

# International Trade and Foreign Direct Investments: Albanian Case

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**Abstract:** *This paper observes the effects of international trade in Albania and related with it focuses more on the explanation of foreign direct investments and creation of outsources and franchises in Albania. Many theories have been adopted to explain the reasons why some countries agree to invest abroad and others to receive FDIs like; law of perfect markets, law of imperfect markets and other theories. According to INSTAT Albania started to recover with money transfers coming from immigrants which grew from US\$324 million in 1999 to US\$531 million in 2000. Investments in physical capital such as in ports, roads, transportation infrastructure have effected in Albanian International trade. Also investments in banking sector have affected economy in latest years. Portfolio investment and bank relationships between countries can increase the bilateral trade. Examples in Albania are Raiffeisen Bank that makes the relations between the German states and Albania which holds 19 “NOSTRO” accounts with 15 banks in all the world and helps in “creation of money”. Also NBG bank holds 8 “NOSTRO” accounts with all countries and makes most of the transactions between Greece and Albania. Also National Commercial Bank makes mostly the relations in transactions with Turkey, which is in Balkan region and nearest partner trading with Albania.*

*Government intervention has also effected in attracting FDI with its decisions in economical and political aspects which are: Albania “1 Euro” which can attract new investments since low prices occur; Low on concession and public procurement; “Law of foreign investments” ; Reduction of Corporate tax from 20 percentage (%) to 10 percentage (%). Some analyzes are done to determine the rate of effectiveness in international trade and licensing of foreign enterprises and businesses that operate in Albania. Negative and positive effects of foreign investments, according to trade balance, are mentioned to end up in a conclusion. Most of the dates are taken from Bank of Albania and INSTAT for 2000-2013 period and other reliable sources.*

**Keywords:** *International trade, FDI, markets, businesses, tax.*