borders, such as climate change, terrorism, pandemics, human rights violations, and economic inequality.

## **ACTORS BEYOND STATES (CHATTERJEE, A. (2010)).**

International Relations also acknowledge the influence of non-state actors, such as:

1. **Multinational Corporations (MNCs):** Impacting global trade, investments, and technological innovation.

2. **Non-Governmental Organizations (NGOs):** Advocating for human rights, environmental protection, and social justice.

3. **Individuals:** Influential leaders, diplomats, activists, and global citizens who shape international opinion and foster change.

## **THEORETICAL AND PRACTICAL DIMENSIONS (CHATTERJEE, A. (2010))**

### **1. Theoretical Frameworks:**

**Realism:** Focuses on power dynamics and state sovereignty in an anarchic global system.

**Liberalism:** Emphasizes international cooperation, institutions, and shared norms.

**Constructivism:** Examines the role of ideas, identities, and cultural factors in shaping international behavior.

### **2. Practical Applications:**

Negotiations, conflict resolution, and crisis management are vital tools for maintaining global order.

Table 1. Interconnection and interaction between International Relations, Foreign Policy and Diplomacy as followed:

Aspects	International Relations	Foreign Policy	Diplomacy
<b>Focu</b>	Global system & interactions	National Interests & Strategies	Tools of negotiation & communication
<b>Actors</b>	States, IO, NGO, MC, Individuals	Sovereign Governments & states	Diplomatic representatives
<b>Field of activity</b>	Practice & Theory	Specific & practice	Narrow & functional
<b>Goal</b>	Understanding global dynamics	Achieving national goals in foreign relations	Facilitating peaceful cooperation

Table 1, Source: Author (2025)

**ALBANIA: FOREIGN POLICY AND DIPLOMACY STRATEGY: A STRATEGIC APPROACH FOR A SMALL STATE IN INTERNATIONAL RELATIONS (VAICEKAUSKAITĒ, MARIJA Ž. (2017)).**

Albania, despite being a relatively small state in the Western Balkans, has effectively crafted a foreign policy strategy designed to maximize its influence and secure its place within the evolving international system. To navigate this system, which is largely shaped by larger powers and complex regional dynamics, Albania adopts a pragmatic and strategic approach to foreign policy and diplomacy. Central to its policies are key goals such as regional stability, integration into the European Union (EU), building strong diplomatic alliances, and ensuring security in the face of regional challenges. These priorities reflect Albania’s broader objectives to integrate into global systems, secure its economic and political interests, and stabilize its region. This strategic positioning underscores several critical elements for small states, such as multilateralism, flexibility, and proactive engagement. Multilateralism allows Albania to interact within international institutions where it can amplify its voice and shape decisions that impact its interests. Flexibility enables Albania to adapt its diplomatic tactics and approaches to respond to shifting global realities. Proactive engagement ensures that Albania remains

visible on the international stage, demonstrating both leadership and the ability to influence regional and global outcomes.

The pursuit of these goals is not only a reflection of Albania's national aspirations but also a response to the broader geopolitical, security, and economic shifts within the international system. The strategic decisions made by Albania are shaped by global power dynamics, the rise of new political and economic centers, and the challenges posed by ongoing conflicts, climate change, and shifting alliances.

## **FULL INTEGRATION INTO THE EUROPEAN UNION (EU): STRATEGIC Objective:**

Albania's foremost foreign policy goal is full integration into the EU. EU membership is not simply about political alignment but also represents an opportunity for economic growth, democratic consolidation, and the alignment of Albania's political institutions with Western norms and values. Achieving this goal will integrate Albania into the EU's single market, enhance democratic governance, and boost the country's international credibility.

### **a) Theoretical Context:**

From a Liberal perspective in International Relations Theory, Albania's EU integration is framed around the idea that international institutions foster stability, peace, and cooperation. The EU, as a normative power, offers Albania the opportunity to align its institutions, political systems, and economic practices with established European standards. This integration is not only economically beneficial but also an avenue for Albania to consolidate democratic values and build a stronger rule of law.

### **b) Strategies and Diplomatic Actions:**

1. Reform Implementation: Albania has to undertake significant reforms in the areas of the rule of law, combating corruption, human rights protection, and economic development. The EU conditionality model requires Albania to meet specific criteria before full membership is granted. Albania has made strides in judicial reforms and anti-corruption efforts to align with EU standards, but challenges remain in areas like corruption and institutional transparency.

2. Bilateral Diplomacy: Albania focuses on building strong bilateral relationships with influential EU member states such as Germany, Italy, and France. These states play pivotal roles in the decision-making process for

Albania's EU accession. Albania uses public opinion, which strongly supports EU integration, to influence political will in these countries.

3. Multilateral Diplomacy: Albania actively engages with EU institutions, including the European Commission, European Parliament, and the European Council. It lobbies for its readiness for EU accession, presenting its progress in meeting membership criteria while also participating in technical cooperation programs with EU bodies to ensure further alignment with EU standards.

### **STABLE AND RELIABLE ALLIANCE WITH THE UNITED STATES (USA): STRATEGIC PARTNERSHIP:**

Albania's relationship with the U.S. is crucial for ensuring its security and geopolitical stability. The U.S. is a global power that provides both political and military support to Albania, especially in the context of Albania's NATO membership (Gredešič, I, 2004). As a small state in a geopolitically sensitive region, Albania values the strategic partnership with the U.S. to counter regional security threats and promote democratic values.

#### **a) Theoretical Context:**

Through a Realist lens, Albania's alignment with the U.S. is a response to the balance of power in the international system. As a smaller state, Albania seeks to increase its security by aligning with powerful states like the U.S. that offer military protection and political support. The partnership ensures Albania's role in NATO and strengthens its security in the Western Balkans, a region still vulnerable to political instability and autocracy and external influence.

#### **b) Strategies and Diplomatic Actions:**

1. Deepening Cooperation: Albania actively cooperates with the U.S. on various security issues, such as counterterrorism, regional security, nuclear proliferation, and organized crime. In addition, Albania seeks to enhance economic diplomacy by attracting U.S. investments through trade agreements and economic partnerships.

2. Strengthening NATO Commitment: Albania's commitment to NATO remains a cornerstone of its foreign policy. By participating in joint military exercises and contributing to NATO-led missions, Albania enhances its military capabilities while solidifying its security ties with the U.S. and other NATO members.

## **DEFENDING KOSOVO'S SOVEREIGNTY AND INTERNATIONAL STANDING: STRATEGIC OBJECTIVE:**

Albania has to staunchly support Kosovo's sovereignty and seek to increase its international recognition. Kosovo's independence, declared in 2008, must be central to Albania's foreign policy due to ethnic ethnicity and belonging to the same nation as well as the right they have to live independently and sovereignly and shared political goals and common future.

### **a) Theoretical Context:**

The support for Kosovo aligns with Constructivist theory, which emphasizes the importance of national identity and political legitimacy in international relations. For Albania, Kosovo's independence is not just a political and constitutional issue but a matter of national, cultural and ethnic solidarity. Kosovo's integration into international organizations and recognition by more states would affirm the legitimacy of the Albanian identity in the region.

### **b) Strategies and Diplomatic Actions:**

1. **Bilateral Cooperation:** Albania and Kosovo work closely on issues such as political development, economic cooperation, and cultural exchange. Albania has supported Kosovo's economic development through joint infrastructure projects and assisting Kosovo's democratic governance efforts.
2. **Multilateral Diplomacy:** Albania works to lobby for Kosovo's recognition within the United Nations and other multilateral organizations, despite opposition from Serbia and other countries like Russia and China. Albania uses its diplomatic channels to garner support from key allies and to encourage further recognition of Kosovo's sovereignty.

## **CONSTRUCTIVE REGIONAL POLICY IN THE WESTERN BALKANS (JOVIĆ, D. 2022) STRATEGIC OBJECTIVE:**

Albania's regional policy prioritizes stability, good-neighborly relations, and collaboration within the Western Balkans. A stable and integrated Balkans region is essential to Albania's EU accession and its broader foreign policy goals. "Albania maintained its engagement in a number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community, the South East European Cooperation Process (SEECP) and the Regional Cooperation Council (RCC). The EU-Western Balkans Summit in December 2022 took place for the first time in the region, in Tirana. The summit focused on support

to the region in the fields of energy and migration, and on youth cooperation, roaming, green lanes and overall progress on implementing the Economic and Investment Plan”.

**a) Theoretical Context:**

Albania’s regional strategy can be explained through Neoliberal Institutionalism, which emphasizes the benefits of international cooperation and institutional frameworks. By promoting regional cooperation, Albania aims to establish shared goals and peaceful coexistence in the Balkans, ultimately facilitating the region’s EU integration.

**b) Strategies and Diplomatic Actions:**

1. Good Neighbor Relations: Albania works to maintain friendly relations with its neighbors, including Greece, North Macedonia, and Montenegro. Albania has not inherited any historical problems or historical disputes in its relations with its neighbors that would prevent it from moving forward in its European integration process.

2. Regional Integration Projects: Albania facilitates cross-border infrastructure projects and promotes regional energy and transportation networks to enhance economic cooperation and increase access to broader European markets.

3. Encouraging Reconciliation: Albania supports dialogue and reconciliation between Balkan states to reduce historical tensions. Through initiatives such as the Berlin Process, Albania advocates for regional integration that aligns with EU membership criteria.

**COOPERATION WITH THE ALBANIAN FACTOR IN THE BALKANS: STRATEGIC CONTEXT (JANO, D. HIDE, E. RAMA, K. & ANDONI, B. 2018)**

Albania’s foreign policy also accounts for ethnic Albanian populations in Kosovo, North Macedonia, Montenegro, and Serbia. This “Albanian factor” plays a significant role in shaping Albania’s regional diplomacy.

**a) Theoretical Context:**

Constructivist theory helps explain Albania’s engagement with the Albanians in the region, as it emphasizes the role of identity in international relations. For Albania, supporting the Albanian-speaking populations in neighboring countries is both a matter of ethnic solidarity and an opportunity to promote stability and integration within the region.

### **b) Strategies and Diplomatic Actions:**

1. **Balanced Cooperation:** Albania seeks to maintain neutrality in its dealings with neighboring countries while promoting the integration of Albanian-speaking communities into their countries. It must maintain balance and support equally with all Albanian political factors in the countries where they live. It must even try to mediate possible disagreements that may arise between them.

2. **Promoting Integration:** Albania fosters regional cooperation and economic integration by supporting initiatives that bridge gaps between Albania and the countries they are living and trying to engage them in the EU integration processes within their countries. It is a duty for Albania to protect and to promote their human rights, culture, tradition, language etc in the countries they are living.

## **ADDRESSING SECURITY CHALLENGES IN THE BALKANS AND EUROPE: STRATEGIC OBJECTIVE:**

Albania aims to play an active role in ensuring the security and stability of both the Western Balkans and Europe. It is committed to contributing to global security through military and diplomatic channels, with an emphasis on strengthening its US and NATO (Philips, David L., 2005), ties and participating in collective security arrangements.

### **a) Theoretical Context:**

Albania's security strategy aligns with Realist theory, which focuses on national security and power dynamics. By strengthening alliances and ensuring internal stability, Albania enhances its security and plays a role in maintaining regional peace.

### **b) Strategies and Diplomatic Actions:**

1. **Strengthening NATO and OSCE:** Albania continues to deepen its NATO commitments, contributing to regional security and international peacekeeping efforts.

2. **Political and Economic Stability:** Through internal reforms, particularly in democratic governance and economic development, Albania strengthens its international standing and bolsters its position as a reliable partner in regional and global security efforts.

In summary, Albania's foreign policy and diplomacy demonstrate a nuanced and strategic approach to navigating the complexities of international

relations. By leveraging multilateral diplomacy, regional cooperation, and strong alliances, Albania aims to secure its place in the global system, while simultaneously fostering stability, prosperity, and democratic governance at home.

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## **CONCLUSIONS**

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Albania's foreign policy and diplomatic strategies reflect a combination of pragmatism and ambition, essential for a small state aiming to assert its influence in the international arena. Albania's primary foreign policy goal is achieving full membership in the European Union, which would bolster its economic development and democratic stability. Diplomatic efforts focus on aligning with EU standards, fostering bilateral and multilateral cooperation, and ensuring widespread support for this objective.

Albania's strong partnership with the United States is a cornerstone of its foreign policy. This alliance is focused on regional security, counterterrorism, and support for democratic institutions, with Albania playing an active role within NATO to advance collective security.

Albania has made advocating for Kosovo's sovereignty a central aspect of its foreign policy. Through diplomatic engagement, Albania seeks to expand Kosovo's international recognition, positioning itself as a key ally in Kosovo's path toward full global integration.

Albania's commitment to fostering stability in the Western Balkans remains a priority. Its diplomatic efforts include strengthening relations with neighboring countries, promoting regional cooperation, and supporting EU membership aspirations within the Balkans.

Albania's active engagement in NATO and regional security initiatives demonstrates its determination to contribute to both Balkan and European stability. Albania's diplomatic strategies include conflict prevention and strengthening international agreements to promote peace.

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# FINANCING SCIENTIFIC RESEARCH AND INNOVATION IN ALBANIA

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## ABSTRACT

This paper analyzes the financing of scientific research in the higher education system in Albania. The main objective of the study is to analyze and evaluate the current system of financing scientific research in public Higher Education Institutions (HEIs) in Albania. The factors that influence the financing of research activities in public HEIs, as well as the revenues generated from scientific research activities, will be examined. This study is based on a mixed-method approach, using both qualitative and quantitative methods, drawing on research, various national and international studies, as well as primary and secondary data. Surveys have been conducted with the leadership of HEIs and policymakers in the field of education and scientific research, and data from various institutions have been used to carry out the financing analysis.

The study results show that the level of financing for higher education and scientific research is far below the levels of developed countries and regional countries. Public higher education in our country is still deeply underfunded compared to the average of EU and OECD countries. The underfunding of scientific research is even more profound and risks compromising the research mission of HEIs that hold University status, as well as failing to create the premises for improving the quality of higher education. Financing

model applied does not sufficiently promote qualitative scientific research activity in public HEIs. Currently, the prioritization of funding for infrastructure severely limits the ability of faculty and researchers to apply for research projects, particularly for PhD students and postdoctoral researchers. The model needs to be improved to ensure simpler, more direct applications and to provide incentives, including financial ones, for researchers who are more successful in competing for research projects.

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**Key Words:** Scientific Research Financing, Research Incentives, Higher Education Institutions (HEIs), Research Quality.

**JEL Code:** I23, H5, H52

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## **INTRODUCTION**

Scientific research is a crucial factor for the economic and social development of a country and for addressing Albania's challenges in its integration into the EU. Scientific research supports social and economic progress, the development of human capacities, and overall educational quality, especially in higher education, where new generations of specialists and experts are formed who will face the multidimensional development challenges of the country in the coming decades of this century, known as the "Century of Knowledge."

Implementing educational development policies within the framework of the Sustainable Development Goals of the "2030 Agenda" requires continuous increases in funding for higher education and scientific research and more efficient and equitable use of resources. Governments should be committed to providing fair and equitable funding in line with priorities, needs, and national educational capacities to advance the progressive realization of the right to education. Consequently, governments must increase and improve domestic public funding for education according to international reference indicators, which recommend: a) allocating around 15-20% of public expenditures and 4-6% of GDP to education; b) enhancing efficiency and accountability in the use of public funds; and c) using financial resources for education equitably, prioritizing those with the greatest educational needs, such as children, young people, adults in disadvantaged conditions, as well as women and girls, and people in conflict-affected areas (UNESCO 2015, 2016, 2022).

The latest EU Progress Report highlights that Albania has achieved a certain

level of preparedness in the fields of science and research but needs to: a) increase investments in scientific research in alignment with its commitments and the new priorities of the European Research Area; b) finalize the Smart Specialization Strategy; c) generate reliable statistics and data on science and technology, including indicators on gross domestic expenditure for research and innovation (EC 2022).

The National Education Strategy 2021-2026 defines, among other goals, the enhancement of the quality of higher education through the modernization of academic infrastructure, the application of high standards in institutional and program evaluation, and the promotion of scientific research aimed at integrating Albania into the European Higher Education Area (EHEA) (CM, 2021).

Insufficient funding is one of the main obstacles to improving the quality of education in Albania's public universities. Altbach and Knight (2007) argue that a lack of funds limits opportunities for academic staff development, educational infrastructure improvement, and research promotion, negatively impacting the quality of education. To improve education quality, it is necessary to increase investment in higher education and diversify funding sources.

In many countries, universities have managed to diversify their funding sources through donations, partnerships with the private sector, and self-generated revenue through research and services (Bugaian, 2020). Geiger (2004) argues that universities capable of generating revenue from alternative sources are more financially stable and better able to invest in the improvement of educational and scientific research quality. In Albania, these sources are still limited, but they represent a significant opportunity to increase the financial independence and sustainability of public universities. In many developed countries, university funding models include a stable balance between public and private funds, including donations, student fees, and revenue from research and service activities (Sörlin, 2007; Jongbloed, 2008). According to Clark (1998), universities that have diversified their funding sources are better able to adapt to economic and social changes and challenges. In this regard, studying successful international cases can provide valuable lessons for improving funding in Albania's public universities (Jongbloed, Enders, & Salerno, 2008).

This study, therefore, considers scientific research on the financing of public universities in Albania a necessity to understand and improve the current

higher education system. This research is particularly significant for several key reasons:

An important motivation for this research is to contribute to improving the quality of education and research in public universities. Sustainable and adequate funding is essential to provide quality education and support scientific research. When universities have sufficient financial resources, they can invest in academic and research infrastructure, thus contributing to the advancement of knowledge and innovation (Ward and Ost, 2021; Jongbloed, 2020).

Another significant aspect of this research is its contribution to public policies and economic development. In-depth analyses and recommendations for improving research funding in HEIs can help shape policies that promote the country's economic and social development. This study provides suggestions and recommendations to help establish a more sustainable and efficient system of scientific research and innovation funding in Albania's public HEIs.

## **OBJECTIVES AND METHODOLOGY**

The main goal of this study is to analyze and assess the current system of scientific research funding in public universities in Albania, identifying the primary sources of funding, the challenges these institutions face, and opportunities for improvement.

The study aims to provide a clear overview of the current situation and suggest policies and practices to increase financial efficiency and improve the quality of research and education offered (OECD, 2022; UNESCO, 2022).

This study will evaluate the model of scientific research funding in public HEIs under Law No. 80/2015 "On Higher Education and Scientific Research in Higher Education Institutions in the Republic of Albania." It will analyze the funding factors for scientific research work in public HEIs, examining whether the financing provided to accredited HEIs by the National Agency for Scientific Research and Innovation (NASRI), which conducts scientific research, is based on the quality of scientific research, as well as analyzing the income derived from scientific research activities. The study will utilize a mixed-method approach, combining qualitative and quantitative methods. The mixed-method approach will include a literature review, studies by various national and international authors and institutions regarding scientific research funding in HE, and the identification and evaluation of "gaps" arising from the implementation of Law 80/2015.

Primary and secondary information will be used in this study to analyze

scientific research funding. Questionnaires will be designed and conducted with public HEIs regarding scientific research funding, as well as interviews with officials from the Ministry of Education and Sports (MES) and NASRI. The study will conclude with recommendations for policymakers and decision-makers, as well as for HEIs, regarding the suitability of the scientific research funding model in public higher education and improvements that can be made in line with HE challenges for at least a decade, aiming to: impact the new dynamics of the entire HE system with a tendency to reduce its size due to unfavorable demographic developments expressed in the rapid decline of the 19-15 age cohort; impact the growth of public HEI revenue from activities included in the third mission: knowledge transfer, technology, and innovation; and impact the promotion of scientific research activities in public and private HEIs.

## **RESULTS**

Scientific research funding in Albania is carried out under Law No. 80/2015 “On Higher Education and Scientific Research in Higher Education Institutions in the Republic of Albania,” which defines the fundamental principles of HEI funding as well as their academic freedom and autonomy. The basic funding principles for higher education institutions from the State Budget include: a) free competition among institutions with equal status; b) equal opportunities for higher education institutions, depending on their status; c) support for the country’s priority and strategic interests; and d) fund allocation based on institutional quality indicators for teaching, scientific research, creative activities, and innovation development.

One of the reform goals in the field of higher education was to increase the financial autonomy of HEIs, guaranteed through their right and ability to generate legitimate income from teaching activities, scientific research activities, intellectual property, trademarks and patents, services, artistic and sports activities, and other economic activities, used in compliance with applicable legislation. Financial autonomy is closely linked to academic freedom and organizational and personnel autonomy, specifically the right to: a) organize teaching, scientific research, innovation, and creative activities; b) design and develop study programs and determine the fields of scientific research activities; and c) organize the academic staff promotion process.

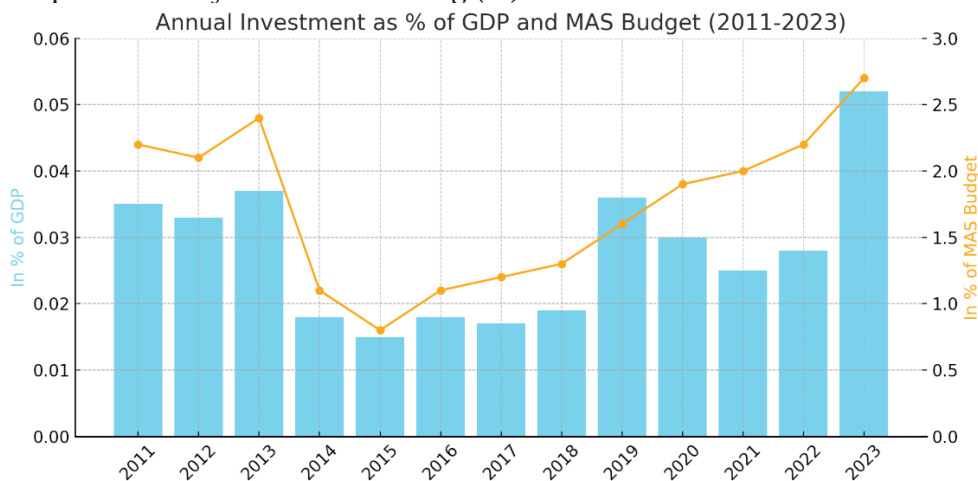
The financing model for public higher education and scientific research institutions is approved by Order of Council of Ministers, no. 75 dated 12.2.2018 and is implemented based on joint guidelines from the ministries

of education and finance. Financing is realized through own revenue and state budget contributions. Funding from the state budget for scientific research in public higher education institutions is allocated as a grant for scientific research and creative activities, with the grant for scientific research and creative activities being 5% to 10% of the annual total grant.

It should also be noted that although the legal framework establishes that scientific research quality assessment is a fundamental criterion for ranking scientific research institutions by the NASRI and for determining the amount of funding provided by the National Agency for Higher Education Financing for public HEIs, currently, the assessment of scientific research quality and HEI rankings has not been completed.

Financial support for scientific research represents around 0.03% of GDP, accounting for about 1.4% of the total budget for education, funded by public funds and HEI-generated income, allocated for scientific research. Additionally, approximately 4% of HEI income is used for scientific research (Graph 1; Table 1). The level of scientific research funding is significantly below the EU average (2% of GDP).

Graph 1. “Scientific Research Funding (%): 2011-2023”



Source: Ministry of Education and Sports (MES 2023)

Table 1. Scientific Research Funding (000/ALL): 2011-2023

Type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Budget for Scientific Research, MES (1)</b>	416,445	288,437	265,120	172,770	167,959	282,954	325,596	318,210	364,028	680,245	675,600	623,867	697,262
<b>% of Total MES Budget</b>	1.1%	0.75%	0.69%	0.43%	0.43%	0.82%	0.93%	0.85%	0.91%	1.64%	1.57%	1.41%	1.43%
<b>% of GDP</b>	0.03%	0.02%	0.02%	0.01%	0.01%	0.02%	0.02%	0.02%	0.022%	0.041%	0.036%	0.030%	0.032%
<b>Financing from IAL Revenues (2)</b>	97,536	155,829	273,027	89,918	131,888	60,469	33,940	96,658	143,216	150,000	150,000	356,730	55,932
<b>Total Funding for Scientific Research (3=1+2)</b>	513,980	444,266	538,147	262,688	299,847	343,423	359,536	414,868	507,244	830,245	825,600	980,597	753,194
<b>% of MES Budget</b>	1.4%	1.2%	1.4%	0.6%	0.8%	1.0%	1.0%	1.1%	1.3%	2.0%	1.9%	1.8%	2.5%
<b>% of GDP</b>	0.039%	0.033%	0.040%	0.019%	0.021%	0.023%	0.023%	0.025%	0.030%	0.050%	0.044%	0.039%	0.054%

Source: Ministry of Education and Sports (MES 2023)

The funding for scientific research by Higher Education Institutions (HEIs) for the period 2021-2023 has been analyzed based on data from the National Agency for Scientific Research and Innovation (NASRI). NASRI manages funds for several programs: a) the National Program for Research and Development (NPRD); b) infrastructure for scientific research; c) HEI-business cooperation; d) bilateral cooperation with other countries. The total funds obtained by HEIs through competitive projects have increased each year, with an average growth rate of 1.6 times, or nearly threefold in 2023, and the success rate of applications is around 10%. The HEIs that absorbed the largest share of funds are the University of Tirana, the Polytechnic University, and the Agricultural University (Table 2).

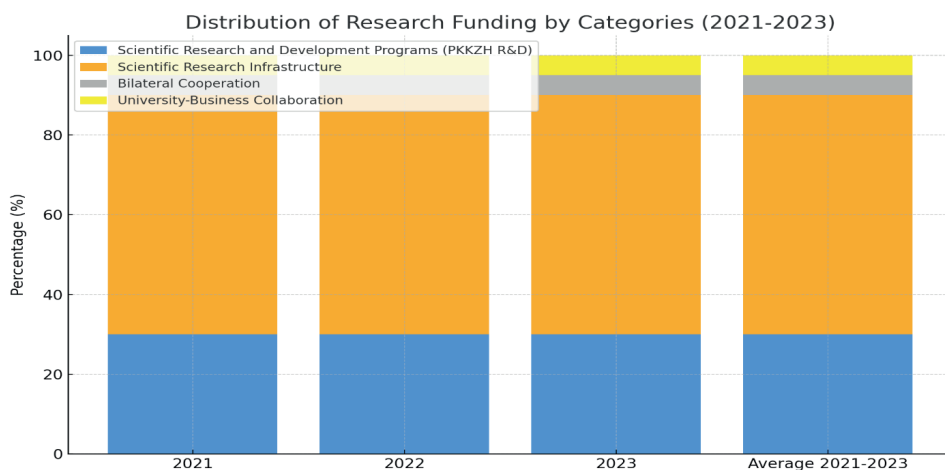
Table 2. "Scientific Research Funding by HEI per Year"

HEI	Financing ALL			Financing in %		
	2021	2022	2023	2021	2022	2023
University of Tirana	43,908,697	55,802,682	85,658,500	37%	23%	28%
Agricultural University of Tirana	22,503,944	45,758,911	51,530,950	19%	19%	17%
Polytechnic University of Tirana	7,212,040	59,593,174	36,645,900	6%	25%	12%
University of Medicine, Tirana	2,614,500	2,700,000	22,420,950	2%	1%	7%
University of Sports, Tirana	18,582,000	1,689,864	29,000,000	16%	1%	9%
"Ismail Qemali" University, Vlora	10,287,313	4,515,189	1,253,000	9%	2%	0%
"Aleksandër Xhuvani" University, Elbasan	5,971,800	31,067,112	43,845,000	5%	13%	14%
"Eqerem Çabej" University, Gjirokastrë	4,022,913	-	2,080,000	3%	0%	1%
"Aleksander Moisiu" University, Durrës	2,177,280	12,743,300	7,750,000	2%	5%	3%
"Fan S. Noli" University, Korçë	531,000	14,744,591	19,280,950	0%	6%	6%
"Luigj Gurakuqi" University, Shkodër	1,830,899	11,923,599	8,000,000	2%	5%	3%
<b>Total</b>	<b>119,642,386</b>	<b>240,538,422</b>	<b>307,465,250</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: NASRI

Funds allocated for scientific research infrastructure and for research and development comprise the largest share of the total, accounting for over 90%, or approximately 65% and 28%, respectively. Meanwhile, in 2023, funding for HEI-business collaboration also began, though it is minimal, at around 2% of total funds. The University of Tirana, Polytechnic University of Tirana, and Agricultural University of Tirana have received the largest share of funds across scientific research programs (Graph 2).

Graph 2. “Structure of Fund Usage by Research Program Over the Years (%)”



Source: NASRI

This allocation of funds for scientific research is inadequate due to a significant disproportion between the infrastructure program and the National Research and Development Program (NRDP). Prioritizing funds for infrastructure has potentially led to the establishment of some scientific laboratories, for which there is still no impact report—specifically, detailing how many researchers work in these laboratories, how this infrastructure aids in attracting funds from international research programs, especially Horizon, etc. It is certain that utilizing 65% of the funds for infrastructure and less than half, or only 28%, for the NRDP has limited researchers in conducting scientific research through research projects. This restriction affects researchers’ ability to develop research only if they apply through research projects within the NRDP framework. This has severely impacted all research activities and scientific publications of Higher Education Institutions (HEIs) and has not

supported young researchers in the framework of doctoral and postdoctoral studies. According to the current legal framework, opening doctoral programs and admitting doctoral candidates is based on the research projects of HEIs and academic supervisors. This situation has created a vicious circle: “research project funds are not allocated from the budget, so doctoral programs cannot open, and doctoral candidates cannot be admitted.” This has indirectly compromised the scientific research of assistants, lecturers, and young researchers, who are the main driving force of scientific research in any university worldwide.

Funds from the State Budget, provided as grants for scientific research work, constitute a very small share, approximately 1% of the total grant from the State Budget. Additionally, HEI revenues from services rendered are at extremely low, negligible levels, less than 1% of their total budget.

In the structure of HEI budget fund usage, on average, between 2020 and 2023, the funds allocated for scientific research activities represent around 2%, and in some HEIs, these allocations are negligible or zero (Table 3). It is worth noting that, compared to 2015, expenditures for scientific research activities have increased by about 1.5 percentage points.

Table 3. “Use of funds for scientific research by HEI (% average 2020-2023)”

Public HEIs	Scientific Research Activities (as a % of the Total Budget of Higher Education Institutions - HEIs)
Agricultural University of Tirana	2
Polytechnic University of Tirana	1
"Aleksandër Moisiu" University, Durrës	2
"Ismail Qemali" University, Vlorë	4
"Fan S. Noli" University, Korçë	1
"Aleksandër Xhuvani" University, Elbasan	4

Source: Processed from surveys conducted with public HEIs.

## CONCLUSIONS AND RECOMMENDATIONS

The level of funding for higher education (HE) and scientific research in Albania is far below that of developed countries and those in the region. Public higher education in our country remains deeply underfunded compared to the average levels in EU and OECD countries. The underfunding of scientific

research is even more profound and jeopardizes the mission of research institutions that hold the status of “University,” as well as failing to create the conditions necessary for improving the quality of higher education.

From this, the urgent need for a rapid increase in public investment in scientific research emerges, at least to the level of regional countries in research, technology, and innovation (approximately 0.5-0.9% of GDP).

The legal framework for planning and distributing the budget for higher education in Albania is not fully implemented. Law “80/2015” stipulates that grants for financing scientific research for higher education institutions should be awarded based on a ranking of the performance and quality of scientific research conducted by public higher education institutions, as assessed by the National Agency for Scientific Research and Innovation (NASRI). However, this ranking has not been carried out, and funding is not allocated based on performance and quality rankings. Thus, the principle of funding based on “quality and competition” is not fulfilled.

The current funding model does not sufficiently promote scientific research activities in public and private higher education institutions, nor does it encourage the attraction of financial resources through knowledge transfer activities. The prioritization of funding for infrastructure significantly limits the ability of educators and researchers to apply for research projects, particularly for doctoral and postdoctoral researchers.

The funding model needs improvement to ensure that applications are simpler, more direct, and include financial incentives for researchers who are more successful in competing for research projects. Enhancements should focus on stimulating funding, especially for research and development at regional public universities.

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# SOFT SKILLS AND COMPETENCE EDUCATION IN THE ADVANCEMENT OF THE TWENTY-FIRST-CENTURY BEING

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## ABSTRACT

The present article examines the conceptual framework and implications of soft and transversal skills in effectively cultivating competent learners. The methodological framework of the current investigation adopts a mixed-methods approach. The study design is probabilistic, and the employed methodology aligns with the transversal typology. The conclusive data were gathered from a sample cohort comprising 500 valid responses accrued over three years of undergraduate education at the "Mediterranean University of Albania," featuring a gender distribution of 335 females (67%) and 165 males (33%). The findings indicated that the sub-tests exhibiting the most significant indices pertained to a positive attitude and initiative ( $r = .567$ ;  $p < 0.05$ ), teamwork and collaboration ( $r = .601$ ;  $p < 0.05$ ), and communication channels ( $r = .81$ ;  $p < 0.05$ ). Pearson inter-correlation indices for the first and second factors of the soft skills sub-skills indicated that the most prominent index was associated with the motivational axis (encompassing optimism and future control, legitimate anger, self-esteem, and self-efficacy) (Sig2.  $p = 0.01 < 0.05$ ,  $r = .7054$ ), as opposed to communication resources (including persuasion, adversity management, and creativity) (Sig2.  $p = 0.01 < 0.05$ ,  $r = .504$ ). The ANOVA test indices exhibited a notable disparity among females ( $F = 1.874$ ;  $MS = 3.2003$ ;  $df = 1.5$ ) and a contrasting yet consistent difference regarding the male gender's optimism about the future ( $F = 1.3085$ ;  $MS = 1.111$ ;  $df = 1.5$ ). In conclusion, the indices derived from the current study elucidated the profound impact that a robust and optimistic motivational framework has on the propensity to acquire new skills and competencies, thereby fostering the development of an efficient student suitable for the labor market. The

authors advocate for the need to emphasize the implementation of additional training programs within academic curricula to enhance and equip students with fundamental and advanced skills and competencies, ensuring their full alignment with the European Union's ethos of existence and employability landscape.

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**KEY WORDS:** Competencies, Soft Skills, Education, Being, Employment Ability

**JEL Code:** A10

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## **INTRODUCTION**

In recent decades, the term competence has been given numerous meanings (Leon et al.,2017; Quendler et al.,2013; Cazden,2011). In addition to the semantic disquisition, it is necessary to clarify the meaning of competence unambiguously, as in the last two decades it often also appears in legislative documents and ministerial procedures intended for schools and universities. Etymologically speaking, *competing* means “tending to meet at one point is in a figurative sense” and, figuratively, it can refer to the Latin *Cum* (with) and *Petere* (to head towards but also to seek). It is in the twentieth century that the word competence appears repeatedly and in two specific contexts, sometimes assuming different meanings: 1) *competent* in the workplace is someone who acts as an expert in a specific field, and 2) *competent* in the educational field which describes the person who solves a problem by adopting the best solution or performs a task by mobilizing different skills. Knowledge is not to be confused with “understanding”. Reproducing information does not necessarily imply understanding it. Knowledge refers to entities that can be stored and recalled from memory, skills, or cognitive abilities and are associated with mental processes that manage it. As argued by Noam Chomsky in 1965, the notion of competence encompasses a collection of regulatory principles that govern behavior, or, more precisely, a compilation of observable actions categorized into pragmatic activities (Chomsky, 1965). Behavioral responses transcend mere reactions to stimuli, embodying actions that serve a particular function aimed at achieving a specific outcome. The activation of competence necessitates the incorporation of knowledge, practical skills, and underlying attitudes. In this context, observable behaviors are deemed imperative to be readily articulable by an external observer, who, in turn, ought to convey them using an infinitive form of the verb (e.g., calculate, add, decompose, summarize, etc.). By comparing the performances related to the individual observable behaviors, the «best performance » among the many possible ones is sought. Competence is defined by achieving a goal with speed and accuracy, rather than just completing a task like everyone else. Constructivist scholars advocate for competency-based education, viewing competence as mastery of skills and expertise. They emphasize the importance of authentic tasks and real-life learning environments for students to

develop problem-solving abilities. Knowledge is seen as a subjective construction derived from personal experiences and interactions with the environment. The significance of mapping students' soft skills and competencies for achieving career goals is highlighted (Nordin,2011).

#### Competences and soft skills

Skills are divided into basic, transversal, and professional technical. Basic skills, crucial for work and life, have evolved to be more essential today according to Robles (2012) and the European Commission (Council Recommendation,2018). Transversal skills, defined by OECD (2015), are broad skills transferable across tasks and contexts, developed experientially by individuals.

In the European Strategy for Employment, skills are a priority for sustainable recovery. Businesses and individuals need appropriate skills for green and digital transitions. The Strategy aims to ensure training rights for all, with the European Skills Agenda focusing on 12 actions to boost skills in the EU.

**The Pact for Skills** aims to unite stakeholders for workforce upskilling and reskilling in the EU. It fosters public-private partnerships at regional levels to achieve goals, especially for SMEs. Collaborative efforts will focus on concrete actions to support job retention, changes, or new job opportunities, including access to EU funding information.

The Commission aims to enhance skills intelligence by analyzing job data and providing real-time information on skill demand online through **strengthening skills intelligence**. It will support developing skills intelligence at regional and sectoral levels, involving social partners in forecasting labor markets and training needs. This includes promoting the use of skills intelligence by employment services and Europass for personalized information, aiding individuals in education and career decisions. The EU will aid Member States in developing national skills strategies, collaborating with public employment agencies through **the EU support for strategic national upskilling action**. It will also assist in establishing or revising strategies, monitoring progress, and promoting non-discriminatory practices, with a focus on key transversal skills like STEM for digital and green transitions.

Revamping vocational education to be modern, attractive, flexible, and suited for the digital age and sustainability via **future-proof vocational education and training (VET)**. Implementing the European Universities Initiative to enhance scientists' skills and form transnational alliances among higher education institutions in Europe, while also fostering a common skill set for researchers.

**Supporting green and digital transitions** training involves developing core green skills, monitoring workplace greening, and enhancing digital skills through action plans and training courses.

**Promoting the EU STEM education** agenda, entrepreneurship, and transversal skills, with a focus on encouraging women. The skills Agenda also supports entrepreneurs and fosters critical thinking. Supporting youth and adult learning in media, civic, financial, environmental, and health literacy through **Skills for Life**.

Exploring portable, quality-checked training entitlements to stimulate lifelong

learning for all through **individual learning accounts**.

**European micro-credentials** are evolving with shorter, online training courses. Standards will be established to recognize the training outcomes.

**The new Europass platform is currently** providing online tools and guidance for CV writing and suggests tailored jobs and learning opportunities in 29 languages.

To **boost skills investment**, the EU will enhance the framework and funding transparency, emphasizing the importance of skill investment for recovery and preparing for the green and digital transition.

Table 1: Soft-skills classification according to the EU Strategy of Employment

Social	Methodological	Personal
Communication	Creativity/Innovation	Learning
Orientation of customer/ user	Decision-making	Engagement
Teamworking	Analysis	Professional ethics
Leadership	Management	Tolerance to stress
Negotiation	Adaptability	Self-awareness
Mediation	Object-oriented	Personal equilibrium
Networking	Continuous improvement	Cultural adaption
	Research and management of information	

*Source:* Authors elaboration on EU Strategy of Employment, 2020

Scholars highlighted the importance of lifelong learning, especially in schools and universities, for enhancing employability. Three key factors influencing this are the uncertain future, the significance of human capital in the digital age, and the need for ongoing training and skill development (Taskan et al.,2022; Ahmad & Ahmad,2020; Kert et al.,2020; Succi&Canovi,2019; Fernandez& Liu,2019; Kotzab,2018). The effectiveness of the training, therefore, becomes an essential factor in quickly achieving the result. In this area, however, it is necessary to note a clear separation between company training and institutional training. While corporate training, mostly provided by specialized

companies and consultants, must deal with both the effectiveness required by the client (the client company) and with foreign competitors, institutional training has rarely set up its activities focusing on the immediate effects of the result (moreover not easily measurable). If universities and higher education institutions were also committed to enhancing the emotional and social skills of students, companies, and society would derive a huge economic advantage (Krishnaveni & Monica, 2018; Nordin, 2011; Cherniss, Goleman, 1998). It should be noted here that learning a transversal skill is different from learning a cognitive skill. Two different areas of the brain are involved in each of them: the *libidinal system* and *amygdala* for the former and the *neocortex* for the latter. While hard skills are based in the rational area of the brain, where learning takes place through listening or reading and therefore in extremely rapid times new knowledge is added to the already existing memory; soft skills also require the involvement of emotional centers located deep in the center of the brain, where social and emotional habits are located. These skills require time and constant exercise to be transformed and improved (Goleman et al, 2013). Training related to the technical part of a job is easy to learn, just add new data to the old, but much more difficult is to change behavior habits and learn to be flexible, work in a team, be conscientious, and skilled in interpersonal relationships (Goleman, 2006). Emotional learning requires a deeper change at a neurological level, through the weakening of the pre-existing habit and subsequently its replacement with a better one. This process requires considerable effort and greater timing, but the increase in knowledge obtained occurs within the individual (Goleman, 2006). Students must be supported in the implementation of a process of intentional change that allows them to achieve their professional future and develop their own identity (Viviers et al., 2016). Understanding the distinction of the brain areas involved in the learning processes of the two types of skills is essential for understanding the most effective method to use in teaching Transversal skills and Emotional Intelligence. Scholars distinguish three teaching methods through which the development of skills can take place: 1) **Learning by absorbing**: learning takes place passively, through frontal lessons where a set of theoretical concepts are presented to the students 2) **Learning by doing** is based on the same idea where experiential methods are used such as laboratory activities, field research, and simulations often carried out individually, where there is greater involvement of the student 3) **Learning by interacting with others**: participants learn and acquire knowledge through interaction and sharing experiences with others (Chowdhury & Miah, 2016). Based on these

three ways of learning, various tools are used to increase the possession of skills, but for the focus of the present work, we will describe only the main ones. Classroom lessons are the quintessential tool used for the transmission of knowledge, but they can be effective in developing competence only if the professor manages to get the students to participate actively through debate and comparison. This favors the recognition of one's abilities which is one of the fundamental elements of the process of change and development of competencies, it is itself a competence (Goleman, 2006). The exercises are a method used to develop problem-solving instead, where, for example, it is proposed to solve a working problem, using specific skills (Rigio & Saggi, 2015). Like exercises, there are simulations, which have the purpose of making people reproduce certain behaviors, in a precise work situation, used both for measuring and developing emotional stability, they favor the learning of decision-making skills in critical situations, resistance to stress, organization and planning, delegation and control. Coaching, mentoring, and counseling are tools that can be used directly in the workplace, both at an individual and group level, to improve performance in terms of effectiveness and efficiency, increase company well-being, increase motivation, and encourage communication. Learning within a group allows the student to develop numerous social and relational skills such as empathy, self-control, conflict management, and especially leadership (Charoensap-Kelly et al., 2015).

## **METHODOLOGY**

The objective of the present research is to investigate the significance and expressions of soft skills and competencies in the comprehensive growth of undergraduate students in Albania.

Research Administration: To evaluate the development of transversal skills following participation in activities falling within the university-work alternation (in short ASL and now "paths for transversal skills and orientation" - PCTO), it was decided to propose a questionnaire highlighting some soft skills, delivered to students in two steps: before and after participation in the ASL experience.

As far as the reference target is concerned, students in the 3rd year undergraduate have been opted for who usually begin the ASL course in the 2nd quarter or the five months with simulation activities or visits, eventually concluding it with an external experience between May and the end of lessons.

The transversal skills considered to be assessed in the present work include:

- Positive attitude and spirit of initiative
- Communication
- Teamwork and collaboration
- Problem-solving and critical thinking.
- Creativity and innovation
- 

**Research hypotheses:** For analyzing the data of the current study, two hypotheses have been raised as follows:

$H_1$  = Soft-skills development plays a specific role in raising awareness and empowerment of undergraduate students for their future work.

$H_2$  = Gender differences have a clinically significant impact on establishing the profile of an efficient and competent student.

### **Materials and Procedures**

This study is transversal and uses a mixed research approach, combining quantitative data obtained from a questionnaire and qualitative data for micro-analysis. Data processing utilized SPSS v. 27, while analysis was done with MAXQDA. The study involved two stages: pilot testing and research. For questionnaire validation, a pilot test was conducted at a university with 120 first-year undergraduate students aged 19 from “The Mediterranean University of Albania.” Participants were chosen for proximity and ease of access, with 70% being female and 30% male.

### **Sample**

In the research stage, the sample consisted of 500 student participants to reach a more representative distribution. Participants had equal distribution between undergraduate programs. 335 girls (67%) and 165 boys (33%). The selection of subjects was random (random) in all the undergraduate programs of the “Mediterranean University of Albania”. The aim was to collect the most representative data to analyze reliable results and interpret an overall picture within the accepted time and subjective approaches. The questionnaire was submitted for the first time between the end of November 2022 and February 2023 and subsequently between March and April 2023. The administration mode was online and varied from 1 to 2 weeks.

### **INSTRUMENTS**

In the second phase, we created a “*Guide to research activities*” based on the data from the pilot phase.

### 1. *Demographic data questionnaire:*

This questionnaire, created by the authors, was intended to collect data related to gender, age, level of education, marital status, place of residence, familiarity with the concepts of “soft skills” and “competencies”, the perception of a successful person in his or her community, the perception, and attitude of people towards competencies that university provide to students. Demographic data did not include personal data such as Name and Surname; they were coded according to the procedures approved by the EU Personal Rights Protection Law of 2018 and the subsequent quantitative and qualitative analyzes were carried out based on these codifications.

2. Questionnaire of assessment of skills for employability. This box was developed by the authors with a questionnaire with a mix of evaluation of soft skills and sub-skills suitable for self-assessment as referred by the EU Employment Strategy.

*Sub-test of Communication skills:* Communication skills refer to the ability to convey effective messages to external audiences, both orally and in written form. As amply demonstrated, communication skills are fundamental in the employability of young and old because effective communication is the basis for persuasion, negotiation, and leadership (Kaburise,2016).

**Persuasion skills:** The negotiation and persuasion sub-competence is a fundamental component of the communication skill and refers to the ability to convince others of one’s point of view. *The questions relating to persuasiveness for the present questionnaire box were taken from the evaluation scale proposed by* Kyndt and Baert (2015). The scale ranges from 1 (low presence of competence) to 6 (high presence of competence).

**Ability to interact with others.** *The sub-competence suitable for a self-assessment relates to interaction, tested according to the scale of Rubin & Martin (1994)* (Rubin & Martin,1994). The scale goes from 1 (low presence of competence) to 5 (high presence of competence).

**Sub-test for assessing Creativity and Innovation.** Creativity and innovation have been highlighted as extremely relevant areas of entrepreneurial and social engagement (Moberg et al.,2013). Creativity includes developing new ideas to create value, including better solutions to existing challenges; innovation concerns those processes concerning the introduction and application of new or improved ideas, processes, products, or procedures (West, 2002). Creativity and lateral thinking competency refer to solving problems through an indirect and creative approach, using reasoning that is not immediately obvious and involving ideas that may not be achievable using traditional step-

by-step or linear logic alone (Malinin,2018). The sub-competence is suitable for a self-assessment is related to the resolution of creative problems, tested according to the scale of Morris et al. (2013). The scale goes from 1 (low presence of competence) to 5 (high presence of competence).

## **ETHICAL ISSUES**

For conducting the current study with human subjects, the working group took care to respect the research criteria of the Declaration of Helsinki and the following observance of ethical aspects such as:

- Approved consent and allowance of subjects. Through the platform in which the questionnaires were completed, a detailed description was presented regarding the purpose, conditions, and method of the study that would be used, as well as what their assistance consisted of. Participants were made aware of the voluntary nature of participating in the study and the possibility of withdrawing from the study if they did not wish to participate.
- Maintaining the confidentiality and anonymity of participants under which the authors, the student's coordinator, and the Research Office informed about the treatment of personal data of juveniles and that the data collected would be used only for research purposes respecting the principle of anonymity and confidentiality under the Data Privacy Protection Rule.

## **RESULTS**

Statistical and correlational data, not presented in this article, revealed that the sub-tests with the major significant indices were positive attitude and spirit of initiative ( $r = .567$ ;  $p < 0.05$ ), teamwork and collaboration ( $r = .601$ ;  $p < 0.05$ ) and communication channels ( $r = .81$ ;  $p < 0.05$ ). A significant but inverse correlation was revealed for the sense of power ( $r = -.76$ ;  $p < 0.05$ ) and adversity management ( $r = -.74$ ;  $p < 0.05$ ). These indices reveal that under a task demand, students are more likely to perform with a positive attitude, use good communication modes, and are prone to collaboration. Nevertheless, when the demands increase, students tend to show their sense of power and have issues in managing adversity, thus, decreasing their subtle communication form and soft skills. For the factorial analysis, all components that were not below the limit 0,4 that we have decided as significant were submitted for further analysis in the second stage. Pearson inter-correlations indices, not presented in the present paper, for the 1st and 2nd factor of the soft-skills sub-skills found that the most significant index is related to the sense of motivation axis (optimism and control of

the future, legitimate anger, self-esteem, and self-efficacy) (Sig2.  $p = 0.01 < 0.05$ ,  $r = .7054$ ) over the communication resources (persuasion, adversity management, and creativity) (Sig2.  $p = 0.01 < 0.05$ ,  $r = .504$ ). Both the Kaiser criterion and the Scree-test highlighted the presence of two main dimensions which, in the initial solution, reproduced altogether almost 70% of the total variability. It was therefore decided to extract two dimensions and to use the Oblimin rotation. After the rotation, the variance reproduced overall by the two components amounted to almost 70%; the first dimension (motivation axis) explained 52%, and the second (communication resources) accounted for 48% of the overall weight.

Table 2: Descriptive statistics of soft-skills sub-scales before and after the rotation

Soft skills by sub-categories		Low	High	Median	Before	Difference/ median
1	- optimism and control of the future	4	1	2.5	2.08	14%
	- legitimate anger	4	1	2.5	2.20	14.5%
	- self-esteem and self-efficacy	4	1	2.5	1.99	25%
2	- sense of power or helplessness	4	1	2.5	3	-2.5%
	- perseverance	1	6	3.4	4	22%
3	- adversity management	1	6	3.4	4.1	19%
4	- persuasion	1	6	3.4	4.1	18%
5	- interaction	1	5	4	3.7	21%
6	- creativity	1	5	3	3.8	19%
	<b>Recognizing opportunities</b>					

To understand whether there is a difference in distinguishing students in their involvement in soft-skills usage, we performed the multivariate analysis

of MANOVA and discriminant function analysis. Results showed that female students have a significant potential for social interaction, optimism for the future, and a sense of power ( $\alpha = .0413$ ;  $\eta^2 p = .701$ ) compared to males.

Table 3: Descriptive analysis of the first rotated dimension

Gender		
Valid	500	500
Missing	0	0
Mean	1.500	1.050
Std. Deviation	0.503	0.750
Minimum	1.000	1.000
Maximum	3.000	3.000

Of the descriptive indices of the Motivation axis, the mean ranges are in line with the general gender distribution ( $M=1,500$ ) while the standard deviation indices show a discrete but sufficient cohort distribution for further processing ( $SD=0.750$ ). The chi-square test showed a positive and stable value in the calculation  $X^2 = 11.367$  for  $p < .001$ . To understand the influence of gender and displaying competencies, we performed the ANOVA test. The indices showed a strong difference in females ( $F=1.874$ ;  $MS=3.2003$ ;  $df=1.5$ ) and an inverse but the stable difference between the male gender and optimism for the future ( $F=1.3085$ ;  $MS= 1.111$ ;  $df= 1,5$ ). This means that women have shown a stronger tendency to use efficiently soft skills under task performance than men.

## DISCUSSION

The theoretical framework of the present paper relates to the development of soft skills and their impact on empowering students' life skills in the world outside the university. These concepts also include the exploration of factors, mutual influences, and dynamics that are based on skills and competencies. The studies cited in the paper have explored some of these models and tried to give a comprehensive review of different views of the connection between soft skills and human capital (Succi & Canova,2019; Krishnaveni& Monica,2018; Malinin,2018; Leon et al.,2017; Viviers et al.,2016; Hsin &

Xie,2016; Riggio & Saggi,2015). Results of the current study revealed that the sub-tests with the major significant indices were positive attitude and spirit of initiative ( $r = .567$ ;  $p < 0.05$ ), teamwork and collaboration ( $r = .601$ ;  $p < 0.05$ ), and communication channels ( $r = .81$ ;  $p < 0.05$ ). Of the descriptive indices of the Motivation axis, the mean ranges are in line with the general gender distribution ( $M = 1,500$ ) while the standard deviation indices show a discrete but sufficient cohort distribution for further processing ( $SD = 0.750$ ). A significant but inverse correlation was revealed for the sense of power ( $r = -.76$ ;  $p < 0.05$ ) and adversity management ( $r = -.74$ ;  $p < 0.05$ ). Pearson inter-correlations indices, for the 1st and 2nd factor of the soft-skills sub-skills found that the most significant index is related to the sense of motivation axis (optimism and control of the future, legitimate anger, self-esteem, and self-efficacy) (Sig2.  $p = 0.01 < 0.05$ ,  $r = .7054$ ) over the communication resources (persuasion, adversity management, and creativity) (Sig2.  $p = 0.01 < 0.05$ ,  $r = .504$ ). The chi-square test showed a positive and stable value in the calculation  $X^2 = 11.367$  for  $p < .001$ . Results of MANOVA and discriminant function analysis showed that female students have a significant potential for social interaction, optimism for the future, and a sense of power ( $\alpha = .0413$ ;  $\eta^2 p = .701$ ) compared to males. ANOVA test indices showed a strong difference in females ( $F = 1.874$ ;  $MS = 3.2003$ ;  $df = 1.5$ ) and an inverse but the stable difference between the male gender and optimism for the future ( $F = 1.3085$ ;  $MS = 1.111$ ;  $df = 1,5$ ). All supportive studies in line with this work results have shown that people who have a high degree of transversal skills and competencies development are more satisfied with life, motivated to be engaged in the future, and exhibit fewer behavioral issues (Ahmad et al., 2020; Krishnaveni & Monica, 2018; Viviers et al., 2016; Charoensap-Kelly et al., 2015; Morris et al., 2013).

## **CONCLUSION**

The present study has substantially advanced the investigation and enhancement of understanding regarding the education of soft skills and life skills among students, serving as a precursor to their prospective employability. The findings of the current research indicated a statistically significant social influence on motivation and future outlook, emphasizing the manner in which students engage in interactions and participate in social dynamics.

The current research underscores the importance of recognizing employability motivations and social capital resources to cultivate appropriate soft skills and competencies. Furthermore, it significantly impacts the application of the mixed sub-scales, which can yield intriguing data either at the point of data collection or in guiding students towards the professional realm.

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# ALBANIA IN THE GLOBAL MARKET OF AROMATIC AND MEDICINAL PLANTS: THREATS AND OPPORTUNITIES FOR SUSTAINABLE DEVELOPMENT

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## **ABSTRACT**

The aromatic and medicinal plants (AMPs) sector play a significant role in the share of exports in the country's economic growth. This paper examines the global and Albanian AMPs export markets from 2013 to 2023, highlighting trends, challenges and opportunities. The global AMPs market has seen a 14.71% increase in economic value despite a 6.15% decline in quantity, reflecting a shift towards higher economic value. In Albania, AMPs sector despite its rich biodiversity and potential in these resources, faces challenges in production capacity and market access. This paper is based on several methods, integrating quantitative data from UN COMTRADE and qualitative insights from literature reviews. Key findings include the need for sustainable production practices, market diversification and value-added processing to increase the competitiveness of the sector. The main findings of this paper provide actionable insights for policymakers and stakeholders to foster a competitive and sustainable industry of AMPs in Albania.

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**KEY WORDS:** Aromatic and Medicinal Plants [Amps]; Global Trade Dynamics; Albania's Export Market; Sustainable Production; Market Diversification; Value Added Processing.

**JEL Code:** I10

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## RESEARCH CONTEXT

Aromatic and medicinal plants (AMPs), valued for their bioactive compounds, are widely used in pharmaceuticals, cosmetics, nutraceuticals and traditional medicine (Shafi et al., 2021). According to the World Health Organization (2021), over 80% of the global population relies on traditional medicine, the majority of which is plant-based, highlighting the importance of AMPs in healthcare systems worldwide. This support reinforces the growing demand for AMPs in both developed and developing markets, driving international trade and economic development. The AMPs market has evolved significantly over the last decade, influenced by globalization, technological advances and shifts on consumer preferences. According to COMTRADE data (2024), global AMPs trade reached \$3.9 billion in 2023, marking an increase of 14.71% between 2013 and 2023 despite fluctuations in export volumes. These trends reflect increasing consumer interest in natural and sustainable products, especially in developed markets such as Europe and North America, where the demand for organic and ethically sourced plants has increased significantly (Smith et al., 2020). However, the market of this sector currently faces major challenges. Fluctuations in supply chains, geopolitical tensions and the impact of climate change on wild plant collection and cultivation have created significant volatility. Pressure from some major manufacturers, such as China and India, increases the market's sensitivity to local disruptions. This situation has encouraged the actors to orientate towards a greater diversification and sustainability in the supply of AMPs (Khan et al., 2022).

Albania has long been known for its rich biodiversity and favourable climatic conditions (Hoxha et al., 2023; Bombaj et al., 2022; Hoxha, 2016), which, in addition to the potential in its natural state, create conditions for the cultivation of high-quality AMPs such as sage, oregano and thyme. These plants are in high demand in all global markets, especially in Europe and North America, due to their special chemical compositions and organoleptic properties (Imami et al., 2015). As a leading exporter at the European level, Albania's AMPs sector contributes significantly to agricultural exports, accounting for approximately 20% of the country's total agricultural trade in recent years (FAO, 2023). Despite its natural advantages, Albania faces great challenges in collecting, assembling and exporting AMPs. Export volumes have shown significant year-on-year volatility, as evidenced by the 70% decline in 2022, highlighting weaknesses in production capacity, environmental management and market access. In addition, the sector faces investment limitations in

processing infrastructure, quality certification, as well as a lack of information in time and space, which hinders its ability to compete in premium markets (Lekoçaj & Hoxha, 2019). Addressing these issues is crucial for unlocking the full potential of Albania's AMPs sector.

Despite extensive research into the global AMPs market, research focusing on the specific dynamics of the AMPs trade at the export level is limited (USAID, 2010; Paul, 2014; Hoxha, 2016). Previous research has explored Albania's biodiversity and production practices, but often neglect export trends and the economic implications of market fluctuations (Dema, 2020). This paper aims to fill this gap by analysing export data from 2013 to 2023 to identify trends, challenges and opportunities in Albania's AMPs sector. This paper is structured around three main research questions:

- 1. What trends and models have characterized the global and Albanian exports of AMPs during the last decade?*
- 2. What internal and external factors influence the progress of the AMPs sector in Albania?*
- 3. What strategic interventions can increase Albania's competitiveness and sustainability in the global AMPs market?*

By addressing these questions, the main findings of this paper contribute to the broader understanding of AMPs trade dynamics, providing actionable insights for policy makers and stakeholders in Albania.

## **THEORETICAL BACKGROUND**

The study of aromatic and medicinal trade dynamics requires an interdisciplinary theoretical foundation, combining knowledge from economics, environmental sciences, and international trade theories. This section provides a robust framework to analyse the global AMP market, focusing on resource dependency theory, global value chain analysis, and trade economics. Together, these perspectives illuminate the opportunities and challenges facing Albania and other key players in the AMP sector.

### *1 Resource Dependence Theory (RDT)*

Resource dependency theory asserts that organizations or nations that control critical resources exert significant power and influence within markets (Pfeffer & Salancik, 1978). In the context of AMPs, biodiversity-rich countries like Albania possess a natural comparative advantage due to their unique ecosystems and favourable growing conditions. However, dependence on these natural resources creates vulnerabilities, especially

when production is affected by environmental degradation, climate change, or resource mismanagement (Kohli & Jawahar, 2020). For Albania, the reliance on AMPs as a major export commodity underscores the importance of sustainable resource management. Historical trends reveal that fluctuations in AMP export quantities often coincide with environmental challenges, such as soil erosion and overbilling. Applying RDT, this study examines how Albania's dependence on AMPs affects its bargaining power in global markets and identifies strategies to mitigate risks, such as diversifying its agricultural exports and investing in value-added processing.

### *2 Global Value Chain (GVC) Analysis*

The Global Value Chain framework provides a lens to understand the flow of AMPs from production to final markets, highlighting the distribution of value-added activities at different stages of the supply chain (Gereffi et al., 2005). In the AMPs trade, these stages include cultivation, harvesting, processing, packaging and distribution. High-income countries, which dominate downstream processing and marketing stages, often capture a disproportionate share of the economic value compared to primary producers in biodiversity-rich regions such as Albania (Humphrey & Schmitz, 2002). Albania's role in GVC is mainly upstream, with limited domestic capacity for advanced processing or branding. This positioning limits the country's ability to grasp high prices and exposes it to market volatility. By integrating GVC analysis, this paper explores how Albania can improve the value chain through strategic investments in technology, certification schemes (e.g., organic or fair trade), and capacity building for local producers.

### *3 Comparative advantage and trade economy*

The theory of comparative advantage, first articulated by Ricardo (1817), states that countries should specialize in the production of goods where they have the lowest opportunity cost. The climatic and ecological conditions of Albania give a clear comparative advantage in the cultivation of some AMPs, such as sage and thyme, which are highly valued in international markets. However, maintaining this advantage requires overcoming structural challenges, including infrastructure deficits, limited market access and irregular quality standards (Balassa, 1965). Trade economics further emphasizes the role of market diversification and competitive pricing in sustaining export growth. Albania's heavy reliance on European markets, especially Germany, exposes it to concentration risks. Meanwhile, growing demand for AMPs in North

America and Asia presents untapped opportunities for diversification. This study applies principles of trade economics to analyse Albania's export patterns and identify potential strategies to increase its global competitiveness.

#### *4 Integrating environmental and social sustainability*

Recent theoretical advances emphasize the integration of sustainability principles into trade and resource management frameworks. The United Nations Sustainable Development Goals (SDGs) advocate balancing economic growth with environmental conservation and social equity (UN, 2015). For the AMPs sector, this translates into practices such as sustainable harvesting, fair labour standards and reducing carbon footprints throughout the value chain. Albania's AMP exports can serve as a case study for exploring the intersection between economic objectives and sustainability imperatives. This study examines how compliance with international sustainability standards, such as the Convention on Biological Diversity (CBD), can increase Albania's market access while preserving its natural resources for future generations.

#### *5 Empirical foundations and hypotheses*

Based on these theoretical approaches, we formulated the following hypotheses:

1. Albania's dependence on AMPs for export earnings increases its exposure to environmental and market risks.
2. Improving the value chain through processing and certification increases the value of Albania's exports and reduces its vulnerability to commodity price fluctuations.
3. Expanding exports to non-European markets improves Albania's resilience to demand shocks and increases its long-term competitiveness.
4. The adoption of sustainable production practices strengthens Albania's position in premium markets and aligns its trade policies with global environmental goals.

By situating the analysis within these theoretical constructs, this paper provides a comprehensive understanding of the factors shaping Albania's AMPs trade and provide actionable insights for policy makers and stakeholders.

## METHODOLOGICAL APPROACH

The methodological approach implemented in this paper combines quantitative and qualitative analyses to comprehensively examine the trends and dynamics of exports of AMPs globally and in Albania. By using robust data sources and analytical techniques, the research provides empirical insights into market trends, contributing factors and potential strategies for sector improvement. This section describes the data sources, analytical framework, and methodological rationale underpinning the study.

### *1. Data sources and collection*

The main source of quantitative data for this study is the UN COMTRADE database, which provides detailed international trade statistics. The database provides essential information on the quantity and value of AMPs exports over a ten-year period (2013-2023), categorized by commodity codes and trading partners. This dataset was chosen due to its comprehensiveness, reliability and widespread use in economic and commercial research (Gaulier & Zignago, 2010). Complementary data were collected from reports of international organizations such as the Food and Agriculture Organization (FAO), as well as from national statistical agencies, including the Albanian Institute of Statistics (INSTAT). These localized data sources provided insight into the specific challenges and opportunities facing Albania's AMP sector.

### *2. Quantitative and qualitative analysis*

The quantitative analysis included a detailed examination of AMP's export trends in terms of both quantity and value. The main axes analysed include:

2.1 Annual export volume and value: Examining changes yearly to identify patterns, growth trajectories and volatility.

2.2 Geographic distribution: Analysing export flows by country and region to assess market diversification.

2.3 Unit value analysis: Calculation of export values per ton to assess price trends and market positioning.

Statistical techniques such as trend analysis, compound annual growth rate (CAGR) and regression modelling were applied to qualify the changes over the decade. For example, regression models were used to assess the relationship between export value and influencing factors, such as market access and sustainability certifications. These models help identify the underlying drivers of export performance and project future trends. To complement

the quantitative findings, qualitative data were collected through a literature review and analysis of policy documents. Academic journals, industry reports and case studies provided context on the structural challenges in the AMP sector, including supply chain inefficiencies, environmental concerns and market access barriers. In addition, qualitative knowledge is derived from stakeholder interviews and expert opinions documented in previous research. While direct interviews were not conducted for this paper, secondary sources provided valuable qualitative narratives on Albania's AMPs industry and its integration into global value chains (Humphrey & Schmitz, 2002).

### *3. Comparative analysis*

A benchmarking method was used to measure Albania's AMPs export performance against major global players, including China and India. This included analysing relative market shares, growth rates and trade patterns to identify Albania's competitive position in the global market. The comparative analysis also highlighted the best practices in AMP's export development, offering lessons for Albania.

The choice of an interdisciplinary methods approach reflects the complex nature of the AMPs market, which includes both quantitative trade dynamics and qualitative contextual factors. By integrating multiple data sources and analytical techniques, the study achieves a holistic understanding of AMPs exports, providing actionable insights for policymakers and stakeholders.

#### *3.1 Data source limitations*

While COMTRADE and other databases provide comprehensive trade statistics, they are not without limitations. Issues such as missing data, inconsistencies in reporting standards, and classification inconsistencies were addressed through data triangulation. Cross-referencing multiple sources ensured the validity and reliability of the findings (Jerven, 2013).

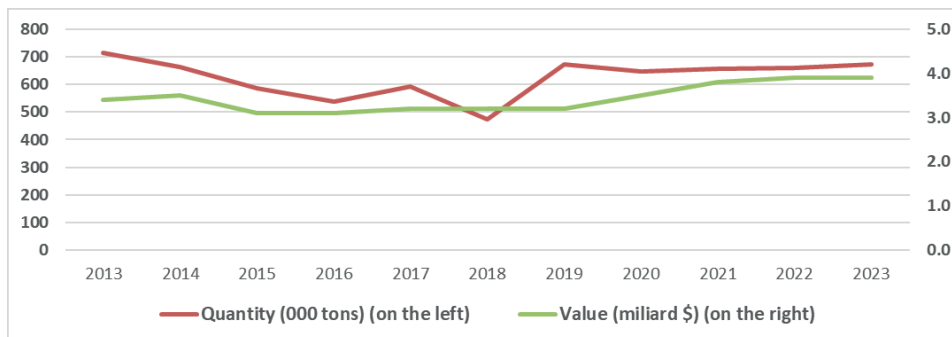
## **FINDINGS**

### *1. Trends and evolution of exports of aromatic and medicinal plants in the world (2013-2023)*

Analysis of export data for aromatic and medicinal plants over the last decade reveals significant trends and fluctuations in both quantity and value. The data spans from 2013 to 2023, offering a comprehensive view of global

market dynamics. Figure 1 shows the amount in thousand tons of aromatic and medicinal plants exported worldwide during the last decade. First, we see a decline from 715 thousand tons in 2013 to 537 thousand tons in 2016, which is a cumulative decrease of about 24.9%.

Figure 1. The evolution of exports at the world level, in quantity (thousand tons) and value (billion dollars), of AMPs, for the period 2013-2023.



Source: Produced by the authors on the basis of official COMTRADE data (2024)

This downward trend is followed by a period of recovery, where the quantity increases to 671 thousand tons by 2019, marking an increase of 24.95% from the low level of 2016. The following years showed small fluctuations, with a slight decrease in 2020 and a gradual increase thereafter, stabilizing at 671 thousand tons by 2023. This increase may it is also explained by the Covid-19 pandemic where the demand for this raw material has undoubtedly been high. However, overall, we have a decrease of 6.15% from 2013 to 2023.

The value of these exports also experienced substantial changes. From 2013 to 2014, the value increased marginally from \$3.4 billion to \$3.5 billion. However, a significant decline to \$3.1 billion occurred in 2015, followed by stability in 2016. The value then saw a modest increase to \$3.2 billion in 2017, followed by a significant increase to \$4.0 billion in 2018, which represents an increase of 25% from the previous year. From 2020 onwards, the value showed a steady upward trend, reaching \$3.9 billion by 2023. Overall, the value of exports increased by 14.71% from 2013 to 2023. However, the annual percentage changes highlight the volatility both in quantity and value. For the amount, the most significant annual decrease occurred in 2015 (-11.75%),

while the most significant increase was in 2019 (10.91%). For the value, the most obvious increase was in 2018 (25%), while the most significant decrease was in 2019 (-20%). These fluctuations highlight the market's sensitivity to various factors, including demand, supply chain disruptions and global economic conditions.

Undoubtedly, China and India continue to be major contributors to the global export of aromatic and medicinal plants. China accounts for approximately 23% of the world's quantity, while India contributes about 14%. These contributions highlight the key role these countries play in the global market, influencing both supply and price dynamics. Trend analysis reveals a mixed picture. The volume trend shows an initial decline followed by a period of recovery and stabilization, resulting in a slight overall decline. In contrast, the value trend exhibits a more volatile pattern, with significant ups and downs, ultimately resulting in a noticeable overall increase. This divergence suggests that while the physical volume of exports has remained relatively stable, the economic value of these exports has seen more pronounced fluctuations, likely driven by market demand and price dynamics. However, analysis of export data for aromatic and medicinal plants over the past decade provides valuable insights into global market trends. While the quantity of exports has shown a slight overall decline, the value has increased significantly, highlighting the economic importance of these resources.

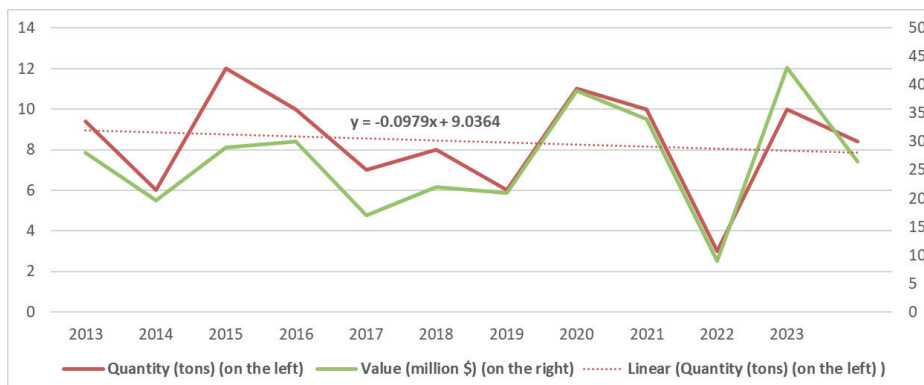
## *2. Trends and evolution of exports of aromatic and medicinal plants in Albania (2013-2023)*

Analysis of export data for aromatic and medicinal plants from Albania during the last decade reveals significant fluctuations in both quantity and value. Figure 2 shows the evolution and annual trends for the period 2013-2023. The number of exports ranged from a low of 3 thousand tons in 2022 to a high of 12 thousand tons in 2015. Meanwhile, the export value showed a marked increase, reaching its peak of \$43 million in 2023. Changes from year to year, however, highlight the volatility of the sector, with sharp declines in some years, such as 2022, when quantities fell by 70% compared to the previous year. In contrast, dramatic recoveries were observed in years such as 2015 and 2023, where quantities increased by 100% and 233.33%, respectively.

Value trends were also volatile, with the most significant increase occurring in 2023, where export value increased by 377.78% compared to 2022. In fact, the period 2021-2022 coincides with the shutdown of the economy due to

the pandemic Covid-19. However, regression analysis of the quantitative data revealed a downward trend, modelled by the equation:  $y = -0.1273x + 9.1636$

**Figure 2.** The evolution of Albanian exports, in quantity (thousand tons) and value (million dollars), of AMPs, for the period 2013-2023.



*Source:* Produced by the authors on the basis of the official data of COMTRADE and INSTAT (2024)

This suggests a gradual reduction in export volumes over time, which can be attributed to factors such as environmental challenges, production capacity constraints, or increased competition in the global market. While in terms of the value of exports, there is a significant increase of 53.57%, showing that the exports of aromatic and medicinal plants of Albania are contributing more and more to higher economic returns despite irregular volumes. The data underscores a volatile but promising sector. While fluctuations in quantity suggest challenges in maintaining a stable supply, the overall increase in value indicates Albania's potential to increase its economic position in the global market for aromatic and medicinal plants.

#### 4.3 Main export destinations for aromatic and medicinal plants of Albania

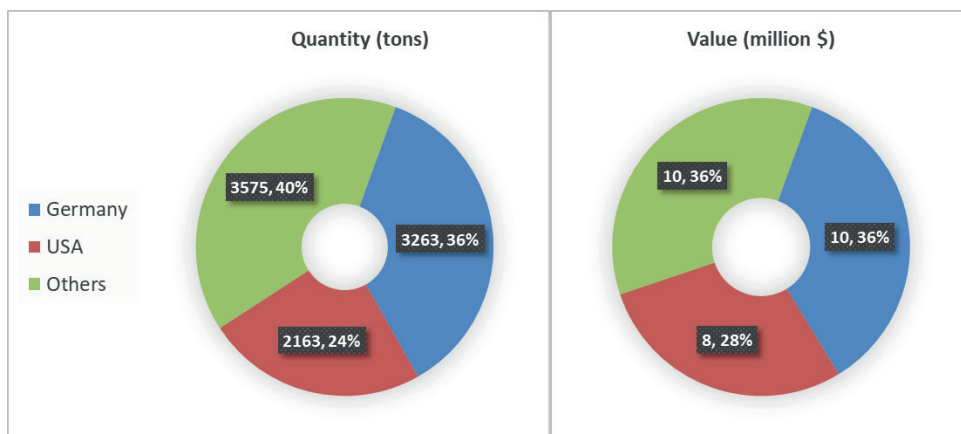
Export data for aromatic and medicinal plants of Albania for the period 2013-2023 reveal distinct patterns in both quantity and value across all major trading partners. Germany, the USA and other markets stand out as key destinations, each playing an important role in Albania's export performance. These results provide a comprehensive picture of Albania's position in the global market for aromatic and medicinal plants. Figure 3 shows that Germany is the main destination, with an average of 3,263 tons of exports, which accounted for 36% of the total volume. The USA comes second, importing an average of

2,163 tons, which constitutes 24% of total exports. Notably, other markets collectively imported the highest volume, reaching 3,904 tons, or 34.83% of the total.

This distribution shows that while Germany and the US are major partners, Albania’s export base is relatively diversified, with other markets making up a significant portion of the total volume.

In terms of value distribution, Germany leads with an average value of 10 million dollars per year or 36% of the total value. In second place comes the USA with 8 million dollars per year or 28% of the total value. Interestingly, the “other markets” category generates an average of \$10 million, or 36%, reflecting the diverse and significant role these countries play in Albania’s exports. Despite Germany’s strong performance in terms of volume and value, we see these last three years 2021-2023, the US competing for the top spot. Thus, for the year 2023, the value of exports from the USA reaches 14 million dollars, which constitutes 32.56% of the total export value. While Germany takes second place with 13 million dollars, constituting 30.23% of the total value.

Figure 3. The evolution of Albanian exports, in quantity (thousand tons) and value (million dollars), of AMPs, for the period 2013-2023.



Source: Produced by the authors on the basis of official COMTRADE data (2024)

The export value per unit further illustrates the differences in market

characteristics. For Germany, the value per ton was \$3,797, while for the US, it was significantly higher at \$4,944 per ton. This suggests that the US may be a more premium market, potentially focused on higher quality products or specialized segments of the plant export industry. The “other markets” category had a value per ton of \$4,098, indicating that while they account for a large portion of total exports, these markets do not necessarily command the same price premium as the US.

This distribution of exports suggests some strategic implications for Albania’s export policies. While Germany and the US remain vital destinations, the higher unit value in the US provides an opportunity for Albania to focus on premium products such as the sage plant, thereby maximizing economic returns. At the same time, Germany’s significant volume, coupled with its stable prices, positions it as a stable and stable trading partner. The different part from other markets emphasizes the importance of maintaining a broad export base and expanding market penetration in these regions. In conclusion, Albania’s aromatic and medicinal plant export patterns for the past decade demonstrate a healthy level of diversification and resilience. The data suggests that targeting high-value markets such as the US, while continuing to strengthen relations with Germany and other global markets, may be a key strategy to further enhance Albania’s competitive position in the international market.

## **DISCUSSION**

The findings of this paper highlight some critical trends and dynamics in the AMPs export market, with specific insights into Albania’s role in this sector. This discussion expands on the implications of these findings for industry stakeholders, policy makers and researchers.

### *1. Global market trends: stability and instability*

The global AMPs export market from 2013 to 2023 exhibits a complex interplay between stability and volatility. While total export quantity decreased by 6.15% over the decade, export value increased by 14.71%, reflecting a shift to higher economic value despite fluctuating physical volumes. This divergence suggests an increasing emphasis on value-added processes such as quality improvement, organic certification, packaging innovations and efficient management. The peak in export value observed in 2018 coincides with increasing consumer awareness of natural medicines and sustainable

products, especially in high-income markets such as the US and Europe (Tapsell et al., 2006). However, the downturn and subsequent recovery show the sector's sensitivity to economic cycles, trade policy changes and supply chain disruption.

### *2. Albania's role: A case of potential and challenges*

Albania's AMPs export performance presents a compelling narrative of potential resilience amid challenges. The 233.33% increase in export quantity and the 377.78% increase in export value in 2023 highlight the sector's ability to recover dramatically under favourable conditions. This recovery can be attributed to several factors, including improved market access, diversification efforts and improved product quality. However, the long-term downward trend in quantities, as reflected in the regression analysis, raises concerns about supply-side sustainability. Environmental degradation, lack of modern agricultural techniques and insufficient investment in production infrastructure are likely contributors to this decline (Garforth et al., 2003). Addressing these issues is critical to ensure stable supply and maintain Albania's competitiveness in the global market.

### *3. Geographic concentration and diversification*

The analysis of export destinations revealed the strategic importance of Germany and the USA as key markets for Albania. While Germany accounted for most of the export volume (36%), in recent years, the US contributes the highest value (32.56%), highlighting its status as a premium market. The relatively high export value per unit to the US (\$4,944 per ton) compared to Germany (\$3,797 per ton) suggests that Albania can further capitalize on high-value markets by focusing on quality certifications, branding and manufacturing practices. stable supply. At the same time, the important role of "other markets" (40% of export value) indicates a diversified export base, which can reduce the risks associated with specific market shocks.

### *4. Political and strategic implications*

The findings highlight the need for targeted policy interventions to address both supply-side and demand-side challenges. Key recommendations include:

- Improving supply chain sustainability: Investments in sustainable agricultural practices, infrastructure and R&D can help address

declining quantities and ensure long-term sustainability. Introducing government subsidies or grants to farmers who adopt organic or sustainable methods can encourage better practices.

- Expanding market access: Trade agreements and partnerships with emerging markets can further diversify Albania's export base. Collaborations with industry associations in high-income countries can also increase Albania's visibility in premium markets.
- Encouraging value addition: Development of processing facilities to produce essential oils, herbal teas and other value-added products can significantly increase economic returns.

### *5. Lessons from key global players*

The dominance of China and India in the AMPs market, contributing respectively 23% and 14% of global export volumes, offers valuable lessons for Albania. Both countries have exploited economies of scale, technological advances and strategic marketing to establish their leading positions. Albania can adopt similar strategies, especially by fostering public-private partnerships and exploiting its unique geographical advantages to produce high-quality organic AMPs.

### *6. Threats and limitations*

Despite promising trends, the AMPs sector faces challenges such as climate change, regulatory hurdles and market volatility. Addressing these issues requires a coordinated effort by industry stakeholders, policy makers and international partners. The limitations of this paper, particularly the reliance on secondary data, highlight the need for field-based research and direct engagement with industry participants. Such efforts would provide a more nuanced understanding of the sector's dynamics and inform actionable strategies for improvement.

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## **CONCLUSION**

The analysis of global and Albanian data on the export of aromatic and medicinal plants (AMP) from 2013 to 2023 provides important information on the trajectory, potential and challenges of the sector. Globally, the AMPs market has undergone a marked evolution, marked by a gradual shift towards improved economic value despite fluctuations in export quantities. This trend

underlines the growing importance of higher value products and premium positioning in the international market. Albania's performance in this sector, although modest compared to the main global exporters such as China and India, has shown remarkable resilience and adaptability. The remarkable recovery in 2023, with unprecedented growth in both export volume and value, highlights the potential of Albania's AMPs sector to benefit from favourable market conditions. However, the overall downward trend in export volumes over the decade raises concerns about the long-term sustainability of production and the sector's ability to maintain sustainable growth.

The findings point to a sector at a crossroads. On one hand, Albania has demonstrated its ability to serve both high-value and volume-driven markets, as evidenced by its strong trade relations with Germany and the US. Germany, with its significant share of the total export volume, offers a stable and reliable market, while the USA, in recent years, is showing a higher export value per unit, providing opportunities for AMP's premium positioning. At the same time, the growing contribution of other markets reflects a promising diversification of Albania's export base. On the other hand, the volatility observed in both export quantities and values highlights the challenges posed by environmental pressures, supply chain inefficiencies and competition from larger exporters.

In order to address these challenges and ensure a competitive advantage in the global AMP market, Albania must take decisive and strategic steps. Adopting sustainable manufacturing practices will be crucial. Encouraging farmers to use environmentally friendly cultivation and harvesting techniques can help conserve the natural resources on which the sector depends. Training and education initiatives, together with the promotion of certifications such as Organic and Fair Trade, will increase the attractiveness of Albanian AMPs in premium markets. Investing in value-added processing offers another important opportunity. The establishment of local processing units for products such as essential oils and plant extracts will allow Albania to capture more value domestically. Also, branding and marketing strategies should be developed to position Albanian AMPs as high quality and sustainable products in the global market.

Expanding market access will also be vital. Strengthening trade relations through negotiations aimed at reducing barriers in high-value markets, such as the US and the European Union, will support export growth. At the

same time, efforts to penetrate emerging markets with untapped potential should not be overlooked. Data-driven market intelligence will play a key role in identifying trends and tailoring products to meet specific consumer demands. Improving supply chain infrastructure and efficiency will further increase Albania's competitiveness. The development of better transport networks, modern storage structures and modernized logistics systems will help reduce costs and maintain product quality during transit. In addition, public-private partnerships can be used to mobilize resources and expertise, fostering collaboration between farmers, exporters and policy makers.

Research and development (R&D) will also be central to the growth of the sector. Targeted studies to identify species in high demand, explore innovative uses of AMPs and improve cultivation techniques will support the sector in adapting to changing market conditions. Complementing these efforts, a national strategy for AMPs exports should be developed, focusing on sustainability, innovation and market competitiveness. Financial incentives, such as subsidies or low-interest loans, can further encourage investment in the sector. Albania's AMPs sector has considerable potential to emerge as an important contributor to the national economy and a prominent player in the global market. By addressing production challenges, embracing market dynamics and improving value chain efficiency, the sector can achieve sustained and sustainable growth.

Future research should focus more deeply on factors that drive sustainable management of these resources, as well as consumer preferences in key export destinations. This knowledge will be instrumental in shaping policies and practices that ensure Albania capitalizes on its strengths and builds a robust and sustainable AMPs industry capable of thriving in a competitive global environment.

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# PUBLIC POLICIES AND THE DEVELOPMENT OF SMEs IN THE WESTERN BALKAN COUNTRIES (CASE OF ALBANIA)

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## **ABSTRACT**

In the Western Balkans, even in Albania, Small and Medium Enterprises (SMEs) are key factors for economic, political, and social development. Albania, as one of the countries in this region, has taken different reforms, including the improvement of the business environment for SMEs. This paper focuses on the years 2018-2022, a period when SMEs in Albania have played an important role in job creation, innovation promotion, sustainable growth, and have had specific needs for government support.

This paper analyzes the impact of public policies on the development of SMEs in Albania, assessing the effectiveness of existing policies and identifying challenges and opportunities for improvement. The paper is mainly based on secondary data from public institutions in Albania and other countries in the region.

The study aims to highlight the efforts of the governments of the Western Balkan countries to create a favorable environment for SMEs. Recognizing that there are still barriers hindering their development, including limited access to finance, lack of managerial capacities, and changes in public policies.

The need is identified for a more coordinated approach between countries regarding fiscal policy, regulatory acts, bilateral or multilateral agreements to promote SME development, and to increase their contribution and

competitiveness in the domestic economy in regional and broader markets.

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**KEY WORDS:** Public Policy, Small and Medium Enterprises, Fiscal Policy, Innovation, Western Balkan Countries.

**JEL Code:** L26, H25, O25, M13, R58

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## INTRODUCTION

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Small and Medium Enterprises (SMEs) are the cornerstone of economic activity, especially in developing regions like the Western Balkans. These businesses are vital for job creation, income generation, and driving innovation. Their adaptability and entrepreneurial spirit make them a driving force behind dynamic economic shifts. In Albania, SMEs represent over 99% of registered businesses and contribute significantly to national GDP and employment figures, thus reflecting their critical importance to the overall economy.

However, the development of SMEs in Albania is influenced by several factors, including the macroeconomic environment, access to resources, and the effectiveness of public policies. Well-structured policies are required to address existing gaps, such as financial constraints, infrastructural deficiencies, and regulatory complexities that hinder SME growth.

This paper focuses on the period from 2018 to 2022, examining both the opportunities and challenges faced by SMEs in Albania. During this time, the government implemented multiple reforms aimed at enhancing the business climate, such as fiscal incentives, digitalization efforts, and capacity-building initiatives. These measures, while impactful, require further alignment with regional strategies to foster competitiveness and sustainability.

Furthermore, this study seeks to provide an in-depth analysis of the interplay between public policy and SME performance. It highlights the dual role of SMEs as both beneficiaries and drivers of policy effectiveness. By understanding how policies impact SME operations, this paper identifies critical areas for intervention to ensure long-term benefits, including economic resilience, innovation, and equitable regional development.

In analysing the Albanian context, this paper also draws parallels with neighbouring Western Balkan countries. These comparisons underscore the shared challenges and collaborative opportunities that exist within the region.

A harmonized approach to policy-making can amplify the positive impacts on SMEs, thus enabling them to thrive in an increasingly interconnected economic landscape.

The subsequent sections delve deeper into the methodology, the economic role of SMEs, public policies affecting their growth, and the challenges they face. By shedding light on these aspects, this study aims to provide actionable insights for policy-makers, business leaders, and regional collaborators.

## **METHODOLOGY**

This study is grounded in a comprehensive review of secondary data sourced from governmental, regional, and international agencies. Reports from Albanian ministries, the European Commission, and the World Bank provide a robust foundation for analysing SME policies and performance. The comparative approach employed allows for an assessment of Albania's policies in relation to neighbouring Western Balkan countries, highlighting both unique national challenges and shared regional opportunities. Particular focus is placed on fiscal policies, access to finance, and regulatory frameworks, with the aim of identifying actionable recommendations. Data analysis also includes sector-specific insights, such as the performance of SMEs in tourism, agriculture, and technology. To ensure reliability, data triangulation methods are used, cross-referencing information from multiple credible sources. This methodology not only identifies gaps in current policies but also provides a roadmap for aligning national strategies with regional goals. The study's findings are further contextualized within global SME trends, offering broader implications for Albania's integration into international markets.

## **THE ROLE OF SMES IN ALBANIA'S ECONOMY**

### **Job Creation**

SMEs are the backbone of Albania's workforce, employing over 80% of the labor force and serving as vital contributors to social stability. This employment spans diverse sectors, including agriculture, retail, and manufacturing, reflecting the dynamic adaptability of SMEs to meet market demands. Particularly in rural areas, SMEs help combat unemployment by offering job opportunities in underdeveloped regions, thus mitigating urban migration. Moreover, they are significant employers of women and youth, often leading targeted initiatives to promote inclusion in the labor market.

For example, a textile manufacturing SME in northern Albania employs predominantly women, empowering them economically and socially. The ability of SMEs to absorb labor during economic downturns highlights their role as buffers against unemployment spikes. Additionally, SMEs often serve as platforms for skill development, preparing employees for career progression and entrepreneurial ventures.

#### Innovation

SMEs in Albania are critical drivers of innovation, introducing new products, services, and business models that cater to emerging consumer demands. For instance, technology-oriented SMEs in Tirana have developed digital platforms for sectors ranging from education to transportation. This innovation often stems from the ability of SMEs to respond quickly to market changes and explore niche markets. Government programs like innovation grants and start-up incubation initiatives have further encouraged SMEs to adopt cutting-edge technologies. Examples include agribusiness SMEs leveraging smart farming techniques to enhance productivity and sustainability. Collaboration between SMEs and academic institutions has also fostered research-driven innovation, with several SMEs co-developing solutions for environmental challenges. These efforts not only enhance competitiveness but also position Albania as a hub for entrepreneurial ingenuity in the region.

#### Sustainable Growth

The distributed presence of SMEs across urban and rural areas enables them to play a key role in promoting balanced economic development. SMEs operating in rural Albania, for instance, contribute to reducing economic disparities by providing jobs, services, and infrastructure in underserved areas. In addition to economic growth, many SMEs are committed to sustainability, adopting eco-friendly practices such as renewable energy use and waste reduction. These initiatives align with Albania's green economy goals and resonate with the growing consumer preference for environmentally conscious businesses. Furthermore, SMEs support local economies by sourcing materials and services domestically, creating ripple effects across supply chains. A notable example is a tourism SME in the Albanian Riviera that partners with local communities to promote cultural heritage and ecological preservation, boosting both income and regional pride.

### **PUBLIC POLICIES SUPPORTING SMES IN ALBANIA (2018-2022)**

Over the years, the Albanian government has taken significant steps to

enhance the SME sector by introducing targeted reforms and initiatives. Among the most notable are efforts to streamline administrative processes through the implementation of e-governance platforms, which have simplified business registration and tax filing, reducing both time and costs. For example, the introduction of online portals like e-Albania has enabled entrepreneurs to manage their businesses more efficiently. Access to finance has also seen improvement, with the government launching credit guarantee schemes in collaboration with international financial institutions. These schemes have helped mitigate the risks faced by lenders, encouraging them to extend loans to SMEs. Additionally, initiatives like innovation grants and start-up funds have fostered entrepreneurship, particularly among young professionals and women. To address the digital transformation needs of SMEs, training programs and financial incentives have been introduced to promote the adoption of modern technologies. However, challenges remain, particularly in ensuring equitable access to these benefits for SMEs in rural and remote areas. Despite the progress, inconsistencies in policy implementation and lack of coordination among stakeholders have limited the overall impact. The government needs to prioritize monitoring and evaluation mechanisms to ensure that policies reach their intended beneficiaries and deliver the desired outcomes.

## **CHALLENGES AND BARRIERS**

The challenges facing SMEs in Albania are multifaceted, impacting their ability to operate efficiently and compete regionally and globally. Limited access to finance remains one of the most critical barriers. SMEs often face prohibitively high-interest rates, with financial institutions requiring substantial collateral, which many small businesses cannot provide. This issue is compounded by the lack of alternative financing options, such as venture capital or crowdfunding platforms, which are underdeveloped in Albania. Moreover, many SMEs lack financial literacy and awareness of existing government schemes, leaving them unable to capitalize on available opportunities.

Managerial deficiencies also undermine SME growth, as business owners frequently lack the training or expertise needed to adopt modern management practices. For example, gaps in knowledge about financial planning, marketing strategies, and digital tools prevent SMEs from reaching their full potential. Additionally, regulatory uncertainty creates a challenging environment for SMEs. Frequent changes in tax laws, licensing requirements, and compliance

procedures increase costs and discourage long-term investment.

Infrastructure challenges disproportionately affect SMEs in rural areas, where inadequate transportation networks and unreliable energy supplies hinder operations. For example, agribusinesses in remote areas struggle to transport goods efficiently, limiting their market reach. High energy costs and limited access to high-speed internet further constrain SMEs' productivity, particularly in sectors reliant on technology.

The lack of access to export markets is another significant challenge. Many SMEs lack the knowledge, networks, and certifications required to meet international trade standards. For instance, Albanian food and beverage producers face difficulties in meeting EU import requirements, which limits their ability to expand into larger markets. These challenges are exacerbated by limited government support in connecting SMEs to global value chains. Overcoming these barriers requires targeted policies, improved access to financial and managerial resources, and investments in infrastructure and export capacity.

## **OPPORTUNITIES FOR REGIONAL COOPERATION**

Regional cooperation within the Western Balkans offers a promising pathway to address common challenges and unlock new opportunities for SMEs. One key area of focus is fiscal policy harmonization, which could simplify tax regulations and reduce compliance costs for SMEs operating across borders. For example, aligning VAT rates and procedures across the region would eliminate redundancies and encourage cross-border trade, creating a more seamless business environment.

Another significant opportunity lies in regulatory standardization. Developing uniform standards for product certification, labor laws, and environmental regulations would reduce operational complexities for SMEs and facilitate their integration into regional supply chains. This approach would also attract foreign direct investment (FDI) by presenting the Western Balkans as a unified economic area.

Enhanced bilateral and multilateral agreements, such as those under the Open Balkan initiative, could open new markets for SMEs and increase their competitiveness. These agreements can focus on reducing trade barriers, such as tariffs and non-tariff measures, while fostering collaboration in key sectors like agriculture, manufacturing, and technology. For example, joint marketing campaigns for regional tourism could benefit SMEs in the hospitality and service industries.

Creating regional innovation hubs and shared research facilities could spur collaboration among SMEs across borders, enabling them to pool resources and share expertise. These hubs could focus on priority areas like digital transformation, green technologies, and sustainable agriculture. Joint participation in international trade fairs and exhibitions could also enhance the visibility of SMEs from the Western Balkans and help them connect with global buyers.

Digitalization presents another opportunity for regional cooperation. Collaborative investments in digital infrastructure, such as high-speed internet and e-commerce platforms, could enable SMEs to access larger markets and participate in the digital economy. Furthermore, shared training programs focusing on digital skills, export readiness, and business management could improve the overall capacity of SMEs in the region.

By leveraging these opportunities, the Western Balkan countries can create a more integrated and resilient SME ecosystem, fostering economic growth and regional stability.

## **RECOMMENDATIONS FOR POLICY IMPROVEMENT**

To address the challenges faced by SMEs and capitalize on regional opportunities, Albania needs a multi-faceted approach to policy reform and implementation. Enhancing access to finance should be a top priority. The government could establish dedicated SME funds that offer low-interest loans, microfinance options, and credit guarantees tailored to the needs of small businesses. Encouraging the development of alternative financing methods, such as venture capital funds and crowdfunding platforms, could also broaden financial opportunities for SMEs.

Capacity building is equally critical. Comprehensive training programs should be designed to improve SMEs' managerial, technical, and digital skills. These programs can be delivered through partnerships with universities, international organizations, and private sector stakeholders. For example, training sessions on export readiness could equip SMEs with the knowledge needed to enter global markets, while workshops on digital marketing could help them leverage online platforms to expand their customer base.

Regulatory stability is essential to creating a conducive business environment. The government must prioritize minimizing frequent changes to tax policies and licensing requirements while ensuring transparent and consistent enforcement of existing regulations. A simplified regulatory framework, combined with

effective e-governance tools, can reduce the administrative burden on SMEs. Incentivizing sustainable practices is another key recommendation. SMEs that adopt green technologies, reduce waste, or transition to renewable energy should be rewarded with tax breaks, grants, or subsidies. These incentives would not only enhance the sustainability of SMEs but also align with Albania's broader environmental goals.

Regional collaboration must be strengthened to unlock the potential of SMEs. Albania should take an active role in regional initiatives like the Open Balkan framework, focusing on harmonizing fiscal policies, streamlining customs procedures, and promoting cross-border investments. Establishing joint innovation hubs and regional trade networks can further enhance cooperation. Lastly, the government should implement a robust monitoring and evaluation system to assess the effectiveness of SME policies. Regular feedback from SMEs, collected through surveys or focus groups, can guide policy adjustments and ensure that interventions meet the evolving needs of businesses. By addressing these recommendations, Albania can foster a thriving SME ecosystem that contributes to sustained economic growth, innovation, and regional integration.

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## **CONCLUSION**

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Small and Medium Enterprises (SMEs) are indispensable to Albania's economic and social progress, representing the backbone of the country's economy and a significant driver of innovation, job creation, and regional development. Over the years, Albania has made commendable efforts to foster SME growth through reforms in fiscal policies, digital transformation, and access to finance. However, persistent challenges such as limited financial access, managerial deficiencies, infrastructural gaps, and regulatory instability continue to hinder their full potential.

Addressing these challenges requires a holistic and multi-dimensional approach that integrates national reforms with regional cooperation. At the national level, fostering a stable and predictable policy environment, expanding financial opportunities through dedicated SME funds, and investing in capacity-building programs will create a stronger foundation for SMEs. Additionally, incentivizing sustainability and digitalization will enable Albanian SMEs to align with global economic trends and enhance their competitiveness.

At the regional level, Albania's active participation in collaborative

frameworks such as the Open Balkan initiative can provide SMEs with new market opportunities, harmonized regulations, and access to shared resources. Strengthening ties with Western Balkan neighbors will not only benefit SMEs domestically but also position the region as a unified economic powerhouse capable of attracting global investment.

Ultimately, unlocking the full potential of SMEs requires continuous engagement from policymakers, private sector stakeholders, and international partners. By addressing structural challenges and fostering an enabling environment, Albania can ensure that SMEs contribute significantly to sustained economic growth, innovation, and social cohesion. This strategy will not only bolster Albania's economic resilience but also deepen its integration into regional and global markets, paving the way for long-term prosperity.

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# THE IMPORTANCE OF SOCIAL NORMS AND VALUES IN THE FUNCTION OF EFFECTIVE COMMUNICATION

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## **ABSTRACT**

The study aims to analyze the importance of social norms and values in the communicative process as well as their relation to context, culture and identity. Communicating means recognizing that people think, act, and live differently and that only the meaningful communicated message realizes the communication bridge between them. Social norms are pillars elements in communication, related to sociocultural factors of society, therefore it cannot be perceived separately from the context in which it is used. Values of man affects the communication process, as it depends on the realization of meaningful communication. The research question posed is: How important are Social Norms and Values in the communicative process? The hypothesis of this research is: Social norms and values are two essential elements in communication, as one can find different communication situations that will have to be solved despite changes in human cultures and identities. The study consists of addressing the Social norms and values, viewed in terms of the importance they have in enabling the transmission of meaningful message from the messenger to the message receiver and vice versa, based on some concrete examples of Albanian daily life.

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**KEY WORDS:** Social Norms, Values Communication, Culture, Education.

**JEL Code:** A30

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## **INTRODUCTION**

Man has to be careful throughout the communication process and make sure it has affected the recipient of the message. Social norms and values are necessity to care, which are indispensable elements of human life and must coexist with the speech and action of the social man. When we need to communicate with an unknown person, we often become interested in the social norms from which he is formed. Lack

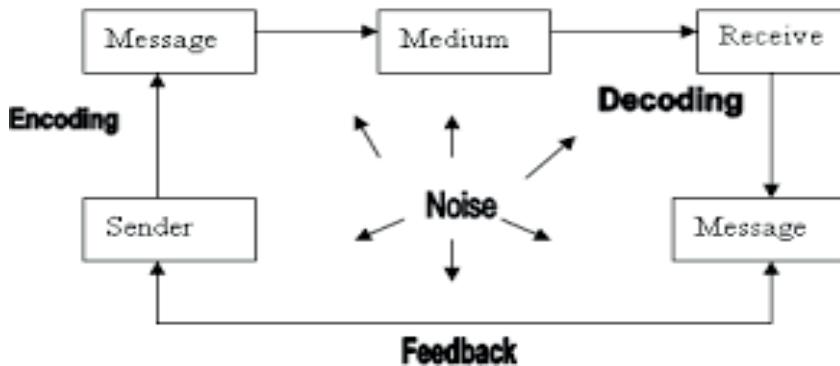
of the social norms and values in communication and the non-recognition of the mentioned become carriers of aggressive, humiliating and deceptive behavior towards the individual who in his early formation proceeds, based on some principles of social norms, which over time are fulfilled and rooted in the way of its communication. As the world is large enough and there are a multitude of cultures in it, one cannot handle different situations and challenges in the same way. What is a necessity in communication is that one is able to maintain a certain balance as he communicates in the worst to the best situations, so that what he communicates will be performed in the best possible way.

**The methodology used in this research is:** Analyzing the interaction of the social norms and values formation in conveying a meaningful message during the communicative process between individuals of different cultures and backgrounds. **The objective of this research** is the treatment of the social norms as well as the values in order to realize communication. Based on some concrete examples of Albanian culture, social norms and values will be treated as essential elements for successful communication. Examples are taken from daily communication in some social settings: student groups; traditional Albanian families; public and private institutions.

#### 1. **Social norms and values in the service of successful communication**

The human being is involved in the whole process of communicating verbally and in all his being. Spoken and written word or concept are associated with emotion, action, silence, timbre and tone of voice. In all stages of life man has a constant need to be socialized, so he has to give and receive information with others. Every human being communicates needs, desires, worldviews, and thoughts to others through the message exchange. It is well known that the communication process to be called complete must in itself contain two key elements: the messenger (the one giving the information) and the message receiver (the one receiving the information). In all cases there is a communication bridge between the messenger and the message receiver, in which two types of noises can be found.

Figure 12.1



The acoustic noise that comes from external factors and the psychological noise that comes from human internal factors. Acoustic noise is more easily avoided as it is enough to get away from the noise, but the problem stands in the psychological noise, which is associated with the formation of communication actors. The message remains unclear if the two communication actors have different backgrounds. A person seeking to convey a message to another, depending on the situation, seeks to enter into a free or strained relationship with him. It is important that it is understood and the recipient gives a feedback that the information has been forwarded. The human being communicates by speaking and writing, but he also communicates using body language and mimicry. It is even worth mentioning how silent the communication is. In many cases, even when doing nothing or being silent, a person conveys a message. For example: If a person justifies the mistake made by his female friend, the silence of the last one as the speaker justifies without silence indicates that the message has been received and in response silence is a good indicator: I hear you but I don't want to forgive you, or I hear you and I want to forgive you. However, silence in this case would translate into one of the two variants above, once the visual or body mimicry or attitude of the listener is considered. If she has a mischievous face, the messenger won't have it easy, but if she has a hilarious mimicry in his justification, then the feedback is positive.

Different moments need different ways of communication. Different people use different ways of communication in the same situations. The verbal and nonverbal language that man chooses to communicate with another or with others is closely linked to their norms, values and luggage. A person specializing

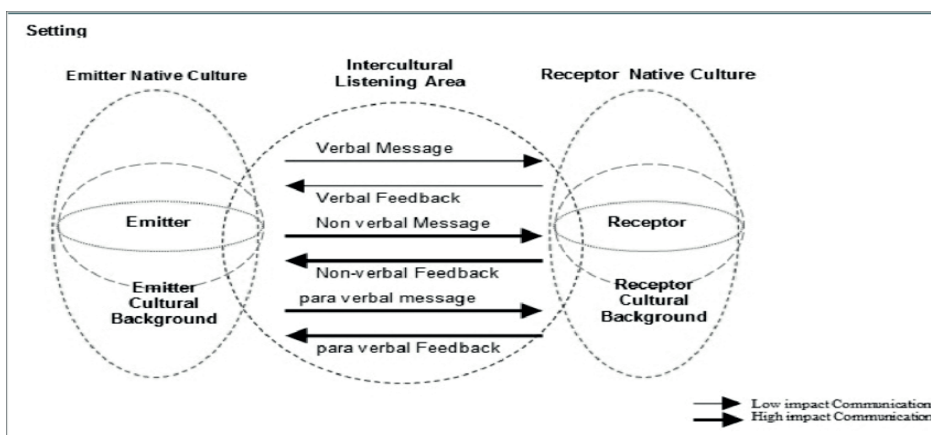
in a particular field communicates the element of the field very easily and with a highly enriched vocabulary on the subject at hand. Someone unspecialized in the field will have to think a lot about finding the right words and gestures, not to mention the occasion when the message will be communicated with not the right words and gestures. In both cases, these norms and values are the basic elements in communication. In terms of the gestures and mimics he uses in communicating, they are related to his personality and mood. The person is surrounded by personal experiences, which are communicated in different ways in certain contexts. A communication can be hampered when one experiences anxiety. Let's mention the case when man experiences the anxiety of telling the truth. Will she trust me? Will she understand me? Will she forgive me? ... etc. Facial expression, actions as we speak, finger snapping, and many other elements would indicate that the communication is not that successful. A communication can be equally hampered by positive and negative emotions. Man inevitably communicates about personal experiences. Too many have happened to communicate very vigorously and very happily when they have experienced a moment of happiness. Emotions have conquered the whole human being and the body, mimicry and voice have reacted strongly. It also happened too many to communicate too slowly, almost indifferent to a painful moment. In this case the emotions or experiences have been at an almost zero level. After all, it is quite understandable that a person, whether fully formed or not, possessed or not by the emotional state, aims to create an effect by communicating an element, phenomenon or process. The ways of communication are different, as human nature itself, and therefore norms and values play a large role in this process. From a young age, one instills in the way of his speaking and acting the ethical norms and values of communication and cares for its preservation regardless of the situations that can be found throughout the life cycle, eliminating any misunderstandings, contempt, anger and all the negative factors that come with it, as a consequence of its absence. *"Ethics in speech plays a major role in the effectiveness and the belief of the conversation. In today's competitive environment, especially in the world of business and politics, social features make even the ethics of speech itself reflect differences between the demands, intentions and sustainability of the respective profession"* (Dhima, A, 2013, 214). Despite different cultures and backgrounds, people are aware that communication is based on certain social norms, which do not differ much from identity to identity. For example, in the case of an agreement

between two businessmen, one of whom is European and the other Balkan, although they come from two different cultures, they understand that when one speaks, one should listen and the other should not interrupt. Both are clear that a conversation starts with a greeting, with a presentation, to go on with a reasoned topic until the conclusion of a closed contract as a result of agreement, or unclosed as a result of disagreement. It is important that the agreement does not degrade unsealed as a result of misunderstanding, as a result of lacking social norms and values or lacking their recognition in communication. As a person communicates, he must be aware that not only he is creating and transmitting a message to a recipient, but he must also be aware of the context in which the last one is located.

## **THE NEED OF SOCIAL NORMS AND VALUES IN COMMUNICATION**

Unlimited freedom of speech in various social circumstances requires norms. Social ethical norms issues arise when the individual faces the process of communication. Communication itself cannot be conceived without the element of the social norms and values. It is interconnected, even irreplaceable in communication. *“Ethics is a branch of philosophy, dealing with the problems of right and wrong in human affairs. Ethical questions arise whenever we ask ourselves whether an action is moral or immoral, fair or unfair, honest or dishonest”* (E.Luchas, S. 2011, 61). Harsh behavior, lies, deceit, lack of gratitude, and malice are elements of lacking communication norms and values. As a stress reducer in strained relationships and preventing unrealized communication, norms and values in communication does nothing but preserve and improve the relationship between humanity. Communication norms require that both interlocutors be cooperative and responsible for everything that is said or accomplished in a communication context. During the communication process, the messenger and the message receiver reflect on how the message is transmitted. Each of them faces issues of the social norms and values from the beginning of this process by elaborating on the ideas and words he will use, until the end is calculated with benefit and cost. The responsibility of any speaker or listener in communication is related to the fact that in both cases he must self-reflect if his intentions are ethical. The process of communication has a purpose and primary to its achievement is the individual to be reasonable, responsible and honest. In terms of honesty

in communication, it is clear that nothing is more ethical than sincerity. In fact, it is said that only true words are believed, but we must not forget that there are some situations in which truth is not advised. In a few cases, true words have been inappropriate, not in the right place and careless. A telling truth can bring reactions and provocations to unethical actions.



How much do we pay attention to the social norms and values in communication? It depends on the individual interest in the communication we want to accomplish. Sometimes, earning and gaining at all costs, as well as underestimating or ignoring the success of the other, avoids these norms and it becomes almost impossible to figure out who is good at communication. It is somewhat difficult to determine when referring to individuals with social norms and values in communication, since firstly, reaching equilibrium in different situations remains dependent on how the worldview is interpreted. Second, not everyone has the patience and desire to avoid unpleasant situations. And third, no matter the situation, we are never sure who we are facing. Even individuals who are closest to our social circle have different moods on different days. Communication is in constant need of the social norms and values installation. *“Communication cannot be understood and cannot exist without ethics, a necessity element of human life, which must necessarily be ‘installed’ in the circumstances of an unlimited freedom of speech.”* (Dhima, A, 2013, 212). Communication norms prevent and reduce the stress that can arise from strained relationships and takes care to maintain unhealthy relationships in the individual’s daily life.

Many speaking behaviors or acts within individual norms and values or generalizing ones determine the stage and development of communication.

There is nothing wrong with someone displaying individual values and principles in a more comfortable area for him during a communication between family, friends or relatives. So far we are in the area of limited personal norms and values, where anyone in anger, resentment, furious or rage can behave and speak in ethically narrow, clan, friendly, or family terms. In other situations, beyond this social context, any choice of vocabulary and behavior requires careful management of communication, as all of the above may become absolutely unacceptable and out of the context of the social norms and values no longer individual but what is called generalized norms and values. The last one mentioned is rooted in the public responsibility of each of us who communicate. Whether we like it or not, we do not share the same norms and values of communicating with different statuses of individuals in our daily lives.

## **2. Approaches of today's Albanian reality on the elimination of the social norms and values in communication.**

An action is called social norms and values unapproved, not only when it is not punishable by law. We will call social norms and values approved behavior that is not harmful to the individual, whether it is punishable by law or not.

Many positive social developments have taken place, however we regret to note that in today's society communication norms and values has been severely damaged. The damage is very evident in our daily communication, starting from how we are greeted, respected, and given solutions to problems we face. We first have to look at ourselves in the mirror, to notice very carefully who we are and what we represent, and then seek to understand who we are communicating with. Without knowing ourselves, we will not be able to get to know the other and we will not be able to reach the milieu in the social environment in which we must live and share human ideas and phenomes. *"... a human without knowing who he is, whoever he is, without understanding what each person, social group, or political force represents, even the articulation of speech, social debate, and analyzes of the surrounding world will be wrong or with illusory content"* (Fuga, A, 2008, 145).

We have to admit that today's "elitism of society" does not rely on the flourishing of the social norms and values as a feature of the elites but on some provincial forms of appearance to appear elitist. Wanting to dispel the pessimistic notions of this phenomenon that is actually acknowledged in silence, we are aware that thankfully there are still people who lead, behave,

learn and speak politely. But lately these elements are no longer seen as social values. To be educated and kind today is no longer seen as an elite or a good part of society, unless he knows how to be conceited.

Moral values replaced by jargon and misconduct, conveying the impression that the “battle” with citizenship is preceded by jargon or behavioral gifts. The man we have today must live and communicate based on the social norms principles, where we can find these insight into his behavior.

Social norms and values in communication helps us understand what is the best for being responsible, for being accepted in society and being an example to a subsequent generation. But today these norms and values seem to have taken on a different connotation from being kind, educated and cooperative in helping to develop modern society. It seems as though today, not appreciating the other, especially the weakest one, is choking on the social norms and ethics. The successful person is more ignored by others for the fact that the feeling of “getting their elbows” on a fellow traveler or colleague is greater than a good desire to respect him and his work. It seems like positive communication with values has come to an end and replaced by negative communication, where the more you denigrate someone, the more powerful and strong you appear to others.

Profiting at all costs on one name in society devalues social norms and values, undressing it of deserving principles, creating a society of negative communication where value is received only by the one who does not respect the other. Whether or not an individual is capable of carrying out all the social norms and values approved behaviors and activities within their principles, he is only demonstrated by his behavior within and outside the outlines of communicating with oneself and with others. The term communication is quite broad, as we communicate from morning to evening with others, and this inevitable activity certainly requires a “systematic exercise” in order to become ethically and morally acceptable to society.\

The role of the social norms and ethics in the behavior of the individual remains ambiguous between communications in the close circle (family, tribal, clan) and in the broader circle (school education, employment relations, etc.). *“It is important to understand that we belong to many different cultural groups and that these groups help to jointly determine our perceptions, beliefs and behavior. Also, these patterns are time-resistant and are transmitted from one individual to another”* (Martin, J & Nakayama, Th, 2008, 52). Since this ambiguity exists in communication, there is a danger that the individual, before the differences between closer and wider communication, will not have a uniformity of

behavior and social norms principles. Consequently, the individual goes beyond the contours of a social norms and values approved communication. He has to deal with cultures, behaviors, temperaments, and norms outside of what he has learned while building his cognitive luggage. It is therefore essential that the individual has a unique adaptation to the social norms and values, regardless of the contexts in which he or she communicates.

## **CONCLUSION**

Communication success is achieved when the social norms and values of speaking and acting and the formation that the communicator has built have made the effectiveness, truthfulness and reliability of the conveyed message. If we make a precise separation of values, thoughts, ideas and principles from the narrow environments where we mostly use personal norms and values to the broader environments with generalized ones, then regardless of context, we can say that we have communicated approvingly well top the social norms and values. So the respondent's question can be avoided: "Where did I go wrong?" And the repentant's question: "Why did I do it?"

A free and equal man in communication is a man who has realized that the other person may or may not be sensitive to his message; may be opposed to his ideas; can remodel the said variant and find an even better solution than the messenger.

Regardless of the different generations, provinces, and backgrounds, it is important that the message is communicated within social norms and values, as well as that no sense of positive communication is missing. A young person who needs to learn must first be instructed to integrate into society with a sense of positive communication as the only way to be socially accepted and with social responsibility , as well as to treat others as he would like to be treated. Social norms and values in and of itself is a stress reducer in tense and well-maintained communication relationships and the obligation of today's man to serve development. Out of the social norms and values lies all that is contemptible, denigrating, rude and hurtful to the other. When the formation of the individual is positive it does everything for the communication to be positive too also. Social norms and values kmbnuihelp us understand who will cooperate and who will underestimate and create conflict.

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# ECONOMIC ASSESSMENT AND OPPORTUNITIES FOR THE DEVELOPMENT OF NATURAL TOURISM IN WETLAND AREAS – LAKE OF SHKODRA

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## ABSTRACT

This paper examines the importance of Mediterranean wetlands as valuable ecosystems that provide numerous ecosystem services and economic opportunities for local communities. As natural habitats, wetlands play a significant role in biodiversity conservation, water management, and coastal protection, while also contributing to enhanced resilience against climate change.

The document analyzes a series of international and regional policies and conventions dedicated to wetland protection, including the Ramsar Convention, the Convention on Biological Diversity (CBD), the European Union strategies, and the Sustainable Development Goals (SDGs). Relevant sections emphasize both the importance of implementing these policies and the challenges encountered at local and regional levels, including habitat loss, pollution, and the negative impacts of climate change.

The paper also notes that despite the significant designation of wetlands as protected areas, many of them are not yet incorporated into territorial

planning and integrated management. A review of the current situation shows that only a small percentage of wetlands designated as Ramsar sites have developed and implemented effective management plans, highlighting the need for better governance and strengthened institutional capacities. To improve the protection and management of Mediterranean wetlands, the paper suggests integrating the services, values, and functions of wetlands into national and regional development policies and plans. This approach will help preserve ecological functions, enhance resilience to climate change, and protect human rights related to water and natural resources. This paper aims to provide a comprehensive overview of the current state and relevant policies for Mediterranean wetlands, encouraging reflection on sustainable strategies for managing these critical habitats and fostering coordinated international and regional actions for their preservation.

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**KEY WORDS:** Economic Assessment, Sustainable Development, Wetlands, Lake of Shkodra, Ecosystem Services

**JEL Code:** A30

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## **INTRODUCTION**

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Albania is one of the Mediterranean countries where, until the 1940s, the wetland ecosystem was formed over a rich and interconnected network of wetland areas. In the early 1950s, Albania's coastal area covered 250,000 hectares of natural spaces, of which 60,000 hectares were marshlands. After the 1950s, Albanian wetlands underwent significant changes through the promotion of marsh drainage reforms and the expansion of agricultural land in forested coastal zones.

Albania currently has about 3.2% of its area covered by wetlands, which harbor 75% of the country's natural biodiversity. Four of these areas are Ramsar sites with international protection. The Shkodra region alone has 46,000 hectares of wetlands, including Lake Shkodra, the Buna River, the Domni Marsh, and the Viluni Lagoon in the Velipoja area.

Residents living in these protected areas need to be aware of their preservation as assets that serve local communities. Wetlands in Albania are also threatened by climate change, human interventions in the environment, floods, poor management by local and central governance, and the reduction of their surface area through arbitrary decisions. Lake Shkodra, known as the largest lake in the Balkans, has significant potential for wetlands, particularly for the development of ecological tourism and biodiversity conservation. A large portion of the lake is located within Albania's territory and contains a diverse range of wildlife and plant life, including many rare and protected species.



2. Lake Wetlands; These are wetlands formed through lakes and some natural freshwater lagoons.
3. Tropical Palustrine Wetlands; These include areas with small springs, oases, floodplains, swamp forests, seasonal arshes, and permanent marshes. The primary characteristic of these wetlands is their natural origin and freshwater content.
4. Marine Wetlands; As the name suggests, these are natural wetlands composed of salty water. They are usually found in shallow coastal environments, such as rocky beaches, sandy beaches, and gravel zones.
5. Estuarine Wetlands; Many rivers form estuaries before generating final deltas or other wetland areas. Their primary characteristic is their composition of salty water from estuaries, originating naturally.
6. Saline Lake Wetlands; Similar to the previous type, these wetlands include salty lakes and lagoons found in coastal areas. They also have a natural origin.
7. Artificial Wetlands; These are wetlands created by human interventions to maintain or control a specific water volume. Examples include reservoirs and dams. They may also be created to preserve certain protected flora and fauna species.

## **CHARACTERISTICS OF WETLANDS**

For an ecosystem to be considered a wetland, it must meet the following criteria:

- Transition Zones: Wetlands are considered transition areas or progressive changes between aquatic and terrestrial systems. They exhibit characteristics of both types of ecosystems, with some areas leaning more towards terrestrial systems and others more towards aquatic systems.
- Flood Zones: Wetlands can be temporary or permanent flood zones. Temporary zones occur in areas with small depressions that easily flood during heavy rainfall.
- Hydrological Conditions: Wetland waters may include stagnant water, slow-moving currents, fresh or salty water, and small marine areas with specific depths. The boundaries of wetlands are determined by the type of vegetation they host. Hydrophilic vegetation, which thrives in water-rich environments, marks the wetland area. Non-hydrophilic vegetation often represents the transition to a purely terrestrial environment.
- Biodiversity Hotspots: Wetlands are ideal habitats for numerous species, particularly migratory birds. They also host flora, mammals, reptiles, amphibians, fish, and insects.

## **LAKE OF SHKODRA: OPPORTUNITIES**

Lake Shkodra offers excellent opportunities for environmental and biological studies, which can help improve our understanding of the impacts of climate change and human activities on sensitive ecosystems. These are some ways wetlands in Lake Shkodra can be sustainably utilized:

1. **Renewable Energy:** Using renewable energy technologies, such as floating solar panels, could produce energy efficiently without interfering with wetland spaces. This can reduce reliance on fossil fuels and lower carbon emissions.
2. **Ecological Restoration:** Projects for ecological restoration can be undertaken to restore and improve damaged habitats. This includes planting native vegetation in wetland areas to stabilize soil and provide food and shelter for local fauna.
3. **Art and Culture:** Developing cultural and artistic events inspired by the nature and biodiversity of Lake Shkodra can attract tourists and raise environmental awareness. Involving local communities in these activities can help preserve the area's cultural and natural heritage.
4. **Environmental Innovation Hub:** Establishing a hub for environmental innovation near the wetlands can promote the development of sustainable technologies and new methods of environmental management. This hub could facilitate collaboration among researchers, developers, and enterprises interested in ecological solutions.

## **WETLAND DEVELOPMENT METHODS**

1. **Creation:** Establishing new wetlands in areas where they previously existed or in new locations to compensate for the loss of natural wetlands.
2. **Repair:** Improving the functions and values of damaged wetlands through controlled interventions, such as water level adjustments or the reintroduction of native vegetation (ecological restoration).
3. **Conservation:** Protecting existing wetlands from human interventions and pollution by creating protected zones or legislation that prohibits construction and other degrading activities.
4. **Integrated Management:** Adopting a comprehensive approach that balances human needs with those of wetland ecosystems, including managing water resources, agricultural zones, and sustainable tourism. This aligns with integrated water resource management principles.

## **TOURISM POTENTIAL OF WETLANDS**

1. **Wildlife Observation:** Wetlands are rich in biodiversity, providing

habitats for many rare and protected species of plants and animals. Tourists can closely observe various bird species, fish, amphibians, and mammals thriving in these unique ecosystems. Wetlands are also ideal for ornithology, attracting bird watchers from around the world.

2. **Outdoor Activities: Nature Walks and Hiking:** Well-maintained trails allow visitors to explore various wetland ecosystems. **Canoeing and Kayaking:** Exploring waterways in small boats offers a unique perspective on aquatic life. **Nature Photography:** Wetland environments provide stunning backdrops for nature and wildlife photography.

3. **Education and Awareness:** Visitor centers and museums in wetland areas offer exhibitions and educational programs to inform the public about the importance of these ecosystems. Tourists learn about the vital roles wetlands play in filtering polluted water, protecting against floods, and supporting biodiversity.

4. **Sustainable Tourism and Ecotourism:** An increasing number of visitors seek eco-friendly tourist experiences that contribute to nature conservation. Wetlands provide opportunities for ecotourism, where visitors can participate in conservation projects or learn how to support environmental protection.

5. **Cultural and Historical Values:** Many wetlands are significant not only for their natural values but also for their connections to local cultures and history. Visitors can learn about traditional fishing methods, local myths, and stories related to wetlands.

## **PUBLIC POLICIES FOR WETLAND PROTECTION AND DEVELOPMENT**

1. **Environmental Protection Legislation:** Many countries have specific laws protecting wetlands as sensitive ecosystems. These laws may include regulations prohibiting construction in wetland areas, restricting industrial activities, and protecting biodiversity. The Ramsar Convention is a global agreement promoting wetland conservation and sustainable use.

2. **Protected Areas:** Designating wetlands as national parks, nature reserves, or other protected zones is an effective way to ensure their long-term preservation. These areas limit the use of natural resources and regulate tourism activities.

3. **Water Use and Land Management Regulations:** Policies controlling water and land use in wetland areas can help prevent erosion, pollution, and habitat loss. These include measures for managing water flow and prohibiting activities that may harm the ecosystem.

4. **Restoration and Ecological Rehabilitation:** Governments can undertake or support projects to restore damaged wetlands, including reintroducing native

vegetation and restoring water supplies. This involves using bioengineering and other ecological restoration techniques.

5. Education and Awareness: Public education programs and awareness campaigns can help increase understanding of the importance of wetlands and their role in environmental protection. These efforts can include educational materials for schools, community workshops, and informative events.

6. Subsidies and Incentives: Governments can offer subsidies or other financial incentives to promote sustainable agricultural and construction practices near wetlands.

7. International Cooperation: In cases where wetland ecosystems span across neighboring states, such as Lake Shkodra between Albania and Montenegro, international cooperation is vital for sustainable management and protection. International agreements and joint projects can address environmental challenges from a comprehensive perspective.

8. Volunteer Initiatives: Encouraging volunteers to participate in projects like vegetation planting and cleanup efforts can help maintain ecosystems and raise awareness of their importance.

## **ECONOMIC EVALUATION METHODS FOR WETLAND AREAS AND THEIR CHARACTERISTICS**

Economic evaluation of wetland areas is crucial for understanding the ecological, economic, and social values that these ecosystems offer. Various methods are used for this purpose, each with its advantages and limitations.

### **1. Market Valuation Method**

This method calculates the economic value of wetlands by using current market prices for the products and services they provide. For wetlands, this might include the value of products like fish, timber, medicinal plants, and services like ecosystem-based tourism.

Example:

If a wetland is used for fishing, the value of this activity can be calculated based on the market prices of the fish caught.

Strengths:

- Accuracy in market products: Provides precise evaluations for products and services available in the market.
- Ease of application: Relatively easy to implement when market data is available.

Weaknesses:

- Excludes non-material values: Does not account for values such as biodiversity, recreation, or existence values.

- Limited to direct uses: Does not consider ecosystem services that lack a clear market.

## 2. Avoided Cost Method

This method evaluates the services provided by wetlands by calculating the costs that would be avoided if these services were replaced by artificial structures or technology.

Example:

Wetlands often act as natural reservoirs for flood control. The value of this function can be calculated by determining the cost of building dams or reservoirs to provide similar flood protection.

Strengths:

- Reflects real value of services: Shows the economic importance of wetland services by highlighting replacement costs.
- Applicable to various services: Useful for services like flood control and water purification.

Weaknesses:

- Limited to replaceable services: Only evaluates services that can be substituted with artificial infrastructure.
- Challenges in cost calculation: Accurately determining replacement costs can be complex.

## 3. Travel Cost Method

This method assesses the recreational value of wetlands by analyzing the costs people are willing to pay to travel to these areas. It includes travel expenses, time costs, and income lost while participating in recreational activities.

Example:

If a wetland is a popular destination for birdwatching, its recreational value can be estimated by analyzing visitors' travel and accommodation expenses.

Strengths:

- Captures consumer behavior: Directly reflects the recreational value through visitor behavior.
- Applicable to recreational sites: Suitable for areas with high visitor traffic.

Weaknesses:

- Limited to recreational values: Does not account for ecological, cultural, or other ecosystem services.
- External factors influence valuation: Results can vary due to factors like visitor income or travel costs.

## 4. Contingent Valuation Method

This method uses surveys to ask individuals how much they would be willing

to pay to conserve or improve a wetland area or avoid its loss.

Example:

People may be asked how much they are willing to pay to preserve a wetland that provides habitat for rare birds or to improve water quality in the area.

Strengths:

- Covers diverse values: Includes non-material values like existence and biodiversity.
- Flexible: Can be applied to various ecosystem services and values.

Weaknesses:

- Subjectivity: Results may be influenced by the way questions are framed or individuals' perceptions.
- Hypothetical nature: May not reflect actual willingness to pay in real-life situations.

### 5. Benefit Transfer Method

This method uses evaluations conducted in similar wetland areas to estimate the value of a specific wetland.

Example:

If a detailed study has been done on the value of a wetland in one region, these findings can be used to estimate the value of a similar wetland elsewhere.

Strengths:

- Cost and time efficiency: Eliminates the need for new studies, saving resources.
- Broad applicability: Can be applied when similar evaluations exist.

Weaknesses:

- Limited accuracy: Differences in local characteristics may reduce accuracy.
- Influenced by variables: Local factors like economy, culture, and environment can affect transferred values.

## 3. Investments in Wetland Conservation

Current investments aimed at preserving ecosystems from anthropogenic impacts remain limited. Notable projects include the construction of collectors to treat wastewater flowing into Lake Shkodra. Currently, only the treatment plant for the Shiroka area is operational. Treatment plants for the Zogaj area and the city of Shkodra are in the planning stages, pending financing to begin construction.

## **POLICIES AND INTERNATIONAL FRAMEWORKS RELATED TO MEDITERRANEAN WETLANDS**

The significance of wetlands as natural habitats rich in biodiversity, which provide critical ecosystem services and serve as livelihood sources for local communities, has been emphasized by numerous international legal instruments. These policies aim to preserve and sustainably manage wetlands through conventions, protocols, and directives at various levels.

### **International Level**

1. Ramsar Convention on Wetlands of International Importance: The primary global convention focused on the conservation and wise use of wetlands and their natural resources.
2. Convention on Biological Diversity (CBD): Aims to conserve biodiversity, promote the sustainable use of its components, and ensure equitable sharing of benefits derived from genetic resources.
3. UN Water Conventions: - Helsinki Convention (1992): Addresses transboundary water management and protection. - New York Convention (1997): Focuses on the legal framework for the use and protection of transboundary watercourses.
4. World Heritage Convention (WHC): Protects sites of exceptional cultural and natural value under the UNESCO World Heritage List.
5. Man and Biosphere (MAB) Program: Establishes the World Network of Biosphere Reserves, promoting harmonious relationships between people and nature.

### **Regional Level**

1. Barcelona Convention and its Protocols: - Protocol on Integrated Coastal Zone Management (ICZM): Promotes sustainable management of Mediterranean coastal areas. - Protocol on Specially Protected Areas and Biological Diversity (SPA/BD): Focused on conserving coastal and marine biodiversity. - Protocol on Pollution from Land-Based Sources (LBS): Addresses pollution in the Mediterranean from terrestrial activities.
2. Mediterranean Strategy for Sustainable Development (MSSD): Provides a framework for sustainable development in the Mediterranean region.
3. African Convention on the Conservation of Nature and Natural Resources: Promotes sustainable use and conservation of natural resources across Africa.
4. Bern Convention: Aims to conserve European wildlife and natural habitats through the Emerald Network of conservation areas.
5. Bonn Convention (CMS): Focuses on the conservation of migratory species of wild animals and related agreements.

6. AEWA (African-Eurasian Waterbird Agreement): Promotes the conservation of migratory waterbirds in the African-Eurasian region.

### **European Union Level**

1. EU Nature Directives: - Birds Directive: Protects all wild bird species and their habitats. - Habitats Directive: Ensures the conservation of habitats and species of community interest, forming the Natura 2000 network.

2. EU Water Framework Directive: Aims to achieve good ecological and chemical status of all water bodies in the EU.

3. EU Marine Strategy Framework Directive: Establishes objectives for protecting and preserving the European marine environment.

4. EU Maritime Spatial Planning Directive: Promotes the sustainable use of marine space for various activities.

5. EU Renewable Energy Directive: Encourages the use of renewable energy sources while considering environmental impacts.

6. Common Agricultural Policy (CAP): Addresses sustainable management of natural resources and rural development. **Sustainable Development Goals (SDGs)**

Adopted by the United Nations in 2015, several SDGs are particularly relevant to Mediterranean wetlands:

1. SDG 6: Ensure availability and sustainable management of water and sanitation for all.

2. SDG 13: Take urgent action to combat climate change and its impacts.

3. SDG 14: Conserve and sustainably use oceans, seas, and marine resources.

4. SDG 15: Protect, restore, and promote the sustainable use of terrestrial ecosystems, combat desertification, halt land degradation, and stop biodiversity loss.

## **CONCLUSIONS ON THE LAKE SHKODRA ECOSYSTEM**

### **Challenges Facing Lake Shkodra**

1. Degradation and Pollution: The ecosystem of Lake Shkodra faces significant environmental challenges stemming from anthropogenic pollution caused by agricultural, industrial, and urban activities. Nutrient discharges, pesticides, and toxic substances contribute to eutrophication, leading to excessive algae growth, reduced dissolved oxygen levels, and mass mortality of aquatic organisms. Pollution also threatens water quality and biodiversity, while habitat fragmentation increases the ecosystem's vulnerability to human interventions and climate change.

2. Overexploitation of Natural Resources: Resources such as fish stocks and

wetland vegetation are under significant pressure from overfishing, illegal practices, and the introduction of invasive species. This overexploitation destabilizes the ecological structure of the lake, threatens native species, and disrupts food webs, accelerating the degradation of the ecosystem's natural capital.

3. **Habitat Loss and Degradation:** Lake Shkodra and its surrounding wetlands are critical habitats for numerous species, including migratory and endemic species. However, urban and tourism developments have caused significant habitat loss, compromising the lake's ecological functions. Wetland fragmentation reduces biodiversity and weakens the ecosystem's resilience to environmental stressors.

4. **Climate Change Impacts:**

Climate change poses a severe threat to Lake Shkodra's ecosystem, altering hydrological patterns and thermal regimes. Rising temperatures, increased evaporation, and extreme weather events result in significant variations in water levels and quality, exacerbating the impacts of pollution and habitat loss. These changes create an unstable environment, jeopardizing the long-term health and sustainability of the lake.

## **RECOMMENDATIONS FOR THE PRESERVATION AND SUSTAINABLE DEVELOPMENT OF THE ECOSYSTEM**

1. **Pollution Reduction and Water Resource Management:** Implement strict measures to control pollution, including reducing agricultural and industrial discharges into the lake's watershed. Advanced standards for wastewater and urban waste treatment should be enforced. Promoting sustainable agricultural practices can help minimize chemical runoff into the lake. These measures will prevent eutrophication and improve water quality.

2. **Sustainable Fisheries Management and Biodiversity Protection:** To maintain fish populations and avoid further biodiversity loss, it is essential to establish sustainable fishing limits, create protected areas, and prohibit illegal practices. Strict controls on invasive species should be implemented to prevent further damage to native populations. Efforts to restore the ecosystem could include enhancing native species populations to help recover ecological balance.

3. **Revitalization of Natural Habitats and Protection of Sensitive Zones:** Preserving sensitive areas and natural habitats through restrictions on construction along lake shores and the creation of protective buffer zones is a top priority. Encouraging the restoration of natural vegetation can create a buffer zone that protects the lake from erosion and pollution. Promoting

sustainable tourism and economic activities can ensure that sensitive areas are preserved and maintained.

4. **Climate Change Adaptation and Environmental Monitoring:** Implement adaptive strategies to address climate change, including the preservation of natural habitats, sustainable water resource management, and infrastructure improvements. Ongoing monitoring of water quality, biodiversity, and ecosystem health is necessary to identify changes and manage long-term impacts effectively.

5. **Community Awareness and Engagement:** A holistic approach involving local communities and stakeholders in lake conservation is critical for developing a sustainable environment. Raising awareness of the ecosystem's importance and its economic and cultural benefits can encourage communities to take greater responsibility for its protection. Supporting sustainable economic practices and investing in local sustainable development will help preserve Lake Shkodra as a shared natural resource for future generations.

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## **CONCLUSION**

Lake Shkodra represents an incomparable natural asset, whose ecosystem requires careful protection and management to preserve its ecological and cultural values. Collaboration between governments, organizations, and communities is key to ensuring the health and sustainability of this ecosystem, making it a model for conservation and sustainable development in the region.

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# PROTESTS AND POLITICAL CULTURE

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## ABSTRACT

Protest and political culture studies try to explain the complexity and the effects of the social-political transformation, same time as sustainable democracy is connected with activism. The paper's focus is Albania's protest and political culture. Albania has faced numerous changes, such as culturally, politically, economically, socially are key points towards that sustainable democracy. This paper aims to explain and understand protest and political culture through two main perspectives: (a) the legal framework surrounding protest and activism, and (b) activism and its actors, analyzed using the Protest Event Analysis (PEA) methodology. Based on previous studies, experiences from the past political culture, this paper emphasizes the connection between protest and political culture and democracy by answering the questions; What are the implications of activism and political culture? Key studies in this paper are focused on specific political parties' protest happening in Albania between 2017-2023. The research design for this paper is based on Protest Event Analysis. In addition, photos are used to visualize the protest and political culture.

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**KEY WORDS:** Protests, Democracy, Political Parties, Political Culture, Tirana.

**JEL Code:** A30

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## INTRODUCTION

Activism and protest are often seen as ongoing and significant challenges to the political apparatus, aiming to bring about some form of social change. **Activism, in some cases, aligns with the aim of social movements to build a new system of living, fostering change through collective actions rather than political actions that focus solely on gaining power without achieving meaningful transformation.** Donatella Della Porta and Mario Diani (2000) define social movements as:

- a) Informal networks based on;

- b) Shared beliefs and solidarity, which mobilize around;
- c) Conflictual issues through;

The frequent use of various forms of protest (Della Porta & Diani, 2000, pp. 279-281).

**Scholars considers social movements and political citizenship as core concepts driving social change** (Heijden 2014) Most contemporary social movement scholars have identified the late 1960s as the starting point for their research endeavors (Tarrow, 1994; McAdam & Klandermans, 2012; Della Porta & Caiani, 2009). As Charles Tilly (2004) observed, political scientists recognized that the specific features of an individual political system significantly influence the action repertoires, forms of organization, and outcomes of social movements. While non-conventional or even radical actions may prove effective in one political context, they could be counterproductive in another (Tilly, 2004, p. 36). **Based on various studies on social movements, the changes brought about by these movements can be evaluated at different stages of the decision-making process, including:**

- a) The emergence of new issues;
- b) The drafting of new legislation; and

The effects of public policies in improving the conditions of the social groups supporting (Meyer and Tarrow 1998).

Over the last decades, Western Balkans region, including Albania have developed policies aiming for the gradual integration within the international community such as the European Union (EU), promote peace, stability and economic development (Munter, 2018). Political discourse among state actors such as political parties, and activism plays a curial role on the state building same as representing the society needs. Both of these actors have faced challenges in Albania during the democratization phases and involvement of citizens in decision-making. Jakub Zielinski argues that; 'if stable political parties are going to emerge sooner or later, then the chaotic competition between personality proto parties that lack organizational stability and ideological cohesion is perhaps unfortunate but not particularly interesting, at least not for the purpose of addressing larger theoretical issues. Thus, it is possible that as the new party system in new democracies conflicts will be politicized and will be established as long-term based on electoral competition. It is possible also, that only one of these conflicts will become politicized because politicians find it beneficial to deemphasize the political salience of the other. In short, a single structure can give rise to various structures of political contestation' (Zielinski, 2002, pp. 184-211). Many questions may be raised on the politicization of new social cleavages, which emerge once a party system is already frozen. In this case mobilization of social movements seems to be an emergency for new democracies.

Building on these arguments, this paper seeks to explore the influence of political party protests on Albania's political culture. Protests organized by political parties often serve as a lens through which the dynamics of political engagement and public discourse can be analyzed. These actions can shape public perceptions of democracy, accountability, and civic participation, while also reflecting deeper societal tensions. By examining the strategies, messages, and outcomes of these protests, this paper aims to uncover the ways in which they contribute to or hinder the development of a robust political culture in Albania.

## **METHODOLOGY**

Research methods on social movements can vary based on the case study. Depending on the components of the social movements, researchers have used different methods for their studies, combining qualitative, quantitative, and alternative methods. However, some researchers have faced criticism for their traditional research methods and implementation. (Porta 2014). Some researchers combine existing research methods while others try to challenge the norms and discover new ways of conducting research that go beyond a theoretical case study (Porta 2014).

Social movement and activism scholars describe the protest event analyses (PEA) as key method of social movement research by 'transcending old categories and boundaries' and combining 'methodological and theoretical advantages. (Oliver and Maney 2000). PEA has been used to test and refine arguments related to the political process approach including; - a type of (quantitative) content analysis; -turning words into numbers; -mapping of the occurrences and characteristics of protests across geographical areas, across issues/movements and over time; -is closely linked to the political approaches (Porta 2014).

Four different generations of PEA have been using units that are distinguishing for separate description, transcriptions, recording or coding the list of activities, which are labeled as 'protest events', identifying two key differences, the action forms covered and the minimum number of participants. Protest events can be described as;

'... contentious gatherings, defined as 'occasions in which ten or more persons outside the government gather in the same place and make visible claim which, if realized, would affect the interests of some specific person or groups outside their own number...' (Tilly and Schweitzer 1977).

or ‘... to activities where a group of people physically meet at a certain place ...’ (Tilly and Schweitzer 1977).

Specifically, the goal of this paper is to explain the relationship between public spaces under the new urban planning project and social movements in Tirana, between 2017-2020. I will use methodological pluralism to respond to the research question: *What is the role of public space and urban planning in social movement mobilization in Tirana?*

Table nr.1 Protest Events Dataset in Tirana (Porta 2014).

Name	Geographical Scope	Time Period	Coding unit	Issues Covered	Sources
Protest	Tirana	2017-2020	Political Parities	Deaccession-making	Academic articles Online media Newspapers

## **THEORETICAL APPROACHES: PROTESTS AND ACTIVISM**

In fact, activism employ methods ranging from persuasion to coercion, often through new, dramatic, and legally questionable approaches. According to the principles of representative democracy, government decisions can be contested within parliament by the opposition in the short term or evaluated by citizens in subsequent elections. However, since the 1970s, broader citizen groups have increasingly added value to traditional forms of governmental pressure. While laws and decisions might be perceived as unjust or illegal, these citizens have often been driven to adopt forms of action characterized by extremism. Samuel Barnes and Max Kaase, in their significant research, highlighted that, starting from the 1970s, ‘a new set of political activities is joining the political repertoire of citizens,’ reflecting an evolution in civic engagement and protest behavior (Norris 2005).

Conventional forms of participation include lending services to a community, developing activities for a party or candidate, engaging in acts of obedience within society through voting, attending public meetings, and contacting officials. Alongside these, a long list of non-conventional forms of participation has emerged, including petition signatures, authorized participation in events, boycotts, refusal to pay taxes or rents, online activism, blocking traffic, and participation in strikes. These new forms of participation are increasingly seen as legitimate. In advanced industrial societies, techniques of direct political action no longer carry the stigma of deviance. As Norris concludes,

'Non-conventional forms of participation are seen as anti-systemic in their direction (Norris 2005).

The increase in forms of political participation can be seen as an extension of democratic public opinion. Protests, in particular, are a process with indirect impact, facilitated through communication channels and by groups with greater power. From an external perspective, these groups might not hold direct power but can influence policy in their favor by mobilizing solidarity groups with more resources. The constituency for protests is made up of those directly interested in public policy, and the leadership of these movements is responsible for directing the protest actions and maintaining relationships with external allies. Mass communication tools are used to spread messages, primarily targeting public decision-makers, who are the ultimate focus of the protest. Another key characteristic is that protests often work alongside other forms of intervention, collectively aiming to influence decision-makers. As Lipset observed, protests serve as a political resource for groups 'without power,' (Lipset, 1960) allowing them to challenge those in positions of authority and push for changes in public decision-making. Researcher may agree on that protest is a symbolic and/or physical expression of dissent to something or somebody (Barnes, Kaase, & *et al*, 1979). In political life, some groups exist for the very purpose of protesting, or they at least use protest as a key mechanism to get their voices heard (Dalton, 2008).

Other groups, such as an association of fishermen or an automobile club, typically rely on different methods to pursue their interests. However, they may resort to protest on occasion, often as a last resort. Consequently, the types of groups that engage in protest vary widely, ranging from informal citizen initiatives to large, hierarchical associations or even radical political parties. In some cases, even governments may resort to protest, such as by issuing a critical note to another government. In addition to the diversity of actors involved, the content, goals, levels, and forms of political protest can also vary significantly. Protest may address any political or social issue under debate and contestation, whether it pertains to a political leader's statements, an administrative directive, or an entire political regime. The aims of protest can be narrow or broad, reformist or revolutionary, realistic or utopian, among other possibilities.

To summarize, there are different types of activism (Fahlenbrach, Klimke and Scharloth 2016):

- a) Demanding solutions to contemporary problems through the taking of oppositional stances to mainstream policies. These includes short- term actions like strikes, protests, demonstrations;
- b) Undertaking activism which manifests itself through the creation of alternatives to the dominant system through the construction of new ways of social behavior;
- c) This type of activism seeks to create new alternatives within societies. We can talk about social centers, cooperatives of workers etc;
- d) Revolutionary activism that is concerned with fundamental change of society and its major institutions.

Activism is about doing, acting, making an action that brings change in society. It provides mobilization, supporting leadership and bringing direction of the social action.

## **PROTEST EVENTS IN ALBANIA**

The following section explores how activism and non-conventional forms of participation, such as protests, serve as integral features of activism in fostering a sustainable democracy. Albania's activism and political culture has been deeply shaped by its unique historical trajectory. Albania's transition to democracy in the 1990s marked a dramatic shift in its political culture. The collapse of the communist regime was followed by the rise of a multiparty system, but the transition was marred by economic hardship, corruption, and political polarization.

These challenges have had a lasting impact on Albania's political culture. Decades of authoritarian rule have left a residue of mistrust in political institutions. While democratic reforms have been implemented, public confidence in the government, judiciary, and political parties remains low (Joakim Ekman 2024). According to surveys, many Albanians view political elites as self-serving and disconnected from the needs of ordinary citizens. Despite these challenges, Albania has witnessed a growing culture of civic activism, particularly among the youth. Albania's political culture is at a crossroads, balancing the legacies of its past with the aspirations of its future. Strengthening democratic institutions, promoting transparency, and fostering a culture of accountability are

essential steps toward building public trust. Thus, political culture, encompassing the shared attitudes, beliefs, and values that shape political behavior, forms the backbone of any society. It dictates how citizens engage with political institutions, interpret laws, and interact with one another in civic spaces. Activism, as a form of collective action aimed at promoting or resisting social change, plays a crucial role in shaping political culture. By fostering civic engagement, disseminating transformative ideas, and creating collective identities, activism serves as a vital force in building and reshaping political culture. Recently, Albania's activism it's shaped into two different paths. Firstly, as civic engagement and secondly, political parties using protests to refuse or disagree political processes or decision-making.

Accounts of political protests in recent years highlight various significant events. Following the Russian offensive in Ukraine and a sharp rise in oil prices, large-scale protests erupted in Tirana in March 2022. Tens of thousands of people marched to voice their opposition to rising prices and oligarchic control. Among the protestors, the only organized group was the left-wing "Political Organisation" (Organizata Politike). This demonstration was widely regarded as a genuine civil society-led movement, reminiscent of the 2013 protests against plans to import and dispose of Syrian chemical weapons in Albania (a policy abandoned due to public backlash) and the 2018 student protests.

Another noteworthy event centered on police brutality, following the killing of a 25-year-old and an alleged police cover-up. When the incident came to light in December 2020, outraged citizens, particularly youth staged protests. The demonstrations pressured authorities to revise their account of the incident and ultimately led to the resignation of the Minister of Internal Affairs. These developments have prompted commentators, to describe Albania as having a "culture of reaction" rather than a robust civil society (Peçuli and Andriotis 2022).

On December 6, 2018, the finance department of the Faculty of Architecture and Urban Planning asked students to pay a new fee (which was higher than the minimum wage) and a new decision from the Ministry of Education for public universities to be applied

by January 2019 sought to regulate the exams and modules, and in response a group of students, supported by students from “*Lëvizja për Universitetin*”, decided to boycott the lessons and to hold a protest in the Ministry of Education, Sports, and Youth building. Within three days the protest had grown to up to 10,000—15,000 students from all over Albania, even including students from private universities (Hoxha 2019). Student protest as a form of mobilization from below, excluding categorically political organizations like opposition parties and NGOs, has changed the perception in Albanian society about protesting and decision-making. The political elite must be responsible for their decisions. Public opinion regarding the protest in December of 2018 has had the same value as the student movement in 1990—1991 when the system changed, and Albania became a democratic country, and the students are once again bringing hope to Albania!

On the other side, the Democratic Party protests in Albania have been a significant aspect of the country’s political landscape, reflecting deep-seated tensions between the ruling and opposition parties. These protests typically arise in response to allegations of corruption, lack of transparency, and perceived authoritarian tendencies of the ruling Socialist Party. Protest’s aims are; -to **opposition to corruption and authoritarianism**. Protesters often accuse the government of mismanagement, corruption, and undermining democratic norms. The protests reflect dissatisfaction with governance and demand accountability. -**focus on electoral integrity**. A recurring theme is the demand for free and fair elections. The Democratic Party has frequently alleged electoral fraud and manipulation, leading to calls for reform of the electoral system. - **public demonstrations and civil disobedience**: The protests often involve large public demonstrations, marches, and other acts of civil disobedience. They aim to exert pressure on the government to address grievances. -**Impact on political culture**. These protests contribute to Albania’s evolving political culture, emphasizing the role of civil society and public participation in holding leaders accountable. - **Challenges of Polarization**. The protests also highlight the deep political polarization in Albania. While they mobilize significant public support, critics argue that such protests can exacerbate divisions rather than foster dialogue.

Based on the Freedom House report (Vrumo 2020), democracy in Albania

deteriorated in 2019, thus materializing longstanding fears of rising authoritarianism and a dysfunctional system of mechanisms to check and balance government powers. Recurring political crises reared up once again as a result of the 2008 constitutional amendments that provided for powerful executive and party leaders, decaying integrity of political representation, and a weakened Parliament. Following a year marked by citizen protests, parliamentary boycotts, and a contentious political climate, in February 2019, the opposition parties undertook the unprecedented move of resigning en bloc from Parliament. The opposition accused the ruling majority of widespread corruption and use of criminal networks to manipulate elections, thus calling for early elections under a technical government. As the ruling majority ignored the political crisis, with no serious efforts made by the government and opposition to overcome the deadlock, the first half of 2019 was marked by opposition rallies, some of which turned violent.

To conclude, activism and participation in political parties are two distinct but interconnected forms of political engagement, each with its own dynamics, goals, and methods. Thus, **activism**, focuses on advocating for specific issues, causes, or policy changes, often outside formal political structures. It seeks to raise awareness, mobilize public opinion, and pressure decision-makers to act. Otherwise, **political party participation**, centers on gaining political power to influence policies and governance. The ultimate goal is to win elections and implement a broader political agenda. Based on the **structure and organization**, **activism** typically decentralized and grassroots-driven. Activist movements can be loosely organized, with spontaneous or ad-hoc coalitions forming around specific issues. **Political parties**, highly structured with formal hierarchies, rules, and processes. Parties have long-term objectives and operate within institutional frameworks like parliaments or councils.

**Activism**, uses methods such as protests, demonstrations, petitions, civil disobedience, and social media campaigns. It often operates outside conventional political systems. **Political party participation**, includes campaigning, policy development, legislative work, and electoral activities. It works within established political and legal systems. **Activism**, can target a wide range of actors, including governments, corporations, and the public. It often operates at both local and global levels. **Political parties**: Primarily focus on influencing government policies and representing constituents within a specific political system. **Activism**, effective at raising awareness, changing

public discourse, and pushing for immediate action on specific issues. It can sometimes lead to legislative or systemic change, but often indirectly. **Political party participation:** More likely to result in concrete policy implementation and systemic change when successful in elections. However, it may require compromises and is subject to institutional constraints.

More accessible to individuals outside formal political systems. It allows for direct participation without the need for party affiliation are features of activism. **Political party participation:** Often requires alignment with party ideology, membership, and a longer-term commitment to its organizational goals. Activism can influence political parties by bringing attention to issues that parties may adopt into their platforms. Political parties can provide activists with a pathway to institutionalize their goals by translating grassroots demands into formal policies.

Activism often serves as the engine of change, challenging the status quo and pushing for transformation, while political parties focus on consolidating, moderating, or institutionalizing these changes within governance systems. Both activism and political parties are essential to fostering a robust political culture and advancing democratization. In Albania, political parties frequently adopt methods resembling activism, highlighting continuities with elements of the country's past political culture.

## **CONCLUSION**

In Albania, the interplay between activism, political participation, and political culture reflects the nation's evolving democratic identity. Activism, often driven by grassroots movements and civil society, has played a pivotal role in challenging corruption, advocating for human rights, and demanding greater government accountability. It has served as a critical voice in a political landscape historically marked by authoritarian legacies and clientelist structures.

Political participation, primarily through political parties, remains the main avenue for formal engagement in governance. However, party-centric politics in Albania often struggles with issues of public trust, internal democracy, and responsiveness to citizens' needs. This has sometimes alienated segments of the population, particularly younger generations, driving them toward alternative forms of civic engagement such as protests, advocacy campaigns, and digital activism.

The broader political culture in Albania is shaped by a mix of historical factors, including the legacy of communist rule, transitions to democracy, and integration with European norms. While there have been strides toward fostering a participatory political culture, challenges such as voter apathy, distrust in institutions, and limited

spaces for genuine public discourse persist.

The synergy between activism and political participation is crucial for strengthening Albania's political culture. Activists provide the energy and innovation to address emerging societal challenges, while political institutions must adapt to better incorporate these voices into decision-making. A vibrant and inclusive political culture will require continued efforts to bridge the gap between grassroots mobilization and formal political structures, ensuring that democratic practices are deeply rooted in both governance and society.

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# SOCIO-ECONOMIC ANALYSES BY REGIONS AND COUNTIES IN ALBANIA

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## **ABSTRACT**

In this paper conducts a regional socio-economic analysis in Albania. The objective of this analysis is to evaluate the regional development and to identify the differences between regions and counties in Albania. The policies discussion in order to contribute to regional policy development for Albania is crucial in the context of the EU integration process. This study is based on a descriptive analysis examining socio economic indicators, factors and their trends by regions. A mixed-method approach, using both qualitative and quantitative methods, is used, based on data by regions and counties.

The results of the study show that the regional differences in Albania are present and non-uniform. While the country has several large structural development gaps in relation to the European Union, internal disparities are pronounced. The socio-economic assessment for the regions and counties shows that the Center region has the highest average contribution to the country's economy, about 50 percent of the total GDP, while the contribution of the South and North regions is about 28 and 23 percent of total GDP, respectively. Tirana county is the most important county in the demographic, social and economic context and is the driver of the country's economy. In addition, there are acute differences between county of Tirana and other counties, above all with the counties of Diber and Kukes. Furthermore, the district of Tirana has the largest contribution to the country's economy, about 44 percent of GDP and with increasing trend. Therefore, a regional

development policy has not been effectively implemented, and the integration into the European Union will require to adopt the regional cohesion policies within the internal framework of regional development.

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**KEY WORDS:** Socio Economic Analysis, Performance by Regions and Counties, Socio Economic Indicators.

**JEL Code:** J11, J21, O11

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## **INTRODUCTION**

**M**any studies emphasize the need for conducting studies on the assessment of the rational development of the regional and national economy (Nurilina et al. 2023; Chehabeddine and Tvaronavičienė, 2020; Martin, R., & Sunley, P. 1996).

In Albania, economic developments reflect the transformation and restructuring processes of the economy, accompanied by “positive and negative shocks” in certain years, towards an economy based on market mechanisms and free initiative. The trend of economic growth over the years clearly demonstrates the presence of large potential spaces for supporting a high and persistent growth rate, both in time and in terms of the use of production resources. Economic growth is mainly generated by domestic demand, both consumption and investment. Meanwhile, net foreign demand (export-import) has a moderate positive effect. According to the forecasts of macroeconomic and fiscal indicators, from the point of view of aggregate supply, it’ is expected that all the main sectors will continue to grow more or less with the same trend of their historical average (IMF, 2024; ECB. Europa EU 2024).

The studies highlight the need for deep structural reforms and investments in human resources to support long-term economic development and increase labor productivity (EC, 2022: Uku et al.2024; Doré, N. I., & Teixeira, A. A. 2023).

At national level, during the period 1997-2023, among the most obvious structural changes can be highlighted the gradual reduction of the agriculture sector from about 36 to 19 per cent of GDP, accompanied by the growth of the construction sector from around 7 to 10 percent, as and increasing services from about 40 to 48 percent of total GDP. Industry’s contribution to total GDP has remained more or less at the same levels, around 10 percent of GDP (MoF, 2024: INSTAT, 2024; Erumban, A. A., & de Vries, G. J. 2024).

Evaluations and economic developments confirm that the Albanian economy during the last decade has been characterized by a stable average economic growth, around 2.5-3 percent. Meanwhile, in 2020 the economy has been contracted by 3.3 percent due to the earthquake of November 2019 and from the coronavirus pandemic in 2020, and the recovery during 2021 was stronger than initially expected, with real growth of GDP about 8.9 percent (Ilollari et al., 2021) The positive growth has continued through 2022, around 4.9 percent, despite the latest external shock resulting from the war in Ukraine, which was reflected in a decrease in the global supply of some basic commodities causing a strong increase in inflation, tightening of financial conditions as well as increased uncertainty. Again, so far the main economic and financial foundations, as well as the overall macroeconomic stability of the country, have resisted these shocks relatively well (MoF, 2024; Topić-Pavković, B. 2024).

At regional level, there are differences between counties regarding to the socio-economic development and their contribution to the country's economy. In this context, analysis of the regional disparities is considered very important and the weakest economic performance and social problems need to be addressed comprehensively. The development support to regions should be applied in a differentiated manner, through separate programs and through varied types of incentives. A special funding should be taken to support underdeveloped counties with low capacities.

## **OBJECTIVES AND METHODOLOGY**

In this study is presented a regional analysis in Albania. The main goal is to analyze and assess the current socio-economic situation of the counties, identifying the factors and challenge for the future. The objective is to analysis the characteristics of regional socio-economic development, and the differences between counties. The study aims to recommend and support the policymaking to develop a comprehensive regional development policy. Regional development is a crosscutting issue, and in this study are examined long-term changes in a wide set of development indicators across Albania regions. As a result, several regional typologies are presented as well as broad recommendations for regional development policy formulation.

A mixed, quantitative and qualitative method was used, based on secondary data from different sources and studies (INSTAT, MoF, IMF). The elements of the methodology include: a) examination of various socio-economic

analyses related to the performance of different indicators by regions; b) descriptive analysis of the divergences between counties in Albania; and c) policy recommendations to reduce inequalities between regions and ensure social cohesion and balanced development. Indicators for the demography, employment, sectoral economic contributions by counties are analyzed, and a comparative analysis by counties is carried out.

The territory of the Republic of Albania is divided into 3 statistical regions and 12 counties or districts (counties/prefectures). Albania has three levels of governance: national, county (counties/prefectures) and local municipalities. Directly elected bodies exist at central and local levels. County councils consist of delegated representatives from local units. Albania's territory is organized into 12 counties and 61 local government units. The database used considers the indicators disaggregated for NUTS 3 level. According to this classification, and using the denomination of counties which is used in Albania, the twelve counties are: Dibër, Durrës, Kukës, Lezhë, Shkodër, Elbasan, Tiranë, Berat, Fier, Gjirokastër, Korçë, and Vlorë. Also, it is considered analysis of regions equivalent to NUTS 2.

## RESULTS

The analysis of demographic indicators by region shows that: a) the largest population is concentrated in the Center region, about 43% of the total population, and with an increasing trend from one year to the next: b) Tirana county has the largest population in the country, about 34% of the total, and with an increasing trend: c) North region has the lowest population (28% of the total). The Kukes and Dibra counties present the lowest density in the North Region: e) in the South region, the Gjirokaster county shows the lowest population and density in the region: f) all counties, except Tirana county, present a decreasing trend in population (Tables 1 and 2).

Table 1. Population in Albania by Regional Level (%)

<b>Regional Levels</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Country Albania</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>North</b>								
<i>North</i>	<b>28.8</b>	<b>28.7</b>	<b>28.5</b>	<b>28.4</b>	<b>28.2</b>	<b>28.1</b>	<b>28.1</b>	<b>27.9</b>
Dibër	15.4	15.0	14.7	14.5	14.3	14.1	14.0	13.8
Durrës	34.1	34.9	35.5	35.9	36.4	36.9	37.2	37.6
Kukës	9.7	9.5	9.4	9.4	9.3	9.3	9.3	9.3
Lezhë	15.6	15.5	15.4	15.3	15.2	15.0	15.0	14.8
Shkodër	25.2	25.1	25.0	24.9	24.8	24.7	24.6	24.5
<b>Center</b>								
<i>Center</i>	<b>39.6</b>	<b>40.2</b>	<b>40.7</b>	<b>41.1</b>	<b>41.5</b>	<b>41.9</b>	<b>42.2</b>	<b>42.7</b>
Elbasan	25.1	24.4	23.7	23.2	22.8	22.3	22.0	21.5
Tiranë	74.9	75.6	76.3	76.8	77.2	77.7	78.0	78.5
<b>South</b>								
<i>South</i>	<b>31.6</b>	<b>31.2</b>	<b>30.8</b>	<b>30.5</b>	<b>30.3</b>	<b>30.0</b>	<b>29.7</b>	<b>29.4</b>
Berat	14.7	14.5	14.3	14.2	14.1	13.9	13.8	13.7
Fier	33.4	33.5	33.6	33.5	33.5	33.5	33.5	33.4
Gjirokastrë	7.4	7.2	7.0	6.9	6.8	6.7	6.7	6.6
Korçë	23.8	23.7	23.7	23.7	23.7	23.7	23.7	23.7
Vlorë	20.7	21.1	21.4	21.7	21.9	22.1	22.3	22.6

Source: INSTAT (2024). Own elaboration.

Table 2. Population density: 2009-2023

<b>Regional level</b>		<b>Surface</b>	<b>Population density, 2009</b>	<b>Population density, 2020</b>	<b>Population density, 2023</b>
		<b>km<sup>2</sup></b>	<b>inhabitants/ km<sup>2</sup></b>	<b>inhabitants/ km<sup>2</sup></b>	<b>inhabitants/ km<sup>2</sup></b>
<b>Level 1</b>	<b>Albania</b>	<b>28,748</b>	<b>111</b>	<b>99</b>	<b>96</b>
<b>Level 2</b>	North	37.90%	86	74	71
	Center	16.90%	236	242	242
	South	45.20%	86	67	63

<b>Level 3 North</b>	Dibër	9.00%	54	45	41
	Durrës	2.70%	405	375	373
	Kukës	8.30%	33	32	30
	Lezhë	5.60%	98	76	71
	Shkodër	12.40%	69	56	53
<b>Center</b>	Elbasan	11.10%	107	85	79
	Tiranë	5.70%	484	553	565
<b>South</b>	Berat	6.30%	95	67	62
	Fier	6.60%	198	153	143
	Gjirokastrë	10.00%	36	21	19
	Korcë	12.90%	69	55	52
	Vlorë	9.40%	78	70	68

Source: INSTAT (2024). Own elaboration.

Except for the Center Region, the majority of the working-age population is employed in the agricultural sector. While in the Center Region, the majority of the population is employed in the services sector, and the Tirana county has a very high level of employment in the services sector compared to the national average and as well as other regions of the country (Table 3).

Table 3. Employed by sector and regional level (%)

	<b>Agriculture</b>	<b>Industry</b>	<b>Services</b>
<b>Contry Albania</b>	<b>34</b>	<b>22</b>	<b>44</b>
<b>North</b>	60.0	15.0	25.0
	14.0	39.0	47.0
	70.0	5.0	26.0
	25.0	27.0	48.0
	44.0	21.0	35.0

<b>Center</b>	62.0	13.0	25.0
	5.0	27.0	69.0
<b>South</b>	58.0	16.0	25.0
	55.0	15.0	30.0
	51.0	19.0	31.0
	57.0	12.0	32.0
	23.0	28.0	48.0
<b>Albania/County</b>		<b>2020</b>	<b>2021</b>
<b>Country Albania</b>		<b>11.7</b>	<b>11.5</b>
<b>North</b>	Dibër	9.1	11.9
	Durrës	13.1	16.1
	Kukës	6.0	4.0
	Lezhë	22.2	22.6
	Shkodër	14.5	12.1
<b>Center</b>	Elbasan	6.4	6.9
	Tiranë	13.7	11.8
<b>South</b>	Berat	8.0	6.5
	Fier	8.4	8.7
	Gjirokastrë	5.7	4.7
	Korçë	9.6	9.7
	Vlorë	16.6	19.5

Table 4. Unemployment by counties (%). Source: INSTAT (2024). Own elaboration.

The Northern Region has the highest unemployment rate, and the Regions with main economic activity in the service sector, of a seasonal nature closely linked to the summer season (Durrës, Lezhë, Vlora), have the highest unemployment rate compared to the national unemployment rate (Table 4). The economic assessment for the statistical regions shows that the Center region has the highest average contribution to the country's economy, about 50 percent of the total GDP, while the contribution of the South and North regions is about 28 and 23 percent of total GDP, respectively. The evaluation according to districts shows that the district of Tirana has the

largest contribution to the country's economy, with about 44 percent of the total GDP, and with increasing trend from one year to the next, while the district of Kukës has the lowest contribution, about 1.6 percent of the total GDP. It is important to note that the contribution to the country's economy of all districts, except for the districts of Tirana, Durrës, and Vlorë, is on a decreasing trend (Table 5).

Table 5. Gross Domestic Product in current prices (%)

<b>Regional Level</b>	2016	2017	2018	2019	2020	2021
<b>Country Albania</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>North</b>	<b>23.8</b>	<b>23.4</b>	<b>23.0</b>	<b>23.0</b>	<b>22.5</b>	<b>22.4</b>
Dibër	3.3	3.2	3.2	3.0	2.9	2.9
Durrës	9.8	10.1	9.9	10.1	9.9	10.1
Kukës	1.7	1.7	1.7	1.6	1.6	1.6
Lezhë	3.5	3.3	3.1	3.1	3.0	3.0
Shkodër	5.4	5.2	5.1	5.1	5.0	4.9
<b>Center</b>	<b>47.1</b>	<b>48.8</b>	<b>49.3</b>	<b>49.4</b>	<b>49.8</b>	<b>50.4</b>
Elbasan	7.1	6.8	6.7	6.6	6.8	6.7
Tiranë	40.0	42.0	42.6	42.8	43.0	43.7
<b>South</b>	<b>29.1</b>	<b>27.8</b>	<b>27.6</b>	<b>27.6</b>	<b>27.7</b>	<b>27.2</b>
Berat	3.9	3.8	3.6	3.4	3.5	3.4
Fier	11.1	10.7	10.9	11.1	10.9	10.9
Gjirokastër	2.3	2.2	2.2	2.2	2.2	2.1
Korçë	5.9	5.5	5.4	5.4	5.4	5.4
Vlorë	5.9	5.6	5.6	5.5	5.7	5.7

Source: INSTAT (2024). Own elaboration.

In relation to the country's average level of GDP per capita in PPS (Purchasing Power Standard), the highest level of GDP per capita in PPS has the Center region, with about 22 percent above the national average, while the GDP per

capita in PPS for the region of South and North is below the national average, 9 percent and 19 percent respectively. According to the districts, the Tirana county has the highest level of GDP per capita in PPS, about 35 percent above the national average, followed by Fier and Gjirokaster counties, with about 7 percent and 3 percent respectively above the national average. While that GDP per capita in PPS for other districts is below the national average, where the lowest level of GDP per capita in PPS has the Kukës and Dibër counties, with about 34 percent and 31 percent respectively below the national average. Furthermore, the lowest GDP per capita in PPS is followed by Lezhe (29%), Elbasan (29%) and Korçe (26%) counties (Table 6).

Table 6. Gross Domestic Product per Capita, in PPS, AL=100 (%)

<b>Regional Level</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2020</b>
<b>Country Albania</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<i>Veri / North</i>	<i>82.5</i>	<i>81.7</i>	<i>80.8</i>	<i>81.2</i>	<i>79.7</i>	<i>79.5</i>
Dibër	75.1	74.0	76.1	73.4	72.1	72.6
Durrës	100.0	101.2	98.1	99.7	96.7	97.0
Kukës	61.9	62.5	63.5	60.7	62.5	59.8
Lezhë	77.1	73.2	70.8	72.5	70.9	69.8
Shkodër	74.7	71.8	71.8	72.0	71.1	70.7
<i>Qendër / Center</i>	<i>119.0</i>	<i>121.5</i>	<i>121.2</i>	<i>120.1</i>	<i>120.0</i>	<i>120.4</i>
Elbasan	71.2	69.6	69.8	69.2	72.4	72.1
Tiranë	135.1	138.2	137.2	135.5	134.1	134.2
<i>Jug / South</i>	<i>92.1</i>	<i>89.1</i>	<i>89.7</i>	<i>90.5</i>	<i>91.5</i>	<i>90.8</i>
Berat	83.2	84.1	81.2	79.0	82.5	80.4
Fier	105.1	102.4	105.4	108.8	107.6	1
Gjirokastër	100.5	99.2	100.2	103.6	106.2	103.4
Korçë	78.2	74.0	73.6	74.2	75.1	73.2
Vlorë	90.4	85.1	85.2	83.2	85.5	85.8

Source: INSTAT (2024). Own elaboration.

In relation to the EU average, GDP per capita in PPS (Purchasing Power Standard) of Albania is 30 percent of the EU average, showing an increasing trend. According to the statistical regions, GDP per capita in PPS for the Center region is 36 percent of the EU average, while for the North and South regions, it is around 24 percent and 27 percent, respectively. At the same time, GDP per capita in the PPS according to regions shows an increasing trend from one year to another. At the district level, for the same period, Tirana county has the highest level of GDP per capita in PPS, about 42 percent of the EU average, followed by the counties of Fier (32%) and Durrës (30%), while the lowest level has the counties of Kukës (20%), Dibër (20%), Lezhë (21%) and Elbasan (21%) (Table 7).

Table 7. Gross Domestic Product per Capita, in PPS, EU27=100 (%)

Regional Level	2016	2017	2018	2019	2020	2021
<b>Country Albania</b>	<b>29.8</b>	<b>29.9</b>	<b>30.2</b>	<b>30.4</b>	<b>30.7</b>	<b>31.7</b>
<b><i>Veri / North</i></b>	<b>24.6</b>	<b>24.5</b>	<b>24.4</b>	<b>24.6</b>	<b>24.5</b>	<b>25.2</b>
Dibër	22.3	22.1	23.0	22.3	22.1	23.0
Durrës	29.8	30.3	29.6	30.3	29.7	30.8
Kukës	18.4	18.7	19.2	18.4	19.2	19.0
Lezhë	23.0	21.9	21.4	22.0	21.7	22.2
Shkodër	22.2	21.5	21.7	21.9	21.8	22.5
<b><i>Qendër / Center</i></b>	<b>35.4</b>	<b>36.3</b>	<b>36.6</b>	<b>36.5</b>	<b>36.8</b>	<b>38.2</b>
Elbasan	21.2	20.8	21.1	21.0	22.2	22.9
Tiranë	40.2	41.3	41.5	41.1	41.1	42.6
<b><i>Jug / South</i></b>	<b>27.4</b>	<b>26.7</b>	<b>27.1</b>	<b>27.5</b>	<b>28.1</b>	<b>28.8</b>
Berat	24.8	25.1	24.5	24.0	25.3	25.5
Fier	31.3	30.6	31.8	33.0	33.0	34.3
Gjirokastrë	29.9	29.7	30.3	31.5	32.6	32.8
Korçë	23.3	22.1	22.2	22.5	23.0	23.2
Vlorë	26.9	25.5	25.7	25.3	26.2	27.2

Source: INSTAT (2024). Own elaboration.

## **CONCLUSIONS, POLICY IMPLICATION AND RECOMMENDATION**

The analysis shows that the Tirana county is the most important county in the demographic, social and economic context and is the driver of the country's economy. While the north and south regions show large differences in economic and social terms, presenting low social economic indicators compared to the central region and at the national level. Based on our analysis, it is noted that the Tirana region has clearly been placed at the forefront of development. In other words, the economic agglomeration allowed Tirana to benefit from the transition and modernize quickly, while the rest of the country has almost been left behind (Uku et al., 2021).

As well, based on the results presented in the data analysed, it could say the country has not effectively implemented a regional development policy. Another crucial fact is that the integration into the European Union will require to adopt the EU regional cohesion policy principles and practices in to the domestic regional development policy framework. From the evidence gathered in this study and taking into account the current context of Albania's integration into the EU, there are already some policy considerations to be taken into account:

Regional differences are significant and weak economic performance and severe demographic and social problems need to be addressed comprehensively. The development assistance to regions should be applied in a differentiated manner, through separate programs and/or through varied types and levels of incentives.

Regional policies should prioritize development of infrastructures which increase competitiveness of regions, while other issues should be addressed by other interventions (Ilollari et al., 2022) Specific policies should be taken to optimize public infrastructure and interventions in order to revitalize local and regional economies. Investments closely related to economic growth promotion should be prioritized.

Regional development should be established in relation to national strategic objectives and a management framework for programming and monitoring regional development should be established.

Financial instruments should ensure the achievement of regional development policy objectives and be implemented in a consistent and transparent manner, on a competitive basis between regional/local actors. Social financing should come from the national budget and external donors, while EU funds will significantly increase in importance.

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# ORGANIZED CRIME AND NATIONAL SECURITY

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## ABSTRACT

The organized national crime, which is a phenomenon that has evolved within the traditional borders of the nation-state, starting from the 19th century and onwards. However, globalization, as a unifying process of humanity on the economic, industrial, communicative, and technological levels, transformed national organized crime into a transnational phenomenon, simultaneously presenting a serious risk to national security, and in certain cases, even the security of a coalition of states within a region. The aim of this work is to answer the following questions, which also include the general issues of this work: - How can organized crime be defined? - Does it disturb, this phenomenon, governance, political life, and undermine efforts to promote the rule of law and human rights? - How has the phenomenon of organized crime evolved in the case of Albania and what is the risk it carries in the case of our country? - What is the response and strategy of international and Albanian law enforcement institutions to confront this phenomenon?

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**KEY WORDS:** Organized crime; National Security; Transnational crime; Regional security; Judicial reformed; State department SPAK.

**JEL Code:** A30

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## METHODOLOGY:

In the case of this paper, a hermeneutic text analysis is the chosen methodological approach. Specifically, in this hermeneutic text analysis that I have conducted, a variety of different text types are interconnected, with the specific conditions of creation and the media of these texts being considered in my analysis.

## ORGANIZED CRIME AND NATIONAL SECURITY

Organized crime in itself is a relatively new phenomenon. He is most identified with the last decades of the 20th century as well as the first decades

of the 21st century. This phenomenon has been unintentionally favored by the technological revolution that the globalized world is experiencing. The phenomenon of organized crime has also, unintentionally, been favored by the technological revolution currently experienced by the globalized world. In the past, starting from the 19th century, when crime was of a local nature and the hierarchy within it somewhat contained the characteristics of a feudal relationship, organized crime today is of a different nature. Transnational organized crime encompasses almost all serious criminal activities motivated by profit that have an international character, involving more than one country. There are many activities that can be considered part of transnational organized crime, including drug trafficking, human trafficking, money laundering, trafficking in counterfeit products, trafficking in cultural goods, and even certain aspects of cybercrime.

Transnational organized crime threatens peace and human security, leads to human rights violations, and undermines economic, social, cultural, and political development, as well as the development of civil society worldwide. The enormous amounts of money at stake can compromise legal economies and have a direct impact on governance, particularly through corruption and the buying of elections.

However, in order to understand the extent of the threat posed by organized crime in relation to the essential elements that also constitute the concept of national security of a state actor, also known as the nation-state, a multidisciplinary analysis is needed, which encompasses both security issues and those of jurisprudence.

Specifically, the UN Convention against Organized Crime defines it as “a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences established in connection with the convention, in order to obtain, directly or indirectly, a financial or other material benefit. The key to this definition is “structured”, “a period of time” (i.e. ongoing and acting in concert” in committing serious crimes”. This definition is essentially the same as the ones given by most scholars.

The notion of “national security” is not straightforward. Ultimately, national security is about the stability and safety of the state. It is not merely confined to military terms otherwise the role of organized crime would not be such a controversial issue. However, the map of the activities of this phenomenon has

a heteroclit appearance. Organized transnational crime seems to be and is a unified enterprise, but its modus operandi is of a pragmatic nature. Specifically, the structures of organized crime operate in a continental, regional, and even individual dimension, which implies that its objective is currently not only a specific state but also spaces larger than that. In this context, the nature of the risk posed by organized crime is presented differently. In the case of the United States of America, and specifically according to the U.S. National Intelligence Council of 2011, one of the main reasons organized crime is increasingly seen as a serious threat to national security is its growing ties to terrorism in recent years. The solidity of law enforcement institutions, which in themselves regroup the entire range of justice institutions, law and security bodies, including intelligence institutions, while also taking into account the stage of socio-economic and industrial development, plays a key role in the efforts of state actors (countries) against this phenomenon.

The size of the state does not represent any distinct advantage in the fight against transnational organized crime. Since organized crime groups have also demonstrated in recent years' tendencies towards activities and ideological motivations traditionally associated with terrorists. A convergence of organized crime with elements of terrorist organizations has been encountered in a large country like Brazil, but also in Colombia with the case of the FARC. In these circumstances, organized crime poses a risk not only to national security but also to state space as an integral part of the concept of regional security.

To fight the phenomenon of organized crime, the key is the solidity, professionalism, and motivation of a country's law enforcement agencies. However, these standards were met by certain countries that have a tradition where democracy and the consolidation of Justice have evolved in parallel.

In the case of Albania, the evolution of organized crime and the response of law enforcement agencies represents a specific and relatively recent case. As a former dictatorship under communist ideology, similar to today's China and North Korea, it had a radically drastic approach toward criminal phenomena. However, on the other hand, the ethical-ideological framework of the regime did not prevent it from, since the 1960s, in agreement with the Italian mafia and with the approval of the Political Bureau of the communist regime, having agents of the Sigurimi (the communist secret service) and officials of the Border Police smuggle cigarettes across the Adriatic Sea. In his early years,

specifically between 1990 and 2003, according to a report from the Council of Europe, in 1999, there were between 25 and 100 criminal groups operating in Albania, with a total of between 500 and 2,500 members. However, from 2004 to 2015, Albanian organized crime not only expanded in scale but also consolidated and branched out in collaboration with transnational organized crime.

Throughout this time period, it is thought that this Albanian organized crime to be part of international criminal networks and to have relations with the Italian (Sacra Corona Unita). It has also alleged that the Albanian organized crime tried to turn Albania into a place for the production of cocaine by creating strong ties with drug cartels in Latin America (Venezuela and Ecuador) forming a closed trafficking cycles, controlled by it from the origin to distribution. It is rumored that the Albanian organized crime has strong ties with relatives of politicians inside the political camp

At the precise moments when Albanian organized crime had become not only a significant link in trans regional and even transnational organized crime, and was surpassing and exposing the inefficiencies of the Justice system outlined at the beginning of Albania's democratic transition, its influence over central and local political actors had expanded and was now being initiated as a national imperative and a key expectation of international allies for the implementation of the Justice Reform in Albania (2016). The main goal of this reform was, as defined by the Professor of Law at the University of Tirana, Aurela Anastasi, the promotion of « the new judicial Culture». While European Union institutions support the implementation of this reform in the name of Albania's institutional and legal obligations as a sine qua non condition for its final acceptance into an integrated Europe, American support for this legal undertaking should be interpreted as a combination of establishing a functional internal institutional order in Albania with geo-strategic interests regarding the Albanian issue within the regional context. In the view of American diplomacy, the institutions of the old justice system, towards which the main figures of Albanian politics had a restraining influence in fulfilling its constitutional mission, were ineffective in the fight against this phenomenon, which was already operating in symbiotic forms with elements of politics.

For the American diplomats, if this trend were to intensify, with the return of rivalries with ideological content at regional and continental levels, it could potentially be exploited at the expense of Albania's national security, which would

also clash with the schemes of American foreign policy at the regional level.

The judicial reform of Albania consists of two main pillars:

-The Vetting Law

-Specialized courts.

To carry out the Vetting process, two special institutions have been established: a first commission and an appeal chamber, meaning that this process underwent through the existing ordinary court system, since judges were subject of the assessment. These institutions were monitored by different (American) and EU member states. Albanians judges, including of the Constitutional Court and of the High Court, Albanian prosecutors, including the General Prosecutor, the Chief Inspector and all inspectors of the High Council of Judges, legal Advisers of the Constitutional court.

The judicial Vetting commenced operation in late 2017. It comprised three pillars of assessment for all Albanian's judges and prosecutors: -an appraisal of assets, -background and proficiency. Approximately 800 members of the Albanian judiciary went through the Vetting process if they were eligible to serve in their offices. Over 45 percent of all judges and prosecutors were disqualified through this process. Meanwhile, the intense Vetting process emptied a significant portion of the Albanian justice institutions, turning the replacement of these officials with younger generations of Albanian magistrates into an imperative. In this context, the Chairman of the Supreme Court of Albania, Sokol Sadushi, assessed that in March 2020, the highest instance of the Albanian judiciary had over 26,000 accumulated cases, while in the year 2022, their number had decreased to 30,751, and currently, it has dropped even further.

Parallel to the Vetting process, the construction of the SPAK (Special Structure against Corruption and Organized Crime) also began, which, as a structure, restructured: a body of 20 prosecutors and 60 investigators from the BKH (National Bureau of Investigation), a miniature model of the American FBI. The two instances of the Special Court against Organized Crime and Corruption (GJKO) assess the legal measures of security and the penal claims raised by the prosecutors. At the time these lines are being written, the Special Prosecution Against Corruption (SPAK) is celebrating its 5th anniversary. However, just a few days before this anniversary, the U.S. Secretary of State, Antony Blinken, included the current head of the special anti-corruption structure, Altin Dumani, as one of the 10 Anti-Corruption

Champions, with the motivation that “they have led or advocated for reforms and investigations that are bringing a more just and transparent world for their fellow citizens.

In his speech during this event with significant symbolic meaning, the current U.S. Secretary of State described the fight against corruption as one of the key instruments, sponsored by organized crime and government officials who collaborate with it, as a phenomenon that “erodes democratic governance, undermines trust in government, and hinders development, which is why the Department of State promotes integrity, transparency, and accountability as foreign policy priorities and national security interests” At the celebration of the 5th anniversary of the establishment of SPAK in Tirana, again in the presence of high-ranking officials from the U.S. Department of State and Diplomacy, the head of SPAK, Altin Dumani, stated that from the investigations into organized crime, links between crime and officials of various levels, who have been corrupted or have become part of organized crime groups, have been identified.

For more, he also revealed the cooperation with foreign law enforcement agencies in order to attack various criminal groups, various criminal organizations.

According to official data, SPAK has seized 182 million euros of illegally obtained assets, implicating officials of all levels, a message that justice knows no sides and there are no untouchables. The phenomenon of the expansion of transnational organized crime has continued to grow. Following the threat of the expansion of communism, this new fear was not without resemblance to those of International networks of hyper-terrorism, now predominant, and could easily resurface in the spotlight due to specific current events.

As a consequence, the confrontation with this challenge took the form of an international problem formulation: And in this context, the transnational character of organized crime represents another difficulty. According to the United Nations definition, an offense is transnational when it is committed by more than one state, its preparation takes place at least partially outside the state in which it is committed, the group committing it operates in multiple states, or it produces substantial effects in another state. But beyond the practices, this expression also tends to unify the different criminal organizations, whose territorial base is shared. Thus, the concept of the International Mafia was

also formed, composed of Italians, Americans, Colombians, Albanians, Chinese, and Russians. It seems that, as far as the order of things is concerned, there currently exists in Albania a specialized core of institutions within the new Albanian justice system, which is fighting a dangerous phenomenon for all aspects that define the constructive development of a society and a nation, including the key element that enables this development, which is the guarantee of national security. In this context, organized national and transnational crime in our time truly also represents an existential threat.

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## **CONCLUSION**

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Organized crime represents a new phenomenon within the broader context of phenomena that pose a threat to national security for state actors, which are nation-states. From the early 20th century until the beginning of World War II, its geographical risk was confined to a regional level. This was the case in southern Italy, specifically the region of Sicily, where traditional forms of organized crime were one of the main instruments contributing to the dysfunctionality of institutions and the economic and industrial underdevelopment of the beautiful Italian island. After World War II, organized crime fueled endemic weaknesses in institutional functioning in certain countries.

The rapid shift to a technologically globalized world equipped organized crime with a transnational dimension, transforming it into a transnational metastasis. It now posed a risk not only to the national security of a nation-state but also to the national security of a geographical space composed of several nation-states within specific continents. Therefore, the response of law enforcement agencies in a state actor is symmetrically aligned with the modus operandi of transnational organized crime. States simultaneously engage in national wars while also fighting a war based on a transnational synergy involving large state alliances. Under these conditions, organized crime, which today is also intertwined with certain ideological movements, is one of the unpredictable factors that threaten to cause internal crises and even regional or international crises, simultaneously jeopardizing both national and international security.

Albania, as a small country, is involved in this battle through its law enforcement institutions, a product of the new reforms that the Albanian judiciary has undergone over the past decade. One of its main objectives has

been precisely to prevent this dangerous phenomenon from compromising Albanian national security and distorting the proper historical evolution of our country.

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# PROTECTING PERSONAL DATA FROM CYBER ATTACKS. HOW MUCH DOES THIS AFFECT INTER-STATE RELATIONS?

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## **ABSTRACT**

Protecting individuals' data from cyberattacks is a significant challenge in the digital age, with major implications for national security and international relations. As technology evolves and Internet usage increases, cyberattacks have grown more sophisticated and frequent, involving a range of actors, from individuals to state-sponsored groups. These attacks often target personal information, financial data, or critical national infrastructures. Effective data protection requires not only advanced technological measures but also robust legal frameworks and international agreements to combat cybercrime.

From an international perspective, cyber threats have profoundly impacted relations between states. Attacks originating from actors affiliated with certain countries often lead to diplomatic tensions, particularly when allegations of cyber espionage or election interference arise. For instance, incidents involving the theft of citizens' personal data by groups linked to foreign governments have resulted in accusations and sanctions, straining political and economic ties between nations.

To address these challenges, it is crucial for states to engage in close cooperation on cybersecurity. This entails sharing information about cyber threats, harmonizing security standards, and signing international treaties to prevent the misuse of technology for aggressive purposes. However, such collaboration is often hindered by a lack of trust between countries, posing an additional obstacle to global security.

Only through a united effort can effective data protection be achieved, ensuring a stable and secure global order.

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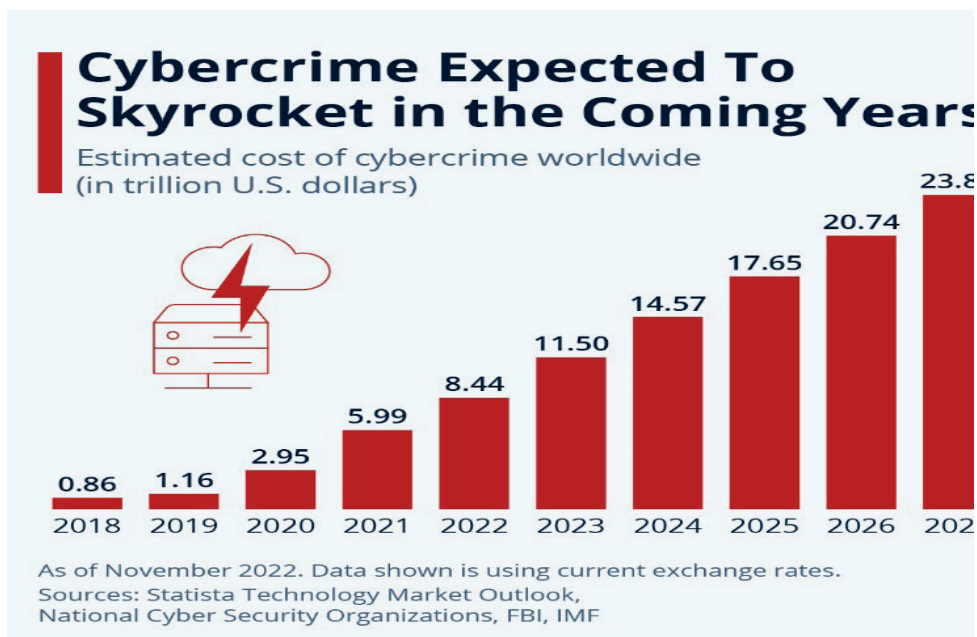
**KEY WORDS:** Digital Age, Cyberattacks, States, Cooperation, Protection.

**JEL Code:** A30

## PROTECTING PERSONAL DATA FROM CYBER ATTACKS AND IMPACT ON RELATIONS BETWEEN STATES

In an increasingly digitalized world, where technology has permeated every aspect of our lives, personal data has become both a valuable asset and a critical vulnerability in the fight for cybersecurity. Data—including sensitive information about individuals such as identities, financial activities, and health records—has evolved from mere information to a strategic asset that can be manipulated or misused by various actors. These actors range from cybercriminals and irresponsible corporations to states that may exploit data for alternative purposes. This phenomenon presents a new challenge, not only for individuals but also for governments and international organizations, which now face unprecedented risks in safeguarding global security and stability.

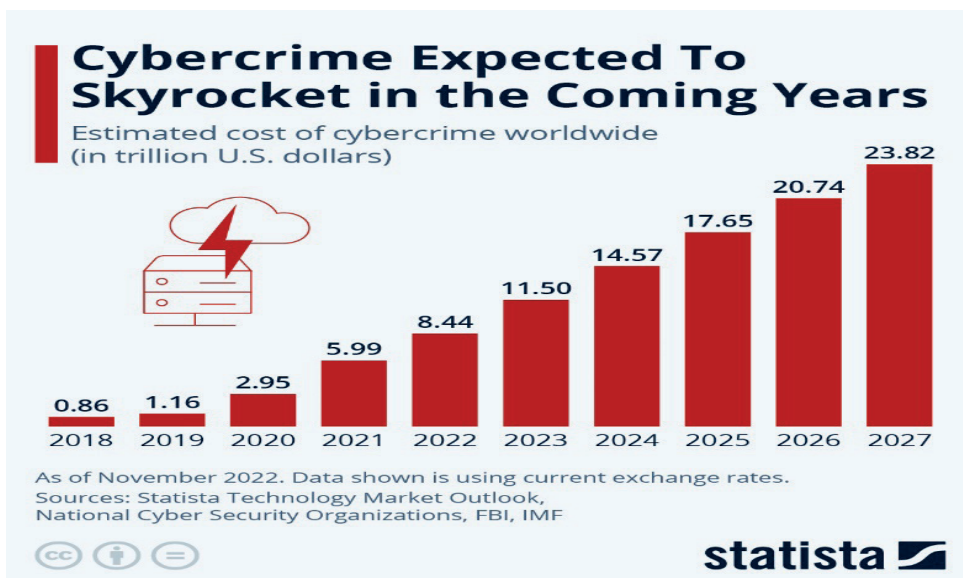
The protection of personal data has become a pivotal issue, essential not only for preserving individual privacy but also for upholding a secure and trustworthy global order. In this context, the challenges posed by cyberattacks are multifaceted. Cyberattacks, such as ransomware, phishing, and malware, have rapidly evolved and become more sophisticated, making them more difficult to prevent and identify. The threat is not only individual, but has an international dimension that can affect international relations and the economies of states.



The consequences of a cyberattack can be catastrophic for individuals, causing identity theft, financial loss, and privacy risks, as well as for states and companies, leading to the destruction of credibility, significant financial losses, and even threats to national security. This has made data protection an indispensable obligation for ensuring a sustainable and secure global ecosystem. To achieve this, an integrated and multidimensional approach is essential. This includes the adoption of advanced technologies such as data encryption and multi-factor authentication, alongside the establishment of a robust legal and institutional framework to regulate and monitor data protection efforts.

A crucial component of this approach is raising awareness and educating individuals about cybersecurity risks. People must be informed about potential threats and practice good cyber hygiene. Simple yet effective measures, such as using strong passwords, avoiding suspicious links, and consistently monitoring systems, can significantly reduce the likelihood of cyberattacks.

In this context, the role of the state is pivotal. Governments bear the responsibility of creating comprehensive legal frameworks, enforcing laws, and prosecuting cybercriminals, therefore ensuring that data protection systems are both effective and enforceable.



Protecting personal data and maintaining cybersecurity are not merely

technological challenges; they demand a comprehensive commitment involving individuals, organizations, and states. Only through an integrated and coordinated approach can we achieve effective protection of personal data and, ultimately, ensure a secure and stable global order.

## **THE IMPACT OF CYBERATTACKS ON INTERNATIONAL RELATIONS AND DIPLOMATIC CRISES**

Cyberattacks represent an increasingly significant threat to global data and system security, often leading to deeper consequences, including international tensions and diplomatic crises. These threats extend beyond what might be considered a routine attack, frequently contributing to the escalation of political and economic conflicts. The global nature of cyberthreats, which transcend national borders and often involve state actors, state-backed groups, or other entities, exacerbates tensions between nations.

## **CYBERATTACKS AND THEIR DIRECT CONSEQUENCES**

Cyberattacks can have immediate and profound effects on the security of states and organizations. From the theft of sensitive data and disruption of critical infrastructure to breaches that compromise national defense systems, these attacks often have ripple effects across political, economic, and social dimensions. For example, critical infrastructures such as energy networks, water supply systems, and traffic management systems are prime targets for cyberattacks. The consequences of such attacks can be catastrophic, leading to massive service disruptions and endangering citizens' lives. At another level, these attacks can erode trust in government institutions and political processes. Cyberattacks targeting electoral systems are particularly concerning, as they can compromise the integrity of democratic processes and cast doubt on the legitimacy of elections.

Moreover, these attacks often have long-term consequences, creating an insecure environment for managing sensitive information and data. This insecurity can heighten international tensions, as states feel increasingly threatened and may use allegations of espionage or interference as grounds for imposing harsh measures, further straining diplomatic relations.

## **THE ROLE OF STATE ACTORS AND STATE-BACKED GROUPS**

Cyberattacks become even more dangerous when carried out by state actors or groups supported by states. These attacks are often designed to

advance strategic objectives, such as bolstering national security, gaining control over natural resources, or assisting political or military factions in foreign countries. Such attacks may destabilize governments by eroding public trust in institutions and creating uncertainty about political stability. States targeted by these threats frequently feel compelled to take severe measures against the perpetrators, potentially escalating tensions and triggering a cycle of retaliation, which can further destabilize international relations.

### **CYBERATTACKS AND ELECTORAL MANIPULATION**

One of the gravest forms of cyberattacks is those aimed at electoral systems. Election manipulation through cyberattacks can undermine democracy and erode public trust in the electoral process. Techniques such as altering election results, fostering divisions, or influencing public opinion can severely damage the legitimacy of democratic institutions. These attacks are often difficult to prove, which complicates efforts to ensure accountability and transparency. This uncertainty raises doubts about the integrity of elections and the extent of external interference, further deepening mistrust between nations. Diplomatic tensions frequently escalate in such scenarios, undermining efforts toward international cooperation and leading to broader crises involving multiple states.

### **ECONOMIC SANCTIONS AND RETALIATORY MEASURES**

When a state falls victim to a cyberattack, it may respond with economic sanctions or other retaliatory measures. Sanctions are a common tool to penalize states or actors involved in cyberattacks. These measures may include trade bans, asset freezes, or restrictions designed to harm the economy of the perpetrating state. Additionally, sanctions can target individuals linked to cybercrimes, aiming to hold them accountable for their actions. However, such responses often lead to an escalation of tensions, creating a cycle of retaliation that contributes to a volatile and unpredictable environment in international relations. The lack of clear protocols to address these types of conflicts complicates the path toward peaceful resolutions.

### **INTERNATIONAL COOPERATION AND THE ROLE OF INDEPENDENT ORGANIZATIONS**

To address cyber threats and mitigate the tensions they generate, international cooperation is essential. States must collaborate to develop

common rules and norms that ensure a safe and secure cyberspace. These efforts often involve international agreements and commitments to establish ethical and legal standards for cyber activities. Independent organizations also play a critical role in promoting cybersecurity awareness, offering expertise, and facilitating dialogue among nations. By fostering trust and transparency, these entities contribute to a collective effort to reduce cyber risks and maintain global stability. International organizations such as the United Nations (UN), NATO, and EUROPOL have made significant strides in establishing cooperation platforms and assistance protocols for states targeted by cyberattacks. For example, the UN has formed working groups to develop international norms for state behaviour in cyberspace and promote cooperation to prevent cybercrime. Similarly, organizations like NATO and EUROPOL provide critical support to affected states, including assistance in identifying the origins of cyberattacks.

## **THE IMPORTANCE OF INFORMATION SHARING AND TECHNICAL ASSISTANCE**

A crucial component of international cooperation is helping states build advanced cyber defence capabilities. This includes developing robust cyber defence systems, training cybersecurity experts, and aiding investigations of cyberattacks. Sharing information and leveraging advanced technologies to combat cyber threats play a vital role in modern diplomacy, fostering stronger international relations and preventing the escalation of crises.

## **CONCLUSION**

In an increasingly interconnected and digitalized world, protecting personal data is essential for maintaining security and stability- not only for individuals but also for states and societies as a whole. Cyberattacks, particularly those targeting critical infrastructure and democratic processes, have far-reaching consequences, jeopardizing national security and international relations.

To address these global threats, international cooperation is indispensable. Establishing common agreements, protocols, and standards for cybersecurity is a critical step toward deterring malicious actors and ensuring the resilience of information systems. International organizations, such as the United Nations and NATO, play a pivotal role in leading efforts to develop the legal and technical infrastructure necessary for combating cybercrime effectively. Equally important is raising awareness among individuals, enhancing protective capabilities, and

fostering international collaboration. Only through joint and coordinated efforts can effective data protection be achieved, mitigating the negative impacts of cyberattacks and ensuring a secure, sustainable cyberspace for all.

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# THE DEVELOPMENT OF FINTECH IN ALBANIA – INTEGRATING TRADITION WITH TECHNOLOGY

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## ABSTRACT

The development of Financial Technology (FinTech) in Albania marks a transformative shift in the nation's financial sector. By integrating innovative digital solutions, FinTech has begun to reshape traditional banking systems, foster financial inclusion, and drive economic growth. This study delves into the evolution of financial services in Albania, highlighting the emergence and impact of FinTech. Using survey data, it explores adoption trends and the barriers faced by individuals and institutions, offering a nuanced comparison between Albania's progress and international benchmarks. The findings underscore FinTech's potential to disrupt and complement traditional banking while emphasizing the need for regulatory evolution and strategic partnerships. Recommendations are provided to promote digital literacy, strengthen regulatory frameworks, and invest in technological infrastructure, ensuring a sustainable future for Albania's financial ecosystem.

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**KEY WORDS:** Financial Technology, Innovation, Financial Inclusion, Digital Transformation, Regulatory Frameworks.

**JEL Code:** A30

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## INTRODUCTION

The rise of Financial Technology (FinTech) represents a pivotal moment in the evolution of global financial services. FinTech has emerged as a disruptive force, transforming traditional banking models and introducing innovative solutions that cater to the modern consumer's need for convenience, speed, and personalization. From mobile banking applications and digital wallets to blockchain and artificial intelligence (AI), FinTech has redefined the way individuals and businesses interact with

financial systems. Globally, this sector has witnessed exponential growth, with investments reaching unprecedented levels as both consumers and institutions embrace digital transformation.

In Albania, the FinTech revolution is gradually unfolding, driven by increased internet penetration, widespread smartphone adoption, and growing awareness of the benefits of digital financial solutions. However, the country's financial sector remains at an early stage of digital integration, characterized by a predominance of cash transactions and a general hesitance to adopt new technologies. While traditional banks dominate the financial landscape, FinTech solutions are beginning to gain traction, offering opportunities for enhanced financial inclusion and economic development.

This study seeks to explore the adoption and integration of FinTech in Albania, examining its potential to bridge gaps in financial accessibility and foster innovation within the financial ecosystem. By tracing the historical context of Albania's financial sector, this research provides a comprehensive overview of the challenges and opportunities associated with FinTech adoption. Survey findings shed light on consumer behavior, highlighting the factors driving adoption and the barriers hindering widespread use. Comparisons with global and regional trends offer valuable insights into Albania's position within the broader FinTech landscape.

As Albania embarks on its journey toward a more digitized financial future, the role of FinTech in shaping this transition cannot be overstated. Policymakers, financial institutions, and technology providers must collaborate to create an enabling environment that fosters innovation, enhances trust, and addresses infrastructural and regulatory shortcomings. By leveraging the transformative potential of FinTech, Albania can build a more inclusive, efficient, and resilient financial system that meets the needs of its diverse population.

## **LITERATURE REVIEW**

**Global FinTech Overview.** The global FinTech sector has seen exponential growth over the past decade, driven by technological innovations and changing consumer expectations. Investments in FinTech exceeded \$210 billion in 2022 (EY, 2020), highlighting its expanding role in modern economies. Key technologies such as blockchain, artificial intelligence (AI), and data analytics have enabled the creation of new financial services, including mobile banking, peer-to-peer lending, and robo-advisory platforms (KPMG, 2019). These

solutions cater to the growing demand for personalized, secure, and efficient financial services. Regulatory frameworks like the European PSD2 Directive have further accelerated FinTech's adoption by promoting competition and innovation within the financial ecosystem (European Commission, 2018).

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### **THE CASE OF ALBANIA**

Despite its potential, Albania's FinTech landscape remains nascent compared to global leaders. While internet usage and smartphone penetration have improved significantly, the country's reliance on cash transactions and limited digital literacy impede FinTech adoption (World Bank, 2021). Recent government initiatives, including efforts to expand digital payment systems and improve financial literacy, reflect a growing recognition of FinTech's importance. However, significant challenges such as regulatory bottlenecks and a lack of investment in technological infrastructure remain (Bank of Albania, 2020).

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### **COMPARATIVE INSIGHTS: ITALY**

Italy provides a valuable comparative lens, showcasing how regulatory support and strategic investments can accelerate FinTech adoption (OECD, 2020).

During the COVID-19 pandemic, Italy witnessed a surge in digital payment usage, online banking, and neobanking platforms. These advancements underscore the importance of fostering collaboration between traditional banks and FinTech startups. Italy's experience highlights the transformative potential of aligning regulatory frameworks, technological investments, and consumer education—lessons that could guide Albania's FinTech journey (IMF, 2021).

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## **FUTURE TRENDS IN FINTECH**

The evolution of FinTech is inextricably linked to emerging technologies such as blockchain, AI, and the Internet of Things (IoT) (Deloitte, 2020). These technologies promise to enhance the security, personalization, and efficiency of financial services. For instance, blockchain could revolutionize cross-border payments by enabling faster and more transparent transactions, while AI-driven analytics may provide highly tailored financial advice (McKinsey, 2021). As these technologies mature, they will play a pivotal role in shaping the future of FinTech both globally and in Albania.

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## **TECHNOLOGY AND FINANCIAL SERVICES IN ALBANIA**

**Historical Development:** Albania's financial sector has undergone significant transformation since transitioning from a centrally planned

economy to a market-driven system in the early 1990s. The initial stages of this transition were fraught with challenges, including banking crises, limited rural access to financial services, and widespread public distrust following economic instability. Over time, reforms have modernized the banking sector, introducing diverse financial products and services. However, cash transactions still dominate, particularly in rural areas, reflecting persistent gaps in financial inclusion and accessibility.

## **THE EMERGENCE OF FINTECH**

The rise of FinTech in Albania aligns with global trends toward digital transformation. With internet penetration reaching 72% and smartphone usage at 60%, Albania is witnessing the gradual adoption of digital financial solutions. Mobile banking apps, such as Raiffeisen On and Credins Bank Online, exemplify FinTech's potential to enhance convenience and accessibility for consumers. Government initiatives aimed at promoting digital payments and e-commerce further bolster the sector's growth, paving the way for broader financial inclusion.

## **COMPARATIVE GROWTH**

While Albania has made commendable progress, it lags behind regional counterparts like Croatia and Serbia in FinTech adoption. For example, only 35% of Albanians utilize mobile banking services compared to a global average of 53%. Limited investment in FinTech startups and a lack of robust infrastructure further constrain growth. Nonetheless, the increasing popularity of digital payment platforms and crowdfunding initiatives signals potential for future expansion, particularly with targeted investments and regulatory support.

## **TYPES OF FINTECH SERVICES**

FinTech services in Albania are diverse but remain underutilized compared to regional benchmarks. Key services include:

**Mobile Banking:** Platforms like Raiffeisen On and Credins Bank Online offer users the ability to manage accounts, transfer funds, and make payments with ease. These services are designed to improve accessibility and user experience for customers.

**Peer-to-Peer Lending:** Initiatives such as IuteCredit provide alternative credit options, facilitating quicker and more accessible loans. By bypassing

traditional financial intermediaries, these platforms offer a streamlined borrowing process.

**Crowdfunding:** Platforms like Smile.al enable fundraising for social and entrepreneurial projects, fostering innovation and community support. These services empower individuals and organizations to raise funds efficiently.

**Digital Payments:** Services such as Paysera and EasyPay are driving the transition towards a cashless economy, offering secure and efficient transaction solutions. The rise of these platforms is indicative of Albania's gradual shift toward modernized financial practices.

## **ADOPTION AND INTEGRATION OF FINTECH IN ALBANIA**

A survey of 102 Albanian respondents provides valuable insights into FinTech adoption and integration. Key findings include:

**Demographics:** Younger individuals aged 18–35, predominantly urban and educated, are the primary adopters of FinTech services. This demographic demonstrates a greater willingness to engage with innovative technologies, reflecting a generational shift in financial behavior.

**Usage Patterns:** Digital payments (40%) and mobile banking (30%) are the most commonly used services, reflecting a growing preference for convenience and efficiency. These services are increasingly perceived as essential tools for daily financial management.

**Drivers of Adoption:** Accessibility, speed, and cost-effectiveness are significant motivators for adopting FinTech solutions. Among respondents, 45% highlighted convenience as a key factor influencing their decision to adopt these technologies.

**Barriers:** Trust issues (35%) and lack of awareness (25%) are major obstacles, particularly among older demographics and rural populations. These barriers highlight the need for targeted educational campaigns and measures to enhance consumer confidence.

**Emerging Trends:** Respondents expressed increasing interest in exploring innovative technologies such as blockchain and AI-driven platforms, underscoring the potential for future growth. This interest suggests a readiness among consumers to embrace advanced financial solutions.

### **Impact of FinTech on Traditional Banking**

## **COMPETITIVE DISRUPTION**

FinTech poses significant challenges to traditional banking by offering faster, more cost-effective services. Mobile banking apps and peer-to-peer lending platforms have gained popularity among tech-savvy consumers, reducing reliance on conventional banking channels. This disruption compels traditional banks to innovate and adapt to changing consumer expectations.

## **COLLABORATIVE OPPORTUNITIES**

Traditional banks are increasingly embracing FinTech innovations to enhance service delivery. Partnerships with FinTech firms allow banks to leverage advanced technologies such as AI and blockchain while maintaining regulatory compliance. These collaborations create a seamless and efficient financial ecosystem, combining the strengths of both sectors.

## **STRATEGIC OUTLOOK**

The future of Albania's financial sector hinges on fostering a collaborative ecosystem where traditional banks and FinTech firms work together to drive innovation, enhance customer experiences, and achieve sustainable growth. Such collaboration ensures that the financial system evolves to meet the dynamic needs of consumers and businesses alike.

### **1. Regulatory Frameworks**

**Recent Developments:** The Bank of Albania has introduced regulatory sandboxes to encourage innovation while ensuring financial stability. These frameworks provide a controlled environment for testing new financial technologies, enabling firms to develop solutions that meet regulatory standards. Policies promoting digital payments and supporting FinTech startups are gradually creating a more conducive environment for growth.

#### **Challenges**

Complex regulatory frameworks, cybersecurity risks, and jurisdictional overlaps remain significant challenges. Addressing these issues requires collaborative efforts between regulators, financial institutions, and FinTech firms to establish a balanced and dynamic regulatory ecosystem. Streamlining these frameworks is essential to foster innovation while safeguarding consumer interests.

### **2. Opportunities and Challenges**

#### **Opportunities**

FinTech offers several opportunities to transform Albania's financial sector: **Expanding Financial Inclusion:** By targeting underserved rural populations, FinTech can bridge gaps in financial access and empower marginalized communities. Digital platforms can offer tailored solutions to address the specific needs of these populations.

**Promoting Digital Payments:** The adoption of cashless payment systems can modernize Albania's financial infrastructure, reducing reliance on physical cash and enhancing transaction efficiency.

**Attracting Foreign Investments:** By fostering a favorable environment for FinTech startups, Albania can attract foreign investments, driving innovation and economic growth. Partnerships with international firms can also introduce best practices and advanced technologies.

### **Challenges**

Despite its potential, FinTech adoption in Albania faces notable challenges:

**Infrastructure Limitations:** Limited internet access and technological infrastructure, particularly in rural areas, hinder the widespread adoption of digital financial solutions. Addressing these gaps is critical to ensuring equitable access.

**Cybersecurity Risks:** The increasing digitization of financial services raises concerns about data privacy and cybersecurity. Strengthening security protocols is essential to protect consumer data and build trust.

**Funding Constraints:** FinTech startups often struggle to secure the funding necessary for growth and innovation. Creating supportive policies, including grants and tax incentives, can help address these challenges.

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## **CONCLUSION**

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This study demonstrates that the rapid development of FinTech in Albania is transforming the country's financial landscape, positively impacting financial inclusion, access to services, and fostering innovation. In particular, services such as mobile banking and digital payments have gained popularity, providing individuals and businesses with more accessible and efficient financial services. This trend is further reinforced by the widespread adoption of technology and the increased use of the internet and mobile devices in Albania. A key finding of the study is that 81.4% of respondents in the survey have used FinTech services, with mobile banking and digital payments being the most commonly used services. The main factors driving

the adoption of these services are convenience, accessibility, and ease of use, which are changing the way individuals manage their finances and conduct transactions.

However, despite the growth of FinTech, the study addresses several challenges that limit the broader adoption of financial technology in Albania. The lack of awareness regarding the benefits of FinTech and concerns about cybersecurity remain significant barriers to the full adoption of these services. Security concerns are particularly related to fears about privacy and data protection, highlighting the need for stronger policies and protective measures.

Another important aspect is the collaboration between traditional banks and FinTech companies, which is essential for providing more innovative and efficient services to consumers. FinTech has transformed the traditional banking industry by offering innovative alternatives focused on efficiency, accessibility, and improving the customer experience. On the other hand, traditional banks have recognized the need to embrace these technological advancements. Many banks have chosen to collaborate with FinTech firms, creating strategic partnerships that leverage technology to modernize their operations and enhance the services they provide to customers.

Traditional banks in Albania have benefited from the stability and trust built over decades, while FinTech introduces flexibility and innovation into financial services. This collaboration has enabled the development of hybrid models that combine the advantages of traditional banks with the technological innovations of FinTech firms. As a result, customers have benefited from faster and more personalized services, such as mobile applications and digital lending platforms. In this context, banks are increasingly investing in technology to modernize their operations and compete with the growing competition from FinTech.

These partnerships also help increase financial inclusion in the country, reaching more customers through digital solutions and improving access to financial services in less developed areas. Through these initiatives, the financial sector in Albania is undergoing a transformation, adapting to market demands and leveraging innovation to meet the expectations of its consumers.

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## **RECOMMENDATIONS**

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**Improving Digital Infrastructure:** Investing in the development and enhancement of digital infrastructure across Albania. This will ensure faster and

more reliable internet access for a larger portion of the population, facilitating the use of FinTech services.

**Increasing Financial Education:** Implementing broad financial education programs for consumers and businesses. These programs should focus on the benefits and use of FinTech services, helping to increase trust and adoption.

**Regulatory Support:** Establishing and implementing a favorable regulatory framework for innovation in the FinTech sector. This includes updating laws and regulations to address new challenges and protect consumer interests.

**Promoting Innovation:** Encouraging and supporting innovation in the FinTech sector by offering grants, subsidies, and other initiatives for startups and firms that bring new technologies and innovative solutions to the market.

**Collaboration Among Stakeholders:** Promoting collaboration between traditional banks, FinTech firms, the government, and other financial institutions. This could involve creating joint platforms, pilot projects, and strategic partnerships that will support the development and growth of the sector.

**Supporting Startups:** Creating a favorable ecosystem for FinTech startups by providing financial support, advice, and access to new markets. Such initiatives will help foster innovation and diversify services in the sector.

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# 20 COUNTRIES WITH MOST BRILLIANT STUDENTS IN THE WORLD

**Maliha Zaka**

Insider Monkey  
March 4, 2024

Humans are complex beings, gifted with a multitude of qualities-- some innate, others acquired through exposure. Precisely pinpointing a metric to measure their brilliance is a daunting task. The world is filled with awe-inspiring scientists who have shaped and reshaped our understanding of Earth, the cosmos and their multifarious dynamics, researchers who have brought forth astounding findings, politicians who have redrawn boundaries between countries and etched their mark in history, as well as artists and musicians who have brought immense pleasure to the world. The list of diverse accomplishments that humans can possess is endless. They are all stars, shining brilliantly in their respective domains.

## PREPARING GENERATIONS OF BRILLIANCE

The students-- future pillars of all nations-- are unique individuals, each evolving along their path of knowledge. Over the years, significant emphasis has been placed on developing curricula that focus on critical thinking tools, participatory learning, and independent problem-solving techniques. STEM (Science, Technology, Engineering, and Mathematics) education, in particular, has been hailed as the harbinger of future learning. Major countries like the US and Europe have predominantly incorporated it into their educational systems. However, with time, Asian countries such as China, India, South Korea, and Japan have also embraced this system. By 2020, China had emerged as the leading producer of STEM graduates, with 3.57 million, followed by India with 2.55 million and the US with 820,000 graduates.

STEM education is gaining even greater relevance in our technologically oriented world. The onslaught of the Covid-19 pandemic and the global proliferation of educational apps have fostered an environment conducive to digital education. From 300,000 in 2011, the number of massive open online course learners has surged to 220 million in 2021. Additionally, numerous digital startups have emerged on the online education map, driven by the rise in US venture funding for Education Technology (EdTech). Notable

companies, such as Coursera, Inc. (NYSE: COUR), have played a pivotal role in this transformative landscape.

## **RESEARCH AND INNOVATION PRODUCING BRILLIANT STUDENTS**

While investing in strong schools and effective teaching tactics is crucial at the foundational level, the fast-paced, technologically oriented world demands an even greater emphasis on continuous research and upgrading. In the contemporary era, countries allocate millions to research to ensure rapid and up-to-date progress. The United States has emerged as the country with the highest spending on academic Research and Development (R&D). According to 2020 OECD data, the U.S. invested \$81 billion in this sector, followed by Germany with \$28 billion, the United Kingdom and Japan each with \$20 billion, and France with \$18 billion. The 27 European Union countries, including Germany and France, collectively spent \$100 billion in the year 2020. American universities, like John Hopkins, University of California, San Francisco, and University of Pennsylvania, are spearheading the growth in the R&D sector. In 2022, R&D spending by academic institutions in the country reached \$97.8 billion, marking an \$8 billion increase from 2021. Thus, it is no wonder that the world's leading technologically innovative companies, such as Meta Platforms, Inc. (NASDAQ: META), and Microsoft Corporation (NASDAQ: MSFT), are situated in the U.S.

## **METHODOLOGY**

To compile our list of 20 Countries with Most Brilliant Students in the World, we have used the H-Index of the papers published in all the subject areas from the period of 1996-2022. H-Index is a robust measure of scholarly impact. We present our list in ascending order of H-Index. If you want to delve into the details of what H-index is, please refer to the methodology section in our piece on 15 Countries That Produce the Best Engineers in the World. We also use the OECD's "What Students Learn Matters: Towards a 21st Century Curriculum", 2020 report to quote data for percentage of lower secondary school teacher who encourage use of critical thinking and problem solving in their students as well as the percentage of curriculum that embeds critical thinking and problem solving.

### **1. THE UNITED STATES (H INDEX: 2,880)**

The United States is renowned for numerous reasons, with educational excellence topping the list. The country not only boasts the best universities globally, for instance, Harvard, Stanford, Yale etc., but its school system is

also crafted to cultivate and refine practical and unique skills for approaching various activities and problems. This combination has attracted some of the most brilliant students worldwide, resulting in the production of the highest quality research work with profound impacts.

## **2. UNITED KINGDOM (H INDEX: 1,815)**

The United Kingdom's education system is designed to nurture the innate acumen of its students by providing a challenging and comprehensive school experience. The foundation is solidified by emphasizing critical thinking and independent problem-solving abilities. According to an OECD report, 68% of lower secondary school teachers frequently assign critical reasoning tasks to their students, while 43% regularly provide them with independent problem-solving projects. Additionally, the country's generous investment in research and development has resulted in the production of very high-quality research work, ranking second only to the US.

## **3. GERMANY (H INDEX: 1,584)**

Germany, a European country, places a strong emphasis on its education system. The belief in and training of students to actively engage in mind-expanding exercises of critical reasoning, participation, and the generation of independent, out-of-the-box solutions to complex problems are integral parts of the educational curriculum. This commitment is reflected in the country's consistent production of insightful and productive research work, contributing to its high performance in innovative endeavours.

## **4. CANADA (H INDEX: 1,460)**

Similar to other developed nations, Canada's education system is founded on the principles of teaching students in a manner that encourages critical thinking and independent problem-solving in both their daily activities and coursework. Notably, 67% of lower secondary school teachers frequently assign tasks that prompt students to think critically, and 55% actively encourage independent thinking when faced with complex issues. Consequently, it's unsurprising that Canada consistently produces impactful research work, as its brilliant students are adequately trained to possess a sharp acumen.

## **5. FRANCE (H INDEX: 1,420) A**

Ranked 12th in the countries, France has cultivated numerous outstanding researchers. The high H index stands as evidence of the quality

work produced by these brilliant students. Additionally, France's emergence as an innovative force is attributed to the collaboration between its great researchers and industries. The country's solid educational foundation has undoubtedly played a pivotal role in enabling students to shine later in life. Notably, 50% of teachers in lower secondary schools, ensure that students are frequently challenged with critical thinking tasks, fostering the habit of thinking outside the box.

## **6. NETHERLANDS (H INDEX: 1,284)**

The education system in the Netherlands revolves around fostering in-depth and profound thinking, coupled with a focus on practical learning. As one of the most innovative countries, the Netherlands consistently produces meaningful and high-quality research work, a testament to the brilliance of the students within this country.

## **7. AUSTRALIA (H INDEX: 1,276)**

Boasting one of the world's best education systems, Australia is equipping its students with a penchant for profound and critical thinking, coupled with early exposure to independent problem-solving. This approach results in the country producing researchers who contribute at a very high level of impact and productivity. It is for this reason that Australia is rightfully recognized as one of the countries with the most brilliant students in the world.

## **8. ITALY (H INDEX: 1,255)**

Developing one of the world's best education systems, Italy has earned recognition as a country with some of the most brilliant students globally. Not only does Italy foster innovative abilities in its young generation-- ranking among the most innovative countries worldwide--but their contributions to the literary world are also highly impactful, as evidenced by their impressive H index ranking.

## **9. JAPAN (H INDEX: 1,236)**

Japan has carved a notable reputation in the field of education, excelling both regionally and globally. Renowned for possessing one of the best and toughest educational systems, the country subject students to rigorous academic

training and innovative development. A testament to their commitment to holistic education can be seen by their focus on problem-solving, allocating a significant 83% emphasis to this crucial skill in their curriculum.

### **10. SWITZERLAND (H INDEX: 1,212)**

As one of the most developed countries globally, Switzerland boasts one of the best education systems. The nation prioritizes the cultivation of critical thinking skills in students, offering the opportunity to pursue both academic and vocational studies following an intensive 11 years of compulsory education, which includes learning languages and foundational subjects. Additionally, the country demonstrates a commitment to excellence through generous investments in research and development. This holistic approach contributes to the overall production of brilliant students, as evidenced by the high H index, reflecting the productivity and impact of their academic work.

### **11. CHINA (H INDEX: 1,210)**

China's education system is widely regarded as one of the best not only within the context of Asian countries but also on a global scale. The commitment to continual improvement is evident through their 2030 curriculum agenda. Emphasizing critical thinking as a key component of student learning across all subjects, China allocates a significant proportion, 61%, to this aspect in their curriculum. Furthermore, there is a strong emphasis on cultivating high problem-solving capacities (72%) within various subjects. The country's remarkable achievement in filing 1,464,605 patent applications in 2022 serves as evidence of the brilliant students produced by their education system.

### **12. SPAIN (H INDEX: 1,127)**

Ranking high on the H index, Spain showcases the consistent brilliance of its students worldwide. The country's education system places significant emphasis on actively engaging students in critical thinking and problem-solving, which contributes to this notable achievement. Lower secondary school teachers frequently encourage independent problem-solving, with 41% of them prompting students to find solutions autonomously. Moreover, 65% of teachers ensure that children regularly practice critical thinking, underscoring the commitment to nurturing these essential skills.

### **13. SWEDEN (H INDEX: 1,087)**

With a rigorous coursework and a focus on independent analysis, Sweden guides its student body through a demanding educational journey. Education is compulsory for children from the age of six to fifteen. A significant portion of lower secondary teachers, 49%, actively encourages critical thinking, while 45% emphasize problem-solving skills, frequently prompting students to engage in these practices. Unsurprisingly, Sweden's success in nurturing innovation is evident in its thriving start-up scene. In 2022 alone, the country recorded 1,798 patent applications, a testament to the embedded brilliance of graduates continually entering the global market.

### **14. BELGIUM (H INDEX: 995)**

Belgium's education system is rigorous, emphasizing critical and innovative thinking, taking students on a comprehensive educational journey. It stands as one of the best education systems globally, contributing to the country producing some of the most brilliant students worldwide. Belgium is also renowned for its innovations, and researchers in the country have demonstrated a high level of productivity impact.

### **15. DENMARK (H INDEX: 949)**

Denmark's education system is not only recognized as one of the toughest but also stands as one of the best globally. The emphasis is placed on encouraging students to cultivate an inquisitive mind and learn through practical and collaborative efforts. To ensure this, Denmark is actively engaged in teacher training, recognizing its pivotal role in the educational process. The country's approach is holistic, not solely focused on science or academic subjects, but also dedicated to honing students' practical skills and cultural knowledge. As a result, Denmark boasts a high H Index rank and consistently produces some of the most brilliant students in the world.

### **16. ISRAEL (H INDEX: 865)**

Israel is renowned for contributing to some of the world's best education systems, consistently producing brilliant students. The country is a hub of innovation, evident in the 1,527 patent applications filed in 2022. A significant majority of Israel's lower secondary school teachers, standing at 79%, believe

in their ability to nurture critical thinking skills in their students. Looking ahead to their 2030 curricular agenda, Israel aims to further emphasize critical thinking (85%) and problem-solving (83%) as integral components.

### **17. SOUTH KOREA (H INDEX: 863)**

South Korea places significant emphasis on its education system, known for its rigor and competitiveness. Students in South Korea are exceptionally hardworking and operate within a culture of academic excellence. The OECD 2030 Curriculum Content Mapping exercise reveals that the country has integrated critical thinking and problem-solving skills into its future curriculum at an impressive rate of 83% each. These aspects are incorporated across all areas of study, including science, humanities, and the arts. Furthermore, 47% of lower secondary school teachers in South Korea frequently assign tasks that require students to engage in critical thinking.

### **18. AUSTRIA (H INDEX: 822)**

As a part of the highly advanced European region, Austria boasts a well-developed public education system, securing the 14th position in the global ranking of the best education systems. According to the OECD report on the 21st-century curriculum, 35% of lower secondary teachers in Austria encourage students to solve problems based on their intuition, while an impressive 84% express confidence in their ability to greatly assist students in developing critical thinking skills. This approach is poised to nurture and produce brilliant students.

### **19. INDIA (H INDEX: 795)**

India has secured a prominent position in the rankings among 12 Asian countries with the best education systems, boasting 45 high-ranking universities that offer students crucial platforms for growth. Notably, 15 Indian universities have earned spots in the top 1000 Academic Ranking of World Universities for 2023. As one of the most promising innovators on the global stage, the Indian student body is evidently making strides in the creative realm, providing tangible proof of their academic brilliance.

## **20. FINLAND (H INDEX: 793)**

Finland is renowned for having one of the best and most challenging education systems globally. While the early school years are relatively relaxed, the later years become progressively demanding, urging students to embrace a more application-oriented approach. Consequently, students in Finland excel in honing their acuity and thriving in creative endeavors. In 2022 alone, the country recorded 1,361 patent applications, and it boasts a high citation impact per paper, underscoring the quality of education that produces exceptionally brilliant students.

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# FISCAL POLICIES AND MEASURES OF THE GOVERNMENT OF THE REPUBLIC OF NORTH MACEDONIA DURING THE COVID-19 PANDEMIC

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## ABSTRACT

This scientific paper examines the fiscal policies and measures undertaken by the Government of the Republic of North Macedonia during the pandemic, focusing on efforts to stabilize the economy and support the most affected sectors. The COVID-19 pandemic has triggered a global crisis, forcing countries, including North Macedonia, to implement immediate measures to mitigate its economic and health consequences.

This study analyzes the fiscal measures implemented by the government, including subsidies for businesses and employees, support for the healthcare sector, and strategies for protecting energy and infrastructure. Additionally, the paper explores the impact of these measures on the budget deficit and public debt, assessing the medium-term risks to the country's economic stability. Through an in-depth analysis of data and government documents, this study provides an evaluation of the effectiveness of fiscal policies and recommendations for improving crisis management in the future.

The conclusions of this paper are significant for shaping future fiscal policies and strengthening the state's capacity to handle other global crises.

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**KEYWORDS:** fiscal policies, government measures, North Macedonia, COVID-19 pandemic, economic support, budget deficit, public debt.

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## **INTRODUCTION**

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**T**he COVID-19 pandemic has had an extraordinary and all-encompassing impact on people's lives, the economy, and public health in many countries worldwide, including the Republic of North Macedonia. This pandemic has caused a deep global economic and social crisis, compelling governments to take urgent measures to protect public health and economic stability. In this context, the Government of North Macedonia has implemented a series of fiscal measures aimed at supporting the economy and the healthcare system, seeking to address the immediate consequences and maintain the country's long-term stability.

The fiscal measures taken by the Government of North Macedonia have primarily focused on two areas: support for individuals and businesses, and strengthening the healthcare system's capacity. These measures include wage subsidies for employees and businesses severely affected by restrictions imposed to prevent the virus's spread, as well as investments in the healthcare sector to enable patient treatment and manage the increased pressure on hospitals and healthcare institutions.

This paper will examine the details of the fiscal measures adopted by the Government of North Macedonia during the COVID-19 pandemic, analyzing their effectiveness in supporting the economy and public health. Additionally, it will discuss the role of these policies in addressing the economic crisis and the challenges encountered during their implementation. Finally, recommendations will be provided for future fiscal policies in the context of economic recovery and managing similar crises in the future.

## **GOVERNMENT FISCAL MEASURES FOR ECONOMIC AND PUBLIC HEALTH SUPPORT**

In an uncertain and unexpected situation like a pandemic, governments are compelled to take immediate measures to protect public health and support the economy. During the COVID-19 pandemic, the Government of North Macedonia announced a series of fiscal measures to assist the most affected sectors and maintain economic stability. These measures aimed to support individuals, economic sectors, job retention, and ensure the continued operation of essential services in the country.

## **SUPPORT FOR EMPLOYEES AND BUSINESSES**

One of the most important measures undertaken by the government to support individuals and businesses was the wage support program for employees. This program aimed to cover part of the wage costs for employees affected by closures and restrictions imposed to curb the spread of the virus. Businesses that had suffered a significant decline in revenue due to the crisis could receive government support to pay their employees' salaries, thereby preventing mass layoffs and increasing unemployment.

To protect small and medium-sized enterprises (SMEs), which are the backbone of North Macedonia's economy, the government provided various fiscal reliefs and liquidity support. These included tax payment deferrals, rent payment assistance, and funding allocations to cover urgent expenses for businesses that were either closed or operating under restricted conditions.

### **SOME OF THE KEY MEASURES INCLUDE:**

#### **Wage Subsidy for Employees**

One of the most significant measures undertaken by the government was the wage subsidy for employees, aimed at preserving jobs and mitigating the economic impact of the pandemic on both workers and employers. This program provided wage compensation for employees directly affected by economic activity restrictions due to the pandemic, as well as those forced to stay out of work or suspend their activities due to lockdown regulations.

**Subsidy Amount:** The subsidies covered a percentage of employees' wages (usually around 50-70%) and were provided to employees working in the hardest-hit sectors, such as tourism, transportation, other services, and sensitive industries.

**Application Conditions:** Businesses that benefited from this subsidy were eligible to apply for subsidies for each employee who had lost their income due to the pandemic. To qualify, they had to meet specific government-set criteria, including maintaining a certain number of employees.

## **AID PACKAGE FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES)**

Another crucial measure was the support for small and medium-sized enterprises (SMEs), which were among the most affected by the economic crisis and pandemic restrictions. SMEs constitute a significant portion of North Macedonia's economy, and the government introduced various relief measures and subsidies to help them survive.

**Grants and Favorable Loans:** To address liquidity challenges, the government provided grants and loans under favorable conditions (low-interest rates and long repayment periods). These funds were used to cover operational expenses and ensure working capital for businesses that had lost revenue due to restrictive measures.

**Tax and Contribution Deferrals:** Businesses affected by the pandemic were given the option to defer tax payments and social and health insurance contributions for a specified period. This measure helped reduce financial pressure on businesses struggling to stay afloat during lockdowns.

## **SUPPORT FOR THE HEALTHCARE SECTOR**

One of the government's primary priorities was supporting the healthcare sector, which was at the forefront of the battle against the pandemic. To ensure the proper functioning of hospitals and healthcare facilities, the government increased spending on protective equipment, medical devices, and sufficient staff to handle the large number of COVID-19 patients. This included supplying medical equipment, systems for managing severe cases, and support for mass testing of citizens. These expenditures were essential to protecting public health and ensuring the healthcare system was prepared to handle the surge in cases.

### **KEY FISCAL MEASURES FOR HEALTHCARE SECTOR SUPPORT:**

- **Funding and Procurement of Medical Equipment and Essential Supplies**

This included the purchase of ventilators, respirators, masks, gloves, disinfectants, and protective materials for medical staff.

- **Purchase of ventilators and other medical equipment:** The government allocated funds to supply hospitals with necessary intensive care equipment, such as ventilators and respirators, to treat COVID-19 patients requiring specialized care.

- **Supply of protective materials:** To protect healthcare personnel from infections, the government ensured the supply of masks, gloves, protective suits, and other essential equipment. This was a critical measure to maintain the safety of doctors, nurses, and other healthcare workers.
- **Improvement of Healthcare Infrastructure**  
Another significant measure was the financing and improvement of healthcare infrastructure to ensure that hospitals and clinics could handle the increasing number of COVID-19 patients.
- **Provision of hospital beds and equipment:** To manage the patient influx, the Government of North Macedonia funded additional hospital beds and improved conditions in hospitals. This included opening new intensive care units and isolation wards for COVID-19 patients.
- **Support for the construction of temporary hospitals:** In some cases, the government supported the construction of temporary hospitals to help the healthcare system cope with the high patient load. These facilities were specialized in treating COVID-19 patients.
- **Salaries and Bonuses for Healthcare Personnel**
- **Bonuses for healthcare staff:** The government announced financial bonuses for doctors, nurses, and other medical workers engaged in treating COVID-19 patients. These bonuses served as an incentive to help them cope with the increased workload and infection risks.
- **Salary increases and insurance for healthcare personnel:** Salaries for healthcare staff working directly with COVID-19 patients were increased as a support measure. This improvement ensured that medical personnel remained motivated and protected while providing services under extraordinary conditions.
- **Support for COVID-19 Testing and Diagnosis**
- **Supply of diagnostic tests:** The government secured the provision of PCR and rapid tests for hospitals and healthcare centers. This investment enabled the swift identification of positive cases and contributed to controlling the spread of the virus.
- **Expansion of testing capacities:** To increase the number of tests conducted, the government supported the development of mass testing capabilities, allowing a large number of citizens to be tested and helping prevent widespread transmission.

- **Support for Local Healthcare Services**  
The government also provided support for local healthcare services and second- and third-level healthcare institutions to ensure that all citizens, including those in remote areas, had access to treatment and medical services.
- **Funding for Expanding Healthcare Capacities**  
Another key measure was funding additional healthcare capacities to enable hospitals and medical centers to provide necessary services for COVID-19 patients and those requiring general medical care.
- **Post-Pandemic Healthcare System Recovery and Restructuring**  
A long-term objective of these fiscal measures was to support the recovery and restructuring of the healthcare system after the pandemic. This included financing projects aimed at improving treatment options and enhancing capacity to manage infectious diseases in the future.
- **Creating better conditions for public healthcare:** After the pandemic, the government planned to invest in improving healthcare services and establishing better conditions for managing future health crises.

## **SUPPORT FOR THE ENERGY AND INFRASTRUCTURE SECTORS**

Another crucial measure has been supporting the energy sector, which faced uncertainty due to the decline in energy demand during the pandemic. The government implemented measures to ensure energy supply by providing subsidies and financial support to energy companies struggling with financial difficulties.

In the infrastructure sector, the government announced new projects and intensified investments to stimulate the economy and create employment opportunities. This initiative aimed to balance citizens' needs while revitalizing the economy after a prolonged period of inactivity.

### **KEY MEASURES FOR SUPPORTING THESE SECTORS:**

- **Electricity Subsidies for Households and Businesses**  
One of the first measures undertaken to support the energy sector during the pandemic was subsidizing electricity for citizens and businesses to help them cope with the economic uncertainty caused by reduced activity.
- **Subsidies for consumers:** The government provided subsidies to

electricity consumers by reducing tariffs for those most affected by the economic crisis. These subsidies particularly targeted vulnerable groups, such as pensioners and low-income individuals.

- **Support for businesses:** Businesses impacted by pandemic-related restrictions and struggling to pay their electricity bills received financial aid to cover these expenses. This measure aimed to prevent power supply disruptions and protect businesses from financial difficulties.
- **Subsidies for Innovative Energy and Clean Technologies**  
To support the development of renewable and clean energy, the Government of North Macedonia provided financial aid for investments in solar, wind, and other renewable energy sources.
- **Investments in solar and wind energy:** The government announced and supported projects involving the installation of solar panels and the use of renewable energy sources for businesses and individuals. This included funding and support for projects aimed at reducing dependence on fossil fuels and protecting the environment.
- **Projects to enhance energy efficiency:** The government provided support for improving the energy efficiency of buildings and infrastructure. This included subsidies for building insulation and upgrades to heating and cooling systems to reduce energy consumption and carbon emissions.
- **Support for Energy Infrastructure**  
During a crisis like the pandemic, one of the government's main priorities was maintaining energy infrastructure and ensuring a continuous energy supply. This sector is vital for the country's development, and the government provided financial support for projects and improvements in this field.
- **Investments in power lines and the electricity grid:** The government invested in modernizing and expanding the electrical grid infrastructure to ensure uninterrupted energy supply nationwide. This funding also included creating additional capacity to meet increasing energy demand driven by new technologies and the closure of certain energy-intensive activities.
- **Energy supply for industries:** To support industries affected by

the pandemic and in need of a stable energy supply, the government provided financial assistance to companies exposed to potential energy price increases.

- **Support for Energy Efficiency and Resource Conservation**

The government also promoted measures for the conservation and efficient management of energy resources. These initiatives included:

- **Support for more efficient energy use:** Businesses and individuals were encouraged to invest in new technologies for energy savings and the use of more sustainable resources.
- **Measures for renewable energy and responsible resource use:** Educational campaigns and financial support were provided to consumers to reduce energy consumption responsibly and switch to more sustainable and efficient energy sources.

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## CONCLUSION

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The fiscal measures undertaken by the Government of North Macedonia to support the economy and public health during the COVID-19 pandemic have been essential and played a key role in easing the crisis's consequences. These measures included a wide range of actions aimed at protecting individuals, businesses, and the most affected sectors. Support for employees and small and medium-sized businesses was an important step in preventing rising unemployment and business bankruptcies, which helped maintain social and economic stability.

In the healthcare sector, investments to tackle the crisis enabled a quicker and more effective response to the influx of patients, while also ensuring necessary materials and equipment for treating COVID-19 infections. Financial support for critical sectors like healthcare and infrastructure helped manage unexpected burdens and ensured the continuity of essential services for citizens.

However, the fiscal measures were not sufficient to resolve all of the long-term issues facing the economy, such as the increasing public debt and challenges related to managing the budget deficit. A significant challenge remains maintaining financial balance, as most fiscal measures required allocating substantial financial resources, which has impacted the increase in public debt, posing a risk to economic stability in the medium and long term.

## Recommendations:

- **Development of sustainable long-term fiscal policies:** To maintain the sustainability of public finances, it is recommended to develop fiscal policies focused on budget consolidation and managing public debt. This includes increasing the efficiency of public spending and enhancing revenue collection, particularly by improving tax collection and eliminating fiscal evasion.
- **Continued investment in the healthcare sector:** A significant portion of the measures should remain focused on strengthening the healthcare system's capacity not only to address the consequences of future pandemics but also to ensure a sustainable and efficient system for citizens. This includes training healthcare personnel, modernizing hospital infrastructure, and increasing capacity for treating health emergencies.
- **Sustainable support for small and medium-sized businesses:** Small and medium-sized businesses are the backbone of North Macedonia's economy and should receive sustainable support to enable their recovery and growth. Fiscal measures should focus on reducing the tax burden for these businesses and creating opportunities for easier and more favorable access to financing.
- **Creation of a strong crisis management framework:** The pandemic has highlighted the importance of a well-prepared crisis management plan. This includes creating flexible mechanisms that can respond quickly and effectively to other crises, using fiscal measures and aid programs to support all affected sectors.
- **Improvement of transparency and accountability in managing crisis funds:** There should be significant efforts to improve transparency in the use of funds and support measures, ensuring that they are spent efficiently and in alignment with the country's priorities. Increasing accountability and control over public spending will help build trust among citizens and international institutions.
- **Continuous monitoring and evaluation of fiscal measures:** A strong system for continuous monitoring and evaluation of fiscal measures and their effectiveness should be established. This system will enable the correction of policies and the adaptation of measures to ensure a sustainable recovery of the economy.

In conclusion, the fiscal measures taken by the Government of North Macedonia during the COVID-19 pandemic were crucial in maintaining economic stability and supporting public health. However, to ensure a sustainable recovery and address future challenges, it is necessary to continue developing policies focused on fiscal consolidation, strengthening the healthcare system, and providing sustainable support for businesses and citizens.

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