

MINISTRY OF FINANCE

On the negotiations for the conditions of accession in the Albanian goods market

A. The tendency of tax policy

1. In addition to the law “On Customs tariffs” no. 7609, dated 22.9.1992, it was approved also the first nomenclature of goods comprised of 97 subdivisions made compatible with the tax tariffs 5-10-15-20-30%. This is the first tariff Albanian structure and this was the first time that import goods were taxed with the intention to generate customs income for the budget as well as other economic and social aspects of customs taxation. These tariff scales were subdivided according to specific groups of goods based on the concept that raw material have minimal taxation, half products be taxed on average levels and luxury goods and goods of a high technology level should be taxed by maximal tariffs.
2. From the daily practice, it was observed that tariff scales were numerous and having in mind that this was the first nomenclature, the degree of its misinterpretations and misclassifications left a gap for an emphasized fiscal evasion. These were the main reason that in July 1993, the scales were reduced to 5-20-30%. We should emphasize that the subdivisions were the same 97 big groups of goods.
3. In the following years 1994 and 1995, these measures were accompanied by different amendments in the field of customs tariffs changing these tariffs, within these scales for different groups of goods. All these changes aimed at the protection of the local production, because during this period, there was a flourishing of economy and there was a tendency toward the investments in the field of production rather than the commercial field, thus resulting in the decrease of imports of ready products and increase of imports of raw materials utilized by such industries. The result of these changes was the new nomenclature of goods with six figures in conformity with the Harmonized System of year 1992 approved in May 1995. The tariff scales of this nomenclature were three 7-25-40 %. The mode of distribution is the same logic one: raw materials had minimal tariffs; half products had average tariffs and final and luxury goods had maximal tariffs.
4. The last tariff modification was in 1996 and which came into power in 1997 with the tariff scales 0-5-10-20-30%. This modification increased tariff scales from three into five, thus leaving gap for maneuvers and misinterpretations in the classification into these scales. Anyway, such a modification was not followed by a change in the mode of distribution of these subdivisions maintain the same criteria and same previous tariffs. Independent of the ideas to change this system, this change was not carried out as a result of the events in Albania during the last couple of years.
5. At the moment, according the ESAF agreement with the Internal Monetary Fund, it has been agreed that tariff levels for 1999 shall be 5-10-20%, for a short-term period, with the tendency that these scales be unified.

A. Budget implications of the requirements of different countries

As far as budget implications that may stem from the requirements presented by different countries during the bilateral negotiations, at the moment such requirements

can not be taken into consideration because up-to-date we have no trade in import or export for the structure of the required goods with the countries we negotiated. If the required goods become zero, we should consider the alteration of the import structure of goods after that change be implemented. At this moment, we can not calculate it.

0 Scheduled deadlines for the accession of different sectorial agreements

No.	Description of the Chapter	Years according to WTO	Proposed years
1.	Bear chap.22.03	8 years	10 years
2.	Distilled drinks, chp. 2208.20, 2208.30, 2208.90	10 years	10 years
3.	Chapters 47,48,49 (paper and card-paper and their by-products)	10 years	10 years
4.	Chapters 7206, 7229, 7301, 7317	Immediately	Maintain minimal tariff 5% or harmonize (exe..)
5.	Agricultural equipment (8432, 8433, 8434 and 8701.90) and construction equipment	5 years	5 years
6.	Medical equipment	5 years	5 years
7.	Furniture (Chapter 94)	5 years	8 years
8.	Toys, chapters 9501 - 9505	10 years	10 years
9.	The harmonizing of scrap iron and steel with tariffs 5.5 – 6.5%	Immediately	10 years
10	For all good utilized by the civil aviation	Immediately	Immediately
11	Drugs (Chapter 30, and a number of subgroups within chapter 28 and 29, as well as the total list of acknowledged products by the World Health Organization	Immediately	Immediately
12.	Harmonizing of tariffs in the degree 5.5 – 6.5% for goods included in chapter 28-39 (all the products of the chemical industry)	Immediately	5 years(ex..)
13.	ITA Agreement	Immediately	5 years(ex..)
14.	Harmonizing of textiles for fibers 5%, cloths 10%, constructed 12.5% and clothes 17.5%	Immediately	Immediately (clothes 20%)
15.	Wood, chapter 44	Immediately	5 years(ex..)
16	Oil seeds and their by products	Immediately	Esaf(ex..)
17	Fish and its by products	Immediately	Esaf(ex..)

1 Non-tariff barriers

The new customs Code is in the stage of approval in Parliament and is believed to come into power on March 1st, 1999. Concerning the customs evaluation issues, the procedures in this code are totally in conformity with those of WTO.

There is no change in the new Code concerning the inspection procedures before the transportation of goods. These procedures have not included at all in the new Code and has been though not to include them for the moment in the exchange information of our country.

The licensing of imports and exports, this is not carried out through the Customs Code which sets forth that the Council of Ministers or other interested Ministries may license an item in export or import according to the gamut of goods included in the spheres.

Thus, any Ministry performs a certain license for a certain goods and sends to the Customs Directory for application.

**REPUBLIC OF ALBANIA
COUNCIL OF MINISTERS**

DECISION

NO. 742, DATED 26.11.1998

ON

**APPROVAL IN PRINCIPLE OF THE REFERENCE TERMS OF THE PARIS
CLUB FOR THE LIQUIDATION OF THE FOREIGN DEBT**

On support of the article no. 36, of law no. 7491, dated 29.4.1991 "On main constitutional provisions", with the proposal of Ministry of Finance, the Council of Minister

DECIDED:

- 2 Approve in principal the "Terms of reference for the reduction and reorganization of the debt of the republic of Albania", determined on July 22, 1998, by the Paris Club.
1. The solving of the foreign debt, inherited for Italy, Russia and Denmark shall be based on the reference terms of the Paris Club, according to point 1 of this decision.
2. The crediting countries and institutions, that are not members of the Paris Club should be proposed that the solving of the inherited foreign debt to them should be carried out based on the reference terms of the Paris Club, according point 1 of this decision. The bilateral agreement with these creditors shall be carried out after the negotiations between the parties, on the final terms and conditions for the solving of the debt.
3. All bilateral agreements that shall be signed with foreign creditors according to points 2 and 3 on the solving of the debt, upon signature, shall be approved by the Council of ministers and shall be ratified by Parliament.

4. The Ministry of Finance is charged with the application of this decision.
5. This decision comes into power immediately.

PRIME MINISTER
PANDELI MAJKO