

## **Retail Trade, Services, and Tourism**

Retail shops and service businesses opened all over Albania after the communists surrendered control of domestic trade and released their stranglehold on private economic initiative. Thousands of fruit and vegetable mongers converged on the streets of towns and cities. Private entrepreneurs bought out formerly state-run stores and restaurants and threw open the doors to new shops and workrooms. Import restrictions and price controls on food stimulated a lively black market. The Albanian Stalinists' aversion to the outside world had stunted the development of a tourism industry. From 1991, however, the government worked desperately to attract foreign visitors to replenish its hard-currency coffers.

### **Retail Trade and Services**

Albania's militaristic supply distribution system had little in common with the retail trade sector in the capitalist world before 1990. The state fixed prices, determined which goods would appear on store shelves, and paid shop managers and clerks set salaries. The distribution system grew considerably after World War II, with the ratio of shops to inhabitants increasing from 1:896 in 1950 to 1:278 in 1988. There were two supply networks: one operated directly by the state, the other administered by local collectives under state supervision. The state-run supply network carried a narrow range of consumer goods that were, except in rare cases, domestically produced. The Ministry of Domestic Trade controlled about 85 percent of the state network. The balance fell under the jurisdiction of the Ministry of the Communal Economy, which managed repair and other workshops; the Ministry of Health, which operated pharmacies; and the Ministry of Education, which ran bookshops and art and handicraft stores. The collective-run shops dealt mostly in farm-related products but greatly improved the supply of consumer goods in rural areas.

The limited assortment and supply of consumer products available through retail outlets forced Albanians to become expert at improvising and dealing with shortages. The government imposed a rationing system on all consumer items in September 1946 and did not lift restrictions on nonfood items until 1956 and on food items until 1957. Cutoffs of Soviet and Chinese aid and failures in the agricultural sector led to severe food shortages in the early 1960s and again in the early 1980s, when the authorities reimposed meat rationing. The rural population clearly depended to a large extent on the personal plots of collective-farm members for basic



*Typical city bus waiting at  
a turnaround near the  
port city of Durrës  
Courtesy Charles Sudetic*



*Old Albanian man  
riding a donkey  
Courtesy Charles Sudetic*

food items for extended periods. The state distribution system failed to compensate for the loss from urban markets of produce grown on personal plots after the government restricted plot sizes in the 1980s. Sales of food products made up about 61.5 percent of the retail trade at about 10,600 shops in 1983. The total did not take into account the commerce in goods within agricultural cooperatives. Albania's economic planners neglected the country's service sector to an extent unknown even in other centrally planned economies.

The economic reforms of the early 1990s broke down the barriers that for decades had kept would-be private entrepreneurs from the retail marketplace. At first, peasants began setting up roadside fruit and vegetables stands or carrying their produce to markets in the towns and cities. Later, small shops, restaurants, and workrooms opened their doors and began hiring workers. Soon after the communist economic system broke down, the government privatized about 25,000 retail stores and service enterprises—about half of the small state enterprises in the retail and service sectors—mostly through direct sales to workers. One businessman, using French capital, opened up import shops and duty-free stores in the country's largest hotels. But supply problems hampered retail operations. The new entrepreneurs also encountered problems with local officials who arbitrarily imposed fees and license requirements based on obsolete communist-era laws or on no laws at all. The owner of Tirane's first private restaurant, for example, complained that officials demanded an annual license fee equivalent to about US\$10,000. In 1991 government officials were at work on a commercial code.

### **Black Market**

The food shortage, price controls on staple items, and the ease with which foreign food aid could be diverted from normal distribution channels produced ideal conditions for a brisk black market. Basic food items, which officially still had government-fixed prices, became difficult, and often impossible, to purchase at stores but appeared at significantly higher prices on the black market alongside items pilfered from aid consignments. Nonfood items looted from warehouses were available from black-market dealers at many times normal prices. Fines for trafficking in smuggled and stolen goods were trivial compared to the potential profits.

### **Tourism**

No serious consideration was given to developing a tourism industry until several years after Enver Hoxha's death. After 1989

the government viewed tourism as offering one of the country's best chances to earn hard currency relatively quickly. In 1989 and 1990, record numbers of tourists visited Albania, although the totals themselves were unimpressive. About 14,400 foreigners were permitted to enter the country in 1989 and about 30,000 in 1990. Most of these tourists, however, were single-day visitors on excursions from the Greek island of Corfu. Albanian officials expected the country's seacoast and mountains to draw significantly greater numbers of visitors. But potential tourist areas, with the possible exception of Tiranë, lacked even the most basic amenities. Tiranë itself lacked hotel capacity, and there were few foreign investors willing to risk funds on an Albanian venture. Furthermore, the country's seacoast and mountains were not sufficiently pristine to support predictions of a coming boom in tourism.

## **Foreign Economic Relations**

Enver Hoxha's regime had maintained a legal stranglehold on the country's foreign commerce since World War II through state-run trading enterprises. For decades Albania had maintained no representative commercial offices in Western countries, and so deep was the Albanian dictator's animus toward the Soviet Union that the two countries carried on no trade at all for decades after their split in the early 1960s. Hoxha and his protégés created a formidable barrier to economic relations with the West in 1976 by incorporating into the country's constitution an amendment banning borrowing from capitalist countries. Trade with the West increased after Hoxha's death in 1985, but it was not until the end of the decade that Albania's government surrendered its monopoly on foreign trade. Lawlessness and graft soon made a mockery of almost all legal controls on foreign transactions. In mid-1991 the government was working to set up a free-market-based foreign trade system. After more than a decade of "self-reliance," during which balanced trade had been an essential element of Hoxha's economic doctrine, the country's economic collapse forced its foreign-trade balance and balance of payments deeply into the red. Albanians had to rely on outside aid just to feed themselves.

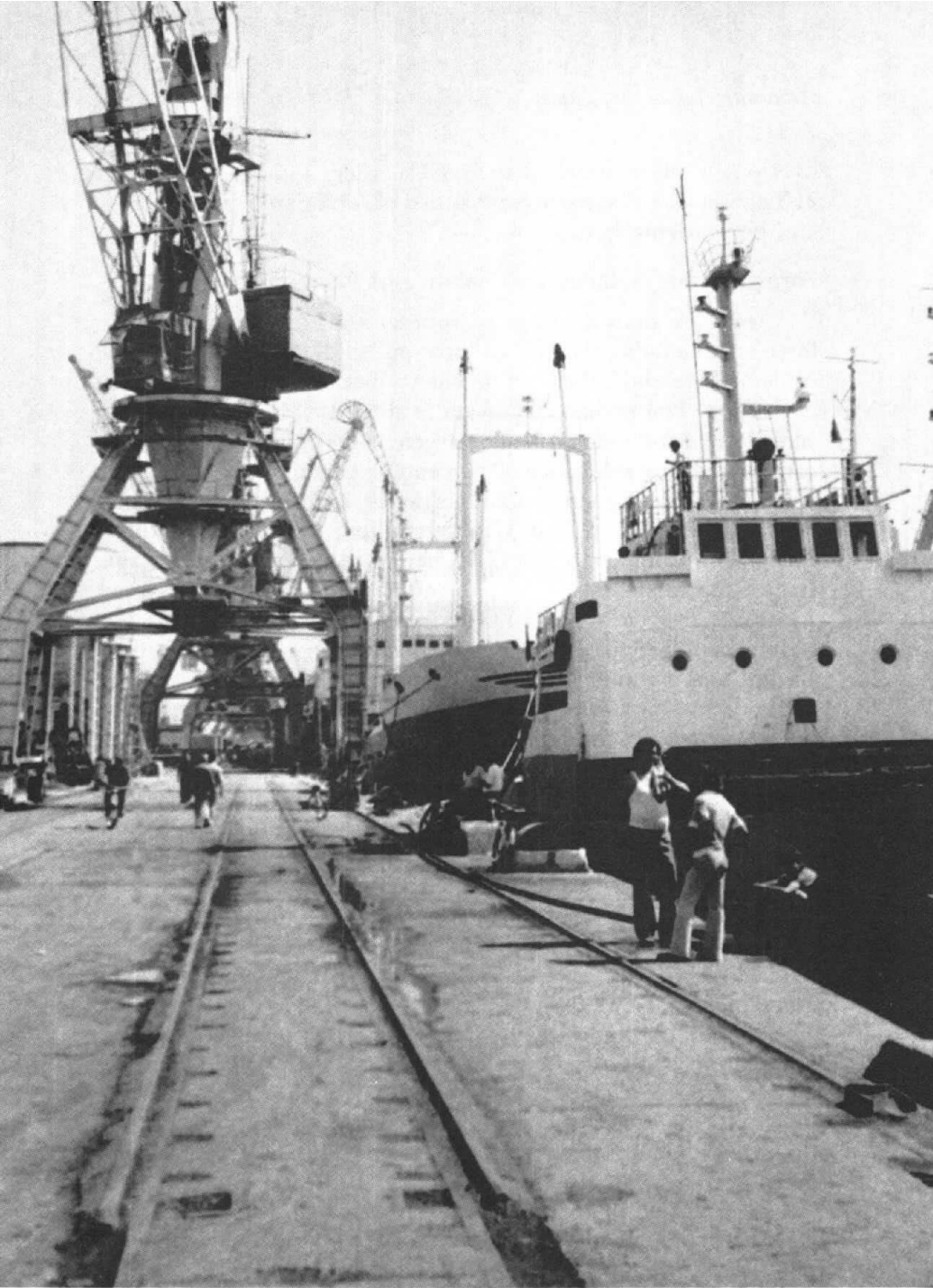
## **Foreign Trade Organization**

Until 1990 Albania's government exercised a monopoly on foreign trade and controlled it through a highly centralized management mechanism. Following Stalin's model, all external transactions were conducted through foreign-trade enterprises under the guidance of the Ministry of Foreign Trade. In the 1980s, six government foreign-trade enterprises dealt in commodities; five covered

services; and two more were concerned with foreign copyrights and licensing agreements. Domestic firms paid for imported goods at fixed wholesale prices that bore little relationship to world prices; they also received fixed wholesale prices for exports. The state bank retained all foreign-currency earnings and covered any losses the foreign-trade enterprises sustained. As a matter of policy, the regime stressed exports and maintained strictly balanced trade on an ongoing, country-by-country basis until 1990. Foreign companies could win or lose contracts depending on Albania's current trade balance with their home country. Albanian traders generally purchased only vital goods and usually paid in cash. Western trade restrictions on East European countries applied to Albania for years because the country never formally withdrew its membership from Comecon, even though it did not participate in Comecon activities.

The downfall of the centrally planned economic system brought sweeping changes to Albania's method of conducting foreign trade. The government abandoned its strict monopoly on foreign commerce in August 1990, when it began allowing state-owned enterprises to conduct foreign trade, retain foreign-exchange earnings, and maintain foreign-currency accounts. Private Albanian companies won the right to carry on foreign trade a year later when the government announced that domestic firms would be permitted to export everything except certain food items. Strapped by a balance of payments deficit and mounting external debt, the authorities continued, however, to limit imports. Tiranë also imposed customs duties ranging from 10 percent for food to 30 percent for new machinery and equipment. The Ministry of Foreign Economic Relations, which replaced the Ministry of Foreign Trade, attempted to stimulate exports by establishing a department for trade consultation that provided data on world prices, product availability, types of trade, and other information to state and private enterprises as well as to foreign firms interested in doing business with Albania. The authorities planned to streamline the tariff system and abolish state trading enterprises.

In the lawlessness that beset Albania after the communist order began to break down, trade laws were generally ignored by the country's private businessmen and black marketeers, especially ethnic Albanians from Serbia's province of Kosovo (see Glossary) and émigrés in Europe and the United States. Graft pervaded the customs service. Italian soldiers said customs officers who inspected containers of aid from Italy left the Durrës dockyards with food jammed into their clothing. High-ranking government officials resigned after disclosures that they had smuggled to Greece 1,000 tons of Italian cooking oil sent as food aid. Peasants also smuggled



*The docks in the port city of Durrës  
Courtesy Charles Sudetic*